

STATE OF NEW MEXICO

REPORT OF THE LEGISLATIVE FINANCE COMMITTEE
TO THE FIFTIETH LEGISLATURE
SECOND SESSION



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LEGISLATING FOR RESULTS:
APPROPRIATION RECOMMENDATION

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BUDGET SUMMARY
(Dollars in Thousands)

	FY11 2010-2011 Actuals	FY12 Operating Budget (Reduced)	FY13		
			Agency Request	LFC Recommen- dation	Percent Incr/(Decr) Over FY12
111 Legislative Council Service	4,852.3	5,368.2	5,368.2	5,419.0	0.9%
112 Legislative Finance Committee	3,688.2	3,842.3	3,879.0	3,922.8	2.1%
114 Senate Chief Clerk	872.1	1,101.1	1,101.1	1,111.9	1.0%
115 House Chief Clerk	844.3	1,054.5	1,054.5	1,065.1	1.0%
117 Legislative Education Study Committee	1,007.6	1,181.7	1,181.7	1,194.0	1.0%
119 Legislative Building Services (GAA)	3,665.8	3,853.1	3,853.2	3,881.6	0.7%
131 Legislative Information Systems	551.0	533.1	533.1	537.3	0.8%
131 Interim Committee Expenses	909.4	861.2	861.2	861.2	0.0%
131 Pre-Session Expenses	251.5	426.6	426.6	426.6	0.0%
131 Legislative Internship Program	32.8	42.6	42.6	42.6	0.0%
131 Senate Rules Interim Committee	20.6	20.5	20.5	20.5	0.0%
131 Energy Council Dues (GAA)	31.8	32.0	32.0	32.0	0.0%
TOTAL	\$16,727.4	\$18,316.9	\$18,353.7	\$18,514.6	1.1%

NON-RECURRING

2012 Legislature	\$4,878.1*
2011 Legislature	\$9,159.4
2010	\$4,878.1
2009	\$8,326.7

*Appropriation for the 2012 30-day legislative session will be made by the Legislature in January 2011. The budgeted amount of \$4,878.1 was provided by the Legislative Council Service.

Appropriation for the 2013 60-day legislative session will be made by the Legislature in January 2013.

The LFC recommendation includes \$160.9 from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

TRANSMITTAL OF ESTIMATES

Appropriation estimates for the operation of the legislative branch of government are transmitted herewith by the Legislative Finance Committee. Estimates have been supplied by the Legislative Council Service, Legislative Finance Committee, Legislative Education Study Committee, Legislative Building Services, Senate chief clerk, and House chief clerk.

All appropriations to the legislative branch of government are made through the feed bill, except for those indicated by (GAA), which are made through the General Appropriation Act.

STATUTORY AUTHORITY:

Sections 18-1-1 through 18-1-12 NMSA 1978 provide for a Supreme Court Law Library for use by all citizens of New Mexico. The management, control, and supervision of the library are the responsibility of a board of trustees consisting of the Supreme Court justices. In addition to general circulation, the Supreme Court Law Library provides reference support, acquisition and update of legal materials, and research assistance. Its other major function is to provide guidelines, rules, and training to ensure the maintenance of all district court libraries.

MISSION:

The mission of the Supreme Court Law Library is to provide access to the primary law and related legal materials to the citizens of the state of New Mexico, including the judiciary, the Legislature, and the executive branches of state government, as well as the general public, and in so doing fulfill the constitutional requirement of providing equal access to justice.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,559.9	1,483.8	1,511.7	1,505.6	1.5
Other Revenues	1.8	1.8	1.8	1.8	0.0
SOURCES TOTAL	1,561.7	1,485.6	1,513.5	1,507.4	1.5
USES					
Personal Services and Employee Benefits	616.0	635.0	645.0	628.9	-1.0
Contractual Services	356.9	362.5	382.2	382.2	5.4
Other	583.7	488.1	486.3	496.3	1.7
TOTAL USES	1,556.6	1,485.6	1,513.5	1,507.4	1.5
FTE					
Permanent	8.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	8.0	8.0	8.0	8.0	0.0

BUDGET ISSUES:

For FY13, the Supreme Court Law Library requested a \$27.9 thousand, or two percent, increase over the FY12 operating budget. The committee recommends a 1.5 percent increase that will require the library to prioritize needs in staffing. The committee recommendation reduces the personal services and employee benefits category by 1 percent to account for a vacant half time senior law librarian position which the agency has no intention to fill during FY13. The recommendation provides \$8.4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The Library is currently authorized 8 FTE positions.

The committee recommends full funding for the contractual services and other costs categories. A funding increase in contractual services is necessary due to the increased cost of subscriptions, book purchases, as well as legal research services such as Westlaw. The recommendation provides \$10 thousand in the other costs category to allow the library to maintain its collection.

SUPREME COURT LAW LIBRARY

The purpose of the supreme court law library is to provide and produce legal information for the judicial, legislative and executive branches of state government, the legal community and the public at large so they may have equal access to the law, effectively address the courts, make laws and write regulations, better understand the legal system, and conduct their affairs in accordance with the principles of law.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Percent of updated titles	65.5%	59.5%	70%	70%	70%
Quality	Percent of staff time spent on shelving and updating library materials	24.25%	23.00%	<20%	<20%	<20%
Output	Number of website hits	107,544	104,208	90,000	90,000	100,000
* Output	Number of research requests	9,420	8,883	7,000	7,000	8,000

STATUTORY AUTHORITY:

The New Mexico Compilation Commission was established by Sections 12-1-1 through 12-1-14 NMSA 1978 and is responsible for publishing, selling, and distributing the New Mexico Statutes Annotated (NMSA), opinions and rules of the court, "New Mexico Reports," Attorney General opinions, the "Magistrate and Metropolitan Bench Book," and the "Juvenile Probation Officers Manual." The commission also maintains a computer database of each publication. In addition, the commission drafts Supreme Court rules, jury instructions, and civil and criminal forms on a contractual basis. It serves as staff to the Supreme Court rules committee, assists in the publication of the Secretary of State's session laws, and is authorized to prepare and keep current parallel tables of the New Mexico statutes.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	158.6	0.0	0.0	0.0	
Other Transfers	400.0	400.0	400.0	400.0	0.0
Other Revenues	1,335.0	1,573.9	1,573.9	1,579.3	0.3
SOURCES TOTAL	1,893.6	1,973.9	1,973.9	1,979.3	0.3
USES					
Personal Services and Employee Benefits	466.5	501.2	501.2	506.6	1.1
Contractual Services	1,083.8	1,339.7	1,339.7	1,339.7	0.0
Other	138.5	133.0	133.0	133.0	0.0
TOTAL USES	1,688.8	1,973.9	1,973.9	1,979.3	0.3
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

BUDGET ISSUES:

The New Mexico Compilation Commission receives most of its operating revenue from the sale of annotated statutes and supplements (including electronic versions of NMSA) and from the sale of court opinions and Attorney General opinions. Additional revenue for the Compilation Commission is derived from a portion of court fees received from civil cases filed in district court, though the commission is anticipating decreased revenue from civil action filing fees as well as sales.

For FY13, the commission's budget request is made up of four components: a transfer from the Legislative Council Service of \$400 thousand to the commission, \$573.2 thousand from civil action filing fees, \$1 million from the sale of products and supplemental funds from cash balances. The FY13 request includes \$255 thousand in one-time expenses related to publishing and technology improvements and upgrades.

The committee recommendation includes \$5.4 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

NEW MEXICO COMPILATION COMMISSION

The purpose of the New Mexico compilation commission is to publish in print and electronic format, distribute and sell (1) laws enacted by the legislature, (2) opinions of the supreme court and court of appeals, (3) rules approved by the supreme court, (4) attorney general opinions and (5) other state and federal rules and opinions. The commission ensures the accuracy and reliability of its publications.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Amount of revenue collected, in thousands	\$1,545.5	\$1255.7	\$1,300.0	\$1,300.0	\$1,300.0

STATUTORY AUTHORITY:

An amendment to Article VI, Section 32, of the New Mexico Constitution created the Judicial Standards Commission to provide a means for disciplining judges at all levels of the judiciary. The commission consists of 11 members: six lay people appointed by the governor, two attorneys elected by the New Mexico Bar Association board of commissioners, and three members appointed by the Supreme Court. The latter three positions are filled by a Supreme Court justice, a magistrate judge, and a Court of Appeals or district court judge. The six lay members serve five-year terms, while the attorney and judge members serve four-year terms.

MISSION:

The Judicial Standards Commission serves to protect the public from the improper conduct and behavior of judges, to preserve the integrity of the judicial process, to maintain public confidence in the judiciary, to create a greater awareness of proper judicial behavior on the part of the judiciary and the public, and to provide for the expeditious disposition of complaints of judicial misconduct. The commission also maintains a duty to the judiciary to maintain the strict confidentiality of all matters before the commission until such time as the matters are filed in the New Mexico Supreme Court.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	731.3	706.9	737.7	742.9	5.1
Other Revenues	2.1	25.0	25.0	25.0	0.0
SOURCES TOTAL	733.4	731.9	762.7	767.9	4.9
USES					
Personal Services and Employee Benefits	568.7	572.0	600.5	607.2	6.2
Contractual Services	18.6	28.0	28.0	28.0	0.0
Other	129.9	131.9	134.2	132.7	0.6
TOTAL USES	717.2	731.9	762.7	767.9	4.9
FTE					
Permanent	7.0	7.0	7.0	7.0	0.0
Temporary	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	8.0	8.0	7.0	7.0	-12.5

BUDGET ISSUES:

For FY13, the Judicial Standards Commission requested a 4 percent, or \$29.3 thousand, increase over its FY12 operating budget. This funding would allow the agency to remain fully staffed and provide for continued travel. The committee recommendation deletes 1 temporary, vacant FTE and would allow the commission to keep its seven authorized FTE filled in FY13. The committee recommendation includes \$6.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The increase in personal services and employee benefits is largely attributable to the commission no longer maintaining vacancies as well as the reversal of the retirement swap.

In FY11, the commission disposed of 153 cases including 19 cases involving nine judges concluded through formal proceedings, and 13 cases concerning six judges disposed after termination of judicial office. These cases include removals, retirements, or resignations after the commission had filed matters with and requested actions by the Supreme Court. One case was abated by confidential stipulation with a judge to permanently resign from judicial office.

JUDICIAL STANDARDS COMMISSION

The purpose of the judicial standards commission program is to provide a public review process addressing complaints involving judicial misconduct to preserve the integrity and impartiality of the judicial process.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
* Efficiency	On knowledge of cause for emergency interim suspension, time for commission to file petition for temporary suspension, in days	3	0.6	2	4	4
Output	Time for release of annual report to the public, from the end of the fiscal year, in months	2	2	2	3	3
Efficiency	For cases in which formal charges are filed, average time for formal hearings to be held, in meeting cycles	3	2	3	6	6

STATUTORY AUTHORITY:

The Court of Appeals was established by constitutional amendment in 1965. Its statutory authority is found in Sections 34-5-1 through 34-5-14 NMSA 1978. The court has no original jurisdiction but reviews certain types of cases on appeal: violations of municipal or county ordinances where a fine or imprisonment is imposed; decisions of state administrative agencies; all actions under the Workers' Compensation Act, the New Mexico Occupational Disease Disablement Law, the Subsequent Injury Act, and the federal Employers' Liability Act; and criminal action from the district courts, except those involving the death penalty or life imprisonment. Section 34-5-8 NMSA 1978 was amended in 1983 to include appeals of civil actions not specifically reserved for the jurisdiction of the Supreme Court by the Constitution or by law. The Court of Appeals consists of 10 judges elected statewide for eight-year terms and maintains offices in Santa Fe and Albuquerque.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	5,472.2	5,339.4	5,446.2	5,514.3	3.3
Other Revenues	1.9	1.0	1.0	1.0	0.0
SOURCES TOTAL	5,474.1	5,340.4	5,447.2	5,515.3	3.3
USES					
Personal Services and Employee Benefits	4,892.5	4,924.9	4,982.9	5,051.0	2.6
Contractual Services	92.9	27.0	75.8	75.8	180.7
Other	458.8	388.5	388.5	388.5	0.0
TOTAL USES	5,444.2	5,340.4	5,447.2	5,515.3	3.3
FTE					
Permanent	62.5	61.5	61.5	61.5	0.0
TOTAL FTE POSITIONS	62.5	61.5	61.5	61.5	0.0

BUDGET ISSUES:

For FY13, the Court of Appeals has requested an increase of \$106.8 thousand or 2 percent. The request maintains a vacancy rate of 4.5 percent. The FY13 committee recommendation increased personal services by \$126 thousand, or 2.6 percent. The committee recommendation includes \$68 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The contractual services category has increased by \$48.8 thousand, or 181 percent, over FY12. The increase will allow the court to initiate contracts for security and maintenance. The contracts will support the operations in the Albuquerque facility.

The Court of Appeals Annex in Albuquerque was completed in November 2009. The completion of the facility coincided with decreasing revenues for the state. The Court of Appeals general fund appropriation, its only source of revenue, has decreased by 8 percent since FY09.

COURT OF APPEALS

The purpose of the court of appeals program is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

	FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory Cases disposed as a percent of cases filed	101%	104%	95%	95%	95%

STATUTORY AUTHORITY:

Article VI of the constitution of New Mexico provides for a Supreme Court consisting of five justices, including a chief justice. The Supreme Court is considered the court of last resort in the state of New Mexico, having original jurisdiction in quo warranto and the mandamus against all state officers, boards, and commissions, as well as superintending control over all lower courts. The Supreme Court also has the power to issue writs.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	2,853.1	2,783.9	2,842.6	2,879.3	3.4
SOURCES TOTAL	2,853.1	2,783.9	2,842.6	2,879.3	3.4
USES					
Personal Services and Employee Benefits	2,688.2	2,681.6	2,740.3	2,777.0	3.6
Contractual Services	11.9	14.2	14.2	14.2	0.0
Other	145.7	88.1	88.1	88.1	0.0
TOTAL USES	2,845.8	2,783.9	2,842.6	2,879.3	3.4
FTE					
Permanent	34.0	34.0	34.0	34.0	0.0
TOTAL FTE POSITIONS	34.0	34.0	34.0	34.0	0.0

BUDGET ISSUES:

For FY13, the Supreme Court requested a 2 percent increase over the FY12 operating budget. The increase would be applied to personal services and employee benefits to allow the court to fill vacant positions. The court is currently maintaining three vacant positions to avoid furloughs or layoffs. The committee recommendation fully funds the FY13 Supreme Court request.

The committee recommendation includes \$36.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

SUPREME COURT

The purpose of the supreme court program is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

	FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory Cases disposed as a percent of cases filed	102.6%	102.6%	95%	95%	98%

STATUTORY AUTHORITY:

The Supreme Court Building Commission was established by Sections 34-3-1 through 34-3-3 NMSA 1978. The commission consists of three New Mexico residents appointed by the Supreme Court who serve without pay. The building superintendent is directly responsible to the commission for supervision of custodial staff and for the preservation and maintenance of the Supreme Court building and its grounds. The commission is further charged with maintaining accurate fixed assets records for furniture, fixtures, and equipment acquired by the judiciary.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	771.5	777.5	848.9	833.4	7.2
SOURCES TOTAL	771.5	777.5	848.9	833.4	7.2
USES					
Personal Services and Employee Benefits	616.0	618.5	680.6	665.1	7.5
Contractual Services	9.4	10.5	10.7	10.7	1.9
Other	143.7	148.5	157.6	157.6	6.1
TOTAL USES	769.1	777.5	848.9	833.4	7.2
FTE					
Permanent	15.8	15.8	15.8	15.0	-4.8
TOTAL FTE POSITIONS	15.8	15.8	15.8	15.0	-4.8

BUDGET ISSUES:

For FY13, the Supreme Court Building Commission requested a 9.2 percent increase over the FY12 operating budget. The commission currently maintains two vacant positions. The committee recommendation provides a 7 percent increase, which will allow the commission to provide adequate security to the Supreme Court facility. The committee recommendation deletes one 0.75 FTE evening custodian position, unfilled since February 2010.

The committee recommendation includes \$7.5 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The building commission received \$700 thousand in capital outlay funds during the 2011 special legislative session. The commission intends to use the funding to replace or upgrade the roof at the Supreme Court facility in Santa Fe.

SUPREME COURT BUILDING COMMISSION

The purpose of the supreme court building commission is to retain custody and control of the supreme court building and its grounds and to provide care, preservation, repair, cleaning, heating and lighting and to hire necessary employees for these purposes.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Quality	Accuracy of fixed-assets inventory records	100%		100%	100%	100%

STATUTORY AUTHORITY:

The Administrative Office of the Courts (AOC) is statutorily created in Sections 34-9-1 through 34-9-16 NMSA 1978 to be established in the seat of government and supervised by a director appointed by the New Mexico Supreme Court. The agency has four recognized programs: Administrative Support, Magistrate Court, Statewide Judiciary Automation, and Special Court Services. The AOC is the oversight agency for the judiciary, supervising all matters relating to the administration of the courts.

MISSION:

The mission of the Administrative Office of the Courts (AOC) is to administer the Magistrate Court Program and the Statewide Judiciary Automation Program, provide guidance and technical assistance to all judicial agencies, and provide funding and oversight for special court services.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	40,157.6	38,252.7	40,341.0	39,878.5	4.3
Other Transfers	3,622.9	2,657.3	2,657.3	2,659.4	0.1
Federal Revenues	966.3	965.3	965.3	966.1	0.1
Other Revenues	12,359.7	12,019.9	12,038.8	12,091.2	0.6
Fund Balance	188.1	1,344.4	794.4	794.4	-40.9
SOURCES TOTAL	57,294.6	55,239.6	56,796.8	56,389.6	2.1
USES					
Personal Services and Employee Benefits	27,093.8	25,969.3	27,927.6	27,893.6	7.4
Contractual Services	8,176.8	9,415.8	9,537.5	9,167.3	-2.6
Other	16,691.9	17,820.6	17,348.5	17,345.5	-2.7
Other Financing Uses	1,950.3	2,033.9	1,983.2	1,983.2	-2.5
TOTAL USES	53,912.8	55,239.6	56,796.8	56,389.6	2.1
FTE					
Permanent	365.5	367.8	369.8	369.8	0.5
Term	69.5	69.5	70.5	69.5	0.0
TOTAL FTE POSITIONS	435.0	437.3	440.3	439.3	0.5

BUDGET ISSUES:

The Administrative Office of the Courts (AOC) requested a 5.4 percent, or \$2.1 million, general fund increase over the FY12 appropriation. The request included \$500 thousand from the general fund for the Judicial Information Division and \$1.3 million for magistrate courts. The AOC requested a 2 percent, or \$139 thousand, increase for the Administrative Support Program. The budget request for jury, witness, and interpretation services was flat relative to FY12. The Supreme Court allowed for jury pay to be cut, beginning in FY12, from \$7.50 an hour to \$6.25 an hour.

For FY13, the committee recommends \$39.9 million from the general fund, a 4.3 percent increase. The recommendation prioritizes spending in the personal services and employee benefits category to avoid furloughs in the magistrate courts statewide. The committee recommendation includes \$290.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly.

The committee recommendation provides a 0.9 percent increase to the Administrative Support Program to allow the AOC to fill a position in the Financial Services Division vacant since FY09.

The Statewide Judiciary Automation Program is supported primarily by the Supreme Court automation fund (SCAF) and the municipal court automation fund. For FY13, the recommendation for the automation program includes a 9.5 percent, or \$220.7 thousand, general fund increase. The Judiciary Information Division (JID) has increasingly relied on fund balances in SCAF to make up for declining general fund appropriations, and while the JID has been able to avoid furloughs, the projected available fund balance in FY13 will be \$100 thousand less than the available balance in FY12. This comes at a time when the JID is engaged in a project to implement a new case management system, Odyssey, in courts statewide.

The Odyssey system will allow for the automation of case filing and promises to provide filing efficiencies by reducing the need to docket case events separately from the filed documents and by reducing the need for maintaining paper-based files. To quantify the potential savings, courts will have to gather data on the cost of supplies, storage, and clerk time to pull physical files. The business process change will involve a change in how clerks, judges, and attorneys handle cases. The committee recommendation will allow the JID to continue the Odyssey roll-out on schedule.

The committee recommends a 4.9 percent, or \$1.1 million, increase from the general fund for the Magistrate Court Program. The recommendation would provide magistrate courts with \$23.2 million from the general fund, sufficient to replace fund balance and avoid furloughs in FY13.

The AOC request included an additional \$400 thousand to fill eight vacant clerk positions as well as to reclassify 89 clerk 1 positions to clerk 2 positions. The committee does not recommend these increases.

The Special Court Services Program comprises the Court Appointed Special Advocates (CASA) program, supervised visitation, water rights and adjudication litigation, court-appointed attorney fund (CAAF), and judges pro tem. The recommendation includes a general fund increase of 3 percent, or \$205 thousand. The recommendation supports the program's alternative dispute resolution (ADR) efforts as well as provides for an increase in funding for the CAAF and CASA programs.

The AOC request included \$800 thousand from the local DWI grant fund administered by the Department of Finance and Administration to support drug-court programs statewide. The DFA budget did not include the \$800 thousand for the AOC, though the committee recommends the funding be included in the FY13 appropriation. Separately, the AOC is pursuing legislation to alter the distribution of the liquor excise tax. Currently, fund revenue is divided between the local DWI fund (41.5 percent) and the general fund (58.5 percent). The legislation would change the distribution so that the AOC would receive 3.5 percent, while the general fund distribution would fall to 55 percent and the local DWI fund would continue to receive 41.5 percent. This change would generate \$1.6 million in revenue for the AOC for drug courts but decrease general fund revenue by \$1.6 million.

The AOC has been working to create reform in the judiciary through the efforts of the re-engineering commission. The re-engineering commission was formed by the Supreme Court to find a way for the courts to work more effectively in the face of budget austerity. The commission has introduced proposals to create efficiencies within the judiciary; some of the proposals might be implemented through administrative process or rule change, others will require statutory change. The FY13 AOC budget request reflected many of the proposals of the commission, including an aggressive effort to expand the use of technology to create efficiency as well as pursuing programs such as ADR to decrease docket backlogs.

BASE EXPANSION:

The AOC is requesting an expansion of 2 FTE: an ADR coordinator (0.5 FTE) and a statewide program manager for the supervised visitation program (0.5 FTE), both in the Special Court Services Program, and a jury and witness coordinator (1 FTE) in the Administrative Support Program. The committee recommends adoption of both expansion positions. The jury and witness coordinator position would not require additional general funding as the intention of the AOC is to transfer money from contractual services to pay for the position. The ADR coordinator position would require an additional \$33 thousand from the general fund, and the statewide program manager would replace the need for a currently budgeted contract thus having no net general fund impact. The total general fund cost of the 2 FTE requested will be \$33 thousand.

BASE EXPANSION LISTING
FY13 - 2012-2013

Agency Rank		(Program)	Agency Request	LFC Recommendation
3	Jury Program Manager	(P559)	0.0	0.0
3	DWI Drug Court Program Supervisor	(P610)	0.0	0.0
1	ADR Coordinator	(P620)	33.0	33.0
4	Statewide Program Manager	(P620)	0.0	0.0
TOTAL			33.0	33.0

ADMINISTRATIVE SUPPORT

The purpose of the administrative support program is to provide administrative support to the chief justice, all judicial branch units and the administrative office of the courts so that they can effectively administer the New Mexico court system.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	7,920.7	6,963.6	7,102.9	7,071.2	1.5
Other Transfers	570.0	617.3	617.3	619.4	0.3
Federal Revenues	966.3	965.3	965.3	966.1	0.1
Other Revenues	2,327.5	2,025.0	2,025.0	2,025.0	0.0
Fund Balance	18.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	11,802.5	10,671.2	10,810.5	10,781.7	1.0
USES					
Personal Services and Employee Benefits	3,283.2	3,065.0	3,188.7	3,159.9	3.1
Contractual Services	1,140.3	1,480.4	1,496.0	1,496.0	1.1
Other	6,263.8	6,125.8	6,125.8	6,125.8	0.0
TOTAL USES	10,687.3	10,671.2	10,810.5	10,781.7	1.0
FTE					
Permanent	37.5	37.8	38.8	38.8	2.6
Term	4.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	41.5	40.8	41.8	41.8	2.5

PERFORMANCE MEASURES

	FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output Average cost per juror	\$55.68	\$53.86	\$50	\$50	\$50

STATEWIDE JUDICIARY AUTOMATION

The purpose of the statewide judicial automation program is to provide development, enhancement, maintenance and support for core court automation and usage skills for appellate, district, magistrate and municipal courts and ancillary judicial agencies.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,514.5	2,315.9	2,810.4	2,536.6	9.5
Other Revenues	5,545.3	6,044.1	5,914.1	5,934.4	-1.8
Fund Balance	0.0	584.4	484.4	484.4	-17.1
SOURCES TOTAL	8,059.8	8,944.4	9,208.9	8,955.4	0.1
USES					
Personal Services and Employee Benefits	4,456.9	4,213.3	4,554.1	4,698.1	11.5
Contractual Services	885.4	1,360.7	1,460.7	1,066.2	-21.6
Other	2,565.3	3,370.4	3,194.1	3,191.1	-5.3
TOTAL USES	7,907.6	8,944.4	9,208.9	8,955.4	0.1
FTE					
Permanent	41.5	42.5	42.5	42.5	0.0
Term	9.0	9.0	9.0	9.0	0.0
TOTAL FTE POSITIONS	50.5	51.5	51.5	51.5	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Quality	Percent of accurate driving-while-intoxicated court reports	91.5%	87.4%	98%	98%	98%
* Quality	Average time to respond to automation calls for assistance, in minutes			25	25	25
Output	Number of help desk calls for assistance	10,905	14,096	6,000	6,000	6,000
Quality	Average time to resolve automation calls for assistance, in hours	25	19.1	12	12	12
Quality	Judicial computer user qualitative rating of judicial information program help desk support		4.78	3	3	3

MAGISTRATE COURT

The purpose of the magistrate court and warrant enforcement program is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status in order to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	22,474.5	22,116.7	23,401.4	23,209.2	4.9
Other Transfers	1,503.0	800.0	800.0	800.0	0.0
Other Revenues	4,486.9	3,950.8	4,099.7	4,131.8	4.6
Fund Balance	170.1	660.0	210.0	210.0	-68.2
SOURCES TOTAL	28,634.5	27,527.5	28,511.1	28,351.0	3.0
USES					
Personal Services and Employee Benefits	19,078.5	18,479.9	19,764.6	19,604.5	6.1
Contractual Services	289.0	738.5	738.5	738.5	0.0
Other	7,837.5	8,309.1	8,008.0	8,008.0	-3.6
TOTAL USES	27,205.0	27,527.5	28,511.1	28,351.0	3.0
FTE					
Permanent	286.5	284.5	284.5	284.5	0.0
Term	56.5	57.5	58.5	57.5	0.0
TOTAL FTE POSITIONS	343.0	342.0	343.0	342.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Bench warrant revenue collected annually, in millions	\$3.15	\$3.43	\$2.4	\$2.4	\$2.8
* Explanatory	Percent of cases disposed as a percent of cases filed	96.6%	106.1%	95%	95%	95%
Efficiency	Percent of magistrate courts financial reports submitted to fiscal services division and reconciled on a monthly basis	95.8%	97.8%	100%	100%	100%

SPECIAL COURT SERVICES

The purpose of the special court services program is to provide court advocates, legal counsel and safe exchanges for children and families; to provide judges pro tem; and to adjudicate water rights disputes so the constitutional rights and safety of citizens, especially children and families, are protected.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	7,247.9	6,856.5	7,026.3	7,061.5	3.0
Other Transfers	1,549.9	1,240.0	1,240.0	1,240.0	0.0
SOURCES TOTAL	8,797.8	8,096.5	8,266.3	8,301.5	2.5
USES					
Personal Services and Employee Benefits	275.2	211.1	420.2	431.1	104.2
Contractual Services	5,862.1	5,836.2	5,842.3	5,866.6	0.5
Other	25.3	15.3	20.6	20.6	34.6
Other Financing Uses	1,950.3	2,033.9	1,983.2	1,983.2	-2.5
TOTAL USES	8,112.9	8,096.5	8,266.3	8,301.5	2.5
FTE					
Permanent	0.0	3.0	4.0	4.0	33.3
TOTAL FTE POSITIONS	0.0	3.0	4.0	4.0	33.3

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of required events attended by attorneys in abuse and neglect cases	7,982	5,730	7,800	7,000	7,000
* Output	Number of cases to which court-appointed special advocates volunteers are assigned	1,085	869	1,000	900	1,000
* Output	Number of monthly supervised child visitations and exchanges conducted	534	1,125	500	1,000	1,000

STATUTORY AUTHORITY:

The New Mexico district courts are statutorily created in sections 34-6-1 through 34-6-46 NMSA 1977. New Mexico has 13 Judicial districts over which 90 judges preside. Distribution and number of judgeships is determined in New Mexico statute. In the last six years, 17 district judgeships have been statutorily created.

The district courts have jurisdiction over all matters not specifically excepted by the New Mexico Constitution, including common law disputes, felony criminal actions, and statutorily directed matters involving children. The district courts have appellate jurisdiction over most decisions rendered by lower courts and administrative agencies. They may appoint or remove conservators, guardians, and specified public officials. They may commit persons to the care of the state, issue writs of aid of jurisdiction, and promulgate court rules consistent with rules established by the Supreme Court.

MISSION:

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	65,978.2	64,992.4	67,275.8	67,609.6	4.0
Other Transfers	4,953.4	4,993.9	4,771.9	4,810.8	-3.7
Federal Revenues	149.2	0.0	0.0	0.0	
Other Revenues	2,373.3	2,528.8	2,748.5	2,771.0	9.6
Fund Balance	683.7	570.0	539.4	539.4	-5.4
SOURCES TOTAL	74,137.7	73,085.1	75,335.6	75,730.8	3.6
USES					
Personal Services and Employee Benefits	63,533.7	63,847.9	65,966.7	66,467.9	4.1
Contractual Services	5,421.1	6,038.4	5,940.5	5,900.5	-2.3
Other	4,292.6	3,198.8	3,428.4	3,362.4	5.1
TOTAL USES	73,247.4	73,085.1	75,335.6	75,730.8	3.6
FTE					
Permanent	970.6	961.5	965.0	964.0	0.3
Term	68.8	65.3	72.8	68.8	5.4

BUDGET ISSUES:

District courts participate in the judicial "unified budget" by proposing and gaining support for their submitted budgets through the judiciary budget committee and the Chief Judges Council (CJC). For FY13, the budget committee recommended courts request increases of no more than 2 percent unless circumstances, such as the possibility of layoffs or furloughs, warranted increases in excess of 2 percent.

For FY13, the judiciary budget committee approved a 3.5 percent, or \$2.3 million, increase from the general fund over the FY12 operating budget. According to the CJC, the 3.5 percent increase will avoid furloughs, allow the courts to stay open, and maintain the existing level of services in FY13. Many of the courts requested increases in the personal services and employee benefits category. The increases were intended to avoid furloughs and enable courts to fill vacant positions.

For FY13, the committee recommends a 4 percent, or \$2.6 million, increase from the general fund for district courts. The recommendation will adequately fund the personal services and employee benefits category and ensure that courts will not have to furlough or layoff employees. Over the past eight quarters, district courts statewide have had an average vacancy rate of 11 percent. The committee recommendation will allow the courts to achieve a vacancy rate of less than 10 percent.

The committee recommendation includes \$365.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly.

The committee received a request for a special appropriation that includes funding for five judgeships for the last six months of FY13. The committee recommends funding for the top two judgeship priorities. The request for special appropriation includes two judgeships for the 13th Judicial District court, two for the 2nd Judicial District court, and one for Metropolitan Court.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	6,031.5	5,890.9	6,068.7	6,115.7	3.8
Other Transfers	467.5	429.4	485.4	489.1	13.9
Federal Revenues	36.1	0.0	0.0	0.0	
Other Revenues	308.1	463.8	463.8	466.9	0.7
SOURCES TOTAL	6,843.2	6,784.1	7,017.9	7,071.7	4.2
USES					
Personal Services and Employee Benefits	6,144.0	6,158.5	6,410.4	6,504.2	5.6
Contractual Services	269.4	248.3	344.3	304.3	22.6
Other	414.2	377.3	263.2	263.2	-30.2
TOTAL USES	6,827.6	6,784.1	7,017.9	7,071.7	4.2
FTE					
Permanent	86.0	86.0	86.0	86.0	0.0
Term	8.8	8.8	8.8	8.8	0.0
TOTAL FTE POSITIONS	94.8	94.8	94.8	94.8	0.0

FIRST JUDICIAL DISTRICT COURT

The purpose of the first judicial district court program, statutorily created in Santa Fe, Rio Arriba and Los Alamos counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	92.2%	100.7%	100%	100%	100%
* Quality	Recidivism of adult drug-court graduates	11.39%	19.28%	9%	9%	9%
* Quality	Recidivism of juvenile drug-court graduates	17.24%	17.24%	15%	15%	15%
* Output	Number of adult drug-court graduates	27	33	18	18	18
* Output	Number of juvenile drug-court graduates	9	9	17	17	17
Output	Median number of days to process vendor payment vouchers	12.8	13	18	18	18
* Output	Number of days to process juror payment vouchers	2.4	2.5	5	5	5
Explanatory	Graduation rate, juvenile drug court	34.62%	40.91%	50%	50%	50%
Explanatory	Graduation rate, adult drug court	32.53%	56.90%	45%	45%	45%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	20,271.6	20,103.8	21,072.2	21,051.5	4.7
Other Transfers	971.2	952.6	965.0	976.3	2.5
Other Revenues	1,411.6	1,486.2	1,720.3	1,738.5	17.0
Fund Balance	481.3	296.0	256.7	256.7	-13.3
SOURCES TOTAL	23,135.7	22,838.6	24,014.2	24,023.0	5.2
USES					
Personal Services and Employee Benefits	21,392.4	21,958.8	22,763.4	22,772.2	3.7
Contractual Services	223.6	218.0	242.1	242.1	11.1
Other	970.4	661.8	1,008.7	1,008.7	52.4
TOTAL USES	22,586.4	22,838.6	24,014.2	24,023.0	5.2
FTE					
Permanent	331.5	326.5	326.5	326.5	0.0
Term	32.0	28.5	36.0	32.0	12.3
TOTAL FTE POSITIONS	363.5	355.0	362.5	358.5	1.0

SECOND JUDICIAL DISTRICT COURT

The purpose of the second judicial district court program, statutorily created in Bernalillo county, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	96.9%	100.0%	95%	95%	95%
* Quality	Recidivism of adult drug-court graduates	2.64%	3.64%	8%	8%	8%
* Quality	Recidivism of juvenile drug-court graduates	29.41%	27.59%	10%	10%	10%
* Output	Number of adult drug-court graduates	107	134	130	130	130
* Output	Number of juvenile drug-court graduates	21	16	20	20	20
Output	Median number of days to process vendor payment vouchers	<1	1	5	5	5
* Output	Number of days to process juror payment vouchers	19	14	14	14	14
Explanatory	Graduation rate, adult drug court	52.97%	67.34%	55%	55%	55%
Explanatory	Graduation rate, juvenile drug court	52.50%	57.14%	70%	70%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	5,997.2	5,827.4	5,943.9	6,064.4	4.1
Other Transfers	628.2	662.4	662.4	668.8	1.0
Other Revenues	169.9	110.0	110.0	111.2	1.1
Fund Balance	6.4	85.0	85.0	85.0	0.0
SOURCES TOTAL	6,801.7	6,684.8	6,801.3	6,929.4	3.7
USES					
Personal Services and Employee Benefits	5,668.7	5,753.6	5,820.6	5,948.7	3.4
Contractual Services	780.2	748.2	779.4	779.4	4.2
Other	316.6	183.0	201.3	201.3	10.0
TOTAL USES	6,765.5	6,684.8	6,801.3	6,929.4	3.7
FTE					
Permanent	88.3	85.3	85.3	85.3	0.0
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	94.8	91.8	91.8	91.8	0.0

THIRD JUDICIAL DISTRICT COURT

The purpose of the third judicial district court program, statutorily created in Dona Ana county, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	97.8%	92.6%	90%	90%	90%
* Quality	Recidivism of adult drug-court graduates	7.14%	9.30%	10%	10%	10%
* Quality	Recidivism of juvenile drug-court graduates	11.48%	13.51%	15%	15%	15%
* Output	Number of adult drug-court graduates	33	27	30	30	30
* Output	Number of juvenile drug-court graduates	25	24	20	20	20
Output	Median number of days to process vendor payment vouchers	8.1	10	5	5	5
* Output	Number of days to process juror payment vouchers	20	20	14	14	14
Explanatory	Graduation rate, adult drug court	73.33%	71.05%	65%	65%	65%
Explanatory	Graduation rate, juvenile drug court	69.44%	66.67%	70%	70%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,962.1	1,943.3	2,069.2	2,027.0	4.3
Other Transfers	109.1	147.7	48.4	48.4	-67.2
Other Revenues	23.5	25.0	25.0	25.0	0.0
Fund Balance	4.2	2.0	2.0	2.0	0.0
SOURCES TOTAL	2,098.9	2,118.0	2,144.6	2,102.4	-0.7
USES					
Personal Services and Employee Benefits	1,810.1	1,791.9	1,880.7	1,904.5	6.3
Contractual Services	120.6	214.6	65.7	65.7	-69.4
Other	165.8	111.5	198.2	132.2	18.6
TOTAL USES	2,096.5	2,118.0	2,144.6	2,102.4	-0.7
FTE					
Permanent	29.5	29.5	29.5	29.5	0.0
TOTAL FTE POSITIONS	29.5	29.5	29.5	29.5	0.0

FOURTH JUDICIAL DISTRICT COURT

The purpose of the fourth judicial district court program, statutorily created in Mora, San Miguel and Guadalupe counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	96.3%	104.8%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	4.5	<1	5	5	5
* Output	Number of days to process juror payment vouchers	<1	3.5	12	12	12
* Explanatory	Graduation rate, juvenile drug court	90.91%	100%	70%	70%	70%
* Quality	Recidivism of juvenile drug-court graduates	21.88%	18.75%	15%	15%	15%
* Output	Number of juvenile drug-court graduates	10	11	9	9	9

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	5,718.9	5,651.3	5,764.3	5,839.8	3.3
Other Transfers	280.3	299.3	268.2	268.4	-10.3
Federal Revenues	19.5	0.0	0.0	0.0	
Other Revenues	97.9	95.0	105.0	105.0	10.5
Fund Balance	18.0	20.0	20.0	20.0	0.0
SOURCES TOTAL	6,134.6	6,065.6	6,157.5	6,233.2	2.8
USES					
Personal Services and Employee Benefits	5,248.6	5,183.6	5,332.5	5,408.2	4.3
Contractual Services	530.8	600.7	591.2	591.2	-1.6
Other	311.7	281.3	233.8	233.8	-16.9
TOTAL USES	6,091.1	6,065.6	6,157.5	6,233.2	2.8
FTE					
Permanent	82.0	82.0	82.0	82.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	83.0	83.0	83.0	83.0	0.0

FIFTH JUDICIAL DISTRICT COURT

The purpose of the fifth judicial district court program, statutorily created in Eddy, Chaves and Lea counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	88.7%	97.4%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	3.8	3.9	5	5	5
* Output	Number of days to process juror payment vouchers	4.8	4.6	10	10	10
Explanatory	Graduation rate, family drug court	72.73%	0.00%	50%	50%	50%
* Quality	Recidivism of family drug-court graduates	16.67%	28.57%	15%	15%	15%
* Output	Number of family drug-court graduates	8	0	9	9	9

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	2,955.8	2,893.4	2,941.5	3,010.3	4.0
Other Transfers	94.4	110.6	98.2	98.8	-10.7
Federal Revenues	93.6	0.0	0.0	0.0	
Other Revenues	11.0	11.0	11.0	11.0	0.0
Fund Balance	6.5	14.8	14.8	14.8	0.0
SOURCES TOTAL	3,161.3	3,029.8	3,065.5	3,134.9	3.5
USES					
Personal Services and Employee Benefits	2,385.3	2,270.9	2,316.6	2,386.0	5.1
Contractual Services	602.0	620.2	610.2	610.2	-1.6
Other	161.7	138.7	138.7	138.7	0.0
TOTAL USES	3,149.0	3,029.8	3,065.5	3,134.9	3.5
FTE					
Permanent	35.5	35.5	35.5	35.5	0.0
Term	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

SIXTH JUDICIAL DISTRICT COURT

The purpose of the sixth judicial district court program, statutorily created in Grant, Luna and Hidalgo counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	97.5%	99.9%	90%	90%	90%
* Quality	Recidivism of juvenile drug-court graduates	7.14%	10.26%	13%	13%	13%
* Output	Number of juvenile drug-court graduates	20	16	9	9	9
Output	Median number of days to process vendor payment vouchers	16.9	9.5	5	5	5
* Output	Number of days to process juror payment vouchers	15	9	14	14	14
* Explanatory	Graduation rate, juvenile drug court	91%	80%	90%	90%	90%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	2,118.7	2,055.4	2,096.5	2,124.9	3.4
Other Transfers	311.6	367.3	395.0	398.2	8.4
Other Revenues	22.0	29.0	26.0	26.0	-10.3
Fund Balance	0.0	5.0	5.0	5.0	0.0
SOURCES TOTAL	2,452.3	2,456.7	2,522.5	2,554.1	4.0
USES					
Personal Services and Employee Benefits	1,893.3	1,959.5	2,002.7	2,034.3	3.8
Contractual Services	319.4	346.9	367.9	367.9	6.1
Other	258.7	150.3	151.9	151.9	1.1
TOTAL USES	2,471.4	2,456.7	2,522.5	2,554.1	4.0
FTE					
Permanent	32.0	32.0	32.0	32.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

SEVENTH JUDICIAL DISTRICT COURT

The purpose of the seventh judicial district court program, statutorily created in Torrance, Socorro, Catron, and Sierra counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	93.6%	101.2%	95%	95%	95%
Output	Median number of days to process vendor payment vouchers	2.3	2.5	5	5	5
* Output	Number of days to process juror payment vouchers	0.8	0.7	14	14	14

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,525.4	2,562.3	2,613.5	2,613.6	2.0
Other Transfers	110.2	112.2	95.3	95.3	-15.1
Other Revenues	46.1	71.0	56.0	56.0	-21.1
SOURCES TOTAL	2,681.7	2,745.5	2,764.8	2,764.9	0.7
USES					
Personal Services and Employee Benefits	1,695.6	1,882.4	1,933.6	1,933.7	2.7
Contractual Services	808.1	762.3	730.4	730.4	-4.2
Other	118.9	100.8	100.8	100.8	0.0
TOTAL USES	2,622.6	2,745.5	2,764.8	2,764.9	0.7
FTE					
Permanent	27.5	27.5	31.0	30.0	9.1
TOTAL FTE POSITIONS	27.5	27.5	31.0	30.0	9.1

EIGHTH JUDICIAL DISTRICT COURT

The purpose of the eighth judicial district court program, statutorily created in Taos, Colfax and Union counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	95.2%	87.9%	90%	90%	90%
* Quality	Recidivism of adult drug-court graduates	7.69%	4.69%	10%	10%	10%
* Quality	Recidivism of juvenile drug-court graduates	0%	7.69%	5%	5%	5%
Explanatory	Cost per client per day for juvenile drug-court participants	\$54.05	\$45.79			
* Output	Number of adult drug-court graduates	18	23	18	18	18
* Output	Number of juvenile drug-court graduates	8	8	15	15	15
Output	Median number of days to process vendor payment vouchers	1.8	2.5	5	5	5
* Output	Number of days to process juror payment vouchers	<1	<1	9	9	9
Explanatory	Graduation rate, juvenile drug court	42.11%	32%	70%	70%	70%
Explanatory	Graduation rate, adult drug court	64.29%	58.97%	75%	75%	75%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	3,053.9	2,973.1	3,034.0	3,078.8	3.6
Other Transfers	573.6	608.7	601.6	607.1	-0.3
Other Revenues	62.1	58.0	58.0	58.0	0.0
SOURCES TOTAL	3,689.6	3,639.8	3,693.6	3,743.9	2.9
USES					
Personal Services and Employee Benefits	3,276.5	3,295.2	3,362.8	3,413.1	3.6
Contractual Services	109.4	128.0	114.1	114.1	-10.9
Other	281.3	216.6	216.7	216.7	0.0
TOTAL USES	3,667.2	3,639.8	3,693.6	3,743.9	2.9
FTE					
Permanent	43.8	43.8	43.8	43.8	0.0
Term	5.5	5.5	5.5	5.5	0.0
TOTAL FTE POSITIONS	49.3	49.3	49.3	49.3	0.0

NINTH JUDICIAL DISTRICT COURT

The purpose of the ninth judicial district court program, statutorily created in Curry and Roosevelt counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	90%	97.5%	90%	90%	90%
* Output	Median number of days to process vendor payment vouchers	5	4.25	10	10	10
* Output	Number of days to process juror payment vouchers	9.1	9.5	14	14	14

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	731.9	718.6	743.6	751.6	4.6
Other Revenues	5.9	11.4	8.5	8.5	-25.4
Fund Balance	21.4	19.3	26.5	26.5	37.3
SOURCES TOTAL	759.2	749.3	778.6	786.6	5.0
USES					
Personal Services and Employee Benefits	645.2	638.3	663.3	671.3	5.2
Contractual Services	16.1	31.3	41.0	41.0	31.0
Other	70.9	79.7	74.3	74.3	-6.8
TOTAL USES	732.2	749.3	778.6	786.6	5.0
FTE					
Permanent	10.0	10.0	10.0	10.0	0.0
TOTAL FTE POSITIONS	10.0	10.0	10.0	10.0	0.0

TENTH JUDICIAL DISTRICT COURT

The purpose of the tenth judicial district court program, statutorily created in Quay, De Baca and Harding counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	106.1%	91.7%	90%	90%	90%
Output	Median number of days to process vendor payment vouchers	1.25	1.4	5	5	5
* Output	Number of days to process juror payment vouchers	0.4	0.6	9	9	9

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	5,642.1	5,538.5	5,649.2	5,730.4	3.5
Other Transfers	522.1	593.4	506.4	510.8	-13.9
Other Revenues	175.4	120.9	120.9	120.9	0.0
Fund Balance	0.0	12.0	12.0	12.0	0.0
SOURCES TOTAL	6,339.6	6,264.8	6,288.5	6,374.1	1.7
USES					
Personal Services and Employee Benefits	5,265.9	5,215.5	5,358.1	5,443.7	4.4
Contractual Services	573.1	675.9	638.3	638.3	-5.6
Other	485.1	373.4	292.1	292.1	-21.8
TOTAL USES	6,324.1	6,264.8	6,288.5	6,374.1	1.7
FTE					
Permanent	80.5	79.5	79.5	79.5	0.0
Term	6.5	6.5	6.5	6.5	0.0
TOTAL FTE POSITIONS	87.0	86.0	86.0	86.0	0.0

ELEVENTH JUDICIAL DISTRICT COURT

The purpose of the eleventh judicial district court program, statutorily created in San Juan and McKinley counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	98.9%	100.4%	90%	90%	90%
* Quality	Recidivism of adult drug-court graduates	6.8%	5.22%	10%	10%	10%
* Quality	Recidivism of juvenile drug-court graduates	8.57%	4.65%	10%	10%	10%
* Output	Number of adult drug-court graduates	44	37	40	40	40
* Output	Number of juvenile drug-court graduates	14	22	16	16	16
Output	Median number of days to process vendor payment vouchers	3.8	4	5	5	5
* Output	Number of days to process juror payment vouchers	4.5	6	14	14	14
Explanatory	Graduation rate, juvenile drug court	87.5%	81.48%	75%	75%	75%
Explanatory	Graduation rate, adult drug court	52.38%	57.81%	70%	70%	70%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	2,876.7	2,826.8	2,883.3	2,926.8	3.5
Other Transfers	168.7	83.0	91.2	91.2	9.9
Other Revenues	39.8	47.5	44.0	44.0	-7.4
Fund Balance	0.0	10.0	11.5	11.5	15.0
SOURCES TOTAL	3,085.2	2,967.3	3,030.0	3,073.5	3.6
USES					
Personal Services and Employee Benefits	2,542.5	2,556.4	2,556.4	2,599.9	1.7
Contractual Services	225.4	258.9	288.7	288.7	11.5
Other	268.8	152.0	184.9	184.9	21.6
TOTAL USES	3,036.7	2,967.3	3,030.0	3,073.5	3.6
FTE					
Permanent	45.5	45.5	45.5	45.5	0.0
TOTAL FTE POSITIONS	45.5	45.5	45.5	45.5	0.0

TWELFTH JUDICIAL DISTRICT COURT

The purpose of the twelfth judicial district court program, statutorily created in Otero and Lincoln counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	98.7%	100.5%	90%	90%	90%
* Quality	Recidivism of juvenile drug-court participants	0%	0%	20%	20%	20%
* Output	Number of juvenile drug-court graduates	6	5	14	14	14
Output	Median number of days to process vendor payment vouchers	1.91	2.3	5	5	5
* Output	Number of days to process juror payment vouchers	2.58	2.7	14	14	14
Explanatory	Graduation rate, juvenile drug court	54.55%	71.43%	65%	65%	65%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	6,092.4	6,007.6	6,395.9	6,274.8	4.4
Other Transfers	716.5	627.3	554.8	558.4	-11.0
Fund Balance	145.9	105.9	105.9	105.9	0.0
SOURCES TOTAL	6,954.8	6,740.8	7,056.6	6,939.1	2.9
USES					
Personal Services and Employee Benefits	5,565.6	5,183.3	5,565.6	5,448.1	5.1
Contractual Services	843.0	1,185.1	1,127.2	1,127.2	-4.9
Other	468.5	372.4	363.8	363.8	-2.3
TOTAL USES	6,877.1	6,740.8	7,056.6	6,939.1	2.9
FTE					
Permanent	78.5	78.5	78.5	78.5	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	82.5	82.5	82.5	82.5	0.0

THIRTEENTH JUDICIAL DISTRICT COURT

The purpose of the thirteenth judicial district court program, statutorily created in Valencia, Sandoval and Cibola counties, is to provide access to justice, resolve disputes justly and timely and maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	94.8%	82.0%	90%	90%	90%
* Quality	Recidivism of juvenile drug-court graduates	12.38%	12.93%	15%	15%	15%
* Output	Number of juvenile drug-court graduates	45	59	20	20	20
Output	Median number of days to process vendor payment vouchers	8.5	8.5	5	5	5
* Output	Number of days to process juror payment vouchers	8.5	10	14	14	14
Explanatory	Graduation rate, juvenile drug court	65.22%	63.44%	65%	65%	65%

STATUTORY AUTHORITY:

The Bernalillo County Metropolitan Court (Metro Court) was created in Section 34-8A-1 through 34-8A-14 NMSA 1978, which provides for a metropolitan court in a county with more than 200 thousand inhabitants. The Metro Court has jurisdiction throughout Bernalillo County and is defined as a state magistrate court. The Metro Court provides lower court judicial services to the citizens of Bernalillo County and has jurisdiction over civil complaints involving less than \$10 thousand and all misdemeanors filed in Bernalillo County.

The Metro Court currently has 19 judges whose terms are consistent with magistrate court law. Judges are required to be members of the New Mexico State Bar and to have practiced in the state for three years. Metro Court judges select and appoint a court administrator who supervises all matters relating to the administration of the court. The court administrator works under the direction of the presiding judge.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	21,259.6	21,087.9	21,831.5	21,937.8	4.0
Other Transfers	115.6	97.5	115.3	116.5	19.5
Other Revenues	2,967.5	3,235.0	2,952.8	2,999.5	-7.3
Fund Balance	108.4	238.1	125.0	125.0	-47.5
SOURCES TOTAL	24,451.1	24,658.5	25,024.6	25,178.8	2.1
USES					
Personal Services and Employee Benefits	18,786.3	18,534.4	19,088.8	19,374.8	4.5
Contractual Services	2,989.2	3,695.9	3,357.3	3,357.3	-9.2
Other	2,312.5	2,263.2	2,431.7	2,431.7	7.4
Other Financing Uses	0.0	0.0	15.0	15.0	
TOTAL USES	24,088.0	24,493.5	24,892.8	25,178.8	2.8
FTE					
Permanent	300.0	297.0	300.0	297.0	0.0
Term	44.0	44.5	44.0	44.0	-1.1
TOTAL FTE POSITIONS	344.0	341.5	344.0	341.0	-0.1

BUDGET ISSUES:

The Bernalillo County Metropolitan Court processes the highest volume of cases in the state; more than 119 thousand cases were filed in FY11. The court’s operating budget supports 16 criminal and three civil judicial divisions as well as courtroom support, custom service, compliance, background investigations, probation supervision, case initiation and maintenance, human resources, finance, procurement, information technology, administration, building maintenance, interpreters, mediation, the drug court, and the self-help center.

For FY13, Metro Court requested \$21.8 million from the general fund, a 3.5 percent increase over the FY12 operating budget. The \$743 thousand general fund increase would help to reduce vacancy rates and keep the drug court program operating, as well as provide for an expansion of background checks. The committee recommends \$21.9 million from the general fund and \$25.2 million in total revenue. The recommendation prioritizes funding in essential court services and will allow for an increase of 4.5 percent in personnel services and employee benefits. The committee recommendation includes \$210.8 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds and internal service funds/interagency transfers were also adjusted accordingly.

The committee recommendation does not apply a vacancy rate because the court’s budget includes a 6.3 percent self-imposed vacancy rate. Metro Court has implemented the Odyssey case management system which should improve productivity in the clerk’s office and might impact staffing needs.

The recommendation includes a swap of \$25 thousand in general fund revenue for other revenue in the mediation program. The court receives a \$5 civil filing fee to support the mediation fund. The fee generates in excess of \$80 thousand annually, of which \$31 thousand is budgeted in FY13. The recommendation would result in the court supporting the personnel salaries in the mediation program with a mixture of general fund and other revenues though it would not change the classification of the permanent mediation FTE.

The Administrative Office of the Courts has submitted a special appropriation request to fund five judgeships for the last six months of FY13. The special appropriation request includes a judge for Metro Court.

BASE EXPANSION:

The court requested \$160 thousand from the general fund to hire 3 FTE to support background investigations. The new staff would provide judges with a defendant's complete criminal history prior to setting conditions of release and bond. The committee does not recommend the expansion funding or FTE.

**BASE EXPANSION LISTING
FY13 - 2012-2013**

Agency Rank	(Program)	Agency Request	LFC Recommendation
1	<u>Enhanced Background Investigations Program</u>	<u>159.8</u>	<u>0.0</u>
TOTAL		159.8	0.0

BERNALILLO COUNTY METROPOLITAN COURT

The purpose of the Bernalillo county metropolitan court program is to provide access to justice, resolve disputes justly and timely and to maintain accurate records of legal proceedings that affect rights and legal status to independently protect the rights and liberties guaranteed by the constitutions of New Mexico and the United States.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Explanatory	Cases disposed as a percent of cases filed	101.5%	99.7%	100%	100%	100%
* Efficiency	Cost per client per day for adult drug-court participants	\$9.67	\$10.64	\$9	\$11	\$11
* Quality	Recidivism of driving-while-intoxicated drug-court graduates	5.1%	3.82%	4%	4%	4%
Outcome	Number of active cases pending	21,073	21,044	TBD	TBD	TBD
* Output	Number of driving-while-intoxicated drug-court graduates	237	253	240	240	240
* Explanatory	Graduation rate of drug-court participants	76%	78%	80%	80%	80%
* Outcome	Fees and fines collected as a percent of fees and fines assessed	88.8%	98.9%	95%	95%	95%

STATUTORY AUTHORITY:

Article VI, Section 24, of the New Mexico Constitution provides for the election of a district attorney in each judicial district to prosecute and defend the state in all district courts, including both criminal and civil cases in which the state or counties might be a party or might be interested. Statutory provisions relating to district attorneys are in Sections 36-1-1 through 36-1-27 NMSA 1978. County governments are statutorily required to provide facilities, maintenance, and utilities for district attorneys in Sections 36-1-8.1 NMSA 1978.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	54,739.5	53,372.1	57,805.8	55,154.9	3.3
Other Transfers	1,206.1	1,188.7	642.8	663.2	-44.2
Federal Revenues	1,924.9	1,374.4	1,224.7	1,252.5	-8.9
Other Revenues	894.0	804.8	789.3	800.6	-0.5
Fund Balance	918.4	755.9	1,115.0	1,115.0	47.5
SOURCES TOTAL	59,682.9	57,495.9	61,577.6	58,986.2	2.6
USES					
Personal Services and Employee Benefits	54,369.7	54,677.1	57,855.7	55,772.0	2.0
Contractual Services	626.8	213.2	459.8	318.3	49.3
Other	3,511.3	2,605.6	3,262.1	2,895.9	11.1
TOTAL USES	58,507.8	57,495.9	61,577.6	58,986.2	2.6
FTE					
Permanent	883.0	883.0	883.0	882.0	-0.1
Term	66.1	65.2	58.2	58.2	-10.7
TOTAL FTE POSITIONS	949.1	948.2	941.2	940.2	-0.8

BUDGET ISSUES:

The district attorneys requested a \$4.4 million, or 8.2 percent, base general fund increase above the FY12 operating budget. Individually, at the low end, the 2nd Judicial District Attorney requested a 2.1 percent increase to the FY12 operating budget; at the high end, the 13th Judicial District Attorney requested a 22.4 percent increase. The 2nd and 7th Judicial District Attorneys requested reductions to their term FTE because grant funds are no longer available.

The committee recommends a 3.3 percent general fund increase above the FY12 operating budget. The recommendation would allow all of the districts to avoid furloughs and layoffs of all non-term FTE. The committee recommendation includes \$638 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly.

Over the past eight quarters, the district attorneys have averaged an 8.7 percent vacancy rate. The recommendation includes an average 5.1 percent vacancy rate. The committee recommendation varies among districts partly based on caseload.

The recommendation does not consider the continuation of federal funding. Most of the federal grant programs currently awarding funds to district attorneys in New Mexico are likely to continue into FY13.

According to data provided by the Administrative Office of the District Attorneys, in FY11, the average attorney caseload was 282. During this time the number of cases prosecuted per attorney per year averaged 224. The highest caseload in the state was in the 11th Judicial District, Division II, where the caseload was 396, the lowest was in the 13th Judicial District, where the average caseload was 187.

The 1st Judicial District Attorney's office houses a public integrity unit that has been responsible for processing 39 criminal cases resulting in criminal convictions and more than \$375 thousand in ordered restitution to the state of New Mexico. The unit has coordinated its investigations with the U.S. Attorney's Office, U.S. Department of Energy, Federal Bureau of Investigation, New Mexico Taxation and Revenue's Tax Fraud Investigations Division, and local law enforcement agencies.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	4,565.5	4,455.4	4,616.9	4,639.8	4.1
Federal Revenues	120.7	77.5	78.8	79.8	3.0
SOURCES TOTAL	4,686.2	4,532.9	4,695.7	4,719.6	4.1
USES					
Personal Services and Employee Benefits	4,289.2	4,241.3	4,355.9	4,388.8	3.5
Contractual Services	13.0	13.8	20.8	15.1	9.4
Other	364.7	277.8	319.0	315.7	13.6
TOTAL USES	4,666.9	4,532.9	4,695.7	4,719.6	4.1
FTE					
Permanent	70.0	70.0	70.0	70.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	72.0	72.0	72.0	72.0	0.0

FIRST JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Santa Fe, Rio Arriba and Los Alamos counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	2%	1.5%	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	77	68	<40	<45	<45
Efficiency	Average time from filing of petition to final disposition, in months	6.2	5.9	6	6	6
Efficiency	Average attorney caseload	271	303	266	255	255
* Output	Number of cases prosecuted	3,844	4,499	4,000	5,000	5,000
* Output	Number of cases referred for screening	6,905	7,436	6,800	7,000	7,000

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	<u>FY13 – 2012-2013</u>		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	16,050.7	15,866.3	16,193.3	16,414.2	3.5
Other Transfers	681.9	724.6	88.0	96.6	-86.7
Federal Revenues	180.0	182.7	185.0	187.3	2.5
Other Revenues	484.0	480.1	466.2	471.4	-1.8
Fund Balance	0.0	0.0	321.2	321.2	
SOURCES TOTAL	17,396.6	17,253.7	17,253.7	17,490.7	1.4
USES					
Personal Services and Employee Benefits	16,373.6	16,714.9	16,445.8	16,682.8	-0.2
Contractual Services	136.3	43.2	96.5	96.5	123.4
Other	658.9	495.6	711.4	711.4	43.5
TOTAL USES	17,168.8	17,253.7	17,253.7	17,490.7	1.4
FTE					
Permanent	283.0	283.0	283.0	283.0	0.0
Term	15.0	15.0	9.0	9.0	-40.0
TOTAL FTE POSITIONS	298.0	298.0	292.0	292.0	-2.0

SECOND JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Bernalillo county.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	0.06%	0.27%	<1.8%	<1.8%	<1.8%
Output	Number of cases dismissed under the six-month rule	15	61	<180	<180	<180
Efficiency	Average time from filing of petition to final disposition, in months	11.7	9.6	12	12	12
Efficiency	Average attorney caseload	330.53	251	500	250	250
* Output	Number of cases prosecuted	25,233	22,212	24,500	22,300	22,300
* Output	Number of cases referred for screening	29,744	27,365	29,500	28,000	28,000
Efficiency	Average number of cases prosecuted per attorney	224	203	245	245	245

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	4,294.4	4,185.0	4,611.5	4,300.7	2.8
Other Transfers	182.6	170.9	175.8	177.9	4.1
Federal Revenues	458.4	502.8	456.7	463.0	-7.9
Other Revenues	207.3	184.2	175.4	179.8	-2.4
Fund Balance	0.0	168.1	334.5	334.5	99.0
SOURCES TOTAL	5,142.7	5,211.0	5,753.9	5,455.9	4.7
USES					
Personal Services and Employee Benefits	4,845.2	4,940.5	5,483.4	5,185.4	5.0
Contractual Services	18.0	13.3	13.3	13.3	0.0
Other	279.5	257.2	257.2	257.2	0.0
TOTAL USES	5,142.7	5,211.0	5,753.9	5,455.9	4.7
FTE					
Permanent	62.0	62.0	62.0	62.0	0.0
Term	19.0	19.0	19.0	19.0	0.0
TOTAL FTE POSITIONS	81.0	81.0	81.0	81.0	0.0

THIRD JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Dona Ana county.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Efficiency	Average time from filing of petition to final disposition, in months	5.4	5.2	6	6	6
* Output	Number of cases referred for screening	6,609	6,532	5,800	5,800	5,800
Output	Number of cases dismissed under the six-month rule	8	0	3	3	3
* Output	Number of cases prosecuted	4,907	4,788	4,600	4,600	4,600
* Outcome	Percent of cases dismissed under the six-month rule	0.16%	0	0.05%	0.05%	0.05%
Efficiency	Average attorney caseload	287.35	239.4	160	160	160

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	3,064.5	2,852.8	3,180.1	2,906.4	1.9
Fund Balance	107.5	0.0	0.0	0.0	
SOURCES TOTAL	3,172.0	2,852.8	3,180.1	2,906.4	1.9
USES					
Personal Services and Employee Benefits	2,651.1	2,675.5	2,929.0	2,712.5	1.4
Contractual Services	99.7	13.0	68.1	29.6	127.7
Other	264.1	164.3	183.0	164.3	0.0
TOTAL USES	3,014.9	2,852.8	3,180.1	2,906.4	1.9
FTE					
Permanent	42.0	42.0	42.0	41.0	-2.4
TOTAL FTE POSITIONS	42.0	42.0	42.0	41.0	-2.4

FOURTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health for the citizens within Mora, San Miguel and Guadalupe counties.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
*	Output	Number of cases referred for screening	2,517	2,213	2,455	2,220
*	Outcome	Percent of cases dismissed under the six-month rule	0.1%	<1%	<1%	<1%
	Efficiency	Average time from filing of petition to final disposition, in months	6	4.5	6	6
	Efficiency	Average attorney caseload	291	221	255	230
	Output	Number of cases prosecuted, per attorney	262	229	265	230
*	Output	Number of cases prosecuted	2,328	2,015	2,255	2,100
	Output	Number of offenders accepted into pre-prosecution diversion program	39	51	40	50
	Output	Number of domestic violence cases prosecuted	339	205	315	200

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	4,134.5	4,074.0	4,226.5	4,209.9	3.3
SOURCES TOTAL	4,134.5	4,074.0	4,226.5	4,209.9	3.3
USES					
Personal Services and Employee Benefits	3,842.0	3,898.2	3,986.0	4,022.8	3.2
Contractual Services	68.4	16.3	16.4	16.4	0.6
Other	172.7	159.5	224.1	170.7	7.0
TOTAL USES	4,083.1	4,074.0	4,226.5	4,209.9	3.3
FTE					
Permanent	60.0	60.0	60.0	60.0	0.0
TOTAL FTE POSITIONS	60.0	60.0	60.0	60.0	0.0

FIFTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Eddy, Lea and Chaves counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	0.29%	0%	<1%	<1%	<1%
Efficiency	Average time from filing of petition to final disposition, in months	7.7	6.1	5	6	6
Efficiency	Average attorney caseload	321	305	200	150	150
* Output	Number of cases prosecuted	4,930	4,676	4,200	3,000	3,000
* Output	Number of cases referred for screening	5,449	5,341	4,700	3,500	3,500
Output	Number of cases dismissed under the six-month rule	6	0	10	5	5

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,400.0	2,358.8	2,618.5	2,477.2	5.0
Other Transfers	119.8	40.9	42.2	42.8	4.6
Federal Revenues	246.9	127.1	101.1	102.7	-19.2
Fund Balance	175.9	0.0	0.0	0.0	
SOURCES TOTAL	2,942.6	2,526.8	2,761.8	2,622.7	3.8
USES					
Personal Services and Employee Benefits	2,546.8	2,360.0	2,569.1	2,451.4	3.9
Contractual Services	19.2	19.2	19.2	19.2	0.0
Other	166.5	147.6	173.5	152.1	3.0
TOTAL USES	2,732.5	2,526.8	2,761.8	2,622.7	3.8
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
Term	6.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	41.0	38.0	38.0	38.0	0.0

SIXTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Grant, Hidalgo, and Luna counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	0.08%	0	<1%	<1%	<1%
Output	Number of cases dismissed under the six-month rule	2	0	<5	<5	<5
Efficiency	Average time from filing of petition to final disposition, in months	4.5	4.5	6	5	5
Efficiency	Average attorney caseload	221	268	150	150	150
* Output	Number of cases prosecuted	2,431	2,537	1,900	1,900	1,900
* Output	Number of cases referred for screening	2,861	2,551	2,200	2,200	2,200
Output	Average number of cases prosecuted per attorney	260.09	241.61	200	200	200

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	2,333.8	2,190.6	2,283.4	2,231.8	1.9
SOURCES TOTAL	2,333.8	2,190.6	2,283.4	2,231.8	1.9
USES					
Personal Services and Employee Benefits	2,050.0	2,045.0	2,132.8	2,086.2	2.0
Contractual Services	24.6	12.5	12.5	12.5	0.0
Other	160.1	133.1	138.1	133.1	0.0
TOTAL USES	2,234.7	2,190.6	2,283.4	2,231.8	1.9
FTE					
Permanent	36.0	36.0	36.0	36.0	0.0
Term	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	37.0	37.0	36.0	36.0	-2.7

SEVENTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Catron, Sierra, Socorro and Torrance counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	0.28%	0.19%	<1.5%	<1.25%	<1.25%
Output	Number of cases dismissed under the six-month rule	5	3	<10	<10	<10
Efficiency	Average time from filing of petition to final disposition, in months	4.84	4.65	5.5	5.25	5.25
Efficiency	Average attorney caseload	185	199	140	140	140
* Output	Number of cases prosecuted	1,725	1,607	1,950	1,900	1,900
* Output	Number of cases referred for screening	1,939	1,891	2,050	2,000	2,000

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	2,448.0	2,346.2	2,714.8	2,397.7	2.2
Other Transfers	31.0	0.0	0.0	0.0	
Fund Balance	56.5	0.0	0.0	0.0	
SOURCES TOTAL	2,535.5	2,346.2	2,714.8	2,397.7	2.2
USES					
Personal Services and Employee Benefits	2,255.5	2,192.7	2,554.0	2,244.2	2.3
Contractual Services	23.0	10.6	11.0	10.6	0.0
Other	216.0	142.9	149.8	142.9	0.0
TOTAL USES	2,494.5	2,346.2	2,714.8	2,397.7	2.2
FTE					
Permanent	36.0	36.0	36.0	36.0	0.0
TOTAL FTE POSITIONS	36.0	36.0	36.0	36.0	0.0

EIGHTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Taos, Colfax, and Union counties.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of cases referred for screening	1,722	1,776	2,100	2,100	2,100
Efficiency	Average time from filing of petition to final disposition, in months	10	6	6	6	6
* Output	Number of cases prosecuted	1,231	1,414	1,500	1,500	1,500
Efficiency	Average attorney caseload	215	222	200	200	200
* Outcome	Percent of cases dismissed under the six-month rule	<1%	1.27%	<3%	<3%	<1%
Output	Number of cases dismissed under the six-month rule	10	18	15	15	15
Output	Average number of cases prosecuted per attorney	154	177	200	200	200

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	2,601.8	2,537.6	2,755.9	2,594.8	2.3
SOURCES TOTAL	2,601.8	2,537.6	2,755.9	2,594.8	2.3
USES					
Personal Services and Employee Benefits	2,468.3	2,422.5	2,640.8	2,479.7	2.4
Contractual Services	9.7	10.3	10.3	10.3	0.0
Other	117.4	104.8	104.8	104.8	0.0
TOTAL USES	2,595.4	2,537.6	2,755.9	2,594.8	2.3
FTE					
Permanent	39.0	39.0	39.0	39.0	0.0
TOTAL FTE POSITIONS	39.0	39.0	39.0	39.0	0.0

NINTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Curry and Roosevelt counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of cases prosecuted	3,126	3,207	3,000	3,000	3,000
Output	Number of cases dismissed under the six-month rule	5	4	<5	<5	<5
* Output	Number of cases referred for screening	3,918	3,523	3,200	3,400	3,400
Efficiency	Average time from filing of petition to final disposition, in months	6.3	6.5	6	6	6
Efficiency	Average attorney caseload	298	371	300	300	300
* Outcome	Percent of cases dismissed under the six-month rule	0.0016%	.0019%	<1%	<1%	<1%

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	946.0	931.4	966.1	957.3	2.8
Other Transfers	5.5	0.0	0.0	0.0	
SOURCES TOTAL	951.5	931.4	966.1	957.3	2.8
USES					
Personal Services and Employee Benefits	867.7	834.8	869.5	860.7	3.1
Contractual Services	10.8	11.4	11.4	11.4	0.0
Other	72.3	85.2	85.2	85.2	0.0
TOTAL USES	950.8	931.4	966.1	957.3	2.8
FTE					
Permanent	13.0	13.0	13.0	13.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	13.0	13.0	0.0

TENTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Quay, Harding and De Baca counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	0%	0%	<1%	<1%	<1%
Efficiency	Average time from filing of petition to final disposition, in months	3.4	4.2	5	5	5
Efficiency	Average attorney caseload	362.8	339.2	300	300	300
* Output	Number of cases prosecuted	678	578	1,000	1,000	1,000
* Output	Number of cases referred for screening	907	904	900	900	900
Output	Number of cases dismissed under the six-month rule	0	0	0	0	0

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,106.1	2,995.3	3,645.6	3,106.8	3.7
Other Transfers	137.0	128.6	122.6	130.2	1.2
Federal Revenues	88.1	77.5	77.4	89.1	15.0
Other Revenues	55.0	0.0	0.0	0.0	
Fund Balance	327.1	587.8	459.3	459.3	-21.9
SOURCES TOTAL	3,713.3	3,789.2	4,304.9	3,785.4	-0.1
USES					
Personal Services and Employee Benefits	3,398.4	3,631.5	4,067.4	3,627.7	-0.1
Contractual Services	39.9	16.0	16.0	16.0	0.0
Other	275.0	141.7	221.5	141.7	0.0
TOTAL USES	3,713.3	3,789.2	4,304.9	3,785.4	-0.1
FTE					
Permanent	55.0	55.0	55.0	55.0	0.0
Term	11.6	11.7	11.7	11.7	0.0
TOTAL FTE POSITIONS	66.6	66.7	66.7	66.7	0.0

ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within San Juan county.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of cases referred for screening	4,705	4,178	4,500	4,300	4,300
* Output	Number of cases prosecuted	4,139	3,552	3,000	3,000	3,000
* Outcome	Percent of cases dismissed under the six-month rule	0.14%	.11%	<0.5%	<0.5%	<0.5%
Efficiency	Average time from filing of petition to final disposition, in months	4.3	6.3	<6	<6	<6
Efficiency	Average attorney caseload	304	279	270	250	250
Output	Average number of cases prosecuted per attorney	267	236	175	175	175

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,951.4	1,910.7	2,060.2	2,012.8	5.3
Other Transfers	0.0	123.7	165.9	167.4	35.3
Federal Revenues	362.7	0.0	0.0	0.0	
SOURCES TOTAL	2,314.1	2,034.4	2,226.1	2,180.2	7.2
USES					
Personal Services and Employee Benefits	1,932.2	1,932.0	2,122.1	2,076.2	7.5
Contractual Services	11.0	11.4	13.0	13.0	14.0
Other	135.1	91.0	91.0	91.0	0.0
TOTAL USES	2,078.3	2,034.4	2,226.1	2,180.2	7.2
FTE					
Permanent	33.0	33.0	33.0	33.0	0.0
Term	1.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	34.0	36.0	36.0	36.0	0.0

ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION II

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within McKinley county.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	1%	<0.41%	<1%	<1%	<1%
* Output	Number of cases prosecuted	2,769	2,250	2,769	2,769	2,769
* Output	Number of cases referred for screening	3,478	2,972	3,478	3,478	3,000

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,446.8	2,389.7	2,695.7	2,506.9	4.9
Other Transfers	48.3	0.0	48.3	48.3	
Federal Revenues	468.1	406.8	325.7	330.6	-18.7
SOURCES TOTAL	2,963.2	2,796.5	3,069.7	2,885.8	3.2
USES					
Personal Services and Employee Benefits	2,595.5	2,629.4	2,837.0	2,693.8	2.4
Contractual Services	44.2	15.0	43.4	32.2	114.7
Other	202.0	152.1	189.3	159.8	5.1
TOTAL USES	2,841.7	2,796.5	3,069.7	2,885.8	3.2
FTE					
Permanent	39.0	39.0	39.0	39.0	0.0
Term	8.5	8.5	8.5	8.5	0.0
TOTAL FTE POSITIONS	47.5	47.5	47.5	47.5	0.0

TWELFTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Lincoln and Otero counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	<0.07%	<.09%	<0.5%	<0.5%	<0.5%
Efficiency	Average time from filing of petition to final disposition, in months	6.5	7	8	8	8
Efficiency	Average attorney caseload	284.59	318.52	180	180	180
* Output	Number of cases prosecuted	2,853	3,385	3,400	3,400	3,400
* Output	Number of cases referred for screening	3,842	4,300	5,000	5,000	5,000
Output	Number of cases dismissed under the six-month rule	2	3	2	2	2
Output	Average number of cases prosecuted per attorney	284.59	250.74	150	150	150

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	4,396.0	4,278.3	5,237.3	4,398.6	2.8
Other Revenues	147.7	140.5	147.7	149.4	6.3
Fund Balance	251.4	0.0	0.0	0.0	
SOURCES TOTAL	4,795.1	4,418.8	5,385.0	4,548.0	2.9
USES					
Personal Services and Employee Benefits	4,254.2	4,158.8	4,862.9	4,259.8	2.4
Contractual Services	109.0	7.2	107.9	22.2	208.3
Other	427.0	252.8	414.2	266.0	5.2
TOTAL USES	4,790.2	4,418.8	5,385.0	4,548.0	2.9
FTE					
Permanent	80.0	80.0	80.0	80.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	82.0	82.0	82.0	82.0	0.0

THIRTEENTH JUDICIAL DISTRICT ATTORNEY

The purpose of the prosecution program is to provide litigation, special programs and administrative support for the enforcement of state laws as they pertain to the district attorney and to improve and ensure the protection, safety, welfare and health of the citizens within Cibola, Sandoval, and Valencia counties.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of cases dismissed under the six-month rule	0.01%	0.63%	<0.01%	<0.2%	<0.2%
Output	Number of cases dismissed under the six-month rule	43	27	<30	<30	<30
Efficiency	Average time from filing of petition to final disposition, in months	4.5	8.6	5	6	6
Efficiency	Average attorney caseload	206	186.5	190	190	190
* Output	Number of cases prosecuted	6,005	4,298	6,200	5,200	5,200
* Output	Number of cases referred for screening	6,281	5,689	7,966	6,800	6,800

STATUTORY AUTHORITY:

The Administrative Office of the District Attorneys (AODA) provides administrative support to 14 district attorney offices statewide pursuant to Section 36-1-26 NMSA 1978. The office centralizes district attorney personnel, training, and victim notification functions and develops a consolidated information technology plan. The AODA also administers the state funding for the forensic evaluation program, which consists of eight children’s safehouses throughout the state and the New Mexico Children’s Safehouse Network Office.

MISSION:

The mission of the AODA is to improve the criminal justice system by promoting professionalism among New Mexico’s prosecutors through education, information, liaison, and administrative and technical support and to achieve objectives that will benefit and improve the offices of the district attorneys.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,857.0	1,793.9	1,994.9	1,840.0	2.6
Federal Revenues	3,118.2	0.0	0.0	0.0	
Other Revenues	338.3	200.0	200.0	200.0	0.0
SOURCES TOTAL	5,313.5	1,993.9	2,194.9	2,040.0	2.3
USES					
Personal Services and Employee Benefits	1,329.3	969.2	1,170.3	1,015.3	4.8
Contractual Services	468.8	47.2	47.2	47.2	0.0
Other	1,001.9	977.5	977.4	977.5	0.0
Other Financing Uses	491.7	0.0	0.0	0.0	
TOTAL USES	3,291.7	1,993.9	2,194.9	2,040.0	2.3
FTE					
Permanent	13.0	13.0	15.0	13.0	0.0
TOTAL FTE POSITIONS	13.0	13.0	15.0	13.0	0.0

BUDGET ISSUES:

The AODA requested a 2.9 percent base increase from its FY12 operating budget. The committee recommends a 2.6 percent, or \$46 thousand, increase from the general fund. The recommendation increases the budget for personal services and employee benefits and applies a 2.8 percent vacancy rate. The committee recommendation includes \$16.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

Laws 2011 Chapter 179 Section 5, Paragraph 6, directed fund balances from the U.S. Department of Justice (DOJ) Southwest Border Prosecution Initiative (SWBPI) to remain in the recipient district attorney office for any future fiscal year. The DOJ continues to reimburse states bordering Mexico for costs associated with the prosecution of crimes declined or referred by local U.S. Attorneys’ offices and authorized the AODA as New Mexico’s designee responsible for requesting reimbursements on behalf of the 14 district attorneys. The district attorneys were awarded \$1.8 million from the SWBPI in FY12 while the AODA received \$107.6 thousand. The SWBPI funds can be used for any lawful purpose.

BASE EXPANSION:

The Administrative Office of the District attorneys requested an expansion of 2 FTE and \$142.6 thousand to support the agency’s efforts to build and maintain a statewide victim notification system as well as to maintain the statewide network and case management system. The committee does not recommend the expansion.

BASE EXPANSION LISTING
FY13 - 2012-2013

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	DataBase Administrator (Expansion 1)	(P264)	71.3	0.0
2	DatsBase Administrator (Expansion 2)	(P264)	71.3	0.0
TOTAL			142.6	0.0

ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEYS

The purpose of the administrative support program is to provide fiscal, human resource, staff development, automation, victim program services and support to all district attorneys' offices in New Mexico and to members of the New Mexico children's safehouse network so that they may obtain and access the necessary resources to effectively and efficiently carry out their prosecutorial, investigative and programmatic functions.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Output	Number of victim notification events and escapes reported, monthly	7,493	3,298	7,500	1,666	3,300
Efficiency	Average time to resolve information technology calls for assistance, in hours	10	8	6	6	6
Explanatory	Percent of time network is available to users	94%	96%	98%	96%	96%
Output	Number of trainings conducted during the fiscal year	42	213	20	80	80

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution provides for the election of the attorney general for a term of four years and creates the position as part of the executive department. The Attorney General is required to be a licensed attorney and serves as a member of the New Mexico Mortgage Finance Authority, Risk Management Advisory Board, State Commission of Public Records, Judicial Council, Compilation Commission, New Mexico Border Commission, and Law Enforcement Academy Board.

Sections 8-5-1 through 8-5-15 NMSA 1978 establish the functions of the attorney general and the office. The Attorney General serves as the head of the Department of Justice, the state's chief legal officer, legal counsel to state government, and consumer advocate. As the state's chief legal officer, the duties of the Attorney General include prosecuting and defending cases in which the state is an interested party in the Supreme Court, Court of Appeals, or any other court or tribunal; prosecuting and defending all actions of the state in an official capacity; and issuing written opinions on any questions of law submitted by the Legislature, any member of the Legislature, state officials, or any district attorney.

MISSION:

The Attorney General (NMAG) provides legal opinions to various governmental entities and state officials as requested. The Attorney General's duties include prosecuting and defending all cases in which the state is an interested party in the Supreme Court, Court of Appeals or any other court or tribunal. The NMAG also provides programs and publications to educate New Mexico residents about their rights concerning governmental access and consumer protection.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	11,323.7	8,157.3	11,157.3	9,758.7	19.6
Other Transfers	0.0	104.0	0.0	0.0	-100.0
Federal Revenues	1,099.1	1,559.3	1,455.3	1,467.2	-5.9
Other Revenues	19.5	0.0	0.0	0.0	
Fund Balance	4,232.4	8,158.0	5,036.3	6,622.7	-18.8
SOURCES TOTAL	16,674.7	17,978.6	17,648.9	17,848.6	-0.7
USES					
Personal Services and Employee Benefits	13,607.4	14,870.4	14,846.9	15,046.6	1.2
Contractual Services	575.6	442.6	578.4	578.4	30.7
Other	2,124.8	2,561.6	2,223.6	2,223.6	-13.2
Other Financing Uses	0.0	104.0	0.0	0.0	-100.0
TOTAL USES	16,307.8	17,978.6	17,648.9	17,848.6	-0.7
FTE					
Permanent	179.0	179.0	179.0	179.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	180.0	180.0	180.0	180.0	0.0

BUDGET ISSUES:

The Office of the Attorney General (NMAG) requested a \$329.7 thousand decrease, or approximately 2 percent, in its FY13 budget compared with its FY12 operating budget. The request includes an increase in general fund appropriations of \$3 million, or 26.9 percent, over the FY12 operating budget, offsetting a \$3 million reduction in revenues from the consumer protection settlement fund. The consumer protection settlement fund consists of settlement awards won by the NMAG in claims against companies filed on behalf of the state for violations of consumer law. Some of the settlements are made only for consumer payments or are otherwise restricted.

The committee recommendation for the Legal Services Program represents a \$79.8 thousand increase, or 0.5 percent, compared with the FY12 operating budget, and the recommendation for the Medicaid Fraud Program represents a \$209.8 decrease, or 9.5 percent, from the FY12 operating budget. The recommendation for the Legal Services Program includes a general fund appropriation increase of approximately \$1.6 million, or 20.8 percent, over the FY12 operating budget and a concomitant decrease in the consumer protection settlement fund revenue line of approximately \$1.4 million, or a 17.7 percent decrease, from the FY12 operating budget. The LFC recommendation includes \$101.4 from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds and federal funds were also

adjusted accordingly.

Recent projections provided by the NMAG indicate an actual fund balance of \$13.9 million at the end of FY11 and an estimated fund balance of \$7.8 million at the end of FY12. Depending on the level of settlements coming into the fund over the next fiscal year, the recommendation should result in a fund balance of approximately \$3.2 million at the end of FY13.

The 31 percent increase in the contractual services category is primarily attributed to costs associated with consumer protection, tobacco litigation, telecommunication, and business utility cases; the 13 percent decrease in the other category comes primarily in the information technology maintenance and reporting/recording line items. Costs associated with lease agreements in Albuquerque still have an inordinately high impact on the agency's operating budget and should be addressed by the agency.

The recommendation adopts the agency-applied vacancy rate of approximately 3 percent in the Legal Services Program and approximately 5 percent in the Medicaid Fraud Program. The committee recommendation for funding of vacant positions in the Legal Services Program comes with the expectation that crimes related to corruption will be vigorously prosecuted.

The NMAG expects to receive a significant level of additional funds not reflected in the budget request or recommendation, including federal grants related to Internet Crimes Against Children, the New Mexico Human Trafficking Task Force, and Health Care Reform. These grants are processed through budget adjustment requests (BAR) as funding is distributed from grant sources.

New Mexico is facing a second legal challenge from the participating manufacturers (PMs) in the tobacco master settlement agreement (MSA). The PMs claim New Mexico no longer has a valid qualifying statute as required by the settlement because of a number of legislative changes, primarily a 2006 change that established tax exempt stamps for tribal sales. The case primarily revolves around the assertion that New Mexico has failed to effectively collect sufficient escrow due under the MSA as a result of tribal land sales of tobacco. The NMAG believes that up to \$38.6 million in tobacco settlement payments expected in FY12 are at risk, unless new legislation is passed that clearly establishes that the state will collect tobacco escrow payments from all manufacturers currently not part of the master settlement. In 2011 the governor vetoed Senate Bill 397, legislation that would have amended current law and ensured all manufacturers were part of the master settlement agreement.

A 2011 LFC evaluation of Medicaid fraud, waste, and abuse controls identified a number of problems with the Medicaid Fraud Program, in particular an extremely poor return on investment and fragmented program integrity oversight. With the exception of specific concerns on "return on investment" calculations, the NMAG has agreed with many of the results of the study and offered concrete steps to implement many of its recommendations. Included in this effort is increased hiring of key positions in the Medicaid Fraud Program.

The NMAG has been criticized for a lack of intensity on the prosecution of a number of high-profile cases, including those related to former Region III Housing Authority personnel, a former secretary of state, and individuals associated with pay-to-play schemes involving state investment funds. In response to these concerns, LFC staff has requested the NMAG provide regular updates on agency prosecution activity on high-profile cases within the limits of required confidentiality.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the legal services program of the Attorney General include six million six hundred and twenty-two thousand and seven hundred dollars (\$6,622,700) from the consumer protection settlement fund.

LEGAL SERVICES

The purpose of the legal services program is to deliver quality legal services including opinions, counsel and representation to state government entities and to enforce state law on behalf of the public so New Mexicans have an open, honest, efficient government and enjoy the protection of state law.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	10,847.6	7,672.2	10,672.2	9,269.6	20.8
Other Transfers	0.0	104.0	0.0	0.0	-100.0
Other Revenues	19.5	0.0	0.0	0.0	
Fund Balance	4,001.4	8,003.9	5,003.9	6,590.3	-17.7
SOURCES TOTAL	14,868.5	15,780.1	15,676.1	15,859.9	0.5
USES					
Personal Services and Employee Benefits	12,268.6	13,257.1	13,162.9	13,346.7	0.7
Contractual Services	568.8	434.7	570.5	570.5	31.2
Other	1,898.2	2,088.3	1,942.7	1,942.7	-7.0
TOTAL USES	14,735.6	15,780.1	15,676.1	15,859.9	0.5
FTE					
Permanent	158.0	158.0	158.0	158.0	0.0
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	159.0	159.0	159.0	159.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Number of crime victims receiving information and advocacy	646	969	800	999	1000
Efficiency	Number of outreach presentations conducted throughout the state	112	90	22	100	100
Outcome	Percent of investigations of Open Meetings Act, Inspection of Public Records Act, Governmental Conduct Act and Campaign Reporting Act, with complaints or referrals initiated within thirty days of referral	100%	100%	100%	100%	100%
Outcome	Percent of mediation processes initiated within seventy-two hours of receipt of completed complaint	N/A	97%	90%	85%	90%
* Outcome	Percent of initial responses to requests for attorney general opinions made within three days of request	78%	65%	95%	95%	95%
Outcome	Percent of inquiries resolved within sixty days of complaint or referral receipt	53%	27%	90%	38%	40%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		95	15	95	95

MEDICAID FRAUD

The purpose of the medicaid fraud program is to investigate and prosecute medicaid provider fraud, recipient abuse and neglect in the medicaid program.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	476.1	485.1	485.1	489.1	0.8
Federal Revenues	1,099.1	1,559.3	1,455.3	1,467.2	-5.9
Fund Balance	231.0	154.1	32.4	32.4	-79.0
SOURCES TOTAL	1,806.2	2,198.5	1,972.8	1,988.7	-9.5
USES					
Personal Services and Employee Benefits	1,338.8	1,613.3	1,684.0	1,699.9	5.4
Contractual Services	6.8	7.9	7.9	7.9	0.0
Other	226.6	473.3	280.9	280.9	-40.7
Other Financing Uses	0.0	104.0	0.0	0.0	-100.0
TOTAL USES	1,572.2	2,198.5	1,972.8	1,988.7	-9.5
FTE					
Permanent	21.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	21.0	21.0	21.0	21.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Three-year projected savings resulting from fraud investigations, in millions	\$86.63	\$32.79	\$15	\$12.2	\$12.2
* Explanatory	Total medicaid fraud recoveries identified, in thousands	\$1,107	\$3,202	\$2,000	\$2,000	\$2,000
Output	Number of program improvement recommendations forwarded to New Mexico agencies and the United States department of health and human services			5	5	5
Efficiency	Percent of case investigations under the medicaid fraud control unit's jurisdiction completed within one hundred and eighty days of receipt.			80%	80%	80%

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution created the Office of the State Auditor. The State Auditor is elected statewide to a four-year term for a maximum of two consecutive terms and is a member of the Commission of Public Records and the New Mexico Border Authority. The Audit Act, Sections 12-6-1 through 12-6-14 NMSA 1978, requires the State Auditor to annually examine and audit the financial affairs of every agency that receives or expends public money and produce a complete written report of each audit.

MISSION:

The State Auditor audits the financial affairs of New Mexico agencies annually to improve accountability and performance and to assure New Mexico citizens that funds are expended properly. In addition, the State Auditor may initiate special audits to investigate reported or suspected fraud, waste, and abuse related to the financial affairs of an agency.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,197.6	2,212.2	2,823.7	2,416.6	9.2
Other Revenues	430.0	395.8	400.0	430.0	8.6
Fund Balance	418.0	199.4	200.0	221.2	10.9
SOURCES TOTAL	3,045.6	2,807.4	3,423.7	3,067.8	9.3
USES					
Personal Services and Employee Benefits	2,329.4	2,416.2	2,789.9	2,557.7	5.9
Contractual Services	166.4	78.3	78.3	65.7	-16.1
Other	397.0	312.9	555.5	444.4	42.0
TOTAL USES	2,892.8	2,807.4	3,423.7	3,067.8	9.3
FTE					
Permanent	32.0	32.0	33.0	33.0	3.1
Term	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	33.0	33.0	33.0	33.0	0.0

BUDGET ISSUES:

Since 2009, the OSA has experienced a 22 percent reduction in general fund appropriations. The committee recommendation for FY13 includes a 9.3 percent increase over the adjusted FY12 operating budget. The recommendation restores total audit fees generated by the agency to the FY11 target level of \$430 thousand and increases use of fund balance by \$21.8 thousand, or 10.9 percent, over FY12.

The FY13 committee recommendation applies a 4 percent vacancy rate to the request for personal services and employee benefits and deletes funding for two mid-level management positions vacant three or more years. The recommendation decreases contractual services by \$12.6 thousand and increases other costs by \$111 thousand, or 30 percent, to replace aging laptops and servers, acquire a paperless audit system, and provide funding for staff education and in-state travel to conduct more statewide financial audits and revised audit rule trainings. The recommendation also supports the request to reclassify one term position to a perm position. The LFC recommendation includes \$23.4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other internal services/other agency transfer funds were also adjusted accordingly.

In 2010, amendments to the Audit Act established tiered reporting requirements for governmental entities with less than \$500 thousand in annual revenue, exclusive of capital outlay funds or grants. Tiered reporting is targeted at smaller rural communities to relieve the financial burden of the annual audit and increase the reporting of financial information to the Office of the State Auditor (OSA). The act also provides for withholding the state equalization guarantee distribution for public schools in the absence of a timely audit report. Beginning 2012, the audit rule will also allow for a temporary withholding of revenue from the general fund to state agencies or withholding of tax distributions to counties and municipalities in the absence of a timely audit report.

As of October 2011, the number of governmental entities designated "at risk" by the OSA for failing to submit a financial audit report for FY09 had fallen to 25 from 54 in FY08. This designation results in special monitoring by the OSA Special Investigations Division (SID). As part of its monitoring program, the SID requires at risk agencies to submit periodic written status reports until the agency is in compliance.

As of September 2011, 75 percent of all FY10 audits of governmental entities were completed by the regulatory due date. The agencies that failed to submit a timely audit include one county, one college, 25 municipalities, six schools, and six state agencies. The OSA generated audit fees of \$487.3 thousand in FY11, an increase of \$57.3 thousand, or 12 percent over the target of \$430 thousand.

The OSA relies heavily on its audit fund, partly because of an overall 22.3 percent reduction in general fund appropriations since 2009. However, budget reductions forced the OSA to streamline operations. Steps included closing the Albuquerque office, consolidating the financial audit and special audit divisions into one division, and streamlining the contracts process to allow audit contracts to be initiated by the requesting agency. The new process removes steps from the contracting process, which will allow independent contract auditors to begin audit fieldwork sooner.

During FY11, the OSA conducted a special examination of the State Land Office (SLO) and a special audit of the Corrections Department (NMCD). The examination of the SLO identified questionable state trust land transactions entered into by a former land commissioner that have since been voided. The audit of the NMCD revealed procurement violations that resulted in an indictment of a former facilities manager on bribery charges.

STATE AUDITOR

The purpose of the state auditor program is to audit the financial affairs of every agency annually so they can improve accountability and performance and to assure New Mexico citizens that funds are expended properly.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Total audit fees generated	\$355,315	487,264	\$400,000	\$400,000	\$430,000
* Explanatory	Percent of audits completed by regulatory due date	79%	75%	80%	75%	80%
Output	Number of training sessions performed	22	14	22	16	16
Outcome	Percent of statutory reviews of audit reports completed within ten days	79.1%	75.6%	79%	75%	75%
Outcome	Percent of agency auditor selection requests processed within five days of receipt	68%	99%	95%	95%	95%
Output	Number of working paper reviews of independent public accountants	45	45	45	45	45

STATUTORY AUTHORITY:

Sections 9-11-1 through 9-11-15 NMSA 1978 create the Taxation and Revenue Department (TRD) as a single, unified department for administration of laws and oversight functions related to taxation, revenue, and vehicles. The TRD administers various tax programs that provide major sources of revenue to the general fund, state road fund, and many other state funds. The department also collects state-shared taxes, such as gross receipts, and distributes revenue to county and municipal governments. The TRD provides valuations for major industrial properties subject to property taxes, collects royalties from mineral production on state lands for credit to the state's permanent fund, and administers various income tax and rebate programs. In addition, the TRD is responsible for collecting revenue from motor vehicle registrations, drivers' licenses, and other motor-vehicle-related permits.

MISSION:

The mission of the Taxation and Revenue Department is to administer and enforce, with fairness warranting the public's confidence, New Mexico's taxation and revenue laws and motor vehicle code through a system that efficiently and securely delivers quality customer services.

	BUDGET SUMMARY (dollars in thousands)				
	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	<u>FY13 – 2012-2013</u>		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	61,573.9	52,927.5	52,993.1	53,407.7	0.9
Other Transfers	546.1	494.7	493.7	498.6	0.8
Federal Revenues	2,187.5	1,457.9	1,433.9	1,447.4	-0.7
Other Revenues	21,618.1	25,008.4	25,671.2	27,118.4	8.4
Fund Balance	1,201.0	200.0	0.0	0.0	-100.0
SOURCES TOTAL	87,126.6	80,088.5	80,591.9	82,472.1	3.0
USES					
Personal Services and Employee Benefits	56,331.3	57,160.4	57,215.0	59,095.2	3.4
Contractual Services	7,367.6	6,247.1	6,451.0	6,451.0	3.3
Other	17,100.0	16,681.0	16,925.9	16,925.9	1.5
Other Financing Uses	1,330.0	0.0	0.0	0.0	
TOTAL USES	82,128.9	80,088.5	80,591.9	82,472.1	3.0
FTE					
Permanent	1,121.5	1,074.5	1,074.5	1,074.5	0.0
Term	29.0	29.0	29.0	29.0	0.0
Temporary	32.5	32.5	32.5	32.5	0.0
TOTAL FTE POSITIONS	1,183.0	1,136.0	1,136.0	1,136.0	0.0

BUDGET ISSUES:

The Taxation and Revenue Department's (TRD) request from general fund was essentially flat, with an increase of \$65.6 thousand to cover rate increases on the statewide human resources reporting system called SHARE. The overall request was \$80.6 million, or \$503 thousand over the FY12 operating budget, due to increases in service and other fees collected by the department. Specifically, in July 2010 the department increased its fee on delinquent property tax accounts from \$55 to \$125. The request also included the transfer of 2 FTE from the Audit and Compliance Division of the Tax Administration Program to the Information Technology Division of Program Support to serve as "super users," providing expertise as the department works to support and upgrade the aging GenTax system, which processes about \$6 billion in annual revenue for the state. Vacancy rates in the Motor Vehicle and Tax Administration programs are now around 21 percent.

Finally, the department requested to continue and expand language imposing administrative fees on hold-harmless distributions to local governments resulting from food and medical tax deductions. In 2004 the Legislature approved food and medical tax deductions with a "hold-harmless" provision to offset the loss of revenue to municipalities and counties. For FY12, the TRD general fund appropriation was offset by an increase in other state fund revenue from allowing the department to withhold a portion of the local government distributions as an administrative fee. However, due to an omission in the bill language, the fee was applicable to New Mexico municipalities but not to counties. The committee supports the new language, but if legislation is enacted to phase out the hold-harmless provision, the administrative fee would no longer be an issue.

The committee recommendation supports the general fund request and includes an additional \$636.9 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The overall budget recommendation is \$82.5 million, 3 percent over the FY12 operating budget. The recommendation includes additional revenue from weight-distance tax permit fee income not included in the department's request. The recommendation increases other

revenue in the Motor Vehicle Division (MVD) by \$1.2 million while reducing the division's general fund appropriation by almost the same amount. The MVD would keep \$223 thousand to reduce the agency applied vacancy rate of 8.5 percent to 7 percent. The remaining \$1 million is applied to the Tax Administration Program to reduce the agency applied vacancy rate of nearly 13 percent to 9 percent. Both programs are critical to ensure the collection of tax and fee revenue due the state.

Weight-distance tax identification permits are required for commercial vehicles meeting certain criteria to use New Mexico highways. Each October the TRD begins collecting fees for the new permit year, which begins in January, at a rate of \$5.50 per truck, per year. Commercial vehicle traffic in New Mexico is not expected to decline in FY13, but the department budgeted just \$1.8 million in permit fee income, \$1.7 million less than the FY11 total of \$3.5 million. In fact, the American Trucking Association reported in November 2011 that seasonally adjusted tonnage was up 5.7 percent nationally compared with October 2010. Also, the NM Department of Transportation revenue estimate for weight-distance taxes in FY13 is up 10 percent over FY11, up 5 percent from FY12. While the fee income for FY13 could be at FY11 levels or higher, the committee recommended estimate for FY13 is a conservative \$3 million, about \$1.2 million above the TRD estimate.

The Tax Administration Program comprises the Audit and Compliance Division and Revenue Processing Division. In FY11, the program met its collections target of 40 percent of collectible audit assessments generated in the current fiscal year. Further, while the program missed its 20 percent target for collections as a percent of outstanding balances by about 5 percent, in FY11 the outstanding receivables were \$100 million greater than FY10, requiring the division to collect an additional \$20 million to reach the goal. Program managers report high turnover and difficulty filling positions, particularly in the Oil and Gas Bureau of the Audit and Compliance Division, which requires highly specialized skills and a significant amount of out-of-state travel. Department managers state they are working with the State Personnel Office to determine the most effective pay range for the program auditors. The recommendation assumes a 9 percent vacancy rate to allow the program to improve tax collections. The Legislature in 2012 should work with the TRD to determine whether extra audit and compliance efforts could bring in additional revenue for the state.

The Motor Vehicle Division recommendation reduces the agency applied vacancy rate of nearly 8.5 percent to 7 percent and encourages the department to fill vacancies to achieve the necessary improvement in customer service. According to the November table of organizational listing (TOOL) report, 76 of the program's authorized 348 FTE are vacant. The program has struggled with performance issues, with wait time in field offices and at the call center considerably above target levels through FY11. According to the department's first quarter performance report for FY12, additional temporary staffing in the call center has reduced wait times by 4:22 minutes from the previous quarter, to 6:26 minutes, just over the FY12 six minute target.

The committee recommendation supports the department request to transfer 2 FTE from the Audit and Compliance Division of the Tax Administration Program to the Information Technology Division of Program Support for additional expert support for the GenTax system. Also included are costs associated with professional development and training, ongoing support for the MVD, data warehouse, and GenTax information technology systems, and increased mainframe costs. The recommendation supports the department's applied 7 percent average vacancy rate for Program Support.

In FY11, the Property Tax Program general fund revenue was replaced with other revenue and cash balances, allowing the program to be completely self-funding. Section 7-38-62 NMSA 1978 allows the department to increase fees associated with the cost of administering the code; the department has since increased the fee from \$25 to \$125 on each delinquent property tax account. The program request included a \$109 thousand increase over FY12, with no applied vacancy rate despite actual vacancies of nearly 20 percent. No fund balances were budgeted for the program in FY13. Program management cites the need to reserve fund balances to cover increased legal costs, such as protest attorneys, required legal advertisement notices and increased taxpayer protests resulting from "tax lightening" and general tax sentiment. In FY11 the program resolved 12,087 delinquent property tax accounts and returned approximately \$7 million in delinquent property tax obligations to New Mexico's counties.

Department documents indicate the Compliance Enforcement Program is expected to refer few investigations to prosecutors in FY13. According to the department's first quarterly performance report of FY12, the program will continue to direct its resources to special initiatives regarding the issuance of foreign national drivers' licenses. The department request applies a 12.1 percent vacancy rate to permanent nonexempt positions in the Compliance Enforcement Program, which currently has six vacant positions. Further, four of the six vacant positions are in the Internal Investigations Bureau (IIB), which only has 5 FTE. While the IIB mission is to conduct independent administrative and criminal investigations involving employee misconduct, fraud, embezzlement, theft, and other related crimes, IIB staff devotes approximately 75 percent to 80 percent of time to investigations of fraudulent foreign national document traffickers. According to TRD budget documents, the 80 percent vacancy rate in the IIB is due to the previous hiring freeze and budgetary restrictions. The committee is concerned that diverting resources away from the important programmatic objectives of investigating tax fraud and employee misconduct might put the state at serious financial risk.

Finally, the department is concerned about its major information technology (IT) systems, which are overdue for upgrades. GenTax supports the department's 30 tax collection programs and the Oil and Natural Gas Administration and Revenue Database (ONGARD) supports the state's oil and gas extraction revenues. ONGARD is shared by the TRD, the State Land Office, and the Energy, Minerals and Natural Resources Department. The TRD has submitted IT funding requests for both GenTax and ONGARD, however, while GenTax has received a recommendation for funding from the Department of Information Technology (DoIT), ONGARD is more challenging and the DoIT is working with the department to develop a more detailed action plan to be completed prior to the 2012 legislative session. If the TRD is granted the \$6.2 million for the GenTax upgrade project, the TRD will require an additional \$1.5 million per year in the base budget for ongoing vendor support.

The MVD DRIVE (Delivering Results, Innovation, Value and Efficiency) project was initiated to support all the Motor Vehicle IT systems. In FY11 the contract for the project was canceled due to vendor issues, and the department recently put out a new request for information to redirect the project. However, a funding mechanism had been established and the TRD has no immediate plans to request additional general fund appropriations for the project.

RECOMMENDED LANGUAGE:

Notwithstanding any contrary provision in the Tax Administration Act, the department shall withhold an administrative fee in the amount of three and twenty-five hundredths percent of the distributions specified in Section 7-1-6.46 NMSA 1978 and 7-1-6.47 NMSA 1978 and in Subsection E of Section 7-1-6.41 NMSA 1978.

Notwithstanding any contrary provision in the Tax Administration Act, of the amounts withheld, an amount equal to three percent of the distributions specified in Subsection E of Section 7-1-6.41 NMSA 1978 shall be deposited into the general fund and the remainder of the amounts withheld shall be retained by the department and is included in the other state fund appropriations to the department.

TAX ADMINISTRATION

The purpose of the tax administration program is to provide registration and licensure requirements for tax programs and to ensure the administration, collection and compliance of state taxes and fees that provide funding for support services for the general public through appropriations.

BUDGET SUMMARY (dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	27,440.5	21,407.4	21,350.9	22,549.9	5.3
Federal Revenues	1,214.2	1,457.9	1,433.9	1,447.4	-0.7
Other Revenues	2,844.5	7,737.7	7,626.6	7,704.5	-0.4
SOURCES TOTAL	31,499.2	30,603.0	30,411.4	31,701.8	3.6
USES					
Personal Services and Employee Benefits	24,270.4	24,556.1	23,963.4	25,253.8	2.8
Contractual Services	156.8	111.6	184.5	184.5	65.3
Other	6,086.7	5,935.3	6,263.5	6,263.5	5.5
TOTAL USES	30,513.9	30,603.0	30,411.4	31,701.8	3.6
FTE					
Permanent	489.5	472.5	470.5	470.5	-0.4
Term	26.0	26.0	26.0	26.0	0.0
Temporary	29.5	29.5	29.5	29.5	0.0
TOTAL FTE POSITIONS	545.0	528.0	526.0	526.0	-0.4

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Output	Average return on investment (all funds) for every dollar invested in the audit and compliance division	8.3:1	9:2.1	8:1	8:1	8.1
* Output	Percent of electronically filed returns for personal income tax and combined reporting system	54.5%	63.3%	65%	65%	70%
Outcome	Percent of baseline and funded delinquent tax collection targets met	86.23%	98.8%	100%	100%	100%
Efficiency	Percent of taxpayer correspondence requests answered in an average of ten working days	100%	79%	100%	100%	100%
* Outcome	Collections as a percent of collectable audit assessments generated in the current fiscal year	53%	51%	40%	40%	50%
* Outcome	Collections as a percent of collectable outstanding balances from the end of the prior fiscal year	18.3%	15.4%	15%	15%	15%

MOTOR VEHICLE

The purpose of the motor vehicle program is to register, title and license vehicles, boats and motor vehicle dealers and to enforce operator compliance with the Motor Vehicle Code and federal regulations by conducting tests, investigations and audits.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11</u> <u>2010-2011</u> <u>Actuals</u>	<u>FY12</u> <u>2011-2012</u> <u>Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>%</u> <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC Recom-</u> <u>mendation</u>	
SOURCES					
General Fund Transfers	12,513.9	10,974.1	11,011.3	10,058.1	-8.3
Federal Revenues	973.3	0.0	0.0	0.0	
Other Revenues	14,534.6	13,204.4	13,679.7	15,014.4	13.7
Fund Balance	1,037.0	0.0	0.0	0.0	
SOURCES TOTAL	29,058.8	24,178.5	24,691.0	25,072.5	3.7
USES					
Personal Services and Employee Benefits	14,439.8	14,915.9	15,089.1	15,470.6	3.7
Contractual Services	4,900.7	3,486.7	3,831.7	3,831.7	9.9
Other	6,076.7	5,775.9	5,770.2	5,770.2	-0.1
Other Financing Uses	1,330.0	0.0	0.0	0.0	
TOTAL USES	26,747.2	24,178.5	24,691.0	25,072.5	3.7
FTE					
Permanent	351.0	342.0	342.0	342.0	0.0
Term	3.0	3.0	3.0	3.0	0.0
Temporary	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	357.0	348.0	348.0	348.0	0.0

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
* Efficiency	Average call center wait time to reach an agent, in minutes	6.53	9.19	6	6	6
* Outcome	Percent of registered vehicles with liability insurance	91%	90.89%	92%	91%	92%
* Efficiency	Average wait time in qmatic-equipped offices, in minutes	21.5	27.6	20	20	20
Efficiency	Average number of days to post "court action" driving-while-intoxicated citations to drivers' records on receipt	2	1	1	1	1

PROPERTY TAX

The purpose of the property tax program is to administer the Property Tax Code, to ensure the fair appraisal of property and to assess property taxes within the state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	3,417.1	2,891.4	3,200.1	3,223.5	11.5
Fund Balance	164.0	200.0	0.0	0.0	-100.0
SOURCES TOTAL	3,581.1	3,091.4	3,200.1	3,223.5	4.3
USES					
Personal Services and Employee Benefits	2,419.8	2,454.2	2,463.8	2,487.2	1.3
Contractual Services	73.5	70.0	91.2	91.2	30.3
Other	577.0	567.2	645.1	645.1	13.7
TOTAL USES	3,070.3	3,091.4	3,200.1	3,223.5	4.3
FTE					
Permanent	45.0	41.0	41.0	41.0	0.0
TOTAL FTE POSITIONS	45.0	41.0	41.0	41.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of appraisals or valuations for companies conducting business within the state subject to state assessment	539	515	540	540	540
Output	Amount of delinquent property tax collected and distributed to counties, in millions	\$5.3	\$7.0	\$6.5	\$6.5	\$6.5
* Outcome	Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value-to-market value	91%	93.3%	92%	90%	90%

COMPLIANCE ENFORCEMENT

The purpose of the compliance enforcement program is to support the overall mission of the taxation and revenue department by enforcing criminal statutes relative to the New Mexico Tax Administration Act and other related financial crimes, as they impact New Mexico state taxes, to encourage and achieve voluntary compliance with state tax laws.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,245.7	1,785.1	1,789.0	1,807.6	1.3
Other Revenues	0.0	248.2	248.2	251.2	1.2
SOURCES TOTAL	2,245.7	2,033.3	2,037.2	2,058.8	1.3
USES					
Personal Services and Employee Benefits	1,824.6	1,762.6	1,767.0	1,788.6	1.5
Contractual Services	9.1	9.9	8.2	8.2	-17.2
Other	371.0	260.8	262.0	262.0	0.5
TOTAL USES	2,204.7	2,033.3	2,037.2	2,058.8	1.3
FTE					
Permanent	31.0	28.0	28.0	28.0	0.0
TOTAL FTE POSITIONS	31.0	28.0	28.0	28.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year		44%	40%	40%	40%
Outcome	Successful tax fraud prosecutions as a percent of total cases prosecuted	100%	93%	100%	90%	100%
Output	Percent of internal audit recommendations implemented by department	100%	97%	80%	80%	90%
Outcome	Percent of internal investigations completed within sixty days		60%	20%	20%	20%

PROGRAM SUPPORT

The purpose of program support is to provide information system resources, human resource services, finance and accounting services, revenue forecasting and legal services to give agency personnel the resources needed to meet departmental objectives. For the general public, the program conducts hearings for resolving taxpayer protests and provides stakeholders with reliable information regarding the state's tax programs.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	19,373.8	18,760.9	18,841.9	18,992.1	1.2
Other Transfers	546.1	494.7	493.7	498.6	0.8
Other Revenues	821.9	926.7	916.6	924.8	-0.2
SOURCES TOTAL	20,741.8	20,182.3	20,252.2	20,415.5	1.2
USES					
Personal Services and Employee Benefits	13,376.7	13,471.6	13,931.7	14,095.0	4.6
Contractual Services	2,227.5	2,568.9	2,335.4	2,335.4	-9.1
Other	3,988.6	4,141.8	3,985.1	3,985.1	-3.8
TOTAL USES	19,592.8	20,182.3	20,252.2	20,415.5	1.2
FTE					
Permanent	205.0	191.0	193.0	193.0	1.0
TOTAL FTE POSITIONS	205.0	191.0	193.0	193.0	1.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent of driving-while-intoxicated drivers' license revocations rescinded due to failure to hold hearings within ninety days	0.29%	.29%	<1%	1%	<1%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		16	30	30	30
Outcome	Number of tax protest cases resolved	757	757	750	750	700
Outcome	Percent of matched combine reporting system taxes distributed timely	100%	100%	99%	99%	99%

STATUTORY AUTHORITY:

The State Investment Council (SIC) was created by section 6-8-2 NMSA 1978 and is responsible for managing the land grant (LGPF), severance tax (STPF), tobacco settlement (TSPF), and water (WPF) permanent funds, as well as the investments of other state and political subdivision clients. The council consists of 11 members: the governor, state treasurer, commissioner of public lands, secretary of the Department of Finance and Administration, chief financial officer of a state institution of higher education, and six public members. Four public members are appointed by the Legislative Council and two are appointed by the governor. The six public members serve staggered terms of five years. The SIC formulates policy implemented by the state investment officer and staff in the day-to-day functions of the investment office.

MISSION:

New Mexico's two main endowment funds, the land grant (LGPF) and severance tax (STPF) permanent funds, are to provide permanent and continuing benefits for the present and future citizens of New Mexico from the revenue from lands held in trust and the extraction of certain natural resources. The SIC's mission is to optimize the funds to ensure that future generations receive the same benefits over time and to provide a current revenue source for the state's general fund.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
Other Revenues	34,477.6	34,266.2	34,266.2	34,308.2	0.1
SOURCES TOTAL	34,477.6	34,266.2	34,266.2	34,308.2	0.1
USES					
Personal Services and Employee Benefits	3,356.1	3,635.3	3,635.3	3,677.3	1.2
Contractual Services	19,108.3	29,837.3	29,837.3	29,837.3	0.0
Other	599.9	793.6	793.6	793.6	0.0
TOTAL USES	23,064.3	34,266.2	34,266.2	34,308.2	0.1
FTE					
Permanent	32.0	32.0	32.0	32.0	0.0
TOTAL FTE POSITIONS	32.0	32.0	32.0	32.0	0.0

BUDGET ISSUES:

The committee recommendation supports the agency request of \$34.3 million, flat compared with the FY12 operating budget. The LFC recommendation includes \$42 thousand to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. In FY11, the SIC spent \$19 million on contractual services, less than in previous years because the SIC was in transition. In FY10, contractual services were \$27.7 million and the SIC requested \$29 million for FY13. The SIC requested that changes be made to the language that restricts use of appropriations in the contractual services category. The recommendation continues existing language because the agency has flexibility over one-third of the recommended amount.

The SIC's funds performed well in FY11. The LGPF and STPF had returns in excess of 22 percent; however, they fell short of their internal benchmarks by nearly 188 basis points (one basis point is equal to 0.01 percent) and 165 basis points respectively. Much of this can be attributed to the allocation to managers underperforming the markets. Two of the largest equity managers for the SIC, ClearBridge Legg Mason and Thornburg, underperformed the S&P 500 index by 486 basis points and 325 basis points, respectively. Economically targeted investments (ETIs) have underperformed in the past, however, they have improved in FY12. The State Investment Council contracted an asset allocation study that concluded the SIC should reduce its assets in equities and increase its position in assets that produce steady income for the portfolio, such as fixed income and real assets. The SIC has begun to rebalance its portfolio to meet the new asset allocations.

The SIC is seeking to hold multiple individuals accountable for their role in the "pay to play" and kickback schemes involving the SIC from 2003 to 2009. The suits seek monetary damages and recovery of ill-gotten gains acquired by the defendants at the expense of the permanent funds. The SIC is represented by the New Mexico Attorney General's Office and Day Pitney LLP. Day Pitney also represents the New York State Controller in civil efforts arising from pay-to-play scandals. Additional actions are still under consideration. Currently, litigation has stalled while the courts sort out who will lead the litigation process.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the state investment council in the contractual services category includes twenty-three million eight hundred forty-two thousand nine hundred dollars (\$23,842,900) to be used only for investment manager fees.

The other state funds appropriation to the state investment council in the contractual services category includes five million eight hundred fifty thousand dollars (\$5,850,000) to be used only for attorney fees and related legal services.

STATE INVESTMENT COUNCIL

The purpose of the state investment program is to provide investment management of the state's permanent funds for the citizens of New Mexico to maximize distributions to the state's operating budget while preserving the real value of the funds for future generations of New Mexicans.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
* Outcome	Five-year annualized investment returns to exceed internal benchmarks, in basis points	30	32	>25	>25	>25
* Outcome	Five-year annualized percentile performance ranking in endowment investment peer universe	81	69	<49	<49	<49
Outcome	Three-year annualized investment returns to exceed internal benchmarks, in basis points				>25	>25
Outcome	Three-year annualized percentile performance ranking in endowment investment peer universe				<49	<49

STATUTORY AUTHORITY:

The Department of Finance and Administration is authorized pursuant to Sections 9-6-1 through 9-6-5.2 NMSA 1978 to provide a single, unified department to administer laws related to the finance of state government. In addition, the department provides planning and technical assistance to local entities, coordinates state agency plans, and administers state and federal grant programs. These duties are detailed in Sections 6-3-1 through 6-3-25 NMSA 1978; Sections 6-3A-1 through 6-3A-9 NMSA 1978; Sections 6-5-1 through 6-5-11 NMSA 1978; 6-1-1 NMSA 1978; 9-6-15 NMSA 1978; 6-4-1 NMSA 1978; and 6-6-2 NMSA 1978. The department consists of four programs: Policy Development, Fiscal and Budgetary Analysis and Oversight; Program Support; Community Development, Local Government Assistance and Fiscal Oversight; and Fiscal Management and Oversight.

MISSION:

The Department of Finance and Administration (DFA) mission is to provide the governor, other agencies and local entities with fiscal and policy analysis and budgetary services to ensure responsive and fiscally responsible governance for the citizens of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 Actuals	FY12 2011-2012 Budgeted	FY13 – 2012-2013		% Incr (Decr)
			Agency Request	LFC Recom- mendation	
SOURCES					
General Fund Transfers	24,070.7	21,984.0	22,080.7	22,661.9	3.1
Other Transfers	583.3	763.1	762.9	769.8	0.9
Federal Revenues	16,005.1	14,726.6	14,752.6	14,757.6	0.2
Other Revenues	47,974.3	39,563.5	40,269.7	40,281.2	1.8
Fund Balance	3,386.8	4,420.2	3,685.5	3,685.5	-16.6
SOURCES TOTAL	92,020.2	81,457.4	81,551.4	82,156.0	0.9
USES					
Personal Services and Employee Benefits	11,534.8	12,279.7	12,471.8	12,613.6	2.7
Contractual Services	8,540.8	8,251.1	8,417.1	8,692.1	5.3
Other	45,773.8	58,926.6	59,632.5	59,050.3	0.2
Other Financing Uses	1,829.0	2,000.0	1,030.0	1,800.0	-10.0
TOTAL USES	67,678.4	81,457.4	81,551.4	82,156.0	0.9
FTE					
Permanent	151.0	149.0	147.0	147.0	-1.3
Term	21.1	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	172.1	170.0	168.0	168.0	-1.2

BUDGET ISSUES:

The Department of Finance and Administration requested a virtually flat general fund appropriation of \$22 million, or \$97 thousand over the FY12 operating budget. About \$13 million, or 60 percent, of the general fund appropriation covers operating expenses of agency programs, with the remaining \$9 million allocated toward paying general state expenditures or special appropriations that “pass through” the DFA, such as the Youth Mentoring Program. The request included an \$86.7 thousand increase in general fund appropriations for the Citizens Review Board. The overall budget request for FY13 was \$81.6 million, or \$94 thousand over FY12. The request included the transfer of the Capital Outlay Unit from the Community Development, Local Government Assistance and Fiscal Oversight Program to the Policy Development Program. The request also assumed the transfer of 2 FTE and \$100 thousand from the general fund (formerly within the Office of Education Accountability) to the Public Education Department. Finally, the request generally assumed less than 1 percent vacancy rates for all programs with the exception of a 5 percent vacancy rate to the non-exempt positions in the Operating, Support, Comprehensive Annual Financial Report (CAFR), and Information Technology (IT) support units of the Fiscal Management Program.

The committee recommendation from the general fund is \$22.7 million, or 3.1 percent over FY12 and \$581 thousand over the department’s FY13 request. The general fund recommendation includes a 5.8 percent increase in pass-through appropriations to fund fees and dues and modest increases to the Youth Mentoring Program and the Citizens’ Review Board, which have sustained significant cuts in recent years but provide important services to the state’s most vulnerable children. The committee’s overall operating budget recommendation is \$82 million, 0.9 percent over FY12. Finally, the LFC recommendation includes \$118.4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, interagency transfers and federal funds were also adjusted accordingly.

The committee recommendation for the Local Government Division supports the department's request to transfer the Capital Outlay Unit, about \$197 thousand from the general fund, and 4 FTE from the local government program to the Policy Development Program to better integrate the capital outlay needs of agencies with their recurring budgets. The division director position was filled in October 2011, leaving six remaining vacant positions. The program struggles with high turnover, which impacts its ability to provide the necessary oversight and technical assistance for the state's 33 counties, 104 municipalities, and approximately 137 special districts. Finally, the recommendation includes \$165 thousand over the agency request to avoid another cut to civil legal services following a \$364 thousand reduction in FY12.

The Policy Development Program has 37 FTE with 2 FTE that had been part of the Office of Education Accountability (OEA). The department's request assumes the transfer of \$100 thousand and the remaining 2 OEA FTE to the Public Education Department. The committee recommends the department seek a statutory change to remove the OEA and associated mandates from the DFA.

The committee recommendation for the Fiscal Management and Oversight Program supports the program's request for an increase of \$13.2 thousand over FY12 to raise minimum salaries. The program struggles with high turnover and heavy workloads and experienced staff are being replaced with less experienced staff. At risk are the payroll function, timely payments to vendors, Internal Revenue Service filings, and responses to public information requests. The program hired a state controller in October 2011, but 8 FTE are vacant.

The recommendation also includes a \$508 thousand, or 5.8 percent, increase in general fund appropriations over FY12 for DFA special appropriations; this is \$299 thousand more than the department's FY13 request. The recommendation supports the request for an additional \$245 thousand for the Board of Finance fiscal agent contract to address higher Federal Deposit Insurance Corporation (FDIC) rates and other costs. However, the recommendation does not support the addition of two new organization memberships, but rather fully funds the 11 existing memberships, including that for the National Conference of State Legislatures. Further, the recommendation does not support the department's \$165 thousand decrease for the county detention of prisoners, because of the challenges counties face to house and transport the state's prison population.

The special appropriations recommendation also includes modest increases from the general fund for two programs that have faced substantial cuts in the past years. The first is for \$405.7 thousand, \$86.7 thousand over FY12, for the Citizens Review Board, whose volunteers monitor the progress and care of the state's foster children. General fund allocations for the board have been cut 22 percent since 2009. The second is for a \$110 thousand, or 5 percent increase over FY12, for the Youth Mentoring Program. The program matches a "big" to a "little," and targets the state's neediest children, such as those living in single parent homes, growing up in poverty, or coping with parental incarceration. The Youth Mentoring Program has been cut 13 percent since FY09.

Finally, the recommendation does not support the request to remove language transferring \$800 thousand from DWI Grant Fund to the Administrative Office of the Courts for drug courts because this is an appropriate use of the fund and would otherwise result in a cut to drug courts or an increased general fund need.

RECOMMENDED LANGUAGE:

Notwithstanding the provisions of Section 11-6A-3 NMSA 1978 or other substantive law, the other state funds appropriation in the other financing uses category includes eight hundred thousand dollars (\$800,000) from the local DWI grant fund, including local DWI grant program distributions, to be transferred to the administrative office of the courts for drug courts.

On certification by the state board of finance pursuant to Section 6-1-2 NMSA 1978 that a critical emergency exists that cannot be addressed by disaster declaration or other emergency or contingency funds, the secretary of the department of finance and administration is authorized to transfer from the general fund operating reserve to the state board of finance emergency fund the amount necessary to meet the emergency. Such transfers shall not exceed an aggregate amount of one million five hundred thousand (\$1,500,000) in fiscal year 2013.

POLICY DEVELOPMENT, FISCAL ANALYSIS, BUDGET OVERSIGHT AND EDUCATION ACCOUNTABILITY

The purpose of the policy development, fiscal analysis, budget oversight and education accountability program is to provide professional and coordinated policy development and analysis and oversight to the governor, the legislature and state agencies so they can advance the state's policies and initiatives using appropriate and accurate data to make informed decisions for the prudent use of the public's tax dollars.

BUDGET SUMMARY (dollars in thousands)					
	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	3,455.0	3,235.4	3,460.5	3,493.8	8.0
SOURCES TOTAL	3,455.0	3,235.4	3,460.5	3,493.8	8.0
USES					
Personal Services and Employee Benefits	2,617.6	2,984.4	3,171.3	3,204.6	7.4
Contractual Services	116.2	83.9	105.1	105.1	25.3
Other	132.4	167.1	184.1	184.1	10.2
TOTAL USES	2,866.2	3,235.4	3,460.5	3,493.8	8.0
FTE					
Permanent	36.0	35.0	37.0	37.0	5.7
TOTAL FTE POSITIONS	36.0	35.0	37.0	37.0	5.7

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
*	Outcome	General fund reserves as a percent of recurring appropriations	4.7%	0.8%	5%	5%
	Outcome	Error rate for the eighteen-month general fund revenue forecast, non-oil and gas revenue and corporate income taxes	TBD	3%	(+/-) 4%	(+/-) 4%
	Outcome	Error rate for the eighteen-month general fund revenue forecast, gas revenue and corporate income taxes	TBD	4%	(+/-) 8%	(+/-) 8%
	Outcome	Percent of agencies that develop and implement performance monitoring plans	97%	89.1%	100%	100%
	Output	Percent of state agencies monitored that are operating within available resources	100%	86%	100%	100%
	Outcome	Average number of working days to process budget adjustment requests	4.8	4.1	5	5
	Outcome	Return on state treasurer's office investments exceeding the board of finance approved state investment office internal benchmark, in basis points	-64		5	5
	Output	Average number of bids received at each competitive bond sales	13	14	3	3
	Outcome	Percent of bond projects that expired at the end of the previous fiscal year for which proceeds are reverted six months following fiscal year-end		93%	95%	95%
	Efficiency	Percent of state payments processed electronically	64%	N/A	>=50%	>=50%
	Outcome	Percent of state treasurer's investment committee meetings attended by board of finance director or designee			100%	100%

COMMUNITY DEVELOPMENT, LOCAL GOVERNMENT ASSISTANCE AND FISCAL OVERSIGHT

The purpose of the community development, local government assistance and fiscal oversight program is to help counties, municipalities and special districts maintain strong communities through sound fiscal advice and oversight, technical assistance, monitoring of project and program progress and timely processing of payments, grant agreements and contracts.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	4,141.0	3,614.5	3,252.9	3,439.0	-4.9
Federal Revenues	16,005.1	14,726.6	14,752.6	14,757.6	0.2
Other Revenues	33,429.6	31,754.1	32,460.3	32,471.8	2.3
Fund Balance	3,386.8	4,180.2	3,495.5	3,495.5	-16.4
SOURCES TOTAL	56,962.5	54,275.4	53,961.3	54,163.9	-0.2
USES					
Personal Services and Employee Benefits	3,297.8	3,352.8	3,233.9	3,272.3	-2.4
Contractual Services	4,057.9	3,743.0	3,567.8	3,732.8	-0.3
Other	33,832.1	45,879.6	46,859.6	46,058.8	0.4
Other Financing Uses	1,550.0	1,300.0	300.0	1,100.0	-15.4
TOTAL USES	42,737.8	54,275.4	53,961.3	54,163.9	-0.2
FTE					
Permanent	31.0	30.0	26.0	26.0	-13.3
Term	21.1	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	52.1	51.0	47.0	47.0	-7.8

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of acceptable payment requests processed within five working days of receipt	99.6%	100%	97%	97%	97%
Output	Number of capital projects older than five years for which the funding is not expended or reverted	0		20	20	20
Output	Dollar amount of capital projects older than five years that are unexpended or unreverted, in millions	0		\$4.0	\$4.0	\$4.0
Efficiency	Average number of days from availability of funds to grant award	75	75	75	75	75
Quality	Percent of tax rate certifications that are accurate in the initial submission to the local entity		99%	99%	99%	99%
Output	Number of local entities participating in the infrastructure capital improvement planning program	293	293	325	325	325
* Output	Percent of local entity budgets submitted to the local government division by established deadline	90%	90%	90%	90%	90%
Outcome	Percent of local capital outlay projects included in the infrastructure capital improvement plan	90%		95%	95%	95%
Output	Percent of state agency capital outlay projects included in the infrastructure capital improvement plan	95%		90%	90%	90%
Outcome	Number of local entities operating under a continuing resolution for a portion of the fiscal year	1	2	14	14	1
Quality	Number of annual local site visits by DWI staff	36	45	40	40	40
Quality	Number of annual local site visits by E-911 staff	92	101	100	100	100
Outcome	Total number of persons benefited from closed civil legal services cases				900,000	900,000
Output	Percent of community development block grant projects closed	80%	98%	90%	90%	90%

FISCAL MANAGEMENT AND OVERSIGHT

The purpose of the fiscal management and oversight program is to provide for and promote financial accountability for public funds throughout state government by providing state agencies and the citizens of New Mexico with timely, accurate and comprehensive information on the financial status and expenditures of the state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	4,961.6	4,826.8	4,840.2	4,886.9	1.2
Other Transfers	583.3	588.8	588.6	595.5	1.1
SOURCES TOTAL	5,544.9	5,415.6	5,428.8	5,482.4	1.2
USES					
Personal Services and Employee Benefits	4,337.6	4,547.5	4,683.0	4,736.6	4.2
Contractual Services	224.1	245.3	239.6	239.6	-2.3
Other	704.8	622.8	506.2	506.2	-18.7
TOTAL USES	5,266.5	5,415.6	5,428.8	5,482.4	1.2
FTE					
Permanent	65.0	65.0	65.0	65.0	0.0
TOTAL FTE POSITIONS	65.0	65.0	65.0	65.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Efficiency	Length of time to issue the comprehensive annual financial report after the end of the fiscal year, in months	10	10	7	7	7
Output	Date of submitting the annual statewide cost allocation plan for federal approval			12/31/11		
Output	Percent of deadlines met for submitting internal revenue service reports			100%	100%	100%
Efficiency	Percent of payments to vendors within the parameters set by the Procurement Code and contractual provisions	95%	95%	95%	95%	95%
Efficiency	Percent of payroll payments to employees made by the scheduled payday	100%	100%	99.5%	99.5%	99.5%
* Efficiency	Percent of vendor and employee payment vouchers processed within five working days			75%	75%	75%

PROGRAM SUPPORT

The purpose of program support is to provide other department of finance and administration programs with central direction to agency management processes to ensure consistency, legal compliance and financial integrity, to administer the executive's exempt salary plan and to review and approve all state professional service contracts.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,586.5	1,528.0	1,538.3	1,554.8	1.8
SOURCES TOTAL	1,586.5	1,528.0	1,538.3	1,554.8	1.8
USES					
Personal Services and Employee Benefits	1,281.8	1,395.0	1,383.6	1,400.1	0.4
Contractual Services	78.7	85.1	86.5	86.5	1.6
Other	63.0	47.9	68.2	68.2	42.4
TOTAL USES	1,423.5	1,528.0	1,538.3	1,554.8	1.8
FTE					
Permanent	19.0	19.0	19.0	19.0	0.0
TOTAL FTE POSITIONS	19.0	19.0	19.0	19.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of contracts rejected	12.41%	10.2%	10%	10%	10%
Outcome	Percent of funds reconciled and closed, as an internal process, within fifteen days after month-end		N/A	100%	100%	100%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		N/A	5	5	5
Output	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds		N/A	5	5	5

DFA NON-OPERATING APPROPRIATIONS
BUDGET SUMMARY
(dollars in thousands)
FY 2012 - 2013

	FY12 Operating	FY13 Agency Request	FY13 LFC Recommendation	FY12/FY13 Pct increase (decrease)
SOURCES				
General fund transfers	8779.3	8988.8	9287.4	5.8%
Other transfers	174.3	174.3	174.3	0.0%
Federal program revenues				
Other program revenues				
General revenues	7809.4	7809.4	7809.4	0.0%
Fund balance	240	190	190	-20.8%
TOTAL REVENUE	\$17,003.0	\$17,162.5	\$17,461.1	2.7%
USES				
(a) BOF emergency water fund	118.4	118.4	118.4	0.0%
(b) BOF fiscal agent contract	840	1085	1085	29.2%
(c) Membership and dues	642.3	685.1	708.7	10.3%
(d) Citizens review board	493.3	580	580	17.6%
(e) Youth mentoring program	2207.7	2207.7	2317.7	5.0%
(f) New Mexico acequia commission	13.4	13.4	13.4	0.0%
(g) Acequia & community ditch program	200	200	200	0.0%
(h) Law enforcement enhancement	7809.4	7809.4	7809.4	0.0%
(i) Food bank	339.4	339.4	339.4	0.0%
(j) State planning districts	670.2	670.2	670.2	0.0%
(k) Leasehold community assistance	128.9	128.9	128.9	0.0%
(l) County prisoner detention	3300	3135	3300	0.0%
(m) Statewide Teen Court-Juvenile	180	190	190	5.6%
(n) Teen court (Santa Fe)	60	0	0	-100.0%
TOTAL EXPENDITURES	\$17,003.0	\$17,162.5	\$17,461.1	2.7%

Recommended Language:

The department of finance and administration shall not distribute a general fund appropriation made in items (a) through (n) to a New Mexico agency or local public body that is not current on its audit or financial reporting or otherwise in compliance with the Audit Act.

STATUTORY AUTHORITY:

The Public School Insurance Authority (PSIA) was created by Sections 22-29-1 through 22-29-10 12 NMSA 1978 to provide comprehensive core insurance programs for the public schools, except those in the Albuquerque district, and other educational entities. The PSIA is governed by an 11-member board.

MISSION:

The mission of the agency is to provide an effective benefits package to educational employees and their families so they are protected from catastrophic losses due to medical problems, disability, and death. The PSIA offers health, dental, and vision coverage, as well as life and disability insurance. The PSIA also provides comprehensive property, liability, and workers' compensation programs to educational entities so they are protected against injury and financial losses.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Transfers	1,296.2	1,272.6	1,272.6	1,282.5	0.8
Other Revenues	337,638.8	336,124.3	341,397.2	340,901.5	1.4
Fund Balance	0.0	14,241.1	9,246.1	9,246.1	-35.1
SOURCES TOTAL	338,935.0	351,638.0	351,915.9	351,430.1	-0.1
USES					
Personal Services and Employee Benefits	805.7	864.6	864.6	874.5	1.1
Contractual Services	318,667.0	349,275.8	349,561.3	349,065.6	-0.1
Other	186.7	217.4	217.4	217.4	0.0
Other Financing Uses	1,296.2	1,280.2	1,272.6	1,272.6	-0.6
TOTAL USES	320,955.6	351,638.0	351,915.9	351,430.1	-0.1
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

BUDGET ISSUES:

The PSIA budget request was \$351.9 million, effectively flat with decreases in the Benefits Program of \$283 thousand and increases in the Risk Program of \$561 thousand. The request included premium increases in the Benefits Program of \$5.3 million, or 1.8 percent. The increase in premiums would offset the need to use fund balance for the Benefits Program in FY13. The request proposed a slight increase in claims expenses and a 22 percent decrease in disability, life, and vision insurance premiums. The agency requested a flat budget of \$1.3 million for Program Support. The PSIA contracts with a third-party administrator (TPA) for enrollment, premium billing, and collection that otherwise would require additional staffing.

The PSIA administers self-insured group health plans for public schools, municipalities, and institutions of higher education. Self-insured plans pay for each claim as they are incurred, instead of paying a fixed premium to an insurance carrier. The PSIA pays administrative service (ASO) fees to third-party payers (Presbyterian, Blue Cross Blue Shield, and United Concordia Dental) for claims processing and payments and access to provider networks. The request in ASO fees for FY13 was \$12.7 million, less than the FY12 operating budget but higher than the FY11 actual of \$12.3 million under the current contract. The PSIA also contracts with Medco to maintain a drug formulary, contract with pharmacies, and negotiate rebates and discounts with drug manufacturers. The total plan cost for prescription drugs in FY11 was \$38.9 million. The patent for the drug Lipitor is expiring and the program is expected to save more than \$5 million by FY13.

In recent years, the PSIA has struggled to keep healthcare benefits affordable but the increased cost-sharing with employees has outpaced wages, contributing to decreasing health plan enrollment and utilization. The Benefits Program in FY11 had a 6 percent decrease in participants covered by the health plan with 65 percent of survey respondents expressing satisfaction with group health benefits. The PSIA shifted a larger portion of costs to the consumer through increased copays, deductibles, and coinsurance in an attempt to decrease the impact of rising healthcare costs on premiums.

In FY11, the PSIA received an additional \$10.5 million to support increased employer contributions to the Benefits Program. This increase stabilized the program and added to the fund balance, which at the end of FY11 was \$24 million compared with \$6.1 million at the end of FY10. For FY12, \$5.6 million of fund balance was appropriated to the program to offset expenditures

expected to outpace revenues due to a medical cost trend increase of 8 percent per year. Assuming use of \$5.5 million in FY12, the fund balance for FY13 is projected to be \$18.4 million at fiscal year end. A reserve of \$20 million is recommended by PSIA's actuary as prudent to meet the agency's fiduciary duty.

The committee recommendation for the Benefits Program decreases the programs' request in professional services by \$495.7 thousand to support ASO fees remaining at FY11 levels and decreases by \$110 thousand fees paid through a new TPA contract for FY13. The adjustment also includes a reduction of \$56.4 thousand for the agency's overestimate of a federal tax on self-funded plans that will not kick in until FY14. The committee recommendation supports the agency request for a modest increase in premiums for FY13 and other minor adjustments. To mitigate the impact of medical cost trends, the PSIA will need to implement plan design changes in addition to the increase in premiums proposed for FY13. The LFC recommendation also includes \$9.9 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

To develop a strategy that will rein in healthcare costs, the state must begin to aggressively focus on the cost drivers of the health care cost spiral. According to a LFC program evaluation dated November 18, 2010, on public employee health benefits administration, there has been little focus on the price of medical care or the outcomes the care provides. With enrollment and utilization decreasing, it appears provider rates might be the primary cost driver for the state's employee group health plans.

Public schools, municipalities, and institutions of higher education are assessed insurance premiums for property and casualty, life and disability, and worker's compensation. The Risk Program continues to experience stable but increased severity with regards to liability claims and property damage from weather-related events. Inadequate roof maintenance continues to be a major property concern, and the program is adding roof inspection services. Other areas of loss include student-on-student assaults, embezzlement, employment practices, and workers compensation. The Risk Program requested an overall increase in contractual services of \$565 thousand, which reflects an increase of \$1.2 million for excess coverage insurance along with other adjustments. The program is evaluating whether raising its self-insured retention rate of \$750 thousand will be cost-effective in the long-term and bring down excess coverage insurance premiums.

To meet its revenue needs, the Risk Program is not assessing an increase in premiums for FY13. This will be year four of flat assessments. The agency requested an increase of \$9.2 million from fund balance to offset the difference between revenues and projected expenditures for FY13. The program credits its positive property and casualty claims history and healthy fund balance over the past three years to its loss prevention efforts. For FY13, the fund balance is projected to be \$8 million at fiscal year end. Due to two layers of excess coverage that total \$10 million per occurrence, the program does not have a fund balance requirement.

The committee recommendation for the Risk Program supports the agency request to hold revenues flat with FY12 levels. The recommendation also supports the use of \$9.2 million from fund balance in FY13 to meet expenditures.

The committee recommendation for Program Support supports the agency's request, which is flat with FY12.

BENEFITS PROGRAM

The purpose of the benefits program is to provide an effective health insurance package to educational employees and their eligible family members so they can be protected against catastrophic financial losses due to medical problems, disability or death.

BUDGET SUMMARY (dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	277,316.3	280,744.3	286,017.2	285,521.5	1.7
Fund Balance	0.0	5,555.8	0.0	0.0	-100.0
SOURCES TOTAL	277,316.3	286,300.1	286,017.2	285,521.5	-0.3
USES					
Contractual Services	260,923.0	285,660.0	285,380.9	284,885.2	-0.3
Other Financing Uses	648.1	640.1	636.3	636.3	-0.6
TOTAL USES	261,571.1	286,300.1	286,017.2	285,521.5	-0.3
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Average number of days to resolve inquiries and appeals related to customer service claims	10	10	10	12	10
Efficiency	Percent variance of medical premium change between the public school insurance authority and industry average	-10.4%	-11%	</=3%	</=3%	</=3%
Efficiency	Percent variance of dental premium change between the public school insurance authority and industry average	-5.9%	-5.5%	</=3%	</=3%	</=3%
Quality	Percent of employees expressing satisfaction with group health benefits	65%	Pending	75%	70%	80%
* Output	Number of participants covered by health plans	58,261	60,000	58,000	56,000	56,000
Outcome	Annual 2% increase in mammography screening compliance	54%	55%	57%	59%	59%
Outcome	Annual 2% increase in pap smear screening compliance	53%	54%	55%	60%	60%

RISK PROGRAM

The purpose of the risk program is to provide economical and comprehensive property, liability and workers' compensation programs to educational entities so they are protected against injury and loss.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Revenues	60,322.5	55,380.0	55,380.0	55,380.0	0.0
Fund Balance	0.0	8,685.3	9,246.1	9,246.1	6.5
SOURCES TOTAL	60,322.5	64,065.3	64,626.1	64,626.1	0.9
USES					
Contractual Services	57,553.5	63,425.2	63,989.8	63,989.8	0.9
Other Financing Uses	648.1	640.1	636.3	636.3	-0.6
TOTAL USES	58,201.6	64,065.3	64,626.1	64,626.1	0.9
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Number of workers' compensation claims in the area of ergonomics	183	66	192	192	60
Quality	Percent of educational entities satisfied with risk insurance claim-processing service	90%	95%	90%	95%	95%
Output	Number of educational entities enrolled in the risk insurance program	175	180	177	183	183
Output	Number of loss prevention training seminars	108	161	108	120	120
Outcome	Percent change of members' average premium cost per student average daily attendance for current fiscal year as compared with prior fiscal year		0%	</=5%	</=5%	</=5%
* Outcome	Average cost per claim for current fiscal year as compared with prior fiscal year		\$4,111	≤\$5,250	</=\$5,250	</=\$5,250
* Outcome	Total claims count for current fiscal year as compared with prior fiscal year		1,576	1,600	1,760	1,600
Outcome	Percent change of members' average premium cost per \$100 (one hundred dollars) of building value for current fiscal year as compared with prior fiscal year		0%	</=5%	</=5%	</=5%
Outcome	Percent change of cost per claim for current fiscal year as compared with prior fiscal year (school buses)		0.8%	</=5%	</=5%	<=5%

PROGRAM SUPPORT

The purpose of program support is to provide administrative support for the benefits and risk programs and to assist the agency in delivering services to its constituents.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Transfers	1,296.2	1,272.6	1,272.6	1,282.5	0.8
SOURCES TOTAL	1,296.2	1,272.6	1,272.6	1,282.5	0.8
USES					
Personal Services and Employee Benefits	805.7	864.6	864.6	874.5	1.1
Contractual Services	190.5	190.6	190.6	190.6	0.0
Other	186.7	217.4	217.4	217.4	0.0
TOTAL USES	1,182.9	1,272.6	1,272.6	1,282.5	0.8
FTE					
Permanent	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	11.0	11.0	11.0	11.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Efficiency	Satisfaction rating of administrative services provided to all programs	97.8%	99.95%	95%	95%	95%

STATUTORY AUTHORITY:

The Retiree Health Care Authority (RHCA) was created by Section 10-7C-1 through 10-7C-19 NMSA 1978 to provide affordable health care for New Mexico public retirees and dependents. The RHCA is governed by a board of 11 members: the state treasurer, a governor's appointee, a state employee, a teacher, two representatives from New Mexico public pension plans, two representatives from retiree associations, one member from the Municipal League, one member from the school superintendents' association, and one member from the Association of Counties.

MISSION:

The Retiree Health Care Authority (RHCA) seeks to provide an affordable, comprehensive group health insurance benefit plan for present and future eligible retirees and their dependents. The benefits plan offers medical, prescription drug, dental, vision, basic life for employees who retired prior to December 31, 2011, and voluntary life coverage.

The RHCA is a nonreverting agency. Funding is derived from employer contributions, employee contributions, retiree and dependent contributions, Taxation and Revenue Department suspense fund disbursements, investment income, and other miscellaneous revenue.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Transfers	2,629.3	2,664.2	2,714.2	2,684.0	0.7
Other Revenues	221,951.2	236,942.2	259,951.2	246,143.8	3.9
SOURCES TOTAL	224,580.5	239,606.4	262,665.4	248,827.8	3.8
USES					
Personal Services and Employee Benefits	1,654.7	1,678.4	1,678.4	1,698.2	1.2
Contractual Services	212,740.0	234,755.7	257,764.7	243,957.3	3.9
Other	574.6	508.1	508.1	508.1	0.0
Other Financing Uses	2,756.5	2,664.2	2,714.2	2,664.2	0.0
TOTAL USES	217,725.8	239,606.4	262,665.4	248,827.8	3.8
FTE					
Permanent	25.0	25.0	25.0	25.0	0.0
TOTAL FTE POSITIONS	25.0	25.0	25.0	25.0	0.0

BUDGET ISSUES:

The RHCA covers 21.6 thousand retirees over age 65, and their 7,370 dependents, with self-insured Medicare complimentary plans and fully insured Medicare Advantage plans. Medicare Advantage plans generally cost less because of federal subsidies. Beginning in calendar year 2012, federal governmental bonuses will go to Medicare Advantage plans with high service-quality ratings. The RHCA also covers 13.6 thousand retirees under age 65, and their 7,390 dependents, with self-insured plans and high- and low-cost options. The RHCA has two customer service locations, one in Albuquerque and one in Santa Fe, with 25 FTE.

In addition to paying medical and dental claims expenses, the RHCA offers fully insured and voluntary dental, vision, and life coverage. With other Interagency Benefits Advisory Committee members (IBAC), the RHCA contracts with a pharmacy benefits management company to maintain a drug formulary, contract with pharmacies, and negotiate rebates with drug manufacturers. Beginning in FY12, the RHCA will pay \$250 thousand less in prescription drug costs for certain statins (cholesterol lowering medications) losing patent protection. For FY11, the RHCA member cost share was 17.8 percent of the plan's gross prescription drug spend of \$76.9 million. Generic drugs were selected 79 percent of the time, above their peer average of 70 percent.

Medicare-eligible retirees in the RHCA plans are required to enroll in Medicare. Medicare is the primary payer and the plan is the secondary payer. This integration with Medicare reduces the cost of offering health insurance to retirees. However, the RHCA does not determine the provisions of Medicare. The federal government is also struggling with rapidly rising healthcare costs and new cost-containment measures are anticipated. Such measures may reduce Medicare reimbursements and increase the cost to employer-provided retiree health insurance. The likelihood of these changes implies the cost estimates based on existing plans might underestimate future expenditures.

With present and future obligations of \$3.3 billion and a FY11 fund balance of \$190 million, the RHCA is about 5 percent funded. The RHCA projects solvency through 2027 on a cash basis, up from 2014 three years ago, because of adjustments to subsidy levels, premiums, plan designs, and a legislative increase in the employer and employee contributions. Beginning FY13, active employees will pay 1 percent and public employers (taxpayers) 2 percent of salary toward future retiree health benefits. Retirees pay between 35 percent and 50 percent of their total premium. To improve actuarial condition, the fund must spend significantly less than revenue to pay for future costs of the plan. Allowing underfunded benefits to become an even larger liability is endangering the finances of future generations.

The Interagency Benefits Advisory Committee (IBAC) is reviewing proposals to provide medical, dental, Medicare, and vision benefits for 210 thousand members for 2012 to 2016. With membership migrating to higher deductible plans and utilization decreasing due to greater cost-sharing, the IBAC will need to be more accountable for costs, quality and performance, and work together to provide better, more coordinated care for persons with chronic diseases, greater transparency in pricing to make consumers more price sensitive, and incentives to engage in wellness and prevention. Fees paid to providers should reward value and health outcomes, rather than volume of care as in the current fee-for-service model.

The RHCA's overall budget request was \$262.7 million, 9.6 percent over the FY12 operating budget and 17 percent over FY11 actual spending. The request included an increase of \$23 million for the Healthcare Benefits Administration Program and an expansion of \$50 thousand, or 1.9 percent, for Program Support, for investment advisory services. The State Investment Council no longer provides investment advice to entities in the investment pools. From FY08 through FY12, the retiree contribution has increased 13 percent while the employer and employee contribution has increased 32 percent. The request would reverse this trend with an increase of 15 percent in revenues from retiree contributions over FY12. The request zeroed funding for the static discount prescription drug program.

The committee recommendation for the Healthcare Benefits Administration Program is \$246.2 million, or 3.7 percent over the FY12 operating budget, and 10 percent over FY11 actual spending. Although the agency expects to receive \$260 million in revenues from retiree and employee and employer contributions, taxes, and other miscellaneous sources, the recommendation reduces total claims expenditures by 5.6 percent, to allow \$13.8 million to revert to the fund for future retiree healthcare costs. The recommendation supports efforts to pursue plan design changes that shift a larger portion of costs, including medical inflation, to beneficiaries. The committee holds Program Support flat with the FY12 operating budget and does not recommend an expansion in contractual services. The LFC recommendation also includes \$19.8 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

To improve solvency, the RHCA should evaluate cost savings that include reducing subsidies for spouses and dependents, raising age eligibility for retiree health care, increasing prescription drug copays, and exploring alternatives for providing health care for retirees too young to qualify for Medicare. The recommendation does not support costs to provide \$6 thousand in basic life insurance per member, saving more than \$1 million annually by 2017, or increases in administrative services fees to insurance carriers beyond the FY11 actual.

The RHCA received \$5.9 million in federal funds under the Early Retiree Reinsurance Program (ERRP) in FY11. The RHCA has since requested an additional \$3 million. Under the ERRP, the federal government reimburses plan sponsors for a portion of claims incurred by retirees at least age 55 but not eligible for Medicare, as well as covered dependents. After a participant incurs \$15 thousand in claims expenses, the federal government reimburses 80 percent up to \$90 thousand. It is widely expected the fund will be exhausted by the end of FY12.

RECOMMENDED LANGUAGE:

Any unexpended balances in program support of the retiree health care authority remaining at the end of fiscal year 2013 shall revert to the healthcare benefits administration program.

BASE EXPANSION:

The committee recommendation does not support the requested expansion in contractual services for investment advisory services. The recommendation encourages the RHCA to use board expertise to determine asset allocation to maximize returns.

HEALTHCARE BENEFITS ADMINISTRATION

The purpose of the healthcare benefits administration program is to provide fiscally solvent core group and optional healthcare benefits and life insurance to current and future eligible retirees and their dependents so they may access covered and available core group and optional healthcare benefits and life insurance benefits when they need them.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Revenues	221,951.2	236,942.2	259,951.2	246,143.8	3.9
SOURCES TOTAL	221,951.2	236,942.2	259,951.2	246,143.8	3.9
USES					
Contractual Services	212,340.0	234,278.0	257,237.0	243,479.6	3.9
Other Financing Uses	2,756.5	2,664.2	2,714.2	2,664.2	0.0
TOTAL USES	215,096.5	236,942.2	259,951.2	246,143.8	3.9
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Minimum number of years of solvency	15	15	15	15	15
* Efficiency	Total revenue increase to the reserve fund, in millions	\$0	\$23	\$17.7	\$22	\$22
Efficiency	Average monthly per-participant claim cost, non-medicare eligible	\$546	\$512	\$585	\$597	\$597
Output	Average monthly per-participant claim cost, medicare eligible	\$288	\$272	\$298	\$309	\$309
Outcome	Percent of participants satisfied with the healthcare benefits program	85%	88%	85%	85%	85%
Efficiency	Percent variance of medical premium change between retiree health care authority and industry average	1.0%	2.0%	+/-4%	+/-4%	+/-4%
Efficiency	Percent variance of dental premium change between retiree health care authority and industry average	1.5%	1%	+/-2%	+/-2%	+/-2%
Efficiency	Percent change in medical premium to participants	9%	7%	9%	9%	9%
Efficiency	Average number of days to resolve customer service claims related to inquiries and appeals	7	3	7	7	7
Efficiency	Percent of average medical premium subsidy for non-Medicare and Medicare	45%	49%	50%	50%	50%
Explanatory	Number of retiree healthcare participants	45,446	46,709	47,000	49,500	49,500
Outcome	Number of years of projected balanced spending	8	8	6	6	6
Outcome	Percentage annual increase in the number of non-medicare participants receiving medical insurance coverage	1%	+2%	+1%	+3%	+3%
Outcome	Percentage annual increase in the number of medicare participants receiving medical insurance coverage	5%	+5%	+5%	+5%	+5%

PROGRAM SUPPORT

The purpose of program support is to provide administrative support for the healthcare benefits administration program to assist the agency in delivering its services to its constituents.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Transfers	2,629.3	2,664.2	2,714.2	2,684.0	0.7
SOURCES TOTAL	2,629.3	2,664.2	2,714.2	2,684.0	0.7
USES					
Personal Services and Employee Benefits	1,654.7	1,678.4	1,678.4	1,698.2	1.2
Contractual Services	400.0	477.7	527.7	477.7	0.0
Other	574.6	508.1	508.1	508.1	0.0
TOTAL USES	2,629.3	2,664.2	2,714.2	2,684.0	0.7
FTE					
Permanent	25.0	25.0	25.0	25.0	0.0
TOTAL FTE POSITIONS	25.0	25.0	25.0	25.0	0.0

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Number of prior-year audit findings that recur	0	0	0	0	0
Efficiency	Percent of employee files that contain performance appraisal development plans completed by employees anniversary date	100%	100%	100%	100%	100%
Efficiency	Satisfaction rating of administrative services provided to all programs	88%	85%	85%	85%	85%

STATUTORY AUTHORITY:

Pursuant to Sections 9-17-1 through 9-17-7, NMSA 1978, the General Services Department (GSD) provides consolidated services to state agencies.

MISSION:

The mission of the General Services Department is to provide quality services to state agencies and local public bodies in a cost-efficient manner. These services include purchasing, printing, risk management, health benefits, property control, building maintenance, and transportation.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	13,727.9	12,803.9	13,304.0	13,690.7	6.9
Other Transfers	11,217.2	6,732.7	11,141.4	11,208.1	66.5
Other Revenues	414,479.6	447,951.8	444,845.7	439,299.4	-1.9
Fund Balance	3,052.9	7,366.5	21,955.6	13,396.9	81.9
SOURCES TOTAL	442,477.6	474,854.9	491,246.7	477,595.1	0.6
USES					
Personal Services and Employee Benefits	17,457.8	17,347.7	18,263.8	18,188.7	4.8
Contractual Services	37,417.9	44,057.2	50,791.8	37,691.7	-14.4
Other	375,724.3	403,318.3	411,049.7	410,573.3	1.8
Other Financing Uses	9,247.8	10,039.4	11,141.4	11,141.4	11.0
TOTAL USES	439,847.8	474,762.6	491,246.7	477,595.1	0.6
FTE					
Permanent	354.0	342.0	340.5	340.0	-0.6
TOTAL FTE POSITIONS	354.0	342.0	340.5	340.0	-0.6

BUDGET ISSUES:

The GSD request covered six divisions: Program Support, Transportation Services, Building Services Management and Maintenance (BOSMM), State Purchasing, State Printing, and Risk Management, which also oversees the Health Benefits fiduciary fund that is budgeted separately. Only two of these programs have general fund appropriations, BOSMM and State Purchasing.

The GSD overall request was \$491.2 million, an increase of 3 percent over the FY12 operating budget. The request included an increase of about \$500 thousand from the general fund for the BOSMM division to maintain staff at current levels, fill vacant positions overseeing leases and capital outlay projects, restore security contracts to optimal levels, and cover increases in public property insurance premiums and utility fees. The general fund appropriation for BOSMM has declined 25 percent since FY09.

The Building Services Division (BSD) within BOSMM maintains 1.5 million square feet of buildings and grounds under the control of the Property Control Division (PCD) in Santa Fe. The most recent report from the state personnel office provided a staff vacancy rate for BSD of 30 percent. For FY11, custodians serviced 35,000 square feet per FTE compared with the industry recommendation of up to 31 thousand square feet per FTE in eight hours. This translated into an operating budget of \$5.50 per square foot, compared with the national average of \$7.80 per square foot.

Weather-related events and deferred maintenance resulting in costly emergency repairs have caused public property insurance premiums for the PCD to increase from \$340 thousand for FY11 to a projected \$1.2 million for FY12. Utility costs are also expected to increase. The Public Regulation Commission recently approved a Public Service Company of New Mexico rate increase of 9.2 percent for electricity. The city of Santa Fe is expected to increase rates 8.2 percent for water and 4.7 percent for sewage. The request reflected and the recommendation supports a 9 percent increase in funding for state building utilities over FY11 actual expenditures.

The Property Control Division (PCD) within the GSD manages 250 capital projects and oversees 400 leases for agencies occupying space owned by private property owners. Two new projects that have received partial funding include an executive office building and campus to house health and human services agencies, which would add 750 thousand square feet of state-owned space. The PCD recently surveyed agencies occupying space in state-owned buildings and leasing space in privately

owned buildings and identified opportunities to reduce the state's footprint or renegotiate lease terms and costs. Not all agencies in state-owned buildings responded to the survey, and for those that responded, it was apparent not all agencies knew how to calculate space needs or negotiate lease terms. Nevertheless, with state employment down 14 percent since 2008, and the Santa Fe commercial real estate market with a 25 percent vacancy rate, the PCD should reassess the need for construction of any new office space.

The PCD is also responsible for closing down end-of-life facilities. Fort Bayard was vacated by the Department of Health and the PCD did not budget funds to maintain the buildings and to operate and maintain the water system at the facility. The old rehabilitation center in Roswell was also vacated by the DOH and requires funding for maintenance and operations while determining the property's future. Costs related to decommissioning these facilities were not fully included in the request.

The overall recommendation for BOSSM is \$12.3 million, an increase of 7.6 percent from the general fund, or \$872 thousand, over the FY12 operating budget, but effectively flat with FY11 actual expenditures. The recommendation supports filling essential, nonmanagerial positions, and training for staff positions critical to a well-planned preventative and corrective maintenance program, and increases for maintenance supplies and minor structural repairs. The recommendation for the PCD restores funding for staff training, and supports increases in other costs, attributed to public property insurance rates. The Legislature and the executive in future years should consider funding building user fees, provided in statute, for agencies occupying state-owned buildings.

The committee recommendation also includes \$80.6 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds and internal service funds/interagency transfers were also adjusted accordingly.

For FY13, the Risk Management Division (RMD) is requesting risk premiums and unemployment compensation assessments of \$83 million, flat with the FY12 operating budget. In response to the declining actuarial position of the risk funds, the RMD will maintain reserves no less than 30 percent, down from 50 percent, for the public property and public liability funds, and up from 20 percent, for the workers' compensation fund. For FY13, the RMD appropriates fund balances in the surety bond fund, and employee health benefits fund. The request moves more administrative expenses previously paid out of the risk funds, not directly related to payment of claims or benefits, to the RMD operating fund.

In advance of developing an appropriation request for FY13, agencies were directed to budget for risk rates held flat with the adjusted FY12 rates. For FY13, the request reflected more in claims-related expenditures than revenue received from premiums, for the public property and public liability risk funds. Without adjusting premiums based on experience and exposure, rates for the risk funds might not provide revenue in excess of expenditures, and fund balances might fall to actuarially unsound levels. Because the RMD reimburses the Department of Workforce Solutions for claims paid, agencies might incur unemployment compensation assessments higher than they were told to prepare for, once actuals are known. This will necessitate the RMD to work with agencies on loss prevention activities.

The recommendation for the RMD includes operating revenue of \$77.8 million from risk premiums and unemployment compensation assessments, aligning revenue with the 2011 published rate schedule and reducing expenditures accordingly. The recommendation fully funds RMD operations in personal services and benefits and reduces contractual services across risk funds, in support of more in-house handling of projections, claims, and litigation. To further reduce costs, the GSD should explore raising its self-insured retention from \$500 thousand to \$750 thousand for public property, to determine if it would lower costs for reinsurance.

For FY13, the GSD requested a \$19.7 million, or 5 percent, increase in claims expenditures for group health benefits over FY12, and no new increases in employee and employer contributions. This request would require plan design changes in advance of FY13 and the use of \$19.7 million in fund balance. Due to a decline in enrollment, less claims activity than projected, and savings from certain drugs losing patent protection, the recommendation proposes a \$10.7 million, or 3 percent, increase in claims expenditures over FY12. This would provide an approximate \$30 million, or 8 percent, increase over FY11 actual expenditures. The recommendation does not support increases in contractual services for administrative service fees to insurance carriers, external consultants, or auditors, above FY11 actual expenditures. The recommendation reduces the use of fund balance in the request by \$9.1 million in an attempt to preserve one month of claims expenses, prudent for the fund to remain actuarially sound.

As one of four members of the Interagency Benefits Advisory Committee (IBAC), the GSD will be participating in a review of proposals to provide health benefits for 210 thousand active employees and retirees for 2012 to 2016. With membership migrating to higher deductible plans and utilization decreasing due to greater cost-sharing, the IBAC will need to be more accountable for costs, quality, and performance and work to provide better, coordinated care, greater transparency in pricing,

and higher-cost disease management. A significant driver of health costs continues to be a fee-for-service model that rewards quantity as opposed to quality of care. The IBAC should use its strength to choose which providers are in its networks, excluding, when possible, providers achieving poor outcomes or achieving outcomes at a higher cost.

In FY11, expenditures exceeded revenues in the Printing and Graphic Services Division by about \$58 thousand. The state is purchasing more than \$8 million per year in print and graphic products. State agencies procure more than \$3 million per year from out-of-state printing vendors with no production capacity in New Mexico. In FY11, the program reduced the FY10 deficit by \$58 thousand, to \$228 thousand, incurred during a year with a 30-day legislative session. In support of a new marketing plan in FY12 to capture more state business, the recommendation assumes a modest 13 percent increase in revenues over FY11 actual revenues, and adjusts expenditures accordingly to reflect a similar year with a 60-day legislative session.

The State Purchasing Division still conducts procurements in a manual, labor-intensive and paper-driven system. The GSD is looking at interim web-based solutions until it can be determined if a PeopleSoft system would achieve the desired functionality for an electronic bid and contracts management system. The Governor's Task Force on Procurement Reform has met monthly since July 2011 and has provided much needed user information on the state's procurement processes. Recommendations for changes or additions to the procurement code and regulations will be presented to the Legislature in 2012.

The recommendation approves the request to move 1 FTE to the State Purchasing Fees program from the State Purchasing Operations program, and funds the position at mid-point using enterprise revenue. Despite the loss of one FTE from the Operations program, the recommendation does not further reduce personal services and employee benefits, as the request required the use of vacancy savings. The recommendation supports in-state travel and training expenditures that support the development of a statewide workforce of skilled purchasing agents.

State Motor Pool vehicle lease rates, lower than private sector rates, do not cover actual costs per vehicle. For FY12 and FY13, the Transportation Services Division was approved for lease fees of \$133 per month for vehicles owned by the state, which included initial costs minus residual costs and divided by a life cycle of 60 months. Failure to include the full costs for overhead and maintenance in fees will result in a reduction to the fund balance of about \$1 million for FY13. Vehicle replacement is typically a component of vehicle lease fees.

The recommendation for the State Motor Pool includes \$1 million to replace 50 vehicles in excess of the 100 thousand mile, five-year warranty limit, with an additional \$500 thousand over the request for use of fund balance. The recommendation reduces the request for vehicle parts and maintenance repairs accordingly. The recommendation for the Aviation Services Bureau includes bare bones operating costs for two planes and 4 FTE, supported with fees, which, without increases to users, will not be enough to pay projected expenditures. However, as fees to agencies increase, utilization rates might decrease. The recommendation for the State Agency for Surplus Property proposes a modest 9 percent increase over FY11 actual revenues, effectively flat with FY12.

The Program Support Division requested an increase of \$306 thousand, or 8 percent, to fill positions that include an internal auditor, general counsel to the secretary, and purchasing and contracts FTE. The increase was offset by Department of Information Technology (DoIT) rate reductions, and the increase had no direct fiscal impact on other divisions. The overall reduction in DoIT rates is a result of the GSD bringing more information technology functions from other programs in-house, such as desktop support, website development, and web-based applications. The recommendation for the Program Support Division supports the request.

While activating the SHARE modules for accounts receivable, general ledger, and fixed assets remains the ideal solution, the Program Support Division submitted an information technology plan to request funding for a third-party commercial off-the-shelf system as an interim solution. The GSD reports that the current enterprise management software does not interact with SHARE and poses a financial risk, if the system fails. The request included, and the recommendation supports, funding for an information technology security assessment.

RECOMMENDED LANGUAGE:

Any unexpended balances in the program support program of the general services department remaining at the end of fiscal year 2013 shall revert to the procurement services, state printing services, risk management, health benefits, business office space management and maintenance, and transportation services programs based on the proportion of each individual program's assessments for program support.

EMPLOYEE GROUP HEALTH BENEFITS

The purpose of the employee group health benefits program is to effectively administer comprehensive health-benefit plans to state and local government employees.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	333,710.1	353,074.5	353,074.5	353,074.5	0.0
Fund Balance	0.0	0.0	19,746.3	10,653.0	
SOURCES TOTAL	333,710.1	353,074.5	372,820.8	363,727.5	3.0
USES					
Contractual Services	17,362.9	20,280.0	21,000.0	17,492.7	-13.7
Other	306,839.7	331,167.8	350,000.0	344,414.0	4.0
Other Financing Uses	1,626.7	1,626.7	1,820.8	1,820.8	11.9
TOTAL USES	325,829.3	353,074.5	372,820.8	363,727.5	3.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Efficiency	Percent change in state employee medical premium compared with the industry average	0%	0%	0%	≤ 5%	< 5%
Efficiency	Percent change in dental premium compared with the national average	0%	0%	0%	≤ 5%	< 5%
* Outcome	Percent of state group prescriptions filled with generic drugs	80.5%	82.4%	80%	75%	80%
* Explanatory	Percent of eligible state employees purchasing state health insurance	91.3%	92%	90%	90%	90%

RISK MANAGEMENT

The purpose of the risk management program is to protect the state's assets against property, public liability, workers' compensation, state unemployment compensation, local public bodies unemployment compensation and surety bond losses so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Transfers	7,627.2	6,732.7	7,514.5	7,551.5	12.2
Other Revenues	68,466.0	83,043.9	83,043.9	77,839.6	-6.3
Fund Balance	0.0	5,231.5	74.3	74.3	-98.6
SOURCES TOTAL	76,093.2	95,008.1	90,632.7	85,465.4	-10.0
USES					
Personal Services and Employee Benefits	3,892.0	4,030.8	4,002.0	4,039.0	0.2
Contractual Services	19,283.3	23,264.5	29,130.6	19,546.5	-16.0
Other	57,521.7	59,908.0	48,968.2	53,348.0	-11.0
Other Financing Uses	7,236.9	7,804.8	8,531.9	8,531.9	9.3
TOTAL USES	87,933.9	95,008.1	90,632.7	85,465.4	-10.0
FTE					
Permanent	63.0	63.0	63.0	63.0	0.0
TOTAL FTE POSITIONS	63.0	63.0	63.0	63.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Number of state workers' compensation claimants on modified duty (early return to work)					
* Explanatory	Projected financial position of the public property fund	309%	1.7%	100%	18%	50%
* Explanatory	Projected financial position of the workers' compensation fund	30%	23.7%	35%	29%	29%
* Explanatory	Projected financial position of the public liability fund	65%	47.9%	50%	50%	50%

STATE PRINTING SERVICES

The purpose of the state printing services program is to provide cost-effective printing and publishing services for governmental agencies.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	1,547.1	1,928.4	1,928.4	1,788.6	-7.2
SOURCES TOTAL	1,547.1	1,928.4	1,928.4	1,788.6	-7.2
USES					
Personal Services and Employee Benefits	863.6	1,153.7	1,154.3	1,014.5	-12.1
Contractual Services	3.6	13.0	18.0	18.0	38.5
Other	621.8	669.4	651.6	651.6	-2.7
Other Financing Uses	0.0	0.0	104.5	104.5	
TOTAL USES	1,489.0	1,836.1	1,928.4	1,788.6	-2.6
FTE					
Permanent	18.0	18.0	18.0	18.0	0.0
TOTAL FTE POSITIONS	18.0	18.0	18.0	18.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Output	Revenue generated per employee compared with previous fiscal year	\$62,000	\$96,691	\$70,000	\$90,000	\$90,000
Outcome	Sales growth in state printing revenue compared with previous fiscal year	0%	-5.6%	10%	10%	10%
Quality	Percent of customers satisfied with printing services		90%	82%	85%	85%

BUSINESS OFFICE SPACE MANAGEMENT AND MAINTENANCE SERVICES

The purpose of the business office space management and maintenance services program is to provide employees and the public with effective property management so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	12,256.9	11,427.4	11,927.4	12,299.7	7.6
SOURCES TOTAL	12,256.9	11,427.4	11,927.4	12,299.7	7.6
USES					
Personal Services and Employee Benefits	6,180.1	5,526.3	6,035.9	6,222.7	12.6
Contractual Services	350.8	212.3	312.3	312.3	47.1
Other	4,878.3	5,531.3	5,467.5	5,653.0	2.2
Other Financing Uses	157.5	157.5	111.7	111.7	-29.1
TOTAL USES	11,566.7	11,427.4	11,927.4	12,299.7	7.6
FTE					
Permanent	165.0	157.0	157.5	157.0	0.0
TOTAL FTE POSITIONS	165.0	157.0	157.5	157.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Quality	Percent of customers satisfied with custodial and maintenance services	93.5%	91.8%	85%	90%	90%
* Explanatory	Percent of state-controlled office space occupied	90.4%	97%	95%	N/A	95%
Quality	Percent of customers satisfied with property control services	94.1%	100%	90%	90%	90%
* Efficiency	Percent of property control capital projects on schedule within approved budget	96.2%	94%	90%	90%	90%
* Efficiency	Percent of operating costs for Santa Fe state-owned buildings below industry standard	15.1%	28%	</=5%	</= 5%	</= 5%
Quality	Percent of building services division employees satisfied with administrative support, management direction and employee training	86.1%	85.8%	82%	82%	82%
Output	Percent of major facility equipment (boilers, chillers, elevators, generators and cooling towers) covered by a maintenance service contract	100%	95%	95%	95%	95%

TRANSPORTATION SERVICES

The purpose of the transportation services program is to provide centralized and effective administration of the state's motor pool and aircraft transportation services so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	10,052.3	6,052.8	6,106.9	5,991.7	-1.0
Fund Balance	3,052.9	2,135.0	2,135.0	2,669.6	25.0
SOURCES TOTAL	13,105.2	8,187.8	8,241.9	8,661.3	5.8
USES					
Personal Services and Employee Benefits	2,048.9	2,353.7	2,346.3	2,230.1	-5.3
Contractual Services	77.9	78.1	89.6	80.9	3.6
Other	5,285.2	5,389.8	5,351.7	5,896.0	9.4
Other Financing Uses	183.5	366.2	454.3	454.3	24.1
TOTAL USES	7,595.5	8,187.8	8,241.9	8,661.3	5.8
FTE					
Permanent	38.0	38.0	36.0	36.0	-5.3
TOTAL FTE POSITIONS	38.0	38.0	36.0	36.0	-5.3

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Percent of short-term vehicle use	49%	46%	50%	55%	55%
Efficiency	Percent of passenger vehicle lease revenues to expenses	100%	100%	100%	42%	42%
* Explanatory	Percent of state vehicle fleet beyond five-year/one hundred thousand miles standard	10%	10%	25%	30%	30%

PROCUREMENT SERVICES

The purpose of the procurement services program is to provide a procurement process for tangible property for government entities to ensure compliance with the Procurement Code so agencies can perform their missions in an efficient and responsive manner.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	1,471.0	1,376.5	1,376.6	1,391.0	1.1
Other Transfers	0.0	0.0	0.0	0.0	
Other Revenues	704.1	531.0	692.0	605.0	13.9
SOURCES TOTAL	2,175.1	1,907.5	2,068.6	1,996.0	4.6
USES					
Personal Services and Employee Benefits	1,609.3	1,599.8	1,771.1	1,698.5	6.2
Contractual Services	42.2	0.0	0.0	0.0	
Other	160.6	223.5	179.3	179.3	-19.8
Other Financing Uses	43.2	84.2	118.2	118.2	40.4
TOTAL USES	1,855.3	1,907.5	2,068.6	1,996.0	4.6
FTE					
Permanent	29.0	29.0	29.0	29.0	0
TOTAL FTE POSITIONS	29.0	29.0	29.0	29.0	0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of all price agreement renewals considered for "best value" strategic sourcing option					
Quality	Percent of customers satisfied with procurement services	83%	80%	90%	90%	90%
* Output	Number of small business clients assisted	245	361	250	300	300
* Output	Number of government employees trained on Procurement Code compliance and methods	612	600	500	525	525

PROGRAM SUPPORT

The purpose of program support is to manage the program performance process to demonstrate success.

**BUDGET SUMMARY
(dollars in thousands)**

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Transfers	3,590.0	0.0	3,626.9	3,656.6	100.0
Other Revenues	0.0	3,321.2	0.0	0.0	-100.0
SOURCES TOTAL	3,590.0	3,321.2	3,626.9	3,656.6	10.1
USES					
Personal Services and Employee Benefits	2,863.9	2,683.4	2,954.2	2,983.9	11.2
Contractual Services	297.2	209.3	241.3	241.3	15.3
Other	417.0	428.5	431.4	431.4	0.7
TOTAL USES	3,578.1	3,321.2	3,626.9	3,656.6	10.1
FTE					
Permanent	41.0	37.0	37.0	37.0	0.0
TOTAL FTE POSITIONS	41.0	37.0	37.0	37.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Quality	Percent of customers satisfied with internal information technology services	90%	100%	90%	90%	90%
Quality	Percent of internal customers satisfied with administrative services division services	90%	73%	80%	85%	85%
Efficiency	Average number of working days to process purchase orders and invoices	1.5	1.7	PO2/Inv 2	PO2/Inv 2	PO2/Inv 2
Quality	Percent of external customers satisfied with billing services	90.9%	77.4%	82%	85%	85%
Efficiency	Percent of checks deposited within twenty-four hours of date of receipt in the administrative services division		100%	95%	100%	100%

STATUTORY AUTHORITY:

The Educational Retirement Board (ERB) is responsible for administration of the Educational Retirement Act, Sections 22-11-1 through 22-11-52 NMSA 1978. The board manages the retirement program for employees of public schools, public institutions of higher learning, and selected state agencies. The agency is governed by a seven-member board composed of the secretary of public education and state treasurer (both ex officio), one member elected by the New Mexico members of the American Association of Educational Retirees, one member elected by the members of the National Education Association of New Mexico, one member elected by the New Mexico members of the American Association of University Professors, and two members appointed by the governor.

MISSION:

The agency's mission is to provide high-quality services and secure retirement benefits to current and future retirees through pension administration functions and management of the fund's assets.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Revenues	31,071.4	40,233.9	38,066.5	37,930.4	-5.7
SOURCES TOTAL	31,071.4	40,233.9	38,066.5	37,930.4	-5.7
USES					
Personal Services and Employee Benefits	4,087.1	4,361.3	5,114.3	5,008.2	14.8
Contractual Services	25,094.2	35,038.0	32,097.7	32,097.7	-8.4
Other	1,890.1	814.6	854.5	824.5	1.2
TOTAL USES	31,071.4	40,213.9	38,066.5	37,930.4	-5.7
FTE					
Permanent	58.0	58.0	63.0	61.0	5.2
TOTAL FTE POSITIONS	58.0	58.0	63.0	61.0	5.2

BUDGET ISSUES:

The agency requested \$38.1 million for FY13, a decrease of \$2.1 million or 5.4 percent from the FY12 operating budget, and included a 1.2 percent vacancy rate. The committee recommendation is \$37.9 million, a decrease of 5.8 percent. The LFC recommendation includes \$52 thousand to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. For FY12, the Educational Retirement Board request was \$10 million, or 2.8 percent, over the FY11 operating budget, which had been adjusted upward by \$9.8 million from its original appropriation of \$26.9 million through a budget adjustment request (BAR) mostly for higher investment fees. These fees have escalated for the ERB since the agency experienced lower fees accompanying negative investment returns during FY08 and FY09. For example, the strong investment performance of 18.2 percent for FY10 caused investment fees to almost double to \$34.1 million from about \$18 million paid in FY09, when the fund lost 17.3 percent. Thus, investment-related costs continue to drive the ERB's budget, and performance-based fee arrangements make these costs particularly difficult to accurately predict. In addition, fees are generally based on an expected fund appreciation of 8 percent; during the last three years, fund returns have deviated significantly, making the estimates even less reliable. The ERB has 58 permanent FTE. As discussed below, the committee partially supports the expansion request for 5 FTE.

The request also included an increase for investment-related legal fees from \$1.7 million in FY12 to \$1.9 million. The committee approves the full request for legal fees of \$1.9 million, subject to language restricting use. Most of the \$1.9 million would be used for the more complex legal review and negotiations needed for higher allocations and alternative investments. The remainder of the money would be spent on litigation stemming from recovering damages from managers.

In August 2010 the Educational Retirement Board overpaid refunds to some of its members and beneficiaries. ERB discovered 693 errors of overpayments ranging from 66 cents up to \$306,264. By the time the errors were stopped, there were 17 instances of overpayments amounting to \$10 thousand or more each. Since June 2011 the ERB has recouped \$565 thousand of the \$1.7 million in overpayments.

Significant investment losses during 2001-2003 and 2008-2009 and a slow growing workforce coupled with pay-freezes worsened ERB's actuarial condition. Even with an additional 1.5 percent employer contribution increase scheduled to be phased in over FY14 and FY15 and an optimistic 7.75 percent long-term investment return assumption, the Buck Consultant projection shows the pension plan running out of money within 30 years.

The ERB has been developing alternative plans to modifying benefits and reducing contributions while improving its solvency. Significant options include modifying the cost-of-living-adjustments (COLAs) and establishing a minimum retirement age. Although the board has begun outreach efforts with members, any legislative action taken in the 2012 session may trigger lawsuits that will further stress the ERB's budget and funding status. However, court challenges made by retired public employees whose pensions and COLAs had been cut in Colorado and Minnesota have been dismissed.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the educational retirement program of the educational retirement board in the contractual services category includes thirty million six hundred thousand dollars (\$30,600,000) to be used only for investment manager fees.

The other state funds appropriation to the educational retirement program of the educational retirement board in the contractual services category includes one million three hundred fifty thousand dollars (\$1,350,000) for payment of custody services associated with the fiscal agent contract.

The other state funds appropriation to the educational retirement program of the educational retirement board in the contractual services category includes one million seven hundred twenty-seven thousand three hundred dollars (\$1,727,300) for payment of legal services.

BASE EXPANSION:

The agency requested an expansion of 5 FTE and \$408 thousand. The committee recommendation supports two positions to focus on fixed income investments that will save an estimated \$750 thousand in management fees as well as improve asset management. The committee also supports the addition of a payroll analyst to assist with processing new retirees, adjusting current retiree information, handling special request, and addressing question or informal needs by telephone.

**BASE EXPANSION LISTING
FY13 - 2012-2013**

<u>Agency Rank</u>		<u>(Program)</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>
1	Internalize Fixed Income Investments	(P635)	230.4	230.4
2	Investment Analysis/Tracking	(P635)	65.8	0.0
3	Payroll Staff	(P635)	47.5	47.5
4	<u>Schools Audit</u>	<u>(P635)</u>	<u>64.8</u>	<u>0.0</u>
TOTAL			408.5	277.9

EDUCATIONAL RETIREMENT

The purpose of the educational retirement program is to provide secure retirement benefits to active and retired members so they can have secure monthly benefits when their careers are finished.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Average rate of return over a cumulative five-year period	3.9%	5.3%	8%	7.75%	7.75%
Outcome	Average number of days to process refund requests	15	15	15	15	15
Outcome	Percent of member satisfaction with seminars and trainings	95%	97.9%	95%	95%	95%
Output	Average number of days to respond to request for benefit estimates and purchase of service request	18	18	18	18	18
Output	Percent of retirement applications processed within sixty days	95%	95%	95%	95%	95%
Output	Number of benefit estimates and purchase of service requests computed annually	6,500	8,587	6,250	7,500	7500
Output	Number of member workshops conducted	30	35	30	30	30
* Outcome	Funding period of unfunded actuarial accrued liability, in years	62.5	Infinite	≤30	≤30	≤30
Quality	Percent of accurately computed retirements	99.5%	99.5%	99.5%	99.5%	99.5%

STATUTORY AUTHORITY:

The New Mexico Sentencing Commission was created in 1994 under Section 9-3-10 NMSA 1978 as the Criminal and Juvenile Justice Coordinating Council. Laws 2003, Chapter 75, changed the agency name to the New Mexico Sentencing Commission. Section 9-3-13 NMSA 178 created a Sex Offender Management Board within the commission. The commission also has four committees: Data, Sentencing Reform, Legislative, and Judicial.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	657.7	529.8	529.8	529.8	0.0
Other Revenues	30.0	30.0	30.0	30.0	0.0
SOURCES TOTAL	687.7	559.8	559.8	559.8	0.0
USES					
Contractual Services	683.1	555.2	555.2	555.2	0.0
Other	4.2	4.6	4.6	4.6	0.0
TOTAL USES	687.3	559.8	559.8	559.8	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

The LFC's recommendation for FY13 remains at the FY12 adjusted operating budget of \$529.8 thousand. As a result of the reduction, the commission no longer supports and maintains the consolidated offender query used by criminal and justice agencies. The action will allow the commission to maintain a flat budget in FY13. The commission staff are employees of the University of New Mexico with whom it contracts for administrative and research services. The commission pays the university a 9 percent administrative overhead fee.

The New Mexico Sentencing Commission is composed of 24 members with differing criminal justice-related backgrounds. New Mexico's structure for the sentencing commission is similar to other states in the country in which the commission is a state agency located at a state university. One of the agency's central duties is to serve as the clearinghouse for criminal justice data from other state agencies. The agency provides research reports on topical subjects on a scheduled or ad hoc basis and analyzes and comments on criminal justice and public safety issues legislation. The County Detention Facility Reimbursement Act requires the commission to annually calculate the felony offender incarceration percentage and the distribution amount for each eligible county, for which it receives \$30 thousand from the county detention facility reimbursement fund.

In the last month of FY11, the commission released two major reports: "Comparison of Case Outcomes: Household Member Assault/Battery" and "New Mexico Prison Population Forecast: FY2012 - FY2021." The reports are shared with affected agencies so the results can be incorporated into the agency's planning and policy implementation process.

NEW MEXICO SENTENCING COMMISSION

The purpose of the New Mexico sentencing commission is to provide information, analysis, recommendations and assistance from a coordinated cross-agency perspective to the three branches of government and interested citizens so they have the resources they need to make policy decisions that benefit the criminal and juvenile justice systems.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Percent of criminal and juvenile justice bills analyzed for a legislative session	100%	100%	100%	100%	100%
* Output	Number of research projects completed	13	13	13	13	13
Output	Number of website hits per month	346,000	360,000	350,000	350,000	360,000

STATUTORY AUTHORITY:

The Public Defender Department (PDD) was established under Sections 31-15-1 through 31-15-12 NMSA 1978 to provide legal representation or payment to private counsel for defendants financially unable to obtain counsel and charged in any court with a crime that carries a possible sentence of imprisonment or death. The department also sets standards of indigence the courts use in determining which defendants are eligible for state-funded defenses.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	39,658.8	38,898.4	38,898.4	40,145.3	3.2
Federal Revenues	12.6	113.0	0.0	0.0	-100.0
Other Revenues	367.7	240.0	245.0	245.0	2.1
SOURCES TOTAL	40,039.1	39,251.4	39,143.4	40,390.3	2.9
USES					
Personal Services and Employee Benefits	23,173.7	23,812.8	23,112.2	24,259.1	1.9
Contractual Services	11,311.4	9,961.8	10,711.9	10,711.9	7.5
Other	5,327.3	5,476.8	5,319.3	5,419.3	-1.0
TOTAL USES	39,812.4	39,251.4	39,143.4	40,390.3	2.9
FTE					
Permanent	411.0	411.0	411.0	391.0	-4.9
TOTAL FTE POSITIONS	411.0	411.0	411.0	391.0	-4.9

BUDGET ISSUES:

The Public Defender Department's overall base request of \$39.1 million represented a \$108 thousand, or 0.3 percent decrease over the FY12 operating budget. The decrease was the result of the department's flat general fund request and the discontinuation of a federal grant that had been budgeted in FY12. The department's request decreased funding in both personal services and employee benefits and other uses by 2.9 percent and increases contractual services by 7.5 percent.

The increase in contractual services was due in part to the agency's high vacancy rate. The hiring freeze has prevented the department filling many vacant positions over the past year, which forced the department to rely more heavily on contracts. The department is currently averaging a 19.3 percent vacancy rate for FY12.

The department intends to move forward with plans to open an office in McKinley County in FY12. The office will house 13 FTE who the department estimates will be able to cut the need for contract attorneys by 50 percent. In FY11, the department contracted attorneys to represent clients in 3,272 cases at a cost of \$965.3 thousand. The department estimates that the annual cost of the McKinley county office in Gallup will be \$850 thousand annually. \$100 thousand has been added to the recommendation contingent on opening an office in McKinley County.

The committee recommendation will delete 20 FTE and increase funding in the personal services category by 1 percent over the FY12 level. The recommendation will allow the department to achieve a vacancy rate of 10 percent for FY13 and allow the department to fill vacant attorney positions.

The committee recommendation includes \$291.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

RECOMMENDED LANGUAGE:

The general fund appropriation to the public defender department in the other category includes one hundred thousand dollars (\$100,000) contingent on the public defender department opening an office in McKinley county.

PUBLIC DEFENDER DEPARTMENT

The purpose of the criminal legal services program is to provide effective legal representation and advocacy for eligible clients so their liberty and constitutional rights are protected and to serve the community as a partner in assuring a fair and efficient criminal justice system that sustains New Mexico's statutory and constitutional mandate to adequately fund a statewide indigent defense system.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of alternative sentencing treatment placements for felony and juvenile clients	3,703	3,679	4,000	4,500	4,500
* Efficiency	Percent of cases in which application fees were collected	33.4%	28.4%	35%	40%	40%
* Quality	Percent of felony cases resulting in a reduction of original formally filed charges	19%	11.7%	37%	51%	51%

STATUTORY AUTHORITY:

The Office of the Governor is created under Article V, Section 1, of the New Mexico Constitution.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,814.7	3,357.6	3,357.6	3,391.6	1.0
SOURCES TOTAL	3,814.7	3,357.6	3,357.6	3,391.6	1.0
USES					
Personal Services and Employee Benefits	2,576.8	2,740.4	2,740.4	2,774.4	1.2
Contractual Services	110.4	100.8	100.8	100.8	0.0
Other	655.0	516.4	516.4	516.4	0.0
TOTAL USES	3,342.2	3,357.6	3,357.6	3,391.6	1.0
FTE					
Permanent	37.3	27.0	27.0	27.0	0.0
TOTAL FTE POSITIONS	37.3	27.0	27.0	27.0	0.0

BUDGET ISSUES:

The Office of the Governor's request remained flat with the FY12 adjusted operating budget. The committee recommendation supports the request in personal services, contractual services and other costs, including \$60 thousand from the governor's contingency fund. Because personal services had been averaging a 21 percent vacancy rate since FY08, the appropriation for FY12 reflected a deletion of 10.3 FTE, which brought the total FTE count to FY03 levels. The request for FY13 fully funded the remaining 27 positions. The LFC recommendation supports the request and includes \$34 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

With assistance from the Department of Information Technology, the Office of the Governor is providing public access to certain council and committee meetings. The staff is working toward a system where users could "click through" an agenda and be taken to the corresponding place in the video, as well as use keyword searches to more easily navigate through each video.

GOVERNOR

The purpose of the executive management and leadership program is to provide appropriate management and leadership to the executive branch of government to allow for a more efficient and effective operation of the agencies within that branch of government on behalf of the citizens of the state.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of days to answer or refer to the proper entity constituent requests for information	3	4	4	4	4
Output	Number of days to process extraditions	11	10	13	13	13
Output	Number of days floor sessions, legislative committee meetings, redistricting meetings, state investment council, board of finance, and all other public meetings recorded by the governor's office are posted at www.governor.state.nm.us				2	2
Output	Number of days to review recommendations from notary compliance and endorsement unit and issue a final order				10	10
Output	Number of days to acknowledge receipt and determine eligibility for consideration of pardon requests				10	10
Output	Number of cabinet meetings held by the governor				12	12
* Outcome	Percent of constituent service cases closed within thirty days of initial receipt				90%	90%
Output	Number of days executive orders are posted on www.governor.state.nm.us once the governor and secretary of state sign				1	1
Output	Number of days press releases are posted on www.governor.state.nm.us				1	1
Output	Number of meetings the governor's office held with each department's public information officer				4	4

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution created the Office of the Lieutenant Governor and established the person serving as lieutenant governor as president of the New Mexico State Senate. Section 8-3-1 NMSA 1978 establishes the lieutenant governor as state ombudsman.

MISSION:

The mission of the Office of the Lieutenant Governor is to fulfill the constitutional duties of president of the New Mexico Senate and serves as ombudsman and acting governor in cases when the governor is out of state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	752.0	671.0	575.8	579.9	-13.6
SOURCES TOTAL	752.0	671.0	575.8	579.9	-13.6
USES					
Personal Services and Employee Benefits	554.0	582.3	487.1	491.2	-15.6
Contractual Services	21.0	32.4	39.8	39.8	22.8
Other	62.0	56.3	48.9	48.9	-13.1
TOTAL USES	637.0	671.0	575.8	579.9	-13.6
FTE					
Permanent	8.0	8.0	5.0	5.0	-37.5
TOTAL FTE POSITIONS	8.0	8.0	5.0	5.0	-37.5

BUDGET ISSUES:

The request of \$575.8 thousand represented a \$95.2 thousand, or 14 percent, reduction below the FY12 adjusted operating budget and deletes 3 of 8 FTE. The request deleted the staff assistant, director of media coordination and scheduler positions for a savings of \$153.8 from personal services and employee benefits. The committee recommendation funds the request for FY13. The LFC recommendation also includes \$4.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

LIEUTENANT GOVERNOR

The purpose of the state ombudsman program is to facilitate and promote cooperation and understanding between the citizens of New Mexico and the agencies of state government, refer any complaints or special problems citizens may have to the proper entities, keep records of activities and submit an annual report to the governor.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of constituent service files closed within thirty days				80%	80%
Output	Percent of border authority meetings or teleconferences attended				90%	90%
Output	Percent of mortgage finance authority meetings attended				90%	90%
Output	Percent of board of finance meetings attended				90%	90%
Output	Percent of days in session and presided over				90%	90%
Output	Percent of community development council meetings attended				90%	90%
Output	Number of constituent service mobile office days held				4	4
Output	Percent of spaceport authority meetings or teleconferences attended				90%	90%
Output	Number of constituent town hall meetings or economic forums held				4	4

STATUTORY AUTHORITY:

The Department of Information Technology (DoIT) is authorized pursuant to Section 9-27-1 through 9-27-10 NMSA 1978 (DoIT Act) as a single, unified executive branch department intended to streamline and improve state information technology systems. The DoIT administers all laws and exercises all functions formerly administered by the Office of the Chief Information Officer (OCIO) and the Information Technology Commission (ITC) pursuant to the Information Technology Management Act, and the Communications Division, Information Systems Division, Radio Communications Bureau, and Telecommunications Bureau of the General Services Department. The department consists of three authorized programs: Program Support, Compliance and Project Management, and Enterprise Services. Finally, the department administers the equipment replacement fund, a quasi-program funded through internal transfers, which it uses to replace or upgrade equipment and software.

The DoIT Act established a rate committee consisting of seven executive agency members: five appointed by the governor and two designated by statute -- the secretary of the Department of Finance and Administration, the statutorily designated chair, and the secretary of DoIT. The committee reviews the rate and fee schedule proposed by DoIT and submits a recommendation by July 15 of each year for the following fiscal year budget cycle.

The Information Technology Commission (ITC) consists of 15 voting members, 10 of whom are governor-appointed, and four nonvoting members. The ITC focuses on developing and implementing the state information technology (IT) plan and reviews and approves strategies for identifying IT projects that impact multiple agencies and proposed rules by the secretary. Although the commission is statutorily required to meet at least quarterly, the governor appointees have yet to be selected, and the commission has not met since November 3, 2010.

MISSION:

The mission of the Department of Information Technology is to provide cost-effective and efficient enterprise products, services, and solutions within a secure and reliable environment for its customers through leadership, strategic planning, standards and policy, architecture, and oversight.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	706.6	472.0	868.7	741.6	57.1
Other Transfers	7,466.9	7,485.5	7,437.4	8,464.4	13.1
Other Revenues	49,883.4	48,263.7	48,311.7	48,427.6	0.3
SOURCES TOTAL	58,056.9	56,221.2	56,617.8	57,633.6	2.5
USES					
Personal Services and Employee Benefits	14,152.8	13,996.4	17,015.6	15,826.1	13.1
Contractual Services	6,568.4	8,674.4	6,548.4	6,548.4	-24.5
Other	26,065.0	25,418.9	25,027.0	26,243.3	3.2
Other Financing Uses	9,970.7	8,131.5	8,026.8	9,015.8	10.9
TOTAL USES	56,756.9	56,221.2	56,617.8	57,633.6	2.5
FTE					
Permanent	201.0	200.0	200.0	200.0	0.0
TOTAL FTE POSITIONS	201.0	200.0	200.0	200.0	0.0

BUDGET ISSUES:

The DoIT operates internal service programs that charge fees to other state agencies for information technology and telecommunication services and use of the statewide human resource, accounting, and management reporting system (SHARE). The DoIT is required to comply with federal Office of Management and Budget's Circular A-87, which provides guidelines for the recovery of indirect costs, including depreciation and amortization of equipment involved in providing DoIT services.

The DoIT recently completed its fourth year of operation since the consolidation of the Information Systems Division and Telecommunication Division with the Office of the Chief Information Officer. In August 2010, an LFC program evaluation identified several deficiencies related to rate development, security, and accounts receivable. The DoIT has corrected several of the issues identified but is still in the process of correcting those related to accounts receivable reconciliation.

During the 2010 legislation session, the DoIT requested, and the Legislature supported, the consolidation of all enterprise activities previously designated as enterprise applications and operations into the Enterprise Services Program. To improve accountability and reporting, the Legislature supported establishing a subcategory within the General Appropriation Act reflecting expenditures from the equipment replacement revolving funds.

Prior to the creation of the DoIT, depreciation and amortization expenses recovered through rates were spent on operating costs rather than on equipment replacement. As a result, the DoIT was unable to replace aging infrastructure and equipment. The DoIT has since completed a three-year plan to replenish the equipment replacement fund, started in FY09. In FY11, the DoIT used the equipment replacement fund to replace network, radio, and servers that had served their useful life.

In July 2011, the DoIT proposed a 3.8 percent increase to rates charged for information technology and telecommunication services, to take effect July 1, 2012. While efficiencies led to decreases in rates averaging 5 percent over the past three years, service delivery volumes have increased 11 percent per year. The DoIT reports radio rates in FY13 should increase for expanded infrastructure investments, such as converting the state's outdated analog equipment to new digital equipment, and general central processing and wireless rates should increase due to changes in service usage patterns and software upgrades.

The DoIT budget request for FY13 was \$56.6 million, an increase of \$397 thousand, or 0.7 percent over the FY12 operating budget. The request included a general fund increase of \$397 thousand for the Compliance and Project Management Program, the only program that receives money from the general fund, and a \$48 thousand increase for the Enterprise Services Program from other revenues, with \$602 thousand requested for overtime and \$15 thousand for differential pay. Finally, the request included a \$365 thousand increase for Program Support, which receives funding through transfers from the other programs. The request also includes funding all department vacancies at midpoint. The department offset the increases by a 25 percent decrease in contractual services.

The committee recommendation totals \$57.6 million, or a 2.5 percent increase over FY12, including a \$270 thousand general fund increase for Compliance and Project Management. The recommendation increases salaries and benefits by \$1.8 million, or 13 percent over FY12, and assumes a 4 percent vacancy rate for Enterprise Services and a 7 percent vacancy rate for Program Support. However, the salary recommendation is still \$1.2 million below the agency request, and transfers \$1.2 million in salary and benefits savings to the equipment replacement fund to be used toward the department's stated programmatic goals. Finally, the LFC recommendation includes \$ 22.5 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011; other state funds were also adjusted accordingly.

The recommendation for the Compliance and Project Management Program provides a \$270 thousand increase from the general fund for support of program FTE and the program's share of internal costs. In FY11, the program hired 2 additional FTE, despite its inability to fund the positions internally, yet the DoIT has not provided information to demonstrate effective and transparent oversight of agency IT projects. The DoIT argues that charging agencies a fee for this oversight function presents a conflict and that a general fund appropriation is the more appropriate funding source for this activity. Nevertheless, if the program does not develop improved performance measures and resume the quarterly status report for agency IT projects in the coming year, the Legislature should consider amending the DoIT Act to transfer the oversight function out of the department, perhaps to the budget division of the Department of Finance and Administration.

The recommendation for the Enterprise Services Program of \$48.4 million applies a modest 4 percent vacancy rate to allow for filling critical vacancies to reduce the need for costly overtime and supports funding for legal fees because the agency lacks a general counsel. The recommendation generally supports the agency's reduction in contractual services, although the committee has concerns the 25 percent reduction may not be viable and could impact the department's ability to reach its stated programmatic goals.

The recommendation for Program Support applies a 7 percent vacancy rate, resulting in a 5.5 percent increase or \$176 thousand increase over FY12 operating levels. The recommendation also supports requested increases to other costs to reflect the program's share internal costs for information technology and telecommunication services.

While the DoIT has been working to improve some of its performance measures, many of them are still weak. For example, the agency was encouraged to develop measures that reflect whether agency IT projects are completed on time, within budget, and result in valuable deliverables. However, the program opted for output measures such as the "number and appropriated budget of executive agency certified projects reviewed monthly," which provides no information about the success of the projects.

During the 2010 legislative session, the Sunshine Portal Transparency Act was enacted requiring the DoIT to create a free public access website. The website was launched on July 1, 2011, and provides information regarding state revenues, expenditures, and government employee salaries.

In FY11, the DoIT was awarded a \$39 million grant from the U.S. Department of Commerce National Telecommunications Information Administration to upgrade the state’s 99 radio communication sites that provide service to public safety agencies, including the Department of Public Safety, Department of Game and Fish, and Department of Transportation. Also, the DoIT received a \$4.8 million grant to expand broadband services across the state.

COMPLIANCE AND PROJECT MANAGEMENT

The purpose of the compliance and project management program is to provide information technology strategic planning, oversight and consulting services to New Mexico government agencies so they can improve services provided to New Mexico citizens.

**BUDGET SUMMARY
(dollars in thousands)**

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	706.6	472.0	868.7	741.6	57.1
SOURCES TOTAL	706.6	472.0	868.7	741.6	57.1
USES					
Personal Services and Employee Benefits	539.0	368.8	694.0	566.9	53.7
Other	25.5	0.0	17.3	17.3	100.0
Other Financing Uses	142.1	103.2	157.4	157.4	52.5
TOTAL USES	706.6	472.0	868.7	741.6	57.1
FTE					
Permanent	7.0	7.0	7.0	7.0	0.0
TOTAL FTE POSITIONS	7.0	7.0	7.0	7.0	0.0

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number and budget requested for one-time information technology appropriations as incorporated within annual agency information technology plans					
Output	Monthly number and budget of approved information technology professional services contracts and amendments					
Output	Number and appropriated budget of executive agency certified projects reviewed monthly for oversight requirements					

ENTERPRISE SERVICES

The purpose of the enterprise services program is to provide reliable and secure infrastructure for voice, radio, video and data communications through the state's enterprise data center and telecommunications network.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	49,883.4	48,263.7	48,311.7	48,427.6	0.3
SOURCES TOTAL	49,883.4	48,263.7	48,311.7	48,427.6	0.3
USES					
Personal Services and Employee Benefits	10,586.4	10,652.0	13,013.6	12,140.5	14.0
Contractual Services	6,519.5	8,308.6	6,510.2	6,510.2	-21.6
Other	21,648.8	21,274.8	20,918.5	20,918.5	-1.7
Other Financing Uses	9,828.6	8,028.3	7,869.4	8,858.4	10.3
TOTAL USES	48,583.3	48,263.7	48,311.7	48,427.6	0.3
FTE					
Permanent	153.0	152.0	152.0	152.0	0.0
TOTAL FTE POSITIONS	153.0	152.0	152.0	152.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Queue-time to reach a customer service representative at the help desk, in seconds	0:19.6	0.16	≤0:19	≤0:20	<0:19
* Output	Percent of service desk incidents resolved within the timeframe specified for their priority level				90%	90%
Output	Percent of scheduled uptime the statewide human capital management reporting system is available during business hours				99%	99%
Output	Percent of scheduled uptime the financial statewide human resources, accounting and management reporting system is available during business hours				99%	99%
Output	Number of enterprise services instrumented with quantitative metrics for evaluating savings or cost-avoidance resulting from consolidation				5	5
Outcome	Terabytes of data stored at enterprise data center compared with terabytes of data stored at agency locations (disk, tape and optical storage)	829.5/50	1073/2635	879.5/50	925/50	925/50
Outcome	Percent of perimeter and security-logged systems reporting security metrics to the network operations center				80%	80%
Outcome	Number of enterprise data systems with established disaster recovery of business continuity presence at the secondary data center				5	5
Outcome	Percent of co-located and enterprise-hosted systems with documented system security plans				60%	60%
Outcome	Number of anchor institutions using the forthcoming 700Mhz long-term evolution public safety network				5	5
Outcome	Percent of phone systems using internet protocol or other similar technologies to achieve virtual local calling within the state enterprise				25%	25%
Outcome	Percent of applications running on virtualized enterprise servers				50%	50%
Outcome	Percent reduction of past end of life systems refreshed or replaced with equipment replacement funds				50%	50%
Outcome	Amount of information technology savings or cost-avoidance as calculated for enterprise systems with existing and documented metrics				\$3 million	\$3 million

PROGRAM SUPPORT

The purpose of program support is to provide management and ensure cost recovery and allocation services through leadership, policies, procedures and administrative support for the department.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Transfers	3,387.0	3,210.5	3,575.3	3,386.0	5.5
SOURCES TOTAL	3,387.0	3,210.5	3,575.3	3,386.0	5.5
USES					
Personal Services and Employee Benefits	3,027.4	2,975.6	3,308.0	3,118.7	4.8
Contractual Services	48.9	40.8	38.2	38.2	-6.4
Other	310.7	194.1	229.1	229.1	18.0
TOTAL USES	3,387.0	3,210.5	3,575.3	3,386.0	5.5
FTE					
Permanent	41.0	41.0	41.0	41.0	0.0
TOTAL FTE POSITIONS	41.0	41.0	41.0	41.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of audit corrective action plan commitments completed on schedule	22%	33%	95%	95%	95%
Output	Percent of accounts receivable dollars collected within sixty days of the invoice due date	42%	79%	75%	75%	85%
* Outcome	Dollar amount of account receivables over sixty days	\$4,709,974	\$7,640,000	\$7,500,000	\$7,500,000	\$5,000,000
Outcome	Percent of voice, data and radio services meeting federal standards for cost recovery	100%	100%	100%	100%	100%

STATUTORY AUTHORITY:

The Public Employees Retirement Association (PERA) is responsible for administering the Public Employees Retirement Act (Sections 10-11-1 through 10-11-141 NMSA 1978). In addition, the PERA board is responsible for administration of the following: Sections 10-11A-1 through 10-11A-7 NMSA 1978 (Volunteer Firefighters Retirement Act); Sections 10-12B-1 through 10-12B-19 NMSA 1978 (Judicial Retirement Act); Sections 10-12C-1 through 10-12C-18 NMSA 1978 (Magistrate Retirement Act); Sections 10-13A-1 through 10-13A-4 NMSA 1978 (Retirement Reciprocity Act); Sections 10-7A-1 through 10-7A-12 NMSA 1978 (Deferred Compensation Act); and the U.S. Internal Revenue Code 457 regarding deferred compensation. The PERA is governed by a 12-member board composed of the secretary of state, the state treasurer (both ex officio), four members under a state coverage plan elected from state membership, four members under a municipal coverage plan elected from local government membership, and two retiree members elected by the retired members of the association.

MISSION:

The mission of the agency is to preserve, protect, and administer the retirement trust to meet its current and future obligations to retirees and to provide quality services to association members.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	<u>FY13 – 2012-2013</u>		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	32,592.7	29,660.0	35,393.7	33,192.7	11.9
SOURCES TOTAL	32,592.7	29,660.0	35,393.7	33,192.7	11.9
USES					
Personal Services and Employee Benefits	5,188.7	5,408.3	5,527.9	5,448.6	0.7
Contractual Services	24,554.0	23,208.7	28,423.4	26,373.4	13.6
Other	1,116.6	1,043.0	1,442.4	1,370.7	31.4
TOTAL USES	30,859.3	29,660.0	35,393.7	33,192.7	11.9
FTE					
Permanent	88.0	76.0	77.0	75.0	-1.3
TOTAL FTE POSITIONS	88.0	76.0	77.0	75.0	-1.3

BUDGET ISSUES:

The PERA requested an appropriation of \$35.3 million for FY13, an increase of \$5.8 million or 19.2 percent over FY12. The agency asked for an increase in investment manager fees of \$5.2 million for expected performance fees, \$170 thousand for 2 FTE expansion positions, and \$370 thousand for updating software and replacing the antiquated phone service system. The committee recommends \$33.2 million, an 11.9 percent increase that includes \$3.2 million in additional investment manager fees. The LFC recommendation includes \$62 thousand to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The recommendation for personal services and benefits is 5 percent over FY11 actual expenditures. In general, the recommendation supports other professional services contracts as requested, except for the \$50 thousand lobbyist contract.

The PERA received a budget adjustment for \$160 thousand for actuarial studies meant to support decision-making to improve the solvency of the fund. The fund is currently only 70 percent funded and the funded ratio has declined for the past few years. Although returns on investments in FY11 were nearly three times the targeted investment returns of 7.75 percent, additional actions must be taken to ensure solvency of the fund. The board has sought contribution increases but employee and employer contribution levels are among the highest in the nation and more increases could affect recruiting and retaining public employees. Buck Consultants, the actuarial firm hired to independently review the pension plans for the Retirement System Solvency Tasks Force, estimated the PERA will run out of money by 2058 – or earlier depending on assumptions used for estimating payouts.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the pension administration program of the public employees retirement association in the contractual services category includes eighteen million seven hundred sixty-eight thousand two hundred dollars (\$18,768,200) to be used only for investment manager and consulting fees.

The other state funds appropriation to the pension administration program of the public employees retirement association in the contractual services category includes two million dollars (\$2,000,000) to be used only for fiscal agent custody services.

The other state funds appropriation to the pension administration program of the public employees retirement association in the contractual services category includes one million one hundred fifty-five thousand dollars (\$1,155,000) to be used only for information technology services.

The other state funds appropriation to the pension administration program of the public employees retirement association in the contractual services category includes one million one hundred forty-six thousand dollars (\$1,146,000) to be used only for investment-related legal services.

BASE EXPANSION LISTING
FY13 - 2012-2013

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Risk Analyst	(P640)	104.0	0.0
2	Internal Auditor	(P640)	66.6	0.0
TOTAL			170.6	0.0

PENSION ADMINISTRATION

The purpose of the pension administration program is to provide information, retirement benefits and an actuarially sound fund to association members so they can receive the defined benefit they are entitled to when they retire from public service.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Quality	Percent of accurately computed retirements	99%	99%	99%	99%	99%
* Efficiency	Average number of days to respond to requests for benefit estimates, military buy-backs and service credit verifications	35-40	30-40	30-40	25-30	25-30
* Explanatory	Number of years needed to finance the unfunded actuarial accrued liability for the public employees retirement fund with current statutory contribution rates	Infinite	30	≤30	≤ 30	≤ 30
Outcome	Ten-year average annualized investment returns to exceed internal benchmark, in basis points.				≥ 20 b.p.	≥ 20 b.p.
Outcome	Ten-year average annualized performance ranking in national survey of fifty to sixty similar large public pension plans.				≤50th	≤50th

STATUTORY AUTHORITY:

The State Commission of Public Records was established by the Public Records Act, Sections 14-3-1 through 14-3-25 NMSA 1978. The commission governs the operations of the State Records Center and Archives, which administers the State Rules Act, Sections 14-4-1 through 14-4-9 NMSA 1978. The act guides the development of style and format requirements for rules filed by executive agencies.

MISSION:

The mission of the State Commission of Public Records is to preserve, protect and facilitate access to public records held in trust for citizens of New Mexico, ensure rules promulgated by state agencies are published as prescribed in law and made accessible, advocate for the understanding and appreciation of New Mexico history, and develop records management programs for state agencies.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	2,505.1	2,405.3	2,838.2	2,601.5	8.2
Federal Revenues	66.4	50.0	50.0	50.0	0.0
Other Revenues	167.7	114.2	125.4	126.2	10.5
Fund Balance	5.4	91.5	92.2	92.2	0.8
SOURCES TOTAL	2,744.6	2,661.0	3,105.8	2,869.9	7.9
USES					
Personal Services and Employee Benefits	2,164.5	2,206.0	2,613.8	2,377.9	7.8
Contractual Services	64.6	67.4	68.7	68.7	1.9
Other	337.3	387.6	423.3	423.3	9.2
TOTAL USES	2,566.4	2,661.0	3,105.8	2,869.9	7.9
FTE					
Permanent	40.0	40.0	40.0	40.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	42.0	42.0	42.0	42.0	0.0

BUDGET ISSUES:

The State Commission of Public Records requested a \$432.9 increase in its appropriations from the general fund above the FY12 operating budget, or an 18 percent increase. The increase results primarily from a request by the agency to fill nine vacant positions, although a portion of the increase also derives from lease costs at the Albuquerque Records Center, information technology maintenance costs, and re-grants directed to state agencies, local and tribal governments, and nonprofits for historical preservation.

The committee recommendation applies a 10 percent vacancy rate to the agency and supports the minimal increases requested in the contractual services and other categories. The LFC recommendation includes \$24.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Internal service funds/interagency transfers and federal funds were also adjusted accordingly. The recommendation for the personal services and employee benefits category is up 7.8 percent over the FY12 operating budget. Due to continued state budgetary constraints, the recommendation adopts the agency request for continued use of revolving fund balance. The revolving fund balance continues to decline, although not as quickly as projected in previous analyses. A fund balance of \$89.4 thousand is projected for the end of FY13.

Although the agency has implemented a number of innovative actions designed to respond to budget cuts, it continues to face significant challenges to perform critical and requisite tasks. The record center in Albuquerque is filled to capacity and the Santa Fe record center is rapidly approaching that level. Records retention and disposition schedules, Inspection of Public Records Act (IPRA) requests, and transfers of documents to electronic images have stalled. Training programs related to historical record treatment across the state have been reduced or eliminated. Phase one of the centralized electronic records repository project, designed to minimize the storage of paper and increase access to records through electronic means, has been postponed.

With the retirement of the state records administrator and the deputy state records administrator in September 2011, the commission faces considerable uncertainty about its strategic direction. Critical questions remain about how the agency will transition to a model less dependent on large facilities that store substantial quantities of paper documents and more focused on innovative mechanisms of long-term electronic storage.

As stated in the Legislative Finance Committee Report for Fiscal Year 2012, unless these issues are effectively and coherently addressed, the state risks noncompliance with statutory and archive records rules, reduced transparency of state and local governments, loss of documents of historical and cultural importance, and increased liability for not maintaining information properly.

STATE COMMISSION OF PUBLIC RECORDS

The purpose of the records, information and archival management program is to develop, implement and provide tools, methodologies and services for use by, and for the benefit of, government agencies, historical record repositories and the public so the state can effectively create, preserve, protect and properly dispose of records, facilitate their use and understanding and protect the interests of the citizens of New Mexico.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Maximum number of days between rule effective date and online availability	27	28.25	32	32	32
* Outcome	Percent of requests for access to public records in its custody that the commission is able to satisfy	80%	76%	98%	98%	98%
Outcome	Percent of all projects for the New Mexico historical records grant program achieving stated objectives	94%	100%	100%	98%	98%
Outcome	Percent of annual strategic action plan achieved or on schedule	60%	71%	75%	75%	75%
* Outcome	Percent of total records items scheduled, reviewed, amended or replaced within a five-year period	29.3%	29.76%	30%	40%	40%
Output	Number of research documents and educational activities provided by the state historian	5	12	12	12	12
Output	Number of times during a fiscal year visitors accessed information on the New Mexico history website	79,468	169,222	84,000	150,000	150,000

STATUTORY AUTHORITY:

Article V, Section 1, of the New Mexico Constitution created the office of the Secretary of State. The secretary of state may be elected for two consecutive four-year terms and is second in line behind the lieutenant governor to assume the responsibilities of the governor. The Secretary of State is the keeper of the Great Seal of the State of New Mexico and affixes the seal to all commissions issued in the name of the state and signed by the governor. Article V, Section 2, of the New Mexico Constitution requires the returns of every election for state officers be sealed and transmitted to the secretary of state who, with the governor and state Supreme Court chief justice, constitute the state canvassing board. The Bureau of Elections is responsible for administering the state Election Code.

MISSION:

The mission of the office of the Secretary of State is to administer elections and government ethics in accordance with state and federal law and to maintain and provide access to the laws, official acts, and other instruments vital to the efficient operation of state government. It is also the mission of the Secretary of State to file and maintain records vital to the interests of commerce and industry.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	4,451.2	4,351.3	6,610.9	4,686.2	7.7
Other Revenues	450.0	1,054.0	0.0	1,590.5	50.9
SOURCES TOTAL	4,901.2	5,405.3	6,610.9	6,276.7	16.1
USES					
Personal Services and Employee Benefits	2,343.2	2,404.4	2,728.6	2,530.0	5.2
Contractual Services	696.7	544.7	983.4	943.4	73.2
Other	1,370.1	2,456.2	2,898.9	2,803.3	14.1
TOTAL USES	4,410.0	5,405.3	6,610.9	6,276.7	16.1
FTE					
Permanent	40.0	38.0	38.0	38.0	0.0
Term	0.0	1.0	1.0	1.0	0.0
Temporary	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	41.0	39.0	39.0	39.0	0.0

BUDGET ISSUES:

The agency's overall request was \$6.6 million, 18 percent above the FY12 adjusted operating budget. This included an increase of \$2.2 million from the general fund for paper ballots and voting systems maintenance for the Elections Program and an increase of \$73.4 thousand from the general fund for additional staff to support the Uniform Commercial Code, business entity, trademark, notary, lobby registrations, and campaign financing reporting in the Administration and Operations Program. No vacancy rate was applied, salaries of employees were budgeted at the actual amount, and vacant positions were budgeted at midpoint.

The request transferred election information technology expenses, including annual fees to maintain the voter registration election management system (VREMS), to the Elections Program from the Administration and Operations Program. The request also reflected printing and advertising as significant expenses for the Elections Program. In December 2011, the agency will send confirmation mailings to inactive voters as required by state law in odd-numbered years. However, inactive voters will not be purged until 2015, resulting in erroneous numbers used to purchase election ballots until then. Statute also requires information relating to the electoral process be available orally at the polls and through the media in the respective minority languages.

The agency receives federal funding pursuant to the Help America Vote Act (HAVA) to make voting sites friendlier for persons with disabilities. Any future HAVA funding of up to \$100 thousand will be requested on a reimbursement basis for the federal fiscal year. The agency did not include federal HAVA funding in its appropriation request for FY13.

The public election fund finances election campaigns for certain offices and pays for administration of the Voter Action Act (Sections 1-19A-1 to 1-19A-17 NMSA 1978). The fund receives approximately \$1.5 million in recurring revenues from candidate

contributions, money received pursuant to the Uniform Unclaimed Property Act, and fees imposed by the Public Regulation Commission. Candidates who raise a threshold amount of small donations can receive public funding if they agree not to accept private donations. On average, the fund expends less than \$500 thousand in any election year for this purpose.

The fiscal responsibility of election expenses rest primarily on the state. Recurring budget appropriations have fallen short of meeting this responsibility and the agency has relied on special and supplemental appropriations, as well as Board of Finance loans. The agency's FY10 budget included a symbolic \$846 thousand appropriation for its newly created Election Program. Since then, the appropriations have steadily grown and revenue from the public election fund has been redirected to the Elections Program.

The committee's overall recommendation is \$6.3 million, or 16 percent above the adjusted FY12 operating budget. The recommendation includes an overall general fund increase of \$334.9 thousand, or 7.7 percent over FY12, and uses approximately \$1.6 million from the public election fund. This still leaves an undesignated public election fund balance at FY13 year-end of about \$2 million. The recommendation should allow the agency to avoid the use of Board of Finance loans and supplemental appropriations that have in the past made up the shortfall in the agency's operating budget. The LFC recommendation also includes \$29.4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The committee recommendation for the Administration and Operations Program is about \$3 million from the general fund, or 8 percent less than the FY13 request. The recommendation includes an increase of 4 percent in personal services and employee benefits and does not support an increase for expenditures such as cell phones, conference fees, airfare, meals and lodging above what was expended in FY11. The recommendation supports the replacement of laptops older than 4 years and provides for core operations.

The committee recommendation for the Elections Program is about \$3.3 million, or 4 percent less than the agency's request. The recommendation includes a general fund increase of 40 percent or \$487 thousand over FY12, and an increase of 50 percent or \$536.5 thousand from the public liability fund over FY12. The recommendation does not support additional funding for an election recount, which could be addressed by a special appropriation for the nonrecurring expenditure. The recommendation reduces the request for expenditures related to printing and copying by 4 percent and does not support the increase for employee training expenses over and above what is already included under miscellaneous.

The voting districts for Congress, the State House and Senate and the Public Regulation Commission must be realigned every 10 years to adjust for population shifts. The 2010 census showed nearly two-thirds of New Mexico's 70 House districts are below ideal population size (29,417) and about 70 percent of the state's 42 Senate districts have less than the target population (49,028). New Mexico has not completed redistricting, except for the Public Education Commission. The committee recommendation assumes that request for advertising, printing and postage includes costs for redistricting.

The agency's long-term debt of \$1.1 million is not expected to be repaid until the Board of Finance agrees to convert the loans to grants or the State Legislature appropriates funding to repay the loans. This amount includes a Board of Finance loan of \$466.2 thousand in 2011 to pay the previous administration's past due amount for the voter registration and election management system (VREMS) maintenance contract. The VREMS houses 1.16 million voter registration records that include voter name, address, phone number, year of birth, party affiliation, voter history, and registration data such as county, precinct, and district information. The committee recommendation supports the conversion of all past-due and current Board of Finance loans to grants.

In recent years, the New Mexico Office of the Secretary of State has been clouded by scandal. In 2009, a past secretary of state was indicted on 50 criminal counts including fraud and embezzlement, money laundering, tax fraud, tax evasion, illegal kickbacks, tampering with evidence, and conspiracy. In 2010, the previous secretary of state was accused by a former elections supervisor of ordering employees to collect signatures for her re-election bid at a meeting held during work hours and soliciting donations from contractors doing business with the office.

More recently, the current secretary of state ordered staff to check 1.16 million voter registration records against motor vehicle and Social Security Administration databases and referred 64 thousand voter registration records with irregularities to the state police, which created a perception of wrongdoing. In response, the agency acknowledged that vast majority of irregularities found in the database cross-checks had probably resulted from errors made by county clerk staff entering information from handwritten voter registration cards into the computer system.

In 2008, the U.S. Election Assistance Commission (EAC) conducted an audit of questionable costs against payments received by the office under the Help America Vote Act (HAVA). On March 3, 2010, the governor signed into law House Bill 198, requiring the office to maintain records for voting systems purchased prior to December 31, 2006. As of September 22, 2010, the EAC reported this remedy as sufficient and closed the 2007 audit.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the elections program of the secretary of state includes one million five hundred ninety thousand five hundred dollars (\$1,590,500) from the public elections fund. Any unexpended balances in the elections program of the secretary of state at the end of fiscal year 2013 from appropriations made from the public elections fund shall revert to the public elections fund.

ADMINISTRATION AND OPERATIONS

The purpose of the administration and operations program is to provide operational services to commercial and business entities and citizens, including administration of notary public commissions, uniform commercial code filings, trademark registrations and partnerships, and to provide administrative services needed to carry out elections.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	3,355.7	3,133.6	3,193.3	2,981.5	-4.9
Other Revenues	450.0	0.0	0.0	0.0	
SOURCES TOTAL	3,805.7	3,133.6	3,193.3	2,981.5	-4.9
USES					
Personal Services and Employee Benefits	2,343.2	2,404.4	2,728.6	2,530.0	5.2
Contractual Services	645.6	519.7	228.6	228.6	-56.0
Other	337.0	209.5	236.1	222.9	6.4
TOTAL USES	3,325.8	3,133.6	3,193.3	2,981.5	-4.9
FTE					
Permanent	40.0	38.0	38.0	38.0	0.0
Term	0.0	1.0	1.0	1.0	0.0
Temporary	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	41.0	39.0	39.0	39.0	0.0

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of prior-year audit findings resolved	Unknown	100%	100%	100%	100%
Output	Percent of partnership registration requests processed within the three-day statutory deadline	100%	100%	100%	100%	100%

ELECTIONS

The purpose of the elections program is to provide voter education and information on election law and government ethics to citizens, public officials and candidates so they can comply with state law.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,095.5	1,217.7	3,417.6	1,704.7	40.0
Other Revenues	0.0	1,054.0	0.0	1,590.5	50.9
SOURCES TOTAL	1,095.5	2,271.7	3,417.6	3,295.2	45.1
USES					
Contractual Services	51.1	25.0	754.8	714.8	2,759.2
Other	1,033.1	2,246.7	2,662.8	2,580.4	14.9
TOTAL USES	1,084.2	2,271.7	3,417.6	3,295.2	45.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of county clerks satisfied with the election training provided by the secretary of state's office	97%	97%	97%	100%	100%
Output	Number of training sessions provided to all county clerks on changes to the Election Code	2	1	2	1	1
* Outcome	Percent of eligible registered voters registered to vote	76%	77%	78%	80%	80%
* Outcome	Percent of campaign reports filed electronically by the due date	91%	83%	99%	98%	98%
Output	Percent of laws in the Election Code that require rules for which rules have been promulgated	100%	60%	100%	100%	100%
Outcome	Percent of voting machines tested	100%	100%	100%	100%	100%
Efficiency	Percent of public requests and complaints responded to within the three-day statutory deadline	100%	50%	100%	50%	95%
Outcome	Percent of eligible Native American voters registered to vote		75%	80%	82%	82%

STATUTORY AUTHORITY:

The Personnel Act, Sections 10-9-1 through 10-9-25 NMSA 1978, created the State Personnel Board and the State Personnel Office.

The Personnel Act requires the board to provide rule coverage in the following areas: classification plan; compensation plan; competitive entrance and promotion tests; exemption from testing for professional persons who possess recognized registration or certification by another agency; probationary period; employment lists of ranked job candidates; hours of work, holiday, and leave; disciplinary procedures and right of appeal to the board; rejection of applicants who fail to meet reasonable requirements; and emergency employment when no qualified applicants are available.

Under the Personnel Act, the State Personnel Office director shall supervise administrative and technical personnel activities; act as secretary to the board; establish, maintain, and publish annually a roster of all state employees with each employee's division, title, pay rate, and other pertinent data; report annually to the board; recommend to the board rules considered necessary or desirable to effectuate the act; and supervise all tests and prepare and submit to prospective agencies lists of persons passing them.

MISSION:

The Personnel Board was created by the Personnel Act to establish a system of personnel administration for New Mexico based solely on qualification and ability to provide greater economy and efficiency in the management of state affairs.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	4,127.7	3,852.4	3,852.4	3,896.1	1.1
Fund Balance	29.0	29.0	29.0	29.0	0.0
SOURCES TOTAL	4,156.7	3,881.4	3,881.4	3,925.1	1.1
USES					
Personal Services and Employee Benefits	3,706.2	3,656.2	3,550.1	3,593.8	-1.7
Contractual Services	28.0	27.7	57.5	57.5	107.6
Other	245.8	197.5	273.8	273.8	38.6
TOTAL USES	3,980.0	3,881.4	3,881.4	3,925.1	1.1
FTE					
Permanent	58.0	57.0	57.0	57.0	0.0
TOTAL FTE POSITIONS	58.0	57.0	57.0	57.0	0.0

BUDGET ISSUES:

The State Personnel Board (SPB) requested a flat FY13 budget. The request included a decrease in the personal services and employee benefits category and increases in the contractual services and other categories. The increase in the contractual services category is due primarily to a technical adjustment related to the Governors Career Conference. Funding for the conference was previously in the personal services and employee benefits category. The increase in the other category derives primarily from a subscription for the NEOGOV personnel recruitment database system. This will allow the agency to more effectively process and select qualified applicants. The SPO applied a 15.8 percent vacancy rate in its FY13 budget request by not requesting funding for nine vacant positions. The committee recommendation concurs with the agency request.

The LFC recommendation includes \$43.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The SPB has made significant and tangible improvements in all areas of its policy and operations since January 2011. A strategic plan was created with input from other state agencies designed to establish a firm foundation for personnel policy and practice in New Mexico state government. Performance measures have been revised and benchmarked to other states. The process of data collection and distribution has been reformed and is now transparent to both the Legislature and the public. The Human Resource (HR) Council has been re-constituted and meets weekly to analyze problems across the state personnel system and identify consensus-based solutions. These meetings are again open to LFC staff. Minimum qualifications and testing procedures for job applicants have been instituted, as has training in ethics for all state employees.

The agency continues to explore effective mechanisms to balance centralization and decentralization and flexibility and uniformity in the state personnel system. Of particular relevance is the agency's pursuit a greater degree of quality assurance as it relates to equity, fairness, and consistency in the recruitment, selection, and retention process. The agency remains concerned about high turnover, vacancy rates, and the lack of regular and effective performance evaluations across state government.

The SPB has played an instrumental role in the reductions in force (RIF) efforts pursued by the executive. Budget projections to justify these RIFs have not been provided to the LFC by affected agencies, and the LFC has a concern that some portion of these RIFs could have been avoided. If the RIF process continues, it should be more transparent and should allow objective evaluation of the financial and programmatic factors involved in decisions. As much as possible, RIFs should be avoided through employee attrition, budget transfers, or even supplemental appropriations, the practices used over the last several years while the state workforce has declined over 10 percent.

RECOMMENDED LANGUAGE:

Any unexpended balances remaining in the state employees' career development conference fund at the end of fiscal year 2013 shall not revert to the general fund.

PERSONNEL BOARD

The purpose of the human resource management program is to provide a flexible system of merit-based opportunity, appropriate compensation, human resource accountability and employee development that meets the evolving needs of the agencies, employees, applicants and the public so economy and efficiency in the management of state affairs may be provided while protecting the interest of the public.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Average number of days to fill a vacant position	49	53	40	40	40
Output	Percent of large agencies that incorporate the state personnel office core management training objectives into their agency-specific management training	100%	N/A	100%		
Explanatory	Number of disciplinary action (union-covered positions) appealing to arbitration rather than to state personnel board and average cost paid by state for arbitration				Baseline	Baseline
Outcome	Percent of union grievances resolved prior to formal arbitration	95.5%	100%	95%		
Explanatory	Percent of new employees who successfully complete their probationary period	71%	61%	85%	85%	85%
Outcome	Number of rule compliance audit reviews performed during the fiscal year	6	5	5	5	5
Output	Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	66%	66%	99%	99%	99%
Outcome	Average employee pay as a percent of board-approved comparator market based on legislative authorization	103%	103%	100%		
Outcome	Percent of managers in medium to small agencies who successfully complete the management and supervision training sponsored by the state personnel office	89%	N/A	80%	80%	80%
Outcome	Number of personnel system review audits performed during the fiscal year	3	4	4		
Output	Percent of rule compliance review audit exceptions corrected within six months of discovery	100%	100%	100%		
* Efficiency	Average state employee compa-ratio				Baseline	Baseline
Efficiency	State employee average overtime use per month and percent of employees receiving overtime				Baseline	Baseline
* Explanatory	Employee turnover (leaving state service)				Baseline	Baseline
Efficiency	Average state employee sick leave use per capita				Baseline	Baseline
Efficiency	Average new hire compa-ratio				Baseline	Baseline
Outcome	Percent of departments or agencies with over 90 percent completed evaluations				Baseline	Baseline
* Explanatory	Number of disciplinary actions and number appealed to state personnel board				Baseline	Baseline

STATUTORY AUTHORITY:

The New Mexico Public Employee Bargaining Act (PEBA), Sections 10-7E-1 through 10-7E-26 NMSA 1978, creates the Public Employee Labor Relations Board (PELRB). The Act reinstates collective bargaining for public employees, which had previously expired in 1999. The board consists of three members appointed by the governor; one of those members requiring the recommendation of labor organizations and another member requiring the recommendation of the two other board members.

MISSION:

The board's mission is to guarantee public employees the right to organize and bargain collectively with their employers, to promote harmonious and cooperative relationships between public employers and employees, and to protect the public interest by ensuring, at all times, the orderly operation and functioning of the state and its political subdivisions.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	253.4	212.6	212.6	214.0	0.7
SOURCES TOTAL	253.4	212.6	212.6	214.0	0.7
USES					
Personal Services and Employee Benefits	131.9	167.5	160.1	161.5	-3.6
Contractual Services	0.0	4.1	4.3	4.3	4.9
Other	48.7	41.0	48.2	48.2	17.6
TOTAL USES	180.6	212.6	212.6	214.0	0.7
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

BUDGET ISSUES:

The Public Employee Labor Relations Board (PELRB) hears prohibited practice complaints initiated by public employees and is responsible for the implementation of the State Public Employee Relations Act.

The Public Employee Labor Relations Board has, by and large, been inactive since January 2011 due to the absence of an executive director. A new executive director was appointed in August 2011. As a result, mediations and cases are again being heard by the agency. The agency has a significant backlog of at least 70 complaints, and the recent reductions in force (RIF) plans implemented by agencies will likely increase the agency workload.

The FY13 budget request was flat with the FY12 operating budget, but the request included increases in the other category designed to facilitate hearings across the state on outstanding complaints.

The LFC recommendation includes \$1.4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

PUBLIC EMPLOYEES LABOR RELATIONS BOARD

The purpose of the public employee labor relations board is to assure all state and local public body employees have the right to organize and bargain collectively with their employers or to refrain from such.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent compliance with statutes, with particular attention to due process, equal protection, the Public Employee Bargaining Act and board rules	100%	70%	100%	100%	100%
Outcome	Percent of decisions overturned on appeal	1%	0%	1%	1%	1%
Output	Percent of determinations of approval of local labor relations boards within 100 days of request for approval	100%	100%	100%	100%	100%
Output	Percent of prohibited practice complaints decided within 180 days of filing	90%	0%	94%	94%	94%
Output	Percent of petitions processed within 180 days of filing	90%	0%	95%	95%	95%
Outcome	Percent of cases resolved through agreement, mediation or arbitration	65%	0%	65%	65%	65%

STATUTORY AUTHORITY:

The Office of the State Treasurer (STO) is established within the executive branch of government by Article V of the New Mexico Constitution. The principle statutory provisions governing the Office of the State Treasurer are Sections 6-1-13, 6-8-6, 6-8-11, 6-10-10, 6-10-25 through 6-10-29, 6-10-37, 7-27-24 and 7-27-25, 8-6-1 through 8-6-7, 29-4-5, and 58-18-4 NMSA 1978.

MISSION:

The mission of the State Treasurer is to promote and protect the financial interests of the citizens and agencies of New Mexico through prudent financial decisions and actions involving state monies.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,789.5	3,550.8	3,537.7	3,572.3	0.6
Other Transfers	122.3	122.3	122.3	122.3	0.0
SOURCES TOTAL	3,911.8	3,673.1	3,660.0	3,694.6	0.6
USES					
Personal Services and Employee Benefits	2,852.9	2,864.2	2,983.0	3,012.6	5.2
Contractual Services	228.7	205.6	171.2	175.5	-14.6
Other	731.5	603.3	505.8	506.5	-16.0
TOTAL USES	3,813.1	3,673.1	3,660.0	3,694.6	0.6
FTE					
Permanent	42.0	42.0	40.0	40.0	-4.8
TOTAL FTE POSITIONS	42.0	42.0	40.0	40.0	-4.8

BUDGET ISSUES:

The total agency request of \$3.6 million represented an essentially flat budget from FY12. However, the request included a 4.1 percent increase in personal services and employee benefits. This increase would be offset by a 16.7 percent decrease in contractual services and a 16.2 percent decrease in other costs. The agency request deleted 2 FTE, both lower level accountant/auditor positions, and did not include funding for four vacant positions. This is the equivalent of a 10 percent vacancy rate.

The committee recommendation of \$3.7 million is slightly higher than the agency request. The LFC recommendation includes \$34.6 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The general fund appropriation is supplemented with \$122.3 thousand of management fees charged to participants in the Local Government Investment Pool (LGIP). These fees require legislative appropriation for use at the Treasurer's Office, and if not appropriated for use in the management of the LGIP, revert directly to the general fund. The recommendation does not include additional vacancy rate savings because the agency has included vacancy savings in its request. Minor adjustments have been made to contractual and other services to fully fund audit and Department of Information Technology rates as published.

The extremely low interest rate environment has had a negative impact on the investment returns of the funds under the Treasurer's purview. Interest earnings on state balances have decreased significantly, from more than \$100 million in FY08 to \$17 million in FY11. The base for many short-term interest rates, the federal funds rate, was 0.09 percent in the fourth quarter of FY11, compared with 5.25 percent in the fourth quarter of FY07.

The balance of the State Treasurer's general fund, comprising state general fund and other self-earning accounts, was \$1.4 billion as of September 30, 2011, approximately \$200 million greater than a year ago. The increase is mostly attributable to general fund revenue growth in FY11. Low interest rates have encouraged the State Treasurer's Office to build a laddered general fund portfolio with emphasis on longer-term investments while ensuring liquidity needs are met. This translates to higher yields than a shorter duration portfolio. Although the economy is showing signs of improvement, the Federal Reserve has indicated it intends to keep midterm interest rates at all-time lows through mid-2013, further exacerbating the problem of low yields. Currently, three-year treasury notes yield approximately 0.5 percentage points more than a three-month treasury bill. The State Treasurer's Office has improved its financial reporting methods in FY12 by incorporating independent earnings reports provided by J.P. Morgan and including an executive summary of portfolio performance.

The State Treasurer's Office plans to increase cash balances at the state fiscal bank, Wells Fargo, by \$55 million in FY12 to offset a \$204 thousand shortfall in banking fees. The additional balance will generate the needed revenue through bank credit earnings of 50 basis points (0.5 percent) for each additional dollar. The State Board of Finance has requested an increase in appropriation for FY13 to avoid a future shortfall.

STATE TREASURER'S OFFICE

The purpose of the state treasurer program is to provide a financial environment that maintains maximum accountability for receipt, investment and disbursement of public funds to protect the financial interests of New Mexico citizens.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	One-year annualized investment return on general fund core portfolio to exceed internal benchmarks, in basis points	-1.26	1.05	5	5	5
Outcome	One-year annualized investment return on local government investment pool to exceed internal benchmark, in basis points	-22	-27	5	5	5
Outcome	Percent of agencies rating overall satisfaction with state investment office services on a scale of one to seven with a score of five or better	N/A	N/A	80%	80%	80%
Outcome	Percent of employees rating their employment experience on a scale of one to seven with a score of five or higher	N/A	N/A	80%	98%	98%
Outcome	Percent of reconciling items cleared within thirty days of identification	100%	100%	90%	90%	90%
Outcome	Maximum number of audit findings	8	5	3	3	3

STATUTORY AUTHORITY:

The seven-member Board of Examiners for Architects is authorized by Sections 61-15-1 through 61-15-13 NMSA 1978. The board is charged with ensuring any person practicing architecture complies with the provisions of the Architecture Act. As of June 30, 2011, 2,207 architects were registered in New Mexico: 728 in-state registrants and 1,479 out-of-state registrants.

MISSION:

The Board of Examiners for Architects is charged with safeguarding the life, health, and property and promoting the public welfare by reviewing evidence of professional qualification of any person applying to practice architecture in this state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
Other Revenues	58.4	360.3	50.0	50.0	-86.1
Fund Balance	301.9	0.0	310.3	312.5	100.0
SOURCES TOTAL	360.3	360.3	360.3	362.5	0.6
USES					
Personal Services and Employee Benefits	188.2	251.2	258.6	260.8	3.8
Contractual Services	7.5	8.4	11.6	11.6	38.1
Other	70.3	100.7	90.1	90.1	-10.5
TOTAL USES	266.0	360.3	360.3	362.5	0.6
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

BUDGET ISSUES:

For FY13, the board requested a flat budget totaling \$360.3 thousand, \$50 thousand from other program revenues and \$310.3 thousand from fund balance. The use of fund balance is necessary because the board collects registration fees every two years. The fund balance is projected to be \$425.2 thousand at the end of FY13.

The committee recommendation supports increases related to personal services and employee benefits, totaling \$9.6 thousand, and in contractual services for \$3.2 thousand, which will be offset by a corresponding decrease in the other costs category. The LFC recommendation includes \$2.2 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The committee recommends exploring the idea of relocating the four-person agency to an alternate space. The agency currently spends \$33 thousand per year to lease its current location.

ARCHITECTURAL REGISTRATION

The purpose of the architectural registration program is to provide architectural registration to approved applicants so they can practice architecture.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of registration applications processed	2,058	2,207	2,100	2,100	2,100
Outcome	Percent of registrants audited to ensure compliance with continuing education requirements	2%	Off Year	2%	Off Year	Off Year
Output	Number of days after the receipt of a complaint to process and deliver the complaint to the enforcement subcommittee	12.3	9.6	10	15	10

STATUTORY AUTHORITY:

The Border Authority was created pursuant to the Border Development Act, Sections 58-27-1 through 58-27-26 NMSA 1978, and is administratively attached to the Economic Development Department. The Border Authority is legislatively established as an independent executive branch agency operating in the capacity of a public "port authority" at the international border with Mexico. The Border Authority is mandated to provide leadership in the development of infrastructure on both sides of the border that will support and foster an increase in trade activity at federal ports of entry.

MISSION:

The Border Authority works continuously with the local trade community, local government jurisdictions, and the federal border enforcement agencies in the United States and Mexico, promoting and marketing New Mexico ports of entry as an integral part of a border development partnership with Chihuahua.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 Actuals	2011-2012 Budgeted	Agency Request	LFC Recom- mendation	
SOURCES					
General Fund Transfers	364.7	331.4	391.4	333.4	0.6
Other Revenues	226.1	77.6	77.6	99.5	28.2
SOURCES TOTAL	590.8	409.0	469.0	432.9	5.8
USES					
Personal Services and Employee Benefits	237.7	290.5	287.9	282.5	-2.8
Contractual Services	49.6	32.2	78.3	50.7	57.5
Other	99.5	86.3	102.8	99.7	15.5
TOTAL USES	386.8	409.0	469.0	432.9	5.8
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

BUDGET ISSUES:

The Border Authority works to develop the state's international ports of entry at Santa Teresa, Columbus, and Antelope Wells and facilitate new infrastructure, trade opportunities, job opportunities, job training capabilities, and other activities to develop a productive economy along the New Mexico border with Mexico.

The agency spends significant effort improving the flow and number of vehicles passing through the state's three ports of entry and developing a fourth border crossing in Sunland Park. At Antelope Wells, the federal government is about to complete construction of a new \$10 million port of entry, and the new administration of the State of Chihuahua made the construction of a new highway to the port one of its top border development priorities. The federal government recently completed a \$3.5 million commercial-traffic-lane bypass project to reduce the time commercial vehicles spend crossing the border at the Columbus port of entry, and Senator Jeff Bingaman announced a federal plan to spend \$59 million to rebuild the port of entry. The Santa Teresa port of entry is undergoing a \$12 million federally funded expansion that will double capacity.

In addition to the infrastructure improvements at the ports of entry, the Border Authority is working with Foxconn, Mexico's largest maquiladora operator and the second largest private employer in the world, and several of its suppliers and distributors on border crossing needs. As evidenced by performance measure results, the Border Authority reports the new industrial facilities, suppliers, and distributors in the Santa Teresa area have pushed the state's trade share higher in the West Texas and New Mexico region.

The Border Authority continues to work on feasibility studies for the relocation of the rail interchange between U.S. and Mexican railroads from downtown El Paso and Ciudad Juarez to Santa Teresa and opening a new port of entry in Sunland Park.

The committee recommendation includes an increase of \$23.9 thousand, or 5.8 percent, over the FY12 operating level and \$46.1 thousand over the FY11 expenditure level, supported with increased revenue from the general fund and other sources. The increased economic activity in the border region and port of entry infrastructure construction will require additional oversight and coordination with private and public entities by the staff of the Border Authority. The Border Authority has broad statutory authority to operate like other port authorities across the United States and collects revenue from parking fees.

The LFC recommendation includes \$2 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds were also adjusted accordingly.

BORDER AUTHORITY

The purpose of the border development program is to encourage and foster trade development in the state by developing port facilities and infrastructure at international ports of entry to attract new industries and business to the New Mexico border and to assist industries, businesses and the traveling public in their efficient and effective use of ports and related facilities.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>	
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>	
*	Outcome	Annual trade share of New Mexico ports within the west Texas and New Mexico region	4.8%	20.96%	5%	5%	21%
	Outcome	Percent of program objectives obtained as a result of direct agency interaction with the border trade community, both public and private sector	90%	90%	90%	90%	90%
	Output	Number of coordination meetings with border community leaders, congressional offices, Mexican federal agencies, federal and state agencies or international funding resources to maintain integrity of the international border in New Mexico	260	260	260	260	260
	Outcome	Number of commercial and noncommercial vehicles traveling through New Mexico ports.	800,000	821,851	830,000	830,000	830,000

STATUTORY AUTHORITY:

The Tourism Department was created in 1991 by the Tourism Department Act, codified as Sections 9-15A-1 through 9-15A-9 NMSA 1978. The act separated the Travel and Tourism Division from the former Economic Development and Tourism Department to form a new cabinet agency. The purpose of the act was to create a cabinet-level department to coordinate statewide tourism activities; provide a database for local and regional tourism groups; serve as a comprehensive source of information and assistance to tourism-related businesses wishing to relocate, expand, or do business in New Mexico; monitor the progress of state-supported tourism activities; and prepare annual reports of such activities, their status, and their impact.

MISSION:

The mission of the Tourism Department is to market New Mexico as an enchanting visitor destination to the world.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	9,368.4	8,268.5	8,268.5	8,300.7	0.4
Other Transfers	1,336.1	1,513.7	1,023.5	1,025.7	-32.2
Other Revenues	4,429.3	4,172.8	3,426.4	3,435.1	-17.7
SOURCES TOTAL	15,133.8	13,955.0	12,718.4	12,761.5	-8.6
USES					
Personal Services and Employee Benefits	4,718.5	4,116.8	3,797.7	3,866.6	-6.1
Contractual Services	1,365.9	1,436.5	1,534.2	1,534.2	6.8
Other	7,381.6	8,401.7	7,386.5	7,360.7	-12.4
TOTAL USES	13,466.0	13,955.0	12,718.4	12,761.5	-8.6
FTE					
Permanent	80.5	75.5	73.5	68.5	-9.3
Term	1.0	1.0	2.0	2.0	100.0
TOTAL FTE POSITIONS	81.5	76.5	75.5	70.5	-7.8

BUDGET ISSUES:

With the change of administration, the Tourism Department mapped out a new strategic plan and objectives. A concerted effort will be placed on making New Mexico the fastest growing leisure travel destination in the United States. To accomplish this strategic goal, the department plans to concentrate its efforts on growing the out-of-state overnight visitor market by focusing its advertising investments on the "venturesome-traveler" market. To tie the strategic plan to a focused marketing campaign, the department developed an advertising brand for the state identified as an "adventure steeped in culture."

The new strategic focus will extend to the cooperative advertising initiative; a redesigned website capable of converting website visits into hotel reservations; and collaboration with communities, local government tourism offices, and private tourism entities to ensure consistent brand messaging and maximizing promotional funding across all areas of the state, including the visitor information centers.

With the new strategic plan, the Tourism Department is prioritizing funding for the state's tourism advertising campaign and increased use of social media to promote the state. To accomplish this, the department reviewed administrative costs, including personal services and employee benefits. The State Personnel Board approved a reduction in force (RIF) that resulted in 11 employees being fired. The RIF included 7 FTE in the New Mexico Magazine Program due to a decline in magazine revenues and to reclassify positions to newer positions with different skill sets, 1 FTE in the Scenic Byways Program because the program is being transferred to the Department of Transportation, and 1 human resource FTE and 3 FTE in the Visitor Information Center (VIC) Program to save revenue and reallocate VIC staff to other areas of the state. Of concern, the RIF seems to have been approved without rigorous review of the funding levels or alternative options, including requesting supplemental funding from the general fund. The Tourism Department reverted general fund monies at the end of FY11, although not all expenditures had been paid, resulting in the use of FY12 budget to pay prior-year bills and contributing to the FY12 shortfall. Historically, the Tourism Department has maintained a high level of employment with few vacancies and several authorized and unauthorized exempt staff. The number of authorized positions was reduced in 2010 from 87.5 FTE to 81.5 FTE, a reduction that included three exempt positions. The committee recommends eliminating 6 of the terminated FTE for FY13 that were unfunded in the agency's budget request.

Revenues in the New Mexico Magazine Program have decrease over the last two years, the result of the national and statewide economic downturn. Revenues collected in FY10 were down \$573.6 thousand compared with FY09, and resulted in a draw-down of accumulated cash balances in the New Mexico Magazine fund - a nonreverting enterprise fund - of \$457.5 thousand, a fund balance decrease of 63 percent. Similarly, revenues remained flat during FY11, resulting in additional cash balance draw downs.

Efforts to restructure the agency have not been successful. The Legislative Restructuring Task Force introduced legislation to consolidate the Tourism Department with other agencies, including the Economic Development Department, into a new Commerce Department during the legislative session of 2010. The executive proposed legislation to merge the Tourism Department and Department of Cultural Affairs (DCA) during the First Special Session of 2011. Although not formally restructured, the agency is operating under a consolidated management structure and shares some administrative staff with the DCA. The Tourism Department left several key administrative FTE vacant, including the deputy secretary, financial director, and program director, in order to prioritize funding for the state's advertising campaign.

The Tourism Department budget request includes a transfer of the Scenic Byways Program to the Department of Transportation. Federal funding for the Scenic Byways Program has decreased over the last several years to a level that cannot support programming at both DOT and the Tourism Department. The DOT is the fiscal agent and grantee for this federal flow-through funding and will assume responsibility for the programming.

To develop and build support for the new strategic direction, staff from the Tourism Department met with local tourism officials and constituents. A strategic planning contractor developed a road map to try get a "bigger bang for the buck" with available funding to promote the state as a tourism destination. The agency is developing a more rigorous matrix for evaluating performance outcomes including a return on investment (ROI) for promotion efforts.

The LFC recommendation includes \$32.3 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws of 2011. Other state funds and internal service funds/interagency transfers were also adjusted accordingly.

MARKETING AND PROMOTION

The purpose of the marketing and promotion program is to produce and provide collateral, editorial and special events for the consumer and trade industry so they may increase their awareness of New Mexico as a premier tourist destination.

BUDGET SUMMARY (dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	6,194.7	5,773.0	5,773.0	5,759.2	-0.2
Other Revenues	90.0	90.0	30.0	30.0	-66.7
SOURCES TOTAL	6,284.7	5,863.0	5,803.0	5,789.2	-1.3
USES					
Personal Services and Employee Benefits	1,822.1	1,572.4	1,572.4	1,559.5	-0.8
Contractual Services	529.5	450.3	450.3	450.3	0.0
Other	3,504.4	3,840.3	3,780.3	3,779.4	-1.6
TOTAL USES	5,856.0	5,863.0	5,803.0	5,789.2	-1.3
FTE					
Permanent	39.5	37.5	37.5	36.5	-2.7
Term	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	40.5	38.5	37.5	36.5	-5.2

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	New Mexico's domestic tourism market share	1.1%	1.1%	1.25%	1.25%	1.25%
* Output	Broadcast conversion rate		29%	34%	34%	34%
* Explanatory	Number of visits to visitor information centers	1,263,997	1,839,702	1,300,000	1,300,000	1,800,000
Explanatory	Unique visitors to website	1,760,672	1,462,657	2,000,000	2,000,000	2,000,000
Outcome	Percent change in visits to New Mexico visitor information centers	6.7%	6.8%	5.0%	5.0%	5.0%
Output	Number of events increasing awareness of New Mexico as a visitor destination	139	109	130	130	130
Quality	Number of stories placed in the media	527	863	170	170	850
Outcome	Percent increase in lodger's tax revenue	0.5%	0.5%	4%	4%	.5%
Outcome	Economic impact of tourism in the state of New Mexico	\$5.25	\$5.1	\$6.0	\$6.0	\$6.0
Output	Website conversion rate		48%	48%	48%	48%
Output	Number of social media fans and monthly active users				baseline	baseline
Output	Total number of unique visitors to all department websites			baseline	546,689	550,000
Output	Percent of visitors who choose New Mexico as their primary destination				baseline	baseline

TOURISM DEVELOPMENT

The purpose of the tourism development program is to provide constituent services for communities, regions and other entities so they may identify their needs and assistance can be provided to locate resources to fill those needs, whether internal or external to the organization.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,162.4	984.2	984.2	985.8	0.2
Other Transfers	1,336.1	1,513.7	1,023.5	1,025.7	-32.2
SOURCES TOTAL	2,498.5	2,497.9	2,007.7	2,011.5	-19.5
USES					
Personal Services and Employee Benefits	412.4	341.2	292.7	296.5	-13.1
Contractual Services	51.9	91.7	189.4	189.4	106.5
Other	1,619.7	2,065.0	1,525.6	1,525.6	-26.1
TOTAL USES	2,084.0	2,497.9	2,007.7	2,011.5	-19.5
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Pounds of litter removed by communities awarded grants by the New Mexico clean and beautiful program	3,160,544	2,000,000	3,000,000	3,000,000	3,000,000
Outcome	Number of anti-litter educational outreach events	450	154	450	450	450
Outcome	Number of active New Mexico community scenic byway organizations	15	14	15	15	15
* Outcome	Number of partnered cooperative advertising applications received	23	24	25	35	35
Output	Number of New Mexico community participants and volunteers in New Mexico clean and beautiful clean-up events	60/21,000	54/12,293	63/30,000	63/30,000	63/30,000

NEW MEXICO MAGAZINE

The purpose of the New Mexico magazine program is to produce a monthly magazine and ancillary products for a state and global audience so the audience can learn about New Mexico from a cultural, historical and educational perspective.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	4,339.3	4,082.8	3,396.4	3,405.1	-16.6
SOURCES TOTAL	4,339.3	4,082.8	3,396.4	3,405.1	-16.6
USES					
Personal Services and Employee Benefits	1,135.4	1,167.7	897.1	905.8	-22.4
Contractual Services	713.9	836.9	836.9	836.9	0.0
Other	1,816.3	2,078.2	1,662.4	1,662.4	-20.0
TOTAL USES	3,665.6	4,082.8	3,396.4	3,405.1	-16.6
FTE					
Permanent	17.0	17.0	15.0	12.0	-29.4
Term	0.0	0.0	2.0	2.0	
TOTAL FTE POSITIONS	17.0	17.0	17.0	14.0	-17.6

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Advertising revenue per issue, in thousands	\$68.9	64.1	\$110	\$110	\$110
Efficiency	Revenue per subscriber		\$18.59	\$38.00	\$38.00	\$38.00
* Outcome	Circulation rate	96,500	94,221	100,000	100,000	100,000
* Output	Collection rate	98.5%	98.5%	99.2%	99.2%	99.2%
Output	Number of online subscribers to New Mexico magazine website				baseline	baseline

SPORTS AUTHORITY

The purpose of the sports authority program is to recruit new events and retain existing events of professional and amateur sports to advance the economy and tourism in the state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	356.1	104.9	104.9	105.8	0.9
SOURCES TOTAL	356.1	104.9	104.9	105.8	0.9
USES					
Personal Services and Employee Benefits	136.6	74.9	74.9	75.8	1.2
Contractual Services	48.1	30.0	30.0	30.0	0.0
Other	90.1	0.0	0.0	0.0	
TOTAL USES	274.8	104.9	104.9	105.8	0.9
FTE					
Permanent	2.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	2.0	1.0	1.0	1.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Number of new major sporting events attracted to New Mexico	2	2	2	2	2
Outcome	Number of new minor sporting events attracted to New Mexico	13	1	10	10	10
Output	Number of New Mexico communities hosting minor or major sporting events		27	baseline	2	2

PROGRAM SUPPORT

The purpose of program support is to provide administrative assistance to support the department's programs and personnel so they may be successful in implementing and reaching their strategic initiatives and maintaining full compliance with state rules and regulations.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	1,655.2	1,406.4	1,406.4	1,449.9	3.1
SOURCES TOTAL	1,655.2	1,406.4	1,406.4	1,449.9	3.1
USES					
Personal Services and Employee Benefits	1,212.0	960.6	960.6	1,029.0	7.1
Contractual Services	22.5	27.6	27.6	27.6	0.0
Other	351.1	418.2	418.2	393.3	-6.0
TOTAL USES	1,585.6	1,406.4	1,406.4	1,449.9	3.1
FTE					
Permanent	17.0	15.0	15.0	14.0	-6.7
TOTAL FTE POSITIONS	17.0	15.0	15.0	14.0	-6.7

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Efficiency	Number of repeat audit findings	3	4	0	0	0
Outcome	Acceptance rate of payment vouchers	95%	95%	95%	95%	95%
Explanatory	Percent of administrative costs of overall agency operating budget	11%	30%	12%	30%	30%
Output	Number of payment vouchers processed weekly	125	81	100	100	100

STATUTORY AUTHORITY:

The Economic Development Department (EDD) was created pursuant to the Economic Development Act in Sections 9-15-1 through 9-15-51 NMSA 1978. The EDD promotes economic development and diversification, as well as business recruitment, expansion, and retention in New Mexico. The agency provides a coordinated statewide perspective on economic development activities, maintains a database for local and regional economic development groups, and serves as the comprehensive source of information for businesses wishing to locate or expand in the state.

MISSION:

The mission of the Economic Development Department is to facilitate the creation, retention, and expansion of jobs and increase investment through public/private partnerships to establish a stable diversified economy that will improve the quality of life for New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	7,728.3	6,455.0	6,455.0	6,497.2	0.7
SOURCES TOTAL	7,728.3	6,455.0	6,455.0	6,497.2	0.7
USES					
Personal Services and Employee Benefits	4,227.8	3,846.9	3,846.9	3,773.2	-1.9
Contractual Services	2,519.2	2,055.0	2,055.0	2,207.4	7.4
Other	472.0	553.1	553.1	516.6	-6.6
TOTAL USES	7,219.0	6,455.0	6,455.0	6,497.2	0.7
FTE					
Permanent	65.0	56.0	56.0	51.0	-8.9
TOTAL FTE POSITIONS	65.0	56.0	56.0	51.0	-8.9

BUDGET ISSUES:

Performance measure results for FY11 illustrate the difficult task of creating jobs during the economic downturn. Most measures that report on job creation missed performance targets and decreased from FY10 performance levels. On a positive note, the distribution of the nearly 2 thousand jobs that the department helped to create was almost evenly divided between urban and rural areas of the state. Historically, urban areas have added more jobs than rural areas of the state.

To help formulate a new strategic plan, staff from the department visited many communities throughout the state and identified emerging themes, including a desire for policy makers to re-tool the tax code and business regulations; restore state incentives and programs, including funding for the Job Training Incentive Program (JTIP), Certified Community Initiative, and cooperative advertising; address statewide infrastructure gaps that hinder economic development; reform the Local Economic Development Act guidelines to meet development needs in rural areas of the state; and enhance workforce training programs to respond to the needs of business. In addition, the department helped communities identify target industries for job growth and set a target number of jobs to create. The strategic plan provides a general sense of direction for the EDD; however, it lacks specific action plans for each objective.

During the national and statewide economic downturn, funding for the EDD was reduced, with indirect administrative expenditures hit hardest. Although 9 FTE were eliminated from the FY12 operating budget, the department's largest expense remains payroll. The department is operating with 13 FTE vacant out of 56 FTE authorized, or a vacancy rate of 23.2 percent. Several of the vacancies are in community development, business development, and the Office of International Trade of the Economic Development Program. The department's budget request applied a 6.5 percent vacancy rate to Economic Development Program, the program most responsible for creating jobs. The department's budget request eliminated funding for 1 FTE but did not eliminate the position.

With a budget request that included flat funding, the recommendation prioritizes and consolidates resources. The recommendation focuses on reducing duplication and vacant administrative staff positions. The large number of positions being held vacant combined with near full funding of the request for personal services and employee benefits provides an opportunity to reallocate the vacancy savings to programs and initiatives that work to create jobs.

The LFC recommendation includes \$42.2 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The recommendation reduces the staffing level by five positions to 51 FTE from the 56 FTE appropriated to the department for FY12. The eliminated FTE include one unfunded vacant chief information officer (CIO) and four vacant but funded positions, including a classified public relations specialist, an information technology staff manager, a line manager in the Office of the Secretary, and a staff manager in the Film Office. Several of the remaining vacant positions are in the process of being reclassified or reassigned as part of a reorganization plan the department is developing for the FY14 budget cycle.

The New Mexico Economic Development Partnership (partnership) was created in 2003 as a federally authorized private, nonprofit organization and is not bound by the state's procurement code or the Public Records Act. Initially funded with nonrecurring special appropriations, funding for the partnership has fluctuated over time. Nearly all of the operating budget is received through a contract with the EDD. Appropriations to the EDD for the partnership peaked at \$1.4 million but decreased during the economic downturn. The FY12 operating budget for the partnership indicates funding from the EDD has been reduced by almost half to \$600 thousand from the \$1.1 million the partnership received from the EDD in FY11. To continue operating after such a significant funding cut, the partnership moved its office to a location with cheaper rent, reduced staffing levels, reduced the number of job trade show events the staff attend, significantly reduced air travel and overnight stays, and reduced the amount spent on consultants. The committee recommendation reallocates a portion of the savings from the eliminated FTE to the partnership, allowing the contract to be funded at \$950 thousand.

Funding for the partnership is important because most communities throughout the state do not have sufficient staffing levels or budget to facilitate business recruitment. Most communities rely on the partnership to generate and filter prospective business relocations to economic development staff and chambers of commerce in local communities. The partnership is important because it provides project management, hosts site visits for prospective clients, and helps to develop skills in the local communities to prepare for client visits. In comparison, several regional cities have recruitment budgets larger than the partnership's, including Denver with \$3.5 million, Phoenix with \$4.5 million, Tucson with \$3.5 million, and Austin with \$2.5 million.

As indicated by FY11 Film Program performance data, performance outcomes exceeded targeted levels. The increased level of performance is mostly due to a rush to complete film projects prior to new film rebate rules taking effect. A \$50 million cap on the annual aggregate amount available for film rebates combined with a new payout schedule that stretches the time, as much as three years, that larger productions may receive rebate payouts took effect at the beginning of July 2011. These changes to the film rebate program might have had the desired effect of slowing the growth of the rebates, and in turn, slowed the industry as a whole. Following three years of significant Film Program budget reductions, the program has reduced administrative staffing levels to more closely match film production levels in the state, moved from a high-rent location to a state-owned office building, and eliminated contracts that duplicated local community film office efforts. The LFC recommendation eliminates 1 FTE and reallocates the savings to the Economic Development Program.

Continuing to prioritize, the recommendation reduces funding for the Mexican Affairs Program to a level that provides funding to support the border governor's conference and Chihuahua Commission expenditures and the savings is reallocated to the Economic Development Program. Funding for the Technology Commercialization Program remains flat.

ECONOMIC DEVELOPMENT

The purpose of the economic development program is to assist communities in preparing for their role in the new economy, focusing on high-quality job creation and improved infrastructure so New Mexicans can increase their wealth and improve their quality of life.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	3,019.1	2,887.0	2,887.0	3,020.7	4.6
SOURCES TOTAL	3,019.1	2,887.0	2,887.0	3,020.7	4.6
USES					
Personal Services and Employee Benefits	1,723.2	1,672.0	1,672.0	1,805.7	8.0
Contractual Services	1,117.4	1,057.4	1,057.4	1,057.4	0.0
Other	135.8	157.6	157.6	157.6	0.0
TOTAL USES	2,976.4	2,887.0	2,887.0	3,020.7	4.6
FTE					
Permanent	26.0	26.0	26.0	26.0	0.0
TOTAL FTE POSITIONS	26.0	26.0	26.0	26.0	0.0

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Number of workers trained by the job training incentive program	1,174	553	2,000	1,000	1,000
Output	Average annual cost per economic development partnership job created	\$1,669	\$2,184	\$500	\$500	\$500
* Outcome	Percent of employees whose wages were subsidized by the job training incentive program	60%	47%	60%	60%	60%
Outcome	Number of communities participating in mainstreet	23	22	25	25	25
* Outcome	Total number of jobs created due to economic development department efforts	1,840	1,922	2,500	2,500	2,500
Outcome	Number of business expansions assisted by the economic development department in rural New Mexico	13	8	12	12	12
* Outcome	Number of rural jobs created	739	958	1,100	1,100	1,100
Outcome	Number of business expansions assisted by the economic development program in urban areas of New Mexico	36	32	28	28	28
* Outcome	Number of jobs created through business relocations facilitated by the economic development partnership	582	499	2,200	2,200	2,200
* Outcome	Number of jobs created by mainstreet	600	598	570	570	600
Output	Number of businesses participating in the job training incentive program	35	34	16	16	16
Output	Number of urban jobs created	1,317	964	3,300	1,400	1,400
Outcome	Number of international trade transactions	6	38	10	10	30
Output	Number of rural businesses participating in the job training incentive program	8	8	8	8	8
Outcome	Number of jobs created through business expansions	626	498	600	600	600
Outcome	Number of business expansions assisted by economic development department	49	40	40	40	40
Output	Number of leads created through the economic development partnership	409	437	400	400	400
Output	Number of locates through the economic development partnership	6	6	12	12	12
Output	Average annual cost per job training incentive program trainee	\$10,172	\$5,935	\$2,500	\$2,500	\$2,500
Outcome	Number of communities certified through the certified communities initiative	40	38	40	25	40
Outcome	Estimated sales value of international trade transactions				New	New
Output	Number of new business advocacy cases opened			New	100	100
Output	Number of business advocacy cases solved			New	30	30
Output	Dollars of private sector investment in mainstreet districts			New	\$9,000,000	\$9,000,000
Output	Number of new businesses in mainstreet districts			New	140	140
Output	Number of building rehabilitations completed in mainstreet districts			New	150	150
Output	Number of capital outlay projects funded			New	12	12
Output	Number of projects prepared for smart money and collateral support program			New	20	20
Output	Number of businesses provided technical assistance in creating a funding package request and referred to appropriate funding agency			New	5	5
Outcome	Percentage of certified communities that complete community profiles and land and building inventories on department website			New	100%	100%
Output	Amount of new investment as a result of the angel investment tax credit			New	\$10,000,000	\$10,000,000
Output	Average hourly wage of jobs funded by the job training incentive program			New	\$16	\$16
Output	New-to-export clients identified and assisted			New	10	10
Output	Existing companies assisted in entering new markets			New	10	10

FILM

The purpose of the film program is to maintain the core business for the film location services and stimulate growth in digital film media to maintain the economic vitality of New Mexico's film industry.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,124.9	868.1	868.1	786.2	-9.4
SOURCES TOTAL	1,124.9	868.1	868.1	786.2	-9.4
USES					
Personal Services and Employee Benefits	677.6	648.5	648.5	566.6	-12.6
Contractual Services	175.3	97.8	97.8	97.8	0.0
Other	64.1	121.8	121.8	121.8	0.0
TOTAL USES	917.0	868.1	868.1	786.2	-9.4
FTE					
Permanent	11.0	9.0	9.0	8.0	-11.1
TOTAL FTE POSITIONS	11.0	9.0	9.0	8.0	-11.1

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of media industry worker days	142,524	181,366	150,000	150,000	150,000
Outcome	Economic impact of media industry productions in New Mexico, in millions	\$558.6	\$696	\$300	\$240	\$240
Outcome	Number of films and media projects principally made in New Mexico	109	96	85	60	85
Outcome	Number of major film productions made in New Mexico greater than one million dollars (\$1,000,000)	20		17	17	17
Output	Number of workshops to train film crew technicians and contractors to serve the industry			New	6	6

MEXICAN AFFAIRS

The purpose of the Mexican affairs program is to produce new high-paying employment opportunities for New Mexicans so they can increase their wealth and improve their quality of life.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	338.4	88.3	88.3	36.0	-59.2
SOURCES TOTAL	338.4	88.3	88.3	36.0	-59.2
USES					
Personal Services and Employee Benefits	130.2	0.0	0.0	0.0	
Contractual Services	15.0	51.8	51.8	36.0	-30.5
Other	55.0	36.5	36.5	0.0	-100.0
TOTAL USES	200.2	88.3	88.3	36.0	-59.2
FTE					
Permanent	4.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	4.0	0.0	0.0	0.0	

TECHNOLOGY COMMERCIALIZATION

The purpose of the technology commercialization program is to increase the start-up, relocation and growth of technology-based business in New Mexico to give New Mexicans the opportunity for high-paying jobs.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	105.1	20.0	20.0	20.0	0.0
SOURCES TOTAL	105.1	20.0	20.0	20.0	0.0
USES					
Personal Services and Employee Benefits	109.0	0.0	0.0	0.0	
Contractual Services	2.6	6.0	6.0	6.0	0.0
Other	12.0	14.0	14.0	14.0	0.0
TOTAL USES	123.6	20.0	20.0	20.0	0.0
FTE					
Permanent	2.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	2.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of businesses trained by NM9000 quality management standards	49	4	22	10	10

PROGRAM SUPPORT

The purpose of program support is to provide central direction to agency management processes and fiscal support to agency programs to ensure consistency, continuity and legal compliance.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,140.8	2,591.6	2,591.6	2,634.3	1.6
SOURCES TOTAL	3,140.8	2,591.6	2,591.6	2,634.3	1.6
USES					
Personal Services and Employee Benefits	1,587.8	1,526.4	1,526.4	1,400.9	-8.2
Contractual Services	1,208.9	842.0	842.0	1,010.2	20.0
Other	205.1	223.2	223.2	223.2	0.0
TOTAL USES	3,001.8	2,591.6	2,591.6	2,634.3	1.6
FTE					
Permanent	22.0	21.0	21.0	17.0	-19.0
TOTAL FTE POSITIONS	22.0	21.0	21.0	17.0	-19.0

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of payment vouchers accurately processed within seventy-two hours of receipt	50	160	50	75	75
Outcome	Percent of performance measure targets in the general appropriation act that were met	50%	85%	85%	85%	85%

STATUTORY AUTHORITY:

The Regulation and Licensing Department (RLD) was created pursuant to Sections 9-16-1 through 9-16-14, 60-13-1 through 60-15-14, 60-3A-1 through 60-8A-19, and 60-2B-1 through 60-2B-14 NMSA 1978 as an executive agency. The RLD was created as a unified agency vested with the responsibility to enforce and administer laws, rules, regulations, and codes relative to licensure and regulation of construction and manufactured housing, financial institutions, securities, and alcohol. Through executive orders and legislative mandates, the department has the responsibility of licensing and enforcement for 30 professional boards and commissions. By statute the department has a minimum of six divisions: Administrative Services, Construction Industries (CID), Manufactured Housing (MHD), Financial Institutions (FID), Securities Industries (SID), and Alcohol and Gaming (AGD).

The RLD consists of five programs. The Construction Industries and Manufactured Housing divisions are combined into one program, as are the Financial Industries and Securities Industries divisions. The remaining programs are classified in the same manner as the department's divisions: Program Support, Boards and Commissions, and Alcohol and Gaming.

MISSION:

The mission of the Regulation and Licensing Department is to balance public health, safety, and welfare with business and economic development.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	13,589.2	12,590.1	12,740.1	12,726.8	1.1
Other Transfers	1,458.9	1,729.2	1,900.4	1,835.9	6.2
Federal Revenues	25.8	107.0	25.0	25.0	-76.6
Other Revenues	10,579.4	8,099.8	8,618.9	8,385.5	3.5
Fund Balance	99.4	659.5	1,012.1	1,012.1	53.5
SOURCES TOTAL	25,752.7	23,185.6	24,296.5	23,985.3	3.4
USES					
Personal Services and Employee Benefits	16,526.0	17,373.9	18,227.7	18,049.7	3.9
Contractual Services	824.8	835.2	899.0	899.0	7.6
Other	3,065.1	3,512.3	3,589.4	3,534.6	0.6
Other Financing Uses	1,083.1	1,464.2	1,580.4	1,502.0	2.6
TOTAL USES	21,499.0	23,185.6	24,296.5	23,985.3	3.4
FTE					
Permanent	308.9	299.6	292.4	292.4	-2.4
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	314.9	305.6	298.4	298.4	-2.4

BUDGET ISSUES:

The goals for the agency are to simplify the application process, reduce the time to process an application, provide education to the public to prevent violations and citations, and resolve complaints in a prompt, efficient, and courteous manner. For FY13, the Regulation and Licensing Department (RLD) requested \$24.3 million, a \$1.1 million or 4.8 percent increase over the FY12 operating budget. The general fund request was \$12.7 million, a \$150 thousand or 1.2 percent increase; fund balance increased \$352.6 thousand, and the use of other revenue increased \$519.1 thousand. The request included vacancy savings of \$1 million. The agency also requested the elimination of seven full-time employees within the Construction Industries and Manufactured Housing Program, a savings of \$529 thousand.

The committee recommendation is \$24 million and represents a 3.4 percent increase from the agency's FY12 operating budget. The LFC recommendation includes \$122.2 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds were also adjusted accordingly. The recommendation includes \$12.73 million from the general fund, an increase of \$136.7 thousand over FY12 levels. The recommendation supports the request for an increase in revenues from fund balance by \$352.6 thousand, or 53.5 percent. With higher operating costs and a decrease in licensee renewal revenue due to economic conditions, the agency is using more fund balances to avoid increasing license fees and to assist the agency in filling vacant positions. The recommendation decreases the personal services and employee benefits category request by \$178 thousand due to overestimated insurance and retirement rates.

The FY13 budget request submitted by the agency applied average vacancy rates of 9 percent. The recommendation applies the requested vacancy rates to four of the five programs and increases the vacancy rate to the Boards and Commissions Program by an additional 3 percent. Currently the Boards and Commissions Program has a vacancy rate of over 34 percent.

The Construction Industries Division (CID) reports concerns regarding the shortage of inspectors leading to extensive wait times for building or structure inspections. To remedy this problem, the CID decreased overhead and requested a \$150 thousand, or 1.9 percent, increase from the general fund to fully staff vacant inspector positions. The committee recommendation supports the additional funding request for the CID. The agency should include performance measures on the timelines of inspections. CID also is focused on the recycled metal dealer transactions; however, the RLD regulates but does not license these dealers. These dealers interact frequently with law enforcement agencies because of the occurrence of large metal thefts, such as copper from the Rail Runner and other metal thefts from public utility companies.

In 2011, the Construction Industries Commission (CIC) voted to repeal newly adopted energy codes and replace them with the 2009 Industry Committee of Energy Efficiency (ICEE) standards.

The agency is reorganizing the Securities Industries Division with greater emphasis on law enforcement. Investigations are underway and the agency is attempting to eliminate fraudulent firms. Due to the complexity of securities, the agency's educational efforts continue.

In late July 2011, the boards and commissions call center in Santa Fe went live. Three individuals answer phones for the 27 boards in Santa Fe and receive approximately 200 calls a day. With data generated on call volume and wait time, the agency looks to better manage its work flow.

The agency's new website should be functional by 2012. The goal is to make the site more user-friendly by decreasing the amount of detail and focusing on frequently asked questions.

BOARDS AND COMMISSIONS

BUDGET SUMMARY (dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	87.6	29.0	28.8	28.8	-0.7
Other Transfers	110.8	0.0	25.0	25.0	
Other Revenues	8,450.8	6,973.2	7,098.9	6,975.0	0.0
Fund Balance	77.2	594.0	800.5	800.5	34.8
SOURCES TOTAL	8,726.4	7,596.2	7,953.2	7,829.3	3.1
USES					
Personal Services and Employee Benefits	4,160.4	4,763.3	5,033.1	4,982.3	4.6
Contractual Services	107.4	256.7	274.5	274.5	6.9
Other	810.9	1,171.2	1,164.1	1,164.1	-0.6
Other Financing Uses	1,083.1	1,405.0	1,481.5	1,408.4	0.2
TOTAL USES	6,161.8	7,596.2	7,953.2	7,829.3	3.1
FTE					
Permanent	82.2	81.9	82.7	82.7	1.0
TOTAL FTE POSITIONS	82.2	81.9	82.7	82.7	1.0

CONSTRUCTION INDUSTRIES AND MANUFACTURED HOUSING

The purpose of the construction industries and manufactured housing program is to provide code compliance oversight; issue licenses, permits and citations; perform inspections; administer exams; process complaints; and enforce laws, rules and regulations relating to general construction and manufactured housing standards to industry professionals.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	8,244.1	7,796.4	7,946.2	8,030.5	3.0
Other Transfers	250.0	250.0	250.0	250.0	0.0
Federal Revenues	25.8	107.0	25.0	25.0	-76.6
Other Revenues	102.0	100.0	163.5	163.5	63.5
Fund Balance	22.2	10.9	31.7	31.7	190.8
SOURCES TOTAL	8,644.1	8,264.3	8,416.4	8,500.7	2.9
USES					
Personal Services and Employee Benefits	6,953.3	6,741.9	7,036.1	7,120.4	5.6
Contractual Services	208.1	48.4	27.8	27.8	-42.6
Other	1,380.5	1,463.1	1,339.3	1,339.3	-8.5
Other Financing Uses	0.0	10.9	13.2	13.2	21.1
TOTAL USES	8,541.9	8,264.3	8,416.4	8,500.7	2.9
FTE					
Permanent	131.0	126.0	113.0	113.0	-10.3
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	134.0	129.0	116.0	116.0	-10.1

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Percent of consumer complaint cases resolved out of the total number of complaints filed	76%	57%	90%	90%	80%
Outcome	Percent of permitted manufactured housing projects inspected	85%	90%	85%	90%	90%
* Efficiency	Percent of all inspections performed, including installations of manufactured homes in the field, within seven days of inspection request	80%	91%	85%	85%	85%

FINANCIAL INSTITUTIONS AND SECURITIES

The purpose of the financial institutions and securities program is to issue charters and licenses; perform examinations; investigate complaints; enforce laws, rules and regulations; and promote investor protection and confidence so that capital formation is maximized and a secure financial infrastructure is available to support economic development.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	2,554.1	2,302.3	2,302.7	2,323.6	0.9
Other Revenues	2,026.6	1,026.6	1,356.5	1,247.0	21.5
Fund Balance	0.0	54.6	179.9	179.9	229.5
SOURCES TOTAL	4,580.7	3,383.5	3,839.1	3,750.5	10.8
USES					
Personal Services and Employee Benefits	2,515.2	2,763.9	3,006.1	2,977.6	7.7
Contractual Services	246.0	200.2	195.0	195.0	-2.6
Other	357.7	371.1	552.3	497.5	34.1
Other Financing Uses	0.0	48.3	85.7	80.4	66.5
TOTAL USES	3,118.9	3,383.5	3,839.1	3,750.5	10.8
FTE					
Permanent	46.0	44.0	49.0	49.0	11.4
TOTAL FTE POSITIONS	46.0	44.0	49.0	49.0	11.4

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of statutorily complete applications processed within a standard number of days by type of application	98.7%	95%	95%	95%	95%
* Outcome	Percent of examination reports mailed to a depository institution within thirty days of exit from the institution or the exit conference meeting	100%	95%	95%	95%	95%
Outcome	Percent of all applications for broker-dealer and investment adviser registration processed within thirty days of receipt by the securities division of the completed application	100%	96%	96%	96%	96%
Outcome	Percent of investment adviser registrants examined annually	24%	50%	25%	30%	30%

ALCOHOL AND GAMING

The purpose of the alcohol and gaming program is to regulate the sale, service and public consumption of alcoholic beverages and, in cooperation with the department of public safety, enforce the Liquor Control Act to protect the health, safety and welfare of the citizens of and visitors to New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	883.2	844.7	844.7	768.6	-9.0
SOURCES TOTAL	883.2	844.7	844.7	768.6	-9.0
USES					
Personal Services and Employee Benefits	780.7	774.1	772.5	696.4	-10.0
Contractual Services	3.7	39.1	39.1	39.1	0.0
Other	61.4	31.5	33.1	33.1	5.1
TOTAL USES	845.8	844.7	844.7	768.6	-9.0
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	16.0	16.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Number of days to process a dispenser license application that requires a hearing	128	113	139	139	139
* Output	Number of days to resolve an administrative citation that does not require a hearing	69	94	70	70	70
* Outcome	Number of days to issue a restaurant (beer and wine) liquor license	118	100	120	120	120

PROGRAM SUPPORT

The purpose of program support is to provide leadership and centralized direction, financial management, information systems support and human resources support for all agency organizations in compliance with governing regulations, statutes and procedures so they can license qualified applicants, verify compliance with statutes and resolve or mediate consumer complaints.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,820.2	1,617.7	1,617.7	1,575.3	-2.6
Other Transfers	1,098.1	1,479.2	1,625.4	1,560.9	5.5
SOURCES TOTAL	2,918.3	3,096.9	3,243.1	3,136.2	1.3
USES					
Personal Services and Employee Benefits	2,116.4	2,330.7	2,379.9	2,273.0	-2.5
Contractual Services	259.6	290.8	362.6	362.6	24.7
Other	454.6	475.4	500.6	500.6	5.3
TOTAL USES	2,830.6	3,096.9	3,243.1	3,136.2	1.3
FTE					
Permanent	33.7	31.7	31.7	31.7	0.0
Term	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	36.7	34.7	34.7	34.7	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of prior-year audit findings resolved	73%	75%	70%	50%	75%
Output	Percent of payment vouchers submitted to the department of finance administration without errors	98%	98%	95%	95%	95%
Output	Percent of information service support tasks completed within the timeframe requested	N/A	92%	94%	90%	90%
Quality	Percent of accurate payroll and personnel information entered into human resource management system	90%	0%	90%	90%	90%
Quality	Percent of customers satisfied with information service internal support services	N/A	84%	94%	90%	90%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		30	30	30	30

PUBLIC ACCOUNTANCY BOARD

The purpose of the public accountancy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	90%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	100%	85%	80%	85%
Output	Complaints logged and processed within five days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	100%	80%	75%	80%

BOARD OF ACUPUNCTURE AND ORIENTAL MEDICINE

The purpose of the board of acupuncture and oriental medicine program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	89%	80%	75%	80%
Efficiency	Process initial applications and renewals within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	75%	80%	75%	80%

ATHLETIC COMMISSION

The purpose of the athletic commission program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	85%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	90%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

ATHLETIC TRAINERS BOARD

The purpose of the athletic trainers board is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	93%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	76%	80%	75%	80%

BOARD OF BARBERS AND COSMETOLOGISTS

The purpose of the barbers and cosmetology board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Percent of barber/cosmetology and body art establishments inspected once every eighteen months	82%	85%	85%	80%	85%
Efficiency	Process initial applications and renewals within three days of receipt of completed application	94%	75%	80%	75%	80%
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	80%	80%	75%	80%

CHIROPRACTIC EXAMINERS BOARD

The purpose of the chiropractic examiners board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	89%	80%	75%	80%

COUNSELING AND THERAPY BOARD

The purpose of the counseling and therapy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	75%	80%	75%	75%

DENTAL HEALTH CARE BOARD

The purpose of the dental health care board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	89%	80%	75%	80%

INTERIOR DESIGN BOARD

The purpose of the interior design board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	89%	80%	75%	80%

LANDSCAPE ARCHITECTS BOARD

The purpose of the landscape architects board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	91%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

MASSAGE THERAPY BOARD

The purpose of the massage therapy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

NURSING HOME ADMINISTRATORS BOARD

The purpose of the nursing home administrators board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	89%	80%	75%	80%

NUTRITION AND DIETETICS PRACTICE BOARD

The purpose of the nutrition and dietetics practice board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	89%	80%	75%	80%

OCCUPATIONAL THERAPY PRACTICE BOARD

The purpose of the examiners for occupational therapy practice board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	91%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	88%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

OPTOMETRY BOARD

The purpose of the optometry board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than 4 months from receipt of complaint	88%	89%	80%	75%	80%

BOARD OF OSTEOPATHIC MEDICAL EXAMINERS

The purpose of the osteopathic medical examiners board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	89%	80%	75%	80%

BOARD OF PHARMACY

The purpose of the pharmacy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	90%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	80%	85%	80%	80%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	80%	80%	75%	80%

PHYSICAL THERAPY BOARD

The purpose of the physical therapy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	88%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	82%	85%	80%	80%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

BOARD OF PODIATRY

The purpose of the podiatry board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

PRIVATE INVESTIGATORS AND POLYGRAPHERS BOARD

The purpose of the private investigators and polygraphers board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within 3 days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

BOARD OF PSYCHOLOGIST EXAMINERS

The purpose of the psychologist examiners board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	92%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

REAL ESTATE APPRAISERS BOARD

The purpose of the real estate appraisers board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

REAL ESTATE COMMISSION

The purpose of the real estate commission program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	90%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	92%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting no later than four months from receipt of complaint	88%	85%	80%	75%	80%

RESPIRATORY CARE BOARD

The purpose of the respiratory care board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	91%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	88%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting no later than four months from receipt of complaint	88%	88%	80%	75%	80%

BOARD OF SOCIAL WORK EXAMINERS

The purpose of the social work examiners board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	95%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Efficiency	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting no later than four months from receipt of complaint	88%	88%	80%	75%	80%

SPEECH LANGUAGE HEARING AND AUDIOLOGY BOARD

The purpose of the speech language hearing and audiology board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	95%	80%	75%	85%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting no later than four months from receipt of complaint	88%	88%	80%	75%	80%

BOARD OF THANATOPRACTICE

The purpose of the thanatopractice board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	94%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	80%	85%
Output	Percentage of funeral establishments and crematories inspected once every 18 months	90%	90%	80%	75%	80%

NAPRAPATHY BOARD

The purpose of the naprapathy board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	91%	80%	N/A	N/A
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	94%	85%	N/A	N/A
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting no later than four months from receipt of complaint	88%	88%	80%	N/A	N/A

ANIMAL SHELTERING SERVICES BOARD

The purpose of the animal sheltering services board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	91%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	95%	85%	80%	80%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	80%

SIGNED LANGUAGE INTERPRETING PRACTICE BOARD

The purpose of the signed language interpreting practices board program is to provide efficient licensing, compliance and regulatory services to protect the public by ensuring that licensed professionals are qualified to practice.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Outcome	Percent of phone calls and emails returned within twenty-four hours and written correspondence responded to within three days of receipt	91%	92%	80%	75%	80%
Efficiency	Percent of initial applications and renewals processed within three days of receipt of completed application	94%	96%	85%	80%	85%
Output	Complaints logged and processed within two days of receipt of written complaint, then investigated and presented at next board compliance meeting or no later than four months from receipt of complaint	88%	88%	80%	75%	85%

STATUTORY AUTHORITY:

Article XI, Section 1, of the New Mexico Constitution created the Public Regulation Commission (PRC) in a merger of the former State Corporation and Public Utility commissions. The PRC is composed of five elected members.

MISSION:

The mission of the PRC is to regulate utilities, telecommunications, motor carriers, and insurance industries to ensure fair and reasonable rates and to assure reasonable and adequate services to the public as provided by law; to promote public safety through the State Fire Marshal, Firefighter Training Academy, and Pipeline Safety Bureau; and to register all corporations doing business in New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency Request	LFC Recom- mendation	
SOURCES					
General Fund Transfers	9,521.3	7,771.2	8,091.1	7,836.8	0.8
Other Transfers	13,302.9	13,262.5	26,714.6	13,400.1	1.0
Federal Revenues	573.5	543.1	597.8	601.9	10.8
Fund Balance	10,959.1	13,205.6	17,211.2	16,109.1	22.0
SOURCES TOTAL	34,356.8	34,782.4	52,614.7	37,947.9	9.1
USES					
Personal Services and Employee Benefits	18,052.9	17,704.2	18,353.6	17,926.8	1.3
Contractual Services	971.8	1,381.8	1,653.6	1,527.3	10.5
Other	9,665.3	15,174.0	18,147.4	17,942.4	18.2
Other Financing Uses	411.2	522.4	14,460.1	551.4	5.6
TOTAL USES	29,101.2	34,782.4	52,614.7	37,947.9	9.1
FTE					
Permanent	272.0	264.0	264.0	261.0	-1.1
Term	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	274.0	266.0	266.0	263.0	-1.1

BUDGET ISSUES:

The primary issue facing the PRC is the continued public criticism of the department and commissioners. For much of FY11 and FY12, the PRC was in the public consciousness for the actions and eventual resignation of two commissioners -- one for battery and burglary, the other for the abuse of state- issued credit cards and misuse of public campaign funds. Among other calls to dismantle the PRC, a 2010 Legislative Restructuring Taskforce considered breaking up the commission and Think New Mexico, a nonpartisan think tank recommended it in its document "Rethinking the PRC". One of the challenges facing the PRC is the breadth of its responsibilities -- unprecedented among the states for its power and influence -- and the lack of minimum experience levels or educational requirements to be a commissioner.

A report issued by the Office of State Auditor titled "Risk Assessment Report Public Regulation Commission" indicated the PRC lacks policies related to the use of state vehicles for personal and business use by commissioners, there is no federal assignment of fringe benefit allocations for the use of vehicles for commuting purposes, and violates procurement rules related to travel reimbursements for commissioners. The State Auditor appointed an independent auditor to review further the policies and procedures of the PRC. The commission's chairman and chief of staff have implemented additional policies to improve some of the internal weaknesses identified in the State Auditor's report. In addition, the chairman and chief of staff have been working with staff from the State Personnel Office to improve human resource policies and procedures and provide additional training for managers throughout the department.

For FY13, the agency's overall base request of \$52.6 million represented a substantial increase of \$17.8 million, or 51.3 percent, over the FY12 operating budget. Based on direction from the Department of Finance and Administration State Budget Division (SBD), the PRC doubled the amount transferred from other suspense type funds in the agency's budget request to account for an annual generally accepted accounting practice (GAAP) adjustment the State Budget Division executes to balance transfer revenues among funds statewide. In addition, the PRC requested a \$2.9 million increase in the patient's compensation fund program to address a projected increased level of settlement payments from the fund and an additional \$320 thousand from the general fund to budget vacant positions at the mid-point of the pay band and fully fund all vacant positions.

The patient's compensation fund (PCF) program is a flow-through expenditure program that pays physician malpractice settlements for member physicians that pay premiums. Established under the New Mexico Medical Malpractice Act, the program provides affordable malpractice coverage that caps the amount of damages that can be awarded against the member healthcare providers. The program acts as a re-insurer over private market medical malpractice insurance. The PRC reports membership in the PCF includes one hospital and approximately 1.8 thousand physicians, or the vast majority of the physicians who practice in New Mexico. The number of settlement awards paid from the PCF has increased over the last several years; however, the most recent actuarial study indicates the fund is sound. At the end of September 2010, the fund had a cash balance of \$24.5 million. The \$2.9 million budget increase in the recommendation is attributable to the possible increased number of settlements that might occur during the year.

The committee recommendation does not include the nearly \$14 million requested for the State Budget Division GAAP adjustments. Historically, the State Budget Division has executed a GAAP adjustment in the comprehensive annual financial report (CAFR) in order to balance the various fund transfers that occur within the PRC. The committee recommends that the State Budget Division continue executing the GAAP adjustment in the CAFR.

An ongoing concern is the relatively high number of vacancies, especially in the Insurance Program and the Policy and Regulation Program. Starting in FY10 the number of authorized positions has decreased by 18 FTE, or 6.3 percent. The PRC has worked to reduce the number of vacancies and the length of time positions have been vacant. The LFC recommendation eliminates 3 FTE that have been vacant for over two years. However, only the deletion of the exempt public information officer position results in budget savings; the other two positions were not funded in the operating budget. In addition, the LFC recommendation continues to apply a vacancy savings rate consistent with rates in the FY12 operating budget that ranges from zero in Program Support and the Patient's Compensation Fund Program to 4.5 percent in the Insurance Policy Program, for an overall average rate of 3 percent.

The LFC recommendation includes \$86.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws of 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the policy and regulation program of the public regulation commission in personal services and employee benefits category includes two hundred and twenty-three thousand four hundred dollars (\$223,400) from the patient's compensation fund, three hundred and thirty-six thousand dollars (\$336,000) from the pipeline safety fund, one hundred and sixteen thousand five hundred dollars (\$116,500) from the public regulation commission reproduction fund, one hundred thirty-seven thousand dollars (\$137,000) from the fire protection fund, four hundred fifty-two thousand two hundred dollars (\$452,200) from the insurance operations fund, ninety-seven thousand five hundred dollars (\$97,500) from the title insurance maintenance fund, and eighty-seven thousand six hundred dollars (\$87,600) from the insurance fraud fund.

The internal service funds/interagency transfers appropriations to the public safety program of the public regulation commission include two million two hundred one thousand five hundred dollars (\$2,201,500) for the office of the state fire marshal from the fire protection fund.

The internal service funds/interagency transfers appropriations to the public safety program of the public regulation commission include one million five hundred fifty thousand five hundred dollars (\$1,550,500) for the firefighter training academy from the fire protection fund.

The internal service funds/interagency transfers appropriations to the public safety program of the public regulation commission include eight hundred seventeen thousand three hundred dollars (\$817,300) for the pipeline safety bureau from the pipeline safety fund.

The internal service funds/interagency transfers appropriations to program support of the public regulation commission include two hundred and twenty-eight thousand three hundred dollars (\$228,300) from the insurance fraud fund, three hundred twelve thousand four hundred dollars (\$312,400) from the fire protection fund, seventy-three thousand dollars (\$73,000) from the title insurance maintenance fund, seventy-five thousand five hundred dollars (\$75,500) from the public regulation commission reproduction fund, one hundred twenty-one thousand four hundred dollars (\$121,400) from the patient's compensation fund, sixty-two thousand seven hundred dollars (\$62,700) from the pipeline safety fund and one hundred fifteen thousand eight hundred dollars (\$115,800) from the insurance operations fund.

The internal service funds/interagency transfers appropriations to the insurance policy program of the public regulation commission include two hundred six thousand two hundred dollars (\$206,200) from the patient's compensation fund, thirty-two thousand nine hundred dollars (\$32,900) from the title insurance maintenance fund, eighty-nine thousand one hundred dollars (\$89,100) from the insurance fraud fund, and four million five hundred fifteen thousand six hundred dollars (\$4,515,600) from the insurance operations fund.

The internal service funds/interagency transfers appropriations to the insurance policy program of the public regulation commission include nine hundred eighty thousand eight hundred dollars (\$980,800) for the insurance fraud bureau from the insurance fraud fund.

The internal service funds/interagency transfers appropriations to the insurance policy program of the public regulation commission include three hundred thirty-two thousand seven hundred dollars (\$332,700) for the title insurance bureau from the title insurance maintenance assessment fund.

POLICY AND REGULATION PROGRAM

The purpose of the policy and regulation program is to fulfill the constitutional and legislative mandates regarding regulated industries through rulemaking, adjudications and policy initiatives to ensure the provisions of adequate and reliable services at fair, just and reasonable rates so the interests of the consumers and regulated industries are balanced to promote and protect the public interest.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	6,843.3	5,674.0	5,959.7	5,739.5	1.2
Other Transfers	479.0	1,431.5	2,422.0	1,450.2	1.3
Fund Balance	0.0	0.0	441.0	0.0	
SOURCES TOTAL	7,322.3	7,105.5	8,822.7	7,189.7	1.2
USES					
Personal Services and Employee Benefits	6,786.4	6,363.1	6,644.6	6,442.6	1.2
Contractual Services	125.5	160.1	168.3	168.3	5.1
Other	593.7	582.3	578.3	578.8	-0.6
Other Financing Uses	0.0	0.0	1,431.5	0.0	
TOTAL USES	7,505.6	7,105.5	8,822.7	7,189.7	1.2
FTE					
Permanent	83.7	79.7	79.7	78.7	-1.3
TOTAL FTE POSITIONS	83.7	79.7	79.7	78.7	-1.3

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of docketed cases closed in a fiscal year	77%	100%	85%	90%	90%
Output	Number of formal complaints processed by the transportation division	75	0	75	5	5
Output	Number of docketed cases completed	250	422	425	400	425
* Efficiency	Average number of days for a rate case to reach final order	214	215	<210	215	<210
Efficiency	Percent of cases processed in less than the statutory time allowance	100%	100%	100%	100%	100%
* Outcome	Comparison of average commercial electric rates between major New Mexico utilities and selected utilities in regional western states	4.3%	-2.2%	+/-4%	+/-4%	+/-4%
Outcome	Dollar amount of credits and refunds obtained for New Mexico consumers through complaint resolution, in thousands	\$1,347.3		\$1,800		\$1,800
Explanatory	Number of docketed cases opened in a fiscal year	324	405	425	325	425
* Explanatory	The amount of kilowatt hours of renewable energy provided annually by New Mexico's electric utilities, measured as a percent of total retail kilowatt hours sold by New Mexico's electric utilities to New Mexico's retail electric utility customers	6%	10%	11%	10%	11%

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Efficiency	Terms of natural gas saved as a result of utility energy efficiency programs	200,000	204,805	750,000	300,000	300,000
* Explanatory	Comparison of average residential electric rates between major New Mexico utilities and selected utilities in regional western states	2.2%	-4.1%	+/-5%	+/-5%	+/-5%
Efficiency	Kilowatt hours of electricity saved as a result of utility energy efficiency programs	68,000,000	86,876,758	68,000,000	100,000,000	100,000,000

INSURANCE POLICY PROGRAM

The purpose of the insurance policy program is to ensure easy public access to reliable insurance products that meet consumers' needs and are underwritten by dependable, reputable, financially sound companies that charge fair rates and are represented by trustworthy, qualified agents, while promoting a positive competitive business climate.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Transfers	6,783.1	6,071.1	12,709.4	6,157.3	1.4
Fund Balance	0.0	0.0	422.0	0.0	
SOURCES TOTAL	6,783.1	6,071.1	13,131.4	6,157.3	1.4
USES					
Personal Services and Employee Benefits	5,295.5	5,225.0	5,468.2	5,288.0	1.2
Contractual Services	344.7	288.0	398.1	298.1	3.5
Other	607.9	558.1	699.4	571.2	2.3
Other Financing Uses	0.0	0.0	6,565.7	0.0	
TOTAL USES	6,248.1	6,071.1	13,131.4	6,157.3	1.4
FTE					
Permanent	86.0	83.0	83.0	83.0	0.0
TOTAL FTE POSITIONS	86.0	83.0	83.0	83.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Percent of internal and external insurance-related grievances closed within one hundred eighty days of filing	98.8%	100%	99%	90%	99%
Outcome	Percent of employers whose workers' compensation accident frequency is reduced through counseling, advice and training	75%	33%	80%	80%	80%
Output	Percent of producer applications, appointments and renewals processed within ten business days	98%	95%	95%	90%	95%
Output	Percent of insurance division interventions conducted with domestic and foreign insurance companies when risk-based capital is less than two hundred percent	100%	100%	100%	100%	100%
Output	Percent of insurance division interventions conducted with domestic and foreign insurance companies when their surplus is less than the minimum	100%	100%	100%	100%	100%
* Efficiency	Percent of insurance fraud bureau complaints processed and recommended for either further administrative action or closure within sixty days	86%	81.5%	87%	85%	87%
Output	Percent of domestic company examination reports adopted within eighteen months of the examination period	95%	100%	100%	95%	100%
Output	Percent of form and rate filings processed within ninety days	97%	100%	96%	95%	96%
Output	Number of managed healthcare outreach presentations conducted annually	139	112	115	100	115
Outcome	Percent of favorable evaluations from managed healthcare outreach presentation attendees	100%	100%	100%	95%	100%

PUBLIC SAFETY PROGRAM

The purpose of the public safety program is to provide services and resources to the appropriate entities to enhance their ability to protect the public from fire and pipeline hazards and other risk as assigned to the public regulation commission.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Transfers	5,373.2	4,770.8	9,844.8	4,803.6	0.7
Federal Revenues	573.5	543.1	597.8	601.9	10.8
SOURCES TOTAL	5,946.7	5,313.9	10,442.6	5,405.5	1.7
USES					
Personal Services and Employee Benefits	3,306.1	3,352.3	3,465.9	3,454.8	3.1
Contractual Services	242.1	314.8	476.3	450.0	42.9
Other	1,431.2	1,646.8	1,578.0	1,500.7	-8.9
Other Financing Uses	0.0	0.0	4,922.4	0.0	
TOTAL USES	4,979.4	5,313.9	10,442.6	5,405.5	1.7
FTE					
Permanent	53.3	53.3	53.3	52.3	-1.9
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	54.3	54.3	54.3	53.3	-1.8

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of inspection and audit hours performed by the state fire marshal's office	30,927	34,772	28,000	30,000	32,000
* Output	Number of personnel completing training through the state firefighter training academy	2,505	3,264	4,050	3,000	3,300
Quality	Pass rate for state certification exams administered by the state firefighter academy	85%	81%	90%	85%	85%
Output	Percent of counties and municipalities participating in the arson task force or partnerships with the state fire marshal	72%	74%	75%	70%	75%
Outcome	Percent of fire departments' insurance service office ratings of nine or ten that have been reviewed by survey or audit	100%	100%	100%	100%	100%
* Outcome	Percent of statewide fire districts with insurance office ratings of eight or better	66%	60%	67%	60%	60%
Explanatory	Number of fire districts statewide	393	369	375	350	375
Output	Number of inspection and audit hours performed by the pipeline safety bureau	5,284	4,562	7,500	5,000	5,000

PATIENT'S COMPENSATION

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Fund Balance	10,959.1	13,205.6	16,108.4	16,109.1	22.0
SOURCES TOTAL	10,959.1	13,205.6	16,108.4	16,109.1	22.0
USES					
Personal Services and Employee Benefits	14.1	65.7	55.0	55.7	-15.2
Contractual Services	193.3	570.3	489.3	489.3	-14.2
Other	6,753.3	12,047.2	15,012.7	15,012.7	24.6
Other Financing Uses	411.2	522.4	551.4	551.4	5.6
TOTAL USES	7,371.9	13,205.6	16,108.4	16,109.1	22.0
FTE					
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

PROGRAM SUPPORT

The purpose of program support is to provide administrative support and direction to ensure consistency, compliance, financial integrity and fulfillment of the agency mission.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,678.0	2,097.2	2,131.4	2,097.3	0.0
Other Transfers	667.6	989.1	1,738.4	989.0	0.0
Fund Balance	0.0	0.0	239.8	0.0	
SOURCES TOTAL	3,345.6	3,086.3	4,109.6	3,086.3	0.0
USES					
Personal Services and Employee Benefits	2,650.8	2,698.1	2,719.9	2,685.7	-0.5
Contractual Services	66.2	48.6	121.6	121.6	150.2
Other	279.2	339.6	279.0	279.0	-17.8
Other Financing Uses	0.0	0.0	989.1	0.0	
TOTAL USES	2,996.2	3,086.3	4,109.6	3,086.3	0.0
FTE					
Permanent	49.0	48.0	48.0	47.0	-2.1
TOTAL FTE POSITIONS	49.0	48.0	48.0	47.0	-2.1

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of information technology projects completed within timeframe and budget referenced in the information technology project plan	100%	100%	100%	100%	100%
Efficiency	Percent of fully functional information technology applications systems	100%	100%	100%	100%	100%
Output	Average number of days to issue charter documents	3 days	5 days	3 days	5 days	3 days
Outcome	Opinion of previous fiscal year independent agency audit	Unqual.	Unqual.	Unqual.	Unqual.	Unqual.
Outcome	Number of user sessions on public regulation commission webpages	11,922,447	11,309,541	12,000,000	3,000,000	12,000,000
Outcome	Percent of prior-year audit findings eliminated	90%	90%	100%	90%	100%
Explanatory	Percent increase in public use of info share	100%	10%	30%	10%	10%
Explanatory	Number of prior-year audit findings	1	2	0	1	0

STATUTORY AUTHORITY:

The Medical Practice Act, Sections 61-6-1 through 61-6-35 NMSA 1978, establishes the Medical Board. The nine members of the board are appointed by the governor to staggered four-year terms.

MISSION:

The mission of the medical board is to protect the public from the improper, unprofessional, incompetent, and unlawful practice of medicine by implementing and enforcing the laws and regulations controlling the granting and use of the privilege to practice medicine.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	1,862.7	1,631.5	1,631.5	1,620.8	-0.7
SOURCES TOTAL	1,862.7	1,631.5	1,631.5	1,620.8	-0.7
USES					
Personal Services and Employee Benefits	873.5	1,040.1	1,030.9	1,044.8	0.5
Contractual Services	254.6	283.3	288.3	288.3	1.8
Other	256.2	308.1	312.3	287.7	-6.6
TOTAL USES	1,384.3	1,631.5	1,631.5	1,620.8	-0.7
FTE					
Permanent	14.0	14.0	14.0	14.0	0.0
TOTAL FTE POSITIONS	14.0	14.0	14.0	14.0	0.0

BUDGET ISSUES:

The board issued a total of 995 new licenses in FY11, of which 565 were for physicians. This was a 7.2 percent increase from the FY10 level of 527 newly licensed physicians. The board continues to increase the use of License 2000, an online license application and renewal system.

In FY11, 50 physicians and two physician assistants participated in the board’s voluntary monitored treatment program. There were two reported relapses and eight individuals successfully completed their programs.

The FY12 projected fund balance is \$1.4 million, compared with an FY11 fund balance of \$997.5 thousand. The committee recommendation reflects adjustments made in the other category to reflect actual FY11 expenditures. The LFC recommendation includes \$13.9 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

LICENSING AND CERTIFICATION

The purpose of the licensing and certification program is to provide regulation and licensure to healthcare providers regulated by the New Mexico medical board and to ensure competent and ethical medical care to consumers.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of consumers provided with information through written license verification and website access	915,883	1,092,175	900,000	900,000	900,000
* Output	Number of triennial physician licenses issued or renewed	3,213	3,570	3,000	3,000	3,000
* Output	Number of biennial physician assistant licenses issued or renewed	300	327	225	225	225
Output	Number of biennial anesthesiologist assistant licenses issued or renewed	2	13	5	10	10
Output	Number of complaints resolved within twelve months	242	224	240	220	220
Output	Number of participants in monitored treatment program	106	155	100	100	100
Outcome	Percent of participants who relapse	1.88%	1.29%	3%	3%	3%
* Outcome	Number of days to issue a physician license	83	90	80	80	80

STATUTORY AUTHORITY:

The Nursing Practice Act, Sections 61-3-1 through 61-3-31 NMSA 1978, establishes the seven-member Board of Nursing to regulate nursing schools and practice.

MISSION:

The mission of the Board of Nursing is to regulate nursing practice, nursing education, medication aide practice and education, and hemodialysis practice and education in the interest of public health, safety, and welfare.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	1,478.9	1,356.0	1,405.2	1,384.2	2.1
Fund Balance	40.3	1,206.6	989.9	989.9	-18.0
SOURCES TOTAL	1,519.2	2,562.6	2,395.1	2,374.1	-7.4
USES					
Personal Services and Employee Benefits	785.9	1,242.4	1,215.6	1,194.6	-3.8
Contractual Services	315.8	259.8	194.2	194.2	-25.3
Other	417.5	1,060.4	585.3	585.3	-44.8
Other Financing Uses	0.0	0.0	400.0	400.0	
TOTAL USES	1,519.2	2,562.6	2,395.1	2,374.1	-7.4
FTE					
Permanent	17.0	19.0	17.0	17.0	-10.5
TOTAL FTE POSITIONS	17.0	19.0	17.0	17.0	-10.5

BUDGET ISSUES:

The Board budget request represented a 6.5 percent decrease from the FY12 operating budget, primarily because of reduced use of fund balance. The FY13 projected fund balance is \$252.2 thousand, compared with an FY11 fund balance of \$1.76 million and a projected FY12 balance of \$792.1 thousand. The board requested the elimination of 2 FTE.

The committee recommendation supports the agency request except for minor technical adjustments to personal services and employee benefits. The LFC recommendation includes \$11 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The nursing board issued 12,978 licenses in FY11, consistent with the FY10 level of 12,998. This is based on a bi-annual renewal requirement; the current number of registered or licensed nurses working in New Mexico is 21,828.

In recent years, the board has been using some of its fund balance to fund the nursing excellence fund. This fund was established to enhance recruitment and retention of professional nurses, increase career and educational opportunities via scholarships, and improve interactions with health facility administrations, the medical profession, and institutions of higher education. In FY12, \$400 thousand was transferred to the fund for scholarships and special projects. The FY13 request continued the recent practice to use \$400 thousand of fund balance annually for the nursing excellence fund. The committee cautions the agency about spending of fund balance for this program and encourages the board to provide data on the outcomes for nurse recruitment and retention.

LICENSING AND CERTIFICATION

The purpose of the licensing and certification program is to provide regulations to nurses, hemodialysis technicians, medication aides and their education and training programs so they provide competent and professional healthcare services to consumers.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of licensed practical nurse, registered nurse and advanced practice licenses issued	12,998	12,978	14,500	12,000	12,000
Quality	Percent of nursing education programs in full compliance with rule requirements	99%	100%	100%	98%	100%
Quality	Number of public information announcements	4	4	4	4	4
* Output	Number of months to resolution of a disciplinary matter	6	6	6	6	6
* Quality	Number of rule reviews	1	2	1	1	2
Efficiency	Number of registered nurse, licensed practical nurse and advanced practice licenses issued within fifteen business days	14	14	10	14	14
Efficiency	Number of scholarships and special projects funded	26	0	8	4	4
Output	Number of complaints resolved	444	249	450	240	250
Output	Number of certificates issued for unlicensed assistive personnel	375	379	379	379	379
Quality	Number of quality assurance audits reviewed for continuing education for unlicensed assistive personnel, licensed practical nurses, registered nurses, and advanced practice nurses		396	300	300	300
Quality	Percent of unlicensed assistive personnel programs in full compliance with rule requirements		98%	98%	98%	98%

STATUTORY AUTHORITY:

The State Fair and State Fair Commission are established in and governed by Sections 16-6-1 through 16-6-31 NMSA 1978.

MISSION:

The mission of the State Fair is to professionally operate year-round events and entertainment and to maintain event venues for public use and benefit that help build the infrastructure for the annual New Mexico State Fair.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	358.6	0.0	0.0	0.0	
Other Transfers	998.5	695.0	695.0	695.0	0.0
Other Revenues	11,039.9	12,282.7	11,347.0	11,370.3	-7.4
SOURCES TOTAL	12,397.0	12,977.7	12,042.0	12,065.3	-7.0
USES					
Personal Services and Employee Benefits	6,158.5	5,912.7	3,842.4	3,898.0	-34.1
Contractual Services	2,677.8	3,284.0	4,384.0	4,384.0	33.5
Other	3,677.2	3,781.0	3,815.6	3,783.3	0.1
TOTAL USES	12,513.5	12,977.7	12,042.0	12,065.3	-7.0
FTE					
Permanent	73.0	62.5	51.0	51.0	-18.4
TOTAL FTE POSITIONS	73.0	62.5	51.0	51.0	-18.4

BUDGET ISSUES:

A recent review of the New Mexico State Fair by the LFC reports the State Fair is operationally insolvent, has exhausted operational cash reserves, and has under-reported actual losses to the Legislature. Attendance for the 17-day New Mexico State Fair decreased in each of the last six years and more so during the recent national economic slowdown. In comparison, surrounding states have seen an increase in attendance over the last year.

With fair revenue and profitability down, the State Fair is dependent for cash flow on monthly lease payments from the Downs of Albuquerque and revenue collected from a weekly flea market, occasional events at Tingly Coliseum, and other events on the fair grounds. Cash-flow difficulties are also evident by growing amounts owed to other state agencies, including the nearly \$1.9 million owed to General Services Department (GSD) for insurance and other risk coverage. Lesser amounts are owed to the Department of Public Safety for State Police presence during the New Mexico State Fair event. The committee encourages the department to seek deficiency funding to address these shortfalls and help these other state agencies clear accounts receivable balances.

Contributing to the revenue shortfall, the governor vetoed a \$349.3 thousand general fund appropriation and FTE that supported the African American Performing Arts Center (AAPAC). The veto essentially crippled AAPAC operations and placed an additional burden on the enterprise revenue that typically supports the State Fair.

The State Fair has taken extraordinary steps to address its financial difficulties including the largest expense, payroll. Since 2009, the State Fair has trimmed the number of authorized positions from 78 FTE to 62.5 FTE, including reducing exempt positions from 12 to 5. To reduce payroll and other costs during the 17-day New Mexico State Fair event, the majority of the fair was closed on Mondays and Tuesdays – typically the slowest days of the event.

In the first quarter of FY12, the State Personnel Office (SPO) approved a reduction in force (RIF) plan to lay off 17 FTE. The FY13 budget request incorporates part of the RIF by reducing the number of authorized positions by 11.5 FTE. Although it is necessary to reduce payroll costs, a number of key administrative positions have remained vacant, including a chief financial officer and an appointed general manager. For the first half of FY12, the State Fair has been operating with an interim general director, which may lead to questions regarding day-to-day operational decisions and future plans for the State Fair.

The budget request shifts a portion of the budget for temporary or seasonal employees from the personal services and employee benefits category to the contractual services category. Through a contract with a temporary employment agency, the State Fair hopes to reduce seasonal employment costs nearly \$250 thousand. However, as the LFC report points out, using temporary employees to fill positions where significant amounts of cash are handled is a concern given the weak internal controls and lack of a separation of duties.

Although the State Fair is dependent on cash flows from the lease of the racetrack to the Downs of Albuquerque (the Downs), proper oversight and contract management are weak. The Legislature authorized a one-year extension of the lease that had been in effect for 25 years with an option to extend the lease one more year to January 2012. The legislative authority to extend the lease required a 10 percent increase of the base rent in the first year of the extension period and an additional 10 percent increase if the additional optional year was exercised. The LFC report indicates there is no evidence that the 10 percent increases were paid, in-kind or otherwise. In addition, the lease requires the Downs to pay for utilities; however, due to a dispute with the Downs, a letter of agreement was signed that caps the Downs' exposure to utility fluctuations and shifts the excess utility costs to the State Fair. The State Fair issued a request for proposals (RFP) for a new racetrack operator; however, the period of time to respond was relatively short and only two proposals were received. Elements of the RFP further reduced the number of viable proposals to just one vendor, the current Downs of Albuquerque operator, making it difficult to negotiate a new contract favorable to the State Fair.

Through a professional service agreement, the Downs operates the racetrack during the New Mexico State Fair event using the State Fair's racing license. The agreements calls for the Downs to pay the State Fair 1 percent of the first \$5.7 million wagered and 1.25 percent on any amounts wagered over the amount. However, the State Fair does not show this consideration has consistently been paid and the Downs might owe as much as \$215 thousand.

In another example of weak contract oversight, the financial terms of a new 2010 carnival concessions contract were not properly enforced by the State Fair or reviewed by the Department of Finance and Administration (DFA) or the State Fair procurement director. Although the new contract required an increased level of compensation, the State Fair received approximately \$477 thousand less than required, or a rate similar to an older contract rate. In addition, the contract requires commissions to be paid to the State Fair on carnival ride tickets. However, in 2010 the methodology to calculate the commission owed to the State Fair was changed, resulting in a \$232 thousand, or 27 percent, decrease in the amount paid to the State Fair compared with a previous four year average.

The State Fair has spent a total of \$9.6 million of capital outlay appropriations since 2008. As the LFC report notes, the State Fair does not have a well-developed master plan for infrastructure. The State Fair has ongoing issues with water lines; septic facilities; heating, cooling, and other utility systems; and deferred maintenance. In addition, the State Fair needs to improve the perimeter barrier to protect surrounding neighborhoods from noise and other pollution. In the regular legislative session of 2011, the capital outlay bill (Senate Bill 218) contained \$2.5 million for fire suppression, electrical infrastructure, and other deferred maintenance at the State Fair; however, the bill died in the final hours of the legislative session. The State Fair did not receive a capital appropriation in the First Special Session of 2011.

The LFC recommendation includes \$24.2 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the New Mexico state fair in the other category includes six hundred and ninety five thousand dollars (\$695,000) from parimutuel revenues for debt service on negotiable bonds issued for capital improvements.

STATE FAIR

The purpose of the state fair program is to promote the New Mexico state fair as a year-round operation with venues, events and facilities that provide for greater use of the assets of the agency.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of surveyed attendees at the annual state fair event rating their experience as satisfactory or better	96.8%	93.8%	95%	95%	95%
Output	Percent of counties represented through exhibits at the annual state fair	100%	100%	100%	100%	100%
* Output	Number of paid attendees at annual state fair event	342,375	390,043	400,000	450,000	450,000
Output	Percent of surveyed attendees at the annual state fair event indicating the state fair has improved	50.1%	42.5%	48%	48%	48%
Output	Number of total attendees at annual state fair event	611,231	535,566	625,000	625,000	625,000

STATUTORY AUTHORITY:

The Engineering and Surveying Practice Act, Sections 61-23-1 through 61-23-32 NMSA 1978, established a 10-member State Board of Licensure for Professional Engineers and Surveyors to administer and exercise the authority granted by the act, including licensure and oversight. More than 8.2 thousand practicing engineers and surveyors are currently licensed in New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	991.7	818.2	818.2	768.8	-6.0
SOURCES TOTAL	991.7	818.2	818.2	768.8	-6.0
USES					
Personal Services and Employee Benefits	471.2	520.4	520.4	535.8	3.0
Contractual Services	64.2	97.4	97.4	122.4	25.7
Other	179.4	200.4	200.4	110.6	-44.8
TOTAL USES	714.8	818.2	818.2	768.8	-6.0
FTE					
Permanent	7.0	9.0	9.0	8.0	-11.1
TOTAL FTE POSITIONS	7.0	9.0	9.0	8.0	-11.1

BUDGET ISSUES:

For FY13, the board requested \$818.2 thousand, flat with the FY12 operating budget. The board's projected fund balance at the end of FY12 is approximately \$1.5 million.

In 2011, the board received approval for two new positions, a line manager and an information technology specialist to focus on the board's licensure software. However, both positions remain unfilled as of September 2011, along with another line manager position. The board has been without a permanent executive director since January 2011, although a temporary appointment was made in October 2011.

The committee recommendation of \$768.8 thousand is \$49.4 thousand, or 6 percent lower, than the agency's request. The LFC recommendation includes \$3 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The agency requested funding for the vacant executive director, line manager, and information technology positions, at or below the minimum salary range. These have been adjusted to salary levels closer to mid-point salary ranges. After elimination of a vacant line manager position, the total increase in salary and benefits is \$12.4 thousand. The recommendation for other costs reflects a reduction of \$89.8 thousand from savings in rental costs because the board has now moved into state-owned space. In recognition of the reduction in 1 FTE and that the board has a large number of open investigations, the recommendation includes an extra \$25 thousand for investigative contractual services.

STATE BOARD OF LICENSURE FOR ENGINEERS AND LAND SURVEYORS

The purpose of the state board of licensure for engineers and land surveyors program is to regulate the practices of engineering and surveying in the state as they relate to the welfare of the public in safeguarding life, health and property and to provide consumers with licensed professional engineers and licensed professional surveyors.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of consumers requesting and provided with information	100%	100%	100%	100%	100%
Output	Number of examinations administered	528	780	550	700	700
* Output	Number of licenses or certifications issued	654	653	750	700	700
Output	Number of complaints processed	65	60	70	50	60
Efficiency	Percent of cases resolved through compliance or legal action within one year	82%	10%	90%	90%	90%

STATUTORY AUTHORITY:

Sections 60-2E-1 through 60-2E-62 NMSA 1978, the Gaming Control Act, establish the primary functions and authority of the Gaming Control Board (GCB). This authority includes licensing, regulation, and enforcement of the provisions of the act. The GCB also monitors all activity authorized in the Indian gaming compacts (Section 11-13-1 NMSA 1978) and designates the tribal gaming representative. An executive director leads six divisions: Enforcement, Audit and Compliance, Information Systems, Administrative Services, Licensing, and Legal.

The board consists of four members appointed by the governor and confirmed by the Senate and the chairman of the State Racing Commission. The statute requires a member from the public, a member with a law enforcement background, a lawyer, and a certified public accountant.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency Request	LFC Recom- mendation	
SOURCES					
General Fund Transfers	5,586.3	5,180.2	5,694.6	5,498.4	6.1
SOURCES TOTAL	5,586.3	5,180.2	5,694.6	5,498.4	6.1
USES					
Personal Services and Employee Benefits	3,761.4	3,584.8	3,946.8	3,758.6	4.8
Contractual Services	762.2	729.3	782.4	782.4	7.3
Other	965.0	866.1	965.4	957.4	10.5
TOTAL USES	5,488.6	5,180.2	5,694.6	5,498.4	6.1
FTE					
Permanent	63.0	62.0	58.0	56.0	-9.7
Temporary	0.5	0.5	0.0	0.0	-100.0
TOTAL FTE POSITIONS	63.5	62.5	58.0	56.0	-10.4

BUDGET ISSUES:

For FY13, the agency requested \$5.7 million from the general fund, a \$514 thousand increase over the FY12 general fund level. The agency requested the deletion of 4.5 (classified) FTE and a zero vacancy rate for the remaining 58 FTE.

The FY13 general fund recommendation of \$5.5 million represents a 6.1 percent increase over the agency's FY12 general fund level. The LFC recommendation includes \$37.3 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. This increase includes a \$173.8 thousand increase in the personal services category to fill vacant positions related to tribal-gaming oversight efforts. The recommendation also funds a request to increase contractual services \$53.1 thousand for higher costs of maintaining the central monitoring system and legal fees for hearings.

As of September 1, 2011, the agency had six exempt positions, four filled and two vacant. The committee recommendation for FY13 eliminates the deputy director position vacant for nine months and eliminates a public relations coordinator position, vacant for more than 18 months and reflects a 2 percent vacancy rate. For obvious reasons, the committee recommends filling the agency's executive director position, vacant since February 2011.

In FY11, the total general fund revenue generated by legalized gaming, including taxes, revenue sharing, fees, penalties, and horseman's purses, was \$182 million. The statewide gaming machine count as of September 2011 was 2,649 in racetrack casinos, 657 in nonprofit venues and an estimated 15,130 machines in tribal locations.

The Indian Gaming Regulatory Act (IGRA) separates gaming into three distinct categories that designate whether the tribe, state or federal government has civil regulatory jurisdiction. Under the IGRA, class I gaming includes social games of minimal value or traditional forms of gaming. Tribes have exclusive jurisdiction of class I games. The IGRA defines class II gaming, in part, as the game of chance known as bingo (whether or not electronic, computer, or other technologic aids are used). Tribes and the National Indian Gaming Commission have exclusive jurisdiction of class II games. The New Mexico Gaming Control Board has no authority to monitor class II gaming. The state and tribe have primary regulatory jurisdiction in accordance with a compact.

In early 2011, policy makers raised concerns regarding the Navajo Nation’s recent opening of a class II gaming facility in Hogback, N.M. with 120 class II gaming machines. These were the first class II gaming machines to operate in New Mexico, and they do not require any revenue sharing with the state. The GCB currently reports an estimated 201 class II machines are in New Mexico, 60 percent of these owned by the Navajo Nation in Hogback. To date a proliferation of class II machines has not occurred. When the new compacts are renegotiated, the state should look at excluding class II gaming machines and dealing with the possibility of Internet gambling by tribes.

Currently, five gaming tribes and pueblos have not signed the 2007 amended gaming compact: The Jicarilla Apache, Mescalero Apache, Navajo Nation, Pueblo of Acoma, and Pojoaque Pueblo. Their 2001 compacts expire on June 30, 2015. Renegotiation of these compacts should take up a range of issues including the level of revenue sharing, class II machines and Internet gaming.

In May 2010, the board voted to revoke the gaming license for a planned racetrack casino in Raton, apparently because the developer lacked the financial resources to operate the casino. The developer has since obtained an injunction to prevent the issuing of the state’s sixth and final license for a racetrack.

GAMING CONTROL BOARD

The purpose of the gaming control board is to provide strictly regulated gaming activities and to promote responsible gaming to the citizens of New Mexico so they can attain a strong level of confidence in the board’s administration of gambling laws and assurance the state has competitive gaming free from criminal and corruptive elements and influences.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
* Output	Percent variance identified between actual tribal quarterly payments to the state and the audited revenue sharing as calculated by the gaming control board for the current calendar year	7%	2%	<10%	<10%	<5%
* Quality	Percent of time the central monitoring system is operational	100%	100%	100%	100%	100%
* Outcome	Ratio of gaming revenue generated to general fund revenue expended	30:1	28:1	28:1	28:1	28:1
Output	Percent of bingo and raffle licensees correctly meeting the reporting requirements	97%	90%	75%	75%	90%
Output	Number of citations issued to licensed gaming operators	22%	89	50	50	50
Quality	Percent of work permit and work permit renewal licensees processed within seventy-two hours	91%	89%	90%	90%	90%

STATUTORY AUTHORITY:

The primary functions of the State Racing Commission as defined in Sections 60-1-1 through 60-1-26 NMSA 1978 are to license horseracing industry participants, make rules and regulations surrounding the operations of race meets, and set race dates.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	2,084.9	1,849.3	2,000.1	2,013.4	8.9
SOURCES TOTAL	2,084.9	1,849.3	2,000.1	2,013.4	8.9
USES					
Personal Services and Employee Benefits	1,108.0	1,029.6	1,180.4	1,193.7	15.9
Contractual Services	669.0	713.7	713.7	713.7	0.0
Other	217.1	106.0	106.0	106.0	0.0
TOTAL USES	1,994.1	1,849.3	2,000.1	2,013.4	8.9
FTE					
Permanent	16.3	16.3	16.3	16.3	0.0
Term	0.6	0.6	0.6	0.6	0.0
Temporary	1.8	1.8	1.8	1.8	0.0
TOTAL FTE POSITIONS	18.7	18.7	18.7	18.7	0.0

BUDGET ISSUES:

For FY13, the agency requested \$2 million from the general fund, a \$150.8 thousand increase over the FY12 general fund level. The increase is entirely for personal services and employee benefits. The agency requested the deletion of a vacant deputy director and a zero vacancy rate for the remaining 18.7 FTE. The committee recommends the agency request. The LFC recommendation includes \$13.3 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

Agency personnel and others have raised concerns about diminished public confidence in effective regulation of horse racing. Currently, equine drug testing is only conducted on the winning horses. The agency has limited resources to test other horses deemed suspicious by the commission or steward. Some policymakers fear illegal racing activities are becoming popular among the racing community because of the lucrative pay off. The agency staff indicates random, out-of-competition testing would discourage doping of horses, helping to diminish illegal side competition at the racetrack. The committee recommends the agency evaluate funding and methods for equine drug testing in other states that commission horse racing.

The agency does not have an appointed director or deputy director and is plagued by a variety of human resource issues. For example, one employee has been on administrative leave since 2010 and remains on the payroll pending final disciplinary measure. Consequently, the Racing Commission has only three active investigators. The committee recommends the commission seek technical assistance from the State Personnel Office to improve performance.

The Gaming Control Board and the New Mexico Racing Commission are located in the same building and need to collaborate more to provide greater regulatory oversight and reduce costs.

HORSE RACING REGULATION

The purpose of the horse racing regulation program is to provide regulation in an equitable manner to New Mexico's parimutuel horse racing industry and to protect the interest of wagering patrons and the state of New Mexico in a manner that promotes a climate of economic prosperity for horsemen, horse owners and racetrack management.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of equine samples testing positive for illegal substances	0.01%	0.01%	0.08%	0.08%	0.08%
* Output	Total amount collected from parimutuel revenues, in millions	\$0.9	\$0.8	\$0.9	\$0.9	\$0.9
Efficiency	Average regulatory cost per live race day at each racetrack	\$4,490	\$4,300	\$5,000	\$5,000	\$4,500
Efficiency	Average number of days to close investigation cases	30	30	30	30	30
Output	Number of audit exceptions noted on annual financial statement	2	2	1	1	0
Outcome	Percent of prior-year audit findings resolved	95%	98%	100%	100%	100%
Outcome	Timely collections of penalty fees by licensee to the general fund	30	30	30	30	30

STATUTORY AUTHORITY:

The seven-member Board of Veterinary Medicine was established under the Veterinary Practice Act, Sections 61-14-1 through 61-14-20 NMSA 1978. Approximately 650 veterinarians are registered to practice in New Mexico.

MISSION:

The mission of the Board of Veterinary Medicine is to protect the public by promoting quality veterinary care through regulation of the practice of veterinary medicine. The board also serves as a resource in providing assistance and disseminating current information affecting the public, applicants, and licensees.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	279.1	274.2	283.6	285.4	4.1
Fund Balance	24.2	51.2	42.8	32.7	-36.1
SOURCES TOTAL	303.3	325.4	326.4	318.1	-2.2
USES					
Personal Services and Employee Benefits	136.8	148.4	146.0	137.7	-7.2
Contractual Services	112.0	126.3	126.3	126.3	0.0
Other	54.5	50.7	54.1	54.1	6.7
TOTAL USES	303.3	325.4	326.4	318.1	-2.2
FTE					
Permanent	3.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	3.0	3.0	3.0	3.0	0.0

BUDGET ISSUES:

The FY13 projected fund balance is \$91.1 thousand, compared with an FY11 fund balance of \$185.1 thousand and a projected FY12 balance of \$133.9 thousand. The projected FY13 balance represents 28 percent of the operating budget. The committee recommends \$318.1 thousand; the recommendation has been adjusted to match actual personal services expenditures. The LFC recommendation includes \$1.8 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

VETERINARY LICENSING AND REGULATORY

The purpose of the veterinary licensing and regulatory program is to regulate the profession of veterinary medicine in accordance with the Veterinary Practice Act and to promote continuous improvement in veterinary practices and management to protect the public.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of months to resolution of disciplinary matter	6	6	6	6	6
Outcome	Percent of facilities in full compliance	95%	76%	95%	95%	95%
* Output	Number of veterinarian licenses issued annually	1003	978	1,030	1,000	1,000
Output	Number of facility licenses issued annually	300	304	330	305	305
Output	Number of registered veterinary technicians licenses issued annually	141	157	160	170	160
Output	Number of artificial insemination and pregnancy diagnosis permits issued annually	5	83	7	83	75
Outcome	Attrition rate of all licensees annually	5%	4%	5%	5%	5%
Outcome	Percent of New Mexico registered veterinary technicians employed in state	93%	92%	98%	93%	90%
Outcome	Percent of New Mexico-licensed veterinarians employed in the state	57%	58%	60%	60%	60%
Outcome	Percent of formal complaints resolved without disciplinary action	85%	100%	88%	90%	90%
Outcome	Percent of complaints resolved through adjudication	2%	0%	8%	1%	1%
Output	Number of facilities inspected annually	150	161	155	153	153
Outcome	Percent of inspected facilities requiring a plan of correction	2%	24%	20%	20%	20%
Outcome	Percent of facilities requiring adjudication to meet minimum standards	5%	1%	5%	1%	1%

STATUTORY AUTHORITY:

The Cumbres and Toltec Scenic Railroad Compact was ratified by the New Mexico and Colorado legislatures and given the consent of Congress in 1974. Ratification of the compact and statutory authorization of the commission appears in Sections 16-5-1 through 16-5-13 NMSA 1978 (the Cumbres and Toltec Scenic Railroad Act) and Sections 24-60-1901 through 24-60-1908 of the Colorado Revised Statutes. The compact was approved by the president on October 24, 1974. The commission comprises four members, two from New Mexico and two from Colorado, appointed by the governors of each state.

MISSION:

The mission of the Cumbres and Toltec Scenic Railroad Commission is to preserve and develop the Cumbres and Toltec Scenic Railroad, a historic 19th century railroad "museum on wheels," for the education, enlightenment, and enjoyment of future generations.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	90.7	87.0	87.0	87.0	0.0
Other Revenues	3,069.3	3,483.8	3,483.8	3,483.8	0.0
SOURCES TOTAL	3,160.0	3,570.8	3,570.8	3,570.8	0.0
USES					
Personal Services and Employee Benefits	129.3	117.3	119.5	119.5	1.9
Contractual Services	3,081.7	3,387.2	3,387.2	3,387.2	0.0
Other	30.0	66.3	64.1	64.1	-3.3
TOTAL USES	3,241.0	3,570.8	3,570.8	3,570.8	0.0
FTE					
Permanent	2.1	2.1	2.1	2.1	0.0
TOTAL FTE POSITIONS	2.1	2.1	2.1	2.1	0.0

BUDGET ISSUES:

As a mostly enterprise agency, a significant portion of the commission's operating budget is supported by ticket sales. Operating expenses have fluctuated considerably, depending on ridership, from a low of \$2.6 million to a high of \$3.7 million. In only three of the last seven years were operating expenditures greater than operating revenue, resulting in an operating shortfall, with FY11 counting as one of the shortfall years. Ridership bounced back during the 2011 summer and fall seasons, compared with ridership after the Labato trestle caught fire at the start of the 2010 summer season and nearly crippled operations in FY11. The commission was able to use cash balances accumulated from prior years to balance the FY11 budget year.

Key indicators show revenue per rider increased \$12.83 to \$84.09 between 2008 and 2010 in part due to the addition of parlor cars, liquor sales, and packaged services, such as train and bus rides sold together and family pricing. Now that revenue per rider has increased, the commission's primary goal is to increase ridership to pre-Labato Trestle fire levels.

In addition, to the operating budget, the Cumbres and Toltec Scenic Railroad suffered from years of capital infrastructure neglect. Funding for capital infrastructure upgrades was increased beginning in FY07 to nearly \$2 million in combined revenues from Colorado and New Mexico. Infrastructure projects include track upgrades -- over 50 percent complete--, locomotive and passenger car rehabilitation, building upgrades, and septic system improvements.

A six-year infrastructure improvement projection indicates \$7.1 million is required before expenditures will taper off to annual maintenance levels. The First Special Session of 2011 appropriated \$1.5 million of capital outlay: \$1 million for track rehabilitation and improvements and \$500 thousand to rehabilitate locomotive boilers. Volume III of the "Report of the Legislative Finance Committee" provides a combined and consolidated financial statement and capital outlay projection. Enhanced track rehabilitation is needed for three more years before expenditures can be cut in half. Federally required maintenance after 1,472 days of service is required on three locomotives at a projected cost of \$1.5 million to be spread over three years. Additional capital improvements are needed on passenger cars, rehabilitation of locomotive running gear, and replacement of shop machines.

At the start of FY12, the commission issued a request for proposals to manage train operations. Six proposals were received and two viable proposals moved forward for consideration. A new operator is expected to be announced at the end of October.

CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION

The purpose of the Cumbres and Toltec scenic railroad commission is to provide railroad excursions through, into and over the scenic San Juan mountains.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Total number of passengers	40,487	27,339	40,000	40,000	40,000
* Output	Revenue generated from ticket sales, in millions	\$3.4	\$2.4	\$3.3	\$3.3	\$3.3

STATUTORY AUTHORITY:

The Office of Military Base Planning and Support was created in 2003 pursuant to the Office of Military Base Planning and Support Act, Section 9-15-48 NMSA 1978, and is administratively attached to the Economic Development Department.

BUDGET SUMMARY (dollars in thousands)					
	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency Request	LFC Recom- mendation	
SOURCES					
General Fund Transfers	132.2	119.3	119.3	120.8	1.3
SOURCES TOTAL	132.2	119.3	119.3	120.8	1.3
USES					
Personal Services and Employee Benefits	110.2	103.5	103.5	105.0	1.4
Contractual Services	3.1	0.0	0.0	0.0	
Other	12.8	15.8	15.8	15.8	0.0
TOTAL USES	126.1	119.3	119.3	120.8	1.3
FTE					
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

BUDGET ISSUES:

The Office of Military Base Planning and Support (OMBPS) and the Military Base Planning Commission (MBPC) are administratively attached to the Economic Development Department (EDD). The OMBPS director is appointed by the governor's homeland security adviser. The 17-member commission includes the lieutenant governor, the secretary of EDD, and 15 members from counties near New Mexico's four military bases appointed by the governor and approved by the Senate.

The agency has played an integral role in the effort to retain and find a new mission for Cannon and Kirkland air force bases (AFB). Additionally, the OMBPS continues to work on land acquisition to protect Cannon AFB air space and work with the Clovis community on base expansion issues.

The Legislature appropriated \$5 million in capital outlay funds for land acquisition at Cannon AFB. The bonds were sold in June 2006, and the project is on track for completion before the appropriation reverts June 2014. The Department of Finance and Administration (DFA) signed a memorandum of understanding with the Air Force, setting the framework to transfer land from the State Land Office to the U.S. Air Force to expand the Melrose Range near Cannon AFB. The OMBPS continues to help negotiate a long-term lease to execute the "land gift" that helped secure the new mission for Cannon AFB.

For FY13, the general fund request is flat compared with FY12. During the period when state agency budgets were reduced due to statewide solvency issues, the FY12 OMBPS operating budget was reduced to an austere level and most administrative functions and oversight were shifted to the Economic Development Department as outlined by statute.

The LFC recommendation includes \$1.5 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

OFFICE OF MILITARY BASE PLANNING AND SUPPORT

The purpose of the office of military base planning and support is to provide advice to the governor and lieutenant governor on New Mexico's four military installations, to work with community support groups, to ensure that state initiatives are complementary of community actions and to identify and address appropriate state-level issues that will contribute to the long-term viability of New Mexico military installations.

PERFORMANCE MEASURES						
		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Number of military units impacted by the activities of the commission and the office	10	10	10	10	10
Outcome	Number of community support organizations that have benefited from the activities of the commission and the office	5	5	5	8	8
Output	Number of communities assisted by the office of military base planning and support	8	5	5	8	8

STATUTORY AUTHORITY:

The Spaceport Authority was created pursuant to the Spaceport Development Act, Section 58-31-1 through 58-31-17 NMSA 1978 and is administratively attached to the Economic Development Department.

MISSION:

The mission of the Spaceport Authority is to plan, develop, and operate the world's first inland commercial spaceport.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,129.4	489.6	489.6	456.2	-6.8
Other Revenues	0.0	200.0	422.0	424.4	112.2
SOURCES TOTAL	1,129.4	689.6	911.6	880.6	27.7
USES					
Personal Services and Employee Benefits	695.1	520.4	639.9	608.9	17.0
Contractual Services	43.1	79.4	106.6	106.6	34.3
Other	165.8	89.8	165.1	165.1	83.9
TOTAL USES	904.0	689.6	911.6	880.6	27.7
FTE					
Permanent	9.0	7.0	7.0	7.0	0.0
TOTAL FTE POSITIONS	9.0	7.0	7.0	7.0	0.0

BUDGET ISSUES:

A significant issue facing the Spaceport Authority in FY12 is a substantially decreased level of appropriated general fund revenue compared with FY11. The lower level of funding from the general fund was partially offset by an expected increase in other revenues, or Virgin Galactic lease payments. However, due to construction delays, Virgin Galactic is not expected to take possession of the terminal hangar facility (THF) until later than expected and lease payments will not be paid until Virgin Galactic has completed its interior build-out, sometime after the first quarter in FY13.

For FY13, the Spaceport Authority request of \$911.6 thousand represented a \$222 thousand, or 32.2 percent, increase from the FY12 operating level. The increase was funded with the expected Virgin Galactic lease revenue. Although the overall request was nearly consistent with FY11 expenditure levels, the committee recommendation eliminates an over-projected need in the personal services and employee benefits category included in the request, resulting in a general fund decrease of \$33.4 thousand.

The LFC recommendation includes \$6.4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds were also adjusted accordingly.

At the start of FY12, with a budget adjustment request (BAR), the Spaceport Authority was able to swap the Virgin Galactic lease revenue with cash balance revenue. To restore the FY12 operating budget to near FY11 expenditure levels, an additional BAR was processed to add \$275 thousand from cash balances, bringing the total operating budget up to \$964.6 thousand. To address nearly nonexistent fiscal staff at the Spaceport Authority, a certified public accountant (CPA) contractor was hired to help sort out cash balances, requests for overdue payments from contractors, and prepare annual audit reports.

Phase one of the construction project that built nearly all of the operational buildings is nearly 90 percent complete, but phase two, which includes pre-operational construction, is only 15 percent complete. Phase two includes technical and information technology services, general services such as building and ground maintenance, and developing the visitor experience. The original construction budget of \$225 million included revenues of \$140 million from the state, \$59 million from the spaceport gross receipts tax district, \$25 million from federal sources, and \$2 million from private sources. The budget was reduced to \$209.2 million and shifted revenues, reducing the state's share to \$132.6 million and increasing the taxing district's share to \$76.4 million.

Over the interim, the LFC visited Spaceport America and listened to the agency present a five-year business plan to make the Spaceport Authority self-sustaining and profitable, develop a robust economic development engine for the local and state economy, and provide efficient and effective operations for all customers. The longer-term business plan includes an increased number of spaceport operations jobs, additional ancillary spaceport start-up businesses, at least one additional major tenant to diversify the spaceport customer base, and a steady stream of visitors to Spaceport America. The business plan identifies FY14 as the first full year the operating budget will be sustainable with enterprise revenues. Over the last year, smaller and mostly experimental vertical launches have taken place at the spaceport by Armadillo Aerospace, UP Aerospace, and Lockheed Martin. In addition, Boeing conducted test flights of a helicopter avionics systems at the spaceport.

SPACEPORT AUTHORITY

The purpose of the spaceport authority is to finance, design, develop, construct, equip and safely operate spaceport America and thereby generate significant high technology economic development throughout the state.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Annual aerospace jobs created due to spaceport authority efforts	150	200	200	150	150
Efficiency	Number of key project milestones completed within established timeframes	10	11	11	11	11
Output	Number of visitors to Spaceport	New	New	New	3,000	3,000

STATUTORY AUTHORITY:

The Cultural Affairs Department (DCA) was created in 2004 by the Cultural Affairs Department Act (Sections 9-4A-1 through 9-4A-18 NMSA 1978). The new law elevated the agency to cabinet status and elevated the individual museums in the Museum of New Mexico to division status, placing them on equal footing with other museums and facilities within the DCA. In addition to the Cultural Affairs Department Act, divisions within DCA are authorized by the following statutes: Sections 18-2-1 through 18-2-23 NMSA 1978 (creating the Library Division); Sections 18-3-1 through 18-3-8 NMSA 1978 (establishing the Museum of New Mexico); Sections 18-3A-1 through 18-3A-9.1 NMSA 1978 (the Natural History and Science Museum Act); Section 18-5-1 through 18-5-7 NMSA 1978 (creating the Arts Division); Sections 18-6-1 through 18-6-23 NMSA 1978 (the Cultural Properties Act); Sections 18-7-1 through 18-7-4 NMSA 1978 (creating the Museum of Space History); Sections 18-11-1 through 18-8-8 NMSA 1978 (New Mexico Prehistoric and Historic Sites Preservation Act); Sections 18-11-1 through 18-11-9 NMSA 1978 (Farm and Ranch Heritage Museum Act); Sections 18-12-1 through 18-12-8 NMSA 1978 (National Hispanic Cultural Center Act); Sections 13-4A-1 through 13-4A-11 NMSA (Art in Public Places Act) and 13-4B-1 through 13-4B-3 NMSA (Fine Art in Public Buildings Act); and Sections 47-12A-1 through 47-12A-6 NMSA (Cultural Properties Preservation Easement Act).

MISSION:

The department's mission is to lead in the preservation, development, promotion, and access to New Mexico's cultural resources for the use, education, and enjoyment of present and future generations.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	29,355.8	26,933.0	26,933.0	27,163.1	0.9
Other Transfers	208.9	1,713.4	133.2	133.2	-92.2
Federal Revenues	3,049.3	3,164.2	2,922.7	2,939.7	-7.1
Other Revenues	5,956.0	4,776.4	6,417.4	6,480.8	35.7
Fund Balance	396.3	1,515.0	1,692.5	1,692.5	11.7
SOURCES TOTAL	38,966.3	38,102.0	38,098.8	38,409.3	0.8
USES					
Personal Services and Employee Benefits	26,128.7	26,808.3	26,940.6	27,101.1	1.1
Contractual Services	3,995.0	3,444.9	3,177.7	3,254.1	-5.5
Other	6,804.4	7,848.8	7,980.5	8,054.1	2.6
TOTAL USES	36,928.1	38,102.0	38,098.8	38,409.3	0.8
FTE					
Permanent	446.2	442.7	428.8	428.8	-3.2
Term	86.0	86.0	85.0	85.0	-1.2
Temporary	8.0	8.0	1.0	1.0	-87.5
TOTAL FTE POSITIONS	540.2	536.7	514.8	514.8	-4.1

BUDGET ISSUES:

The Cultural Affairs Department submitted an overall FY13 budget request essentially flat with its FY12 operating budget at \$38.1 million, including its request for general fund revenue of \$26.9 million. The committee recommendation totals approximately \$38.4 million, an increase of 307.3 thousand, or 0.8 percent, over the FY12 operating budget. The LFC recommendation includes \$230.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds and federal funds were also adjusted accordingly.

The committee recommendation also applies a 10 percent vacancy rate in the Museums and Monuments Program and uses the vacancy savings to make slight adjustments in the contractual services and other categories in that program. These funds will be used for operations at the newly occupied Center for New Mexico Archaeology (CNMA) and planning at the Taylor-Barella-Reynolds-Mesilla State Monument. The CNMA has been ready to open for approximately one year but has only recently connected to a water source.

The department has deleted a total of 13.75 positions across all programs in their FY13 request. The increases in the FY12 operating budget and the FY13 request above FY11 actuals in the contractual services category in the Museums and Monuments Program is attributable to increased costs related to security and merchant services but also includes costs associated with art preservation and an art education website. The increase above FY11 actuals in the other category in the Preservation Program is attributable to costs associated with specialized services for investigations related to the Navajo-Gallup Water Supply Pipeline and the upgrading of equipment and furnishings at the archeomagnetic dating laboratory.

The department requested minimal funding for operational costs at Los Luceros but still has not provided a strategic plan of any kind that would allow the facility to sustain itself through economic activities. The committee recommends that funding for Los Luceros continue but emphasizes that because the master plan for construction and remodeling is nearly complete and many of the buildings on the property offer the potential for enterprise activity, the DCA should make a concerted effort to use the property effectively.

Fort Stanton is also reflective of a problem faced by the DCA – the acquisition of properties across the state with no funding available for maintenance or operations. Although the committee recognizes a critical component of the DCA mission includes the preservation of properties with unique cultural and historical significance to the state, in the future it must find a viable balance between the agency mission and fiscal reality. Existing museums and monuments suffer from deferred maintenance that threaten priceless collections, pose hazards to visitors, and threaten the DCA's capacity to earn much needed revenue. Until the budgetary constraints faced by the state and the department are mitigated, emphasis should be placed on ensuring existing facilities are maintained properly.

The DCA has postponed admittedly very difficult choices related to its budget and continues to rely on fund balance revenues to fund almost \$1.7 million in operations across all categories. The FY13 budget request transferred more than \$1.5 million in fund balance to the personal services and employee benefits category. At that level, the fund balance will be exhausted at the end of FY13, and alternative sources of revenue will be required.

The committee recognizes the department has explored innovative options for addressing this problem – the creation of public-private partnerships, the closure of museums and monuments on certain days based on attendance figures, the sharing of staff across facilities, the consolidation of administrative personnel in areas of close proximity to each other, greater coordination of fund-raising efforts, the identification of additional federal funding, and so on – but encourages the immediate development and implementation of an action plan that anticipates the substantial budgetary obstacles it will face in the immediate future. More extensive efforts to identify development funding in cooperation with the Museum of New Mexico Foundation and other relevant foundations should be explored.

Data provided by the department indicate that, with some exceptions, attendance at the museums and monuments continues to decline. The explanation for this trend could be decreased levels of tourism associated with the economic downturn. However, the department should consider plans to realign its current operating schedules at the museums and monuments based on seasonal attendance.

The department should make an effort to use its available space more effectively. The Stewart L. Udall Building for Museum Resources is a specific example of underutilized space.

Funding for the New Mexico Coalition of Literacy for FY13 remains flat at \$325 thousand.

The audit completed by the New Mexico Office of the State Auditor for the year ending June 30, 2010, found material weaknesses and significant deficiencies in areas related to both financial controls and federal awards. The department should make every effort to remedy these deficiencies to ensure its financial integrity and reinforce the public trust.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the preservation program of the cultural affairs department includes one million dollars (\$1,000,000) from the department of transportation for archaeological studies as needed for highway projects.

Any unexpended or unencumbered balance in the cultural affairs department remaining at the end of fiscal year 2013 from appropriations made from the general fund shall not revert to the general fund.

MUSEUMS AND MONUMENTS

The purpose of the museums and monuments program is to develop and enhance the quality of state museums and monuments by providing the highest standards in exhibitions, performances and programs showcasing the arts, history and science of New Mexico and cultural traditions worldwide.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	19,303.3	18,371.1	18,371.1	18,530.4	0.9
Other Transfers	208.9	205.0	133.2	133.2	-35.0
Federal Revenues	172.3	91.9	88.5	89.5	-2.6
Other Revenues	3,469.2	3,082.7	3,236.0	3,266.8	6.0
Fund Balance	0.0	1,240.0	962.4	962.4	-22.4
SOURCES TOTAL	23,153.7	22,990.7	22,791.2	22,982.3	0.0
USES					
Personal Services and Employee Benefits	16,447.1	16,831.0	16,755.4	16,796.5	-0.2
Contractual Services	732.5	975.4	899.8	976.2	0.1
Other	4,335.2	5,184.3	5,136.0	5,209.6	0.5
TOTAL USES	21,514.8	22,990.7	22,791.2	22,982.3	0.0
FTE					
Permanent	322.0	321.0	311.8	311.8	-2.9
Term	39.0	39.0	39.0	39.0	0.0
TOTAL FTE POSITIONS	361.0	360.0	350.8	350.8	-2.6

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Attendance to museum and monument exhibitions, performances, films and other presenting programs	827,281	786,391	830,000	805,000	805,000
* Output	Number of participants at off-site educational, outreach and special events related to museum missions	94,638	109,381	80,000	80,000	100,000
Output	Number of participants at on-site educational, outreach and special events related to museum missions	323,054	261,288	320,000	270,000	270,000

PRESERVATION

The purpose of the preservation program is to identify, study and protect New Mexico's unique cultural resources, including its archaeological sites, architectural and engineering achievements, cultural landscapes and diverse heritage.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	815.8	600.7	600.7	606.9	1.0
Other Transfers	0.0	1,508.4	0.0	0.0	-100.0
Federal Revenues	885.0	1,143.9	902.0	910.2	-20.4
Other Revenues	2,395.1	1,591.1	3,114.7	3,144.8	97.6
Fund Balance	69.1	0.0	314.9	314.9	
SOURCES TOTAL	4,165.0	4,844.1	4,932.3	4,976.8	2.7
USES					
Personal Services and Employee Benefits	3,376.4	3,614.5	3,666.3	3,710.8	2.7
Contractual Services	283.9	518.6	365.8	365.8	-29.5
Other	457.7	711.0	900.2	900.2	26.6
TOTAL USES	4,118.0	4,844.1	4,932.3	4,976.8	2.7
FTE					
Permanent	31.0	30.0	29.0	29.0	-3.3
Term	29.5	29.5	29.5	29.5	0.0
Temporary	6.0	6.0	1.0	1.0	-83.3
TOTAL FTE POSITIONS	66.5	65.5	59.5	59.5	-9.2

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of participants in educational, outreach and special events related to preservation mission	13,422	14,858	10,000	12,000	14,000
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	100%	75%	60%	75%	75%
* Output	Number of historic structures preservation projects completed annually using preservation tax credits	41	32	41	32	32
* Output	Dollar value of construction underway on historic buildings using state and federal tax credits, in millions	\$34.9	\$12.65	\$5	\$5	\$5
Outcome	Percentage of reviews of development projects completed within the standard thirty-day period, excluding incomplete submittals or reviews when the parties have mutually agreed to extend the review		baseline		70%	70%

LIBRARY SERVICES

The purpose of the library services program is to empower libraries to support the educational, economic and health goals of their communities and to deliver direct library and information services to those who need them.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,814.3	3,332.4	3,332.4	3,350.2	0.5
Federal Revenues	1,230.1	1,384.7	1,384.7	1,390.7	0.4
Other Revenues	34.5	35.0	35.0	35.9	2.6
Fund Balance	46.8	95.5	61.2	61.2	-35.9
SOURCES TOTAL	5,125.7	4,847.6	4,813.3	4,838.0	-0.2
USES					
Personal Services and Employee Benefits	2,368.6	2,533.9	2,499.6	2,524.3	-0.4
Contractual Services	1,028.7	753.1	753.1	753.1	0.0
Other	1,453.0	1,560.6	1,560.6	1,560.6	0.0
TOTAL USES	4,850.3	4,847.6	4,813.3	4,838.0	-0.2
FTE					
Permanent	39.0	38.0	36.0	36.0	-5.3
Term	13.0	13.0	13.0	13.0	0.0
TOTAL FTE POSITIONS	52.0	51.0	49.0	49.0	-3.9

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	89%	89%	88%	88%	88%
Output	Number of participants in educational, outreach and special events related to library mission	19,803	24,263	18,500	20,000	20,000
Output	Number of searches in statewide informational databases provided by the state library		baseline		9,000,000	9,000,000

ARTS

The purpose of the arts program is to preserve, enhance and develop the arts in New Mexico through partnerships, public awareness and education.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,778.8	1,422.5	1,422.5	1,431.4	0.6
Federal Revenues	761.9	543.7	547.5	549.3	1.0
Other Revenues	0.0	0.0	0.0	0.7	
Fund Balance	0.0	55.2	84.8	84.8	53.6
SOURCES TOTAL	2,540.7	2,021.4	2,054.8	2,066.2	2.2
USES					
Personal Services and Employee Benefits	917.0	873.0	905.4	916.8	5.0
Contractual Services	1,374.5	1,024.0	988.0	988.0	-3.5
Other	172.3	124.4	161.4	161.4	29.7
TOTAL USES	2,463.8	2,021.4	2,054.8	2,066.2	2.2
FTE					
Permanent	11.5	12.0	11.0	11.0	-8.3
Term	4.5	4.5	3.5	3.5	-22.2
TOTAL FTE POSITIONS	16.0	16.5	14.5	14.5	-12.1

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Number of clients provided professional development training in arts industry	5,753	4,906	3,450	3,450	4,000
Outcome	Percent of grant funds from recurring appropriations distributed to communities outside of Santa Fe, Albuquerque and Las Cruces	39%	36%	35%	34%	40%
* Output	Attendance at programs provided by arts organizations statewide, funded by New Mexico arts from recurring appropriations	1,233,604	1,483,542	1,200,000	1,200,000	1,200,000
Output	Number of participants in educational and outreach programs and workshops, including participants from rural areas	9,847	5,583	3,000	3,000	4,000

PROGRAM SUPPORT

The purpose of program support is to deliver effective, efficient, high-quality services in concert with the core agenda of the governor.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	3,643.6	3,206.3	3,206.3	3,244.2	1.2
Other Revenues	57.2	67.6	31.7	32.6	-51.8
Fund Balance	280.4	124.3	269.2	269.2	116.6
SOURCES TOTAL	3,981.2	3,398.2	3,507.2	3,546.0	4.3
USES					
Personal Services and Employee Benefits	3,019.6	2,955.9	3,113.9	3,152.7	6.7
Contractual Services	575.4	173.8	171.0	171.0	-1.6
Other	386.2	268.5	222.3	222.3	-17.2
TOTAL USES	3,981.2	3,398.2	3,507.2	3,546.0	4.3
FTE					
Permanent	42.7	41.7	41.0	41.0	-1.7
Temporary	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	44.7	43.7	41.0	41.0	-6.2

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of performance targets in the General Appropriation Act met (excluding this measure)	55%	65%	80%	80%	90%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	45	45	30	45	45
Outcome	Percent resolution of the external audit findings noted as material weaknesses in the next to last completed external audit as reported in the last external audit		baseline		100%	100%
Outcome	Percent resolution of the external audit findings noted as significant deficiencies in the next to last completed external audit as reported in the last external audit		baseline		50%	100%

STATUTORY AUTHORITY:

The New Mexico Livestock Board was created by Sections 77-2-1 through 77-2-29 NMSA 1978. The board is responsible for controlling disease, preventing theft or illegal movement of livestock and promoting greater economy, service, and efficiency in the administration of laws relating to the livestock industry of New Mexico. The board is composed of nine members appointed by the governor to staggered six-year terms. Seven members of the board must raise and own cattle and sheep in the state and be residents of New Mexico. An executive director manages the agency under the direction of the board.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	640.0	454.4	454.4	459.4	1.1
Other Revenues	4,304.3	4,769.9	4,140.7	4,186.8	-12.2
Fund Balance	414.5	600.0	1,698.4	935.6	55.9
SOURCES TOTAL	5,358.8	5,824.3	6,293.5	5,581.8	-4.2
USES					
Personal Services and Employee Benefits	4,182.9	4,447.6	4,514.0	4,347.5	-2.3
Contractual Services	220.1	187.2	269.5	220.1	-17.6
Other	944.6	1,189.5	1,510.0	1,014.2	-14.7
TOTAL USES	5,347.6	5,824.3	6,293.5	5,581.8	-4.2
FTE					
Permanent	75.0	75.0	75.0	75.0	0.0
TOTAL FTE POSITIONS	75.0	75.0	75.0	75.0	0.0

BUDGET ISSUES:

For FY13, the Livestock Board requested \$6.3 million, a \$469 thousand increase over the FY12 operating budget. The general fund request remained flat at \$454.4 thousand; however, fund balance increased \$1.1 million, while the use of other revenue decreased \$629.2 thousand. The agency request submitted a zero vacancy rate for FY13 and included a \$350 thousand increase to purchase 15 new vehicles.

In FY11 actual revenue was \$302 thousand, or 7 percent below the livestock board's projected operating budget, with shortfalls in three major revenue sources -- property levy on cattle, brand recording, and license and permitting fees. The board's audit report for FY10 was 10 months late and states, "We identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies." Some fault can be attributed to the frequent turnover in chief financial officers in recent years. In October 2011, the committee requested the board provide an FY12 budget projection, but the board did not provide a detailed projection.

Starting in late FY11 and continuing into FY12, cattle ranchers, especially in southeastern New Mexico, are shrinking their herds at a significant rate, up from an average of 1.5 thousand a week to as much as 4 thousand head per week at one sale barn. Shrinking herds will reduce revenue from the special mill levy per head and certain inspection fees.

Given the FY13 request, the board projects an FY13 ending fund balance of \$524.5 thousand, compared with the FY11 fund balance of \$2.2 million, and a projected FY12 fund balance of \$2.2 million. With the risk of declining revenues, the requested FY13 appropriation from fund balance might not be available.

The FY13 committee recommendation is \$5.6 million and represents a 4.2 percent decrease from the agency's FY12 overall fund level. The LFC recommendation includes \$51.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds were also adjusted accordingly. The appropriation recommendation from fund balance is \$935.6 thousand. Compared with the request, the recommendation saves \$217.6 thousand by applying a 5 percent vacancy rate, decreases contractual services by \$49.4 thousand to match FY11 actual expenditures, and eliminates funding to purchase field vehicles for \$495.8 thousand. Although replacement vehicles are needed, the committee recommends the agency request \$350 thousand in a special appropriation from the general fund for vehicle purchases. Twelve of the board's vehicles have exceeded 150 thousand miles and the maintenance costs are increasing each year. Going forward, the agency needs to incorporate a vehicle replacement plan that budgets 20 percent to 25 percent each year, allowing for phased purchases in coming years.

The key to financial stability for the board is the ability to maintain or increase revenues associated with its services. An area to investigate is the disparity between the mill levy for dairy (assessed at 5 mills per head) and beef cattle (assessed at 10 mills per head). Otherwise the board may need to curtail operations or become more dependent on appropriations from the general fund.

In October 2011, the U.S. Department of Agriculture removed the downgraded status from Curry and Roosevelt counties and declared these counties free of bovine spongiform encephalitis and tuberculosis. This is a positive turn of events for the over \$2 billion industry.

LIVESTOCK INSPECTION

The purpose of the livestock inspection program is to protect the livestock industry from loss of livestock by theft or straying and to help control the spread of dangerous livestock diseases.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of payment vouchers processed	3,168	2,007	3,000	3,000	3,000
Outcome	Percent of vouchers processed within 10 business days	90%	80%	90%	95%	95%
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	120	180	90	90	90
Efficiency	Average percentage of investigation findings completed within one month	82%	66%	60%	60%	60%
* Output	Number of road stops per month	56	64	75	75	65
* Outcome	Number of livestock thefts reported per one thousand head inspected	0.32	1	1	1	1
* Outcome	Number of disease cases per one thousand head inspected	0.15	1	0.15	0.15	0.15
Outcome	Percent of retail meat dealers holding valid licenses	46%	50%	50%	55%	55%
Output	Number of on-site verifications of animal health, disease control and movement	3,065	3,200	3,000	3,000	3,000

STATUTORY AUTHORITY:

Sections 17-1-1 through 17-7-3 NMSA 1978 charge the Department of Game and Fish (DGF) with protecting game and fish and providing these resources for public recreation. The department operates under the direction of a seven-member State Game Commission appointed by the governor with the advice and consent of the Senate. The department is divided into four programs: Sport Hunting and Fishing, which regulates all hunting and fishing activities statewide; Conservation Services, responsible for habitat management, biological support, and land acquisition; Depredation Services, which oversees depredation complaints as well as the implementation of intervention options for dealing with animals causing property damage; and Administration, which provides agency wide administrative direction, oversight, and infrastructure support services. The commission employs a director responsible for the administration of the department.

MISSION:

The mission of the Department of Game and Fish is to provide and maintain an adequate supply of wildlife and fish within the state of New Mexico by using a flexible management system that provides for their protection, propagation, regulation, conservation, and use as public recreation and food supply.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
Federal Revenues	11,293.7	9,020.0	10,302.1	10,344.6	14.7
Other Revenues	25,093.9	26,074.5	24,932.4	24,668.0	-5.4
Fund Balance	2,081.3	3,369.7	3,229.7	2,219.0	-34.1
SOURCES TOTAL	38,468.9	38,464.2	38,464.2	37,231.6	-3.2
USES					
Personal Services and Employee Benefits	16,902.4	20,378.8	20,390.8	19,172.8	-5.9
Contractual Services	3,513.5	4,041.6	4,126.9	4,112.3	1.7
Other	11,297.8	13,546.5	13,449.2	13,449.2	-0.7
Other Financing Uses	497.3	497.3	497.3	497.3	0.0
TOTAL USES	32,211.0	38,464.2	38,464.2	37,231.6	-3.2
FTE					
Permanent	293.0	296.0	296.0	296.0	0.0
Term	10.0	10.0	10.0	10.0	0.0
Temporary	2.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	305.0	309.0	309.0	309.0	0.0

BUDGET ISSUES:

For FY13, the DGF's overall base request of \$38.5 million represented no increase over the FY12 operating budget. The agency receives no support from the general fund; revenue is generated from fees, penalties, income from department-owned property, and federal revenues. Projected FY13 hunting and fishing license sales total approximately \$22.7 million and are budgeted in the various programs.

In the past year, the agency's Sport Hunting and Fishing Program, Conservation Services Program, and Program Support have had a vacancy rate of 20 percent, which the agency reports results from the past hiring freeze. The high vacancies also contributed to the agency's actual FY11 expenditures falling nearly 16.3 percent below its operating budget. The agency's Depredation and Nuisance Prevention Program expended less than 56 percent of its FY11 operating budget. Fiscal year 2012 actual expenditures will also fall below the operating budget unless the agency fills vacant positions.

The committee recommendation for the agency is \$37.2 million. Other state funds and federal funds were adjusted to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. While the recommendation represents a 3.2 percent reduction from the FY12 operating budget, it is 15.5 percent above actual FY11 expenditures. Further, the recommendation includes a vacancy savings of 3 percent, well below the historical vacancy rate, to enable the agency to increase its staffing levels. If the agency is unable to reduce its vacancy rate during FY13, it should analyze the necessity of its vacant positions and work with the State Personnel Office to reclassify the positions so that they may be filled or request that the vacant positions be deleted.

The game protection fund is the department's operating fund and its largest fund. It is nonreverting and sources of revenue include license fees, federal funds, court fines and forfeitures, other penalties, crop sales, interest on investments, and land rental or lease income. The projected unreserved and undesignated fund balance at the end of FY12 is \$22.8 million, and the DGF estimates FY13 revenues at \$31.1 million. The FY13 recommendation includes \$33.2 million from the fund.

Given the agency's high operational fund balance, and its trend of actual expenditures falling well below its operating budget, the agency should pass savings on to hunting and fishing licensees. One option is for the Legislature to consider lowering license fees and having the agency rely more on fund balance; another option is to invest the fund balance in capital projects that would benefit licensees in New Mexico.

In addition to the balance in the game protection fund, the projected unreserved and undesignated balance in the bond interest and retirement fund at the end of FY12 is \$1.6 million. This balance, too, should be applied to projects that benefit the DGF licensees. Current capital priorities include improvements to agency offices, installation of alternative energy systems at farms and hatcheries, and improvements toward meeting dam safety requirements.

The share with wildlife fund is a subsidiary account under the game protection fund and is a nonreverting fund that receives revenues from federal grants, gifts, hunting and fishing licenses, and various other sources, including donations through the state income tax form check off. Funds are used to assist endangered and at-risk wildlife, regardless of species. The projected unreserved and undesignated fund balance at the end of FY12 is \$816 thousand, and the DGF estimates FY13 revenues at \$123.8 thousand. The FY13 recommendation includes \$165 thousand from the fund.

The Sikes Act fund is a nonreverting federal program that receives revenues from hunting and fishing licenses, interest on investments, miscellaneous revenue, and other financing sources. These funds are dedicated to habitat conservation and rehabilitation projects in the Conservation Services Program. The projected unreserved and undesignated fund balance at the end of FY12 is \$1.3 million, and the DGF estimates FY13 revenue at \$852 thousand. The FY13 recommendation includes \$852 thousand from the fund.

The big game enhancement fund is a nonreverting subsidiary account under the game protection fund program that receives revenues from enhancement hunting permits for elk, deer, bighorn sheep, and Gould's turkey, as well as from federal grants. The revenues are earmarked exclusively for the preservation, restoration, and management of those species under the Sport Hunting and Fishing Program. The projected unreserved and undesignated fund balance at the end of FY12 is \$1.8 million, and the DGF estimates FY13 revenue to the fund at \$872 thousand. The FY13 recommendation includes \$1.2 million from the fund.

The big game depredation damage fund is funded through the sale of big game depredation damage stamps on hunting licenses and earnings from the investment of the fund. Funds are used by the Wildlife Depredation and Nuisance Abatement Program to correct damage to federal, state, or private land caused by big game and to prevent such damage in the future. The projected unreserved and undesignated fund balance at the end of FY12 is \$662 thousand, and the DGF estimates FY13 revenue to the fund at \$452 thousand. The FY13 recommendation includes \$525 thousand from the fund.

The habitat management fund, started in FY06, is supported by a \$3 habitat management stamp included in the purchase of each hunting and fishing license or the wildlife-associated recreation permit. Money in the fund is used to make habitat improvements and to develop and maintain properties owned by the State Game Commission. The projected unreserved and undesignated fund balance at the end of FY12 is \$2.7 million, and the DGF estimates FY13 revenue at \$800 thousand. The FY13 recommendation includes \$800 thousand from the fund.

The trail safety fund is supported by fees associated with off-highway motor vehicle (OHV) regulations designed to protect the safety of all OHV users and ensure responsible and sensitive OHV use. The law requires all OHV users to register or acquire a permit for their OHV if it is used on public land. During the 2009 legislative session, Chapter 53 (Senate Bill 379) transferred this program, including a fund balance of \$1.2 million and 2 FTE, to the DGF from the Tourism Department. The projected unreserved and undesignated fund balance at the end of FY12 is \$1.7 million, and the DGF estimates FY13 revenues at \$656 thousand. The FY13 recommendation includes \$656 thousand from the fund.

SPORT HUNTING AND FISHING

The purpose of the sport hunting and fishing program is to provide a statewide system for hunting activities as well as self-sustaining and hatchery-supported fisheries, taking into account hunter safety, quality hunts, high-demand areas, guides and outfitters, quotas and assuring that local and financial interests receive consideration.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Federal Revenues	8,066.0	6,296.6	6,927.7	6,960.6	10.5
Other Revenues	12,497.6	12,790.1	11,408.5	11,502.2	-10.1
Fund Balance	757.6	2,364.9	3,115.4	2,104.7	-11.0
SOURCES TOTAL	21,321.2	21,451.6	21,451.6	20,567.5	-4.1
USES					
Personal Services and Employee Benefits	11,402.3	13,183.7	13,195.7	12,311.6	-6.6
Contractual Services	1,091.2	1,373.1	1,418.4	1,418.4	3.3
Other	5,802.6	6,397.5	6,340.2	6,340.2	-0.9
Other Financing Uses	497.3	497.3	497.3	497.3	0.0
TOTAL USES	18,793.4	21,451.6	21,451.6	20,567.5	-4.1
FTE					
Permanent	197.0	200.0	200.0	200.0	0.0
Term	2.0	2.0	2.0	2.0	0.0
Temporary	1.5	2.5	2.5	2.5	0.0
TOTAL FTE POSITIONS	200.5	204.5	204.5	204.5	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Number of days of elk hunting opportunity provided to New Mexico resident hunters on an annual basis	166,312	166,312	165,000	165,000	165,000
* Outcome	Percent of public hunting licenses drawn by New Mexico resident hunters	87.4%	86%	80%	84%	84%
* Output	Annual output of fish from the department's hatchery system, in pounds	485,375	439,338	455,000	455,000	455,000
Output	Number of mentored and youth hunting opportunities	4,972	5,161	3,000	3,000	4,000
Outcome	Percent of anglers satisfied with opportunity and success	85%	89%	82%	82%	83%
Output	Acres of accessible sportsperson opportunity through the open gate program	163,000	100,000	60,000	60,000	60,000

CONSERVATION SERVICES

The purpose of the conservation services program is to provide information and technical guidance to any person wishing to conserve and enhance wildlife habitat and recover indigenous species of threatened and endangered wildlife.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Federal Revenues	2,922.2	2,602.4	3,159.6	3,168.8	21.8
Other Revenues	4,535.2	4,677.3	4,585.7	4,449.1	-4.9
Fund Balance	351.3	506.8	41.2	41.2	-91.9
SOURCES TOTAL	7,808.7	7,786.5	7,786.5	7,659.1	-1.6
USES					
Personal Services and Employee Benefits	2,138.3	2,593.5	2,593.5	2,466.1	-4.9
Contractual Services	1,901.6	1,865.4	1,855.4	1,855.4	-0.5
Other	2,758.2	3,327.6	3,337.6	3,337.6	0.3
TOTAL USES	6,798.1	7,786.5	7,786.5	7,659.1	-1.6
FTE					
Permanent	32.0	32.0	32.0	32.0	0.0
Term	8.0	8.0	8.0	8.0	0.0
Temporary	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	40.5	40.5	40.5	40.5	0.0

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Number of acres of wildlife habitat conserved, enhanced or positively affected statewide	106,138	180,331	100,000	100,000	100,000
Output	Number of recreational days of access provided by the gaining access into nature project	10,000	10,000	10,000	10,000	10,000
Output	Number of state threatened and endangered species studied and conserved through recovery planning and the comprehensive wildlife conservation strategy for New Mexico	46	64	35	35	35

WILDLIFE DEPREDATION AND NUISANCE ABATEMENT

The purpose of the wildlife depredation and nuisance abatement program is to provide complaint administration and intervention processes to private landowners, leaseholders and other New Mexicans so they may be relieved of and precluded from property damage, annoyances or risks to public safety caused by protected wildlife.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	944.8	920.1	965.9	945.7	2.8
Fund Balance	111.0	118.9	73.1	73.1	-38.5
SOURCES TOTAL	1,055.8	1,039.0	1,039.0	1,018.8	-1.9
USES					
Personal Services and Employee Benefits	175.2	269.0	269.0	248.8	-7.5
Contractual Services	30.2	130.7	130.7	130.7	0.0
Other	384.7	639.3	639.3	639.3	0.0
TOTAL USES	590.1	1,039.0	1,039.0	1,018.8	-1.9
FTE					
Permanent	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent of depredation complaints resolved within the mandated one-year timeframe	83%	84%	95%	85%	90%
Output	Number of educational publications distributed with a message about minimizing potentially dangerous encounters with wildlife	1,400,000	300,000	250,000	250,000	250,000
Output	Number of wildlife complaints responded to	568	751	200	300	300

PROGRAM SUPPORT

The purpose of program support is to provide an adequate and flexible system of direction, oversight, accountability and support to all divisions so they may successfully attain planned outcomes for all department programs.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Federal Revenues	305.5	121.0	214.8	215.2	77.9
Other Revenues	7,116.3	7,687.0	7,972.3	7,771.0	1.1
Fund Balance	861.4	379.1	0.0	0.0	-100.0
SOURCES TOTAL	8,283.2	8,187.1	8,187.1	7,986.2	-2.5
USES					
Personal Services and Employee Benefits	3,186.6	4,332.6	4,332.6	4,146.3	-4.3
Contractual Services	490.5	672.4	722.4	707.8	5.3
Other	2,352.3	3,182.1	3,132.1	3,132.1	-1.6
TOTAL USES	6,029.4	8,187.1	8,187.1	7,986.2	-2.5
FTE					
Permanent	60.0	60.0	60.0	60.0	0.0
TOTAL FTE POSITIONS	60.0	60.0	60.0	60.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Percent of special hunt applications processed without error	99.8%	99.8%	99.8%	99.8%	99.8%
Outcome	Percent of vacancies filled within one hundred twenty days of occurrence	0%	0%	10%	5%	5%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury from the close of the accounting period	14	25	20	20	20

STATUTORY AUTHORITY:

The Energy, Minerals and Natural Resources Department (EMNRD) was created by Sections 9-5A-1 through 9-5A-7 NMSA 1978. The statute creates six divisions: Energy Conservation and Management, Forestry, State Parks, Mining and Minerals, Oil Conservation, and Administrative Services.

MISSION:

The mission of the EMNRD is to position New Mexico as a national leader in energy and natural resource areas. This includes developing reliable supplies of energy and energy-efficient technologies with a balanced approach toward conserving renewable and nonrenewable resources; protecting the environment and ensuring responsible reclamation of land and resources affected by mineral extraction; growing and managing healthy, sustainable forests; and improving the state park system that protects New Mexico's natural, cultural, and recreational resources for posterity and contributes to a sustainable economy statewide.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	21,816.9	19,535.1	19,935.1	20,134.7	3.1
Other Transfers	3,764.5	3,576.3	3,983.2	3,992.1	11.6
Federal Revenues	16,258.2	26,821.0	18,292.9	18,368.7	-31.5
Other Revenues	16,323.7	14,049.5	15,346.4	15,411.6	9.7
Fund Balance	1,675.5	4,345.7	5,161.8	5,161.8	18.8
SOURCES TOTAL	59,838.8	68,327.6	62,719.4	63,068.9	-7.7
USES					
Personal Services and Employee Benefits	28,246.1	28,664.4	29,136.5	29,486.0	2.9
Contractual Services	5,851.3	13,290.0	10,656.0	10,656.0	-19.8
Other	18,483.1	21,748.5	17,821.9	17,821.9	-18.1
Other Financing Uses	3,238.1	4,624.7	5,105.0	5,105.0	10.4
TOTAL USES	55,818.6	68,327.6	62,719.4	63,068.9	-7.7
FTE					
Permanent	420.0	420.0	417.0	417.0	-0.7
Term	43.0	43.0	38.0	38.0	-11.6
Temporary	48.0	48.0	48.0	48.0	0.0
TOTAL FTE POSITIONS	511.0	511.0	503.0	503.0	-1.6

BUDGET ISSUES:

The agency's overall FY13 request of \$62.7 million represented a \$5.6 million reduction from the FY12 operating budget of \$68.3 million. The request from the general fund totaled \$19.9 million, a \$400 thousand increase over FY12, while the request for federal funds was \$8.5 million. Nonfederal revenues increased \$2.9 million. The request assumed a vacancy rate of approximately 6.75 percent and deleted 8 vacant FTE, taking the total from 511 to 503.

The committee recommendation totals \$63.1 million, a reduction of \$5.3 million, or 7.7 percent, from the FY12 operating budget. The appropriation recommendation from the general fund is \$20.1 million, a 1.8 percent increase from the FY12 operating budget, and includes \$251.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The recommendation applies an additional 1.2 percent vacancy savings in the Healthy Forests Program, resulting in an agency wide vacancy savings of 6.9 percent. The recommendation increases funding to the personal services and benefits category by \$821.6 thousand to allow the agency to fill vacant positions, particularly law enforcement positions critical to the safety of state park visitors. As requested by the agency, the recommendation deletes 8 FTE.

The Renewable Energy and Energy Efficiency Program recommendation totals \$798.9 thousand, with \$619.3 thousand from the general fund and \$179.6 thousand from federal funds. The recommendation supports the agency request for a nearly 20 percent reduction and includes the deletion of 3 FTE, including a permanent management analyst, a term staff manager, and a term environmental specialist, as well as the transfer of two permanent positions to the Program Support Division.

Renewable Energy and Energy Efficiency is a small program whose recent mission has been dominated by distribution of American Reinvestment and Recovery Act (ARRA) funds. As the last of the ARRA funds are expended, the agency requested downsizing the program and transferring staff to Program Support. It might be appropriate to reclassify the remaining 10-FTE program as a bureau within another division, such as Program Support.

State Parks is by far the largest division, with an FY12 operating budget of \$30 million, of which \$9.2 million is from the general fund. The recommendation for the program is \$31.1 million, with \$9.9 million from the general fund. As requested by the agency, the recommendation deletes two vacant park ranger FTE; the agency notes 20 ranger positions are currently vacant. The 3.5 percent increase for State Parks is to allow the agency to fill vacant law enforcement positions needed to ensure the safety of visitors to state parks.

The U.S. Department of Agriculture's Forest Service Report "Pecos Canyon Recreation Use Capacity Assessment" notes that Pecos Canyon has an established customer base. According to the report, more than 3,787 automobiles with four to five persons each visited Pecos Canyon on just one day in May 2008. Visitor counts of this level could make a Pecos Canyon State Park fiscally viable if State Parks applied its management and marketing resources.

Although current funding constraints make creating a new state park difficult, the public lands in Pecos Canyon are a popular destination where heavy visitation has had a detrimental effect on the quality of the environment and wildlife habitat. The state has a responsibility in preserving the public lands for the use of the public, and the Department of Game and Fish, which currently manages the lands, should allocate more resources and collaborate with the EMNRD to help fulfill this responsibility. Therefore, the committee recommends that a portion of the general fund increase to State Parks be used by the agency to employ a law enforcement officer at the proposed site of Pecos Canyon State Park. Both agencies should also include the facility needs of the potential state park in its capital planning.

State Parks' other revenues category recommendation totals \$10 million and includes governmental gross receipts tax, \$4.2 million; park admissions, \$1.4 million; campground rentals, \$2.7 million; and other park-related incomes. These other revenues, combined with nearly \$4.1 million in fund balance, comprise 45 percent of the state parks total revenue. The program reports FY11 per-visitor revenue of 92 cents. It may be challenging to increase fees and maximize their collection, but an increase of just 10 cents per visitor would add more than \$450 thousand for park operations. Section 16-2-7 NMSA 1978 provides, "The secretary shall promulgate and adopt rules for each park as circumstances may demand to the end that each state park may be made as nearly self-supporting as possible."

The recommendation for the Mine Reclamation Program is nearly flat, with an increase of 0.5 percent over the FY12 operating budget. The program has had a historic vacancy rate of 9.9 percent. However, renewed interest in exploration for uranium, gold, copper, rare earth metals, and other hard rock minerals has increased the workload at the division, and therefore the recommendation does not include vacancy savings so that the vacant positions may be filled.

The recommendation for the personal services and employee benefits category of the Oil and Gas Conservation Division (OCD) is up 4.9 percent in an effort to sustain customer service related to permitting and inspection efforts. Even with the increase, the recommendation represents a vacancy savings of 12 percent. Given recent increased activity in the Permian Basin, the program needs the capacity to provide the needed level of service. A disruption in these services could threaten a slow-down of oil and gas industry economic activity, which could subsequently result in lower state revenues. The recommendation deletes 1 FTE.

The OCD faces a challenge in complying with the mandate to plug abandoned wells. In FY11 the division experienced problems in attracting private firms to bid for such work, resulting in fewer plugged wells, and causing FY11 expenditures from the oil and gas reclamation fund to fall well short of revenues. The FY13 recommendation for contractual services is more than \$4 million, the bulk of which is for contracts to plug abandoned wells.

RECOMMENDED LANGUAGE:

The general fund appropriation to the state parks program in the personal services and employee benefits category includes forty five thousand dollars (\$45,000) to employ one law enforcement employee at the site of the proposed Pecos canyon state park.

RENEWABLE ENERGY AND ENERGY EFFICIENCY

The purpose of the renewable energy and energy efficiency program is to develop and implement clean energy programs to decrease per capita energy consumption, utilize New Mexico's substantial renewable energy resources, minimize local, regional and global air emissions, lessen dependence on foreign oil and reduce in-state water demands associated with fossil-fueled electrical generation.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,005.5	786.8	606.8	619.3	-21.3
Federal Revenues	438.0	191.4	177.1	179.6	-6.2
SOURCES TOTAL	1,443.5	978.2	783.9	798.9	-18.3
USES					
Personal Services and Employee Benefits	1,360.1	916.4	743.3	758.3	-17.3
Contractual Services	6.6	3.1	3.1	3.1	0.0
Other	76.8	58.7	37.5	37.5	-36.1
TOTAL USES	1,443.5	978.2	783.9	798.9	-18.3
FTE					
Permanent	13.0	13.0	10.0	10.0	-23.1
Term	2.0	2.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	15.0	15.0	10.0	10.0	-33.3

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of inventoried clean energy projects evaluated annually	183	91	50	50	50
Output	Number of working days after the final grant expenditures are available and the federal funds are allowed to be drawn			30	30	30
Outcome	Percent of applications for clean energy tax credits reviewed within thirty days of receipt				60%	60%
Outcome	Percent of retail electricity sales from investor-owned utilities in New Mexico from renewable energy sources	12%	9.53%	10%	Deleted	Deleted
Outcome	Percent reduction in energy use in public facilities upgraded by clean energy projects				10%	10%
Outcome	Percent reduction in energy use in public facilities receiving energy-efficiency retrofit projects through the Energy Efficiency and Renewable Energy Bonding Act, the Public Facility Energy Efficiency and Water Conservation Act or the clean energy projects program	15%	15.7%	15%	Deleted	Deleted

HEALTHY FORESTS

The purpose of the healthy forests program is to promote the health of New Mexico's forest lands by managing wildfires, mitigating urban-interface fire threats and providing stewardship of private and state forest lands and associated watersheds.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	3,369.4	2,865.6	2,865.6	2,888.6	0.8
Federal Revenues	6,887.8	11,935.0	4,654.6	4,696.4	-60.7
Other Revenues	451.8	437.6	433.2	437.8	0.0
Fund Balance	0.0	81.7	107.7	107.7	31.8
SOURCES TOTAL	10,709.0	15,319.9	8,061.1	8,130.5	-46.9
USES					
Personal Services and Employee Benefits	4,164.9	4,176.4	3,970.2	4,039.6	-3.3
Contractual Services	875.8	1,301.9	422.1	422.1	-67.6
Other	5,572.4	9,825.7	3,632.8	3,632.8	-63.0
Other Financing Uses	4.7	15.9	36.0	36.0	126.4
TOTAL USES	10,617.8	15,319.9	8,061.1	8,130.5	-46.9
FTE					
Permanent	58.0	58.0	58.0	58.0	0.0
Term	11.0	11.0	10.0	10.0	-9.1
TOTAL FTE POSITIONS	69.0	69.0	68.0	68.0	-1.4

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of nonfederal wildland firefighters provided professional and technical incident command system training	1,339	839	500	500	600
* Output	Number of acres treated in New Mexico's forest and watersheds	17,133	19,788	8,000	8,000	8,000
* Output	Number of at-risk communities or local fire departments provided funding for wildlife firefighting equipment or training				60	60
Outcome	Percent of at-risk communities participating in collaborative wildfire protection planning	25%	46%	25%	Deleted	Deleted

STATE PARKS

The purpose of the state parks program is to create the best recreational opportunities possible in state parks by preserving cultural and natural resources, continuously improving facilities and providing quality, fun activities and to do it all efficiently.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	10,109.5	9,246.2	9,771.2	9,854.6	6.6
Other Transfers	3,492.8	2,735.4	2,773.2	2,773.2	1.4
Federal Revenues	2,666.5	5,327.1	4,406.6	4,410.8	-17.2
Other Revenues	11,181.7	9,864.1	9,907.9	9,955.1	0.9
Fund Balance	1,464.1	2,836.6	4,074.6	4,074.6	43.6
SOURCES TOTAL	28,914.6	30,009.4	30,933.5	31,068.3	3.5
USES					
Personal Services and Employee Benefits	12,895.7	13,069.6	13,635.1	13,769.9	5.4
Contractual Services	1,205.9	3,484.1	1,314.2	1,314.2	-62.3
Other	11,629.6	10,472.4	12,571.5	12,571.5	20.0
Other Financing Uses	2,107.9	2,983.3	3,412.7	3,412.7	14.4
TOTAL USES	27,839.1	30,009.4	30,933.5	31,068.3	3.5
FTE					
Permanent	233.0	233.0	231.0	231.0	-0.9
Term	6.0	6.0	6.0	6.0	0.0
Temporary	48.0	48.0	48.0	48.0	0.0
TOTAL FTE POSITIONS	287.0	287.0	285.0	285.0	-0.7

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Explanatory	Number of visitors to state parks	4,568,339	4,571,200	4,000,000	4,000,000	4,000,000
* Explanatory	Self-generated revenue per visitor, in dollars	\$0.99	\$1.00	\$0.87	\$0.87	\$0.87
Output	Number of interpretive programs available to park visitors	3,582	3,959	2,600	2,600	2,800
Output	Number of acres added to state parks	1,113	0	220	0	0
Output	Miles added to state parks trails and the Rio Grande trail	2	0	5	5	10
Output	Number of persons who complete a certified New Mexico boating safety education course	1,209	900	1,000	1,000	1,000

MINE RECLAMATION

The purpose of the mine reclamation program is to implement the state laws that regulate the operation and reclamation of hard rock and coal mining facilities and to reclaim abandoned mine sites.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	494.9	480.2	480.2	485.9	1.2
Federal Revenues	4,487.8	6,624.0	6,624.0	6,644.8	0.3
Other Revenues	745.4	802.5	733.3	740.1	-7.8
Fund Balance	35.1	102.1	180.2	180.2	76.5
SOURCES TOTAL	5,763.2	8,008.8	8,017.7	8,051.0	0.5
USES					
Personal Services and Employee Benefits	2,571.3	2,830.9	2,796.6	2,829.9	0.0
Contractual Services	2,833.3	4,671.3	4,764.2	4,764.2	2.0
Other	316.2	435.8	456.9	456.9	4.8
Other Financing Uses	28.7	70.8	0.0	0.0	-100.0
TOTAL USES	5,749.5	8,008.8	8,017.7	8,051.0	0.5
FTE					
Permanent	17.0	17.0	17.0	17.0	0.0
Term	16.0	16.0	15.0	15.0	-6.3
TOTAL FTE POSITIONS	33.0	33.0	32.0	32.0	-3.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	98%	99%	100%	100%	100%
Outcome	Percent of required inspections conducted per year to ensure mining is being conducted in compliance with approved permits and regulations	100%	100%	100%	100%	100%

OIL AND GAS CONSERVATION

The purpose of the oil and gas conservation program is to assure the conservation and responsible development of oil and gas resources through professional, dynamic regulation.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	3,936.9	3,549.2	3,549.2	3,587.3	1.1
Other Transfers	0.0	75.0	10.0	10.0	-86.7
Federal Revenues	239.3	349.5	390.0	392.5	12.3
Other Revenues	3,944.8	2,945.3	4,272.0	4,278.6	45.3
Fund Balance	176.3	1,325.3	799.3	799.3	-39.7
SOURCES TOTAL	8,297.3	8,244.3	9,020.5	9,067.7	10.0
USES					
Personal Services and Employee Benefits	3,795.5	3,776.8	3,913.1	3,960.3	4.9
Contractual Services	910.3	3,679.0	4,027.0	4,027.0	9.5
Other	641.7	607.2	799.5	799.5	31.7
Other Financing Uses	110.0	181.3	280.9	280.9	54.9
TOTAL USES	5,457.5	8,244.3	9,020.5	9,067.7	10.0
FTE					
Permanent	57.0	57.0	56.0	56.0	-1.8
Term	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	62.0	62.0	61.0	61.0	-1.6

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of inspections of oil and gas wells and associated facilities	38,352	29,394	23,500	23,500	23,500
* Output	Percent of renewal of uncontested discharge permits within thirty days of expiration			75%	75%	75%

PROGRAM LEADERSHIP AND SUPPORT

The purpose of program leadership and support is to provide leadership, set policy and provide support for every division in achieving their goals.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	2,900.7	2,607.1	2,662.1	2,699.0	3.5
Other Transfers	271.7	765.9	1,200.0	1,208.9	57.8
Federal Revenues	1,538.8	2,394.0	2,040.6	2,044.6	-14.6
SOURCES TOTAL	4,711.2	5,767.0	5,902.7	5,952.5	3.2
USES					
Personal Services and Employee Benefits	3,458.6	3,894.3	4,078.2	4,128.0	6.0
Contractual Services	19.4	150.6	125.4	125.4	-16.7
Other	246.4	348.7	323.7	323.7	-7.2
Other Financing Uses	986.8	1,373.4	1,375.4	1,375.4	0.1
TOTAL USES	4,711.2	5,767.0	5,902.7	5,952.5	3.2
FTE					
Permanent	42.0	42.0	45.0	45.0	7.1
Term	3.0	3.0	2.0	2.0	-33.3
TOTAL FTE POSITIONS	45.0	45.0	47.0	47.0	4.4

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of prior-year financial audit findings resolved	100%	100%	100%	100%	100%
Output	Number of emergency responder and shipment inspection trainings and practice exercises conducted related to the waste isolation pilot plant	45	51	45	45	45

STATUTORY AUTHORITY:

Sections 9-5B-1 through 9-5B-11 NMSA 1978 establish the New Mexico Youth Conservation Corps Act. The purpose of the act is to provide employment for youth in public projects that conserve New Mexico's natural resources and provide community benefits of lasting value. The corps is administratively attached to the New Mexico Energy, Minerals and Natural Resources Department (EMNRD).

MISSION:

The Youth Conservation Corps' mission is to promote the education, success, and well-being of the youth of New Mexico through the conservation and enhancement of the state's natural resources and lasting community benefits.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
Other Revenues	3,269.4	3,074.0	3,300.0	3,302.0	7.4
Fund Balance	0.0	1,182.5	946.4	946.4	-20.0
SOURCES TOTAL	3,269.4	4,256.5	4,246.4	4,248.4	-0.2
USES					
Personal Services and Employee Benefits	157.7	157.6	152.8	154.8	-1.8
Contractual Services	2,900.5	3,900.1	3,800.1	3,800.1	-2.6
Other	34.1	48.8	43.5	43.5	-10.9
Other Financing Uses	6.6	150.0	250.0	250.0	66.7
TOTAL USES	3,098.9	4,256.5	4,246.4	4,248.4	-0.2
FTE					
Permanent	2.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	2.0	2.0	2.0	2.0	0.0

BUDGET ISSUES:

For FY13, the agency requested a base budget of \$4.25 million, a \$10.1 thousand decrease from the FY12 operating budget level. Of this amount, \$3.8 million was in the contractual services category for contracts with local government and state agencies, nonprofit organizations, and Native American tribes and pueblos. The request included \$250 thousand for other financing uses, of which \$50 thousand would be transferred to the Energy, Minerals and Natural Resources Department for administrative support costs, including the cost of the YCC financial audit, and the remaining \$200 thousand will be budgeted for transfer to other state agencies to fund YCC projects. The recommendation funds the agency request.

To support this level of expenditure, the recommendation includes \$946.4 thousand of fund balance, down \$236.1 thousand from FY12, and it includes an increase in other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Budgeting this level of fund balance would leave \$14.5 thousand of fund balance available for FY14. The agency did not expend any fund balance in FY11, reporting that the projects awarded in that year were funded with governmental gross receipts tax revenues from the other revenues category. The agency indicates that it budgets the balance of the YCC fund annually, and actual expenditures fall short of the budgeted amount as the grant awards are generally not fully expended. In such a scenario, some fund balance will remain for expenditure in subsequent fiscal years.

In FY11, the YCC funded 30 projects employing a total of 671 youth in 22 counties. YCC reports that two conditions contributed to its not meeting the FY11 target of employing 800 youth: two projects returned the funds awarded to them due to lack of matching funds, and projects with longer duration employed fewer youth but for a longer time.

In FY11, funding was equally distributed between urban and rural counties. The urban counties are designated as Bernalillo, Sandoval, Valencia, Dona Ana, Los Alamos, Santa Fe, and San Juan, with all other counties designated as rural. Examples of projects funded in FY11 include construction of erosion control structures and arroyos on the Acoma Pueblo and in San Juan County, documentation of archaeological sites in Grant County, and wildland firefighting statewide.

YOUTH CONSERVATION CORPS

The purpose of the youth conservation program is to provide funding for the employment of New Mexicans between the ages of fourteen and twenty-five to work on projects that will improve New Mexico's natural, cultural, historical and agricultural resources.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of youth employed annually	925	671	925	925	925
Outcome	Percent of grant awards used toward wages for corps members	73.03%	78%	70%	70%	75%
Outcome	Percent of projects completed within one year	98%	94%	95%	95%	95%

STATUTORY AUTHORITY:

The Intertribal Ceremonial Office was created pursuant to the Intertribal Ceremonial Act, Sections 9-15C-1 to 9-15C-5 NMSA 1978, and is administratively attached to the Tourism Department.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	84.8	30.0	30.0	30.0	0.0
SOURCES TOTAL	84.8	30.0	30.0	30.0	0.0
USES					
Contractual Services	84.8	30.0	30.0	30.0	0.0
TOTAL USES	84.8	30.0	30.0	30.0	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

As noted in the annual audit, four entities administer, promote, and produce the Intertribal Ceremonial event; however, the functions of each entity are not clear. The entities are the Intertribal Ceremonial Office (ICO), a state agency; the Gallup Intertribal Ceremonial Association (GICA), a non-profit; the Intertribal Ceremonial Board, part of the non-profit; and the New Mexico Tourism Department, which provides administrative oversight.

The 2010 Government Restructuring Task Force endorsed legislation to repeal the Intertribal Ceremonial Act and transfer the assets and function of the ICO to the Tourism Department or a consolidated Commerce Department. In addition, the governor vetoed 93.8 percent of the FY10 operating budget and all of its FTE without an explicit explanation. A portion of the vetoed funding has been replaced through grants from the cooperative advertising grant program administered by the Tourism Department.

Considering the efforts to abolish the ICO, the various organizations and local government have been able to successfully carry out the Intertribal Ceremonial event with little state oversight. As evidenced by the performance results, the community has been able to increase the dollar value, as well as the number of sponsorships for the event, pushing the percent of operating revenues from sources other than the general fund to 94 percent. Additionally, the number of event tickets sold increased 2,630 from the FY10 level.

The recommendation supports the agency request for flat funding as the community works to build local funding sources for the event.

INTERTRIBAL CEREMONIAL OFFICE

The purpose of the intertribal ceremonial office is to aid in the planning, coordination and development of a successful intertribal ceremonial event in coordination with the Native American population.

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Number of intertribal ceremonial tickets sold	7,000	9,630	7,000	7,000	7,000
Output	Dollar value of sponsorships	\$132,000	\$151,439	\$132,000	\$132,000	\$155,000
Outcome	Percent of operating revenue from sources other than the general fund	10%	93.6%	60%	60%	94%
Output	Number of sponsorships	5	114	10	10	115

STATUTORY AUTHORITY:

The Commissioner of Public Lands is an elective office created by the New Mexico Constitution (Article V, Section 1). Responsibilities of the office are provided in Sections 19-1-1 through 19-1-24 NMSA 1978 and consist of the management, care, custody, and control of state trust lands allocated to specific beneficiaries by the federal Ferguson Act. State trust lands include 8.9 million land surface acres and 13.4 million subsurface, or mineral, acres administered by the commissioner of public lands through the State Land Office (SLO). Each acre is designated to a specific beneficiary, with educational institutions the beneficiary of 90 percent of the acreage. The agency is divided into three primary divisions: Surface Resources Management; Oil, Gas, and Mineral Resources; and Administrative Services.

MISSION:

Activities of the SLO include leasing state trust lands for mineral, oil, and gas development and agricultural uses; processing and collecting rentals and royalties from the lease of trust lands, including related audit and collection efforts; identifying trust lands with commercial and residential potential and planning or overseeing planning of those lands; leasing and exchanging land for commercial, industrial, and recreation uses; and issuing rights of way to various interests.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			Agency Request	LFC Recom- mendation	
SOURCES					
Other Revenues	14,466.5	12,784.9	14,427.0	13,472.6	5.4
SOURCES TOTAL	14,466.5	12,784.9	14,427.0	13,472.6	5.4
USES					
Personal Services and Employee Benefits	10,206.1	10,229.7	10,461.0	10,256.4	0.3
Contractual Services	630.7	519.8	1,457.8	769.8	48.1
Other	1,565.6	1,536.5	2,014.5	1,952.7	27.1
Other Financing Uses	546.1	498.9	493.7	493.7	-1.0
TOTAL USES	12,948.5	12,784.9	14,427.0	13,472.6	5.4
FTE					
Permanent	151.0	151.0	153.0	151.0	0.0
TOTAL FTE POSITIONS	151.0	151.0	153.0	151.0	0.0

BUDGET ISSUES:

The State Land Office’s FY13 request of \$14.4 million was solely other program revenue from the land office maintenance fund. Surplus balances of the maintenance fund are distributed to 21 beneficiaries, including schools. The public school beneficiary distribution is part of the general fund. These allotments are an important revenue source for the receiving entities. Because the SLO operating revenue comes from the maintenance fund, the higher the SLO appropriation, the lower the balance that can be distributed to the beneficiaries, including the general fund.

The SLO base request was 3.9 percent higher than the FY12 appropriation. The agency has also requested three expansions totaling \$1 million, including additional funding for land conservation and preservation, emergency remediation, and an FTE increase of two auditor positions. The request includes a vacancy rate of 2.5 percent.

The committee recommendation includes a flat budget from FY12 with increases for deferred information technology projects, credit card transaction fees, and travel to field operations. The LFC recommendation includes \$129 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The recommendation reflects a vacancy rate of 4 percent and a reduction of 2 FTE vacant since 2007. The current vacancy rate is 6.6 percent.

The SLO exceeded its FY11 performance measure target for dollars generated through audit activities due to a \$20 million legal settlement with a major oil and gas producer.

RECOMMENDED LANGUAGE:

The commissioner of public lands is authorized to hold in suspense amounts received pursuant to agreements entered into for the sale of state royalty interests that, as a result of the sale, became eligible for tax credits under Section 29 of the Internal Revenue Code, above those amounts required by law to be transferred to the land grant permanent fund. The commissioner may expend as much of the money so held in suspense, as well as additional money held in escrow accounts resulting from the sales and money held in fund balance, as is necessary to re-purchase the royalty interests pursuant to the agreements.

BASE EXPANSION:

The committee also recommends the expansion of 2 FTE for auditor positions and \$250 thousand for restoration efforts. Funding for land remediation has decreased substantially since FY09, and recent events, including fire damage and misuse of trust land by lessees, has increased the need for funding. The return per auditor over the past four years has averaged approximately \$700 thousand. The SLO expects the additional auditors to generate at least \$500 thousand in FY13 with larger returns in later years. The recommendation is approximately 2.6 percent of total revenue, which has been the average rate since FY08.

**BASE EXPANSION LISTING
FY13 - 2012-2013**

Agency Rank	(Program)	Agency Request	LFC Recommendation
0	Expansion of Royalty Division Audit Section	145.0	130.5
0	Remediation, Conservation on State Trust Land	500.0	250.0
0	Reserve funds for emergency remediation	436.2	0.0
TOTAL		1,081.2	380.5

LAND TRUST STEWARDSHIP

The purpose of the land trust stewardship program is to generate sustainable revenue from state trust lands to support public education and other beneficiary institutions and to build partnerships with all New Mexicans to conserve, protect and maintain the highest level of stewardship for these lands so that they may be a significant legacy for generations to come.

PERFORMANCE MEASURES

		FY10 Actual	FY11 Actual	FY12 Budget	FY13 Request	FY13 Recomm
* Outcome	Bonus income per leased acre from oil and gas activities	\$424.23	\$329.50	\$280.50	\$297.00	\$297.00
* Outcome	Dollars generated through oil, natural gas and mineral audit activities, in millions	\$2.4	\$24.5	\$1.5	\$2.0	\$2.0
* Output	Average income per acre from oil, natural gas and mineral activities	\$260.89	\$165.99	\$200.00	\$158.00	\$158.00
Output	Total trust revenue generated, in millions	\$420.3	\$499.2	\$423.4	\$490.0	\$490.0
Output	Percent of total trust revenue generated allocated to beneficiaries	97%	97.4%	97%	97%	97%
Output	Number of acres restored to desired conditions for future sustainability	2,261	2,700	1,510	2,500	2,500
Output	Percent of active lease and attachment documents imaged	11.75%	66%	73%	86%	86%
Output	Average income per acre from renewable leasing				1.80	1.80
Output	Number of unauthorized uses on agricultural leases brought into compliance				30	30

STATUTORY AUTHORITY:

The Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) are companion agencies. Pursuant to Section 72-2-1 through 72-2-18 NMSA 1978, the state engineer, appointed by the governor and confirmed by the Senate, is responsible for supervision of New Mexico's water resources, including the measurement, appropriation, and distribution of the resources.

The ISC consists of nine members, eight are appointed by the governor. The ninth member is the state engineer, who serves as the commission secretary. Pursuant to Section 72-14-1 through 72-14-44 NMSA 1978, the ISC negotiates compacts with other states, settles interstate water controversies, and is responsible for fostering equitable distribution and division of water in interstate stream systems. New Mexico is currently party to eight interstate stream compacts. The ISC also operates and maintains the Ute Dam. The ISC has an administrative director who also serves as the deputy state engineer.

Agency functions include water rights application and disposition; administrative hearings; water rights adjudication; computer database abstraction, imaging, and population; water delivery via interstate compacts; water metering; water conservation; acequia and community ditch improvement; and collaboration with federal agencies and New Mexico water users to meet the requirements of the Endangered Species Act.

MISSION:

The mission of the OSE is to actively protect and manage the water resources of New Mexico for beneficial uses by its people and in accordance with law.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	17,503.9	14,598.5	14,598.5	14,776.9	1.2
Other Transfers	17,273.7	19,709.1	20,912.1	20,990.9	6.5
Federal Revenues	878.9	355.3	344.4	347.1	-2.3
Other Revenues	12,066.3	11,116.6	11,406.7	11,412.6	2.7
Fund Balance	0.0	5,500.7	7,315.8	7,394.6	34.4
SOURCES TOTAL	47,722.8	51,280.2	54,577.5	54,922.1	7.1
USES					
Personal Services and Employee Benefits	21,606.5	21,663.5	22,331.4	22,597.2	4.3
Contractual Services	5,942.0	7,668.0	7,835.5	7,835.5	2.2
Other	4,728.1	5,997.0	6,369.7	6,369.7	6.2
Other Financing Uses	9,962.0	15,951.7	18,040.9	18,119.7	13.6
TOTAL USES	42,238.6	51,280.2	54,577.5	54,922.1	7.1
FTE					
Permanent	341.5	340.5	322.0	322.0	-5.4
Term	4.0	4.0	5.0	5.0	25.0
TOTAL FTE POSITIONS	345.5	344.5	327.0	327.0	-5.1

BUDGET ISSUES:

For FY13, the OSE's overall base request of \$54.6 million represented a \$3.3 million increase from the FY12 operating budget of \$51.3 million. The request included \$14.6 million from the general fund, unchanged from FY12. The increase in the request is funded by the increased use of other state funds and fund balance. The source of both of these increases is the irrigation works construction fund.

The request deleted 17.5 FTE, across all four programs, that had been vacant for more than six months and reflected an across-programs average vacancy savings rate of 6.8 percent. The agency's historic vacancy rate before the deletion of the positions was nearly 20 percent.

The recommendation funds the agency request, with an additional \$178.4 from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The recommendation deletes 17.5 vacant FTE as requested. The personal services and employee benefits category increases by \$933.7 thousand to enable the agency to fill vacant positions, particularly in the Water Resource Allocation Program (WRAP) and the Interstate Stream Compact Compliance Program (ISC).

The increase in the personal services and employee benefits category, combined with the deleted FTE, will reduce the agency's vacancy rate.

The recommendation for the WRAP includes a \$526.7 thousand increase in the personal services and employee benefits category that will enable the program to fill 10 vacancies to improve the program's ability to adequately serve water users in New Mexico. The current drought and high oil and gas production activity in the Permian Basin of southeastern New Mexico have contributed to a high workload for the program, which has resulted in a backlog in water rights applications of 629 applications at the end of FY11. Due to the high level of activity in the Permian Basin, the program should contribute more resources of the District II water rights office in Roswell to hold field office hours in Lea County or open a satellite office with full-time staff dedicated to that region.

The Interstate Stream Commission (ISC)'s actual FY11 expenditures in the contractual services and the other category were well below the FY12 budget and the FY13 request. The ISC notes that in FY11 not all of the budgeted amounts were expended for these categories because the contracts for surface water hydrology, water salvage, and Elephant Butte pilot channel projects and the other expenditures for the acequia cost share program were not fully expended.

The ISC has been successful in maintaining a positive credit in its delivery requirements to Texas in both the Rio Grande and Pecos River compacts. The ongoing drought will strain the already limited water supply, and the ISC predicts this may result in a reduction of the delivery credit. The ISC projects it will continue to pump groundwater from augmentation fields at full capacity to meet delivery requirements of the Pecos River settlement. The ISC estimates augmentation pumping costs \$50-\$60 per acre foot, as well as approximately \$400 thousand per year in assessments paid to the Hagerman Conservancy District and the Carlsbad Irrigation District.

The recommendation for the ISC includes \$264 thousand in funding pursuant to the 2004 Arizona Water Settlements Act, which granted New Mexico 14 thousand additional acre feet of Gila River water and up to \$128 million in federal funding. The funds will enable the program to fill two vacant positions to work on projects in the Gila Basin funded by the settlement.

The Litigation and Adjudication Program (LAP) has made progress in recent years in prioritizing its work concerning active adjudications by collaborating with the judiciary to review the active adjudications and discuss the matters that must be completed prior to a final decree. Collaborating with the judiciary can allow the LAP to make more effective use of its limited resources and ensure that water rights are adjudicated while the applicable hydrographic surveys and historical research remain accurate and relevant and do not go "stale" with excessive passage of time.

The LAP relies on contractual legal services to augment the capacity of its staff attorneys to advance the state's active adjudications. The program also relies on contracts to perform other work required in water rights adjudications, including hydrographic surveying and historical research to determine beneficial use. The recommendation for contractual services for the LAP is nearly \$1.5 million, and the ISC recommendation includes an additional \$5.5 million for contracts. The State Engineer should demonstrate greater accountability and effectiveness in managing these contracts to advance adjudications and Indian water rights settlements and in meeting the requirements of interstate compacts.

Agency revenue is derived from several primary sources: the general fund, the irrigation works construction fund, the improvement of the Rio Grande income fund, the emergency drought water agreement fund, and the New Mexico Finance Authority water project fund. The irrigation works construction fund and the improvement of the Rio Grande income fund receive an annual revenue distribution from the land grant permanent fund, State Land Office, and other minor sources. Revenue to the irrigation works construction fund is projected to be \$8.9 million for FY13 with a year-end fund balance of \$15.2 million. Revenue to the improvement of the Rio Grande income fund is estimated at \$2.2 million, with an estimated ending fiscal year balance of \$7.1 million. The FY13 recommendation distributes \$18 million in revenues and balances from these two funds among all four programs.

Funds from the emergency drought water agreement fund are derived from New Mexico water purchased by the U.S. Bureau of Reclamation (BOR) to sustain endangered species. Barring more sales of water to the BOR, the ISC projects the emergency drought water agreement funds will be depleted by the end of FY12. The FY13 recommendation includes an increase from the irrigation works construction to make up for the loss of these funds.

The agency receives 10 percent of the water project fund's annual distribution. The recommendation for the Litigation and Adjudication Program includes \$2.4 million from the water project fund.

The agency's FY13 capital projects request totaled \$29.6 million. Top ranked projects include surface water and ground water measurement statewide (\$1 million), dam rehabilitation (\$5 million), and Indian water rights settlements (\$15 million).

RECOMMENDED LANGUAGE:

For the Water Resource Allocation Program:

The internal service funds/interagency transfers appropriations to the water resource allocation program of the state engineer include one hundred forty-seven thousand six hundred dollars (\$147,600) from the improvement of Rio Grande income fund and three million ten thousand three hundred dollars (\$3,010,300) from the New Mexico irrigation works construction fund.

For the Interstate Stream Commission:

The internal service funds/interagency transfers appropriations to the interstate stream compact compliance and water development program of the state engineer include one million six hundred seventy-nine thousand one hundred dollars (\$1,679,100) from the improvement of Rio Grande income fund and eight million eight hundred thirty-eight thousand eight hundred dollars (\$8,838,800) from the irrigation works construction fund.

Revenue from the sale of water to United States government agencies by New Mexico for the emergency drought water agreement and from contractual reimbursements associated with state engineer use of the revenue is appropriated to the interstate stream commission for the conservation and recovery of the listed species in the middle Rio Grande basin, including the optimizing of middle Rio Grande conservancy district operations.

The internal service funds/interagency transfers appropriation to the interstate stream compact compliance and water development program of the state engineer includes one hundred thousand dollars (\$100,000) from the game protection fund for Ute dam operations. Any unexpended balances remaining at the end of fiscal year 2013 from this appropriation shall revert to the game protection fund.

The internal service funds/interagency transfer appropriation to the interstate stream compact compliance and water development program of the state engineer in the other category includes eighty-two thousand three hundred dollars (\$82,300) from the game protection fund for Eagle Nest dam operations. Any unexpended balance remaining at the end of fiscal year 2013 from this appropriation shall revert to the game protection fund.

The appropriations to the interstate stream compact compliance and water development program of the state engineer include: (1) one million nine hundred thousand dollars (\$1,900,000) to (a) match seventeen and one-half percent of the cost of work undertaken by the United States army corps of engineers pursuant to the Federal Water Resources Development Act of 1986 provided that no amount of this appropriation shall be expended for any project unless the appropriate acequia system or community ditch has agreed to provide seven and one-half percent of the cost from any source other than the irrigation works construction fund or improvement of Rio Grande fund and provided that no more than two hundred fifty thousand dollars (\$250,000) shall be allocated to one acequia per fiscal year; and (b) for the construction, improvement, repair and protection from floods of dams, reservoirs, ditches, flumes and appurtenances of community ditches in the state through the interstate stream commission 80/20 program provided that not more than one hundred twenty thousand dollars (\$120,000) of this appropriation shall be used for any one community ditch and that the state funds up to three hundred thousand dollars (\$300,000) for engineering services for approved acequia projects.

The interstate stream commission's authority to make loans for irrigation improvements includes five hundred thousand dollars (\$500,000) for loans to acequia, irrigation and conservancy districts. The interstate stream commission's authority also includes five hundred thousand dollars (\$500,000) for loans to irrigation districts, conservancy districts and soil and water conservation districts for re-loan to farmers for implementation of water conservation improvements.

The interstate stream commission's authority to make loans from the irrigation works construction fund includes two million dollars (\$2,000,000) for irrigation districts, acequias, conservancy districts and soil and water conservation districts for purchase and installation of meters and measuring equipment. The maximum loan term is five years.

For the Litigation and Adjudication Program:

The internal service funds/interagency transfers appropriations to the litigation and adjudication program of the state engineer include three million four hundred eighty-six thousand four hundred dollars (\$3,486,400) from the New Mexico irrigation works construction fund and two million four hundred twenty-five thousand dollars (\$2,425,000) from the water project fund pursuant to Section 72-4(A)-9 NMSA 1978.

For the Program Support Program:

The internal service funds/interagency transfers appropriations to the program support program of the state engineer include eight hundred seventy-eight thousand seven hundred dollars (\$878,700) from the New Mexico irrigation works construction fund.

IRRIGATION WORKS CONSTRUCTION FUNDBUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Revenues	9,658.6	8,624.3	8,898.4	8,898.4	3.2
Fund Balance	0.0	5,500.7	7,315.8	7,394.6	34.4
SOURCES TOTAL	9,658.6	14,125.0	16,214.2	16,293.0	15.3
USES					
Other Financing Uses	8,521.3	14,125.0	16,214.2	16,293.0	15.3
TOTAL USES	8,521.3	14,125.0	16,214.2	16,293.0	15.3
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

IMPROVEMENT OF THE RIO GRANDE INCOME FUNDBUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Revenues	1,788.0	1,826.7	1,826.7	1,826.7	0.0
SOURCES TOTAL	1,788.0	1,826.7	1,826.7	1,826.7	0.0
USES					
Other Financing Uses	1,440.7	1,826.7	1,826.7	1,826.7	0.0
TOTAL USES	1,440.7	1,826.7	1,826.7	1,826.7	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

WATER RESOURCE ALLOCATION

The purpose of the water resource allocation program is to provide for efficient use of the available surface and underground waters of the state to any person so they can maintain their quality of life and to provide safety inspections of all nonfederal dams within the state for owners and operators of such dams so they can operate the dam safely.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	10,343.3	9,326.0	9,326.0	9,438.7	1.2
Other Transfers	1,767.7	2,636.6	3,157.9	3,165.4	20.1
Federal Revenues	170.6	0.0	0.0	0.0	
Other Revenues	499.7	546.4	561.6	566.6	3.7
SOURCES TOTAL	12,781.3	12,509.0	13,045.5	13,170.7	5.3
USES					
Personal Services and Employee Benefits	10,488.5	10,425.8	10,827.3	10,952.5	5.1
Contractual Services	436.4	693.5	693.5	693.5	0.0
Other	1,497.8	1,389.7	1,524.7	1,524.7	9.7
TOTAL USES	12,422.7	12,509.0	13,045.5	13,170.7	5.3
FTE					
Permanent	177.0	177.0	167.0	167.0	-5.6
TOTAL FTE POSITIONS	177.0	177.0	167.0	167.0	-5.6

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Average number of unprotested new and pending applications processed per month	66	53	65	65	70
* Explanatory	Number of unprotested and unagrieved water right applications backlogged	435	629	650	650	600
* Outcome	Number of dams inspected per year to establish baseline	101	111	100	100	100
Outcome	Percent readiness to perform active water resource management within lower San Juan river basin	97%	98%	100%	100%	100%
Outcome	Percent readiness to perform active water resource management within lower Pecos river basin	80%	83%	83%	85%	85%
* Outcome	Number of transactions abstracted annually into the water administration technical engineering resource system database	25,707	20,974	25,000	23,000	25,000
Outcome	Percent readiness to perform active water resource management within lower Rio Grande river basin	79%	83%	81%	85%	85%

INTERSTATE STREAM COMPACT COMPLIANCE AND WATER DEVELOPMENT

The purpose of the interstate stream compact compliance and water development program is to provide resolution of federal and interstate water issues and to develop water resources and stream systems for the people of New Mexico so they can have maximum sustained beneficial use of available water resources.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	<u>FY13 - 2012-2013</u>		% <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC Recom-</u> <u>mendation</u>	
SOURCES					
General Fund Transfers	2,630.5	1,818.5	1,818.5	1,841.8	1.3
Other Transfers	9,824.5	10,323.5	10,964.1	10,982.0	6.4
Federal Revenues	708.3	355.3	344.4	347.1	-2.3
Other Revenues	120.0	119.2	120.0	120.9	1.4
SOURCES TOTAL	13,283.3	12,616.5	13,247.0	13,291.8	5.4
USES					
Personal Services and Employee Benefits	3,619.2	3,516.6	3,760.4	3,805.2	8.2
Contractual Services	3,935.8	5,338.5	5,506.0	5,506.0	3.1
Other	2,422.6	3,761.4	3,980.6	3,980.6	5.8
TOTAL USES	9,977.6	12,616.5	13,247.0	13,291.8	5.4
FTE					
Permanent	48.0	47.0	44.0	44.0	-6.4
Term	4.0	4.0	5.0	5.0	25.0
TOTAL FTE POSITIONS	52.0	51.0	49.0	49.0	-3.9

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Cumulative state-line delivery credit per the Pecos river compact and amended decree at the end of calendar year, in acre-feet	100,100	99,600	0	0	0
Outcome	Rio Grande river compact accumulated delivery credit or deficit at end of calendar year, in acre-feet	100,500	164,700	0	0	0
Outcome	Number of acres purchased to complete implementation phase of Pecos settlement	11,986	11,986	12,000	12,000	12,000
Outcome	Acre-foot capacity of augmentation well fields constructed to complete implementation phase of Pecos settlement	15,750	15,750	15,750	15,750	15,750

LITIGATION AND ADJUDICATION

The purpose of the litigation and adjudication program is to obtain a judicial determination and definition of water rights within each stream system and underground basin to effectively perform water rights administration and meet interstate stream obligations.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	1,324.3	498.6	498.6	504.9	1.3
Other Transfers	4,924.6	5,870.3	5,911.4	5,962.5	1.6
SOURCES TOTAL	6,248.9	6,368.9	6,410.0	6,467.4	1.5
USES					
Personal Services and Employee Benefits	4,226.9	4,567.0	4,567.0	4,624.4	1.3
Contractual Services	1,399.8	1,466.5	1,466.5	1,466.5	0.0
Other	350.4	335.4	376.5	376.5	12.3
TOTAL USES	5,977.1	6,368.9	6,410.0	6,467.4	1.5
FTE					
Permanent	71.0	71.0	68.0	68.0	-4.2
TOTAL FTE POSITIONS	71.0	71.0	68.0	68.0	-4.2

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Number of offers to defendants in adjudications	1,071	880	1,000	800	1,000
* Outcome	Percent of all water rights that have judicial determinations	48%	51%	50%	51%	53%

PROGRAM SUPPORT

The purpose of program support is to provide necessary administrative support to the agency programs so they may be successful in reaching their goals and objectives.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	3,205.8	2,955.4	2,955.4	2,991.5	1.2
Other Transfers	756.9	878.7	878.7	881.0	0.3
SOURCES TOTAL	3,962.7	3,834.1	3,834.1	3,872.5	1.0
USES					
Personal Services and Employee Benefits	3,271.9	3,154.1	3,176.7	3,215.1	1.9
Contractual Services	170.0	169.5	169.5	169.5	0.0
Other	457.3	510.5	487.9	487.9	-4.4
TOTAL USES	3,899.2	3,834.1	3,834.1	3,872.5	1.0
FTE					
Permanent	45.5	45.5	43.0	43.0	-5.5
TOTAL FTE POSITIONS	45.5	45.5	43.0	43.0	-5.5

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Output	Percent of department contracts that include performance measures	100%	100%	100%	100%	100%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		15	10	15	15

STATUTORY AUTHORITY:

The Office of African American Affairs was established pursuant to the African American Affairs Act, Sections 28-21-1 through 28-21-4 NMSA 1978. The agency is attached administratively to the Human Services Department.

MISSION:

The agency's mission is to study, identify, and provide solutions to issues relevant to African Americans, ensure recognition of the accomplishments and contributions made by African Americans in New Mexico and the United States, and act as an advocate for African American citizens in New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	720.0	695.4	695.4	681.0	-2.1
SOURCES TOTAL	720.0	695.4	695.4	681.0	-2.1
USES					
Personal Services and Employee Benefits	340.0	353.2	368.2	354.3	0.3
Contractual Services	180.7	181.5	186.1	186.1	2.5
Other	138.3	160.7	141.1	140.6	-12.5
TOTAL USES	659.0	695.4	695.4	681.0	-2.1
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	0.0

BUDGET ISSUES:

The Office of African American Affairs (OAAA) is administratively attached to the Human Services Department (HSD) according to Section 28-21-3 NMSA. By statute the OAAA is required to cooperate with the Martin Luther King, Jr. Commission to conduct conferences and secure recognition of African Americans' accomplishments. Aligning the OAAA with the Martin Luther King, Jr. Commission or turning over administrative functions to the Human Services Department would potentially save the state money.

The agency's FY13 budget request of \$695.4 thousand was flat compared with the FY12 operating budget. The LFC recommendation includes a technical adjustment of \$500 in the other category to align with the Department of Information Technology telecommunications published rates and supports the agency request for an increase of 4.6 thousand in the contractual services category. The recommendation also includes \$4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. These adjustments result in an overall decrease of \$14.4 thousand, or 2.1 percent, from FY12 operating budget.

OFFICE OF AFRICAN AMERICAN AFFAIRS

The purpose of the public awareness program is to provide information and advocacy services to all New Mexicans and to empower African Americans of New Mexico to improve their quality of life.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of New Mexico African Americans recognized per year, statewide, for their achievements	54	52	50	50	55
Output	Number of churches, organizations, and counties receiving information	815	815	650	700	800
Output	Number of educational conferences, town hall meetings, workshops, and forums to increase awareness pertaining to the New Mexico African American community	12	10	10	10	11
Output	Number of informative meetings, documents and publications to increase awareness of health disparities that adversely affect the New Mexico African American community	5	5	5	5	5
Outcome	Percent of participants who indicate on the program survey that their awareness of services provided by the office of African American affairs has increased	77%	77%	75%	80%	80%

STATUTORY AUTHORITY:

Sections 28-11B-1 through 28-11B-4 and Sections 63-9F-1 through 63-9F-13 NMSA 1978 created the Commission for Deaf and Hard-of-Hearing Persons. The commission consists of seven members, a majority of whom are deaf or hard-of-hearing. Three members are ex-officio and four are appointed by the governor without regard for party affiliation.

MISSION:

The commission is responsible for overseeing the New Mexico telecommunications relay network for deaf and hard-of-hearing citizens in government agencies, institutions, and businesses, as well as for hearing individuals affiliated with those who have a hearing loss. The commission operates a single program providing advocacy, outreach, referral and educational services and oversight of the telecommunications relay network for deaf and hard-of-hearing persons.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	0.0	300.0	300.0	0.0	-100.0
Other Transfers	3,467.7	3,519.3	3,519.3	3,527.6	0.2
Fund Balance	0.0	0.0	0.0	300.0	
SOURCES TOTAL	3,467.7	3,819.3	3,819.3	3,827.6	0.2
USES					
Personal Services and Employee Benefits	854.6	975.3	965.0	973.3	-0.2
Contractual Services	1,747.9	2,105.4	2,105.4	2,105.4	0.0
Other	288.4	272.6	257.9	257.9	-5.4
Other Financing Uses	576.8	466.0	491.0	491.0	5.4
TOTAL USES	3,467.7	3,819.3	3,819.3	3,827.6	0.2
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0

BUDGET ISSUES:

Revenue for the commission comes from a surcharge of 0.33 percent on telephone services, including most mobile phone services. In FY11, revenue from these charges into the telecommunications access (TRS) fund totaled about \$3.9 million. The agency requested \$3.5 million in FY13 in transfers from the TRS fund to support its operations, which reflects the five-year average of collections for the fund. The TRS fund is nonreverting and had a balance of approximately \$2.1 million at the end of FY11. However, yearly collections have been up and down, and the commission is working with the Taxation and Revenue Department to improve collections of revenues from landline and wireless carriers.

The commission budget request for \$3.8 million for FY13 was flat compared with the FY12 operating budget. The recommendation of \$3.8 million does not include \$300 thousand from the general fund for deaf and deaf-blind support service provider programs. The commission is not projected to spend as much on base telecommunications relay services as budgeted in FY12. These contract savings should increase fund balance so the recommendation includes \$300 thousand in fund balance that can be used for the deaf-blind support service provider contract in FY13.

The recommendation also includes \$491 thousand for other financing uses to cover a \$466 thousand transfer to the Division of Vocational Rehabilitation to match federal funds for deaf and hard-of-hearing rehabilitation services and \$25 thousand to the Signed Language Interpreting Practices Board to support licensure activities for interpreters. Also, the LFC recommendation includes \$8.3 thousand from internal services funds/interagency transfers to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for the deaf and hard-of-hearing persons in the other financing uses category includes four hundred sixty-six thousand dollars (\$466,000) to transfer to the rehabilitation services program of the division of vocational rehabilitation to match with federal funds to provide deaf and hard-of-hearing rehabilitation services.

The internal service funds/interagency transfers appropriation to the deaf and hard-of-hearing program of the commission for the deaf and hard-of-hearing persons in the other financing uses category includes twenty-five thousand dollars (\$25,000) to transfer to the signed language interpreting practices board of the regulation and licensing department for interpreter licensure services.

COMMISSION FOR DEAF AND HARD-OF-HEARING PERSONS

The purpose of the deaf and hard-of-hearing program is to serve as a dynamic resource that will enhance the quality of life for deaf and hard-of-hearing citizens of New Mexico by being the recognized advocate on important issues impacting the deaf and hard-of-hearing community, the proactive provider of innovative programs and services and the statewide umbrella and information clearinghouse for interested individuals, organizations, agencies and institutions.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of workshops and training sessions conducted	107	34	75	60	75
Output	Number of review and audits of the New Mexico telecommunications relay service	0	1	1	1	1
* Output	Hours provided by the sign language interpreter referral service	33,161	25,904	32,500	30,000	30,000
* Output	Number of accessible technology equipment distributions	492	252	800	800	800
* Output	Number of clients provided assistance to reduce or eliminate communication barriers	867	747	1,000	1,000	1,000
Output	Number of information referral and outreach contacts	5,363	8,331	10,000	10,000	10,000
Output	Number of newly issued New Mexico community sign language interpreter licenses		35	15	15	15

STATUTORY AUTHORITY:

The Martin Luther King, Jr. Commission is authorized under Sections 28-19-1 through 28-19-4 NMSA 1978. The commission consists of 13 board members, with four members appointed by the governor, four appointed by the Senate and House majority and minority leadership, and five designees from the office of the State Treasurer, Secretary of State, Indian Affairs Department, Human Rights Division, and Public Regulation Commission.

The commission, in addition to planning and coordinating a statewide commemorative Martin Luther King, Jr. holiday, spends the remainder of the year teaching King's nonviolent principles and philosophy. The commission hosts an annual youth conference to teach King's philosophy.

The commission also provides a hands-on learning experience by taking competitively selected students to visit places central to the civil rights movement, such as the King Center (birth place of King), Ebenezer Baptist Church (where King preached), and the National Civil Rights Museum. Also, members of the commission staff travel around the state to visit schools, tribes, and nonprofit service providers to teach King's principles and philosophy.

MISSION:

The mission of the Martin Luther King, Jr. Commission is to promote Martin Luther King Jr.'s principles and philosophy to the people of New Mexico to improve interracial cooperation and reduce youth conflicts in our communities.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	309.1	172.7	209.1	198.8	15.1
SOURCES TOTAL	309.1	172.7	209.1	198.8	15.1
USES					
Personal Services and Employee	102.7	72.7	108.8	109.3	50.3
Benefits					
Contractual Services	44.1	12.9	12.9	10.9	-15.5
Other	144.5	87.1	87.4	78.6	-9.8
TOTAL USES	291.3	172.7	209.1	198.8	15.1
FTE					
Permanent	3.0	2.0	2.0	2.0	0.0
TOTAL FTE POSITIONS	3.0	2.0	2.0	2.0	0.0

BUDGET ISSUES:

The Martin Luther King, Jr. Commission's mission is very limited. The Office of African American Affairs participates in many of the same events as the commission.

The commission's FY13 budget request of \$209.1 thousand was an increase of \$36.4 thousand, or 21.1 percent, compared with the commission's FY12 operating budget. The request included a \$36.1 thousand increase in personal services and employee benefits category to cover the position of a full-time executive. The FY12 operating budget assumed consolidation of the Martin Luther King, Jr. Commission and the Office of African American Affairs including co-location of the agencies and sharing of the director position. The consolidation did not occur and the commission has been operating with a three-fourths time director. The committee recommends funding a full-time commission director, makes minor adjustments to the other category in the areas of printing, board travel and miscellaneous expenses to align with FY11 actual expenses, and reduces contractual services by \$2 thousand to align with FY11 actual expenses for the commission website. The LFC recommendation includes \$500 from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

MARTIN LUTHER KING, JR. COMMISSION

The purpose of the Martin Luther King, Jr. commission is to promote Martin Luther King, Jr.'s nonviolent principles and philosophy to the people of New Mexico through remembrance, celebration, and action so that everyone gets involved in making a difference toward the improvement of interracial cooperation and reduction of youth violence in our communities.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of program objectives achieved	100%	100%	100%	100%	100%
Output	Number of annual statewide youth conferences using Dr. King's principles of nonviolence	1	1	1	1	1
Output	Number of statewide holiday commemorative programs supported	15	11	10	9	9
Output	Number of youth anti-violence workshops conducted	10	9	9	9	9

STATUTORY AUTHORITY:

The Commission for the Blind was created by Sections 28-7-15 through 28-7-23 NMSA 1978. The commission consists of three members appointed by the governor for staggered three-year terms. The agency provides a variety of services enabling the blind and visually impaired to become fully participating members of society.

MISSION:

The Commission for the Blind's mission is to enable persons who are blind to achieve vocational, economic, and social equality. This is to be accomplished by providing career preparation, training in the skills of blindness, and, above all, promoting the belief that blindness is not a barrier to successful employment or to living an independent and meaningful life.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	1,929.2	1,889.4	1,889.4	1,900.3	0.6
Federal Revenues	4,550.1	5,223.5	5,223.5	5,261.5	0.7
Other Revenues	531.5	407.4	407.4	408.9	0.4
SOURCES TOTAL	7,010.8	7,520.3	7,520.3	7,570.7	0.7
USES					
Personal Services and Employee Benefits	4,282.2	4,531.2	4,582.0	4,632.4	2.2
Contractual Services	179.4	197.8	197.8	197.8	0.0
Other	2,344.0	2,791.3	2,740.5	2,740.5	-1.8
TOTAL USES	6,805.6	7,520.3	7,520.3	7,570.7	0.7
FTE					
Permanent	91.5	91.5	92.5	92.5	1.1
Term	1.0	1.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	92.5	92.5	92.5	92.5	0.0

BUDGET ISSUES:

As measured by Rehabilitation Services Administration data released in 2011, the commission continues to be one of the nation's leading rehabilitation agencies in its ability to place blind persons in well-paying positions, ranking first for the average starting wage of clients measured against the average state wage and near the top for the percentage of clients with quality employment outcomes and for the effectiveness of services. The independent living and older blind programs are more difficult to measure, but the commission continues to serve an increasing caseload of elderly people who are blind, as well as a growing number of children (often pre-mature births) suffering from optic nerve deficiencies.

With the closure of the textile manufacturing operation, the commission is using approximately 7 thousand square feet of empty space at their Albuquerque office to build a skills center for the blind and visually impaired. Construction (supported by a \$750 thousand legislative appropriation of severance tax bond proceeds) began in early 2011 and the facility grand opening is planned for November 2011. The facility will provide additional training opportunities for life skills, including technology and cooking for those with visual impairments as well as training and conference room space.

Federal funding is the primary revenue source for the commission, providing about 70 percent of the total revenue under a variety of general fund matching requirements. The recommendation fully funds the agency request (including \$1.8 million from the general fund), which is flat over the FY12 operating budget of \$7.5 million. The LFC recommendation also includes \$10.9 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The recommendation includes the agency request to reclassify a vacant position from term to permanent to provide administrative support.

RECOMMENDED LANGUAGE:

Any unexpended balances in the commission for the blind remaining at the end of fiscal year 2013 from appropriations made from the general fund shall not revert.

COMMISSION FOR THE BLIND

The purpose of the blind services program is to assist blind or visually impaired citizens of New Mexico to achieve economic and social equality so they can have independence based on their personal interests and abilities.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Output	Number of quality employment opportunities obtained for agency's blind or visually impaired clients	40	40	38	38	40
* Output	Number of blind or visually impaired clients trained in the skills of blindness to enable them to live independently in their homes and communities	609	550	600	550	600
* Outcome	Average employment wage for the blind or visually impaired person	\$13.32	\$13.50	\$13.50	\$13.50	\$13.50
Output	Number of employment opportunities provided for blind business entrepreneurs in different vending and food facilities through the business enterprise program	32	32	32	32	32
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		23	45	30	30

STATUTORY AUTHORITY:

Section 9-21-1 through 9-21-16 NMSA 1978 created the Indian Affairs Department and the advisory Indian Affairs Commission. The commission consists of 10 members appointed by the governor.

MISSION:

The mission of the Indian Affairs Department (IAD) is to lead and improve the quality of the life for all New Mexico Indian citizens by affecting policy that strengthens tribal-state relations.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,970.7	2,400.1	2,400.1	2,355.9	-1.8
Other Transfers	253.7	249.3	249.3	249.3	0.0
SOURCES TOTAL	3,224.4	2,649.4	2,649.4	2,605.2	-1.7
USES					
Personal Services and Employee Benefits	789.9	1,063.9	1,063.9	1,028.8	-3.3
Contractual Services	518.5	495.5	411.9	411.9	-16.9
Other	1,277.0	1,090.0	1,173.6	1,164.5	6.8
TOTAL USES	2,585.4	2,649.4	2,649.4	2,605.2	-1.7
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
Term	0.0	0.0	1.0	0.0	
TOTAL FTE POSITIONS	15.0	15.0	16.0	15.0	0.0

BUDGET ISSUES:

For FY13, the agency requested a flat budget totaling \$2.65 million, \$250 thousand from other transfers and \$2.4 million from the general fund. The agency proposal assumed a zero vacancy rate.

The FY13 committee recommendation is \$2.6 million, a 1.7 percent decrease from the agency's FY12 operating budget. The LFC recommendation includes \$7.8 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Savings compared with the request are from a 4 percent vacancy rate and removing two of the four leased vehicles. The agency's vacancy rate has exceeded 30 percent and the FY13 recommendation for personal services and employee benefits is 29 percent over FY11 actual expenditures. The committee notes that with the amount of estimated mileage for agency vehicles, it might be more cost-effective to use General Service Department's vehicle short-term lease option.

The IAD has been effective in the coordination of state, federal, and tribal governments. The IAD currently oversees more than \$12 million for more than 47 capital outlay projects. In FY11, more than a 100 capital outlay projects totaling more than \$19 million were completed and closed. The IAD also currently manages 25 tribal infrastructure fund (TIF) projects totaling more than \$8 million. Capital outlay and TIF oversight will continue to be a key function of IAD staff in FY13, mainly because the first 5 percent or \$13 million of severance tax bonds will be allocated to TIF in FY13.

More than half of the department's budget is spent on contracts and grants to Native Americans. The recommendation includes \$1.35 million for these projects in FY13. Projects in FY13 range widely in scope and include \$275 thousand for the Santa Fe Indian School leadership program, \$225 thousand for Navajo Nation emergency management, \$28 thousand for Jicarilla Apache Heritage Preservation, \$25 thousand for the University of New Mexico tribal language program, \$25 thousand for the Isleta Pueblo recreation program, and \$35 thousand to provide case management services to victims of radiation exposure.

Generally, the contracts and grants do not include outcome performance measures and the department provides limited budget oversight and management on the projects. The department should prioritize funding based on strategic priorities and expectations for meaningful results.

The other transfer revenue of \$250 thousand is from the tobacco settlement program fund for Native American tobacco cessation efforts.

INDIAN AFFAIRS DEPARTMENT

The purpose of the Indian affairs program is to coordinate intergovernmental and interagency programs concerning tribal governments and the state.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Outcome	Percent of employee files that contain performance appraisal development plans completed by the employee's anniversary date	100%	Discontinue	Discontinue	Discontinue	Discontinue
Outcome	Number of audit findings	0	Discontinue	Discontinue	Discontinue	Discontinue
* Output	Number of capital outlay projects over fifty thousand (\$50,000) completed and closed	72	115	70	Discontinue	Discontinue
Output	Number of capital outlay process training sessions conducted for tribes	0	5	13	13	10
Outcome	Percent of grants and service contracts with more than two performance measures	100%	Discontinue	Discontinue	Discontinue	Discontinue
* Output	Number of capital outlay projects under fifty thousand (\$50,000) completed and closed	85	80	80	Discontinue	Discontinue
Outcome	Percent of special project appropriation contracts sent out by June 30 to tribal entities that have submitted an acceptable scope of work		80%	75%	75%	75%
Output	Number of cabinet-level agencies that have fully complied with the state-tribal collaboration act		26	20	20	20
Outcome	Percent of fiscal impact report requests completed annually		90%	90%	90%	90%
Outcome	Number of hits to the Indian Affairs Department website		60,215	10,000	10,000	10,000
Outcome	Number of Indian Affairs Department news items printed in press and aired on television		10	5	5	5
Outcome	Percent of capital projects over \$50,000 dollars completed and closed				75%	75%

STATUTORY AUTHORITY:

Sections 9-23-1 through 9-23-12 NMSA 1978 created the Agency on Aging to establish and maintain comprehensive statewide programs to meet the social needs of the state's aged population and to oversee the distribution of federal funds authorized by the federal Older Americans Act. Sections 9-23-1 through 9-23-12 NMSA elevated the agency to a cabinet-level department, the Aging and Long-Term Services Department (ALTSD). This legislation expanded the department substantially, moving to the ALTSD the home- and community-based Medicaid waiver program for the disabled and elderly (D&E waiver), the Medicaid personal care option (PCO) program, and the Program of All Inclusive Care for the Elderly (PACE) from the Human Services Department (HSD); the Traumatic Brain Injury (TBI) Program from the Department of Health (DOH); and the Adult Protective Services Program from the Children, Youth and Families Department (CYFD). However, the 2011 General Appropriation Act transferred all of the long-term care programs (D&E, PCO, PACE, TBI) to the Human Services Department to centralize management effective July 1, 2011.

The ALTSD is now composed of four programs: the Consumer and Elder Rights Program, which administers the Long-Term Care Ombudsman Program and the Aging and Disability Resource Center; the Aging Network Program, which administers the federal Older Americans' Act and encompasses the functions of the former Older Worker and Community Involvement programs; the Adult Protective Services Program, which investigates cases of elder neglect, abuse and exploitation; and Program Support, which provides clerical, record keeping and administrative support to the department in the areas of personnel, budget, procurement and contracting.

MISSION:

The mission of the Aging and Long-Term Services Department is to provide accessible, integrated services to older adults, adults with disabilities, and caregivers to assist them in maintaining their independence, dignity, autonomy, health, safety and economic well-being, thereby empowering them to live on their own terms in their own communities as productively as possible.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	44,828.3	40,663.9	42,910.9	41,980.9	3.2
Other Transfers	5,783.8	3,420.9	2,947.2	2,957.5	-13.5
Federal Revenues	10,776.3	9,721.0	10,514.9	10,530.8	8.3
Other Revenues	102.6	72.5	120.0	129.0	77.9
SOURCES TOTAL	61,491.0	53,878.3	56,493.0	55,598.2	3.2
USES					
Personal Services and Employee Benefits	16,856.4	14,098.9	14,506.5	14,515.3	3.0
Contractual Services	5,562.8	3,659.2	3,607.0	3,593.0	-1.8
Other	36,641.0	36,120.2	38,379.5	37,489.9	3.8
Other Financing Uses	2,068.8	0.0	0.0	0.0	
TOTAL USES	61,129.0	53,878.3	56,493.0	55,598.2	3.2
FTE					
Permanent	267.5	240.5	227.5	227.5	-5.4
Term	13.5	8.5	7.5	7.5	-11.8
TOTAL FTE POSITIONS	281.0	249.0	235.0	235.0	-5.6

BUDGET ISSUES:

The agency's FY13 base request was \$56.5 million, an increase of \$2.6 million, or 4.9 percent, over the FY12 operating budget. The requested increase is \$2.25 million from the general fund. The increase from the general fund is requested to replace the loss of Medicaid matching funds and replace the loss of federal funds within the Consumer and Elder Rights Program, and to replace the loss of general fund revenue and meet the growing demand for services within the Aging Network Program. The agency also requested the elimination of 14 FTE.

The recommendation is \$55.6 million, an increase of \$1.7 million, or 3.2 percent, from the FY12 operating budget. The LFC recommendation includes \$175.5 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The recommendation adopts the agency request to reduce 14 FTE.

The agency needs to reorganize its departments and bureaus to match the way it actually operates. In FY11, the agency requested phase one of an organizational change and moved FTE and funding into Program Support. Phase two was to realign other FTE into appropriate programs and was begun with the transfer of FTE into the Aging and Disability Resource Center in FY12. However, the Aging Network Program has 1.5 authorized FTE but Program Support provides additional oversight of the Aging Network Program. The agency should further proceed with realignments to improve organizational responsibilities and enable better tracking of all program costs.

The recommendation for the Consumer and Elder Rights Program is \$3.4 million, flat with FY12. However, the recommendation for general fund revenue is \$1.9 million, an increase of \$377.8 thousand or 24.4 percent. The increase of revenue from the general fund replaces lost Medicaid and federal funds. The Aging and Disability Resource Center is recognized nationally as an innovative single point-of-entry to assist people in navigating the complex long-term services system. The center serves more than 4.2 thousand people a month, connects constituents to a broad array of services, and is a visible source to which people turn for information. The Long-Term Care Ombudsman ensures nursing home residents' rights are protected 24 hours a day, seven days a week, and assists residents who wish to re-integrate into communities. New Mexico continues to exceed the national average of nursing homes and assisted living facilities visited quarterly, and in FY10, the ombudsman provided more than 7.8 thousand individual consultations. The Medbank program continues to assist seniors and others in obtaining prescription drugs by working with pharmaceutical companies to get free or reduced price items.

The Aging Network recommendation is \$35.4 million, an increase of \$1.7 million or 5.2 percent over FY12. General fund support for the program is recommended at \$26.4 million, an increase of \$960.4 thousand or 3.8 percent. The Aging Network delivers services to more than 115 thousand older adults throughout New Mexico, particularly in rural, Navajo, and tribal areas, and helps seniors maintain economic independence. The program is the safety net for New Mexico's elders and caregivers who promote families remaining together at home, and helps older adults remain active, valuable resources of their communities. In FY11, 51.7 thousand New Mexicans received meals in 33 counties and on all tribal lands; 11.3 thousand caregivers received 9.5 thousand hours of respite care; 7.3 thousand clients received prescription drug assistance; 2.5 thousand older workers had job placement opportunities; and 4.3 thousand senior volunteers enrolled at 715 volunteer stations. Because of the importance of this program as expressed at legislative hearings, the recommendation expands support for these important services.

The recommendation for the Adult Protective Services (APS) Program is \$12.6 million, a increase of 0.6 percent from the FY12 operating budget. Allocations from the general fund are increased by 0.7 percent to \$10.1 million. The APS recommendation is greater than the request for personal services and employee benefits due to the retirement restoration, and the recommendation for the other category is \$10 thousand or 0.6 percent below the request. The APS program investigates reports of abuse, neglect, or exploitation of adults unable to protect themselves. The number of APS investigations stabilized at slightly over 6 thousand for FY11. The percentage of investigations requiring an urgent or emergent response within 24 hours or less increased to 14.7 percent (883 cases), the highest level on record for the Adult Protective Services Program.

The Aging and Long-Term Services Department's FY10 external audit is more than a year late. Outstanding issues include federal grant reconciliation and converting from the AFRAS financial system to the statewide SHARE accounting and personnel system. The agency's FY11 audit will be late as well. The agency must comply with statute and complete its audits in a timely manner to ensure proper internal financial controls are being implemented to ensure appropriate use of taxpayers' dollars.

RECOMMENDED LANGUAGE:

The general fund appropriation to the aging network program of the aging and long-term services department in the other category to supplement the federal Older Americans Act shall be contracted to the designated area agencies on aging.

Any unexpended balances remaining at the end of fiscal year 2013 in other state funds from conference registration fees shall not revert.

CONSUMER AND ELDER RIGHTS

The purpose of the consumer and elder rights program is to provide current information, assistance, counseling, education and support to older individuals and persons with disabilities, residents of long-term care facilities and their families and caregivers that allow them to protect their rights and make informed choices about quality services.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	797.0	1,546.5	2,012.9	1,924.3	24.4
Other Transfers	134.9	922.3	448.6	458.9	-50.2
Federal Revenues	1,370.9	987.4	1,063.2	1,073.4	8.7
SOURCES TOTAL	2,302.8	3,456.2	3,524.7	3,456.6	0.0
USES					
Personal Services and Employee Benefits	1,738.6	2,865.9	3,042.6	2,997.1	4.6
Contractual Services	165.2	120.6	77.0	77.0	-36.2
Other	382.3	469.7	405.1	382.5	-18.6
TOTAL USES	2,286.1	3,456.2	3,524.7	3,456.6	0.0
FTE					
Permanent	18.5	45.5	41.5	41.5	-8.8
Term	7.0	7.0	6.0	6.0	-14.3
TOTAL FTE POSITIONS	25.5	52.5	47.5	47.5	-9.5

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of ombudsman complaints resolved	3,795	3,398	3,900	3,900	3,900
* Outcome	Percent of resident-requested transitions from nursing homes to home- and community-based services completed to the satisfaction of the resident within nine months from the request		90%	80%	80%	85%
Outcome	Percent of critical medicare cases resolved within three hundred sixty days		60%	75%	75%	75%
Outcome	Percent of people accessing consumer and elder rights programs in need of two or more daily living services who are satisfied with the information, referral and assistance received				40%	40%
Quality	Percent of calls to the aging and disability resource center answered by a live operator				85%	90%
Outcome	Percent of eligible medicare beneficiaries who receive assistance in completing an application for the low-income subsidy				90%	90%
Output	Number of families served through the grandparents-raising-grandchildren initiative	614	625	394	394	600

AGING NETWORK

The purpose of the aging network program is to provide supportive social and nutrition services for older individuals and persons with disabilities so they can remain independent and involved in their communities and to provide training, education and work experience to older individuals so they can enter or re-enter the workforce and receive appropriate income and benefits.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	25,624.4	25,445.3	27,225.9	26,405.7	3.8
Other Transfers	162.1	0.0	0.0	0.0	
Federal Revenues	8,482.4	8,096.8	8,832.6	8,832.6	9.1
Other Revenues	102.6	72.5	120.0	129.0	77.9
SOURCES TOTAL	34,371.5	33,614.6	36,178.5	35,367.3	5.2
USES					
Personal Services and Employee Benefits	210.9	118.4	113.6	145.3	22.7
Contractual Services	125.1	101.6	106.8	102.8	1.2
Other	33,710.0	33,394.6	35,958.1	35,119.2	5.2
Other Financing Uses	151.1	0.0	0.0	0.0	
TOTAL USES	34,197.1	33,614.6	36,178.5	35,367.3	5.2
FTE					
Permanent	1.0	1.0	1.0	1.0	0.0
Term	0.5	0.5	0.5	0.5	0.0
TOTAL FTE POSITIONS	1.5	1.5	1.5	1.5	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of individuals exiting from the federal older worker program who obtain unsubsidized employment	21.4%	31.4%	18.5%	18.5%	25%
Outcome	Community service hours provided by the state older worker program as a percent of work hours budgeted	89.8%	80.6%	76.5%	76.5%	80%
Output	Number of one-way trips provided to community services for eligible consumers	798,012	772,985	700,000	705,000	750,000
Output	Number of hours of respite care provided	101,572	118,362	130,000	110,000	115,000
* Output	Number of persons receiving aging network community services		93,197	50,000	75,000	95,000
* Outcome	Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network				50%	60%
Output	Number of hours of service provided by senior volunteers, statewide				2,700,000	2,700,000
Output	Number of individuals receiving free or low cost drugs through the medbank program	7,038	5,087	5,000	5,000	5,150
Outcome	Percent of older adults served by the 50+ older worker connection who obtain employment				20%	20%

ADULT PROTECTIVE SERVICES

The purpose of the adult protective services program is to investigate allegations of abuse, neglect and exploitation of seniors and adults with disabilities and provide in-home support services to adults at high risk of repeat neglect.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	10,258.5	10,036.0	10,036.0	10,106.7	0.7
Other Transfers	2,498.6	2,498.6	2,498.6	2,498.6	0.0
SOURCES TOTAL	12,757.1	12,534.6	12,534.6	12,605.3	0.6
USES					
Personal Services and Employee Benefits	7,730.0	7,387.7	7,607.6	7,698.0	4.2
Contractual Services	3,297.7	3,284.5	3,294.5	3,284.5	0.0
Other	1,668.6	1,862.4	1,632.5	1,622.8	-12.9
TOTAL USES	12,696.3	12,534.6	12,534.6	12,605.3	0.6
FTE					
Permanent	139.0	139.0	132.0	132.0	-5.0
TOTAL FTE POSITIONS	139.0	139.0	132.0	132.0	-5.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of adults receiving adult protective services investigations of abuse, neglect or exploitation	6,236	6,004	6,000	6,000	6,100
* Outcome	Number of adults who receive in-home services or interventions through adult protective services as a result of an investigation of abuse, neglect or exploitation		1,189	1,100	1,100	1,100
* Outcome	Percent of emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes				95%	95%
Quality	Percent of contracted home care and daycare service providers receiving a satisfactory rating during the annual on-site audit by adult protective services				90%	90%

PROGRAM SUPPORT

The purpose of program support is to provide clerical, record-keeping and administrative support in the areas of personnel, budget, procurement and contracting to agency staff, outside contractors and external control agencies to implement and manage programs.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,951.8	3,636.1	3,636.1	3,544.2	-2.5
Federal Revenues	557.7	636.8	619.1	624.8	-1.9
SOURCES TOTAL	4,509.5	4,272.9	4,255.2	4,169.0	-2.4
USES					
Personal Services and Employee Benefits	4,003.7	3,726.9	3,742.7	3,674.9	-1.4
Contractual Services	126.0	152.5	128.7	128.7	-15.6
Other	398.7	393.5	383.8	365.4	-7.1
TOTAL USES	4,528.4	4,272.9	4,255.2	4,169.0	-2.4
FTE					
Permanent	55.0	55.0	53.0	53.0	-3.6
Term	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	56.0	56.0	54.0	54.0	-3.6

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Output	Percent of contractors assessed with no significant findings	100%	100%	100%	100%	100%
Output	Number of working days between payment of state funds and the draw of federal funds	30	30	30	0	30

STATUTORY AUTHORITY:

The Human Services Department was created by Sections 9-8-1 through 9-8-12 NMSA 1978. The agency is responsible for administering a number of programs related to providing medical and financial assistance for eligible populations and child support collection activities. The agency consists of five divisions: Administrative Services, Child Support Enforcement, Medical Assistance (includes Medicaid Behavioral Health), Behavioral Health Services, and Income Support. Behavioral Health Services was transferred from the Department of Health after enactment of Laws 2007, Chapter 371.

Additional authority and definition of responsibilities are found in the Public Assistance Act (Sections 27-2-1 through 27-2-47 NMSA 1078) for the Income Support, Medical Assistance, and Child Support Enforcement divisions.

MISSION:

The Human Services Department (HSD) administers several large state and federally funded programs that provide health care, financial assistance, child support, and food assistance to New Mexico's most needy citizens. The agency manages nearly \$4.7 billion of federal and state funding that provide life's most basic services to New Mexico's poorest individuals and families, touching the lives of one in three New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	705,005.1	967,295.8	1,017,445.0	1,002,725.8	3.7
Other Transfers	124,357.6	123,990.6	126,685.3	129,404.8	4.4
Federal Revenues	3,540,601.8	3,462,071.5	3,606,889.4	3,635,316.4	5.0
Other Revenues	85,351.3	146,499.6	153,165.4	156,838.9	7.1
Fund Balance	1,138.9	0.0	0.0	0.0	
SOURCES TOTAL	4,456,454.7	4,699,857.5	4,904,185.1	4,924,285.9	4.8
USES					
Personal Services and Employee Benefits	91,653.6	98,314.2	99,542.7	100,605.3	2.3
Contractual Services	129,217.9	122,322.7	139,506.4	139,631.4	14.2
Other	4,171,186.4	4,414,654.2	4,606,749.4	4,625,662.6	4.8
Other Financing Uses	61,369.3	64,566.4	58,386.6	58,386.6	-9.6
TOTAL USES	4,453,427.2	4,699,857.5	4,904,185.1	4,924,285.9	4.8
FTE					
Permanent	1,876.0	1,891.0	1,782.5	1,782.5	-5.7
Term	58.0	58.0	52.0	52.0	-10.3
Temporary	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	1,984.0	1,999.0	1,884.5	1,884.5	-5.7

BUDGET ISSUES:

For the Human Services Department (HSD), FY13 is shaping up to be a transition year leading up to the implementation of expanded Medicaid health coverage in 2014 under federal healthcare reform. At the same time, absent congressional intervention, the cloud of mandatory federal deficit reductions looms over health and social service programs administered by the department and other state agencies. After rapid growth in the past few years in Medicaid enrollment and Temporary Assistance for Needy Families (TANF) caseloads, the HSD has started to see a decline in TANF cases and much slower client growth in Medicaid, reducing pressure on the budget. This is reflected in the HSD's FY13 request, which at \$4.9 billion is only 4.4 percent greater than FY12. This good news on the budget front is tempered with the realization that the success of cost-cutting measures (in particular medical provider rate reductions) imposed due to the expiration of federal stimulus funding and state budget shortfalls in FY11 and FY12 might be short-lived given seemingly inevitable healthcare cost inflation.

The HSD requested \$1.017 billion from the general fund, a \$50.1 million increase, or 5.1 percent, compared with FY12. Almost all of this increase, approximately \$48.9 million, is for the Medicaid program. Most of the remaining \$1.2 million of the requested increase is for the Income Support Program. Reflecting updated financial forecasts for the Medicaid and food stamps programs, the budget recommendation is \$4.9 billion in total funding, a 4.8 percent increase compared with FY12. The LFC recommendation for general fund support is \$1.002 billion, which represents a 3.7 percent increase. The LFC recommendation includes the deletion of 114.5 vacant positions (a 6 percent reduction in staff) and a built-in vacancy rate of approximately 8 percent as submitted by the department. Also, the LFC recommendation includes \$430 thousand from the general fund allocated across the programs to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly.

The HSD requested \$3.6 billion for the Medical Assistance Program (Medicaid), which makes up 73 percent of the total department budget. Medicaid provides comprehensive medical care (hospitalization, medical provider visits, pharmaceuticals, etc), vision services, and dental services to over 500 thousand New Mexicans – primarily children, pregnant mothers, parents in the TANF program, and certain elderly persons and persons with disabilities receiving supplemental security income (SSI). Eligibility for Medicaid and the Children's Health Insurance Program (CHIP) depends on income, and all children (19 and younger) are eligible if the family income is below 235 percent of the federal poverty level (FPL) (\$52,548 per year for a family of four). Children make up more than half of the individuals covered by the program – 336 thousand in June 2011. With another 43 thousand adults receiving coverage through the State Coverage Insurance (SCI) program, the total number of individuals enrolled in Medicaid and similar programs has risen to more than 560 thousand.

Medicaid enrollment is at its highest point in state history and has grown more than 13 percent since FY08. Medicaid has experienced corresponding growth in expenditures, increasing by some \$600 million, or 20 percent, from FY08 (\$3.12 billion) to FY11 (\$3.73 billion). Much of this growth occurred without increases to the general fund share of the operating budget due to federal stimulus funding, which raised the federal Medicaid matching rate, known as the federal medical assistance percentage or FMAP, by about 10 percent. This enhanced rate began to phase out on December 31, 2010, and ended on June 30, 2011.

The budget recommendation for Medicaid of \$3.6 billion includes \$813.6 million from the general fund, a \$34.3 million or 4 percent increase compared with FY12. Funding for the separately appropriated Medicaid Behavioral Health program is recommended at \$292.6 million, including \$87.3 million in general fund support, a 3.1 percent increase from FY12. The recommendation accepts the HSD's projections for slower enrollment growth and limited increases in medical utilization in the managed-care area but makes a number of adjustments.

First, the recommendation assumes the department will achieve \$3.9 million in general fund cost savings from efficiencies gained by an ongoing Medicaid modernization effort. In June 2011, the department awarded Alicia Smith and Associates a \$1.6 million sole source contract to support the HSD's efforts to redesign and modernize the Medicaid program. As of November 2011, no modernization plan had been provided to the committee. However, based on public meetings held by the HSD, as well as meetings with LFC staff and department staff, modernization is expected to include (1) combining several Medicaid waivers, particularly in the long-term care area, into fewer waivers to increase administrative efficiencies and improve performance; (2) implementing medical provider pay for performance targets oriented to healthcare outcomes rather than quantity of services provided; (3) incorporating services into a "second generation" of care better tailored to meet the needs of New Mexico's vulnerable population and offering a full spectrum of benefits from newborns to senior care; and (4) increasing personal responsibility by implementing sliding scale co-pays for some high-cost services and pursuing financial incentives to reward healthy behavior.

The HSD plans on rolling out a new waiver application to the federal government in 2012. A number of the proposals under discussion at the HSD as part of the reform effort, such as pay for performance, increased administrative efficiencies, and enhanced contract oversight, are concepts that have been suggested by the LFC to the HSD in a number of program evaluations of the Medicaid program. Therefore, the recommendation assumes approximately one-half percent Medicaid efficiency savings (saving approximately \$3.9 million in general fund expenditures), most likely achieved by a reduction in the number of managed-care companies from seven (four physical health, two long-term care, and one behavioral health) down to no more than four companies.

The Legislature has limited power to influence major program changes in Medicaid implemented by the executive via Medicaid plan amendments. These amendments do not require legislative approval and often are implemented by the executive without a request for additional funding before they are implemented. Two major programs with FY11 expenditures totaling more than \$850 million were implemented in this manner, the Coordination of Long-Term Services (CoLTS) waiver program, implemented in 2009, and the personal care option, implemented in 1999. During the 2011 session the Legislature passed a bill that would require the department to report to the Legislature and the Department of Finance and Administration (DFA) about state plan amendments, federal waiver applications, and other program changes that carry budget and service impacts but it was vetoed by the governor.

Next, the budget recommendation for Medicaid removes a \$19.7 million request for general fund monies to pay a potential claim to the federal government in the personal care option (PCO) program involving provider overcharges, which the department has carried in its budget for a number of years. Given the uncertain nature of the final outcome of this claim, the recommendation moves this item to consideration as a nonrecurring special appropriation contingent on final settlement. The budget recommendation also includes \$7.6 million in additional general fund on top of the department's base request to reflect a recently announced decline in the FY13 FMAP match rate for New Mexico from 69.36 to 69.07 percent. The recommendation includes a \$3 million reduction in the general fund appropriation request to reflect changes in the Medicaid forecast in November projecting a lower amount for the state share of Medicare Part B premiums for dual Medicare/Medicaid enrollees.

General fund increases recommended for Medicaid include \$18.3 million for enrollment growth, \$10 million for medical utilization increases, and \$2.2 million in contract support for modernization of the medical management information system (MMIS) and for long-term care contract support. Of note, the department assumes overall enrollment growth of about 2 percent, down from 2.5 percent growth in FY11 and well below the average growth per year of 5 percent in FY09 and FY10. The department did not build medical cost inflation into the request and only included a 1 percent increase in expected costs from increased utilization. The department's rationale for these minimal increases in healthcare costs is tied to a number of cost-cutting measures, primarily provider rate reductions that have been implemented in prior years as well as its decision to award managed-care organizations per-member per-month rates on the lower end of the cost range provided by contract actuaries. If any of these factors change, in particular enrollment and utilization, the HSD will most likely end up short of general fund monies to cover increased Medicaid costs.

Medicaid expenditures are projected to grow 11.3 percent from FY09 to FY13, from \$3.49 billion to \$3.88 billion. Within these totals there have been a number of notable trends. First, the HSD has managed to hold cost growth in the physical health managed-care area, where the vast majority of Medicaid clients are served, essentially flat since FY09 at about \$1.1 billion annually. This has been achieved as noted through a number of rate reductions and benefit changes, including a 3 percent provider rate reduction in late 2009. However, while physical health (as well as Medicaid Behavioral Health) has had minimal growth since 2009, the cost growth of the Coordination of Long-Term Services (CoLTS) waiver program has been explosive. Total program cost in FY13 is projected to be \$917 million, which represents a \$120 million increase, or 15 percent, compared with the first full-year program cost of \$798 million in FY10.

A Medicaid managed-care program, CoLTS is designed to provide services to approximately 39 thousand clients who receive in-home care through the disability and elderly waiver program or are personal care option consumers, nursing facility residents, or eligible individuals with brain injuries. To the extent possible, the CoLTS objective is to keep clients healthy in their own homes and avoid more expensive stays at nursing homes. A 2011 LFC program evaluation of CoLTS found a number of factors influencing the cost growth including (1) growth in personal care option services within CoLTS (up 35 percent from FY07 to \$344 million in FY10); (2) CoLTS' multiple Medicaid waivers and programs that complicate cost-effective managed-care; and (3) larger-than-expected cost growth in more expensive client groups and even in less expensive "healthy" client groups. These factors combined with overhead costs for managed-care, such as administration, profit, and taxes, have likely exceeded any cost savings from moving to a managed-care system. In response to this cost growth, the HSD has implemented rate reductions to the CoLTS two managed-care organizations, tightened regulations for provision of PCO services, and implemented a new client service guide to optimize client hours. Nevertheless, the HSD is still projecting 5 percent growth in CoLTS expenditures in FY13.

Offsetting the growth in CoLTS to some extent have been reductions in the State Coverage Insurance (SCI) program – a more limited health benefit package for adults not otherwise eligible for Medicaid. A freeze in enrollments and provider rate decreases has dropped projected expenditures from \$307 million in FY11 to \$233 million in FY13. Enrollment, which peaked at 53 thousand in FY10, is projected to drop to about 38 thousand by the end of FY13. An intergovernmental transfer from the University of New Mexico Health Sciences Center to the HSD to support the program was implemented in FY11 and has saved a minimum of \$12 million annually in general fund spending.

For Medicaid revenue, legislation passed during the 2011 legislative session extended the 100 percent distribution of the settlement payment to the tobacco settlement program fund for FY12 and FY13, allowing the entire payment (estimated at \$38.5 million in FY13) to be appropriated. Without the extension, half of the distribution would be deposited in the tobacco settlement permanent fund. The recommendation includes \$28.5 million in estimated tobacco settlement funding: \$1.3 million for breast and cervical cancer treatment and \$27.1 million for Medicaid (which includes \$19.2 million from the diversion of 50 percent of the settlement payment).

Current litigation between the states and tobacco companies (as well as between tobacco companies and New Mexico) warrants close monitoring. The Attorney General has disclosed the state of New Mexico (along with Virginia) is now facing a second legal challenge from the cigarette manufacturers participating in the tobacco master settlement agreement. In the New Mexico case, the participating manufacturers claim that New Mexico no longer has a valid qualifying statute as required by the settlement because of a number of legislative changes, primarily a 2006 change that established tax exempt stamps for tribal sales. The NM AG believes that up to \$240 million in tobacco settlement payments received since 2006 are at risk unless new legislation is passed that clearly establishes the state will collect tobacco escrow payments from all manufacturers currently not part of the master settlement.

In a separate legal challenge, all participating states in the master settlement agreement are in arbitration with the participating manufacturers over the manufacturers claim that the states have not diligently enforced state statutes (enacted as part of the master settlement) that require collection of escrow from nonparticipating manufacturers. The participating manufacturers allege they have lost market share due to a cost advantage enjoyed by nonparticipating manufacturers that do not pay into state escrow accounts. Currently the 2003 payments to states are under review, but if the plaintiff's are successful, up to \$349 million

paid to New Mexico from 2003 to is at risk. Legislation to address these issues passed in 2011 (Senate Bill 397) but was vetoed by the governor. As of November 2011, the Attorney General was in negotiations with the governor to bring legislation back to the 2012 legislative session to address this issue. Should a negative legal outcome occur in the tobacco area, the state will lose future distributions, which would require replacement with general fund dollars or reductions in programs.

The HSD is dealing with a number of other issues that represent potential financial liabilities to the state. During June 2011, the HSD reported to the federal center for Medicare and Medicaid Services (CMS) the preliminary results of its analysis of discrepancies in reported Medicaid expenditures versus submitted reimbursement requests covering several years. The HSD is seeking reimbursement of \$40.8 million of under-billed expenditures from the CMS and has repaid the federal government approximately \$50 million due to over-draws against Medicaid. The core issue is that the HSD failed to properly reconcile data from the Medicaid information system (Omnicaid) and the new SHARE accounting system (implemented in FY07) in a timely manner to ensure the federal reports on actual expenditures (the quarterly CMS-64) were correct or that corrections were submitted in a timely manner. These reconciliation failures had two major consequences. First, under-reported expenditures to the federal government on the CMS-64 form included sole community hospital expenditures and disproportionate share hospital payments. Failure to receive eligible reimbursements in a timely manner contributed to a cash shortfall, which the HSD covered by drawing current-year Medicaid funds. The CMS allows two years for CMS-64 forms to be corrected, but states that miss that initial window must appeal for a waiver, a situation which New Mexico now faces for the \$40.8 million.

A second consequence of failing to properly reconcile data and report properly on the CMS-64 form was that the HSD overbilled the CMS in certain areas, including the personal care option and certain provider payments. The HSD recovered these overpayments from providers but did not report this to the CMS in a timely manner, which led to a build-up of a \$50 million liability. This liability was addressed by repaying the federal government approximately \$50 million during the past year (via the CMS reducing current-year grant awards). As of December 2011, the HSD is awaiting resolution of its request for reimbursement from the CMS for the \$40.8 million. The HSD has submitted a deficiency request for \$48 million to help its cash shortfall resulting from the repayment of funds to the CMS for overexpenditures.

Discussions continue between the HSD and hospitals and counties impacted by the CMS assertion that approximately \$53 million of transfers from hospitals to counties in FY09 used to match Medicaid for the sole community provider program may have been improper. The final liability remains to be determined, but the parties are hopeful the amount can be lowered during negotiations with the CMS. The HSD is working with the counties to implement a new system that would clarify for the CMS the sources of the county matches for Medicaid. The stakes are high — the sole community provider program is projected to provide approximately \$274 million in payments (includes an 80 percent federal match) to community hospitals that provide uncompensated care.

Much like Medicaid, the HSD has faced enrollment increases and shrinking federal revenue in the Income Support Program. The Temporary Assistance for Needy Families (TANF) caseload grew more than 50 percent from June 2008 to the historical peak of 21,514 cases in December 2010. Much of this cost growth was covered with federal stimulus funding and cash balances. With stimulus funds ending and reduced cash balances, the department in FY11 cut cash benefits by 15 percent and reduced support services at the Children, Youth and Families Department, the Public Education Department, and other health and social services agencies.

The recommendation of \$881.1 million fully funds the agency request of \$838.6 million and includes an additional \$41.9 million in budget authority for the federal Supplemental Nutritional Assistance Program (SNAP), formerly the food stamp program, as requested by the HSD in November. The recommendation includes \$40 million in general fund support (up 2.5 percent from FY12), much of which is used to support ISD administration of the benefit programs as well as the state general assistance program for children and disabled adults. The agency's request for personal services and employee benefits of 1,060 positions includes a reduction of 73 vacant positions (6 percent of total FY12 staff) and a 10 percent vacancy rate.

For FY13, the department's budget request assumes continuation of reduced cash benefit payments but uses federal funds to reinstate the once-per-year clothing allowance for children in the TANF program and includes \$500 thousand from the general fund for state supplemental funding for approximately 4.9 thousand seniors and persons with disabilities eligible for the minimum benefit under the SNAP. The state funding began in FY08 and provides up to \$9 per month to bring the minimum benefit up to \$25 per month. The 2011 General Appropriation Act did not include funding for the state SNAP supplemental program, but funding was restored during the first quarter through a combination of stimulus funding and a \$450 thousand appropriation during the 2011 legislative special session.

The October SNAP caseload was 189,333 (serving 432,293 recipients, about 20 percent of the state population), a historical high. The caseload has doubled since the beginning of the recession with a change in April 2010 of the SNAP gross income test from 130 percent of federal poverty level (FPL) to 165 percent FPL contributing to some of the increase. The HSD originally projected SNAP cases to peak in FY12 before dropping in FY13 but has adjusted the forecast upward given continuing growth.

The recommendation includes an additional \$41.9 million for the SNAP to reflect the adjusted forecast, which takes total federal funds from \$624.7 million to \$666.7 million for FY13.

Federal TANF block grant funding is assumed to be flat in FY13 at \$110 million. The TANF caseload, reported by the HSD at 19,686 families in October, has declined slowly since peaking at 21,514 cases in December 2010. The HSD speculates this decline is the result of slightly improving employment picture, and in some cases, individuals meeting the lifetime benefit limit of 60 months. Included in the block grant is approximately \$33.4 million in federal funding for TANF support activities, flat compared with FY12. Included in this amount is \$23.7 million for child care and \$9.2 million for the NM Works contract for employment support. SL Start, an out of state contractor, received the award of the NM Works contract for FY12, replacing prior contractors New Mexico State University and the now defunct Commission on the Status of Women.

Total requested FY13 funding for the General Assistance Program remained flat in the request at \$9.6 million, but the request included a general fund increase of \$577.3 thousand to offset declining fund balance in Social Security disability reimbursements for dual enrollees. The program provides an average cash payment of about \$280 per month to individuals, mostly disabled adults, who are waiting for or have been denied benefits under the federal Supplemental Security Income Program. About 2.8 thousand clients receive benefits through the General Assistance Program.

The Behavioral Health Services Program administers non-Medicaid federal and state funds for substance abuse and mental health services and provides key staff support to the Behavioral Health Collaborative, which provides behavioral health services statewide through a contract with Optum Health. The recommendation funds the agency request of \$56.9 million, a 1.5 percent increase compared with FY12. The recommendation includes the deletion of five positions (as requested by the department) and shifts \$125 thousand from personal services and employee benefits to contracts to fix a technical error in the request. Federal funding for substance abuse treatment and prevention activities is projected to be flat from FY11 through FY13 after reductions in a number of grants, including those from the Access to Recovery and Co-Occurring Disorders programs.

The Child Support Enforcement Program (CSEP) general fund request for FY13 was essentially flat compared with FY12 at \$7.6 million. The recommendation fully funds the agency request for total funding of \$32.3 million, which includes the deletion of 17 positions and a 7 percent vacancy rate. At the requested funding level the CSEP projects that it will be able to fund 369 of 384 requested positions. The CSEP receives a match rate of 66 percent federal to 34 percent state funds and the budget request included an additional \$2 million of federal incentive payments projected to be received for meeting performance targets. The CSEP reported record child support collections of \$123.5 million for the 62,100 families served in FY11, an increase of 7 percent compared with FY10 collections.

For Program Support, the recommendation provides for a 1.5 percent increase (1.3 percent from the general fund). The agency requested deletion of 13.5 positions and assumed a 5.5 percent vacancy rate (funding 227 of 239 positions). The recommendation funds the department's request for Program Support personal services and employee benefits, which includes the filling of key vacancies in the Fair Hearings Bureau and information technology area. Department information technology staff is currently working on a number of large information technology projects, including the replacement of the income support delivery system and an upgrade of the Medicaid management information system. The recommendation provides for a 1.6 percent increase in other costs and includes holding a number of line items, including building lease costs, at or below FY11 actual costs. The department is encouraged to renegotiate existing leases, given the high levels of commercial rental space available and the department's reduced staffing levels. The future of the proposed health and human services "super complex," which would move the HSD into state-owned space, is unknown at this time.

RECOMMENDED LANGUAGE:

The other state funds appropriations to the medical assistance program of the human services department include one million three hundred twelve thousand dollars (\$1,312,000) from the tobacco settlement program fund for breast and cervical cancer treatment and twenty-seven million one hundred ninety thousand dollars (\$27,190,000) from the tobacco settlement program fund

No less than fifteen percent and no more than twenty-five percent of the federal funds for low-income home energy assistance program shall be used for weatherization programs.

The federal funds appropriations to the income support program of the human services department include nine million eight hundred forty-five thousand five hundred dollars (\$9,845,500) from the federal temporary assistance for needy families block grant for administration of the New Mexico Works Act.

The appropriations to the income support program of the human services department include eighty-seven thousand one hundred dollars (\$87,100) from the general fund and sixty-nine million six hundred forty thousand four hundred dollars (\$69,640,400) from the federal temporary assistance for needy families block grant to provide cash assistance grants to participants as defined in the New Mexico Works Act, including, but not limited to, wage subsidies for participants and state-funded payments to aliens.

The federal funds appropriations to the income support program of the human services department include nine million two hundred thousand dollars (\$9,200,000) from the federal temporary assistance for needy families block grant for job training and placement.

The federal funds appropriations to the income support program of the human services department include twenty three million seven hundred seventy-seven thousand five hundred dollars (\$23,777,500) from the temporary assistance for needy families block grant for transfer to the children, youth and families department for childcare programs and five hundred thousand dollars (\$500,000) for job-related transportation services.

The appropriations to the income support program of the human services department include six million seven hundred seventy-seven thousand three hundred dollars (\$6,777,300) from the general fund and two million eight hundred fifty-nine thousand four hundred dollars (\$2,859,400) from other state funds for general assistance. Any unexpended balances remaining at the end of fiscal year 2013 from the other state funds appropriation derived from reimbursements received from the social security administration for the general assistance program shall not revert.

The general fund appropriations to the income support program of the human services department include two hundred ten thousand nine hundred dollars (\$210,900) for the Navajo sovereign temporary assistance for needy families program.

The general fund appropriations to the income support program of the human services department include thirty-one thousand dollars (\$31,000) for the Zuni sovereign temporary assistance for needy families program.

The human services department shall provide the department of finance and administration and the legislative finance committee quarterly reports on the expenditures of federal temporary assistance for needy families block grant and state maintenance-of-effort expenditures.

The general fund appropriations to the behavioral health services program of the human services department in the contractual services category include six hundred thousand dollars (\$600,000) for operational expenses of the Los Lunas substance abuse treatment center.

MEDICAL ASSISTANCE

The purpose of the medical assistance program is to provide the necessary resources and information to enable low-income individuals to obtain either free or low-cost health care.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	543,120.2	782,292.7	832,589.0	813,637.5	4.0
Other Transfers	123,441.8	123,990.6	126,685.3	129,404.8	4.4
Federal Revenues	2,468,908.3	2,483,069.9	2,552,605.2	2,533,358.0	2.0
Other Revenues	72,545.0	132,553.3	139,352.4	142,938.0	7.8
SOURCES TOTAL	3,208,015.3	3,521,906.5	3,651,231.9	3,619,338.3	2.8
USES					
Personal Services and Employee Benefits	10,125.1	11,778.0	11,855.7	12,009.2	2.0
Contractual Services	37,890.3	32,602.5	48,409.5	48,409.5	48.5
Other	3,129,108.9	3,439,045.8	3,558,466.3	3,526,419.2	2.5
Other Financing Uses	30,516.4	38,480.2	32,500.4	32,500.4	-15.5
TOTAL USES	3,207,640.7	3,521,906.5	3,651,231.9	3,619,338.3	2.8
FTE					
Permanent	149.5	164.5	158.5	158.5	-3.6
Term	11.0	11.0	11.0	11.0	0.0
TOTAL FTE POSITIONS	160.5	175.5	169.5	169.5	-3.4

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
* Outcome	Percent of coordinated long-term services c waiver clients who receive services within ninety days of eligibility determination	92.0%	94%	92%	94%	94%
Outcome	Average number of months that individuals are on the coordinated long-term services c waiver registry prior to receiving an allocation for services	56	68	80		
Output	Number of individuals on the self-directed mi via waiver	514	1,136	1,000		
* Output	Number of consumers who transition from nursing facilities placement to community-based services	212	78	150	150	150
Output	Percent of eligible children six to twenty-one years of age who get healthcare coverage through medical assistance programs		100%	65%		
Output	Percent of eligible adults, with incomes below one hundred percent of the federal poverty level, who get healthcare coverage through medical assistance programs		52%	35%		
Output	Percent of eligible children through age five, who get healthcare coverage through medical assistance programs		95.6%	90%		
* Outcome	The percent of children two to twenty-one years of age enrolled in medicaid managed care who had at least one dental visit during the measurement year	64.4%	64%	70%	70%	70%
* Outcome	The percent of infants in medicaid managed care who had six or more well-child visits with a primary care physician during the first fifteen months			65%	65%	65%
Outcome	Rate of growth since the close of the previous fiscal year in the number of children and youth receiving services in medicaid school-based service programs			3%	3%	3%
* Outcome	Average percent of children and youth age twelve months to nineteen years in medicaid managed care who received a visit with a primary care physician during the measurement year.			70%	92%	92%
Outcome	Percent of individuals in Medicaid managed care eighteen through seventy-five years of age with diabetes (type 1 or type 2) who had a HbA1c test during the measurement year			85%	86%	86%
Outcome	Percent of children in medicaid managed care five to eleven years of age who are identified as having persistent asthmas and who were appropriately prescribed medication during the measurement year.			92%	92%	92%
* Outcome	Percent of emergency room visits per one thousand medicaid member months				62%	62%
Outcome	Percent hospital readmissions for children ages two to seventeen, within thirty days of discharge				10%	10%
* Outcome	Percent hospital readmissions for adults eighteen and over, within thirty days of discharge				10%	10%
Outcome	Rate of return on investment in medicaid program integrity recoveries				\$3.0	\$3.0

MEDICAID BEHAVIORAL HEALTH

The purpose of the medicaid behavioral health program is to provide the necessary resources and information to enable low-income individuals to obtain either free or low-cost health care.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	57,947.4	84,726.7	83,352.3	87,329.0	3.1
Federal Revenues	214,521.6	200,269.8	200,153.1	205,301.0	2.5
SOURCES TOTAL	272,469.0	284,996.5	283,505.4	292,630.0	2.7
USES					
Other	272,469.0	284,996.5	283,505.4	292,630.0	2.7
TOTAL USES	272,469.0	284,996.5	283,505.4	292,630.0	2.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	6.5%	12.9%	8%	8%	8%
* Output	Number of individuals served annually in substance abuse or mental health programs administered through the behavioral health collaborative statewide entity contract	77,558	83,605	75,000	83,000	83,000

INCOME SUPPORT

The purpose of the income support program is to provide cash assistance and supportive services to eligible low-income families so they can achieve self-sufficiency. Eligibility requirements are established by state law within broad federal statutory guidelines.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	40,785.0	39,099.0	40,063.3	40,307.3	3.1
Federal Revenues	802,183.5	720,494.4	794,261.1	836,521.9	16.1
Other Revenues	4,024.8	4,741.8	4,289.2	4,300.6	-9.3
Fund Balance	1,138.9	0.0	0.0	0.0	
SOURCES TOTAL	848,132.2	764,335.2	838,613.6	881,129.8	15.3
USES					
Personal Services and Employee Benefits	46,213.9	47,792.9	48,127.2	48,694.7	1.9
Contractual Services	19,757.4	19,603.5	20,453.0	20,453.0	4.3
Other	750,407.8	672,205.3	745,499.9	787,448.6	17.1
Other Financing Uses	29,170.9	24,733.5	24,533.5	24,533.5	-0.8
TOTAL USES	845,550.0	764,335.2	838,613.6	881,129.8	15.3
FTE					
Permanent	1,049.0	1,049.0	976.0	976.0	-7.0
Term	34.0	34.0	34.0	34.0	0.0
Temporary	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	1,133.0	1,133.0	1,060.0	1,060.0	-6.4

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of parent participants who meet temporary assistance for needy families federal work participation requirements	45.2%	44.6%	50%	50%	50%
* Outcome	Percent of temporary assistance for needy families two-parent recipients meeting federal work participation requirements	61.9%	51.9%	60%	60%	60%
* Outcome	Percent of eligible children in families with incomes of one hundred thirty percent of the federal poverty level participating in the supplemental nutrition assistance program	98.5%	90.4%	82%	82%	88%
Outcome	Percent of eligible individuals with incomes of one hundred thirty percent of the federal poverty level participating in the supplemental nutrition assistance program		80.3%	75%		
* Outcome	Percent of adult temporary assistance for needy families recipients who become newly employed during the report year			50%	50%	50%
Outcome	Percent of expedited supplemental nutritional assistance program cases meeting federally required measure of timeliness within seven days	98.2%	99.2%	98%	98%	98%
Outcome	Percent of adult temporary assistance for needy families recipients employed in one quarter during the report year who are still employed in the next two consecutive quarters			55%		
Outcome	Percent of regular supplemental nutritional assistance program cases meeting the federally required measure of timeliness within thirty days	99.1%	99.5%	98%	98%	98%
Outcome	Number of families receiving supplemental nutritional assistance program at one hundred thirty percent of the federal poverty level			150,000		

BEHAVIORAL HEALTH SERVICES

The purpose of the behavioral health services program is to lead and oversee the provision of an integrated and comprehensive behavioral health prevention and treatment system so that the program fosters recovery and supports the health and resilience of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	42,118.6	41,656.9	41,656.9	41,681.9	0.1
Other Transfers	915.8	0.0	0.0	0.0	
Federal Revenues	15,318.3	14,461.3	15,295.6	15,299.3	5.8
Other Revenues	21.0	19.7	21.0	21.0	6.6
SOURCES TOTAL	58,373.7	56,137.9	56,973.5	57,002.2	1.5
USES					
Personal Services and Employee Benefits	2,054.1	2,211.6	2,599.8	2,503.5	13.2
Contractual Services	54,047.9	52,078.1	52,510.8	52,635.8	1.1
Other	519.0	495.5	510.2	510.2	3.0
Other Financing Uses	1,682.0	1,352.7	1,352.7	1,352.7	0.0
TOTAL USES	58,303.0	56,137.9	56,973.5	57,002.2	1.5
FTE					
Permanent	28.0	28.0	26.0	26.0	-7.1
Term	10.0	10.0	7.0	7.0	-30.0
TOTAL FTE POSITIONS	38.0	38.0	33.0	33.0	-13.2

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Percent of youth on probation who were served by the statewide entity	TBD	47.8%	45%		
* Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the alcohol domain on the addiction severity index	80%	90.57%	80%	83%	85%
* Outcome	Percent of people receiving substance abuse treatments who demonstrate improvement in the drug domain on the addiction severity index	66%	70.7%	75%	76%	76%
* Outcome	Number of youth suicides among fifteen to nineteen year olds served by the statewide entity	1	0	3	3	3
Outcome	Percent of adults with mental illness or substance abuse disorders receiving services who report satisfaction with staff's assistance with their housing need	TBD	44%	80%	47%	80%
Outcome	Number of driving-while-intoxicated arrests among persons receiving substance abuse treatment or services provided by the statewide entity	TBD	431	1,400		
Output	Percent of adults on probation who were served by the statewide entity	20%	22%	25%		
Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days		33.16%	37%	38%	38%
Outcome	Percent of children receiving behavioral health services who have achieved age-appropriate scores in math and reading			50%		
Outcome	Number of suicides among adults twenty-one years and older served by the statewide entity		4	20.5	3	3
* Outcome	Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days		48.98%	59%	57%	57%
Outcome	Reduction in the gap between children in school receiving behavioral health services and their counterparts in achieving age-appropriate proficiency scores in reading (fifth grade)				10.4%	10.4%
Outcome	Reduction in the gap between children in school receiving behavioral health services and their counterparts in achieving age-appropriate proficiency scores in math (eighth grade)				13.3%	13.3%

CHILD SUPPORT ENFORCEMENT

The purpose of the child support enforcement program is to provide location, establishment and collection services for custodial parents and their children; to ensure that all court orders for support payments are being met to maximize child support collections; and to reduce public assistance rolls.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	8,281.5	7,633.8	7,633.8	7,677.8	0.6
Federal Revenues	13,696.2	18,739.1	18,997.1	19,104.8	2.0
Other Revenues	5,575.1	5,306.3	5,692.6	5,722.8	7.8
SOURCES TOTAL	27,552.8	31,679.2	32,323.5	32,505.4	2.6
USES					
Personal Services and Employee Benefits	16,335.0	19,576.3	19,631.3	19,813.2	1.2
Contractual Services	6,488.6	7,008.4	7,053.4	7,053.4	0.6
Other	4,729.2	5,094.5	5,638.8	5,638.8	10.7
TOTAL USES	27,552.8	31,679.2	32,323.5	32,505.4	2.6
FTE					
Permanent	400.0	400.0	383.0	383.0	-4.3
TOTAL FTE POSITIONS	400.0	400.0	383.0	383.0	-4.3

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Amount of child support collected, in millions	\$115.4	\$123.5	\$111	\$115.5	\$120.0
* Outcome	Percent of current support owed that is collected	57.8%	57.4%	60%	60%	60%
* Outcome	Percent of cases with support orders	67.5%	72.5%	70%	75%	75%
Outcome	Percent of children born out of wedlock with paternity establishment in child support cases	73.6%	97.2%	79%	90%	90%

PROGRAM SUPPORT

The purpose of program support is to provide overall leadership, direction and administrative support to each agency program and to assist it in achieving its programmatic goals.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			Agency Request	LFC Recom- mendation	
SOURCES					
General Fund Transfers	12,752.4	11,886.7	12,149.7	12,092.3	1.7
Federal Revenues	25,973.9	25,037.0	25,577.3	25,731.4	2.8
Other Revenues	3,185.4	3,878.5	3,810.2	3,856.5	-0.6
SOURCES TOTAL	41,911.7	40,802.2	41,537.2	41,680.2	2.2
USES					
Personal Services and Employee Benefits	16,925.5	16,955.4	17,328.7	17,584.7	3.7
Contractual Services	11,033.7	11,030.2	11,079.7	11,079.7	0.4
Other	13,952.5	12,816.6	13,128.8	13,015.8	1.6
TOTAL USES	41,911.7	40,802.2	41,537.2	41,680.2	2.2
FTE					
Permanent	249.5	249.5	239.0	239.0	-4.2
Term	3.0	3.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	252.5	252.5	239.0	239.0	-5.3

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of federal grant reimbursements completed that minimize the use of state cash reserves in accordance with established cash management plans		100%	100%	100%	100%
* Output	Percent of intentional violations in the supplemental nutrition assistance program investigated by the office of inspector general completed and referred for an administrative disqualification hearing within ninety days from the date of assignment		97%	70%	80%	95%
Outcome	Percent of invoice payments completed within thirty days of date of a payable invoice	98.8%	98.44%	100%	100%	100%
Output	Percent of timely final decisions on administrative disqualification hearings	100%	93%	100%	100%	100%
Efficiency	Percent compliance with schedule approved by the department of finance and administration for turnaround time associated with the expenditure of federal funds and the request for reimbursement for expenditures from federal treasury		100%	100%	100%	100%
Outcome	Percent of federal financial reports completed accurately by due date			100%	100%	100%
Outcome	Rate of administrative cost used to collect total claims in all programs administered by restitution services bureau			Baseline	13%	13%
Outcome	Percent of funds for which a quarterly trial balance review is completed within forty-five days after the accounting period has closed		100%	100%	100%	100%

STATUTORY AUTHORITY:

The Workforce Solutions Department was created in 2007 by Sections 9-26-1 through 9-26-15 NMSA 1978 to establish a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the Labor Department and the Office of Workforce Development. The department administers the Unemployment Compensation Act, Wagner-Peyser Act of 1993 as amended, Trade Adjustment Act of 1974, Unemployment Tax Act, Human Rights Act, and labor laws and regulations.

MISSION:

The mission of the Workforce Solutions Department is to improve the quality, career mobility, and empowerment of the New Mexico workforce, enhance productivity and competitiveness of New Mexico industry, and increase the self-sufficiency of those entering and moving up in the workforce.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	4,782.3	3,217.4	4,217.4	3,760.1	16.9
Other Transfers	2,895.9	6,263.0	4,212.1	5,012.0	-20.0
Federal Revenues	38,008.4	42,798.1	38,635.8	38,872.0	-9.2
Other Revenues	943.2	4,412.9	3,624.2	3,624.2	-17.9
SOURCES TOTAL	46,629.8	56,691.4	50,689.5	51,268.3	-9.6
USES					
Personal Services and Employee Benefits	23,687.5	24,968.1	25,687.9	25,953.7	3.9
Contractual Services	2,264.8	3,847.6	2,442.7	2,774.7	-27.9
Other	19,734.3	23,462.8	18,934.7	18,915.7	-19.4
Other Financing Uses	943.2	4,412.9	3,624.2	3,624.2	-17.9
TOTAL USES	46,629.8	56,691.4	50,689.5	51,268.3	-9.6
FTE					
Permanent	482.0	478.0	428.0	428.0	-10.5
Term	26.5	26.5	25.0	25.0	-5.7
TOTAL FTE POSITIONS	508.5	504.5	453.0	453.0	-10.2

BUDGET ISSUES:

The activities performed by the Workforce Solutions Department (WSD) are closely tied to fluctuations in the economy. The WSD entered crisis mode as the economy hit its low point. As unemployment rates increased, the need for WSD services also increased. The federal government provided additional assistance to the WSD, by way of emergency unemployment funding, unemployment contingency funding, and federal stimulus funds to manage the increased demand for services. Although the unemployment rate has continued to drop since May 2011, the WSD reports it has not seen a decreased demand for services.

The department has been using nonrecurring revenue, such as Reed Act, unemployment contingency, and emergency unemployment compensation funds, for recurring purposes. The Workforce Technology Division is currently being sustained by unemployment insurance contingency funding. The FY13 request showed a \$4.2 million decrease in federal funds, or 9.7 percent. The bulk of the decrease was due to the end of federal stimulus funds.

The WSD did not include carry-forward projections or additional contingency funding in its budget request. The extent of federal funding available to this agency is unclear. The committee is concerned with the quantity and sum total of budget adjustment requests (BARs) made by the agency. In FY11, the WSD submitted 27 BAR increases totaling \$26.2 million. From the start of FY12 to November 11, the WSD has submitted 22 BAR increases totaling \$18.2 million. Several of these BARs are a result of the unemployment insurance (UI) modernization project and are justified. Nevertheless, federal funding levels for FY13 are still uncertain.

The department is also projecting a decrease in other revenues, including fees collected for unemployment insurance penalty and interest (UI P&I) and the labor enforcement fund. The FY13 request budgeted other revenues at \$789 thousand, or 17.9 percent, below the FY12 operating budget levels. The FY11 actual revenue collected by UI P&I was \$210 thousand short of the FY11 projection. Likewise, the labor enforcement fund collected \$572 thousand less than projected for FY11. Revenues decreased partly due to high vacancies in these programs.

The WSD's budget request included an increase from the general fund of \$1 million. The WSD's budget request did not include the transfer of \$1 million from the Workers' Compensation Administration (WCA), part of the WSD's FY12 operating budget. The committee recommends a \$750 thousand transfer from the WCA fund to the WSD. In both FY10 and FY11, \$692 thousand was transferred from the WCA to the WSD; the transfer increased to \$1 million in FY12.

The committee recommends increasing support from the general fund by approximately \$543 thousand, or 16.9 percent. The increase allows a reduction in the WCA transfer, provides for additional information technology temporary staffing for backfill during the final stages of the UI modernization project, and provides for indirect charges assigned to the Labor Relations Division per the federal allocation plan requirements. The LFC recommendation includes \$31.8 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Internal service funds/interagency transfers and federal funds were also adjusted accordingly.

The U.S. Department of Labor (USDOL) has restricted the use of UI P&I funds. The WSD is required to provide nonfederal funding to the UI tax section, which collects the penalties and interest if the funds collected are used for non-UI purposes. The P&I fund has been used in the past to supplement other programs within the WSD including Labor Relations, Workforce Transition Services, Workforce Technology, and Program Support, and has also been used for economic development, such as the Job Training Incentive Program (JTIP). During the recent recession, P&I fund balance was transferred to the general fund for solvency. The agency contends it will not be in compliance with the federal cost allocation plan if P&I funds are used for non-UI purposes.

New Mexico was awarded a total of \$39 million in Reed Act and federal stimulus funds for the UI modernization project. The new UI tax and UI claims systems are scheduled to be launched simultaneously in March 2012. New Mexico will be the first state to attempt a dual launch of this system. The federal stimulus funding for this project did not include money for personnel services. The Workforce Technology Division staff has had to support this project while also providing for the WSD's total technology functionality.

The general fund appropriations to the WSD primarily support the Workforce Transition Services (WTS) and Labor Relations divisions. Currently four local workforce development boards manage 26 workforce field offices statewide. Federal funding from the Workforce Investment Act (WIA) and Wagner-Peyser Act is insufficient to cover expenses associated with maintaining the 26 field offices. Resource-sharing agreements in each of the regions designate shared costs for each partner in the offices. Partners include vocational rehabilitation, trade adjustment assistance, unemployment insurance assistance, and veterans employment and training program providers. Currently, nine offices only have one partner each. The Albuquerque workforce office has the largest staff but only has five partners. The local offices do not have a sufficient number of community partners to share the costs associated with maintaining a local office. In December, the Raton and Grants offices will close.

The agency requested the deletion of 51.5 vacant FTE and full funding for the remaining FTE. The committee recommends a 3 percent vacancy rate for Program Support, in addition to the deletion of 51.5 FTE. The recommendation also includes \$21 thousand in the personal services and employee benefits category, reflecting a technical adjustment for state retiree healthcare contributions. Further, the recommendation takes a \$19 thousand reduction for meals and lodging, recording, and training.

Overall, the LFC recommends \$578.8 thousand over the agency request. Compared with the FY12 operating budget, the recommendation is approximately a 10 percent decrease. The decrease is due to the aforementioned reductions in federal revenues and other revenues. In spite of this, the recommendation increases personal services and employee benefits by \$985.6 thousand, or 3.9 percent, compared with the FY12 operating budget.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the labor relations program of the workforce solutions department include seven hundred fifty thousand dollars (\$750,000) from the workers' compensation administration fund.

WORKFORCE TRANSITION SERVICES

The purpose of the workforce transition program is to administer an array of demand-driven workforce development services to prepare New Mexicans to meet the needs of business.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	1,699.0	1,358.3	1,358.3	1,370.3	0.9
Other Transfers	642.4	2,147.0	1,126.9	1,155.5	-46.2
Federal Revenues	14,720.1	13,930.5	13,490.7	13,630.1	-2.2
Other Revenues	44.3	1,577.0	639.0	639.0	-59.5
SOURCES TOTAL	17,105.8	19,012.8	16,614.9	16,794.9	-11.7
USES					
Personal Services and Employee Benefits	13,365.8	12,884.2	13,463.9	13,654.9	6.0
Contractual Services	842.1	1,275.5	671.5	671.5	-47.4
Other	2,853.6	3,276.1	1,840.5	1,829.5	-44.2
Other Financing Uses	44.3	1,577.0	639.0	639.0	-59.5
TOTAL USES	17,105.8	19,012.8	16,614.9	16,794.9	-11.7
FTE					
Permanent	285.0	285.0	249.0	249.0	-12.6
Term	22.5	22.5	18.0	18.0	-20.0
TOTAL FTE POSITIONS	307.5	307.5	267.0	267.0	-13.2

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of new employer status determinations completed within ninety days of the quarter ending date	82%	87%	82%	82%	85%
* Outcome	Percent of adult participants receiving workforce development services through the public workforce system employed in the first quarter after the exit quarter	69%	63%	66%	66%	68%
* Outcome	Percent of Workforce Investment Act dislocated workers receiving workforce development services employed in the first quarter after the exit quarter	77%	71%	77%	68%	71%
* Outcome	Percent of youth participants in employment or enrolled in postsecondary education or advanced training in the first quarter after the exit quarter	57%	52%	51%	51%	52%
Outcome	Average earnings of adult Workforce Investment Act participants employed in the second and third quarter following the exit quarter	\$15,741	\$13,199	\$15,500	\$15,500	\$15,500
Outcome	Total number of individuals receiving Workforce Investment Act and Wagner-Peyser services		705,438	100,000	100,000	700,000
* Output	Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	74%	75%	80%	80%	80%
Output	Percent of adult Workforce Investment Act participants employed in both the second and third quarter following the exit quarter	85%	80%	85%	72%	80%
Output	Annual number of workers provided training services	3,635	2,864	3,635	3,635	3,635
Output	Percent of Workforce Investment Act dislocated worker participants employed in both the second and third quarter following the exit quarter	94%	81%	90%	74%	81%
Outcome	Average earnings of Workforce Investment Act dislocated worker participants employed in both the second and third quarter following the exit quarter		\$15,098	\$14,200	\$14,200	\$14,200
* Output	Average time to complete a transaction with the unemployment insurance call center, in minutes	48	50	<5	<5	<5

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of veterans entering employment after receiving workforce development services			81%	81%	81%
Outcome	Percent of disabled veterans entering employment after receiving workforce development services			81%	81%	81%

LABOR RELATIONS

The purpose of the labor relations program is to provide employment rights information and other work-site-based assistance to employers and employees.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	<u>FY13 - 2012-2013</u>		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	1,354.9	1,108.0	2,108.0	1,359.6	22.7
Other Transfers	1,870.6	2,377.2	1,347.3	2,106.7	-11.4
Federal Revenues	335.4	250.0	250.0	251.4	0.6
Other Revenues	898.9	1,377.2	1,347.3	1,347.3	-2.2
SOURCES TOTAL	4,459.8	5,112.4	5,052.6	5,065.0	-0.9
USES					
Personal Services and Employee Benefits	2,176.6	2,352.9	2,068.7	2,089.1	-11.2
Contractual Services	36.2	23.5	69.0	69.0	193.6
Other	1,348.1	1,358.8	1,567.6	1,559.6	14.8
Other Financing Uses	898.9	1,377.2	1,347.3	1,347.3	-2.2
TOTAL USES	4,459.8	5,112.4	5,052.6	5,065.0	-0.9
FTE					
Permanent	37.0	37.0	32.0	32.0	-13.5
Term	0.0	0.0	3.0	3.0	
TOTAL FTE POSITIONS	37.0	37.0	35.0	35.0	-5.4

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Number of backlogged human rights commission hearings pending each quarter	0	0	0	0	0
* Outcome	Percent of wage claims investigated and resolved within one hundred twenty days	81%	93%	90%	90%	90%
* Output	Number of targeted public works inspections completed	1,451	1,570	1,500	1,450	1,500
Outcome	Number of discrimination claims investigated			500	500	500

WORKFORCE TECHNOLOGY

The purpose of the workforce technology program is to provide and maintain customer-focused, effective, and innovative information technology services for the department and its service providers.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	1,232.1	583.6	583.6	926.9	58.8
Other Transfers	43.7	487.3	861.3	861.3	76.7
Federal Revenues	2,562.4	2,972.0	2,844.7	2,867.8	-3.5
Other Revenues	0.0	448.2	826.3	826.3	84.4
SOURCES TOTAL	3,838.2	4,491.1	5,115.9	5,482.3	22.1
USES					
Personal Services and Employee Benefits	2,344.9	2,274.1	2,656.0	2,690.4	18.3
Contractual Services	719.5	941.3	818.1	1,150.1	22.2
Other	773.8	827.5	815.5	815.5	-1.5
Other Financing Uses	0.0	448.2	826.3	826.3	84.4
TOTAL USES	3,838.2	4,491.1	5,115.9	5,482.3	22.1
FTE					
Permanent	41.0	41.0	34.0	34.0	-17.1
TOTAL FTE POSITIONS	41.0	41.0	34.0	34.0	-17.1

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	The percent of time unemployment insurance tax and unemployment insurance claims applications are available during scheduled uptime	99%	100%	99%	99%	100%
Outcome	Response time from system outage to restoration of service on unemployment insurance tax and unemployment insurance claims applications, in minutes				20	20
* Outcome	Percent of time unemployment insurance benefits are paid within two business days of claimant certification			95%	95%	95%
Output	Percent of new unemployment insurance claimants in the New Mexico virtual one stop system using the unemployment insurance claims online system			90%	90%	90%

BUSINESS SERVICES

The purpose of the business services program is to provide standardized business solution strategies and labor market information through the New Mexico public workforce system that is responsive to the needs of New Mexico businesses.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	3.1	0.0	0.0	0.0	
Federal Revenues	4,946.4	4,883.2	3,878.5	3,898.3	-20.2
SOURCES TOTAL	4,949.5	4,883.2	3,878.5	3,898.3	-20.2
USES					
Personal Services and Employee Benefits	1,370.8	1,666.8	1,765.3	1,785.1	7.1
Contractual Services	59.4	310.6	123.8	123.8	-60.1
Other	3,519.3	2,905.8	1,989.4	1,989.4	-31.5
TOTAL USES	4,949.5	4,883.2	3,878.5	3,898.3	-20.2
FTE					
Permanent	30.0	30.0	28.0	28.0	-6.7
TOTAL FTE POSITIONS	30.0	30.0	28.0	28.0	-6.7

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of employers sampled reporting customer satisfaction	96%	98%	96%	96%	98%
Output	Number of days to publish bureau of labor statistics provided seasonally adjusted business employment dynamics data quarterly at the state level upon receipt from the bureau of labor statistics	8	7	8	8	7
* Output	Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services	32,803	45,805	33,000	33,000	45,800

PROGRAM SUPPORT

The purpose of program support is to provide overall leadership, direction, and administrative support to each agency program to achieve organizational goals and objectives.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	493.2	167.5	167.5	103.3	-38.3
Other Transfers	339.2	1,251.5	876.6	888.5	-29.0
Federal Revenues	15,444.1	20,762.4	18,171.9	18,224.4	-12.2
Other Revenues	0.0	1,010.5	811.6	811.6	-19.7
SOURCES TOTAL	16,276.5	23,191.9	20,027.6	20,027.8	-13.6
USES					
Personal Services and Employee Benefits	4,429.4	5,790.1	5,734.0	5,734.2	-1.0
Contractual Services	607.6	1,296.7	760.3	760.3	-41.4
Other	11,239.5	15,094.6	12,721.7	12,721.7	-15.7
Other Financing Uses	0.0	1,010.5	811.6	811.6	-19.7
TOTAL USES	16,276.5	23,191.9	20,027.6	20,027.8	-13.6
FTE					
Permanent	89.0	85.0	85.0	85.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	93.0	89.0	89.0	89.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of annual independent state audit prior-year findings resolved	25%	32%	75%	75%	75%
Output	Percent completion of program and fiscal monitoring of all state and federal services providers including distribution of final report on an annual basis within forty-five days after the exit conference		16%	100%	100%	100%
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	4.75	4	5	5	4

STATUTORY AUTHORITY:

The Workers' Compensation Administration (WCA) administers the Workers' Compensation Act (Sections 52-1-1 through Sections 52-1-70 and Sections 52-5-1 to 52-5-22 NMSA 1978), Occupational Disease Disablement Law (Sections 52-3-1 to 52-3-60 NMSA 1978), and Health Care Provider Law (Sections 52-4-1 through 52-4-5 NMSA 1978). The WCA is responsible for monitoring the insurance industry to ensure compliance with accepted performance standards, mediating and adjudicating contested workers' compensation claims, and regulating workers' compensation self-insurance activity.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	12,825.2	11,523.0	11,523.0	12,028.7	4.4
SOURCES TOTAL	12,825.2	11,523.0	11,523.0	12,028.7	4.4
USES					
Personal Services and Employee Benefits	7,362.5	7,827.2	8,390.7	8,146.4	4.1
Contractual Services	313.0	448.7	448.7	448.7	0.0
Other	1,831.5	2,247.1	2,683.6	2,683.6	19.4
Other Financing Uses	2,591.5	1,000.0	0.0	750.0	-25.0
TOTAL USES	12,098.5	11,523.0	11,523.0	12,028.7	4.4
FTE					
Permanent	130.0	130.0	124.0	124.0	-4.6
TOTAL FTE POSITIONS	130.0	130.0	124.0	124.0	-4.6

BUDGET ISSUES:

The WCA requested a flat budget for FY13 compared with the agency's FY12 operating budget. However, the WCA's budget request does not include the transfer of \$1 million to the Workforce Solutions Department (WSD) for FY13, part of the WCA's FY12 operating budget.

The agency request included a \$563.5 thousand increase, or 7.2 percent, over the FY12 operating budget for personal services and employee benefits. The FY12 operating budget assumes 130 FTE and an 8 percent vacancy savings. The WCA's FY13 request included a reduction of 6 FTE, which would bring the agency total to 124 FTE, or a 4.6 percent reduction in FTE. In FY10, the agency had a total of 143 FTE. The WCA did not factor vacancy savings for FY13. The recommendation includes a 4 percent vacancy rate reduction for the personal services and employee benefits category and supports the agency's request for the deletion of 6 FTE. The LFC recommendation includes \$91.3 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The agency request also included a 37.1 percent increase in the other category for the Workers' Compensation Administration Program. The bulk of the increase would pay for roof repairs and a boiler replacement and would bring the costs associated with information technology maintenance and supplies, printing, and postage in line with actual expenditures in FY11. The request also included an increase of approximately \$250 thousand for information technology equipment. The WCA is moving toward becoming a paperless agency by reconfiguring courtrooms to enable judges to access files and medical records electronically. The WCA is also focused on electronic medical records and e-billing as a means to reduce administrative costs for healthcare professionals in order to expand the medical community that handles workers' compensation claims. The committee recommendation supports the agency's request and established goals.

The WCA receives funding from quarterly fees of \$2 collected from employees and matched by an employer contribution of \$2, and a 30 cent assessment, for a combined annual total of \$17.20 per employee per year. The 30 cent assessment supports claims filed against employers noncompliant with the law requiring workers' compensation insurance. The base assessment for workers' compensation has not increased since it was first established back in 1993. In 2004, the Workers' Compensation Administration Act was amended to provide for the 30 cent assessment from employers to support the uninsured employers' fund.

In FY11, the WCA experienced a 1.9 percent increase in assessment fee revenues over FY10 revenues. The WCA is projecting FY13 revenues to increase by 3.1 percent as a result of proposed WCA negotiations with New Mexico Finance Authority to pay off the debt principal for the Albuquerque office building in FY12. In FY13, the WCA will commence receiving an additional \$350 thousand annually.

The committee recommends a \$750 thousand transfer from the Workers' Compensation Administration fund to the Workforce Solutions Department (WSD). In both FY10 and FY11, the WCA made transfers to both the general fund and the Workforce Solutions Department. In FY10, \$4.5 million was transferred to the general fund and \$692 thousand was transferred to the WSD. In FY11, \$1.9 million was transferred to the general fund and \$692 thousand was transferred to the WSD. In FY12, the WCA transferred \$1 million to the WSD. Historically, the workers' compensation fees have provided more than adequate funding for the WCA's operating budget, leading to a healthy annual fund balance of around \$10 million to \$11 million from 2002-2008. The WCA projects the fund balance to be \$3.9 million for the workers' compensation administration fund and \$1.9 million for the uninsured employers' fund at the end of FY12.

With inclusion of the \$750 thousand transfer to the WSD, the committee's recommendation increases the WCA's FY13 budget by \$506 thousand, or 4.4 percent, over the FY12 operating budget.

Expenditures in FY11 for the uninsured employers' fund program were approximately \$600 thousand. The WCA's FY13 request for this program was flat compared with the agency's FY12 operating budget of \$1.17 million. The funding in this program is used to reimburse third-party administrators for injured worker benefits. The expenditure history in this program is insufficient to ascertain how many claims there might be in FY13. The committee supports the agency's request because of the aforementioned uncertainty and because any unused revenues revert at the end of FY13 to the uninsured employers' fund.

The WCA has seven offices statewide and is headquartered in Albuquerque. The state-owned 7 thousand square foot office in Las Vegas houses 5 FTE and is underused. The agency has reached out to the local city and county governments as well as the school district for potential renters. The committee recommends the WCA continue dialogue with the GSD's Property Control Division to ensure this state-owned property does not continue to be underused.

WORKERS' COMPENSATION ADMINISTRATION

The purpose of the workers' compensation administration program is to assure the quick and efficient delivery of indemnity and medical benefits to injured and disabled workers at a reasonable cost to employers.

**BUDGET SUMMARY
(dollars in thousands)**

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	11,853.1	10,353.9	10,354.5	10,860.2	4.9
SOURCES TOTAL	11,853.1	10,353.9	10,354.5	10,860.2	4.9
USES					
Personal Services and Employee Benefits	7,362.5	7,827.2	8,390.7	8,146.4	4.1
Contractual Services	290.9	348.7	348.7	348.7	0.0
Other	1,257.1	1,178.0	1,615.1	1,615.1	37.1
Other Financing Uses	2,591.5	1,000.0	0.0	750.0	-25.0
TOTAL USES	11,502.0	10,353.9	10,354.5	10,860.2	4.9
FTE					
Permanent	130.0	130.0	124.0	124.0	-4.6
TOTAL FTE POSITIONS	130.0	130.0	124.0	124.0	-4.6

WORKERS' COMPENSATION ADMINISTRATION

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PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent of formal claims resolved without trial	87.6%	77.5%	86%	86%	86%
* Outcome	Rate of serious injuries and illnesses caused by workplace conditions per one hundred workers	.640	.740	0.620	.62	.62
* Outcome	Percent of employers referred for investigation that are determined to be in compliance with insurance requirements of the Workers' Compensation Act	65.1%	67.43%	67%	67%	68%
Outcome	Percent of employers with worker compensation premium liabilities above five thousand dollars that have met reporting requirements for safety inspections	28.6%	32.4%	35%	35%	35%
Efficiency	Percent of employers experiencing three or more accidents within a twelve-month period that demonstrate a reduction in the number of accidents per year following workers' compensation administration safety inspection or consultation	72.4%	61.1%	65%	65%	65%
* Output	Number of first reports of injury processed	34,742	33,396	37,200	37,200	37,200

UNINSURED EMPLOYERS FUND

**BUDGET SUMMARY
(dollars in thousands)**

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Other Revenues	972.1	1,169.1	1,168.5	1,168.5	-0.1
SOURCES TOTAL	972.1	1,169.1	1,168.5	1,168.5	-0.1
USES					
Contractual Services	22.1	100.0	100.0	100.0	0.0
Other	574.4	1,069.1	1,068.5	1,068.5	-0.1
TOTAL USES	596.5	1,169.1	1,168.5	1,168.5	-0.1
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

STATUTORY AUTHORITY:

The Division of Vocational Rehabilitation (DVR) is governed by the statutory guidelines outlined in Sections 22-14-1 to 22-14-30 NMSA 1978. The DVR is a division within the Public Education Department. The statute requires the DVR to provide vocational education to disabled individuals. Vocational education services include guidance and counseling, vocational instruction, training for vocational education instructors, transportation, and training material and equipment.

MISSION:

The mission of the DVR is to encourage and assist the efforts of New Mexicans with disabilities to reach their goals for working and living in their communities.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	5,676.1	5,348.7	5,673.6	5,619.3	5.1
Other Transfers	956.0	966.5	775.1	779.2	-19.4
Federal Revenues	29,193.2	35,987.8	39,698.3	39,560.0	9.9
Other Revenues	16.4	0.0	0.0	0.0	
Fund Balance	38.4	132.1	109.1	109.1	-17.4
SOURCES TOTAL	35,880.1	42,435.1	46,256.1	46,067.6	8.6
USES					
Personal Services and Employee Benefits	16,450.6	18,534.4	18,959.0	18,770.5	1.3
Contractual Services	679.5	1,068.2	1,069.9	1,069.9	0.2
Other	18,233.7	22,832.5	26,227.2	26,227.2	14.9
Other Financing Uses	87.6	0.0	0.0	0.0	
TOTAL USES	35,451.4	42,435.1	46,256.1	46,067.6	8.6
FTE					
Permanent	280.0	280.0	277.0	277.0	-1.1
Term	25.0	25.0	24.0	24.0	-4.0
TOTAL FTE POSITIONS	305.0	305.0	301.0	301.0	-1.3

BUDGET ISSUES:

The general fund recommendation of \$5.6 million for the agency represents a 5.1 percent increase compared with the FY12 operating budget. The LFC recommendation includes \$26.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Internal service funds/interagency transfers and federal funds were also adjusted accordingly. The overall recommendation provides for an 8.6 percent increase over the FY12 operating budget. The major program for the agency is the Rehabilitation Services Program, which receives federal grant funding at a 78.7 percent match rate to 21.3 percent from the general fund.

In February 2011, the agency implemented an order of selection (waiting list) for the Rehabilitation Services Program as required by federal law when funding and staffing are insufficient to serve all eligible persons with disabilities seeking services. The highest priority clients under the order of selection are those most significantly disabled, a person with three or more impeded functional capabilities. As of September 1, 2011, 1,825 total clients were on the waiting list for services, 590 classified as most significantly disabled, 1,127 as significantly disabled, and 108 with a disability. The DVR reports that 263 individuals have been removed from the waiting list to date.

Although the agency received a reduction in general fund dollars from FY09 to FY12 of approximately 13 percent, a major factor in the creation of the waiting list was a high vacancy rate in the Rehabilitation Services Program, driven by a government wide hiring freeze in place for most of 2009 and 2010. The operating budget for personal costs and benefits for the Rehabilitation Services Program in FY11 was \$13.4 million, but actual spending came in at slightly over \$11.1 million, 21 percent under the budgeted amount. The vacancy rate, which hovered at approximately 10 percent for a number of years, had increased to 23 percent (49 of 209 positions) by June 2011. A lack of staff to provide services has contributed to a reduction in the amount of federal funds spent on clients by more than \$3.5 million in FY11 compared with FY10.

The recommendation for the Rehabilitation Services Program provides a 3 percent increase from the general fund over FY11 and an 8.6 percent overall increase. The agency has reported it is aggressively working with the administration to fill vacancies, but little progress has been shown to date, with vacancies currently at 49 as of September 1, 2011. The agency has deleted four

positions as part of its base request; in recognition of the historical vacancy rate in prior years of about 10 percent, the recommendation includes a vacancy rate of 3 percent. The recommendation assumes additional staff will be hired that will drive up use of federal funds for clients and greatly reduce, if not eliminate, the waiting list.

The recommendation for the Rehabilitation Services Program includes full funding for the Access to Teleworks Program, a statewide, low-interest loan program that allows a disabled New Mexican resident to purchase assistive technology or make home modifications so that he or she can live more independently or productively. In addition the recommendation includes a transfer of \$466 thousand from the Commission for the Deaf and Hard-of-Hearing Persons to provide vocational training for hearing-disabled individuals. These funds qualify as state matching funds.

The Independent Living Services Program contracts with five centers throughout the state to provide services in their communities. The general fund recommendation includes an increase of \$114.8 thousand to reflect the transfer of 1 FTE (two part-time positions) from the Rehabilitation Services Program to the Independent Living Services Program in response to a federal finding that vocational rehabilitation funding should not be used to support management and oversight of the Independent Living Services Program. Federal funds are flat with FY11.

The Disability Determination Program is 100 percent federally funded through the Social Security Administration. The program adjudicates eligibility for supplemental security income (SSI) and social security disability insurance (SSDI) for all applicants from the state of New Mexico. In FY13, the program anticipates an increase in federal funding of \$1.1 million, or 7.3 percent. Vacancies remain a concern in the Disability Determination Program. The program had 22 vacancies in 2011, but were told by the federal government to not fill the federally-funded vacancies.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the rehabilitation services program of the division of vocational rehabilitation in the other category includes four hundred sixty-six thousand dollars (\$466,000) to match with federal funds to support and enhance deaf and hard-of-hearing rehabilitation services.

Any unexpended balance in the division of vocational rehabilitation remaining at the end of fiscal year 2013 from appropriations made from the general fund shall not revert to the general fund.

REHABILITATION SERVICES PROGRAM

The purpose of the rehabilitation services program is to promote opportunities for people with disabilities to become more independent and productive by empowering individuals with disabilities so they may maximize their employment, economic self-sufficiency, independence and inclusion and integration into society.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	<u>FY13 - 2012-2013</u>		% <u>Incr</u> <u>(Decr)</u>
			<u>Agency</u> <u>Request</u>	<u>LFC Recom-</u> <u>mendation</u>	
SOURCES					
General Fund Transfers	4,319.0	4,257.2	4,467.3	4,413.0	3.7
Other Transfers	956.0	966.5	775.1	779.2	-19.4
Federal Revenues	17,866.2	20,134.1	22,710.3	22,513.8	11.8
Other Revenues	15.6	0.0	0.0	0.0	
Fund Balance	38.4	132.1	109.1	109.1	-17.4
SOURCES TOTAL	23,195.2	25,489.9	28,061.8	27,815.1	9.1
USES					
Personal Services and Employee Benefits	11,069.3	12,393.6	12,750.8	12,504.1	0.9
Contractual Services	536.4	821.4	774.9	774.9	-5.7
Other	9,994.4	12,274.9	14,536.1	14,536.1	18.4
Other Financing Uses	87.6	0.0	0.0	0.0	
TOTAL USES	21,687.7	25,489.9	28,061.8	27,815.1	9.1
FTE					
Permanent	190.0	190.0	186.0	186.0	-2.1
Term	19.0	19.0	18.0	18.0	-5.3
TOTAL FTE POSITIONS	209.0	209.0	204.0	204.0	-2.4

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Number of clients achieving suitable employment for a minimum of ninety days	1,488	1,356	1,700	950	1,500
* Outcome	Percent of clients achieving suitable employment outcomes of all cases closed after receiving planned services	53%	51%	60%	55.8%	60%
Outcome	Percent of clients achieving suitable employment outcomes competitively employed or self-employed	98%	99%	95%	95%	97%
Outcome	Percent of clients with significant disabilities achieving suitable employment outcomes who are competitively employed or self-employed, earning at least minimum wage	96%	98%	95%	95%	97%
Outcome	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury			5 days	5 days	5 days
Outcome	Number of working days between disbursements of federal funds from federal treasury to deposit of such funds into State Treasury			1 day	1 day	1 day

INDEPENDENT LIVING SERVICES PROGRAM

The purpose of the independent living services program is to increase access for individuals with disabilities to technologies and services needed for various applications in learning, working and home management.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	1,357.1	1,091.5	1,206.3	1,206.3	10.5
Federal Revenues	167.7	250.0	250.0	250.0	0.0
SOURCES TOTAL	1,524.8	1,341.5	1,456.3	1,456.3	8.6
USES					
Personal Services and Employee Benefits	0.0	0.0	62.0	62.0	
Other	1,373.3	1,341.5	1,394.3	1,394.3	3.9
TOTAL USES	1,373.3	1,341.5	1,456.3	1,456.3	8.6
FTE					
Permanent	0.0	0.0	1.0	1.0	
TOTAL FTE POSITIONS	0.0	0.0	1.0	1.0	

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Output	Number of independent living plans developed	724	1399	700	800	800
* Output	Number of individuals served for independent living	1,008	1,417	800	1,000	1,100

DISABILITY DETERMINATION PROGRAM

The purpose of the disability determination program is to produce accurate and timely eligibility determinations to social security disability applicants so they may receive benefits.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Federal Revenues	11,159.3	15,603.7	16,738.0	16,796.2	7.6
Other Revenues	0.8	0.0	0.0	0.0	
SOURCES TOTAL	11,160.1	15,603.7	16,738.0	16,796.2	7.6
USES					
Personal Services and Employee Benefits	5,381.3	6,140.8	6,146.2	6,204.4	1.0
Contractual Services	143.1	246.8	295.0	295.0	19.5
Other	6,866.0	9,216.1	10,296.8	10,296.8	11.7
TOTAL USES	12,390.4	15,603.7	16,738.0	16,796.2	7.6
FTE					
Permanent	90.0	90.0	90.0	90.0	0.0
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	96.0	96.0	96.0	96.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Efficiency	Number of days for completing an initial disability claim	92	99.6	80	90	80
* Quality	Percent of disability determinations completed accurately	98.5%	98.5	98.8%	98.8%	98.8%

STATUTORY AUTHORITY:

Sections 28-10-1 through 28-10-8 NMSA 1978 created the Governor's Commission on Disability. The commission has 15 members, nine appointed by the governor. Six members are representatives of other state agencies: the secretaries of the Human Services Department, the Labor Department, the Children, Youth and Families Department, and the Aging and Long-Term Services Department and the directors of the Division of Vocational Rehabilitation, the Public Education Department and the director of the Behavioral Health Services Division of the Human Services Department. Section 28-10-1 NMSA 1978 expanded the number of appointed commissioners from 13 to the current 15 members.

MISSION:

The mission of the Governor's Commission on Disability is to work to increase the quality of life of all New Mexicans with disabilities and remove barriers to full participation in their communities.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	<u>Incr</u> <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,084.4	645.7	954.0	816.4	26.4
Other Transfers	97.3	58.3	0.0	0.0	-100.0
Fund Balance	0.0	250.0	0.0	101.4	-59.4
SOURCES TOTAL	1,181.7	954.0	954.0	917.8	-3.8
USES					
Personal Services and Employee Benefits	643.7	638.0	638.8	646.5	1.3
Contractual Services	343.3	208.5	198.8	173.3	-16.9
Other	95.3	107.5	116.4	98.0	-8.8
TOTAL USES	1,082.3	954.0	954.0	917.8	-3.8
FTE					
Permanent	10.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	10.0	8.0	8.0	8.0	0.0

BUDGET ISSUES:

The commission request for FY13 is flat compared with the FY12 operating budget but includes a number of proposed adjustments. First, the commission is no longer budgeting approximately \$58 thousand in transfer revenue from the Human Services Department (HSD) used for outreach for employment of the disabled due to the grant expiring in FY12. The commission had hoped to replace the loss of this funding with disability employment initiative funding from the U.S. Department of Labor through the Workforce Solutions Department, but New Mexico was not selected to receive a grant.

Second, as a result of the loss of the HSD funding and lower cash balances, the commission has requested a \$308.3 thousand increase from the general fund. Updated information received since the budget submission projects a higher cash balance for the end of FY12 and the recommendation budgets \$100 thousand of nonreverting balances that have accrued in the disability fund for FY13. The recommendation provides for a \$164.4 thousand increase from the general fund (25.5 percent) to support the commission, which replaces the loss of transfer revenue and supports level of effort for key commission programs. The LFC recommendation also includes \$6.3 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds and internal service funds/interagency transfers were also adjusted accordingly. The commission is encouraged to continue actively seeking grants and other revenue sources to support their operations.

The recommendation fully funds the commission's \$50 thousand request to support a contract for adaptive driving training for the disabled. The adaptive driving contract was awarded during 2011 and now these services are available in-state for the first time after an absence of a number of years. The commission is working with both the Department of Vocational Rehabilitation as well as the U.S. Veterans Administration to provide financial support (along with client referrals) to the adaptive driving program.

GOVERNOR'S COMMISSION ON DISABILITY

The purpose of the governor's commission on disability is to promote policies and programs that focus on common issues faced by New Mexicans with disabilities, regardless of type of disability, age or other factors. The commission educates state administrators, legislators and the general public on the issues facing New Mexicans with disabilities, especially as they relate to Americans with Disabilities Act directives, building codes, disability technologies and disability culture so they can improve the quality of life of New Mexicans with disabilities.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
* Output	Number of architectural plans reviewed and sites inspected	204	180	200		180
* Output	Number of meetings held to develop collaborative partnerships with other state agencies and private disability agencies to ensure that quality of life issues for New Mexicans with disabilities are being addressed	410	464	250	250	300
Outcome	Number of presentations and events in which agency participates and contributes	76	64	50	50	50
Outcome	Percent of requested architectural plan reviews and site inspection completed		80%	90%	80%	90%

STATUTORY AUTHORITY:

The Developmental Disabilities Planning Council (DDPC) was created to comply with the federal Developmental Disabilities Assistance and Bill of Rights Act and functions as a statewide planning and advocacy agency for people with developmental disabilities (Sections 28-16A NMSA 1978). The council is composed of no fewer than 18 members. At least 60 percent must be people with developmental disabilities or their parents, immediate relatives, or legal guardians. The DDPC also staffs the 18-member Brain Injury Advisory Council, which makes recommendations concerning case management, community support systems, long-term care, employment, emergency medical services, rehabilitation and prevention, and coordination of state services for people with brain injuries (Section 24-20-3 NMSA). Laws 2003, Chapter 280, transferred the Office of Guardianship from the Attorney General to the DDPC, and the agency is responsible for providing guardianship services to individuals assigned by the judiciary as being unable to manage their financial affairs (Section 45-5-310 NMSA 1978).

MISSION:

The New Mexico Developmental Disabilities Planning Council will engage in advocacy, capacity building, and systemic change activities to contribute to a culturally competent and coordinated system of community services, individualized supports, and other forms of assistance that are individual- and family-centered and directed, and to enable individuals with disabilities to exercise self-determination, be independent, be productive, and be integrated and included in all facets of community life.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	4,061.5	4,135.3	4,570.5	4,522.3	9.4
Other Transfers	473.4	475.0	475.0	475.0	0.0
Federal Revenues	436.1	507.1	509.5	511.6	0.9
Other Revenues	47.5	0.0	0.0	0.0	
SOURCES TOTAL	5,018.5	5,117.4	5,555.0	5,508.9	7.7
USES					
Personal Services and Employee Benefits	835.6	1,063.0	1,077.8	1,090.4	2.6
Contractual Services	3,433.1	3,596.8	3,994.7	3,984.4	10.8
Other	501.2	457.6	482.5	434.1	-5.1
TOTAL USES	4,769.9	5,117.4	5,555.0	5,508.9	7.7
FTE					
Permanent	15.0	15.0	15.0	15.0	0.0
TOTAL FTE POSITIONS	15.0	15.0	15.0	15.0	0.0

BUDGET ISSUES:

The DDPC base appropriation request was \$5.6 million, \$438 thousand or 8.6 percent over the adjusted FY12 operating budget of \$5.1 million. The majority of the requested increase, \$396 thousand, was to address estimated client growth in the Office of Guardianship. For FY12 and FY13, the DDPC will receive \$400 thousand from the Medicaid program for paying corporate guardians.

Both the Developmental Disabilities Planning Council and Brain Injury Advisory Council are meeting program requirements and provide advice to the Department of Health (DOH), Aging and Long-Term Services Department (ALTSD), and the Human Services Department (HSD). In FY13, the Consumer Services Program that operates the Center for Self-Advocacy to support and assist individuals with disabilities, has been combined with the Developmental Disabilities Planning Council Program within the agency's budget request.

The council has submitted nominees to the governor's office to replace members whose terms have expired. Due to vacancies, the council has had difficulty in meeting the requirement that 60 percent of the members have developmental disabilities or be the parent, immediate relative, or legal guardian of a person with a disability.

For the Office of Guardianship, the number of clients receiving corporate guardianship at the end of FY11 was 830, an increase of 46 from FY10 or 5.9 percent. The DDPC projects growth at approximately 50 to 100 wards per year until the program stabilizes at approximately 1.5 thousand. Since the guardianship program was transferred from the Attorney General in 2004, the program has grown from \$2.4 million to \$3.8 million, an increase of 58.3 percent; and FTE have grown from 2.5 to 5.5, an increase of 120 percent. As is true with other social services programs, the need for state guardianship services has increased faster than growth in revenues to support it, and guardianship has assumed a significantly increased role for the DDPC.

The DDPC reports meeting many of its performance targets; however, requested targets for some measures were significantly below FY11 performance.

The recommendation is \$5.5 million, which represents a 7.7 percent increase. The LFC recommendation includes \$11.4 from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. Transfers from the general fund are recommended at \$4.5 million, an increase of 9.4 percent. Personal services and employee benefits were recommended as requested; however, benefits were adjusted to reflect the correct rate calculations. Guardianship contractual services are recommended at \$3.7 million, an increase of 11.7 percent. The recommendation transfers the Consumer Services Program and its 2 FTE into the Developmental Disabilities Planning Council Program as requested. The \$400 thousand in transfers from the HSD is included in the Office of Guardianship recommendation to allow for expansion of corporate and treatment guardianships at a mix determined by the program. The agency had a list of 28 individuals waiting for guardianship services at the end of FY11. Legal services should be provided by the in-house legal staff or legal staff at the HSD, and continuation of pro-bono legal services is encouraged. The director should try to negotiate an agreement with the University of New Mexico Center for Development and Disability or Department of Health to augment services provided by the Consumer Services Program. The agency should move into a state facility in Santa Fe and consider consolidating its small Albuquerque office with the Santa Fe location. At a minimum, lease costs should be renegotiated based on the high office space vacancy in Santa Fe. The recommendation includes a reduction in lease costs to encourage resolution of these issues.

The Office of Guardianship should consider seeking sources of funding other than general fund revenue, such as additional Medicaid funds, donations and contributions. The office should also consider coordinating legal services with the Veterans' Services Department or Senior Citizens Law Office and researching and emulating other states' approaches to funding guardianship services.

The DDPC's FY10 annual external audit included four findings all based on inadequate internal financial controls. The DDPC needs to review its internal control procedures in the preparation, recording, reconciliation, and review of its financial transactions and implement procedures to strengthen controls over its financial records. The agency should implement its plan to cross-train employees and distribute financial functions among administrative personnel including its managers and directors.

Lastly, given the DDPC's mission to plan and advocate for persons with disabilities, the agency should enhance its advisory role with the DOH as that department implements a new developmental disabilities Medicaid waiver.

RECOMMENDED LANGUAGE:

Any unexpended balances in the office of guardianship of the developmental disabilities planning council remaining at the end of fiscal year 2013 from appropriations made from the general fund and internal service funds/interagency transfers shall not revert.

DEVELOPMENTAL DISABILITIES PLANNING COUNCIL

The purpose of the developmental disabilities planning council program is to provide and produce opportunities for persons with disabilities so they may realize their dreams and potential and become integrated members of society.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	674.0	683.8	697.1	661.9	3.2
Other Transfers	75.0	75.0	75.0	75.0	0.0
Federal Revenues	436.1	507.1	509.5	511.6	0.9
SOURCES TOTAL	1,185.1	1,265.9	1,281.6	1,248.5	-1.4
USES					
Personal Services and Employee Benefits	574.4	579.5	581.0	588.2	1.5
Contractual Services	216.4	317.0	316.2	316.2	-0.3
Other	393.6	369.4	384.4	344.1	-6.8
TOTAL USES	1,184.4	1,265.9	1,281.6	1,248.5	-1.4
FTE					
Permanent	8.5	8.5	8.5	8.5	0.0
TOTAL FTE POSITIONS	8.5	8.5	8.5	8.5	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of persons with developmental disabilities, their family members or guardians and others involved in services for persons with developmental disabilities served by the agency in federally mandated areas	4,617	27,452	4,500	Discontinue	4,500
Output	Number of monitoring site visits conducted	71	66	60	Discontinue	60
Output	Number of project, programmatic and financial reports reviewed to assure compliance with state and federal regulations	135	159	125	Discontinue	125
Output	Number of client contacts to assist on health, housing, transportation, education, child care, medicaid services and other programs		10,125	6,000	6,000	6,000
Output	Number of individuals trained on self-advocacy and disability-related issues		2,171	400	400	400
Output	Number of trainings conducted annually on self-advocacy and disability-related issues		128	50	50	50
Outcome	Percent of participants satisfied with trainings and delivery of services, as evidenced by satisfactory survey ratings		96.2%	95%	95%	95%
Outcome	Percent of participant knowledge gained through education or training on self-advocacy and disability-related issues as evidenced by training tests		81.8%	80%	80%	80%

BRAIN INJURY ADVISORY COUNCIL

The purpose of the brain injury advisory council program is to provide guidance on the use and implementation of programs provided through the human services department's brain injury services fund so the department may align service delivery with needs identified by the brain injury community.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	91.5	85.6	105.3	94.5	10.4
SOURCES TOTAL	91.5	85.6	105.3	94.5	10.4
USES					
Personal Services and Employee Benefits	58.1	63.4	65.6	66.5	4.9
Contractual Services	6.7	2.0	17.0	6.7	235.0
Other	22.0	20.2	22.7	21.3	5.4
TOTAL USES	86.8	85.6	105.3	94.5	10.4
FTE					
Permanent	1.0	1.0	1.0	1.0	0.0
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of participant knowledge gained through education or training on traumatic brain injury issues as evidenced by training tests	96%	96%	95%	95%	95%

OFFICE OF GUARDIANSHIP

The purpose of the office of guardianship is to enter into, monitor and enforce guardianship contracts for income-eligible persons and to help file, investigate and resolve complaints about guardianship services provided by contractors to maintain the dignity, safety and security of the indigent and incapacitated adults of the state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	3,296.0	3,365.9	3,768.1	3,765.9	11.9
Other Transfers	398.4	400.0	400.0	400.0	0.0
Other Revenues	47.5	0.0	0.0	0.0	
SOURCES TOTAL	3,741.9	3,765.9	4,168.1	4,165.9	10.6
USES					
Personal Services and Employee Benefits	203.1	420.1	431.2	435.7	3.7
Contractual Services	3,210.0	3,277.8	3,661.5	3,661.5	11.7
Other	85.6	68.0	75.4	68.7	1.0
TOTAL USES	3,498.7	3,765.9	4,168.1	4,165.9	10.6
FTE					
Permanent	5.5	5.5	5.5	5.5	0.0
TOTAL FTE POSITIONS	5.5	5.5	5.5	5.5	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Quality	Percent of protected persons provided with legal assistance satisfied with services, as evidenced by an annual satisfaction survey	87%	80%	90%	80%	80%
* Outcome	Percent of protected persons properly served with the least restrictive means as evidenced by an annual technical compliance audit	95%	95%	95%	95%	95%
Quality	Percent of protected persons properly served by professional guardianship providers satisfied with services, as evidenced by an annual satisfaction survey	90%	80%	90%	80%	80%

STATUTORY AUTHORITY:

Sections 23-3-1 through 23-3-3 NMSA 1978 created the Miners' Hospital of New Mexico.

MISSION:

The mission of the Miners' Hospital of New Mexico, an agency of the state of New Mexico, is to be the leader in health care, providing quality acute care, long-term care, and related services to the beneficiaries of the miners' trust fund of New Mexico and the people of the region.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013 Agency <u>Request</u>	LFC Recom- <u>mendation</u>	% Incr <u>(Decr)</u>
SOURCES					
Other Transfers	5,341.4	5,023.8	5,023.8	4,699.1	-6.5
Federal Revenues	446.8	321.8	321.8	321.8	0.0
Other Revenues	24,219.6	22,497.4	23,197.4	23,023.5	2.3
SOURCES TOTAL	30,007.8	27,843.0	28,543.0	28,044.4	0.7
USES					
Personal Services and Employee Benefits	13,513.8	12,770.3	14,183.5	13,687.0	7.2
Contractual Services	3,745.7	3,908.8	3,158.9	3,158.9	-19.2
Other	6,202.6	6,140.1	6,176.8	6,174.7	0.6
Other Financing Uses	5,339.1	5,023.8	5,023.8	5,023.8	0.0
TOTAL USES	28,801.2	27,843.0	28,543.0	28,044.4	0.7
FTE					
Permanent	211.5	211.5	211.5	211.5	0.0
Term	13.5	13.5	13.5	13.5	0.0
TOTAL FTE POSITIONS	225.0	225.0	225.0	225.0	0.0

BUDGET ISSUES:

The request of \$28.5 million represents a 2.5 percent increase over the FY12 operating budget. The agency projected a 3.1 percent increase from its earned revenues and distribution from the miners' trust fund. The miners' trust fund is part of the land grant permanent fund and had a balance of \$108.8 million at the close of FY11. The FY13 distribution to the miners' trust income fund is estimated at \$5 million. The income fund had a balance of \$5.5 million at the end of FY11.

The committee recommendation is \$28 million, an increase of 0.7 percent from FY12. The LFC recommendation includes \$158.4 thousand from other state funds and internal service funds/interagency transfers to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Vacant positions are budgeted as requested. The agency did not propose a vacancy rate reduction, but the recommendation applies a 3.7 percent vacancy rate. Contractual services are recommended as requested but are down 19.2 percent from the FY12 operating budget. Other costs and other financing uses are recommended at the requested level, flat with FY12. The recommendation includes transfers of \$5 million from income fund distributions for FY13. The debt and interest payments for the hospital are \$1.3 million, and earnings from the miners' trust fund were used to secure the financing. Prior to FY12, the agency traditionally had budget adjustment authority to bring in distributions from the trust when revenues exceeded the appropriated amount.

In FY11, the hospital received critical access designation allowing the facility to bill Medicare-eligible charges at 101 percent of authorized cost. This is estimated to generate \$1.3 million of additional earned revenues dependent on the hospital's Medicare cost reports.

Net revenues have grown due primarily to increases in surgeries resulting from the hiring of a surgeon and increased private beds at the nursing home; however, there will continue to be a need to generate third-party payer revenues. The average inpatient census has been somewhat variable for the last five years with an average census of 16. The long-term care facility occupancy rate was 78 percent to 85 percent, which includes the effect of opening additional private-pay beds.

In addition to being a hospital designated for miners, the hospital serves as the county hospital for Colfax County. The acute care hospital provides in-patient and out-patient care and has two state-of-the-art operating rooms. The administration has recruited surgeons and other healthcare professionals to the hospital to provide needed care and maximize use of the facilities. The hospital has reduced the infection rate following treatment from 7.7 percent to about 1 percent per 1 thousand patient days, and the percent of emergency patients returning with the same or similar diagnosis is 1 percent, both of which are commendable outcomes.

The hospital and long-term care facility is the largest employer in the area. Fluctuations in mining activity in the region affect the patient census at the hospital along with the payer mix. The importance remains on funding salaries, employee benefits and maintaining the commensurate local tax base in relation to the continued competition for healthcare professionals and qualified administrative personnel within the state and regionally.

The status of the old hospital needs to be resolved because the agency and local representatives have been unable to find suitable occupants. The medical center's five-year construction plan shows the old hospital is scheduled for demolition in FY15 at an estimated cost of \$650 thousand.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriation to the healthcare program of the miners' hospital of New Mexico in the other financing uses category includes five million twenty-three thousand eight hundred dollars (\$5,023,800) from the miners' trust fund.

MINERS' HOSPITAL OF NEW MEXICO

The purpose of miners' hospital of New Mexico is to provide quality acute care, long-term care and related health services to the beneficiaries of the miners' trust fund of New Mexico and the people of the region so they can maintain optimal health and quality of life.

PERFORMANCE MEASURES

		<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY13</u>
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
Outcome	Percent of budgeted revenue collected	100%	100%	100%	100%	100%
* Outcome	Annual percentage of healthcare-associated infections (formerly nosocomial)	5%	.47%	<2%	<2%	<2%
Outcome	Average patient length of stay, in days, for the acute care facility	3.31	3.02	4.0	<96 hours	<96 hours
* Outcome	Rate of unassisted patient falls per one thousand patient days in the long-term care facility	.4%	8%	<0.5%	<0.5%	<0.5%
Output	Number of outpatient visits	12,761	11,275	15,840	15,840	16,000
Output	Number of outreach clinics conducted	16	11	18	18	18
Output	Number of admissions to the acute care facility	1,302	1,141	1,600	1,600	1,600
Output	Number of discharges from the acute care facility	1,322	1,161	1,500	1,500	1,600
Output	Number of visits to the black lung clinic	32	25	150	150	150
Output	Number of admissions to the long-term care facility	44	33	35	35	35
Output	Number of visits to the outreach clinic	406	381	500	500	500
Output	Number of surgeries performed	755	684	800	800	800
Outcome	Percent of occupancy at nursing home based on licensed beds		85%	85%	85%	85%
Efficiency	Gross number of days in accounts receivable		69	70	70	70
* Quality	Percent of patients readmitted to the hospital within 30 days with the same or similar diagnosis	15.9%	8%	<15%	<15%	<15%
Quality	Percent of time that provider fails to respond to emergency room patient within required timeframes		14%	<5%	<5%	<5%
Quality	Percent of emergency department patients returning to the emergency room department with same or similar diagnosis within 72 hours of their initial visit		1%	<15%	<15%	<15%

STATUTORY AUTHORITY:

The Department of Health (DOH) was created by Sections 9-1-7 through 9-7-15 NMSA 1978 to serve the citizens of New Mexico through programs designed to prevent disease and disability, promote health, and prevent or treat problems of mental health, substance abuse, developmental disabilities, and chronic disease. The agency licenses health and long-term care facilities and operates seven treatment centers, the state scientific laboratory, and public health offices in all counties. The department currently has seven programs: Public Health; Epidemiology and Response; Laboratory Services; Facilities Management; Developmental Disabilities Support; Health Certification, Licensing and Oversight; and Administration.

Among the responsibilities of the department are the activities under the New Mexico Rural Primary Health Care Act and school-based health services, health surveillance and outbreak response, vital health statistics, accessible emergency medical services, pharmaceutical services, community-based services for the developmentally disabled, and licensing and oversight of hospitals, nursing homes, other healthcare facilities and community programs.

In addition to providing other services, the Facilities Management Program operates the Los Lunas Community Program, New Mexico Rehabilitation Center in Roswell, Behavioral Health Institute in Las Vegas, Veterans' Home in Truth or Consequences, Fort Bayard Medical Center outside of Silver City, and Sequoyah Adolescent Residential Treatment Center and Turquoise Lodge for chemical dependency treatment, both in Albuquerque.

MISSION:

The mission of the New Mexico Department of Health is to provide leadership to guide public health and to protect the health of all New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	263,161.0	288,707.1	288,707.1	291,247.5	0.9
Other Transfers	23,522.8	26,891.1	26,303.0	26,343.3	-2.0
Federal Revenues	88,527.2	103,570.2	104,027.6	104,100.8	0.5
Other Revenues	105,734.3	113,781.2	113,288.3	113,320.6	-0.4
Fund Balance	535.5	219.7	0.0	0.0	-100.0
SOURCES TOTAL	481,480.8	533,169.3	532,326.0	535,012.2	0.3
USES					
Personal Services and Employee Benefits	203,112.4	213,225.2	212,975.8	213,054.3	-0.1
Contractual Services	70,818.4	71,511.0	74,504.3	74,922.9	4.8
Other	131,330.9	154,933.6	151,262.3	150,731.9	-2.7
Other Financing Uses	66,611.4	93,499.5	93,583.6	96,303.1	3.0
TOTAL USES	471,873.1	533,169.3	532,326.0	535,012.2	0.3
FTE					
Permanent	3,017.5	2,924.5	2,924.5	2,924.5	0.0
Term	1,062.5	995.5	1,000.5	1,000.5	0.5
Temporary	25.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	4,105.0	3,941.0	3,946.0	3,946.0	0.1

BUDGET ISSUES:

The agency FY13 base request was \$532.3 million, a decrease of \$843.3 thousand from the FY12 operating budget. Transfers from the general fund were requested at \$288.7 million and were the same as FY12.

The recommendation is \$535 million, of which \$291.2 million is from the general fund and represents an increase of 0.9 percent. The LFC recommendation includes \$1 million from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The recommendation includes an expansion item within the Public Health Program for 7 term FTE and \$598 thousand in other revenue for the Medical Cannabis Program. The recommendation also includes a reduction of 2 term FTE within the Epidemiology and Response Program as requested by the DOH. Minimal vacancy rate reductions were applied in most divisions while recognizing the agency has a vacancy rate of near 20 percent and applied vacancy savings within the request. The General Services Department risk rates were funded at the levels provided by the Risk Management Division, but the Department of Information Technology radio communication rate was recommended at \$30 thousand less than the request to equal the prescribed GSD rate.

The recommendation for the Developmental Disabilities Support Program includes an additional \$2.7 million in general fund transfers for serving people on the waiting list for the Developmentally Disabled Medicaid waiver. Facility leases were reduced by 1 percent to 2 percent due to the high vacancy of the DOH office space throughout the state and given the executive's initiative to save taxpayers' dollars by more efficient and cost-effective use of leased and state-owned office space. Transfers from the tobacco settlement program fund were recommended at the requested level.

The recommendation for the Public Health Program is \$189.1 million, an increase of \$2.5 million from the FY12 operating budget and \$1.6 million higher than the request. General fund appropriations are recommended at \$66.8 million, a 0.4 percent increase over FY12 and almost \$1 million higher than the request. The recommendation adds the expansion item for the Medical Cannabis Program funded with other revenue generated by the program's license and producer fees. The recommendation also includes the addition of \$980.6 thousand in general fund revenue to support contracts for rural and primary healthcare clinics statewide and training for primary care residents. The request increased contracts by \$1.9 million and added funding for public health accreditation, children's medical services, family planning services, building security, and electronic health records, while reducing funding for immunization contracts.

The Public Health Program is advancing a voluntary initiative to achieve public health accreditation by the end of 2012. The Public Health Accreditation Board sets standards to measure the effectiveness and efficiency of essential public health services and awards accreditation when their standards are met.

The recommendation for the Epidemiology and Response Program is \$23.5 million, a 7.2 percent decrease from the FY12 operating budget. General fund appropriations are recommended at \$8 million, a reduction of 0.4 percent. Remaining revenues are adjusted to account for the retirement restoration. The agency requested a 6.8 percent vacancy rate and the recommendation adds an additional 1 percent vacancy rate based on a high historical vacancy rate of approximately 20 percent. The program continues to provide valuable reports of health status in the state including the New Mexico indicator-based information system, which provides up-to-date information of health issues.

The recommendation for the Laboratory Services Program is \$12.2 million, a 9.4 percent increase over the FY12 operating budget. The recommendation is at the requested level of funding, plus the retirement restoration, to allow the program to hire additional scientists and personnel to meet the program's workload requirements for driving-while-intoxicated sample testing and other requirements. The program provides "free testing" to the Office of Medical Investigator, Environment Department, the judiciary, internal DOH programs, and the dairy industry. A study should be conducted by the DOH to determine the feasibility of charging these agencies for the laboratory testing. The program moved into a new facility, part of the State Laboratories that includes the Scientific Laboratory Program, Office of the Medical Investigator, and Department of Agriculture Veterinary Diagnostic Services. The DOH has been designated by the GSD as the primary user and is responsible for upkeep of the new building. Maintenance costs for the building and its equipment are included in the recommendation at the requested level of funding.

The Facilities Management Program request was \$138.4 million, a decrease of near \$1 million from the FY12 operating budget. Transfers from the general fund were requested at \$62.5 million. The recommendation for the Facilities Management Program is \$137.9 million, a 1.1 percent decrease from the FY12 operating budget. The general fund transfers are recommended at \$62 million, a reduction of 0.8 percent. The recommendation is based on application of an additional 1 percent in vacancy savings over the requested level of funding for personnel services and employee benefits, saving \$866 thousand; a 1 percent reduction in overtime, saving \$76.5 thousand; and a reduction in leases, particularly at the Los Lunas Community Program, saving \$370 thousand.

Despite efforts by the department to increase revenues from third-party payers, the percentage of general fund in the total operating budget for the Facilities Management Program has continued to increase. In FY07, support from the general fund was 38.4 percent of the operating budget, whereas the FY13 request was 54.9 percent. The LFC recommends the DOH implement findings of the 2009 "Department of Health, Review of Facilities Management Division" LFC program evaluation to include staffing changes that allow adjustment to changing facility census, consolidating purchases for goods and services common to the facilities, and closing LLCP and transferring clients to private providers. The Facilities Management Program needs to reduce transfers from the general fund and aggressively collect all available revenues from other payers.

The DOH states in its request the Facilities Management Program's major challenges are recruiting and retaining qualified health professionals; high supply costs for items such as pharmaceuticals, equipment, disposable supplies, fuel, utilities and food; and the costs of maintaining physical plants, including the maintenance on aging buildings as well as the high cost of leasing.

In 2007, the DOH voluntarily entered into a settlement agreement with the U.S. Department of Justice (DOJ) that would ensure residents at Fort Bayard Medical Center (FBMC) receive the care and services they need to lead the highest quality of life possible. Per that agreement, the DOJ made periodic inspections to ensure the FBMC was complying with this settlement. In the current year, the FBMC met all the requirements to terminate the settlement with the DOJ.

The department's FY12 request for the Developmental Disabilities Support Program was \$140.6 million, almost a 1 percent decrease from the FY12 operating budget. Transfers from the general fund were requested at \$129.1 million, flat with the operating level. The recommendation is \$143.1 million, an increase of 1.7 percent; the appropriation from the general fund is \$131.6 million, an increase of 2 percent. The recommendation incorporates the proposed cost-containment actions being implemented by the department for the DD Medicaid waiver.

At the end of FY11, 3,812 developmentally disabled clients were receiving services from the DD Medicaid waiver, but 5,401 were on the waiting list to receive services. The 2011 General Appropriation Act provided \$1 million to reduce the number of individuals on the DD Medicaid waiver waiting list. The DOH indicates it will use these funds to reduce the waiting list in FY12 by 50 individuals, but midway through the fiscal year, fewer than 20 have received services. However, the program did provide independent living, vocational, habilitation, adaptive skill building, and respite services to approximately 1 thousand individuals with its 100 percent state general fund services. Nonetheless, as pointed out in the 2010 LFC performance evaluation, "Departments of Health and Human Services Evaluation of Developmental Disabilities Program," additional revenues appropriated were mostly used to expand services to existing clients rather than reduce the waiting list. The current wait for services is approximately eight years and the waiting list continues to grow. Therefore, the recommendation includes an additional \$2.7 million in general fund revenue to reduce the waiting list to serve clients under the DD Medicaid waiver.

The agency received recognition from the Supported Employment Leadership Network, a part of the National Association of State Directors of Developmental Disabilities Services, for its efforts to find meaningful employment for clients. The program had made significant progress on the Jackson Lawsuit in the past years by disengaging from nine more of the 55 outcomes required to end the lawsuit. Currently, 43 of the 55 stipulated outcomes have been disengaged. However, the program's efforts to make court-mandated Jackson and Foley lawsuit positions a priority, restricts the program's ability to fill other vacancies and address other critical functions.

The developmental disabilities Medicaid waiver provides a comprehensive array of supports and services to children and adults with developmental disabilities, including persons with autism. The waiver was reauthorized by the Centers for Medicare and Medicaid Services effective July 2011 for a five-year period. The program has experienced rising per-person costs over the last five years, and this increase in cost, coupled with a decrease in the federal medical assistance percentage (FMAP) rate, required significant restructuring of the DD waiver program. The program is implementing cost-containment and efficiency measures, including establishing a new resource allocation method, conducting rate studies, and implementing the supports intensity scale (SIS), a norm reference tool for assessing and planning support needs for adults with developmental disabilities. In addition, an electronic health assessment system (eCHAT) is being implemented in FY12, and the SIS and eCHAT will provide a foundation to better align state resources with individual support needs.

The recommendation for the Health Certification, Licensing and Oversight Program is \$12 million, a decrease of 0.5 percent. Transfers from the general fund are reduced 0.7 percent to \$4.4 million. The FY11 LFC appropriation recommendation stated the program should raise licensing fees to the statutory maximum to raise an additional \$399 thousand in revenue to support the program's operational expenses. This recommendation has not been adopted, although raising these fees would provide an estimated increase of 3 percent in funds. The program is experiencing an increase in abuse, neglect, and exploitation complaint investigations, and because these investigations are labor intensive (the average length of each facility survey is 46.2 hours) and require qualified personnel, it has become increasingly difficult for the program to hire and retain appropriately trained and credentialed staff. Therefore, the program has found it increasingly difficult to complete all required provider surveys and incident investigations according to specified procedures and within specified timelines.

The recommendation for the Administration Program is \$17.3 million, a reduction of 3.6 percent. Sexual assault and trauma funding are recommended at requested levels. The department's FY10 annual audit contained 16 findings, including two material weakness findings associated with accounts receivable and allowance for doubtful accounts, and problems with journal entries. Additional findings regarded gas card fraud, facility cash reconciliation, untimely reversion to the state general fund, and federal reporting problems. It is recommended the department hire sufficient staff and implement procedures to assure effective internal financial controls and management oversight.

RECOMMENDED LANGUAGE:

The other state funds appropriation to the public health program of the department of health includes five million eight hundred twenty-seven thousand four hundred dollars (\$5,827,400) from the tobacco settlement program fund for smoking cessation and prevention programs, seven hundred sixty-seven thousand one hundred dollars (\$767,100) from the tobacco settlement program fund for diabetes prevention and control services, three hundred thousand five hundred dollars (\$300,500) from the tobacco settlement program fund for human immunodeficiency virus/acquired immune deficiency syndrome prevention, services and medicine and one hundred thirty-one thousand eight hundred dollars (\$131,800) from the tobacco settlement program fund for breast and cervical cancer screening.

Any unexpended balances in the public health program of the department of health in the contractual services category from appropriations made from the county-supported medicaid fund for the support of primary health care services related to the Rural Primary Health Care Act remaining at the end of fiscal year 2013 shall not revert.

The general fund appropriation to the developmental disabilities support program of the department of health in the other financing uses category includes ninety-five million six hundred forty-one thousand dollars (\$95,641,000) for medicaid waiver services in local communities: one million two hundred sixty-one thousand five hundred dollars (\$1,261,500) for medically fragile services and ninety-four million three hundred seventy-nine thousand five hundred dollars (\$94,379,500) for services to the developmentally disabled.

BASE EXPANSION:

The Medical Cannabis Program was established on July 1, 2007, with enactment of the Lynn and Erin Compassionate Use Act. The program is charged with enrolling patients into the Medical Cannabis Program and regulating a system of production and distribution of medical cannabis for licensed patients. The program provides services to patients who are residents of New Mexico and who meet one of 16 qualifying conditions for the program. As of July 19, 2011, 4,982 total patients enrolled in the program and 3,899 are currently active. In addition, the program has 25 licensed nonprofit producers.

The Medical Cannabis Program has succeeded in meeting the needs of most patients while having no direct resources; however, the department reports completing the work within statutory requirements has been difficult. The program is statutorily allowed to generate fees, but these fees to date have not been appropriated for use by the program. The program has been operating by using staff and resources from the Harm Reduction Program within the Public Health Program.

The Department of Health's FY13 budget request included the addition of a new program area for the Medical Cannabis Program. However, the Medical Cannabis Program has existed within statute since 2007 and has operated for years as a relatively small program within the Public Health Program area. Additionally, the DOH failed to include any performance measures or targets for the program within the performance-based budgeting data system. Therefore, the recommendation is to appropriate the requested 7 term FTE and \$598 thousand in other revenue for the operation of the Medical Cannabis Program, but as an expansion item within the Public Health Program.

BASE EXPANSION LISTING
FY13 - 2012-2013

Agency Rank		(Program)	Agency Request	LFC Recommendation
1	Medical Cannabis Prog Expand (Public Health)	(P002)	0.0	598.0
TOTAL			0.0	598.0

PUBLIC HEALTH

The purpose of the public health program is to provide a coordinated system of community-based public health services focusing on disease prevention and health promotion to improve health status, reduce disparities and ensure timely access to quality, culturally competent healthcare.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	68,414.1	66,536.0	65,836.0	66,798.4	0.4
Other Transfers	11,931.6	13,293.7	13,143.7	13,171.8	-0.9
Federal Revenues	64,287.0	77,321.4	78,907.6	78,932.0	2.1
Other Revenues	24,828.4	29,481.1	29,570.3	30,187.3	2.4
SOURCES TOTAL	169,461.1	186,632.2	187,457.6	189,089.5	1.3
USES					
Personal Services and Employee Benefits	52,446.2	55,145.2	55,982.2	56,504.9	2.5
Contractual Services	38,575.2	37,796.1	39,716.6	40,707.2	7.7
Other	75,797.9	93,112.9	91,096.7	91,215.3	-2.0
Other Financing Uses	567.0	578.0	662.1	662.1	14.6
TOTAL USES	167,386.3	186,632.2	187,457.6	189,089.5	1.3
FTE					
Permanent	349.5	343.5	343.5	343.5	0.0
Term	641.5	613.5	613.5	620.5	1.1
Temporary	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	992.0	957.0	957.0	964.0	0.7

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of calls to the tobacco cessation helpline	12,367	11,944	14,000	13,000	14,000
* Output	Number of teens ages fifteen to seventeen receiving family planning services in agency-funded family planning clinics	5,380	4,851	7,000	6,000	7,000
* Output	Number of HIV/AIDS prevention interventions	26,288	14,047	22,000	Discontinue	22,000
Output	Number of visits to agency-funded school-based health centers	60,817	55,616	50,000	60,000	60,000
* Output	Percent of preschoolers (nineteen to thirty-five months) fully immunized	70.2%	65.4%	82%	90%	90%
Output	Number of eligible women, infant and children program participants receiving services	118,299	112,324	123,300	Discontinue	123,300

EPIDEMIOLOGY AND RESPONSE

The purpose of the epidemiology and response program is to monitor health, provide health information, prevent disease and injury, promote health and healthy behaviors, respond to public health events, prepare for health emergencies and provide emergency medical and vital registration services to New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	9,018.4	8,051.6	8,051.6	8,023.4	-0.4
Other Transfers	190.2	273.5	180.8	182.7	-33.2
Federal Revenues	13,042.2	15,455.7	13,873.0	13,879.7	-10.2
Other Revenues	927.7	1,314.3	1,407.5	1,416.5	7.8
Fund Balance	219.7	219.7	0.0	0.0	-100.0
SOURCES TOTAL	23,398.2	25,314.8	23,512.9	23,502.3	-7.2
USES					
Personal Services and Employee Benefits	10,215.9	12,929.9	11,360.7	11,387.6	-11.9
Contractual Services	5,102.7	4,500.2	5,669.0	5,669.0	26.0
Other	7,418.0	7,884.7	6,483.2	6,445.7	-18.3
TOTAL USES	22,736.6	25,314.8	23,512.9	23,502.3	-7.2
FTE					
Permanent	49.0	45.0	45.0	45.0	0.0
Term	150.0	127.0	125.0	125.0	-1.6
TOTAL FTE POSITIONS	199.0	172.0	170.0	170.0	-1.2

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Efficiency	Average time from initial report to final review and transmission by agency to the centers for disease control and prevention of food borne pathogens: salmonella, shigella and campylobacter				12 days	12 days
* Output	Number of designated trauma centers in the state	8	9	9	Discontinue	11
* Output	Number of health emergency exercises conducted to assess and improve state and local capability	105	106	60	Discontinue	105

LABORATORY SERVICES

The purpose of the laboratory services program is to provide laboratory analysis and scientific expertise for policy development for tax-supported public health, environment and toxicology programs in the state of New Mexico to provide timely identification of threats to the health of New Mexicans.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	6,559.6	6,445.1	7,145.1	7,206.1	11.8
Federal Revenues	2,885.2	1,709.3	2,125.0	2,138.7	25.1
Other Revenues	2,221.5	2,977.0	2,821.2	2,837.5	-4.7
SOURCES TOTAL	11,666.3	11,131.4	12,091.3	12,182.3	9.4
USES					
Personal Services and Employee Benefits	6,980.7	7,054.4	7,389.5	7,480.5	6.0
Contractual Services	235.1	219.7	190.8	190.8	-13.2
Other	4,258.4	3,857.3	4,511.0	4,511.0	16.9
TOTAL USES	11,474.2	11,131.4	12,091.3	12,182.3	9.4
FTE					
Permanent	84.0	84.0	84.0	84.0	0.0
Term	49.0	49.0	49.0	49.0	0.0
TOTAL FTE POSITIONS	133.0	133.0	133.0	133.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of public health threat samples for communicable diseases and other threatening illnesses that are analyzed within specified turnaround times	95.4%	93.42%	95%	Discontinue	95%
* Efficiency	Percent of blood alcohol tests from driving-while-intoxicated cases analyzed and reported within ten business days	63.5%	16.33%	75%	95%	95%
Outcome	Percent of office of medical investigator toxicology cases completed within ninety days	98.69%	65.55%	90%	95%	95%

FACILITIES MANAGEMENT

The purpose of the facilities management program is to provide oversight for department of health facilities that provide health and behavioral healthcare services, including mental health, substance abuse, nursing home and rehabilitation programs in both facility- and community-based settings, and serve as the safety net for the citizens of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	59,238.8	62,477.0	62,477.0	61,966.4	-0.8
Other Transfers	837.8	713.8	716.0	723.5	1.4
Federal Revenues	225.5	0.0	0.0	0.0	
Other Revenues	73,660.3	76,178.8	75,208.1	75,183.0	-1.3
SOURCES TOTAL	133,962.4	139,369.6	138,401.1	137,872.9	-1.1
USES					
Personal Services and Employee Benefits	105,975.0	108,849.0	108,277.9	108,485.8	-0.3
Contractual Services	7,236.6	7,780.7	8,068.0	7,719.3	-0.8
Other	18,406.8	22,739.9	22,055.2	21,667.8	-4.7
TOTAL USES	131,618.4	139,369.6	138,401.1	137,872.9	-1.1
FTE					
Permanent	2,279.0	2,206.0	2,206.0	2,206.0	0.0
Term	5.0	5.0	5.0	5.0	0.0
Temporary	23.0	21.0	21.0	21.0	0.0
TOTAL FTE POSITIONS	2,307.0	2,232.0	2,232.0	2,232.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Percent of operational capacity beds filled at all agency facilities	88.4%	93.5%	91%	100%	100%
* Efficiency	Percent of collectable third-party revenues at all agency facilities	66.6%	62%	75%	90%	90%
* Explanatory	Total dollar amount, in millions, of uncompensated care at all agency facilities	\$34	\$41.4	\$38	\$40	\$38
Outcome	Number of substantiated cases of abuse, neglect and exploitation investigated in the department of health's facilities to support the department's zero tolerance policy				0	0
* Outcome	Number of substantiated cases of abuse, neglect and exploitation per one hundred residents in agency-operated long-term care programs confirmed by the division of health improvement or adult protective services	0	0.24	0	Discontinue	0

DEVELOPMENTAL DISABILITIES SUPPORT

The purpose of the developmental disabilities support program is to administer a statewide system of community-based services and support to improve the quality of life and increase the independence and interdependence of individuals with developmental disabilities and children with or at risk for developmental delay or disability and their families.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	102,901.0	129,085.6	129,085.6	131,617.7	2.0
Other Transfers	7,318.1	7,704.0	7,501.7	7,508.8	-2.5
Federal Revenues	1,596.7	2,596.3	2,596.3	2,601.5	0.2
Other Revenues	1,393.4	1,400.0	1,400.0	1,400.0	0.0
SOURCES TOTAL	113,209.2	140,785.9	140,583.6	143,128.0	1.7
USES					
Personal Services and Employee Benefits	10,191.8	10,009.2	10,437.1	10,456.2	4.5
Contractual Services	16,635.5	18,025.5	17,654.5	17,478.0	-3.0
Other	17,952.1	19,829.7	19,570.5	19,552.8	-1.4
Other Financing Uses	66,044.4	92,921.5	92,921.5	95,641.0	2.9
TOTAL USES	110,823.8	140,785.9	140,583.6	143,128.0	1.7
FTE					
Permanent	69.0	69.0	69.0	69.0	0.0
Term	102.0	97.0	97.0	97.0	0.0
TOTAL FTE POSITIONS	171.0	166.0	166.0	166.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of adults receiving developmental disabilities day services who are engaged in community-integrated employment	32%	32%	30%	38%	38%
* Efficiency	Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination	100%	90%	95%	100%	100%
* Explanatory	Number of individuals on developmental disabilities waiver receiving services	3,848	3,812	3,792	Discontinue	3,997
* Explanatory	Number of individuals on developmental disabilities waiver waiting list	4,988	5,401	4,720	Discontinue	4,535

HEALTH CERTIFICATION LICENSING AND OVERSIGHT

The purpose of the health certification, licensing and oversight program is to provide health facility licensing and certification surveys, community-based oversight and contract compliance surveys and a statewide incident management system so that people in New Mexico have access to quality health care and that vulnerable populations are safe from abuse, neglect and exploitation.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	4,685.0	4,393.0	4,393.0	4,364.4	-0.7
Other Transfers	2,958.3	3,427.7	3,406.9	3,409.7	-0.5
Federal Revenues	2,062.7	1,929.6	1,967.8	1,955.2	1.3
Other Revenues	2,664.4	2,290.9	2,244.1	2,256.1	-1.5
SOURCES TOTAL	12,370.4	12,041.2	12,011.8	11,985.4	-0.5
USES					
Personal Services and Employee Benefits	7,862.2	9,154.6	9,168.8	9,180.2	0.3
Contractual Services	38.5	332.0	348.6	311.8	-6.1
Other	3,036.0	2,554.6	2,494.4	2,493.4	-2.4
TOTAL USES	10,936.7	12,041.2	12,011.8	11,985.4	-0.5
FTE					
Permanent	48.0	44.0	44.0	44.0	0.0
Term	110.0	100.0	100.0	100.0	0.0
TOTAL FTE POSITIONS	158.0	144.0	144.0	144.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Percent of abuse, neglect and exploitation incidents for community-based programs investigated within forty-five days	95.2%	95.1%	95%	100%	100%
* Output	Percent of developmental disabilities, family infant toddler, medically fragile and behavioral health providers receiving a survey by the quality management bureau	100%	67.6%	60%	100%	100%
* Output	Percent of required compliance surveys completed for adult residential care and adult daycare facilities	119%	44.5%	80%	Discontinue	85%

MEDICAL CANNABIS PROGRAMBUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Revenues	0.0	0.0	598.0	0.0	
SOURCES TOTAL	0.0	0.0	598.0	0.0	
USES					
Personal Services and Employee Benefits	0.0	0.0	453.2	0.0	
Contractual Services	0.0	0.0	10.0	0.0	
Other	0.0	0.0	134.8	0.0	
TOTAL USES	0.0	0.0	598.0	0.0	
FTE					
Term	0.0	0.0	7.0	0.0	
TOTAL FTE POSITIONS	0.0	0.0	7.0	0.0	

ADMINISTRATION

The purpose of the administration program is to provide leadership, policy development, information technology, administrative and legal support to the department of health so it achieves a high level of accountability and excellence in services provided to the people of New Mexico.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	12,344.1	11,718.8	11,718.8	11,271.1	-3.8
Other Transfers	286.8	1,478.4	1,353.9	1,346.8	-8.9
Federal Revenues	4,427.9	4,557.9	4,557.9	4,593.7	0.8
Other Revenues	38.6	139.1	39.1	40.2	-71.1
Fund Balance	315.8	0.0	0.0	0.0	
SOURCES TOTAL	17,413.2	17,894.2	17,669.7	17,251.8	-3.6
USES					
Personal Services and Employee Benefits	9,440.6	10,082.9	9,906.4	9,559.1	-5.2
Contractual Services	2,994.8	2,856.8	2,846.8	2,846.8	-0.4
Other	4,461.7	4,954.5	4,916.5	4,845.9	-2.2
TOTAL USES	16,897.1	17,894.2	17,669.7	17,251.8	-3.6
FTE					
Permanent	139.0	133.0	133.0	133.0	0.0
Term	5.0	4.0	4.0	4.0	0.0
Temporary	1.0	0.0	0.0	0.0	
TOTAL FTE POSITIONS	145.0	137.0	137.0	137.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Efficiency	Percent of payment vouchers paid within thirty days of acceptance of goods and services	84.5%	92.1%	87%	100%	100%
Output	Number of working days between expenditure of federal funds and request for reimbursement		30	5	5	5
Output	Percent of Hispanic adults age sixty-five and older who receive a pneumonia or influenza vaccination				75%	75%

STATUTORY AUTHORITY:

The New Mexico Department of Environment (NMED) is established by Sections 9-7A-1 through 9-7A-15 NMSA 1978. It is responsible for administration of federal and state laws and regulations related to air quality, ground- and surface-water quality, solid waste disposal, underground storage tanks, radioactive materials, radiologic technology, occupational safety, and food safety. The department administers rural water and wastewater infrastructure loans and monitors federal Department of Energy and Department of Defense facilities within New Mexico for nonradioactive hazardous materials.

MISSION:

The Department of Environment (NMED) preserves and protects surface- and groundwater, air quality, and land in New Mexico. The department also protects the safety and health of the state's citizens by regulating, monitoring, and inspecting public facilities and establishments.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	14,246.4	11,354.9	11,354.9	11,045.8	-2.7
Other Transfers	29,674.8	34,210.6	33,985.1	34,243.7	0.1
Federal Revenues	14,960.6	19,585.4	19,415.1	19,551.6	-0.2
Other Revenues	35,545.0	36,910.3	37,298.0	37,557.4	1.8
Fund Balance	3,506.3	4,313.5	5,061.8	5,061.8	17.3
SOURCES TOTAL	97,933.1	106,374.7	107,114.9	107,460.3	1.0
USES					
Personal Services and Employee Benefits	41,536.6	46,999.0	47,667.1	47,753.9	1.6
Contractual Services	10,684.9	14,096.7	13,116.4	13,116.4	-7.0
Other	16,018.2	15,930.1	15,843.3	15,843.3	-0.5
Other Financing Uses	26,554.6	29,348.9	30,488.1	30,746.7	4.8
TOTAL USES	94,794.3	106,374.7	107,114.9	107,460.3	1.0
FTE					
Permanent	308.0	304.0	303.0	303.0	-0.3
Term	377.0	369.0	368.5	368.5	-0.1
TOTAL FTE POSITIONS	685.0	673.0	671.5	671.5	-0.2

BUDGET ISSUES:

For FY13, the New Mexico Environment Department's (NMED's) overall base request of \$107.1 million represented a \$740.2 thousand increase over the FY12 operating budget. The agency's general fund request was flat compared with its FY12 operating budget. The agency expects federal funding to decrease by \$170.3 thousand in FY12, meaning the increase in its request would be funded through increases in other state funds, special revenues, and fund balance. The request included a vacancy savings of 6.7 percent for the Field Operations and Infrastructure Program and deleted 1.5 vacant FTE from that program. The request did not include vacancy savings for the Resource Management, Resource Protection, and Environmental Protection programs.

The agency request reflects the reorganization of the agency from five to four programs and the transfer of certain bureaus and their staff to different programs. Under the reorganization, Program Support is renamed the Resource Management Program. The Water Quality Program is renamed the Resource Protection Program, and the Petroleum Storage Tank Bureau is transferred to the Resource Protection Program from the Environmental Protection Program. The Environmental Health Program is renamed the Field Operations and Infrastructure Program and all of the bureaus of the eliminated Water and Wastewater Infrastructure and Development Program are transferred to that program. The Radiation Control Bureau is transferred from the Field Operations and Infrastructure Program to the Environmental Protection Program.

The FY13 recommendation supports the agency reorganization from five to four programs. The recommendation of \$107.5 million is a \$1.1 million, or 1 percent, increase over the FY12 operating budget of \$106.4 million. The recommendation includes \$111.5 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The recommendation of nearly \$11 million reduces the general fund \$309.1 thousand, or 2.7 percent, from the FY12 operating budget. This decrease is offset by a \$1.4 million increase in the use of other revenues and fund balance. The recommendation also eliminates 1.5 FTE from the Field Operations and Infrastructure Program as requested.

The general fund reduction is due to the application of an average vacancy rate of 2.8 percent, which includes the requested 6.7 percent savings for the Field Operations and Infrastructure Program. The average agency wide historic vacancy rate is 17.6 percent.

After completing its reorganization, the agency should reassess its staffing needs, as the agency's vacancies have, in some cases, resulted in reduced performance, particularly in the permitting and inspection programs. The recommendation supports filling field bureau positions that will help improve the Field Operations and Infrastructure Bureau to improve performance in ensuring that food-related violations are corrected timely, an area where performance suffered in FY11.

While the recommendation is an increase over the FY11 actual expenditures, the agency notes the FY11 actual expenditures were offset by funds pursuant to the American Recovery and Reinvestment Act of 2009 and these funds are not reflected in the actual expenditures.

The agency relies on special revenues for its operations across all four programs, and the recommendation includes \$42.5 million from these sources, which include various types of application, certification, and permitting fees. For example, \$604 thousand in administrative fees from the rural infrastructure revolving loan fund is used to fund 5 FTE in the Construction Programs Bureau to administer that program. The recommendation also includes \$18.4 million from the corrective action fund; \$7.5 million in air quality construction and emission permit fees charged to producers of air contaminants; \$4.3 million in hazardous waste permit fees charged to operators of facilities that treat, store or dispose of hazardous waste; \$3.3 million in water conservation fees charged to public water systems; and \$1.8 million in permit fees charged to food service establishments.

The Environment Department must maximize its resources to manage changing state and federal regulatory requirements. In this role, it must create a transparent and consistent regulatory framework that provides environmental protection while enabling industries crucial to the state economy to remain competitive. For example, in 2011 the federal Environmental Protection Agency issued a clean air plan that would require the coal-fired San Juan generating station west of Farmington to retrofit the plant to reduce emissions to improve visibility in the region. The NMED's Environmental Improvement Board voted to require retrofits at the facility that would have less of an effect on visibility but would also be less costly. Another example is the NMED's Water Quality Control Commission, which must manage protection of New Mexico's groundwater while enabling the state's large dairy industry to continue to operate. A recent amendment of the "dairy rule" finds middle ground between industry and environment by permitting existing dairies where waste reservoirs have not contaminated groundwater to operate without installing synthetic liners, while new dairies are required to install the liners.

Through its regulatory position, the NMED collects a significant number of civil penalties and fines, some of which are deposited into funds controlled by the agency, but most of which are transferred to the general fund. In 2011 the agency collected \$3.3 million in fines, including \$2.8 million in air quality fines and \$306 thousand in occupational health and safety fines.

SPECIAL REVENUES

	BUDGET SUMMARY (dollars in thousands)				
	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Other Revenues	35,478.7	36,822.0	37,205.3	37,463.9	1.7
Fund Balance	3,506.3	4,313.5	5,061.8	5,061.8	17.3
SOURCES TOTAL	38,985.0	41,135.5	42,267.1	42,525.7	3.4
USES					
Personal Services and Employee Benefits	290.7	399.1	456.5	456.5	14.4
Contractual Services	3,880.6	4,000.0	3,524.1	3,524.1	-11.9
Other	8,308.3	7,387.5	7,798.4	7,798.4	5.6
Other Financing Uses	26,505.4	29,348.9	30,488.1	30,746.7	4.8
TOTAL USES	38,985.0	41,135.5	42,267.1	42,525.7	3.4
FTE					
Permanent	5.0	5.0	5.0	5.0	0.0
TOTAL FTE POSITIONS	5.0	5.0	5.0	5.0	0.0

RESOURCE PROTECTION

The purpose of the resource protection program is to protect the quality of New Mexico's ground- and surface-water resources to ensure clean and safe water supplies are available now and in the future to support domestic, agricultural, economic and recreational activities and provide healthy habitat for fish, plants and wildlife and to ensure that hazardous waste generation, storage, treatment and disposal are conducted in a manner protective of public health and environmental quality.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,578.7	1,985.2	1,985.2	1,872.7	-5.7
Other Transfers	9,794.2	10,625.6	10,654.3	10,734.4	1.0
Federal Revenues	8,898.8	11,757.6	12,519.5	12,596.4	7.1
SOURCES TOTAL	21,271.7	24,368.4	25,159.0	25,203.5	3.4
USES					
Personal Services and Employee Benefits	15,045.3	16,279.4	17,141.3	17,185.8	5.6
Contractual Services	3,577.0	5,391.9	5,509.7	5,509.7	2.2
Other	2,139.1	2,697.1	2,508.0	2,508.0	-7.0
Other Financing Uses	49.2	0.0	0.0	0.0	
TOTAL USES	20,810.6	24,368.4	25,159.0	25,203.5	3.4
FTE					
Permanent	46.0	51.0	51.0	51.0	0.0
Term	147.5	182.5	182.5	182.5	0.0
TOTAL FTE POSITIONS	193.5	233.5	233.5	233.5	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Percent of groundwater discharge permitted facilities receiving annual field inspections and compliance evaluations	42%	54%	50%	50%	50%
* Outcome	Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards	72%	72%	70%	70%	70%
Output	Percent of enforcement actions brought within one year of discovery of noncompliance with Los Alamos national laboratory and Sandia national laboratories consent orders	100%	100%	90%	90%	95%
Output	Percent of cases in which Sandia national laboratories and Los Alamos national laboratory are notified of agency action on document submittals within the timeframe specified in the executed consent orders	94%	92%	90%	90%	90%
Efficiency	Percent of department of energy generator site audits for the waste isolation pilot project on which agency action will be taken within forty-five days	100%	89%	80%	80%	80%
Output	Percent reduction of active facilities that have never been inspected	9%	2.9%	0%	0%	0%
* Output	Percent of large quantity hazardous waste generators inspected	40.7%	45.7%	20%	20%	30%
Explanatory	Stream miles and acreage of lakes monitored annually to determine if surface water quality is impaired	643/19K	1,045/1,176	125/40K	125/40K	175/40K
Output	Number of miles or acres of active watershed restoration, including wetlands projects, river ecosystem restoration projects and federal Clean Water Act section 319 projects	116/170	200	200	200	200
Outcome	Number of confirmed release sites contaminated by petroleum products that achieve no further action status as a result of aggressive remediation	46	38	30	30	30
Output	Number of storage tank sites with confirmed releases of petroleum products that are high risk and are undergoing aggressive corrective action	60	59	50	50	50
* Outcome	Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements of the petroleum storage tanks regulations	55%	62%	90%	90%	90%

FIELD OPERATIONS AND INFRASTRUCTURE PROGRAM

The purpose of the field operations and infrastructure program is to protect public health and the environment through specific programs that provide regulatory oversight over food service and food processing facilities, compliance with the Safe Drinking Water Act, regulation of on-site treatment and disposal of liquid wastes, regulation of public swimming pools and baths, application of the mosquito abatement regulation, and oversight of waste isolation pilot plant transportation.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	5,938.8	4,877.4	4,877.4	4,922.2	0.9
Other Transfers	9,520.1	12,050.8	10,964.9	11,040.0	-8.4
Federal Revenues	1,345.1	1,866.5	1,498.3	1,512.6	-19.0
SOURCES TOTAL	16,804.0	18,794.7	17,340.6	17,474.8	-7.0
USES					
Personal Services and Employee Benefits	10,684.6	13,221.5	12,438.2	12,572.4	-4.9
Contractual Services	1,973.9	3,145.4	2,651.5	2,651.5	-15.7
Other	2,010.8	2,427.8	2,250.9	2,250.9	-7.3
TOTAL USES	14,669.3	18,794.7	17,340.6	17,474.8	-7.0
FTE					
Permanent	139.0	131.0	130.0	130.0	-0.8
Term	72.0	64.5	64.0	64.0	-0.8
TOTAL FTE POSITIONS	211.0	195.5	194.0	194.0	-0.8

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Number of free well water tests	1,104	298	0	0	0
Outcome	Percent of homeowners with contaminated wells advised on how to eliminate or reduce health risks	100%	100%	0%	0%	100%
* Output	Percent of new septic tanks inspections completed	78%	78%	60%	60%	70%
Explanatory	Number of compliance orders issued in response to complaints or inspection of new septic tanks	8	1	TBD	TBD	TBD
* Outcome	Percent of high-risk food-related violations corrected within the timeframes noted on the inspection report issued to permitted commercial food establishments	86%	84%	100%	100%	100%
Output	Percent of annual permitted commercial food establishment inspections completed	82%	73%	100%	100%	100%
Quality	Percent customer satisfaction with the construction bureau's administrative services provided in conjunction with federal and state loan and grant projects for construction of water, wastewater and solid waste projects, based on written customer surveys			100%	100%	100%
Quality	Percent customer satisfaction with the construction bureau's technical assistance and engineering services provided in conjunction with federal and state loan and grant projects for construction of water, wastewater and solid waste projects, based on written customer surveys			100%	100%	100%
Explanatory	Number of uniform funding applications processed for water, wastewater and solid waste projects	277	265	TBD	TBD	TBD
Outcome	Number and location of boil water advisories issued to consumers when a water system violates the bacteria (or total coliform) standard and the presence of e. coli or fecal coliform is detected	9	10	TBD	TBD	TBD

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Efficiency	Percent of public drinking water systems inspected within one week of confirmation of system problems that might acutely impact public health	100%	100%	100%	100%	100%
Output	Number of site visits and assistance actions provided to public water systems to ensure compliance with the federal Safe Drinking Water Act regulations	4239	4926	180	180	180
* Output	Percent of public water systems surveyed to ensure compliance with drinking water regulations	92%	91%	90%	90%	90%
Outcome	Percent of environmental protection agency clean water state revolving fund capitalization grant and matching state funds committed to New Mexico communities for wastewater infrastructure development in the state fiscal year following receipt of an environmental protection agency award		100%	75%	75%	75%
Explanatory	Percentage of uniform funding applications processed for water, wastewater and solid waste projects			TBD	TBD	TBD

ENVIRONMENTAL PROTECTION

The purpose of the environmental protection program is to regulate medical radiation and radiological technologist certification, provide public outreach about radon in homes and public buildings, ensure solid waste is handled and disposed without harming natural resources, ensure New Mexicans breathe healthy air and ensure every employee has safe and healthful working conditions.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	2,616.1	2,039.1	2,039.1	1,868.1	-8.4
Other Transfers	8,075.7	8,744.1	9,392.4	9,466.7	8.3
Federal Revenues	2,826.4	3,580.6	3,279.2	3,304.0	-7.7
SOURCES TOTAL	13,518.2	14,363.8	14,710.7	14,638.8	1.9
USES					
Personal Services and Employee Benefits	9,715.4	11,034.9	11,527.6	11,455.7	3.8
Contractual Services	610.8	732.0	751.0	751.0	2.6
Other	2,813.0	2,596.9	2,432.1	2,432.1	-6.3
TOTAL USES	13,139.2	14,363.8	14,710.7	14,638.8	1.9
FTE					
Permanent	70.0	72.0	72.0	72.0	0.0
Term	126.5	91.0	91.0	91.0	0.0
TOTAL FTE POSITIONS	196.5	163.0	163.0	163.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	100%	100%	100%	100%	100%
Outcome	Percent of serious worker health and safety violations corrected within the timeframes designated on citations issued from the consultation and compliance sections	95.7%	98.5%	95%	95%	95%
Output	Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation (letter or phone call to employer) within ten working days	95.7%	93.8%	95%	95%	95%

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Percent of active solid waste facilities and infectious waste generators inspected that were found to be in substantial compliance with the New Mexico solid waste rules	82%	86%	75%	75%	80%
Outcome	Percent of landfills compliant with groundwater sampling and reporting requirements	95%	97%	75%	75%	85%
Explanatory	Annual number of registered and closed landfills in substantial compliance with post-closure requirements	39	39	TBD	TBD	TBD
Outcome	Percent of radioactive material licensees and x-ray registrants inspected and issued a notice of violation that come into compliance within the timeframe specified	100%	100%	97%	97%	97%
Output	Percent of licensed radioactive material facility inspections completed within the timeframes identified in radiation control bureau policies	98%	96.75%	85%	85%	85%
* Output	Percent of radiation-producing machine inspections completed within the timeframes identified in radiation control bureau policies	94%	86.25%	85%	85%	85%

RESOURCE MANAGEMENT

The purpose of the resource management program is to provide overall leadership, administrative, legal and information management support to programs to operate in the most knowledgeable, efficient and cost-effective manner so the public can receive the information it needs to hold the department accountable.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	3,112.8	2,453.2	2,453.2	2,382.8	-2.9
Other Transfers	2,284.8	2,790.1	2,973.5	3,002.6	7.6
Federal Revenues	1,890.3	2,380.7	2,118.1	2,138.6	-10.2
Other Revenues	66.3	88.3	92.7	93.5	5.9
SOURCES TOTAL	7,354.2	7,712.3	7,637.5	7,617.5	-1.2
USES					
Personal Services and Employee Benefits	5,800.6	6,064.1	6,103.5	6,083.5	0.3
Contractual Services	642.6	827.4	680.1	680.1	-17.8
Other	747.0	820.8	853.9	853.9	4.0
TOTAL USES	7,190.2	7,712.3	7,637.5	7,617.5	-1.2
FTE					
Permanent	48.0	45.0	45.0	45.0	0.0
Term	31.0	31.0	31.0	31.0	0.0
TOTAL FTE POSITIONS	79.0	76.0	76.0	76.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Percent of budgets reviewed and analyzed quarterly from the program level to the lowest program level	100%	100%	100%	100%	100%
Output	Percent of prior-year significant audit findings resolved	71%	60%	100%	100%	100%
Output	Number of working days between expenditure of federal funds, defined as when the department of finance and administration issues a warrant, and request for reimbursement from federal treasury		30	30	30	30
* Output	Percent of enforcement actions brought within one year of inspection or documentation of violation	99%	99%	90%	90%	95%

STATUTORY AUTHORITY:

The Office of the Natural Resources Trustee (ONRT) was created by Sections 75-7-1 through 75-7-5 NMSA 1978. The natural resources trustee is required by state law to carry out responsibilities provided in the federal Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), or Superfund Law, which requires restoration and replacement of injured natural resources and resource services due to releases of hazardous substances or oil into the environment. The ONRT is administratively attached to the Environment Department.

To carry out the required responsibilities, the ONRT is authorized to assess natural resource damages throughout the state, negotiate and settle damage claims without legal intervention, and manage natural resource restoration plans. Settlements paid by responsible parties are used to restore, replace, or acquire the equivalent of injured, destroyed, or lost natural resources and the services those resources provide.

Settlements are into the natural resources trustee fund are used to pay the costs of natural resource damage assessments and the costs of court-ordered natural resource restoration activities.

MISSION:

The Office of the Natural Resources Trustee (ONRT) is charged with restoring or replacing natural resources or resource services damaged by hazardous substances released into the environment or by oil discharges into water. Natural resources include air, surface waters, groundwaters, biological resources, and geological resources. Resource services are defined as resources used in functional applications, such as reservoirs being used for irrigation, recreation, or fishing.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	293.6	86.4	86.4	87.0	0.7
Fund Balance	242.2	2,200.0	2,200.0	2,202.8	0.1
SOURCES TOTAL	535.8	2,286.4	2,286.4	2,289.8	0.1
USES					
Personal Services and Employee Benefits	242.9	237.6	246.2	249.6	5.1
Contractual Services	248.3	2,006.9	1,996.4	1,996.4	-0.5
Other	41.4	41.9	43.8	43.8	4.5
TOTAL USES	532.6	2,286.4	2,286.4	2,289.8	0.1
FTE					
Permanent	3.8	3.8	3.8	3.8	0.0
TOTAL FTE POSITIONS	3.8	3.8	3.8	3.8	0.0

BUDGET ISSUES:

The FY13 budget request was flat compared with its FY12 operating budget. This included a general fund request of \$86.4 thousand and \$2.2 million from fund balance representing revenues awarded by the courts in settlement cases. The recommendation funds the agency request, and includes an additional \$600 from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds were also adjusted accordingly.

The agency projects that its fund balance at the end of FY13 will be \$15.2 million, a large portion of which is from a \$13 million settlement with Freeport-McMoRan, Inc.

Since December 2009, the Environment Department cabinet secretary has served as trustee. As a result, the exempt position of natural resources trustee within the agency is currently vacant, and the ONRT requests no personal services and employee benefits for that position.

The ONRT reports that in FY13 it will continue to implement the following restoration projects: \$1 million to stabilize mine tailings at the Blackhawk Mine in Grant County; \$4 million to clean up an abandoned contaminated groundwater plume in Bernalillo County; and \$230 thousand to replace substandard septic systems for indigent home owners in Sandoval, Socorro, and Valencia counties. Additionally, the ONRT is selecting groundwater restoration projects for Grant County to be implemented with a \$13 million groundwater natural resource damage settlement awarded in FY11. The agency's natural resource injury assessment work during FY13 will include an assessment at Los Alamos National Laboratory.

OFFICE OF THE NATURAL RESOURCES TRUSTEE

The purpose of the natural resources trustee program is to restore or replace natural resources injured or lost due to releases of hazardous substances or oil into the environment.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Number of acres of habitat restoration	1,353	1,036	500	500	500
* Outcome	Number of acre-feet of water conserved through restoration	1,288	1,235	500	500	500

STATUTORY AUTHORITY:

Sections 9-22-1 through 9-22-20 NMSA 1978 establish the Veterans' Services Department. The secretary is appointed by the governor with confirmation by the Senate. The department consists of the Field Services, State Benefits, and Administrative Services divisions. The Veterans' Services Advisory Board consists of five members appointed by the governor from different geographical regions of the state to advise the secretary and department staff on matters of interest to New Mexico veterans.

MISSION:

The Veterans' Services Department (VSD) disseminates information regarding laws beneficial to veterans, their surviving spouses and dependent children; assists veterans and their dependents in the preparation and initiation of claims against the United States as a result of military service; and assists veterans, their surviving spouses and their children in establishing the benefits and privileges to which they are entitled.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	2,836.7	2,634.4	3,070.0	2,723.8	3.4
Federal Revenues	150.0	150.0	150.0	150.0	0.0
Other Revenues	0.0	0.0	0.0	50.0	
Fund Balance	40.0	100.0	50.0	12.1	-87.9
SOURCES TOTAL	3,026.7	2,884.4	3,270.0	2,935.9	1.8
USES					
Personal Services and Employee Benefits	1,782.8	1,718.9	2,104.5	1,860.0	8.2
Contractual Services	518.2	794.7	794.7	739.2	-7.0
Other	367.9	370.8	370.8	336.7	-9.2
TOTAL USES	2,668.9	2,884.4	3,270.0	2,935.9	1.8
FTE					
Permanent	35.0	35.0	35.0	35.0	0.0
Term	5.0	2.0	5.0	2.0	0.0
TOTAL FTE POSITIONS	40.0	37.0	40.0	37.0	0.0

BUDGET ISSUES:

For FY13, the agency requested \$3.07 million from the general fund, a \$435.6 thousand increase over the FY12 general fund level, and a zero percent vacancy rate. The agency's only explanation for the increase was that per the Department of Finance and Administration instructions on budgeting for vacant positions "it is not possible to meet the requirement for a flat line budget." The FY13 appropriation request lacked justifications for any expenditure except for those required by rates charged by other agencies.

The FY13 general fund recommendation of \$2.72 million represents a 3.4 percent increase over the agency's FY12 general fund level. The LFC recommendation includes \$21.9 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. The general fund recommendation is a \$89.4 thousand increase due to less fund balance being available from license plate sales. A 5 percent vacancy factor is applied in light of the historic vacancy rate of 12 percent over the past two years. The agency has multiple contracts for homeless programs, and it is recommended they be consolidated to reduce overhead costs. The recommendation includes a 10 percent reduction in these contracts resulting from these savings. The recommendation uses \$12.1 thousand from fund balance for repairs and upkeep of equipment. Federal revenues continue at \$150 thousand. The veterans' enterprise fund has been created in statute (Section 9-22-14.1 NMSA 1978) but has no revenue. Until a continuing revenue source is established, the agency should consider submitting a special appropriation request to provide "seed" money for the programs qualifying for funding by this program.

The department continues to support the approximately 180 thousand veterans throughout the state by improving access and dissemination of information of value to veterans. Outreach is primarily provided by the 19 field offices, although contracts provide outreach to Native American, rural, and women veterans. Two field office positions are vacant. The department has put emphasis on assisting veterans returning from Afghanistan and Iraq, particularly those with post-traumatic stress disorders (PTSD). A program largely funded by federal revenues from the American Recovery and Reinvestment Act of 2009 resulted in 149 couples receiving counseling and therapy through contracted services from PTSD wellness retreats. However, this funding ends in FY12.

The agency requested \$25 thousand for a contract to continue a smaller scale program, but this is not recommended because revenues are not available to replace the lost federal funds and treatment programs are not in the statutory authority of the department.

The department has a number of initiatives to assist veterans in seeking employment by working with the Workforce Solutions Department, a veteran's incubatory project in conjunction with the Economic Development Department, and the Native American income tax settlement with the Taxation and Revenue Department. The Veterans' Enterprise and Training Program has been effective in assisting veterans starting small businesses supporting federal government contracts.

The agency underperformed on four performance measures, and it is recommended that all measures be reviewed for correlation with the agency mission. The current measures are statistical in nature and provide limited insight to performance in key areas.

VETERANS' SERVICES DEPARTMENT

The purpose of the veterans' services program is to carry out the mandates of the New Mexico legislature and the governor to provide information and assistance to veterans and their eligible dependents to obtain the benefits to which they are entitled to improve their quality of life.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of veterans served by veterans' services department field offices	37,878	38,487	37,000	38,000	38,000
Output	Number of referrals from veterans' services officers to contract veterans organizations	20,520	21,827	20,000	20,000	21,000
* Output	Number of homeless veterans provided overnight shelter for a period of two weeks or more	190	139	200	200	200
* Output	Compensation received by New Mexico veterans as a result of the department's contracts with veterans' organizations, in millions	\$76	\$133	\$85	\$85	\$100
* Output	Number of property tax waiver and exemption certificates issued to New Mexico veterans	7,241	7,875	8,000	8,000	8,000
Outcome	Percent of New Mexico veterans impacted by department programs	21.2%	21.8%	25%	22%	22%

STATUTORY AUTHORITY:

The Children, Youth and Families Department (CYFD) was created in 1992 pursuant to Sections 9-2A-1 through 9-2A-18 NMSA 1978. The department is responsible for state policies and programs to support children, youth, and families in need in such a manner as to promote self-sufficiency and to coordinate an integrated system of care and services for children, youth, and families among the various state agencies.

MISSION:

The mission of the Children, Youth and Families Department is to serve and support children and families and supervise youth in a responsive community-based system of care that is client-centered, family-focused, and culturally competent.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	183,558.0	195,171.9	203,171.9	208,182.6	6.7
Other Transfers	30,463.6	28,051.1	27,635.0	27,662.8	-1.4
Federal Revenues	148,085.0	141,607.4	143,201.1	143,527.3	1.4
Other Revenues	6,218.6	5,985.2	4,985.2	5,001.4	-16.4
Fund Balance	449.3	0.0	600.0	600.0	
SOURCES TOTAL	368,774.5	370,815.6	379,593.2	384,974.1	3.8
USES					
Personal Services and Employee Benefits	119,633.2	120,096.4	125,136.6	125,655.9	4.6
Contractual Services	63,380.1	61,217.9	61,689.7	63,589.7	3.9
Other	170,374.8	189,261.3	190,032.6	192,994.2	2.0
Other Financing Uses	2,937.7	240.0	2,734.3	2,734.3	1,039.3
TOTAL USES	356,325.8	370,815.6	379,593.2	384,974.1	3.8
FTE					
Permanent	2,048.1	2,037.1	2,029.6	2,029.6	-0.4
Term	72.0	72.0	71.0	71.0	-1.4
TOTAL FTE POSITIONS	2,120.1	2,109.1	2,100.6	2,100.6	-0.4

BUDGET ISSUES:

Economic stress on families has led to an increased need for the Children, Youth and Families Department's (CYFD) services including childcare assistance and other early childhood services, as well as protective service interventions.

In fall 2011, the agency reorganized and eliminated the Youth and Family Services Division, moving 337.1 FTE and the following programs to the Juvenile Justice Services Division: Juvenile Probation and Aftercare, Transition Services, Juvenile Community Corrections, Juvenile Detention Certification, and Juvenile Justice Federal Programs. These programs focus on youth involved in the juvenile justice system.

Also part of the reorganization, the agency established an Office of Community and Behavioral Health Programs attached to the Office of the Secretary in Program Support to focus on behavioral health services, domestic violence, and community volunteerism. This office will house the 50 FTE from Youth and Family Services Division that focused on those issues. Lastly, 2 FTE supporting the children's trust fund were transferred to the Protective Services Division, where other federal dollars are managed related to child abuse prevention.

In comparing the request with prior years, note that the FY11 revenues were inflated due to a federal transformation grant for behavioral health. These funds flow to other agencies and were not accounted for at the time the FY11 numbers were generated. Also, Early Childhood Services Program revenues were inflated, in part, by revenues from a retroactive childcare claim. Expenditures were identifiably lower than FY11 revenues mostly due to an inability to fill vacant positions for a substantial portion of the fiscal year. Also of note is the significant increase in the other category from FY11 actuals to the FY12 operating budget. In FY11, the Early Childhood Services Program lost \$24 million in Temporary Assistance for Needy Families (TANF) childcare assistance funding. Funding was partially restored in the FY12 operating budget through an increase of \$12.6 million from the general fund.

The budget request included an increase from the general fund of \$8 million, or 4.1 percent, over the FY12 operating budget. The requested general fund increase replaced \$1 million in nonrecurring funding for domestic violence and replaced \$2.8 million in federal Title IV-E funding for foster care and adoption assistance. The remaining general fund increase was for budgeting salaries of vacant positions at mid-point and factoring an average 5.25 percent vacancy rate. The agency's vacancy rate in FY11 was 18 percent. The vacancy rate in FY11 was higher than normal due to the four-month hiring freeze and limited hiring periods. The request also eliminated 8.5 vacant FTE.

The personal services and employee benefits (PS&EB) category has faced insufficient funding during the last few years, in particular in the Juvenile Justice Facilities Program. At the end of the last two fiscal years, the agency transferred funds to PS&EB to cover salary and benefit obligations. The agency in FY10 submitted five budget adjustment requests (BARs) totaling nearly \$3 million and in FY11 six BARs totaling approximately \$3.6 million were submitted to cover PS&EB costs. Also, transfers from the permanent land grant fund through the boys school disbursement have served as an interim solution for funding PS&EB in the Juvenile Justice Facilities Program. Recognizing these agency actions, the committee recommends a modest overall average vacancy rate of 6 percent, funds vacant positions at mid-range, and supports the deletion of 8.5 vacant FTE. The LFC recommendation includes \$971.5 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers, and federal funds were also adjusted accordingly.

The committee recommends increasing general fund appropriations by approximately \$13 million, or 6.7 percent, over the FY12 operating budget. The increase provides for approximately \$5 million to augment early childhood programs, including home visiting, prekindergarten, and high-quality childcare.

Childcare assistance eligibility and funding remains an ongoing concern of the Legislature. The Legislature appropriated \$82.7 million in FY12 for childcare assistance, of which \$23.8 million was from TANF funding. In FY11, due to TANF shortfalls, the agency implemented a plan to avoid disenrolling approximately 7 thousand children from the childcare subsidy program. To help, childcare providers proposed and received a 4 percent cut in subsidy rates. Co-payments were also increased by 10 percent to make up for the loss in TANF funding.

During the 2011 session, the Legislature adopted language in the General Appropriation Act requiring the department to develop a plan to address the childcare assistance waiting list for clients with incomes between 100 percent and 150 percent of the federal poverty level. This language was vetoed by the governor.

The agency announced in October 2011 that due to savings from cost-containment measures, the department reinstated the 4 percent to childcare provider rates and would remove 1.3 thousand children from the childcare assistance waiting list. As of the end of October, 7,057 children were on the waiting list. The 1.3 thousand children to be removed from the waiting list were between 100 percent and 110 percent of federal poverty level (FPL).

The reinstated 4 percent for childcare providers is included in the FY13 request. The request was flat compared with the FY12 operating budget except for an additional \$1.28 million in federal funding over the FY12 operating budget.

The LFC recommends a \$3 million increase from the general fund to fund childcare assistance at \$86 million in FY13. This level of funding is estimated to provide childcare assistance to an additional 800 children. The recommendation includes language requiring the agency to develop a plan that focuses on reducing the waiting list for those children under 150 percent of the FPL. Further, the committee recommends the agency prioritize young children under 150 percent of the FPL. Currently, a family enrolled in the childcare assistance program is grandfathered in the program until its income exceeds 200 percent of the FPL, meanwhile families at 100.1 percent of the FPL are placed on the waiting list.

The recommendation includes an additional \$900 thousand above the FY12 funding level of \$2.2 million for home visiting services for FY13. Additional funding will sustain five new home visiting sites. The LFC recommends the home visiting program follow the same criteria as the federal government by targeting at-risk infants and families and providing research-based home visiting models. Currently, home visiting contractors average 12 visits per family per year, with half of the programs averaging less than one visit per month. Home visiting has proven to have substantial positive outcomes for at-risk children. However to yield high returns on investments, home visiting programs must be intensive. The committee recommends heightened accountability and oversight of contracted home visiting providers to ensure families are receiving intensive services averaging a minimum of 12 visits per family per year.

The recommendation augments the request of \$8 million for the prekindergarten program in FY13 by an additional \$1 million from the general fund. These additional funds will support 10 new prekindergarten sites. The National Institute for Early Education Research (NIEER) research has consistently shown prekindergarten positively impacts young children's language, literacy, and math development.

The recommendation prioritizes early childhood services such as home visiting, high-quality childcare, and prekindergarten, all of which have been shown to have high rates of return on investment. The recommendation also focuses on the safety and welfare of children by reducing the vacancy rate for both the Protective Services Program and the Juvenile Justice Facilities Program. Low vacancy rates will enable the department to fill direct service positions such as social workers and youth care specialists.

In FY11, the Protective Services Program experienced an increase in both total children in custody and total reports accepted for investigations. The number of accepted reports of child maltreatment has increased by 3,511, or 24.6 percent, since FY08. As of the end of October 2011, pending investigations had grown to 3,285. Between January 1 and November 28, 2011, the CYFD had received 31 reports of child fatalities in addition to 127 reports of serious injuries to children. These numbers do not reflect all injuries or fatalities of children, only those reported to the department. Cases have become more complex, often involving families whose children are diagnosed with disabilities, parents who are incarcerated, and families lacking adequate housing. The increased caseloads have negatively impacted the staff's ability to work with families. The agency reports the increase in caseloads and severity of caseloads has led to higher turnover of social workers in the Protective Services Program.

The 2011 LFC program evaluation of the Protective Services Program found that, while the division's performance compares favorably with neighboring states, improving child safety hinges on making sure caseworkers are prepared, supported, and given the time necessary to make sound decisions. Worker turnover, inefficient management structures, duplication of efforts, and other systemic issues have contributed to chronic case overloads. The agency concurred with a number of the findings in the evaluation.

The recommendation supports a \$2.8 million increase from the general fund as requested by the agency for the Protective Services Program. The Protective Services Division underwent a pilot audit of federal Title IV-E foster care funding. Although the official findings report has not been released, several items were highlighted during the exit interview. The audit discovered the agency was seeking payment for foster care pre-placement that does not qualify under Title IV-E. The CYFD has corrected this mistake and does not anticipate federal sanctions or retroactive payments. The agency requested a \$2 million supplemental appropriation to Protective Services and Program Support for the loss of these Title IV-E funds in FY12. The department estimates the loss in revenue to be \$2.8 million in FY13.

The agency is continuing to implement the Cambiar model. The Juvenile Justice Facilities Program is focused on establishing a well-defined interdisciplinary system within the facilities and contends that current high recidivism rates are not indicative of the new model's performance.

The FY13 budget request included \$250 thousand for a contract with Missouri Youth Services Institute (MYSI). The total for MYSI contracts from FY07 through FY12 is \$2.9 million. The deliverables for those contracts included orientation and development of a comprehensive implementation plan for the J. Paul Taylor Center, Youth Diagnostic and Development Center, Camino Nuevo Youth Center, and other CYFD-identified facilities. Additionally, the contracts included training, coaching, skill building, and monitoring of staff at each of the facilities and an assessment of management with transition planning to ensure successful outcomes. The reorganization, which returned probation and parole to the Juvenile Justice Division, requires additional MYSI assistance in FY13.

For several months of FY12, the juvenile justice secure facilities have also experienced an increase in new clients. The secure facilities are currently operating at or above bed space capacity. This is particularly problematic for the female population, which historically has been housed in two living units at the YDDC but now occupies three pods at the YDDC. As a result of this overcrowding, the Juvenile Justice Division is moving clients among the facilities to accommodate the population. In December 2011, a newly remodeled unit at Camino Nuevo is expected to open with 12 additional beds. The division's long-term plan to manage the population is to identify a site to design and construct a 54-bed facility to handle the increasing number of commitments.

The agreement between the CYFD and the American Civil Liberties Union (ACLU), which focused on the implementation of Cambiar NM, ended in December 2010. The agreement called for two post agreement Technical Advisory Committee (TAC) meetings in 2011 to provide updates on the sustainability of progress achieved in 2009-2010. The first TAC meeting was held this past summer and the next meeting is scheduled for early December 2011. The ACLU has filed motions in district court requesting more access to CYFD facilities and could potentially file a lawsuit. The CYFD has attempted to mediate with the ACLU on the issues relating to facility access.

The total domestic violence budget request was flat compared with the FY12 operating budget; however, the request replaces fund balance revenue with an additional \$1 million from the general fund. The agency projected insufficient fund balance in the domestic violence offender treatment fund. This level of funding has not forced any of the shelters statewide to close; however, three satellite offices have closed and domestic violence program staffs have been reduced resulting in reports of clients being turned away. The recommendation supports the \$1 million from the general fund for domestic violence to maintain current funding levels.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the early childhood services program of the children, youth and families department include twenty-three million, seven hundred seventy-seven thousand, five hundred dollars (\$23,777,500) for childcare programs from the temporary assistance for needy families block grant to New Mexico.

The federal funds appropriations to the early childhood services program of the children, youth and families department include thirty million seven hundred forty-four thousand eight hundred dollars (\$30,744,800) for childcare programs from the child care and development block grant to New Mexico.

The children, youth and families department shall develop a plan to address the childcare program's waiting list for clients from families with income between one hundred percent and one hundred fifty percent of the federal poverty level. The department shall report the details of the plan to the department of finance and administration and the legislative finance committee by July 31, 2012.

JUVENILE JUSTICE FACILITIES

The purpose of the juvenile justice facilities program is to provide rehabilitative services to youth committed to the department, including medical, educational, mental health, and other services that will support their rehabilitation.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	37,736.8	36,720.0	64,676.7	64,727.6	76.3
Other Transfers	1,041.6	1,678.3	1,678.3	1,691.8	0.8
Federal Revenues	0.0	0.0	1,395.6	1,395.6	
Other Revenues	1,625.5	1,539.0	1,539.0	1,555.2	1.1
SOURCES TOTAL	40,403.9	39,937.3	69,289.6	69,370.2	73.7
USES					
Personal Services and Employee Benefits	32,299.5	31,405.0	52,611.9	52,720.9	67.9
Contractual Services	4,436.1	4,320.4	10,431.4	10,431.4	141.4
Other	3,646.4	4,211.9	6,246.3	6,217.9	47.6
TOTAL USES	40,382.0	39,937.3	69,289.6	69,370.2	73.7
FTE					
Permanent	565.5	561.5	892.3	892.3	58.9
Term	0.0	0.0	3.0	3.0	
TOTAL FTE POSITIONS	565.5	561.5	895.3	895.3	59.4

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Percent of clients who complete formal probation	90.6%	92%	90%	90%	91%
Outcome	Percent of clients readjudicated within two years of previous adjudication	6.2%	6.7%	5.8%	5.8%	5.7%
* Outcome	Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury	2.7%	2.5%	3%	3%	2.5%
* Outcome	Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities	7.5%	10.7%	9%	9%	9%
* Outcome	Percent of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility	3.7%	11.9%	5%	6%	6%

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of clients with improvement in reading on standardized pre- and post testing			54.7%	54.7%	55%
Outcome	Percent of clients with improvement in math on standardized pre- and post testing			51.6%	51.6%	51.8%
* Output	Number of physical assaults in juvenile justice facilities			new	800	750
Outcome	Percent of clients successfully completing term of supervised release			89.6%	89.5%	91%

PROTECTIVE SERVICES

The purpose of the protective services program is to receive and investigate referrals of child abuse and neglect and provide family preservation and treatment and legal services to vulnerable children and their families to ensure their safety and well-being.

BUDGET SUMMARY
(dollars in thousands)

	<u>FY11 2010-2011 Actuals</u>	<u>FY12 2011-2012 Budgeted</u>	<u>FY13 - 2012-2013</u>		<u>% Incr (Decr)</u>
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	56,590.3	57,967.6	71,092.2	71,156.2	22.8
Other Transfers	724.6	686.4	765.8	773.5	12.7
Federal Revenues	51,366.7	51,196.6	52,644.3	52,865.7	3.3
Other Revenues	2,060.4	1,873.8	2,696.2	2,696.2	43.9
SOURCES TOTAL	110,742.0	111,724.4	127,198.5	127,491.6	14.1
USES					
Personal Services and Employee Benefits	48,135.8	49,116.0	50,728.9	51,022.0	3.9
Contractual Services	9,105.0	10,522.3	21,815.0	21,815.0	107.3
Other	50,431.9	51,846.1	51,920.3	51,920.3	0.1
Other Financing Uses	2,667.6	240.0	2,734.3	2,734.3	1,039.3
TOTAL USES	110,340.3	111,724.4	127,198.5	127,491.6	14.1
FTE					
Permanent	842.0	843.0	848.8	848.8	0.7
Term	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	848.0	849.0	854.8	854.8	0.7

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of children adopted within twenty-four months from entry into foster care	23.4%	25.1%	28.3%	28.3%	28.3%
Outcome	Percent of children in foster care for twelve months with no more than two placements	77.0%	85%	80.5%	80.5%	82%
* Outcome	Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	91.4%	91.8%	93%	91.5%	92%
Outcome	Percent of children reunified with their natural families in less than twelve months of entry into care	71.5%	63.6%	71.5%	65%	65%
* Output	Percent of children who are not the subject of substantiated maltreatment while in foster care	99.67%	99.72%	99.68%	99.68%	99.7%
Output	Percent of children re-entering foster care in less than twelve months			10%	10%	10%

EARLY CHILDHOOD SERVICES

The purpose of the early childhood services program is to provide quality childcare, nutrition services, early childhood education, and training to enhance the physical, social, and emotional growth and development of children.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	30,752.9	43,348.2	43,500.4	48,338.8	11.5
Other Transfers	26,521.1	24,874.0	24,378.5	24,385.1	-2.0
Federal Revenues	80,660.4	80,655.8	82,107.3	82,166.0	1.9
Other Revenues	723.3	750.0	750.0	750.0	0.0
Fund Balance	380.4	0.0	600.0	600.0	
SOURCES TOTAL	139,038.1	149,628.0	151,336.2	156,239.9	4.4
USES					
Personal Services and Employee Benefits	7,885.6	7,494.4	8,017.4	8,031.1	7.2
Contractual Services	14,631.0	15,700.7	15,857.7	17,757.7	13.1
Other	108,477.7	126,432.9	127,461.1	130,451.1	3.2
TOTAL USES	130,994.3	149,628.0	151,336.2	156,239.9	4.4
FTE					
Permanent	104.5	100.5	101.5	101.5	1.0
Term	50.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	154.5	150.5	151.5	151.5	0.7

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of children receiving state subsidy in programs classified as stars/aim high level three through five or with national accreditation			N/A	20%	30%
Outcome	Percent of mothers participating in home visiting who are identified as having symptoms of post-partum depression who are referred to services and then receive services			N/A	new	50%
* Outcome	Percent of licensed childcare providers participating in stars/aim high levels three through five or with national accreditation			N/A	20%	30%
* Outcome	Percent of children in state funded prekindergarten showing measurable progress on the preschool readiness kindergarten tool	70.26%	89.74%	68.5%	new	70%

YOUTH AND FAMILY SERVICES

The purpose of the youth and family services program is to develop and provide needed quality prevention, intervention, and after-care services to youth and families in their communities.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	46,905.5	46,095.7	0.0	0.0	-100.0
Other Transfers	2,034.0	652.2	0.0	0.0	-100.0
Federal Revenues	7,333.2	4,473.4	0.0	0.0	-100.0
Other Revenues	1,809.4	1,822.4	0.0	0.0	-100.0
Fund Balance	68.9	0.0	0.0	0.0	
SOURCES TOTAL	58,151.0	53,043.7	0.0	0.0	-100.0
USES					
Personal Services and Employee Benefits	20,852.0	21,372.1	0.0	0.0	-100.0
Contractual Services	33,672.5	28,967.7	0.0	0.0	-100.0
Other	2,823.9	2,703.9	0.0	0.0	-100.0
Other Financing Uses	50.0	0.0	0.0	0.0	
TOTAL USES	57,398.4	53,043.7	0.0	0.0	-100.0
FTE					
Permanent	376.1	375.1	0.0	0.0	-100.0
Term	12.0	12.0	0.0	0.0	-100.0
TOTAL FTE POSITIONS	388.1	387.1	0.0	0.0	-100.0

PROGRAM SUPPORT

The purpose of program support is to provide the direct services divisions with functional and administrative support so they may provide client services consistent with the department's mission and also support the development and professionalism of employees.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	11,572.5	11,040.4	23,902.6	23,960.0	117.0
Other Transfers	142.3	160.2	812.4	812.4	407.1
Federal Revenues	8,724.7	5,281.6	7,053.9	7,100.0	34.4
SOURCES TOTAL	20,439.5	16,482.2	31,768.9	31,872.4	93.4
USES					
Personal Services and Employee Benefits	10,460.3	10,708.9	13,778.4	13,881.9	29.6
Contractual Services	1,535.5	1,706.8	13,585.6	13,585.6	696.0
Other	4,994.9	4,066.5	4,404.9	4,404.9	8.3
Other Financing Uses	220.1	0.0	0.0	0.0	
TOTAL USES	17,210.8	16,482.2	31,768.9	31,872.4	93.4
FTE					
Permanent	160.0	157.0	187.0	187.0	19.1
Term	4.0	4.0	12.0	12.0	200.0
TOTAL FTE POSITIONS	164.0	161.0	199.0	199.0	23.6

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
*	Outcome					
	Turnover rate for youth care specialists			N/A	18%	15%
	Outcome	92.4%	92.9%	92%	92%	93%
	Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan					
	Outcome	81.7%	89.8%	85%	85%	89%
	Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services					
	Output		7	7	7	7
	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury					

STATUTORY AUTHORITY:

The Department of Military Affairs operates pursuant to Article I, Section 8, of the United States Constitution and Article XVIII, Sections 1 and 2, of the New Mexico Constitution. The department is established and governed by the New Mexico Military Code (Sections 20-1-1 through 20-12-73 NMSA 1978). The governor is the commander in chief of the state military forces and the adjutant general, appointed by the governor for a five-year term, directs the department.

MISSION:

The department's primary mission is to provide the necessary infrastructure to support the Army and Air National Guard, State Defense Force, Civil Air Patrol, and the Youth Challenge Academy.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	6,428.3	6,297.6	6,297.6	6,322.7	0.4
Other Transfers	43.9	0.0	0.0	0.0	
Federal Revenues	9,000.1	11,808.3	11,894.3	11,938.3	1.1
Other Revenues	99.4	165.7	173.6	174.3	5.2
SOURCES TOTAL	15,571.7	18,271.6	18,365.5	18,435.3	0.9
USES					
Personal Services and Employee Benefits	6,173.7	7,591.3	7,607.1	7,676.9	1.1
Contractual Services	2,230.5	3,622.4	3,804.9	3,804.9	5.0
Other	6,919.9	7,057.9	6,953.5	6,953.5	-1.5
TOTAL USES	15,324.1	18,271.6	18,365.5	18,435.3	0.9
FTE					
Permanent	31.0	29.0	29.0	29.0	0.0
Term	102.0	102.0	98.0	98.0	-3.9
TOTAL FTE POSITIONS	133.0	131.0	127.0	127.0	-3.1

BUDGET ISSUES:

The department's revenue is primarily from the general fund and federal funds. From FY11 to FY12 the ratio of federal support increased from 60 to 75 percent, resulting in a federal funds increase of \$2.8 million. In FY13, the department requested \$6.3 million from the general fund equal to the FY12 adjusted operating budget. The FY13 recommendation meets the agency request, including federal funds of \$11.9 million and \$174.3 thousand in other revenues. The requested elimination of two governor-exempt positions and four term positions allows the department to realign salaries to midpoint, rather than the minimum, as a way to retain staff. In FY13, the department included \$50 thousand to continue the Civil Air Patrol proficiency flying program so pilots can log flight hours to remain or reacquire proficiency while assisting with unfunded state missions, such as patrols over reservoirs and lakes in support of the Coast Guard Auxiliary or other agencies.

The LFC recommendation includes \$25.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The total recommended increase is \$69.8 thousand.

The general fund reductions in previous years have impacted the department's ability to support the New Mexico Youth Challenge Academy (NMYCA) at the same level and to conduct routine maintenance and support of its state-owned structures.

The NMYCA is a program for high school dropouts who are not in trouble with the law, are drug free and unemployed or underemployed consisting of a 22-week resident phase followed by a 12-month post-resident phase. The program is offered twice per year. The program budget is built on a formula of \$16 thousand per student with 75 percent supported by federal dollars.

In FY11, staff for the NMYCA was reduced from 41 to 14, and the number of students served was reduced from 200 to 75 due to budget cuts. The department was unable to adjust its FY11 performance targets to reflect the impact of the funding reductions and, therefore, was unable to meet its performance targets in FY11. The FY12 targets were adjusted accordingly and the department should be able to meet them. New Mexico is able to compare its performance with other states and the District of Columbia which also participate in the program.

The federal government matches 100 percent of each state dollar spent on maintenance and repairs of facilities. As general fund appropriations have decreased, so have the federal appropriations. This will likely require more maintenance and repairs in later years at a greater cost. With federal assistance, the department has been able to institute a comprehensive energy reduction plan that will allow it to achieve savings on utility costs.

NATIONAL GUARD SUPPORT PROGRAM

The purpose of the national guard support program is to provide administrative, fiscal, personnel, facility construction and maintenance support to the New Mexico national guard in maintaining a high degree of readiness to respond to state and federal missions and to supply an experienced force to protect the public, provide direction for youth and improve the quality of life for New Mexicans.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Outcome	Rate of attrition of the New Mexico army national guard	16.5%	12.2%	15.5%	16%	16%
* Outcome	Percent of strength of the New Mexico national guard	96%	97%	92%	92%	92%
Output	Number of major environmental compliance findings from inspections	0	1	4	4	4
* Output	Number of New Mexico youth challenge academy cadets who earn their high school equivalency annually	76	38	38	38	38
* Outcome	Percent of cadets successfully graduating from the youth challenge academy	67%	87%	92%	91%	91%

STATUTORY AUTHORITY:

The Parole Board Act (Section 31-21-22 NMSA 1978) creates the 15 member Parole Board and administratively attaches it to the Corrections Department. Even though the Parole Board is administratively attached to the Corrections Department, it functions as an independent state agency responsible for paroling adults incarcerated at 10 Corrections Department prisons. The Probation and Parole Act (Section 31-21-3 through 31-21-19 NMSA 1978) further outlines the responsibilities of the Parole Board.

MISSION:

The Parole Board grants, denies, or revokes parole, conducts investigations, summons witnesses and adopts rules and regulations for the effective discharge of board duties. The Parole Boards also provides recommendations to the governor on applications for executive clemency.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	458.8	442.7	469.1	463.7	4.7
SOURCES TOTAL	458.8	442.7	469.1	463.7	4.7
USES					
Personal Services and Employee Benefits	316.7	309.1	335.4	330.0	6.8
Contractual Services	8.0	7.5	7.6	7.6	1.3
Other	105.5	126.1	126.1	126.1	0.0
TOTAL USES	430.2	442.7	469.1	463.7	4.7
FTE					
Permanent	6.0	6.0	6.0	6.0	0.0
TOTAL FTE POSITIONS	6.0	6.0	6.0	6.0	0.0

BUDGET ISSUES:

The agency requested an increase of \$26.3 thousand above the FY12 adjusted operating budget to increase the pay of the executive director and five classified employees and to increase related benefits. The FY13 recommendation includes an increase of \$16.7 thousand above the FY12 adjusted operating budget for increased benefits. The LFC recommendation also includes \$4.2 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

To continue to operate effectively with the budget reductions, the board has reduced its meetings from quarterly to biannually, parole hearings are conducted using video conferencing whenever possible, and board members carpool to prisons. If the board cannot fulfill its statutory duties timely, the Corrections Department will have to continue to house inmates past their release dates thus increasing costs.

Section 31-21-10.1 NMSA 1978 outlines the conditions for paroling sex offenders, which places an additional review hearing requirements on the board starting February 2012. Any savings recognized from using video conferencing, reducing board meetings, and carpooling might not be enough to cover the additional hearings for sex offenders.

The board conducted 4,131 hearings in FY11, seven less than FY10. Of these, 2,699 were regular hearings setting conditions for parolees. The remaining 1,432 were revocation hearings to determine if a parole violation required the parolee to return to prison or if other sanctions were more appropriate. The board also coordinates research and investigations, and provided the governor recommendations on nine executive clemency requests.

PAROLE BOARD

The purpose of the adult parole program is to provide and establish parole conditions and guidelines for inmates and parolees so they may reintegrate back into the community as law-abiding citizens.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Efficiency	Percent of revocation hearings held within thirty days of a parolee's return to the corrections department	95.1%	95.9%	95%	93%	95%
Output	Number of informational meetings held with individuals, advocacy groups and local, state, federal or county governments	25	32	30	25	25
* Outcome	Percent of parole certificates issued within ten days of hearing or ten days of receiving relevant information needed	80.7%	92.8%	95%	95%	95%
Outcome	Number of comprehensive resource guides and agency rules and regulations pamphlets produced and updated	1 update	1 update	1 update	1 update	1 update

STATUTORY AUTHORITY:

Sections 32A-7A-1 through 32A-7A-8 NMSA 1978 created the Juvenile Public Safety Advisory Board (JPSAB). The board is administratively attached to the Children, Youth and Families Department (CYFD).

MISSION:

The mission of the JPSAB is to provide citizen oversight, review programs and initiatives, and make recommendations to the CYFD on all matters relating to adjudicated youth program operations; conduct onsite facility inspections and visits; and ensure the appropriate care and treatment services are being provided to youth.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 – 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	24.1	24.1	24.1	24.1	0.0
SOURCES TOTAL	24.1	24.1	24.1	24.1	0.0
USES					
Contractual Services	0.0	3.8	3.8	4.0	5.3
Other	6.1	20.3	20.3	20.1	-1.0
TOTAL USES	6.1	24.1	24.1	24.1	0.0
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

BUDGET ISSUES:

The Juvenile Public Safety Advisory Board (JPSAB) is administratively attached to the CYFD and the board's administrative duties are carried out by the department. The agency's budget request was flat for FY13 compared with the FY12 operating budget. The JPSAB's FY13 budget funds board member expenses and an audit fee. The FY11 actual expenditures were \$6.1 thousand. There were three vacant positions on the advisory board and two of the current four board members are public employees who do not receive per diem for attending the board meetings. The FY13 request anticipates new appointments to the board from diverse geographic regions of the state. The committee recommendation supports the JPSAB's flat budget request with a minor technical adjustment for the FY13 audit fee.

JUVENILE PUBLIC SAFETY ADVISORY BOARD

The purpose of the juvenile public safety advisory board is to monitor each youth's rehabilitative process through therapy and support services to assure a low risk for reoffending or re-victimizing the community.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Percent of clients reviewed at 40 days	N/A	100%	95%	95%	98%
Outcome	Percent of clients successfully completing term of supervised release	N/A	89.6%	85.5%	85.5%	87%

STATUTORY AUTHORITY:

The Corrections Department Act, Sections 9-3-1 through 9-3-13 NMSA 1978, created a single, unified department to administer all laws and exercise all functions formerly administered and exercised by the Corrections and Criminal Rehabilitation Department and to ensure a comprehensive criminal justice system in New Mexico.

MISSION:

The mission of the New Mexico Corrections Department (NMCD) is to provide a balanced approach to corrections, from incarceration to community-based supervision, with training, education, rehabilitation programs, and services that provide opportunities for offenders to successfully transition to communities.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	262,482.7	256,976.5	264,928.3	265,494.0	3.3
Other Transfers	681.9	466.3	462.3	465.3	-0.2
Federal Revenues	1,677.7	909.0	157.1	157.5	-82.7
Other Revenues	20,926.1	20,870.8	21,234.1	20,634.2	-1.1
Fund Balance	1,750.0	1,050.0	950.0	950.0	-9.5
SOURCES TOTAL	287,518.4	280,272.6	287,731.8	287,701.0	2.7
USES					
Personal Services and Employee Benefits	124,585.8	127,007.0	129,741.6	130,987.0	3.1
Contractual Services	46,235.7	46,368.3	46,625.2	46,625.2	0.6
Other	105,222.9	106,923.9	111,365.0	110,088.8	3.0
TOTAL USES	276,044.4	280,299.2	287,731.8	287,701.0	2.6
FTE					
Permanent	2,479.5	2,447.5	2,413.5	2,412.5	-1.4
Term	47.0	37.0	35.0	35.0	-5.4
TOTAL FTE POSITIONS	2,526.5	2,484.5	2,448.5	2,447.5	-1.5

BUDGET ISSUES:

The NMCD requested \$264.9 million from the general fund, a \$7.9 million increase over the FY12 general fund level. Overall, the FY13 request was a 2.6 percent increase over the previous year. In addition to the general fund request, the agency requested \$22.6 million in other revenue and \$157.1 thousand in federal funds. The total agency recommendation is \$287.7 million, a 2.7 percent increase over the FY12 operating budget. Since FY10, the general fund appropriation was reduced by \$27.6 million. To avoid releasing inmates early, increasing recidivism or denying medical care, the FY13 general fund recommendation is 3.3 percent above FY12 operating budget. The LFC recommendation includes \$1.1 million from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The total recommended increase is \$1.2 million.

Three of five programs have high vacancy rates in FY12 due to decreased funding. Program Support and the Community Offender Management, and Community Corrections programs have vacancy rates of 20 percent, 16 percent, and 24 percent, respectively. The request reduces those vacancy rates to 11 percent, 15 percent, and 5 percent, respectively. Lower vacancy rates increase salaries and benefits by \$2.7 million. The department applied vacancy rates to permanent full-time positions that are not exempt from the classified service versus the committee recommendation, which applies vacancy rates to all permanent positions.

The general fund recommendation for the Inmate Management and Control Program is \$5.7 million, 2.6 percent over the FY12 operating level of \$221.2 million. The recommendation does not fund the consumer price index increase applied to the women's private prison contract (\$434.8 thousand) and adjusts for a mathematical error.

In FY12, the NMCD eliminated 37 positions, 31 from Inmate Management and Control, one from Corrections Industries, and five from Community Offender Management. Two permanent and two term correctional officer and seven inmate programming positions were eliminated due to budget reductions along with 26 administrative support positions. The administrative positions included two deputy secretaries.

The general fund recommendation to the Community Offender Management and Community Corrections programs and Program Support are \$27.5 million, \$3.2 million, and \$8 million, respectively. In total, the FY13 general fund recommendation is 8 percent over the FY12 budget for the three programs. The recommendation for Program Support does not include increasing permanent full-time-equivalent positions by one as requested. The recommendation for the Community Corrections Program is 21 percent greater than the FY11 actual expenditures and 4.9 percent higher than the FY12 operating budget due mainly to decreases in vacancy rates.

In FY12, the NMCD imposed penalties of \$1.1 million against GEO Group, Inc., for understaffing the Lea County Correctional Facility. It also required the company to invest \$200 thousand in local recruitment to ensure proper staffing and to avoid future penalties. Agency staff will review private prison records monthly to ensure each is adequately staffed. In FY12, the department plans to review the remaining private prisons staffing levels to determine if penalty assessments are necessary. Additionally, the department anticipates renegotiating private prison contracts.

In FY11, the agency received \$20.4 million from the American Recovery and Reinvestment Act (ARRA) government services fund and Byrne justice grant to supplant the general fund appropriation when general fund revenues were insufficient to pay for government operations. The ARRA allotment, along with leaving positions vacant and cutting back inmate programming allowed the agency to revert \$9.1 million in general fund revenues to help address the shortfall. The ARRA funding was set up as a separate fund used to pay operational expenses, of which 90 percent was spent on salaries and benefits.

Total New Mexico inmate population in FY07 was 6,887. By FY09, the population dropped 5.8 percent to 6,488. The New Mexico Sentencing Commission attributed the reduction to more nonviolent and drug offenders being released than admitted into prison and violent offenders being admitted and released at the same rate. Additionally, diversion for technical violators, parole in the community, earned meritorious deduction, and use of the felony drug court likely contributed to the reduction. As of July 2011, the total number of inmates incarcerated in the 10 correctional facilities was 6,571. There were 5,964 men and 607 women. The men are housed in nine facilities, six publicly and three privately operated. The women are housed in a private facility in Grants. In FY12, additional capacity for women was set aside at the men's correctional facility in Grants. As of October 2011, 38 women were housed in the men's facility.

Re-incarceration of inmates who recidivate and difficulty placing parolees who are sex offenders or those for whom housing or work cannot be found increase the prison population, incarceration costs and potentially, inmate-on-inmate and inmate-on-staff assaults. The NMCD recognizes the need to continue to address re-incarceration and is joining 13 other states in implementing the National Institute of Corrections model, transitions from prisons to communities. The model requires the initial inmate assessment be used to determine classification level and programs and services necessary to successfully release inmates in accordance with release dates and reduce recidivism. The initiative includes coordination and collaboration with other state agencies and communities for continued success after release.

According to the National Institute of Corrections, in 2001 the nationwide turnover rate for correctional officers was 16 percent. Additionally, more officers retire than enter the workforce. The NMCD reports that 111 employees are eligible to retire in FY13. Of those, 91 are correctional officers. Recruitment and retention of correctional officers remains an issue for the department, which has to rely on overtime to maintain adequate staffing. In FY11, the NMCD spent \$9.8 million on overtime compensation for correctional officers.

The contract with Corizon, Inc. (Corrections Medical Services) to provide medical, dental, and mental health services to inmates expired June 30, 2011. Between the date the contract expired and the date a new provider takes over, the NMCD entered into a short-term contract with Corizon to continue services to inmates at a cost of \$3.5 million per month, or \$38.7 million annually. On October 28, 2011, the department issued the request for proposal; responses from bidders are due January 10, 2012. Nationally, corrections healthcare costs grew by 10 percent annually between 1998 and 2001. Inmate healthcare costs in New Mexico for the same period were 13 percent of the corrections budget. In FY12, the cost is 16 percent of the NMCD budget. The factors that drive healthcare cost increases in the prison system are the rise in communicable and chronic diseases particularly human immunodeficiency virus and hepatitis, mental illnesses, elderly inmates, and the need to provide substance abuse treatment and prescription drugs. The department is considering alternatives to prescription drugs, including looking into using the Federal Bureau of Prisons' price agreements. Cost reduction measures include telemedicine, early release of elderly or terminally ill inmates, utilization review, preventive care and education, use of preferred provider organizations and health maintenance organizations, and privatization.

The furniture-making operation at Corrections Industries is no longer profitable and has to be sustained by the other operations. The NMCD has decided to re-introduce license plate manufacturing into the mix of programs offered for inmates. The FY13 budget request included \$700 thousand in other state funds for this endeavor. The recommendation does not include the request for license plate manufacturing because the current license plate contract at the Taxation and Revenue Department does not expire until March of 2013. Additionally, the NMCD has no guarantee it will be the successful bidder. The FY13 recommendation is 37 percent greater than the FY11 actual budget.

The department's aging correctional facilities are in a critical need of repair. Even though the NMCD has received \$27.4 million since 2008 mainly for upgrades at the Southern, Western and Central New Mexico correctional facilities, more funding is needed. In FY13, the department is requesting an additional \$28.8 million for heating and cooling systems, security upgrades, and maintenance and repairs. Degrading prison infrastructure poses a security risk to staff and inmates. The NMCD will have to start planning new facility construction to replace one or more of the existing facilities. The General Services Department Property Control Division recommends replacing any building with a facility condition index greater than 60 percent. The 2005 facility assessment found that Central, Southern and Roswell correctional facilities were at 55.4 percent, 48.5 percent and 43.3 percent, respectively.

RECOMMENDED LANGUAGE:

The appropriations for the community offender management program of the correction department are appropriated to the community corrections grant fund.

INMATE MANAGEMENT AND CONTROL

The purpose of the inmate management and control program is to incarcerate in a humane, professionally sound manner offenders sentenced to prison and to provide safe and secure prison operations. This includes quality hiring and in-service training of correctional officers, protecting the public from escape risks and protecting prison staff, contractors and inmates from violence exposure to the extent possible within budgetary resources.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
General Fund Transfers	223,856.8	221,154.3	226,483.0	226,820.8	2.6
Other Transfers	432.1	211.8	212.5	213.6	0.8
Federal Revenues	1,664.1	809.0	67.1	67.1	-91.7
Other Revenues	15,604.3	14,872.7	14,600.9	14,679.3	-1.3
Fund Balance	1,500.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	243,057.3	237,147.8	241,463.5	241,880.8	2.0
USES					
Personal Services and Employee Benefits	98,917.9	100,902.3	102,244.8	103,238.3	2.3
Contractual Services	45,784.3	45,890.2	45,960.6	45,960.6	0.2
Other	90,298.2	90,381.9	93,258.1	92,681.9	2.5
TOTAL USES	235,000.4	237,174.4	241,463.5	241,880.8	2.0
FTE					
Permanent	1,941.5	1,921.5	1,892.5	1,892.5	-1.5
Term	43.0	34.0	32.0	32.0	-5.9
TOTAL FTE POSITIONS	1,984.5	1,955.5	1,924.5	1,924.5	-1.6

PERFORMANCE MEASURES

		FY10	FY11	FY12	FY13	FY13
		<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>Request</u>	<u>Recomm</u>
* Outcome	Recidivism rate of the success for offenders after release program by thirty-six months	31.6%	33.7%	35%	35%	35%
* Outcome	Percent of female offenders successfully released in accordance with their scheduled release dates, excluding in-house parole	95%	84%	90%	90%	90%
* Outcome	Percent turnover of correctional officers in public facilities	11.45%	10.3%	13%	13%	13%
Output	Graduation rate of correctional officer cadets from the corrections department training academy	85%	84.25%	90%	90%	90%
Output	Percent of released inmates enrolled in the success for offenders after release program who are now gainfully employed	79%	79.5%	80%	78%	78%
Output	Percent of eligible inmates who earn a general educational development certificate	86%	39%	85%	78%	78%

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Percent of participating inmates completing adult basic education	66%	50%	65%	32%	32%
* Outcome	Percent of male offenders successfully released in accordance with their scheduled release dates excluding in-house parole	86%	85%	90%	90%	90%
* Efficiency	Daily cost per inmate, in dollars, for prior fiscal year	TBD	TBD	\$106.65	\$106.65	\$106.65
Outcome	Percent of therapeutic community graduates reincarcerated within thirty-six months of release	44.6%	0	40%	40%	40%
Output	Number of inmates with a history of domestic violence receiving domestic violence prevention education	45	0	50	50	50
Output	Number of victims of domestic violence receiving domestic violence education to include availability of resources and support	0%	0	50	50	50
* Output	Percent of inmates testing positive for drug use or refusing to be tested in a random monthly drug test	1.83%	1.39%	≤2%	≤2%	≤2%
* Output	Number of inmate-on-inmate assaults with serious injury	19	14	23	23	23
* Output	Number of inmate-on-staff assaults with serious injury	6	4	10	10	10
* Output	Number of escapes from a publicly run corrections department facility	1	0	0	0	0
* Output	Number of escapes from a secure privately operated corrections department facility	0	0	0	0	0
* Output	Average number of days an inmate waits for medical, dental or psychiatric services	3	5.17	3	3	3
Outcome	Percent of standard healthcare requirements met by medical contract vendor	TBD	TBD	100%	87%	87%
* Outcome	Percent of eligible sex offenders within three years of release who are receiving treatment	45.6%	42.7%	65%	65%	65%
Output	Percent of inmate grievances resolved informally	44.82%	50.52%	85%	85%	85%

CORRECTIONS INDUSTRIES

The purpose of the corrections industries program is to provide training and work experience opportunities for inmates to instill a quality work ethic and to prepare them to perform effectively in an employment position and to reduce idle time of inmates while in prison.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Other Revenues	3,024.3	3,962.2	4,582.7	3,894.3	-1.7
SOURCES TOTAL	3,024.3	3,962.2	4,582.7	3,894.3	-1.7
USES					
Personal Services and Employee Benefits	1,159.6	1,841.0	1,672.2	1,683.8	-8.5
Contractual Services	1.2	25.1	25.4	25.4	1.2
Other	1,675.1	2,096.1	2,885.1	2,185.1	4.2
TOTAL USES	2,835.9	3,962.2	4,582.7	3,894.3	-1.7
FTE					
Permanent	38.0	32.0	31.0	31.0	-3.1
Term	4.0	3.0	3.0	3.0	0.0
TOTAL FTE POSITIONS	42.0	35.0	34.0	34.0	-2.9

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Profit and loss ratio	TBD	TBD	break even	break even	break even
* Outcome	Percent of eligible inmates employed	5.42%	3.34%	6%	6%	6%

COMMUNITY OFFENDER MANAGEMENT

The purpose of the community offender management program is to provide programming and supervision to offenders on probation and parole, with emphasis on high-risk offenders, to better ensure the probability of them becoming law-abiding citizens, to protect the public from undue risk and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	27,205.9	25,901.8	27,261.9	27,453.4	6.0
Federal Revenues	13.6	0.0	0.0	0.0	
Other Revenues	2,106.2	1,992.5	2,000.0	2,010.1	0.9
Fund Balance	250.0	250.0	250.0	250.0	0.0
SOURCES TOTAL	29,575.7	28,144.3	29,511.9	29,713.5	5.6
USES					
Personal Services and Employee Benefits	17,965.3	18,125.3	18,913.1	19,114.7	5.5
Contractual Services	32.5	30.9	44.5	44.5	44.0
Other	9,298.3	9,988.1	10,554.3	10,554.3	5.7
TOTAL USES	27,296.1	28,144.3	29,511.9	29,713.5	5.6
FTE					
Permanent	387.0	387.0	382.0	382.0	-1.3
TOTAL FTE POSITIONS	387.0	387.0	382.0	382.0	-1.3

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent turnover of probation and parole officers	15.40%	13.10%	20%	20%	20%
* Outcome	Percent of out-of-office contacts per month with offenders on high and extreme supervision on standard caseloads	91.3%	89.6%	90%	90%	90%
Quality	Average standard caseload per probation and parole officer	95	99	95	95 +/-3	95 +/-3
Quality	Average intensive supervision program caseload per probation and parole officer	19	12	20	20	20
Output	Percent of absconders apprehended	11%	10.8%	10%	10%	10%
Quality	Average number of offenders in intensive or high-risk supervision	25	24	25	25	25

COMMUNITY CORRECTIONS

The purpose of the community corrections program is to provide selected offenders on probation and parole with residential and nonresidential service settings and to provide intermediate sanctions and post-incarceration support services as a cost-effective alternative to incarceration without undue risk to the public.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	3,664.2	2,897.9	3,169.8	3,169.8	9.4
Other Revenues	89.3	30.7	37.8	37.8	23.1
Fund Balance	0.0	700.0	600.0	600.0	-14.3
SOURCES TOTAL	3,753.5	3,628.6	3,807.6	3,807.6	4.9
USES					
Personal Services and Employee Benefits	645.7	708.8	882.9	882.9	24.6
Contractual Services	3.4	0.5	5.5	5.5	1,000.0
Other	2,485.8	2,919.3	2,919.2	2,919.2	0.0
TOTAL USES	3,134.9	3,628.6	3,807.6	3,807.6	4.9
FTE					
Permanent	17.0	17.0	17.0	17.0	0.0
TOTAL FTE POSITIONS	17.0	17.0	17.0	17.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Output	Average community corrections program caseload per probation and parole officer	29	28	30	30	30
* Output	Percent of male offenders who complete the residential treatment center program	46%	20%	75%	75%	75%
* Output	Percent of female offenders who complete the residential treatment center program	80%	67%	75%	75%	75%
* Output	Percent of female offenders who complete the halfway house program	86.5%	88%	75%	75%	75%

PROGRAM SUPPORT

The purpose of program support is to provide quality administrative support and oversight to the department operating units to ensure a clean audit, effective budget, personnel management and cost-effective management information system services.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	7,755.8	7,022.5	8,013.6	8,050.0	14.6
Other Transfers	249.8	254.5	249.8	251.7	-1.1
Federal Revenues	0.0	100.0	90.0	90.4	-9.6
Other Revenues	102.0	12.7	12.7	12.7	0.0
SOURCES TOTAL	8,107.6	7,389.7	8,366.1	8,404.8	13.7
USES					
Personal Services and Employee Benefits	5,897.3	5,429.6	6,028.6	6,067.3	11.7
Contractual Services	414.3	421.6	589.2	589.2	39.8
Other	1,465.5	1,538.5	1,748.3	1,748.3	13.6
TOTAL USES	7,777.1	7,389.7	8,366.1	8,404.8	13.7
FTE					
Permanent	96.0	90.0	91.0	90.0	0.0
TOTAL FTE POSITIONS	96.0	90.0	91.0	90.0	0.0

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent of prisoners reincarcerated back into the corrections department system within thirty-six months due to new charges or pending charges	19.75%	21.23%	40%	40%	40%
Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations	23.47%	44.62%	25%	47%	47%
* Outcome	Percent of prisoners reincarcerated back into the corrections department within thirty-six months due to technical parole violations including absconders and sanctioned parole violators	43.58%	22.12%	47%	40%	40%
* Outcome	Percent of sex offenders reincarcerated back into the corrections department within thirty-six months	23.53%	29.19%	40%	40%	40%
Output	Percent of department staff trained on legal subjects including unlawful discrimination, sexual harassment, and internal policy and procedures	0%	0%	100%	100%	100%
Output	Percent of institutional programming staff, probation and parole officers and supervisors, classification and addiction services staff trained in motivational interviewing techniques	0%	0%	100%	100%	100%
Outcome	Percent of employee union grievances resolved prior to arbitration	94%	91%	95%	90%	90%

STATUTORY AUTHORITY:

The Crime Victims Reparation Commission was created by Section 31-22-4 NMSA 1978 to protect the citizens of New Mexico from the impact of crime and to promote a stronger criminal justice system through the encouragement of all citizens to cooperate with law enforcement efforts. Eligibility for reparation awards, limits on the award per victim, and required deductions for payments received from collateral sources are specified in the law. The commission board is made up of five gubernatorial appointees.

MISSION:

The mission of the Crime Victims Reparation Commission is to assist victims of violent crime by providing reimbursement for certain eligible expenses related to the crime and by making distributions of federal grants for victims' assistance in accordance with federal guidelines.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	1,805.2	1,674.0	1,713.6	1,710.0	2.2
Federal Revenues	4,971.5	5,194.1	5,172.5	5,175.9	-0.4
Other Revenues	499.5	499.5	499.5	499.5	0.0
Fund Balance	117.2	80.0	80.0	80.0	0.0
SOURCES TOTAL	7,393.4	7,447.6	7,465.6	7,465.4	0.2
USES					
Personal Services and Employee Benefits	1,012.1	1,102.7	1,121.4	1,121.2	1.7
Contractual Services	238.6	242.7	242.7	242.7	0.0
Other	5,296.7	5,402.2	5,401.5	5,401.5	0.0
Other Financing Uses	668.6	700.0	700.0	700.0	0.0
TOTAL USES	7,216.0	7,447.6	7,465.6	7,465.4	0.2
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	20.0	20.0	20.0	20.0	0.0

BUDGET ISSUES:

The Crime Victims Reparation Commission has two programs: Victim Compensation and Federal Grant Administration. Commission revenue is a combination of general fund appropriations, restitution paid by perpetrators, and federal funds. The federal funds are 60 percent of what the program spends in state money two federal fiscal years before the grant award. Of the \$5.2 million in federal funds, \$817 thousand, 16 percent, can be used for victim payments. Federal funds for victim payments will be reduced further in FY14.

The commission processes claims to reimburse victims and the deceased victim's dependents for statutorily specified criminal acts, or any individual who voluntarily assumes the funeral or medical expenses of a victim. In FY11, the commission paid \$1.4 million on 709 claims, which included 128 for child sexual abuse and 20 for physical abuse. The highest claims in number and dollar were assault (250), homicide (101), and domestic abuse (128) totaling \$1.2 million in claims paid. The total paid is half of the amount paid in FY10 because the commission reduced payment to providers to 50 percent of the actual expense. The general fund recommendation includes an increase of \$11.4 thousand for salaries and \$15.2 thousand for benefits above the FY12 adjusted operating budget, \$3.6 thousand less than the agency request. The LFC recommendation includes \$9.1 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Federal funds were also adjusted accordingly.

The Federal Grant Administration Program manages federal funds from the Office of Justice Programs Victims of Crime Act and Violence Against Women Act. In FY13, \$5.2 million is recommended from federal grants, of which 84 percent is for other agencies to provide direct services to victims.

VICTIM COMPENSATION

The purpose of the victim compensation program is to provide financial assistance and information to victims of violent crime in New Mexico so they can receive services to restore their lives.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	1,805.2	1,674.0	1,713.6	1,710.0	2.2
Other Revenues	499.5	499.5	499.5	499.5	0.0
Fund Balance	117.2	80.0	80.0	80.0	0.0
SOURCES TOTAL	2,421.9	2,253.5	2,293.1	2,289.5	1.6
USES					
Personal Services and Employee Benefits	769.4	830.0	869.6	866.0	4.3
Contractual Services	218.6	214.7	214.7	214.7	0.0
Other	1,259.0	1,208.8	1,208.8	1,208.8	0.0
TOTAL USES	2,247.0	2,253.5	2,293.1	2,289.5	1.6
FTE					
Permanent	16.0	16.0	16.0	16.0	0.0
TOTAL FTE POSITIONS	16.0	16.0	16.0	16.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of formal regional trainings conducted annually	8	5	8	8	8
* Output	Number of formal internal staff trainings conducted annually	6	6	6	6	6
* Efficiency	Average number of days to process applications	136	99	<120	<120	<120
Outcome	Percent increase in number of reparation applications received	4%	-18%	2%	5%	5%
Efficiency	Percent of payment vouchers for care and support sent to the department of finance and administration within two working days of the receipt of payment list	68%	65%	70%	90%	90%
Outcome	Percent increase in victims receiving direct advocacy	5%	45%	5%	90%	90%
Output	Number of victims receiving direct advocacy	1,846	741	1,800	1,800	1,800

FEDERAL GRANT ADMINISTRATION

The purpose of the federal grant administration program is to provide funding and training to nonprofit providers and public agencies so they can provide services to victims of crime.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Federal Revenues	4,971.5	5,194.1	5,172.5	5,175.9	-0.4
SOURCES TOTAL	4,971.5	5,194.1	5,172.5	5,175.9	-0.4
USES					
Personal Services and Employee Benefits	242.7	272.7	251.8	255.2	-6.4
Contractual Services	20.0	28.0	28.0	28.0	0.0
Other	4,037.7	4,193.4	4,192.7	4,192.7	0.0
Other Financing Uses	668.6	700.0	700.0	700.0	0.0
TOTAL USES	4,969.0	5,194.1	5,172.5	5,175.9	-0.4
FTE					
Term	4.0	4.0	4.0	4.0	0.0
TOTAL FTE POSITIONS	4.0	4.0	4.0	4.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Efficiency	Percent of sub-recipients that receive compliance monitoring via desk audits	90%	85%	85%	85%	85%
* Output	Number of training workshops conducted for sub-recipients	12	12	12	10	10
Outcome	Percent increase in number of services provided to victims of crime by grant sub-recipients	40%	16%	4%	2%	2%
* Efficiency	Percent of site visits conducted	30%	16%	40%	30%	30%
Output	Number of statewide training conferences held for service providers and victim advocates	1	1	1	1	1
Efficiency	Number of working days to complete payment voucher after completion of drawdown	5	5	6	6	6
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	5	5	5	5	5

STATUTORY AUTHORITY:

The Department of Public Safety Act, Sections 9-19-1 through 9-19-11 NMSA 1978, created the Department of Public Safety (DPS), a cabinet department, in 1987. The creation of the DPS was intended to provide overall coordination and access for all law enforcement functions in the state. The act incorporated the New Mexico State Police, Law Enforcement Academy, Alcohol Beverage Control Enforcement, and Civil Emergency Preparedness Division of the Department of Military Affairs. On July 1, 1998, the Motor Transportation Division, formerly part of the Taxation and Revenue Department, was transferred to the DPS. Laws 2007, Chapter 291, removed the Emergency Management and Homeland Security Support Program and created the Homeland Security and Emergency Management Department.

MISSION:

The mission of the Department of Public Safety is to provide the best and most efficient law enforcement, support, and emergency services available to protect and secure the people of New Mexico in their lives, homes, and communities. The DPS's areas of focus are drunken driving, drug crime, violent crime, and traffic safety.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	88,085.0	86,218.8	89,803.6	90,949.0	5.5
Other Transfers	10,491.7	15,106.7	14,809.5	14,805.2	-2.0
Federal Revenues	9,493.8	17,542.7	13,767.8	13,846.9	-21.1
Other Revenues	5,429.9	6,992.7	7,573.3	7,636.3	9.2
Fund Balance	1,529.6	1,305.0	1,300.0	1,312.3	0.6
SOURCES TOTAL	115,030.0	127,165.9	127,254.2	128,549.7	1.1
USES					
Personal Services and Employee Benefits	78,928.0	87,450.8	88,303.5	88,562.9	1.3
Contractual Services	3,519.0	6,270.0	7,004.6	7,004.6	11.7
Other	27,124.5	33,445.1	31,946.1	32,982.2	-1.4
TOTAL USES	109,571.5	127,165.9	127,254.2	128,549.7	1.1
FTE					
Permanent	1,133.5	1,130.5	1,130.5	1,122.5	-0.7
Term	102.0	101.0	101.0	101.0	0.0
Temporary	24.2	24.2	24.2	24.2	0.0
TOTAL FTE POSITIONS	1,259.7	1,255.7	1,255.7	1,247.7	-0.6

BUDGET ISSUES:

For FY13, the agency requested \$89.8 million from the general fund, a \$3.6 million increase over the FY12 adjusted general fund operating budget. The agency did not request additional FTE or expansion items. It did however request \$1.9 million for fuel and telecommunication circuits as a special appropriation and more than \$800 thousand as an FY12 supplemental appropriation also for fuel and telecommunication circuits. The recommendation includes funding for fuel and telecommunication circuits in the appropriate programs.

The FY13 general fund recommendation of \$90.9 million is a \$4.7 million, or 5.5 percent, increase from the FY12 operating budget. The total agency recommendation is \$128.5 million, which includes \$13.8 million in federal funds and \$23.8 million from other revenue sources. The LFC recommendation includes \$592.7 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The total recommended increase is \$807.5 thousand.

The agency applied an 8.5 percent vacancy rate to Program Support, 11.3 percent to Law Enforcement, 12 percent to Motor Transportation, and 7.2 percent to Statewide Law Enforcement Support Programs. The recommendation reduces the overall vacancy rate to 6 percent for Program Support, 6.7 percent for Law Enforcement Support, 5 percent for Motor Transportation Program, and leaves the rate for the Statewide Law Enforcement Support Program at the requested rate.

The FY13 general fund recommendation for the Law Enforcement Program is \$66.4 million, a 6.5 percent increase from the FY12 operating budget. A central issue facing the department for FY13 is the increasing attrition rates in the State Police and Special Investigations Divisions. Two State Police academies planned for FY13 will help keep the division at current levels, projected to be 471 out of 567 authorized by December 2012. Attrition is outpacing recruitment.

The department had 489 state police officers on January 1, 2011. Since then, the department reports that out of the 16 officer resignations, 10 left to other police agencies due primarily to higher salaries, two were terminated, and another 14 will have retired by December 2011. To address staffing levels at district offices, the department reduced the number assigned to the chief's office from 11 to eight. The governor is assigned nine officers to her security detail, the same as FY12. Laws 2011, Chapter 179, appropriated \$634 thousand for a State Police recruit school in FY12. The FY13 request included an additional \$1 million for a second recruit school and \$1.3 million for new officer salaries and educational incentives. In FY12, the department started the "transitions with honor" program designed to provide reciprocity for individuals with military and civilian law enforcement skills, shorten training time, and get officers on patrol duty faster.

The most significant issue for the Special Investigations Division is the disparity between retirement plans for commissioned officers. Police officers under the state and municipal police retirement plan are eligible to retire in 20 years. By contrast, commissioned officers in the classified service, special investigators, and motor transportation police are eligible to retire in 25 years if hired before July 1, 2010. If hired after July 1, 2010, commissioned officers in the classified service are eligible to retire after 30 years of service.

The FY13 general fund recommendation also includes funding for methamphetamine lab cleanup that replaces the federal Community Oriented Policing Services grant funding estimated to be more than \$149 thousand. The recommendation includes \$728.7 thousand for fuel paid for with American Recovery and Reinvestment Act funding in FY12 and \$240 thousand for faster speed telecommunication circuits, both recurring expenses. The request does not include restoration of funding for vehicle replacement cut from the operating budget in FY10. The department has combined law enforcement and motor transportation fleet management to increase operational efficiency and leverage purchasing power. It has also reduced headquarters' vehicles by 50 percent. Laws 2011, Chapter 5, First Special Session, appropriated \$4 million to the department to purchase vehicles, of which \$1 million was designated for Motor Transportation and \$3 million for State Police. The department would prefer to replace one quarter of its patrol fleet each year at approximately \$3 million per year to avoid simultaneous mechanical failure of numerous vehicles. The department will greatly benefit from new police cars that are better engineered, last longer, and are more fuel efficient than the older models.

Motor Transportation monitors five major ports of entry in Gallup, San Jon, Raton, Lordsburg and Anthony, 24 hours, seven days a week. Two of those five ports are on the U.S. Mexico border. Eleven other ports of entry are open randomly for weight enforcement or interdiction operations. The FY13 general fund recommendation to the Motor Transportation Program includes \$9.3 million from the general fund or 1.4 percent increase from the FY12 operating budget. The recommendation deletes 8 vacant FTE and reduces the vacancy rate to 5 percent as an incentive to fill vacant positions. The FY13 federal fund request is \$2 million less than the FY12 adjusted operating budget due primarily to a reduction in federal Motor Carrier Assistance Program funding. The request and recommendation in other transfers remain flat with the FY12 appropriation of \$7 million from the state road fund. In 2010, the combined criminal interdictions team seized more than \$862 thousand in U.S. currency, more than 4 thousand pounds of marijuana, 323 pounds of cocaine, and 812 pounds of methamphetamine. There were 250 arrests related to the 93 combined seizures.

For FY13, the department created the Statewide Law Enforcement Support Program, a combination of scientific, technical, and training functions that support the state's law enforcement community. The department has three scientific laboratories, one each in Santa Fe, Hobbs and Las Cruces. As of September 2011, 25 percent of the forensic scientist positions were vacant. The U.S. Supreme Court's decision in *Bullcoming v. New Mexico* requires forensic scientists to provide court testimony as part of laboratory tests they conduct, which will impact the timeliness of evidence analysis and will increase travel expenses. The department considered closing the scientific laboratory in Hobbs; however, after further investigation it found that the laboratory provides a crucial service and is looking into alternative funding to keep it open. The Department of Public Safety is the central repository for criminal histories of persons arrested in New Mexico and is the state's single connection to the Federal Bureau of Investigations.

The DPS sex offender database was funded in part by the Adam Walsh grant. The grant was reduced by \$273.4 thousand because of New Mexico's failure to comply with the Adam Walsh Child Protection and Safety Act by July 27, 2011. Training for all state, county and municipal law enforcement officers and telecommunicators are conducted at the department's training academy in Santa Fe or at one of its nine satellite facilities across the state.

The FY13 request was 2.7 percent higher than the FY12 operating budget due primarily to increased transfers from the Homeland Security and Emergency Management Department and \$213.5 thousand to comply with the U.S. Supreme Court's decision. The FY13 recommendation to the Statewide Law Enforcement Support Program is \$15.2 million, the agency's request, of which 65 percent (\$10 million) is from general fund transfers.

Consolidation of the Department of Public Safety and the Homeland Security and Emergency Management Department remains a viable option to reduce the number of cabinet-level agencies and might further reduce administrative costs.

In FY12, the department proposed to discontinue reporting on measures that did not fully reflect its activities. The department also proposed to continue to hone its measures with the intent of adopting outcome measures. The department already captures much of the data required for reporting on the new measures so the transition should be fairly easy.

RECOMMENDED LANGUAGE:

The internal service funds/interagency transfers appropriations to the motor transportation program of the department of public safety include six million nine hundred sixty-four thousand one hundred dollars (\$6,964,100) from the state road fund.

Any unexpended balances in the motor transportation program of the department of public safety remaining at the end of fiscal year 2013 made from appropriations from the state road fund shall revert to the state road fund.

LAW ENFORCEMENT PROGRAM

The purpose of the law enforcement program is to provide the highest quality of law enforcement services to the public and ensure a safer state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	63,449.4	62,379.1	65,550.4	66,451.6	6.5
Other Transfers	2,069.4	5,661.1	5,155.6	5,160.7	-8.8
Federal Revenues	2,009.2	4,187.2	2,313.3	2,350.2	-43.9
Other Revenues	3,542.8	4,024.6	5,022.9	5,071.9	26.0
Fund Balance	1,529.6	1,205.0	1,200.0	1,212.3	0.6
SOURCES TOTAL	72,600.4	77,457.0	79,242.2	80,246.7	3.6
USES					
Personal Services and Employee Benefits	53,698.3	58,069.8	59,176.4	59,212.2	2.0
Contractual Services	672.3	987.0	1,511.3	1,511.3	53.1
Other	14,830.7	18,400.2	18,554.5	19,523.2	6.1
TOTAL USES	69,201.3	77,457.0	79,242.2	80,246.7	3.6
FTE					
Permanent	749.0	749.0	755.0	755.0	0.8
Term	3.0	3.0	3.0	3.0	0.0
Temporary	24.2	24.2	24.2	24.2	0.0
TOTAL FTE POSITIONS	776.2	776.2	782.2	782.2	0.8

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties				288	288
Output	Number of minor compliance operations per agent assigned to alcohol enforcement duties				12	12
Outcome	Average turnaround time to issue concealed carry permit from date application is received to date completed, in days				45	45
Output	Number of traffic-related enforcement projects held				150	150
Output	Number of driving-while-intoxicated checkpoints and saturation patrols conducted				420	420
* Output	Number of driving-while-intoxicated arrests per patrol officer				12	12
* Output	Number of criminal investigations conducted by commissioned personnel per full-time equivalent assigned to patrol and the investigations bureau				670	670
Output	Number of drug-related investigations conducted by commissioned personnel per full-time equivalent assigned to the investigations bureau				670	670

MOTOR TRANSPORTATION DIVISION

The purpose of the motor transportation program is to provide the highest quality of commercial motor vehicle enforcement services to the public and ensure a safer state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	9,297.3	9,171.1	9,171.1	9,300.8	1.4
Other Transfers	8,368.4	9,300.2	9,143.5	9,133.7	-1.8
Federal Revenues	3,233.6	6,658.0	4,598.8	4,628.5	-30.5
Other Revenues	17.5	80.0	210.0	211.5	164.4
SOURCES TOTAL	20,916.8	25,209.3	23,123.4	23,274.5	-7.7
USES					
Personal Services and Employee Benefits	14,156.8	16,556.3	15,934.3	16,018.0	-3.3
Contractual Services	1,938.1	3,351.1	2,829.5	2,829.5	-15.6
Other	4,367.1	5,301.9	4,359.6	4,427.0	-16.5
TOTAL USES	20,462.0	25,209.3	23,123.4	23,274.5	-7.7
FTE					
Permanent	218.5	218.5	217.5	209.5	-4.1
Term	55.0	55.0	55.0	55.0	0.0
TOTAL FTE POSITIONS	273.5	273.5	272.5	264.5	-3.3

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
*	Output		33,492	40,256	40,256	40,256
*	Output	126,927	101,984	85,000	85,000	85,000
	Output		9,168	11,152	11,152	11,152
	Output				32	32
*	Output				0.16	0.16
	Outcome				90%	90%

STATEWIDE LAW ENFORCEMENT SUPPORT PROGRAM

The purpose of the statewide law enforcement support program is to promote a safe and secure environment for the state of New Mexico through intelligently led policing practices, vital scientific and technical support, current and relevant training, and innovative leadership for the law enforcement community.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	9,519.9	9,336.2	9,922.7	9,992.4	7.0
Other Transfers	0.0	75.0	440.0	440.0	486.7
Federal Revenues	453.5	2,346.6	2,355.2	2,362.3	0.7
Other Revenues	1,868.2	2,888.1	2,340.4	2,352.9	-18.5
Fund Balance	0.0	100.0	100.0	100.0	0.0
SOURCES TOTAL	11,841.6	14,745.9	15,158.3	15,247.6	3.4
USES					
Personal Services and Employee Benefits	7,449.3	8,908.6	9,308.3	9,397.6	5.5
Contractual Services	791.4	1,795.3	2,525.6	2,525.6	40.7
Other	2,783.5	4,042.0	3,324.4	3,324.4	-17.8
TOTAL USES	11,024.2	14,745.9	15,158.3	15,247.6	3.4
FTE					
Permanent	105.0	103.0	102.0	102.0	-1.0
Term	35.0	35.0	35.0	35.0	0.0
TOTAL FTE POSITIONS	140.0	138.0	137.0	137.0	-0.7

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Number of DNA profiles entered into the combined DNA index system				320	320
Output	Number of finger and palm prints entered into the automated fingerprint identification system				900	900
Output	Increase in the number of live scan end-users trained in law enforcement and correctional facilities throughout the state				75	75
Outcome	Number of mandatory trainings delivered by the law enforcement academy compared with the number of statutorily required trainings, annually				26	26
Output	Percent increase of incoming New Mexico law enforcement telecommunications system transactions, daily	22.2%	36.7%	10%	5%	5%
Outcome	Percent of service requests received from statewide criminal justice entities resolved within forty-eight hours of receipt				98%	98%
Outcome	Percent increase per quarter in the number of criminal justice employees using the law enforcement automated data services system				5%	5%
Outcome	Percent of complaint cases reviewed and adjudicated annually				80%	80%
* Outcome	Percent of forensic cases completed per filled full-time-equivalent position within thirty working days				60%	60%

PROGRAM SUPPORT

The purpose of program support is to manage the agency's financial resources, assist in attracting and retaining a quality workforce and provide sound legal advice and a clean pleasant working environment.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
General Fund Transfers	5,818.4	5,332.4	5,159.4	5,204.2	-2.4
Other Transfers	53.9	70.4	70.4	70.8	0.6
Federal Revenues	3,797.5	4,350.9	4,500.5	4,505.9	3.6
Other Revenues	1.4	0.0	0.0	0.0	
SOURCES TOTAL	9,671.2	9,753.7	9,730.3	9,780.9	0.3
USES					
Personal Services and Employee Benefits	3,623.6	3,916.1	3,884.5	3,935.1	0.5
Contractual Services	117.2	136.6	138.2	138.2	1.2
Other	5,143.2	5,701.0	5,707.6	5,707.6	0.1
TOTAL USES	8,884.0	9,753.7	9,730.3	9,780.9	0.3
FTE					
Permanent	61.0	60.0	56.0	56.0	-6.7
Term	9.0	8.0	8.0	8.0	0.0
TOTAL FTE POSITIONS	70.0	68.0	64.0	64.0	-5.9

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Efficiency	Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds	0	0	10	10	10
Efficiency	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury	65	65	75	75	75

STATUTORY AUTHORITY:

The Homeland Security and Emergency Management Department was created by Section 9-28-1 through 9-28-7 NMSA (Homeland Security and Emergency Management Act) to consolidate and coordinate homeland security and emergency management functions for the state and to act as a conduit for federal assistance and cooperation.

MISSION:

The department's mission is to lead New Mexico's efforts in protecting life and property against all threats and hazards by integrating and managing comprehensive and coordinated protective actions, preparedness programs, mitigation projects, response activities, and recovery efforts prior to, during, and following emergencies or disasters.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	2,711.1	2,467.6	2,467.6	2,393.2	-3.0
Other Transfers	107.0	180.8	181.9	183.3	1.4
Federal Revenues	17,315.7	34,792.2	34,138.5	34,169.6	-1.8
Other Revenues	53.3	10.0	10.0	10.0	0.0
SOURCES TOTAL	20,187.1	37,450.6	36,798.0	36,756.1	-1.9
USES					
Personal Services and Employee Benefits	3,991.9	3,885.1	4,322.4	4,280.5	10.2
Contractual Services	1,349.6	2,919.5	1,415.6	1,415.6	-51.5
Other	12,915.9	30,646.0	31,060.0	31,060.0	1.4
TOTAL USES	18,257.4	37,450.6	36,798.0	36,756.1	-1.9
FTE					
Permanent	20.0	16.0	16.0	15.0	-6.3
Term	46.0	45.0	45.0	45.0	0.0
TOTAL FTE POSITIONS	66.0	61.0	61.0	60.0	-1.6

BUDGET ISSUES:

The department's revenue is 93 percent from federal funds and 7 percent from the general fund. The FY13 general fund request remained flat compared with the FY12 adjusted operating budget. The department increased the salaries and benefits category by more than \$200 thousand in FY11 and FY12 and used revenue from federal indirect cost recovery to meet its obligations. In FY13, the department proposed to adjust the expenditures among categories to avoid using budget adjustment requests, as it did in FY11 and FY12. The department eliminated the four vacant positions supported by the general fund in FY12 as recommended by the LFC. Additionally, it deleted one general-fund-supported position authorized in the FY12 General Appropriation Act. The FY13 general fund recommendation is 3 percent less than the FY12 operating budget even though the LFC recommendation includes \$13.9 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds, internal service funds/interagency transfers and federal funds were also adjusted accordingly. The total increase in FY13 is \$46.4 thousand.

Federal funding to the agency will decrease in FY13 because the public safety interoperability communication grant will end in FY12.

In 2007, Chapter 291, (House Bill 227) removed the Emergency Management and Homeland Security Support Program from the (DPS) and the Office of Homeland Security from the Governor's Office to create a separate department. However in 2010, the Government Restructuring Task Force suggested the state merge the department with the DPS so the state would have a singular approach to homeland security and public safety. During the 2011 regular (House Bill 54) and special (House Bill 30) sessions, bills were introduced to affect the consolidation, however, neither was enacted. The fiscal impact reports on both bills included potential savings from transferring the department's functions to the DPS. General fund savings from eliminating the deputy secretary and the public information officer (partially federally funded) and adjusting the secretary's salary to a deputy director in FY13 would be \$151.3 thousand. In support of transferring the functions to the DPS, the LFC recommends deleting the exempt deputy secretary position, a savings of \$88.3 thousand.

HOMELAND SECURITY AND EMERGENCY MANAGEMENT

The purpose of the homeland security and emergency management program is to provide for and coordinate an integrated, statewide, comprehensive emergency management system for New Mexico, including all agencies, branches and levels of government for the citizens of New Mexico.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Number of exercises conducted annually in compliance with federal guidelines	23	32	25	34	34
* Outcome	Number of program and administrative team compliance visits conducted each year on all grants	41	42	40	42	42
Outcome	Number of local emergency operation plans current within three years	31	20	32	32	32
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		30	15	30	30
Output	Number of facilitated training courses conducted annually				130	130

STATUTORY AUTHORITY:

Sections 67-1-1 through 67-16-14 NMSA 1978 codify laws pertaining to the New Mexico Department of Transportation (NMDOT), the State Transportation Commission, and highways and transportation in general. Article V, Section 14, of the Constitution of New Mexico, establishes the State Transportation Commission. Each of the six governor-appointed commissioners represents a highway district. The department is administered in accordance with the policies established by the commission and all applicable federal and state laws and regulations.

MISSION:

The department and the commission maintain responsibility for creating a comprehensive program of design, construction, and maintenance of the state's highway system. The department's mission is to use its personnel and technical and financial resources to facilitate a high-quality, multi-modal state transportation network.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Federal Revenues	321,018.7	403,549.0	403,449.0	403,601.2	0.0
Other Revenues	426,809.5	414,573.4	436,455.0	437,804.7	5.6
Fund Balance	0.0	3,541.8	1,223.0	1,223.0	-65.5
SOURCES TOTAL	747,828.2	821,664.2	841,127.0	842,628.9	2.6
USES					
Personal Services and Employee Benefits	134,252.3	145,359.8	149,246.5	146,016.1	0.5
Contractual Services	181,109.3	355,714.7	371,664.7	378,842.0	6.5
Other	276,797.7	313,680.5	313,369.8	310,806.7	-0.9
Other Financing Uses	6,938.0	6,909.2	6,846.0	6,964.1	0.8
TOTAL USES	599,097.3	821,664.2	841,127.0	842,628.9	2.6
FTE					
Permanent	2,448.0	2,446.0	2,446.0	2,446.0	0.0
Term	56.5	56.5	56.5	56.5	0.0
TOTAL FTE POSITIONS	2,504.5	2,502.5	2,502.5	2,502.5	0.0

BUDGET ISSUES:

The New Mexico Department of Transportation (NMDOT) appropriation request for FY13 totaled \$841.1 million, an increase of \$19.5 million, or 2.3 percent, from the FY12 operating budget and \$93.3 million, or 12.5 percent, from FY11 actuals. Fiscal year 2011 actuals were \$55.2 million less than FY11 budgeted as a result of lag times related to the obligation of funds by the department and the reimbursement of federal funds.

For FY13, the department requested approximately \$155.8 million for debt service and debt service principal. Approximately \$23 million of this request was related to Rail Runner debt obligations, with the remainder associated with debt obligations for road and highway construction. Another \$3.3 million -- not included in the \$155.8 million request -- was requested for fees provided to the New Mexico Finance Authority (NMFA) for the administration of the Governor Richardson Investment Partnership (GRIP) bonds. Debt obligations associated with the Rail Runner are paid for entirely through state road fund revenues.

State road fund (SRF) revenues declined \$32 million, or 8 percent, in the three-year period from FY07 to FY10, a direct result of the economic downturn. The July 2011 state road fund outlook from the NMDOT suggests the SRF is in a gradual recovery. The estimate includes an upward revision of \$10.6 million, or 2.8 percent, to SRF revenues for FY11 and a \$6.9 million increase, or 1.8 percent, for FY12. The estimate for the SRF for FY13 -- used by the NMDOT to create the FY13 budget submission -- indicates an increase of \$11.2 million, or 2.8 percent, over FY12 projections. Projections also suggest that SRF revenues will surpass FY07 levels by FY14 -- a seven-year cycle. However, critical revenues associated with weight-distance, special fuels, and gasoline taxes continue to fluctuate.

Although the state appears to be in a slow economic recovery, incremental increases in revenue will not effectively mitigate the significant budgetary constraints the department will confront in the immediate and intermediate future. Current projections indicate a maintenance gap of \$203.2 million and another \$314 million gap for long-term highway and bridge rehabilitation and replacement needs -- shortfalls that have a significant impact on public safety across the state. Nineteen GRIP projects worth approximately \$391 million have been indefinitely delayed due to lack of funds. Interchange improvements or replacements along the Interstate 25, Interstate 10, and Interstate 40 corridors worth close to \$200 million remain unaddressed.

The department has identified no new major investment projects, in spite of obvious infrastructure needs across the state -- the Interstate 25/Paseo del Norte interchange being a specific example -- that impact the economic future of the state. For the department to make minimal inroads on basic transportation requirements, the Legislature should consider additional funding to compensate for current shortfalls and allow commitment to new major investment projects.

The FY13 request for the Programs and Infrastructure (PINF) Program totaled \$553.8 million, a \$3 million increase, or 0.5 percent, from FY12 operating levels. The contractual services category request -- used for road betterments -- in PINF for FY13 was \$311.8 million, almost \$9 million over the FY12 operating budget of \$302.8 million and \$161 million over FY11 actuals.

The FY13 request for the Transportation and Highway Operations (THOPS) Program totaled \$239.2 million, an increase of \$18.8 million, or 8.6 percent, from FY12 operating levels. The request included an increase of \$7.3 million in the contractual services category -- used to fund maintenance of state roads, highways, and bridges -- distributed equally to each of the six state highway districts.

The FY13 request for the Business Support Program totaled \$48.2 million, a \$2.5 million reduction, or 5 percent, from FY12 operating levels. Almost 46 percent of the Business Support Program funding request was dedicated to agency wide costs, including audit services, information technology services, transportation and property insurance, and telecommunications. The request also included a \$567 thousand reduction in the development of the statewide human resources, accounting and management reporting system (SHARE) and a transfer of \$6.9 million to the Department of Public Safety for the operation of the Motor Transportation Program.

The LFC recommendation included approximately \$1.3 million in other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Federal funds were also adjusted accordingly. The recommendation resulted in an increase of over \$20.9 million, or 2.6 percent, from the FY12 operating budget.

The recommendation also applies a 6 percent vacancy rate across all programs for a total savings of approximately \$4.7 million. The entire amount is re-directed to the contractual services category in the THOPS program to fund the maintenance of roads, highways, and bridges across the state.

The committee recommends the department maintain the current level of authorized full-time employees given potential construction and maintenance needs and significant FTE reductions adopted by the Legislature in FY11. As the hiring freeze has only recently been lifted, an appropriate equilibrium between requested levels of FTE and the actual needs of the department has yet to be fully ascertained. The department must develop a realistic and accurate strategic plan explicitly connected to the Statewide Transportation Improvement Program (STIP) that outlines the specific personnel needs of each of the programs. This will allow the Legislature to direct funding to areas of critical importance.

In 2005, the Legislature passed legislation (6-21-6.8 NMSA 1978) creating a local transportation infrastructure fund (LTIF), the purpose of which was the financing of local transportation projects. The legislation provided that one-half of all fees transferred from the NMDOT to the New Mexico Finance Authority (NMFA) for the administration of transportation revenue bonds would be deposited directly into the fund. The other half of the fees is retained by the NMFA for administration. The NMDOT currently transfers approximately \$3.2 million in fees, or 0.25 percent of outstanding principal, to the NMFA every year. Actual costs incurred by the NMFA to administer the bonds in FY11 was \$795.6 thousand. Since the passage of the legislation, only 20 local projects have been funded by the LTIF due to local match requirements. During the 2011 regular session, the Legislature swept all funds contained within the LTIF into the general fund to address fiscal solvency concerns.

For FY13, the committee recommends that of the projected \$3.2 million in transportation revenue bond administration fees, \$800 thousand continue to be transferred to the NMFA and that the \$2.4 million balance in the fund remain at the NMDOT. This action reduces the department debt service requirement in the other category in PINF by \$2.4 million and the recommendation re-directs those funds to the contractual services category in PINF.

The committee recommends that the department re-prioritize \$6 million in funds in the contractual services category in the PINF Program and that the full Legislature consider using \$6.9 million of the funding in the contractual services category in PINF for new major investment projects across the state. Two million dollars of this funding is contingent on an equal funding match by local political subdivisions.

The committee further recommends that \$1.5 million from the contractual services category in the PINF program be directed toward the operating budget for the Rail Runner contingent on an equal funding match from local political subdivisions.

The NMDOT faces significant funding constraints as a result of debt obligation incurred through the GRIP program. Long-term debt obligations represent nearly 20 percent of revenue obtained from federal and state sources. In addition to negotiations with the NMFA to reduce administration fees, the NMDOT also continues to look for opportunities to exit variable rate bonds and lock into fixed rate bonds. Currently, \$470.4 million of debt is outstanding in variable rate mode. The cost to exit the variable rate bonds stands at approximately \$130.4 million.

The existing authorization for federal surface transportation programs provided by the Safe, Accountable, Flexible, Efficient, Transportation Equity Act: A Legacy for Users (SAFETEA-LU) has been extended through March 2012, and Congress is debating the conditions under which another extension or re-authorization would occur. In November 2011, the president signed into law a spending package that reduced the highway obligation limit by nearly \$2 billion, a 4.8 percent reduction from last year's level. At the time of this writing, there was no clear explanation provided by the U.S. Department of Transportation as to the impact this legislation would have on New Mexico. NMDOT officials remain concerned that legislation approved by the U.S. House Transportation, Housing, and Urban Development and Related Appropriations Subcommittee will become law, resulting in a potential loss of up to \$123.5 million in federal revenues for New Mexico.

The department's new Statewide Transportation Improvement Plan (STIP) was approved by the State Transportation Commission and consists of 512 projects worth a total of approximately \$1.5 billion. Although the STIP is created through a lengthy consultation process that includes NMDOT officials and engineers, local and regional governments, metropolitan and regional planning organizations (MPOs and RPOs), other state agencies, and the public, the final selection and amendment process remains relatively opaque to the public. The ranking criteria used for establishing priority projects remain unclear, and it is equally unclear if technical considerations outweigh political considerations in the identification of projects. The STIP process should become more transparent and strategic in nature.

Recent audits for the Rio Metro and North Central regional transit districts (RTDs) indicate continued problems with financial audits and lack of effective control by their respective administrations. Significant levels of federal funds flow through the NMDOT to the RTDs for various transit services with little or no oversight by the department in terms of effective and efficient expenditures of funding. The Rail and Transit Division in the PINF program at the NMDOT should assume responsibility for the oversight of the RTDs and provide annual reports to the Legislature on the districts' activities during budget hearings.

The projected FY13 budget for the Rio Metro Regional Transit District (Rio Metro) -- the entity responsible for the operation of the Rail Runner -- indicates a shortfall of approximately \$3 million, in spite of changes in fare structures and service schedules. Much of this shortfall comes as a result of the decision by the NMDOT to re-direct congestion mitigation and air quality (CMAQ) funding to other priority projects across the state. Rio Metro has established a NMRX Sustainability Task Force, consisting of stakeholders in the public, private, and nonprofit sectors, specifically designed to identify a set of options to close the budget shortfall and transition the Rail Runner to sustainable operations requiring minimal state funding. In the short term, the options include increased fares, reduced schedules, increased contributions from regional entities, and renegotiated fees. But a balanced budget would also partially rely on continued CMAQ revenues or other funding provided by the state. Even if the shortfall is closed, Rio Metro has not planned for track or rolling stock depreciation or other inevitable replacement costs.

Ridership on the Rail Runner has declined. Total ridership for the Rail Runner in FY11 was 1.21 million, compared with 1.24 million in FY10, a decline of 1.7 percent. Rio Metro attributes the decline to changes in fares and schedules and the economic downturn. The target level set by the NMDOT is 1.5 million.

New Mexico Park and Ride is an inter-city service designed to mitigate traffic on the state's highways and provide cost-effective transportation alternatives to the state's commuters. Ridership for Park and Ride was 292,476 in FY11, a 34.3 thousand, or 12 percent, increase over FY10 actuals. The target level for ridership set by the NMDOT is 225,000.

The FY10 audit for the NMDOT found significant deficiencies in financial statements and federal awards, however, a substantial number of the deficiencies identified in the FY09 audit were resolved.

PROGRAMS AND INFRASTRUCTURE

The purpose of the programs and infrastructure program is to provide improvements and additions to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to highway planning, design and construction necessary for a complete system of highways in the state.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
Federal Revenues	316,518.7	397,811.2	400,449.0	400,554.8	0.7
Other Revenues	193,805.2	149,410.8	152,149.0	151,463.2	1.4
Fund Balance	0.0	3,541.8	1,223.0	1,223.0	-65.5
SOURCES TOTAL	510,323.9	550,763.8	553,821.0	553,241.0	0.4
USES					
Personal Services and Employee Benefits	24,060.5	26,380.6	26,352.4	25,820.5	-2.1
Contractual Services	157,372.3	317,443.3	326,785.8	329,185.8	3.7
Other	190,339.6	206,939.9	200,682.8	198,234.7	-4.2
TOTAL USES	371,772.4	550,763.8	553,821.0	553,241.0	0.4
FTE					
Permanent	368.0	361.0	361.0	361.0	0.0
Term	37.0	38.0	38.0	38.0	0.0
TOTAL FTE POSITIONS	405.0	399.0	399.0	399.0	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Explanatory	Annual number of riders on park and ride	258,086	292,476	>250,000	>250,000	>250,000
* Outcome	Annual number of riders on the rail runner corridor, in millions	1.2	1,219,461	≥1.5	≥1.5	≥1.5
* Outcome	Number of passengers not wearing seatbelts in motor vehicle fatalities	147	114	<160	<150	<150
* Outcome	Number of crashes in established safety corridors	N/A	794	<700	<700	<700
* Explanatory	Percent of projects in production let as scheduled	66%	56%	>75%	>60%	>75
* Outcome	Percent of airport runways in satisfactory or better condition	60%	60%	> 70%	>60%	>70%
* Quality	Ride quality index for new construction	4.1	4.0	>4	>4.0	>4.0
Quality	Percent of final cost-over-bid amount on highway construction projects	4.0%	2.9%	<5.8%	<5.5%	<3.0%
Outcome	Number of pedestrian fatalities	35	38	<45	<43	<40
Outcome	Number of head-on crashes per one hundred million vehicle miles traveled	1.18	1.18	<2.00	<2.00	<2.00
Outcome	Number of alcohol-related fatalities per one hundred million vehicle miles traveled	.55	0.33	<0.70	<0.70	<0.55
Output	Number of non-alcohol-related traffic fatalities per one hundred million vehicle miles traveled	.76	0.81	<0.90	<0.90	<0.90
Outcome	Number of traffic fatalities per one hundred million vehicle miles traveled	1.30	1.15	<1.5	<1.5	<1.5

TRANSPORTATION AND HIGHWAY OPERATIONS

The purpose of the transportation and highway operations program is to maintain and provide improvements to the state's highway infrastructure to serve the interest of the general public. These improvements include those activities directly related to preserving roadway integrity and maintaining open highway access throughout the state system.

BUDGET SUMMARY
(dollars in thousands)

	FY11 2010-2011 <u>Actuals</u>	FY12 2011-2012 <u>Budgeted</u>	FY13 - 2012-2013		% Incr (Decr)
			<u>Agency Request</u>	<u>LFC Recom- mendation</u>	
SOURCES					
Federal Revenues	4,500.0	4,483.5	3,000.0	3,038.1	-32.2
Other Revenues	185,017.4	215,793.4	236,160.9	238,614.6	10.6
SOURCES TOTAL	189,517.4	220,276.9	239,160.9	241,652.7	9.7
USES					
Personal Services and Employee Benefits	87,226.0	94,282.6	99,401.7	97,123.7	3.0
Contractual Services	20,468.2	33,643.3	40,968.2	45,745.5	36.0
Other	71,643.8	92,351.0	98,791.0	98,783.5	7.0
TOTAL USES	179,338.0	220,276.9	239,160.9	241,652.7	9.7
FTE					
Permanent	1,827.0	1,834.0	1,834.0	1,834.0	0.0
Term	15.7	16.7	16.7	16.7	0.0
TOTAL FTE POSITIONS	1,842.7	1,850.7	1,850.7	1,850.7	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
*	Output	Number of statewide pavement preservation lane miles	2,432	2,094	>2,750	>2,500
	Efficiency	Maintenance expenditures per lane mile of combined system wide miles	2,092	\$1,656	>\$3,500	>\$1,500
*	Outcome	Percent of non-interstate lane miles rated good	86%	N/A	>88%	>60%
*	Output	Amount of litter collected from department roads, in tons	15,522	15,282	>16,000	>12,000
*	Outcome	Percent of interstate lane miles rated good	99%	N/A	>97%	>85%
*	Quality	Customer satisfaction levels at rest areas	98.7%	98.9%	>98%	>80%
	Outcome	Number of combined system wide miles in deficient condition	N/A	N/A	<2,500	<5,000
	Outcome	Percent of road betterments to construction and maintenance			Baseline	

PROGRAM SUPPORT

The purpose of program support is to provide management and administration of financial and human resources, custody and maintenance of information and property and the management of construction and maintenance projects.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
Federal Revenues	0.0	1,254.3	0.0	8.3	-99.3
Other Revenues	47,986.9	49,369.2	48,145.1	47,726.9	-3.3
SOURCES TOTAL	47,986.9	50,623.5	48,145.1	47,735.2	-5.7
USES					
Personal Services and Employee Benefits	22,965.8	24,696.6	23,492.4	23,071.9	-6.6
Contractual Services	3,268.8	4,628.1	3,910.7	3,910.7	-15.5
Other	14,814.3	14,389.6	13,896.0	13,788.5	-4.2
Other Financing Uses	6,938.0	6,909.2	6,846.0	6,964.1	0.8
TOTAL USES	47,986.9	50,623.5	48,145.1	47,735.2	-5.7
FTE					
Permanent	253.0	251.0	251.0	251.0	0.0
Term	3.8	1.8	1.8	1.8	0.0
TOTAL FTE POSITIONS	256.8	252.8	252.8	252.8	0.0

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Quality	Number of external audit findings	N/A	18	<6	<6	<6
Quality	Percent of prior-year audit findings resolved	N/A	71%	100%	>80%	100%
Efficiency	Percent of invoices paid within thirty days	94%	95%	>95%	>90%	>90%
* Outcome	Vacancy rate in all programs	17%	16.4%	<13%	<10%	<10%
Output	Number of employee work days lost due to accidents	379	667	<325	<350	<325
* Output	Number of employee injuries	107	92	<100	<100	<100
Output	Number of working days between expenditure of federal funds and request for reimbursement from federal treasury		6 days	10 days	10 days	10 days

STATUTORY AUTHORITY:

Article XII, Section 6, of the New Mexico Constitution created a cabinet department headed by a secretary of public education and created an elected, advisory Public Education Commission. The secretary of public education is appointed by the governor and confirmed by the Senate. The secretary of public education has administrative and regulatory powers and duties, including all functions relating to the distribution of school funds and financial accounting for public schools.

MISSION:

The purpose of the department is to create and maintain a customer-focused organization that provides leadership, technical assistance, and quality assurance to improve performance for all students and close the achievement gap.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	13,955.4	10,534.2	10,634.2	10,739.6	1.9
Other Transfers	40.1	38.0	0.0	0.0	-100.0
Federal Revenues	21,272.0	26,923.4	26,923.4	27,003.2	0.3
Other Revenues	2,775.9	1,948.1	2,478.8	2,490.2	27.8
SOURCES TOTAL	38,043.4	39,443.7	40,036.4	40,233.0	2.0
USES					
Personal Services and Employee Benefits	17,399.0	17,246.1	17,838.2	18,134.8	5.2
Contractual Services	13,721.0	17,439.9	17,439.9	17,439.9	0.0
Other	4,103.5	4,757.7	4,758.3	4,658.3	-2.1
TOTAL USES	35,223.5	39,443.7	40,036.4	40,233.0	2.0
FTE					
Permanent	208.2	208.2	158.2	158.2	-24.0
Term	102.0	98.0	97.6	97.6	-0.4
Temporary	4.6	4.6	1.0	1.0	-78.3
TOTAL FTE POSITIONS	314.8	310.8	256.8	256.8	-17.4

BUDGET ISSUES:

The Public Education Department (PED) budget request for FY13 totaled \$40 million, an overall increase of \$592.8 thousand, or 1.5 percent from the FY12 operating budget. The majority of the increase was attributed to a \$530.7 thousand, or 27 percent increase, in the department's other revenues request. The department authorized 11 new state-chartered charter schools that will begin operating in FY13 and the request anticipated the collection of the 2 percent state equalization guarantee (SEG) distribution withholding for administrative services would increase. The FY13 budget request reflected a general fund increase of \$100 thousand, or 1 percent, that will be transferred from the Department of Finance and Administration's (DFA) budget to support the move of 2 FTE from the Office of Education Accountability (OEA) to the PED.

The request included a decrease in authorized FTE from 310.8 to 256.8, including the addition of the above mentioned 2 FTE transferred from the DFA. The department's FY12 general fund appropriation decreased by nearly 25 percent from the FY11 appropriation; however, the number of authorized FTE were not decreased accordingly to allow the department to determine appropriate staffing within the reduced funding level. The PED reviewed its organizational structure and made changes to better use department resources. To meet the decrease in FY12 funding, in June 2011 the PED implemented a reduction in force of 33 authorized, filled classified positions, and reclassified various vacant positions to better align with the reorganization plan. Implementation of the reorganization will be complete in FY12. The objective of the department reorganization is to increase communication and collaboration across department bureaus and better serve districts in both financial oversight and technical assistance. The committee notes, however, the department did not produce budget projections justifying elimination of the positions and the total FY12 operating budget exceeded FY11 actual expenditures by \$4.2 million, or 12 percent.

The PED request included a 12 percent vacancy savings rate. All vacant positions were requested at midpoint, consistent with DFA guidelines. Historically the department has reported a vacancy rate in excess of 26 percent. With a 17 percent reduction in FTE requested for FY13, the vacancy rate is anticipated to decrease. The department indicated it will likely maintain 20 vacant positions in FY13, down more than 80 from FY11. The department currently operates with 17 exempt employees, two less than in FY11. The department eliminated an exempt special projects coordinator in the secretary's office and an unauthorized chief statistician position in the data planning and analysis bureau.

The LFC recommendation for FY13 reflects a \$100 thousand increase from the general fund, as requested by the department, to be transferred from the DFA's budget. The corresponding decrease is reflected in the committee's FY13 budget recommendation for DFA. The committee notes the DFA did not staff the OEA during FY12 and the funds were not used for their appropriated purpose. The recommendation assumes a mid-range salary for all vacant positions and decreases the FTE levels to those requested by the department. The recommendation does not apply a vacancy savings in addition to the 12 percent the department has budgeted. During FY12, the department eliminated three leased locations in Albuquerque and Santa Fe, resulting in annual savings of approximately \$210.5 thousand. The committee recommends shifting a portion of these funds into the personal services and benefits category to support the audit division and leaving the remainder in the other category to cover travel costs for audit staff to conduct on-site audits of school districts and charter schools. The department is focusing on filling critical positions, including a fully staffed audit division that will focus on ensuring data reported by school districts is accurate to ensure equitable distribution of funding. Additionally, the LFC recommendation includes \$105.4 thousand from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds and federal funds were also adjusted accordingly.

Since January 2011 the department has analyzed its role and revised its strategic plan. The strategic plan prioritizes five key areas: a smarter return on New Mexico's investment, real accountability and real results, ready-for-success initiative, rewards for effective educators and leaders, and effective options for parents. The department reports its key achievements during this time include protecting classroom dollars in all school districts and charter schools, improving the timely dissemination of financial data to districts resulting in significantly decreased turnaround times to process and distribute district reimbursements, reducing testing time by nearly 40 percent and negotiating delivery of testing results four weeks earlier than in previous years, and decreasing teacher licensure backlog from 10 weeks to five weeks.

Concerns persist about the resources allocated to financial operations within the department and district oversight; however, the LFC recognizes that under new leadership the department has increased focus on both. In recent years, the PED did not appear to have engaged in a robust effort to ensure the quality of data reported by school districts and charter schools and used for allocating funding. In many cases, units claimed by districts and charter schools had largely gone unchallenged. During 2011, in response to a larger than usual projected unit increase, the PED initiated a data validation audit of district- and charter-reported data to ensure accuracy. While districts and charters raised numerous issues with the data validation audits and final results have yet to be released, the steps the department took to ensure districts and charter schools are reporting information accurately were appropriate to guarantee a correct distribution of funding. The LFC recommends the department continue to engage in a robust effort to ensure data submitted by districts and charters is accurate.

The LFC evaluated the public school funding formula and the PED's administration of the funding formula, noting the PED's inadequate oversight and administration. New Mexico's public school funding formula has an excessive number of components unnecessarily burdensome to districts, charter, and state administrators. The evaluation also noted the PED's distribution of formula-related guidance to districts and charters is ineffective and leads to noncompliance with federal regulations and state statutes, differences in delivery of services, and inequitable distribution of the SEG. The committee recommends the Legislature modernize the formula to make it more effective, fair, transparent, and simpler to understand and administer.

The LFC also evaluated the department's school bus transportation program. The department is responsible for distributing state funding and overseeing the operations of public school transportation programs by local school districts and charter schools. Many of the findings of the 2011 program evaluation repeated findings of a 1993 LFC program evaluation of the PED's Transportation Divisions oversight and administration of the public school transportation program. The 2011 report noted an overly-complex funding formula and inadequate PED oversight and administration that undermines the fair and efficient distribution of almost \$100 million in funding for school transportation programs. The committee recommends the Legislature consider further study to amend and simplify the transportation funding formula.

Since 2003, the Legislature has made extraordinary financial commitment to teacher pay through the three-tiered licensure system with the expectations students would demonstrate significant academic improvement. Despite continued employment of a high percentage of teachers who meet the federal "highly qualified" definition or are "meeting competencies" on annual evaluations, student achievement results continue to be unpredictable and the achievement gap continues to be a significant issue. The New Mexico Effective Teacher Task Force was convened during the summer to assess the annual teacher and principal evaluation systems and improve the recruitment, retention, and rewarding of effective teachers and school leaders. The task force noted New Mexico has many outstanding, effective, and hardworking teachers and school leaders, but the state does not have an effective system for recognizing and rewarding their achievements in the classroom. The task force made 38 recommendations aimed at increasing teacher effectiveness and school leader accountability; however, the task force did not consider how recommendations fit within the existing three-tiered licensure system. The committee recommends the department update the annual teacher and principal evaluation systems and the professional development dossier to require meaningful use of student achievement data as a factor in determining overall teacher and principal effectiveness.

As the PED works to reverse a struggling system and improve education, the department must be mindful of initiatives it prioritizes, especially given the cut in both funding and FTE. Policy decisions and initiatives should only be implemented after thoughtful identification of the problem and development of a clear, strategic plan. Increased initiatives could dilute the ability of the department to provide quality oversight and technical assistance to school districts and charter schools. The committee recommends the department comprehensively review the department’s core mission and consider elimination of requirements not directly tied to the department’s educational mission.

PUBLIC EDUCATION DEPARTMENT

The purpose of the public education department is to provide a public education to all students. The secretary of public education is responsible to the governor for the operation of the department. It is the secretary's duty to manage all operations of the department and to administer and enforce the laws with which the secretary or the department is charged. To do this, the department is focusing on leadership and support, productivity, building capacity, accountability, communication and fiscal responsibility.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of Elementary and Secondary Education Act adequate yearly progress designations accurately reported to the public not less than two weeks before the first day of school	100%	100%	100%	100%	100%
* Outcome	Percent change from the preliminary unit value to the final unit value	1.8%	2.79%	2%	2%	2%
* Outcome	Average processing time for school district budget adjustment requests, in days	4G/18.2F	4G/19.4F	7	21	7
Outcome	Average number of days to process federal reimbursements to grantees after receipt of complete and verified invoices				25	21
Outcome	Average number of days to process state grant applications, from date of receipt				30	21
Outcome	Average number of days to process federal grant applications, from date of receipt				30	21
Outcome	Total amount of federal competitive funding received for public education, in dollars				\$1M	\$5M
Outcome	Total amount of private funding received for public education, in dollars				\$1M	\$1M
Outcome	Percent of public education department contracts issued retroactively				5%	2%
Outcome	Percent of teachers passing all strands of professional dossiers on the first submittal	71%	76%	75%	80%	75%
Outcome	Percent of prior-year audit finding resolved and not repeated	2009-56%	2010-20%	100%	90%	100%
Outcome	Percent of school district and charter school reported data in student, teacher accountability reporting system, reported accurately				100%	100%
Outcome	Percent completion of establishing four partnerships between innovative digital education and learning and innovative charter schools or districts or other virtual programs				100%	100%
Outcome	Percent of state funds annually not reverting				<1%	<1%
Outcome	Percent of federal funds annually not reverting				<1%	<1%
Outcome	Average processing time for school district federal budget adjustment requests processed, in days				25	21
Output	Percent of school district budget adjustment requests processed in under fifteen days	81.3%	88%	90%	90%	100%
Output	Number of data validation audits of funding formula components annually				30	150
Explanatory	Percent of eligible children served in state-funded prekindergarten	31%	27.55%		TBD	TBD
* Explanatory	Number of eligible children served in state-funded prekindergarten	4,963	4,435		TBD	TBD

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Explanatory	Percent of elementary schools participating in the state-funded elementary school breakfast program	49%	76.5%		TBD	TBD
* Explanatory	Number of elementary schools participating in the state-funded elementary school breakfast program	223	157		TBD	TBD
Explanatory	Number of school districts that failed to submit an annual audit within ninety days of the due date				TBD	TBD
Explanatory	Number of school districts that the public education department withheld a portion of their state equalization guarantee distribution for failing to submit an audit within ninety days of the due date				TBD	TBD
Explanatory	Percent/number change in the data elements required for state and federal reporting				TBD	TBD
Explanatory	Number of charter schools authorized by the public education commission in the current fiscal year				TBD	TBD
Explanatory	Number of charter school renewals denied in the current fiscal year				TBD	TBD
Explanatory	Increase public usage of public education department guidance and information on redesigned interactive website, in website hits				TBD	TBD

STATUTORY AUTHORITY:

The Regional Cooperative Education Act, Sections 22-2B-1 to 22-2B-6 NMSA 1978, provides for the formation of regional education cooperatives (RECs) among local school boards or other state-supported educational institutions to provide education-related services. These services may include technical assistance, staff development, cooperative purchasing, fiscal management, and the administration of federal programs, among others. The Public Education Department (PED) is authorized to approve the existence and operation of RECs, classified as individual state agencies administratively attached to the PED and exempt from the provisions of the State Personnel Act. An REC is governed by a regional education coordinating council (RECC) composed of the superintendents or chief administrative officers of each local school district or state-supported institution participating in the cooperative. At present, nine RECs are authorized statewide.

BUDGET ISSUES:

Prior to FY09, RECs did not receive direct general fund appropriations. Historically, an REC received operating revenue from school districts as federal flow-through funds and from the district distribution from the state equalization guarantee (SEG) for ancillary-related services. In FY06, to comply with provisions of the federal Cash Management Improvement Act of 1990, the PED changed the way funds are distributed to RECs from an advance allotment to a reimbursement for costs incurred. RECs complained that these changes caused cash-flow issues, resulting in late payments to vendors.

In FY12, the PED received a general fund flow-through appropriation of \$938.2 thousand to allocate to RECs. On submission of an application by an REC, the PED has authority to allocate funding to one or more REC provided that the application adequately justifies a need for the allocation, and the PED finds that the REC has submitted timely quarterly financial reports, is in compliance with state and federal financial reporting requirements, including annual audit requirements pursuant to the Audit Act, and is otherwise financially stable. Language in the General Appropriation Act prohibits the PED from making an allocation to an REC that is not in compliance with the Audit Act.

For FY12, all RECs applied for an allocation; however, Northwest REC #2 is not eligible for an allocation because the REC has not submitted annual audits for FY09, FY10, or FY11. Annual audits recently submitted for FY06 through FY08 received disclaimers. The PED is planning on distributing Northwest REC #2's allocation equally between the other RECs, resulting in an increase in funding for those RECs. The LFC recommendation assumes REC #2 will not be eligible for an allocation in FY13 and decreases funding equal to REC #2's share.

RECs are required, by statute, to submit their budgets to the PED and not to the Department of Finance and Administration. RECs do not submit a budget request to the PED. In recent years, the department has not engaged in meaningful analysis of REC budgets to determine actual general fund need. The committee recommends the department engage in robust oversight of RECs, including meaningful analysis of budget expenditures and need.

Given the importance of the REC to rural school district operations, the committee recommends continuation of a PED flow-through appropriation in the amount of \$834 thousand, to be allocated to RECs that meet all conditions of the appropriation, and that the PED establish performance measures to be met by each REC.

RECOMMENDED LANGUAGE:

Recommended language for public education department flow-through appropriation.

A regional education cooperative may submit an application to the public education department for an allocation from the eight hundred thirty-four thousand dollar (\$834,000) appropriation. The public education department may allocate amounts to one or more regional education cooperative provided that the regional education cooperative's application has adequately justified a need for the allocation, and the department finds that the regional education cooperative has submitted timely quarterly financial reports, is in compliance with state and federal financial reporting requirements, including annual audit requirement pursuant to the Audit Act, and is otherwise financially stable. Prior to making an allocation to a REC, the PED shall provide a detailed report to the legislative education study committee and the legislative finance committee on the effectiveness of the technical assistance and other services provided to members of the regional education cooperative and any nonmember public and private entities to which the cooperative provided educational services. An allocation made to a REC may only be used for current year operating expenses.

REGIONAL EDUCATION COOPERATIVES								
Cooperative	FY12 Appropriation				FY13 LFC Recommendation			
	General Fund ¹	Other State Funds	Federal Funds	Total	General Fund ²	Other State Funds	Federal Funds	Total
Northwest Regional Education Cooperative #2 (Gallina)	\$0.0	\$0.0	\$1,593.0	\$1,593.0	\$0.0	\$681.1	\$0.0	\$681.1
High Plains Regional Education Cooperative #3 (Raton)	\$0.0	\$3,357.5	\$2,854.8	\$6,212.3	\$0.0	\$2,688.2	\$330.4	\$3,018.6
Northeast Regional Education Cooperative #4 (Las Vegas)	\$0.0	\$0.0	\$2,415.4	\$2,415.4	\$0.0		\$284.6	\$284.6
Central Regional Education Cooperative #5 (Albuquerque)	\$0.0	\$2,000.0	\$2,000.0	\$4,000.0	\$0.0	\$2,574.0	\$295.3	\$2,869.3
Regional Education Cooperative #6 (Clovis)	\$0.0	\$335.7	\$1,700.0	\$2,035.7	\$0.0	\$922.9	\$320.4	\$1,243.3
Lea Regional Education Cooperative #7 (Hobbs)	\$0.0	\$0.0	\$3,900.0	\$3,900.0	\$0.0	\$268.4	\$411.4	\$679.8
Pecos Valley Regional Cooperative #8 (Artesia)	\$0.0	\$1,321.5	\$1,371.8	\$2,693.3	\$0.0	\$1,673.9	\$613.2	\$2,287.1
Regional Education Cooperative #9 (Ruidoso)	\$0.0	\$4,000.0	\$4,800.0	\$8,800.0	\$0.0	\$2,341.1	\$1,017.9	\$3,359.0
Southwest Regional Cooperative #10 (T or C)	\$0.0	\$300.0	\$4,500.0	\$4,800.0	\$0.0	\$1,422.4	\$0.0	\$1,422.4
TOTAL	\$0.0	\$11,314.7	\$25,135.0	\$36,449.7	\$0.0	\$12,572.0	\$3,273.2	\$15,845.2

¹No general fund support was directly appropriated to RECs in FY12. A flow through appropriation was made to PED in the amount of \$938.2 thousand. All RECs applied to PED for an allotment; to date all RECs except REC#2 have received equal allocations totalling \$469.1 thousand. PED intends to distribute the remaining half in January 2012. REC#2 did not receive an allocation because annual audits have not been submitted for FY09, FY10, or FY11.

²The committee does not recommend direct recurring general fund support of RECs in FY13. However, the committee recommends a PED flow-through appropriation be made in the amount of \$834 thousand to be allocated to RECs that meet all conditions.

STATUTORY AUTHORITY:

The Public School Facilities Authority (PSFA) was created in 2003 to staff the Public School Capital Outlay Council (PSCOC) pursuant to the Public School Capital Outlay Act, Section 22-24-9 NMSA 1978. Under the direction of the PSCOC, the PSFA is responsible for providing support and oversight in administering construction grants, deficiencies correction, and statewide, standards-based programs; assisting school districts with the development and implementation of five-year master plans and preventive maintenance plans; and overseeing all state-funded public school construction. The director, versed in construction, architecture, or project management, is selected by the council.

The membership of the council consists of a representative from the Governor's Office, the secretary of the Department of Finance and Administration, the secretary of the Public Education Department, the president of the New Mexico School Boards Association, the director of the Construction Industries Division of the Regulation and Licensing Department, the president of the State Board of Education, the director of the Legislative Finance Committee, the director of the Legislative Council Service, and the director of the Legislative Education Study Committee.

MISSION:

The mission of the PSFA is to support quality public education by encouraging and assisting districts with the prudent planning, construction, and maintenance of appropriate physical environments to foster successful student learning, to involve active community participation in the education process, and to assist policymakers and New Mexico taxpayers with current and accurate financial and technical information and recommendations.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011	2011-2012	Agency	LFC Recom-	Incr
	<u>Actuals</u>	<u>Budgeted</u>	<u>Request</u>	<u>mendation</u>	<u>(Decr)</u>
SOURCES					
Other Revenues	6,031.3	5,656.4	5,610.3	5,523.6	-2.3
SOURCES TOTAL	6,031.3	5,656.4	5,610.3	5,523.6	-2.3
USES					
Personal Services and Employee Benefits	3,707.3	3,848.8	3,844.3	3,822.2	-0.7
Contractual Services	161.0	232.1	232.1	197.1	-15.1
Other	2,163.0	1,575.5	1,533.9	1,504.3	-4.5
TOTAL USES	6,031.3	5,656.4	5,610.3	5,523.6	-2.3
FTE					
Permanent	51.0	50.0	50.0	50.0	0.0
TOTAL FTE POSITIONS	51.0	50.0	50.0	50.0	0.0

BUDGET ISSUES:

Since its creation, the PSFA has funded all of its operational costs from balances in the public school capital outlay fund (PSCOF), which derives its revenue from supplemental severance tax bonds (SSTB) proceeds. Section 22-24-4 NMSA 1978 provides that operational expenses, both core and field oversight, are authorized to be paid from the fund and are limited to an amount not to exceed 5 percent of the three-year average annual grant assistance. The fund is nonreverting and any unexpended funds from appropriations revert to the fund at the end of the fiscal year. Historically, the agency has maintained expenses below 3 percent of annual awards. In FY11 this grew to 3.8 percent and in FY12 is expected to decrease to 3.2 percent. In FY13, the agency estimates expenses will decrease slightly to 3 percent of total annual awards. Much of the growth in expenses has been due to the implementation of new software to assist districts with facilities management and construction efforts. However, increased pressure on the fund to pay for expanding initiatives remains a concern.

For FY13, the agency requested \$5.6 million from the PSCOF to cover all agency operational costs, a 1 percent decrease from the FY12 base. For FY11, the agency reverted approximately \$380 thousand as a result of vacancies and decreased contract expenditures. The LFC recommendation makes technical adjustments to accurately reflect salaries of two recently filled positions, two positions currently advertised, and adjusts the salary of one recently vacant position to mid-point. The PSFA has a historic vacancy rate of little more than 10 percent, and the recommendation assumes a 2 percent vacancy savings rate. The LFC recommendation includes \$47.8 thousand from other state funds to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The recommendation also lowers the request to reflect actual FY11 expenses and assumes cost savings from more efficient space utilization. Currently, the agency leases office space in Albuquerque and Santa Fe and has several employees with offices at both locations. The agency should consider consolidating offices, locating offices in available state facilities, or other cost savings options, including elimination of multiple offices for individual employees.

Since FY03, the PSCOC has awarded approximately \$1.5 billion to fund more than 1.1 thousand standards-based and deficiency-corrections projects in districts. As a result, the state has made significant progress ensuring children are taught in adequately sized, well-lit, safe, and attractive buildings. Since 2004, when the standards-based process for school facilities funding was implemented, the average New Mexico condition index (NMCI) score for all school buildings has gone from 70 percent to 38 percent, with the top 100 projects on the ranked list of school facility needs improving from 172 percent to 64 percent. This indicates the magnitude of need among all school facilities across the state has dropped dramatically in the past seven years and most projects going forward should focus on renovation rather than replacement. However, because of decreased revenues from the sales of supplemental severance tax bonds over the past several years, the NMCI has increased almost 2 percent.

In recent years, the PSCOF has been tapped to fund an ever-growing list of initiatives for the PSCOC, the PSFA, schools, and school districts. These include, among others, an expanded and inflation-adjusted state match to the local 2 mill levy, increased lease payment assistance to charter schools tied to the annual increase in the consumer price index, facility master plan assistance, building demolition, and reimbursements to the Construction Industries Division and the State Fire Marshal for inspection services. Combined, these initiatives reduce funding for the core agency mission of building and repairing schools.

The PSCOC approach of funding only planning and design until a project is ready to bid and only then awarding construction dollars is paying off with a significant reduction in the amount of time needed to complete projects and reducing long-term costs associated with project delays.

The agency continues to be successful in providing oversight and assistance to districts in pre-project planning, project design, project approval, and construction for more than \$1.5 billion in projects authorized by the council and continues to oversee master planning efforts that will allow districts to better maintain facilities. For example, project development times have improved sharply. In 2005, just over 10 percent of projects were under contract within the first 15 months; in 2011, this improved to 87 percent.

The PSFA was directed by the PSCOC and the Public School Capital Outlay Oversight Task Force to create adequacy standards for the New Mexico School for the Blind and Visually Impaired (NMSBVI) and the New Mexico School for the Deaf (NMSD), both special schools under state law. Capital needs of the special schools have historically been underfunded, and the special schools have not been eligible to apply for standards-based funding because standards do not exist for the schools. In the past, the special schools received PSCOC funding through the deficiencies correction program; however, the program has been closed for some time. The PSFA has been in the process of drafting special schools standards since 2009, and finally issued draft standards for public comment in December 2011. Also, in November 2011 the PSCOC responded to the need to fund critical projects at the special schools by reopening the deficiencies correction program and awarding approximately \$6.2 million to the NMSBVI for the Watkins Educational Center and \$6 million to the NMSD for site work, accessibility improvements and Dillon Hall. The PSCOC expects the special schools will be eligible for standards-based funding during the 2012 funding cycle.

PUBLIC SCHOOL FACILITIES AUTHORITY

The purpose of the program is to oversee public school facilities in all eighty-nine school districts ensuring correct and prudent planning, building and maintenance using state funds and ensuring adequacy of all facilities in accordance with public education department approved educational programs.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of total submitted school construction plans reviewed and acted on	85%	85%	100%	90%	100%
Outcome	Percent compliance with prompt payment provision of Prompt Payment Act for all direct payments to vendors	98%	95%	100%	98%	100%
* Outcome	Percent of projects meeting all contingencies completed within the specified period of awards	82	85%	85%	90%	90%
Outcome	Number of days to disseminate all pertinent documents to school districts for all awards made by the public school capital outlay council	12	15	15	15	15
Explanatory	Average processing time of final action on plans submitted	14 days	12 days	16 days	10 days	10 days
* Explanatory	Statewide public school facility condition index measured at December 31 of prior calendar year	36.69%	37.93%			

STATUTORY AUTHORITY:

In 1997, the Education Trust Board (ETB, board) was created pursuant to the Education Trust Act in Section 21-21K-1 through 21-21K-7 NMSA 1978. As required by Internal Revenue Code Section 529 (2010), the ETB is administratively attached to the Higher Education Department and administers the education trust fund, which includes all funds received pursuant to college investment agreements and prepaid tuition contracts as part of the state's qualified tuition program.

The ETB is governed by a four-person board that includes the secretary of the Higher Education Department and appointments by the governor, the Speaker of the House, and the president pro temp of the Senate. The board authorizes rules and regulations governing the college savings plans, protects the integrity of the trust, and ensures proper use of tax benefits.

MISSION:

The ETB administers the state's federally authorized college savings plan, a flexible, convenient and tax-efficient means for families to save for college costs, including tuition, fees, room, books, and supplies.

BUDGET SUMMARY
(dollars in thousands)

	FY11 Operating Budget	FY11 Operating Budget Actuals	FY12 Operating Budget	FY13 Projected Operating Budget
SOURCES				
State Fee Revenue & Dividend Reinvestment	\$0	\$0	\$0	\$1,750.0
Fund Balance	\$2,246.0	\$2,246.0	\$1,765.2	\$0.0
SOURCES TOTAL	\$2,246.0	\$2,246.0	\$1,765.2	\$1,750.0
USES				
Personal Services and Employee Benefits	\$115.0	\$0.0	\$115.0	\$115.0
Contractual Services (legal, auditing, marketing)	\$1,325.0	\$477.8	\$844.2	\$775.0
Other	\$306.0	\$3.0	\$306.0	\$221.0
Other Financing Uses	\$500.0	\$0.0	\$500.0	\$500.0
TOTAL USES	\$2,246.0	\$480.8	\$1,765.2	\$1,611.0
ENDING FUND BALANCE	\$0.0	\$0.0	\$0.0	\$139.0
TOTAL FTE POSITIONS	1.0	1.0	1.0	1.0

BUDGET ISSUES:

The ETB manages almost \$1.75 billion in gross assets in two investment plans. The Education Plan (TEP), a direct plan account, consists of \$300 million in age-based and static portfolio assets, including active-managed funds and index funds. More than 12 thousand individuals hold more than 27 thousand TEP accounts. The Scholar's Edge, an advisor-sold plan consisting of \$1.4 billion in assets, includes age-based and static portfolio options using a number of funds and mutual funds and a stable value option. More than 88 thousand individuals hold more than 137 thousand Scholar's Edge accounts. Both investment programs include more out-of-state investors than in-state investors.

The board's proposed operating budget for FY13 is \$1.6 million, slightly less than the board's FY12 operating budget. The board's operations are funded entirely from fees and dividend revenues; no general fund support is required. In 2009, the ETB and other states' college savings plans settled a suit against Oppenheimer Funds Inc. (OFI) that resolved the board's investigation into the OFI's management of TEP and Scholar's Edge. Given the settlement of this litigation and the recent dismissal of related suits, the ETB anticipates fewer legal expenses in FY13 as the board transitions from litigation to implementing a settlement agreement and disbursing the \$67 million in settlement funds to investors.

Each year, the board funds a scholarship program administered by the Higher Education Department, the ETB Pathways Scholarship. The scholarship is available to first-time freshmen who have graduated from a New Mexico high school with a minimum 3.25 grade point average and demonstrate financial need. The ETB has consistently transferred \$500 thousand for the program and requests the same level of support for FY13.

The board has suffered with the near-constant leadership changes over the last six years in particular, with six secretaries in six years. This turnover combined with vacancies at senior levels in the department have resulted in the board's failure to hire permanent staff, implement consistent internal procedures and policies, and complete the board's audits on time. Under the current secretary, there are ongoing efforts to hire an executive director and secure legal and investment counsel. While the TEP and Scholar's Edge portfolio audits are current, the board is finalizing its operating budget audits for FY08, FY09, and FY10 and anticipates completing its FY11 operating budget audit early in 2012.

Under Laws 2011, Chapter 51, the governor removed all state board and commission positions designated for State Investment Council (SIC) representatives. As a result, the board now has four members – two appointed by the governor and two appointed by the Legislature. Over the years, board members found it difficult to reach a quorum at quarterly meetings and conduct business due to its small size, and some are concerned the board now has fewer and an even number of members. In addition, over the course of the board's existence, the SIC representative frequently was the only board member with specialized knowledge and investment experience. Until and unless the board is able to hire permanent staff and maintain consistent qualified leadership, the loss of this particular board position has made it more difficult for the board to fulfill its statutory responsibilities. Individual board members, separate and apart from board action, might seek a legislative remedy to this situation if the secretary opts to maintain the current board membership level.

STATUTORY AUTHORITY:

Pursuant to 21-1-26 NMSA 1978, the Higher Education Department (HED) determines an adequate level of funding for institutions of higher education and recommends the equitable distribution of available funds among them. Responsibilities of the department include implementing the Post-Secondary Education Planning Act, the Post-Secondary Education Articulation Act, Student Loan Act, Education Trust Act, graduate program approval, and proprietary school licensing, for which it collects fees. Additionally, the department recommends institutional capital project priorities and administers state-funded financial aid programs. The department administers the adult basic education program. The department also provides financial oversight of the constitutionally-created special schools: the New Mexico Military Institute, the New Mexico School for the Deaf, and the New Mexico School for the Blind and Visually Impaired. Lastly, the department is charged with cooperating with colleges and universities to create a statewide public agenda for higher education needs and goals, study enrollment capacity needs, develop a statement of statewide educational needs, and analyze the financial impacts of proposed new and expanded degree programs.

MISSION:

The mission of the HED is to administer a coordinated statewide system of public, postsecondary education with governance shared between the department and the governing boards of the colleges and universities.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 – 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	Incr <u>(Decr)</u>
SOURCES					
General Fund Transfers	39,240.1	35,819.1	35,819.1	31,866.6	-11.0
Other Transfers	51,237.6	44,637.8	44,237.8	44,522.7	-0.3
Federal Revenues	11,009.7	11,243.1	6,588.1	6,597.8	-41.3
Other Revenues	6,703.1	4,876.7	5,176.7	4,876.7	0.0
Fund Balance	7,197.3	7,205.3	7,205.3	10,008.0	38.9
SOURCES TOTAL	115,387.8	103,782.0	99,027.0	97,871.8	-5.7
USES					
Personal Services and Employee Benefits	3,345.3	3,560.5	3,467.0	3,440.9	-3.4
Contractual Services	3,766.5	1,382.1	991.6	991.6	-28.3
Other	22,588.3	24,242.0	94,568.4	93,439.3	285.4
Other Financing Uses	83,735.6	74,597.4	0.0	0.0	-100.0
TOTAL USES	113,435.7	103,782.0	99,027.0	97,871.8	-5.7
FTE					
Permanent	32.5	33.5	33.5	32.5	-3.0
Term	18.5	24.5	24.5	22.5	-8.2
TOTAL FTE POSITIONS	51.0	58.0	58.0	55.0	-5.2

BUDGET ISSUES:

The HED FY13 operating budget request reflected a decline of \$4.7 million from the FY12 operating budget. The reduction is due to the expiration of the federal Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR-UP) grant administered by the HED. To compensate for the loss of revenue, the department reduced grants to institutions and service providers associated with the grant. The FY13 general fund appropriation request is \$35.8 million, the same as the FY12 general fund operating budget level. Because the department's FY13 budget request was based on unaudited FY10 and estimated FY11 actual figures, the committee's recommendation is based on estimated amounts.

The committee's recommendation reduces the department's total FY13 general fund appropriation by \$3.9 million, shifting funding from the HED directly to institutions. While most HED-administered research and public service projects were transferred to institutions in FY11, the recommendation combines two appropriations for an existing public service project -- the Mathematics, Engineering, Science Achievement (MESA) program. The second recommendation transfers the HED-requested appropriation (\$2.6 million) for performance development enhancement fund for nursing to fund healthcare-related workforce outcomes in the instruction and general expenditure formula. During the 2012 interim, the HED, the Department of Finance and Administration (DFA), and the LFC should work with the New Mexico Nursing Education Consortium to develop a statewide nursing education plan and performance metrics that can be included in the funding formula.

The LFC recommendation includes \$23.7 thousand from the general fund to restore the 1.75 retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. Other state funds and federal funds were also adjusted accordingly.

The committee recommendation explicitly includes a transfer of \$283.5 thousand in other state funds for instructional materials. Under Section 22-15-9 NMSA 1978, the Public Education Department (PED) is required to transfer an amount from the instructional materials education fund to the department for adult basic education materials. In years past, there has been some confusion about the source of funds for the transfer and the timing of the PED's transfer to the HED. The General Appropriation Act should clarify this matter and expedite the transfer so that adult basic education programs and students can purchase and use materials at the beginning of the academic cycle.

The department has made significant changes in its administration and personnel during FY12, including reducing the number of exempt employees and reclassifying positions to better meet departmental goals and objectives. Even with these actions, critical vacancies have persisted during the year, and the department has maintained its historic vacancy rate of nearly 30 percent. Such a high vacancy rate has impeded the department's ability to meet basic statutory and financial responsibilities in a timely way, both in the areas of departmental operations and institutional finance. Of particular concern is the department's inability to complete its FY10 audit by the extended deadline of June 30, 2011, resulting in the department being placed on the Office of the State Auditor's "at risk" list and the unlikely possibility of addressing FY10 audit findings and completing the FY11 audit by the statutory deadline.

Even as the department continues to hire staff and implement plans to meet its statutory obligations, the committee recommends eliminating 3 FTE: one funded from the general fund and the other two funded with GEAR-UP funds. The GEAR-UP positions are currently vacant, and the existing 7 FTE under this grant might remain with the department through the grant term of December 2012. The committee recommendation does not include any general funds to continue these federally-funded FTE through the second half of FY13.

Unlike prior years, the department did not request support from the general fund for the Innovative Digital Education and Learning-New Mexico Program (IDEAL-NM) for FY13. In FY12, the HED received \$900 thousand in federal American Recovery and Reinvestment Act (ARRA) funds and general fund appropriations, in addition to institutional fees, to support institutional and state agency use of the distance learning platform. The department will no longer continue providing this service or hold licenses for institutions after the 2011-2012 academic year. At this time, participating institutions are considering collaborating with other public institutions to provide a state-located, distance learning platform for FY13. While no support from the general fund is specifically recommended for institutional use in FY13, the committee anticipates the institutional shift to delivering more online coursework might require special infrastructure and other such support in the future.

Maintaining a flat budget proposal for FY13, the HED did not reprioritize funding and allocate additional student aid funds. The FY13 request for the student financial aid program is \$78.7 million, with \$21.9 million, or 30 percent, from the general fund. Of this \$21.9 million, \$16.4 million, or 76 percent, is projected for strictly income-based financial aid and \$5.4 million, or 24 percent, is projected for merit-only or combined merit- and need-based aid. Because the cost of education has continued to increase annually at rates higher than inflation, and unemployment continues to be high for those individuals without any level of college education, more postsecondary students are applying for and receiving available financial aid. As students undertake a greater debt burden and more students are unable to pay the cost of education, the state must evaluate existing aid programs for effectiveness in increasing student completion rates and should consider whether increasing state-funded student aid would improve student retention and completion rates.

The HED FY13 financial aid budget includes an \$800 thousand transfer of non-general fund revenues from the Education Trust Board (ETB) for the ETB Pathways Scholarship Program. The ETB FY13 budget request reflects a \$500 thousand transfer for the scholarship program. The LFC recommendation reduced the HED financial aid budget by \$300 thousand to reflect the lower ETB FY13 budget request.

For FY13, the HED requested \$51.4 million for the legislative lottery scholarship program. In the 2010-2011 academic year, the state paid \$53.2 million in legislative lottery scholarships, including \$41.5 million from lottery revenues and \$11.7 million from fund balances in the lottery scholarship fund. The committee's FY13 recommendation for New Mexico's largest student aid program maintains the FY11 expenditure level and is higher than the department's request. The committee recommends a higher transfer of fund balance from the legislative lottery fund (a total of \$10 million) due to a consistent level of student participation and anticipated increasing tuition costs for FY13 to more accurately reflect need. If adopted, the committee's recommendation would leave an estimated \$35 million legislative lottery fund balance for FY14.

RECOMMENDED LANGUAGE:

For the Higher Education Section:

On approval of the higher education department, the state budget division of the department of finance and administration may approve increases in budgets of agencies, in this section, with the exception of the policy development and institutional financial oversight program of the higher education department, whose other state funds exceed amounts specified. In approving budget increases, the director of the state budget division shall advise the legislature through its officers and appropriate committees, in writing, of the justification for the approval.

Except as otherwise provided, any unexpended balances remaining at the end of fiscal year 2013 shall not revert to the general fund.

For the Higher Education Department:

Any unexpended balances in the policy development and institutional financial oversight program of the higher education department remaining at the end of fiscal year 2013 from appropriations made from the general fund shall revert to the general fund.

The department shall recommend revisions to the funding formula authorized by Section 21-2-5.1 NMSA 1978 no later than October 15, 2012. The formula revisions shall include institutional, mission-specific performance outcomes and a proposal for considering the state's, institutions', and students' responsibilities in supporting post-secondary education.

POLICY DEVELOPMENT AND INSTITUTIONAL FINANCIAL OVERSIGHT

The purpose of the policy development and institutional financial oversight program is to provide a continuous process of statewide planning and oversight within the department's statutory authority for the state higher education system and to ensure both the efficient use of state resources and progress in implementing a statewide agenda.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		%
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	<u>Agency Request</u>	<u>LFC Recommendation</u>	<u>Incr (Decr)</u>
SOURCES					
General Fund Transfers	16,243.4	13,934.5	13,934.5	9,990.0	-28.3
Other Transfers	183.6	400.0	0.0	284.9	-28.8
Federal Revenues	10,190.0	10,318.1	6,288.1	6,297.8	-39.0
Other Revenues	80.3	144.4	144.4	144.4	0.0
SOURCES TOTAL	26,697.3	24,797.0	20,367.0	16,717.1	-32.6
USES					
Personal Services and Employee Benefits	3,345.3	3,560.5	3,467.0	3,440.9	-3.4
Contractual Services	3,711.9	1,328.6	938.1	938.1	-29.4
Other	9,599.2	9,629.4	15,961.9	12,338.1	28.1
Other Financing Uses	10,088.8	10,278.5	0.0	0.0	-100.0
TOTAL USES	26,745.2	24,797.0	20,367.0	16,717.1	-32.6
FTE					
Permanent	32.5	33.5	33.5	32.5	-3.0
Term	18.5	24.5	24.5	22.5	-8.2
TOTAL FTE POSITIONS	51.0	58.0	58.0	55.0	-5.2

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Outcome	Number of students earning dual credits from New Mexico public postsecondary institutions		12,686	10,000	14,000	14,000
* Outcome	Percent of first-time, degree-seeking community college students who have graduated from the same institution or another public institution or have transferred after three years	21%	21%	19%	19%	23%
Outcome	Number of degrees produced in postsecondary programs geared toward New Mexico needs				4,470	5,000
Output	Percent of capital projects evaluations and audits performed to ensure institutional accountability and responsibility	0%	N/A	10%	10%	10%
Outcome	For recent New Mexico high school graduates, percent of students who require remediation in math or English who pass the remedial course and pass the ensuing college credit course within the same discipline within one year	77.4%	76.9%	78%	78%	78%
* Outcome	Percent of first-time, degree-seeking university students who have graduated from the same institution or another public institution after six years	40.3%	40.2%	40%	41%	43%
Output	Number of adult education students who earn the general education diploma	1,394	1,727	1,700	1,750	1,750
Output	Number of returning adult undergraduate students enrolled in developmental education courses				22,500	22,500
Output	Number of adult education students obtaining employment	1,272	1,209	1,500	1,500	1,500
Output	Number of adult education students who enter into postsecondary education or training	751	1,056	1,200	1,200	1,200
Outcome	Percent of enrollments in four-year public postsecondary institutions that are transfers from public two-year postsecondary institutions	23.29%	20.38%	22%	22%	25%
* Output	Number of enrollments in four-year public postsecondary institutions that are transfers from public two-year postsecondary institutions	14,461	13,085	13,000	13,000	13,200
Outcome	Average number of credit hours accrued in the attainment of a bachelor's degree by students who transfer in versus those who originate at the degree-awarding institution	162:158	149:159	137:125	137:125	137:125

STUDENT FINANCIAL AID PROGRAM

The purpose of the student financial aid program is to provide access, affordability, and opportunities for success in higher education to students and their families so that all New Mexicans may benefit from postsecondary education and training beyond high school.

BUDGET SUMMARY
(dollars in thousands)

	FY11	FY12	FY13 - 2012-2013		% Incr (Decr)
	2010-2011 <u>Actuals</u>	2011-2012 <u>Budgeted</u>	Agency <u>Request</u>	LFC Recom- <u>mendation</u>	
SOURCES					
General Fund Transfers	22,996.7	21,884.6	21,884.6	21,876.6	0.0
Other Transfers	51,054.0	44,237.8	44,237.8	44,237.8	0.0
Federal Revenues	819.7	925.0	300.0	300.0	-67.6
Other Revenues	6,622.8	4,732.3	5,032.3	4,732.3	0.0
Fund Balance	7,197.3	7,205.3	7,205.3	10,008.0	38.9
SOURCES TOTAL	88,690.5	78,985.0	78,660.0	81,154.7	2.7
USES					
Contractual Services	54.6	53.5	53.5	53.5	0.0
Other	12,989.1	14,612.6	78,606.5	81,101.2	455.0
Other Financing Uses	73,646.8	64,318.9	0.0	0.0	-100.0
TOTAL USES	86,690.5	78,985.0	78,660.0	81,154.7	2.7
FTE					
TOTAL FTE POSITIONS	0.0	0.0	0.0	0.0	

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of first-time freshman lottery recipients graduated from college after the ninth semester	73%	72%	71%	71%	75%
Outcome	Percent of students who receive state loan-for-service funding who provided service after graduation	94%	91%	92%	92%	92%
Outcome	Percent of state financial aid funds used for need-based aid	29.86%	28.48%	35%	35%	35%
Output	Annual average federal student loan debt for all students enrolled at four-year public schools	\$ 8,109	\$ 22,250	\$ 9,500	\$ 9,500	\$ 15,000
Output	Annual average federal student loan debt for all students enrolled at two-year public schools	\$ 5,431	\$ 11,500	\$ 6,500	\$ 6,500	\$ 6,500
* Output	Number of lottery success recipients enrolled in or graduated from college after the ninth semester	3,318	3,619	3,500	3,600	3,750
* Output	Number of students receiving college affordability awards	2,387	3,127	2,000	N/A	3,500
* Outcome	Number of need-based scholarships awarded to students with an estimated family contribution of zero	20,680	32,514	19,000	19,000	30,000

Student Financial Aid Program Detail (Dollars in Thousands)	FY11 Actual	FY12 OPBUD	FY13 HED Request	FY13 LFC Recommendation	LFC % inc/dec
Student Incentive Grant					
general fund	12,401.3	11,258.0	11,258.0	11,258.0	
fund balance	-	-		-	
general revenues	-	-		-	
federal funds	349.1	349.0	-		
total	12,750.4	11,607.0	11,258.0	11,258.0	0.0%
College Affordability Endowed Scholarships					
other program revenues	1,991.4	1,889.2	1,889.2	1,889.2	
interest income	2,000.0	1,935.1	1,935.1	1,935.1	
total	3,991.4	3,824.3	3,824.3	3,824.3	0.0%
Nursing Student Loan					
general fund	122.4	156.7	156.7	156.7	
other revenues	26.3	129.0	129.0	129.0	
total	148.7	285.7	285.7	285.7	0.0%
Nurse Loan For Service					
general fund	-			-	
other revenues	23.2	145.5	145.5	145.5	
total	-	145.5	145.5	145.5	0.0%
Medical Student Loan Prog.					
general fund	-	-			
other revenues	319.0	323.0	323.0	323.0	
total	319.0	323.0	323.0	323.0	0.0%
Work-Study					
general fund	5,073.6	5,142.1	5,142.1	5,142.1	
other revenues	381.5	370.1	370.1	370.1	
total	5,455.1	5,512.2	5,512.2	5,512.2	0.0%
Student Choice					
general fund	304.7	-			
fund balance	-	-		-	
total	304.7	-		-	0.0%
Vietnam Veterans Scholarship					
general fund	147.3	106.6	106.6	106.6	
fund balance	-	-		-	
total	147.3	106.6	106.6	106.6	0.0%
Graduate Scholarship					
general fund	500.4	581.1	581.1	581.1	
fund balance	-	-		-	
total	500.4	581.1	581.1	581.1	0.0%
NM Scholars					
general fund	959.5	938.5	938.5	938.5	
fund balance	-	-		-	
total	959.5	938.5	938.5	938.5	0.0%
Minority Doctoral Assistance					
general fund	135.0	123.9	123.9	123.9	
fund balance	-	-		-	
total	135.0	123.9	123.9	123.9	0.0%
Teacher Loan-for-Service					
general fund	2.6	94.0	94.0	94.0	
other revenues	42.0	145.7	145.7	145.7	
total	44.6	239.7	239.7	239.7	0.0%

Student Financial Aid Program Detail (Dollars in Thousands)		FY11 Actual	FY12 OPBUD	FY13 HED Request	FY13 LFC Recommendation	LFC % inc/dec
Teacher Loan Forgiveness Act*						
	general fund	-	-	-	-	
	total	-	-	-	-	
Allied Health						
	general fund	-	-	-	-	
	other revenues	103.0	104.8	104.8	104.8	
	total	103.0	104.8	104.8	104.8	0.0%
Health Professional Loan Repayment						
	general fund	1,153.5	1,076.2	1,076.2	1,076.2	
	fund balance	-	-	-	-	
	federal funds	190.4	200.0	200.0	200.0	
	total	1,343.9	1,276.2	1,276.2	1,276.2	0.0%
Legislative Endowment Fund						
	other program revenues	113.8	109.4	109.4	109.4	
	fund balance	-	-	-	-	
	total	113.8	109.4	109.4	109.4	0.0%
WICHE Loan-for-Service						
	general fund	2,024.0	2,021.5	2,021.5	2,021.5	
	fund balance	-	-	-	-	
	total	2,024.0	2,021.5	2,021.5	2,021.5	0.0%
Lottery Scholarship						
	other program revenues	46,054.0	42,302.7	42,302.7	42,302.7	
	interest income	-	-	-	-	
	fund balance	7,197.3	7,197.3	7,205.3	10,000.0	
	total	53,251.3	49,500.0	49,508.0	52,302.7	5.6%
Dentistry Loan for Service						
	general fund	75.6	51.3	51.3	51.3	
	fund balance	-	-	-	-	
	total	75.6	51.3	51.3	51.3	0.0%
Public Service Law Loan Repayment						
	general fund	89.2	281.2	281.2	281.2	
	total	89.2	281.2	281.2	281.2	0.0%
Dental Residency Program						
	general fund	-	-	-	-	
	other revenues	967.6	970.0	970.0	970.0	
	total	967.6	970.0	970.0	970.0	0.0%
Merit-based Scholarships						
	general fund	-	45.5	45.5	45.5	
	other revenue	47.0	45.6	45.6	45.6	
	total	47.0	91.1	91.1	91.1	0.0%
Ed Trust Board (Pathways Scholarship)						
	other program revenues	608.0	500.0	800.0	500.0	
	total	608.0	500.0	800.0	500.0	-37.5%
HED Outreach						
	general fund	7.6	8.0	8.0	-	
	other revenues	-	-	-	8.0	
	total	7.6	8.0	8.0	8.0	0.0%
Robert C. Byrd						
	federal funds	213.0	276.0	-	-	
	total	213.0	276.0	-	-	0.0%
John R. Justice Loan Repayment						
	federal funds	24.9	100.0	100.0	100.0	
	total	24.9	100.0	100.0	100.0	0.0%
	GRAND TOTAL	83,625.0	78,977.0	78,660.0	81,154.7	3.2%
	GF GRAND TOTAL	22,996.7	21,884.6	21,884.6	21,876.6	0.0%

Note: Fund balances not submitted and not available from HED.

HIGHER EDUCATION GENERAL FUND APPROPRIATIONS FOR FY13
(in thousands)

	FY12 OpBud	FY13 Task Force Request	FY13 HED Request	FY13 LFC Recommendation
FY12 I&G Operating Base				
Institutional I&G	\$520,548.8			
UNM HSC	\$56,962.2			\$57,303.8
Total Institutional and UNM HSC I&G	\$577,511.0	\$577,437.5	\$577,511.0	
FY13 I&G Base Year		\$577,437.5	\$577,511.0	\$520,548.8
Utilities Adjustment for FY13 only		\$3,680.3	\$3,680.3	\$0.0
FY13 Adjusted I&G Base Year		\$581,117.8	\$581,191.3	\$520,548.8
Plant/Facilities O&M (AY2010-11 square footage change)		\$1,153.2	\$0.0	\$0.0
Workload Outcome (Course Completion & Student Services)				
Research Institutions			\$3,144.8	
Comprehensive Institutions			\$1,265.3	
Two-Year Institutions			\$4,091.3	
Subtotal Workload Outcome		\$18,548.4	\$8,501.4	\$15,856.8
Statewide Outcomes Measures				
<i>Number of Certificates and Degrees (2009-10)</i>				
Research Institutions			\$6,932.2	
Comprehensive Institutions			\$1,239.8	
Two-Year Institutions			\$2,033.5	
Subtotal Certificates and Degrees		\$4,921.0	\$10,205.5	\$6,123.2
<i>Workforce Certificates and Degrees (2009-10)</i>				
Research Institutions			\$4,340.3	
Comprehensive Institutions			\$605.0	
Two-Year Institutions			\$1,146.0	
Subtotal Workforce Certificates and Degrees		\$2,538.1	\$6,091.3	\$5,583.6
<i>At-Risk Certificates and Degrees (2009-10)</i>				
Research Institutions			\$3,598.7	
Comprehensive Institutions			\$827.3	
Two-Year Institutions			\$1,383.8	
Subtotal At-Risk Certificates and Degrees		\$2,420.6	\$5,809.8	\$1,936.4
SUBTOTAL OUTCOME-BASED FUNDING		\$29,581.3	\$30,608.0	\$29,500.0
<i>Institutional Share (formerly tuition credits)</i>		(\$1,094.6)	(\$2,146.7)	(\$2,146.6)
Sector-Proportioned Reduction to FY12 I&G appropriation level		\$0.0	(\$32,141.5)	\$0.0
ERB Restoration, Laws 2011, Ch. 178, Sect. 16				\$11,533.7
HIGHER EDUCATION ADJUSTED BASE I&G	\$577,511.0	\$609,604.5	\$577,511.1	\$616,739.7
Dollar Change from FY12 Operating Budget		\$32,093.5	(\$0.1)	\$39,228.7
Percent Change FY12 OpBud to FY13		5.6%	0.0%	6.8%

HIGHER EDUCATION GENERAL FUND APPROPRIATIONS FOR FY13
(in thousands)

	FY12 OpBud	FY13 Task Force Request	FY13 HED Request	FY13 LFC Recommendation
OTHER CATEGORICAL	\$103,235.1			
Special Schools				
N.M. School for the Blind and Visually Impaired			\$675.2	\$1,099.9
N.M. School for the Deaf (1)			\$3,385.3	\$3,938.4
N.M. Military Institute			\$1,816.1	\$2,362.9
Subtotal			\$5,597.1	\$7,401.2
Athletics (incl. NMMI) (1)			\$11,865.1	\$12,122.1
Public television (1)			\$2,991.4	\$3,051.9
Research and public service projects (1)			\$82,694.3	\$84,360.8
OTHER CATEGORICAL SUBTOTAL	\$103,235.1		\$103,147.9	\$106,936.0
Dollar Change from FY12 Operating Budget			(\$87.2)	\$3,700.9
Percent Change FY12 OpBud to FY13			-0.08%	3.6%
HIGHER EDUCATION	\$35,819.1			
Higher Ed Dept. Op. Bud. + Flow Through (1)			\$13,934.5	\$9,990.0
Higher Ed Student Aid			\$21,884.6	\$21,876.6
HIGHER EDUCATION DEPARTMENT TOTAL	\$35,819.1		\$35,819.1	\$31,866.6
Dollar Change from FY12 Operating Budget			\$0.0	(\$3,952.5)
Percent Change FY12 OpBud to FY13			0.0%	-11.0%
TOTAL HIGHER EDUCATION FY13	\$716,565.2		\$716,478.1	\$755,542.3
Dollar Change from FY12 Operating Budget			(\$87.1)	\$38,977.1
Percent Change from FY12 Operating Budget			0.0%	5.4%

Note (1): LFC Recommendation includes ERB restoration pursuant to 2011 Laws, Ch. 178, Sect. 2.

HIGHER EDUCATION FY13 GENERAL FUND BUDGET SUMMARY
(in thousands)

Institution / Program (detail listed primarily in HB2 order)	FY12 Operating Budget	FY13 HED Request	FY13 LFC Rec.	Dollar Change	Percent Change
SUMMARY BY INSTITUTION (DFA Code)					
New Mexico Institute of Mining & Technology (962)	34,596.6	34,948.3	\$36,272.0	\$1,675.4	4.8%
New Mexico State University (954)	175,341.5	175,984.0	\$185,034.3	\$9,692.8	5.5%
University of New Mexico (952)	186,153.5	185,021.9	\$200,053.8	\$13,900.3	7.5%
UNM Health Sciences Center (952)	82,408.8	82,550.4	\$84,642.7	\$2,233.9	2.7%
Eastern New Mexico University (960)	39,373.1	39,223.8	\$42,115.3	\$2,742.2	7.0%
New Mexico Highlands University (956)	27,433.7	27,194.8	\$29,049.6	\$1,615.9	5.9%
Northern New Mexico College (964)	10,091.2	10,042.8	\$10,545.8	\$454.6	4.5%
Western New Mexico University (958)	16,532.5	16,791.7	\$17,587.5	\$1,055.0	6.4%
Central NM Community College (968)	43,086.0	43,686.8	\$47,935.7	\$4,849.7	11.3%
Clovis Community College (977)	8,428.8	8,350.5	\$8,769.4	\$340.6	4.0%
Luna Community College (970)	7,448.1	7,375.1	\$7,725.5	\$277.4	3.7%
Mesalands Community College (972)	4,179.4	4,098.4	\$4,295.9	\$116.5	2.8%
New Mexico Junior College (974)	5,829.3	5,935.6	\$6,196.0	\$366.7	6.3%
San Juan College (976)	21,801.0	21,575.4	\$23,243.8	\$1,442.8	6.6%
Santa Fe Community College (966)	12,166.1	12,002.9	\$12,527.7	\$361.6	3.0%
Subtotal - Universities and Community Colleges	674,869.6	674,782.4	\$715,995.0	\$41,125.4	6.1%
New Mexico Military Institute (978)	1,816.1	1,816.1	\$2,642.4	\$826.3	45.5%
New Mexico School for the Deaf (980)	3,385.3	3,385.3	\$3,938.4	\$553.1	16.3%
NM School for the Blind & Visually Impaired (979)	675.2	675.2	\$1,099.9	\$424.7	62.9%
Subtotal - Special Schools	5,876.6	5,876.6	\$7,680.7	\$1,804.1	30.7%
New Mexico Higher Education Department (950)	35,819.1	35,819.1	\$31,866.6	-\$3,952.5	-11.0%
TOTAL GENERAL FUND	716,565.3	716,478.1	755,542.3	\$38,977.0	5.4%
SUMMARY BY MAJOR FUNCTION					
University I&G (NNMC included eff. FY08)	360,818.7	360,677.0	386,198.6	25,379.9	7.0%
Community College I&G	159,730.1	159,730.2	172,037.0	12,306.9	7.7%
UNMHSC I&G	56,962.2	57,103.8	58,504.1	1,541.9	2.7%
Special schools (excl athletics)	5,597.1	5,597.1	7,401.2	1,804.1	32.2%
Nursing programs	1,952.7	1,952.7	1,952.7	0.0	0.0%
Dental programs (incl residencies)	166.0	166.0	166.0	0.0	0.0%
Athletics	11,865.1	11,865.1	12,122.1	257.0	2.2%
Educational Television	2,991.4	2,991.4	3,051.9	60.5	2.0%
NMHED - Operations & Aid	35,819.1	35,819.1	31,866.6	(3,952.5)	-11.0%
Other programs	80,662.9	80,575.7	\$82,242.1	\$1,579.2	2.0%
TOTAL GENERAL FUND	716,565.3	716,478.1	755,542.3	38,977.0	5.4%

**HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL**
(dollars in thousands)

Agency/Institution/Program	FY12	FY13			
	2011-2012		2012-2013		
	OPERATING BUDGET	HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
UNM					
I&G	\$160,933.6	\$160,032.9	\$173,764.5	\$12,830.9	8.0%
Athletics	\$2,096.3	\$2,096.3	\$2,244.7	\$148.4	7.1%
Educational Television	\$995.1	\$995.1	\$1,030.8	\$35.7	3.6%
Gallup	\$8,202.9	\$8,154.5	\$8,720.9	\$518.0	6.3%
Los Alamos	\$1,665.5	\$1,641.9	\$1,786.6	\$121.1	7.3%
Taos	\$2,736.1	\$2,730.3	\$3,042.8	\$306.7	11.2%
Valencia	\$4,673.1	\$4,607.1	\$5,040.0	\$366.9	7.9%
BBER-Census & Pop. Analysis	\$365.1	\$365.1	\$369.4	\$4.3	1.2%
Student Mentoring Programs	\$280.2	\$280.2	\$283.3	\$3.1	1.1%
Community Based Education	\$419.2	\$419.2	\$425.8	\$6.6	1.6%
Corrine Wolfe Children's Law Center	\$162.8	\$162.8	\$165.7	\$2.9	1.8%
Disabled Student Services	\$192.4	\$192.4	\$192.4	\$0.0	0.0%
Ibero-American Education	\$86.3	\$86.3	\$87.8	\$1.5	1.7%
Morrissey Hall Programs	\$43.9	\$43.9	\$0.0	-\$43.9	-100.0%
International education initiatives	\$102.4	\$102.4	\$0.0	-\$102.4	-100.0%
Judicial Selection	\$21.4	\$21.4	\$22.0	\$0.6	2.8%
Land grant studies program	\$29.2	\$29.2	\$30.4	\$1.2	4.1%
Latin American Student Recruitment	\$74.2	\$74.2	\$0.0	-\$74.2	-100.0%
Mfg. Engineering Program.	\$348.1	\$348.1	\$350.3	\$2.2	0.6%
Minority Student Services	\$680.3	\$680.3	\$681.0	\$0.7	0.1%
Mock Trials Program	\$87.1	\$0.0	\$0.0	-\$87.1	-100.0%
Natural Heritage Program	\$29.3	\$29.3	\$0.0	-\$29.3	-100.0%
New Mexico Historical Review	\$46.0	\$46.0	\$46.7	\$0.7	1.5%
Resource Geographic Info Sys	\$61.9	\$61.9	\$63.1	\$1.2	1.9%
Saturday Science and Math Academy	\$47.4	\$47.4	\$0.0	-\$47.4	-100.0%
Southwest Indian Law Clinic	\$164.1	\$164.1	\$166.5	\$2.4	1.5%
Southwest Research Center	\$1,053.9	\$1,053.9	\$1,070.7	\$16.8	1.6%
Substance Abuse Program	\$151.6	\$151.6	\$114.6	-\$37.0	-24.4%
Utton Transboundary Resources Center	\$282.4	\$282.4	\$285.6	\$3.2	1.1%
Wildlife Law Education	\$66.6	\$66.6	\$68.2	\$1.6	2.4%
Youth Educ. Recreation Program.	\$55.1	\$55.1	\$0.0	-\$55.1	-100.0%
UNM Total	\$186,153.5	\$185,021.9	\$200,053.8	\$13,900.3	7.5%
UNM Health Sciences Center					
I & G	\$56,962.2	\$57,103.8	\$58,504.1	\$1,541.9	2.7%
Cancer Center	\$2,527.8	\$2,527.8	\$2,586.2	\$58.4	2.3%
Carrie Tingley Hospital	\$4,533.7	\$4,533.7	\$4,695.5	\$161.8	3.6%
Children's Psychiatric Hospital	\$6,276.1	\$6,276.1	\$6,505.1	\$229.0	3.6%
Hepatitis C Comm. Health Outcomes	\$860.0	\$860.0	\$866.9	\$6.9	0.8%
Native American Health Center	\$262.8	\$262.8	\$266.2	\$3.4	1.3%
Newborn Intensive Care	\$3,139.0	\$3,139.0	\$3,186.8	\$47.8	1.5%
Nursing Expansion	\$731.4	\$731.4	\$731.4	\$0.0	0.0%
Office of Medical Investigator	\$3,948.9	\$3,948.9	\$4,195.7	\$246.8	6.3%
Out-of-County Indigent	\$949.2	\$949.2	\$664.4	-\$284.8	-30.0%
Pediatric Oncology	\$943.3	\$943.3	\$955.8	\$12.5	1.3%
Poison Control Center	\$1,274.4	\$1,274.4	\$1,484.6	\$210.2	16.5%
UNM Health Sciences Total	\$82,408.8	\$82,550.4	\$84,642.7	\$2,233.9	2.7%
Total UNM and UNM HSC	\$268,562.3	\$267,572.3	\$284,696.5	\$16,134.2	6.0%

**HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL**
(dollars in thousands)

Agency/Institution/Program	FY12	FY13				
	2011-2012	2012-2013	HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
NMSU						
I&G	\$103,002.3	\$103,409.6	\$109,742.8	\$6,740.5	6.5%	
Athletics	\$3,032.7	\$3,032.7	\$3,099.2	\$66.5	2.2%	
Educational Television	\$949.3	\$949.3	\$960.5	\$11.2	1.2%	
Alamogordo	\$6,554.7	\$6,511.6	\$7,053.3	\$498.6	7.6%	
Carlsbad	\$4,234.5	\$4,170.3	\$4,362.5	\$128.0	3.0%	
Nursing Expansion	\$53.2	\$53.2	\$53.2	\$0.0	0.0%	
Dona Ana	\$18,291.7	\$18,657.5	\$19,816.8	\$1,525.1	8.3%	
Grants	\$3,258.2	\$3,234.9	\$3,441.3	\$183.1	5.6%	
Department of Agriculture	\$9,728.2	\$9,728.2	\$9,836.2	\$108.0	1.1%	
Agricultural Experiment Station	\$12,998.6	\$12,998.6	\$13,262.9	\$264.3	2.0%	
Cooperative Extension Service	\$11,016.8	\$11,016.8	\$11,359.0	\$342.2	3.1%	
Minority Student Services	\$401.4	\$401.4	\$421.4	\$20.0	5.0%	
Alliance teaching and learning advancement	\$70.4	\$70.4	\$0.0	-\$70.4	-100.0%	
Arrowhead Center for Business Dev.	\$87.5	\$87.5	\$94.4	\$6.9	7.9%	
Carlsbad Mfg. Sector Development	\$123.3	\$123.3	\$126.5	\$3.2	2.6%	
Indian Resources Development	\$288.4	\$288.4	\$218.1	-\$70.3	-24.4%	
Institute for International Relations	\$77.7	\$77.7	\$0.0	-\$77.7	-100.0%	
Mental health nurse practitioner program	\$252.8	\$252.8	\$252.8	\$0.0	0.0%	
Mfg. Sector Development Program	\$159.5	\$159.5	\$280.7	\$121.2	76.0%	
Nursing Expansion	\$441.5	\$441.5	\$441.5	\$0.0	0.0%	
Waste Mgmt. Ed./Res. Cons.	\$111.2	\$111.2	\$0.0	-\$111.2	-100.0%	
Water Resources Research	\$207.7	\$207.7	\$211.2	\$3.5	1.7%	
NMSU Total	\$175,341.5	\$175,984.0	\$185,034.3	\$9,692.7	5.5%	
NMHU						
I&G	\$24,806.6	\$24,567.7	\$26,407.1	\$1,600.5	6.5%	
Athletics, Wrestling and Rodeo	\$1,841.4	\$1,841.4	\$1,854.1	\$12.7	0.7%	
Advanced Placement	\$228.3	\$228.3	\$229.2	\$0.9	0.4%	
Forest and watershed institute	\$209.3	\$209.3	\$209.3	\$0.0	0.0%	
Minority Student Services	\$348.1	\$348.1	\$349.9	\$1.8	0.5%	
NMHU Total	\$27,433.7	\$27,194.8	\$29,049.6	\$1,615.9	5.9%	
WNMU						
I&G	\$14,031.9	\$14,291.1	\$15,078.4	\$1,046.5	7.5%	
Athletics	\$1,716.5	\$1,716.5	\$1,725.0	\$8.5	0.5%	
Child Development Center	\$211.7	\$211.7	\$211.7	\$0.0	0.0%	
Instructional Television	\$78.4	\$78.4	\$78.4	\$0.0	0.0%	
Nursing Expansion	\$352.6	\$352.6	\$352.6	\$0.0	0.0%	
Web-based Teacher Licensure	\$141.4	\$141.4	\$141.4	\$0.0	0.0%	
WNMU Total	\$16,532.5	\$16,791.7	\$17,587.5	\$1,055.0	6.4%	
ENMU						
I&G	\$23,037.3	\$23,065.4	\$24,946.3	\$1,909.0	8.3%	
Athletics	\$1,956.1	\$1,956.1	\$1,969.2	\$13.1	0.7%	
Educational Television	\$968.6	\$968.6	\$982.2	\$13.6	1.4%	
Roswell	\$10,748.0	\$10,605.9	\$11,425.3	\$677.3	6.3%	
Nursing Expansion	\$33.3	\$33.3	\$33.3	\$0.0	0.0%	
Ruidoso	\$1,935.4	\$1,900.2	\$2,063.6	\$128.2	6.6%	
Allied Health	\$155.6	\$155.6	\$155.6	\$0.0	0.0%	
At Risk Student Tutoring	\$75.5	\$75.5	\$75.5	\$0.0	0.0%	
Blackwater Draw Site & Mus.	\$75.8	\$75.8	\$76.8	\$1.0	1.3%	
Student Success Programs	\$387.5	\$387.4	\$387.5	\$0.0	0.0%	
ENMU Total	\$39,373.1	\$39,223.8	\$42,115.3	\$2,742.2	7.0%	

**HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL**
(dollars in thousands)

Agency/Institution/Program	FY12	FY13			
	2011-2012	2012-2013			
	OPERATING BUDGET	HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
NMIMT					
I&G	\$25,111.9	\$25,463.6	\$25,911.1	\$799.2	3.2%
Athletics	\$202.0	\$202.0	\$204.2	\$2.2	1.1%
Aquifer mapping	\$199.1	\$199.1	\$201.8	\$2.7	1.4%
Bureau of Mine Safety	\$256.4	\$256.4	\$258.3	\$1.9	0.7%
Bureau of Geology & Mineral Resources	\$3,441.1	\$3,441.1	\$3,478.1	\$37.0	1.1%
Cave & Karst Research	\$376.2	\$376.2	\$377.7	\$1.5	0.4%
Energetic Materials Research Center	\$628.9	\$628.9	\$636.4	\$7.5	1.2%
Geophysical Research Center	\$726.8	\$726.8	\$736.5	\$9.7	1.3%
Homeland Security	\$535.9	\$535.9	\$540.5	\$4.6	0.9%
Institute for Complex Additive Sys Ana	\$724.6	\$724.6	\$734.5	\$9.9	1.4%
MESA	\$121.5	\$121.5	\$1,021.5	\$900.0	-8.2%
Petroleum Recovery Research	\$1,956.0	\$1,956.0	\$1,965.9	\$9.9	0.5%
Science Fair/Science Olympiad	\$272.0	\$272.0	\$205.5	-\$66.5	-24.4%
Southeast NM center for energy studies	\$44.1	\$44.1	\$0.0	-\$44.1	-100.0%
NMIMT Total	\$34,596.6	\$34,948.3	\$36,272.0	\$1,675.5	4.8%
NNMC					
I&G	\$9,895.1	\$9,846.7	\$10,348.4	\$453.3	4.6%
Athletics	\$196.1	\$196.1	\$197.4	\$1.3	0.7%
NNMC Total	\$10,091.2	\$10,042.8	\$10,545.8	\$454.6	4.5%
SFCC					
I&G	\$8,162.5	\$7,999.3	\$8,519.4	\$356.9	4.4%
Small Business Development Centers	\$3,962.7	\$3,962.7	\$3,967.4	\$4.7	0.1%
Nursing Expansion	\$40.9	\$40.9	\$40.9	\$0.0	0.0%
SFCC Total	\$12,166.1	\$12,002.9	\$12,527.7	\$361.6	3.0%
CNMCC					
I&G	\$43,008.0	\$43,608.8	\$47,935.7	\$4,927.7	11.5%
Tax Help New Mexico	\$78.0	\$78.0	\$0.0	-\$78.0	-100.0%
CNMCC Total	\$43,086.0	\$43,686.8	\$47,935.7	\$4,849.7	11.3%
LCC					
I&G	\$7,026.3	\$6,953.3	\$7,301.5	\$275.2	3.9%
Athletics	\$160.5	\$160.5	\$162.7	\$2.2	1.4%
Nursing Expansion	\$31.8	\$31.8	\$31.8	\$0.0	0.0%
Student Services Economic Development	\$229.5	\$229.5	\$229.5	\$0.0	0.0%
LCC Total	\$7,448.1	\$7,375.1	\$7,725.5	\$277.4	3.7%
MCC					
I&G	\$4,048.5	\$3,967.5	\$4,165.0	\$116.5	2.9%
Athletics	\$59.9	\$59.9	\$59.9	\$0.0	0.0%
Wind Training Center	\$71.0	\$71.0	\$71.0	\$0.0	0.0%
MCC Total	\$4,179.4	\$4,098.4	\$4,295.9	\$116.5	2.8%
NMJC					
I&G	\$5,316.0	\$5,422.3	\$5,710.2	\$394.2	7.4%
Athletics	\$324.1	\$324.1	\$326.2	\$2.1	0.6%
Lea County distance education consortium	\$29.6	\$29.6	\$0.0	-\$29.6	-100.0%
Nursing Expansion	\$72.9	\$72.9	\$72.9	\$0.0	0.0%
Oil and Gas Training Center	\$86.7	\$86.7	\$86.7	\$0.0	0.0%
NMJC Total	\$5,829.3	\$5,935.6	\$6,196.0	\$366.7	6.3%
SJC					
I&G	\$21,471.6	\$21,246.0	\$22,914.4	\$1,442.8	6.7%
Dental Hygiene	\$166.0	\$166.0	\$166.0	\$0.0	0.0%
Nursing Expansion	\$163.4	\$163.4	\$163.4	\$0.0	0.0%
SJC Total	\$21,801.0	\$21,575.4	\$23,243.8	\$1,442.8	6.6%

**HIGHER EDUCATION
INSTITUTIONAL GENERAL FUND DETAIL**
(dollars in thousands)

Agency/Institution/Program	FY12	FY13			
	2011-2012	2012-2013			
	OPERATING BUDGET	HED REQUEST	LFC RECOMMENDATION	DOLLAR CHANGE	PERCENT CHANGE
CCC					
I&G	\$8,397.1	\$8,318.8	\$8,737.7	\$340.6	4.1%
Nursing Expansion	\$31.7	\$31.7	\$31.7	\$0.0	0.0%
CCC Total	\$8,428.8	\$8,350.5	\$8,769.4	\$340.6	4.0%
Four-Year/Two-Year Total	\$674,869.6	\$674,782.4	\$715,995.0	\$41,125.4	6.1%
NMMI					
I&G	\$743.8	\$743.8	\$1,570.1	\$826.3	111.1%
Athletics	\$279.5	\$279.5	\$279.5	\$0.0	0.0%
Knowles Legislative Scholarship	\$792.8	\$792.8	\$792.8	\$0.0	0.0%
NMMI Total	\$1,816.1	\$1,816.1	\$2,642.4	\$826.3	45.5%
NMSBVI					
I&G	\$284.0	\$284.0	\$708.7	\$424.7	149.5%
Low vision clinic programs	\$17.8	\$17.8	\$17.8	\$0.0	0.0%
Early childhood center	\$373.4	\$373.4	\$373.4	\$0.0	0.0%
NMSBVI Total	\$675.2	\$675.2	\$1,099.9	\$424.7	62.9%
NM School for the Deaf					
I&G	\$3,153.4	\$3,153.4	\$3,706.5	\$553.1	17.5%
Statewide outreach services	\$231.9	\$231.9	\$231.9	\$0.0	0.0%
School for the Deaf Total	\$3,385.3	\$3,385.3	\$3,938.4	\$553.1	16.3%
Special School GF Total	\$5,876.6	\$5,876.6	\$7,680.7	\$1,804.1	30.7%
Higher Education Department					
Operating	\$3,584.5	\$3,584.5	\$3,263.8	-\$320.7	-8.9%
Adult Basic Education	\$5,386.8	\$5,386.8	\$5,386.8	\$0.0	0.0%
Student Financial Aid	\$21,884.6	\$21,884.6	\$21,876.6	-\$8.0	0.0%
High Skills	\$338.1	\$338.1	\$338.1	\$0.0	0.0%
NM MESA, Inc.	\$1,060.8	\$1,060.8	\$0.0	-\$1,060.8	-100.0%
Program Dev. Enhancement Fund - Nursing	\$2,563.0	\$2,563.0	\$0.0	-\$2,563.0	-100.0%
ENLACE	\$1,001.3	\$1,001.3	\$1,001.3	\$0.0	0.0%
HED Total	\$35,819.1	\$35,819.1	\$31,866.6	-\$3,952.5	-11.0%
HIGHER EDUCATION TOTAL	\$716,565.3	\$716,478.1	\$755,542.3	\$38,977.0	5.4%

STATUTORY AUTHORITY

Article XII, Section 11, of the New Mexico Constitution established the state educational institutions and the control and management of each institution by a board of regents. Other institutions are established by statute, pursuant to Chapter 21, Articles 13, 14, and 16A NMSA 1978. Most statutory provisions pertaining to postsecondary education can be found in Sections 21-1-1 through 21-29-6 NMSA 1978.

BUDGET ISSUES

The higher education instruction and general (I&G) expenditure funding formula (funding formula), in theory, calculates the cost associated with providing a system of higher education in New Mexico. This formula, established in the 1970s and revised many times to varying degrees, is primarily driven by enrollment, reflecting costs for providing instruction, academic support, student services, and operating and maintaining educational facilities.

Over time, the formula has transitioned to become the primary mechanism for the Legislature to allocate state funds among institutions. The Legislature has made regular attempts to connect statewide economic and educational goals with state funding. In the last decade, the Legislature created performance-based funds to supplement formula funding and provide incentives to institutions to increase student performance and develop programs to meet high-demand workforce needs, among other things. These efforts met with limited success, and the Legislature continued to identify better ways to condition state funding on institutional and student performance.

In the General Appropriation Act of 2011, the Legislature required the Higher Education Department (HED) to revise the state's formula for funding instruction and general education expenses. During the 2011 interim, the HED and the Higher Education Funding Task Force completed an informal comparative study of other states that developed performance-based formula components to allocate state funds. The task force formed working groups to develop outcome measures and compile data to identify, value, and account for progress towards statewide goals – primarily increasing certificate and degree attainment by all students, including those most at risk, and credentials in high-demand workforce fields. The data collection effort was comprehensive, highlighting many areas where the HED should clarify institutional reporting requirements and the additional efforts to be undertaken by the department and institutions as the statewide and mission-specific measures are refined and implemented. Institutions attempted to identify outcome measures that would allow for assessment and rewards for meeting goals reflecting institutional missions.

The task force and its various working groups offered a draft formula for consideration by the HED, institutions, the Department of Finance and Administration (DFA), and the Legislature prior to the HED's statutory deadline. The task force's recommendation to the HED used the FY12 operating budget level, as adjusted by a one-time utilities payment, as the FY13 base; amended the existing student credit-hour-based matrix to incorporate course completion rates and funding for student services; created a certificate and degree matrix (awards matrix) to count and value statewide outcomes; and calculated an amount for changes to an institution's instruction-related facilities' square footage and utilities. The task force proposed the following statewide outcome measures: the change in certificates and degrees (collectively, awards) awarded over time, the number of awards granted in workforce priority areas, and the number of awards granted to at-risk students. The task force eliminated formula tuition credits and various transfers, including tuition waivers, building replacement and renewal and equipment replacement and renewal expenditure items, and three-percent scholarships. In place of former credits and transfers, the task force recommended an "institutional share" formula component that provides institutions with a credit for revenues received from the land grant permanent fund and statutorily required minimum mill levies.

If implemented, the task force would have requested \$609.6 million in I&G formula funding, or \$32.1 million more than the FY12 general fund level, for institutions and the University of New Mexico Health Science Center (UNM HSC). The additional funding included \$4.8 million for utilities and plant and facilities operation and maintenance and \$28.4 for workload based on course completion and statewide outcomes. The four-year sector would have received a 4.8 percent increase, or \$17.4 million, of this growth, and the two-year sector would have received a 9.1 percent increase, or \$14.5 million. The task force acknowledged that important work must be continued during the 2012 interim, such as refining the existing statewide outcome measures, identifying mission-specific outcome measures, and collecting data that recognizes and rewards research and comprehensive universities and community colleges for how well each furthers its mission.

The HED considered the task force's proposal; developed a similar, yet distinct, set of formulas; and delivered the revised formula to the Legislature by the statutory deadline. The department presented three formulas – one each for research, comprehensive, and two-year institutions. The formulas uniformly shifted state funding from educational inputs to intermediate and ultimate outcomes: course completion; the number of awards granted in an academic year; the number of awards granted in priority workforce areas – science, technology, engineering, math, and health fields; and the number of awards earned by financially at-risk students. The proposed formulas included weighted factors for the outcomes-based components. The HED

included components for utilities but not one for changes to instruction-related square feet. Echoing the task force's recommendation, the HED eliminated the tuition credit and other transfers but maintained a modest credit for land grant permanent fund and mill levy revenues; no other institutional revenues are considered under the formulas.

The HED formulas generated \$32.1 million growth in general fund I&G, or \$3.7 million for the utilities adjustment, \$8.5 million for the course completion workload and student services, and \$22.1 million for statewide outcome measures. Of HED's \$32 million growth, the four-year sector would have received a 6.6 percent increase, or \$23.7 million, and the two-year sector would have received a 5.2 percent increase, or \$8.3 million – a different allocation from the task force's recommendation. The department presented the formulas to the committee in November 2011, with institutional leaders supporting the formula's initial framework but suggesting that it needs further development to improve the likelihood of reaching the stated economic and educational outcomes.

The committee recognizes the task force's proposal and the HED's formula submission reflect most of the goals and successful lessons of other states that have transitioned from only incentivizing college access to incentivizing college access, progress, and completion. During the 2011 interim, the committee heard from national experts that a successful transition to outcomes-based funding should (1) identify clear goals and outcome measures, (2) keep the goals and measures simple and few, (3) include mission-specific measures to strengthen and differentiate among types of institutions, (4) pay for the desired performance and pay enough to change institutional behavior, and (5) integrate and coordinate all finance policies – state appropriations, tuition, and financial aid – toward outcomes while preserving institutional stability. The new formulas redirect departmental and institutional resources from time-consuming, complex, input calculations that allocated few dollars to calculating data and allocating considerable funds based on student and institutional progress. The HED's formulas and FY13 institutional budget request accomplished some, but not all, of these steps, leaving an opportunity for the Legislature to build on these efforts. And, given this solid formula and suggested plan for implementation and further development, the committee does not recommend resurrecting the former, input-driven formula that has not helped the state achieve its economic or educational goals.

The HED based its FY13 budget request on its revised formulas, incorporating institutional performance on statewide outcome measures, but did not request additional general fund support. The HED's FY13 general fund request for all post secondary institutions was \$680.7 million. Of formula-funding for colleges and universities, or \$577.5 million, the department allocated 5 percent, or \$30.6 million, for statewide outcomes funding: \$8.5 million for workload based on course completion and \$22.1 million for statewide outcome measures. Under the three, separate formulas, the HED allocated 72 percent, or \$21.9 million, of outcomes funding to research and comprehensive institutions and 28 percent, or \$8.2 million, to community colleges. The special schools and other institutional budget categories (athletics, public television, research and public service projects) also received a flat general fund budget request.

To implement the first year of the revised formulas, the HED applied a complex method of sanding that reduced each sector's formula-generated increase by 5 percent to 7 percent and added back the \$32 million in earned outcomes-funding. Applying its sanding approach, the department sought (1) to maintain the same funding percentages that research institutions (55 percent), comprehensive institutions (14 percent), and community colleges (31 percent) received in FY12 I&G formula-funding and (2) to ensure that no institutional budget would increase or decrease by 2 percent of FY12 levels. The department's approach resulted in a flat FY13 budget, with a majority of institutions receiving slightly less than their FY12 operating levels, two institutions benefitting from the 2 percent floor, and two institutions receiving less because of the 2 percent ceiling.

The committee's FY13 budget recommendation, by increasing general fund support for institutions, increases the likelihood of a transition to outcomes-based funding by providing momentum to develop a more comprehensive formula that benefits the whole state. The LFC's FY13 general fund recommendation for all institutions and special schools totals \$723.7 million, or 5.4 percent above the FY12 operating level; all colleges and universities would receive an increase over FY12 operating levels. The increase of \$39 million includes a shift of \$4 million from the HED's operating budget and \$34.5 million in new general fund support. The new general fund appropriation supports the formula outcomes-based initiatives (\$29.5 million), mitigates a significant decrease in land grant permanent fund and state lands revenues for special schools (\$1.6 million), and restores the 1.75 percent retirement reduction (\$13.5 million) pursuant to Laws 2011, Chapter 178, Section 2. Most auxiliary programs and projects were protected from further reductions and are recommended to be funded at FY12 budget levels.

Excluding University of New Mexico Health Science Center's (UNM HSC's) share of the total \$605.2 million in higher education I&G funding, the committee recommends \$547.9 million for I&G, with 5 percent, or \$29.5 million, allocated among course-completion-based workload and student services (\$15.9 million) and statewide outcome measures (\$13.6 million). For FY13, the committee recommends more funding for workload outcomes because the underlying data is more consistent and reliable than the statewide outcomes data. Further, the committee's recommendation includes the last workload reduction for institutions that received soft landing workload adjustments in prior fiscal years; the UNM-Los Alamos' FY13 workload amount reflects a \$12.2 thousand reduction.

Unlike the task force's recommendation or the HED's budget request, the committee recommendation reflects a balanced 7 percent growth rate for both four-year and two-year sectors and observes the same sector ratios of the FY12 budget level. This balanced funding recommendation does not rely on complex, sector-shifting calculations and should maintain a fairer distribution of state resources over time, reducing the likelihood for institution-specific adjustments.

For FY13 only, the LFC adopted the same, modest institutional share or credit as the task force recommendation and the HED's budget request, totaling \$2.1 million, or less than 0.2 percent of total I&G funding. There is no historical calculation of tuition credits or tuition waivers as in prior years. The FY13 recommendation should allow institutions to keep tuition and fees at the current level or a comparatively low level for FY13. As a further guarantee of modest tuition and fees for FY13, institutions are provided the flexibility of increasing tuition up to 5 percent in the 2012-2013 academic year without incurring a reduction in general fund appropriation. The LFC remains concerned the institutional share calculation fails to consider other state funds or unrestricted revenues that support instruction and general expenditures, and that failing to consider other unrestricted revenues will result in unequal allocations and nonformula adjustments. The LFC recommends the task force review the institutional share model and the historic tuition credit calculations and develop recommendations for considering tuition and unrestricted revenues in the formula and budget process.

The committee recognizes the leadership and solid effort by the executive branch and institutions in developing a revised formula for FY13, but more work is required to meet statewide economic and educational attainment goals. Recognizing that FY13 will provide a baseline year for data collection on two statewide outcomes measures, the committee hopes the formula revision for FY14 will measure and reward growth in meeting statewide outcomes, particularly in degree attainment. Also, the committee recommends the HED, task force, institutional leaders, and others continue to develop formula components, for implementation in FY14, that include (1) mission-specific outcome measures; (2) recommendations that connect state, institutional, and student responsibilities and sources to pay for the cost for higher education; and (3) proposals for smoothing the academic pipeline for recent high school graduates and returning adult students by improving student outcomes in both dual credit and remedial course work. As the formula will place a greater emphasis on statewide and institutional outcomes, the data collection requirements and methods should be reviewed and refined, incorporating increased departmental and institutional scrutiny to ensure accuracy.

To continue momentum toward funding desired statewide outcomes, the LFC recommends that (1) the FY12 operating budget and proposed FY13 workload funding, or \$536.4 million, serve as the base appropriation for FY14, and (2) the FY13 statewide outcomes funding, or \$13.6 million, be combined with any other funding designated for statewide and mission-specific outcomes for FY14. Incorporating intermediate outcome funding in the base appropriation for FY14 would provide institutions with budgetary stability while incentivizing institutions to improve their performance and secure additional statewide and mission-specific outcomes funding annually.

After years of reviewing and evaluating research and public service projects (RPSPs), there are now less than 90 projects at 16 institutions. The HED FY13 request eliminated one project, but otherwise the RPSP request totaled the same as the FY12 operating budget, or \$97.5 million. The committee recommends \$99.5 million in general fund support for RPSPs (\$84.3 million), athletics (\$12.1 million), and public television (\$3 million). This increase also includes general fund support to restore the 1.75 percent retirement reduction. Under the LFC recommendation, budgets for some agencies, departments, and programs that provide critical services statewide are increased or maintained at FY12 program funding levels. Formerly funded by an appropriation administered by the HED and another general fund appropriation, the committee recommendation consolidates the appropriations for Mathematics, Engineering, and Science Achievement (MESA) program. Of the few projects proposed for reduction or elimination, most have received steadily declining general fund appropriations; failed to serve a significantly broad, statewide population; fell outside the institution's primary academic or research mission; or failed to meet an urgent state interest during these challenging fiscal times. The LFC recommends the HED, institutions, and statewide agencies attached to institutions work together to revise the budgeting process and reporting to reflect the greater complexity and responsibilities of these agencies as compared with most RPSPs.

The HED FY13 request for the UNM HSC reflected a slight increase over FY12 general fund levels. The recommendation includes \$1.2 million to restore the 1.75 percent retirement reduction and \$400 thousand for the bachelor of arts/medical doctor (BA/MD) program, the final year of special appropriations for this specific medical education program. A 2011 LFC evaluation of the UNM HSC recognized the consequences of repeated funding cuts to the New Mexico Poison and Drug Information Center (Poison Control) and the Office of the Medical Investigator (OMI). To address these issues, the FY13 committee recommendation includes \$210 thousand of additional general fund support and allocates \$590 thousand of tobacco settlement funds to Poison Control – an increase of 28 percent in state funds. The FY13 recommendation also restores general fund support for the OMI to FY10 levels to increase staff and address the workload imbalance that threatens the agency's accreditation status.

To address the state's nursing shortage, the Legislature has provided continued general fund support for nursing expansion and nursing education programs. The HED FY13 request maintains FY12 funding levels for nursing expansion programs and administering the performance development enhancement grant program. The committee's FY13 general fund recommendation also maintains FY12 levels of support for nursing education and expansion programs. Rewarding institutions that have awarded nursing certificates and degrees, the LFC recommendation combines all nursing-related performance funding under the workforce outcomes measure included in the new I&G formula. The New Mexico Nursing Education Consortium (NMNEC), a collaborative effort including New Mexico public and private, for-profit, four- and two-year nursing programs, is developing ways to address the shortage of nursing faculty, streamline the nursing curriculum and articulation agreements between two-year and four-year institutions, and ultimately increase the number of nurses with bachelors of science in nursing degrees. The committee recommends the HED, the task force, institutions, and others work with NMNEC to ensure the funding formula recognizes and incentivizes these efforts.

Pursuant to Article XII, Section 6 of the New Mexico Constitution, 5.5 percent of land grant permanent fund's earned income will be distributed to eligible entities in FY13; this is a 0.3 percent reduction from FY05 through FY12 levels. While this reduction in revenue distribution will impact all beneficiary institutions, including New Mexico's four-year institutions, the New Mexico School for the Blind and Visually Impaired, New Mexico School for the Deaf, and the New Mexico Military Institute will be disproportionately affected. To partially offset these revenue reductions, the LFC FY13 recommendation increases general fund support for these schools by \$1.6 million. The HED FY13 request both reduces the FY13 budgets for these schools and would require the use of institutional fund balance to cover the reduced land grant permanent fund payments.

RECOMMENDED LANGUAGE:

For All Institutions: If the board of regents increases tuition for the 2012-2013 academic year more than 5 percent over the rates for the 2012-2013 academic year, the general fund appropriation for [university/college] instruction and general purposes shall be reduced by an amount equal to the incremental amount generated by the tuition rate increase over 5 percent.

For N.M. Mining Institute of Technology: The general funds appropriation to the New Mexico institute of mining and technology for the bureau of mines includes one hundred thousand dollars (\$100,000) from federal Mineral Leasing Act receipts.

For UNM HSC: The other state funds appropriations to the university of New Mexico health sciences center include two million nine hundred and sixty-two thousand one hundred dollars (\$2,962,100) from the tobacco settlement program fund.

UNM MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	42.7%	44.4%	46%	46.5%	46.5%
Output	Total number of baccalaureate degrees	3,159	3,117	3,200	3,225	3,400
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	79.2%	78.3%	78.4%	77.6%	77.6%
* Output	Number of post-baccalaureate degrees awarded	1,318	1,200	1,450	1,475	1,475
* Output	Number of undergraduate transfer students from two-year colleges	1,532	1,839	1,710	1,730	1,950
Output	Number of degrees awarded using extended services	266	306	270	290	420
Outcome	Amount of external dollars for research and public service, in millions	\$122.3	\$126.5	\$124	\$126	\$126
Outcome	Percent of enrolled Native American students among all degree-seeking undergraduates as of fall census date	6.6%	7.7%	6.9%	7.0%	8.7%
Outcome	Percent of first-time, full-time, degree-seeking, students enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	76.1%	78.4%	76.4%	76.6%	77.0%

UNM GALLUP BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	4.5%	4.8%	8%	8%	8%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	81.4%	81.3%	83%	83%	83%
Outcome	Percent of new students taking nine or more credit hours successful after three years	37.1%	40.4%	42%	42%	42%
Outcome	Percent of graduates placed in jobs in New Mexico	57.8%	57.8%	65%	60%	60%
* Output	Number of students enrolled in the adult basic education program	970	637	750	750	750
Outcome	Percent of Hispanic students enrolled	9.1%	8.9%	10%	10%	10%
Outcome	Percent of Hispanic graduates	8%	7.8%	10%	10%	10%
Output	Number of students enrolled in the area vocational schools program	366	384	420	400	400
Efficiency	Percent of programs having stable or increasing enrollments	63.9%	72.1%	64%	64%	64%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	80.4%	82.2%	80%	80%	82.5%

UNM LOS ALAMOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	69%	74.4%	67%	58%	74%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	56.9%	59.62	56.5%	56.5%	60%
Outcome	Percent of graduates placed in jobs in New Mexico	85.6%	80.2%	85%	47%	80.9%
Outcome	Percent of Asian graduates	2%	1.0%	4.5%	3.0%	3.0%
* Output	Number of students enrolled in the adult basic education program	448	459	450	415	450
Output	Number of students enrolled in the small business development center program	434	313	450	325	325
Efficiency	Percent of programs having stable or increasing enrollments	57.6%	84.8%	66%	67%	84%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	80.9%	80%	80%	79.5%	80%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92%	97.3%	87%	68%	97%
Outcome	Percent of white students enrolled	47.6%	46.6%	53%	50%	50%

UNM VALENCIA BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	72.1%	70.5%	74%	65%	72%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	5.4%	4.8%	8%	8%	8%
Outcome	Percent of graduates placed in jobs in New Mexico	67.1%	62.8%	69%	65%	65%
Outcome	Percent of Native Americans enrolled	4.4%	5%	5%	5%	5%
Outcome	Percent of Native American graduates	0.6%	0.7%	3.5%	3.5%	3.5%
* Output	Number of students enrolled in the adult basic education program	1,546	1,558	1,500	950	1,500
Output	Number of students enrolled in the community services program	2,179	3,409	3,000	3,000	3,000
Efficiency	Percent of programs having stable or increasing enrollments	76.5%	82.4%	76%	75%	78%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	75.5%	73.6%	80%	80%	80%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	91.9%	87%	85%	85%	88%

UNM TAOS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	45.7%	47.2%	59%	59%	59%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	6.8%	17.1%	8%	8%	17%
Outcome	Percent of program completers who were placed in jobs in New Mexico based on unemployment insurance wage data	67.9%	63.6	67%	66%	66%
Outcome	Percent of males enrolled	33.3%	35.4%	33%	33%	33%
Outcome	Percent of male graduates	18.9%	20.6%	20%	20%	20.7%
* Output	Number of students enrolled in the adult basic education program	256	294	300	275	300
Output	Number of students enrolled in the concurrent enrollment program	424	549	424	400	400
Efficiency	Percent of programs with stable or increasing enrollment	79.4%	85.7%	70%	55%	80%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	76.7%	79.1%	72%	70%	76%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	88.5%	93%	82%	81%	88%

UNM HEALTH SCIENCES CENTER

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy, and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Number of degrees awarded using extended university courses	50	59	25	25	74
Output	Number of post-baccalaureate degrees awarded	278	312	328	314	360
Outcome	Value of the increase in external research and public service expenditures, in millions	\$301.1	\$291	\$283.6	\$289.3	\$289.3
* Outcome	First-attempt pass rates on national United States medical licensing exam, step three, board exam	92%	97%	95%	95%	95%
Output	First-attempt pass rates on national United States, medical licensing exam, step two, board exam	97%	98%	95%	95%	97%
Output	Total number of university of New Mexico hospital clinic visits	437,757	462,838	499,124	501,624	501,624
* Output	Number of autopsies performed each year by the office of the medical investigator	2,029	2,056	2,153	2,217	2,217
Output	Number of patient days at Carrie Tingley hospital per year	4,155	4,120	4,155	4,118	4,118
Output	Total number of university of New Mexico hospital inpatient discharges	27,843	27,452	28,751	28,751	28,751
* Output	Percent of human poisoning exposures treated safely at home after poison and drug information center contact	67%	70%	72%	73%	73%
Output	University of New Mexico hospital inpatient readmission rate	4.3 %	3.9%	4%	4%	4%

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	University of New Mexico inpatient satisfaction rate	81.5%	83.3%	82.1%	82.6%	82.6%
Output	Number of university of New Mexico cancer research and treatment center clinical trials	212	N/A	190	190	190
* Outcome	Pass rate on national certification licensing exam test by college of nursing bachelors of science in nursing candidates	89.0%	n/a	85%	85%	85%
Output	Pass rate for graduate students on American nurses credentialing center family nurse practitioner certification exam	100%	n/a	95%	95%	100%
Output	First-time pass rate on the North American pharmacist licensure examination by doctor of pharmacy graduates from the college of pharmacy	96%	n/a	95%	95%	95%

NMSU MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Outcome	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	44.1%	44.5%	45%	47%	47.5%
Output	Number of nursing degrees conferred	163	182	185	130	130
Outcome	Number of Hispanic undergraduate degree-seeking students	6,304	7,089	7,100	6,900	7,000
Outcome	Second-year students who are still enrolled two fall semesters later or have completed a degree (two- or four-year degree)	78.5%	80%	80%	78%	80%
* Output	Total number of baccalaureate degrees awarded	2,304	2,229	2,300	2,400	2,450
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	75.9%	74.8%	76%	72%	74%
* Outcome	Number of undergraduate transfer students from two-year colleges	531	902	925	1,250	1,250
Output	Number of degree programs offered via distance education	29	30	30	34	34
Quality	Percent of academic departments or programs using the results of student learning outcomes for improvement	75%	86%	85%	75%	85%
Outcome	External dollars for research and creative activity, in millions	\$182.4	\$200.4	\$205.8	\$205.8	\$205.8
Output	Number of teacher preparation programs available at New Mexico community college sites	4	4	4	4	4

NMSU ALAMOGORDO BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	63.9%	64.2%	65%	65%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	9.1%	8.8%	14%	14%	14%
Outcome	Percent of graduates placed in jobs in New Mexico	71%	71.6%	71.5%	72%	72%
Outcome	Percent of Hispanic students enrolled	34.5%	36.3%	36%	36.6%	36.6%
Outcome	Percent of Native Americans graduates	4.0%	3.3%	4.8%	4.0%	4.0%
* Output	Number of students enrolled in the adult basic education program	536	518	600	550	550
Output	Number of students enrolled in the small business development center program	449	364	575	500	500
Efficiency	Percent of programs having stable or increasing enrollments	71.9%	75.9%	75%	77%	77%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	77.1%	77.9%	79.8%	79.8%	79.8%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	86.8%	89.9%	87.5%	90.5%	90.5%

NMSU CARLSBAD BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	50.9%	42.9%	65%	50%	52%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate- seeking community college students who complete the program in one hundred fifty percent of normal time to completion	4.9%	3.2%	6%	3%	4%
Outcome	Percent of graduates placed in jobs in New Mexico	82.3%	76.6%	85%	80%	80%
Outcome	Percent of Hispanic students enrolled	45%	43.3%	47%	45%	45%
Outcome	Percent of Hispanic graduates	36.2%	39.3%	40%	42.5%	42.5%
* Output	Number of students enrolled in concurrent enrollment	701	515	700	625	625
Efficiency	Percent of programs having stable or increasing enrollments	75.9%	70.9%	75%	75%	75%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	69%	67.8%	71%	70%	70%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	90.3%	95.3%	90%	95%	96%

NMSU DONA ANA BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	50.1%	52.9%	50%	48%	53%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	6.6%	9.6%	10%	15%	15%
Outcome	Percent of graduates placed in jobs in New Mexico	73.9%	68.7%	77%	77%	77%
Outcome	Percent of males enrolled	43%	43.4%	45%	45%	45%
Outcome	Percent of Hispanic graduates	62.1%	63.6%	61%	62%	65%
Output	Number of students enrolled in the contract training program	1,577	1,396	1,500	1,500	1,500
* Output	Number of students enrolled in the adult basic education program	5,387	4,260	5,300	5,000	5,000
Efficiency	Percent of programs having stable or increasing enrollments	60.4%	92.6%	91%	91%	93%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	82.6%	82.9%	82%	81%	84.5%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92%	91.2%	90%	87%	90.5%

NMSU GRANTS BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	51.2%	52%	53%	53%	53%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	24.7%	18.4%	25%	22%	22.6%
Outcome	Percent of graduates placed in jobs in New Mexico	72.8%	68.1%	74%	74%	74%
Outcome	Percent of Hispanic students enrolled	38%	40.9%	35%	33%	38.2%
Outcome	Percent of Native American graduates	42.7%	40.0%	42%	36%	42%
* Output	Number of students enrolled in the adult basic education program	485	427	440	400	440
Output	Number of students enrolled in the community services program	650	600	600	550	600
Efficiency	Percent of programs having stable or increasing enrollments	79.4%	84.1%	78%	78%	84%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	76%	78.4%	78%	78%	79%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	90.2%	88.3%	88%	88%	88.5%

NEW MEXICO HIGHLANDS UNIVERSITY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	18.6%	18.9%	20%	20%	30%
* Output	Total number of baccalaureate degrees awarded	302	353	330	330	355
* Output	Number of undergraduate transfer students from two-year colleges	492	430	450	450	450
Output	Number of students enrolled in extended services	1,324	1,395	1,200	1,100	1,400
Outcome	Percent of graduating seniors indicating "satisfied" or "very satisfied" with the university on student satisfaction survey	95.2%	94.6%	90%	90%	95%
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	45.3%	48.3%	53%	53%	53%
Outcome	Percent of total funds generated by grants and contracts	22%	20%	19%	28%	28%
Outcome	Number of enrolled Native American students among all degree-seeking undergraduates as of fall census date	162	195	170	170	170
Outcome	Percent of first time, full-time degree-seeking students enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	56.8%	62.6%	58%	58%	58%

WESTERN NEW MEXICO UNIVERSITY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	19.4%	20.1%	22%	20%	20%
Outcome	Percent of first-time full-time degree-seeking students enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four- year degree)	54.4%	62.2%	58%	58%	58.6%
Outcome	Percent of entering first-time, full-time freshmen who are Native American	3%	3.2%	1.5%	1.5%	3%
* Output	Total number of baccalaureate degrees awarded	176	161	180	180	180
Outcome	Percent of full-time, degree seeking, first-time freshmen retained to second year	52.2%	51.1%	53%	53%	53%
* Output	Number of undergraduate transfer students from two-year colleges	492	386	450	450	450
Output	Number of courses available through instructional television and online via the internet	430	489	515	250	250
Efficiency	Year-end instruction and general balance as a percent of instruction and general expenditures	10.2%	12.4%	3-5%	3-5%	3-5%
Output	Number of graduates from the school of education	143	126	150	150	150
Outcome	External dollars to be used for programs to promote student success, in millions	\$2.8	\$3.2	\$3	\$3	\$3
Outcome	Percent of enrolled Hispanic and Native American students among all degree-seeking undergraduates as of fall census date	53%	55.1%	55%	55%	55%

ENMU MAIN CAMPUS

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the workforce, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	29.2%	24.1%	34.5%	30%	30%
Outcome	Percent of first-time, full-time degree-seeking students enrolled in the third semester who are still enrolled two fall semesters later (semester seven) or have completed a degree (two- or four-year degree)	63.8%	61.1%	64%	64%	64%
* Output	Total number of baccalaureate degrees awarded	458	505	530	600	600
Outcome	Percent of full-time, degree-seeking, first-time freshmen retained to second year	61.2%	61.6%	62%	64%	65%
* Output	Number of undergraduate transfer students from two-year colleges	551	578	575	775	775
Output	Number of internet-based courses offered	421	520	500	675	675
Outcome	External dollars supporting research and student success, in millions	\$5.2	\$5.3	\$6	\$6	\$6
Outcome	Percent of graduating seniors who are "satisfied" or "very satisfied" with their educational experience	95.8%	95.6%	95%	95%	95%
Outcome	Percent of enrolled Hispanic students among all degree-seeking undergraduates as of fall census date	28.58%	32.72%	33%	34%	34%

ENMU ROSWELL BRANCH

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	45.4%	50.2%	49%	48%	50.2%
* Outcome	Percent complete within one hundred fifty percent of time	16.8%	186%	16%	15.5%	18.6%
Outcome	Percent of graduates placed in jobs in New Mexico	68.3%	72.5%	68%	68.5%	72.5%
Outcome	Percent of males enrolled	46%	46.7%	46.9%	46.9%	47%
Outcome	Percent of male graduates	58.3%	55.7%	58%	55.1%	58%
* Output	Number of students enrolled in the concurrent enrollment program	1,029	1,163	750	800	800
Output	Number of students enrolled in the distance education program	3,024	3,288	3,000	2,500	3,000
Efficiency	Percent of programs having stable or increasing enrollments	58.1%	71.9%	56%	57%	60%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	75.9%	76%	76%	76.1%	76.5%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	83%	85%	80%	78%	83%

ENMU RUIDOSO

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	49.3%	48%	54%	54%	54%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	5.7%	8.4%	20%	20%	20%
Outcome	Percent of graduates placed in jobs in New Mexico	74.6%	71.7%	78%	78%	78%
Outcome	Percent of Hispanic students enrolled	25.5%	27.7%	25.5%	26%	26%
Outcome	Percent of Hispanic student graduates	29.4%	29.2%	28.5%	28.5%	29%
* Output	Number of students enrolled in adult basic education	426	342	500	500	500
Output	Number of students enrolled in the contract training program	1,050	947	850	875	900
Output	Percent of programs having stable or increasing enrollments	74.1%	73.8%	75%	75%	75%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	67%	70.3%	66.5%	66%	70%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.6%	86.2%	91%	91%	92%

NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY

The purpose of the instruction and general program is to provide education services designed to meet the intellectual, educational and quality of life goals associated with the ability to enter the work force, compete and advance in the new economy and contribute to social advancement through informed citizenship.

PERFORMANCE MEASURES

		FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>	FY13 <u>Request</u>	FY13 <u>Recomm</u>
Outcome	Value of external dollars for research and creative activity, in millions	\$87	\$87.4	\$85	\$86	\$86
Output	Number of undergraduate transfer students from two-year colleges	40	50	40	40	40
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	28.5%	27.3%	28%	28%	28%
Outcome	Percent of first-time, full time, degree-seeking students still enrolled in their third semester who are still enrolled two fall semesters later (semester seven) or who have completed a two-year or four-year degree	56.89%	73.49%	58%	58%	70%
* Output	Percent of full-time, degree-seeking, first-time freshmen completing an academic program within six years	45.4%	44.5%	50%	45%	48%
* Output	Total number of degrees awarded	308	303	300	300	313
Outcome	Percent of first-time freshmen retained to sophomore year	71.7%	73.7%	75%	72%	75%
* Output	Number of students registered in master of science teaching program	160	224	170	170	200
Output	Number of students enrolled in distance education courses	674	612	500	400	500

NORTHERN NEW MEXICO COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
* Output	Percent of first-time, full-time freshmen completing an academic program within six years				25%	25%
Outcome	Percent of total funds generated by grants and contracts	36%	38%		39%	39%
Output	Number of courses available through instructional television and online	154	208		230	230
* Output	Total number of baccalaureate degrees awarded	21	40		55	55
Outcome	Percent of first-time, degree seeking, first-time freshmen retained to second year	57.5%	55.4%		66.5%	66.5%
Outcome	Percent of first-time, full-time degree-seeking students enrolled in their third semester who are still enrolled two fall semesters later (semester seven) or have completed a two-year or four-year degree	21%	26%		30%	30%
Outcome	Percent of enrolled Native American and Hispanic students among all degree-seeking undergraduates as of fall census date	83.5%	80.3%		80%	80%
Output	Number of students enrolled in extended services courses	199	254		150	150

SANTA FE COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	52.8%	57.5%	54%	58%	59%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	9.1%	10.1%	11%	11.5%	11.5%
Outcome	Percent of graduates placed in jobs in New Mexico	77.1%	72.9%	79%	75%	75%
Outcome	Percent of Hispanic students enrolled	34.2%	34.6%	42%	42%	42%
Outcome	Percent of Hispanic graduates	42.6%	40.8%	46%	44%	44%
* Output	Number of students enrolled in the adult basic education program	1,723	1,934	2,000	2,000	2,000
Output	Number of students enrolled in the contract training program	3,290	1,934	3,350	2,500	2,500
Efficiency	Percent of programs having stable or increasing enrollments	76.5%	84.3%	75%	77%	80%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	79.4%	79%	79%	79.5%	80%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	88.8%	87.7%	88%	85%	87%

CENTRAL NEW MEXICO COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	52.4%	53.7%	53%	54%	55%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	7.7%	7.7%	11%	11%	11%
Outcome	Percent of graduates placed in jobs in New Mexico	78.7%	75.4%	82%	82%	82%
Outcome	Percent of Hispanic students enrolled	40.6%	41.2%	42%	42%	43%
Outcome	Percent of Hispanic graduates	40%	40.3%	41%	41%	42%
Output	Number of students enrolled in distance education program	10,077	12,322	9,000	11,000	13,000
* Output	Number of students enrolled in concurrent enrollment program	1,818	2,172	1,800	1,950	1,950
Efficiency	Percent of programs having stable or increasing enrollments	76.8%	83.9%	85%	85%	85%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	79.7%	81.1%	81%	82%	82%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	92.9%	92.1%	93%	93%	94%

LUNA COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	41.1%	44.2%	57%	63%	63%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	15.8%	14.6%	25%	25%	25%
Outcome	Percent of graduates placed in jobs in New Mexico	87.8%	82.7	90%	80%	85%
Outcome	Percent of white students enrolled	14.4%	15.4%	16%	16%	16%
Outcome	Percent of male graduates	22.9%	23.5%	25%	25%	25%
Output	Number of students enrolled in the health education center program	4,057	3,474	4,000	3,600	3,600
* Output	Number of students enrolled in the small business development center program	361	240	400	350	350
Efficiency	Percent of programs having stable or increasing enrollments	61.6%	61.9%	70%	70%	70%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	67.9%	70.5%	80%	75%	75%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	95%	93.3%	95%	95%	95%

MESALANDS COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	51.4%	53.6%	51.7%	51.8%	54%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	18.3%	23.5%	21.2%	23.6%	24%
Outcome	Percent of graduates placed in jobs in New Mexico	47.7%	38.3%	58.6%	58.6%	58.6%
Outcome	Percent of Hispanic students enrolled	35.8%	36.6%	35.9%	36%	36%
Outcome	Percent of female graduates	25.3%	25.7%	30%	30.1%	30.1%
* Output	Number of students enrolled in the adult basic education program	124	92	184	184	184
Output	Number of students enrolled in the small business development center program	75	119	76	90	100
Efficiency	Percent of programs having stable or increasing enrollments	88.9%	88%	89%	88.8%	89%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	67.8%	69.8%	67.9%	68.5%	69%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	81.7%	82.4%	81.8%	82.5%	83%

NEW MEXICO JUNIOR COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	61.7%	67.6%	62%	62%	67%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	18.2%	18.4%	33%	33%	33%
Outcome	Percent of graduates placed in jobs in New Mexico	75.8%	75.4%	75%	75%	76%
Outcome	Percent of Hispanic students enrolled	38.8%	39.3%	39%	42%	42%
Outcome	Percent of Hispanic graduates	42.1%	42%	45%	45%	45%
Output	Number of students enrolled in contract training	4,251	3,221	4,000	4,000	4,000
* Output	Number of students enrolled in distance education program	18,548	21,951	17,000	20,000	20,000
Efficiency	Percent of programs having stable or increasing enrollments	65%	81.3%	82%	83%	83%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	62%	70.8%	73.5%	75%	75%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	85.7%	85.2%	85%	85%	86%

SAN JUAN COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	66.3%	65.3%	67%	68%	68%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	10.7%	12%	15%	15%	15%
Outcome	Percent of graduates placed in jobs in New Mexico	72.6%	72.2%	67%	67%	67%
Outcome	Percent of Native Americans enrolled	28.7%	27.8%	29%	29%	29%
Outcome	Percent of Native American graduates	25.3%	26.2%	25.5%	28%	28%
Output	Number of students enrolled in the community services program	2,580	2,268	3,000	2,700	2,700
Output	Number of students enrolled in the service learning program	733	727	675	725	730
Efficiency	Percent of programs having stable or increasing enrollments	72.8%	74.3%	73%	74.5%	75%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	76.8%	80.3%	77%	83%	83%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	82.8%	86.9%	78%	78%	88%

CLOVIS COMMUNITY COLLEGE

The purpose of the instruction and general program at New Mexico's community colleges is to provide credit and noncredit postsecondary education and training opportunities to New Mexicans so that they have the skills to be competitive in the new economy and are able to participate in lifelong learning activities.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Outcome	Percent of new students taking nine or more credit hours successful after three years	51.4%	45.1%	71%	65%	65%
* Outcome	Percent of a cohort of full-time, first-time, degree- or certificate-seeking community college students who complete the program in one hundred fifty percent of normal time to completion	16.8%	23.9%	12%	25%	25%
Outcome	Percent of graduates placed in jobs in New Mexico	72.2%	71.9%	72%	72%	73%
Outcome	Percent of Hispanic students enrolled	27.5%	28.4%	30%	30%	30%
Outcome	Percent of Hispanic graduates	32.6%	31%	32%	32%	32%
Output	Number of students enrolled in the distance education program	2,895	3,155	2,400	3,500	3,500
* Output	Number of students enrolled in the concurrent enrollment program	815	607	800	650	650
Efficiency	Percent of programs having stable or increasing enrollments	64.8%	73.3%	77%	75%	75%
Outcome	Percent of first-time, full-time, degree-seeking students enrolled in a given fall term who persist to the following spring term	70.6%	68.8%	79%	74%	74%
* Outcome	Percent of graduates placed in jobs and continuing their education in New Mexico	87.1%	87.6%	87%	87%	88%

NEW MEXICO MILITARY INSTITUTE

The purpose of the New Mexico military institute is to provide college-preparatory instruction for students in a residential, military environment culminating in a high school diploma or associates degree.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Output	Percent of full-time-equivalent capacity enrolled each fall term	86%	99%	96%	96%	96%
* Outcome	American college testing composite scores for graduating high school seniors	21.0	22.4	22.1	22.0	22.0
* Outcome	Collegiate assessment of academic proficiency reading scores for graduating college sophomores	57.9	59	61	60	60
* Outcome	Collegiate assessment of academic proficiency mathematics scores for graduating college sophomores	56.6	57.3	58.3	59	59
Efficiency	Percent of legislative scholarships (Knowles) awarded	92%	100%	100%	100%	100%
Efficiency	Total annual cost of attendance	\$9,128	\$9,128	\$8,800	\$10,655	\$10,655

NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMPAIRED

The purpose of the New Mexico school for the blind and visually impaired program is to provide the training, support and resources necessary to prepare blind and visually impaired children of New Mexico to participate fully in their families, communities and workforce and to lead independent, productive lives.

PERFORMANCE MEASURES

		<u>FY10 Actual</u>	<u>FY11 Actual</u>	<u>FY12 Budget</u>	<u>FY13 Request</u>	<u>FY13 Recomm</u>
Quality	Percent of parents' rating of overall quality of services as good or excellent based on annual survey		91%	91%	91%	93%
* Output	Number of students receiving direct services through a full continuum of services	1,938	1,742	1,278	1,916	1,916
* Output	Increase in the number of districts supported by New Mexico school for the blind and visually impaired		35	37	37	37
Outcome	Percent of educators/early interventionists who indicate they have attended a New Mexico school for the blind and visually impaired training in the past					Baseline
Outcome	Percent of educators/early interventionists listing strategies from the training that they will use in their work					Baseline

NEW MEXICO SCHOOL FOR THE DEAF

The purpose of the New Mexico school for the deaf program is to provide a school-based comprehensive, fully accessible and language-rich learning environment for its students who are deaf and hard-of-hearing, and to work collaboratively with families, agencies and communities throughout the state to meet the unique communication, language and learning needs of children and youth who are deaf and hard-of-hearing.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Outcome	Percent of students in kindergarten through twelfth grade demonstrating academic improvement across curriculum domains	90%	82.8%	80%	80%	83%
Outcome	Percent of students in grades three to twelve who are significantly cognitively delayed demonstrating sufficient growth across curricular domains	90%	100%	100%	80%	100%
* Outcome	Rate of transition to postsecondary education, vocational-technical training schools, junior colleges, work training or employment for graduates based on a three-year rolling average	85%	89%	93%	93%	93%
* Outcome	Percent of students in grades three to twelve who are late language learners who demonstrate significant gains in language and communication as demonstrated by pre- and post-test results	72%	74.5%	80%	80%	80%
Outcome	Percent of parents satisfied with educational services from New Mexico school for the deaf	98.2%	93.3%	96%	96%	96%
Outcome	Percent of parents with children receiving outreach services indicating ability to make informed decisions about educational options and programs	77.7%	83.5%	100%	100%	100%
Outcome	Percent of individualized education program meetings that address special factors of language and communication	100%	100%	100%	100%	100%

PUBLIC SCHOOL SUPPORT AND RELATED APPROPRIATIONS FOR FY13
(dollars in thousands)

School Year 2011-2012 Initial Unit Value = \$3585.97	FY12 APPROPRIATION	FY13 REVISED PED REQUEST	FY13 LFC RECOMMENDATION
PROGRAM COST	\$2,255,050.1	\$2,294,777.5	\$2,294,777.4
Replace Federal Fiscal Stabilization Funds and Education Jobs Fund	\$88,275.6		
Laws 2011, Chapter 178 Retirement Adjustments	(\$25,274.4)		\$25,274.4
Laws 2011, Chapter 179 Unemployment Adjustments	(\$756.9)		
ENROLLMENT GROWTH	\$3,000.0	\$11,099.5	\$11,099.5
INSURANCE		\$10,284.9	\$10,284.9
FIXED COSTS			\$2,500.0
Administrative and Efficiency Savings to Minimize Impact to Instructional Programs	(\$17,193.0)		
Suspend High School Graduation/Standards-Based Assessment Requirements for 1 Year	(\$3,463.5)		
PUBLIC SCHOOL EMPLOYEE COMPENSATION:			
Increase in RTW Employee ERB Contribution (9.4 percent)	(\$4,860.5)		
PROGRAM COST	\$2,294,777.4	\$2,316,161.9	\$2,343,936.2
Dollar Increase/Decrease Over Prior Year Appropriation		\$21,384.5	\$49,158.8
Percentage Increase		0.9%	2.1%
LESS PROJECTED CREDITS	(\$68,436.0)	(\$67,000.0)	(\$67,000.0)
LESS OTHER STATE FUNDS (from driver's license fees)	(\$850.0)	(\$850.0)	(\$850.0)
STATE EQUALIZATION GUARANTEE	\$2,225,491.4	\$2,248,311.9	\$2,276,086.2
Dollar Increase/Decrease Over Prior Year Appropriation		\$22,820.5	\$50,594.8
Percentage Increase		1.0%	2.3%
CATEGORICAL PUBLIC SCHOOL SUPPORT			
TRANSPORTATION			
Operational	\$82,339.0	\$84,095.5	\$84,095.5
Laws 2011, Chapter 178 Retirement Adjustments	(\$1,101.6)		\$1,101.6
Laws 2011, Chapter 179 Unemployment Adjustments	(\$31.5)		
Rental Fees (Contractor-owned Buses)	\$11,724.4	\$11,700.2	\$11,700.2
TOTAL TRANSPORTATION	\$92,930.3	\$95,795.7	\$96,897.3
SUPPLEMENTAL DISTRIBUTIONS			
Out-of-state Tuition	\$346.0	\$346.0	\$346.0
Emergency Supplemental	\$1,924.6	\$2,000.0	\$4,500.0
INSTRUCTIONAL MATERIAL FUND	\$15,092.8	\$28,502.6	\$28,502.6
DUAL CREDIT TEXTBOOK FUND	\$812.3	\$1,000.0	\$857.0
INDIAN EDUCATION FUND	\$1,824.6	\$1,824.6	\$1,824.6
TOTAL CATEGORICAL	\$112,930.6	\$129,468.9	\$132,927.5
TOTAL PUBLIC SCHOOL SUPPORT	\$2,338,422.0	\$2,377,780.8	\$2,409,013.7
Dollar Increase/Decrease Over Prior Year Appropriation		\$39,358.8	\$70,591.7
Percentage Increase		1.7%	3.0%
RELATED REQUESTS: RECURRING	FY12 APPROPRIATION	FY13 REVISED PED REQUEST	FY13 LFC RECOMMENDATION
Public Education Department	\$10,534.2	\$10,634.2	\$10,739.6
Regional Education Cooperatives Operations	\$938.2	\$938.2	\$834.0
Kindergarten-Three Plus	\$5,292.6	\$8,500.0	\$11,000.0
Pre-Kindergarten Program	\$6,292.6	\$8,500.0	\$11,000.0
Early Childhood Education - 3 and 4 YO DD	\$500.0		
Early Reading Initiative		\$11,500.0	\$7,500.0
Breakfast for Elementary Students	\$1,924.6	\$1,924.6	\$1,924.6
Teaching Support in Schools with a High Proportion of-Low Income Students		\$500.0	\$500.0 ¹
Incentives for School Improvement (Rewards for "A" Schools)		\$1,250.0	
Interventions for Low Performing Schools ("D" & "F" Schools)		\$4,300.0	
New Mexico Cyber Academy (IDEAL-NM)	\$500.0	\$890.0	\$890.0
OBMS/STARS Hosting and Operational Costs	\$673.6	\$750.0	\$750.0 ²
Advanced Placement	\$541.8		\$541.8
College and Career Readiness (AP, ACT, SAT, PSAT, Explore, Plan)		\$700.0	
High School Graduation Exam/Alternative Demonstration of Competency		\$2,551.9	
Rewards for Highly Effective Teachers/Implementation of New Teacher Evaluation System		\$2,500.0	
Statewide Formative Assessments (Short Cycle Grades 4-10)		\$2,500.0	
Apprenticeship Assistance	\$192.4	\$192.4	\$192.4
Mock Trial		\$87.1 ³	\$87.1 ³
GRADS – Teen Pregnancy Prevention	\$200.0	\$200.0	\$200.0
TOTAL RELATED APPROPRIATIONS: RECURRING	\$27,590.0	\$58,418.4	\$46,159.5
GRAND TOTAL	\$2,366,012.0	\$2,436,199.2	\$2,455,173.2
Dollar Increase/Decrease Over Prior Year Appropriation		\$70,187.2	\$89,161.2
Percentage Increase		3.0%	3.8%

***Highlighted department requests were submitted to the LFC on the day of the LFC public school support budget hearing.

¹ The LFC recommendation includes \$500 thousand for a nonprofit organization that provides teaching support in schools with at least 60 percent of the students enrolled eligible for free or reduced-fee lunch, with a priority for schools with 85 percent or more of the students eligible.

² The LFC recommendation for the operating budget management system and student, teacher accountability reporting system is contingent on the Public Education Department granting the LFC and the Legislative Education Study Committee access to these systems.

³ The PED request and the LFC recommendation for mock trial is a transfer request from the University of New Mexico Research and Public Service Projects appropriation for FY13. The request is flat over FY12.

STATUTORY AUTHORITY:

Article XII, Section 1, of the New Mexico Constitution provides that a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained. Statutory provisions related to public school education can be found in the Public School Code, Chapter 22 NMSA 1978. Constitutional amendments passed in 2003 restructured state education administration from one directed by an elected board to an executive agency under the governor and increased the amount of funding distributed to public schools and all beneficiaries of income from state trust land.

BUDGET ISSUES:

The Public Education Department (PED) uses the state equalization guarantee (SEG), also known as the "funding formula," to distribute money to public schools. About 90 percent of a school district's operational revenue is derived through the formula. The formula, designed to guarantee each public school student equal access to programs and services appropriate to educational need despite geographic location or local economic conditions, is enrollment-driven with weighted factors for school and district size, teacher qualifications, students' special needs, and other circumstances. Membership weighted for such factors generates a program unit. The number of units generated by all students statewide is divided into the annual program cost to determine the unit value. As part of determining a district's SEG, the state takes credit for 75 percent of three revenue sources: a 0.5 local mill levy, federal forest funds, and the operational portion of federal impact aid funds, all of which remain at the district. School districts may spend formula dollars according to local priorities; however, they must comply with statutory requirements and relevant PED directives.

LFC evaluations of school districts and charter schools, budget recommendations, and interim research and analysis have identified various means by which the funding formula rewards "unit chasing" that leads to less funding distributed per unit. A recent joint evaluation conducted by the LFC and the Legislative Education Study Committee (LESC) noted formula elements incentivize school practices that run contrary to research and policy goals. Unclear statutes and rules and deference to local control undermine the fair distribution of public education funding. The public school funding formula has an excessive number of unnecessarily burdensome components and is generally too complicated and difficult for the department and school districts to administer. The report also noted the PED's distribution of formula-related guidance to districts and charters is ineffective and leads to noncompliance with federal regulations and state statutes, differences in delivery of services, and inequitable distribution of the SEG. The joint evaluation recommended modernizing the formula to make it more effective, fair and transparent, simpler to understand and administer, and less prone to manipulation. Alternatively, the Legislature may want to reconsider recommendations of formula reform without extra formula funding but with some hold harmless funding. The committee recommendation does not correct for these inefficiencies; however, the committee recommends any savings from funding formula reform be put back into the funding formula to increase the unit value.

The PED request for program cost of \$2.316 billion was a \$21.4 million, or 0.9 percent, increase from the FY12 appropriation. This included \$11.1 million for enrollment growth and \$10.3 million for increased insurance costs. The committee recommendation for program cost is \$2.344 billion, an increase of \$49.2 million, or 2.1 percent over FY12. The recommendation includes both of the department's requests for increased funding in FY13 and includes \$2.5 million for fixed costs. The LFC recommendation for program cost also includes \$25.3 million from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011.

The recommendation assumes a total of \$67 million in credits: \$54.5 million from federal impact aid, \$12.5 million from the local 0.5 mill levy, and \$700 thousand from federal forest funds. Credits received from impact aid and local property taxes are expected to remain relatively flat. Credits received from federal forest funds are expected to decrease, though the actual amount is dependent on reauthorization of the program by the federal government. If the funds are not reauthorized, the state will not receive any federal forest funds in FY13. The committee recommends assuming reauthorization of forest funds at FY08 funding levels, a conservative assumption, and recommends the Legislature reconsider this amount during the session. For FY11, the appropriation assumed credits at a total of \$59.4 million, yet the actual amount received was \$73.5 million, of which \$13.2 million reverted to the general fund. An additional credit of \$850 thousand from drivers' license fees is also assumed in FY13. Public schools are required to offer an elective classroom driver safety education course and receive \$3 from each driver's license for this purpose. Adjusted for credits, the SEG general fund recommendation is \$2.276 billion, or a 2.3 percent increase from the FY12 operating level.

Specific recommendations are as follows:

Fiscal year 13 funding is based on an average of 80th and 120th day enrollment for FY12 except for those districts and charter schools with membership growth greater than 1 percent. These districts and charter schools receive 0.5 units per member for all enrollment growth, provided the 1 percent threshold has been met, and an additional 1.5 units per member over 1 percent.

The PED requested and the committee recommendation includes \$11.1 million for enrollment growth. Charter schools are estimated to generate approximately 95.4 percent of enrollment growth funding in FY13 for what is generally planned growth. These costs should be reevaluated prior to the 2012 legislative session when more current enrollment data for FY12 is available. The committee also recommends the Legislature clarify the growth required by charter schools to qualify for additional units.

The department requested and the committee recommends \$10.3 million to cover increases in the employer's share of insurance premiums for members in FY13. The New Mexico Public School Insurance Authority (NMPSIA) provides insurance coverage for 88 school districts and all charter schools; Albuquerque Public Schools (APS) is self-insured. The NMPSIA requested \$8.2 million to cover premium increases, including an 8.1 percent increase in medical insurance premiums and a 5.1 percent increase for dental insurance premiums. The NMPSIA avoided plan changes in FY12 by using \$5.5 million in fund balance. For FY13, the NMPSIA proposes plan changes, including increasing deductibles, out-of-pocket limits, and prescription co-pays. The NMPSIA is not proposing to use any fund balances in FY13.

For FY13, APS requested \$1.8 million to cover premium increases, including a 0.8 percent increase in medical insurance premiums, a 1.6 percent increase in dental insurance premiums, a 2.2 percent increase in vision insurance premiums, and a 17 percent increase for life and disability insurance. APS will use approximately \$10 million in fund balance during FY12 to offset costs for the current plan year. For FY12, APS increased co-pays for advanced radiology and specialty drugs and tied health assessments to biometric screenings. APS also requested \$221 thousand to cover a 7 percent increase in property and liability insurance, a 2.5 percent increase in worker's compensation premiums, and a 20 percent increase in the unemployment insurance premium.

Categorical Public School Support.

The department requested \$129.5 million for categorical expenditures, an increase of \$16.5 million. The committee recommendation includes \$131.8 million for categorical expenditures, an \$18.9 million increase from the FY12 appropriation. The largest categorical appropriation, the transportation distribution, is used to make payments to school districts for the to-and-from transportation costs of students in kindergarten through 12th grade and 3- and 4-year-old special education students enrolled in public school programs. In addition to the FY12 categorical appropriation for transportation, a special appropriation was made in the amount of \$1.2 million to the department to allocate to school districts and state-chartered charter schools for increased fuel costs in FY11 and FY12. The department requested \$95.8 million in funding to cover operational costs and rental and lease fees for buses. The LFC recommends \$96.9 million for transportation, including \$1.1 million from the general fund to restore the 1.75 percent retirement reduction pursuant to Section 2 of Chapter 178 of Laws 2011. A recent evaluation of the PED's transportation program noted many findings from a 1993 LFC report still persist, continuing to hinder the fair and efficient operations of the Public Education Department's Transportation Division. The evaluation noted a problematic funding formula, inadequate oversight of districts, and administrative inefficiencies at the PED. The committee recommends the Legislature consider further study to amend and simplify the transportation funding formula.

The annual adoption of instructional materials follows a six-year cycle in all core curriculum areas. The FY13 adoption is scheduled for elementary and secondary science, health and physical education. Funds for instructional materials are generated through provisions of the federal Mineral Leasing Act and are provided directly to schools on a per-pupil basis. The department funds materials for public, charter, state-supported, and accredited private schools, as well as adult basic education centers. The department reverted \$143.5 thousand from the dual credit instructional materials fund in FY11. The department requested \$29.5 million for instructional materials, including materials for dual credit courses. The committee recommends \$29.4 million for instructional materials and includes sufficient funding for adult basic education instructional materials. The committee recommends the department adopt instructional materials for the multiple lists that are aligned to the new common core standards, and districts and charter schools purchase aligned instructional materials. The committee also recommends districts and charter schools consider alternative delivery methods that may be more economical, including digital curricula delivery.

Balances in the Indian education fund were approximately \$1.8 million at the end of FY11. For FY12, the department budgeted \$2.7 million -- including the \$300 thousand match required from a rural literacy initiative and approximately \$604 thousand in fund balance -- or \$630 thousand less than expended in FY11. In FY11 the department budgeted a large amount of fund balance, increasing the Indian education budget 45 percent from the appropriation amount, at a time when most other initiatives were experiencing cuts. Despite this increase in budget, statewide proficiency scores on the New Mexico standards-based assessment for Native American students decreased in FY11, and the achievement gap widened. The department requested \$1.8 million for Indian education in FY13, including \$400 thousand for teaching support in schools with a high proportion of Native American students and \$300 thousand for a rural literacy initiative for students in kindergarten through eighth grade in schools with a high proportion of Native American students. The rural literacy initiative is contingent on receipt of \$300 thousand in matching funds from non-state sources. The department's prioritization of spending should be reviewed and targeted to programs that demonstrate increased proficiency, particularly given the decreases in Native American students' proficiency in FY11.

The committee recommends \$1.8 million for Indian education, including \$400 thousand for teaching support in schools with a high proportion of Native American students. Teach for America (TFA) has provided this support since FY10. Over the two years, TFA teachers produced student achievement gains almost double that of the state average. For FY13, the committee urges the selected vendor to consider placing teachers for more than two years and to recruit more teachers from within New Mexico.

Recognizing the ongoing need for emergency supplemental funding, the recommendation includes \$4.5 million for FY13. By comparison, emergency supplemental funding included in public school support was \$2 million for FY12. However, nonrecurring emergency supplemental funding increased this amount approximately \$5.7 million. Historically, small districts have been the primary users of these funds; however, a growing number of larger districts are applying for emergency supplemental assistance. In addition to ongoing concerns regarding the number of schools with late annual audits applying for emergency supplemental assistance, districts with large cash balances are also applying for and receiving emergency supplemental assistance. While the PED engaged in a more robust evaluation of school district budget development for FY12, it is still unclear how the department evaluates a district's cash position to approve or disapprove emergency requests and what criteria is used to determine whether allocating emergency supplemental funding is warranted.

Concerns persist that the PED allows school districts to budget emergency supplemental funding requests during budget development, resulting in many districts relying on emergency supplemental assistance as they build their budgets. Because of this practice, emergency supplemental funding is effectively supplemental funding to many school districts. The recent joint program evaluation of the state public education funding formula by the LFC and the LESC noted the funding formula needs to be updated to ensure efficient allocation of resources aligned with education policy. The committee urges the Legislature to require districts to be in compliance with the Audit Act to qualify for emergency supplemental funds and only allow emergency supplemental funding to districts having cash and invested reserves less than 5 percent of their operating budgets.

Related Appropriations.

Related recurring or earmarked appropriations are problematic in that they tend to dis-equalize school funding and divert resources away from core educational needs, as well as dilute funding that could be directed to the SEG. However, related recurring appropriations ensure that funding priorities are retained over time rather than diluted or ignored when funded through the SEG (for example, the Legislature appropriated \$14 million through the SEG to fund an additional instructional day in FY09, however not all school districts or charter schools added an additional instructional day).

Pursuant to Section 22-8-12.1 NMSA 1978, the PED is required to submit recommendations for appropriations for public education to the Department of Finance and Administration and the LFC no later than November 30. Despite this requirement, the PED submitted an incomplete budget request to the LFC for related recurring appropriations on November 30, 2011. The original department request was \$6.3 million for individual related recurring initiatives, a \$10.6 million, or 63 percent, decrease from FY12. The original request eliminated funding for prekindergarten and kindergarten-three-plus, both programs that have demonstrated positive effects on student achievement.

The department submitted a revised request to the LFC on December 8, 2011 at the LFC public school support hearing with a number of new initiatives: \$2.6 million for the multiple administrations of the high school graduation exam and development of an alternative demonstration of competency, \$1.3 million for incentives to reward "A" schools, \$4.3 million to provide interventions to "D" and "F" schools, \$2.5 million to implement a new teacher evaluation system and reward highly effective teachers, and \$2.5 million for a statewide formative assessment to be administered in fourth grade through 10th grade. The department's related recurring request increased from \$6.3 million to \$47.8 million.

The committee recommends \$35.4 million, an increase of \$18.4 million for related recurring initiatives that are limited to targeted statewide programs and programs with a history of demonstrated success. The committee recommends continued funding of a number of initiatives at FY12 funding levels. These initiatives include elementary breakfast, advanced placement, apprenticeship, and the graduation, reality and dual role skills program (GRADS). The committee recommends slightly increased funding as requested by the department for operating and hosting fees for the student teacher accountability reporting system (STARS) and the operating budget management system (OBMS), and the online learning system called innovative digital education and learning (IDEAL-NM).

The committee recognizes the importance of early childhood care and education. High-quality early learning experiences have been proven to prepare children for success in school and later in life. The cost-benefit research demonstrates a high return on investment for money spent on early childhood care and education for at-risk students. Over the last several years the Legislature has made significant investments in early childhood services. The committee recommends continuation of these investments at an increased funding level for FY13.

The kindergarten-three-plus program is in its fifth, and second to last, pilot year and continues to demonstrate success in addressing the achievement gap. Preliminary results from the first year of a five-year study by Utah State University of the effectiveness of the program indicate significant positive effects on student achievement. The committee recognizes the significant impact of this program on improved student achievement through increased time on task and extended learning time, and the cost-effectiveness of the program. The committee recommends funding of \$11 million. The committee recommends the Legislature consider making the program permanent.

Students enrolled in prekindergarten are continuing to demonstrate improved kindergarten readiness, and the program is producing meaningful impacts on early language, literacy, and math development. The committee recommends funding of \$11 million. The PED will need to coordinate with the Children, Youth and Families Department to ensure an equal division between the two departments of appropriations for prekindergarten programs as required by Section 32A-23-9 NMSA 1978.

The committee also recommends \$7.5 million in funding for an early reading initiative. The committee recognizes the importance of developing early literacy skills to a student's future success. Traditionally, students learn to read in kindergarten through third grade so they can read to learn in the upper grades. Children who cannot read by the fourth grade continue to fall behind their peers without targeted intervention and remediation. Data indicates that students who cannot read proficiently by the third grade are four times more likely to leave school without a diploma than proficient readers. Funding should be used to support reading specialists and instructional coaches at elementary schools, professional development opportunities for educators and school leaders, and targeted interventions for students in kindergarten through third grade who are not proficient.

Though the committee recommends funding a reading initiative, concerns persist about the department's administrative capacity to effectively administer additional categorical grant programs, and the department's ability to strategically implement an effective reading initiative. Numerous initiatives aimed at improving student achievement have been implemented over the years with little overall effect on student proficiency rates. In addition to federal funding appropriated with the purpose of improving student outcomes, \$18 million in recurring general fund appropriations have been made since FY03 specifically for school improvement efforts. Despite these investments, student achievement has not improved as expected. Prior to expenditure of the \$7.5 million, the committee recommends the PED provide a detailed action plan to the LFC and the LESC reporting on expenditure of funds.

The recommendation also includes funding for two additional initiatives. Funding for mock trial is recommended in the amount of \$87.1 thousand. Funding for mock trial has historically been made to the University of New Mexico (UNM) as a research and public service project. The request is a transfer of funding for and administration of the program from the UNM to the PED and is a flat request. The committee also recommends \$500 thousand for a nonprofit organization that provides teaching support in schools with a high proportion of low-income students. The department's request indicated a desire to place these teachers in "D" and "F" schools. The committee cautions against the use of a school's grade as an indicator. The 2011-2012 school year will be the first year school grades will be assigned and concerns persist about the reliability of a school's grade to effectively target resources to at-risk students. The committee recommends the appropriation be contingent on the provision that teaching support be targeted at schools with at least 60 percent of the students enrolled in the school eligible for free or reduced-fee lunch, with a priority for schools with 85 percent or more of the students eligible. At this time, this is the most reliable indicator of at-risk students in need of additional support. Since FY10, Teach for America has provided similar support to schools with a high proportion of Native American students and has demonstrated significant student achievement gains, well above state averages.

RECOMMENDED LANGUAGE:

The rate of distribution of the state equalization guarantee distribution shall be based on a program unit value determined by the secretary of public education. The secretary of public education shall establish a preliminary unit value to establish budgets for the 2012-2013 school year and then, on verification of the number of units statewide for fiscal year 2013 but no later than January 31, 2013, the secretary of public education may adjust the program unit value.

The secretary of public education, in collaboration with the department of finance and administration, office of education accountability, shall ensure all teachers have been evaluated under the tiered licensure evaluation system and have the professional competencies of the appropriate level. The secretary of public education shall withhold from the public school distribution funding for the minimum salary of any teacher who has not been evaluated.

The secretary of public education, in collaboration with the department of finance and administration, office of education accountability, shall ensure all principals and assistant school principals have been evaluated under the highly objective uniform statewide standards of evaluation and have the professional competencies to serve as a principal or assistant principal. The secretary of public education shall withhold from the public school distribution funding for the minimum salary of any principal or assistant principal who has not been evaluated.

After considering those elementary physical education programs eligible for state financial support and the amount of state funding available for elementary physical education, the secretary of public education shall annually determine the programs and the consequent numbers of students in elementary physical education that will be used to calculate the number of elementary physical education program units.

For the 2012-2013 school year, the state equalization distribution includes sufficient funding for school districts to implement a new formula-based program. Those districts shall use current year membership in the calculation of program units for the new formula-based program.

The general fund appropriation to the state equalization guarantee distribution reflects the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments commonly known as "impact aid funds" pursuant to 20 USCA 7701 et. seq., and formerly known as "PL874 funds".

The general fund appropriation to the public school fund shall be reduced by the amounts transferred to the public school fund from the current school fund and from the federal Mineral Leasing Act receipts otherwise unappropriated.

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2013 from appropriations made from the general fund shall revert to the general fund.

Categorical Distributions:

Prior to the distribution of emergency supplemental funds to any public school district or charter school, the secretary of public education shall verify with the New Mexico state auditor that the school district or charter school is in compliance with all provisions of Section 12-6-12 NMSA 1978. No emergency supplemental distributions shall be made to any school district or charter school not current with its audits.

Prior to the distribution of any emergency supplemental funds, the secretary of public education shall provide the legislative finance committee and the legislative education study committee with a report outlining (1) the criteria used to qualify for funds; (2) the financial status of recipients, including the status of recipients' financial audits; and (3) any cost savings measures recipients implemented before applying for funds. In no event shall money be distributed to any school district or charter school having cash and invested reserves, or other resources or any combination thereof, equaling five percent or more of their operating budget.

Any unexpended balances in the authorized distributions remaining at the end of fiscal year 2013 from appropriations made from the general fund shall revert to the general fund.

Any unexpended balances in the supplemental distribution of the public education department remaining at the end of fiscal year 2013 from appropriations made from the general fund shall revert to the general fund.

The appropriation to the instructional material fund is made from the federal Mineral Leasing Act (30 USCA 181, et. seq.) receipts.

The general fund appropriation to the public education department for the Indian Education Act includes four hundred thousand (\$400,000) for a nonprofit organization that provides teaching support in schools with a high proportion of Native American students.

Public Education Special Appropriations:

The general fund appropriation to the public education department for the prekindergarten program and the kindergarten-three-plus program shall be used only for direct instruction, transportation and approved administrative costs.

The general fund appropriation to the public education department for teaching assistance for low-income students includes five hundred thousand dollars (\$500,000) for a nonprofit organization that provides teaching support in schools with at least sixty percent of the enrolled students eligible for free or reduced-fee lunch, with a priority for schools with eighty five percent or more of the students enrolled in the school eligible for free or reduced-fee lunch.

Any unexpended balances in the special appropriations to the public education department remaining at the end of fiscal year 2013 from appropriations made from the general fund shall revert to the general fund.

PUBLIC SCHOOL SUPPORT

The purpose of public school support is to carry out the mandate to establish and maintain a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state.

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
* Outcome	Percent of fourth grade students who achieve proficiency or above on the standards-based assessment in reading	51.4%	46.5%	78%	49%	50%
Outcome	Percent of fourth grade charter school students who achieve proficiency or above on the standards-based assessment in reading			78%	49%	50%
* Outcome	Percent of fourth grade students who achieve proficiency or above on the standards-based assessment in mathematics	45.4%	44.4%	77%	49%	50%
Outcome	Percent of fourth grade charter school students who achieve proficiency or above on the standards-based assessment in mathematics			77%	49%	50%
* Outcome	Percent of eighth grade students who achieve proficiency or above on the standards-based assessment in reading	60.5%	53.3%	76%	57%	60%
Outcome	Percent of eighth grade charter school students who achieve proficiency or above on the standards-based assessment in reading			76%	57%	60%
* Outcome	Percent of eighth grade students who achieve proficiency or above on the standards-based assessment in mathematics	39.2%	40.8%	74%	43%	50%
Outcome	Percent of eighth grade charter school students who achieve proficiency or above on the standards-based assessment in mathematics			74%	43%	50%
Outcome	Percent of third-grade students who achieve proficiency or above on standards-based assessment in reading				55%	60%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standards-based assessment in reading				62%	65%
Outcome	Percent of third-grade students who achieve proficiency or above on standards-based assessment in mathematics				54%	60%
Outcome	Percent of third-grade charter school students who achieve proficiency or above on standards-based assessment in mathematics				54%	60%
* Outcome	Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools	47.1%	N/A	40%	42%	40%
Outcome	Number of schools identified as needing improvement according to Elementary and Secondary Education Act designations	547	613	400	650	400
Outcome	Number of schools making adequate yearly progress according to Elementary and Secondary Education Act designation	193	113	300	65	300
* Outcome	Percent of public schools rated A and B				25%	30%
Outcome	Percent of charter schools rated A and B				30%	40%
Outcome	Percent of schools increasing their letter rating by one letter grade				10%	20%
Outcome	Percent of schools decreasing their letter rating by one letter grade				5%	5%
Outcome	Percent of charter schools increasing their letter rating by one letter grade				10%	20%
Outcome	Percent of charter schools decreasing their letter rating by one letter grade				5%	5%

PERFORMANCE MEASURES

		<u>FY10</u> <u>Actual</u>	<u>FY11</u> <u>Actual</u>	<u>FY12</u> <u>Budget</u>	<u>FY13</u> <u>Request</u>	<u>FY13</u> <u>Recomm</u>
Outcome	Percent of elementary school students habitually truant			3%	<5%	<3%
Outcome	Percent of middle school students habitually truant			10%	<10%	<10%
Outcome	Percent of high school students habitually truant			12%	<12%	<12%
Outcome	Percent of students in full-day kindergarten meeting benchmark for phoneme segmentation fluency	82.39%	84.1%	85%	TBD	87%
Outcome	Percent of kindergarten through third grade students scoring at benchmark on reading first assessments	65%	65%	70%	65%	70%
Outcome	Percent of students in kindergarten-three-plus meeting benchmark for phoneme segmentation fluency				84%	87%
Outcome	Percent of elementary students receiving physical education through the elementary physical education program funded through the public education department	50%	50%	50%	50%	50%
Outcome	Percent change in the share of dollars budgeted by districts with less than 750 MEM for instructional support, budget categories 1000, 2100 and 2200				1.5%	1%
Outcome	Percent change in the share of dollars budgeted by districts with 750 MEM or greater for instructional support, budget categories 1000, 2100 and 2200				1.5%	1%
Outcome	Percent change in the share of dollars budgeted by charter schools for instructional support, budget categories 1000, 2100 and 2200				2%	1.5%
Outcome	Percent change in the share of dollars budgeted by districts with less than 750 MEM for direct classroom instruction, budget category 1000				1%	0.5%
Outcome	Percent change in the share of dollars budgeted by districts with 750 MEM or greater for direct classroom instruction, budget category 1000				1%	0.5%
Outcome	Percent change in the share of dollars budgeted by charter schools for direct classroom instruction, budget category 1000				1%	0.5%
Outcome	Percent of general fund non-state equalization guarantee distribution appropriations reverting at the end of the fiscal year				<1%	<1%
Outcome	Percent of federal education grant dollars received by the state reverting at the end of the fiscal year				<1%	<1%
Outcome	Number of dual credit courses students enroll in within New Mexico public high schools and postsecondary institutions				250	13,000
Output	Number of innovative digital education and learning New Mexico courses completed by New Mexico school-age students	1,231	2,139	1,300	2,000	2,300
Output	Number of students in dual credit programs within New Mexico public high schools and postsecondary institutions	9,932	9,087	10,000	9,100	10,000
Quality	Annual percent of core academic subjects taught by highly qualified teachers, kindergarten through twelfth grade	99.5%	97.1%	100%	98%	100%
Quality	Annual percent of core academic subjects taught by highly qualified teachers in high-poverty schools, kindergarten through twelfth grade	99.2%	98.3%	100%	98%	100%
* Quality	Current year's cohort graduation rate using four-year cumulative method	66.1%	67.3%	75%	75%	75%
Explanatory	Number of American Indian language teachers, independent of the public education department, certified to teach Native languages in the public schools	224	232	500	500	500
Explanatory	Percent of American Indian language classes being taught in public schools that serve American Indian students	100%	34%	100%	100%	100%

NEW MEXICO FINANCE AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Finance Authority Act, Chapter 6, Article 21, NMSA 1978, created the New Mexico Finance Authority (NMFA) in 1992 as a governmental instrumentality for the purpose of coordinating and facilitating the planning and affordable financing of state and local capital projects for qualified entities in New Mexico. As a nongovernmental entity, the NMFA is able to use financing mechanisms to leverage and maximize the state's capital investments in state and local projects. The financial and program activities of the NMFA are governed by an 11-member board, nine of whom are appointed by the governor. Managed through rules and policies and public and private partnerships, the authority administers 14 programs. The authority develops its own budget approved by its board of directors and does not require legislative approval. However, the New Mexico Finance Authority Legislative Oversight Committee is empowered to monitor and oversee the operations of the authority.

MISSION:

The principle mission of the NMFA is to assist qualified entities in financing capital equipment and infrastructure, including loans for transportation, water, economic development, private lending, and social service providers. The authority meets its statutory mandate for financing state and local projects, including meeting its obligation to both the executive and legislative bodies.

TOTAL ASSETS:

The NMFA oversees \$2.6 billion in total assets consisting of invested cash and loans receivable. Total assets include NMFA assets (approximately \$1.8 billion) and assets of Governor Richardson's Investment Partnership program - GRIP 1 (approximately \$800 million), which the authority manages for the New Mexico Department of Transportation. Gross assets increased by \$300 million between FY10 and FY11. Sources of funds for invested cash include bond proceeds, pledged revenues for servicing long-term debt, administrative fees, federal grant revenues, and investment interest income. The revenue forecast for FY12 is approximately \$124 million. Non-operational expenditures (bond and loan interest, bond issuance, contractual services, grants, depreciation, and contracts for service) total \$132.6 million.

BUDGET ISSUES:

The authority's general operating budget for FY12 totals approximately \$8.7 million, a flat budget compared with FY11. Actual expenditures in FY11 total \$8.2 million. The operating revenue versus operating expense indicates a revenue shortfall of more than \$1 million. The shortfall is due in part to the depletion of "state general fund" for administrative costs related to the water trust fund program. The authority is contemplating several revenue adjustments, but a revised revenue budget may not be approved for four to five months. The FY13 projected operating budget is \$8.8 million, a 0.8 percent increase over FY12. The authority had 45 authorized positions, of which four are currently vacant. As of November 1, 2011, employees will pay a portion for all health-related benefits, though specifics have not been finalized. A money purchase retirement plan (403B) is provided with 3 percent paid by the employee and a 15 percent match paid by the authority. For FY12, salary increase eligibility was based on performance and maximized at 3 percent (an average of two percent) compared with 5 percent in FY11. Approximately 60 percent of the authority's operational costs are related to the public project revolving loan fund (PPRF). The authority does not receive appropriations from the state's general fund for operations. However, as an instrumentality of the state, the NMFA is subject to the State Audit Act. The authority did not meet reporting deadlines for two consecutive years - FY09 and FY10. Missed reporting deadlines were a result of disclosure issues related to loan allowances and prepayments requiring additional testing and research due to the current state of the economy. During the course of the FY09 audit, it was discovered financial statements were misstated, resulting in an increase of net assets totaling \$162 million. The NMFA management discovered misstatements and made adjustments during the course of the audit. The findings were corrected in the current year.

PROGRAMS:

The authority currently administers 15 finance programs, but the most significant infrastructure loan program is the public project revolving fund (PPRF). The PPRF is capitalized from an annual distribution equal to 75 percent of the net revenue of the state's governmental gross receipts tax (GGRT) deposited into the PPRF. In the last four years, an average of \$30.4 million annually was deposited into the PPRF. The authority leverages GGRT capital in the PPRF, makes loans, and replenishes the PPRF by issuing bonds. The PPRF has evolved into a broader financier of state and local government credits for providing financial assistance to a greater diversity of entities and credits, thus helping the PPRF attain higher bond ratings and lower costs of issuance and thereby allowing the authority to offer a variety of program enhancements to its borrowers. If the rate of the first three months of "net" GGRT allocated to date holds steady, approximately \$25.5 million will be deposited in the PPRF for loans in FY12. The cash balance for loans from the PPRF as of November 1, 2011, is \$51.5 million. The funds accrued from GGRT collections and loan repayments to the PPRF not needed to pay debt service on bonds are placed in interest-bearing reserve accounts - \$24 million in a contingent liquidity account fund and \$25.5 million in a "common debt service reserve fund" for only the senior lien PPRF loan portfolio, leaving a balance of \$15 million in the PPRF for loans as of September 30, 2011. According to the NMFA, the reserve funds will provide additional security to bondholders and assurances to rating agencies of the fiscal soundness and integrity of the PPRF program and will provide liquidity for unforeseen extraordinary events or obligations of the authority. The PPRF bond rating was upgraded to AAA by Standard and Poor's Rating Agency.

NEW MEXICO FINANCE AUTHORITY

Consolidated Operating Budget - Sources & Uses Actual FY 2011, Budgeted FY 2012, Projected FY 2013

	FY2011 Budget	FY2011 Actual	**FY2012 Budget	Projected FY2013
<u>Sources - Operating Revenues</u>				
Administrative Fees:				
*PPRF Administrative and Processing Fees	\$ 3,650,000	\$ 2,933,933	\$ 3,390,000	\$ 3,401,000
GRIP Administrative Fee	2,000,000	3,193,338	1,800,000	750,000
New Markets Tax Credit	1,800,000	344,765	1,320,000	1,350,000
Other Administrative Fees	354,775	196,645	318,700	315,000
Interest on Loans	222,500	182,500	165,055	238,900
Interest on Investments	1,500,000	535,600	750,000	1,150,000
Total Operating Revenues	\$ 9,527,275	\$ 7,386,781	\$ 7,743,755	\$ 7,204,900
<u>Operational Expenses</u>				
Personnel services	\$ 3,086,111	\$ 2,950,500	\$ 3,295,414	\$ 3,478,000
Employee benefits	1,388,797	1,245,600	1,619,919	1,743,000
In-state travel	130,080	85,300	118,479	120,000
Maintenance/Repairs	34,865	26,200	33,945	34,000
Office supplies	50,258	27,000	29,400	29,000
Contractual services	2,972,294	2,950,000	2,673,121	2,420,000
Operating costs	998,602	889,400	905,593	924,000
Out-of state travel	100,610	51,800	85,746	86,000
Subtotal - Operational Expenses	\$ 8,761,617	\$ 8,225,800	\$ 8,761,617	\$ 8,834,000

*25 basis points

**FY2012 Operating Expenses Exceed Operating Revenues (see narrative)

NEW MEXICO MORTGAGE FINANCE AUTHORITY

STATUTORY AUTHORITY:

In 1975 the New Mexico Mortgage Finance Authority was created pursuant to the Mortgage Finance Authority Act in Sections 58-18-4 through 58-18-27 NMSA 1978 as a public body but separate and apart from the state, constituting a governmental instrumentality, with the power to raise funds from private investors in order to make such private funds available to finance the acquisition, construction, rehabilitation, and improvement of residential housing for persons and families of low or moderate income within the state.

The MFA is governed by a seven-member board including the lieutenant governor, state treasurer, and state attorney general. The MFA Legislative Oversight Committee approves rules and regulations formulated by the MFA. The Land Title Trust Fund Advisory Committee (Section 15-28-8 NMSA 1978) advises the MFA on the use of monies generated by the land title trust fund to address affordable housing. The New Mexico Housing Trust Fund Advisory Committee advises the MFA on the use of state-appropriated housing trust fund monies. Other advisory committees that advise the MFA in carrying out its mission and vision include the New Mexico Housing Advisory Committee and the Housing Credit Allocation Review Committee.

MISSION:

The MFA provides innovative policies, products, education, and services in collaboration with strategic partners to ensure all New Mexicans have access to affordable housing. The authority engages in self-sustaining practices to strengthen the social and economic development of New Mexico's communities and families by financing, developing, and preserving homes.

MANAGED GROSS ASSETS:

The MFA manages approximately \$2.9 billion in gross assets, consisting primarily of invested cash, mortgage-backed securities, loans receivable, low-income housing tax credits, private activity bond cap used to issue single and multi-family mortgage revenue bonds, and United States Housing and Urban Development (HUD) Section 8 properties.

BUDGET ISSUES:

The MFA's fiscal year runs from October 1, 2010, to September 30, 2011. The authority's general operating budget for FY12 totals \$9.3 million, a decrease of 26 percent from the FY11 budget due to the decreased resources associated with administering American Recovery and Reinvestment Act of 2009 programs. The MFA is not a state agency and, therefore, does not receive an annual appropriation for operations. Rather, the state mandates the authority to generate its own funding to maintain operations and to carry out its affordable housing mission. The primary program funding sources available to the MFA to carry out its statewide housing mission are interest income, mortgage revenue bond proceeds, and federal program fund administrative fees. The MFA is experiencing a decline of its operational general fund attributed to reduced federal program administrative fees, as well as reduced loan and investment yields. About 1 percent of the authority's program revenue sources are funded by state appropriations and state tax credits. As an instrumentality of the state, the MFA is subject to the State Audit Act.

BUDGET SUMMARY (dollars in thousands)

	FY11 <u>2010-2011</u>	FY11 <u>2010-2011</u>	FY12 <u>2011-2012</u>	FY13 <u>2012-2013</u>
Housing Program Income	6,284.8	4,291.5	3,358.4	3,058.0
Bond Program Administrative Fees	2,174.5	2,432.6	2,330.4	2,500.0
Interest on Cash/Investments	1,312.0	1,305.4	1,354.8	2,319.0
Servicing Rights Fees	0.0	251.7	425.0	425.0
Servicing Fees	322.6	350.6	299.8	308.0
Gain/Loss on Sale of Assets	0.0	194.8	0.0	0.0
Other Income	177.9	350.1	275.4	131.0
SOURCES TOTAL	\$14,192.4	\$12,688.9	\$11,838.6	\$13,814.0
USES				
Compensation (Salaries & Benefits)	\$5,714.5	\$5,577.4	\$5,240.1	\$5,413.0
Travel & Public Information	432.0	380.8	410.3	413.0
Office Expenses	557.7	527.5	531.2	546.0
Other Operating Expenses	1,792.6	1,170.6	1,367.0	1,352.0
Non-Operating Expenses (Training and Technical Assistance, Program Development and Capacity Building)	3,274.6	709.4	1,125.8	651.0
Capital Outlay & Servicing	96.5	444.3	32.4	33.0
Other (non-cash)	784.1	803.9	610.0	1,144.0
TOTAL USES	\$12,652.0	\$9,613.9	\$9,316.8	\$9,552.0
TOTAL FTE POSITIONS	70.75	70.75	67.75	67.75

NEW MEXICO MORTGAGE FINANCE AUTHORITY

PERFORMANCE MEASURES (dollars in millions)

	FY09 <u>Actual</u>	FY10 <u>Actual</u>	FY11 <u>Actual</u>	FY12 <u>Budget</u>
Average financial assets	\$1,645.8	\$1,650.2	\$1,536.5	\$1,490.9
Average assets under management	\$2,805.0	\$3,009.2	\$2,910.1	\$2,711.9
Funds disbursed through:				
Federal and state programs	\$42.8	\$89.4	\$81.6	\$51.0
MFA programs	\$6.2	\$8.7	\$5.0	\$10.2
General fund non-operating (capacity building)	\$0.32	\$0.73	\$0.71	\$1.12
Single-family first mortgage loans:				
Number of units purchased	1,313	1,451	999	880
Dollar of loans purchased	\$161.7	\$180.5	\$123.3	\$110.0
Multi-family loans and bonds closed and tax credits allocated:				
Number of units	2,228	2,855	932	808
Dollar of loans and subsidies	\$82.7	\$127.2	\$44.8	\$57.0
Housing programs:				
Homeless nights served	18,365	18,964	16,871	19,636
Single family homeowner rehab	2,135	2,913	2,817	2,363
Under compliance:				
Household units (avg)	20,319	20,936	21,012	21,800
Contracts/properties	534	488	477	423
Loans serviced:				
Number of loans (avg)	1,415	2,639	4,825	6,692
Dollar of loans (avg)	\$188.1	\$203.4	\$266.2	\$313.8

RENEWABLE ENERGY TRANSMISSION AUTHORITY

STATUTORY AUTHORITY:

The New Mexico Renewable Energy Transmission Authority (RETA) Act, Section 62-16A-1 through 62-16A-15 NMSA 1978, created the New Mexico RETA to develop new transmission projects to promote renewable energy in New Mexico and to export it to its neighboring states. The RETA is governed by an eight-member board and has oversight from the New Mexico Finance Authority Oversight Committee. The RETA's primary focus is on developing renewable energy-related transmission infrastructure and energy storage projects.

The RETA is composed of a board vested with the ability to issue revenue bonds to finance electric transmission projects that draw at least 30 percent of their energy from renewable sources. Under the act, three members of the board are appointed by the governor with the advice and consent of the Senate, one member is appointed by the Speaker of the House of Representatives, and one member is appointed by the president pro tem of the Senate. Statutorily, the other members are the State Investment Officer or designee, the State Treasurer or designee, and the cabinet secretary for the Department of Energy, Minerals and Natural Resources, a nonvoting member.

MISSION:

The New Mexico RETA is the nation's first state-level financing authority whose primary focus is on developing renewable energy-related transmission infrastructure. Through the RETA, New Mexico is taking action to address global climate change by assisting the development of energy sources that will reduce greenhouse gas emissions and lessen dependency on foreign sources of fuel. At the same time, RETA activity will increase economic development opportunities for businesses and landowners.

BUDGET ISSUES:

The budget for the RETA, a quasi-governmental agency with 3 FTE, was composed of prior-year general fund appropriations to the Energy, Minerals and Natural Resources Department (EMNRD) transferred to the agency's operating account. A total of \$1 million was appropriated from the general fund through the Energy, Minerals and Natural Resources Department for FY08 and FY09 that essentially constituted start-up funds for RETA. An additional \$500 thousand from the general fund was appropriated for FY10 for a total of \$1.5 million from the general fund for RETA operating expenses. These funds are deposited in the nonreverting renewable energy transmission authority operating fund.

The FY11 actual operating expenses were approximately \$496 thousand and the agency has budgeted approximately \$461 thousand for FY12 and \$462 thousand for FY13. The agency has indicated it will not pursue support from the general fund for FY13, instead using existing cash balances, estimated to be approximately \$499 thousand at the end of FY12 and \$37 thousand at the end of FY13. The budget will be supported by these balances and by project fees of \$550 thousand earned from a bond issuance for the High Lonesome Mesa wind turbine project in Torrance County.

Generation of project fees remains an issue of concern. Barring additional income from project fees, insufficient fund balance would remain at the end of FY13 to support subsequent RETA operating costs. The agency indicates that, in that event, it would request additional general fund support to maintain operations. Consideration should be given to transferring the duties of the RETA to the New Mexico Finance Authority or the Energy, Minerals and Natural Resources Department.

RENEWABLE ENERGY TRANSMISSION AUTHORITY

Operating Budgets FY11, FY12, and FY13

	FY11 Actual	FY12 Budget	FY 13 Request
OPERATIONAL EXPENDITURES			
<u>Personnel Services</u>			
Salaries	\$ 300,921	\$ 302,750	\$ 302,750
Total Salaries	300,921	302,750	302,750
<u>Employee Benefits</u>			
Group Insurance	-	-	-
Retirement	-	-	-
FICA	25,696	20,000	20,000
Workers Comp	-	-	-
Unemployment Insurance	-	2,000	2,000
Total Employee Benefits	25,696	22,000	22,000
<u>Travel</u>			
Board Travel & Per Diem	3,247	1,500	1,500
Staff In-State Travel	9,544	5,000	5,000
Staff Out-of State Travel	6,164	4,400	4,400
Total All Travel	18,955	10,900	10,900
<u>Office Supplies</u>	9,201	10,550	10,500
<u>Contractual Services</u>			
Financial Advisor - Other	-	-	-
Legal Counsel	85,993	40,471	40,071
Accounting-Audit (External)	14,000	14,400	14,800
Trustee/Banking Fees	1,664	2,000	2,000
Contracted Services	1,689	-	-
IT Support	1,536	2,500	2,500
Technical Support Services	(2,520)	15,000	15,000
Total Contractual Services	102,362	74,371	74,371
<u>Operating Costs</u>			
Business Insurance	-	2,000	2,000
Advertising & Promotion	647	600	600
Reporting & Recording	310	400	400
Postage/Overnight	552	500	500
Office Rental	19,742	19,950	21,000
Telephone, Fax & Internet	10,693	12,000	12,000
Education & Training - Staff	1,195	-	-
Dues and Subscriptions	191	-	-
Hardware & Software, Furnishings	5,174	5,000	5,000
Total Operating Costs	38,504	40,450	41,500
TOTAL OPERATIONAL EXPENDITURES	\$ 495,639	\$ 461,021	\$ 462,021

AGENCY FUNDING SOURCES (Since Inception)

2007 – HB2, Section 5 (53): \$500.0 thousand, and SB710, Section 18: \$500.0

2008 – HB2, Section 5 (64): \$250.0 thousand, and SB165, Section 17(8): \$250.0

2009 – HB2, Section 4 (Program Support): \$250.0 thousand, and Section 5 (36): \$250.0 thousand



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