



Department of Finance and Administration

Fiscal Overview for the 2009 Session

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New Mexico Department of Finance and Administration

New Mexico Independent Community Colleges

Administrative Retreat

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Overview

- Revenue Outlook
- Governor Richardson's Plan to Address Revenue Shortfall
- Bonding Capacity and Capital Outlay

Revenue Outlook

- Based on the October consensus revenue estimate, the State needs to address a revenue shortfall of \$186 million in FY09 in order to maintain 10% operating reserves at June 30, 2009.
- Based upon this estimated shortfall, General Funds available for nonrecurring expenses are nonexistent unless budget cuts result in available funds. Typically nonrecurring General Funds are used for supplemental, deficiency, special, IT and capital outlay appropriations.

General Fund Summary

Dollars in Millions	Estimated FY09	Estimated FY10
General Fund Appropriation Account		
Total Revenue	5,833.5	6,020.1
Total Appropriations	6,086.5	6,020.1
Total Balances		
New Money (<i>recurring revenue to recurring appropriations</i>)		(6.7)
Shortfall for current year	(185.8)	

Revenue Outlook

- FY10 is estimated to have a revenue shortfall of (\$6.7) million in “new money” (recurring revenue to recurring appropriations).
- Another consensus revenue estimate will be completed in December. This estimate will serve as the basis for budgetary decisions made during the 2009 legislative session, however the current revenue estimate indicates that reductions to the FY09 and FY10 operating budgets will most certainly be necessary.
- Requirements for non-discretionary base growth (e.g., Medicaid, inmate population, workload growth in public schools and higher education) will require new money. Maintaining base level Medicaid services alone may require as much as an additional \$50 million.

Governor's Plan to Address the Revenue Shortfall

Step One: Reduce Spending

- The Governor directed executive agencies to reduce FY09 General Fund expenses by 5%, and is calling on judiciary officials, legislators and elected officials to adopt the same level of spending cuts.
- To achieve 5% reductions in executive agency spending, the Governor is implementing a freeze on hiring and pay increases, and is targeting cuts to travel, equipment purchases, contracts, and supplies.
- The Governor is making every effort to ensure that funding for education stays in the classroom, however the state's financial situation may require additional budget cuts by the time of the legislative session. Higher education institutions are strongly encouraged to develop a plan for reducing operating budgets with an emphasis on FY10.

Governor's Plan to Address the Revenue Shortfall

Step Two: Eliminate Unnecessary Earmarks and Appropriations

- Governor Richardson directed executive agencies to review all earmarks, HB2 amendments and HB2 “Junior” appropriations from the past three to five years and identify appropriations for potential deauthorization in the 2009 legislative session.
- The Governor is calling on all sectors of state government, including higher education institutions, to participate in this effort by recommending appropriations, that cannot move forward immediately, for deauthorization.
- In order to ensure that funding is sufficient to continue core services in FY10, higher education institutions are strongly encouraged to provide a report to HED that identifies appropriations suitable for deauthorization.
- A copy of HAFC additions, SFC amendments and HB2 “Juniors” for 2006-2008 are available on the DFA website.

Governor's Plan to Address the Revenue Shortfall

Step Three: Deauthorize Capital Outlay Appropriations

- The Governor directed executive agencies to review all outstanding capital outlay appropriations, update the accounting information in the Capital Projects Monitoring System, and identify appropriations for potential deauthorization during the 2009 legislative session.
- The Governor is calling on legislators, local governments and educational institutions to recommend projects for potential deauthorization. Projects that should be targeted for deauthorization include appropriations that are:
 - Stalled or have not begun drawing down funds
 - Underfunded or for non-essential purposes
 - Potential violations of the anti-donation clause
 - Have surplus balances
- A list of outstanding capital outlay appropriations is available on the DFA website. Higher education institutions are encouraged to ensure that all capital projects are progressing, and identify projects for deauthorization.

History of Bonding Issuances

- In FY08, issuances in the State bonding programs (GOB, STB, and Trans.) represented 81% of funding for state supported capital projects.

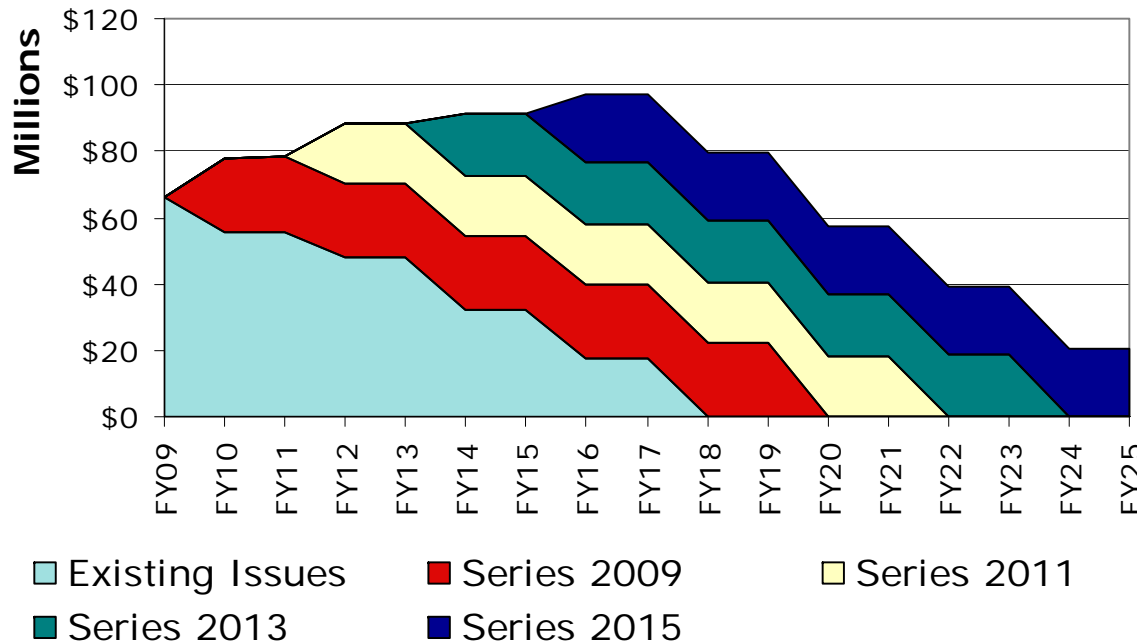
Role of Board of Finance in Statewide Capital Funding (Dollars in Millions)

	2004	2005	2006	2007	2008	TOTAL
General Obligation Bonding						
General Obligation Bonds	-	\$122.1	-	\$143.3	-	\$265.4
Subtotal	-	122.1	-	143.3	-	265.4
Severance Tax Bonding						
Severance Tax Bonds	74.5	87.6	136.1	136.4	153.2	587.8
Severance Tax Funding Notes	63.7	87.8	102.1	193.3	150.9	597.8
Supplemental Severance Tax Bonds	10.0	10.0	-	-	-	20.0
Supplemental Severance Tax Funding Notes	151.9	213.3	193.6	210.8	222.8	992.4
Subtotal	300.01	398.7	431.3	540.5	526.9	2197.41
Other Sources						
General Fund	183.4	238.6	454.6	548.4	123.0	1548
Transportation Bonds	743.6	-	-	459.4	-	1203
Subtotal	927.0	238.6	454.6	1007.8	123.0	2751
Total	\$1,227.0	\$759.4	\$886.4	\$1,691.6	\$649.9	\$5,214.3

Bond Issuance and Debt Service Profile for the General Obligation Bonding Program

- State general obligation bonding capacity is limited to 1% of the assessed value of property.
- Biennial issuance are subject to voter approval.

GOB Debt Service with Estimated New Issues



New Money GOB Issued (in millions)	
1985	\$ 64.0
1987	\$ 35.0
1989	\$ 47.1
1991	\$ -
1993	\$ 80.5
1995	\$ 66.3
1997	\$ 64.8
1999	\$ 80.9
2001	\$ 62.6
2003	\$ 130.9
2005	\$ 111.9
2007	\$ 134.9
2009 est	\$ 223.8
2011 est	\$ 180.9
2013 est	\$ 188.6
2015 est	\$ 204.8

Bonding Capacity Available for Appropriation

Sources of Funds (millions)	FY09	FY10	FY11	FY12	FY13	Five-Year
General Obligation Bonds ¹		180.9		188.6		369.5
Senior Severance Tax Bonds	200.0	200.0	200.0	200.0	200.0	1,000.0
Senior Severance Tax Notes	188.7	180.3	159.8	138.2	115.1	782.0
<i>Total Seniors</i>	<i>388.7</i>	<i>380.3</i>	<i>359.8</i>	<i>338.2</i>	<i>315.1</i>	<i>1,782.0</i>
Supplemental Severance Tax Notes	240.4	235.0	233.8	237.3	247.0	1,193.5
Total Sources of Funds	\$629.1	\$796.2	\$593.5	\$764.1	\$562.1	\$3,345.0
Uses of Funds (millions)	FY09	FY10	FY11	FY12	FY13	Five-Year
GOB: new projects approved by referendum		180.9		188.6		369.5
Supplemental STB: public education capital	240.4	235.0	233.8	237.3	247.0	1,193.5
Senior STB:						
10% to the Water Project Fund	38.9	38.0	36.0	33.8	31.5	178.2
Spaceport Authority	33.0	34.0				67.0
Transportation Projects ²	123.6	75.0	-	-	-	198.6
Authorized but Unissued STB Projects	33.9		-	-	-	33.93
Total Uses of Funds	\$469.8	\$562.9	\$269.8	\$459.7	\$278.5	2,040.7
Total for New Capital Projects	159.3	233.3	323.8	304.4	283.6	1,304.3

1. General Obligation Bond capacity available for appropriation in future sessions, not the 2009 session
2. Of the FY09 amount, \$75 million is for GRIP I and \$48.6 million is for highway maintenance (20%), GRIP I (40%) and GRIP II (40%)

Bonding Capacity Available for Appropriation

- General obligation bonding capacity is typically used for higher education, libraries and senior projects.
- On November 4 voters passed \$223.8 million worth of GO Bonds projects, including \$140 million in capital projects for higher education.
- Additional GO bond capacity will not be available for appropriation until the 2010 legislative session.
- For FY09, an estimated total of \$159 million in Senior Severance Tax bonding capacity is available for appropriation. Since the current revenue projection identifies no other nonrecurring funds, this \$159 million will be the only funding source for all capital outlay projects.

Looking Ahead

- No decisions for FY10 have been made, including the higher education funding formula. The Executive and Legislature will work together to ensure that priority issues are adequately supported but the State must prepare to make cuts in order to maintain a balanced budget.
- If oil and natural gas prices continue to decline the revenue for both FY09 and FY10 may be even lower than currently predicted. The October revenue estimate is based on oil selling at \$94 per barrel and natural gas at \$6.75 per MCF. Yesterday NYMEX listed the price of oil at \$65 per barrel and gas at \$7.24 per MCF.
- All sectors of state government need to prepare to tighten operational budgets and take existing appropriations off the table.
- By immediately reducing spending higher education institutions will be better prepared for FY10.