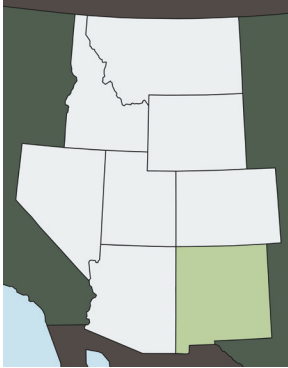


NEW MEXICO Budget Report Card



ALTHOUGH NEW MEXICO RECEIVED a C average in budget maneuvers for fiscal 2016 through 2018, the grade masks a decline to D, the second-lowest mark possible, in 2017 and 2018 from a B in 2016.

The budget maneuvers category tracks one-time actions a state may use to pay for recurring expenditures. In 2017 and 2018, New Mexico made many such moves to keep its budget in balance. These included using debt for operating costs and sweeping special fund money into the general fund. In 2017, for example, the state used about \$82 million in nonrecurring revenues to bolster the budget, including transferring of cash balances from special funds and replacing cash allocated to capital spending with proceeds from severance tax bonds. New Mexico took similar actions involving severance tax bond proceeds and other transfers in fiscal 2018, increasing general fund assets by about \$90 million in nonrecurring funds.

The state also averaged a D in legacy costs. Although it made its actuarially determined contributions for public worker pensions in all three years studied, New Mexico faces a large liability for other postemployment benefits (OPEB), chiefly health care. In recent years, the state has contributed about half of what actuaries determine is needed to achieve full OPEB funding.

New Mexico posted a B average in reserve funds. While policies are in place that govern the state's deposits into its general operating and tax stabilization reserves, reserve funds are not tied to revenue volatility—a critical flaw for a state that depends on revenue from oil and other natural resources.


MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2016-18


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	D	A	B
Colorado	C	C	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	C	B
Nevada	C	B	C	B	B
New Mexico	B	C	D	B	B
Utah	C	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	C	B	C	B	B


NOTE States are grouped by US Census Bureau divisions.


Average grades are based on annual numerical scores. For more information, download *Truth and Integrity in State Budgeting: Preventing the Next Fiscal Crisis* at VolckerAlliance.org.


NEW MEXICO Budget Report Card

BUDGET FORECASTING					
		2016	2017	2018	
	CATEGORY GRADE	B	B	B	
	Consensus Revenue Forecasts	✓	✓	✓	
	Multiyear Expenditure Forecasts	✗	✗	✗	
	Multiyear Revenue Forecasts	✓	✓	✓	
	Revenue Growth Projections	✓	✓	✓	
3-YEAR AVERAGE B			3-YEAR TREND —		

BUDGET MANEUVERS					
		2016	2017	2018	
	CATEGORY GRADE	B	D	D	
	Deferring Recurring Expenditures	✓	✓	✓	
	Revenue and Cost Shifting	✗	✗	✗	
	Funding Recurring Expenditures with Debt	✓	✗	✗	
	Using Asset Sales and Up-Front Revenues	✓	✗	✗	
3-YEAR AVERAGE C			3-YEAR TREND ↘		

LEGACY COSTS					
		2016	2017	2018	
	CATEGORY GRADE	D	D	D	
	Public Employee OPEB Funding	✗	✗	✗	
	Public Employee Pension Funding	✓	✓	✓	
	Public Employee Pension Funded Ratio*	65%	63%	63%	
3-YEAR AVERAGE D			3-YEAR TREND —		

RESERVE FUNDS					
		2016	2017	2018	
	CATEGORY GRADE	B	B	B	
	Positive Reserve or General Fund Balance	✓	✓	✓	
	Reserve Funds Disbursement Policy	✓	✓	✓	
	Reserve Funds Replenishment Policy	✓	✓	✓	
	Reserves Tied to Revenue Volatility	✗	✗	✗	
3-YEAR AVERAGE B			3-YEAR TREND —		

TRANSPARENCY					
		2016	2017	2018	
	CATEGORY GRADE	B	B	B	
	Consolidated Budget Website	✓	✓	✓	
	Provides Debt Tables	✓	✓	✓	
	Discloses Deferred Infrastructure Replacement Costs	✗	✗	✗	
	Discloses Tax Expenditures	✓	✓	✓	
3-YEAR AVERAGE B			3-YEAR TREND —		

KEY

✓	Followed best practice
✗	Did not follow best practice

BUDGET FORECASTING evaluates whether and how states estimated long-term revenue and expenditure trends. **BUDGET MANEUVERS** evaluates whether states used one-time revenues, borrowings, asset sales, and other measures to achieve short-term budgetary balance. **LEGACY COSTS** evaluates whether states provided adequate funding, as defined by retirement system actuaries, for pensions and other promised retirement benefits for public workers. **RESERVE FUNDS** evaluates states' rainy day funds and other fiscal reserves, as well as any policies governing their use and replenishment. **TRANSPARENCY** evaluates the accessibility to the public of states' budget practices.

* **SOURCE** Bloomberg; 2017 data also used for 2018.