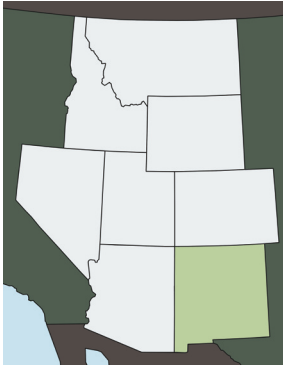


NEW MEXICO Budget Report Card



NEW MEXICO RECEIVED AN AVERAGE GRADE OF C in budget maneuvers for fiscal 2017 through 2019, but that low grade fails to fully reflect the state's decreased dependence on one-time measures to balance budgets toward the end of the evaluation period. In fiscal 2019, New Mexico stopped using debt to pay for recurring expenditures. It also halted the use of nonrecurring revenue and fund sweeps to help achieve balance. As a result, its annual grade in budget maneuvers rose to a B from a D for the previous two years.

The state scored a B average in reserve funds and set the stage for possible improvement. In 2019, it began tying Tax Stabilization Reserve deposits to historical revenue volatility, a best practice cited in the recent Volcker Alliance working paper, *Rainy Day Fund Strategies: A Call to Action*.

To help protect itself against swings in petroleum levies, New Mexico will now divert to the reserve a portion of general fund revenues generated by the Oil and Gas Emergency School Tax when its receipts exceed their five-year average.

New Mexico received a C average in legacy costs, which cover public worker pensions and other postemployment benefits (OPEB), principally health care. In fiscal 2018 and 2019, it began funding its annual OPEB contributions in line with actuarial calculations, as it did in 2017 through 2019 for pensions. Pension liabilities were 61 percent funded in 2018, 9 percentage points less than the total for all states.

MOUNTAIN STATES SIDE BY SIDE: Three-Year Average Grades, 2017-19


	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	D	A	B
Colorado	C	B	D	B	B
Idaho	D	A	A	A	B
Montana	D	B	C	B	B
Nevada	C	B	C	B	B
New Mexico	B	C	C	B	B
Utah	B	A	A	A	C
Wyoming	B	B	D-	C	C
US AVERAGE	B	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: The Balancing Act* at VolckerAlliance.org.


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BUDGET FORECASTING				
	2017	2018	2019	
	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				
	2017	2018	2019	
	CATEGORY GRADE	D	D	B
	Deferring Recurring Expenditures	✓	✓	✓
	Revenue and Cost Shifting	✗	✗	✗
	Funding Recurring Expenditures with Debt	✗	✗	✓
	Using Asset Sales and Upfront Revenues	✗	✗	✓
3-YEAR AVERAGE C		3-YEAR TREND ↗		

LEGACY COSTS				
	2017	2018	2019	
	CATEGORY GRADE	D	B	B
	Public Employee OPEB Funding	✗	✓	✓
	Public Employee Pension Funding	✓	✓	✓
	Public Employee Pension Funded Ratio*	63%	61%	61%
3-YEAR AVERAGE C		3-YEAR TREND ↗		

RESERVE FUNDS				
	2017	2018	2019	
	CATEGORY GRADE	B	B	A
	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				
	2017	2018	2019	
	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; 2018 data also used for 2019.

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