

## NEW MEXICO Budget Report Card



NEW MEXICO'S LAGGING PERFORMANCE in legacy costs from fiscal 2015 through 2019 left it with a category average of D-minus, putting the state with Hawaii, Illinois, Massachusetts, New Jersey, Texas, and Wyoming as those receiving the lowest possible score.

Contributing to New Mexico's grade was its failure to make annual public employee pension contributions recommended by actuaries in any of the fiscal years studied. At the end of the period, its pension funding ratio was 67 percent, 4 percentage points below the total for all states. New Mexico also chronically failed to provide annual actuarial funding for other postemployment benefits (OPEB), primarily health care, except for fiscal 2018, when its contribution came close.

New Mexico scored almost as badly in budget maneuvers, averaging a C even though it largely avoided one-time balancing measures in 2015–16. As oil prices dropped dramatically in the later part of the study period, however, the state relied more on maneuvers to cover shortfalls, including using proceeds from severance tax bonds.

While New Mexico averaged a B in budget forecasting, it was held back by a lack of long-term expenditure forecasts, a significant flaw in a state with volatile revenues. It also averaged a B in reserve funds, helped by a 2019 policy that links some deposits made to the Tax Stabilization Reserve to revenue volatility. In the transparency category, New Mexico received another B average, with its only weakness an absence of reporting on deferred infrastructure maintenance costs—a shortcoming shared by forty-four other states in 2019.

### MOUNTAIN STATES SIDE BY SIDE: Five-Year Average Grades, Fiscal 2015–19

	BUDGET FORECASTING	BUDGET MANEUVERS	LEGACY COSTS	RESERVE FUNDS	TRANSPARENCY
Arizona	B	C	C	A	B
Colorado	C	B	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	B	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: Preparing for the Storm* at [VolckerAlliance.org](http://VolckerAlliance.org).

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BUDGET FORECASTING							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	B	B	B	B	B						
Consensus Revenue Forecasts	✓	✓	✓	✓	✓						
Multiyear Expenditure Forecasts	X	X	X	X	X	●	●	●	●	●	
Multiyear Revenue Forecasts	✓	✓	✓	✓	✓						
Revenue Growth Projections	✓	✓	✓	✓	✓						
5-YEAR AVERAGE						B					

BUDGET MANEUVERS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	B	B	D	D	C						
Deferring Recurring Expenditures	✓	✓	✓	✓	✓						
Revenue and Cost Shifting	X	X	X	X	X	●	●				
Funding Recurring Expenditures with Debt	✓	✓	X	X	X					●	
Using Asset Sales and Up-Front Revenues	✓	✓	X	X	✓			●	●		
5-YEAR AVERAGE						C					

LEGACY COSTS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	D	D	D	D	D						
Public Employee OPEB Funding	X	X	X	✓	X						
Public Employee Pension Funding	X	X	X	X	X						
Public Employee Pension Funded Ratio*	71%	65%	63%	61%	67%				●		
5-YEAR AVERAGE						D					

RESERVE FUNDS							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	B	B	B	B	A						
Positive Reserve or General Fund Balance	✓	✓	✓	✓	✓					●	
Reserve Funds Disbursement Policy	✓	✓	✓	✓	✓	●	●	●	●		
Reserve Funds Replenishment Policy	✓	✓	✓	✓	✓						
Reserves Tied to Revenue Volatility	X	X	X	X	✓						
5-YEAR AVERAGE						B					

TRANSPARENCY							TREND				
	2015	2016	2017	2018	2019	'15	'16	'17	'18	'19	
 CATEGORY GRADE	B	B	B	B	B						
Consolidated Budget Website	✓	✓	✓	✓	✓						
Provides Debt Tables	✓	✓	✓	✓	✓	●	●	●	●	●	
Discloses Deferred Infrastructure Replacement Costs	X	X	X	X	X						
Discloses Tax Expenditures	✓	✓	✓	✓	✓						
5-YEAR AVERAGE						B					

### KEY

✓	Followed best practice
X	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.

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