September 1, 2023

Wayne Propst  
Cabinet Secretary  
Department of Finance and Administration  
190 Bataan Memorial Building  
Santa Fe, New Mexico 87501

Re: Fiscal Year 2025 Budget Submission

Dear Secretary Propst,

Per state law, I am providing the Department of Finance and Administration (DFA) with the New Mexico Environment Department’s (NMED) fiscal year 2025 (FY25) budget request. The FY25 budget request for NMED was approved by Governor Michelle Lujan Grisham.

In FY25, NMED is requesting to increase spending on our mission to protect public health and the environment. This reflects the moment we are in as a state: record levels of competitively available federal funding for communities and unprecedented state revenues; an opportunity to align private investment with our climate, air, and water goals; and equally protecting communities, especially environmental justice communities, from the impacts of historic and ongoing pollution. More specifically, NMED will:

- Create and support economic development opportunities stemming from the Bipartisan Infrastructure Law and Inflation Reduction Act, like clean hydrogen, uranium mining clean-up, and brackish water desalination.
- Protect communities from emerging public health concerns (e.g., creating an OSHA employer heat stress standard) and mitigating environmental contaminants (e.g., per- and polyfluoroalkyl substances (PFAS)).
- Protect the public health and the environment through innovative and traditional compliance assurance activities and assessing civil penalties for violations. This includes the federal government installations as well as the private sector.

To achieve these outcomes in FY25, NMED is seeking to increase spending as follows:

1) + $6.2 million in general fund for personnel services and employee benefits  

In FY25 NMED will increase spending by appropriately placing our employees to avoid the continued loss of highly specialized scientific talent. This approach is crucial to address significant historical challenges within our compensation structure.

Since NMED lost $6.2 million in general fund from underfunded employee compensation packages between FY19 and FY24, we have unfunded approximately 62 positions, reducing services to New Mexicans, and employees are not appropriately placed. By
addressing compensation for our employees, NMED aims to prevent staff from leaving for better opportunities in the private sector, federal government, or other state agencies. In addition, appropriately placing our employees may stem union grievances and other risks to the state. Appropriately placing our employees will ensure we are competitively compensating our employees who are responsible for ensuring federal and state funds reach communities, processing permits and licenses, and holding polluters accountable.

For these reasons, I instructed my team to prorate the $6.2 million increase in general fund in the Budget Formulation and Management (BFM) system proportionately across NMED Divisions from which it was cut (i.e., Program Codes or P-Codes). In addition, where our federal grants and special revenue fund balances allow, we are also increasing our spending in FY25. Given the increases from all funding sources in FY25 for personnel services and employee benefits, NMED is requesting P-Code transfer authority in the amount of 10% of our general fund operating budget.

2) + $3.1 million for building leases
Currently, NMED’s leased office spaces costs $3.1 million annually. Given the need for more office space, increased rent, and the federal government discouraging the use of federal grant dollars for leased space (outside of a small percentage known as indirect costs); NMED sought a $3.0 million special appropriation for leases in FY24. As a result of not receiving that special appropriation, NMED is in the process of reducing its office locations across the state. Last month, regrettably, we closed the Deming Field Office and are currently evaluating additional office consolidation/closure options. Today, NMED is paying for leases by using other FY24 special appropriations ($1.2 million) while making up the remainder of our lease expenses by cutting other costs, such as employee travel for field work, inspections, meetings, and supplies ($1.9 million). Currently, every dollar we spend on office leases today is a reduction in services to a community tomorrow.

In FY25, NMED may suspend the consolidation/closing of leased office space and possibly establish/reopen other offices around the state if this funding is appropriated. For the purposes of the BFM system, I instructed my team to add the $3.1 million for building leases to the Resource Management Division (P-567).

In summary, our FY24 operating budget compares to our FY25 agency budget request as follows:

<table>
<thead>
<tr>
<th></th>
<th>FY24 OPERATING BUDGET</th>
<th>FY25 AGENCY BUDGET REQUEST</th>
<th>DIFFERENCE ($, %)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GENERAL FUND</td>
<td>$25.5M</td>
<td>$34.6M</td>
<td>+$9.1M, 36%</td>
</tr>
<tr>
<td>FEDERAL FUNDS</td>
<td>$62.7M</td>
<td>$55.9M</td>
<td>-$6.8 M, -11%</td>
</tr>
<tr>
<td>SPECIAL REVENUE FUNDS</td>
<td>$43.1M</td>
<td>$49.8M</td>
<td>+$6.7M, 16%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$131.3M</td>
<td>$140.3M</td>
<td>+$9.0 M, 7%</td>
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</tbody>
</table>
The budget request for FY25 from NMED does not incorporate any suggestions stemming from legislative actions taken during the session. Any augmentation of NMED’s operations from the legislature will require extra funding.

In sum, NMED’s FY25 budget request is about seeking the funding to competitively compensate our employees while reducing the risk to the state from employee allegations of unfair labor practices. NMED is also seeking funding to maintain or expand our office space in communities. By retaining our workforce through competitive compensation and ensuring our business community and stakeholders have a local NMED office in their community – we can excel at strengthening our economy while protecting public health and the environment.

I appreciate the partnership with you and your team which is incredibly important in helping NMED succeed. Please do not hesitate to reach out to my me if you have any questions about NMED’s FY25 budget submission.

Sincerely,

James C. Kenney
Cabinet Secretary

cc: Danielle Gilliam, Deputy Cabinet Secretary, New Mexico Environment Department
    Charles Sallee, Director, Legislative Finance Committee