



# LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

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## From the Chairman Perspective

As I turn the reins of the Legislative Finance Committee over to the chair of the Senate Finance Committee for what could be the last time, it's hard not to reminisce about my last 14 years in committee leadership and my last 27 years in the Legislature.

During that time, the state adopted performance-based budgeting through the Accountability in Government Act, and the committee made it meaningful through its adoption of quarterly report cards.

The audit unit became the Program Evaluation Unit and its reports – on everything from the efficient spending of capital outlay dollars to the prevention of child abuse – are widely reported and often cited.

In this way, the committee has significantly contributed to the accountability and transparency of state government.

In addition, public school funding has increased by \$830 million since 2004, and just in the last few years, spending on early childhood has increased by \$100 million. In both cases, the committee has emphasized putting dollars into programs we know can work, what policy works like to call evidence-based spending. The pension funds are on their way to being sound and the state has started work on getting its books in order.

Because of its budget responsibilities, the LFC is necessarily involved in almost every state government decision. Depending on who is sitting in the governor's chair, this has meant balancing big spending plans with the message of financial caution or noting great need when the purse-strings were being tightly gripped. I believe we have worked hard to collaborate with the executive. Both branches, whether they are on the same or opposite side of the political aisle, are sincerely concerned with using the state's dollars efficiently to bring long-term improvement to the people of New Mexico.

I don't know a committed public servant who doesn't, now and then, question why they chose to work harder for less money. I suspect many state legislators, once elected, wonder if they were not a little crazy to have voluntarily headed to Santa Fe. So with nearly three decades in the Roundhouse on top of more than 20 years at the Department of Finance Administration, some must think I'm nuts. Maybe. But I'm proud of the work we have accomplished and I'm honored to have worked with dedicated committee members and diligent committee staff.

Representative Luciano "Lucky" Varela  
Chairman

## Child Programs Leave Gaps

Spending on early childhood programs has increased by almost \$100 million since FY12 but some of New Mexico's most needy children are still unserved, either because of inadequate funding, a lack of coordination, or a failure to target the right families, an LFC report suggests.

The Program Evaluation Unit is scheduled to present its gap analysis of early childhood programs at 8:30 a.m. on January 19 during the committee's final meeting before the start of the legislative session.

The evaluation notes enrollment in state-funded prekindergarten, targeted at school districts with high numbers of low-income children, has doubled in three years but some districts still have waiting lists. Although in some cases a district has room in half-day preschool but the parent wants full-day preschool.

While enough slots exist in prekindergarten, state-subsidized high-quality childcare centers, federally funded Head Start and special education preschools to serve New Mexico's roughly 19,000 low-income 4-year-olds, 20 percent of the slots are filled with children who are not low income and existing resources are badly distributed, the report says.

The evaluation unit found the state is short on slots for the K-3 Plus program, which provides an extended school year for children at risk of failing.

While the Legislature appropriated \$21.3 million in FY15 to serve roughly 19,000 students, an estimated 70,650 students qualify. K-3 Plus programs, available to low-performing schools or schools with high numbers of low-income students, are now in place in most eligible schools but often the

schools do not have enough slots to serve all eligible students. The report, which notes few K-3 Plus schools provide the program to all eligible grades, recommends targeting funding to high-poverty schools willing to provide an extra 100 days of instruction for all kindergarten through third-grade students.

The evaluation also found inadequate funding, along with a failure to target at-risk families, to blame for the failure to reach all New Mexico families that would benefit from the home-visiting program, which pays for nurses or paraprofessionals to visit families with new babies to help with parenting skills, accessing services, and other needs.

The \$10.6 million spent on the program funds services for 2,800 families but evaluators estimate 11,500 families would be eligible. While the state focuses the money on programs serving the "investment zones" – counties identified as high risk based on the rates of teen births, poverty, juvenile arrests, and other factors – only two of 24 home-visiting programs use eligibility requirements.

In addition, while Medicaid dollars likely could be used to match state spending and significantly expand the program, language in the state budget calling for a Medicaid match has been vetoed the last two years. Eight out of 10 New Mexico births are paid for by Medicaid.

The report cautions that any additional spending on early childhood programs should be paced with the ability of the programs to grow and the availability of providers. It notes some evidence indicates the quality of prekindergarten has declined during its rapid expansion.

## Job Creation Costs Vary Widely

An ongoing review of the cost-effectiveness of state economic development spending shows the tax dollars spent to create each job in certain job-creation programs – the "cost per job" – varies from less than \$500 to more than \$80,000, LFC analysis shows.

A table included in Volume III of the budget recommendation, available on the LFC website under the link for budget documents, shows the cost of each job created as a result of the technology jobs credit could be as

high as \$84,400, while the cost for each job created through certified business incubators is \$200.

However, estimating the cost per job is hampered by incomplete data and the fact tax incentives from various programs are often used together, making it possible the actual cost per job created is much higher.

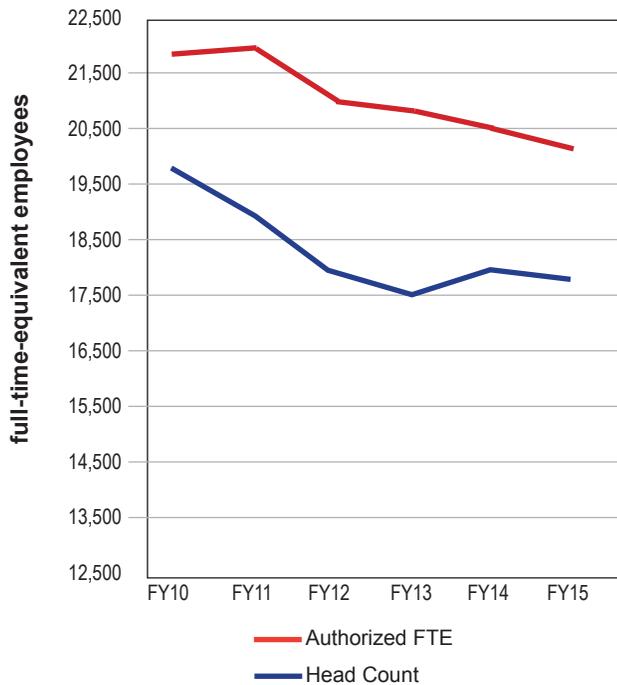
New Mexico would need to enact legislation requiring more detailed reporting from businesses using state tax incentives or program funding to accurately assess the cost per job.

# State Agencies Keep Headcounts Down

The Legislature has cut the number of authorized positions in state agencies over the last five years but the actual number of employees continues to lag behind, with the vacancy rate at most big agencies greater than 10 percent.

Both the number of authorized positions and the number of actual state employees have dropped from FY10, even though the state's economy has shown slow but steady growth and agency budgets have grown.

**State Employee Trends**  
(top 20 agencies)



## On the Table

### More Grandparents Head Households

The state saw a 3 percent increase in the number of households headed by grandparents, the Children, Youth and Families Department reports. The median income for multigenerational households in 2012 was \$49,271, compared with \$32,279 in grandparent-headed households where the children's parents were absent. The agency is evaluating a plan to provide low-income grandparents who are guardians with the same subsidies that foster parents receive.

### Transportation Refinance Could Save \$9M

The Transportation Department is refinancing \$92 million in 2006 and 2007 series bonds. Based on current interest rates, the department estimates refinancing could save \$8.7 million.

### Spaceport Cuts Request

The Spaceport Authority has revised its special appropriation request from \$3.6 million to \$1.8 million. The agency submitted the original request after a Virgin Galactic test vehicle crashed, prompting concerns about further delays in the start of the commercial spaceflights expected to support the port. The agency has now determined its need is less than expected. The Spaceport is now selling items branded with the Spaceport America logo through an online merchandise store.

### Oil Drilling Down

Oil drilling activity in New Mexico and throughout the United States has slowed because of declining oil prices. In New Mexico, the number of rigs declined from a 2014 high of 103 as of December 19 to 95 as of January 9.

### Violent Crime Up

Violent crime in New Mexico was up 6.6 percent in 2013, the FBI reports in its most recent *Uniform Crime Report*. The murder rate increased 7.7 percent and rape increased 17.6 percent. Nationally, the violent crime rate dropped 5.1 percent. New Mexico had the largest increase in violent crime in the country between 2012 and 2013.

### State Downgraded on Debt Outlook

Standard and Poor's has downgraded the outlook on the state's general obligation bonds from stable to negative. The revision is based on New Mexico's weak economic recovery, depressed energy prices, and recent findings that the state has weak centralized cash management.

### Transitions

LFC has hired a new fiscal analyst. Abraham Ishmael Sanogo has a master's of science in finance from Boston College and a bachelor's in mathematics from Iowa State University. Cody Cravens, an LFC program evaluator, recently earned a master's in business administration from the University of New Mexico. Frank Baca, acting director of the Gaming Control Board, has resigned after 14 years with the agency. Donovan Lieurance, the chief information officer, is acting director.

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Writer, Editor - Helen Gaussoin Staff Editor - Rachel S. Gudge

Questions, comments: 505-986-4550

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Please contact Sharon Boylan at [sharon.boyland@nmlegis.gov](mailto:sharon.boyland@nmlegis.gov) if you would prefer to receive this newsletter electronically.

Legislative Finance Committee  
325 Don Gaspar Street Ste101  
Santa Fe NM 87501