



# LFC Newsletter

A publication of the

**Legislative Finance Committee**

Senator John Arthur Smith, Chairman

Representative Jimmie C. Hall, Vice Chairman

David Abbey, Director

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## *From the Chairman* **En Común**

About half of New Mexico's southern border is shared with Mexico. But New Mexico and Mexico have much more in common than just a border.

Indeed, with names so similar the resulting confusion about the location of New Mexico is a running joke, New Mexico and Mexico have a shared history and strong cultural connection. As neighbors, we have common concerns about economics, transportation, and public safety. And we recognize that, whether the people we serve are north or south of the border, we all benefit from working together.

The committee, accompanied by cabinet secretaries and university presidents, will travel to Chihuahua, Mexico, for its September meeting to strengthen the ties between our governments. It's a trip a long time in the making. The committee last traveled across the border in 2007 for an informal series of meetings that turned out to be very productive. We intended to go back, but security concerns made the trip difficult.

Jump ahead almost 10 years and trade is on the rise, the border economy is heating up, and opportunities for building mutually beneficial partnerships are growing. It was clear it was time to make our return trip happen.

The LFC trip from September 28 to October 2 includes meetings with media and rail executives in Santa Teresa and a visit to a business accelerator and the state economic development office in Chihuahua. We will have discussions with Chihuahua legislators, which will include the president of the Mexican Congress, and hear from a panel of experts and officials talk about transportation and health care with the mayor of Chihuahua. Midweek we will focus on food production and we'll wrap up the trip with health discussions.

I have lived all my life near the border and have represented the Senate district with the longest Mexican border for 26 years. It's easy for politicians far from our state to demonize Mexico and its people – it certainly seems to win points with certain audiences – but those of us who are Mexico's neighbors know better. With any neighbor, cooperation is the best route. But working respectfully with a strong neighbor is clearly in our best interest. It is harder for us to succeed if our neighbor is poor and struggling and its social problems become our social problems.

We have common interests and an obligation to collaborate.

*Senator John Arthur Smith*  
*Chairman*

## **Low Pay Triggers Reform**

Three years after the State Personnel Office announced plans to reform the state pay and employee classification system, the agency says it is focused on the first five groups in its new occupationally based system, job “lines” the office says represent 30 percent of all classified employees and where low pay has made it hard to recruit and retain workers.

Although the office began transitioning to an occupationally based system in 2012 and reported in 2013 the average state employee salary lagged 18 percent behind the market, the administration has yet to implement the new system and the governor has not presented a comprehensive pay plan to the Legislature in several years.

Justin Najaka, state personnel director, told the committee in August the agency is focused on five lines: information technology, corrections, health care, public safety, and social services.

Within these lines, the office reports vacancy rates – the percentage of positions not filled with employees – are as high as 30 percent, which is the rate for forensic scientists with the Department of Public Safety. Najaka said all five fingerprint specialists offered a job turned it down because of low pay.

Turnover rates – the percentage of employees who quit in a year – are around 25 percent among several groups of employees in these occupations, includ-

ing nurses at Department of Health facilities and the Miners' Colfax Medical Center and Public Safety Department dispatchers. The turnover rate for law enforcement instructors is 31 percent.

Najaka said migrating the nearly 1,200 job classifications in the current personnel system to the 900 classifications in 12 job lines planned for the new system will make the system easier to manage and allow policymakers to target raises to hard-to-hire occupations. In turn, the state will save money on training, overtime, contract labor, and other costs associated with high turnover and high vacancies, he said.

About \$30 million of the \$41 million the state spent on overtime in FY15 was for employees that would fall into the five job lines that are the focus of the first phase of the office's reform plans.

State employment has dropped by about 3,000 employees since 2008, when the recession prompted a hiring and pay freeze. Although the economy has recovered and personnel budgets have increased, agencies continue to keep many positions vacant, spending the money instead on private contract employment agencies and other operational expenses, LFC analysis shows.

The Legislature approved a \$1.1 million appropriation to raise the salaries of nurses and related staff by 3 percent in FY16. However, the governor vetoed the appropriation.

## **Members Want More from Report Cards**

Agency report cards, LFC staff assessments of how well agency programs have met their performance targets, should be included along with agency budget requests during legislative hearings in January, the vice chairman of the committee says.

Representative Jimmie Hall told the committee during an August hearing on the year-end report cards that he was disappointed by the lack of interest from the public and the press in the hearing.

He said the report cards are as important as the revenue forecasts because, by providing information on program effectiveness, they tell policymakers how to get the “best bang for the buck.”

LFC staff members testified that development of meaningful measures, a responsibility of the administration,

has been mixed. LFC staff would like to move away from output targets, such as Medicaid caseload, to outcome measures, such as improved health.

Staff reported the Public Education Department has few measures to assess the programs funded outside the funding formula, and the Health Department's Facilities Management Program requested just one measure to assess its effectiveness in spending nearly \$140 million.

Richard Blair, deputy director of the State Budget Division, told the committee the executive encourages agencies to develop strong targets and work together on “big issues” that involve multiple agencies. However, he said agency managers “fear” being held accountable for factors outside of their control.

# Oil Industry Spills Outpace Production Increase

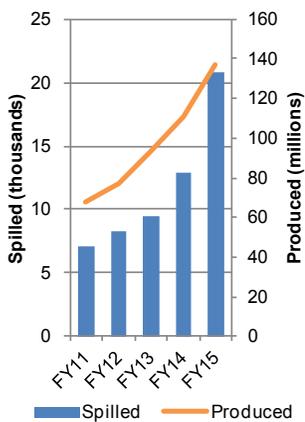
Oil production spills grew faster than oil production in FY15, and state agency staff say new production technology along with aging pipelines and storage tanks might be responsible, staff reports in the Oil and Conservation Division annual performance “report card.”

Oil production volume in New Mexico was up 23 percent in FY15, while the volume of spills was up 61 percent.

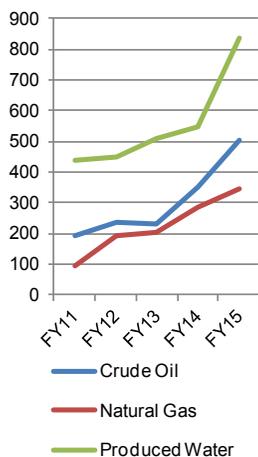
Division managers say the disproportion between production and spill growth could be the result of new drilling and production technology that brings more waste to the surface or failures in older storage and oil transfer infrastructure.

The number of natural gas and production-contaminated water spills, as well as the number of state inspections, are also up. The agency notes the 22 percent increase in inspections could be leading to more spills being reported, the report card says, although LFC staff suggest it might also reflect a drop in the quality of inspections.

**Barrel of Oils Spilled and Produced**



**Number of Spills**



## On the Table

### Copper Drop Prompts Layoffs

Mining company Freeport-McMoRan, in the wake of a severe decline in copper values and a 75 percent decrease in the company’s stock price in the past year, has announced plans to cut jobs, spending, and operations. The pullback includes a 50 percent cut in production and the loss of 210 jobs at the Tyrone mine near Silver City.

### Public Art Funds Idle

The Arts in Public Places fund has a balance of \$8 million, \$2 million of which has been sitting in the fund for almost 10 years. The Cultural Affairs Department has proposed spending some of the balance on local art programs primarily in Albuquerque, Santa Fe and Northern New Mexico.

### CNM Nursing Program To Expand

Central New Mexico Community College is planning on hiring 12 new part-time nursing instructors to expand their nursing program capacity from 216 students to 288 students. The college reports it has turned away four out of five program applicants some years.

### Company Plans 30 New Charter Schools

Bellwether Education Partners is advertising for a founding executive director for a new nonprofit organization in New Mexico that “will help launch 30 new (charter) schools by 2020 through incubation, replication, and expansion of high-performing charter schools across the state.” The advertisement notes New Mexico has “friendly charter laws and generous per pupil funding.”

### TANF Payments Up

Low-income households receiving Temporary Assistance for Needy Families cash assistance are getting 7.5 percent more this year compared with FY15, the Human Services Department reports. The 2015 General Appropriation Act included language calling for a 5 percent increase to partially reverse changes that went into effect January 1, 2011 that reduced monthly benefits by 15 percent.

### Forecasters Up Impact of Oil Price

The estimated impact on the state general fund of a \$1 change in the per-barrel price of oil, long set at about \$6 million, has been increased to \$9 million to \$10 million. The impact has become more dramatic because oil production in the state has exploded.

### Transitions

Julia Downs and Brandee Pacheco are LFC’s newest analysts. Downs is a recent graduate of New Mexico State University with a bachelor’s degree in government and was a summer intern for Think New Mexico. She is assigned to courts and district attorneys. Pacheco has worked for Bernalillo County as a budget analyst and the Department of Finance and Administration Local Government Division. She will be working on capital outlay issues. Brad McGrath stepped down as Department of Health deputy secretary to return to the New Mexico Rehabilitation Center as administrator. Michael Marcelli, former state budget director, has taken a job with the University of New Mexico Athletic Department financial office. Rick May, former Department of Finance and Administration secretary and New Mexico Finance Authority director, has returned to his old position as staff director of the budget committee of the U.S. House of Representatives.

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