



LFC Newsletter

A publication of the

Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

David Abbey, Director

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From the Chairman

Sad Assumption

The fallout from the State Treasurer scandal continues with news late last month of proposed sanctions against former securities broker and political insider Guy Riordan. Calling Riordan's alleged payment of kickbacks to former State Treasurer Michael Montoya "outrageous," a Securities and Exchange Commission administrative judge recommended that Riordan be banned from the securities industry for life and pay the state \$2.2 million in damages and interest.

Riordan portrayed the charges as politically fueled harassment, but Riordan's reaction looks more like politically fueled arrogance. The sad fact is that some New Mexicans assume many of their political leaders are self-serving. While that is not true for most, it takes just one engaging in questionable, if not unethical or illegal, behavior to keep the impression alive. Candidates with creative memories, industry-sponsored junkets, former key state policymakers sliding into jobs as lobbyists – none of it helps build public confidence.

As public servants, we owe it to the public to act in ways that build, not tear down, confidence. The LFC was among those that sounded an early alarm about the State Treasurer's Office activities, repeatedly pointing out odd investment practices long before the FBI raided the office. The LFC has no power to prosecute, but it does have the power to shine a public light on questionable practices – whether those practices are the result of incompetence or corruption. That light is one way the committee fulfills its important role of serving the public.

Senator John Arthur Smith
Chairman

Behavioral Health Costs Up; Better Reporting Sought

State spending on behavioral health care has increased some 48 percent since the creation of the Behavioral Health Collaborative in 2004, but it is unclear how much services have improved.

The committee is scheduled to hold a hearing on the performance of the Behavioral Health Collaborative at 1:30 on August 12 in Cloudcroft.

The primary responsibility of the collaborative, a cross-agency effort to improve access to and the quality of publicly funded mental health care, is to oversee a \$425 million contract with ValueOptions New Mexico to manage behavioral health care. Most of that – \$323 million – is paid through the Medicaid program and about \$95 million of the Medicaid dollars are federal matching funds.

Under ValueOptions, the number of behavioral health clients has hovered around 70,000, fewer than before the contract. In addition, care providers have complained at legislative hearings that ValueOptions is slow to pay claims and denies too many claims.

The collaborative has sanctioned ValueOptions for failure to submit timely reports and has assessed a \$5,000 penalty for each late report. ValueOptions was under a corrective action plan for its

lack of documentation in certain areas. Under the plan, claims denials decreased from a rate of 25 percent in the first quarter of FY07 to 12 percent through the second quarter of FY08.

The ValueOptions contract expires in 2009 and the collaborative issued a new request for proposal in July.

State lawmakers earlier this year adopted legislation that requires the collaborative to report quarterly and annually on performance and activities, adopt rules for approving contracts and contract amendments, and adopt standards for delivery of behavioral care services.

The legislation also requires the four agencies in the collaborative – the departments of Health, Human Services, Aging and Long-Term Services, and Children, Youth and Families – to submit a consolidated budget request. Currently the agencies seek money separately, making it difficult to get a true picture of behavioral health care spending.

In the one annual report produced by the collaborative, issued in June 2008, the collaborative reports that 80 percent of the children receiving services are successful in school, 77 percent of those receiving services for alcohol abusers improve, and 66 percent of the drug users improve.

NM Home Visiting Starting To Show Results

An assessment of the 10-year-old Grant County First Born program, a home visiting program for first-time parents, indicates the families in the program are stronger and more supportive and the parents have fewer of the personal problems that make it hard to be a good parent.

The assessment by New Mexico State University looked at 109 families before and after they participated in the program. First Born sends trained caregivers to visit first-time pregnant women and first-time families in their homes to offer information, support and medical advice. Participation in the program is voluntary and families can continue in the program until the child is 3 years old.

The assessment found families scored better on social support, caregiver characteristics, family interaction and

personal problems after participating in the program.

The program reports that all of the pregnant women in the program during the first part of this year were receiving regular prenatal care, almost all of the children were current with immunizations, none of the children were being abused or neglected, none of the infants were being physically punished, and almost all the children were developing and growing normally.

The Grant County program and other programs in the state like it were the topic of an LFC hearing in July.

National studies of similar programs in other states, show long-term savings in education, social services and public safety costs ranging from \$1.26 for each dollar invested to \$17.07. The return

tends to be stronger for programs that target high-risk families, as opposed to the universal program offered by the Grant County First Born program.

The RAND Corporation, which conducted those studies, is performing a 10-year longitudinal study of New Mexico's Northern First Born Program, a program modeled on the Grant County program. The study will follow the children until they are 8 years old.

New Mexico's investment in home visiting services has grown from about \$500,000 in FY06 to \$2 million in FY09. The Legislature is considering ways to use federal money to support home visiting programs. Half of the children born in New Mexico are eligible for Medicaid.

The estimated cost of expanding services statewide is \$30 million a year.

Film Credit Cost Jumps as Production Increases

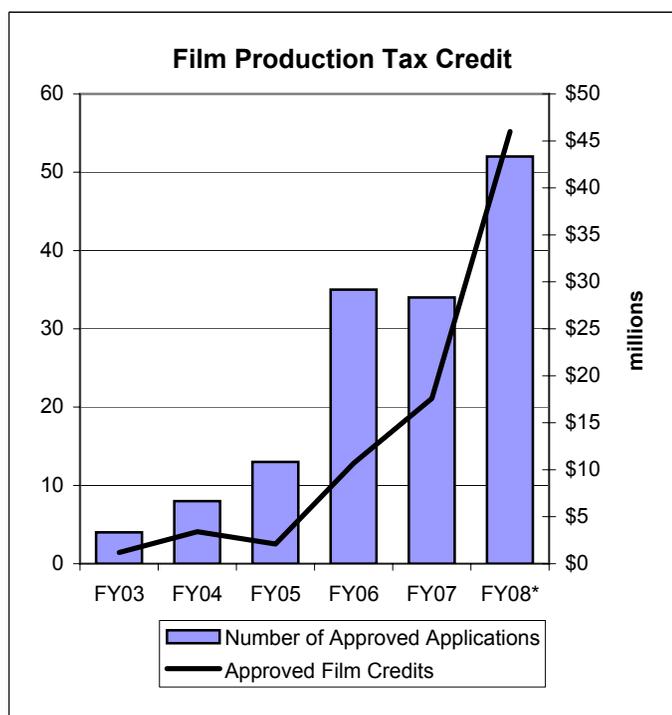
The film production tax credit, brand new just five years ago, could cost the state as much as \$80 million a year by FY10, LFC analysis shows.

The refund on taxes paid by film production companies working in New Mexico was created in FY03 but the cost of the tax break didn't take off until the credit was increased to 25 percent in January 2007.

In the last fiscal year before the increase went into the effect – FY07 – the state approved \$17.6 million in rebates to production companies that spent \$158.7 million in the state. However, in just the first six months of the following fiscal year, the state refunded a total of \$35.2 million to 22 film and media projects.

Legislation to cap the film production tax credit at \$30 million per year was discussed before the 2008 legislative session but was not introduced.

The committee is scheduled to hold a hearing at 1 p.m. August 13 on New Mexico film initiatives during its meeting in Cloudcroft.



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On the Table

State Crime Rate Down but Higher than Average

The statewide crime rate was down in 2006 from its peak in 1997 but was still higher than the national average. The 2006 rate was 4,580 crimes per 100,000 population, compared with the high of 6,906 in 1997 and the 2006 national average of 3,808.

Insurance Pool Grows

The New Mexico Medical Insurance Pool, a public-private insurance program for New Mexicans who have been denied health coverage, reports claims now outstrip premiums 4-to-1. Pool administrators are making up the difference by increasing the assessment on the insurers in the pool. Membership in the pool has grown 14 percent in the last six months.

State Gets Small Share of Bridge Money

New Mexico will get three-tenths of a percent of the \$1 billion in federal bridge repair made available after Minnesota bridge collapse a year ago. The \$3 million will repair one or two bridges in New Mexico.

NM Unemployment Rate Still Relatively Low

New Mexico's June unemployment rate of 3.9 percent was higher than its May rate of 3.8 percent but still below the national rate of 5.5 percent.

Health Facility Projects Need More Money

The Health Department will need \$24 million more to complete the Meadows Hospital at the Behavioral Health Institute in Las Vegas and another \$8 million to finish the Alzheimer's unit at the Veterans Home in Truth or Consequences. The department has \$11 million of the total \$45 million cost of the Meadows Hospital and voters will decide this fall whether to authorize \$10 million in general obligation bonds. The Health Department has \$7.9 million of the total cost of \$21.4 million for the Alzheimer's unit. The federal Veterans' Administration will reimburse the state for 65 percent of the total cost when construction is complete. Health officials say the construction is necessary to maintain Medicare certification and licensing.

LFC Report Wins National Award

A LFC performance evaluation on the interagency Behavioral Health Purchasing Collaborative has been recognized by the National Legislative Program Evaluation Society. The Recognition of Impact award was presented in July at a national meeting of the society.

Transitions

David Archuleta, formerly a budget analyst for the Department of Finance and Administration, has joined LFC as a fiscal analyst. He has a bachelor's degree in management from the University of New Mexico and worked at the General Services Department as a finance bureau chief.

Gilbert Perea, who retired as assistant secretary of transportation at the Public Education Department earlier this year, has returned to the same job.

Former Rep. J. Paul Taylor has been named a regent to the Museum of New Mexico Board of Regents.

Wayne Propst, former LFC fiscal analyst, is the new director of the Retiree Health Care Authority.

Ron Segura is moving from director of the Administrative Services Division at the Higher Education Department to the same position at Homeland Security.

He will be replaced at higher education by David Hadwiger, another former LFC analyst.

Corrections Department Deputy Secretary Erma Sedillo has retired.

Jennifer Hoffman, former Santa Fe director of Ballantines Public Relations, has been named deputy secretary of the Tourism Department. She replaces Sharon Maloof, who will continue with the agency as head of its overseas programs.

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