



LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

Volume 10 Issue 02

August 2009

From the Chairman Eyewitness

A presentation on the Navajo water project during the committee's meeting in Gallup was one of those times when it becomes clear why the committee needs to get out of town every summer.

The testimony from the vice president of the Navajo Nation focused on the importance of the \$800 million project to the 70,000 Navajo without running water.

Obviously, the committee has heard about this major project, which included years of negotiations among the State Engineer, the tribe and other groups. But the simple difference of being physically close to those in need of help is a big difference indeed. The testimony from the vice president was more effective because of where we were when we heard it.

It's easy to forget, from the urban areas of Santa Fe, Albuquerque, and Las Cruces, that much of the state is very rural, with sometimes sketchy water supplies. Or that our state police are critical to law enforcement in these same rural areas. Or that a decent highway can make or break a small town business.

The committee takes its final road-trip of the summer in August when it heads to Angel Fire. Then it's back to Santa Fe in September and the hard work of drafting a state budget plan. It's important that we keep the lessons from summer close to us when we get down to the number crunching.

Representative Luciano "Lucky" Varela
Chairman

States Might Pick Up Tab for Healthcare Reform

The federal government is likely to cover the initial cost of the mandatory Medicaid expansions in healthcare reform proposals but the states are likely to have to pick up the tab eventually, LFC analysis indicates.

The impact of federal healthcare reform on the states will be part of a hearing during the committee's meeting in August. The hearing, scheduled for 8:30 a.m. August 12, includes discussions of Medicaid cost cutting plans and healthcare spending and quality.

Both the U.S. House and Senate have proposed expanding those eligible for Medicaid, traditionally poor children, some parents, the poor elderly, and the disabled, to include some adults without children. Both chambers are still in the process of revising their proposals.

The current House version would require states to provide Medicaid primary care coverage to everyone, including adults, earning less than 133 percent of the federal poverty level, about \$14,400 a year for an individual and \$29,300 for a family of four.

The House version also calls for increasing payments to Medicaid providers to 100 percent of Medicare rates, eliminating the Children's Health Insurance Program that New Mexico uses to subsidize insurance coverage for adults, and using Medicaid to subsidize insurance premiums for low-income individuals not eligible for Medicaid.

The current Senate proposal would set the minimum income level at 133 percent of the federal poverty level for children and pregnant women and

at 100 percent for other adults.

Both proposals call for the federal government to cover the full initial cost of the Medicaid expansions but for that full support to be phased out. States now pay a share of the Medicaid costs based on their economic conditions. In New Mexico, the share is usually around a quarter of the total costs.

Federal Funds Information for States, a joint project of the National Governors Association and the National Conference of State Legislatures, estimates New Mexico's additional annual cost under the Senate Medicaid expansion plan would be about \$550 million, with about \$388 million of that coming from the federal government.

State appropriations for the New Mexico Medicaid program for FY10 total \$799.5 million. However, the Human Services Department is anticipating a \$37 million shortfall, partly because of record levels of enrollment and unexpected costs in the Coordination of Long-Term Services program.

The federal American Recovery and Reinvestment Act prohibits states from cutting costs by restricting Medicaid eligibility.

Possibilities for reducing the shortfall include cutting payments to providers, cutting the administrative fee paid to managed care contractors, and eliminating some benefits.

Although the recovery act included large increases in federal Medicaid support, a national survey found 16 states cut provider payments or benefits to constrain costs for FY09.

Unemployed To Get Help through Stimulus Spending

The Workforce Solutions Department plans on using \$3.2 million in federal stimulus money to do more to get the unemployed back to work sooner, agency documents say.

About half of those receiving unemployment payments run out of benefits before they have a new job, the department says.

The "enhanced reemployment plan" calls for beefing up services for the unemployed and includes hiring 43 term employees. The department plans to hire 40 specialists for the Workforce Connections Centers scattered throughout the state, with half of those in the

central region.

All unemployment insurance claimants will be interviewed to assess their skills and needs. Claimants identified as likely to exhaust their benefits before they are reemployed will get more intensive services. That group will include those who have exhausted their benefits in the past and low-skilled workers coming from declining industries.

About \$650,000 of the \$3.2 million would be spent on existing computer programs that prescreens clients for jobs and helps them identify weakness that need to be addressed with training.

The announcement of the reemployment plan comes on the heels of the committee's July hearing on the department's plans to spend \$8.3 million in stimulus money distributed through the federal Workforce Investment Act. That money will go to local workforce boards and will be used mostly for youth services programs.

Committee members have raised concerns about using the one-time stimulus money to create new programs that will need continuing support.

Regular Workforce Investment Act spending in New Mexico dropped 36 percent between 2003 and 2008.

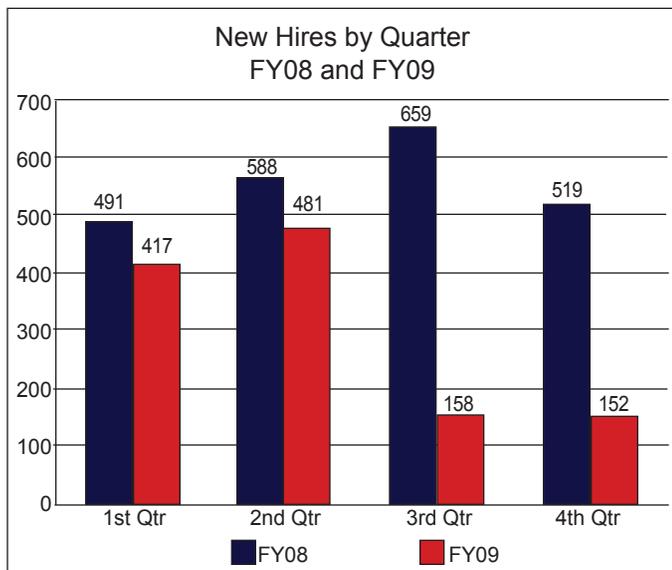
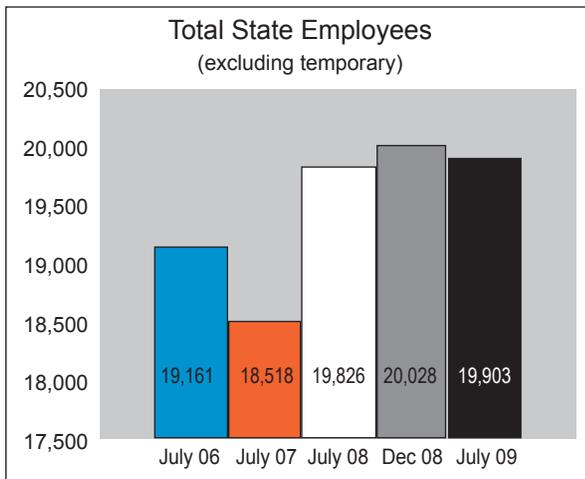
Freeze Slows Hiring but Employment Still Grows

The state gained employees over the FY09 fiscal year, but new hires were down by half, LFC analysis shows.

The State Personnel Office reports state employment grew by 77 employees in FY09, from 19,826 in July 2008 to 19,903 in July 2009. The number of employees grew in the months between the announcement and effective date of a hiring freeze but dropped after the freeze went into effect in November.

New hires were significantly down for the year, with 1,208 new hires in FY09 compared with 2,257 new hires in FY08.

The Personnel Office also reports that turnover was down and vacancy rates are slightly lower. Public Employee Retirement Association figures show a very slight drop in the number of retirements. Managers there said a decline is rare.



LFC Newsletter

Volume 10 Issue 02

Published monthly in the interim by the Legislative Finance Committee.

Writer, Editor - Helen Gaussoin

Staff Editor - Ellie Ortiz

Questions, comments: 505-986-4550

lfc.nmlegis.gov

On the Table

\$22 Million Available for Local Infrastructure

The Department of Finance and Administration is accepting applications from local governments, tribes and school districts for funding for public construction projects. The governor has made \$22 million of \$58 million in discretionary funding available for shovel-ready projects that involve the rehabilitation of government facilities and infrastructure. Among acceptable projects are water systems, sidewalks, and street lights.

Funds Have Good Quarter, Bad Year

Both the Educational Retirement Board and the Public Employee Retirement Association had strong returns in the fourth quarter of FY09 but big losses for the year. The ERB fund earned 14 percent in the fourth quarter but lost 17 percent for the year. The PERA fund earned almost 12 percent during the fourth quarter but lost 24 percent over the year.

The value of the ERB fund dropped \$1.7 billion in FY09, ending at about \$7.1 billion. The loss in the value of the PERA fund was about \$3 billion. The value of the fund was about \$9 billion at the end of the year.

Treatment Court Less Costly, More Effective

Offenders diverted from the regular court system to the programs offered by the drug and DWI courts in Bernalillo County are less likely to commit a new offense, a study by the New Mexico Sentencing Commission concludes. The recidivism rate from treatment court graduates was one-third that of similar offenders, and jail and prison time cost 4.5 to 6.4 times as much.

Caseloads Continue To Climb

The caseload for the food stamp program, now known as the Supplemental Nutrition Assistance Program, or SNAP, grew nearly 30 percent from June 2008 to June 2009, with large increases in Sandoval and northeast Bernalillo counties. The Temporary Assistance for Needy Families cash assistance caseload grew about 22 percent during the same period.

Transitions

David Abbey, LFC director, was named the 2009 winner of the Legislative Staff Achievement Award from the National Association of Legislative Fiscal Officers. Abbey was one of two legislative staffers honored during the National Conference of State Legislatures conference in late July. Erlinda Campbell, analyst and administrator for the Senate President Pro Tem office, received the Leadership Staff award for her contributions to the New Mexico Senate and the NCSL Leadership Staff Section.

Paul Ritzma, general counsel for the Human Services Department, is now deputy chief of staff to the governor.

Daniela Glick, deputy secretary of the Economic Development Department and chair of the Spaceport Authority Commission, has been named director of New Mexico's Washington Office of the Governor. Glick replaces Tony Martinez.

Germaine Chappelle, Transportation Department general counsel, is moving to the Department of Public Safety as general counsel.

Charles Sallee, LFC performance evaluator, completed the Executive Program in State and Local Government at Harvard's Kennedy School.

The New Mexico Finance Authority hired Jarratt Applewhite as a financial advisor. Applewhite has experience in both the public and private sectors.

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