



# LFC Newsletter

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Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman

Senator John Arthur Smith, Vice Chairman

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## From the Chairman

### Dealing with Drought

We hear it all the time. We see it on bumper stickers. El agua es vida. Water is life. We know. But what can we do? The weather is outside of our control. And administration of the resource is buffeted by culture, historical rights and convoluted federal and state law.

A big factor in the difficulty of administering New Mexico's water is the lack of definitive information on who owns what rights. The state is involved in a dozen lawsuits to adjudicate – legally quantify – water rights within the Rio Grande, Pecos, Upper Colorado River, and Lower Colorado River drainages. These lawsuits – one of which is nearly 60 years old – affect most of the pueblos and tribes, federal agencies, irrigation districts, municipalities, counties, community ditches and an estimated 72,000 individuals.

In the absence of a legal resolution, the State Engineer, responsible for the tortuously slow adjudication of water rights as well as the long-overdue statutorily required state water plan, launched active water resource management in certain high-priority basins. Although developed primarily as a drought response, active management puts in place water meters, basin-specific rules and other tools to measure and manage water resources and meet downstream obligations.

The State Engineer has also developed water-sharing agreements in areas with shortages to avoid a priority call, in which those with the newer rights can be cut off so that those with older rights can get their full share.

But, with drought becoming the new normal, we need to get aggressive with managing and planning for this limited resource. The State Engineer must get more ambitious and assertive with adjudication and get to work on the state water plan. A recent town hall on water held by New Mexico First concluded the state must expand the use of water-sharing agreements, improve water rights management, and improve the adjudication process.

At the same time, the administration and Legislature, which worked together during the last legislative session on a \$90 million water project package, must continue to work together to repair the fragmented and inefficient system for managing water project planning. Investing in water infrastructure is meaningless if it is not effective.

While it's true we can't change the weather, we can do a better job of managing what we have and planning for a future that is likely to be hotter and drier. It's critical that we do. Without water, the agricultural industry will falter, taking entire communities with it. Without water, communities will struggle to attract economic activity. El agua es vida.

Representative Luciano "Lucky" Varela  
Chairman

## Hospital Concerns Continue

Continuing concerns with the state's approach to distributing Medicaid dollars to hospitals suggest the issue needs more work and tax reform might be part of the solution, LFC analysis shows.

Hospitals, counties and the Human Services Department, which manages Medicaid, have all raised concerns about the new law passed during the last legislative session that was intended to fix problems partly created by the switch from the sole community provider program to the Safety Net Care Pool for distributing funds to hospitals to cover care they provide to those who cannot pay. As much as \$275 million was distributed to hospitals through the sole community provider program; funds in the Safety Net Care Pool are estimated at \$69 million.

The department says the fix generates less money than they need, counties say healthcare programs for the poor not covered by Medicaid might be cut, and large hospitals in small communities fear they will get no money from the pool, according to testimony presented at the committee's July hearing.

Last year, some mostly rural hospitals were cutting staff and in danger of closing partly because of the loss of sole community provider funds.

Counties raise money for health care for the poor through a 1/8th of a percent healthcare gross receipts tax and other methods and, when the sole community provider program was in place, sent some of the money to the Medicaid program to be matched with federal dollars and then distributed to hospitals.

Because of issues both with the way some counties provided the match for

federal funds and how the state distributed the money and in anticipation that more New Mexicans would have paid-for healthcare with the expansion of Medicaid, the HSD switched from the sole community provider program to the Safety Net Care Pool.

During the session, the HSD proposed the state supplement the much smaller pool distributions to hospitals with an increase in the rates paid for Medicaid services and asked that counties be required to contribute an amount equal to the 1/8th percent healthcare tax to the pool to match federal funds.

However, counties balked, arguing that the required contribution would cut into funding for indigent healthcare programs outside Medicaid, such as health care in jails and preventive care clinics.

The law passed with a mandated amount equal to 1/12th of a percent, but the department says that will leave them \$10 million short of what's needed to match federal funds.

Despite the reduced contribution, counties, which also received additional taxing authority under the new law, say they are still short on money for indigent care programs, with San Juan County considering cutting services.

In addition, the largest of the hospitals eligible for sole community provider funds are the lowest priority in the distribution from the Safety Net Care Pool and risk getting no funds at all. The department has said they expect to have \$1 million to \$2 million left in the pool for the large hospitals and note large hospitals will benefit the most from the \$171 million rate increase.

## Schools Underuse Short-Cycle Data

The state is investing millions in short-cycle assessments in the public schools to help teachers identify and address student and class weaknesses, but schools might not be using the testing effectively.

The committee is scheduled to hear a report on short-cycle testing at 3:30 p.m. August 25.

The Legislature included \$1 million in public school formula funding for short-cycle testing in FY15, and the Public Education Department designated \$1 million in related recurring initiative funding for short-cycle testing.

In addition, the PED requires short-cycle testing as part of the early reading initiative and K-3 Plus extended school

year program.

However, while schools might administer the tests, review the results and share the results with parents, many do not use the results to customize instruction. Schools that use data tend to be more effective.

LFC staff research shows effective use of data includes strong leadership, a districtwide system, and the involvement of students in examining the data and setting learning goals.

LFC staff have noted in reviews of school performance that, despite providing funding for short-cycle assessments, the Legislature receives no statewide information on their impact to assess the program.

# Two-Thirds of Grant To Go to Preschool Quality

A program to rate and improve the quality of childcare centers will get \$24.6 million of the state's \$37.5 million federal early learning grant.

The other third of the Race to the Top: Early Learning Challenge grant, a multi-year grant awarded in 2012, will be spent on implementing a program to assess preschool children for kindergarten readiness, establishing early childhood investments zones, and building a data system to track young children who access state-funded early childhood programs through elementary school, higher education and the workforce.

The committee is scheduled to hear a report on the status of the grant at 1:30 p.m. on August 25.

Under FOCUS, the state's latest rating and improvement program for childcare centers, regulators from the Children, Youth and Families Department will work with childcare centers to improve their programs by helping them develop curriculum, family engagement strategies, and health and safety practices. The department will also be engaged with educator education.

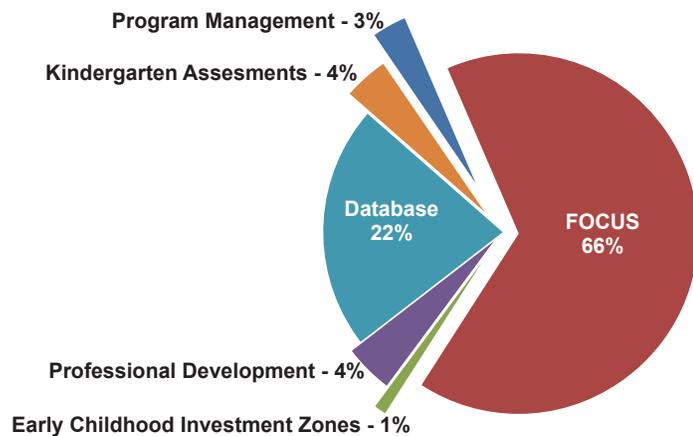
So far, the department has developed the program guidelines.

Another 22 percent of the grant, about \$8 million, will be used for the child-tracking database for use by the Public Education and Children, Youth and Families departments. Existing databases are being checked for the possibility of incorporating them into the new datgabase.

About \$1.5 million each is going to the Kindergarten Entry Assessment and professional development. The assessment program will evaluate whether a preschool child is ready for kindergarten by looking at language and literacy development, cognition and general knowledge, physical well-being and emotional development. The state expects to implement a pilot project this fall.

About \$400,000 is set for the implementation of the early childhood investment zones to address socio-ecological factors that affect child development. The Children, Youth and Families Department has invited five communities to help develop the program.

## Race to the Top: Early Learning Challenge Grant \$37.5 million



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## Prisons Rank High on Unsupervised Releases

New Mexico was 14th in the nation in 2012 in the share of inmates released into the community without supervision because they had "maxed out" their sentences and finished parole inside a prison, the Pew Research Center reports. Almost 31 percent of New Mexico inmates released were released without parole, while the national average was about 22 percent.

## School District Takes State back to Court

Gallup-McKinley County Schools is asking a state district court to review whether the state is in compliance with the court requirements under the so-called Zuni lawsuit that guides how the state allocates construction money for public schools. Among the issues the school district wants the court to review is whether the definition of "statewide adequacy standards" should include prekindergarten classrooms, homes for teachers, and other expenses. The Public School Capital Outlay Council, which oversees state-funded public school construction, could amend its rules to include the additional items. The school district is also questioning how maintenance money is allocated. A court hearing is set for November.

## Child Support Collections Exceed Targets

The Child Support Enforcement Division of the Human Services Department collected \$137.1 million in child support payments in FY14, \$4.9 million more than the year before and \$2.1 million more than its target.

## Bed Bugs Shut Down Fort Bayard

The Yucca Lodge substance abuse treatment center within the Fort Bayard Medical Center was closed for weeks because of a bed bug infestation. The center is reopened with 12 patients in the 18-bed unit.

## NM Hosts National Legislative Conference

New Mexico will host this year's Western States Legislative Fiscal Officers Association annual meeting September 3-5. David Lucero, LFC deputy director, is president of the association this year.

## Transitions

Yann Lussiez is LFC's newest program evaluator. Lussiez has worked as a teacher, principal and administrator in traditional and charter public schools and in international schools. He has a doctorate in education from the University of New Mexico.

Rachel Mercer-Smith, LFC program evaluator, has completed a master's degree in public administration from the University of New Mexico.

Kevin Romero, former acting administrative services director for the Higher Education Department, now serves as the administrative services director for the Department of Information Technology.

The Public Education Department has hired John Wolfe, former business manager of Los Alamos Public Schools, as the director of school budget.

He replaces Eileen Marrujo-Gallegos, who has been named special projects coordinator.