



# 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*

## Asleep at the Wheel

As anyone who has shelled out big bucks for a new computer can tell you, it's more than a little frustrating when the technology doesn't work right out of the box.

Multiply that by hundreds of thousands and you can get a sense of how government feels about big, new information technology projects.

Nationally, an estimated 25 percent of large IT projects fail and another 40 percent are finished late and overbudget without all the functionality promised. In New Mexico, just in the last few years, the Human Service Department abandoned the development of a new benefits-delivery system after spending \$20 million when it became clear it was never going to work, and the Motor Vehicle Department terminated the contract for a new driver information system after \$5 million because its first test run was a failure. The \$30 million statewide human resources and financial accounting system called SHARE was the bane of every state employee's existence until the state poured millions more into it.

So you would think with millions of dollars and thousands of man-hours at stake, the state would do everything it could to limit the problems.

You would be wrong.

The New Mexico IT Commission, created to independently oversee the state's IT investments and develop a IT strategic plan for the state, has not met since 2010, even though it is required under state law to meet quarterly. The commission is scheduled to meet in December but the Department of Information Technology has yet to confirm a date or even who the members are.

Without a functional commission, no independent group is checking the details of IT projects or making sure a project fits into the state's overall plan, no one is making sure the state's investment in IT infrastructure makes sense for the future and across agencies.

New Mexico state government has spent more than \$90 million on computer technology in the last five years. The executive owes it to taxpayers to do all it can to ensure it spends the future millions effectively and efficiently.

**Senator John Arthur Smith**  
Chairman

## Lawsuits, Rate-Setting Challenge State Funds

A haphazard and inadequate rate structure for covered state agencies and unexpectedly high claims have put three state-managed self-insurance funds in danger of running short of funds for projected claims.

The status of the state's public liability, unemployment compensation, and health benefits funds, the responsibility of the Risk Management Division, will be part of the committee's budget hearing for the General Services Department scheduled for 3 p.m. December 6.

A private risk management company has projected the public liability fund will be almost \$150 million short of projected demand mostly because of a medical malpractice settlement five times larger than expected.

In a separate report on the actuarial soundness of the state's public liability fund, the department projects the self-insurance fund will have a balance of \$18 million at the end of this year and \$2.6 million at the end of FY14, far short of the 50 percent reserve target and of the level needed to pay medical malpractice claims of \$120 million for care at a state facility.

The Risk Management Division is also struggling with paying unemployment compensation insurance, in part because it did not collect enough from agencies.

The division might be required to pay

## Fewer Capital Projects Stalled

The number of outstanding capital outlay projects has shrunk from 7,300 worth \$1.7 billion in mid-2008 to about 800 worth \$326 million in the most recent capital outlay report, LFC analysis shows.

The number has dropped significantly partly because the Legislature swept up idle funds throughout state government to cover recession-driven shortages but also because of the decades-long effort of the administration and the Legislature to develop an effective monitoring system.

The committee is scheduled to hold a hearing on the most recent quarterly report on capital outlay at 8 a.m. on December 7. The report, released in September, is available on the committee's website. A new quarterly report will be

\$7 million in late fees and penalties to the Workforce Solutions Department in FY13.

More recently, the department paid two life insurance claims totaling \$55,000 out of the employee health benefits fund after the Standard insurance company denied the claims, saying the employees were not covered because the state had not filed required medical forms.

The state deducted the premiums from the employees' pay and the department sent the payments to the Standard. However, the department did not ensure the Standard had accepted the employees for coverage.

Attorneys have filed a class action lawsuit on behalf of the employees.

The employee health benefits fund is projected to run out money to pay claims in 2014 unless premiums are raised or benefits are cut.

The department's budget request for FY14 shows the agency is planning on total collections from all agencies for all coverages to stay the same in FY14. However, rates might not be based on a methodology that accurately reflects the loss history of individual agencies.

The committee is expected to include in its budget recommendation a request that the department reinstate the Risk Management Advisory Board. The board rarely met in 2012.

released later in December.

Projects experiencing delays include the Shiprock Home for Women and Children, the Santa Teresa port of entry and tribal libraries funded with voter-approve general obligations bonds in 2010, the September capital outlay report says.

Of the \$223 million in projects approved in the 2008 general obligation bond election, \$7.7 million for nine projects remains unspent.

The report says more than \$61 million for 203 projects is scheduled to revert in June.

In addition, records show no activity on 31 local projects funded with \$3.8 million in appropriations between 2009 and 2010.

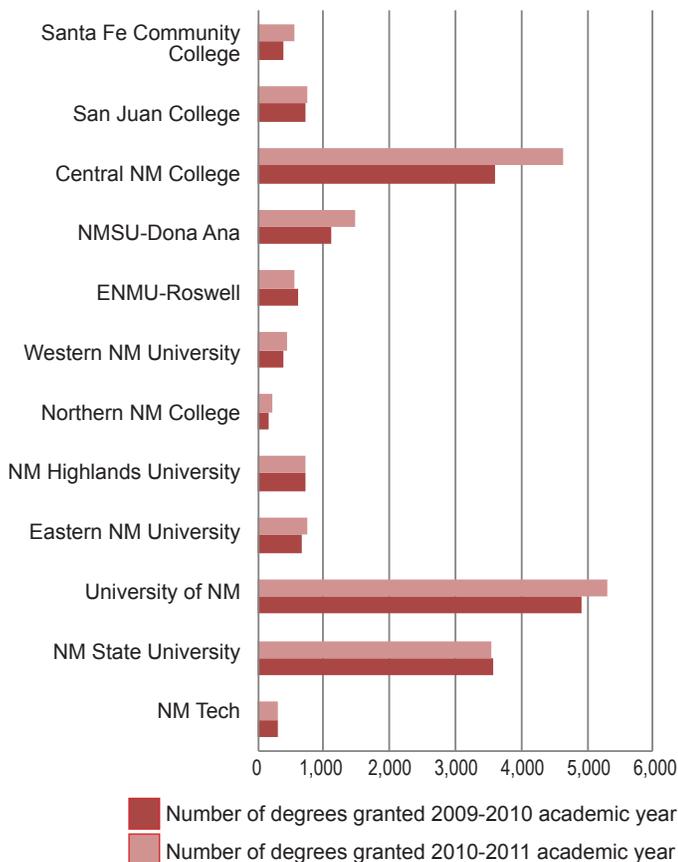
# Goal Is To Double Post-High School Degrees

The number of New Mexicans with postsecondary degrees would have to double from the current 74,500 to 145,000 to meet a national goal of 60 percent of the population with degrees.

For FY13, the higher education funding formula was revised to encourage the state's colleges to focus on degree completion. A percentage of state funding in FY13 is based on the total number of degrees granted. For FY14, funding will be partially based on the change in the number of degrees granted from the previous year.

In addition, because a high number of New Mexico college students are at risk of quitting because of money or lack of preparation, more funding needs to be directed to student counseling and services that help students stay in college and complete their programs, LFC staff reports say.

**Academic Degrees Granted**  
(four-year schools and selected two-year schools)



## On the Table

### Welfare Caseload Down

The caseload for Temporary Assistance for Needy Families was at 16,363 in October, down 15.5 percent from a year ago and 1 percent from September, the Human Services Department reports.

### Healthcare Fee Could Cost \$7.5 Million

An interim step to stabilize insurance premiums as high-cost patients are added to health insurance plans could cost the state and its employees \$7.5 million in FY14. The transitional reinsurance fee will cost insurance companies \$60 to \$100 per plan member and fund state-operated reinsurance pools. The tax is likely to be passed on through higher premiums, with the cost shared by employers and employees. The total estimated cost of the fee for the Public School Insurance Authority is \$3 million.

### State Salaries Falling Behind

The state's salary structure has fallen behind the market, with employee pay failing to keep pace with inflation and the salaries of the private or public sector, the State Personnel Office concludes in a recent report. New Mexico ranks fourth in total compensation within an eight-state region but the compensation package is heavier than most states in medical and retirement benefits.

### State Park Gets \$1 Million Private Donation

A \$1 million donation from a private estate will allow the Living Desert Zoo and Gardens State Park in Carlsbad to begin construction in 2013 on a new reptile exhibit to replace the existing exhibit built in the late 1960s.

### Medicaid Spending Projections Down

Total spending on Medicaid in FY13 is projected to be \$3.76 billion, down \$12 million from the June forecast because of lower-than-expected spending on fee-for-service care. The Human Services Department is projecting a general fund surplus at the end of the year of \$11 million to \$30 million and has lowered its request for FY14.

### Under-Enrolled Charter School Overfunded

A new charter school in Albuquerque has already received more state operations funds than it was due for the entire year because it overestimated enrollment by 10-fold. The William and Josephine Dorn Academy Charter School projected initial enrollment of 90 students but had only nine on the 40th day of the school year. Because funding to public schools is distributed throughout the year, initial allocations to the school were based on the enrollment overestimate.

### Transitions

Sylvia Barela, long-time administrative services manager for the LFC, is the new administrative services director for the Public Employee Retirement Association. She most recently was the ASD director for the Department of Finance and Administration and prior to that as ASD for the Legislative Finance Committee.

AJ Forte, formerly a financial analyst for the executive, was appointed Risk Management Division director. This will be the third director for the division since the new administration took office.

Sara Brownstein is the new chief financial officer for the Educational Retirement Board. Brownstein most recently held the same position with the Retiree Health Care Authority.

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