



LFC Newsletter

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Legislative Finance Committee

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From the Chairman Committed

New Mexico lawmakers in the last 10 years have increased spending on public schools by three-quarters of a billion dollars, or more than 42 percent. Even during the deep recession, public education was made a priority. State general fund revenue dropped 20 percent in 2009 and funding for non-education agencies was cut 14 percent but state funding for public schools dropped just 5 percent. Other states were forced to lay off teachers and close schools, but New Mexico's public schools emerged essentially intact.

With that level of investment, the people of New Mexico deserve a solid return. But the return on our investment has been disappointing. New Mexico schools still lag the nation on most measures of success and have shown very little internal improvement.

New Mexicans are justifiably frustrated but it's important to remember that as frustrated as we are, school officials are even more frustrated. In our aggravation, we forget that most teachers and school administrators are committed professionals who want to see our children succeed.

Over the last few months, a number of school superintendents have stepped forward to ask for more flexibility running their districts. While districts still get the bulk of their funding as a lump sum through the state school funding formula, an increasing amount of money has crept "below the line," a term coined by budget-drafters to describe pools of specialty money appropriated to the Public Education Department for distribution at its discretion. Local school officials are frustrated by the drift of funding and by the growing number of sometimes-incomprehensible rules and guidelines being issued by the department, which, like them, is acting out of a commitment to our children.

The superintendents, closer to the students, teachers and their communities than either the department or state lawmakers, deserve more room to run their districts. But, in return, we deserve more from the superintendents. In this charged atmosphere of "education reform," we are seeing more and more evidence that school leadership is key to school success. Our universities, which educate most of those who work in the public schools, need to create teachers, principals and superintendents who can deliver on the taxpayers' investment in New Mexico's schools.

*Representative Luciano "Lucky" Varela
Chairman*

Hospitality Industry Dominates Job Growth

The tourism-driven leisure and hospitality industry added 3,700 jobs between June 2012 and June 2013, a figure that represents half the total job gains in FY13 and means industry job numbers are now at pre-recession levels, labor figures show.

LFC analysis suggests the employment strength likely reflects a substantial increase in tourism in 2011 and 2012.

The Tourism Department at its budget hearing in November asked for \$2.5 million more for advertising in FY15, for a total annual advertising budget of \$8 million.

Tourism Economics, hired by the Tourism Department, has reported the number of visitors to New Mexico increased by 5 percent in 2011 and tourism spending increased almost 6 percent, taking it to pre-recession levels.

In its economic impact study, the contractor says more than 32 million visitors came to New Mexico in 2011, spending \$5.5 billion and generating \$7.8 billion in economic activity.

In addition, another department

contractor, Longwoods International, reports the \$1.2 million advertising campaign called New Mexico True, conducted in the spring and summer of 2012, generated 264,000 additional visitor trips that otherwise would not have been taken. Those visitors spent an additional \$35 million and generated \$3.6 million in state and local taxes, resulting in a 29-to-1 return in tourism dollars spent in the state and 3-to-1 return for taxes.

The department has been encouraging New Mexico communities to adopt the New Mexico True campaign to eliminate the fragmentation of the state's "brand." Local communities that get state cooperative advertising dollars are required to use the New Mexico True campaign and the state awards more money to collaborative applications than individual applications.

The number of communities advertising with the New Mexico True branding increased from seven to 27 in FY13. Those communities plan to spend at least \$1.6 million on related advertising in FY14.

Water Project Progress Suffers from Fragmentation, Poor Planning

New Mexico has millions of dollars in unused water infrastructure funds, partly because state policies discourage the use of available loan money and the seven programs that fund water projects do little to coordinate their efforts, an LFC evaluation shows.

The evaluation presented to the committee in November says New Mexico has \$37 million in federal grant money in its drinking water revolving loan-fund, about a third of the total awarded by the federal government and the highest share of any state according to the federal Environmental Protection Agency.

Although most states fund water projects primarily through self-sustaining loan funds, New Mexico has millions available for water project grants, prompting local communities, primarily responsible for water projects, to apply for grants instead of loans.

New Mexico ranks second in the nation in grant funding for water projects, with \$353 million in grants awarded since 1996.

The state has also been slow to use severance tax bond revenue appropriated for water infrastructure projects, largely because every project must go through two approval processes and the Legislature before the Water Trust Board can certify it for funding and the State Board of Finance can issue the bonds to finance the project.

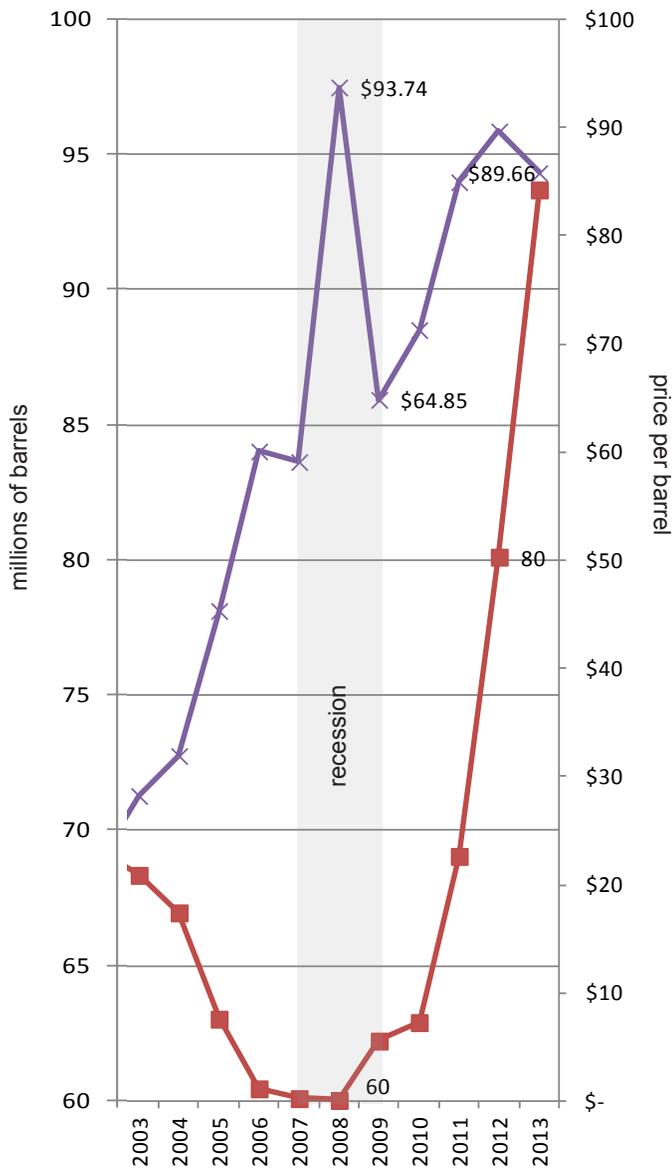
The August Board of Finance balance for Water Trust Board severance tax bonds was \$94 million.

New Mexico has seven water infrastructure programs, some of which overlap, and communities must sort through multiple application processes at three different agencies to access the different pools of money for water projects, the evaluation says.

Oil Production Recovers

Pushed by high oil prices and more efficient production methods, oil production in New Mexico is higher than it has been in the last 35 years. The boom is helping to ease the impact of a decline in natural gas production, hit hard by low prices.

Oil Production Volume and Prices by Fiscal Year



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On the Table

Revenue Higher than Expected

The unaudited figure for total FY13 revenue is now \$5.71 billion, about \$58 million more than the August revenue report. The higher amount reflects a significant increase in personal income and agency reversions of budgeted-but-unspent FY13 appropriations.

Charter School Board Suspended

The Public Education Department has suspended the McCurdy Charter School's financial board over unreconciled FY14 payroll and federal reports, an FY13 year-end cash deficit of \$208,000, the use of lease payments for payroll, and cash flow issues. McCurdy, previously a private Christian school, has been a state-chartered school for about a year.

Medicare Program Penalizes NM Hospitals

About 86 percent of New Mexico hospitals were penalized by the Medicare program as part of a recent project in which the federal agency rewarded or penalized hospitals based on 24 quality measures. New Mexico was second only to Wyoming in the share of hospitals penalized. About 88 percent of Wyoming's hospitals performed poorly.

CYFD Projects Child Care Surplus

The Children, Youth and Families Department is projecting an \$8 million to \$10 million surplus of federal funds for childcare subsidies because of a 1,500 drop in enrollment partly triggered by a new requirement that families getting the subsidy register with the Child Support Enforcement Division. This month, the department raised the income limit on automatic enrollment from 125 percent of the federal poverty level to 150 percent of the federal poverty level. The department also plans to raise the rates paid to childcare providers.

State Considers Selling Fort Bayard

The state has issued a request for information from anyone interested in buying historic Fort Bayard in Grant County. The formal request notes almost 297 acres of the 468-acre site is in use as a health facility. Respondents must indicate how they would use the site if it were offered for sale.

Oil Prices Exceed Last Year

Preliminary oil prices for August 2013 averaged \$103.87 a barrel, compared with \$87.41 from August 2012. Production is also up.

Transitions

Steve Hendrix is the incoming director of Early Childhood Services at the Children, Youth and Families Department. Hendrix has been a data manager at CYFD for 21 years

Tracy Hartzler-Toon, LFC principal analyst for higher education, will serve another term as staff vice chair of the National Conference of State Legislatures' Education Committee. In this role, she also serves on the board of the NCSL/Education Commission of the States joint Legislative Education Staff Network.

Tim Berry, deputy director of the Public School Facilities Authority, retires after 28 years of service. He will take a similar post in California.

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