



LFC Newsletter

A publication of the

Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

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From the Chairman

Citizen Legislator

When the first *LFC Newsletter* was published more than seven years ago, this column was signed by Senator Ben Altamirano. Benny had been chairman for many years before that and signed many columns after, but the creation of this newsletter was a significant reflection of who Benny was and what he brought to the legislative process.

In that first message, Benny noted the committee is a clearinghouse of information on state government and the newsletter was a way for the committee to share some of that information with the public and possibly get some people worked up enough to participate. The newsletter was an extension of the committee's decision to start holding summer hearings around the state, a travel schedule also created during Benny's chairmanship.

It is telling that so many of the public figures quoted in news stories following Benny's death had personal stories to share. Benny met the world with open arms. Anyone could approach Benny with their concerns and Benny listened and took their concerns into account. Benny made everyone feel part of the process, no easy task.

Benny, whose public service started as a 17-year-old volunteer in World War II, often ended his speeches with an invitation to the audience to voice their concerns. He told these audiences, and he firmly believed, their participation was critical. In the same way, Benny often told young audiences of the rewards of public service and of the importance of their role in the world.

We will be hard-pressed to fill the hole left by Benny in our hearts and in the Legislature. But we can honor him by living his example, by remembering we serve the people of New Mexico first and always.

Senator John Arthur Smith
Chairman

Prison Finance Reform, Film Credit Cap on List

Proposals to cap the tax credit for film productions, reform prison financing, and change the state's role in certain development districts are being considered for LFC endorsement.

The committee will consider at least three proposed bills during its final hearing on January 12, a few days before the session starts January 15.

If endorsed, the bills would be sponsored by one or more members of the committee and carry the tag of committee-sponsored legislation. The proposals:

Film Production Tax Credit Cap

The proposal would put a \$30 million cap on the film production tax credit. In the first five months of FY08, tax refunds totaling \$30.4 million have been approved for 18 film and media projects. At this pace, the credit will cost the general fund more than \$70 million in FY08. LFC had estimated the credit would cost a total of \$24 million in FY08. Under this bill, credits totaling up to \$15 million would be approved twice a year, and the refund amount to each applicant would be prorated based on available funding. The bill would have an emergency clause to go into effect immediately.

Prison Finance Reform

The proposal would create a special fund for prison housing construction, allow the state to finance prison construction through lease-purchase contracts, allow the Corrections Department to contract directly for prison operations instead of being required to go through counties, and require the department to develop a 10-year facility strategic plan.

A 2007 LFC program evaluation found

New Mexico continues to pay more than it should for prisons, mostly because of legal restrictions on the state's ability to contract to build and operate prisons. Current law forces the state to go through cities, counties, and private companies to finance new prisons and puts the Corrections Department in a poor negotiating position for operational contracts. In addition, inadequate pre-planning for accommodating prison population growth puts the state in less than advantageous position for securing needed bed space.

Tax Increment for Development Act Amendments

The proposal would change the way the state participates in tax increment development districts, special areas created primarily to allow for certain tax revenue – the additional revenue generated by economic activity in the area – to be diverted to pay off bonds issued to finance infrastructure.

When enacted two years ago, the act allowed for the diversion of state gross receipts taxes along with local taxes. Other states limit the diversions to local taxes.

The difference in New Mexico law has raised concerns that state interests are not adequately protected.

The proposal would amend the act to provide for better executive and legislative participation in the creation and management of the districts, limit the diversion of state gross receipt tax revenue, prohibit state capital outlay spending in a district, and clarify the use of tax increment bonds.

Capital Management Better but Some Projects Still Off Track

More than a third of the state-funded capital outlay projects in a survey of about 50 projects appear to be on time, within budget, and meeting the intended purpose, an LFC review found.

But half of the 47 projects, representing about \$243 million in state funding, are not progressing well, with most of those facing delays because they were underfunded.

The review will be presented to the committee January 12. The findings of the review are similar to those found in evaluations conducted in 2003 and 2006.

The latest review found, among other problems, some projects are in trouble because they were not planned well, the money was directed to a local government that did not request the project, or multiple agencies are involved. Almost half of the state funding, 42 percent, was in the form of a pass-through appropriation to a local government.

The review notes the Legislature has taken steps to improve its capital outlay process, including creating procedures for reviewing capital outlay proposals before funding and assessing the prog-

ress of projects with appropriations of more than \$1 million.

However, the state and Legislature would benefit from consolidated master planning, and the state still needs a body for prioritizing projects. Currently, project selection involves several executive and legislative agencies and at least four separate planning processes.

The evaluation recommends the Legislature consider the creation of a permanent umbrella agency with representatives from both the executive and the Legislature.

Earmarked Funding on the Rise

The state has increasingly turned to project-specific funding at the state's colleges and universities, leaving the Higher Education Department hard-pressed to monitor the projects, an LFC review finds.

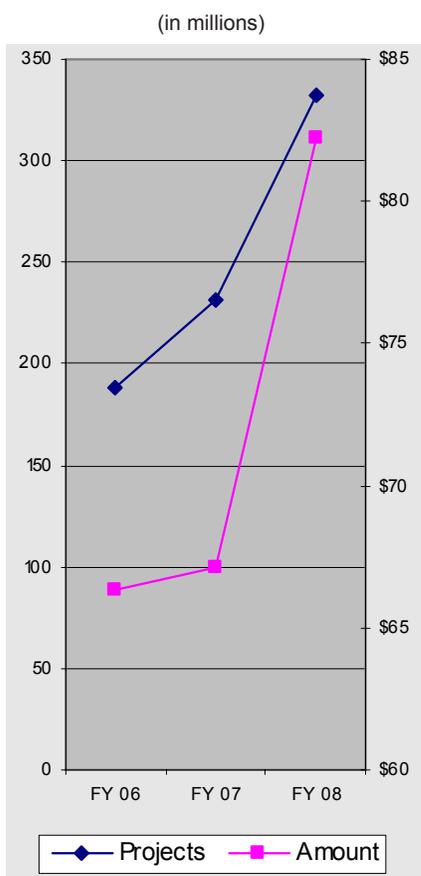
The review of 28 randomly selected research and public service projects at the state's five research universities and San Juan Community College will be presented to the committee on January 12.

The review finds that, if unchecked, the practice could lead to separate funding for almost every project, type of research, and medical, engineering and other educational program.

Unlike most other states, New Mexico uses separate budget lines to provide funds to colleges for activities connected to economic development, outreach to elementary and secondary students, medical care, judicial education, substance abuse, youth recreation, medical investigations, educational television, and other areas.

Other states tend to pool funding in a coordinating agency or include the money in an institution's appropriation. When other states earmark funds in line items, the funding is usually short-term with operating costs shifted to the formula or block appropriation for institutions afterward or the funding is targeted at programs that provide training in areas where there is a shortage of professionals.

Research and Public Service Projects at State Colleges



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On the Table

Rate Increase Delayed

Implementation of a planned 7.4 percent rate increase for health benefits provided by the Public School Insurance Authority has been delayed until February. The increase was to go into effect in the fall and was included as part of the authority's FY08 budget, but the board voted to delay the increase because of lower-than-expected costs and strong fund performance.

Adventure Up, Culture Down

A survey to gauge the success of New Mexico tourism advertising campaigns found respondents in two markets had a more favorable impression of New Mexico in certain areas but thought less of the state in other areas.

Overall, the respondents had a more positive impression that New Mexico has interesting cities, museums and galleries, spas, casinos, amusement and theme parks, and potential for adventure. However, the respondents generally had a less positive impression of New Mexico as a good destination for couples and retirees and an interesting state that everyone should visit at least once. The survey also found less positive responses to New Mexico as a good place to visit for its native culture, villages, local crafts, festivals and fairs, shopping value, and nightlife.

DPS Short on Fuel

The Department of Public Safety reports it will be short \$1 million for fuel in FY08. The projection on fuel costs for FY08 was based on actual figures from July to November 2007. The department is now projecting that figure will come up short because of a higher-than-expected average cost per gallon.

Calls Triple

The number of calls to the Spanish-language smoking cessation line tripled in November after ads aired on Spanish-language television. The Tobacco Use Prevention and Control Program of the Health Department reported 60 Spanish-speaker calls to 1-800-QUIT-NOW in November, compared with an average just below 18 for July through October.

Secretary Reverses Charter Decision

Public Education Secretary Veronica Garcia has overruled the Public Education Commission and approved the state charter of Cottonwood Classical Preparatory School in Albuquerque.

Transitions

The LFC has two new performance evaluators: Craig Johnson, formerly of KB Homes and a former LFC fiscal analyst, and Brenda Fresquez, most recently with Los Alamos National Laboratory.

The Taos school board, by a 3-2 vote, has hired Loretta DeLong, formerly a professor at Minnesota State University, as its new superintendent.

Lisa Szot will be the first executive director of the Renewable Energy Transmission Authority. Szot was transmission manager for BP Alternative Energy in Houston.

Mark Canavan, formerly an investment officer for the State Treasurer's Office, has accepted the position of investment officer at the Educational Retirement Board.

Bob Gish, PERA chief investment officer, retired effective January 1. PERA plans on rehiring Gish for the same position after he completes the 90-day period required by the PERA return-to-work program.

Senator Cynthia Nava was named permanent superintendent of the Gadsden Independent Schools.

Superintendent Paul Wirth of the Ruidoso Independent School is retiring after 16 years with the district, including two as superintendent.

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