



LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman
Senator John Arthur Smith, Vice Chairman
David Abbey, Director

Volume 11 Issue 07

December 2010-January 2011

From the Chairman

Cause Irrelevant, Decorum Needed

The shooting spree in Tucson that injured a congresswoman and killed six others has set off a tidal wave of commentary on whether the ugly political rhetoric that dominates the daily news contributed to the fatal outburst of a troubled young man. In some cases, the discussion has been almost as ugly as the original over-the-top comments.

In many ways, it doesn't matter if the shooter was thinking about cross hairs on a map. Whether or not he was driven to act by a specific political message or the political atmosphere, we need to have a national discussion on whether passionate politics have become too vitriolic. Most of us agree that extremism on either sides – a lack of mutual respect – hinders rather than helps attempts to solve our country's problems.

Whether we continue to cast blame, we should use this incident to open the discussion on a number of issues. It shouldn't take a tragedy to bring attention to critical problems, but it's a learning experience when it does. This horrible event has drawn attention to gun laws and care for the mentally ill. Along with a conversation about what constitutes legitimate public debate, we need to talk about whether we neglect the mentally ill. We need to talk about whether gun control is an unfair infringement on freedom or a necessary restriction.

Congressmen and legislators know that, along with having the ability to facilitate change, we are subject to more expressed hate than many others. Sometimes the expression of that anger gets dangerous. We accept that our privileges as policy makers come with a price. We are, after all, public servants. But these incidents should also shake us into action.

Instead of debating whether or not our words can hurt, let's think about whether our hurtful words are necessary. We can learn from this incident, but we have to start by toning down the anger.

Representative Luciano "Lucky" Varela
Chairman

Earmarked Tax Revenues Add Up to Billions

Nearly \$4 billion of revenue collected by the state is earmarked for specific uses, with more than half of that going to local governments.

A report on earmarked state revenues prepared by LFC economists is scheduled to be presented to the committee on January 17.

The report shows the state collects \$1.1 billion in gross receipts taxes distributed to counties and kicks back another \$125 million in gross receipts tax revenue to protect counties from the impact of the elimination of the tax on food and medical expenses.

The hold-harmless kick-back to counties doubles the impact of the food and medical gross receipts tax exemption on state revenues.

More than \$1 billion of the gross receipts tax revenue for counties is generated through local option gross receipts taxes enacted by municipalities or counties.

The counties also get about \$1.1 billion in property taxes to provide local

services.

The state also collects about a half billion dollars through severance tax bonds, gross receipts taxes and the cigarette tax specifically to pay the interest on capital outlay debt.

More than \$400 million collected through fuel taxes, motor vehicle fees and gross receipts taxes is designated for the road and aviation funds.

However, the report notes that the money earmarked for road maintenance falls short of needs.

The remaining earmarked revenues are designated for retiree healthcare, the legislative pension, county-supported Medicaid, hospitals, and workers' compensation.

The LFC report indicates programs funded through designated funds often are not subject to the same review during the budget process.

The staff recommends the Legislature require the agencies that administer the earmarked revenues report on their effectiveness.

Formula May Fail Neediest Students

The latest LFC review of a selected group of school districts indicates the funding formula should be adjusted to redirect funds to schools with the most needy students.

The most recent in a series of LFC program evaluations of districts looks at the Hatch, Deming and Gadsden school districts. The findings are scheduled to be presented to the committee on January 17.

Although the state public school funding formula provides enhanced funding for students considered at-risk for failing because of their income, English language skills, and mobility, the adjustment may generate less than the cost of educating at-risk students, the findings indicate. The state steers some \$76 million to high-poverty districts, compared with \$95 million to districts that qualify for size adjustments.

In addition, the factor in the funding formula that generates extra dollars for the higher pay of teachers with more training and experience appears to over-compensate districts for the additional salary costs. Districts with large num-

bers of experienced teachers are able to subsidize other costs through the "T&E" factor, the study finds. Further, LFC has found more teacher experience and higher levels of licensure do not directly correlate to student performance.

The review says the Hatch, Gadsden and Deming districts are all in the top 20 among the state's 89 districts in terms of at-risk students but are among the lowest in per-student funding.

The three southern New Mexico districts were selected because of their similar student populations and proximity to the border. For each district, a group of "peer" districts were also selected for comparison.

The Program Evaluation Unit launched its review of the state's school districts several years ago because public schools receive about 45 percent of the state general fund dollars.

So far, the unit has looked at Albuquerque, Rio Rancho, Aztec, Bloomfield, Bernalillo, Las Vegas, and West Las Vegas school districts. The reviews have uncovered misspending and prompted changes at the district and state level.

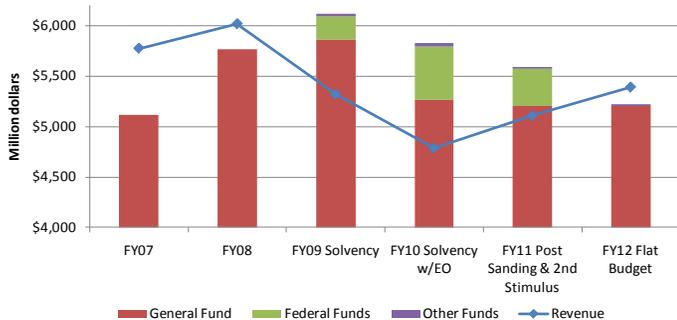
Federal Funds, Other Funds Help State Close Gap

Temporary federal funds and other temporary sources of income have played a significant role in state spending plans during the last few years of recession.

The FY11 budget uses almost \$400 million in one-time money, mostly federal stimulus funds, to soften the blow of dropping state revenues.

Although state revenue is expected to be up in FY12 and state spending has been dropping, much of the new revenue will be needed to cover the loss of the federal funds and other temporary funds. As a result, even though FY12 revenue is projected to exceed FY11 general fund appropriations by \$187 million, economic analysts project a shortfall of roughly \$215 million for FY12 if the current level of services is maintained.

Appropriations: General Fund and Temporary Funds



On the Table

Revenue Growing

Year-to-date revenue growth is better than expected. The rate through the end of October, the fourth month of the fiscal year, was 8.4 percent. The forecast is based on a 7.4 percent growth rate.

Disarmament Could Mean NM Jobs

U.S. Senate ratification of the disarmament treaty with Russia will likely mean new jobs at Los Alamos National Laboratory. President Obama pledged \$85 billion in funding to the national labs over the next 10 years as part of the deal, and the Los Alamos lab is expected to get several billion. LANL expects 1,000 workers will be needed for construction work when funding peaks in a few years.

Board Denies Election Grants

The Secretary of State is expected to ask the Legislature for the money to repay \$1.1 million borrowed from the Board of Finance to cover election costs. The board denied the agency's request to convert the loans into grants. The board also rejected the Secretary of State's request for \$670,000 to cover a cost overrun of \$185,000 in the 2010 general election and a voting system maintenance contract of \$485,000. Counties and the state agency have been in a dispute over the cost of maintaining the voting machines.

DD Cost-Containment Plans Implemented

The Health Department has implemented some of the measures intended to cut costs in the "DD waiver," the program that provides community-based services for the developmentally disabled. The department has reduced provider rates to save an estimated \$3.6 million and will more strictly enforce the annual cap on benefits, projected to save \$4 million. In addition, a lower annual cap is expected to save \$2 million and the elimination of some services is expected to save \$600,000.

HSD Gets \$8.5 Million for Enrollment

The Human Services Department is one of 15 states getting a performance bonus under the federal Children's Health Insurance Program Reauthorization Act. Some of the \$8.5 million could be used to offset the shortfall in the FY11 Medicaid budget. HSD received a \$5.3 million performance bonus last year and could receive another next year. States earn the bonuses by increasing the number of children enrolled in healthcare programs.

Transitions

John Wheeler, former cabinet secretary of the Department of Homeland Security, has returned to his previous position as the general counsel at the Department of Public Safety.

LFC Chief Economist Tom Clifford has taken a position at the Taxation and Revenue Department as the director of tax policy.

Former Workforce Solutions Department Secretary Ken Ortiz will be the chief of staff for the Secretary of State. LFC analyst Ellie Ortiz has been named the finance director for the same office.

LFC Newsletter

Volume 11 Issue 07

Published monthly in the interim by the Legislative Finance Committee.

Writer, Editor - Helen Gaussoin

Staff Editor - Michelle Aubel

Questions, comments: 505-986-4550

www.nmlegis.gov/lcs/lfc/lfcdefault.aspx

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