



LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

Volume 14 Issue 7

January 2014

From the Chairman Low Profile

Some of the state's most important capital outlay projects – projects that save lives and promote economic development – are those that fly under the radar. While the attention is often focused on the big, new building projects, these less flashy projects are just as important to keeping our prisons safe, ensuring our elderly and mentally ill live in healthy environments, and bringing visitors back to our cultural resources.

The LFC recommendation on capital outlay includes \$6 million to address patient health and safety issues at the Behavioral Health Institute in Las Vegas, Fort Bayard Medical Center in Grant County, the Veterans' Home in Truth or Consequences, and the Sequoyah facility in Albuquerque. Department of Health facilities have been cited for code violations by an accreditation commission, the state Fire Marshal, and the state Health Facility Licensing and Certification Bureau. These code violations not only endanger the safety of the patients, but also endanger critical federal funding, which can be pulled for unsafe conditions.

Also sporting a low profile: \$5.4 million for the Aging and Long-Term Services Department for the most critical senior center upgrades, \$9 million to address security issues at the state prisons, and \$9.3 million for safety upgrades, exhibits and other needs at the state museums.

As with all spending in our cash-strapped state, demand for capital outlay dollars exceeds supply: State agencies, colleges and specials schools asked for \$674 million from a pool of money that has just \$350 million in it this year. It is likely many worthy projects will go without. But as legislators struggle with capital outlay spending, we cannot forget that these smaller projects that maintain what we have are as critical as investing in something new.

*Representative Luciano "Lucky" Varela
Chairman*

Committee Considers Education, Judicial Bills

The committee at its meeting this month endorsed proposals that would increase funding for at-risk public school students and very small school districts, fund programs to improve the quality of child care, rescue the lottery scholarship fund, and boost the pension funds for judges and magistrates.

The five bills and an amendment to an already filed bill are the result of discussions during the interim and will be introduced during the 30-day legislative session.

The proposals:

•House Bill 35, sponsored by Rep. Jimmie C. Hall, R-Albuquerque, would create a factor in the public school funding formula for school districts with fewer than 200 students and would provide \$5.8 million to cover the additional units. To be eligible, the very small districts, which often seek emergency funding, would have to demonstrate they have joined buying cooperatives and taken other cost-saving steps.

•House Bill 19, sponsored by Rep. Luciano "Lucky" Varela, LFC chairman, would increase the value of the funding formula factor for students at risk of failing, identified through economic status, mobility and English proficiency. The bill includes a \$20 million appropriation to cover the additional units.

•The proposal to address the solvency

of the lottery-funded college scholarship program, which appropriates about \$11 million, would increase the number of credit hours a student must take to qualify, shorten the length of time the student could get the scholarship, and set the scholarship amount at a flat rate instead of tying it to tuition rates. Students already receiving the scholarship and close to graduation would continue to get the tuition-based scholarship as long as they qualified under the existing rules.

•The proposals concerning judicial and magistrate retirement would increase both employer and employee contributions to the retirement plans, raise age and service requirements for normal retirement, and make several other changes to improve solvency. The committee endorsed a bill to change the magistrate plan and an amendment to a bill already introduced by Varela for the judicial plan

•The proposal targeted at improving the quality of early child care would direct the Early Learning Advisory Council to develop recommendations for improvement, appropriate \$500,000 to the Higher Education Department to develop a training program and appropriate \$1.7 million to the Children, Youth and Families Department – \$500,000 for a high-quality care demonstration project and \$1.2 million for ongoing training for care providers and other improvement efforts.

Teachers Report Textbook Shortage but Money Unspent

Half the teachers responding to an LFC survey said they don't have enough textbooks for all the students in the classroom but a third of textbook funds went unspent in FY13, an LFC evaluation shows.

The evaluation presented to the committee during its January hearing along with an evaluation on college remediation for unprepared high school graduates, says school districts and charter schools left unspent \$8.8 million of \$26.6 million allocated for instructional materials in FY13.

While most districts report they get too little funding for textbooks and

other materials, districts say they must leave some money unspent so they have enough when costs are high.

However, one large district transferred \$500,000 in instructional material funds to operations.

In addition, a 2011 state law requires publishers to provide textbooks in both print and electronic formats, but the LFC report says some school districts are unprepared for a transition to digital textbooks or the electronic testing scheduled for this year.

About three-quarters of schools have the bandwidth to meet the minimum testing needs, but just 17 schools – 2

percent – have enough bandwidth for digital textbook use.

The LFC review found the state department bureau responsible for overseeing instructional material spending has been understaffed for more than two years and is now manned by a part-time contractor.

Despite state requirements, more than a third of school districts and charter schools either turned in no spending report or incomplete spending reports in FY13 and many districts violate rules on buying materials off the adopted materials list with no consequence.

Payment Growth Drains Scholarship Fund

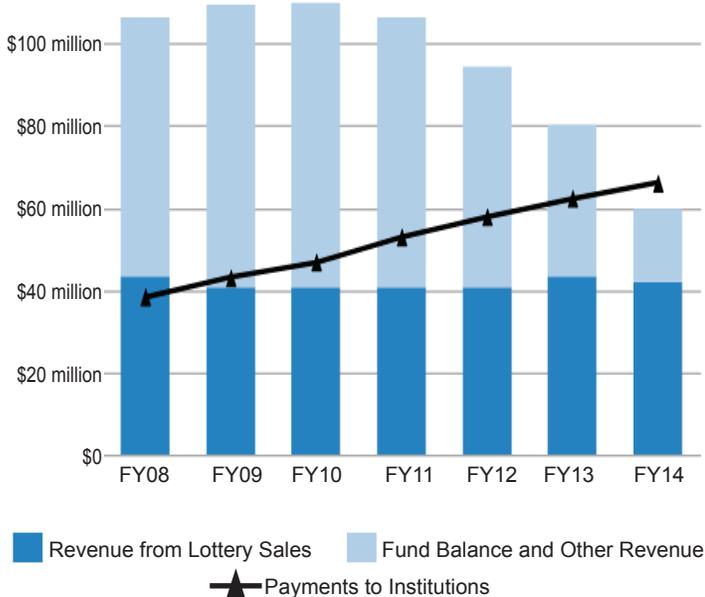
While lottery ticket sale revenues have been relatively stable over the last seven years, spending on the scholarships funded with the revenues has steadily increased, draining the fund balance.

Revenue from lottery sales has hovered around \$40 million since FY08 but payments from the lottery scholarship fund have increased from under \$40 million to more than \$60 million. The balance in the fund, more than \$60 million as recently as FY11, was \$18 million at the end of FY13 and is expected to be zero at the end of this fiscal year.

Both the Legislative Finance Committee and the executive have recommended an appropriation to keep the fund afloat for the current year and ensure students receiving the scholarship are not cut off.

The committee's budget recommendation for next year also includes extra money for the fund contingent on adoption of changes to make the program sustainable, such as raising the minimum grade point average needed to qualify for and maintain the scholarship and reducing the length of time they can receive it. Also under consideration is turning the scholarship into a flat amount instead of tying it to the cost of tuition.

Lottery Scholarship Fund Balances and Tuition Growth



LFC Newsletter
Volume 14 Issue 7
 Published monthly in the interim by the Legislative Finance Committee.
 Writer, Editor - Helen Gaussoin Staff Editor - Rachel Gudgel
Questions, comments: 505-986-4550
www.nmlegis.gov/lfc
Please contact Sharon Boylan at sharon.boylan@nmlegis.gov if you would prefer to receive this newsletter electronically.

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

On the Table

General Fund Higher than Expected

General fund collections are running ahead of the forecast, with the total through October at 4 percent. Growth for the year is expected to be 2.7 percent. Oil revenue is stronger than initially projected.

Childcare Assistance Down

The number of children receiving childcare assistance was down slightly in December, 1 percent from November. However, December enrollment was down 9 percent from the same month a year ago.

Lottery Ticket Sales Up

A jump in lottery ticket sales in December was probably driven by the \$656 million Mega Millions jackpot, the Lottery Authority reports. Preliminary December figures put sales at \$13.7 million, up 267 percent from December 2012. The strong month put the lottery on track to meet its budgeted \$39 million transfer to the lottery scholarship fund in FY14. Slow sales before December had triggered concerns the transfer would be short.

Road Revenue Forecast Down

Citing higher fuel economy in new cars, economists for the state Transportation Department have dropped their predictions for road fund revenue by \$4.5 million for FY14 and \$6 million for FY15. The economists say the fund also took a hit from surging tribal gas sales.

Computer Funds Miss Target

A quarter of the \$5.2 million appropriated to the Public Education Department to buy computers to administer a new online standardized test has been distributed to schools that already have enough computers under department standards. The PED generally uses a ratio of one device for every five students to determine a school's needs but gave \$1.4 million of the computer-specific money to schools that already exceed that ratio. The department also used the money for bonus payments to districts and charter schools that piloted online testing in FY14.

Goodwill Pulls Out of Disabled Program

Goodwill Industries of New Mexico has resigned as a provider under the Developmental Disabilities Medicaid waiver, citing too much bureaucracy and paperwork. The organization has asked for the waiting list of those waiting for services under the waiver so it can directly reach out to those people to offer them services under an independent employment outcome program.

Transitions

Jonathan Grabel is the new chief investment officer for the Public Employees Retirement Association. Grabel was the investment officer for the Montgomery County, Maryland, Public Schools.
 Darin Childers has been appointed director of the Workers' Compensation Administration. Childers has served as the agency's general counsel since 2011 and previously worked in a private law practice in Albuquerque.