



LFC Newsletter

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Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

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From the Chairman Veto Vetoed

When legislators launch a legal challenge to a governor's veto, it's easy to label it a partisan issue. But it's in the interest of all legislators and all New Mexicans that the power of those two branches remain cleanly separate.

The state Supreme Court recently backed the legislators over the governor's use of a veto to change the appropriation to an agency that oversees low-income housing programs. The court ruled the governor went too far when she changed the amount of the appropriation from \$150,000 to \$50,000 by striking the one. The governor had the right to strike the entire appropriation but changing the amount was an encroachment on the Legislature's constitutionally guaranteed appropriation powers. Can you imagine where the governor's slope could have slid without the court's intervention?

This isn't the first time a veto has been challenged, and it won't be the last. Frankly, the plaintiff and the defendant usually come from different political parties. But the decision to sue is almost always driven by the inherent conflict between the executive and legislative branches, not what party is in charge. And thank goodness they sue. The people of New Mexico profit from the check on powers created by the separation of powers. The Legislature won this one. It doesn't always win but every challenge reaffirms and clarifies the separation of powers, and reminds us of the brilliance of that plan.

Senator John Arthur Smith
Chairman

State Cutbacks Pressure College Students, Parents

State-provided financial aid to New Mexico college students has not kept up with recession-driven tuition increases, an LFC report concludes, a trend that could lead to fewer New Mexicans attempting higher education.

New Mexico generally ranks high on measures of college accessibility because of above-average state funding for schools, which allows schools to hold down tuition, and because of strong support for the lottery scholarship, available to recent high school graduates.

However, recession-driven cuts to higher education funding has forced colleges to raise tuition. The average in-state undergraduate will see a 7 percent to 10 percent increase in tuition next school year on top of prior-year increases.

In addition, while state spending on both need-based and merit-based student financial aid has increased some over the last few years, it has not been at the same rate as increases in tuition, LFC staff reports.

The committee is scheduled to hold a hearing at 8 a.m. on July 15 on the state of the lottery scholarship and other

financial aid issues.

The agenda includes testimony from the manager of the New Mexico Lottery Authority and the Higher Education Department's Financial Aid Division as well as a director for the College Board, the national organization best known for the SAT college entrance exam that also conducts research on college costs and financial aid.

At about \$50 million, lottery scholarship awards represent nearly 60 percent of all student aid in New Mexico. The scholarship is available to any recent New Mexico high school graduate or GED recipient regardless of financial need.

More than 68,000 students have received lottery scholarships since the program was created in 1996.

The state's largest need-based program is the State Student Incentive Grant Program, which received \$12 million in FY11. New Mexico also funds financial aid programs for veterans and students in certain fields who agree to work in underserved communities.

Policymakers are concerned about the solvency of the lottery scholarship because of a drop in lottery revenues.

Higher Ed Funding Changes Could Pay Off for State

A task force looking at state funding for colleges is considering changes that could help the state get a better return on its investment.

Curtis Porter, chairman of the Higher Education Funding Task Force and budget director at the University of New Mexico, told the committee at its June meeting that the task force has agreed in concept to a new formula based more on student outcomes than enrollment.

David Longanecker, the president of the Western Interstate Commission for Higher Education who facilitated an interagency "summit" on higher education funding in March, generally supported the proposed plan. He testified that New Mexico provides stronger-than-average financial support to its colleges but has a less-educated-than-average population.

LFC analysis of the current formula

concludes the formula focuses on the costs to provide instruction without regard to results. Funding for instruction is based on enrollment weighted by course level, without consideration of whether a student finishes a course.

The formula also includes factors for academic support and other student services, building and equipment construction and maintenance, and scholarship support. It is further complicated by calculations for institutionally generated funds, like tuition and property tax revenue, that are then deducted from the proposed state funding level.

Even though under state law the colleges now report graduation and persistence rates, among other outcomes, the state does not reward or penalize their performance.

"Improving reporting and accountability measures does not guarantee

improved institutional efficiencies or productivity," LFC staff reports.

Porter said the new formula will likely emphasize course completion and will include a simplified factor for facility operation and maintenance. The task force is also looking at possibilities for simplifying how the state considers institutionally generated funds.

The colleges are working on outcome measures for consideration by the task force and the Higher Education Department is working on measures to address workforce needs and closing the achievement gap between minority students and non-minority students. The task force has concluded funding should reflect the differences among the institutional missions of research, comprehensive and community colleges but has come to no agreement on how that should work, Porter said.

State Loses Money on Medicaid Fraud Efforts

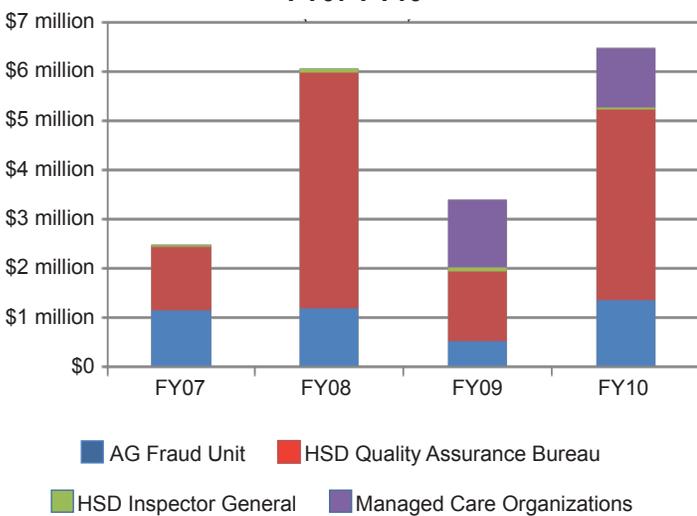
New Mexico spent about \$7.8 million in FY10 on Medicaid anti-fraud efforts in both the Attorney General's Office and the Human Services Department but brought just \$6 million in repayments and court judgments, LFC staff report in an evaluation of the state's fraud efforts.

The Medicaid fraud unit in the Attorney General's Office recouped 53 cents for every dollar it spent in FY10, making it 49th in the nation for return on investment and one of only three state Medicaid fraud units that doesn't pay for itself.

The evaluation will be presented to the committee during a hearing scheduled for 8:30 a.m. July 14 at New Mexico Tech in Socorro.

The most conservative estimate from the National Healthcare Anti-Fraud Association puts Medicaid fraud at about 3 percent of total spending. That would put New Mexico's estimated loss at \$75 million a year.

**Total Medicaid Recoupments by Entity
FY07-FY10**



On the Table

Oil Activity Up

Drilling permits for southwestern New Mexico were up 9 percent as of May, compared with a year ago. However, oil production growth for the first three months of the year was up a more modest 1.2 percent, the Energy, Minerals and Natural Resources Department reports. The State Land Office reports a record month for bonus oil lease payments for June – \$17 million for 29 tracts. The largest bid to acquire leases was \$5,630 an acre for a 316 acre tract in Lea County.

Public Assistance Caseloads Up and Down

The number of families receiving cash assistance in May was down 11 percent from the start of the year, from 21,514 cases in December to 19,311 in May. The caseload was under 14,000 before the recession hit in late 2007. The Human Services Department is projecting a \$10 million surplus in cash assistance funds for FY11. The caseload in the food assistance program were up 1.3 percent from April to May, partly because the income limit for receiving the benefit was raised. More than 181,000 New Mexicans were enrolled in the Supplemental Nutrition Assistance Program in May. The department projects the food assistance caseload to continue to grow in FY12 before dropping in FY13.

Thefts Prompt Metal Dealers Scrutiny

The theft of metals from construction sites and copper from public telephone lines has prompted the Regulation and Licensing Department to look for ways to monitor recycled metal dealers. The State Board of Finance turned down the department's request for a \$257,000 loan to start a recycled metal dealers reporting program because no rules have been adopted and no program has been created. The department says it is working with law enforcement agencies to track down the thieves.

TRD Says Changes Would Boost Collections

Updating the tax collection computer system and expanding electronic payments would allow the Taxation and Revenue Department to eliminate some 10 positions and boost tax collections, department managers say. The staff reports the Gentax system is two or three versions out of date, creating extra work. The staff also suggests changing state law to require electronic payments in more situations.

Employment Numbers Down Slightly

New Mexico non-farm employment was down 0.4 percent from April to May, about 3,200 jobs, the Bureau of Labor Statistics reports. Compared with a year ago, employment was down 0.7 percent. The number of jobs in education and health services was up 1,400 in May, the largest monthly increase. The leisure and hospitality sector saw the largest decrease, also 1,400 jobs. The drop is possibly due to higher gasoline prices, which cuts into consumer discretionary income.

Transitions

Corrections Deputy Secretary Jolene Gonzales has resigned. Alan Martinez, long-time employee of the Department of Veterans' Services, has been named deputy secretary. The LFC has hired Adreana Lujan as its receptionist.

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