



LFC Newsletter

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Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman
Senator John Arthur Smith, Vice Chairman
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From the Chairman Enlightening Grades

Report cards, as any student knows, are a mixed bag. Grades let you know where you stand, whether you've learned the material, where you're strong and where you're weak. Report card information can be very helpful, but nobody wants a bad report card, no matter how much it helps you improve.

Typically, we're done with report cards when we finish school. Not so in New Mexico government. Under the state Accountability in Government Act, key state agencies must release quarterly performance reports. The reports include performance measures identified for their agency by the executive and other measures the agencies consider significant.

The documents also include "report cards," a legislative requirement. Developed in 2006 by LFC staff, the report cards are intended to add emphasis to the success or failure of specific programs and clearer information on program performance results.

The committee is scheduled to hold a hearing on the FY09 third-quarter reports – and the latest report cards – at 3:30 p.m. June 4 during its meeting in Clovis. Like in any classroom, the results are mixed, with the grades showing some programs are succeeding while others clearly need work. But, unlike struggling school children, state agencies can't hide these report cards.

Representative Luciano "Lucky" Varela
Chairman

Greater Coordination Needed For Early Childhood Programs

Public investment in early childhood programs can save the state money in the long-run but New Mexico's multi-agency administrative system and fragmented delivery system makes it difficult for the state to coordinate programs, an LFC program evaluation concludes.

The review of state investment in early childhood finds the state needs to regularly compile information on the funding and effectiveness of early childhood programs to ensure the state is getting the most out of its spending.

The LFC Program Evaluation unit presented its findings to the committee during its May meeting. The report is available online on the LFC website, lfc.nmlegis.gov.

Executive agencies have proposed creating an Early Childhood Collaborative as a subset of the Children's Cabinet to focus on early childhood issues, the report notes. The report recommends the proposed collaborative identify clear goals for improving outcomes for pregnant women and very young children by addressing areas with high rates of child poverty and other risk factors.

The review found that the state might not be effectively using its \$6.7 million investment in home-visiting programs to families with infants because the Children, Youth and Families Department, which administers the program, has not focused its spending on programs with demonstrated success. Department managers have failed to establish

performance standards or to target the use of taxpayer dollars to families with the greatest need.

The Department of Health "appears better positioned to implement nurse-based home visiting, including capturing Medicaid and other federal funding," the report says.

The state could especially benefit from more strategic spending on preschool that takes into account federal Head Start funds and other funding sources.

In FY08, New Mexico received at least \$80 million in outside public funding for preschool programs from seven major programs. In addition, the state has appropriated \$79 million to its pre-kindergarten program since FY06. However, while the state has comprehensive high standards for preschool programs, it is unclear whether other programs, like Head Start, can be required to comply with those standards.

The report identifies \$4.2 million the state could save on preschool spending by eliminating services duplicated by other publicly funded programs and reducing excessive administrative costs. Administrative costs for New Mexico pre-kindergarten programs, administered by both the Public Education and Children, Youth and Families departments, have averaged 17 percent to 20 percent of total program costs, exceeding a statutory limit of 10 percent. The savings could be used to serve an additional 600 children.

State's Economic Development Efforts Create Jobs, Raise Questions

The state has invested more than a half-billion dollars in economic development incentives over the last eight years and created thousands of jobs but lacks information on the effectiveness of many programs, an LFC survey has found.

The LFC survey, presented to the committee during its May meeting, found the Main Street, Small Business Development Centers and other programs use best practices, but many programs cannot report on the cost-per-job-created or other accountability measures.

For example, the Main Street Program, accredited by the federal government, reports 1,288 jobs were created from a

\$2.5 million investment, but, while managers of the Job Training Incentive Program say \$22 million in grants between FY07 and FY09 resulted in 4,800 workers receiving training, they cannot say how many jobs were created.

The review notes the state has no statewide economic development plan, and its programs often overlap.

Incentives are not linked to performance, job creation and retention requirements don't exist and, unlike 23 other states, New Mexico has only one program with "clawback" provisions that require programs to repay the state if a company closes, moves or fails to meet commitments.

Investment agencies reported that equity investments and loan incentives resulted in the creation of more than 6,000 jobs from FY07 to FY09. As of December 31, the state and partner investment companies had committed about \$454 million.

The Taxation and Revenue Department reported that companies claimed \$110 million in incentive tax credits from FY02 to FY07, mostly for film productions and investments. The companies are not required to report on the number of jobs created and the department says it would need \$600,000 to \$750,000 a year to analyze the effectiveness of the credits.

Report Cards Show What Works, What Doesn't

The report cards for two Corrections Department programs illustrate how the LFC-developed tool works for programs that are performing well and those that are struggling. Overall the department has developed well-diversified key quarterly measures and has substantially met most measures. However, the failure of the Corrections Industries Program to meet its goal of breaking even suggests the program needs to re-evaluate its business practices.

Report cards are part of the quarterly performance reports released by key state agencies as required by state law.

In general, a green rating on a report card indicates a program is meeting well-developed performance targets. Yellow ratings highlight a narrowly missed target or significantly improved but not fully performing program. Red ratings indicate areas in need of attention and provide an opportunity for a dialogue between the agency and the Legislature. They are not necessarily a sign of failure, but do indicate areas of concern requiring further analysis and discussion.

The committee will hear a report on the quarterly reports during its June meeting in Clovis. The hearing is scheduled for 3:30 p.m. June 4.

New Mexico Corrections Department Third-Quarter Report Card, Selected Programs

Community Offender Management Program Budget: \$33,043.9, FTE: 392	FY08 Actual	FY09 Target	Q3	Rating
Average standard caseload of probation and parole officers*	93	92	93	G
Program Rating				G
Comments: Additional resources for the program in FY08 automatically reduced caseload. Caseload is not a measure of program effectiveness, and additional measures should be considered.				
Corrections Industries Program Budget: \$6,726.6, FTE: 42	FY08 Actual	FY09 Target	Q3	Rating
Profit/loss margin of the Corrections Industries Division*	-13%	Break-even	-29%	R
Program Rating				R
Comments: The measures should be expanded to include at least the number served, but low revenues may be a barrier until a break-even point is reached. Staff meetings with CID offered ideas to help improve financial results.				

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On the Table

Hotel Misses Payments, Closes

The historic Eklund Hotel in Clayton, which borrowed \$200,000 from the state in 2003 for renovations, has shut down, making it the first project in the 20-year history of the preservation loan fund to default on a loan. The more than 100-year-old hotel, which also received \$2 million in state and federal tax credits over the last few years, employed 41 people. The department is working with the bank to get a new operator.

Truckers Might Be Cheating State

Some commercial truck companies are getting out of paying the state's weight-distance tax by reporting they are not traveling on New Mexico's roads even though some are passing through New Mexico ports of entry, Motor Transportation Division officers report. Division officers typically pull over truckers who don't file weight-distance reports and demand payment of fees. The "0 filers" file quarterly reports but the reports show 0 miles traveled and no tax obligation. LFC staff who visited the Lordsburg port for about 30 minutes in May observed four 0 filers passing through the port.

Courts Loan Grows

The Board of Finance has agreed to loan the Administrative Office of the Courts an additional \$275,000, bringing the agency's loan balance to \$1.2 million. The agency is projecting its jury and witness fund will be \$500,000 short in FY10, requiring a supplemental appropriation about the same size as this year. However, a new \$5 jury fund fee should help make the fund solvent in FY11.

New Mexico has one of the highest rate of juror compensation in the nation. Jurors are paid \$7.50 an hour under the state's minimum wage law for a total of \$60 a day. The National Center for State Courts reports almost half the states pay a daily rate at or below \$15.

Justice Finds Improvements at Bayard

A follow-up visit to Fort Bayard Medical Center by the U.S. Department of Justice found the state-run nursing home has improved reporting and investigations of abuse and neglect, restorative and nutrition services and some record-keeping issues but medical and nursing services, especially training and documentation, are still weak. The Justice Department launched an investigation into "life-threatening" conditions at the facility in 2005 and has continued to monitor the home.

Transitions

The Central Consolidated School board has appointed Gregg Epperson as superintendent, ending a two-year search. Epperson comes from North Kitsap School District in Poulsbo, Washington, where he served as executive director.

Elisa Storie, deputy secretary of the Department of Information Technology, has retired.

Michael Sandoval, formerly Traffic Safety Division director, is the new director of the Motor Vehicle Division.

Marilyn Hill, acting General Services Department secretary, has been assigned to the Taxation and Revenue Department, where she was previously a deputy secretary.

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