



LFC Newsletter

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Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

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From the Chairman Glimmer

Unemployment in New Mexico is up and more New Mexicans are asking for public assistance, but the returns on the state's investment funds are improving, providing a glimmer of light in a very dark economic picture.

The returns on most of the funds are still short of the five-year targets but all the state's investment agencies exceeded their goals during the third quarter of FY10. The state's two pension fund managers – the Public Employee Retirement Association and the Educational Retirement Board – exceeded their targets for the third straight quarter. The news is particularly good for the teachers' retirement fund, the only investment fund that surpassed its quarterly, one-year, and five-year targets.

However, the news is not all good: the 10-year return on the teacher pension fund is half the return necessary to cover benefits. This good year is coming on the heels of many bad years, particularly for the teachers' fund.

Of note is the fact that New Mexico's fund managers (the State Investment Council is the other big agency in the investment business) did a better job in the third quarter than many of their peers. The third-quarter returns on all of the funds are in the top 15 percent of their peer group. That success must be tempered, however, with the knowledge that only the Educational Retirement Board has done well compared with its peers over the last five years. All the others have performed worse than 75 percent of their peers for that period, another reminder that a glimmer of good news is not a economic recovery.

Representative Luciano "Lucky" Varela
Chairman

State's Worst Schools Launch Improvement Plans

Strategies for improving two of the state's worst schools include extended school time for students, more routine assessment of student performance, and extra staff to relieve teachers of noninstructional duties.

Representatives of Ramirez-Thomas Elementary School in Santa Fe and Crownpoint High School will speak to the committee in June about their plans to improve their schools.

Both schools, low-income schools identified as persistently low performers, are among nine that will share \$11.3 million in federal school improvement grants. The hearing is scheduled for 1:30 p.m. June 10.

The \$11.3 million is part of \$28.5 million New Mexico received this spring from the U.S. Department of Education for use over three years. The funds are part of the federal stimulus act. School grants range from \$50,000 to \$2 million a year.

In Crownpoint High School's grant application, school administrators said their improvement plan includes an extra hour of instruction a day and hiring new staff, including a "turn-around" supervisor, teaching coaches and support staff to allow teachers more instructional time.

The Crownpoint application also says the school plans to use student achievement data to assess teacher

performance, along with "normal" required state evaluation standards. Staff who are not committed to "transformational" responsibilities will be replaced.

The school plans to pay teachers for additional work hours, including hours spent tutoring after school, and would implement incentive pay to lure teachers to the rural, impoverished area.

School administrators will visit classrooms and review student data weekly to check on their implementation of a core curriculum and intervention curriculum. The curriculum's effectiveness will be assessed regularly and the administration will look into other programs if a curricula is ineffective.

The school's plan also includes working with the community and holding routine meetings with parents and others to improve community involvement in the school and report on the school's progress.

Ramirez-Thomas Elementary has similar plans for improvement, with teaching coaches, additional teacher support and professional development, greater community involvement, and an extended school year or school day. The school plans to work with New Mexico colleges to research and develop approaches appropriate for the student population and will regularly assess the effectiveness of its curricula.

State Slow To Spend Some Federal Stimulus Funds

The state's social services agencies have spent much of their federal stimulus funds but other state agencies have been slow to use the money.

State agencies have access to about \$1.8 billion of the expected total of \$2.3 billion in federal recovery money and have spent about \$908 million.

However, while the Aging and Long-Term Services, Human Services, Workforce Solutions, and Children, Youth and Families departments have spent between 50 percent and 60 percent of the money they expect to get, many agencies have spent less than 10 percent, and the Department of Information Technology has spent none of its \$1.9 million award.

The committee receives a monthly report on the status of the federal money available through the American Recovery and Reinvestment Act. The presentation of the next report is scheduled for 11:30 a.m. June 11.

The Human Services Department, which manages the Medicaid program, the biggest recipient of federal stimulus money, has spent most of the \$602 million it has been awarded. The department is expected to receive a total of \$1 billion, with about \$800 million of that going to Medicaid.

The Children, Youth and Families Department has spent about 54 percent of the \$23 million it has received for AmeriCorps, child care and develop-

ment block grants, foster care and adoption assistance, and Head Start.

Spending has been slow in the Health Department, which has spent less than 15 percent of its some \$17 million in federal stimulus grants. Many of the health grants have been awarded recently. The Environment Department has also been slow to spend the stimulus funds. It has spent 17 percent of the some \$30 million it has been granted mostly for clean water projects

In some agencies, the grants are primarily for construction projects, which move more slowly than other projects.

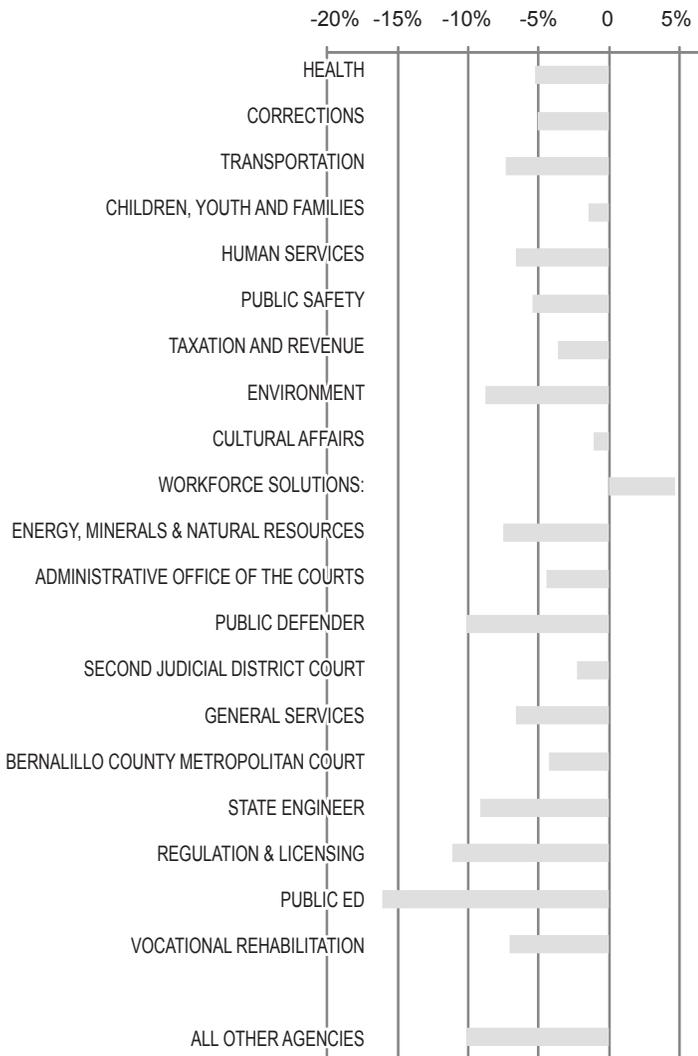
New Mexico's use of stimulus funds is typical of that in other states, federal analysis indicates.

State Employment Shrinks

The total number of state employees dropped by 1,664 in the 16 months between the hiring freeze effective December 2008 and April 2010, a figure equal to about 6.5 percent of the 25,808 of the employees on the payroll when the freeze went into effect.

Among the 20 biggest agencies, the Workforce Solutions Department was the only agency to see an increase in total state employees, boosted by an influx of federal money. The Public Education Department saw the biggest drop in total employees, with a 16 percent decline.

Change in Total Employees
from December 2008 Hiring Freeze to April 2010



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On the Table

NM One of Six States Denied Award

New Mexico has failed to win a \$20 million grant for a longitudinal data system for the third time. New Mexico, Wyoming, Oklahoma, Alabama, West Virginia and South Dakota are the only states to have been denied the federal stimulus grant during the four years the grants have been available.

Zuni Schools Pursues Class Action Suit

Zuni Public Schools has filed suit against the state arguing the state took credit for federal impact aid during the 09-10 school year before federal certification that operational funding was equitable. A federal hearing officer determined the state's action were permissible; however, the Zuni district, rather than appeal to a federal administrative judge, filed suit in state district court and is asking the court to certify it as part of a class.

Unemployment Rate Up

New Mexico's unemployment rate was 8.7 percent in April, compared with 6.6 percent the same month a year ago. Nonfarm payroll dropped from 803,000 to 800,000 from March 2009 to March 2010.

Assistance Caseloads Leap

The number of New Mexicans in the Supplemental Nutrition Assistance Program, the program formerly called Food Stamps, was 150,0019 in April, a 27 percent increase from the previous year. The number of families receiving cash assistance under Temporary Assistance for Needy Families was 19,491, a 17.2 percent increase from April 2009. Caseloads in both programs are slightly up compared with March.

Wind Causes \$1 Million in Damage

The roofs at the Behavioral Health Institute in Las Vegas must be replaced because of wind damage at a cost of \$1 million, according to the Department of Health and the Property Control Division.

UNM Checks Dependents

The University of New Mexico plans to hire an outside company to audit employee dependents in an effort to save money. University employees will be asked to document that their dependents are eligible for benefits. Studies show 5 percent to 8 percent of dependents on employer plans are ineligible.

Bernalillo Oversight Prompts 15 Percent Cut

The town of Bernalillo has announced a plan to cut 15 percent from its current operating budget that includes a 3 percent cut in employee pay and 12 furlough days. The town failed to include a \$1.6 million debt payment in its original spending plan.

Transitions

Dan White, LFC investment policy specialist, has taken a position as an economist with moodys.com. He moves to Philadelphia in July.

LFC has hired Andrea Martinez as its receptionist. She is a student at Santa Fe Community College and previously worked for the Council Service.

Forrest Smith, director of the Motor Transportation Division, has retired. The Department of Public Safety will not replace him and has placed the division under the supervision of Mark Rowley, deputy director of the division.

Robert Apodaca, principal of Oakland-based business development firm ZeZen Advisors, has been appointed to the Board of Finance.

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