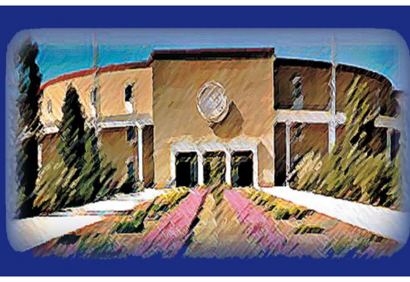

LFC Newsletter

A publication of the **Legislative Finance Committee**
Senator John Arthur Smith, Chairman
Representative Luciano "Lucky" Varela, Vice Chairman
David Abbey, Director

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From the Chairman

Common Interest

It's not clear how it happened but on March 6, without warning, a U.S. Department of Agriculture official in New Mexico ordered the livestock port of entry at Columbus to shut down because border violence was too much of a threat to USDA inspectors. The local official said he was following directions from a regional official and the regional official pointed to the U.S. Customs and Border Protection and a general State Department travel advisory. No one had a good explanation for why other ports were allowed to stay open.

In some ways the details didn't matter, the result was the same: a severe blow to the local economy and area stability. Worse, two months later when the LFC held its meeting in Columbus, the manager of the associated Luna County Stockyard said the port was still closed with no sign of when it might reopen.

Luna County and the cattlemen of Chihuahua, Mexico, have invested substantial resources into upgrading the port into a safe crossing that meets all standards. Along with the merchants of Columbus and Palomas, Mexico, they were being hit hard by the closure. They brought their concerns to the committee, and the committee took the issue to the secretary of the U.S. Department of Homeland Security.

State legislators were joined by New Mexico's congressional delegation in pressuring federal officials to resolve the issue. Local parties offered solutions that included heightened security and access through the stockyard to eliminate the need for inspectors to go through Palomas. Finally on June 3, three months after it was shut down, the USDA authorized veterinarians to resume inspections at the port of entry.

The reasons behind the closure might still be murky but it is clear that cooperation – between local leaders in both Mexico and Luna County and among New Mexico's elected representatives – was key to getting it reopened.

Senator John Arthur Smith
Chairman

Corrections Could Take Steps To Slow Growth, Save Money

The Corrections Department could do more to reduce prison crowding and save the state money, an LFC staff review of operations indicates.

The evaluation, scheduled to be presented to the committee at 1 p.m. on June 14, lists problems with contract management, parole planning, and programs that keep prisoners from coming back.

The department could save $2 million a year by amending its contract with the private company that runs the Hobbs prison, the review says. Even though staffing level requirements were cut in March, the state is paying the operator the same amount.

The evaluation also notes unspent department money for community-based corrections programs is allowed to stay with the behavioral health contractor, which earns interest on the money.

A lack of community corrections programs is contributing to more inmates serving parole inside the prisons, costing taxpayers an estimated $10 million more a year than if those prisoners were serving parole outside, the review says.

The report notes more than half of New Mexico prisoners will be back in prison within five years, but the department has expanded unproven programs to reduce recidivism while cutting funding for programs demonstrated to work, such as corrections industries.

Four prisons have unused corrections industries space and equipment is idle at two prisons. Sewing machines are still unpacked at Lea County Correctional Facility in Hobbs, and $300,000 in recently purchased license plate equipment is unused at the prison in Santa Fe.

New Mexico's prison population is projected to exceed capacity within the next decade, the report says.

As part of the evaluation, LFC staff worked with the Pew Center for the States to implement a cost-benefit model developed in Washington state. The model has helped Washington reduce prison populations and cut costs.

New Mexico is only the second state outside Washington to use the model.

Strong Principals Use Common Practices

Calling his approach "old school," a Silver Consolidated Schools official said classroom engagement and data-driven accountability helped the struggling Harrison Schmitt Elementary School improve student performance.

The comments from Gus Benakis, a former Harrison Schmitt principal, echo testimony from other successful principals who have spoken to the committee.

About two-thirds of the students at Harrison Schmitt are economically disadvantaged, a strong predictor of whether a student is at risk of failure, but 73 percent are proficient in reading and 72 percent are proficient in math, much higher than state averages. In 2005, 62 percent were proficient in reading and 32 percent in math.

Benakis, now an associate superintendent in the district, told the committee at its May meeting that he made interacting with parents, children and teachers a high priority. He frequently visited classrooms to observe and teachers knew he might stop in at any time. High visibility in the classroom, he said, breeds consistency and accountability.

Teachers were required to provide parents with weekly progress reports and welcome the children every day so the students would feel the staff was happy to see them.

Teachers were also pushed to collaborate and follow their students after promotion, a step that encouraged teachers to do their best because they knew the student was moving on to a colleague.

Benakis said he used charts and data for greater accountability to get teachers to buy into student success.

In addition, he said the school community tried to remove the stigma of retention. Although a small school, about a dozen students were held back every year in kindergarten and first grade, when it is easier to identify deficiencies and before the deficiency becomes a serious problem.

Linda Paul of the New Mexico School Leadership Institute said the institute's professional development program focuses on teaching school leaders to use data effectively, observe teachers and classrooms comprehensively, implement common core standards.

State Investment Funds Turn In Mixed Results

The Public Employee Retirement Association fund performed better than its peers for the quarter ending in March and the State Investment Council brought in stronger-than-average returns for the state's two permanent funds. However, performance was off for the Educational Retirement Board fund, compared with the performance of similar funds, for both the quarter and the year.

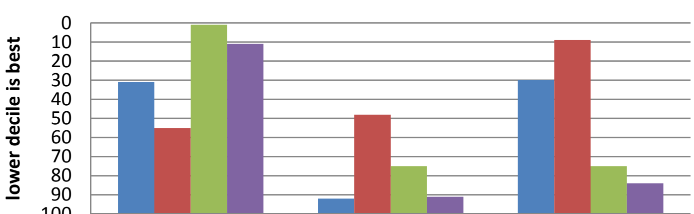
The PERA fund earned 8 percent for the quarter and ended with a balance of $12.16 billion. That return put it in the top third in a ranking of 900 similar institutional funds. The quarterly return is consistent with its three-year performance and much better than its poor one-year results.

The ERB fund earned a little over 7 percent for an ending balance of $9.57 billion. The return on the fund was below average for the quarter and about average for the year but the fund is still ahead of its peers for three-year returns.

The return on the land grant permanent fund was 9.45 percent, leaving the balance at about $11 billion for the quarter. The fund earned the highest return for the quarter in the ranking of similar funds. However, both the land grant permanent fund and the severance tax permanent fund, also invested by the State Investment Council, have performed below their peers for the year and the last three years.

The severance tax permanent fund earned 8.7 percent for the quarter for an ending balance of $3.88 billion. A portion of the fund is invested in economically targeted investments, which have lower returns. The funds quarterly return put it close to the top of the peer ranking.

Investment Performance Compared with Peers



	Quarter	1 Year	3 Year
PERA	31	92	30
ERB	55	48	9
LGPF	1	75	75
STPF	11	91	84

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Writer, Editor - Helen Gaussoin Staff Editor - Beth Wojahn
Questions, comments: 505-986-4550
www.nmlegis.gov/lcs/lfc/

On the Table

Water Delivery Falls Short

New Mexico fell more than 34,000 acre-feet short of its June 1 delivery target of Pecos River water to Brantley Reservoir, despite pumping 1,970 acre-feet of groundwater from augmentation wells to add to the flow, the Interstate Stream Commission reports. The commission projects water supplies in Brantley Reservoir, used as the measuring point for water deliveries to Carlsbad Irrigation District, will be about half the target of 75,000 acre-feet by the July 15 deadline. To meet the July deadline, the state would need to pump more than 38,000 acre-feet from its augmentation wells in the next 45 days, well beyond the pumping capacity. A typical household uses about half an acre-foot of water a year.

Cash Assistance Down, Food Assistance Up

The Human Services Department reports 17,460 households received cash assistance in April, a drop of 11 percent from April 2010 and 22 percent from the caseload peak in December 2010. The number of New Mexico households receiving food stamps through the Supplemental Nutrition Assistance Program was at 193,464 in March, up 8.2 percent from a year ago. The SNAP caseload has doubled since the recession began but growth is slowing. Although income limits on the program were raised in April 2010, programs managers estimate the change only added about 10 percent to the caseload.

Economy Stronger than Forecast

General fund revenues are coming in stronger than expected so far this year. Revenues through March are 3 percent to 4 percent higher than estimated in December. Areas of strength are mineral production taxes, federal mineral revenues and gross receipts taxes related to oil production. Corporate income taxes are coming in weaker than expected. The general fund revenue report for March is available through the LFC website.

Feds Will Cover Most of Reform Tab

The 100,000-to-140,000 patient increase in Medicaid enrollment expected in 2014 because of the federal healthcare reform law is projected to cost the state $10.6 million to $16.6 million, program managers say. The federal government is covering most of the cost of the expansion with $560 million to $780 million in new federal dollars expected to flow to the state.

Transitions

LFC has hired two new program evaluators and three new fiscal analysts.

Mary McCoy has been a budget specialist for the city of Albuquerque, Livestock Board and State Budget Division. She was a Fulbright Fellow in Mexico City and has a master's degree from Georgetown University. She will be the analyst for the natural resource agencies.

Jon Clark, the new analyst for economic development agencies, previously worked as a manager for the Economic Development Partnership and the Technology Transfer Division of Los Alamos National Laboratory. He has a master's degree in business from the University of New Mexico.

Eric Chenier, who will work as an analyst for public safety agencies, comes to the LFC from the Health Department, where he was a management analyst. He has a master's in public administration.

Rachel Mercer-Smith, a new program evaluator, has spent the last two years teaching at Shiprock High School through Teach for America. A Rice University graduate, she has a background in quantitative methods.

Elaine Romero, an instructional coach with Albuquerque Public Schools and legislative bill analyst, will be working for the program evaluation unit for the summer as a specialist in education issues.

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