



LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

Volume 13 Issue 12

June 2013

From the Chairman

To Have or Have-Not

Recognizing that a college education is one of those things that divides the haves from the have-nots, the Legislature decided when it authorized a lottery to set aside some of the money for college scholarships. Within a few years, the Legislature voted to steer all lottery profits to college scholarships.

Since 1996, almost 100,000 students from across the state have attended college with the help of a lottery scholarship. The scholarship program has knocked a big hole in the financial barrier to a higher education. In turn, we all benefit from better educated, more successful communities.

However, partly because of generous parameters that mean most high school graduates qualify and partly because of tuition increases, lottery scholarship revenues no longer meet demand. For the first time, lottery revenues in FY14 will be supplemented with revenue from another source – tobacco settlement funds.

It's a temporary fix and so the Legislature also created a work group to study the problem and come up with a long-term solution. Possibilities include restricting the scholarship to more needy students or those with better grades, finding another source of revenue, or giving less money to each scholar.

Any solution must be balanced. The scholarship was created to open doors, not close them. It is important to keep in mind that those high school students most in need are more likely to have struggled with high school success.

The committee will hear more about the work group's plan for tackling the issue during a hearing scheduled for 11 a.m. June 14 in Silver City.

Fittingly, the committee is also scheduled during its June meeting to hear a report on college efforts to help students complete courses and degrees and get their feet solidly on the road to success.

That is, after all, the bottom line. There is little point in making college more accessible to every New Mexican, if it does not eventually lead to making a college degree an option for every New Mexican, both the haves and have-nots.

Representative Luciano "Lucky" Varela
Chairman

Gaming, Racing Oversight Stymied by Resources, Rules

Too few enforcers and weak regulations make it hard for the state to properly regulate the more-than-billion dollar gambling and horse racing industry, an LFC review finds.

The evaluation presented to the committee in May notes 3.5 racehorses die per 1,000 race starts, twice the national average. In addition, while most states test three or four horses per race, New Mexico tests only two – the winner and one other.

While a change in the law passed earlier this year will raise the maximum horse-racing fine, until recently the maximum fine was \$10,000, while the average purse was \$20,000. Effective in July, the maximum will be \$100,000 or the total purse amount, whichever is greater.

The Legislature this year also created a special fund to pay for racehorse testing, although the appropriations for the fund fall short of what is needed to increase testing, the evaluation says.

It says both the Racing Commission and the Gaming Control Board, which oversees nonprofit gaming and casinos on tribal land and at racetracks, need

more auditors and inspectors to adequately regulate gaming in New Mexico.

The Gaming Control Board has 13 auditors for 86 gaming sites, while the Racing Commission does not routinely audit racetrack reports on the betting revenue.

Proper oversight of tribal casinos is complicated by the inability of the Legislature or the State Auditor to review the casino records, an issue that could be addressed in the state's compacts with the tribes.

The evaluators conclude the Legislature should put more oversight into gaming compacts with tribes, keep horse-doping penalties in line with industry standards, and give the Racing Commission more power.

At the same time, the Racing Commission should work with the Gaming Control Board and Department of Public Safety to better enforce existing laws and should come up with a plan and budget to bolster enforcement and increase horse testing.

All program evaluations are available under the Publications and Reports link on the LFC website.

Dollars Follow Student Performance

Committee members will get their first sense of whether an effort that rewards colleges for course and degree completion is having an effect at the June committee hearing.

The presidents of New Mexico State University, Western New Mexico University and New Mexico Junior College will testify at the hearing scheduled for 8:30 a.m. June 14 on what they are doing in response to changes in the funding formula that emphasize student success over enrollment.

The funding formula for colleges and universities was tweaked for the FY13 fiscal year to tie dollars and performance measures to academic achievement.

The June hearing and a second hearing in July with administrators from a different group of colleges will look at whether the formula changes are having an effect and whether the funding formula and measures need to be changed further.

An LFC survey found most colleges are collecting data and college administrators say they are using the data to make decisions about instruction and interventions.

Those responding to the survey said they collect data to track course completion, improve program effectiveness and comply with reporting requirements.

In addition to questions about whether the formula changes are resulting in more successful students, legislators have raised concerns about whether colleges are closing the gaps in performance among student subgroups, such as the gap between affluent and poor students.

Legislators have also expressed concern about the timeliness of data collection. Colleges are required to report quarterly on factors such as student retention and degree completion but most information is available only once a year in December.

Investment Funds on Track for Strong Year

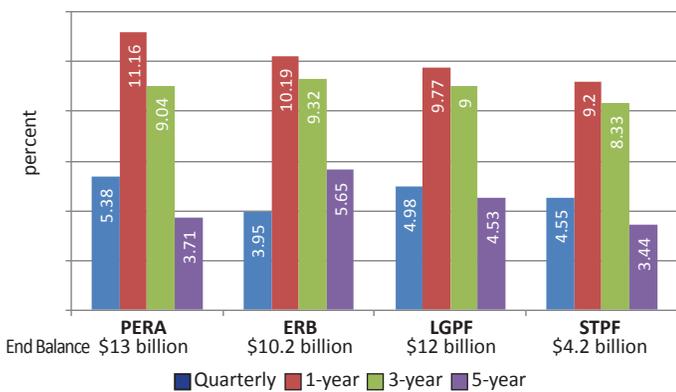
Quarterly and annual returns on the state's investment funds indicate the funds are likely to exceed their targets for the year, but the results are mixed when the funds are compared with their peers.

Returns for the quarter that ended March 31 ranged from about 4 percent for the Educational Retirement Board fund to 5.4 percent for the Public Employee Retirement Association fund, but one-year returns were much higher – ranging from 9.2 percent to 11.2 percent and exceeding the investment agencies' annual targets of 7.5 percent to 7.75 percent.

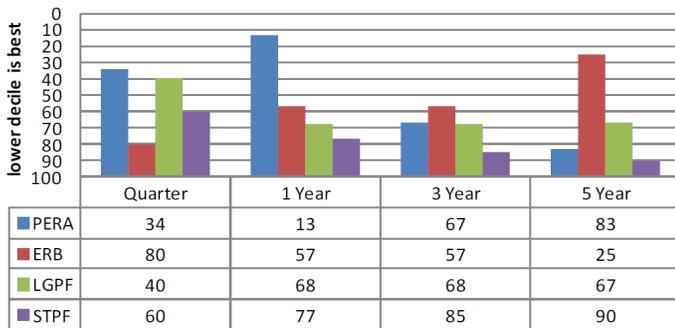
When compared with similar public funds, New Mexico investment fund managers are mostly lagging behind their peers. While quarterly figures show the PERA fund and land grant permanent did better than most in a ranking of 75 public funds, only the PERA fund is in the top half of the funds for one-year returns and only the ERB fund outperformed its peers on the five-year returns.

The severance tax permanent fund, invested by the State Investment Council, lags behind its peers on quarterly, one-year, three-year and five-year returns. However, a portion of the fund is invested in economically targeted investments, those with the potential to stimulate the New Mexico economy. Those investments typically have lower returns.

Returns



Investment Performance Compared with Peers



LFC Newsletter

Volume 13 Issue 12

Published monthly in the interim by the Legislative Finance Committee.

Writer, Editor - Helen Gaussoin Staff Editor - Beth Wojahn

Questions, comments: 505-986-4550

www.nmlegis.gov/lfc

Please contact Ms. Sharon Boylan at sharon.boylan@nmlegis.gov if you would prefer to receive this newsletter electronically.

On the Table

NMFA Re-Enters Market with AAA Bonds

After being out of the bond market for more than a year following news of a faked audit, the New Mexico Finance Authority has authorized up to \$50 million bonds for the public project revolving fund. The bonds were rated AAA by Standard and Poor's and AA1 by Moody's. The proceeds will be loaned to local governments.

Agreement Will Cost Up to \$600,000

The General Services Department has reached an agreement with The Standard Insurance Company that could cost the state \$600,000 to cover disputed life insurance benefits. Although the state paid the company millions of dollars for optional life insurance policies for certain employees, the company says the employees were not covered because the state did not get required medical histories. Under the agreement, the state will pay the first \$300,000 in claims for each of the two years remaining under the contract.

Requests in for Disaster Money

Requests have already been submitted for about two-thirds of the \$90 million available as a result of the disaster declaration that followed fire-related flooding last year. Requests include \$37 million to repair four dams and spillways at Santa Clara Pueblo and \$17 million for debris removal at Bonito Lake in Alamogordo. The federal government provides about 75 percent of the funding, with 12.5 percent coming from the state and 12.5 percent from local government.

Personal Income Tax Payments Up

State personal income tax payments were \$150.8 million in April, 37 percent above the same month a year ago. New Mexico is in line with the federal trend; the U.S. Treasury's monthly treasury statement shows April federal individual income tax revenue up 36 percent over April 2012.

NM Tuition Hikes Higher than Average

New Mexico public four-year colleges raised tuition and fees an average of 5.8 percent in 2013, higher than the national average of 4.8 percent and the western states average of 4.1 percent, the Western Interstate Commission for Higher Education reports. The WICHE report says the rate of increase at New Mexico two-year colleges was \$50 a student, compared with the western states average of \$200 and the national average of \$172. Tuition at New Mexico Highlands University, Luna Community College and Eastern New Mexico University-Ruidoso remain among the lowest in the country.

Meters Required for Fort Sumner Basin Wells

The State Engineer has ordered that meters be installed on all irrigation, municipal and industrial wells in the Fort Sumner Underground Basin. The State Engineer says meters will make it easier to manage water resources in the basin hydrologically connected to the Lower Pecos River. State Engineer staff estimate 60 to 80 wells will need meters.

Transitions

LFC Senior Evaluator Matt Pahl has been named policy director for the Public Education Department. Senior Fiscal Analyst Mimi Aledo-Sandoval is leaving LFC and moving to Washington D.C. where she plans to continue working on child welfare public policy issues.

Jane Peacock has been appointed director of the Public Health Program of the Department of Health. Peacock has been with the Health Department for 25 years. Michael Marcelli, acting director of the Department of Finance and Administrations Budget Division has been named director.

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