



LFC Newsletter

A publication of the

Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

David Abbey, Director

Volume 11 Issue 12

June 2011

From the Chairman **Left-Handed Compliment**

Once again, a new administration has come in and snapped up LFC analysts to administer state agencies. Former LFC analysts are now the head of the State Personnel Office and deputy secretaries at the Public Education, Human Services, and Energy, Minerals and Natural Resources departments. Another six LFC analysts have taken jobs as division directors and bureau chiefs for the executive.

It's a hard hit. The LFC staff isn't very big to start with. But mostly it's a very big compliment. A new administration starts looking for the best and the brightest in state government, and they find many of them among the small staff at the Legislative Finance Committee. It's a compliment not just to the individuals but also to the quality of the experience of working for the committee. Because of its role in the financial management of state government, the LFC often ends up a watchdog for the public. LFC staff members get both an intense education into the details of state financing and a broad view of the agencies, their functions and flaws.

And the movement of LFC staff into state agencies serves both the administration and the committee. By design, the executive and legislative branches are often at odds. The relationship is sometimes prickly and uncooperative. However, it helps the process and the public if they speak the same language and see each other as respected adversaries, not ideological demons.

In the meantime, LFC is ready to go with a solid staff with both experience and fresh perspective. The new staff members, led by the old hands, are already mixing it up.

On another note, this is the 100th issue of the *LFC Newsletter*. Launched in August 2000, the newsletter was part of a concerted effort led by the late Chairman Ben Altamirano to make the committee's work more accessible and more transparent. As Benny often said in speeches, the law-making process only works when the public is involved. As public servants, it's our responsibility to reach out to you. Our summer travel schedule and this newsletter are part of that effort.

Senator John Arthur Smith
Chairman

State Might Pay Too Much To Educate HS Seniors

The state's public school funding formula gives schools more to educate high school seniors than students in elementary schools, but many of those seniors are only on campus part time and some have already completed their high school requirements, an LFC report finds.

A joint study by the LFC Program Evaluation Unit and the University of New Mexico Center for Education Policy and Research looks at the cost-effectiveness of funding for 12th grade.

The committee is scheduled to hear about the findings of that study at 9 a.m. June 15.

The committee has raised concerns about the cost and effectiveness of 12th grade in its budget recommendations for the last two years and this year directed the program evaluation unit to study the issue.

Currently, 12th graders who are enrolled in at least half of the state-required courses each generate 1.25 "units" under the state funding formula, the same for students in grades seven

through 11 but greater than all other students except kindergartners. Students in kindergarten generate 1.44 units each.

LFC staff have estimated educating 12th graders costs the state about \$96.5 million a year, a figure that is growing because efforts to reduce dropout rates seem to be working.

However, some of those students have already completed their graduation requirements and some are enrolled in college classes. The state pays twice for high school students in college classes because the student gets counted both as a high school student as a college student.

Of additional concern is, while New Mexico has a high college attendance rate among its high school graduates, half of those graduates must take remedial college courses, raising questions about the quality of the high school education.

In addition to looking at the dollars, the evaluators looked at course-taking patterns and practices at 10 high schools across the state.

Abuse Caseworkers Overloaded

The state's fiscal crisis has meant fewer caseworkers are available to investigate child abuse reports but an LFC review of the program suggests the program has systemic problems that also contribute to inefficiency.

The Program Evaluation Unit is scheduled at 1 p.m. June 15 to present its report on the Protective Services Division of the Children, Youth and Families Department to the committee.

The report says the number of caseworkers has dropped even as the number of credible child abuse and neglect reports and the complexity of the cases has increased. The incidence of child abuse and neglect typically increases when the economy stumbles.

The number of "accepted" abuse cases, those that are investigated, increased from 13,000 to 17,000 between 2008 and 2010. At the same time, caseworkers say cases have become more complex and are more difficult to investigate. While each caseworker completed an average of more than 95 investigations a year in

2006, that figure dropped to less than 80 by 2009.

The result is an increase in caseloads to 18 cases per worker, higher than the national standard of 12 to 15, and a tripling of the backlog in pending investigations just in the last six months of 2010.

Legislators have attempted to partially protect the division from the budget-cutting blows that have hit other state services since the recession hit in FY08. Funding for the program has dropped 5 percent since the funding peak in FY08, less than for most state agencies.

In addition, the division's vacancy rate of 13 percent is lower than the average for state government, lower than that for the department as a whole, and much lower than the rates for the Health, Corrections, Transportation and other big agencies.

The evaluators find that other factors are contributing to the increase in caseloads, including a 1-to-3.7 supervisor-to-worker ratio that exceeds the national standard of 1-to-5.

Recurring Revenue Growth on Track for FY11

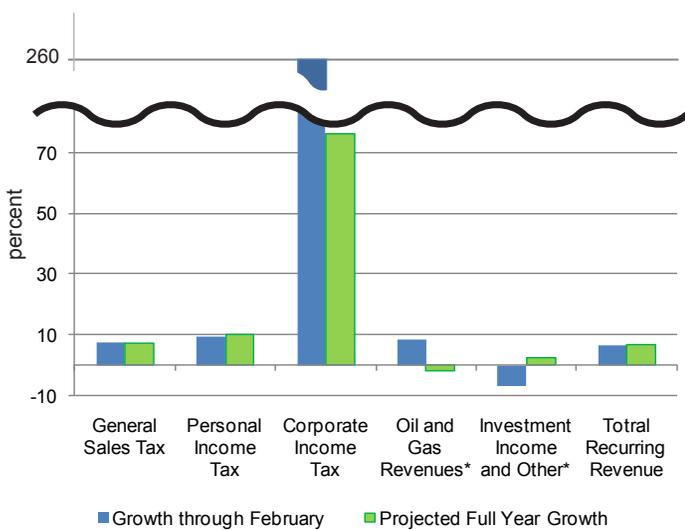
Recurring revenues for the first eight months of FY11 are at \$3.25 billion, up 6.4 percent from the same period last year and on track to hit projected growth of 6.8 percent for the year. The comparable recurring revenue figure for FY10 was \$3.05 billion.

The corporate income tax shows whopping growth of 261 percent, reflecting an increase of \$79 million over last year's same-month figure of \$30 million. However, that figure is expected to come down when tax refunds are distributed to film companies.

Oil and gas revenues, projected to drop almost 2 percent over the year, also appear to be stronger than forecast at year-to-date growth of 8.6 percent. The growth figure is expected to level off by the end of the year because potential increases in oil revenue are likely to be offset by declines in natural gas revenue. Also, the year-to-year comparison is distorted by the low oil and gas prices of early FY10.

In the same way, other revenue sources are down 7.1 percent compared with this time last year, largely because the figure was artificially bloated by income from voided capital outlay projects.

Recurring Revenue Growth



*Includes estimates.

On the Table

Workforce Department Gets \$1M Increase

The Workforce Solutions Department will use a \$1.1 million budget increase from federal stimulus funds to staff the call center, reduce wait time and reduce the backlog of appeals and adjudications.

NM Last in Job Growth

New Mexico ranked 51st in the country for nonfarm employment growth between April 2010 and April 2011, the Workforce Solutions Department reports. Nonfarm employment dropped 0.3 percent with the greatest losses in construction, information and personal and business services.

SIC Adopts Business Investment Reforms

The State Investment Council is recommending the Legislature amend the state law to put greater restrictions on investments by the Small Business Investment Corporation. Under the recommendation, the statutorily created SBIC would be required to meet the standards in the Prudent Investor Act on all investments, consider financial return as part of due diligence, and limit investments to small loans and not private equity.

Costly Sun Power Gets Thumbs Down

A Public Regulation Commission hearing officer has recommended commissioners deny a change to the Blue Sky renewable-energy program offered by the Public Service Company of New Mexico. Blue Sky customers currently get their power from the New Mexico Wind Energy Center near Fort Sumner at a cost of 1.06 cents per kilowatt hour. PNM wants to start supplying half the power for the Blue Sky program with new photovoltaic projects at a cost of 7.2 cents per kilowatt hour. The state so far this year has spent \$2.3 million for Blue Sky program electricity.

No Budget for \$1M for Facility Maintenance

Maintenance on two empty Health Department facilities is estimated at \$1 million and no agency has the funds budgeted to cover the expense, the Health Department reports. The funds were not included in the budgets for the department or for the Property Control Division of the General Services Department, which did not anticipate taking over lead agency status for the old Fort Bayard Medical Center and old New Mexico Rehabilitation Center campus in Roswell.

Transitions

Greg Geisler has returned to LFC as a principal analyst. A certified public accountant, Geisler worked at LFC for five years before spending three years as the controller at the Transportation Department. Sonya Snyder is also joining LFC as a fiscal analyst. Snyder, who will be working on capital outlay issues, has 20 years of experience in statistical and financial analysis.

LFC has also hired Elisa Walker-Moran as chief economist and Charles Kasscieh as an economist. Both Walker-Moran and Kasscieh have masters degrees from the University of New Mexico with Walker-Moran's in economics and Kasscieh's in business administration. Walker-Moran has worked as an economic forecaster for the Human Services and labor departments.

Finally, LFC has hired Jack Evans and Jon Courtney as program evaluators. Evans has worked for four state governments and has experience primarily in transportation, health care and energy issues. He holds masters degrees in psychology and social work. Courtney, a policy analyst for Child Protective Services, has advanced degrees in experimental psychology.

Tom Church is the new deputy secretary for business support at the Transportation Department.

The New Mexico State University Board of Regents has hired Jeff Witte as the new secretary of the Department of Agriculture.

Sheila Hyde, formerly the Public Education Department deputy secretary for learning and accountability, has resigned.

LFC Newsletter

Volume 11 Issue 12

Published monthly in the interim by the Legislative Finance Committee.

Writer, Editor - Helen Gaussoin

Staff Editor - Randall Soderquist

Questions, comments: 505-986-4550

www.nmlegis.gov/lcs/lfc/

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