



# LFC Newsletter

A publication of the

**Legislative Finance Committee**

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

David Abbey, Director

Volume 08 Issue 11

May 2008

## *From the Chairman*

### **Building Better**

In April, the committee learned that \$2.3 billion intended for capital outlay projects sits undisturbed in the state treasury. In contrast, the committee in May will hear about the shortage of funds for the highway projects in the Governor Richardson Investment Partnership. The two problems are not connected even though they both involve the state's critical infrastructure, but they point to a common problem. The executive, the Legislature and policymakers at every level of government must work harder to properly plan and execute our construction programs.

The state has made substantial progress over the last five years in monitoring the general capital outlay spending authorized in the annual capital outlay bills. Five years ago, the state had only a vague idea of the status of the thousands of projects and of the funds to pay for them. Since then, the executive and the Legislature working closely together have developed a monitoring system and dedicated resources to implementing it. One of the results has been that we now know just how big the problem is, and how we can fix it.

Last month's quarterly report on the status of capital outlay showed \$1.7 billion for 7,283 projects authorized a year or more ago remains unexpended. While many of these projects are underway and the money will be spent, some of these projects are so underfunded that the existing appropriation is essentially meaningless. Some were never sought by the local community and the money will never be spent. Additionally, some agencies simply don't have the staff to track these projects, so the money just sits while important projects like a new crime lab cannot move forward because they are not fully funded.

The \$490 million shortfall for the highway projects in GRIP are also partly the result of poor planning. While some of the shortfall is outside of planners' control – the costs of steel, concrete, oil and other construction materials have jumped 40 percent over the last three years – planners also badly underestimated the scope and price tags on some projects. The shortfall for U.S. 491, originally planned as two lanes and now scheduled for four, is \$143 million alone.

The funding and appropriation process for highway projects are very different than those for the many varied projects of the capital outlay bills but the problems boil down to the same root – we must plan better to make the best use of the state's infrastructure dollars.

**Senator John Arthur Smith**  
**Chairman**

## **Climate Change on State's Agenda**

State government has initiated a broad effort to address climate change, ranging from joining international cooperatives to providing seed money for advance-energy technology, but projects outside of the state's control could hamper progress, LFC analysis suggests.

The LFC is scheduled to hold a hearing on climate change and state government efforts during its May meeting. Speakers for the May 7 hearing include earth sciences and economics professors, the director of the state Environmental Protection Division, and representatives from the Association of Commerce and Industry and the Public Service Company of New Mexico.

While studies vary on the degree and rate of temperature change, LFC analysis found that all predict a trend of warmer temperatures with a potential for less snow pack, drier soil, lower reservoirs and rivers, and more numerous "mega-weather" events, from floods to droughts.

The New Mexico Climate Change Advisory Group, created through execu-

tive order, has developed a list of 69 recommendations the group says could cut greenhouse gas emissions by half. The executive has set a goal of cutting greenhouse gas emissions, a major contributor to climate change, to year 2000 levels by the year 2012. The target is 75 percent of 2000 levels by 2050.

However, LFC analysis notes that power plants on tribal lands are not subject to state authority and, while the advisory group assumes tribes and electric cooperatives will adopt policies parallel to those of the state, the Navajo Nation is pursuing plans for the coal-fired Desert Rock Power Plant.

Electricity generation is responsible for 40 percent of the state's greenhouse gas emissions.

Among state government's efforts to reduce greenhouse gas emissions: membership in the Chicago Climate Exchange, adoption of tougher "clean car" rules, investment in wind and solar energy and biomass and biodiesel fuels, and integration of water and energy conservation techniques in the construction and operation of state facilities.

## **Support Fails To Result in Degrees**

New Mexico spends a greater share of its state tax and lottery revenues on higher education than any other state but produces fewer graduates than most, a national foundation reports.

The presidents of some of the state's largest colleges as well as the secretary of the Higher Education Department will discuss the importance of graduation rates and efforts to improve results during the committee's hearing on May 8.

The study by the Lumina Foundation for Education echoes a 2-year-old report by a consultant from the State Higher Education Executive Officers that found New Mexico invests strongly in education compared with its total state budget and per capita income but lags in the number of adults with college degrees.

New Mexico's \$880 million budget for higher education puts it in the middle of national rankings on total spending on higher education and near the top of the scale in spending per student, according

to the National Center for Higher Education Management Systems.

About a quarter of New Mexico adults have higher education degrees, according to the Lumina study, putting it in the same neighborhood as Kentucky, Mississippi, Louisiana and Poland. The national average is about 39 percent.

The percentage of adults with degrees is highest in Los Alamos County and lowest in Guadalupe County, where just 8 percent of adults of college degrees. The share in the rest of the state's counties range from around 35 percent in Bernalillo, Santa Fe and San Miguel counties to 12 percent in Luna, Union and Hidalgo counties.

Among working New Mexicans, ages 25 to 64, 31 percent have college degrees, 24 percent have some college but no degree, 27 percent have a high school, 11 percent started but did not complete high school and 7 percent never made it to high school.

# Gold-Plan Retirees Cost State More

The state's share of the health-care premiums for public retirees opting for the "gold" plan would remain almost twice as high as that for former employees opting for the bronze plan under a new schedule expected to go into effect July 1.

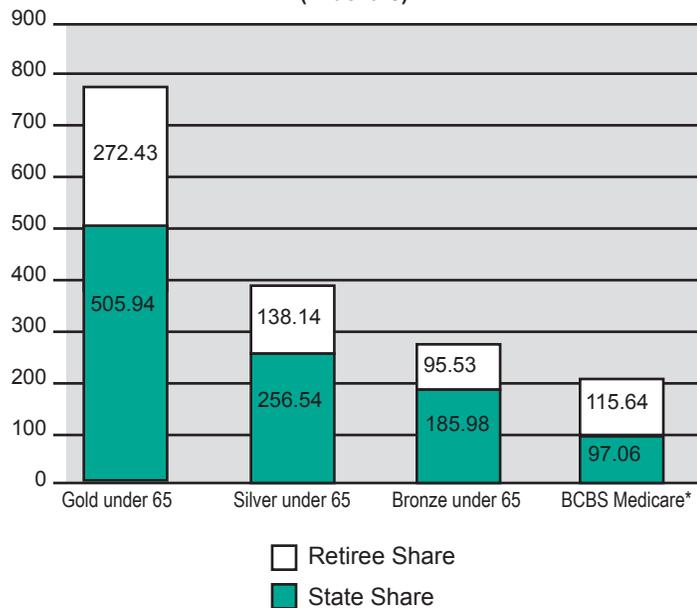
Under the new Retiree Health Care Authority plan, expected to extend the fund's solvency by two to four years, the state would pay 65 percent of the premium for retirees under all three of the non-Medicare plans. That translates to about \$506 of the \$778 monthly premium for the gold plan, compared with \$186 of the \$282 premium for the bronze plan.

Currently, the Retiree Health Care Authority pays 22 percent of the gold plan premium, 30 percent of the silver plan premium, and 42 percent of the bronze plan premium.

Retirees under the gold plan pay less for office visits and pay a smaller share of the total cost for other services, including EKGs and MRIs, ambulance transport, cardiac and pulmonary rehabilitation and hospice care. They also have a smaller total annual deductible and lower limit on out-of-pocket expenses.

The gold plan is the most popular with 9,868 participants. The silver plan has 5,659, and the bronze plan has 534.

**Premiums and Retiree Share by Plan Effective July 1**  
(in dollars)



\*Supplemental insurance

## LFC Newsletter

Volume 08 Issue 11

Published monthly in the interim by the Legislative Finance Committee.

Writer - Helen Gaussoin

Managing Editor - Wayne Propst

Questions, comments: 505-986-4550

<http://legis.state.nm.us/lcs/lfc/lfcdefault.asp>

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

## On the Table

### 3 of 10 Eligible for Food Stamps Don't Apply

About 70 percent of New Mexicans eligible for Food Stamps took advantage of the federally funded program in 2007. That figure was up 4 percent from 2004. Participation rates in other states ranged from 49 percent in Wyoming to 95 percent in Missouri. Participation rates are influenced by state outreach efforts. The New Mexico Human Services Department is considering electronic applications, already available to some extent in 21 states, as part of its information technology revamp.

### Secretary of State Borrows for Elections

The Board of Finance has approved a more than half-million dollar loan to the Secretary of State for expenses related to the June 2008 primary. The \$595,300 is to cover an expected shortfall in the funding for legally required election activities and for additional training for presiding judges, a poll worker training video, and to hire an auditing firm for the canvass. The Secretary of State has said it will need another \$1.2 million loan for expenses connected to the November 2008 general election.

### APS Accounts Frozen

Albuquerque Public Schools has frozen all supply and contingency accounts because of a recent finding that the district is operating at a deficit of about \$20 million, about 2 percent of its budget. The board has adopted the position that the district cannot add positions, programs or initiatives without identifying adequate resources in advance. APS officials say the district received less funding than expected because the state Public Education Department found the district had overstated funding units for some ancillary services and teacher experience.

### Feds Still Unhappy with Highway Billing

The Federal Highway Administration is still expressing concerns with the current SHARE-based billing process being used by the state Department of Transportation. The administration's hesitancy continues to place at risk \$100 million in federal money for reimbursement of highway construction costs. Staff from the Transportation, Finance and Administration, and Information Technology departments and the Legislative Finance Committee are reviewing Wyoming's federally approved use of a customized module to the PeopleSoft computer software used in SHARE. Wyoming has agreed to give the programming code to New Mexico for free to help New Mexico cut costs and installation time.

### UNM Hospital SCI Revenue To Quadruple

The University of New Mexico Hospital expects to get more than \$32 million through the State Coverage Initiative in FY09, compared with \$7.7 million in FY07. SCI is a health insurance plan subsidized by the state, mostly with federal dollars. The number of SCI enrollees treated at UNMH grew from 2,407 in February 2007 to 8,805 in March 2008.

### Transitions

The LFC has hired George Hilty and Preston Cox as new performance evaluators. They replace Kami Gupta and Jennifer Leal.