



LFC Newsletter

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Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

David Abbey, Director

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From the Chairman

Kicking Cans

The bad news this week about the solvency of the Social Security and Medicare programs is disturbingly similar to discussions about the future of New Mexico's public employee retirement and health-care programs.

The recession has taken a toll on the trust funds that support the federal funds. The latest reports predict the Social Security fund will run out of money by 2033 and Medicare's hospital fund will run short in 2024. If the funds go dry, benefits will have to be cut back to those that can be covered with the existing payroll taxes, as much as 25 percent.

The same recession that slammed those two important federal programs for older Americans has hit programs for New Mexicans who retire from public service.

Until the recession hit in 2008, almost half of benefit payments for public education and government retirees were generated through investment earnings. That figure has dropped nearly 20 percent and the employees and their taxpayer-supported employers have been forced to make up the difference.

At the same time, an aging population in better health is bumping up the number of retirees. The pension funds, as well as the Retiree Health Care Authority fund, are in trouble by most measures. And, like the Social Security fund, have been for a while.

The Legislature earlier this year looked at proposals to help push the funds back onto firm ground but those proposals were flawed and nothing made it to the governor for approval. A key problem for opponents was the cutbacks in benefits for future retirees.

The state Board of Finance will be holding a special meeting on April 30 specifically on pension reform. This issue is important to all New Mexicans – policymakers, education and government employees and the taxpayer who must foot the bill. We must build a consensus now on a fair solution before the problem becomes a crisis.

Senator John Arthur Smith
Chairman

Educated Workers Needed For Future Job Market Demands

Even though only a third of New Mexicans have college degrees, New Mexico employer needs are mostly in line with the education levels of state residents, but forecasts show New Mexico will be short of skilled and educated workers in the future.

About 70 percent of New Mexico's current jobs do not require postsecondary education, according to the Workforce Solution's Department. However, the department projects New Mexico employers will need more workers with postsecondary degrees than currently available in New Mexico.

Employers in the health and social assistance industries already have trouble finding registered nurses, doctors and other highly skilled workers, especially for rural areas, the department reports.

The LFC is scheduled to hear about the labor market and barriers to employment at 8:45 on May 3 during its meeting in Deming. The hearing is to include presentations on state training programs.

The Workforce Solutions Department found through an informal survey that most employers doing business with the state's job centers consider a lack of "soft skills," such as good work habits, are more of a barrier to finding good employees than a lack of hard skills, like basic computer literacy.

The soft skills listed included showing up to work every day on time, following instructions, passing a drug screen and a criminal background check, having a valid driver's license, possessing a positive attitude and interpersonal skills, and practicing personal hygiene and dressing appropriately.

A national study of clients in the Temporary Assistance for Needy Families program found a different set of barriers for the poor families in the cash assistance program.

An Urban Institute review of studies of TANF clients found most have at least one barrier to work and many have multiple barriers. Clients cited problems with not having a high school degree, health conditions, substance abuse, criminal records, and lack of available care for a disabled adult or child.

The Workforce Solutions Department is forecasting job growth of about 1 percent a year, a rate that would mean New Mexico would not recover the jobs lost during the 2008 economic collapse until 2016.

Although New Mexico's unemployment rate has dropped since its peak of 8.5 percent in June and July of 2010 – hitting a low of 6.6 percent in November and December – the number crept back up in March to 7 percent.

Teacher Prep Programs Reviewed

Although studies show teacher quality is the top in-school factor affecting student success, New Mexico requires only a middle-school level of reading, writing and mathematics skills for admission to college training programs.

A hearing on effective teaching and school leadership programs is on the LFC's agenda for 8 a.m. on May 4.

In addition to passing the basic skills test, those seeking a teacher's license must complete college coursework that includes English, history, mathematics, social studies, science, and fine arts and pass teacher competency assessments and content-specific tests for specific endorsements.

Six of New Mexico's seven public four-year colleges offer teacher education programs and five of those offer

post-graduate leadership programs.

The teacher education programs at all but Northern New Mexico College and Highlands University are nationally accredited but a national study found no correlation between program quality and accreditation.

The federal government is working on standards for teacher preparation programs that would include an assessment of whether the teachers trained by the program succeed in the classroom. Implementation of the new standards would include substantial scholarship money.

However, negotiations with teacher-training colleges on the standards broke down in April over how to measure classroom success.

The federal department is continuing to work on the standards without input from the colleges.

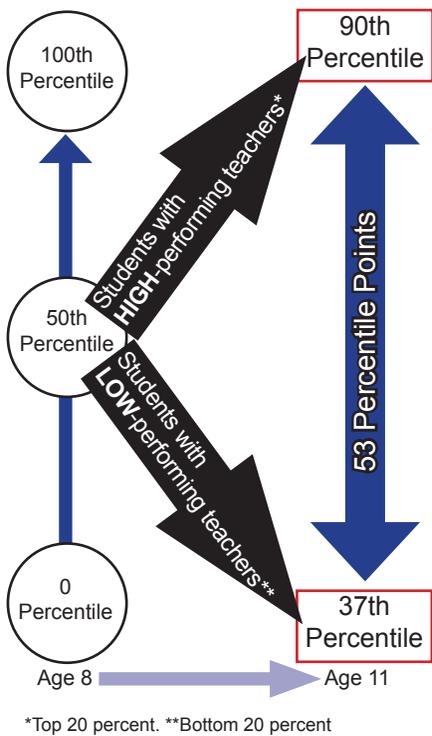
Teacher Quality Impacts Can Pull Average Student

A good teacher can push an average student to the top of the class but a bad teacher can pull the same student into the bottom third, a report presented to the Effective Teacher Task Force found.

The study looked at the change in test scores for a group of students between ages of 8 and 11 and found a 53-percentile point difference between the 11-year-olds who had teachers in the top 20 percent of effectiveness and those who had been taught by teachers in the bottom 20 percent of effectiveness.

The study is included in the report *Cumulative and Residual Effects of Teachers on Future Student Achievement* by Sanders and Rivers.

Impact of Teacher Quality on Student Scores



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On the Table

Tax Credit Cost Triples

Businesses had applied for \$45.8 million in high-wage job tax credits as of February, three times the total for FY11 of \$15 million. Because of loose language in the statute, employers might be asking for credit for existing jobs, although the intent was to offer the credit for newly created jobs.

Revenue Stronger than Forecast

General fund revenue through January is coming in stronger than expected, mostly because of unexpected strength in oil prices. Corporate and personal income taxes are weak compared with the forecast. The report is on the LFC website.

Economic Forecast Brightens

The March forecast from the Bureau of Business and Economic Research shows New Mexico personal income increasing 3.7 percent in 2013, compared with the November forecast of 3 percent. Non-agricultural employment growth is also expected to be stronger than forecast in November – 1.5 percent compared with 1 percent.

K-3 Plus Funds Available Early

The Public Education Department has lifted one of the barriers to participation in the K-3 Plus early education program by making some money available before the end of the fiscal year. Some districts have been resistant to applying for the extended-school-year grants because funds have not been available until July, leaving little time to implement the program before the school year starts at the end of August. The education department released the grant application on April 18. The application was due April 30.

Calls Increase after Launch of Hotline

The number of identified child abuse victims increased 17 percent after the creation of child abuse hotline – #SAFE from a cell phone. The increase is likely the result of greater reporting, not more abuse.

Medicaid Growth Slows

Medicaid enrollment at the end of 2011 was at 509 thousand, 1.5 percent higher than in 2011. Enrollment increased by 4 percent in 2010.

Rehab Center Passes

The New Mexico Rehabilitation Center in Roswell has passed the Joint Commission re-accreditation survey. The survey found no deficiencies in patient care at the facility.

Transitions

LFC analyst David Lucero has been named deputy director of the agency. Tony Pendergrass is replacing Mike Tacha as president of San Juan College. Charles Sallee, LFC deputy director for program evaluation, has been selected to the executive committee of the National Legislative Performance Evaluation Society. Former 1st Judicial District Attorney Henry Valdez is the new director of the Administrative Office of the District Attorneys.

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