



LFC Newsletter

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Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman

Senator John Arthur Smith, Vice Chairman

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From the Chairman **Same Old Story**

When the LFC evaluation staff this month presents a review of Water Trust Board management of millions in infrastructure funds, it might seem like we've heard it all before.

The conclusions: Funding for water infrastructure in New Mexico is fragmented and disorganized and the money is not used effectively or efficiently. Tens of millions of dollars that could be put to use immediately are idle.

It's a familiar capital outlay story that we've been hearing for almost a decade. At one point, billions of dollars of capital outlay money were idle. While some of that was newly appropriated money, much of it was for projects that were years old and had never moved forward because the amount was too little to be effective, the project had no support, or there was some issue stemming from the general lack of effective management of capital outlay funds in New Mexico.

The most recent LFC report on capital outlay funds – committee staff produce a report every quarter – notes almost 1,500 projects and \$600 million capital outlay dollars are outstanding. However, that number includes money appropriated and projects approved this year, which generally are still getting rolled out. The more telling figure is the \$61 million outstanding for projects dating from FY09 to FY11.

New Mexico's capital outlay appropriation process has improved a great deal since the state started showing up at the bottom of national rankings on the effectiveness and fairness of its capital outlay management. The Legislature now tracks project progress and the executive has developed a system for prioritizing statewide projects. A group of local government groups has also developed a process for prioritizing critical local projects, which could be neglected if the state only used a statewide process.

It is a mish-mash of effort that doesn't really solve the state's systemic capital outlay problems. But it's a start. Now, policymakers at every level of government need to work together to come up with a real system that builds on these efforts.

*Representative Luciano "Lucky" Varela
Chairman*

Virgin Galactic Launch Delays Eat Up Spaceport Road Funds

Spaceport managers are anticipating a \$3.3 million jump in income in FY15, but the Virgin Galactic launches that would support the increase have already been repeatedly delayed.

The agency is not asking for an increase in general fund revenue, instead projecting that launch fees and related tourism will allow for a 75 percent increase over its FY14 budget of \$4.4 million.

Virgin Galactic initially announced launches would begin five years ago but the development of the spacecraft and its rocket engine have taken longer than expected. The company now says commercial service will start in mid-2014.

The state Spaceport Authority's estimates on income are also at risk because no progress has been made on the "visitor experience centers."

The state Board of Finance authorized the Spaceport Authority to seek a \$21 million loan to begin construction but the authority has been unable to get a

loan.

Visitor levels remain low because launches have not started and the site has no visitor center.

The project will remain in a "pre-operational" state until launches start, dependent on revenue from a local gross receipts tax.

In FY14, the agency used \$6.9 million of that revenue that had been set aside for a southern road to the site for operations.

Christine Anderson, executive director of the Spaceport Authority, told the committee at the authority's budget hearing in October that \$8.1 million is still available for road construction.

She said the authority has signed a three-year lease with extension options with SpaceX.

SpaceX is a commercial space technology company that is developing a craft called the Grasshopper. It is projected it will launch from the Spaceport by mid-December.

Navajo Nation Urges Compact Approval during Gaming Hearing

Representatives of the Navajo Nation urged committee members in October to approve a pending gaming compact between the tribe and the state, saying the loss of gaming on the reservation would be devastating.

The tribe's president and council speaker spoke to the committee during the hearing on the Gaming Control Board FY15 budget.

The state's current compact with the Navajo Nation expires in June 2015, along with compacts with the Jicarilla Apache, Mescalero Apache, Acoma Pueblo and Pojoaque Pueblo.

The executive has negotiated a new compact with the Navajo Nation that would expire in 2024 but the Legislature must vote on the agreement for gaming to continue.

LFC analysts have raised questions about how the proposed compact would account for "free play," when a player wins a free game instead of cash.

An LFC evaluation estimates the state loses \$13 million to \$20 million in gaming revenue because tribes do

not include the value of free plays in revenue figures but deduct it as part of the prizes paid when calculating the "net win," the amount used to calculate what they owe the state.

The evaluation recommends the state make better oversight of tribal gaming a condition in any new gaming compacts. Currently, the compacts are unclear which state agencies can access tribal information and the Legislature cannot independently verify gambling revenue figures.

The ability of the Gaming Control Board to adequately oversee gaming in New Mexico is hampered by too few enforcement officers.

Frank Baca, Gaming Control Board director, said the board has filled or is in the process of filling eight of its vacant positions. He said the agency struggles to fill enforcement positions because the pay for those positions is too low to be competitive.

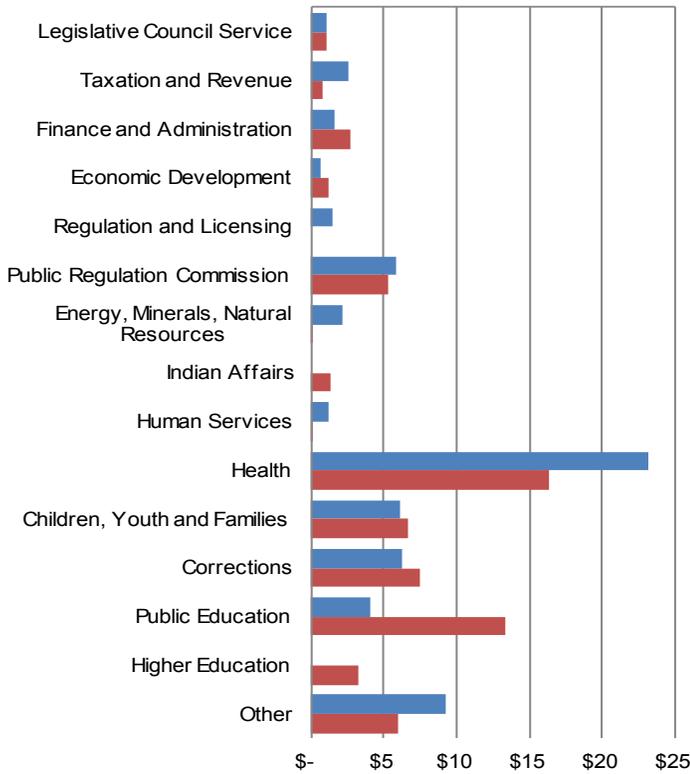
The agency is asking for funding for two new positions, although it still has five vacant positions.

Agencies Revert \$66M

State agencies returned \$65.8 million to the general fund during FY13, the Department of Finance and Administration reports. The Health Department reverted \$16.4 million, largely from employee pay and benefits, while the Public Education Department reverted \$13.3 million, mostly because it received more federal dollars than expected after it determined how much it would distribute to school districts and charter schools.

FY12 and FY13 Reversions by Agency

(agencies with highest reversions in either FY12 and FY13)



Agency	FY12	FY13
Legislative Council Service	\$ 1,150,872	\$ 1,131,831
Taxation and Revenue Department	\$ 2,552,667	\$ 805,466
Department of Finance and Administration	\$ 1,670,589	\$ 2,697,013
Economic Development Department	\$ 706,688	\$ 1,277,783
Regulation and Licensing Department	\$ 1,492,325	n/a
Public Regulation Commission	\$ 5,919,397	\$ 5,312,197
EMNRD	\$ 2,197,396	\$ 19,108
Indian Affairs Department	n/a	\$ 1,361,693
Human Services Department	\$ 1,205,367	\$ 133,611
Department of Health	\$ 23,209,413	\$ 16,397,712
Children, Youth and Families Department	\$ 6,165,489	\$ 6,617,878
Corrections Department	\$ 6,331,316	\$ 7,469,847
Public Education Department	\$ 4,074,699	\$ 13,316,325
Higher Education Department	n/a	\$ 3,209,494
Other	\$ 9,208,507	\$ 6,010,975
Total	\$ 65,884,725	\$ 65,760,933

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On the Table

PED Asks for \$1.2 Million "Parent Portal"

The administration plans to ask the Legislature for \$1.2 million for an online system that will allow parents to look at public school students' classroom attendance, homework assignments, grades and test results. About 30 of the state's 89 districts already have similar systems, called parent portals.

Working Retirees Cost \$4 Million

The number of retirees in the Educational Retirement Board's return-to-work program has grown 13 percent over the last three years. More than two-thirds of the working retirees are employed by the public schools. The return-to-work program is costing ERB more than \$4 million a year in foregone contributions. Certain ERB retirees and all PERA retirees reemployed by ERB employers are not required to pay into the ERB fund.

Slow Recovery Hurts Housing Market

Large national lenders are less willing to loan money to major commercial real estate projects in Albuquerque because of the state's slow economic recovery compared with other large cities, a national real estate executive says. Pete Gineris of CBRE, one of the world's largest commercial real estate firms, said the city has dropped from a second-tier to a third-tier real estate market.

Oil Patch Legislators Ask for Highway Fix

State legislators from southeast New Mexico have asked the Transportation Department to repair U.S. 82 between Artesia and Lovington because heavy traffic on the road is causing delays and accidents that are costing oil and gas producers money. Highway engineers estimate the cost of improving the entire corridor, including expanding the highway to four lanes, would be \$160 million.

Higher Education Loses Key Staff

The institutional finance and financial aid director of the Higher Education Department, responsible for developing the FY15 budget requests for all colleges, left the department in October two weeks short of switching from probationary to permanent status. The agency's capital projects coordinator also quit in October to work at Santa Fe Community College. In addition, the department still has not hired a permanent administrative services director. The prior director left after serving less than a year.

Transitions

The committee has four new staff members. Hector Dorbecker, an economist, has a master's degree in economics from the University of Florida and has worked in the private sector in market research and business analysis. Jennifer Lussiez, a former teacher, is joining the support staff after working for the Legislature as a committee secretary. Finally, Madelyn Serna Mármol and Nathan Eckberg have been hired as program evaluators. Mármol, a former teacher and former acting Taos schools superintendent, recently defended her doctorate in educational leadership from the University of New Mexico. Her experience includes working as a senior duty officer in the White House Situation Room. Eckberg, a graduate of Hamline Law School in Minnesota, recently passed the bar.

Therese Trujillo has moved from chief financial officer and administrative services director at the Department of Cultural Affairs to the same job at the Economic Development Department.

The Department of Health has hired a new chief medical officer. Dr. Stephen Dorman is currently under contract with the department as a hospital accreditation consultant.

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