



LFC Newsletter

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Legislative Finance Committee

Senator John Arthur Smith, Chairman

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From the Chairman

Down to Business

October is the time of year when the LFC gets into serious budget drafting. At our last meeting, we heard about Medicaid and highway construction costs. The agenda for the upcoming meeting includes the latest revenue projections, the budget requests of the Health and Corrections departments, and a review of proposed spending on higher education and public schools. Together, higher education and public schools represent 60 percent of the general fund budget.

The Legislature has invested aggressively in public schools over the last 10 years, fully funding a professional pay scale for teachers and full-day kindergarten. But student performance continues to lag and the number of schools failing to meet standards continues to grow. The problems are worse in schools with high populations of students living in poverty.

This fact suggests that public education's problems can't be solved in the schools alone. The Legislature is working on a new funding formula, but we must also make sure we take care of health care, hunger and the other impacts of poverty.

The interconnected needs of our most vulnerable children demonstrate the biggest issue of any budget. All of the many needs of New Mexicans, and the costs of providing for those needs, are closely associated. State spending must be balanced among the needs of children, the elderly, workers, the environment, the business community and all New Mexico taxpayers. We will tackle that seemingly insurmountable task in the next few months.

Senator John Arthur Smith
Chairman

Funding Plan To Consider Student Poverty, Teacher Pay

Student poverty, student English language skills and teacher qualifications could be among the factors in allocating state money to public schools if a proposed funding formula becomes law.

The LFC is scheduled to hear a preliminary report October 26 on the plan being put together by the Funding Formula Task Force. The hearing will also cover the funding outlook for public schools.

Public schools are currently funded through the state equalization guarantee. The current formula is mostly based on enrollment with factors for different grade levels and multipliers for students who don't speak English, students with disabilities, students with certain other needs, small schools and districts, and other specifics of the student population.

LFC analysis suggests the current funding formula falls short of the financial needs of certain districts, particularly those with less qualified teachers. Many of the New Mexico schools failing to meet standards are in poor, rural areas, where it is difficult to hire highly qualified teachers. The formula does not provide these schools with sufficient funding to attract highly

qualified staff, LFC analysis says.

The formula might also fall short of the cost of effectively educating children at risk of failing. A study in Kansas concluded the cost of educating an at-risk student is 48 percent greater than the average. The current New Mexico formula provides for 13 percent to 20 percent in additional funding for at-risk students.

Among the factors of student need being considered by the taskforce are a student's economic conditions, English skills, at-risk characteristics and special education needs. Other factors under consideration include the differences in the costs of operating elementary schools, middle schools and high schools, as well as the unique needs of small schools, small districts, and charter schools.

The proposed formula also is likely to account for staff qualifications in some way that ties funding to the three-tier licensure system phased in over the last few years. The current formula has a factor for teacher and experience but it has not been revised to reflect the new pay plan.

The American Institutes for Research is conducting the study on the formula and has presented a number of options to the taskforce.

Prison Population Down; Corrections Budget Request Up

New Mexico's prison population dropped in FY07 for the first time in more than 25 years.

Total population increased by an average of 4 percent a year between FY01 and FY06; however, the male population was down 4 percent in FY07 while the female population was down 10.4 percent.

So far for FY08, the male population is growing at a slow 1 percent and the female population is continuing to drop slightly.

The private contractor that projects prison population for the Corrections Department is predicting slow growth for both men and women prisoners in FY09, with the population reaching the capacity of the system in 2013 for men and 2012 for women.

The projections are expected to be part

of the Corrections Department budget hearing scheduled for October 23.

The department is asking for \$310 million from the general fund for FY09. The amount represents an 11.6 percent increase in spending over the departments FY08 general fund budget.

The increase is mostly driven by medical services costs and the cost of private prison contracts.

Department managers have told LFC staff they don't know why the inmate population declined in FY07 but they say several factors are possible, ranging from low unemployment to internal programs designed to keep offenders with technical parole violations out of the prison.

Other possible causes cited by the department are the diversion from state

prison of drug and drunken driving offenders being processed through the new drug and DWI courts, new laws allowing nonviolent offenders to earn time off their sentences earlier in their incarceration, and a slowdown in cases being processed because of a lack of resources in the judiciary.

The amount of money the department is saving through the decline in the inmate population is likely to be absorbed mostly by the \$8 million shortfall in medical services funding expected for FY08.

The population decline also means the department is asking for less than it needs for the increased costs of opening the Northeastern New Mexico Detention Facility in Clayton in FY09 due to over-funding for private prison beds in FY08.

Fewer Schools Fail for First Time; More Schools Facing Sanctions

Fewer New Mexico schools are facing sanctions for failing to meet performance standards, but the number at the highest levels of state intervention is growing.

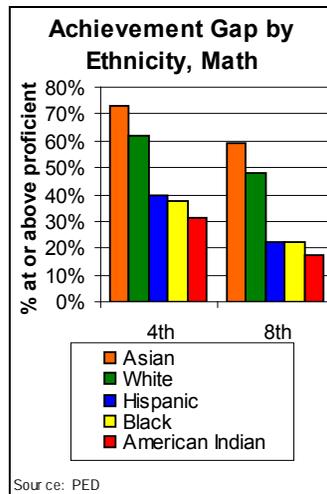
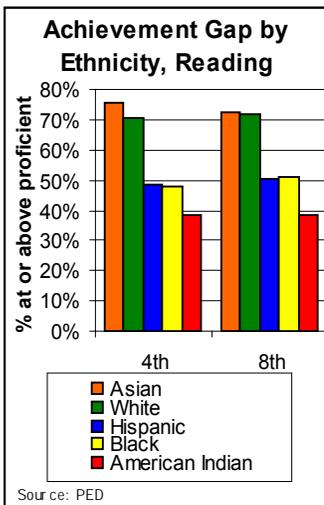
For the first time this year, the number of schools failing to make "adequate yearly progress" for the first time dropped. Schools and districts must meet the increasing student participation and achievement standards of the federal No Child Left Behind Act to be designated as having made adequate yearly progress.

Also for the first time since the implementation of the federal act, the statewide average of school performance met the Public Education Department's goals.

However, the number of schools entering the highest levels of state intervention — restructuring — grew for the 2007 school year from 66 to 87. LFC analysis indicates these schools, primarily schools with high populations of minorities and children living in poverty, cannot meet performance standards without outside help.

The prevalence of high-poverty, high-minority schools in restructuring suggests the state is failing to close the gap between high-performing students and low-performing students, LFC staff concludes.

The No Child Left Behind Act requires all subgroups of students, including those living in poverty, with learning disabilities, and learning English — to meet achievement standards or the whole school is designated as failing to make adequate yearly progress.



On the Table

State Funds Subsidize Expansions

Five companies planning expansions in New Mexico will receive \$430,000 in state funds for in-plant training for 110 possible jobs. Among the awards approved by the board of the Job Training Incentive Program are \$202,000 for 83 jobs at Marietta Biscuit in Alamogordo, \$73,000 for four jobs at Deep Web in Santa Fe, and \$84,000 for 14 jobs at Century Sign Builders in Albuquerque.

BBER Wants Funds To Start Census Work

The University of New Mexico Bureau of Business and Economic Research will be asking for \$1 million during the 2008 session to prevent the possible loss of many millions of dollars in federal funds. The funding would allow the bureau to participate in the U.S. Census Bureau's local update of census addresses. A bureau demographer estimates New Mexico will lose almost \$110 million between 2002 and 2012 because the state population was undercounted in the 2000 census.

The state Board of Finance recently approved a \$200,000 emergency loan to the bureau to start work on the application. The application is due in March and the bureau wants to start compiling data.

Audits Late

Six counties, 32 cities and municipalities, 15 special districts and four state agencies have yet to file their FY06 audit reports with the State Auditor, even though the reports were due almost a year ago. The counties that missed the December 6, 2006, deadline include De Baca, Rio Arriba and Socorro. The cities include Ruidoso, Tucumcari, Española, and Bernalillo. Some of the delinquent organizations also missed the 2005 deadline for the FY05 audit reports, and the village of Lake Arthur and the housing authorities for regions VII and IV have never submitted audits due since December 2003.

NM Nets almost \$50M from Settlement

The federal Minerals Management Service has transferred \$47 million to New Mexico from a settlement with Burlington Resources Oil and Gas Company. Burlington owed the money because it claimed non-allowable deductions on royalty payments from 1998 to 2005. The nonrecurring payment into the general fund was not included in the July 2007 consensus revenue estimate for FY08.

Projects Get \$30 Million in Loan

A \$12.5 million loan for a Las Cruces water project is among 13 loans recently approved by the New Mexico Finance Authority. The authority authorized a total of \$29.4 million in loans from the public project revolving loan fund. The Las Cruces loan was the largest. The board also approved a loan for more than \$6 million from the drinking water revolving loan fund to Los Lunas.

Transitions

Jack Callaghan, family services director for the Children, Youth and Families Department and a former Health Department deputy secretary, will retire in November.

Tom Romero, deputy secretary at the General Services Department, is the new vice president for finance at Santa Fe Community College.

John Blair has left his job as chief of staff for the State Auditor to return to the private sector.

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