



LFC Newsletter

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Legislative Finance Committee

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From the Chairman Cut Here

The Accountability in Government Act was enacted in relatively good times. It was designed to provide policymakers with better information on the success – or failure – of individual programs. By seeing which programs actually worked, lawmakers could make better budget decisions.

This information becomes even more important in difficult times. And those times are here. Every day at the LFC, we watch the revenue picture get a little darker. It's not a matter of whether spending will be cut, but where and how.

In September, just as the bad news was starting to hit hard, the executive reported on the performance of key agencies for the fiscal year that ended on June 30. The report was enlightening, if not universally encouraging.

Among the most disappointing news was that from the Public Education Department, which had the unenviable job of reporting the state's public schools failed to meet its performance measures on student test scores. The public has invested heavily in the public schools over the past five years with the hope of seeing improvements. No one is suggesting we cut funding to education, but clearly public school spending merits microscopic scrutiny.

But then all programs should expect rigorous examination this year, and budget-drafters should start with a close look at the performance reports. We can't afford not to.

Senator John Arthur Smith
Chairman

The end-of-the-year report cards for key state agencies are available through the LFC website (<http://legis.state.nm.us/lcs/lfc/lfcreportcards.asp>). The report cards are a tool for both the Legislature and the public to see how agencies have performed in a readily understood format.

The performance reports allow readers to see whether an agency reached its goals and how it compared with national benchmarks.

In general, green ratings indicate success in achieving a targeted level of performance and yellow ratings highlight a narrowly missed target or improvement, while red ratings are not a sign of failure but indicate a need for attention.

Overall, the percentage of programs that achieved a green rating increased in FY08, a dramatic improvement over FY07, and the number with red ratings significantly declined.

Slow Revenue Growth Hits Public Schools

Limited revenue growth in FY10 could mean education reforms still being phased in will have to be slowed down, an initial look at public school funding shows.

Although revenue growth projections are changing, budget-drafters are assuming the "new money" available for the budget year starting July 1, 2009, will be minimal.

New money is the amount of revenue the state is expected to receive over the amount spent in the prior fiscal year.

Initial LFC analysis of the funding outlook for public education indicates public schools will need between \$15 million and \$27 million in FY10 to "open the doors," a term that means covering the costs of enrollment growth and the growth in utility and other fixed costs but not pay raises, new programs or other expansions. Current public school spending is about \$2.5 billion.

The analysis, scheduled to be presented to the committee 11:45 a.m. October 24, also says transportation costs could grow considerably because of higher fuel costs, and the cost of instructional materials might rise because of new credit requirements for high school students.

Other increases under consideration are funding for the third year of the four-year phase in of physical education at the elementary school level and the ongoing phase in of increased employer contributions to the pension fund for education employees. The contributions are being increased over seven years to stabilize the floundering fund. Implementation of a four-year plan to increase contributions from employees was completed this year.

With additional new dollars needed for the rest of state government, little money is expected to be available for the new public school funding formula. The estimated cost for fully implementing that formula, which attempts to redirect dollars to high-need schools, is \$340 million.

The new formula was proposed during the legislative session earlier this year but ran into opposition over the price tag and a change to the way certain programs are funded.

Although the legislation died, lawmakers approved a \$14 million appropriation for districts to add an instructional day and the \$8 million for the second year of the PE phase in as a move toward implementation.

Health Facility Overview Weak

The process for reporting nursing home abuse and other problems with long-term care is unclear, state officials are slow to respond to complaints, and they struggle with investigations when they do, a review prepared for the LFC shows.

The Division of Health Improvement of the Department of Health, responsible for licensing long-term care providers, is weak on identifying problems with nursing homes during annual surveys and does little to monitor the financial health of the nursing homes, the study presented to the committee in September says. The division already has taken steps to improve its operations, managers say.

The federal Centers for Medicare and Medicaid cited the division for failing to meet standards for prioritizing complaints and incidents and slow and inad-

equately investigations, the report says.

It says these problems could lead to clients being harmed.

The U.S. Government Accountability Office listed New Mexico among nine states that have missed serious nursing home problems at high rates, the study notes. The same GAO report found New Mexico had unsatisfactory ratings on general investigation skills and ability to determine deficiencies.

In addition, the LFC report found the state does too little to monitor the financial solvency of nursing homes, partly because of shortfalls in federal funding, potentially subjecting clients to disruptions in care and creating a financial burden on the state when the clients have to be transferred to new services.

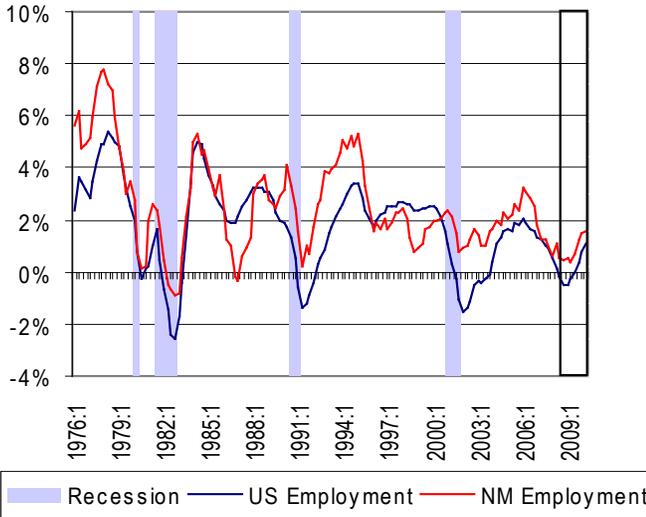
The report also found that, although the division puts quality reports on the Internet, they are difficult to find.

NM Fares Better on Jobs, Income

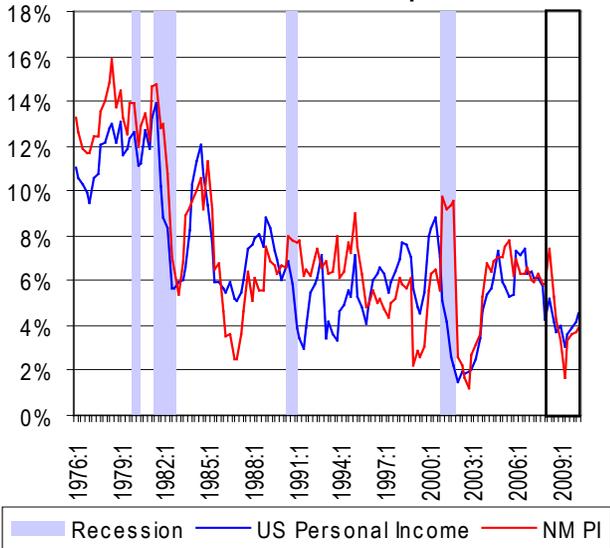
New Mexico's economy has fared better overall than the national economy during recessions. Since 1975, the only time NM employment has declined was in the 1981-1982 recession, while national employment has been negative during every recession. The current forecast shows NM employment growth dropping to less than half a percent in FY09.

Personal income in New Mexico has always been more volatile than that nationally. The current forecast shows NM personal income to drop significantly in FY09. A drop like the one forecast has often been indicative of a recession.

Employment 1975-present



Personal Income 1976-present



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On the Table

Number of Unfunded Projects Grows

The price tag on the unfunded highway projects in Governor Richardson Investment Partnership has grown another \$60 million, from \$359 million to \$419 million. Inflationary pressure has forced some projects to be delayed.

\$6.3 million Still in Doubt

The federal auditors reviewing Secretary of State spending of a Help America Vote Act federal grant have rejected \$6.3 million spent on advertising with media consultant A. Gutierrez and Associates. The state could address the finding by shifting the unaccepted expenditures to an \$11 million state appropriation to buy voting machines and applying the voting machine purchase to the HAVA grant. However, the Legislature would need to authorize expanding the use of the \$11 million for the shift to work. The Secretary of State has asked for an Attorney General's opinion on possible procurement violations in the A. Gutierrez contract.

State Fair Revenues Short

State Fair managers say they will ask the Legislature for a \$1.3 million supplemental appropriation for FY09. Revenues for the fair were down because of lower attendance and no parking revenue.

Childcare Providers Say Costs Too High

The claim by some childcare providers that the cost of meeting state quality standards is too high has prompted the Children, Youth and Families Department to investigate. Department officials say they are studying the cost of meeting the standards required under their Stars/Aim High licensing program that gives higher ratings – and higher subsidies – to centers meeting higher standards. Some centers say they are letting go of their level four and five ratings because of the expense of maintaining them.

Energy Assistance Grant Could Double

The state's federal Low-Income Home Energy Assistance Grant could grow by 126 percent, according to the Federal Funds Information Services. The service estimates federal funding may double to \$5.1 billion in federal fiscal year 2009. That would mean \$26.3 million for New Mexico. The Legislature during the special session appropriated \$1.9 million to the program for FY09 and FY10.

Welfare Caseloads Up

Caseloads in the Food Stamp, Temporary Assistance for Needy Families and General Assistance programs are all up over the previous year, the Human Services Department says. The caseload for Food Stamps was up 8.9 percent in July, with about 250,000 people receiving food stamps. Enrollment in the TANF program was up 6.2 percent in July, putting the total for that program at about 14,356 cases. The caseload for general assistance, totally state-supported, was up 10.8 percent in July, to 2,361 people. Funding for the general assistance program is not enough to support the current caseload at the current assistance level, meaning the agency will have to cut the payment or the caseload.

Transitions

The LFC has hired Paul Varela as an analyst for education, cultural affairs, and veteran's services. He previously worked for Los Alamos National Laboratory and the Human Services Department and has a master's degree from New Mexico State University. George Hilty has resigned from the LFC performance evaluation unit effective Oct. 31.

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