



# LFC Newsletter

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**Legislative Finance Committee**

Representative Luciano "Lucky" Varela, Chairman

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## *From the Chairman* **Look Down**

The political advertisements are coming fast and furious as we get closer to the election. With all that noise about the top of the ballot, it might be hard for voters to hear about the important items lower down. But some very important questions are near the bottom of the ballot, including those asking voters to approve the issuance of general obligation bonds.

Voters get to decide whether the state issues general obligation bonds because the bonds are paid off with property taxes. Each bond issue represents a tax increase that lasts about 10 years until the bond is paid off. This year – general obligation bonds are on the ballot every other year – voters are being asked to consider four general obligation bonds totaling a little under \$176 million. Because other bonds will be getting paid off, the net impact for the typical property taxpayer would be about \$11 a year for each \$100,000 of home value.

For the cost of a nice dinner for one, the people of New Mexico would get an expansion at Carrie Tingley Children's Hospital, improvements at the state schools for the deaf and visually impaired, repairs and equipment at senior citizen centers statewide to make them more accessible to the handicapped, pre-kindergarten classrooms, replacements for worn-out school buses, library books, college improvements, and other critical capital outlay.

Even this slight increase in property taxes might seem like too much in economic times like these. But failing to pass the bonds will cost more in the long-run as badly needed repairs are delayed further.

And the consequences could be worse. Almost everything on the list of bond projects is there because it addresses an issue of public health and safety. Without the general obligation bond money, the state has few options for paying for emergency repairs. The amount available through severance tax bonds – the state's other major source of funding for capital outlay – is expected to be very limited in 2011.

Voters are unlikely to see many ads about the bonds but it is important that they learn more about them. Very important projects are at stake.

**Representative Luciano "Lucky" Varela**  
Chairman

## **Higher Ed Funding Formula Might Be Ineffective**

An aspect of the higher education funding formula based on enrollment but not class completion might be costing the state tens of millions of dollars a year and is just one of the reasons the formula might need to be revamped, an LFC review shows.

Analysis prepared for a committee hearing scheduled for October 22 suggests modifications to the formula have created some inequities and parts of formula are based on 15-year-old data.

An LFC concern with the formula has been its emphasis on initial enrollment. A recent LFC evaluation of the University of New Mexico and New Mexico State University indicated that approach resulted over three years in \$58.4 million being allocated to those schools for courses never completed by the students.

If that experience is typical at colleges statewide, the state might be spending \$43.6 million a year on courses started but never completed.

LFC staff analysis says the Funding Formula Task Force focused its interim efforts on a provision in the funding for-

mula that does not adjust for enrollment changes at a college unless enrollment grows more than 3 percent or shrinks more than 5 percent. The "band" provision was originally created on the assumption that colleges could absorb small changes in enrollment.

However, under the provision, the institution receives full funding for the entire enrollment shift once it exceeds the limits, reaping a financial windfall sometimes years after already absorbing the cost of enrollment changes.

The formula task force is recommending using a three-year rolling enrollment figure rather than the enrollment band as the basis for funding classload.

The staff analysis also notes that a recession-driven increase in college enrollment has led the state's colleges to launch sometimes overlapping new programs to attract students and revenue. These new programs come with new facilities and, even though the facility expansion is not approved by the Legislature, the funding formula includes a factor that boosts funding for facility square footage.

## **Workforce Efforts Need Coordination**

New Mexico's multi-agency approach to workforce training and employment programs creates problems with coordination and duplication and may be wasting state money, LFC analysis suggests.

Testimony at the September committee hearing on federal Workforce Investment Act funding and its use by local workforce development boards indicated at least six programs in three agencies provide skills assessment and interest and work-readiness testing, business outreach, job placement, career counseling, basic skills and life employability training, and similar services.

Jimmy Shearer, chairman of the Eastern Area Workforce Development Board, said that, despite partnerships mandated by the federal workforce act and efforts to create one-stop shops for employment services, local coordination is hampered by territoriality among agencies and the lack of local board authority to require partners to align programs.

A particular problem, he said, was

the decision by the Human Services Department to pull workers from the one-stop shops to save money on rent. The remaining partners were forced to absorb the cost of the vacant space and now the Human Services Department has hired job developer positions that duplicate the services provided by the one-stop shops.

Shearer suggested coordination of the programs on the state level, instead of at the local level, would eliminate many of these problems and result in the better use of resources.

Better coordination would also encourage greater participation with New Mexico businesses.

Total federal Workforce Investment Act funding dropped 43 percent between FY04 and FY11, from \$20.3 million to \$11.6 million. Most of that money is allocated to local workforce boards.

Workforce efforts have also been bolstered by about \$12 million in one-time Workforce Investment funds as part of the federal stimulus dollars.

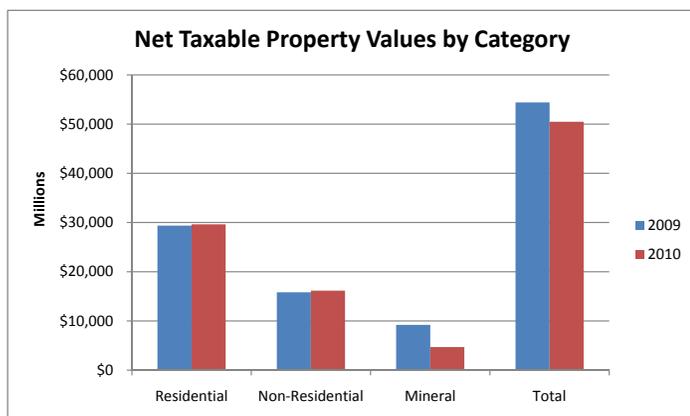
# Taxable Value of NM Property Drops

The net taxable value of both residential and nonresidential properties in New Mexico increased slightly between 2009 and 2010 but those increases were more than offset by a nearly 50 percent decline in mineral property values.

Overall, taxable property values are down 7.2 percent, close to the forecast. The forecast anticipated a drop in mineral property values because of the large drop in oil and gas prices.

Despite the decline, the State Board of Finance reports the value is sufficient to fund the \$175.5 million of general obligation bonds on the November statewide ballot.

Property taxes are used to pay off general obligation bonds.



## On the Table

### Complaint Stalls Energy Lines

The Renewable Energy Transmission Authority has prepared bonds to fund the construction of transmission lines from the High Lonesome Mesa wind farm, but a complaint has stopped progress on the project and the sale of the bonds has been delayed. About a half-million dollars of the bond proceeds would have funded the agency operations for FY11 and FY12. Without the bond proceeds or supplemental funding from the general fund, the authority might not be able to operate.

### High Schools To Get Proficiency Help

The federally funded GEAR-UP program at the Higher Education Department, aimed at getting more high school graduates into college, has received \$1.3 million for a program targeting students "nearing proficiency" as measured by standardized testing. The money will go to 29 schools to hire one full-time teacher to provide math and reading intervention, standardized test preparation, and other instruction.

### Emergency Room Visits Down

Blue Cross Blue Shield of New Mexico reports emergency room visits by its Public School Insurance Authority clients dropped between FY09 and FY10 from 7,058 to 6,238, with a decline in cost from \$8.8 million to \$6.6 million.

### Agency Capital Outlay Requests Total \$1.5B

The 29 agencies that presented their Infrastructure Capital Improvement Plans to the Department of Finance and Administration are asking for a total of \$1.5 billion for capital outlay. The projects in the agency requests for their top three priorities for FY12 are mostly repairs of deferred maintenance, renovations and major infrastructure.

### Tribe, Racetrack Battle Jemez Plans

The Mescalero Apache Tribe and the Sunland Park racetrack are opposing Jemez Pueblo's proposal to build a casino and hotel near Anthony. The U.S. Interior Department rejected the plan for the casino 300 miles away from the pueblo in 2008 but is now reconsidering the decision. The Mescaleros and Sunland Park say the pueblo casino will hurt their businesses in southern New Mexico. The Mescaleros also object to the casino being built within their ancestral homelands.

### Transitions

George McGeorge, Risk Management Division deputy director, has announced he will retire at the end of October.

Marcos Tapia, formerly administrative services director at the Tourism Department, has moved into a classified position of deputy director at the Department of Public Safety.

LFC analyst Christian Sanchez has earned a master's in business administration from the University of New Mexico.

The *LFC Newsletter* reported in September that Benjamin E. Woods, a vice president at New Mexico State University, is the new chairman of the Spaceport Authority. The story mistakenly reported Woods left his job at NMSU. He remains a vice president and is also the new chairman. The newsletter staff regret the error.

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