



# LFC Newsletter

A publication of the

Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

David Abbey, Director

Volume 13 Issue 3

September 2012

## From the Chairman

### Not that Simple

In the sound-bite world of political punditry, creating jobs is as easy as cutting taxes on business. But in the real world, creating a business-friendly environment is much more complicated.

Yes, businesses like low taxes but, according to several studies, they are just as interested in the skills and availability of the workforce and the quality of life.

That means tax policy that promotes business creation must be balanced with investments in infrastructure and social services. No business will be interested in New Mexico – no matter how low the taxes – if we have an inadequate education system, unsafe air and water, high crime, deteriorating highways, or poor families living on the streets. Too much taxation, we drive businesses away. Too little and we lose them to states with better schools, transportation systems and public spaces. Either way, without business activity, we don't have the corporations and workers to tax to pay for everything else.

This complicated balance cannot be achieved without thoughtful investment in infrastructure and strategic tax policy. Every tax credit must be assessed for effectiveness. Every taxpayer penny spent must be spent efficiently.

A nuanced conversation about balance or government efficiency is unlikely to make it on the TV talk shows. But it's a necessary conversation and critical to the future success of New Mexico.

**Senator John Arthur Smith**  
Chairman

## Medicaid Seeks \$54M more; Excludes Adult Expansion

The Human Service Department's FY14 request for a \$54 million increase in general fund support for the Medicaid program fails to include any money for expanding coverage for poor adults, even though the expansion is authorized under the federal Affordable Care Act.

The department is asking for a total of about \$969 million from the general fund for Medicaid in FY14, including \$22 million for other federal health reform costs, about \$20 million to replace money that used to come from the tobacco settlement fund, and about \$7 million for growth in existing programs. The total general fund request would be a 5.9 percent increase over the FY13 general fund appropriation.

The department is asking for a total of \$4.1 billion for the program, with about three-quarters of that coming from the federal government. The total would be a 4.4 percent increase over the FY13 operating budget of about \$4 billion.

The committee is scheduled to get a preview of the department's budget requests for Medicaid and Temporary Assistance for Needy Families at 1:30 p.m. on September 27. A hearing on the implementation of the Affordable Care Act is scheduled for 10:30 a.m. the same day.

The administration has not made a decision on whether to expand Medicaid coverage to low-income adults starting in January as authorized under federal law. The law allows federally

subsidized coverage for adults earning up to 138 percent of the federal poverty level, or \$25,571 a year for a family of three.

For those states that opt to expand the coverage, the federal government will cover the entire cost of the expansion through 2016. The federal share drops in steps in the following years until it reaches 90 percent in 2020.

The department estimates 90,000 more New Mexicans would be covered under the expansion. Proponents argue the expansion would capture many of the state's uninsured.

Almost 20 percent of New Mexicans had no insurance coverage in 2011 and supporters of the expansion argue the state would save money in the long run through lower insurance premiums and higher gross receipts and personal income taxes.

LFC economists are analyzing the impact of the expansion.

Medicaid administrators are exploring options that include phased-in implementation of the expansion and offering those adults coverage under the health insurance exchange, where the cost is subsidized through a federal tax credit.

The department earlier this month sent a letter to the U.S. Department of Health and Human Services asking if the state could phase in the expansion and how long the federal government will guarantee the higher funding rate for newly eligible Medicaid clients, among other technical questions.

## Education Studies Back Changes to School Funding

Several independent reviews of the New Mexico public school funding formula recommend modifying or replacing the current plan, echoing the recommendations of a joint study by the LFC and Legislative Education Committee published last year.

In a follow-up to the 2011 evaluation of the public school funding formula, the LFC evaluation staff at the August committee hearing summarized the changes recommended by several studies dating back to 2008 and as recent as this summer.

Gloria Rendon, executive director of

the New Mexico School Superintendents Association, which is preparing a report for the upcoming legislative session, said a workgroup looked closely at the impact of charter schools on the funding formula.

The group supports the existence of charter schools, public schools run by an independent board of directors, but is concerned about their impact on the funding available to all schools, Rendon said.

She said charter schools get money from the state equalization guarantee, the pool used primarily for instruction

and materials, to pay for facilities, unlike traditional public schools.

The formula also is inadequate for some small school districts, she argued, because the same small rural districts ask for emergency funding every year.

A common theme of the studies is that the current formula puts too little emphasis on help for students at risk of failing, those from poor families, and English-language learners. While test scores have improved for some groups, economically disadvantaged students and English-language learners still score far below their peers.

# Lottery Fund Projected To Run Out in FY14

The legislative lottery scholarship fund, which partially funds the state's largest financial aid program open to almost all high school graduates, could run out of money next year, limiting the availability of awards.

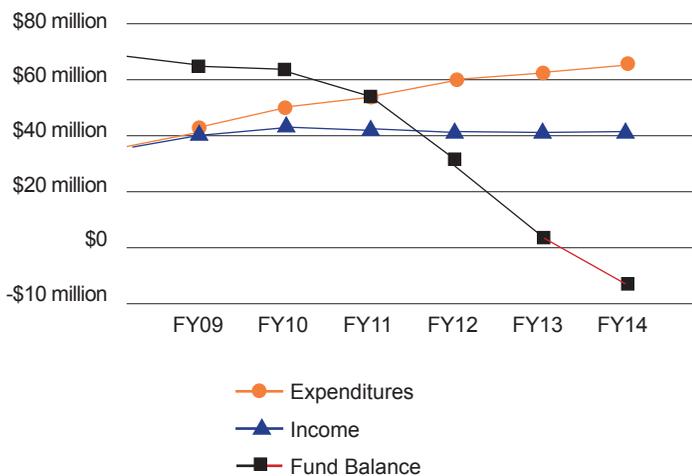
The scholarship program, funded with revenue from annual lottery sales and income from the fund, is available to most New Mexico high school graduates starting with their second semester of college. The scholarship covers tuition at the state colleges for up to eight semesters as long as the student maintains a 2.5 percent grade point average.

With the fund depleted, total awards will be limited to the estimated \$40 million in revenue from lottery sales, short of the \$60 million in scholarships typically awarded this year.

Policymakers have considered capping awards and limiting the awards to needy students as ways to stretch the fund.

No information on the type of student receiving the scholarship is available because most colleges do not require applicants to complete the Free Application for Federal Student Assistance, the typical way colleges collect financial information from students.

**Lottery Fund Projections**



## LFC Newsletter

Volume 13 Issue 3

Published monthly in the interim by the Legislative Finance Committee.

Writer, Editor - Helen Gaussoin Staff Editor - Beth Wojahn

Questions, comments: 505-986-4550

[www.nmlegis.gov/lcs/lfc/](http://www.nmlegis.gov/lcs/lfc/)

## On the Table

### Red Tape Ties Up Early Childhood Spending

The Children, Youth and Families Department has yet to spend the almost \$2 million in new money it has for home visits and pre-kindergarten partly because of how the funding is being awarded. The CYFD went through the General Services Department's purchasing process instead of the Department of Finance and Administration's professional services contract process. The GSD and CYFD say they are looking for ways to get the money moving.

### Tourism Jobs Up, Lodging Revenue Down

Employment in the tourism industry in New Mexico was up 3,000 jobs in July 2012, compared with July 2011, the U.S. Bureau of Labor Statistics reports. However, the *Rocky Mountain Lodging Report* shows total lodging receipts for New Mexico down 10.6 percent for the same period.

### Electric Co-Op under Investigation

The Public Regulation Commission plans to investigate the Kit Carson Electric Cooperative because it has refused to comply with an order that would protect its electric customers from subsidizing its Internet customers. The PRC recently approved a rate increase for the customers but with the condition that electric and broadband services be separated. The co-op says it can't comply because of contractual agreements.

### State Police Cars Too Small for Equipment

The cars in the new State Police fleet are too small for some equipment, prompting the agency to buy new equipment. The 2013 Ford Police Interceptors, replacing Ford Crown Victorias, come with Ford's EcoBoost engine, estimated to cut fuel costs by 20 percent.

### AG Hires Foreclosure Prevention Contractors

The Attorney General has hired three contractors to help homeowners avoid foreclosure as part of an \$11 million, three-year effort funded with the state's share of a settlement with the nation's five largest banks. United South Broadway Corporation, Tierra del Sol, and Independent Living Resources will counsel homeowners with existing mortgage issues, including negotiating with banks for loan modifications and alternatives to foreclosure. Four additional contractors will provide direct legal representation.

### Spaceport Continues Fight for Protections

Spaceport America Executive Director Christine Anderson says managers will renew their fight for legislation during the next session to provide legal immunity to companies that supply goods and services to spaceflight companies against any lawsuits brought by spaceflight passengers or their families. The spaceflight companies themselves are already covered under New Mexico law. Spaceport managers argue the protection is necessary to attract ancillary companies. The New Mexico Trial Lawyers Association says legal remedies should not be limited.

### Transitions

Bianca Montoya will be joining the LFC support staff team on October 1. Montoya's experience includes early childhood education and hotel services.

The National Conference of State Legislatures has appointed LFC's Tracy Hartzler-Toon as staff vice chair of the Education Committee and Charles Sallee as staff co-chair of the Human Services and Welfare Committee.

The Retiree Health Care Authority directors have appointed Mark Tyndall as executive director. Tyndall has been deputy director since 2008.

Mike Unthank, current building services director of the General Services Department, is now interim director of the department's Risk Management Division, replacing Jay Hone, who will continue as general counsel.

Legislative Finance Committee  
325 Don Gaspar Street Ste101  
Santa Fe NM 87501