

MEETING MINUTES
Legislative Finance Committee
Room 309 - State Capitol - Santa Fe, New Mexico
January 18, 2010

Monday, January 18

Committee Sponsored Legislation.

Extend 100 Percent of Tobacco Settlement Funding. David Abbey, director, LFC, presented proposed LFC-sponsored legislation extending 100 percent of tobacco settlement funding to continue 100 percent distribution in FY11 to Medicaid programs, saving \$22 million in general fund monies. Representative Tripp agreed to sponsor the legislation.

Fire Protection Fund Distribution. Tom Clifford, chief economist, LFC, presented legislation to postpone an increased distribution of insurance premiums tax to the fire protection fund. Representative Wallace stated that while she did not object to the proposal because of this year's fiscal crisis, she is concerned the added distributions to the fire protection grant fund should not be delayed indefinitely because the program performs important services around the state. Senator Smith replied that the proposal did not decrease the current distribution but merely delayed an increased distribution. Representative Wallace agreed to sponsor the legislation.

Expand TRD Administrative Fee on Local Revenue Distributions. Tom Clifford, chief economist, LFC, said proposed legislation to the expansion of TRD administrative fees on local revenue distributions would apply the distribution of 1.225 percent of the state's gross receipts tax (GRT) to municipal governments. Senator Beffort expressed concern that this represents a tax increase and that she is opposed to any increases. Mr. Clifford responded that it is not an increase from the standpoint of taxpayers, but rather a shift of revenue from the cities to the state's general fund. Senator Beffort said she is not comfortable with that because the cities also have financial problems. Mr. Clifford responded that many cities are doing better than the state. Senator Neville also expressed discomfort with shifting revenue from the cities to the state because of financial difficulties in the cities. Representative Sandoval said he would work with the chairman to sponsor the legislation.

Modify Return to Work Program for State Agencies and Education. The draft legislation to end return-to-work (RTW) programs for employees covered by both the Public Employee Retirement Association and Education Retirement Board was discussed. Differences to House Bill 616 that was vetoed were noted, including the ending of the programs as of July 1, 2011, rather than phasing it out over a year and combining both ERB and PERA in one bill. The bill would end the ERB program by changing the current sunset date, extended from 2012 to 2022 in the 2009 session, to July 1, 2011. Senator Beffort expressed the need for certain exclusions for math, science and special education teachers. Representative Varela noted the importance of any RTW legislation taking into consideration the consensus built from municipal and public safety stakeholders. Director Abbey responded to questions regarding communications from constituents concerned about an "LFC plan" to end or suspend the 3 percent cost-of-living adjustment that this was erroneous information and just one of several options being discussed and evaluated in the context of possible pension plan changes to ensure pension plan solvency.

An option was presented to the committee to allow the executive to move forward with its RTW

legislation that would end the programs for both PERA and ERB but grandfather current RTW employees, requiring them to pick up the employee pension contribution. Senator Beffort said she will sponsor the legislation, and Senator Leavell stated he will work with her to address similar concerns regarding excluding certain teachers.

Delay Education Retirement Board (ERB) Contribution Increases. The committee discussed legislation delaying the 0.75 percent increase in the employer contribution for the Education Retirement Board for one year. Director Abbey clarified that the approximate \$18 million for this incremental cost to ERB employers had not been funded for public education or higher education in either the LFC or the executive FY11 budget recommendations. Therefore, if a bill did not pass, another \$18 million would need to be added to the \$200 million budget shortfall currently estimated in the LFC recommendation or this amount would have to be absorbed by the employers. Senator Smith agreed to carry the legislation.

Reduce 12th Grade Unit Multiplier, Change Small School Adjustment Factor, Change District Adjustment Factor, and Remove Related Services from the Number of Base Units Multiplied by the Training and Experience Index in the SEG. Paul Aguilar, principal analyst, LFC, reported that four pieces of legislation making changes to the public education funding formula are recommended to account for formula chasing by some districts and charter schools, realizing that some reform efforts result in students not being physically present in the classroom and accounting for the overfunding of some special education staff positions. The four changes are projected to result in savings of approximately \$68.5 million to the SEG. The overall public school support recommendation uses the savings above the line to replace some of the \$210 million in ARRA funding used in FY10 and was not removed from the SEG. Representative Saavedra asked if the legislation had been discussed with the Legislative Education Study Committee. Mr. Aguilar noted that informal discussions had taken place but the LESC had not held formal hearing on the proposal. Representative King agreed to carry the legislation for discussion purposes. Director Abbey noted the formula changes in the public school support appropriation recommendation would be contingent on these pieces of legislation being enacted. Representative Bratton questioned the impact of the school and district size adjustments. Copies of the LFC staff analysis of the impact were distributed to members.

Incentives/Sanctions for Political Subdivision Audit Submissions. Manu Patel, deputy director, LFC, presented legislation requiring the State Auditor's Office to notify the Department of Finance and Administration (DFA), LFC, and the Taxation and Revenue Department (TRD) when a city, county, or municipality fails to submit an audit report within 90 days of the due date specified by the state auditor excluding small entities unless special appropriations are received. Representative Bratton expressed that auditors should be sanctioned as well. Representative Bratton agreed to carry the legislation.

Eliminate Remaining GRIP Bonds Authority. The committee discussed legislation to eliminate the authority for the department to issue remaining bonds associated with the GRIP project. Chairman Varela expressed concern with the department's position on the legislation. Mr. Varela responded the neither the department nor the Transportation Commission would strongly oppose the legislation because of the current level of debt service. Allowing the department to issue the remaining bonds would affect the department's ability to meet the obligation and would affect other areas of operation. Senator Cisneros agreed to carry the legislation.

Eliminate Unfunded GRIP Projects. The committee discussed legislation to eliminate unfunded GRIP I and GRIP II projects. Chairman Varela asked for clarification of the proposed legislation. Mr. Varela explained that the legislation would not eliminate any project that the

department cannot fund currently because of shortfalls with in the GRIP programs. The proposed legislation consists of two bills related to GRIP I and GRIP II projects respectively. Senator Sapien agreed to sponsor both bills.

Efficiency in Government Memorial. Manu Patel, division director, LFC, reported state government does not have enough resources to provide all the services it currently provides at the levels it provides them. It is critical to use the state's limited resources to efficiently provide the most important services in the critical areas of public safety, health and education. Representative King requested that language include restructuring or reorganizing. The Committee as a whole will sponsor the legislation.

Miscellaneous Committee Business

Action Items

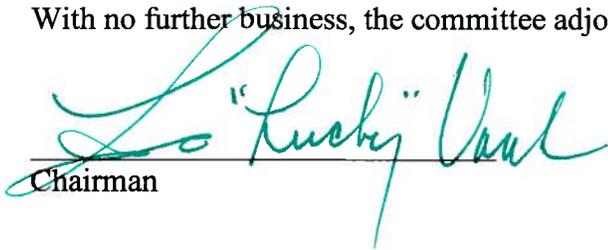
Approval of LFC Minutes - December 2009. Director Abbey asked committee members to approve the December 2009 meeting minutes subject to review for technical corrections by Representative Wallace. **Senator Campos moved to approve the December 2009 minutes, seconded by Senator Leavell. Motion carried.**

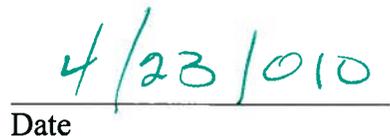
Information Items

Review of Monthly Financial Reports

Director Abbey referred committee members to the December 2009 Cash Balance Report, December 2009 BAR Report, December 2009 LFC Budget Status and LFC Program Evaluation Status Report to review at their own leisure.

With no further business, the committee adjourned at approximately 3:50 p.m.


Chairman


Date