



LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Luciano "Lucky" Varela, Chairman
Senator John Arthur Smith, Vice Chairman
David Abbey, Director

Volume 10 Issue 08-09-10

February-March 2010

From the Chairman Getting It Right

We hear all the time about what New Mexico does wrong with education. But an insightful group of public servants got something right for New Mexico public schools, long before many states figured out they had a problem.

In New Mexico before the 1970s and in most states until the courts forced them to stop, public schools were funded with local property taxes, creating disparities between property-rich and property-poor school districts.

Arguing that this was a violation of the constitutional right to equal protection, social activists started hitting states with lawsuits in the 60s and 70s and set off a flurry of activity after winning their case in California.

New Mexico moved quickly and in 1974 adopted the process in place today that pools the funding in the state general fund and distributes it to the schools based on their student populations. The New Mexico formula not only removes the inequity caused by local wealth, it also distributes funding by student need, so that younger students, special needs students, students at risk of dropping out, and other students in special categories all draw more money through the formula. It recognizes that achieving equity does not mean that every student must be treated exactly the same.

The New Mexico formula has served as a national model. While the lawsuits continue – the courts have declared as unconstitutional half of the 36 state school financing processes challenged since the 70s – New Mexico has been able to move to fine tune its formula.

Representative Luciano "Lucky" Varela
Chairman

NM Children Continue To Lag on Math, Reading

New Mexico's students continue to lag the nation in math and reading, with eighth grade students improving performance in reading but fourth grade students dropping and math performance statistically flat for both grades, a national assessment shows.

LFC members will hear about the results from the 2009 National Assessment of Educational Progress during their first interim meeting of 2010 later this month. The hearing on the test results is scheduled for 8:30 am. on April 23.

The results from the national assessment show the percentage of New Mexico fourth-grade students proficient in reading was down from 24 percent in 2007 to 20 percent in 2009. The fourth-graders' reading score of 208 was significantly lower than the national average of 220.

Fourth-grade performance in math was up slightly but the improvement is not considered statistically significant. The average math score of 230 was a 2-point improvement from 2007 but still below the national average of 239. The percentage of New Mexico fourth graders proficient in math was 26 percent, compared with the national average of 39 percent.

The percentage of eighth graders proficient in reading was 22 percent, up from 17 percent in 2007. Nationally, 30 percent of eighth graders are proficient in reading. The average reading score was 254, still below the national aver-

age of 262 but up 3 points from 2007.

Twenty percent of New Mexico eighth graders were proficient in math in 2009, compared with 17 percent in 2007 and 34 percent nationally. The average eighth grade score in math of 270 was a statistically insignificant 2-point improvement over the average score of 268 in 2007.

Unlike the annual state-run standards-based testing used to assess school performance and student proficiency, the National Assessment of Educational Progress is the same in every state and makes state-to-state comparisons possible. It relies on a sample of fourth and eighth graders from each state.

Student performance on the state standards-based tests is much stronger, with the Public Education Department reporting 62 percent of eighth graders proficient in reading compared with 22 percent proficient on the national assessment. The differences in performance are similar in both subjects and both grades.

However, while the two tests result in different percentages of proficient students, the performance gap between white students and minority students is wide for both tests.

On the national assessment, the average eighth grade scores for African American and Hispanic students were 24 to 29 points lower, while minority fourth grade scores were 20 to 22 points lower. The gap has remained unchanged since 1992.

Healthcare Reform Will Expand Medicaid Rolls

Federal healthcare reform legislation enacted earlier this year is expected to bring more than 140,000 uninsured New Mexicans into the Medicaid program at a cost of hundreds of millions of dollars, but most of the tab, at least at first, will probably be picked up by the federal government.

The committee is scheduled to hold a hearing on the impact of healthcare reform on Medicaid in New Mexico at 1:30 p.m. on April 22.

The federal healthcare reform law provides health insurance coverage primarily through expansion of Medicaid to those with incomes up to 133 percent

of the poverty level and through subsidies to those with incomes between 133 percent and 400 percent of the poverty level. For a family of four, 133 percent of the poverty level is \$29,326.

Policy makers estimate about 425,000 New Mexicans are uninsured and between 140,000 and 180,000 would newly qualify under the higher income limits.

A rough estimate of the cost of adding 140,000 new clients to Medicaid is around \$700 million but the federal government, which now covers about three-quarters of New Mexico's Medicaid costs, will cover 100 percent of the costs of the new clients for two years starting

in 2014, the year states are required to have enacted the expansion.

The federal share will start to drop after 2016 until it reaches 90 percent in 2020.

While the federal government will be paying for health care for new enrollees, the state might have to cover all administrative costs of the expansion, including the cost of setting up required websites and other technology and additional caseworkers.

The state must also set up regional insurance exchanges for those not covered by Medicaid; however, some federal funds are expected to be available.

Forecast Deteriorates with Economy

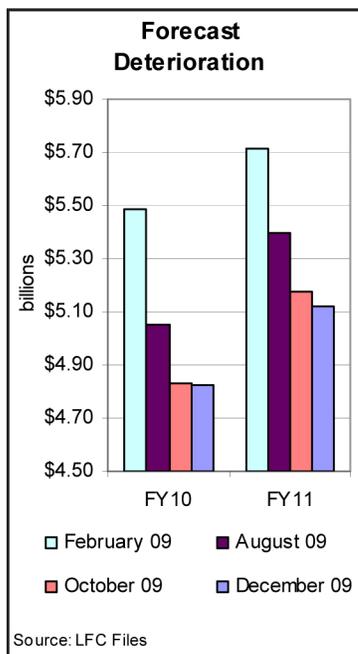
The deterioration of the economy throughout 2009 made it hard for economists to predict 2010-2011 revenues for budget planning, according to the Legislative Finance Committee Post-Session Review released in early April.

In addition to falling revenue from crude oil and natural gas production, income and gross receipts taxes dropped precipitously over the year.

Decreases were so rapid that general fund reserves estimated to exceed 10 percent of appropriations at the time the FY10 budget was passed in February 2009 were estimated in October to fall below zero if no action were taken.

A look at the impact of the recession on budget development and the fiscal outlook for upcoming years is in the Post-Session Review, an assessment of the fiscal impact of action during the regular and special legislative sessions earlier this year.

The publication is available for viewing online at www.nmlegis.gov/lcs/lfc/lfcfiscalreports.aspx. Click on the link for Post Session Fiscal Reviews then on the link for April 2010.



LFC Newsletter

Volume 10 Issue 08-09-10

Published monthly in the interim by the Legislative Finance Committee.

Writer, Editor - Helen Gaussoin

Staff Editor - Ellie Ortiz

Questions, comments: 505-986-4550

lfc.nmlegis.gov

On the Table

Struggling Schools Get Stimulus Money

Twenty New Mexico schools identified by the state Public Education Department as those most in trouble are eligible to receive \$28 million in federal turnaround grants. The money can be used over three years to pay for student-differentiated curricula, the costs of extending the school day or school year, technology, instructional coaches, and other improvements. Seven of the 20 schools are in the Gallup-McKinley school district.

Industry Says Rules Will Close Dairy Farms

Between a third and half of New Mexico dairies will be forced out of business by new water quality rules, according to an industry spokesman. Dairy farms, a potential source of groundwater contamination on the east side of the state, would be required to sink monitoring wells and line lagoons under the new rules.

Treasurer's General Fund Hits Six-Year Low

The cash balance in the State Treasurer's general fund dropped to \$880 million in March, the first time the balance has fallen below \$1 billion in six years. The balance recovered to \$1.1 billion on March 25, a due date for gross receipts taxes.

History Museum Stokes Revenue Fire

Revenue from New Mexico's museums and monuments was up 16 percent in January compared with a year ago, but most of the increase was the result of a two-fold increase in revenue at the New Mexico History Museum. Overall attendance at the monuments throughout the state declined 35 percent from January 2009. The Jemez State Monument and the Lincoln Monument experienced the largest declines in attendance, with attendance down 51 percent and 42 percent, respectively.

Public Schools Get Construction Money

The Public School Capital Outlay Council has awarded \$37 million for school construction: \$10 million to remodel La Casita Elementary and Marshall Middle schools in Clovis, \$12 million for a new elementary in Gadsden, \$6 million for Los Alamos High School, and \$9 million for Moriarty Middle School.

Transitions

The LFC has hired Rachel Gudgel as the new analyst for the public schools and Michael Weinberg as a program evaluator. Gudgel replaces Paul Aguilar, who will be the analyst for higher education. Gudgel has a law degree from the University of New Mexico and previous experience with the state Senate. Weinberg has a master's degree from Harvard University and has experience in education as a classroom teacher and administrator.

Pat Lopez, long-time Corrections Department financial expert and assistant division director, retired February 27.

Ernesto Ortega has resigned as State Monuments director. Secretary Ashman has designated Rudy Acosta as an interim replacement.

The Board of Regents of Northern New Mexico College has selected Nancy "Rusty" Barcelo as the college's new president. She is currently vice provost and vice president at the University of Minnesota in Minneapolis. She holds a doctorate in higher education administration from the University of Iowa.

Libby Gonzales, the long-serving director of the Revenue Processing Division at the Taxation and Revenue Department, retired in March. Marilyn Hill, acting deputy secretary, will oversee the division.

Joelle Mevi was promoted from deputy to chief investment officer at the Public Employee Retirement Association. Mevi previously worked for the State Treasurer and the city of Santa Fe.

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