



LFC Newsletter

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Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Luciano "Lucky" Varela, Vice Chairman

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From the Chairman

Solid Returns

After a hiatus forced on the state by the economic collapse, the Legislature this year went back to expanding its investment in early childhood services. Study after study shows that investing in early intervention and education saves substantial spending on social services, criminal justice and health care in the long run.

More than 10 percent of the \$220 million in new spending in the General Appropriation Act is for early childhood programs. Legislators more than doubled funding for the extended school-year program known as Kindergarten-Three-Plus, adding \$5.7 million to its existing \$5.3 million appropriation. Nearly \$9 million more is in the budget for new early reading initiatives. In addition, funding will increase by nearly \$5 million for prekindergarten, by \$3 million for child-care subsidies for poor and middle income families, and by almost \$1 million for the home-visiting program for newborns.

And we didn't just throw money at the problem. All of the expansions are for programs with demonstrated success and the initiatives being considered are focused on efforts known to work.

Some child advocates are unhappy the Legislature defeated a proposal that would have led to taking money out of the state's permanent fund – its primary investment fund – to pay for early childhood programs. Clearly, state lawmakers have demonstrated their commitment to early childhood and the move to cut into the state's endowment would have been an unwise and unnecessary raid on the principal of a fund that generates significant income for the state.

Now it's time for school districts and state agencies to step up. New Mexicans need leadership and innovation to serve our children. Superintendents and program administrators need to apply for the funding, implement the programs effectively and make them work in concert with other private and public spending on children and early learning. The Legislature has made the investment; the administration needs to make sure it pays off.

Senator John Arthur Smith
Chairman

Taxes Stalled Budget Debate

The legislative session started with similar spending plans from the executive and Legislature but negotiations stalled out over the use of "new money," committee staff analysis says.

The 2012 *Post-Session Fiscal Review*, scheduled to be released during the committee's meeting on March 21, includes an analysis of budget development and other financial legislation discussed during the session that ended last month.

The report notes that FY13 revenue is projected to be stronger than it has been since 2008, with income projected to be about \$250 million more than FY12 spending.

The extra money gave budget-drafters the option of restoring services cut during the economic crisis and replacing temporary funds, used when state revenues were unavailable to sustain some programs, with permanent funds.

However, while the committee recommended using the extra money to accelerate implementation of about \$40 million in expenses scheduled to come online in FY14, the governor asked for \$55 million in tax cuts.

Several of the executive tax proposals survived the session – one for a gross receipts tax deduction for certain construction-related services to be phased in over five years, a second gross receipts tax deduction for products consumed in manufacturing, and a third that gives more gross receipts tax

collections to small cities and counties.

Together, the measures will cost the general fund about \$50 million a year when fully implemented.

As enacted, the General Appropriation Act spends \$5.65 billion from the general fund, a 4 percent increase over FY12. Spending on public schools, mostly maintained during the recession while other areas of state government were hit hard, will increase 3.8 percent. Spending on Medicaid and higher education will increase 4.2 percent and 5.7 percent, respectively, while the average for the rest of state government is 3.2 percent.

The Legislature also passed significant capital outlay bills and for the first time in several years was able to allocate some spending to local projects. The final figure for capital outlay, after about \$23 million in gubernatorial vetoes, is \$253.7 million. A little over half of that would be funded through general obligation bonds, which must be approved by voters.

The review projects the New Mexico economy will continue its slow but steady recovery.

Oil prices – which boost New Mexico revenues but also up the costs of running state government – have been strong but are always at risk because of unrest in the Middle East. Natural gas prices, which also have a significant impact on state revenues, continue to be weak because of a surplus supply.

Public Health Clinics Hurt by Quirky Financing Stream

Under state law, New Mexico's counties are supposed to share the cost of operating the 54 public health offices scattered throughout the state but the counties contribute less than called for in the law, an LFC program evaluation says.

The report on the cost-effectiveness of public health offices will be the subject of a committee hearing scheduled for 9 a.m. March 21.

The report says state law obligates counties to cover the costs of leasing space for health offices but only San Juan County fully supports its regional office. The law also says counties will cover the costs of all employees except the district health officer but the state

pays the some 960 public health office employees.

Public health offices provide birth and death certificates, outreach on disease prevention and contact tracing for sexually transmitted diseases and other communicable illnesses, food and nutrition assistance to poor mothers and children, prenatal care, family planning, certain children's medical services, immunizations, pharmacy services and breast and cervical cancer screening.

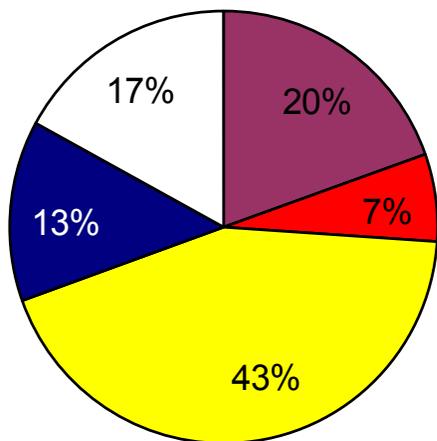
The report says the division's ability to provide services has been hindered by budget cuts. The agency cut outreach and education staff to preserve positions that provide healthcare services.

Education Gets Biggest Slice of Pie, Again

More than half – 56 percent – of the state’s general fund spending will go to education again in FY13. Together, public schools and higher education will receive \$3.2 billion of the \$5.65 billion appropriated from the general fund. Education typically receives about 55 percent of the budget.

Public safety, at \$368 million and 7 percent, also will be at typical funding levels. However, Medicaid, which usually represents about 25 percent of the general fund budget, will be down slightly to 20 percent. The remaining 17 percent will go to the rest of state government.

Fiscal Year 2012-2013 General Fund Appropriations



- Public Schools, \$2.5 billion
- Medicaid, \$1.1 billion
- Higher Education, \$758 million
- Public Safety, \$368 million
- Other, \$965 million

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On the Table

State Park Will Stay Closed

Manzano Mountains State Park, closed since May 2011 because of high fire danger in the Cibola National Forest, will not reopen in 2012, the State Parks Division has announced.

Prisons at 87 Percent of Capacity

The state prison population is at 87 percent of total capacity, with the figure at 88 percent for men and 79 percent for women. The prisons with populations closest to capacity are the state-owned Penitentiary of New Mexico, at 98 percent, and the privately operated Northeast New Mexico Detention Facility in Clayton, at 99 percent. Both house men.

Games and Fish Seeks Lawsuit Funds

The Department of Game and Fish has submitted a budget adjustment request to transfer money from personnel and employee benefits to contractual services. The department needs the transfer to pay for legal services in a lawsuit filed by Wild Earth Guardians. The environmental group contends the department violated the federal Endangered Species Act by allowing trapping within an occupied wolf range. The lawsuit is not covered by Risk Management.

Chihuahua Company Opens NM Center

Interceramic, one of the largest tile makers in North America with three factories in Mexico and one in Texas, plans to open a distribution center and warehouse in Santa Teresa. The company, based in Chihuahua, told state economic development officials they picked Santa Teresa because it is near an overweight cargo zone.

Transitions

Aurora Sanchez, a long-time employee of the committee, is the new deputy secretary of the Corrections Department.

The Public Education Department’s directors of Options for Parents, Patty Matthews, and Student Success, Anna Lisa Banegas-Pena, have both resigned.

Christine Marchand has resigned as the executive director of the Developmental Disabilities Planning Council. Deputy Director Karen Courtney-Peterson is acting director.

John Tysseling is the new chief economist at the Taxation and Revenue Department. Tysseling holds a doctorate from the University of New Mexico and worked at the State Land Office.

Jose Cordova is the new probation and parole director. Cordova was deputy chief at the U.S. Probation Office for the District of New Mexico.

Carl Ortega is the new budget bureau chief at the Corrections Department. He was formerly with the Department of Finance and Administration.

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