

01-17-12

January 17, 2012

## Legislative Session Begins

The legislative session opened today with a surprise and sad announcement from House Speaker Ben Lujan. Speaker Lujan announced that he will not seek re-election and that he is suffering from stage four lung cancer.

This sad announcement was followed by the Governor's State of the State Address. In the address she touted her controversial School Grading Legislation, promoted her anti-social promotion bill, and talked about merit pay for teachers, saying, "In evaluating teachers, we must measure the progress their students make in mastering the basics." She also lauded her efforts to increase school funding for targeted reform programs. Follow this link for the entire address.

## Two competing school budgets have been introduced.

### **The Legislative Finance Committee (LFC)'s Budget is summarized below:**

The LFC recommends FY13 appropriations of \$5.68 billion. This spending level is \$250 million, or 4.6 percent, above the FY12 operating budget. The agency recommendations include \$49.7 million to reverse the 1.75 percent shift from employer-to employee retirement contributions that was triggered because general fund reserves exceeded 5 percent. Separate from the agency recommendations, the LFC recommendation accelerates two spending commitments required in FY14: \$17 million for a 0.75 percent contribution increase for education retirement (ERB) and \$19 million to reduce the use of tobacco settlement revenue from 100 percent to 50 percent. Also, the LFC recommends a 0.5 percent compensation increase for agency employees.

Because a temporary cost-saving provision that increased the employee share of pension contributions is expected to expire, the recommendation covers the shift of those costs back to agencies, which means public employees, including teachers, would see an increase in take-home pay for the first time in four years. The committee's general fund recommendation of \$2.5 billion for public schools is an increase of 3.2 percent, or \$89.2 million, from the FY12 appropriation. The recommendation includes an additional \$10.4 million for early childhood programs and \$7.5 million for a new reading initiative. Another \$5 million for early childhood programs is part of the recommendation for the Children, Youth and Families Department. Funding for that department would increase \$13 million, or 6.7 percent over FY12, to \$385 million. The \$755.5 million general fund recommendation for higher education represents a 5.4 percent increase over the FY12 appropriation. The recommendation assumes the implementation of a new funding formula that emphasizes course and degree completion over enrollment. Unlike most years, the recommendation does not take credit for any revenue raised through tuition.

### **Governor Martinez's Budget is summarized below:**

Governor Martinez's executive budget proposal maintains funding for most agencies at the current level. Approximately \$97.2 million in new funding for public schools. Roughly \$40 million of this new funding would be committed to core services such as textbooks and transportation. The Governor is proposing a \$17 million investment in early childhood reading initiatives in order to fund her anti-social promotion bill. Her budget calls for a \$5.5 million initiative to help the state's lowest-performing schools improve their student achievement, while rewarding those schools that are showing the greatest student progress. She is also proposing \$4.2 million on initiatives to better prepare students to graduate from high school and enter college. The remainder is attributed to additional contributions that New Mexico's teachers will not have to make into their retirement.

The Budget has nearly \$42.5 million in new funding for Medicaid services and program improvements, which includes an additional \$8 million to prevent the closure of nursing homes in New Mexico due to federal Medicare cuts.

She also proposes cutting revenues by approximately \$55 million to be used as tax giveaways to business.

While the amount of funding in both budgets is about the same and does not make for cuts in education funding since 2008, we like the LFC's approach better. In channels more money through the public school funding formula. This funds are more flexible and can be used more effectively for local school district needs and are more amenable to the collective bargaining process. The Governor proposed to spend most of her school funding on her version of "school reform," often not the same as ours!

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