

✓ **EARLY CHILDHOOD EDUCATION**

We can raise high school graduation rates, lower crime rates, and boost the state's economy with just *one* program – and it will *pay for itself* in just 8 years.*

A comprehensive Early Care and Education (ECE) program would deliver the above benefits.

ECE is important because:

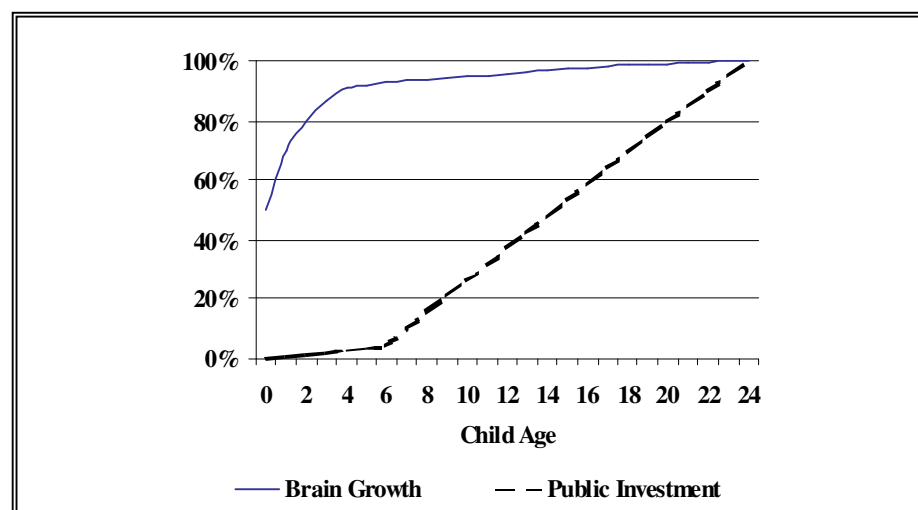
- more than 85 percent of brain development occurs in the first three years of life;
- the window of opportunity for this development is finite.

Children who receive quality ECE:

- are less likely to repeat a grade or require special education or child welfare services;
- are more likely to graduate from high school;
- are less likely to engage in criminal activity; and
- earn more as adults – making them contributors to society, not drains on it.

An investment in ECE is the proverbial ounce of prevention. Still, less than 2 percent of our state budget is spent on these early years – while we spend 60 percent of the state budget on K-12 and higher education.

As this graph shows, most of New Mexico's investment in our children's education begins long after the majority of brain development has occurred.



Legislation should:

✓ **Increase funding for *quality* child care**

Training and technical assistance programs for childcare providers, the T.E.A.C.H. New Mexico Scholarship program, and other quality initiatives would ensure that more children receive quality care.

✓ **Increase child care assistance funding to restore eligibility to 200% FPL**

Childcare assistance used to be available to families living at up to 200% of the Federal Poverty Level (FPL), but in 2001, then-Governor Gary Johnson lowered the eligibility to 100% FPL, making thousands of low-income families ineligible for assistance. Since then, Governor Richardson has pledged to restore eligibility to 200% FPL, but it's currently only at 165% FPL. Investment needed: \$2.9 million.

*"Enriching Children, Enriching the Nation," Robert Lynch, Economic Institute (Washington, DC, 2007)
http://www.epi.org/content.cfm/book_enriching; <http://www.epi.org/books/enriching/states/nm.pdf>.

✓ **TAX INCREMENT DEVELOPMENT DISTRICTS**

A flawed tax policy is *threatening to drain* the state General Fund of hundreds of millions of dollars over the next few decades, sending that money only to a few select communities.

Our current Tax Increment Development District (TIDD) law has dire consequences for the long-term health of our state's General Fund.

Big developers are lining up to take advantage of this unprecedented give-away of state gross receipts tax (GRT) revenues to build infrastructure for their new "greenfield" developments – infrastructure they should pay for themselves.

Our TIDD law needs to be amended because:

- it changes the original purpose of tax increment financing (TIF) from encouraging urban revitalization to development of undeveloped or "greenfield" areas;
- these kind of developments need no incentives because they will occur anyway;
- it circumvents the Legislature's authority and responsibility to appropriate state General Fund and capital outlay money.

TIDDs should not use state GRT revenues because:

- most of the GRT revenue to be used for TIDDs would otherwise become state general fund revenues to provide education, health, public safety and other critical services for the whole state;
- rural areas are likely to be left out because they are less able to attract big developments;
- up to 75 percent of the TIDD's state GRT revenue could be used for infrastructure, and tied up for a quarter of a century;
- there is no ongoing provision for state oversight, even though the majority of the funding will be state revenues;
- there are no limitations on the number and size of TIDDs, or total tax funds that can be used to finance TIDDs;
- developers can control the TIDD governing boards, handle procurement outside of normal state guidelines, and set prices for work to be done. This creates many conflicts of interest and provides many opportunities for mismanagement.
- no mechanisms are in place to track whether TIDDs actually pay for themselves – thus meeting the "no net cost" claim. There is debate about whether TIDDs have paid for themselves elsewhere in the country;
- clarification is needed about what happens when there is a shortage or excess of GRT funds;

Similar TIF legislation drawing on state sales taxes in Illinois in the late 1980s threatened to drain the treasury. An emergency repeal was enacted, and pre-existing TIFs were scaled back.

Legislation is needed to:

- ✓ **Disallow greenfield developments from using any state GRT as part of tax increment financing**
- ✓ **Place a moratorium on new TIDDs until the long-term impacts on state revenues can be determined**

✓ UNIVERSAL HEALTH CARE

Like a basic education, basic health care should be a human right.

Everyone could have basic health care if health insurance was not tied to employment or if all employers were required and able to provide insurance. For working families whose employers don't provide coverage there are few, if any, affordable alternatives. We spend more than enough money in this country to provide health care to everyone, the problem is we don't spend it in the most efficient way. We allow too many people to go without preventive care, only investing in their health when they are so sick they require emergency room treatment.

There are numerous ways to solve this problem, but New Mexico Voices for Children believes that any health care reform should be based on the following principles.

Health care should:

- ✓ begin by **covering all children**;
- ✓ be an **individual right** for all New Mexicans regardless of ability to pay;
- ✓ be the shared **responsibility of the government, employers, providers, and individuals**;
- ✓ not exclude individuals who have **pre-existing conditions**;
- ✓ ensure that **containing costs, eliminating waste, and maximizing efficiency of resources** is primary and, in all cases, puts quality of care first;
- ✓ provide **universal and equitable coverage** for everyone in both rural and urban settings;
- ✓ be **comprehensive**, including the choice of a full range of services and providers in order to promote and maintain physical, behavioral and mental health;
- ✓ provide **high quality** and appropriate care in a timely manner;
- ✓ not cause financial hardship on individuals and families;
- ✓ be **publicly accountable** to the communities it serves, to providers, and to the entities which provide its funding;
- ✓ provide **culturally-specific, culturally-diverse, and linguistically appropriate** services;
- ✓ ensure a **strong public health system** organized to integrate the health care delivery system with community, preventive and social services, and maintain a safe and healthy environment for all;
- ✓ **simplify administration**, so that individuals and providers are not burdened with administrative and logistical obstacles to the receipt or provision of care.

✓ **COMBINED REPORTING**

The well-being of New Mexico's small businesses and working families should be **more important** than the well-being of big, multi-national corporations.

New Mexico continues to allow profitable, multi-national corporations to avoid paying some \$80 million in tax revenue every year – \$80 million that could be invested in our children, their families and their futures.

New Mexico's corporate tax law leaks:

- Big multi-national corporations can exploit a loophole to avoid paying Corporate Income Tax (CIT) on the profits they make in New Mexico.
- New Mexico-owned corporations cannot take advantage of this loophole.
- Our home-grown businesses are at a competitive disadvantage.

The \$80 million in lost revenue means:

- The state has to short-change important programs like education and health care for kids.
- The rest of us pay for the infrastructure that allows these corporations to do business here.

Most states do not have this problem because they have a law that requires **mandatory combined reporting (MCR)**, which closes this loophole.*

Combined Reporting and Economic Development

Plugging this hole would:

- ✓ **Not hurt our efforts to attract new, out-of-state businesses**
Every other Western state – except Oklahoma – requires combined reporting.
- ✓ **Level the playing field for New Mexico-owned businesses**

*MCR means that multi-state corporations must “combine” the income they earned in every state where they do business (except those that don't require it, like New Mexico). A formula is then used to determine how much CIT the corporations owe to each state.

✓ **MEDICAID FOR KIDS**

When extending health care coverage to every New Mexican, it makes sense to start where it's most cost effective.

Medicaid, like Medicare, is the most efficient, cost-effective health coverage there is. And in New Mexico the federal government chips in about three dollars for every one dollar we spend. But far too many children – about 50,000 – who are eligible for Medicaid are not covered by it. For an additional \$44 million in state General Funds, we can enroll every eligible child. New Mexico Voices for Children encourages lawmakers to fund the \$44 million increase over the next two years.

Expanding Medicaid would:

- allow us to enroll every eligible child who's not already covered at a cost of \$44 million;
- invigorate the state's health care economy by bringing in more federal dollars;
- add fuel to an economic engine, especially in rural New Mexico where it's most needed;
- be the down payment on any plan to reform health care.

For every child the state covers, the federal government covers three more New Mexico kids.

Legislation should:

- ✓ **Expand funding to cover every eligible child**
- ✓ **Require HSD to improve retention rates**

Maximizing Medicaid

Reaching and Retaining all Eligible Children

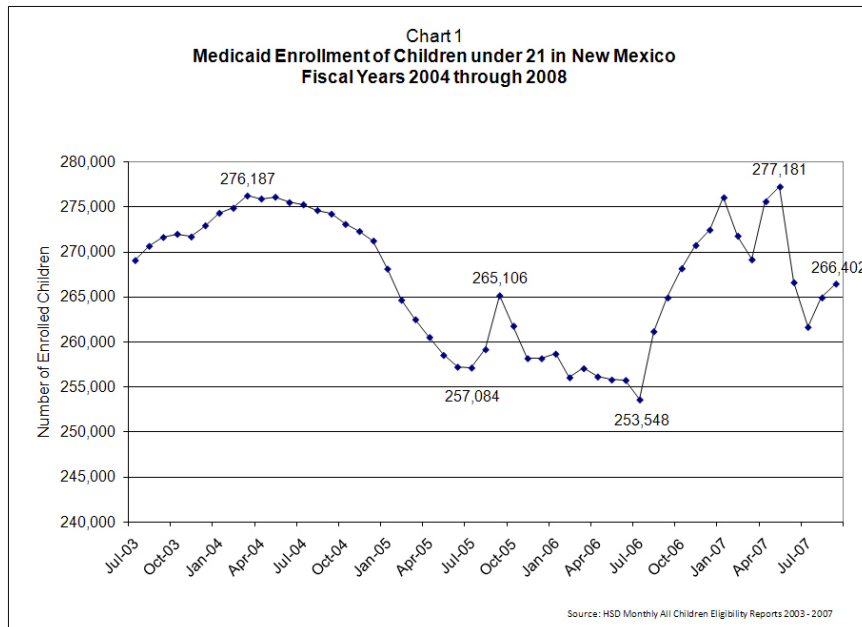
Any discussion of health care reform should begin with covering all children. This means, first and foremost, enrolling all children who are eligible for Medicaid and keeping them enrolled. To achieve this goal, Medicaid must be funded at levels that support not just increased enrollment, but also retention of all eligible children. Appropriations that explicitly support increasing and maintaining enrollment of children in Medicaid should be the down payment on a plan to insure all New Mexicans.

Maximizing Medicaid enrollment was part of every health care proposal reviewed by the Health Coverage for New Mexicans Committee this past summer. Covering all kids is also part of the Governor’s Health Solutions proposal. Just by enrolling those children who are currently eligible for Medicaid, we would extend health insurance to nearly 50,000 more children.¹ Enrolling these

children and keeping all Medicaid-eligible children continuously enrolled would greatly improve the overall health of New Mexico’s children.

Enrollment and Retention

Currently, 266,402 children are enrolled in Medicaid. However, the state has not been very successful at keeping eligible children enrolled. Since there is no specific data on Medicaid retention, enrollment trends over time are used as a measure of retention. Over the past few years, enrollment has fluctuated significantly even as the overall number of Medicaid-eligible children has increased. From fiscal years 2004 to 2008 the difference in enrollment swung from a high of 276,187 to a low of 253,548 and back to a high of 277,181 – affecting more than 20,000 children² (see Chart 1).



The Mathematica study prepared for the Health Coverage for New Mexicans Committee estimated that 70 percent of all children in New Mexico lose insurance coverage at some time during the year, which includes children on Medicaid.³

“For every child the state chooses to cover with Medicaid, the federal government covers three more.”

Continuous Care is Important

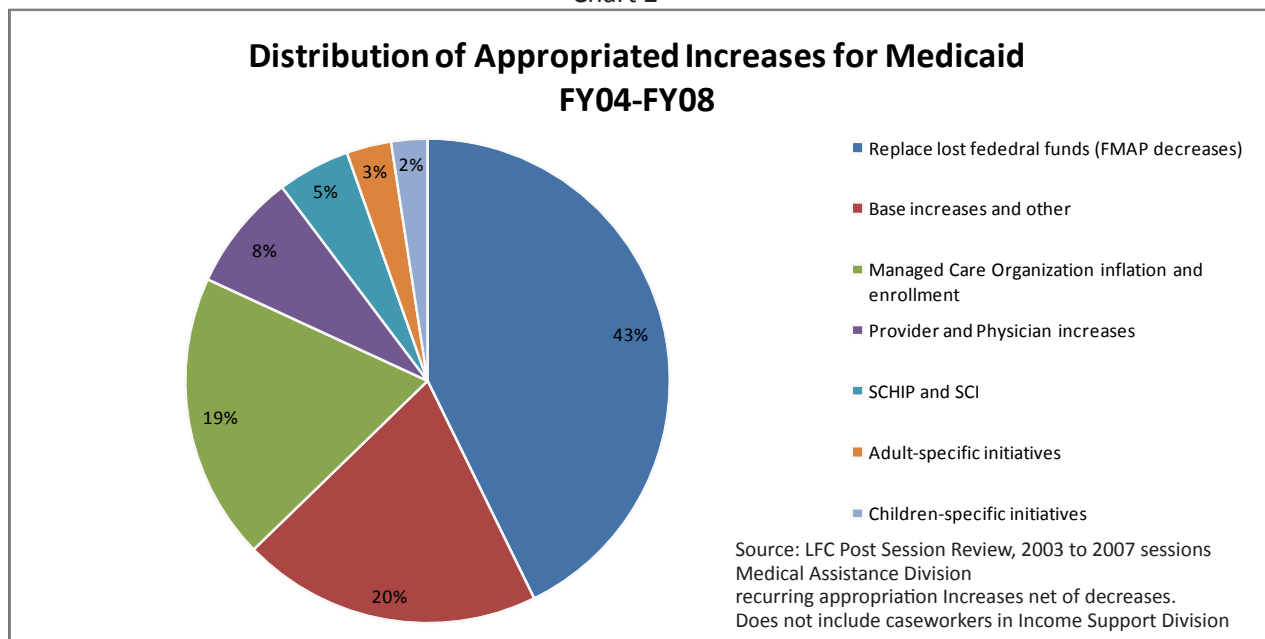
Continuity of health care is important to keeping kids healthy. Mathematica noted that only having part-year insurance “can disrupt access to care, compromise the quality of care and contribute to the higher nonmedical costs of coverage in New Mexico.” Further, New Mexicans who are uninsured for part of the year generally report lower health status than New Mexicans who are insured for the full year.⁴ A 2005 study reported in the *New England Journal of Medicine* noted that “children with intermittent insurance have notable problems...[t]hey do not get medical care, they do not get prescriptions filled, or they go without preventive care visits.”⁵ Disruption of medical care can also be costly to the state’s health care system.

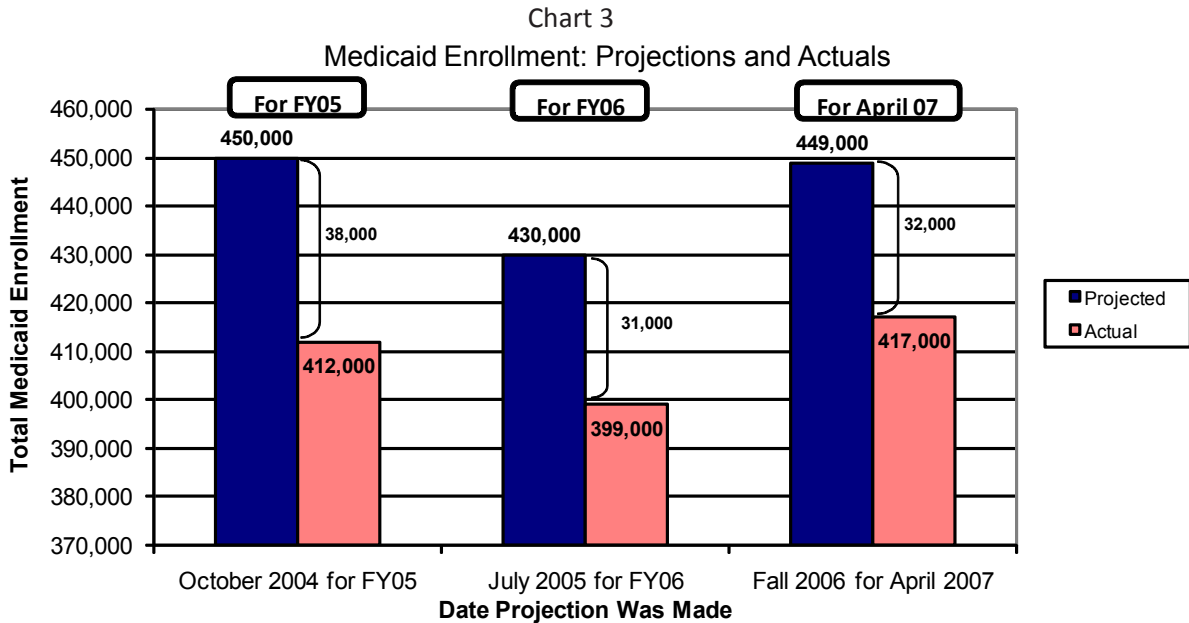
Uninsured children who do not have a regular doctor are more likely to be hospitalized for a preventable illness than insured children.⁶ The Governor’s Health Solutions proposal recognizes this problem as well, highlighting that children without health care are not as able to learn and that the cost of care for the uninsured often gets shifted to the insured, increasing the cost of care for all New Mexicans.⁷

Enrolling and Keeping Kids Enrolled Requires Investment

The state has invested significantly in Medicaid in the past few years. However, none of this investment has resulted in an increased enrollment of children. By necessity, more than 40 percent of the increased funding was needed to replace lost federal funding (see Chart 2). However, appropriations have also been targeted for specific initiatives that did affect enrollment trends. Such initiatives included changes in outreach programs (with the intention of increasing enrollment) and in certification procedures (with the intention of decreasing enrollment). The Legislature could change this by using its appropriation process to explicitly fund increased children’s enrollment by tying it to enrollment targets or implementation

Chart 2





Source: HSD legislative testimony in October 2004 and July 2005; HSD enrollment data provided to the Medicaid Advisory Committee Fall 2006; and HSD Monthly All Client Eligibility Reports August 31, 2005 and December 31, 2007

of policies that will help enroll new children and retain currently enrolled children.

In the past, increased enrollment has sometimes been funded after the fact through supplemental appropriations. This has been due to either the rationale of “enroll first and then ask for funding” or because of an understandable skepticism by lawmakers regarding enrollment targets that have frequently not been met (see Chart 3).

The Human Services Department has recently implemented procedures that have been shown in other states to increase retention and continuous coverage of children on Medicaid. The Department also proposes to increase outreach efforts to enroll more children. These proactive approaches should be supported with the funding upfront to achieve the goal of increased enrollment.

HSD has estimated that 48,000 children are eligible for Medicaid but not enrolled. The Department estimates it would cost \$44 million in state General Fund revenue to enroll these children. At the current federal match rate, this \$44 million investment would generate \$107 million in federal funds.⁸

That means for every child the state covers, three children would be covered by the federal government. The primary benefit of enrolling all eligible children is having healthier children who are ready to learn and succeed, but a secondary benefit is the additional economic activity generated by the increased federal matching dollars. A 2003 study estimated that for every state dollar spent on Medicaid in 2002, \$5.68 was seen in increased economic activity.⁹ This was generated both by the large amount of federal matching dollars but also through additional economic activity from increased health care spending and wages earned. This study and the recent Mathematica study show that an investment in enrolling all eligible children in Medicaid is also an investment in the state’s overall economy and its health care system, especially in rural areas.¹⁰

Conclusion

Any plan to insure all New Mexicans must be backed by funding increases for Medicaid, which ensure that all eligible children will be enrolled and retained within the next few years. Increased enrollment and retention can only be a “win-win-win” for New Mexico: healthier children, a more robust health-care system, and a stronger New Mexico overall.

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(Endnotes)

¹ Human Services Department, FY09 Budget Request: Presentation to Legislative Finance Committee; December 4, 2007; p. 24

² Human Services Department, Monthly All Children Eligibility Reports, 2003 through 2008

³ Mathematica Policy Research Inc.; Quantitative and Comparative Analysis of Reform Options for Extending Health Care Coverage in New Mexico; Final Report; July 31, 2007; p. 36.

⁴ Mathematica, pp. 31 and 38.

⁵ Olson, Lynn M.; Tang, Suk-fong S.; and Newacheck, Paul W.; Children in the United States with Discontinuous Health Insurance Coverage; *New England Journal of Medicine*, 2005; 353: 382-91.

⁶ KaiserEdu.org, Children's Coverage and SCHIP Reauthorization; retrieved January 3, 2008 from http://www.kaiseredu.org/topics_im.asp?id=704&imID=1&parentID=65.

⁷ Health Solutions FAQ, October 2007.

⁸ Human Services Department, FY09 Budget Request: Presentation to Legislative Finance Committee; December 4, 2007; p. 24. Federal match calculated using estimated FY09 FMAP from Human Services Budget projections presented to the Medicaid Advisory Committee in November 2007.

⁹ At the time of the study, the federal match that New Mexico received for Medicaid was higher than it is currently. The current multiplier may be slightly lower but both state and federal Medicaid spending have important impacts within the health care system and therefore the state economy overall. New Mexico Voices for Children; Policy Brief #9: The Impact of Medicaid on New Mexico's Economy; Spring 2003.

¹⁰ New Mexico Voices for Children; Policy Brief #9: The Impact of Medicaid on New Mexico's Economy; Spring 2003. Mathematica, pp. 87-113 and Appendix G. See also New Mexico First, The Management and Future of Federal Investment in New Mexico: Report of the Thirty-Third New Mexico First Town Hall; April 28-30, 2005; Albuquerque, NM.