

Guest Columns

Special-interest groups loving NM permanent fund to death

By Carla J. Sonntag / President and Founder, New Mexico Business Coalition

Saturday, February 25th, 2017 at 12:02am

New Mexico's educational system is still ranked 49th in the nation. Is the answer more money? No! Some states spending less per student rank higher for educational quality. More money is not the answer, but how we spend it is. If we invested in competitive teachers' salaries that support quality personnel and instructional material, we might see a difference.

We desperately need accountability for our educational investment. While we've increased funding significantly, many of our children are failing to meet minimum standards. We've seen improvement by our Public Education Department, but there is a siphoning of funds from state education to nonprofit groups that provide virtually no benefit to our children. In fact, much of what these nonprofit groups do equates to no more than babysitting.

Special interest groups focused on educational funding are always on a quest for more money, and the Land Grant Permanent Fund is the easiest target. Many people think it's a rainy day fund; it is not. The LGPF was established with New Mexico's statehood in 1912 and is held in trust as an educational endowment for our public schools.

While enrollment in New Mexico's schools has been relatively consistent, the education budget has increased over \$900 million in the last 12 years. Over one-third of that increase came from the permanent fund. It is estimated that by 2025, the Land Grant Permanent Fund will produce \$1 billion annually at the current 5 percent distribution rate.

If special interest groups are successful and increase the distribution rate by 1 to 2 percent, does it matter? Yes! Economists and responsible fund managers have proven that a 5 percent distribution rate allows for fund growth through up and down market cycles. Distributions greater than 5 percent, however, risk destroying the fund.

New Mexico has already destroyed other "permanent funds" by being irresponsible in their management. We don't need to experiment with New Mexico's last healthy fund.

Gary King, former attorney general, reviewed the federal constitutional requirements for the Land Grant Permanent Fund and determined that: the state Constitution directly prohibits using Land Grant Permanent Fund money for private entities and distributions from the fund must be limited to learning programs provided by public schools.

Currently we have several non-profits providing 'services' for our underserved populations. This is accomplished by land grant funds flowing to the Children, Youth and Families Division and then to the non-profits.

This practice begs the following questions:

1. Where is the accountability for the money these non-profits are receiving compared to the dismal results they are producing?
2. Who or what state agency is responsible for ensuring that Land Grant Permanent Fund use is in compliance with the federal standards that govern it?

Despite numerous policy proposals and actions, New Mexico's expenditures on its educational challenges have not yielded adequate results. The answer is not an increased rate of Land Grant Permanent Fund disbursements, but instead a focus on direct learning programs that yield beneficial outcomes without violating federal requirements. That could be accomplished if the state would put the money into quality educators and education – not enhanced babysitting or other 'services' that continue to fail our children.

The New Mexico Business Coalition is a statewide nonpartisan, pro-market organization that works to improve the business environment for companies and the quality of life for all New Mexicans. For more information, visit www.nmbizcoalition.org.