



LFC Newsletter

A publication of the Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman
House Appropriations and Finance Committee
Senator George Muñoz, Chairman
Senate Finance Committee
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From the Chairwoman Prep'd for Success

What could have turned out to be a hellish legislative session – overwhelmed by pandemic logistics and gutted by the related economic downturn – turned out to be one of notable successes.

To name just a few, legislators approved and the governor signed bills that will boost spending on schools in low-income areas, create an ombudsman for students with disabilities, establish a statewide broadband office to make the best use of the hundreds of millions of state and federal dollars available for connectivity, and support business with loan programs and grants and a restaurant tax credit.

Not least among the successes is the \$7.44 billion General Appropriation Act of 2021, which increases spending for public education by 5.5 percent, significantly bolsters scholarships for college students, expands access to healthcare, reduces foster care case-loads, and builds on the state's substantial investment in early childhood services – all while ensuring a general fund reserve equal to 24 percent of planned spending to cushion any additional financial blows.

It is a solid, thoughtful spending plan that will benefit the people of New Mexico. But don't take my word for it. While a tradition of bipartisan development of House Bill 2 (the typical bill number of the act) is often rewarded with strong support for the bill in the House and Senate, that support was even stronger this year, with the unanimous endorsement of the House Appropriations and Finance Committee, a 60-10 vote for approval in the House, and a 29-13 vote in the Senate.

It was the result, at least in part, of the hard work of the members of the finance committees. House Appropriations and Finance Committee members devoted time and energy from the start of budget discussions to developing a comprehensive understanding of government finances, current financial and state government conditions, and the use and importance of data-based decision-making. It was a budget building bootcamp, of a sort, for both new committee members and those with experience.

Here's to a better 2021. With the successes of the legislative session, we're getting a good start.

Representative Patty Lundstrom
Chairwoman
House Appropriations and
Finance Committee

Drop in Newcomers and Births Slow State Growth

New Mexico's population has grown little in the last 10 years, with more people leaving the state than moving in and birth rates down, an LFC review of the latest population figures reports.

In *Policy Spotlight: State Population Trends*, scheduled to be presented to the committee at 11:30 a.m. April 29, Evaluation Unit staff report New Mexico's population growth stagnated over the last decade compared with the nation and neighboring states, growing only 2.8 percent while the population in Colorado, Texas, and Arizona grew by 14 percent and the national population grew by 7.4 percent.

Contributing to the slow growth in population, more people moved out of New Mexico than moved in and the birth rate fell by 19 percent, the report says, with the under-18 population shrinking by 8.3 percent.

Growth was concentrated in the over 65 age group, which grew 40 percent, and in urban areas and the Permian Basin, areas associated with economic

activity, according to the report.

The state's non-Hispanic white population declined slightly and the Hispanic population increased slightly, but the Native American population grew by 10 percent, signaling long-term growth in diversity, the analysis concludes.

In the next decade, New Mexico is projected to see overall declines, particularly among younger and rural populations.

"Given the status quo, New Mexico is heading toward having more, older New Mexicans using relatively expensive public services (e.g., Medicaid and Medicare) and fewer, younger New Mexicans in school and working," the report says. "With birth rates continuing to fall, 43 percent of children who disenrolled from public schools during the pandemic moving out of the state, and the number of high school graduates projected to decline 22 percent by 2037, the state should be intentional about right-sizing capacity to address these trends."

Six Rounds of Stimulus Nets \$20B for NM

Six rounds of stimulus bills from Congress have infused \$18.9 billion in money and services into New Mexico, and the amount will continue to grow, LFC analysis shows.

The total includes direct payments to individuals, unemployment benefits, Paycheck Protection Programs loans and other business supports, payments to healthcare providers, and Federal Emergency Management Agency support. In addition, Congress has expanded resources in existing federally funded programs and block grant programs – like food stamps and childcare and community development block grants – and has increased the federal share of the costs of the Medicaid program.

The impact of the acts will continue to grow through unemployment benefits, food assistance, and Medicaid, LFC staff conclude in the brief prepared for a hearing scheduled for 8:30 a.m. April 29.

With the biggest impact, the Coronavirus Aid, Relief, and Economic Security (CARES) Act, passed in March 2020, brought \$10.4 billion to the state, mostly through \$7.6 billion in direct payments

to individuals, business supports, and unemployment benefits. State government received \$1.25 billion through the CARES Act, which included \$360 million for local governments and tribes.

The American Rescue Plan Act (ARPA), passed in March 2021, brought another \$7.1 billion to the state, including \$2.6 billion in direct payments to individuals and \$1.62 billion for state government.

Staff reports ARPA allows for the state money to be used for a relatively broad range of services, including to cover government revenue losses, support tourism and other pandemic-impacted industries, boost pay for essential workers, and invest in infrastructure.

The Legislature appropriated \$1.14 billion of the funds to various uses in the General Appropriation Act of 2021, including \$600 million to restore the unemployment insurance fund. However, the governor vetoed the allocations, saying use of the funds was at the discretion of the administration.

Unlike CARES, ARPA directly appropriated funds – \$703 million – to local governments.

Fed Funds for NM Education Total Nearly \$2 Billion

Most of the federal pandemic-related relief funds for New Mexico public schools spent so far has gone to instruction-related supplies and materials, but state and local school officials have allocated just 5 percent of the total that public schools will eventually receive in stimulus funds.

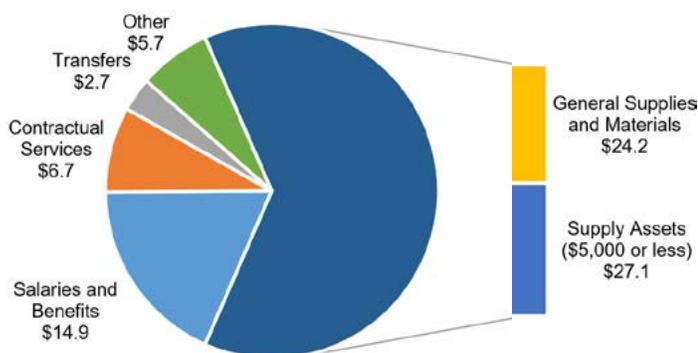
Local school agencies have budgeted 63 percent of the \$82 million allocated so far for general supplies, materials, and assets valued at less than \$5,000, mostly related to instruction.

The spending represents much of the \$108.6 million for public schools in the Coronavirus Aid, Relief, and Economic Security (CARES) Act, but public schools received another \$436 million in the Coronavirus Response and Relief Supplemental Appropriations Act, passed in December, and another \$979 million in the American Rescue Plan Act passed in March.

Pandemic-related congressional appropriations to New Mexico's education stabilization fund total \$1.94 billion, including \$1.52 billion for a public schools subfund and \$345.8 million for a subfund for higher education.

Higher education relief funds were appropriated directly to colleges and universities, which are expected to give half their \$61.8 million CARES allocation, half their \$199 million ARP allocation, and a portion of their \$84.6 million CRRSA allocation to students.

CARES Act Public School Spending
(in millions)



On the Table

NM Oil Recovery Stronger Than Others

While New Mexico's oil production has largely recovered from the significant declines of April and May 2020, North Dakota's oil production remains down 22 percent from its prepandemic levels and Texas' oil production remained down 13 percent in January 2021 compared with February 2020.

Extended Learning Expected to Double

A survey of school districts and charter schools by the Public Education Department indicates participation in the K-5 Plus extended school-year program and the Extended Learning Time Program may double in FY22. Respondents plan to enroll 29.7 thousand students in K-5 Plus and 223.9 thousand students in ELTP next year, up from 16 thousand students in K-5 Plus and 134 thousand students in ELTP this year. Several districts and charters are still pending board approval or community input and have not responded to the April survey.

Cybersecurity Plan Language Vetoed

Language requiring the Department of Information Technology to provide LFC with a plan to address cybersecurity by May was vetoed by the governor. The agency was appropriated \$1 million from the general fund for cybersecurity needs assessments and services, but the agency does not have a comprehensive plan to address cybersecurity. The state has appropriated a total of \$7 million to prevent cyber-attacks and manage risks since 2018, but most of those dollars have supported planning and pilot activities and few protections have been implemented.

Bookmobiles Back on the Road

The state's three bookmobiles, operated by the State Library went back on the road on April 12. Based in Cimarron, Tucumcari, and Los Lunas, the three bookmobiles provide library and information services to state residents in underserved and rural communities.

Transfer Sought for Blimp Internet Study

The Department of Transportation has asked to transfer \$3.2 million to the Economic Development Department for a study by Sceye on delivering broadband from high-altitude dirigibles. The study is to be completed by June 2022. Sceye has received \$5 million in Local Economic Development Act and is the likely recipient of a \$10 million appropriation passed during the 2021 legislative session.

Transitions

Carla Bachechi, LFC fiscal analyst, has resigned to join the Children, Youth and Families Department.
Jessica Hitzman, LFC part-time IT analyst, has been hired full time. She recently earned a master's degree from the University of New Mexico.

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