



LFC Newsletter

A publication of the Legislative Finance Committee

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House Appropriations and Finance Committee
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Volume 21 Issue 11

May 2021

From the Chairwoman New Perspective

The Covid-19 pandemic, coupled with the collapse of oil prices, turned the New Mexico economy upside down. While being upside down is, at the very least, uncomfortable, it can provide a new, and possibly valuable, point of view.

For decades – possibly longer – budget drafters have been well aware New Mexico's economy was too dependent on the boom-and-bust oil and gas industry. In the last few years, we've become much smarter about handling it, building strong reserves during the good times to cushion the blow of the bad years. Some call the reserves oversized, but without them, the economic hit of the pandemic would have resulted in widespread, deep cuts to state services.

Just as importantly, strong reserves mean, instead of being forced to scramble, we can look at this disruption of the economy and see it as an opportunity for diversification, past due and badly needed.

In just the past six weeks:

The dean of the University of New Mexico School of Engineering told an Albuquerque reporter economic development is part of the school's mission, and the school, as part of its partnerships with the national labs and the Air Force Research Lab, could build the workforce needed to make New Mexico an aerospace industry hub.

U.S. News and World Report focused on New Mexico in an article on outdoor recreation, noting a 5 percent increase in outdoor recreation jobs in recent years and highlighting local entrepreneurs and forest and outdoor-related education programs at Western New Mexico and Highlands universities.

U.S. Senator Martin Heinrich announced plans to introduce legislation that would support oil-dependent states while the global energy landscape shifts to alternative energy, the new owner of the retired coal-fired Escalante power plant in northwest New Mexico revealed a plan to convert to hydrogen, and business-news media reported the solar energy industry has spawned New Mexico's first billionaire businessman, a triple shot of news that shows sunny, windy, hydrogen-rich New Mexico could both thrive in the new energy economy and get help during the transition.

In addition, the committee is scheduled to hear reports this month about the border economy and diversification and later this year about the impact of the film industry on the state's economy.

The oil and gas industry, as well as tourism, has benefited New Mexico immensely, but there's more to the state than a few industries. The state needs to get behind the potential of becoming a hub for a science-based industry, the potential of non-carbon energy, the potential of the many possible uses of our beautiful outdoors, the potential of many other ideas bubbling along. New Mexico has the potential to build a diverse, sustainable economy. It might have taken getting flipped upside down to see it.

Representative Patty Lundstrom
Chairwoman

Lower Rio Grande Farmers Agree to Fallow Fields

Nearly 30 farms in the Lower Rio Grande Valley have volunteered for a program that will pay them to stop using groundwater on their fields, part of the first phase of a multiyear pilot to promote long-term sustainable water use in the region, LFC staff report.

If their applications are accepted, the state will pay the farmers from \$400 to \$800 per acre to cease groundwater pumping for a year.

State Engineer staff, scheduled to report to the committee on the project at 11:30 a.m. May 19 at the LFC meeting in Las Cruces, report the Interstate Stream Commission is currently processing 27 grant contracts totaling more than \$900,000 and 1,400 acres of land.

The May 11 report of the U.S. Drought Monitor – a partnership of the University of Nebraska National Drought Mitigation Center, U.S. Agriculture Department, and National Oceanic and Atmospheric Administration – shows 100 percent of New Mexico in some form of drought and almost the entire state in at least severe drought. More

than half of the state is in the agency's highest category of exceptional drought.

The National Weather Service reports the Lower Rio Grande Valley has seen less than a tenth of an inch of total precipitation since the start of the year.

Agriculture is the biggest water user in the state, representing about three-quarters of all "water withdrawals."

The \$7 million Lower Rio Grande water management pilot, scheduled to run through 2023, is intended to create an array of tools to better manage water use, particularly during drought.

Approaches to be tested could include aquifer recharge, infrastructure improvement, and supply augmentation, the State Engineer reports.

The first phase will evaluate local governance alternatives and the creation of a water use manager, in addition to the fallowing of fields.

For the farmers who volunteer to fallow their fields, State Engineer staff will monitor the use of water through site visits, photos, remote sensing, and meter readings.

Closures Continue to Stymie Performance

State agency failure to report on performance measures and reports of poor performance on quarterly agency report cards indicate the pandemic-related shutdown continues to impair many government functions or oversight, LFC staff report.

The public health emergency has exacerbated declining enrollments in education, health, and employment programs; delayed IT and capital projects; and slowed other functions, like the issuance of drivers' licenses and environmental inspections, the quarterly report cards indicate.

In addition, staff notes, the governor vetoed multiple performance measures and reporting requirements in the General Appropriations Act of 2021, further reducing accountability for state agencies in FY22.

Among the findings in the [report cards for the second quarter of FY21](#), covering the three months ending in December:

The judiciary agencies -- the courts, district attorneys, and Public Defender Department, hit their targets for almost

all measures, a notable exception being the timeliness of the disposition of cases in district, magistrate, and Metropolitan courts.

The Human Services Department failed to report on any performance measures for behavioral health, including measures on alcohol- and drug-related visits to emergency departments and housing assistance for those with mental illness or substance use disorders, and reported on just three measures related to the Medicaid program. The department has also failed to report on infant health, emergency room visits for nonemergency care, and other measures.

The Protective Services and Juvenile Justice Services programs of the Children, Youth and Families Department fell short on measures related to the repeat mistreatment of children, including those in foster care, and recidivism among youth offenders. LFC analysis suggests the stresses of the pandemic coupled with lack of access to services likely intensified rates of maltreatment.

Per-Child Care Costs Up but Enrollment Down

The average cost per child in Childcare Assistance, which subsidizes care for qualifying families, continued to increase in FY21, but a precipitous drop in enrollment is expected to result in total spending far below the FY21 budget.

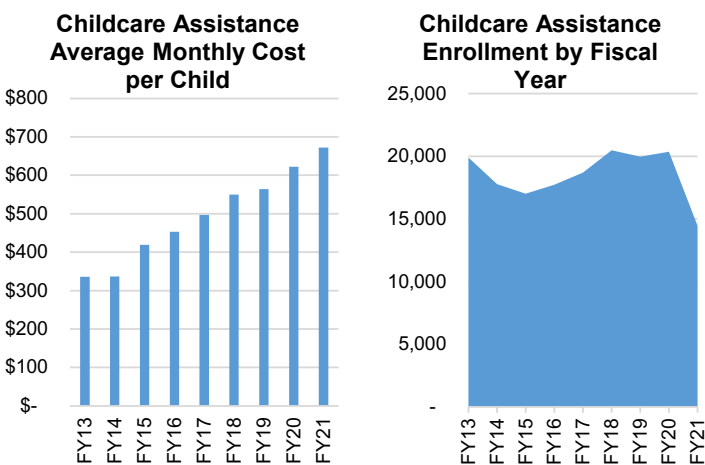
The average monthly cost per child – the state typically pays providers a fee per child based on the family’s income and provider ranking – increased in FY21 to \$672 from \$622 in FY20 and \$564 in FY19.

The FY21 cost increased primarily because of steps taken by the Early Childhood Education and Care Department to stabilize a system gutted by pandemic-related closures. Those steps included using federal funds to pay providers for enrollment rather than attendance, cover the family’s share of the cost, and provide pandemic-related differentials per child. The department also began paying for childcare for healthcare workers, first responders, and other essential employees, regardless of income.

The FY21 operating budget assumed an average monthly enrollment of 22,000 children; however, due to the pandemic, monthly enrollment dropped to 14,500 as of April, the lowest since LFC tracking began in FY99.

LFC estimates the unspent funds could range between \$15 million and \$18 million. Unless the department can rapidly boost enrollment, the FY22 childcare assistance budget may also underspend appropriations of \$154 million.

The committee is scheduled to hold a hearing on federal recovery funding for Childcare Assistance at 8 a.m. May 21.



On the Table

NM Fed Funds Higher Than Expected

New Mexico will get \$130 million more in federal stimulus funds than expected, according to the U.S. Treasury. Relying on estimates from the Federal Funds Information for the States, officials anticipated the state would receive \$1.62 billion from the federal American Rescue Plan Act, but the U.S. Treasury has notified New Mexico it will receive \$1.75 billion. The state expects to receive the funds before the end of May.

Families Eligible for Broadband Aid

Certain New Mexico families are now eligible for discounts on Internet connection services and computers. The Federal Communications Commission’s \$3.2 billion Emergency Broadband Benefit Program provides eligible households with discounts up to \$50 a month for broadband services (or up to \$75 a month for households on tribal lands) and a one-time \$100 discount for a computer purchased through a participating provider. The Public Education Department estimates 75 percent of the families in the public schools qualify. The Department of Information Technology had signed up 38 participating providers by mid-May.

Socorro Schools Adopt Four-Day Week

The governor’s veto of General Appropriation Act language restricting school districts from switching to a four-day school week has prompted the Socorro Consolidated Schools board to adopt the shorter week by adding 25 or 30 minutes to the school day. A recent study by the *Journal of Public Economics* found Oregon schools with the shorter school week showed statistically significant declines in student performance.

Nearly One in Five State Positions Vacant

The state had 21.9 thousand employees on May 1, 1.8 percent fewer than in May 2020. The current statewide vacancy rate is 18.1 percent. A hiring freeze, implemented in April 2020, has been lifted.

Road Fund Collections Down but on Track

The Department of Transportation reports collection of \$282.8 million in state road fund revenue through February, 1.2 percent less than FY20 collections over the same period but on track with projections.

Transitions

Mesalands Community College has hired Gregory Busch, Ed.D, to serve as president. Busch earned his doctorate from West Virginia University in higher education administration. Most recently, he worked as adjunct faculty at a private university in Florida. Sam Bregman has been appointed chair of the Racing Commission. He replaces Beverly Bourguet.

LFC Newsletter

2020-2021 Fiscal Year, Month 11

Published monthly in the interim by the Legislative Finance Committee.

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