



LFC Newsletter

A publication of the Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman
Senator George Muñoz, Vice Chairman
David Abbey, Director

Volume 22 Issue 05

November 2021

From the Chairwoman

Big Bang Theory

When the state adopted the Accountability in Government Act more than 20 years ago, the intent was to refocus funding on those programs that provide New Mexicans with the greatest return on their tax dollar. Before the act, the Legislature tightly controlled agency spending, allocating dollar amounts to salaries, supplies, and nine other line items. With its enactment, agencies have much more flexibility on spending but, in exchange, must report on the results of that spending by setting goals and measuring results—the number of New Mexicans served, the impact on their lives, and other outputs and outcomes.

LFC “report cards” on those results, with staff analysis of agency performance, have done a good job of letting the committee and the public know how agencies are performing and the committee considers those reports in its budget development, but the impact on agency management has been less than hoped. The move to evidence-based programs, those programs with proven success, has been erratic and slow.

This summer, the committee launched an effort to build on its “legislating for results” efforts through a performance-driven hearing process dubbed Legis-STAT. “STAT” meetings are a long-standing tool used by federal, state, and local government administrations that use specific data to drive action plans on performance until performance reaches a satisfactory result.

Under LegisSTAT, the committee has regularly scheduled time to focus on a key set of priority performance issues (starting with postpandemic economic recovery), collaborated with state agencies to improve results, and followed up on action items from the last review. The information gathered from those meetings will be part of the budget recommendations for the Economic Development Department and other agencies.

LFC is the first legislative agency to adopt the STAT tool—usually part of an executive management process. The committee cannot review the data weekly or monthly as is typical with an agency and has no intention of micromanaging agencies by examining their day-to-day operations, but LFC is committed to budget development and oversight that produces better results.

Representative Patty Lundstrom
Chairwoman

1-in-4 University Freshmen Drop Out After First Year

New Mexico’s four-year universities lose nearly 7,000 students from their freshman class every year, and higher education administrators say socioeconomic factors are often to blame.

At an October higher education subcommittee meeting, staff reported about a quarter of new students at the University of New Mexico, New Mexico State University, and the New Mexico Institute of Mining and Technology drop out after their first year and only about a third earn a bachelor’s degree within four years.

The dropout rate is worse for students at the state’s other four-year schools and community colleges, [staff reported](#), with community college retention rates close to, but four-year college rates “notably” below, the U.S. average.

Stephanie Rodriguez, secretary of higher education, told the subcommittee many times students must drop out because of other life demands.

The Higher Education Department is working on a strategic plan that will include wrap-around supports for students, including help with childcare, transportation, and public assistance, she said.

The staff brief also noted the proportion of New Mexico high school students attending college is dropping and

college enrollment is declining overall.

Enrollment has dropped 26 percent at community colleges and 19 percent at four-year schools since 2011.

While the community college number is similar to the national trend, enrollment at four-year schools has increased by 17 percent during the same period.

Rodriguez said the department is working on a longitudinal database that will track children from birth to career and will include information on college dropout rates and reasons.

Although enrollment is down, the number of certificates and degrees has held steady. However, staff said, New Mexico tends to produce roughly equal numbers of bachelor’s and associate’s degrees, while public colleges nationally tend to produce twice as many bachelor’s as associate’s degrees.

The award of any certificate or degree is rewarded in New Mexico’s higher education funding formula.

“Overemphasizing subbaccalaureate degrees and credentials is problematic because of the earning premiums for those with more advanced postsecondary education. New Mexico will likely continue to fall behind other states in average wages without more of the population attaining a bachelor’s degree or higher,” the brief said.

Increase Needed for Prison Transition

The Corrections Department has asked for a 2.9 percent increase in its general fund appropriation, partly to cover the higher cost of the state takeover of private prisons.

The department’s request for \$338.8 million from the general fund for the budget year that starts July 1 is a \$9.5 million increase from the operating budget for the current fiscal year.

This month, management of the Guadalupe County Correctional Facility in Santa Rosa and the Northwest New Mexico Correctional Facility in Grants changed from private to public, a move expected to increase costs to the state.

The department in September transferred \$9.4 million from the “other” spending category to personnel to hire an additional 215 full-time employees for the two prisons.

While the department initially projected net savings from the transition, it now estimates the cost of operating the two prisons will increase costs by over \$3 million in FY23.

In May, after the state cut payments because of reduced inmate populations and imposed fines for chronic understaffing, the private operator of the Santa Rosa prison notified the state it would close the prison unless new terms could be negotiated.

New Mexico’s prison population dropped 21 percent between September 2018 and June 2021, and as a result, the department had 1,600 unoccupied beds on average last fiscal year.

Under a lease agreement for the Santa Rosa prison, the state will be paying \$4 million annually for a facility that is occupied at half its capacity.

Outstanding Capital Totals \$1.8 Billion, 3,700 Projects

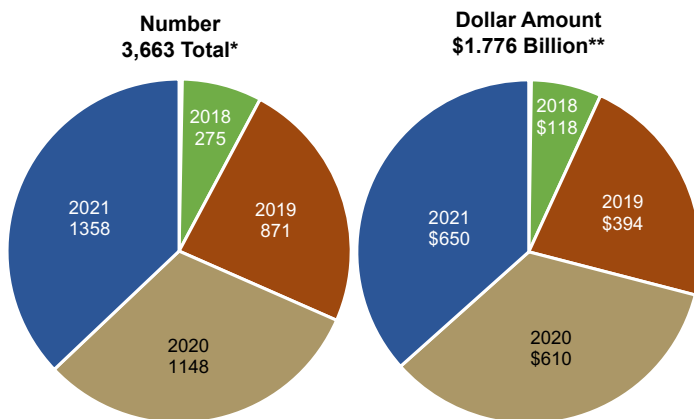
Outstanding capital outlay, funds that have been committed to projects but remain unspent, totaled \$1.8 billion in October, with 3,663 projects unfinished, LFC staff reports. Another \$569 million in bond proceeds specifically for public schools also remains unspent.

Almost \$200 million in proceeds from the 2020 general obligation bond approved by voters in November and \$555 million in funds for projects authorized earlier this year only became available this summer, giving the projects little time to progress; however, more than a billion dollars in unspent funds are for older projects.

Staff note the Board of Finance in June delayed issuing \$31 million bonds for 116 authorized projects because the projects were not ready to proceed, with some of the entities responsible for the projects failing to submit up-to-date financial audits.

Analysts in August estimated capacity for new projects that could be authorized in 2022 totals \$1.2 billion.

Outstanding Capital Projects



*Total includes 10 projects from 2016 and 1 from 2017.

**Total includes \$3.8 million from 2016 and \$5 million from 2017.

On the Table

Childcare Assistance Enrollment Growing

Average monthly enrollment in Childcare Assistance subsidy program was about 17 thousand as of September, an 18 percent increase over September 2020 enrollment. The average cost per child also increased by 8 percent to \$733 a month. In addition, the Early Childhood Education and Care Department has spent \$6.3 million on a \$200 per child per month temporary quality incentive.

State Spends Down Work Incentive Fund

The Workforce Solutions Department has spent \$3.1 million of the \$5 million allocated by the governor for return-to-work incentive payments. Beginning in early July, former unemployment recipients who reported a new job and stayed with the job for nine weeks would receive a one-time payment between \$400 and \$1,000. Roughly 4,200 people received the payments.

State Government Employment Down

The state workforce experienced its fifth consecutive month of contraction with the loss of 30 FTE between October and November. Employment is down more than 400 FTE, or 2 percent, since November 1, 2020, and currently one in five positions is vacant. About 21.5 thousand employees were on the state payroll as of November 1.

NM Oil Price Nears \$70 per Barrel

The year-to-date average FY22 price for New Mexico oil climbed to nearly \$70 a barrel in September. That price, based on preliminary data from Phillips 66, is \$5.37 higher than the price used in the latest state revenue forecast. Natural gas prices averaged \$5.33 per thousand cubic feet for the first three months of the fiscal year, about 25 cents higher than the forecast.

Water Project Requests Total \$66 Million

Requests for 2022 Water Trust Board awards totaled \$65.7 million, close to the same amount of money expected to be available for projects. The largest requests among the 36 submitted were \$7.1 million for upgrades to the arsenic treatment facility in Bernalillo County, \$7.2 million for a project near Cannon Air Force Base, and \$7.2 million for the Middle Rio Grande Conservancy District. About \$68.2 million is expected to be available for Water Trust Board grants in 2022, mostly from severance tax bonds. Ten percent of that amount must be set aside for water rights administration.

Transitions

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LFC Newsletter

2021-2022 Fiscal Year, Month 05

Published monthly in the interim by the Legislative Finance Committee.

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