



# LFC Newsletter

A publication of the **Legislative Finance Committee**

Representative Patricia Lundstrom, Chairwoman  
Senator George Muñoz, Vice Chairman  
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## **From the Chairwoman** **Tied Hands**

In the early days of the Legislative Finance Committee, members raised concerns about the prevalence of designating uses for specific revenue streams. The committee actively, and successfully, worked to eliminate many of these earmarks, steering the money instead to the general fund, where the money could be distributed according to need and priority.

Some earmarks remain and some have crept back into the system but mostly in a logical way, with funds for a service coming from those who use it. For example, special fuels taxes are used to maintain roads.

Nevertheless, earmarks continue to be a policy dilemma, with the recent explosion of funds into the early childhood trust fund an apt example for the discussion.

Recognizing that effective education and care services for the very youngest New Mexicans have, perhaps, the greatest potential to pay off in the long run, legislators created a revenue stream for those services. Receipts from the emergency oil and gas school tax above the five-year average are deposited into the early childhood trust fund if general fund reserves—the state's rainy day funds—are at least 25 percent of recurring appropriations. If reserves are short, the extra money goes into the tax stabilization reserve, a fund created to smooth out the booms and busts of the oil and gas industry to insulate the state from income volatility. Above-average receipts from federal royalty payments on natural resource extraction also go into the early childhood trust fund, and interest earned on the fund is available for early childhood spending.

The diversion of excess oil and gas revenues has turned out to be a particularly smart move for the state. General fund revenues and forecasts have stabilized.

The earmarking of some of these funds for early childhood has also achieved its objective. The trust fund had an estimated value of about \$650 million at the end of the fiscal year in June, a generous pool of money that should generate substantial revenue for the critical services it supports.

But, and this is an extraordinarily large "but," the fund is expected to have in excess of \$2 billion by the fiscal year that starts in July 2022 and more than \$3 billion in five years. That's about 40 percent of the entire state general fund budget.

Under existing law, the Legislature's hands are tied. That money will stay in the trust fund, idle, because lawmakers cannot divert it to other critical needs. Protecting early childhood funding from competition remains an important policy goal, but policymakers might want to consider relaxing the earmark—perhaps capping the amount that can build up in the fund.

Some pundits consider earmarks a political evil. Some would sacrifice all other state services to take care of our children. Both are legitimate but simplistic positions, and New Mexicans need a nuanced solution.

**Representative Patty Lundstrom**  
*Chairwoman*

## **\$2 Billion in Capital Outlay Available for Projects**

With federal stimulus funds for capital projects, one-time state general fund revenues, and state bonding capacity, the Legislature could potentially authorize almost \$2 billion in investments in construction and equipment for the next budget year, LFC staff figures show.

A capital outlay subcommittee of LFC is scheduled to meet before the full committee at 7 a.m. on October 27 to hear about capacity and major requests from state agencies and colleges for the major project dollars.

LFC staff estimates the state will have \$553.3 million in capacity in bonds backed by severance taxes on oil and other extractive industries for FY22, more than four times as much as was available in FY18.

In addition, earmarked severance tax bonding capacity is estimated at \$64.2 million for water projects and \$32.1 million each for tribal projects

and projects in the infrastructure-poor communities known as colonias.

Estimates also indicate the state will have \$244.5 million in capacity in general obligation bonds, which are paid back with property taxes and need voter approval, and over \$800 million in excess reserves, one-time money that is sometimes used for capital outlay.

The state also has access to \$133.1 million in federal stimulus funds that can be used for broadband infrastructure, digital connectivity projects, and multi-purpose community facilities.

Although not specifically intended for capital projects, New Mexico also has \$1 billion in general pandemic relief still available from a pool that must be used by the end of 2024.

In addition, staff estimate supplemental severance tax bond capacity for public schools, allocated by the Public School Capital Outlay Council, is about \$267 million.

## **More Teachers Still Not Enough**

Teacher preparation programs have reversed a decades-long trend of declining enrollment and completions, but supply is still falling short of demand, both in total numbers and in the fields where demand is highest.

In a [brief](#) prepared for a hearing in September, LFC staff report teacher preparation programs admitted 1,287 students into traditional and alternative licensure programs, an increase of 193, and 927 students completed their programs, an increase of 181.

However, the total number of teachers in New Mexico has remained essentially flat for a decade, similar to public school student enrollment trends, meaning the state has failed to gain on a long-standing shortage of teachers.

Teacher turnover in New Mexico continues to be higher than the national average, the brief says, with a quarter of teachers leaving their school districts between 2014 and 2018. The Education Retirement Board also recently reported an unusually high number of educator retirements this year.

According to the staff report, the New Mexico State University Southwest Outreach Academic Research—SOAR—

Center, which tracks teacher vacancies, reports a mismatch of degrees and new teachers, with half of the state's more than 1,000 teacher vacancies in elementary and special education.

In addition, the number of students graduating with bachelor's degrees from traditional programs is continuing to decline. Alternative licensure programs, generally two-year programs for those who already have non-teacher college degrees, account for 55 percent of program completions.

"While alternative licensure programs are less costly and quicker pathways for individuals to become teachers, national trends show these individuals are 25 percent more likely to leave the profession than traditionally trained teachers when controlling for students, schools, and teaching conditions," the brief says.

Deans with New Mexico colleges of education suggest weak first-time teacher support systems, below-market compensation, and the perception that practicing teachers are subject to a punitive accountability system contribute to the struggle to attract students to the profession.

# Benefits Can Help Some Meet Basic Needs

Stacked, the federal and state healthcare, food, cash, tax credits, and other benefits available to low-income New Mexicans can allow most families to meet basic needs, but New Mexicans can face barriers to access, a policy spotlight report by LFC evaluators says.

The report, scheduled for a hearing at 9:30 a.m. on October 27, says New Mexico offers a relatively generous benefit package, partly with the support of federal funding for public assistance and the recent expansion of state tax credits for low-income households.

The analysis indicates families with children and elderly households likely could generally receive enough in benefits to cover the essentials if enrolled in all benefit programs, but adults without children generally could not.

The report notes the Human Services Department — which administers the Medicaid healthcare program for low- and moderate-income New Mexicans, the Temporary Assistance for Needy Family cash program, and the food-stamp-based Supplemental Nutrition Assistance Program — provides assistance to nearly one in two New Mexicans, but more qualify than enroll.

While income eligibility limits disqualify some applicants, complicated and lengthy applications, sometimes in an unfamiliar language, unfamiliarity with programs and eligibility, and social stigma, can also be impediments to enrollment, the report finds.

## Public Benefits Impact on Recipients

Family Type	Needs Met if Enrolled in All Services Available?	Income at 100 Percent of the federal poverty level	Estimated Total Income Plus Benefits
	✗	\$12,880	\$31,202
	✗	\$17,420	\$47,158
	✓	\$12,880	\$37,262
	✓	\$21,960	\$74,381
	✓	\$26,500	\$104,392
	✓	\$21,960	\$95,167

In these scenarios, needs met is defined as meeting a living wage according to the Massachusetts Institute of Technology calculation of costs for New Mexico. The needs and benefits for households with children are based on children ages 3 and 7, chosen to cover programs for both early childhood and school-age children. Programs include federal stimulus payments. SNAP and TANF figures are based on net rather than gross income, and Childcare Assistance amounts are based on a zero copay.

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## On the Table

### Extension Could Boost Medicaid

The extension of the federal health emergency through January 16 could mean an extra \$70 million in federal funds for the New Mexico Medicaid program. If the current declaration remains in place for the full 90 days, the pandemic-related enhanced federal match for state Medicaid spending could be available through the end of March. The extra Medicaid money, in addition to an expected \$7 million that would be generated for the Department of Health, would offset state spending.

### Cannabis Producer Plans New Jobs

Ultra Health, a medical cannabis producer, plans to open 20 additional dispensaries across the state in the next year and expects to hire hundreds of additional workers. The company currently employs about 300 people.

### Schools Net More Dollars For Same Days

By switching from a five-day school week to a four-day school week then adding a K-5 Plus extended learning program—which requires 25 extra instructional days but comes with enhanced funding—the Central Consolidated School District generated additional funding for the school year while maintaining a 175-day calendar. Similarly, Socorro Consolidated Schools will generate K-5 Plus funding for an extra nine school days after switching to a four-day school week.

### GRT Tweak Ups Dollars for Cities

In the first month of a change in the gross receipts tax law that distributes revenue based on where goods are headed instead of where they come from, municipalities gained more than \$19 million compared with a year ago. GRT distributions in July, the first month of distribution-based sourcing, were up 18.3 percent, with Santa Fe, Albuquerque, and Hobbs seeing the largest percentage increases. Limited data makes it difficult to determine any potential long-term trends or whether total revenue, which includes the state's share, will be impacted.

### Transitions

Lisa Vega, the new Department of Transportation District 6 engineer, will be the first Native American district engineer and the third woman in that role.

Randall Roybal, executive director of the Judicial Standards Committee, will retire on January 1 after 24 years.

### Correction

In the September newsletter, it was reported the state-owned historic Los Luceros property near Velarde is “mostly” closed. The site is open five days a week and held “harvest days” for apple picking this fall.

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