



LFC Newsletter

A publication of the Legislative Finance Committee

Senator George Muñoz, Chairman
Representative Nathan Small, Vice Chairman
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From the Chairman

Today and Tomorrow

New Mexico has been a model for the nation in its handling of its surplus revenue. We've built up reserves to withstand a downturn in oil prices or a recession. We've created investment funds that will provide ongoing income—without new appropriations—for natural resources and college scholarships. We've invested in roads and infrastructure to improve quality of life and stimulate economic growth and invested in early childhood well-being and public education to support the success of future generations.

Most importantly, we've established clear fiscal policies that can guide us as we continue to navigate this high-income environment. Failure to anticipate the end of this financial boom opens the door to having to cut important services later. It is critical that New Mexico does not make financial promises it cannot keep nor take actions that could jeopardize the revenue stability we seek.

Other states haven't been as careful. According to the National Conference of State Legislatures, state tax revenue is still up substantially from five years ago and is still ahead of inflation but fell in the last year, with disproportionate losses in California and New York. Half of states used temporary federal pandemic relief funds to pay for permanent tax cuts and now don't have the tax revenue or the federal support. Some states are cutting social services. Some are proposing new targets for taxation.

That's not true in New Mexico. Legislators have been careful to only use one-time money for one-time uses and to grow programs in ways that can be sustained when the flow of money slows.

At this month's committee meeting in Socorro, members will be looking at a first draft of the LFC guidelines for development of the 2025-2026 budget. The budget guidelines articulate the general principals that guide the committee's spending recommendations, remind us of where we stand financially, and identify those areas of government services, like education or healthcare, that will be priorities in our budget discussions.

We'll get the revenue forecast in August, which will tell us how much we could spend next year, and most agency budget requests are due in September.

New Mexico has been financially fortunate for the last several years and has been well-served by a thoughtful budgeting approach that both considers how to best take care of New Mexicans today and tomorrow.

Senator George Muñoz
Chairman

BernCo Crime Drives Stats

The Legislature has appropriated more than three-quarters of a billion dollars over the past three years in crime prevention approaches, law enforcement recruitment and retention, and victim and community services in its attempts to reduce the crime rate, but the impact has been limited, LFC evaluators report.

Research shows crime can be reduced by treating substance addiction and other root causes of crime and increasing the certainty and swiftness that offenders will be caught and held accountable, but New Mexico's investment has been stymied, partly because treatment services are limited and prosecution and conviction rates are low in Bernalillo County, according to the report scheduled to be presented to the committee at 9:30 a.m. July 15.

Bernalillo County—which drives

statewide crime statistics—has seen an uptick in property crime following a spike in drug-related offenses, data the report says suggest poor social conditions in the county contribute to crime.

New Mexico has drug, DWI, and mental health specialty courts that divert offenders to treatment but participation in the courts remains below pre-pandemic levels. Further, New Mexico has a shortage of behavioral health providers, although the Legislature has recently invested in building the workforce.

The report also notes fewer than one in five violent crimes in Albuquerque results in an arrest and the conviction rate for the district attorney is below the national average, with most of the felony case dismissals the result of evidence and witness and victim cooperation issues.

Lawsuit Prompted Spending but not Change

Ten years after parents sued the state for providing an insufficient public education for their children and five years after a district judge found the schools were producing "dismal" results, New Mexico has seen a significant increase in public school funding but less impressive student achievement, a joint LFC/Legislative Education Study Committee report says.

In a presentation prepared for a hearing [scheduled](#) for 9:30 a.m. July 16, staff note funding has increased for services for poor students, English learners, Native Americans, and students with disabilities—identified by the court as at risk of failing—but those groups continue to have lower test scores and graduation rates than their peers.

Notably, the most recent preliminary data shows an improvement in overall student achievement but a continuing achievement gap for at-risk students, although Native American and English learning students appear to be closing the gap in graduation rates.

In the 2019 ruling, the 1st Judicial District Court ordered the state to take immediate steps to address the finding that inadequate funding and oversight had contributed to a public school system that did not meet the constitutional requirement that the state provide a uniform, free, and sufficient public school system."

The court found the state should invest

more in prekindergarten, extended school year and school day programs, smaller class sizes, research-based reading programs, counselors and other noninstructional staff, quality teaching, college and career readiness, Indian Education Act programs, and services for at-risk students and English learners.

Since 2019:

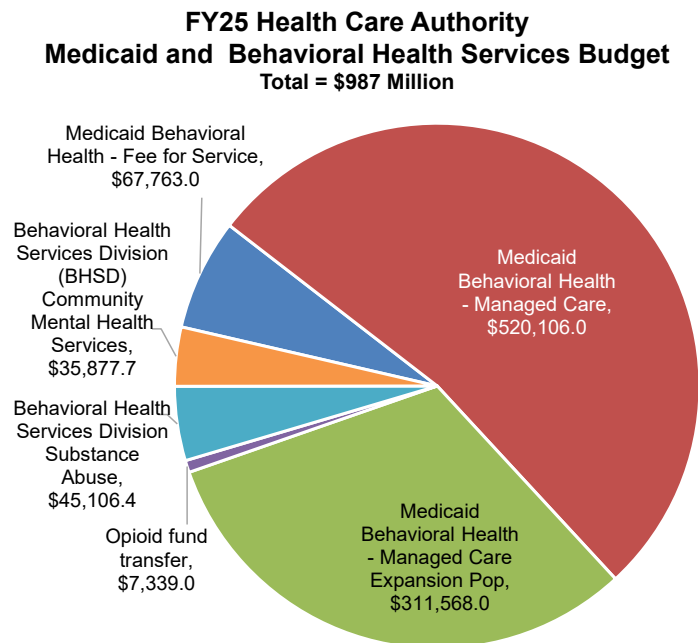
- Overall public school funding has increased from \$2.8 billion to \$4.4 billion, and the school funding formula factor for at-risk students has tripled. However, reading test scores for students in at-risk groups still fall 16 to 32 percent below scores for all students and math scores are 13 to 25 percent behind.
- Funding for instructional materials, programs related to the Indian Education Act, early childhood education, career and technical education, and early literacy has increased, from doubling for instructional materials to increasing 26-fold for career and technical education.
- State law was amended to require 60 additional instructional hours in the academic year, the equivalent of about 10 school days, at a cost of \$312 million, but the average school calendar grew just seven days, from 175.6 days to 182.8 days. Further, schools balked at extending the school year and left over \$500 million for extended learning programs unspent.

Behavioral Health Funding Grows by Hundreds of Millions

State appropriations to behavioral health services are \$1.1 billion for this budget year, a 25 percent increase from three years ago, LFC analysis shows.

In a presentation prepared for a hearing [scheduled](#) for 1 p.m. July 15, LFC staff report the Legislature appropriated \$987 million to the Health Care Authority, mostly for the Medicaid program, and another \$113 million to other agencies for behavioral health services.

Medicaid is the largest provider of state-funded behavioral health services and the \$900 million appropriation to Medicaid behavioral health is a \$150 million increase from FY22.



Source: BH Collaborative Budget and HCA Budget Projections

On the Table

School Districts Reserves Top \$656M

School districts and charter schools have \$656.5 million in unrestricted cash balances, according to PED's operating budget management system, an increase of \$33.4 million, or 5.4 percent, from the prior year.

Inmates Prep for Trucking Jobs

The Corrections Department has launched a commercial drivers' license training program at Roswell Correctional Center, which houses low-security inmates. Ten students are currently enrolled.

2nd DA Personnel Dollars Transferred

More than a million dollars from a supplemental appropriation for personnel for the 2nd District Attorney Office will be used for expert witnesses, office furniture, vehicles, an evidence management system, and annexing a building. The office received a \$4 million supplemental appropriation for FY24 for staff but has been unable to fill positions. The district attorney has submitted a budget adjustment request to transfer \$1.2 million from personnel to other uses and \$200 thousand from personnel to contracts.

APS To Get \$7M for Clean Buses

The U.S. Environmental Protection Agency has selected Albuquerque Public Schools to receive \$6.9 million to purchase 20 new clean school buses to replace diesel buses as a part of their 2023 Clean School Bus Program rebate competitions.

Court Pilot to Focus on Mental Competency

The state Supreme Court has announced the creation of a pilot project in Doña Ana Magistrate Court intended to divert defendants with a history of mental illness into voluntary treatment. The program will focus on misdemeanor offenders who have been found incompetent to stand trial on criminal charges and have a history of mental illness. DWI offenders are not eligible. The program will provide three to six months of treatment agreed to by the prosecutor, defense attorney, and magistrate. Similar pilots are also being planned for the 4th Judicial District in San Miguel County and the 12th Judicial District in Otero County.

Child Support System 10 Years Behind

The Health Care Authority's child support enforcement system replacement is 10 years behind the initial planned end date, with completion now estimated at October 2029. Work on the federally required new system, a replacement for a system in place since 1998 still in use, began in December 2013 and was supposed to be complete by June 2019. The total cost of the project is estimated at \$76 million; the department has spent \$15 million, or 19 percent, so far.

Transitions

The LFC Program Evaluation Unit has hired three new evaluators. Maggie Klug was an LFC fellow through the University of New Mexico master's in public policy program. She has a bachelor's degree from the University of New Mexico and the University of Mary Washington. Drew Weaver is working on a master's in education policy from Johns Hopkins University and has a bachelor's degree from Williams College. He most recently was a teacher at Mandela International Magnet School in Santa Fe. Elizabeth Dodson is a recent graduate of UNM's political science master's program. LFC Deputy Director Jon Courtney has been selected to serve as vice chair of the National Conference for State Legislatures' Standing Committee on Law and Public Safety.

The Luna Community College board allowed the contract for President Edward Martinez to expire on June 21. Martinez headed the institution for three years, during which time the institution was taken off probation by the Higher Learning Commission after being on probation for seven years.

Patricia Beecher, superintendent of the School for the Blind and Visually Impaired has retired after 20 years with the school, including seven as superintendent. She will be replaced by Heather Miller, the current director of special education.



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