



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 Investment Strategy and Job Creation

While five-year returns on the land grant permanent funds have been above the 7 percent target and better than the returns on similar funds, severance tax permanent fund performance has lagged, with five-year returns of 5.6 percent putting it in the bottom 10 percent of its peers.

The difference? The land grant funds are invested purely to generate income, while the severance tax fund has the dual responsibilities of generating income for the state and feeding the Private Equity Investment Program for New Mexico businesses.

The state made the decision to set aside part of the severance tax fund—up to 11 percent by law—for private equity to create a business-friendly environment that would, presumably, contribute to the economic health of the state.

That decision has come at a cost. LFC staff calculates foregone revenue from the private equity program at millions a year and growing—a cost that would be worth it if the private equity investments had resulted in businesses and jobs. But businesses have failed, and the number of jobs created since the program began some 30 years ago is likely just a few thousand.

This status quo isn't working. We need a better private equity investment strategy or to move those funds back into the general investment pool or to shift those funds to programs we know help grow our businesses and jobs or some combination of all three.

The private equity program, scheduled to be discussed by the committee at 9:30 a.m. October 23, will be instructional in helping us rethink the best course forward to clearly send the message that New Mexico is open for business. Remember, New Mexico is not a poor state, and we are ready to diversify our economy in a targeted way.

Senator George Muñoz
Chairman

Setbacks Likely to Reduce Production, Revenues

Creating buffer zones around new oil and gas wells would eat into production, but while the immediate financial impact would be limited, the reduced production could cost the state hundreds of millions of dollars within five years, LFC analysis suggests.

Looking just at wells—setback proposals have included other production infrastructure—and using existing production data, LFC economists project placement restrictions could affect about 5 percent of future oil production and 10 of future gas production.

Staff, [scheduled](#) to present the findings to the committee at 8:30 a.m. October 22, estimate the impact on production value could be about \$408 million in 2026 but would grow each year and could reach \$4.1 billion a year in five years.

However, the economists caution the estimate is limited by the availability of data, the unpredictability of the energy industry, and pending rules on waterway protections, among other factors.

A proposal considered during the 2024 legislative session sought 2,250

foot setbacks of new production infrastructure for most residential, educational, health, and correctional institutions; a 650 foot setback for streams, lakes, wetlands, or irrigation infrastructure; and a 300 foot setback for other surface water.

Oil and gas production releases methane, particulates, nitrogen oxide, and other chemical compounds associated with increased risk of asthma, lung diseases, and mortality, and risk increases closer to production centers.

However, research on the health benefits of setbacks is incomplete and pollutants can travel hundreds of miles.

The state Environment Department reports Eddy and Lea counties rank among the worst states nationally for ozone and particulate matter, likely because of their location in the oil-rich Permian Basin.

Eddy County, Carlsbad, Hobbs, Aztec, and Farmington all have some setback rules, and the State Land Office has created buffer zones for new leases on trust land.

Medicine Can Reset Opioid-Altered Brains, Reducing the Need for Inpatient Care

Addiction alters the brain, making users more compulsive and impulsive, but medication-assisted treatment can repair the damage, behavioral health experts [told the committee](#) during a September hearing.

Dr. Margaret Greenwood-Ericksen, an emergency room physician and rural health researcher, [testified](#) opioids initially cause euphoria but the pleasure centers of the brain are altered and the user loses the ability to feel pleasure any other way.

As use continues, the brain's circuitry becomes increasingly sensitive and fear of withdrawal symptoms keeps users using. Eventually, the brain is altered to make the user more compulsive and impulsive, Dr. Greenwood-Ericksen said, feeding addiction behaviors.

Medicine, specifically methadone and buprenorphine, can restore healthy brain circuitry, she said.

She noted medication-assisted treatment can be used with at-risk populations, like the homeless and those in

the justice system, outside of inpatient settings, and buprenorphine can be prescribed and used outside of a clinic.

Wayne Lindstrom, PhD, deputy Bernalillo County manager for behavioral health, [presented](#) the committee with options for improving opioid treatment in New Mexico, including promoting the use of the 988 behavioral health crisis line, making mobile crisis teams available statewide, and improving provider coordination.

He noted New Mexico has higher rates of overdose deaths than most states and the rate is highest in Rio Arriba, Socorro, and Sierra counties. Those counties should be prioritized for harm reduction programs.

Dr. Greenwood-Ericksen said New Mexico has a long history of substance abuse, and has exceeded the national average for overdose deaths at least as far back as 1999.

The two speakers noted genetics, environment, poverty, and trauma influence whether a person will try opioids.

Rail Runner Falls Short on Reducing CO₂ Emissions

At current ridership, the Rail Runner generates more carbon dioxide than if the passengers had driven their own vehicles, and weekday ridership would need to increase by 23 percent for the train to reduce emissions to a level equivalent to the individual car trips, LFC analysis indicates.

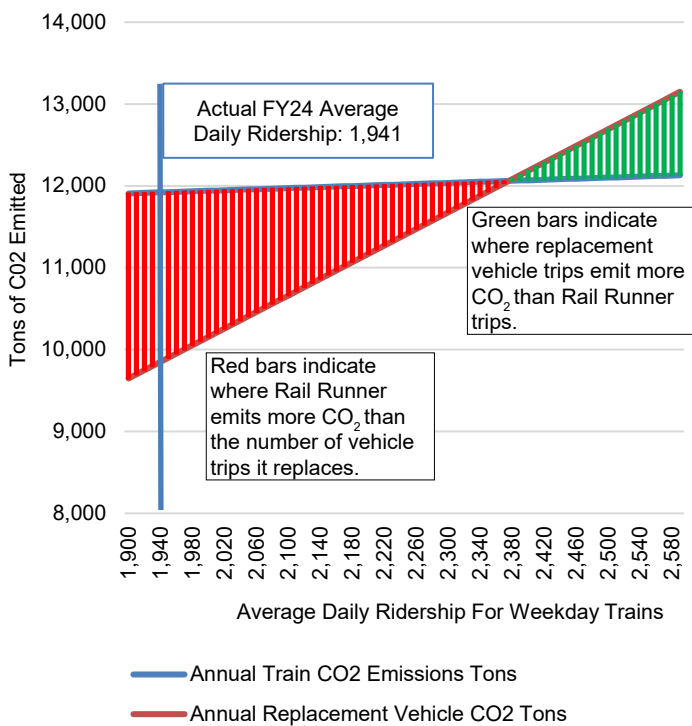
In an Evaluation Unit progress report scheduled to be presented to the committee at 10:15 a.m. October 23, LFC staff report the gap between carbon dioxide saved and carbon dioxide generated will continue to grow with greater vehicle fuel efficiency.

On average, the Rail Runner carried 1,941 passengers across 36 individual trips on weekdays, generating an estimated 12 thousand tons of carbon dioxide, including from passengers driving to train stations.

Had those train trips been replaced by car trips with 1.2 riders per car, those trips would have generated 9,900 tons of carbon dioxide.

Rail Runner ridership would need to increase to 2,380 a day for the train to offset the equivalent carbon dioxide emissions of vehicle trips.

Rail Runner Carbon Dioxide Emissions



On the Table

Registered Nurse Numbers Drop

New Mexico gained about 700 registered nurses overall between 2012 and 2023, but the number of nurses in every county but two dropped, according to New Mexico Healthcare Workforce Committee. Sandoval and Bernalillo counties added 1,400 registered nurses, offsetting losses in other counties. Almost every county saw an increase in the number of certified nurse practitioners and the number of physician assistants, with the statewide total for certified nurse practitioners increasing by nearly 1,000 over the last decade.

State Payroll Up by \$160M

Higher pay and more employees are behind a \$160 million, or 10.7 percent, increase in the total state payroll between October 1, 2023, and October 1, 2024. The number of employees, excluding temporary or seasonal employees, was 22,324 on October 1, compared with 21,505 a year ago. The average salary increased by \$6,803, or 10.4 percent. State lawmakers approved an average 3 percent pay raise for all employees for this year.

Child Welfare Investigations Up

The number of pending Protective Services investigations increased 30 percent in August, to a total of 2,370 from 1,821 in July. The increase in investigations tracks with increased calls to the statewide central intake, which totaled 3,442 in August. The number of overdue investigations, 391, was lower than the December peak of 2,453 and than the 1,737 overdue cases in August 2023.

Colleges Ask for \$595M

New Mexico colleges and universities requested special appropriations totaling \$595 million for FY26. The largest requests included \$137 million requested by New Mexico State University for women’s athletics, \$50 million for the technology enhancement fund, \$30 million for building renewal and replacement at facilities statewide, and \$29 million for an aquifer mapping project requested by the Bureau of Geology housed at the New Mexico Institute of Technology.

Expansion Priced at Hundreds of Millions

A study of options for leveraging the existing Medicaid program to provide healthcare coverage to more New Mexicans priced the plans at a range of \$232 million to \$582 million more a year from the state general fund. The Health Care Authority was directed under 2023 legislation to examine the costs and other consequences of different scenarios for raising the income limits in the Medicaid program, with and without creating co-pays and other cost-sharing for enrollees.

The least expensive plan, which would add \$232 million, would raise the income eligibility limit to 200 percent of the federal poverty level (\$51,640 a year for a family of three) from the current limit of 138 percent of the poverty level (\$35,632 a year for a family of three) and does not include cost-sharing. The most expensive plan, at \$582 million more a year, would lift the limit completely and contains no cost-sharing.

The study notes employee health coverage pools for state and local government employees could lose up to half their members, but it doesn’t assess whether the pools would remain viable after the loss.

Transitions

Charles Sallee, LFC director, has been selected for the National Academy of Public Administration 2024 Class of Fellows. The congressionally chartered academy promotes effective government practices through advanced studies.

The Department of Finance and Administration has named Cecilia Mavrommatis the new director of the Local Government Division.



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