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FISCAL IMPACT REPORT

ORIGINAL DATE 2-22-09

SPONSOR M.H. Garcia LAST UPDATED _____ HB 569

SHORT TITLE Predictive Demographic Models SB _____

ANALYST Lucero

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Non-Rec | Fund Affected |
|---------------|---------|-------------------------|------------------|
| FY09 | FY10 | | |
| | \$400.0 | Non-Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

| | FY09 | FY10 | FY11 | 3 Year Total Cost | Recurring or Non-Rec | Fund Affected |
|--------------|------|---------|------|----------------------|-------------------------|------------------|
| Total | | Minimal | | | Non- Recurring | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Workforce Solutions Department (WSD)
 New Mexico Environment Department (NMED)
 Public Education Department (PED)
 Economic Development Department (EDD)
 Tourism Department (TD)

SUMMARY

Synopsis of Bill

House Bill 569 appropriates four hundred thousand dollars (\$400,000) from the general fund to the Economic Development Department to work in conjunction with the Department of Environment and the Workforce Solutions (WSD), Public Education (PED) and Tourism Departments (TD) to provide for economic demographers for the state's seven planning districts to pioneer the development of a predictive model to forecast the demographic and economic futures of communities.

The Economic Development Department shall report to the Economic and Rural Development Committee on the demographers' progress by November, 2009.

FISCAL IMPLICATIONS

According to the February 2009 revenue estimate, FY10 recurring revenue will only support a base expenditure level that is \$575 million less than the FY09 appropriations before the 2009 solvency reductions. All appropriations outside of the general appropriation act will be viewed in this declining revenue context.

The appropriation of four hundred thousand dollars (\$400,000) contained in this bill is a non-recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of 2010 shall revert to the general fund.

HB 569 bill allows the Economic Development Department to retain up to ten percent (\$40,000.00) of the appropriation for administrative costs associated with the demographers; however, the bill does not provide for administrative costs at Environment, PED, WSD, and TD.

Additionally, assuming the ten percent is fully expended for administrative costs at EDD, the remaining balance to fund the positions in the seven planning area's is \$360 thousand or \$51.5 thousand for each area of the state mentioned in the bill. The bill does not specify whether these positions are contractors or employees of the EDD. This bill would require PED staff to provide support for the development of a statewide demographic team. The fiscal impact is unknown but likely to be minimal.

SIGNIFICANT ISSUES

These various departments would offer professional assistance in a wide variety of areas including; water needs and other environmental issues; employment and unemployment issues; school funding and the need for additional schools and bringing tourists into New Mexico communities.

WSD notes that the Economic Research and Analysis Bureau (ER&A) of the Workforce Solutions Department could oversee a contract to develop a predictive model for forecasting the impact of demographic change on local economies. The ER&A is currently the primary source of much of the economic data that is alluded to in the bill. By developing a collaborative process with the Environment Department, Public Education, and Tourism Department, a full range of usable data outputs could be generated with the greatest efficiency to the taxpayer. ER&A is well equipped and has the capacity to capture the data, analyze the results on a local basis, and report to the planning districts. ER&A operates projections software consistent with Bureau of Labor Statistics standards and has a long-term relationship with the state demographer. Placement of several individuals in local communities would dilute resources and not facilitate the development of a useful economic model.

PERFORMANCE IMPLICATIONS

Increased tourism in the rural areas of New Mexico should result in increased overall visitation to New Mexico, a key performance measure for the Tourism Department (TD). TD supports legislation that may result in the growth of the tourism industry and tourism-related

infrastructure, especially in the state’s rural communities. Forecasting future growth may help these communities anticipate the needs of potential tourism to their area and take necessary steps to meet these needs.

ADMINISTRATIVE IMPLICATIONS

The bill does not address the administrative costs in the agencies other than EDD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to SJM13 “Future Workforce Needs”, HB570 “Create Economic & Rural Development Committee”

OTHER SUBSTANTIVE ISSUES

Economic demography explores population characteristics and dynamics from an economic perspective. Demographic changes are of great importance for forecasting of developments in the private and public sectors since population shifts lead to changes in both consumer demand and labor supply. The discipline, economic demography explores the relationship between population and economy in a broad sense; how a population is influenced by economic development and in what ways do population changes affect the economy.

The Census Bureau uses the Administrative Record method (known as “ADREC”) to estimate county level population. This method is benchmarked on the latest census, and incorporates all three components of population change: births, deaths, and migration (both domestic and international). It is viewed as theoretically sound and straightforward. Published census data covers a wide range of variables including, age, race, income, household units, veteran status, age of housing units and other data elements. It is difficult to see what if any other items a demographer would collect to support a predictive model.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Agency tracking of data and statistics by the five agencies outlined within this bill could remain isolated and potential opportunities for economic development for communities and the general population of New Mexico may not be realized.

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