



LFC Newsletter

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Legislative Finance Committee

Senator John Arthur Smith, Chairman

Representative Patricia Lundstrom, Vice Chairwoman

David Abbey, Director

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From the Chair

Make It Rain

New Mexico has too little money much more often than it has too much, so when times are good, the fight for dollars can get a little intense.

The committee has taken some heat for not doling out those dollars as generously as some advocates would like, but there's truth in the saying that you can't solve problems by throwing money at them.

Among those with flame throwers are advocates for children. The passion is warranted. The state can make no greater investment than that in our children, not just because we must protect our most vulnerable but also because it pays off in the long run. Addressing the harms of poverty and family dysfunction early prevents those harms from continuing to cycle through communities, saving the state multiples on its investment within a generation.

So we've invested – hundreds of millions in childcare, prekindergarten, home visits to support new families, and public school programs we know will help close the achievement gap between low-income students and their more affluent peers.

In fact, prompted by litigation and enabled by a flush of income, the Legislature invested so much so fast into the K-5 Plus extended school year program and an extended learning time program that schools left much of the money on the table. Of the \$182 million made available on July 1, \$111 million is still available.

The number of schools implementing education reform programs is expected to increase dramatically in the next year, but the plaintiffs have already gone back to court arguing the state has done too little.

Similarly, substantial investment in early childcare and prekindergarten – including a nearly three-fold, more than \$30 million increase in state spending on childcare subsidies for low- and middle-income children – has resulted in an uneven distribution of prekindergarten, Head Start, childcare, and other early care services throughout the state. The system needs some review before more dollars are poured in, but advocates have publicly expressed dissatisfaction with the \$4 million total increase for childcare subsidies recommended by the committee this year.

It's an advocate's job to push for a cause, and the state benefits from their advocacy, but the Legislature has to balance all needs, not just those with the most publicity, and must spend taxpayers' money effectively and judiciously.

*Senator John Arthur Smith
Chairman*

College Enrollment Down Despite Investment

New Mexico provides strong financial support to its colleges and universities and tuition and fees are low, but attending college remains a challenge for many New Mexicans, LFC analysis shows.

Even though New Mexico is sixth in the nation in its level of financial support for higher education, tuition and fees are fifth lowest, and the number of high school graduates has grown 10 percent in five years, enrollment at public colleges has dropped 14 percent over the same period, according to a brief prepared for a committee hearing on student financial aid scheduled for 9:45 a.m. on January 20.

The brief says New Mexico college students received \$600 million in state and federal financial aid in FY19, with most of that awarded to students with incomes below \$40,000 a year.

State financial aid totaled about \$200 million, with \$40 million coming from the Lottery Tuition Scholarship Program and \$108 million from grants.

However, the report says, tuition and fees only make up 35 percent to 40 percent of the cost of attending a New Mexico university – less at community colleges – and financial aid does not always cover housing, meal plans, or

books and supplies and rarely covers computers, transportation, or childcare.

Possibly as a result, students who receive federal Pell grants or subsidized loans, typically low income, are less likely to graduate than their peers.

Further, high-need students are less likely to benefit from “last dollar” programs that cover the gap between other aid and the cost of tuition and fees, like the Opportunity Scholarship program proposed by the executive, because those programs do not provide money for the ancillary costs of attendance.

The lottery scholarship already in place is a “first dollar” program – one that provides assistance regardless of whether a student receives other assistance.

In addition to the lottery scholarship, which covers about 60 percent of tuition costs but can increase depending on funding, the state offers incentive grants covering any costs of attendance to financially needy students, financial aid grants to low-income students otherwise ineligible for state financial aid, and grants specifically for students pursuing teaching degrees.

The committee has recommended adding \$35 million to student financial programs in FY21.

Capital Requests Exceed Available Funds

State agencies and local governments asked for \$2.8 billion in capital outlay for FY21 priority projects, seven times the \$362.3 million of funding available through severance-tax-backed bonds, LFC analysis shows.

Requests for general obligation bond revenue for projects for senior centers, libraries, colleges, and certain other schools – debt repaid with property taxes and only considered in even number years because it must be approved by voters – totaled \$250 million, compared with about \$198 million available.

LFC staff reviewed capital outlay capacity and requests during the committee hearing in December. A discussion of [capital outlay policy](#), the committee's [recommendations for projects](#), and [tables on requests and findings](#) are included in the committee's three-volume report to the Legislature available online.

While the committee does not endorse

the specific projects that fall within the “framework” developed by staff, the committee directs staff to draft a bill with those projects.

Staff identified \$142.2 million in projects that would be supported with severance tax bonds, \$195.8 million in general obligation bond projects requiring voter support, \$25 million in general-fund-supported projects, and \$58.8 million in projects that would be paid for with other state funds, leaving \$220 million in capital outlay capacity for projects prioritized by legislators.

Separate from the capital outlay authorized by the Legislature, staff reported slightly over \$200 million will be available in supplemental severance tax bond capacity for public school capital outlay, allocated by the Public School Capital Outlay Council. Another \$79.6 million is earmarked for water, colonias, and tribal infrastructure.

Committee Releases Recommendation

Committee members gathered in the foyer of the north capitol building in early January to release the LFC budget recommendation to the press and the public. The three-volume document – which includes policy analysis, agency performance reports, and related graphs and tables – is available [online](#).



Above: Senator John Arthur Smith, chairman, and Representative Patty Lundstrom, vice chairwoman, answer questions from the podium accompanied by Senator Bobby Gonzales (behind Smith), Senator James White, Representative Javier Martinez, and Senator Pete Campos. Right: Senator Smith talks to Senator Gonzales while Representative Lundstrom talks to Artie Pepin, director of the Administrative Office of the Courts, following the press conference. Below: LFC staff stand by for questions while Smith and Lundstrom discuss the plan. (Photo Credit: Beth Wojahn, AOC)



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On the Table

Medicaid Clients Could Lose Eligibility

The Human Services Department estimates about 6,000 individuals enrolled in the Medicaid program could lose their eligibility because of the increase in the state minimum wage to \$9 an hour. The Medicaid caseload was 827,269 individuals in November, essentially flat with October and down a half percent from November 2018.

Metros See Little Employment Growth

Albuquerque, Las Cruces, Santa Fe and Farmington all saw employment grow by less than 1 percent between November 2018 and November 2019, with growth rates of 0.8 percent, 0.7 percent, 0.2 percent, and 0 percent, respectively. The 3,700 total new jobs in the metropolitan areas were about 23 percent of all new jobs in the state, even though the four regions represent more than two-thirds of the state's population.

Prison Population Drops

The New Mexico population in December was 6,912 inmates, with 6,232 men and 680 women. The total was a 0.7 percent decrease from November and a 5.1 percent decrease from December 2018.

Española Schools Might Owe IRS \$1.2M

The Española school district could face up to \$1.2 million in IRS penalties for failing to submit required forms proving employees were offered a health insurance plan. The district received an IRS notice with \$430 thousand in penalties for failing to submit the required documents in 2016, and the district expects to receive notices for 2017 and 2018, as well. The district says the mistake occurred when the Public Education Department was managing the district's finances because of mismanagement by the district.

Tax Protests Total More Than Half Billion

The Taxation and Revenue Departments reports the state's potential liability for unresolved tax protests was \$545 million on June 30.

NMDOT Gets Federal Grant for US285

The U.S. Department of Transportation has awarded the New Mexico Department of Transportation a \$12.5 million grant to repair and add safety enhancements along a section of U.S. Highway 285 between Loving and the Texas border. In addition to funding repairs from damage caused by increased heavy truck and equipment traffic, the Better Utilizing Investments to Leverage Development grant will pay for turning, acceleration, and deceleration lanes, shoulders, and reinforced pavement. The Permian Strategic Partnership, an alliance of 19 oil companies operating in the region, provided \$80 thousand to support the grant application.

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