



LFC Newsletter

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Senator John Arthur Smith, Chairman

Representative Patricia Lundstrom, Vice Chairwoman

David Abbey, Director

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From the Chair Locals

With Santa Fe looking at a \$100 million shortfall and Roswell anticipating \$31 million in red ink, it's clear New Mexico's counties, cities, and towns will be swept up in the economic tsunami triggered by the pandemic landslide. Gross receipts tax revenue, critical to local governments, is falling dramatically because of the widespread closure of business. The cancellation of big summer festivals and events is driving the loss of tourism-related revenue essential to Santa Fe and many New Mexico communities.

The CARES Act, the federal assistance bill that sent trillions of dollars in aid to individuals, businesses, and states, includes funding for local governments, but most New Mexico cities and counties will not benefit. Direct assistance to local governments is limited to communities with populations of 500 thousand or more. In New Mexico, only two governments qualify – Albuquerque and Bernalillo County.

In addition to leaving smaller cities and counties out of the direct aid package, the CARES Act prohibits the use of funding to make up for lost tax revenue; federal guidance limits spending to costs directly related to COVID-19 medical emergencies. This limits the state's options for using federal aid to bolster struggling cities and counties.

Given its own financial crisis, New Mexico state government will be hard-pressed to find the resources to help.

But it must. These small communities are home to most New Mexicans and provide essential services.

The Legislature, which has already faced two financial collapses in the last dozen years, is being forced to again make tough decisions on what to cut, what to save, and where to find more money. It won't be easy, but we've solved these problems before. We can sweep funds out of idle accounts, delay capital outlay projects, suspend hiring and pay raises, and shift how we pay for some services. And this time, we must also help our cities and counties.

Senator John Arthur Smith
Chairman

This month's committee meeting will be held by videoconference, visible and audible to the public via webstream at www.nmlegis.gov. The meeting is scheduled to start at 1 p.m. on June 10.

School Closures Cost Students Up to a Year of Learning Time

Many New Mexico school children have lost months, and possibly a year, of education because of the move to distance learning because of the COVID pandemic, LFC analysis shows.

A survey of New Mexico teachers by LFC Evaluation Unit staff indicated schools were unable to connect to one in five students and only about half of students were engaged in daily learning and instruction in the months following the mid-March closure of schools.

The findings of the Spotlight report, *Learning Loss Due to COVID-19 Pandemic*, is scheduled to be discussed by the committee during a virtual meeting at 3:30 p.m. June 10.

Contributing to the learning loss, staff report, was guidance from the Public Education Department that teachers focus on reviewing previously learned material; other states promoted the teaching of new material.

Some lost learning time could be made up through the K-5 Plus extended school year program, which adds 25 days to the start of the school year,

but the department has suspended the program for the 2020-2021 school year, the report says.

The learning loss is likely greater for younger students because online instructional time was limited to 30 minutes for prekindergarten and 45 minutes for kindergarteners and first graders, 6.9 percent and 10.4 percent of their regular school day.

School closures also will likely exacerbate summer learning loss – the summer slide – and its impact on the achievement gap between students at risk of falling behind because of income, language skills, and transience and their more affluent peers.

According to LFC research, at-risk students finish sixth grade with 6,000 fewer hours of learning time because of a lack of access to enrichment, summer, and other educational opportunities outside of school.

The state must prioritize safely reopening schools in the fall, the report argues, to mitigate continued learning loss through lack of engagement.

Pre-K Improves HS Graduation Rates

Prekindergarten improves the odds a New Mexico student will graduate from high school, especially if that child is learning English or is low income, a long-term LFC study shows.

In *Prekindergarten Quality and Educational Outcomes*, LFC staff reports the inaugural New Mexico prekindergarten cohort, which graduated last year, had a four-year high school graduation rate of 80.2 percent, 6.5 percentage points higher than students who did not attend prekindergarten.

Gains in graduation rates are even higher – 11 percentage points – for English learners and lower-income children who attended prekindergarten, the staff says in the program evaluation scheduled to be presented to the committee virtually at 3:30 p.m. June 10.

Additionally, prekindergarten reduces chronic absenteeism and the chance a child will be retained a grade and improves the odds a child will exit special education services.

Further, when combined with the K-5 Plus extended school year program,

outcomes are even better for prekindergarten participants, although the report notes those programs are being canceled for 2020 because of coronavirus pandemic concerns.

The report says New Mexico gets almost \$6 back on every dollar it invests in prekindergarten through tax revenue on the higher earnings of participants and reduced social costs.

The evaluation cautions prekindergarten programs must be high quality to be effective, and measuring the quality of New Mexico's prekindergarten program is complicated by administration split between the Public Education Department and the early childhood education program moving July 1 from the Children, Youth and Families Department to the new Early Childhood Education and Care Department.

The LFC Program Evaluation Unit reported last year the Childcare Assistance Program, which assesses privately run prekindergarten programs, was using a tool that fell short on measures that predict student success.

Unemployment Trust Fund Headed to Insolvency

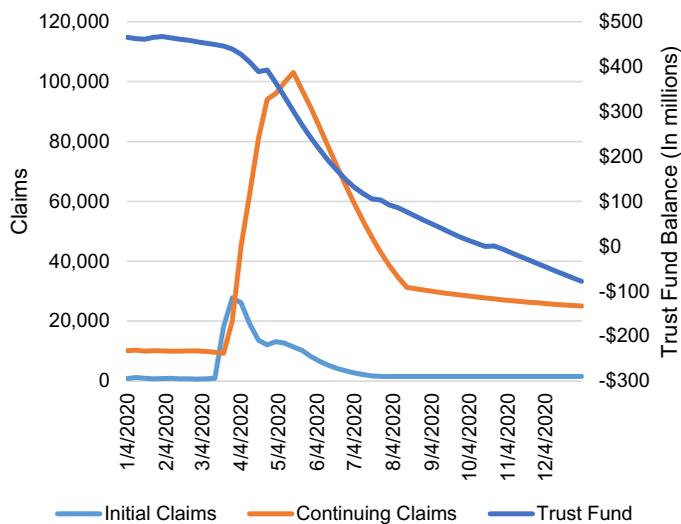
If spending of the unemployment insurance trust fund continues at its current pace, the balance will hit zero before October, the LFC's [agency report cards](#) show.

The balance in the unemployment trust fund dropped from \$458 million on March 13 to \$322 million by mid-May and is expected to continue to decline, according to LFC analysis of Workforce Solutions Department performance for the third quarter of FY20.

If the fund, made up of employer contributions and used solely to pay unemployment benefits, runs out of money, federal guidelines require the state to secure a 0 percent interest loan from the federal government to continue to pay benefits until the fund can be replenished with employer payments.

Despite a surge in unemployment claims with COVID-19-related closure of all nonessential businesses in mid-March that overwhelmed the department, WSD made 91 percent of first payments within 14 days, performance data indicates. However, the average claimant had to wait 40 minutes to speak to a customer service agent.

Unemployment Trust Fund Solvency and Claims



Source: Workforce Solutions Department

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On the Table

Hold Harmless Payments Up

“Hold harmless” payments to local governments, state gross receipts tax revenue allocated to counties and municipalities as compensation for the lack of a food tax, were 27 percent over the average in March. With consumers relying more heavily on groceries because of restaurant closures, the payments are expected to be even higher in April. The state distributed \$10.9 million to county and municipal governments in March, compared with the \$8.6 million monthly average for FY20.

Indian Affairs Asks for Capital Exemption

Citing the need for essential services, the Navajo Nation has asked the state to exempt certain 2019 and 2020 general fund capital funding from the executive freeze and allow certain projects to proceed. The letter from the tribe’s Capital Projects Management Department to the secretary of the Indian Affairs Department lists seven specific projects totaling \$816 thousand for construction of power line extension, cemeteries, purchase of heavy equipment, and construction or renovation of community facilities that may serve as quarantining locations or temporary medical facilities.

AG Issues \$2M in Contracts for Water Suit

The Attorney General has hired two law firms for litigation related to the *Texas v. New Mexico* water lawsuit under two sole source contracts worth \$1.2 million each. The agency reports the sole source contracts are necessary because ongoing litigation would be in jeopardy if a new law firm were to step in during the final stages. The firms are Trout, Raley, Montano, Witwer and Freeman and Robles, Rael, and Anaya.

Miners’ Hospital Wins Honor

The Miners’ Colfax Medical Center in Raton has been named one of the top 20 critical care access hospitals in the nation by the National Rural Health Association. The award is based on analysis of quality, outcomes, local use and patient ratings, and financial efficiency.

LFC Staff Wins Research Award

The National Legislative Program Evaluation Society has honored the LFC Program Evaluation Unit with an excellence in research methods award for the methodology used in a childcare assistance evaluation.

Transitions

Renada Peery, former LFC fiscal analyst, is the new Administrative Services Division director at the Early Childhood Education and Care Department.

Dr. Michael Landen, director of the Epidemiology and Response Program of the Department of Health, has resigned. He was named state epidemiologist in 2012.

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