



LFC Newsletter

A publication of the Legislative Finance Committee

Senator George Muñoz, Chairman
Representative Nathan Small, Vice Chairman
Charles Sallee, Director

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From the Chairman Accountability

As part of the Legislature's ongoing efforts to extend our current financial boom, we created the government results and opportunity expendable trust during the legislative session earlier this year. The approach takes some of the financial surplus we are seeing now and appropriates it over the next three years to an array of pilot projects in state agencies.

It's a lot of money—\$325 million for the pilot projects for the next two or three years and an additional \$512 million transferred to the fund for future pilots—so the Legislature coupled accountability with the appropriation by including language in the General Appropriation Act requiring the recipients of the funds to report quarterly on the effectiveness of the programs. The governor vetoed that language; the executive's objections were also behind the decision to water down accountability language in the separate bill creating the fund.

We get it. An additional, laborious process to monitor the actual service takes energy and resources away from the service. But it's important to remember, this isn't our money. It's the taxpayer's money. We have an obligation to make sure that money is being spent effectively and efficiently.

In her message about the veto of the language in the General Appropriation Act, the governor said the language was unnecessary because the Legislature has other ways to monitor the effectiveness of the pilot projects. This is true—to an extent. Key state agencies must report quarterly on a specific set of performance measures, and LFC staff rate that performance in a quarterly "report card" available on the LFC's website. The LFC staff also produce about a dozen program evaluations a year on selected programs (also available online) and an annual inventory of the evidence-backed practices in certain state programs.

Nevertheless, the Legislature has no tool or authority to review the pilot projects specifically. Be assured, we will be watching the programs closely to ensure the nearly \$1 billion is being spent to set up effective programs managed with integrity. And we have another tool to make sure taxpayers' money is being spent effectively—if we have the political will. Very simply, we can stop the funding. These are pilot projects with funding only guaranteed up to three years. It's politically and emotionally hard to stop an existing well-meaning program, but the Legislature must be willing to cut off support if they don't perform after three years.

Absent any other accountability tools, lawmakers will need to be prepared to do just that.

Senator George Muñoz
Chairman

Tuition Increases Slowing

Tuition at New Mexico's state-run colleges seems to have stabilized after jumping significantly in the years following the creation of the opportunity scholarship, LFC analysis shows.

The committee is scheduled to discuss higher education funding, the tuition outlook, and the impact of the scholarship programs at 9:30 a.m. April 18 at its first meeting of the interim.

The Legislature earlier this year created the higher education trust fund with almost \$1 billion to help support the scholarship programs. However, tuition increases threaten the sustainability of these programs.

In the year following the creation of the opportunity scholarship in 2023, tuition increased by an average of 10.3 percent at four-year schools and 3 percent at two-year schools, staff reports. In FY24, tuition increases averaged 1 percent at four-year institutions and 3.5 percent at two-year institutions.

The Higher Education Department has urged state-run colleges and universities to limit tuition increases to help preserve the ability of the scholarship programs to cover tuition and fee costs.

While most schools have not announced their tuition plans for the 2024-2025 academic year, New Mexico State University and the University of New Mexico both assumed flat tuition when planning their budgets.

The lottery scholarship, created in 1996, pays tuition for recent New

Mexico high school graduates attending school full time. The opportunity scholarship, which can be used with the lottery scholarship, covers tuition and fees for any returning student taking at least six credit hours.

Both the opportunity and lottery scholarships were created to improve access to higher education. An [LFC evaluation](#) found the state currently pays 53 percent of student tuition cost.

Staff reports New Mexico is fourth in the nation for state appropriations per college student, but ranks low nationally for college completion rates.

College enrollment increased for the first time in a decade the year after the opportunity scholarship was created and increased 6.5 percent through the first two years of the program, but remains 19 percent lower than in 2015.

Staff reports demographic changes in the state—specifically a drop in the birth rate—likely will limit college enrollment growth in the future.

The opportunity scholarship was initially estimated to cost approximately \$100 million. The costs were over \$155 million in FY24 and are expected to be \$162 million in FY25.

The lottery scholarship costs the state about \$70 million a year and receives annual revenue from the Lottery Authority near \$45 million. The Legislature appropriated \$130 million beginning in FY23 to fully fund the lottery scholarship through FY28.

Job Services Need Modernization

New Mexico needs about 40 thousand more residents between ages 20 and 54 working or looking for work to meet the national average for labor force participation, LFC staff reports in a new program evaluation.

Staff notes in the report scheduled to be presented to the committee at 10 a.m. April 17 that low labor force participation leads to lower statewide per capita income, a greater need for costly social programs, and impediments to family formation and cohesion.

However, the Workforce Solutions Department, the agency most directly responsible for bringing disengaged workers into the workforce, relies on workforce connections centers to reach those seeking services, a model that dates to the New Deal of the 1930s that

might not be effective in a post-internet age, staff reports.

Those who use the basic career services at the centers are no more likely to find employment than those who don't, the report says.

In addition, referrals and outcomes in the New Mexico Works employment program for adults receiving Temporary Assistance for Needy Families has dropped significantly since the department took over the program from a contractor in 2021.

Staff notes the "benefits cliff," where public assistance drops off quickly with a small increase in income, discourages some workers from seeking employment. The report recommends expanding tax credits and other supports to smooth the financial transition.

Public Liability Fund Cash Drops in Half

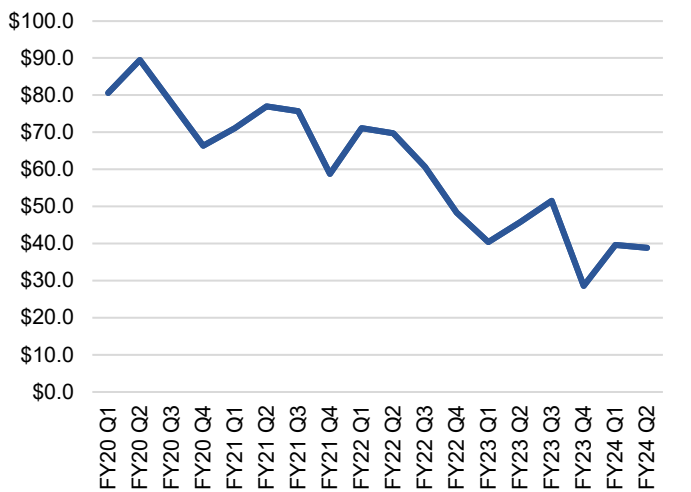
A \$40 million drop in the cash balances in the state's public liability fund over the last four years—from \$80 million to \$40 million—is driving an overall decline in the financial positions of the state's shared risk pools, the General Services Department's latest performance report card shows.

Projected assets in the public property fund, workers' compensation fund, and public liability fund are \$149 million short of projected liabilities, with all but \$20 million of that attributable to the public liability fund, according to the report scheduled to be presented to the committee 3 p.m. April 17.

The public liability fund, which covers the cost of claims related to harms suffered by people, has only 7 percent of anticipated liabilities in reserve, well below the 50 percent target. Both the public property fund for damage to state property and the workers' compensation fund for workplace injuries are above the target.

In the first half of the fiscal year, the Risk Management Division of the department reports total settlements of \$28.3 million, including \$11.8 million paid on behalf of the Children, Youth and Families Department, \$6.8 million paid for the University of New Mexico Health Sciences Center, and \$3.4 million paid for the Corrections Department.

Public Liability Fund Cash Balance
(in millions)



Source: LFC

Agencies with Highest Settlement Costs
FY24 through March 2024

Agency	FY24 Liability Premium	Total Settlement Amount	Number	Over \$100K	Over \$250K
Children, Youth and Families	\$2,409,500	\$11,790,089	6	4	4
UNM Health Sciences	\$8,867,000	\$6,769,332	21	18	9
Corrections Department	\$3,586,400	\$3,432,250	25	12	3
Department of Transportation	\$4,982,300	\$1,548,161	91	3	1
New Mexico State Univ.	\$1,331,900	\$991,269	6	2	2
Other Agencies	\$19,164,300	\$3,803,269	63	52	23

Source: New Mexico Sunshine Portal



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On the Table

CYFD Vacancies Over 25%

More than 1-in-4 positions at the Children, Youth and Families Department were vacant as of April 1, essentially the same vacancy rate as a year ago. The annual turnover rate among child protective services workers was 32 percent at the end of last year, slightly higher than the national average of 30 percent but better than the rate of 36.6 percent reported in FY23.

Some Areas Still Down Jobs from Pandemic

Much of the state had yet to fully recover the jobs lost during the pandemic as of September 2023, according to the latest available payroll data. From September 2019 to September 2023, the state gained 12.9 thousand private and public sectors jobs, surpassing prepandemic highs, but most of those gains happened in Bernalillo, Los Alamos, and Doña Ana counties. Excluding those, New Mexico had still not recovered to prepandemic job counts. As of September 2023, Santa Fe County had 1,100 fewer jobs, a 2 percent loss; San Juan County, 1,300, or 4 percent; and Eddy County, 3,200, or 11 percent. Cibola, Torrance, Union, and Hidalgo counties, which all had more than 10 percent fewer jobs in September 2023 compared with 2019, were especially hard hit because they started with small job markets.

State Pays \$5M for Death

The Risk Management Division has reported settling a wrongful death lawsuit at the Children, Youth and Families Department for \$4.9 million. This is the ninth reported settlement for the department this fiscal year. In FY23, the state reported 12 settlements for CYFD totaling \$6.8 million.

Special Prosecutor Hired for Assaults

The 2nd Judicial District Attorney is planning to spend almost \$525 thousand to hire a special prosecutor for suspects identified as a result of the sexual assault evidence kit audit. The office intends to enter two sole-source contracts with Lisa Trabaudo, a retired deputy district attorney in the 2nd Judicial District who has earned \$1.1 million since March 2018 through contracts with the agency. The special prosecutor work would be covered under a \$1.5 million federal sexual assault kit initiative grant.

Pandemic Assistance Reverts

State agencies have reverted \$137 million of a \$200 million appropriation to the Local Economic Development Act fund intended to help small businesses harmed by the pandemic. The appropriations to the Economic Development Department and New Mexico Finance Authority were to be used for rent, lease, or mortgage payments to prevent layoffs and business closures; however, businesses struggled to access the funds, partly because of specific hiring requirements. A total of 1,859 businesses received a \$61.4 million in grants. Administrative costs were \$1.06 million.

Transitions

Felix Chavez has joined LFC as the fiscal analyst for the judiciary block. Chavez is a native New Mexican from Albuquerque with a recent bachelor's degree in business administration from the University of New Mexico.

LFC has also hired Rhea Serna as a program evaluator focused on capital outlay and infrastructure finance programs. Rhea has a master's of community and regional planning from UNM, a master's of public administration from Baruch College in New York, and most recently worked on community revitalization through New Mexico MainStreet.

Sharon Rowley is the new superintendent of the Portales Municipal Schools. Rowley, a principal at Fort Sumner and previous principal in Portales, succeeds Johnnie Cain, who retired.

Dana Flannery will take over as the state's new Medicaid director. She previously served as Arizona's Medicaid agency senior policy advisor and assistant director.