



# LFC Newsletter

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**Legislative Finance Committee**

Representative Patricia Lundstrom, Chairwoman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

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## **From the Chairwoman Success!**

The 2018 legislative session started with many New Mexico lawmakers more optimistic than usual. Legislative sessions are inherently contentious, but the years following the 2014 collapse of oil prices were especially hard. With state revenues on the rise leading up to the 2018 session, the battle over how to spend taxpayer money wouldn't go away but at least it would be less stressful.

It turns out that optimism was well-founded. The 2018 legislative session exemplified bipartisan collaboration and ended with real progress for the people of New Mexico. Even the sniping between the executive and legislative branches was less heated than usual.

On the budget front, the Legislature passed a plan that increases spending on public schools, raises the base pay of teachers and provides them, other school employees, and state employees with long-awaited pay raises, added \$34 million to spending on critical early childhood programs, gave more money to the district attorneys, and put the state on firmer financial ground by replenishing specialty funds drained to help the state make ends meet, replacing one-time money with ongoing money for ongoing expenses, and rebuilding reserves.

Importantly, the pay raises, necessary because low state pay has made it hard for agencies to recruit employees, will have the added benefit of putting money back into the communities as middle-class state workers start spending their extra cash.

Similarly, the economy will get a boost from the \$64 million appropriated for state and local road construction and \$4 million for rest areas. One of the best ways to get money multiplying through the economy is through construction of public infrastructure, and better roads will make New Mexico more appealing to relocating and expanding businesses. In addition, Spaceport America received some relief from public disclosure rules spaceport managers say have hampered efforts to sign the highly competitive technology companies most likely to be tenants, and up to \$10 million a year for the next three years has been approved to remediate the Carlsbad brine well in danger of collapsing into a massive sinkhole. Addressing the Carlsbad problem now will prevent a potential \$1 billion in damage to roads, structures, and the tourism industry.

In addition, the Legislature passed an important crime package that goes beyond headline-driven get-tough-on-crime measures. The new law will increase penalties for felons with guns and reduce some low-level misdemeanors to penalty assessment, reducing strain on an overburdened justice system.

These accomplishments are even more impressive when you consider that even-year sessions are just 30 days and focused on finances. Just think what we can do during the 60-day session in 2019.

*Representative Patricia Lundstrom  
Chairwoman*

## **No Simple Fix for School Violence**

New Mexico legislators during the session approved spending for public school safety and called for a study on school violence, but LFC analysis indicates no single approach is likely to completely eliminate the risk of a school shooter.

In a brief prepared for a hearing on preventive and responsive school shooting interventions scheduled for 9:30 a.m. March 22, LFC staff report New Mexico school districts and charter schools could improve safety with building improvements, better coordination with law enforcement and first responders, and stronger interventions with troubled students but "there is no strategy, or combination of strategies, that can provide a 100 percent guarantee against school shootings."

Officials from the Aztec Municipal Schools, where two students died in a school shooting in December, other school officials, and representatives from educator organizations and the Public Education, Public Safety, and Human Services departments are expected to speak.

The brief says New Mexico schools use a variety of security measures, including security cameras, locking exterior doors, and school resource officers, but school officials don't generally work with law enforcement or emergency responders on their plans.

Advice from first responders could lead to front entrances with less glass, signs that helps responders find their way through a school, and larger entries to accommodate ambulances.

Schools could also work with law enforcement and emergency agen-

cies on intelligence gathering, cross training, and assessing risk and could provide them with floor plans of school buildings.

The brief warns that mental health cannot be used as a single indicator for risk; other factors, such as being a young male, poverty, child maltreatment, exposure to violence, and substance misuse, are better predictors of a person's potential for violence.

During the legislative session earlier this year, state lawmakers approved up to \$46 million in public school capital outlay to be used for school security projects over the next four years and directed the Public Schools Facilities Authority to develop a system for ranking and awarding funds for projects.

In a nonbinding Senate memorial calling for the Public Education Department and Legislative Education Study Committee to evaluate ways to reduce suicides by guns and gun violence in schools, senators noted more than 15,000 people died from guns in 2017 and 732 of those were children under age 12.

The suicide rate among New Mexicans ages 10 to 24 is typically at least 60 percent higher than that of the rest of the United States, the memorial says.

In the hearing brief, staff reports more than a third of New Mexico households had at least one gun in 2016 and nearly 8 percent, or about one in 13 households, have a loaded and unlocked gun.

Firearms were the third leading cause of death, behind poisonings and traffic accidents, and contributed to more than 11,000 years of potential life lost to premature death before age 75.

## **Ag Outreach Should Consider Broader Role**

Changing demographics, a shift in the economic structure, and emerging social and environmental issues create a need for the state to reexamine the roles of the Cooperative Extensive Service and agricultural experiment stations, an LFC evaluation of the two New Mexico State University programs concludes.

The programs, important in state efforts to fund practical agricultural research and share it with the public, have significant freedom in spending their combined annual revenue of about

\$65 million in state and federal funds, have been involved in local communities for decades, and are trusted by those who use their services and could use those strengths to expand beyond the farmers, ranchers and rural families who are their traditional constituency, the report scheduled to be presented at 8:30 a.m. March 23 says.

The directors of the programs are already taking steps to create a new strategic plan, it says, and should consider focusing on sluggish economic growth, and the declining quality of rural life.

# Narrowed, Higher Tax Discourages Business

A 2004 jump in the gross receipts tax rate in communities across New Mexico reflects changes made when the state lifted the tax on food and health care, and the steady climb since then could be discouraging businesses from locating in New Mexico.

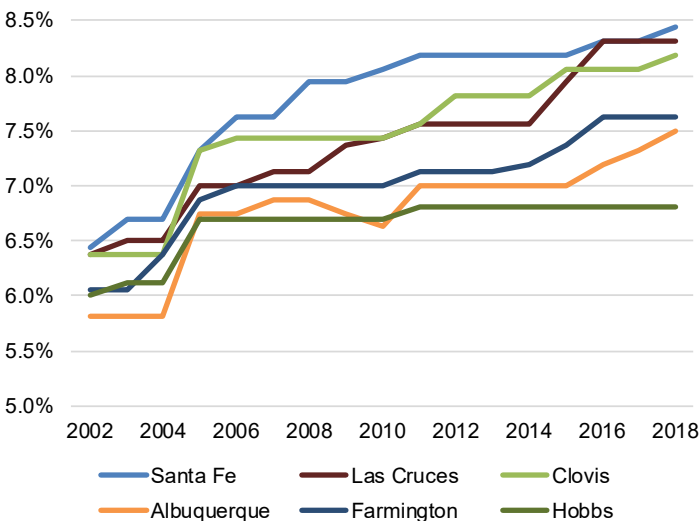
The gross receipts tax schedule for the new year shows the highest rate, a total of state, municipal, and county rates, is 9.25 percent in Taos Ski Valley, which has created a special tax district to pay for infrastructure. The lowest rate of 5.5 percent is in Bonita Lake and the unincorporated areas of Lea and Lincoln counties. Among the state's five biggest cities, the rates vary from 7.5 percent in Albuquerque to 8.4375 percent in Santa Fe.

In 2004, the state repealed a half-percent credit in municipalities to offset the elimination of the state tax on food and healthcare providers, which was created to roughly equalize the tax rates between municipalities and unincorporated areas within the same county. The repeal made local rates effectively higher, although local governments did not get any more money.

Growth in the rate since then has been driven primarily by local increases adopted partly to raise revenues and partly to make up for the narrowing of the tax base through the deductions for food and health care and for other business deductions and exemptions. To maintain revenues with fewer taxpayers, the rate must go up. A narrow base is also more volatile because it depends more heavily on fewer industries.

LFC analysis indicates growth in rates likely discourages certain businesses from locating in New Mexico. Legislative tax changes passed during the session are summarized in the *2018 Post-Session Review* to be released on March 22.

**Gross Receipts Tax Rate History Selected Cities**



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## On the Table

### Fund Still Short of 2015 Levels

General fund balances held by the State Treasurer were up by 71 percent in February, compared with a year ago, but are still short of what they were in February 2015. The balance at the end of the month was \$2 billion, an increase of \$853 million from 2017 and more than 2016. The February 2015 balance was \$2.2 billion.

### Recession Concerns Raised

The State Investment Council's chief investment officer is urging cautious investment over the next three to five years because of the potential for a recession in mid-2019. Many national analysts have noted rising interest rates could trigger an economic downturn.

### Charter Schools Stoke Audit Findings

The 2017 audit for the Public Education Department had 187 finding; however, all but two were related to charter school operations. The audit highlighted 10 material weaknesses and 33 significant deficiencies at various charter charters, including findings related to internal controls, cash disbursement, purchasing, and financial reporting. The remaining findings concerned management of the Division of Vocational Rehabilitation.

### Federal Funds Support Conservation

The Energy, Minerals, and Natural Resources Department will use \$3.4 million in federal funds to enter into a conservation easement limiting use of 3,714 acres next to the Brazos cliffs near Chama. The easement will protect a sensitive watershed from developments and help protect nine threatened or endangered species.

### Final School Count Down

Final data from the public school funding formula showed a total of 625,500 program units for FY18, a drop of 5,459 units from FY17 and 7,021 units lower than PED projections. Because of the overestimate, the department may have about \$20 million available to distribute to school districts and charter schools before the end of FY18.

### Transitions

LFC higher education analyst Travis Dulany has resigned. He is moving to Washington state.

General Services Department Ed Burckle has announced he will retire in April.

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