



# LFC Newsletter

A publication of the Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman  
Senator George Muñoz, Vice Chairman  
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## From the Chairwoman One and Done

As we rolled into the new year, political news was dominated by rancor in the U.S. House of Representatives. It took 15 votes for the House to elect a leader, a step that must be taken before new members can be sworn in, rules can be adopted, and work can begin.

In contrast, it took just one vote to get unanimous committee support for the LFC budget recommendation. After an interim of collaboration among its members and with other legislative committees, LFC voted, to a member, to endorse the spending plan. Not every member liked everything about it, but every member recognized it was a strong plan with some compromises.

It's not unusual for the recommendation to garner overwhelming support from the committee. The committee has a long history of working hard and working together. That spirit of cooperation often continues even after LFC concludes its work for the interim, when LFC is dissolved and budget development is taken over by the House Appropriations and Finance and Senate Finance committees.

In the 10 years between 2007 and the LFC's 60th anniversary in 2017, three quarters of legislators, on average, voted to pass their chamber's version of the General Appropriation Act. Senators twice adopted the bill with unanimous votes, and the House did it once. Close votes were rare.

That's not to say the budget-drafting process is all flowers and unicorns. Conference committees are routinely needed to work out the differences between the House and Senate versions when the two chambers won't settle on one bill. Some sessions end without a spending bill at all when those differences continue until adjournment. All political bodies are contentious—that's democracy—and obstructive posturing is part of the process, but generally the budget committee members have the people of New Mexico above partisanship.

The committee's January meeting the day before the January 17 start of the 60-day legislative session is its last until the next interim, when it will reform with a new chair and some new members. While our work as LFC is done for now, the result stands as a testament to bipartisan collaboration and an approach and an attitude we hope will carry through the legislative session.

**Representative Patty Lundstrom**  
Chairwoman

## Students Still Struggle Despite Investment

Grants-Cibola and Central Consolidated school districts, both in western New Mexico, have seen lower student performance than the state average despite getting more money for fewer students, an LFC study finds.

In *Program Evaluation: Western School Districts*, scheduled to be heard by the committee at 9 a.m. January 16, staff report the Grants district and Central district, in western San Juan County, exceeded state averages in both enrollment decline and operational revenue growth between FY12 and FY22.

Enrollment dropped by 13 percent in Grants while operational revenue increased by 49 percent, and enrollment decreased by 22 percent in Central while operational revenue increased by 57 percent.

While the districts have implemented some best practices, which have led to pockets of improvement, student outcomes in these districts trail state averages, evaluators report.

In the 2021-2022 school year, fewer than 30 percent of children were proficient in reading in either district. Native

American and English learner students lagged even further behind district and state averages.

Increased chronic absenteeism and issues with equity, along with turnover and mobility of principals, assistant principals, and teachers could be contributing to low student performance, the report says.

Resources to New Mexico's public schools have grown significantly over the last few years, and districts with larger at-risk populations or receiving federal impact aid for tribally connected students, such as Central and Grants, have benefited more than others.

In both the Central and Grants districts, the growth in revenue has resulted in uneven growth in spending, with spending on administration growing faster than that for instruction.

In addition, the two districts, like most of New Mexico's 89 school districts, have growing cash balances. As a percent of their budgets, Central currently has the second highest cash balance in the state and Grants the 25th highest of 89 districts.

## Proposal Revamps Extended Learning

A proposal to repeal the K-5 Plus and Extended Learning Time programs and replace them with funding incentives for public schools that add days to their school calendars is among the legislation the committee is considering for endorsement.

Despite the demonstrated success of extra learning time in improving student performance, participation in K-5 Plus and Extended Learning Time has dropped since FY21 and schools have forgone nearly \$400 million available for those interventions.

The proposal, scheduled to be discussed with other potential committee-sponsored legislation during the LFC's final meeting of the interim on January 16, calls for establishing a K-12 Plus program factor in the public school funding formula, increasing the instructional hour requirement for elementary and secondary schools, and repealing the Extended Learning Time programs and K-5 Plus statutes.

A draft of the bill also includes a

bump in the funding factor for services for students at risk of failing and for principals who teach at certain schools.

The committee's budget recommendation includes \$430 million from new appropriations and redirected funds to cover the costs of the bill, although the total cost would depend on the number of days districts add to their current school calendars.

The K-12 Plus funding factor would create a two-tiered funding factor that would increase funding for schools that exceed the equivalent of 180 and 190 instructional days.

The factor would generate more income for the 92 of 189 districts and charter schools—mostly schools that have already implemented K-5 Plus and Extended Learning Time—without any change in their calendars.

In addition, 41 districts and charter schools that already meet the proposed minimum instructional hours requirement would also get additional funds without adding hours.

# NM Homeless Population Drops 30% Over Decade

Homeless ness in New Mexico dropped by 28 percent over the last decade, from about 3,600 individuals in 2011 to about 2,600 on a single night in 2022, LFC analysis shows.

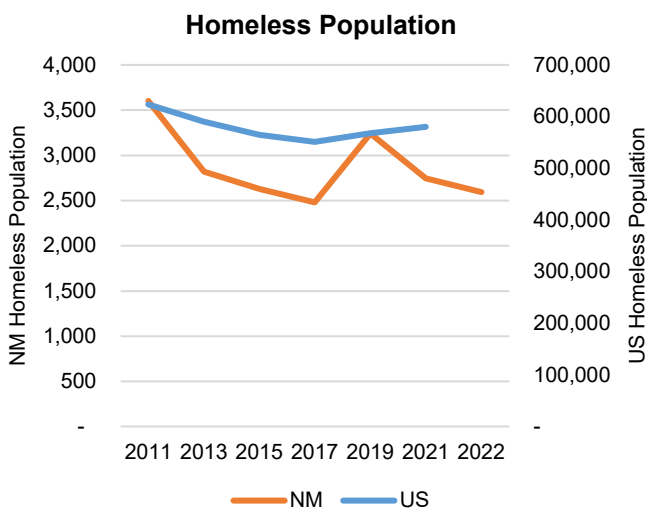
Following national trends, after years of steady declines in the homeless population, New Mexico's homeless population grew significantly between 2017 and 2019. Unlike the nation, however, New Mexico's homeless population again began to shrink after the 2019 peak.

The staff memo, scheduled to be presented to the committee on January 16, says New Mexico's homeless rate is less than 12 per 10 thousand, lower than the national rate and in the middle of rates from neighboring states.

However, staff report, the Mortgage Finance Authority has identified a number of housing challenges in New Mexico, including a 32 thousand unit gap in housing available to households with incomes at or below 30 percent of the area median income and 40 thousand housing units that are substandard because they lack complete kitchens or complete plumbing.

The authority estimates the state needs to develop 5,100 units per year to prevent the housing shortage from getting worse, despite having 50 thousand units vacant for seasonal and recreational use.

LFC staff note, while the state and federal governments have a wide range of programs and funding to serve the homeless and financially stretched homeowners, services are fragmented.



## On the Table

### NM Fertility Rate Dropping

New Mexico had the fourth largest decline in the fertility rate in the nation between 2010 and 2020, according to a Pew Charitable Trusts report. The brief links shrinking populations to short-term cost savings but long-term fiscal risks. The report suggests states can counter lower fertility rates—a measure of births per 1,000 reproductive age women—with in-migration; however, population growth in New Mexico has lagged the region and New Mexico has had out-migration of working-age people every year since 2012. Pew lists increased use of contraceptives, slowed international migration, delayed marriage, and delayed child birth as contributors to the drop in births.

### Unemployment Fund Stronger

Total net revenue in the state's unemployment insurance trust fund grew from \$494.9 million in FY21 to \$578.1 million in FY22, a 16.8 percent increase, the Workforce Solutions Department reports in its FY22 financial audit. FY22 was a relatively normal year for unemployment after several years of high demand because of pandemic unemployment. The fund was emptied in 2020 but replenished with \$662 million in federal pandemic-related support.

### Natural Gas Price Drops

Natural gas futures for February delivery—the price buyers have agreed to pay for gas to be delivered later—was \$3.60 per million British thermal units, down 50 percent from a month earlier and about what gas cost a year ago, when temperatures were warmer than normal and before Russia's invasion of the Ukraine jolted energy markets. The price could help cool inflation and lower costs for manufacturers but is also likely to reduce severance tax revenues in New Mexico. The FY24 New Mexico revenue forecast assumes a natural gas price of \$4.24 per million cubic feet (mcf). A 10 cent difference in the mcf price, a figure closely aligned with that for thermal units, represents a \$20 million difference to the general fund.

### Veterans' Home Pauses Admissions

The Department of Health has paused admissions at the New Mexico Veterans' Home, possibly until March, while the hospital implements new training and updated admissions processes. The facility had 59 residents as of early January. Federal action in summer 2022 that stopped the facility from admitting new patients was lifted in November.

### NM Communities To Get Almost \$2 Billion

The federal spending package passed by Congress at the end of 2022 includes more than \$1.7 billion for New Mexico communities, including an additional \$1.45 billion for Hermit's Peak fire recovery with \$140 million for the Las Vegas drinking water treatment system. Other big ticket items among the funding: \$126 million for military- and veterans-related projects, \$9.6 million for acequia infrastructure, and \$3 million each for the East Pecos Mutual Domestic Water Consumers' Association, Mountainair wastewater treatment facility, Taos County substance abuse treatment center, University of New Mexico neurological disorders research, and Albuquerque Rail Spur Trail.

### Transitions

Ricky Bejarano, former state controller and most recently with the city of Santa Fe, is returning to state government as deputy state auditor.

Beth Gillia, deputy secretary of the Children, Youth and Families Department, will be the director of the newly created Office of Family Representation and Advocacy.

A nominating committee has selected Jennifer Catechis, former deputy director of the agency, as the interim superintendent. Russ Toal is leaving the agency on January 20.



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