



# LFC Newsletter

A publication of the Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman  
Senator George Muñoz, Vice Chairman  
David Abbey, Director

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## From the Chairwoman Your Attention, Please

The intent of New Mexico's Accountability in Government Act, adopted more than two decades ago, is to focus government management on results. Under the act, each agency must identify its core responsibilities and its goals and set performance targets for meeting its goals. A public safety goal, for example, is to help offenders successfully reenter society after being released from prison. So a target might be low recidivism rates.

Under the act, each agency must provide a purpose statement, performance measures, targets, and data on performance for each of its major programs as part of its budget request. That performance information becomes law as part of the General Appropriation Act.

That's all fine and good but ineffective unless someone is paying attention.

LFC pays attention.

To help the committee focus, committee staff prepare quarterly and year-end "report cards" that assess whether an agency is aiming for meaningful targets and whether it is hitting the targets or struggling to find the bulls-eye.

We keep those reports close at hand throughout the interim between legislative sessions and make them a key part of our budget development in the fall.

This interim, some of those report cards, which often fly under the public's radar but generated a flurry of news reports this summer, prompted interesting, sustained discussions on child protective services, behavioral healthcare, law enforcement, and a broad range of public policy issues.

Recognizing the importance of the report cards to our budget discussions, the committee has reached out to the chairs of other interim committees on social services, natural resources, public safety, and other topics and provided them with these reports on the effectiveness of state services. Perhaps this information, so useful to us, will help them develop their recommendations to the full Legislature when it meets as a whole starting in January.

At the very least, actively sharing the report cards should focus more eyes on agency effectiveness. In the end, state government's greatest responsibility is to the people of New Mexico. The more attention the committee can draw to their performance, the more effective the accountability process will be.

**Representative Patty Lundstrom**  
Chairwoman

## Agencies Seek 19% Hike

State agencies are requesting \$665.6 million more from the general fund for the budget year that starts July 2023, a 19 percent increase over this year's appropriations.

The requests, submitted to LFC in September, do not include the proposals for public schools or higher education, which are due to the committee later this fall.

The Human Services Department is seeking \$252 million more from the general fund, a 19 percent increase over the current year, with \$80 million of that slated to replace an expected drop in federal dollars for Medicaid. Federal matching dollars for the healthcare program were enhanced as part of the pandemic-related public health emergency and the higher rate will expire when the emergency ends, likely sometime after the end of the calendar year.

The Children, Youth and Families Department is asking for a 14 percent increase, or \$34 million, with about \$28 million of that intended for Child Protective Services.

The Higher Education Department is requesting the second largest dollar increase—\$153 million, or 220 percent, mostly for the opportunity schol-

arship program.

Among other large percentage increases are a 247 percent increase sought by the Attorney General (\$37.4 million), a 223 percent increase sought by the Department of Information Technology (\$5.5 million), a 114 percent increase sought by the Sentencing Commission (\$2 million), and a 90 percent increase sought by the Department of Finance and Administration (\$16 million.) All are among the "general control" agencies, which are seeking an average 46 percent increase.

Public safety agencies, which include the Corrections and Public Safety departments, are seeking an overall increase in general fund spending of 4 percent, or \$20.7 million, while the courts, district attorneys, public defenders and other judicial agencies are asking for an average increase of 9 percent, or a total of \$33.6 million.

Natural resources agencies are requesting an average increase of almost 19 percent, or a total of \$18.5 million. More than half of the total, \$10.8 million, is sought by the Energy, Minerals and Natural Resources Department, which is asking for a 37 percent increase for FY24.

## Housing Plan Faces Challenges

The Mortgage Finance Authority, as the lead for the Housing New Mexico Advisory Committee, has released a detailed plan for putting more New Mexicans in homes, but the authority's director says implementing the plan will be a lot more challenging than coming up with it.

Isidro Hernandez highlighted [Housing New Mexico: A Call to Action](#) during the agency's hearing in September, reporting

- More than 15 thousand New Mexicans are at risk of homelessness, including 9,000 children.
- About 78 thousand households with children are financially stretched and face housing instability.
- Forty thousand housing units in the state lack complete kitchens and 40 thousand lack complete plumbing.
- New Mexico needs 5,100 new housing units per year and has an affordable housing gap of 32 thousand units for households at or below 30 percent of the area median income.

• Housing costs have increased much faster than incomes, making it harder for low- and moderate-income households to afford housing.

LFC staff [reported](#) the housing trust fund, managed by the Mortgage Finance Authority, will receive recurring funding in FY25 for the first time since its creation in 2005. The Severance Tax Bonding Act was amended earlier this year to earmark 2.5 percent of senior bond capacity for the trust fund.

The state has invested \$27 million in the trust fund so far, generating \$65 million in financing for housing programs.

A separate staff [report](#) on various initiatives spearheaded by the Department of Finance and Administration said the authority had yet to use \$25 million in one-time federal stimulus funds for housing as of late September. Grant agreements to free those funds were expected to be completed by mid-October and the funds would be available by the end of the year.

# Trust Fund Distributions Projected to Increase 780%

Strong oil and gas revenues means the trust fund set up as an endowment for early childhood programs will distribute in FY28 almost nine times the \$46 million it is expected to distribute this budget year.

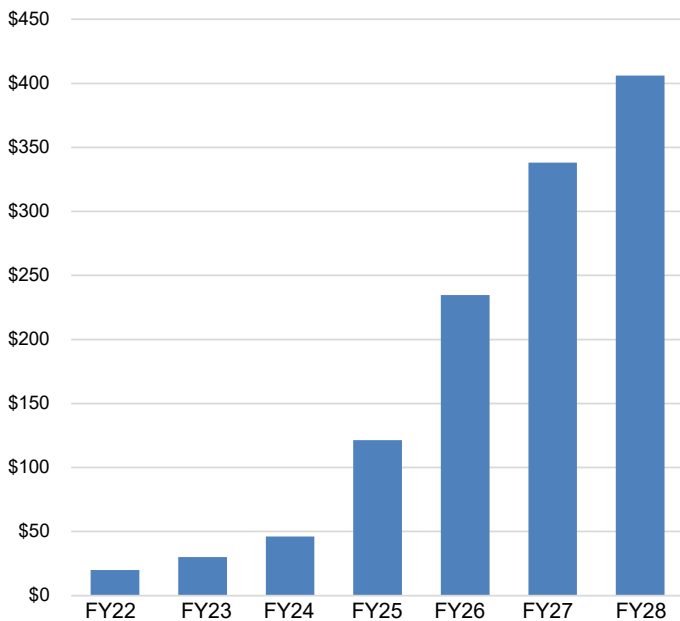
The early childhood education and care program fund, created with \$300 million in seed money in FY21, is expected to grow to \$4.8 billion at the end of 2023 and to nearly \$9 billion by the end of 2027. Those amounts are projected to generate \$46 million in revenue for programs this year and \$406 million by FY28, according to an LFC [staff report](#) presented to the interim Revenue Stabilization and Tax Policy Committee.

Receipts from the emergency oil and gas school tax above the five-year average are deposited into the early childhood trust fund if general fund reserves—the state’s rainy day funds—are at least 25 percent of recurring appropriations.

If reserves are short, the extra money goes into the tax stabilization reserve, a fund created to smooth out the booms and busts of the oil and gas industry to insulate the state from income volatility. Above-average receipts from federal royalty payments on natural resource extraction also go into the early childhood trust fund, and interest earned on the fund is available for early childhood spending.

LFC staff report preliminary FY22 figures indicate the state will receive \$1.5 billion in excess federal mineral leasing revenues and \$1.3 billion in excess oil and gas school tax revenues.

**Estimated Distributions from the Early Childhood Education and Care Program Fund**  
(in millions)



## On the Table

### Ed Stimulus Funds Go to Tech

New Mexico school districts have spent \$97.4 million, or 99 percent, of the pandemic-related funds allocated so far under the federal Coronavirus Aid, Relief, and Economic Security Act, the Public Education Department reports, with almost \$30 million spent on education technology, \$12.4 million on school leadership resources, \$10.3 million on sanitizing facilities, and almost \$10 million on planning during school closures. However, the U.S. Department of Education says New Mexico has spent only \$18.8 million, or 84.4 percent, of its CARES governors’ emergency education relieve fund award. The spending deadline for the first round of pandemic relief was September 30. USDE recently released guidelines for states seeking to extend the deadline.

### State Agencies Seek Multiple Big Projects

The price tags on five of the capital outlay projects state agencies have identified as their top priorities exceed \$20 million, including a nearly \$72 million request for a forensics unit at the Behavioral Health Institute in Las Vegas. The other four big ticket items among the top three priorities in the agency infrastructure plans include \$37.2 million for security, fire, and safety upgrades at prisons statewide, \$30 million for deferred maintenance and improvements at state-owned facilities statewide, \$28.4 million for senior centers statewide, and \$26.2 million for the public safety radio communications statewide upgrade.

### Absconders Lead List of Technical Violators

A review of corrected recidivism data from FY18 through FY20 found more than half of technical violation returns were due to absconding, the Corrections Department says, with other common technical violations including substance use and failure to attend relevant programming, violation of special conditions or zero tolerance orders of the court or Parole Board, removal of GPS devices, and violations of sex offender conditions of release.

### Water Project Gets \$400M More from Feds

The Eastern New Mexico Water Utility Authority has finalized new grant agreements with the federal government for the new water system for Clovis, Portales, and surrounding community, including \$61.6 million to cover the inflationary costs and \$115.8 million for new work. The federal government further committed an additional \$388.4 million to be appropriated over the next several years. The project engineer estimates the state’s remaining, unfunded match is \$77 million. The project, projected to cost close to \$1 billion, will divert water from Ute Reservoir. The existing water source for the region, the Ogalalla aquifer, is running dry.

### Proposal Would Close Purchase Loophole

The Ethics Commission has suggested legislation that would close a loophole that allows the state to get around caps on certain price agreements. The Legislature in 2020 amended the state Procurement Code to cap spending under construction price agreements awarded through requests for proposals, or RFPs, to \$4 million for any single contract and \$12.5 million total for any single vendor. In April, the State Purchasing Division removed the caps from the statewide price agreement for construction work and a reporting requirement that was also part of the 2020 amendments, arguing the prices were set through an invitation to bid, not an RFP. The Ethics Commission director, in a letter to LFC staff, suggested language for potential legislation that would reinstate the caps, no matter the procurement process.

### Transitions

Cisco McSorely has resigned as director of the Adult Parole Board; Department of Finance and Administration Secretary Debbie Romero is acting director.



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