



LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

Volume 18 Issue 03

September 2018

From the Chairwoman Multi-Faceted

There's more to the New Mexico economy than the Rio Grande corridor, the bustle near the border with Texas and Mexico, and the oil boom in the Permian Basin. While those areas are the first to come to mind when discussing either success or potential, New Mexico has a wealth of valuable gems outside the known deposits.

In September, the committee heads to Silver City in the heart of the rich but relatively unpolished southwest corner of New Mexico.

That region, roughly west of Interstate 25 and south of US60 and into the Boothill and desert, has a trove of treasures: the Gila Wilderness, starkly beautiful Florida Mountains, Continental Divide trail, City of Rocks state park, and other natural environments ready for outdoor enthusiasts; and Mogollon, Shakespeare, and numerous other historic towns, from ghost to thriving, that testify to the region's mining and ranching beginnings

The region is enriched by the pre-Columbian Gila Cliff Dwellings and other cultural sites, a vibrant arts community, strong healthcare industry, and Western New Mexico University in Silver City; the fascinating Very Large Array; biofuels processing, wind and solar energy fields, and oil and gas pipelines; and electrical component, portable building, food processing, and other manufacturing in Deming.

In addition, it has the advantages of the only 24-hour port of entry on the southern border in Columbus, multistate fiber optics cables, a major east-west interstate, and rail and air access.

And pie.

With 2017 federal tax reform, areas of Grant, Luna and Sierra counties have also been designated "opportunity zones," low-income areas targeted for investment under a new federal community development effort. Under the program, taxpayers with unrealized capital gains can invest in opportunity funds, which will be then be used to invest in the opportunity zones.

But even without tax incentives, southwest New Mexico, along with New Mexico's lesser known northern reaches, is worth deeper exploration by investors, visitors, and residents. Though not as visible as Las Cruces or Albuquerque, these fields are just as rich, and a lot less crowded.

*Representative Patricia Lundstrom
Chairwoman*

With sadness, LFC notes the passing of David Lucero, deputy director. David started as an analyst in 2005 and served as deputy for seven years. His calm leadership and friendly smile will be greatly missed. Our sympathies to his family and friends.

Spaceport-Generated Dollars Up; Agency Seeks State Fund Increase

Virgin Galactic, the anchor tenant at Spaceport America, this year tripled its lease payments to the state, but the spaceport's request for FY20 general fund dollars is up about 70 percent from its current budget, LFC analysis shows.

Virgin Galactic, which plans to launch its first commercial space flight from the southern New Mexico port sometime this fall, recently increased its annual lease payment to the state from \$1 million to \$3 million. The spaceport's FY20 budget request includes the assumption other revenue will increase by \$2.2 million next year.

However, the agency is also asking for an increase of \$700,000 from the state's general fund, a 72 percent increase from the spaceport's current general fund appropriations of \$976,000.

The cost of contracts has increased significantly in the last year because of federally required environmental studies, which had been covered with construction funding but are now an ongoing cost. The spaceport has also had to spend more on emergency and

security services, which have increased from \$500,000 to \$2.3 million this year, as tenants, launches, and staffing levels have increased.

The committee is scheduled to hear a report on Spaceport America at 11:30 a.m. September 26.

Primary tenants at Spaceport America include Virgin Galactic, SpaceX, Up Aerospace, and EXOS Aerospace and EnergeticX.

Virgin Galactic, which has 70 employees at the site, says it has sold more than 600 personal space flight tickets costing between \$200,000 and \$250,000.

An estimate prepared for the spaceport estimates the number of visitors to the port could reach 200,000 once commercial launches start.

The agency has hosted an open house, drone and rocket contests, and other events to increase visitation. About 4,500 people visited in FY18.

Virgin Galactic originally planned to start commercial launches in 2010, but the fatal crash of a test vehicle in October 2014 and other mishaps have delayed the service.

Childcare Enrollment Down, Costs Up

Enrollment in the childcare assistance program is down, but the cost per child has increased significantly, LFC staff reports.

The [2018 Accountability Report: Childcare Assistance Outcomes](#), presented to the committee in August, shows, while monthly average enrollment in FY18 was up 9.5 percent from FY17, overall enrollment in the subsidy program dropped 7 percent between FY12 and FY18 at the same time per-child costs increased by 76 percent.

An increase in the share of subsidized children attending higher quality care is contributing to a higher per-child cost, the report concludes.

The share of subsidized children attending centers with four or the maximum five stars under the state licensing system increased from 36 percent in FY17 to 43 percent in FY18, staff analysis shows.

Reimbursement rates for five-star centers are higher than those for other centers.

At the FY18 average monthly subsidy of \$550, expanding the program would cost an additional \$6 million for every 1,000 children served. Childcare Assistance is funded with federal block grants, including those from the Temporary Assistance for Needy Families program, and from the state general fund.

The results of studies on the impact of childcare on school performance are mixed, with some studies showing little impact and others showing high-quality centers having the same positive impact as high-performing prekindergartens.

LFC staff note, while some studies show promising short-term education gains for children who attended childcare, no evidence indicates participation in New Mexico childcare has a long-term impact.

However, the report says, childcare, by providing parents an opportunity to work, can contribute to the economic stability of the child's family and provides other benefits.

School Districts Cut Days by Extending Hours

While almost all school districts report they deliver the hours of instructional time mandated by state law, many districts add hours on to each school day and shorten the school year, LFC analysis shows.

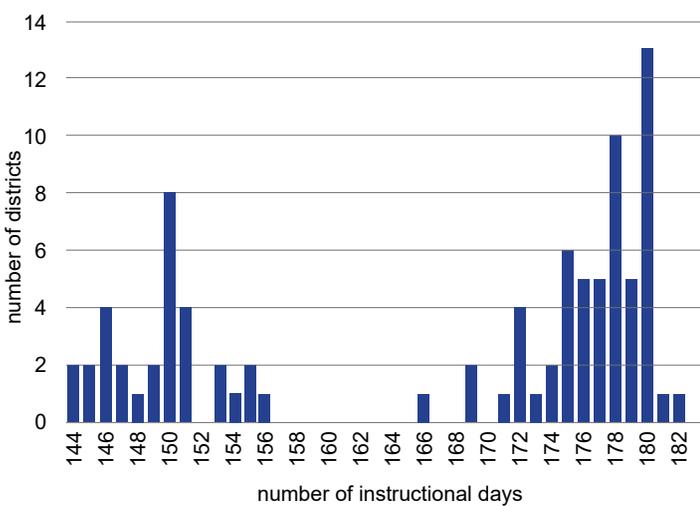
Data from a 2016 [program evaluation on learning time](#) notes the 180-day school year anticipated by state lawmakers but not in law is in practice in about 20 percent of school districts and charter schools, but about 80 percent of districts add hours onto some days to allow for four-day school weeks, short Fridays, and other time off.

State law requires 990 hours of instructional time for grades one through six and 1,080 hours for grades seven through 12.

About 128,000 New Mexico students are in districts with 180 or more days in the school year; about 187,000 are in districts with 151 to 179 days. About 9,000 students are in districts with 150 days or less.

The committee is scheduled to hear about a new program evaluation on instructional time and extended learning opportunities in public schools at 8 a.m. on September 28 during its meeting in Silver City and Deming.

Number of School Days in New Mexico Districts, 2016



LFC Newsletter

Volume 19 Issue 3

Published monthly in the interim by the Legislative Finance Committee.

Staff Liaison - Alison Nichols Writer, Editor - Helen Gaussoin

Questions, comments: 505-986-4550

www.nmlegis.gov/lfc

Please contact Adreena Lujan at adreena.lujan@nmlegis.gov if you would prefer to receive this newsletter electronically.

On the Table

FIT Serves More Children

The Health Department is asking for \$1.4 million more in FY20 to serve the growing number of children in the Family, Infant, Toddler Program. Enrollment in the program for infants and toddlers with development delays and other conditions has grown by about 23 percent since FY14, or about 2,923 children.

State Receives \$3.5M for Conservation

The State Forestry Division has received a \$3.48 million federal grant for a conservation easement in the Rio Brazos watershed. The Brazos Cliffs Forestry Legacy Project covers 3,714 acres. The federal grant program requires a 25 percent match, typically accomplished through land donations.

Insurance Premiums Increasing

The requested increase for medical insurance premiums for teachers and other school employees is 7.6 percent in FY20, while the requested increase for state employees is 5 percent.

HSD Wins Consent Decree Relief

A federal district judge has approved changes to a consent decree in the long-running Debra Hatten-Gonzales lawsuit concerning eligibility and enrollment in the Medicaid and Supplemental Nutrition Assistance programs that removes some requirements. The Human Services Department successfully argued for the removal of conditions it has already met and for inclusion of processes and goals for resolving other issues.

Jobs Added

New Mexico added nearly 18,000 jobs in July compared with a year ago for a 2.2 percent growth in employment, exceeding the national average of 1.6 percent but short of growth in most neighboring states by 0.5 percent to 1.7 percent. The unemployment rate fell to 4.7 percent, down from 4.9 percent a month ago and 6.1 percent a year ago.

Transitions

Jessica Eden, LFC support staff, has taken a job as a paralegal with the Attorney General Litigation Division.

Sunny Liu, LFC public schools analyst, has received an MBA from Arizona State University.

Jon Clark, chief economist for LFC, has been named staff co-chair of the National Conference of State Legislatures' Labor and Economic Development Committee.

In fond memory of David Lucero.

Legislative Finance Committee
325 Don Gaspar Street Ste101
Santa Fe NM 87501