



# LFC Newsletter

A publication of the Legislative Finance Committee

Senator George Muñoz, Chairman  
Representative Nathan Small, Vice Chairman  
David Abbey, Director

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## From the Chairman Tomorrow

For the last two years, New Mexico has found itself in the unusual position of having extraordinary levels of revenue. Most years, state lawmakers must negotiate how to wrap New Mexico's limited resources around its many needs, but in 2022 and, especially, 2023 we were able to move past just getting by into investing into the funds and systems that will have a long-term impact on New Mexico, both its people and its future financial security.

The Legislature appropriated almost \$328 million to the Early Childhood and Education Department, a 68 percent increase for the new parent supports, childcare, and prekindergarten services the agency provides. Public schools will get \$4.2 billion for the budget year that starts in July, a 7.8 percent increase. Colleges, universities, and the Higher Education Department will receive an 18.3 percent increase, with most of that dedicated to scholarship programs that make college attendance essentially tuition-free.

The budget bill as enacted also invests in improved access to healthcare and economic and workforce development and funds infrastructure improvements throughout the state.

Importantly, the Legislature took steps that ensure today's surplus revenue will continue to generate income into the future. By funding \$1.07 billion in capital outlay from the general fund instead of the severance tax permanent fund, an investment fund for tax revenue from extractive industries, the permanent fund will earn an additional \$97 million a year, even as income from oil and gas activity slows. The Legislature also made a one-time \$475 million deposit into the permanent fund and adopted a plan that will take greater-than-average revenue from a different oil and gas tax and put it in the permanent fund as well.

In addition, lawmakers created an investment fund from settlement payments made by opioid manufacturers to generate funding for opioid addiction recovery and provided \$50 million seed money for the legacy conservation fund, which will generate funding for natural resource agencies.

By creating revenue streams for future years and investing in the futures of New Mexicans, legislators are ensuring New Mexico continues to thrive even after the unprecedented revenue flooding state coffers today dries up.

**Senator George Muñoz**  
Chairman

## Legislature Funds CYFD Improvements

The Children, Youth and Families Department has taken steps to improve child protective services since the department last appeared before the committee in December, but legislators expect to see more marked improvement going forward, LFC analysts say.

In a LFC LegisStat brief scheduled to be heard by the committee at 3 p.m. May 23, staff note the department has convened a policy advisory committee in the last few months and created a new website with information, to be updated monthly, on the number of children in state custody and their status, foster placements, office stays for children in custody, and other data.

However, LFC staff report in the [Post-Session Review](#) the Legislature adopted a 14 percent increase in funding for Protective Services for the budget year that starts in July with the anticipation the department would do a better job of protecting children by adopting and expanding evidence-supported family intervention and child abuse prevention

practices and by taking steps to improve the workforce.

According to the LegisStat brief, the department began an alternative response pilot in 2021 to keep more children safely with their families and out of the foster care system.

During the department's December LegisStat hearing, a committee approach intended as a solution-focused collaboration with executive agencies, committee members asked the department to report back on the status of the pilot, on the department's development of the safe care plan required by the federal Comprehensive Addiction and Recovery Act care, and when the federal government was going to accept the state's Families First Prevention Services Act plan that will allow the department to leverage federal funds for prevention services.

New Mexico consistently ranks among the worst six states for incidents of child maltreatment that occur after the child has come to the attention of the department.

## New Laws Will Reduce Revenue by \$2.5B

Legislation enacted as a result of the 2023 session is expected to reduce recurring general fund revenue a total of almost \$2.5 billion in the next three years, LFC economists estimate.

Staff report in the [Post-Session Review](#) the cost to the general fund will be \$174.5 million in FY24, \$827.6 million in FY25, and \$1.461 billion in FY26.

In addition, the general fund will take a one-time hit of \$666.8 million in FY23 and another one-time hit in FY24 of \$6.89 million from the income tax rebates in Chapter 211, the partially vetoed omnibus tax package contained in House Bill 547.

In addition to the rebates, Chapter 211 expands the child tax credit, the gross receipts tax deduction for healthcare providers, and the film tax credit.

After the one-time rebates, the provision in Chapter 211 with the biggest immediate impact is the hike in the child tax credit, which will increase the credit by \$425 to \$600 for the lowest income taxpayers and will tie the credit to inflation to prevent its value from eroding over time. The provision is expected

to reduce general fund revenue by an additional \$102.6 million in FY24.

The film tax credit, which raises the cap for some productions and enhances benefits for rural locations, is expected to start impacting the general fund in FY25, when it cuts revenues by \$61 million.

Under the expansion of the medical services tax deduction, which carries a price tag of \$39 million for FY24, medical providers will no longer have to pay gross receipts tax on income from copays and deductibles. Current law prohibits that tax from being passed on to patients, and providers must pay it themselves.

Legislators also adopted, and the governor signed, proposals that would stabilize future revenues, which have been inflated over the last two years by a boom in the oil and gas industry. Those proposals mostly boost the severance tax permanent fund, which produces investment income that supports state spending, by making a direct deposit into the fund, shifting some expenses from the fund to other sources, and directing future excess income into the fund.

# Outstanding Capital Outlay at Over \$3 Billion

Outstanding capital outlay totaled \$3.2 billion at the end of the third quarter of FY23, including \$1.8 billion for projects authorized by the Legislature through 2022 still unspent.

The total includes two-thirds of \$977.4 million in special appropriations made during the 2021 special and 2022 regular legislative sessions.

Among three major categories of capital outlay, local projects have the most outstanding funds and slowest expenditure rates, with \$815.6 million outstanding, or 62 percent of 2019 to 2022 appropriations. Statewide projects have spent funds more quickly, with 49 percent of appropriations outstanding. Excluding general obligation bond projects for which funding just became available, higher education institutions have also spent funds more quickly, with 56 percent of appropriations outstanding.

The Legislature during the 2023 session appropriated \$1.2 billion from the general fund and other state funds for nearly 1,500 state and local infrastructure projects; the governor vetoed \$260 thousand for three projects.

## 2023 Capital Appropriations

Project Type	Number of Projects	Total Appropriations
Schools	221	\$189,627,011
Water & Wastewater	197	\$150,225,876
Higher Education	129	\$140,674,351
Law Enforcement & Public Safety	135	\$126,041,472
Behavioral Health Facilities	3	\$78,551,490
Public Building	71	\$64,028,500
Parks & Recreation Facilities	119	\$63,882,610
Cultural Facilities	68	\$60,282,722
Health Facilities	29	\$52,043,940
Judicial Facilities	16	\$44,646,100
Highways, Roads & Bridges	108	\$41,615,828
Community Facilities	91	\$35,857,738
Transportation	86	\$31,533,442
Senior Citizens	72	\$27,435,100
Corrections Facilities	7	\$25,776,490
Acequias & Dams	46	\$22,223,275
Housing	16	\$22,096,800
Military & Veterans	14	\$20,178,268
Utility & Waste	52	\$18,435,000
Children & Family Facilities	7	\$10,286,470
Miscellaneous	5	\$6,078,500
Telecommunications	5	\$2,999,000

Source: Department of Finance and Administration

## On the Table

### Few School Districts Add Days

A review of 2023-2024 school year calendar proposals for the 20 largest school districts, representing about 75 percent of statewide enrollment, shows few large districts plan to add instructional days. Most large districts chose to keep the same calendar, in spite of the flexibility offered through the K-12 Plus extended school year programs. Several districts with existing K-5 Plus or Extended Learning Time programs chose to reduce student instructional days and add professional work time for educators, likely because of new provisions allowing professional time to count toward instructional time.

### DA Seeks \$1.5M Personnel Transfer

The 2nd Judicial District Attorney, in Bernalillo County, has asked to transfer \$1.5 million from personnel to the agency's Crime Strategies Unit to reduce the warrant backlog in the Albuquerque area. The office indicates spending on personnel has been depressed because of hiring challenges and a transition in administration.

### APD Force Shrinks Faster Than Most

The Albuquerque Police Department's force strength dropped almost 16 percent between FY14 and the beginning of FY23, while other law enforcement force strength fell 0.6 percent. APD's force strength averaged 907 officers over the last decade and is now at about 856 officers. APD has received \$394.4 thousand from the law enforcement retention fund (LERF) which provided five year retention stipends for 109 officers.

### State Employment Up

The state employee head count stood at 21,912 as of May 1, up 1.3 percent versus this time last year. State employment was at its highest level since August 2021. Largest year-over-year gains were in the Energy, Minerals and Natural Resources Department, the Cultural Affairs Department, and the State Engineer.

### Capital Projects Risk Reversion

Thirty capital outlay projects funded in 2022 with \$20 million from the general fund were at risk as of mid-April of being required to revert their financing because they have yet to encumber 5 percent of the funding, a requirement for projects with general fund appropriations. The projects are all in tribal communities. More projects are likely to be at risk in FY24 because \$1.07 billion was appropriated from the general fund to capital outlay.

### NM Tax Collections Better After Pandemic

New Mexico collected 17.1 percent more tax revenue in the second quarter of 2022 than it would have collected under its prepandemic growth rate, according to the Pew Research Center. Nationwide and in 32 states, cumulative tax receipts, adjusted for inflation, were higher than they would have been if pre-Covid growth trends had continued. Combined state tax revenue was 4 percent above estimates of what might have been collected had the pandemic not occurred.

### Transitions

Tim Johnson, chief of the New Mexico State Police, announced his retirement, effective June 23.

Dylan Fuge will be the new director of the Oil Conservation Division of the Energy, Minerals and Natural Resources Department. Fuge has served as acting division director while also serving as the department's general counsel. He will serve as acting general counsel until the agency fills that position.

Alex Castillo Smith was appointed as the deputy secretary of the Human Services Department, where she formerly served as the strategic planning director.



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Editor - Helen Gaussoin

Questions, comments: 505-986-4550  
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Please contact Adreena Lujan at [adreena.lujan@nmlegis.gov](mailto:adreena.lujan@nmlegis.gov) if you would prefer to receive this newsletter electronically.