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FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/2010

SPONSOR Garcia, M.H. LAST UPDATED _____ HB 45

SHORT TITLE Economic Demographers in Planning Districts SB _____

ANALYST Lucero

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
	\$400.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Public Education Department (PED)
 Workforce Solutions Department (WSD)
 Environment Department (NMED)
 Economic Development Department (EDD)
 Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

House Bill 45 appropriates four hundred thousand dollars (\$400,000) from the general fund to the Economic Development Department (EDD) for expenditure in FY11 to work in conjunction with the Department of Environment, Workforce Solutions, Public Education Department, and the Tourism Department to provide economic demographers for the state's planning districts to pioneer the development of a predictive model to forecast the demographic and economic futures of local communities. The bill identifies the communities where demographers will be placed.

The Economic Development Department will report to the Economic and Rural Development Committee on the demographer's progress by November 2010.

FISCAL IMPLICATIONS

The appropriation of four hundred thousand dollars (\$400,000) contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at

the end of fiscal year 2011 shall revert to the general fund.

According to the Public Education Department (PED), the bill would require PED staff to provide support for the development of a statewide demographic team. The fiscal impact is unknown but likely to be minimal. It is unknown if the PED would be required to modify data collection systems to meet the requirements of this bill.

The state Planning Districts will be responsible for providing the information to the communities, and may be responsible for costs associated with the demographers over the long term.

SIGNIFICANT ISSUES

According to Lund University, School of Economics and Management:

Economic demography explores the relationship between population and economy in a broad sense; how a population is influenced by economic development and in what ways do population changes affect the economy. The classical dilemma, still relevant in our times, is whether the economic resources will suffice for an ever-increasing population growth. Other areas of interest are the impact of economic aspects on the long-term decline in mortality and the diminishing family size that is linked to the demographic transition. Special interest is also given to studies on family and labor market, migration patterns, health and mortality issues.

There is a demand for demographic studies at all levels of government, as well as in the private sector. Marketing, insurance, and municipal planning are three areas where demographic skills are in increasing demand. Given the wide scope of the program and its interdisciplinary nature, graduates can expect employment opportunities within a multitude of areas.

According to the Workforce Solutions Department (WSD), a predictive model that forecasts the demographic and economic futures of local communities and regions would support the business driven philosophy of the Workforce Investment Act administered by the Workforce Solutions Department. Under the Workforce Investment Act, four regional workforce investment boards administer training and employment services based on economic conditions and the needs of business and industry within their respective regions.

The Environment Department notes that there is a lack of planning and coordination in determining infrastructure needs and priorities. The Governor's Executive Order 2007-050 created the Water and Wastewater Infrastructure Development Division within the Environment Department to create a uniform funding application (UFA) process. The process includes incorporating planning and needs assessment into funding priorities. The December 2009 GAO "Rural Water Infrastructure - Improved Coordination and Funding Processes Could Enhance Federal Efforts to Meet Needs in the U.S.-Mexico Border Region" identified waste and inefficiencies due to lack of coordination and prioritization of needs.

PERFORMANCE IMPLICATIONS

The agencies identified in the bill participate in performance-based budgeting. This bill may have a positive impact on some of those measures.

ADMINISTRATIVE IMPLICATIONS

The bill allows up to ten percent of the appropriation to be retained for administrative costs associated with the economic demographers. EDD notes that additional staff may be required to oversee the appropriation.

OTHER SUBSTANTIVE ISSUES

The Census Bureau uses the Administrative Record method (known as “ADREC”) to estimate county level population. This method is benchmarked on the latest census, and incorporates all three components of population change: births, deaths, and migration (both domestic and international). It is viewed as theoretically sound and straightforward. Published census data covers a wide range of variables including, age, race, income, household units, veteran status, age of housing units and other data elements.

ALTERNATIVES

The Economic Research and Analysis Bureau (ER&A) of the Department of Workforce Solutions could oversee a contract to develop a predictive model for forecasting the impact of demographic change on local economies. The ER&A is currently the primary source of much of the economic data that would be used. By developing a collaborative process with the Environment Department, Public Education, and Tourism Department, a full range of usable data outputs could be generated with the greatest efficiency to the taxpayer. Lack of appropriate coordination could potentially result in duplication of effort. ER&A is well equipped and has the capacity to capture the data, analyze the results on a local basis, and report to the planning districts. ER&A operates projections software consistent with Bureau of Labor Statistics standards and has a long-term relationship with the state demographer.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status Quo.

AMENDMENTS

The bill does not recognize the tribal presence and could be expanded to include the Department of Indian Affairs.

It also does not recognize the existing resources of the Bureau of Business and Economic Research (BBER) at the University of New Mexico and the New Mexico State University Department of Economics.