



LFC Newsletter

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Senator George Muñoz, Chairman
Representative Nathan Small, Vice Chairman
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From the Chairman

Twists and Turns

Conservative policy wonks like to tout tax cuts as the only way to build a healthy business environment and prosperous economy, but the road to prosperity isn't direct and perfectly paved. Building a healthy business environment is complicated.

Time after time, business leaders cite schools, environment, availability of skilled labor, and quality of life as just as important—or more important—than low taxes. Yes, they want a stable tax environment, one they can build into their business plans, but New Mexico doesn't have to race other states to the bottom to win over business leaders.

Those leaders recognize New Mexico needs strong education and social programs because they need a healthy and skilled work force. They recognize that New Mexico cannot grow at the expense of the cultural and environmental treasures that are among our state's strongest assets. They have families and homes, and they want safe neighborhoods and clean air.

And those things cost money. Taxpayer money. It is appropriate to collect money from individuals to pay for services that benefit society as a whole, but it's hard for taxpayers to see what they get for those dollars. After all, at the grocery store, you pick out the food, hand the clerk money, and put a meal on the table. With taxes, that direct connection is not there. With taxes, somebody takes money out of your paycheck, or you send a check off to a distant and mysterious agency, and nobody sends you a new shirt or a couch.

But we get so much for that check: paved roads and broadband access, safe buildings and safe drinking water, and doctors and engineers you know are qualified. We get very valuable services for our tax dollars even if the return is not as satisfying as retail.

The committee is scheduled to hear a report on the role of taxes in economic development when it meets in Albuquerque this month. It will be interesting to hear more about balancing the need for tax revenues with the need for a tax-friendly business environment.

Because, in the end, we need both. A strong economy generates the resources that allow us to address our state's many needs, but we can't build a healthy economy without healthy communities.

Senator George Muñoz
Chairman

Teaching Graduates Up But Classrooms Still Short

New Mexico has increased spending on public school educator pay by \$709 million since 2019 and eased barriers to entering the teaching profession, but schools still struggle to keep teaching positions filled, LFC analysis shows.

The impact of pay raises and other changes on the supply of teachers is the topic of a hearing scheduled for 10 a.m. September 28 during the committee's [meeting](#) in Albuquerque.

Since the court ruled in the *Martinez-Yazzie* lawsuit that New Mexico public schools were inadequate, partly because they failed to provide skilled teachers for struggling students, New Mexico has increased spending for public schools to \$4.2 billion, an increase of \$1.5 billion, or 55 percent, with nearly half of the total increase for educator compensation, including higher minimum salaries, across-the-board raises, and expanded coverage of benefits.

New Mexico's average teacher salary of \$63.6 thousand still lags the national average of \$68.5 thousand, but its

national ranking has shot up from 41st to 22nd.

New Mexico has also funded teacher residencies, stipends for student teachers, and assistance for educational assistants working on a teaching degree.

However, while the number of teacher candidates completing educator preparation programs has grown in the last few—both from traditional bachelor's degree and alternative licensure programs—the total number of graduates is still lower than it was a decade ago.

In addition, research indicates public schools were short 690 teachers in 2022, although the number of vacancies had dropped from 2021.

LFC staff note 3,000 teachers in New Mexico, or 14 percent, leave their school or district each year, and the state should consider boosting support for programs that expose student teachers to the classroom sooner, like teacher residencies, other programs that prepare teachers for their first year in the classroom, and strong school leadership.

Enrollment Up With More Aid, But Grads Lag

New Mexico has invested substantially in higher education financial aid, but while enrollment is up, many students don't make it to graduation, an LFC evaluation finds.

In the program evaluation [Higher Education Financial Aid: Opportunity and Lottery Scholarships](#), LFC staff conclude increasing state spending on core higher education operations, particularly student supports, would have a greater impact on college completion than further expanding state scholarships for undergraduates.

New Mexico has covered up to the full cost of college tuition for many New Mexico high school graduates since the creation of the Lottery Scholarship Program in 1997, with about \$45 million a year allocated to the scholarships in recent years.

State-funded financial aid took off, however, in the last two years with the creation of the less-restrictive Opportunity Scholarship Program, which covers both full-time and part-time attendance and nontraditional students.

State colleges and universities have

budgeted \$242 million in state financial aid spending from the two scholarship programs for the current school year, an amount equal to 53 percent of all tuition and fee revenue at the schools and a level that makes the already comparatively generous New Mexico financial aid package one of the most generous in the country.

College enrollment, which had been dropping for several years, increased 4 percent after the opportunity scholarship became available.

However, while research suggests most states can expect a 2.5 percent increase in college completion rates for each additional \$1,000 in financial aid per student, New Mexico's results fall short.

LFC staff analysis finds, given New Mexico's financial aid package, New Mexico should have seen an additional 3,500 undergraduate credentials completed in the last five years.

The gap between actual and expected results suggest New Mexico needs to improve college readiness and student support services.

Film Credit Growing but Generates Few Jobs

The film production tax credit is New Mexico's most expensive economic development incentive, with the cost expected to reach almost \$275 million a year by FY28, but the film industry accounts for less than a half percent of New Mexico private employment, LFC economists report.

Film industry incentives were 37 percent of total state economic development spending in FY22, making New Mexico second in the nation in spending on film incentives as a portion of total general fund appropriations.

The film incentive has likely helped the state become nationally competitive for film locations, with New Mexico 14th highest for film industry employment levels and fourth highest in the share of jobs in the film industry.

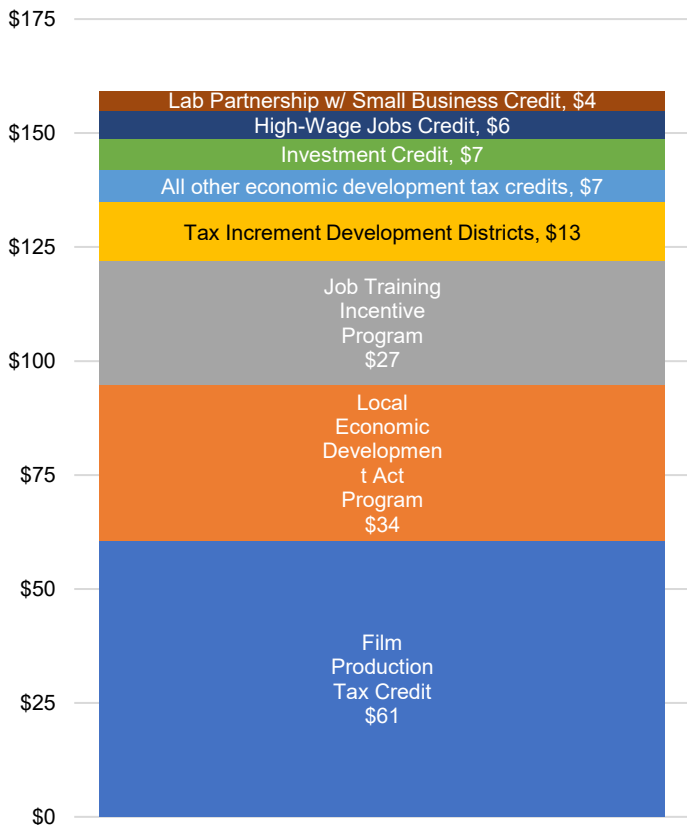
However, film industry hiring in New Mexico has lagged film industry spending, with industry spending up 134 percent between FY08 and FY22 and jobs up just 3.3 percent.

Notably, LFC staff reports, tax expenditures supporting the film industry in FY22 were 27 times larger than tax expenditures supporting the research and development industry through the technology jobs and research and development tax credit, designed to support high-paying R&D employers outside the state's national laboratories.

New Mexico's R&D industry outside the national laboratories is two times bigger than the state's film industry and average annual R&D industry wages are 21 percent higher than film industry wages, according to Bureau of Labor Statistics data.

The committee is scheduled to discuss the film incentive program at 10 a.m. September 27.

FY22 Economic Development Incentive Spending (in millions)



Source: TRD



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On the Table

Agencies Seek 20% Average Increase

Agencies representing about 44 percent of state general fund spending are asking for an additional \$890 million for FY25, an average increase of 20.5 percent. All state agencies but public schools and colleges and universities were required to submit their budget requests by September 1. Some larger agencies and their percentage increase requests:

- Early Childhood Education and Care Department, 40.6 percent;
- Human Services Department, 27 percent;
- Public Education Department, 16.6 percent.

Higher Ed Spending Ranks 4th in Nation

New Mexico ranked fourth nationally in state and local higher education spending per student in FY22, the State Higher Education Executive Officers Association reports. The expansion of the opportunity scholarship will be reported in FY23, and New Mexico's overall spending rank likely will increase. The report also shows total revenue growth at New Mexico higher education institutions was the fastest in the nation between FY12 and FY22.

Child Abuse and Neglect Cases Up

The Children, Youth and Families Department is on track to increase child abuse and neglect case filings by more than 50 percent this year over last. As of early July, CYFD had filed a total of 339 cases statewide, compared with a total of 448 cases in 2022. If the agency files the same number of cases in the second half of 2023, the 2023 total for new cases will be 678, 200 more than in 2022. As of August 2023, 1,954 youth were in CYFD care, a 13 percent increase over August 2022.

Meanwhile, almost 30 percent of funded CYFD positions were vacant in mid-September, with almost 300 vacancies in the Protective Services Division. The department held a rapid-hire event at the end of August and plans to extend offers to 110 applicants.

NM Tax Revenue Growth 2nd Highest

New Mexico had the second highest increase in state tax revenue in the nation in the first quarter of 2023 compared with the same quarter in 2022, second only to Wyoming, according to analysis from the Urban Institute. The state's growth over that period outpaced the average revenue growth in the southwest and Rocky Mountain regions by 16.3 percentage points and 19 percentage points, respectively. Nationwide, state and local government revenues from major sources declined 4 percent in the first quarter of 2023 compared with the same quarter in 2022, driven primarily by personal income tax revenues, which suffered from a weaker stock market, state income tax rate cuts, and rebate payments..

Transitions

Jon Courtney, LFC deputy director, has been appointed to serve as the vice chair for the National Conference of State Legislatures' standing committee on law, criminal justice, and public safety, and Sunny Liu, LFC analyst, has been appointed to serve as the vice chair for NCSL's standing committee on education.

John Valdez has joined LFC as a program evaluator. Valdez has returned to Santa Fe after three years as a professor, most recently at Wabash College in Indiana. John has a doctorate in political science from the University of Oregon and a bachelor's degree in business administration from Pepperdine University.

Brianne Bigej, executive director of the Adult Parole Board, will be moving to the Department of Public Safety's Office of General Counsel in October but will continue to provide support to the Parole Board until the governor names a replacement.

Tim Hanosh has resigned as the director of the meat inspection program at the Livestock Board

Jen Paul Schroer, former Tourism Department secretary, will be the new secretary of the Aging and Long-Term Services Department.