



# LFC Newsletter

A publication of the Legislative Finance Committee

Senator George Muñoz, Chairman  
Representative Nathan Small, Vice Chairman  
Charles Sallee, Interim Director

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## From the Chairman

### Unpredictable

Crude oil prices are going up.  
Or down.

We don't really know. News stories circulating earlier this month said Saudi Arabia was cutting production and the price would be increasing. Indeed, crude oil prices are trending up for the month, and market anticipation of higher oil prices means you can already see higher prices at the gas pump.

But any number of factors could bring it down—Iraq could flood the oil market, inflation could depress consumption, or another pandemic could empty the streets. The fact is, in oil-and-gas-dependent New Mexico, much of our destiny is outside of our control.

We'll get a glimpse of the future when the latest consensus revenue forecast, put together by executive and legislative economists, is presented to the committee during its meeting in Las Vegas in August. The report is likely to say New Mexico is continuing to benefit from the oil and gas production boom, with the estimates of revenue for both this year and next higher than they were in the last consensus forecast in December.

Honestly, it feels great to be chairman when the New Mexico economy is so strong. But it's also a little unsettling. The temptation is to spend all the money. After all, New Mexico has many needs. And the reality is the Legislature will see a flood of special interest appeals. But the bigger reality is that the money will stop flowing, if not soon because of unpredictable market factors, then definitely in the next decades, when alternatives to fossil fuels become common.

The Legislature has taken steps to stabilize revenues by taking some of the surplus and putting it into permanent funds, which generate relatively steady investment income. We need to do more to regulate spending. LFC economists note lower spending growth now will mean sustainable spending growth in the future. They calculate New Mexico will need to grow spending by at least 2 percent a year just to maintain services and by more if we also want to keep state employee compensation competitive and accommodate growth in demand for services. By constraining that growth by just 1 percent, we can extend the surplus by five years.

We can't be certain about the future of oil prices but we can moderate the impact of the volatility.

**Senator George Muñoz**  
Chairman

## Rural New Mexico Suffers from Healthcare Shortage

The lack of access to healthcare in rural New Mexico communities contributes to higher mortality rates, lower life expectancies, high rates of chronic disease, poor maternal and child health, more substance abuse, and higher rates of chronic pain for the one-fifth of New Mexicans who live there, LFC staff reports.

In a brief prepared for a hearing on rural healthcare [scheduled](#) for 1 p.m. August 23, staff says rural New Mexicans struggle to get healthcare because of travel distances, lack of providers, higher poverty rates, and reduced hospital services.

Rural residents are less likely to have employer-provided health insurance, but even those with private coverage or Medicaid find it difficult to access care, the report says.

All but parts of Bernalillo, Los Alamos, and Doña Ana counties are designated as healthcare shortage areas by federal regulators, and the New Mexico Healthcare Workforce reports areas of New Mexico short of primary

care doctors collectively need more than 300 physicians to hit national benchmarks for number per population.

New Mexico has the oldest physician workforce in the nation, with more than a third of doctors over 60 years old, and is forecast to have the second largest physician shortage in the nation by 2030, according to a [2022 LFC evaluation](#).

The General Appropriation Act adopted earlier this year includes a total of \$364.4 million for rural health delivery and startup costs, rural and tribal hospital support, and increases in Medicaid reimbursement rates intended to encourage healthcare providers to stay in New Mexico.

Another \$153 million in state and federal funds was authorized by the act for contracts with rural regional hospitals, health clinics, providers and federally qualified health centers to develop and expand primary care, maternal and child health, and behavioral health services capacity in rural medically underserved areas.

## NM Needs Strong Early Childhood Workforce

Funding for the Early Childhood Education and Care Department will increase 56 percent this year to \$761 million, but New Mexico needs a strong, well-prepared early childhood workforce for the programs to be effective, LFC analysis finds.

In [bullets](#) prepared for a July hearing, LFC staff reports 62 percent of the paraprofessionals providing parental education and family supports under the Home Visiting Program have bachelor's degrees or higher, while data suggests just 6 percent of the caregivers in the Childcare Assistance Program have four-year degrees.

In prekindergarten classrooms in public schools, lead teachers are required to have at least a bachelor's degree and a teaching license, and more than a quarter have master's degrees.

In community prekindergarten programs, funded by the state under a contract with a private provider, 33 percent of lead teachers had bachelor's degrees.

Elizabeth Groginsky, secretary of the department, told the committee

the department is working with the Public Education and Higher Education departments to develop early childhood education career pathways that will help guide home visitors, caregivers, and teachers to higher degrees.

The department is currently building an early childhood professional development information system that should be able to track credentials, salaries, and turnover information, she said.

Further, the department has built wage assumptions into provider rates to ensure a minimum wage of at least \$15 an hour.

Senator Steven Neville raised concerns the new provider rates will not be enough to make up for a state-provided temporary wage subsidy the state has been covering with federal funds and questioned whether some childcare centers will lose employees when the subsidy stops.

Groginsky said the new rates should be enough to maintain salaries at the subsidized rate, and the department has reached out to providers on the issue.

# Square Foot Costs Increase Multifold

The highest per-square-foot construction cost of a public school in 2023 was more than three and half times the highest per-square-foot cost in 2016, and construction costs for higher education seemed poised to follow the same pattern, LFC and Legislative Education Study Committee analysis shows.

The \$268.86 per-square-foot cost of the Mountainair junior/senior high school was the highest for a public school in 2016 but was less than a third of the \$976.15 cost for Bluewater Elementary School in Grants in 2023.

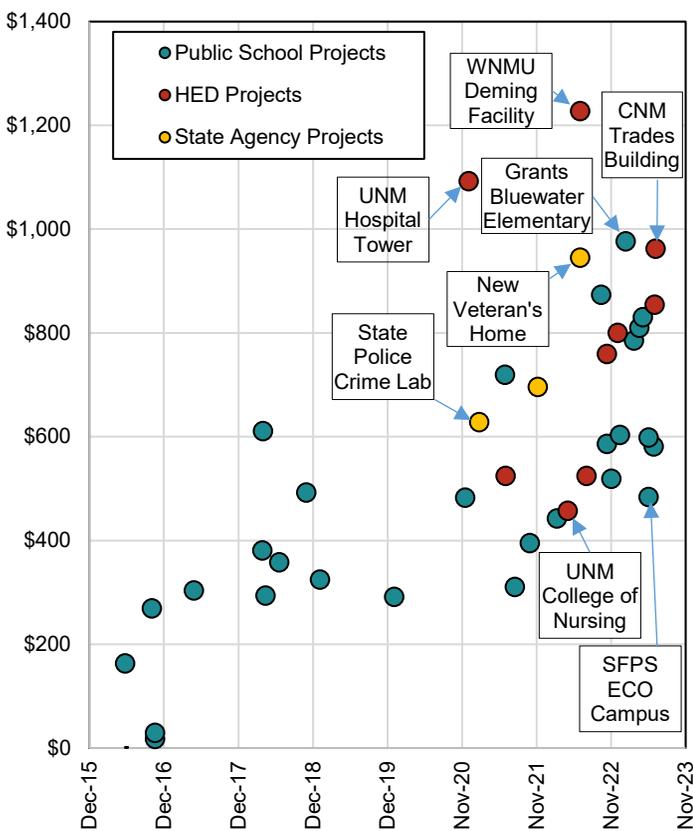
While Bluewater Elementary costs were inflated by water and wastewater access and other issues, the costs of most schools built in 2023 fell between \$581 and \$854 a square foot, a range that is both broader and significantly higher than the range of all schools in 2016.

The construction costs of higher education facilities from 2020 through 2023 range from \$457 per square foot for the University of New Mexico College of Nursing in 2022 to \$1,227 for the Western New Mexico University Deming center the same year, although the cost of the WNMU building includes the cost of land and other factors.

However, higher education projects in Albuquerque that went into construction late in 2022 or in 2023 have shown significant increases over projects that started just a year earlier, with costs per square foot rising from 66 percent to more than 100 percent.

## Total Project Cost per Square Foot

Public School, Higher Education and State Agency Projects



Source: LESC and LFC analysis of PSFA, APS, SFPS, HED, and GSD data

## On the Table

### Public School Funding Units Up

Public school funding units are up 1.4 percent for FY24, even though enrollment in the public schools is down. The influx of new program units, which are enrollment based but reflect the needs of each student as well, was primarily driven by anticipated growth in the multipliers for students at risk of failing, the K-12 Plus extended school year program, and fine arts. However, the formula also had unanticipated growth in the units for special education students and teacher salaries. At the current rate of \$6,242 per unit, the funding formula pool, called the state equalization guarantee, will be \$16 million short, although the department can draw up to \$80 million from the public school reform fund.

### College Construction Costs Surge

New Mexico public colleges and universities appearing before the Higher Education Capital Outlay Committee estimated the cost of new construction of instructional and specialty spaces at \$800 to \$1,000 a square foot, up to four times the \$100 to \$250 range for residential construction in New Mexico cited by industry sources. The University of New Mexico submitted the single largest capital outlay request for \$110 million for the demolition of existing facilities and construction of a new 110 thousand-square-foot humanities building. Construction would be funded through voter-approved general obligation bonds.

### Almost 1-in-5 Students Will Lose Time

Despite a provision in the General Appropriation Act prohibiting the Public Education Department from approving the budgets of schools that reduce instructional hours, about 18 percent of New Mexico public school students will have fewer instructional hours in the 2023-2024 school year, the staff of the Legislative Education Study Committee concludes. Analysis by the education committee staff indicates about 60 percent of students will receive between one and six days of additional instructional time.

### Spaceport Signs Emergency Contract

The Spaceport Authority is entering into a \$960 thousand 90-day emergency purchase order with Fiore Industries for emergency response services. The authority reports the existing contract with Fiore expired August 12, and the request for proposals for a new contract was delayed by staffing shortages.

### Transitions

Allegra Hernandez is joining LFC as a new evaluator. She is a native of Deming and earned her bachelor's degree in political science from Texas Christian University and a master's and doctorate in political science from Rice University.

LFC also recently hired three new budget analysts. Austin Davidson, who will take over the courts and judicial agencies block, has a bachelor's degree from Trinity University and worked for the New Mexico House during the 2023 legislative session. Julisa Rodriguez, a former intern for Think New Mexico, has a bachelor's degree in political science and international studies from the University of New Mexico. A House analyst during the 2020 legislative session, she will have the economic development block. Isaiah Torres, an LFC summer intern, has been hired for general government and advocacy agencies analysis. Torres has a bachelor degree in political science and government from New Mexico State University and is working to complete his masters of public policy at the University of New Mexico. He has also interned in the Washington D.C. office of U.S. Senator Martin Heinrich.

In addition, Rachel Mercer-Garcia, an LFC evaluator, is moving over to the fiscal analysis unit to take over the Children, Youth and Families Department policy block.

The Human Services Department announced this week the appointment of four directors. Carolee Graham, Administrative Services Division; Nick Boukas, Behavioral Health Services Division; Betina McCracken, Child Support Program; and Cristina Parajon, strategic planning.



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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.