



# LFC Newsletter

A publication of the

**Legislative Finance Committee**

Senator John Arthur Smith, Chairman

Representative Patricia Lundstrom, Vice Chairwoman

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Volume 20 Issue 11

May 2020

## *From the Chair*

### **Down but not Out**

With times this hard, we tend to focus on our needs and fears but it's important to remember everyone – everyone – is struggling. Students are losing months of education, even those with the right technology and committed teachers. Essential workers, some working at minimum wage, worry every day they will be exposed to the virus. Business owners calculate how long they can stay closed and how they will survive if customers don't come back even when they reopen. We want to get out of the house, see our work-mates, hug our grandkids, buy cleaning supplies, talk to someone without those uncomfortable masks. And we will, but not today.

Colored by frustration and anxiety, many of us want to point the finger, but this is not a time to assign blame. Those who want to reopen businesses now aren't the bad guys, any more than those who want to extend the shut down. What we need now is understanding – a recognition that wearing a mask is not a sign of compliance, but an act of consideration; that asking for businesses to reopen is not recalcitrance, but concern; that embodying our social responsibilities is as important as protecting our constitutional rights. We need to understand we are all worried, on edge, emotionally stretched thin. Perhaps we need even more than understanding; we need compassion.

And while these are disorienting and difficult times, it's important to remember, we are New Mexicans. We're resilient. We're tough. We laugh at our foibles, celebrate our differences, and knock the dust off our jeans and get back to work. More importantly, we have a tradition of extended family and close communities. Even if you can't wave from the car or nod on the street, now is not the time to forget that.

*Senator John Arthur Smith  
Chairman*

## **LFC Newsletter**

**Fiscal Year 2019-2020 Month 11**

Published monthly in the interim by the  
Legislative Finance Committee.

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## **NM at Risk from Neighbors**

While some areas of the state are hitting some criteria for relaxing COVID-19-related public health rules, most of the state still falls short and border areas are at risk from transmission from other states, LFC staff report.

The group of health, data, science, and other experts working on modeling the coronavirus outbreak in New Mexico, which includes an LFC staff member, is reviewing a possible phased approach to reopening the state and the option of splitting the state into regions, with the relaxation of rules delayed in regions that don't meet criteria on COVID-19 transmission and other factors.

The group has identified two areas of the state, the northeast and the southeast, where transmission rates have dropped, but rates are still increasing in most of the state, and Doña Ana, McKinley, and Cibola counties are at risk from their cross-border neighbors.

## **Billions in Stimulus Funds Flow to State**

While direct stimulus aid is perhaps the best known of federal economic recovery efforts – checks to taxpayers, a substantial boost to unemployment benefits, and no-cost loans to small business – New Mexico state agencies have received a total near \$2 billion from the CARES Act.

About \$1.25 billion of the total allocated to state agencies is for COVID-19-related expenses since March 1. The U.S. Treasury has directed these funds can only be used for contract nurses, medical equipment, testing, and other direct costs related to the pandemic and cannot be used to make up for lost state and local revenues.

Funding for state agencies also includes \$132 million to temporarily increase the federal matching rate for Medicaid, \$130.8 million for public schools, \$126.6 million for the Transportation Department, almost \$67 million for higher education, and \$51 million for children and family programs. The \$51 million is mostly for childcare but is also for energy assistance, family violence prevention programs, Head Start, youth services, and other social programs.

The transportation appropriation is intended to support public transportation despite few passengers. The amount is equal to almost three times the usual annual operating revenue for

A white paper prepared by LFC, [\*Health and Economic Issues from COVID-19 in New Mexico\*](#), identifies a steady decline in COVID-19 cases, adequate capacity at hospitals for surges in cases, and adequate testing and tracing as three conditions the state should meet before gradually reopening.

The LFC report says, in considering how to reopen the state, policymakers should look at risks associated with types of businesses, risks for vulnerable populations, the availability of child-care, and requirements that could reduce the risk of transmission, such as limiting person-to-person contact, mandating the use of masks, monitoring employee temperature, and frequent cleaning.

The report notes tourism-related business is likely to struggle to rebound, even with fewer restrictions, because many events have been canceled and travel is perceived as risky.

trains and buses in New Mexico.

Almost half of the allocation to higher education must be directed to students, and colleges have been issuing refund checks to students, with each school setting the criteria for refund amounts. Schools can use the remainder of the federal stimulus funding to reimburse themselves for refunds for housing and other costs associated with moving students off campus.

The CARES Act also contains indirect funding for state grantees and local governments. Among the approximately \$4.5 billion in aid:

- \$567 million for local governments;
- \$290 million for small businesses, economic development in local communities, and emergency food assistance;
- \$135 million for hospitals and other healthcare providers throughout the state, to be distributed based on Medicare billing;
- an estimated \$14.9 million for the National Guard;
- \$8.8 million for grants to criminal justice agencies;
- \$900 million for disaster relief to be distributed through the Department of Homeland Security and Emergency Management; and
- \$1.5 billion for local and state COVID-19 response.

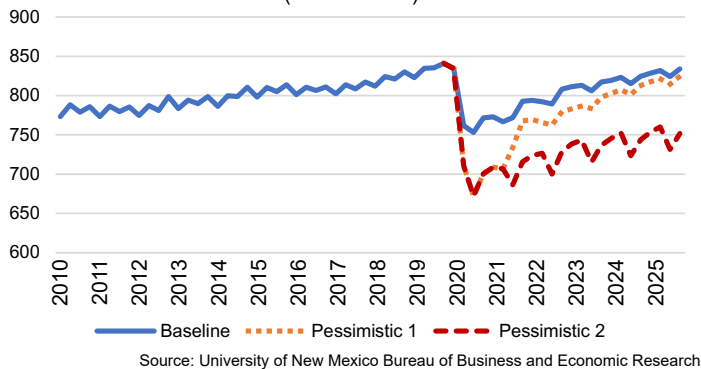
# Jobs, Oil Forecasts Range from Bad to Very Bad

The most optimistic forecasts for New Mexico jobs and oil prices and production show a slow recovery from the pandemic-triggered recession, a [memo](#) prepared by the Consensus Revenue Estimating Group shows.

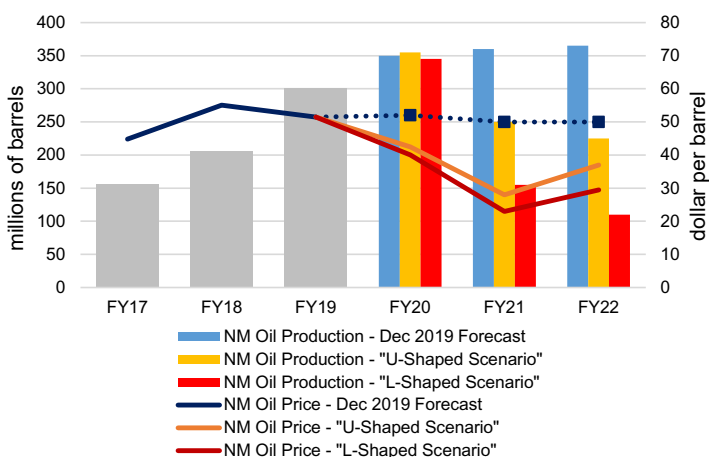
The memo, prepared by legislative and executive economists, considered two possible scenarios: a U-shaped recovery in which general fund revenues sharply contract in FY21 and begin a modest recovery into FY22 and an L-shaped recovery reflecting a deeper and longer economic contraction. The forecasts reflect different assumptions about the epidemiological path of the virus, the strategies for reopening the New Mexico and U.S. economies, the time it takes consumer confidence to rebound, the effect of business closures on the long-term viability of businesses, the degree to which temporary layoffs become permanent, and the impact of global oil supply and demand on oil prices and the associated effect on the state's oil production.

The consensus forecast incorporates a jobs projection prepared by the University of New Mexico Bureau of Business and Economic Research that looks at three potential paths, none of which project the job count will recover before 2025.

**New Mexico Total Jobs**  
(in thousands)



**New Mexico Oil Production and Prices**



## On the Table

### Sex Abuse Lawsuit Costs Could Exceed Fund

A ninth lawsuit has been filed related to the sexual abuse of Española and Santa Fe public school students by a former teacher. Six lawsuits have been settled at a cost of \$20 million. The Public School Insurance Authority has \$10 million in insurance coverage, but based on prior settlements, the cost of the three active cases could be over \$15 million.

### Ruidoso Plans Racing Start-Up

Live races are scheduled to begin on May 22 at Ruidoso Downs, without fans in attendance. Only licensed training staff, jockeys, and track officials will be allowed on the premises. Wagering would be possible through simulcasting.

### Rig Count Continues to Drop

The number of drilling rigs in New Mexico, which dropped 40 percent between mid-March and mid-April, continues to fall. The count peaked at 117 on March 13 and was 66 on May 1.

### State Agencies Directed to Stop Spending

The Department of Finance Administration in April directed agencies to stop all travel, training, contract work, and other discretionary spending and said it would no longer accept budget transfers and requests to spend special appropriations, IT allocations, and certain other spending authorized by the Legislature earlier this year. The administration also froze hiring and personnel actions.

### Medicaid Surplus Projected

Despite a 6,000 increase in enrollment, the Human Services Department projects the Medicaid program will end the budget year on June 30 with a \$63 million surplus. However, HSD expects a general fund shortfall of \$54 million for FY21 because of a projected 36 thousand increase in Medicaid clients. The projection assumes employment will not rebound and people will lose employer-sponsored insurance and assumes a decline from the higher COVID-19-related federal matching rate.

### Transitions

Two former LFC interns have been hired as analysts. Martha Becerra has a master's degree in public policy from the University of New Mexico. Steve Olson has a master's in public policy from the Kennedy School of Government at Harvard and eight years experience as a teacher. Olson will focus on capital outlay and Becerra will join the education team.

LFC also has a new evaluator. Catherine Dry worked for both nonprofit and charity organizations on local, state, and national policy issues. She has a master's degree in International Affairs from the Fletcher School at Tufts University.

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