

THE SOCIAL INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT  
IN  
NEW MEXICO

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PREPARED BY  
NEW MEXICO VOICES FOR CHILDREN



This report was written and compiled by Gerry Bradley, Research Director, with research assistance from Sara Koplik, and formatting, editing and advice from Roberto Campos, summer intern.

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New Mexico Voices for Children  
2340 Alamo S.E., Suite 120  
Albuquerque, New Mexico 87106  
Telephone (505) 244-9505 / Fax (505) 244-9509  
[www.nmvoices.org](http://www.nmvoices.org)

## Introduction

The revenues that flow into the state's coffers through taxes flow out again every legislative session through appropriations that support the state's physical and social infrastructure. All of these appropriations, including tax cuts,<sup>1</sup> are intended to have a return on the investment of the taxpayer dollars. In a broad sense, paying taxes is intended to provide the revenue to support those government functions that under-gird our society and that are essential to all of us, and to a civil society.

It is easiest to imagine the return on investment when we are thinking of the state's physical infrastructure like roads, bridges, sewage and water supply systems, or support for utilities. The money appropriated to the state Department of Transportation results in new and maintained roads throughout the state, from small rural roads to larger multi-lane highways. We use the roads, and see them as the return on the investment of our tax dollars.

In fact, we take our physical infrastructure so for granted that we often don't even think about having clean water, or an efficient sewage system. If asked, the great majority of us would see the expenditure of state revenues – our tax dollars – as well spent on the physical infrastructure. If anything, when the bridges are in bad repair, we'll argue that more money should be spent maintaining them.

*Who gets the benefit of the public dollars spent on physical infrastructure? That's an easy one: we all do. All of us use the roads, drink the water, and turn on the lights. We can even see that public dollars spent this way strengthen our economy. Money for road construction means new jobs. And, most often, those are private sector jobs, contracted out to private contractors who bid for the work.*

On a less conscious level, when we think about the government spending our money, we perform a two-tiered analysis that weighs the private (or individual) economic and social gain from these public expenditures against the public (or social) economic and social gain. At the first level, if there are positive gains all around, it looks like a good investment to us. At this first level, we can even make the statement that if there are positive gains all around, there are likely economic development outcomes from that public expenditure, and the majority of us would again agree that economic development

is good. Using roads as an example, a simplified diagram of this analysis looks something like this:

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<sup>1</sup> Tax cuts are appropriately called a "tax expenditure." That's because when the legislature passes a tax cut, the state is agreeing to not collect revenues in the future that it has been collecting. Those uncollected revenues are a loss to the state's coffers, and are therefore treated as an expenditure. One way to think about it is that the state would have had more money this year if it had not spent the money on a tax cut last year.

### Public Expenditures on Roads

	Private (individual) gain	Public (social) gain
<b>Economic gain</b>	Private contractor makes money	Increased jobs, less unemployment
<b>Social gain</b>	Improved quality of life for contractor and family	Roads that support commerce, increase safety, allow for greater social intercourse, etc.

This same analysis can be applied for public expenditures that support any part of the physical infrastructure. It is easy to see how those public dollars result in economic development, and how we rationalize the trade-off of spending public dollars that also support private gain.

While the first level of the analysis is a win-win, there is a second tier analysis to determine if the public return is *enough* compared to the private return. If the roads are always in need of repair (or the bridge falls down while we're crossing the river), or the new asphalt the contractor uses pollutes the streams, or there are no jobs in New Mexico because the contractor is from out of state and brings in his own labor force, then we might decide that the investment is not worth it, because the public gains are not significant enough. In some way, we all apply some version of this logic to evaluate our government spending on the physical infrastructure. The arguments arise not because we decide that supporting the physical infrastructure is not important, but because opinions differ as to the public pay-off.

We fail, however, to apply the same thinking to the social infrastructure: the investment of our tax dollars in education, healthcare, childcare subsidies, welfare (now called Temporary Assistance to Needy Families) and a host of other "social" programs that vie for public support every year. We don't see how they support economic development, except maybe by creating more government jobs. And, when money is tight, and there is not enough to go around, we'll argue that the first things to be funded should be those that offer the most essential support to our society: without the roads and bridges, commerce comes to a halt, and the whole state suffers an economic crisis.

If we apply the same analysis to the social infrastructure as we do to the physical infrastructure, we see that the social infrastructure is vitally important to the state's economic future. We have the same difficulty, though, in the second tier of our analysis, because often we are not seeing the returns we expect from our investment in the social infrastructure. But, in the same way that the answer to bad roads is not to stop all road construction, the answer to a failing social infrastructure is not to erode stop making the investment. In both cases, the answer is to decide why the outcomes don't match the investment, and adjust our strategy accordingly.

This report applies the two-tiered analysis to the state's social infrastructure and its investments in early care and education, primary and secondary and post-secondary education, healthcare, employment and tax policy in order to examine the impact of those

investments on economic development. Most of the data and discussion encountered in this report centers around the second tier of the analysis. For example, New Mexico makes a relatively high investment in primary and secondary education, compared to surrounding states. But, the percentage of New Mexico's population without a high school diploma is significantly higher than those same states. It would appear that it takes more than money alone to guarantee good educational outcomes.

To date, the discussion about economic development in the state has centered on economic development policies that leave the social infrastructure out of the equation. Instead, the prevailing economic development theory has been that the economy can be stimulated (which translates into creating more jobs and greater personal income) through tax policy – tax cuts and incentives – aimed at private business. We examine here the efficacy of this theory, and the wisdom of ignoring the social infrastructure. To some extent, it is a chicken-and-egg discussion. On the one hand, current policies rest on the proposition that tax changes will attract high wage, good quality jobs to the state, even with a weak infrastructure. The other argument, made here, is that a strong infrastructure is the foundation of a strong economy, and that the transition from our current rank of 47<sup>th</sup> in terms of per capita personal income (as a measure of economic health) can't happen without strengthening the social infrastructure. That's a long-term proposition, but in the interim, there are policies that are more helpful to the economy than others.

## Chapter I State and Federal Education Funding – Early Learning Left Out

New research finds that more resources of high quality early care and education directed at younger children, especially children zero to three years old, could result in better 4<sup>th</sup> grade math and reading scores, and better performance throughout primary and secondary school. New Mexico currently ranks 49<sup>th</sup> in the country in 4<sup>th</sup> grade math and reading scores.<sup>2</sup> The research suggests that quality early care and education will result in considerable future savings as well, for example, in less special education spending in public schools, greater lifetime earnings for children who have quality early care and education, and reduced rates of crime and subsequent incarceration<sup>3</sup>.

### Economic and Social Returns on Investing in Quality Early Care and Education

	<b>Private (Individual)</b>	<b>Public (Social)</b>
<b>Economic</b>	Better primary school performance and increased likelihood of graduating from high school, resulting in better earnings	Fewer expenditures on special education, social services, remedial education and incarceration. More taxes collected as individuals earn more
<b>Social</b>	No stigma from special education, greater family stability, less reliance on public supports, less likelihood of incarceration	Less crime, better educated workforce leading to a stronger economy

In spite of the research, two-thirds of New Mexico’s total education expenditures benefit public education for primary and secondary school. Another twenty-four percent is allocated to tertiary education including state universities and community colleges.

Far smaller amounts are spent on all other categories of early care and education, in spite of the high personal and public economic and social pay-off for that investment. Four percent of the state’s education resources are allocated to pre-school programs, particularly for children disabled or at risk. Three percent is spent on childcare and early intervention. Employment education and tax credits, mostly the purview of the federal government, account for one percent each of total spending.

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<sup>2</sup> [www.cfed.org](http://www.cfed.org)

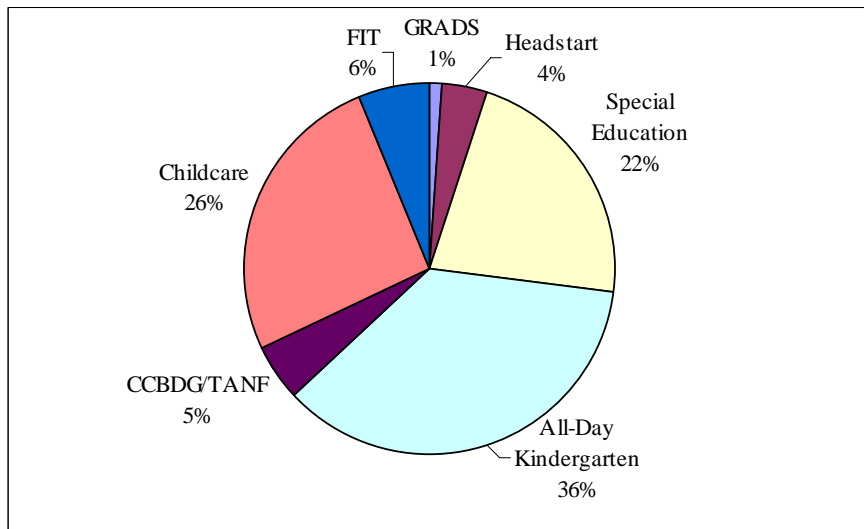
<sup>3</sup> The literature on this subject is vast. See, for example: Early Learning Left Out: Closing the Investment Gap for America’s youngest Children, 2<sup>nd</sup> ed., by Voices for America’s Children and Family Policy Center, April 2005; “Benefits, Costs, and Explanation of the High/ Scope Perry Preschool Program by Lawrence J. Schweinhart. Paper presented at the Meeting of the Society for Research in Child Development Tampa, Florida, April 26, 2003; and Exceptional Returns: Economic, Fiscal and Social Benefits of Investment in Early Childhood Development by Robert J. Lynch, Economic Policy Institute, 2004 ([www.epinet.org](http://www.epinet.org)).

## State Funding for Early Care and Education

New Mexico spent \$438 per capita on each child under age two, and \$507 per capita on children aged three to five. In sum, \$125.5 million is spent on programs benefiting children under age six. All but \$1.4 million is spent on direct service, with the largest share, \$50 million spent on all day kindergarten. \$36 million is spent on the provision of state childcare subsidies, and \$30 million is devoted to special education, which is not funded by the federal government. Much smaller amounts are spent on a high number of programs, including a program of early intervention for high risk children called FIT (Families, Infants, Toddlers), and managed by the Department of Health accounts for \$8.5 million, while Head Start was budgeted \$4.8 million; and the Childcare Development Block and TANF (Temporary Aid for Needy Families) monies were allocated \$6.7 million. The percentage of state funds allocated to these programs appears in Table 1. Children under six receive the least amount of state funding for their education, far less than older children and young adults.

In New Mexico the FIT (Family, Infant, Toddlers) program uses IDEA (part C) funds. Any child is eligible for IDEA (part C) early intervention service if s/he has: a developmental delay, an established condition (like Down syndrome or an autism spectrum disorder), a biological/medical condition (premature birth, low birth weight), or are at environmental risk (substance, domestic or child abuse or a mentally-ill parent). Children ages three to five that have similar risks are eligible for special education under IDEA (part B).

**Table 1**  
**State Funding for Early Care and Education by Program**



*Early Learning Left Out: Closing the Investment Gap for America's Youngest Children, 2<sup>nd</sup> ed.*, by Voices for America's Children and Family Policy Center, April, 2005. (New Mexico data compiled by New Mexico Voices for Children, provided upon request).

## **State Funding for Primary and Secondary Schools**

In primary and secondary school, spending increases dramatically to \$6,434 per child. Seventy-two percent or \$1.7 billion of the \$2.3 billion total spent on school-aged children comes from state and school district funding- the rest is federal. Special education accounts for \$258 million (11%), while other federal-state formula programs account for \$362 million (16%).

In addition to primary and secondary education, New Mexico spends \$776 million on undergraduate college students, divided up \$484 million (63%) on state universities, \$232 million (30%) on community colleges, and \$56.7 million (7%) on tuition credits. This is \$5,614 per capita, though many 19-23 year olds are not enrolled in tertiary education.

The state of New Mexico also spends \$5.5 million on vocational rehabilitation for individuals with disabilities, and allows \$5 million in tax credits for child and dependent care, student loan interest, and college saving plans.

## **Federal Funding Sources for Education in New Mexico**

The federal government spends less for education on all age groups than the state does. However, for the youngest children, federal expenditures most closely approach state spending. The federal government spends \$32 million for children between the ages of birth and two, and \$79 million for those aged three to five.

The federal government dispenses most of its funds for young children in an effort to mitigate some of the deleterious effects of poverty, particularly fostering early educational opportunities. Seventy-nine percent of federal funds for children are focused on poor children, with 42% spent on Head Start pre-schools, 2% on Even Start (a program to assist families where the parents have low literacy levels), 16% on Child Care Development Block Grant and TANF, and 19% from Title I, funds meant to provide educational opportunities for disadvantaged children. Fifteen percent of federal funds are directed toward disabled children or those at risk of becoming disabled.

Special education receives 5% or \$6 million in New Mexico only, while 10% is directed to the FIT program. As mentioned, it is run for disabled children, or those at risk of delay from exposure to drugs or domestic violence by the Department of Health. Its funding stream comes from Individuals with Disabilities Education Act (part C). One percent is counted in the category of family resource centers, but is dedicated to the GRADS program (Graduation Reality And Dual-role Skills) meant to assist pregnant/ parenting teens and their children.

Five percent of federal funds spent on young children are directed to all-day kindergarten. This is the only portion directed towards young children of all income levels, much like the majority of school-aged expenditures.

The federal government spends \$423 million on school age children in New Mexico, or 18% of the \$2.3 billion spent by the state. This is divided into four major groupings: 20% or \$75.8 million for Title I programs; \$156.5 million (42%) for federal-state formula programs; and approximately 19% each for general support for the public schools (\$69 million); and special education (\$71 million).

At the post-secondary level, the federal government spends \$242 million in New Mexico on undergraduate programs, 31% of the 776 million dollar invested in this age group. Spending for undergraduate education is focused upon financial aid, with \$104.4 million spent on Pell grants, \$13.1 million on other federal aid programs, and \$8.2 million on tuition credits. This comprises 64% of all federal spending for tertiary education. Twenty-one percent or \$40.9 million is spent for the benefit of community colleges, while 14% or \$27.6 million funds state universities.

The federal government spends almost nine times more on employment-related education and youth development programs than the state government does. Three different kinds of clients are served, those untrained, disabled individuals, and experienced workers who need retraining. The largest amount, \$22.3 million or 46% of this category is directed to federal vocational rehabilitation. This program helps disabled individuals achieve a suitable employment outcome. \$18.1 million or 37% is directed to Workforce Investment Act job training. This program helps experienced workers receive job retraining. The smallest division of 17% or \$8 million is spent upon federal vocational and adult education through the Carl Perkins Act, which assists community colleges.

Tax credits and expenditures supporting education are another category where the federal government spends far more than the state of New Mexico – approximately eight times more. Twenty-two percent of this category, or \$9.3 million, is returned to tax payers in the form of child and dependent care tax credits, while \$13.2 million (or 31%) is a tax exemption for student loan interest, and 46% or \$19 million are other forms of education tax credits.

Table 2 shows total and per capita federal spending broken out per child age for infants and toddlers, pre-school children, school age children, and undergraduates. The bulk of both state and federal government investment in children in New Mexico is funneled toward undergraduate and school age children.

**Table 2**  
**Total Federal and Per Capita Spending by Child Age in New Mexico (2003)**

	population	Total spending	per capita spending
<b>Infants and toddlers (age 0-2)</b>	79,715	\$32.2 million	\$404.44
<b>Pre-school (age 2-5)</b>	79,932	\$79.4 million	\$993.09
<b>School age (age 6-18)</b>	372,492	\$423.6 million	\$1,137.26
<b>Undergraduate (age 19-23)</b>	138,276	\$242 million	\$1,750.70

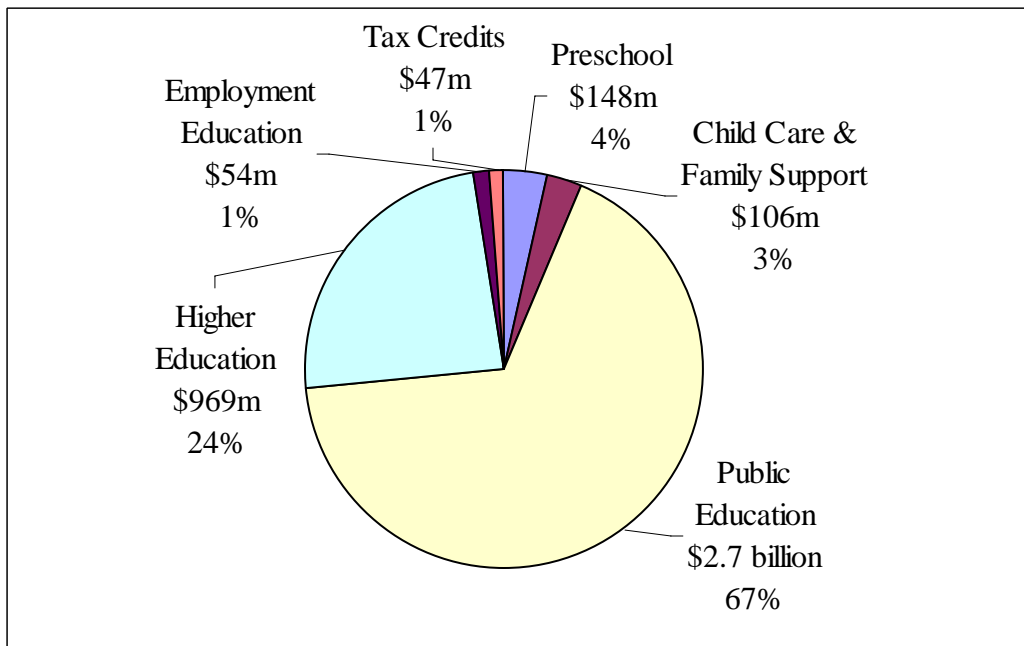
*Early Learning Left Out: Closing the Investment Gap for America's Youngest Children, 2<sup>nd</sup> ed.*, by Voices for America's Children and Family Policy Center, April, 2005. (New Mexico data compiled by New Mexico Voices for Children, provided upon request).

### **Total State and Federal Funds Spent on Education**

The total of both state and federal spending for education of young children in New Mexico is about \$255 million, or 7% of the total education spending from both sources. Table 3. In comparison, expenditures for primary, secondary and higher education account for nearly \$3.7 billion.

**Table 3**

#### **State and Federal Expenditures Benefiting Children and Young Adults**



*Early Learning Left Out: Closing the Investment Gap for America's Youngest Children, 2<sup>nd</sup> ed.*, by Voices for America's Children and Family Policy Center, April, 2005. (New Mexico data compiled by New Mexico Voices for Children, provided upon request).

**Chapter II**  
**Public Education Finance in New Mexico:**  
**Primary and Secondary School Funding 2002-03**

Primary and secondary education is the foundation of an educated workforce, the crucial ingredient of a successful economic development strategy. The state spends 45.6% of its revenues on public education, more than any other category. If higher education spending is added to that, the total is 61%. A high yield return on these investments would have a tremendous impact on New Mexico's economy.

**Economic and Social Returns of Investing  
in Primary and Secondary Education**

	<b>Private (Individual)</b>	<b>Public (Society)</b>
<b>Economic</b>	Primary and secondary school success increase the likelihood of attending further education, some college results in increased earning power over high school diploma	High percentages of the population with a partial or full college education results in a higher tax base and increased demand for goods and services, strengthening the economy
<b>Social</b>	More job stability and greater job satisfaction	A more stable workforce means less unemployment, and a more attractive business climate

To some extent, the state's expenditures in primary and secondary education are a function of investing, or failing to invest, in quality early care and education. The pre-kindergarten program leaves out children between the ages of zero to three. The children in this age group are experiencing the highest rate of brain development. Early stimulation to increase brain activity produces the results cited in Chapter 1. Quality early care and education reduces the need for special education in primary school and after. Therefore, expending more money on a quality early care and education program that serves the entire population could substantially reduce the expenditures for special education in primary and secondary school. In addition to the expenditures for special education, the stigma attached to it has negative effects, often resulting in behavioral adjustment problems creating more expense for the state's education system and trauma for the child.

**Public School Finance**

The sources of public school finance are significantly different in New Mexico than in the United States as a whole. Table 4. On a national average basis, about 8% of the public

school finance total comes from federal sources, 49% from state sources and almost 43% from local sources. In New Mexico, almost 15% of the funding for public schools comes from the federal government, 73% comes from state government, and 13% comes from local sources.

**Table 4**  
**Total Public Education Revenue for the United States and New Mexico**  
**(dollars in millions)**

	<b>Total</b>	<b>Fed. Source</b>	<b>State Source</b>	<b>Local Source</b>
<b>US Total</b>	\$440,316	\$36,805 (8.4%)	\$215,551.3 (49%)	\$187,958.8 (42.6%)
<b>New Mexico</b>	\$2,624	\$383.5 (14.6%)	\$1,905.4 (72.6%)	\$335.4 (12.8%)

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

The New Mexico public school finance structure is significantly more centralized than the national norm. New Mexico has elected to centralize public school finance and to pay for the operating costs of public primary and secondary education through the state general fund. State general fund revenues are composed largely of gross receipts, personal and corporate income taxes, and an array of severance taxes, while local revenue sources are dependent on state distribution of the gross receipts tax and the property tax levy.

By state statutory requirement, the New Mexico Public Education Department (PED) uses the state equalization guarantee (SEG) – the “school funding formula” - to distribute money to the public schools. About 90% of schools’ state-operating revenue comes through the formula. The formula, which is designed to distribute operational funds to school districts objectively, is enrollment driven with weighted factors for school and district size, teacher qualifications, students’ special needs, and other circumstances. The end result of the calculation is called a *program unit*. The PED divides the SEG appropriation by the statewide total number of units to determine the unit value and then distributes the money to each district by multiplying the unit value by the number of units earned by the district. School districts have the discretion to spend formula dollars according to local priorities as long as they comply with state education, statutes, and PED directives. (2005 Legislative Finance Committee Budget, p. 249)

New Mexico’s centralized funding structure has allowed the state to maintain an equalization formula (N.M.S.A. 22-8-17 through 25, 1978) allocating operating revenues between school districts that keep discrepancies between school districts in New Mexico within fairly narrow bounds. New Mexico’s equalization procedures are, or should be, a model for the country.

In addition to state expenditures, New Mexico receives significantly more financial support from the federal government for primary and secondary education than the national average, in part because of higher allocations of Title I compensatory payments.

Table 5. These are a reflection of the higher rate of child poverty and lower per capita income in New Mexico.

**Table 5**  
**Percent Distribution of Public Elementary and Secondary Funding by Source**

	<b>USA average</b>	<b>New Mexico</b>
<b>Federal sources – all</b>	8.4%	14.6%
compensatory, Title I	1.6%	2.9%
<b>State sources - all</b>	49.0%	72.6%
state funding formula	33.1%	62.9%
<b>Local sources - all</b>	42.7%	12.8%
transfer from parent gov't	36.2%	9.3%
other local government	1%	0%
charges	2.6%	1.7%

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

Table 6 shows that the proportion New Mexico spends on special education funding is about the same proportion as national spending, while Title I spending is significantly higher in New Mexico than the national average. Child nutrition spending in New Mexico is also higher than the nation, again reflecting New Mexico’s higher child poverty and hunger rate. Other federal spending, which encompasses a number of smaller grants including adult education, is also higher nationally than in New Mexico.

**Table 6**  
**Federal Distribution to United States and New Mexico by Use (dollars in millions)**

<b>State Distribution</b>	<b>Total</b>	<b>Title I</b>	<b>Special Education</b>	<b>Child Nutrition</b>	<b>Vocational Education</b>	<b>Other</b>
<b>United States</b>	\$33,333.4	\$7,180.7 (22.5%)	\$6,669.5 (20%)	\$7,435.6 (22.3%)	\$600M (1.8%)	\$11.4B (34.3%)
<b>New Mexico</b>	\$229.9	\$75.8 (33%)	\$48.7 (21%)	\$102.7 (27.2%)	\$2.7M (1.2%)	\$0.040 (17.5%)

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

It is also worthy of note that New Mexico spends slightly less on vocational education than the United States distribution, although the total commitment to vocational education is low nationally as well. New Mexico’s poor high school completion rates, discussed in Chapter III argue for a re-assessment of the state’s commitment to vocational training.

Dramatic differences also appear in the higher percentage spent for formula assistance and transportation: New Mexico’s large geographical area and small, rural population centers means that children are often bused for long distances to school. Table 7. Formula assistance or equalization is driven by the dramatic difference between property tax revenues for larger, more urban areas like Albuquerque, Las Cruces and Santa Fe, compared to small towns, like Raton or Clayton, which are located in large counties with very sparse populations. While there is a good argument for higher spending on formula assistance and transportation in New Mexico, these expenditures end up leaving much less for compensatory programs, or vocational education.

**Table 7  
Percent of Revenue from State Sources for Public Education 2002-2003**

	<b>USA</b>	<b>New Mexico</b>	<b>Arizona</b>	<b>Colorado</b>	<b>Oklahoma</b>	<b>Texas</b>	<b>Utah</b>
<b>Formula Assistance</b>	67.6%	86.7%	82.9%	91.5%	80.3%	76.0%	52.4%
<b>Compensatory Programs</b>	2.1%	0.1%	---	---	1.0%	---	1.5%
<b>Vocational Education</b>	0.4%	---	---	1.0%	1.3%	---	3.0%
<b>Transportation</b>	1.7%	4.8%	0.3%	1.5%	---	---	3.3%
<b>Other</b>	18.3%	8.4%	16.7%	3.1%	34.4%	14.9%	30.3%
<b>State Payment LEA</b>	3.4%	---	---	---	2.0%	9.1%	---

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

**Per Student Spending**

New Mexico spent \$6,870 per pupil in the in the public education system in school year 2002-2003. Although New Mexico is higher than the surrounding states (except for Texas and Colorado) it spends significantly less than the national average of \$8,019 per pupil. Table 8. Per pupil spending is not necessarily a good indicator of educational quality but comparing New Mexico’s spending and educational outcomes to those of surrounding states is informative.

**Table 8  
Per Pupil Expenditure Comparison (2002-3)**

<b>US</b>	<b>NM</b>	<b>AZ</b>	<b>NV</b>	<b>UT</b>	<b>TX</b>	<b>OK</b>	<b>CO</b>
\$8,019	\$6,870	\$5,816	\$6,084	\$4,860	\$7,076	\$6,127	\$7,316

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

Better assessments of the quality of education are the percentage of students ranking at or above proficiency levels at the 4<sup>th</sup> and 8<sup>th</sup> grades. The percentage of New Mexico’s students above proficiency is lower, sometimes markedly, than surrounding states. Table 9.

**Table 9**  
**Test Scores of 4<sup>th</sup> and 8<sup>th</sup> Graders and Rank by State**

	<b>% 4th graders at or above proficient level on NAEP reading assessment</b>	<b>State rank</b>	<b>% 4<sup>th</sup> graders at or above proficient level on NAEP math assessment</b>	<b>State Rank</b>	<b>% 8<sup>th</sup> graders at or above proficient level on NAEP reading assessment</b>	<b>State rank</b>	<b>% of 8th graders at or above proficient level on NAEP math assessment</b>	<b>State rank</b>
<b>US</b>	30%		31%		30%		27%	
<b>NM</b>	19%	49	17%	49	20%	50	15%	49
<b>AZ</b>	23%	43	25%	39	25%	41	21%	40
<b>CO</b>	37%	5	34%	17	36%	12	34%	10
<b>OK</b>	26%	40	23%	43	30%	32	20%	42
<b>NV</b>	20%	47	23%	43	21%	49	20%	42
<b>TX</b>	27%	38	33%	23	26%	38	25%	34
<b>UT</b>	32%	24	31%	28	32%	26	31%	20

*2005 Kids Count Data: State Profiles of Child Well-Being (Baltimore: Annie E. Casey Foundation, 2005)*

New Mexico spends more per pupil than the surrounding states, except for Texas and Colorado. All states, whether they spend more or less per pupil, have better educational outcomes. There are several possible explanations. Three ready explanations are that the racial and ethnic composition of state populations vary widely. The effects of institutional racism and its effects on minority children could impact educational outcomes, even when per pupil expenditures are greater. (Arguably, Arizona and New Mexico have similar ethnic and racial populations, but the differences between the percentages of White, Hispanic, Native American and Black children may be enough different to account for some differences in educational outcomes).

States with a higher proportionate numbers of limited English speaking children may have to spend more in primary schools for bilingual teachers and staff, but not see the return in better educational attainment. In addition, the poverty in New Mexico means that many children enter school unprepared for the first grade (again underlining the importance of universal quality early care and education).

Finally, another possible explanation of the difference between states in educational outcomes might be different allocations of education dollars between instruction and other services. Teacher salaries may also play a role.

An analysis of how New Mexico spends its educational dollars shows that New Mexico spends somewhat close to the national average for all personnel services. But, disaggregating personnel into its component categories shows that this state spends less for instruction, and more for support activities. Table 10.

**Table 10**  
**Percent of Current Spending for Education**  
**US and New Mexico, 2003**

	<b>United States</b>	<b>New Mexico</b>
<b>Personnel – all functions</b>	80.8%	80.9%
<b>Instruction</b>	60.5%	55.8%
<b>Support activities</b>	34.1%	38.3%
<b>Other functions</b>	5.4%	5.9%

Source: Compiled by NM Voices from Children from Public Education Finances 2003, US Census Bureau

Further dis-aggregating support activities shows that the largest difference between New Mexico and the national average in the area of support activities expenditures is in the area of pupil support services. New Mexico spends almost 25% of its support activities budget on pupil support services - ten percentage points more than the national average. Table 11. Pupil support services consist of all of the services students may require to be able to learn. These include: social work, counseling, placement, health, psychological and speech services. These are the services that the state could expect to invest in less if there were a universal quality early care and education program. These savings might be re-invested in instructional staff support services, including staff training, curriculum development, and physical tools like books and computers which are currently funded at a lower level than the national average.

**Table 11**  
**Percent of Support Services for Public Education, 2003**  
**US, NM and Surrounding States**

	<b>US</b>	<b>NM</b>	<b>AZ</b>	<b>CO</b>	<b>NV</b>	<b>OK</b>	<b>TX</b>	<b>UT</b>
<b>Pupil support services</b>	14.8%	24.8%	16.1%	11.2%	10.8%	17.9%	14.3%	11.7%
<b>Instructional staff</b>	14.0%	11.2%	7.4%	12.5%	12.3%	10.1%	16.6%	15.4%
<b>General administration</b>	5.7%	6.9%	4.2%	3.6%	5.4%	7.8%	4.7%	3.6%
<b>School administration</b>	16.2%	16.4%	14.5%	17.5%	20.2%	14.7%	16.0%	20.3%
<b>Operations and maint.</b>	27.5%	25.4%	33.4%	23.9%	29.3%	30.8%	30.9%	30.6%
<b>Pupil transportation</b>	12.0%	11.5%	11.0%	7.7%	10.9%	9.2%	7.9%	11.0%

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

Table 12 shows state spending as a percent of average US spending for New Mexico and surrounding states, by category, and provides greater detail about New Mexico’s educational spending overall, and in particular, pupil support. Per pupil spending in New Mexico was 86% of the US average, somewhat in the middle of the surrounding states. Instructional spending per pupil, however, was 79% of the US average and only Arizona had a lower percentage. And, although New Mexico’s support services spending *in toto* is about in the middle when compared to surrounding states, the sub-category of pupil support is dramatically higher than surrounding states. In New Mexico, pupil support was 159% of the average US expenditures. (As discussed above, pupil support includes social work, counseling, health, psychological and speech services). The next closest state was Texas, which had pupil support spending of 108% of the US average for this sub-category. Two states, Colorado and Utah, spent less than 50% of the national average in pupil support. These two states also spent significantly more in staff support (staff training, curriculum development, books and computers) than New Mexico. Colorado and Utah had the best state ranks in the region for 4<sup>th</sup> and 8<sup>th</sup> grade math and reading proficiency (Table 9, above).

**Table 12**  
**State Spending as a Percent of US Average Spending**  
**for Public School Systems, 2002-3**

	NM	AZ	CO	OK	TX	UT
<b>Total per pupil amount</b>	86%	71%	106%	108%	97%	79%
<b>All functions</b>						
<b>Salaries and wages</b>	86%	72%	109%	98%	102%	83%
<b>Benefits</b>	82%	51%	79%	127%	86%	117%
<b>Instructional spending-total</b>	79%	65%	109%	109%	102%	90%
<b>Salaries and wages</b>	81%	68%	111%	103%	106%	87%
<b>Benefits</b>	77%	48%	80%	134%	85%	122%
<b>Support services - total</b>	95%	79%	108%	101%	85%	65%
<b>Pupil support</b>	159%	86%	49%	113%	108%	43%
<b>Staff support</b>	76%	42%	120%	137%	114%	100%
<b>General admin.</b>	114%	58%	56%	190%	111%	30%
<b>School admin.</b>	96%	71%	115%	103%	78%	90%

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

The ranking for New Mexico expenditures on primary and secondary education changes markedly when the measuring stick is expenditure per \$1,000 of personal income. Table 13. Because of New Mexico’s low per capita personal income (caused in part by the state’s high poverty levels), it ranks very high on education expenditures by personal income, arriving at 14<sup>th</sup> nationally.

**Table 13**  
**Amount and Rank of Public School System Finance Amounts**  
**According to \$1,000 of Personal Income, 2003**

	Total	Instruction Salaries	Instruction Benefits	General Admin	School Admin
<b>US avg.</b>	\$26.55	\$18.77	\$5.13	\$0.86	\$2.43
<b>NM amount</b>	\$27.95	\$20.47	\$5.35	\$1.32	\$3.14
<b>NM rank</b>	14	10	25	13	3
<b>AZ amount</b>	\$19.69	\$14.90	\$2.87	\$0.57	\$1.99
<b>AZ rank</b>	49	48	51	43	45
<b>CO amount</b>	\$21.20	\$15.82	\$2.97	\$0.52	\$2.52
<b>CO rank</b>	48	46	50	44	26
<b>NV amount</b>	\$21.45	\$14.62	\$4.45	\$0.63	\$2.36
<b>NV rank</b>	47	49	38	37	33
<b>OK amount</b>	\$24.58	\$17.52	\$4.40	\$1.25	\$2.35
<b>OK rank</b>	39	40	39	16	34
<b>TX amount</b>	\$29.12	\$22.57	\$3.41	\$0.77	\$2.65
<b>TX rank</b>	12	4	47	33	16
<b>UT amount</b>	\$26.96	\$18.43	\$6.54	\$0.46	\$2.56
<b>UT rank</b>	20	26	11	46	22

Source: Compiled by NM Voices for Children from Public Education Finances 2003, US Census Bureau

### Teacher Salaries in New Mexico

Consistent with the data presented here showing that New Mexico ranked fairly low in per pupil instruction investment (43<sup>rd</sup> in the country), the state also ranked 46<sup>th</sup> in the country in teacher salaries with an average salary of \$37,054. Table 14.<sup>4</sup>

**Table 14**  
**New Mexico and Regional Average Teacher Salaries (2002-2003)**

Rank	State	2001-2002 Average Salary	2002-2003 Average Salary	% Change 2002-2003
1	California	\$54,348	\$55,693	2.5%
22	Colorado	\$40,659	\$42,679	5.0%
26	Nevada	\$44,621	\$41,795	-6.3%
30	Texas	\$39,230	\$39,972	1.9%
31	Arizona	\$38,744	\$39,955	3.1%
32	Idaho	\$39,194	\$39,784	1.5%
38	Utah	\$38,153	\$38,268	0.3%
42	Wyoming	\$37,853	\$37,789	-0.2%
46	New Mexico	\$36,716	\$37,054	0.9%
47	Montana	\$34,379	\$35,754	4.0%
50	Oklahoma	\$32,870	\$33,277	1.2%

Source: American Federation of Teachers

<sup>4</sup> Recent changes in teacher salaries in the last two legislative sessions may have had an impact on the state's rank in teacher salaries.

Comparative teacher salaries are important for both in-state reasons, i.e., are teachers compensated enough relative to other professions to attract and keep highly qualified teacher in the schools? - but also because states want to be competitive for competent teachers across state lines. So, the fact that Arizona, Colorado, Texas and Utah all offer higher average teacher salaries than New Mexico should be of some concern to policy makers, if we assume that qualified teachers will demand the highest salaries, and that those teachers can effect educational outcomes for students.

New Mexico cannot engage productively in a bidding war with surrounding states for competent teachers. But, policy makers need to be mindful of keeping the inter-state discrepancies to an acceptable level. That is, when an average teacher calculates the costs and benefits of moving to Colorado, the teacher salary in Colorado cannot be so high as to outweigh the costs of remaining in New Mexico. For purposes of this discussion, New Mexico teacher salaries, especially with recent legislative changes, are fairly competitive with surrounding states.

New Mexico has also made some headway in the last few years in valuing teachers as a critical investment in the state’s economic future. Table 15. Since 1990, there has been an annual increase of about 3.3% in average teacher salaries, which reflects a much larger increase compared to surrounding states for the same period. But, in spite of these gains, NM teachers currently earn less than they did in 1970, and they earn less than the national average, and less than teachers in Arizona, Colorado and Texas.

**Table 15**  
**Annual Average Teacher’s Salaries in Public Elementary and Secondary School**  
**United States, New Mexico and Selected States**  
**Constant 2002-03 dollars**

	<b>United States</b>	<b>New Mexico</b>	<b>Texas</b>	<b>Colorado</b>	<b>Arizona</b>
<b>1969-70</b>	\$41,587	\$37,585	\$34,977	\$37,416	\$41,997
<b>1979-80</b>	\$37,463	\$34,923	\$33,152	\$38,015	\$35,315
<b>1989-90</b>	\$44,989	\$35,507	\$39,437	\$44,115	\$42,170
<b>1999-2000</b>	\$44,996	\$35,020	\$40,413	\$41,054	\$39,698
<b>2000-01</b>	\$45,141	\$35,140	\$39,900	\$40,756	\$38,658
<b>2001-02</b>	\$45,667	\$37,243	\$40,096	\$41,555	\$40,853
<b>% Change 1989-90 to 2002-03</b>	1.9%	3.3%	1.4%	-6.4%	-3.0%

Source: National Educational Association

If the positive public and private outcomes of investing in primary and secondary education, including a better economy, merit a significant state investment, is the return on the current investment adequate in New Mexico? The educational outcomes suggest not. The answer may be that New Mexico must spend more per pupil, but it also may be that a closer look at states with lower per pupil investment and higher educational

outcomes could point to changes that do not include a larger monetary investment in primary and secondary education. We suggest that a higher investment in quality early learning and education would result in better educational outcomes, and therefore a requirement for less expenditure for pupil services in primary and secondary school. This savings in pupil services could be re-invested in instructional services, better supporting both teacher training and equipment, without an increase in the state's overall expenditure on primary and secondary education.

### **Chapter III** **Education and Social & Economic Outcomes**

Secondary education has an enormous private and public pay-off. But, post-secondary education, even if it includes only some college, has a much greater impact on the individual and society.

#### **Economic and Social Returns of Investing in Post-Secondary Education**

	<b>Private (Individual)</b>	<b>Public (Society)</b>
<b>Economic</b>	Greater annual lifetime income: some college = \$24,500/year, bachelor's degree = \$48,200/year, reportedly higher income, better health	More educated labor force = stronger business climate, better health = less uncompensated health care costs
<b>Social</b>	Higher quality of life, less mental illness, alcoholism, domestic violence	Greater social connectivity, higher rates of volunteerism, stronger democracy, higher rates of voting.

Educational attainment has a significant impact on personal income. Table 16. Without a high school diploma, the average annual personal income in New Mexico is \$12,200, or 127% of the federal poverty level in 2005, which is below the eligibility threshold for food stamps.

A high school diploma means \$8,500 more annually in New Mexico, which is 217% of the federal poverty level. With these earnings, a couple could move above the poverty threshold. Some college means an increase of about \$4,000 more in annual earnings (above the earnings promised by a high school diploma), but a college or advanced degree in New Mexico means annual income of \$48,000, and an advanced degree is worth almost \$70,000 per year.

While having some college, and beyond, makes a significant difference in annual earnings in New Mexico, a high school diploma and some college do not pay as well here as nationally, or as well as surrounding states. But, a college or advanced degree in New Mexico means annual earnings that are competitive throughout the country.

**Table 16**  
**Average Total Personal Income United States and New Mexico**  
**Population age 25 and older - By Educational Attainment (2003)**

	United States Aver.	NM	AZ	CO	UT
<b>Less than High school</b>	\$15,221	\$12,203	\$15,085	\$16,078	\$16,488
<b>High School Diploma</b>	\$25,053	\$20,794	\$24,644	\$27,608	\$22,437
<b>Some college</b>	\$32,470	\$24,521	\$33,358	\$35,117	\$30,356
<b>Bachelor's Degree</b>	\$48,417	\$48,231	\$52,179	\$47,530	\$45,776
<b>Advanced Degree</b>	\$70,851	\$69,700	\$70,335	\$68,152	\$65,301

Source: Compiled by NM Voices for Children from The Investment Payoff: A 50—State Analysis of the Public and Private Benefits of Higher Education prepared by Institute for Higher Education Policy, February 2005.

Most striking about the data in Table 16 are the lower-than-average earnings of the population without a high school diploma- nearly \$2,900 less than the comparable population of Arizona, the next lowest state in earnings for those without a high school diploma. Lower earnings among this segment of the population equate to higher poverty. One explanation for the difference may be that the percentage of the population with less than a high school diploma differs significantly between New Mexico, the United States average, and the surrounding states. Table 17. Having a greater percentage of the population without a high school diploma (17.1% in New Mexico compared to the national average of 14.8%) means more competition for low wage jobs, which could drive the wages down. These data again underline the need for reforms to the education system that result in more high school graduates.

**Table 17**  
**Percentage of US, New Mexico and Surrounding States**  
**Population age 25 and older in March 2004,**  
**by Educational Attainment**

	US Avg.	NM	AZ	CO	UT
<b>Less than H.S.</b>	14.8%	17.1%	15.6%	11.7%	9.0%
<b>High School Diploma</b>	32.0%	28.9%	36.9%	26.1%	28.7%
<b>Some College</b>	25.5%	28.9%	29.4%	26.7%	31.5%
<b>Bachelor's Degree</b>	18.1%	14.9%	14.2%	21.2%	21.2%
<b>Advanced Degree</b>	9.6%	10.1%	10.8%	10.5%	9.6%

Source: Compiled by NM Voices for Children from The Investment Payoff: A 50—State Analysis of the Public and Private Benefits of Higher Education , Institute for Higher Education Policy, February 2005.

Predictably, employment prospects improve dramatically with the level of education attained. Table 18. This proposition is even more certain in New Mexico than nationally. Unemployment falls from over 9% in New Mexico for those without a high school diploma to less than 1% with a college or advanced degree. In fact, the advantage that a bachelor's or advanced degree confers on a worker is clearer in New Mexico than nationally. In the nation, 3% of those with a bachelor's degree, and 2.6% of those with an advanced degree are unemployed, while less than 1% of people with a bachelor's or advanced degree are unemployed in New Mexico.

**Table 18**  
**Percentage of Population age 25 and older in the labor force not employed in March 2004 by Educational Attainment**

	<b>US Avg.</b>	<b>NM</b>	<b>AZ</b>	<b>CO</b>	<b>UT</b>
<b>Less Than High School</b>	10.2%	9.2%	7.0%	6.9%	9.3%
<b>High School Diploma</b>	5.9%	5.2%	4.4%	5.1%	4.0%
<b>Some College (Includes AS and AA Certificates)</b>	4.8%	5.3%	3.8%	4.2%	4.8%
<b>Bachelor's Degree</b>	3.0%	0.8%	1.8%	2.0%	1.9%
<b>Advanced Degree</b>	2.6%	0.8%	2.9%	2.0%	3.2%

Source: Compiled by NM Voices for Children from The Investment Payoff: A 50—State Analysis of the Public and Private Benefits of Higher Education , Institute for Higher Education Policy, February 2005.

Nationally, and in the surrounding states, more education means less reliance on public assistance. Table 19. However, in New Mexico the decrease in reliance on public assistance at every education level is less dramatic. In part, this can be explained by the lower earnings for New Mexicans if they have less than high school, a high school diploma, or only some college. As discussed above, New Mexicans with less than a high school diploma make on average \$12,200 per year, below the poverty threshold. Citizens of surrounding states with comparable education make between \$2,900 and \$4,300 more per year. With a high school diploma, the difference in annual earnings between New Mexico and surrounding states varies from \$1,600 to \$6,800 per year. The difference in having some college is even greater, with earnings \$5,800 to \$10,600 more annually in surrounding states for those with some college.

Public assistance programs are means tested Therefore, it makes sense that if workers are making low annual incomes, larger percentages would be eligible for public assistance and would need to rely on it to make ends meet. In New Mexico, greater dependency on public assistance is reflective of lower income. What is surprising is the low percentage of people with less than a high school education who rely on public assistance in the state. Because the earnings of this group are so low, one would expect a greater percentage of this population dependent on public assistance. Instead, in the state only 1.6% of the population with less than a high school diploma receive public

assistance, compared to 2.1% of the population nationally without a high school diploma.

The other anomaly in the table is that even with a college degree, 1.8% of the population in New Mexico received some public assistance. One explanation is that New Mexico has a relatively high-income threshold for Medicaid eligibility at 235% of federal poverty. The surrounding states have lower income thresholds. The high cost of health insurance is causing even middle-income earners to depend on Medicaid as the source of health insurance for their children.

**Table 19**  
**Percent of the Population age 25 or older who Received**  
**Public Assistance in 2003 by Educational Attainment**

	<b>US Avg.</b>	<b>NM</b>	<b>AZ</b>	<b>CO</b>	<b>UT</b>
<b>Less than High School</b>	2.1%	1.6%	3.2%	2.4%	1.4%
<b>High School Diploma</b>	0.9%	1.3%	1.3%	0.9%	0.7%
<b>Some College (includes AS, AA certificates)</b>	0.9%	1.5%	0.1%	0.8%	0.8%
<b>Bachelor's Degree (BA, BS, AB)</b>	0.3%	1.8%	0.9%	0%	0.5%
<b>Advanced Degree (includes MA, MS, PhD, First Professional)</b>	0.1%	0%	0%	0%	0%

Source: Compiled by NM Voices for Children from The Investment Payoff: A 50—State Analysis of the Public and Private Benefits of Higher Education, Institute for Higher Education Policy, February 2005.

## **Educational Attainment and Health**

Reported good health also increases dramatically with educational attainment. While two-thirds of the population with less than a high school diploma describe their health as good, over 90% of those with bachelor's degree and advanced degrees reported good health. Table 20.

The implications for New Mexico's health budget are clear: the more people who report and enjoy good health, the lower overall health care costs. From the state's perspective, this means less "uncompensated"<sup>5</sup> health care in two ways. First, and

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<sup>5</sup> Uncompensated care occurs when a health care consumer is unable to pay the costs of the health care. Because the health care provider cannot recover its costs, the care is "uncompensated." Both the public and

most simply, better health means less utilization of the health care system, and so there are fewer people unable to pay their health bills and therefore less uncompensated care. Second, higher educational attainment means greater earnings, and a greater ability to pay for health care costs. So, there is less uncompensated health care resulting in cost savings to both the private and public sectors.

**Table 20**  
**Percentage of US Population age 25 and older describing their health as good, very good or excellent in March 2004 by educational attainment**

	<b>US Avg.</b>	<b>NM</b>	<b>AZ</b>	<b>CO</b>	<b>UT</b>
<b>Less Than High School</b>	67.3 %	66.2%	78.9%	80.4 %	74.8%
<b>High School Diploma</b>	82.0 %	82.2%	84.8%	86.3 %	81.0%
<b>Some College (Includes AS, AA Certificate)</b>	87.2 %	87.2%	86.5%	89.0 %	89.6%
<b>Bachelors Degree (BA, AB, BS)</b>	92.6 %	91.1%	89.3%	94.9 %	96.3%
<b>Advanced degree</b>	92.5 %	90.7%	91.6%	94.8 %	96.3%

Source: Compiled by NM Voices for Children from The Investment Payoff: A 50—State Analysis of the Public and Private Benefits of Higher Education, Institute for Higher Education Policy, February 2005.

### **Public Social Benefits of Higher Education: Volunteerism and Voting**

To some extent, the public social benefits of higher education can be measured by volunteerism, or caring for the well being of society in the larger picture; and by voting, which bolsters our democratic process through increased civic participation. Higher educational attainment enhances both of these public social benefits.

Higher educational attainment results in greater volunteerism, nationally, in New Mexico and in surrounding states. Table 21.

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private sectors absorb the costs of uncompensated care. Hospitals and providers raise rates to help pay for uncompensated care, and the state may also have higher Medicare and Medicaid payments, and be forced to make larger appropriations for indigent care as well.

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**Table 21**  
**Percentage of US and New Mexico Population age 25 and older who reported**  
**volunteering for or through an organization in September 2004**  
**by educational attainment**

	<b>US Avg.</b>	<b>NM</b>	<b>AZ</b>	<b>CO</b>	<b>UT</b>
<b>Less Than High School</b>	11.8%	15.4%	13.6%	7.1%	16.2%
<b>High School Diploma</b>	20.8%	24.9%	23.8%	24.3%	30.8%
<b>Some College (includes AS, AA, Certificates)</b>	31%	32.1%	37.1%	35.7%	38.0%
<b>Bachelor's degree</b>	36.1%	38.7%	41.2%	42.6%	41.7%

Source: Compiled by NM Voices for Children from The Investment Payoff: A 50—State Analysis of the Public and Private Benefits of Higher Education , Institute for Higher Education Policy, February 2005.

Similarly, voting rates rise with education. Table 22. This single indicator -higher participation in the democratic process - argues for investing in greater educational attainment.

**Table 22**  
**Percentage of US, New Mexico and Surrounding States Population age 25 and**  
**Older Who Voted in the November 2000 General Election**  
**by Educational Attainment**

	<b>US Avg.</b>	<b>NM</b>	<b>AZ</b>	<b>CO</b>	<b>UT</b>
<b>Less than High School</b>	42.1%	44.8%	32.5%	20.7%	39.1%
<b>H. S. Diploma</b>	56%	51.8%	47.3%	50.0%	51.7%
<b>Some college</b>	67.3%	62%	59.3%	62.8%	69.4%
<b>Bachelor's Degree</b>	76.3%	76.4%	72.9%	76.9%	76.3%
<b>Advanced degree</b>	82.1%	77.2%	79.4%	87.2%	80.2%

Source: Compiled by NM Voices for Children from The Investment Payoff: A 50—State Analysis of the Public and Private Benefits of Higher Education prepared by Institute for Higher Education Policy, February 2005.

### **New Mexico Investment in Higher Education**

In Fiscal Year 2005, the New Mexico Legislature appropriated \$671 million for higher education compared to \$1.9 billion for primary and secondary public education. The January 2005 Policy Analysis prepared by the Legislative Finance Committee before the 2005 legislative session states that:

New Mexico's funding commitment to higher education is particularly notable given the recent declines in state funding [to higher education] in most states. Increases in appropriations for New Mexico higher education

have ranged from about 4% to about 6% over the last few years. According to the latest available data from the national Information Center for Higher Education Policymaking and Analysis, New Mexico ranks first among the 50 states in the following:

- Higher education appropriations relative to state and local tax revenues;
- Appropriations of state tax funds for higher education per \$1,000 of personal income;
- Appropriation of state tax funds for higher education per capita.<sup>6</sup>

The Chronicle of Higher Education reported that for FY04 state spending for higher education dropped 2.1%, the first spending cut since 1992-93 when appropriations dropped 0.9%.

Nevertheless, the state of New Mexico is clearly doing better than most states in funding higher education. Table 23 presents a comparison of state and local government higher education funding effort for New Mexico, the US and surrounding states. The table shows that New Mexico's higher education support is far higher than the US national average in terms of both support per capita and higher education support per \$1,000 of personal income.

**Table 23**  
**State and Local Government Higher Education Funding Effort for the United States, New Mexico, and Surrounding States Fiscal Year 2003**

	<b>Higher Education Support per Capita</b>	<b>Percent of US Average</b>	<b>Higher Education Support per \$1,000 of Personal Income</b>	<b>Percent of US Average</b>
<b>US</b>	\$417	100%	\$13.20	100%
<b>NM</b>	\$691	165.7%	\$27.06	205.1%
<b>CO</b>	\$263	63%	\$7.65	58.1%
<b>AZ</b>	\$307	73.7%	\$11.45	85.8%
<b>TX</b>	\$447	107.1%	\$15.21	115.3%
<b>OK</b>	\$477	114.5%	\$17.91	135.7%
<b>UT</b>	\$521	124.9%	\$20.85	158%

Source: Compiled by NM Voices for Children from data provided by National Information Center for Higher Education Policymaking and Analysis.

Even though New Mexico spends almost double per capita what Arizona spends for higher education, the percentage of the population 25 years and older who have a bachelor's degree is almost the same (14.9% in New Mexico compared to 14.2% in

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<sup>6</sup> *Report of the Legislative Finance Committee to the Forty-Seventh Legislature, First Session, Vol. I, Legislating for Results: Policy and Performance Analysis* (Santa Fe, January 2005), p.30.

Arizona). The percentage of population with a bachelor's degree in both Colorado and Utah is 21.2% even though New Mexico outspends Colorado by \$428 per capita, and Utah by \$170 per capita.

A study by the Bureau of Business and Economic Research at the University of New Mexico of UNM graduates finds that students with liberal arts degrees are leaving New Mexico as they graduate. A look at job availability in New Mexico (Chapter V) and the lack of jobs for liberal arts majors, explains the exodus. However, New Mexico makes a substantial investment in higher education. If degreed students leave the state and are employed elsewhere, then New Mexico is subsidizing other states. An evaluation of all UNM graduates, and available jobs, could help direct some portion of students as they make choices in the degrees they pursue.

Additionally, some of New Mexico's higher expenditures for post secondary education are attributable to the fact that high school graduates are not prepared for post-secondary education. Albuquerque's Technical-Vocational Institute, the largest community college in the state, reports that 75% of all high school graduates entering TV-I need at least one remedial course (Adult Development Education, or ADE) in math, English or writing.<sup>7</sup> At the University of New Mexico, entering freshmen have the same problem. According to an *Albuquerque Journal* article, 30% of entering freshman need remedial education.<sup>8</sup>

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<sup>7</sup> Telephone conversation with TV-I Foundation and Development Staff, July 8, 2005.

<sup>8</sup> Olivier Uyttebrouck, "UNM Study-Skills Class Helps Students Get Ahead," *Albuquerque Journal*, October 5, 2005.

## **Chapter IV**

### **Health Care Expenditures in New Mexico**

Next to education, healthcare consumes the largest share of New Mexico's general fund budget. In 2005, Medicaid accounted for about 11%, of \$475 million of the state's general fund. In addition, the state spent nearly \$269 million through the Department of Health budget for services including public health, substance abuse treatment and prevention, AIDS services, teen pregnancy prevention, school based health centers, and a host of other health related programs. Combined, Medicaid and the health related expenses in the DOH budget accounted for approximately 17% of the state's general fund, while education consumed nearly 60% of general fund dollars.

State spending, however, does not tell the complete story. The state spends fewer state dollars on healthcare than it does for education: about \$750M for healthcare compared to \$1.9 billion on education. But, total public healthcare spending (local, state and federal dollars) far outstrips the total public investment in education: \$5.8 billion public dollars invested in healthcare, compared to \$2.6 billion public dollars invested in education.

This high investment in healthcare – state and federal spending combined – concerns state policy makers for two reasons. Medicaid spending continues to grow at rate that is substantially faster than the growth of other parts of state government spending, in spite of a slow-down in the Medicaid growth rate in the last year. So, although *state* healthcare spending is less than state spending on education, because healthcare spending is growing faster than other state spending (including education), with finite resources from revenues the state will be faced with hard decisions: cut healthcare, education or other state funded services like public safety.

Furthermore, Medicaid is heavily financed by a large federal match- about \$5 billion of the total public funds of \$5.8 billion come from the federal government. Economic forces at the national level, including a sluggish economic recovery and a growing federal deficit have prompted discussions In Congress of possible cuts to the Medicaid budget, or block granting Medicaid (which would limit the amount of federal money states could get for Medicaid, independent of the need). These policy choices would have a severe impact the state's healthcare budget, but are outside of the control of state lawmakers.

While financing healthcare is a concern for policymakers, there is growing appreciation for the importance of healthcare to economic development. As businesses struggle with rising private insurance costs, and try to balance their profits with increasing costs for healthcare benefits for their employees, the relationship between this part of the social infrastructure and economic development becomes clearer. Recent media coverage of Wal-Mart's reliance on Medicaid to absorb some of the company's cost for providing health insurance at a reasonable cost to employee families has fueled public outrage. Some states have suggested legislation that would

require businesses to provide health insurance, or pay the state to reimburse it for the costs it pays to provide Medicaid for the children of company employees. In the area of healthcare, the public and private economic and social returns on investment are fairly clear.

### **Economic and Social Returnsof Investing in Health Care**

	<b>Private</b>	<b>Public</b>
<b>Economic</b>	Fewer out of pocket expenses for healthcare and prescription drugs; reduction in personal bankruptcies due to healthcare expenses	The larger the insured population, the fewer missed work days, the greater labor force productivity; decrease in uncompensated care expenses
<b>Social</b>	Healthier children and parents. Less missed work due to family illness.	Decrease in preventable disease; increase in quality of life; more attractive business environment

A recently completed study *House Bill 955 Comprehensive Study: On Health Care and Health Care Costs in New Mexico* contains data on health care expenditures by the source of revenue. The second part of the ‘Findings’ section of the House Bill 955 Comprehensive Study summarizes ‘Public and Private Costs of Providing Health Care to New Mexicans.’ According to the overview of the findings section of the report:

In 2002, the estimated cost of providing health care to New Mexicans was \$7.8 billion. Approximately 75% of health care expenditures were publicly financed (\$5.8 billion).

Of the total health care expenditures of \$7.8 billion in 2002 the federal government paid almost \$5 billion or 64%. Total state and local spending was \$872 million or 11% of that amount. State government contributed \$778 million (10%) in total expenditures. \$432 came from the state Medicaid share and \$293 from the Department of Health. Counties accounted for only one percent of total expenditures or \$94 million.

The private sector’s contribution of \$1.9 billion represents 25% of total health care expenditures. Of that \$1.9 billion, \$1.1 billion (54%) came from fully insured plans and \$741 million (38%) was paid by self-insured plans. The remainder came from workers compensation.<sup>9</sup>

An earlier report by New Mexico Voices for Children, “Government Financed Health Care in New Mexico”<sup>10</sup> reached the same conclusion as the Legislative Committee’s report. In fact, the committee’s report referenced the findings of New Mexico Voices in several places. Tables 24, 25, and 26 summarize the private, public and total health care spending in New Mexico.

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<sup>9</sup> *House Bill 955 Comprehensive Study: On Health Care and Health Costs in New Mexico*, Legislative Health and Human Services Committee (Santa Fe, December 2004).

<sup>10</sup> “Government Financed Health Care in New Mexico,” by New Mexico Voices for Children, January 2004. Found at: [www.nmvoices.org/docs/publicly\\_financed\\_healthcare\\_01\\_08\\_04.doc](http://www.nmvoices.org/docs/publicly_financed_healthcare_01_08_04.doc)

**Table 24**  
**New Mexico Private Health Care Expenditures, 2002**  
**(Dollar amounts in millions)**

	<b>Amount</b>	<b>Percent</b>
<b>All insurance</b>	\$1,886.2	97%
<b>self-insured</b>	\$740.8	38%
<b>fully insured</b>	\$1,056.9	54.3%
<b>worker's comp</b>	\$88.5	4.6%
<b>other private</b>	\$58.4	3%
<b>Out of pocket</b>	\$41.6	2.1%
<b>Other drug</b>	\$16.7	0.9%
<b>Total private expenditures</b>	\$1,944.6	100%

Source: Compiled by NM Voices for Children from House Bill 955 Comprehensive Study on Health Care and Health Care Costs in New Mexico Legislative Health and Human Services Committee December 2004.

**Table 25**  
**New Mexico Public Source Health Care Expenditures 2002**  
**(dollars in millions)**

	<b>Federal</b>	<b>State</b>	<b>County</b>	<b>Total</b>
<b>Federal Programs</b>				
Medicare	\$2,992.0	---	---	\$2,992.0
Medicaid	\$1,294.8	\$429.9	---	\$1,724.7
Veterans Administration	\$194.0	---	---	\$194.0
Indian Health Service	\$228.3	---	---	\$228.3
Military claims and facilities	\$140.5	---	---	\$140.5
<b>Federal grants</b>				
University of New Mexico	\$3.4	\$3.2	---	\$6.6
Qualified health centers	\$25.4	---	---	\$25.4
<b>State Programs</b>				
Dep't of Health	\$83.7	\$292.7	---	\$376.4
Aging and Long-Term Care Dep't	\$2.8	\$9.3	---	\$12.1
Children, Youth, Families Dep't	\$1.5	\$16.5	---	\$18.0
Dep't of Vocational Rehab	\$0.9	\$0.3	---	\$1.2
Public Education Dep't	---	\$5.2	---	\$5.2
Corrections Dep't	---	\$20.9	---	\$20.9
<b>County Programs</b>				
County Indigent Fund	---	---	\$23.4	\$23.4
Jail inmate health expenditures	---	---	\$3.9	\$3.9
Other health expenditures	---	---	\$66.7	\$66.7
<b>Grand Total</b>				<b>\$5,839.3</b>

Source: Compiled by NM Voices for Children from House Bill 955 Comprehensive Study on Health Care and Health Care Costs in New Mexico Legislative Health and Human Services Committee, December 2004.

**Table 26**  
**New Mexico Total Health Care Expenditures, 2002**  
**(Dollar amounts in millions)**

	Public	Private	Total
<b>Federal</b>	\$4,967.5		\$4,967.5 (63.8%)
<b>State</b>	\$778.1		\$778.1 (10%)
<b>County</b>	\$94		\$94 (1%)
<b>Private</b>		\$1,944.6	\$1,944.6 (25%)
<b>Total</b>	\$5,839.7	\$1,944.6	\$7,784.3 (100%)

Source: Compiled by NM Voices for Children from House Bill 955 Comprehensive Study on Health Care and Health Care Costs in New Mexico Legislative Health and Human Services Committee December 2004.

In spite of the large public and private expenditures on healthcare (\$7.8 billion in 2002), New Mexico still has 25% uninsured adults (under the age of 25), 48<sup>th</sup> among the states (second only to Texas and Louisiana).<sup>11</sup> The state also has a high rate of uninsured children.<sup>12</sup> In addition, the health of the citizens does not reflect the money we invest in healthcare. New Mexico is 51<sup>st</sup> in pre-natal care, 44<sup>th</sup> in immunizations, 45<sup>th</sup> in adult asthma prevalence, 40<sup>th</sup> in dental visits, and the state has the 6<sup>th</sup> highest rate of chlamydia in the country. Table 27.

**Table 27**  
**Health Status Metrics, United States, New Mexico And Surrounding States**

	US	NM	AZ	CO	OK	TX	UT	NM Rank
<b>Births and Infancy</b>								
Teen birth rate (births/1,000)	43	62.4	61.2	47	58	64.4	36.8	30th
Pre-term births (<37 wks)	12%	12%	12%	12%	13%	13%	11%	21st
Pre-natal care (1st trimester)	84%	69%	77%	79%	77%	81%	80%	51st
Child immunizations	78%	71%	75%	63%	66%	72%	77%	44th
<b>Deaths under Age 18</b>								
Infant death rate (deaths/1,000)	6.8	6.4	6.9	5.8	7.3	5.9	4.8	32nd
Child death rate (deaths/100,000)	22	25	29	22	31	24	20	14th
Teen death rate (deaths/1,000)	50	59	66	58	69	54	44	16th
<b>Adult Health</b>								
Obesity adult prevalence	21%	19%	18%	14%	22%	24%	18%	34th
Asthma adult prevalence	8%	8%	8%	8%	8%	7%	7%	45th
<b>STDs (cases/100,000)</b>								
Chlamydia	304	403	235	289	315	318	168	6th
Gonorrhea	116	63	65.6	63.3	130.3	112.9	17.8	36th
Syphilis	11.9	11	20.3	3.2	10.1	18.3	3.1	14th
<b>Oral Health</b>								
Visited dentist	70%	68%	69%	72%	61%	61%	72%	40th
Teeth cleaning	69%	60%	66%	67%	63%	58%	72%	47th
<b>Reporting poor mental health</b>								
Mental Health	34%	34%	33%	35%	31%	34%	41%	22nd

Source: Kaiser Foundation [www.kaiserfoundation.org/state\\_health\\_facts](http://www.kaiserfoundation.org/state_health_facts)

<sup>11</sup> “Characteristic of the Uninsured: A View from the States” prepared for the Robert Wood Johnson Foundation by the state Health Access Data Assistance Center, University of Minnesota, May 2005.

<sup>12</sup> US Census Bureau, Historical Health Insurance Tables (HI-5): Health Insurance Coverage Status and Type of Coverage by State- Children under 18: 1987-2003

But, New Mexico is not alone in this problem. Nationally, the investment in healthcare has had poor returns in terms of level of health compared to other countries. The United States is first in the world in per capita spending for healthcare, but 72<sup>nd</sup> in level of health. In addition, the US ranks low in fairness of financial contribution when compared to many European countries, Japan and Canada.<sup>13</sup> Table 28.

**Table 28**  
**Health System**  
**Attainment of Various Nations**

<b>HEALTH SYSTEM ATTAINMENT OF VARIOUS NATIONS</b>				
Member State	Fairness in financial contribution	Health expenditure per capita in international dollars	On level of health	Overall health system performance
Canada	17-19	10	35	30
Denmark	3-5	5	65	34
France	26-29	4	4	1
Germany	6-7	3	41	25
Italy	45-47	11	3	2
Japan	8-11	13	9	10
United Kingdom	8-11	26	24	18
United States	54-55	1	72	37
<i>-The World Health Report 2000</i>		Numerical rankings -- 191 countries		

[www.who.int/whr/2000/en/whr00-en.pdf](http://www.who.int/whr/2000/en/whr00-en.pdf)

To give some perspective to these numbers, in 2002, the United States health spending per person was \$5, 267, or \$1,821 more than Switzerland (\$3, 446 per capita), the next highest of the 30 member countries of the Organization for Economic Cooperation and Development.<sup>14</sup> Canada, Denmark, France, Germany, Italy, Japan, and the U.K. all paid less for health care, provided universal health care to all of their citizens, and had superior health outcomes despite typically smoking and drinking more than Americans, and despite having larger over-65 populations.<sup>15</sup>

Given the high expenditures and poor outcomes, it is difficult to argue that the United States, or any individual state, should make substantially larger contributions to the healthcare system. In fact, some researchers argue that the continued upward growth

<sup>13</sup> The World Health Report, [www.who.int](http://www.who.int)

<sup>14</sup> Anderson, Gerard F. and Colleagues, "How U.S. Trends Compare", *Health Affairs*, July/August 2005, p. 903.

<sup>15</sup> Sager, Alan, Ph.D., and Socolar, Deborah, M.P.H., *Health Costs Absorb one-Quarter of Economic Growth, 2000-2005*, Boston University School of Public Health, Data Brief No. 8, February 9, 2005.

of the healthcare system is unsustainable, and that the country is unprepared for the impacts on the healthcare system in the event of a serious recession.<sup>16</sup>

New Mexico policy makers echo this concern. Some believe that the heavy reliance on federal support, and the huge economic impact that Medicaid has on the entire healthcare structure in New Mexico makes the entire system of health care in the state especially vulnerable to economic changes.

The solution posed has often been to increase patient cost sharing, which causes more people to drop their health insurance. Many researchers now argue that the better solution is universal healthcare, and further, that the current health care expenditures in the country are sufficient to cover all Americans if costs are contained. They argue that eliminating waste in health care spending, and re-investing the savings to finance high-quality care for everyone, along with paying caregivers adequately are possible. To realize such a change, doctors must be at the forefront of the health care system, making the cost cutting decisions. Doctor decisions control 87% of personal health care spending through decisions to use long-term care, hospitalize patients, and prescribe drugs and other products. Doctors know where the costs savings can be made, while still preserving a quality health care system. But, if the savings cycle back into the system as profits, instead of savings that can be used to cover everyone, the reforms cannot work.<sup>17</sup>

While national health care reform does not appear imminent, New Mexico could reform its own health care system along the same principles described by researchers, and provide universal health care. For comparison purposes, Alberta, Canada, is a rural, western state in Canada. Each Canadian state designs its own healthcare system under the Canada Health Act. Financing is a combination of state, federal and private pay. Alberta's population in 2001 was nearly 3 million. The total Alberta healthcare system cost was nearly \$9 billion Canadian, or \$7.4 billion U.S.– slightly less than the amount that New Mexico spends to cover many fewer than its total 1.8 million people. In addition, Alberta is a large state geographically – almost three times the size of New Mexico, and, like New Mexico, Alberta has few large cities and very sparse population spread over large areas.

The healthcare system in Alberta provides medically necessary hospital, physician, oral and other dental professional services as mandated by the *Canada Health Act*. In addition, Alberta provides services that are not mandated, including home and long-term care; mental health services, including substance abuse prevention and treatment; palliative care; immunizations for children; optometry for children under 19 and people over 64, chiropractic and podiatry services; and drug benefits. Emergency care is immediately available, and non-emergent care may require waiting for an appointment – like the current health care system in New Mexico. Concerns that the Canadian model results in inferior health care are not born out by the data. Canada has a much higher level of health than the US, and in Alberta the costs for providing

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<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*

comprehensive health care (including in home and long term services) to the entire population of 3 million are less than New Mexico is spending for a healthcare system that leaves 25% of adults and 14% of children uninsured.

If New Mexico could design a universal healthcare system that spends no more than the current system, then the private sector share would be what it is today – about \$1.9 billion. Have a comprehensive health care system, and knowing that healthcare costs will not keep rising faster than other state spending, would create a favorable business environment.

Other states – including California, Maryland and Georgia – are exploring plans for universal healthcare that are closer to single payer models. The state that first solves this problem will not only stabilize personal and public healthcare costs but will also have created a highly competitive business climate.

**Chapter V**  
**Jobs in New Mexico 2001 through 2004:**  
**Making the Case for Investing in the Social Infrastructure**

There is a distinct relationship between educational attainment and employment. However, the ability to find and hold higher wage jobs depends on their availability. Industry surveys indicate that businesses look for a productive work force and skilled labor as the most important reasons to locate in a state. Tax incentives rank much further down on the list of important considerations.<sup>18</sup> A long-term investment in education will help New Mexico attract business and stabilize its future. Changes in educational priorities, which can result in a better-educated citizenry will take a decade. The resulting impact on the employment sector will take as long. Simply stated, changing the economy of New Mexico cannot happen overnight. But, the failure to make the right investments now dooms the state to continued high poverty, and a deteriorating quality of life.

**Jobs Now and in the Future**

During the period from the third quarter of 2001 through the third quarter of 2004, as New Mexico emerged from the slowdown surrounding the national recession, job growth increased by about 31,500 jobs, a 4.3% increase over the three year period. Table 29 presents employment growth by industry sector for this period. Significant growth took place in the construction sector, retail trade, professional and technical services, educational services, health care and social assistance, arts and entertainment, accommodations and food services, and public administration. Mining, manufacturing, and information sectors lost employment over the three-year period.

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<sup>18</sup> One of the most comprehensive business surveys was published in Louisiana in January 2005. Over 1,000 businesses who might consider locating in Louisiana were surveyed about the conditions most important to the re-location decisions; 945 businesses replied. The entire report is available at [www.survey.lsu.edu/LouisianaBusinessImageReport2004.pdf](http://www.survey.lsu.edu/LouisianaBusinessImageReport2004.pdf).

**Table 29**  
**New Mexico Employment Growth Patterns**  
**2001 Quarter III through 2004 Quarter III**

Description	Quarter III – 2001	Quarter III – 2004	Change	Percentage Change 2001-2004
<b>Agriculture</b>	14,892	14,678	-214	-1.4
<b>Mining</b>	15,742	15,219	-523	-3.3
<b>Utilities</b>	6,198	5,665	-533	-8.6
<b>Construction</b>	52,342	55,629	3,287	+6.3
<b>Manufacturing</b>	41,839	36,629	-5210	-12.5
<b>Wholesale Trade</b>	22,725	22,332	-393	-1.7
<b>Retail Trade</b>	90,460	93,428	2,968	+3.3
<b>Transportation &amp; Warehousing</b>	23,032	23,194	162	+0.7
<b>Information</b>	18,217	15,718	-2499	-13.7
<b>Finance &amp; Insurance</b>	22,179	22,899	720	+3.2
<b>Real Estate &amp; Rental</b>	10,226	11,275	1,049	+10.3
<b>Professional &amp; Technical Services</b>	40,430	42,868	2,438	+6.0
<b>Management of companies</b>	5,781	5,070	-711	-12.3
<b>Administrative &amp; Waste Services</b>	45,526	46,289	763	1.7
<b>Educational Services</b>	64,819	69,406	4,587	7.1
<b>Health Care &amp; Social Assistance</b>	89,058	104,049	14,991	16.8
<b>Arts &amp; Entertainment</b>	17,674	19,623	1,949	+11.0
<b>Accommodations &amp; Food Services</b>	74,293	78,675	4,382	+5.9
<b>Other Services</b>	20,959	22,613	1,654	+2.2
<b>Public Administration</b>	55,153	57,963	2,810	+5.1
<b>Other Services</b>	692	558	-134	-19.4
<b>Total All Industries</b>	732,237	763,780	31,543	<b>+4.3%</b>

Source: New Mexico Dept. of Labor, Quarterly Census of Employment and Wages, Third Quarter 2001 and Third Quarter 2001 (Compiled by NM Voices for Children)

Job growth over the most recent annual period available compares third quarter 2003 through third quarter 2004. Table 30.

**Table 30  
New Mexico Employment by Industry Share  
Third Quarter 2001 and 2004**

Description	Quarter III – 2001	Industry Share III-2001	Quarter III – 2004	Industry Share III-2004	Industry Share Change
Agriculture	14,892	2.0	14,678	1.9%	-0.1
Mining	15,742	2.1	15,219	2.0	-0.1
Utilities	6,198	.8	5,665	0.7	-0.1
Construction	52,342	7.1	55,629	7.3	+0.2
Manufacturing	41,839	5.7	36,629	4.8	-0.9
Wholesale Trade	22,725	3.1	22,332	2.9	-0.2
Retail Trade	90,460	12.4	93,428	12.2	-0.2
Transportation & Warehousing	23,032	3.1	23,194	3.0	-0.1
Information	18,217	2.5	15,718	2.1	-0.4
Finance & Insurance	22,179	3.0	22,899	3.0	0
Real Estate & Rental	10,226	1.4	11,275	1.5	+0.1
Professional & Technical Services	40,430	5.5	42,868	5.6	+0.1
Management of companies	5,781	0.8	5,070	0.7	-0.1
Administrative & Waste Services	45,526	6.2	46,289	6.0	-0.2
Educational Services	64,819	8.9	69,406	9.1	+0.2
Health Care & Social Assistance	89,058	12.2	104,049	13.6	+1.4
Arts & Entertainment	17,674	2.4	19,623	2.6	+0.2
Accommodations & Food Services	74,293	10.1	78,675	10.3	+0.2
Other Services	20,959	2.9	22,613	3.0	+0.1
Public Administration	55,153	7.5	57,963	7.6	+0.1
Other Services	692	.09	558	.07	-0.2
Total All Industries	732,237		763,780		

Source: New Mexico Dept. of Labor, Quarterly Census of Employment and Wages, Third Quarter 2001 and Third Quarter 2004 (Compiled by NM Voices for Children)

According to Table 30 construction, educational services, arts and entertainment, and accommodations and food service, and especially health care and social assistance are increasing their share of the New Mexico economy. The increase in the health care service was the largest increase, indicating the impact of health care spending and the federal Medicaid dollars to the state’s economy. New Mexico’s reliance in this sector of the economy underlines the need for lasting healthcare reform that will stabilize this sector.

Manufacturing, retail trade and the information sector are declining in employment share. Manufacturing lost more than 5,000 jobs over the three-year period. The

decline of manufacturing, a relatively high wage sector, is clearly a serious problem for the New Mexico economy and the country as a whole. New Mexico and the United States are unable to compete with third world countries for manufacturing jobs. The location of these jobs overseas is likely to continue, and points to the importance of an economic development plan for New Mexico that produces a better educated work force more capable of competing in new employment sectors.

The loss of state manufacturing jobs, and the movement of manufacturing overseas, also helps explain why personal income tax cuts have a reduced economic stimulus. Theoretically, reducing taxes means that more income is available for households to spend on goods and services, this creating an economic stimulus. The theory has not been proven to produce job growth or economic stimulus here in New Mexico, in spite of a substantial personal income tax cut enacted in 2003. (See, *Personal Income Tax Cuts Do Not Equal Economic Growth* and *Who's Minding the Store? New Mexico Income Tax Cuts: Poor Performance, Wrong Choice* at [www.nmvoices.org](http://www.nmvoices.org)). In part, the reason is because the money returned to high-income earners through the tax cut is not all spent on the economy here. A large portion of the money received from the state income tax cut is exported out of state through increased federal taxes (because the state tax deduction from federal taxes has also been reduced when state taxes are cut), and because many high earners spend money out-of-state on products not manufactured in the state).

A deeper analysis of the kinds of jobs that New Mexico is gaining, and losing, is also informative. Building a weighted weekly wage using the information on rising and declining sector shares is one way to assess the quality of the job growth. These calculations for the contracting and expanding sectors are captured in Tables 31 and 32.

**Table 31**  
**Weekly Wage Calculation for Contracting Sectors**

Sector	Decline	Weighted Decline	Average Weekly Wage	Weighted Average Weekly Wage
<b>Agriculture</b>	.112	.0454	\$312	\$14.16
<b>Mining</b>	.1573	.0637	971	61.92
<b>Utilities</b>	.1047	.0424	907	38.50
<b>Manufacturing</b>	.9181	.3722	773	287.7
<b>Wholesale Trade</b>	.1796	.0728	756	55.04
<b>Retail Trade</b>	.1216	.0493	439	21.64
<b>Transportation</b>	.1087	.0441	728	32.08
<b>Information</b>	.4299	.1743	656	114.32
<b>Finance &amp; Insurance</b>	.0308	.0125	721	9.00
<b>Real Estate &amp; Rental</b>	.1257	.0510	825	42.04
<b>Administrative Services</b>	.1569	.0636	503	32.00
<b>Unclassified</b>	.0214	.0087	629	5.46
	2.4667	1.00	Average Weekly Wage	<b>\$713.88</b>

Source: New Mexico Dept. of Labor, Quarterly Census of Employment and Wages, Third Quarter 2001 and Third Quarter 2001 (Compiled by NM Voices for Children)

**Table 32**  
**Average Weekly Wage for Expanding Sectors 2004**

Sector	Increase	Weight Increase	Average Weekly Wage	Weighted Average Weekly Wage
<b>Construction</b>	.1351	.0579	\$599	\$34.71
<b>Real Estate &amp; Rental</b>	.0797	.0342	502	17.16
<b>Professional Services</b>	.0912	.0391	1038	40.60
<b>Educational Services</b>	.235	.1008	529	53.32
<b>Health Care</b>	1.4604	.6264	616	285.83
<b>Arts &amp; Entertainment</b>	.1555	.0666	414	27.61
<b>Accommodation/Food Services</b>	.1547	.0663	238	15.80
<b>Other Services</b>	.0983	.0422	426	17.96
<b>Public Administration</b>	.0568	.0244	791	19.27
			Average Weekly Wage	<b>\$612.25</b>

Source: New Mexico Dept. of Labor, Quarterly Census of Employment and Wages, Third Quarter 2001 and Third Quarter 2001 (Compiled by NM Voices for Children)

The weighted average weekly wage of the contracting sectors is \$713.88, largely due to the loss of the high-wage manufacturing sector among the contracting sectors. There are more contracting sectors than expanding sectors as well. The weighted average weekly wage in the expanding sectors is \$612.25. Importantly, education and healthcare job growth push the average weekly wages for expanding sectors higher, underscoring the importance of investing in education and healthcare not only because those investments create new jobs, but because those jobs pay better.

Investing in education has private and public benefits, as discussed earlier. The teachers who graduate and fill education openings add to the benefits in that part of the investment. Similarly, education investments lead to skilled healthcare workers for this expanding sector.

For example, increasing the quality of early care and education will require better training early care and education providers. These providers will need a college education. The investment in quality early care and education will have long-term benefits: better primary and secondary school performance, and savings from less

special education, incarceration and greater tax revenues from increased lifetime earnings. There will also be quicker economic results as more jobs are created for college educated early care and education teachers.

The job growth for the next 10 years in New Mexico is predicated on current policies. Not surprisingly, then, those predictions are for more low-wage jobs. Projected employment growth by major occupational group for the decade 2002 – 2012 shows that 38% of job growth will be in food preparation and service, building and grounds, personal care and services, sales, office and administrative support. These are low education, low-wage sectors. Construction is predicted to have the 6<sup>th</sup> largest percentage growth of the major occupational groups. If the projected construction job growth is added to the jobs expected from the employment groups above, then the percentage of low-education, low-wage jobs in the 10-year period reaches 44%. Table 33.

**Table 33**  
**Projected Employment Growth by Major Occupational Group 2002-2012**

Occupation Title	2002	2012	Change	% Change	Total Annual Openings	% of Total Openings
<b>Management</b>	58,570	70,770	12,200	20.8	2,310	6.5
<b>Business &amp; Finance</b>	24,180	29,190	5,010	20.7	940	2.7
<b>Computer &amp; Mathematical</b>	13,480	18,310	4,830	35.8	670	1.9
<b>Architecture &amp; Engineering</b>	21,460	22,810	1,350	6.3	610	1.7
<b>Life, Physical &amp; Social Sciences</b>	10,130	11,300	1,170	11.5	370	1.0
<b>Community &amp; Social Services</b>	10,340	13,770	3,430	33.2	540	1.5
<b>Legal</b>	7,910	8,600	690	8.7	160	0.5
<b>Education, Training &amp; Library</b>	47,110	59,490	12,380	26.3	2,230	6.3
<b>Arts, Design, Entertainment, Sports &amp; Media</b>	9,480	11,180	1,700	17.9	360	1.0
<b>Healthcare &amp; Healthcare Technical</b>	37,920	50,150	12,230	32.3	1,930	5.5
<b>Healthcare Support</b>	20,590	28,590	8,000	38.9	1,130	3.2
<b>Protective Services</b>	22,210	30,440	8,230	37.1	1,440	4.1
<b>Food Preparation &amp; Serving</b>	71,000	97,610	16,610	23.4	4,470	12.7
<b>Building &amp; Grounds</b>	32,740	40,160	7,420	22.7	1,400	4.0
<b>Personal Care &amp; Service</b>	22,560	29,460	6,930	30.7	1,220	3.5
<b>Sales &amp; Related</b>	79,660	92,090	12,430	15.6	3,880	11
<b>Office &amp; Admin. Support</b>	128,460	141,900	13,440	10.5	4,310	12.2
<b>Farming, Fishing, forestry</b>	15,930	17,550	1,620	10.2	600	1.7
<b>Construction &amp; Extraction</b>	57,480	67,190	9,710	16.9	2,170	6.1
<b>Installation, Maintenance, &amp; Repair</b>	34,290	41,160	6,870	20.0	1,500	4.3
<b>Production Occupations</b>	33,610	38,500	4,890	14.5	1,310	3.7
<b>Transportation, &amp; Materials Moving</b>	48,940	55,830	6,890	14.1	1,740	4.9
					35,290	100.0

Source: Economic Research and Analysis Bureau, New Mexico Department of Labor

If New Mexico continues on the same course, with no change in current policies, there will be a surplus of under-educated workers for these future low-education, low wage jobs. But, if the state invests in quality early care and education and addresses primary and secondary school outcomes, in 15 years the state will have a better-educated work force. With no education, there will be competition for higher skill jobs, which also means less competition for low-wage jobs. The market will adjust and even low wage jobs will pay better wages. Surrounding states, with fewer people in the workforce who have less than a high school education see an average wage for this population that is substantially higher than wages paid in New Mexico. Fewer people competing for jobs means that employers will have to raise wages to attract workers. The state is at a crossroads: business as usual dooms us to another decade of a poorly performing economy, but changing our investment strategy can result in a better economy for all of us.

## **Chapter VI**

### **A Short Term Solution: Strengthening Workforce and Adult Education Policies**

The analysis for investing in short term policies that will strengthen the workforce is similar to the analysis of why it makes sense to invest in any improvement to the education system. Better education means more money, less poverty, less reliance on state supports, better health, and so on. One added key element for investing now in adult education is that changing these policies will have an immediate effect on the workforce, and will not require major system changes. The sooner that the workforce becomes more educated, the sooner that competition for low-wage jobs will begin to lessen. As described above, when that happens, supply market dynamics will cause an increase in the wages of all low-wage jobs, which will have a widespread impact on the state's economy.

So, at the same time that the state prepares for the next 15 years by changing policies that will result in a better educated workforce in the future, there are short term policy changes that will help strengthen the workforce by revising adult education policies. These policy revisions will support adult students wanting to earn post high school degrees that will enable them to earn more money.

A large percentage of students entering community college have a high school diploma, but nonetheless need Adult Development Education, or remedial courses. (TV-I estimates that 75% of students graduating from public schools and entering TV-I need at least one remedial course). Often, the average age of community college students is older – about 27 years old at TV-I. These young adults have been in the work force at low-wage jobs, and are motivated to get more education in order to earn more. They are caught in a catch-22: they need more money to survey; to earn more money then need more education; to get more education, they need remedial courses; because they must take remedial courses, they are unable to access financial aid; because they cannot access financial aid, and cannot earn enough to attend classes and support themselves (and often small children) they are unable to continue their education.

One answer to this problem is to make state funding available to students for short-term non-degree Adult Development Education. In addition, the state could fund the community colleges for providing these ADE courses so that the community colleges do not need to support these functions from existing tuition, fees and other outside resources.

In addition, the state should require that community colleges track the progress of students who take ADE courses. Currently, they are not required to do so. And, as an inducement to keep these data, community colleges should receive state rewards for positive performance in remedial education courses.

There are three additional measures that the state should require of community colleges:

- (1) An assessment of the performance of the community colleges in placing students in high wage jobs.
- (2) An assessment of the performance of community colleges in placing low income-student graduates in high wage jobs.
- (3) An assessment of the performance of community colleges based on the percentage of low-income students successfully completing a program of study.

#### Workforce Investment Act (WIA), Temporary Assistance for Needy Families (TANF) and Adult Education and Literacy

Both WIA and TANF are federally funded programs administered by the state. Both programs offer opportunities for low-income adults to get education and skills training to assist them in obtaining and maintaining meaningful employment. Adult literacy is funded by the state. In all three areas, the state could improve policy and practice to better prepare low-income workers for jobs that pay more than the lowest level.

The Workforce Investment Act should be scrutinized and reformed in order to maximize its utility in New Mexico. Possible reforms include: using an alternate funding formula to allocate funds to areas with excess poverty; mandate that over 50% of fund be available for training; require local entities to provide funds for participants for support services such as childcare and transportation when those services are necessary for participants to complete training.

There are similar reforms to TANF policies that would encourage more education for TANF participants. One would be to allow a suspension of the time limit (TANF recipients are eligible for benefits for 60 months only unless the time limits is tolled through state action) or an extension of the time limit for education/ training programs. Another would be to provide a state match for Individual Development Accounts (IDAs) opened by TANF participants. And IDA is a savings account where deposits by the account holder are matched dollar-for-dollar or more. The savings accounts are usable for limited purposes, including starting a business, education and to purchase a home. Having an IDA opened when a TANF participant starts the training program would encourage savings and provide some funds for continued education when the TANF benefits expire.

Nationally, the amount allocated for adults over 18 without a high school diploma or GED for adult education and literacy is \$59 per adult. New Mexico allocates \$21.20, even though there is a greater percentage of the population without a high school diploma. (*See*, Chapter III, *infra*, for US, New Mexico and surrounding state percentages of the population without a high school diploma). In addition, the state does not target any state funds to support adult education and literacy efforts targeted at employees in the workplace.

**Chapter VII**  
**Funding the Social Infrastructure:**  
**Tax Changes 2003-2005 Legislative Sessions**

The four legislative sessions held in calendar years 2003 through 2005, including a special session in October 2003, made several important changes to the New Mexico tax structure. These changes worsened the incipient structural deficit that is emerging between revenues and expenditures in state government finances. The long-term projection is that the state will have fewer revenues from tax collections than it needs to spend for normal and recurring state expenditures (both the physical and social infrastructures). High oil and gas prices have obscured this problem in the last two years. Oil and gas revenues, not generally counted on by economists as continuing because of the volatility of oil and gas prices, have muddied the picture. The public is confused by assertions that the state needs to be cautious, and reports of great revenues that seemingly can support a myriad of public expenditures, including massive personal income tax cuts. Still, the same analysis that applies to other public expenditure for the physical and social infrastructure can and should be applied to tax expenditures in the form of tax cuts. Each kind of tax cut is different, but the largest tax cut in the last years has been the 2003 personal income tax cut that, when fully phased in, will cost the state \$360 million annually in revenue.

**Social and Economic Returns of Cutting Personal Income Taxes**

	<b>Private</b>	<b>Public</b>
<b>Economic</b>	Personal income tax cuts favored high income filers who will see \$13,000/household	Large losses to the general fund and the state's ability to fund the physical and social infrastructure; if there is a "trickle down" of income invested the state should see economic development
<b>Social</b>	High income filers will have more disposable income; some income will be lost to higher federal taxes; some will be invested to the benefit of the individual households	Without economic development, state physical and social infrastructures suffer; with economic development, the state prospers

The key to the logic analysis is whether or not the personal income tax cut will result in economic stimulus. Clearly, a small percentage of the private sector will be more prosperous because of personal income tax cuts – especially the top 1% who will receive the lion's share of the benefits. They will see both economic and social benefits from the personal income tax cuts. The issue is whether or not the public return is worth the investment.

So far, there is no evidence that the personal income tax cuts have resulted in economic growth for the state, either measured by more jobs than would have been

predicted, or in growth to personal income.<sup>19</sup> In fact, the likely job loss in reduced state spending because of reduced state revenues (when the oil and gas windfall evaporates) will out-pace any job growth caused by increased spending by wealthy New Mexicans.<sup>20</sup> Applying the logic used to evaluate the public's return on investment for the physical and social infrastructure leads to the conclusion that tax expenditure in the form of personal income tax cuts would not meet the sustainability test. The public cost far outweighs the returns.

There are many additional changes, besides the personal income tax cut, to the state's tax code. These changes are discussed extensively in the Post Session Fiscal Review documents prepared after each legislative session by the Legislative Finance Committee, and so only a summary of the tax changes that affected the state's revenue picture will be presented in this report. It is important to describe these changes, however, because the tax changes implemented in the 2003 through 2005 legislatures, affect the state's ability to maintain the educational and health infrastructure. Compromising the state's ability to invest in these foundational efforts will short-change the state's ability to move forward in years to come. Without a strong social infrastructure as a foundation, New Mexico will ever be doomed to continuing poverty.

In the last three years, tax legislation with the largest fiscal impact included the personal income and capital gains tax cuts enacted in 2003 (maximum of \$360.3 million) and the gross receipts tax cuts enacted in 2004 (maximum impact of \$144.8 million). Additional personal income tax cuts enacted in the 2005 session provided an additional exemption for some low and middle income taxpayers and collapsed the head of household and married filing jointly tax tables. The maximum cost of the 2005 personal income tax cuts is expected to be about \$19 million.

One other significant tax provision passed by the 2005 legislature provides a credit against the Combined Reporting System taxes for so-called pyramiding – taxation of services in which the succeeding sale of the services is not taxed. Previously, New Mexico had considered the taxation of succeeding sale of services a cost of doing business in New Mexico and accepted as a corollary of having a very broad tax base and a fairly low tax rate. The erosion of this principle in the last legislative session is of significant concern. It could be the opening to further reduction in “pyramiding” which, in combination with the other tax changes in recent sessions, would dramatically undermine the state's ability to shift the resources allocated for the social infrastructure in a way that protects the future of the state.

There were also significant tax increases enacted in the legislative session between 2003 and 2005. The deduction of receipts from food and health practitioners was largely sterilized by the repeal of the municipal gross receipts tax credit. This action effectively raised the gross receipts tax in all municipalities by half a percentage point,

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<sup>19</sup> See: *Personal Income Tax Cuts Do Not Equal Economic Growth*, [www.nmvoices.org/fiscalpolicy.htm](http://www.nmvoices.org/fiscalpolicy.htm)

<sup>20</sup> See: *Who's Minding the Store? New Mexico Income Tax Cut: Poor Performance, Wrong Choice*, [www.nmvoices.org/attachments/whos\\_minding\\_store\\_abridged.pdf](http://www.nmvoices.org/attachments/whos_minding_store_abridged.pdf)

making up for the loss in revenues from food and health care receipts. In the last days of the 2005 legislative session' tax bill morphed into a cornucopia of small but significant special interest tax cuts.

Two other significant taxes affecting health care were passed in the 2004 legislative session. These two actions: one was a tax on nursing home beds estimated to raise revenues of almost \$20 million and the other was a tax on insurance premiums that was estimated to raise about \$50 million in 2005. In order to accommodate the new personal income tax reductions in 2005, the rate reduction for the personal income tax passed in 2003 was partially delayed for one year.

On a net basis the actions taken by the state legislature reduced general fund revenues by about \$38 million in fiscal year 2006, an amount that rises steadily to \$247 million in fiscal 2009. A bill introduced in the 2005 legislature that attempted to roll back all law changes that had introduced tax increases, while leaving the law changes that enacted all tax cuts in place, was defeated. The fiscal impact of this legislation was estimated to be about \$270 million, but the correct estimate would show that losses due to tax cuts would be about \$500 million if all tax increases were repealed. The state, with a total general fund budget of about \$4.5 billion, would be hard-pressed to absorb that much in tax cuts without significantly hampering its ability to fund education and healthcare at current levels. Making the pro-active changes recommended in this report will be difficult because recent tax changes have reduced that state's long term revenue picture. Further tax changes that reduce revenue will make essential reforms that are necessary to future economic growth almost impossible. Tax changes from 2003 – 2005 are captured in Table 34.

**Table 34**  
**Impact of Tax Changes 2003-2005 – General Fund (thousands of dollars)**

Impact in Year	FY 2005	FY 2006	FY 2007	FY 2008	FY2009
<b>Tax Reductions – General Fund</b>					
2003 PIT Cuts	(\$83,000)	(\$167,200)	(\$275,200)	(\$360,300)	(\$360,300)
2004 Food GRT Deductions	(52,700)	(107,000)	(107,000)	(107,000)	(\$107,000)
2004 Health Practitioner	(17,700)	(37,800)	(37,800)	(37,800)	(37,800)
Head of Household - 2005		(1,100)	(2,200)	(2,000)	(2,000)
Personal Exemption - 2005		(8,250)	(16,500)	(16,700)	(16,900)
Medical Expense Exemption		(385)	(400)	(420)	(450)
GRT Deduction for Services 'Pyramiding'		(3,100)	(3,225)	(3,418)	(3,589)
Rural Jobs Tax Credit		(75)	(225)	(236)	(248)
Aircraft maintenance GRT		(700)	(1,470)	(1,544)	(1,621)
Small Technology GRT		(1,500)	(2,200)	(2,420)	(2,662)
Film Production Credit		(250)	(263)	(276)	(289)
Low Income Housing Credit		(87)	(200)	(1,740)	(3,050)
GRT Holiday		(2,100)	(2,200)	(2,320)	(2,430)
<b>Total Reductions</b>	<b>(135,700)</b>	<b>(291,747)</b>	<b>(411,083)</b>	<b>(498,374)</b>	<b>(500,539)</b>
<b>Tax Increases - General Fund</b>					
Municipal Tax Credit	67,700	147,000	147,000	147,000	147,000
Bed Tax	19,500	19,500	19,500	19,500	19,500
Weight Distance	2,000	2,000	2,000	2,000	2,000
Cigarette Tax	33,500	33,500	33,500	33,500	33,500
Premium Tax	51,500	51,500	51,500	51,500	51,500
Delay 2003 PIT Rate Relief	32,500	32,500	60,500	28,000	---
<b>Total Tax Increases</b>	<b>174,200</b>	<b>253,500</b>	<b>253,500</b>	<b>253,500</b>	<b>253,500</b>
<b>Net 2003-2005 Tax Changes</b>	<b>38,500</b>	<b>(38,247)</b>	<b>(157,583)</b>	<b>(244,874)</b>	<b>(247,039)</b>
Source: 2004 Post Session Review, 2004, 2005 Session LFC Firs 2004 Post Session Review for PIT, Capital Gains 2004 Session - FIR for HB 625/sHFI 2005 Session - FIR for SB50					

## **Chapter VIII** **Long –Term, Short-Term Economic Development Efforts** **And How to Finance Them**

Long term, the state must revamp its social infrastructure. This means adding substantial investments for quality early care and education and examining primary and secondary education to determine why the current outcomes do not match the state's relatively high investment. We do not advocate here for fewer primary, secondary or tertiary investments. Instead, we believe that capitalizing on current non-recurring revenues from high oil and gas prices could finance a new direction for the state.

For the last two years, New Mexico has enjoyed unprecedented oil and gas revenues caused by higher-than-expected oil and gas prices. Wisely, the state has not factored these increases into its forecasts for future recurring revenues. Oil and gas are volatile commodities, and New Mexico's share of the world market is too small to dictate prices. So, at some point, if oil and gas prices come down as they have always done in the past, the state will be better served by being conservative, i.e., not financing future recurring education, public safety, healthcare and other state government expenses based on the current inflated market.

On the other hand, huge, one time non-recurring funds could be captured to finance the state's long-term economic future. During the 2004-2005 New Mexico had more than \$500 million in "capital outlay" – the amount of money allocated to each legislator to spend on capital improvements, such as parks, community centers, etc., in his/her legislative district. This enormous windfall was caused by high oil and gas prices. For every \$0.10 increase in gas prices the state realizes a \$24 million increase in revenue.

Clearly, legislators have a self- interest in providing money to their constituent communities for capital projects. Through these efforts, they return something tangible to the community that might not have existed but for the capital outlay efforts: schools get playground equipment, senior citizens get a senior center, neighborhood parks are built.

But these piece-meal expenditures of capital outlay rob citizens of more meaningful reform. The \$500 million in capital outlay from last year, coupled with a likely amount this year, could have created a \$1 billion dollar permanent fund for investing in quality early care and education, without the need to transfer money from other essential state services. A conservative 5% return on this investment would mean \$50 million annually for quality early care.

New Mexico can start this year to create a permanent fund for the future, intended to provide the base funding for quality early care and education. A reasonable expectation is that doing so will result in savings that the state will be able to see

within 10 years in greatly improved 4<sup>th</sup> grade math and reading scores, reductions in the need for special education and other positive social outcomes.

This change to business-as-usual in New Mexico will not be without difficulty. For the minority party, capital outlay is often the only demonstration of a legislator's success in Santa Fe. The same can be said for junior legislators of both parties. In order to make it possible to create a promise for New Mexico's future, legislators in both political parties will have to agree to a higher purpose for the state, at least for the next year and perhaps the year after, to capitalize on the windfall from oil and gas and to leave behind a collective legacy that transcends political differences.

The reform of health care is perhaps even more challenging. Deciding that New Mexico will be the first state to provide universal health care is a bold and dramatic step. It could catapult the state to economic security – after a hard and difficult process – like no other social reform. It would benefit business and individuals alike, but it would be a painful process. Yet, other states with larger and more complicated systems are considering such a change. New Mexico does have one advantage: its small population and relatively simple health care system. We can find viable, comparable in models in Canada and other countries. Having a greater percentage of business that is small business is also an advantage. It is possible to provide universal health care coverage to the entire population of New Mexico at the same cost of the current system. It is possible to contract with the federal government for coverage of current Medicaid, Medicare, veterans and federal retiree populations, and to continue private pay at the current level. Such a system would stabilize the rising costs of health care, and provide an added incentive for new businesses to locate here.

### **Bridging the Gap**

Timothy Bartik discusses the Minnesota Employment and Economic Development (MEED) project extensively in his book [Jobs for the Poor: Can Labor Demand Policies Help?](#) Bartik makes a strong case in this book that labor supply programs such as education and job training are inadequate by themselves to improve employment outcomes for low wage unemployed workers. Both labor supply and labor demand policies are necessary for improvements at the low end of the labor market. Clearly, in the short term, investing in labor demand would help the economy improve, and could benefit NM's small business community.

Bartik's view is that the MEED program furnishes a useful prototype of a demand driven labor market program that is most likely to improve the lot of workers at the low end of the labor market. The Minnesota MEED program existed from 1983 to 1989.

MEED had several important overall characteristics:

- 1.) MEED provided a wage subsidy for up to six months for employers hiring unemployed workers for newly created jobs. Those eligible could not be receiving Unemployment Insurance benefits.
- 2.) Initially, 60% of the placements were in the public, but later in the course of the program, three quarters were in the private sector.
- 3.) Private sector employers were required to retain subsidized workers for at least one year after the subsidy expired. If the subsidized worker was not retained, the employer was required to hire another qualified worker or repay part of the subsidy.
- 4.) Workers and employers were recruited and selected by local Job Training Partnership (JTPA) agencies.
- 5.) Priority for participation was discretionary by the administering agency and priority was placed on employers that were non-retail small businesses and businesses that exported good outside Minnesota.
- 6.) Priority for worker participation was placed on unemployed workers receiving public assistance.

The magnitude of the subsidies provided by the MEED program was significant:

- 1.) MEED provided a \$4 per hour subsidy for wages and \$1 per hour in subsidy for benefits. These amounts would be equivalent to \$6.55 per hour for wages and \$1.64 per hour for benefits in 1998 wages.
- 2.) The actual wage paid averaged about \$1 more than the subsidized wage so the average wage subsidy exceeded 80%.

The scale of the program in Minnesota was also significant:

- 1.) At its peak, the MEED program spent about \$50 million per year and subsidized about 9,000 new job slots and had 10,700 participants.
- 2.) A national program of the same scale relative to population would spend \$5.1 billion per year in 1998 dollars and be associated with 0.591 million new job slots and have 703,000 participants.

The dire economic picture in New Mexico argues for the state to invest in education and healthcare, and at the same time to explore options that will create jobs that employ New Mexicans at decent wages, and support existing businesses. Current economic development efforts have failed to attract out-of-state business, and at the same time, the incentives and tax inducements are not available to local business. Supporting local business, especially those who export goods out-of-state, would have a double economic impact by creating much needed jobs, which would reduce reliance on state assistance and at the same time, stimulate the economy with new, out-of-state dollars when the goods are purchased elsewhere.