

# HOW THE FEDERAL GOVERNMENT'S COVID-19 RESPONSE IMPACTS NEW MEXICO



## THE HEROES ACT



### BY THE NUMBERS:

The COVID-19 pandemic and resulting recession are wreaking havoc on New Mexico; the state is facing a massive revenue shortfall, which will significantly affect its budget and its ability to provide crucial services. Federal funding is needed to help the state, along with the local governments within it, in ensuring that health care, education, first responders, and other services continue uninterrupted. The picture is already bleak:

- Between February and May, **5,500** public-sector workers were laid off in New Mexico.<sup>1</sup>
- In May, New Mexico had an unemployment rate of **9.2%**<sup>2</sup>, one of the highest rates ever recorded, with roughly **40,000**<sup>3</sup> more residents out of work compared to February.
- Between early March and early July, approximately **180,000** New Mexicans had filed unemployment insurance claims.<sup>4</sup>

Without further federal aid to state and local governments, high unemployment rates are expected to continue well into 2021,<sup>5</sup> further harming the state's families, businesses, and economy.

- New Mexico is projected to lose **35,300** private and public jobs by the end of 2021.<sup>6</sup>
- New Mexico could lose roughly **15,300** education jobs by the end of FY 2022.<sup>7</sup>
- It's projected that Medicaid caseloads could increase by as much as **118,000**, or **16.9%**, through FY 2021<sup>8</sup> – a massive and unprecedented spike.

### WHAT'S INCLUDED:



The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, which passed the House of Representatives with bipartisan support on May 15, includes provisions that would help New Mexico avoid additional layoffs and devastating cuts to services. Specifically, it would:

- Allocate \$4.5 billion to New Mexico and \$1.9 billion to its cities and counties over the span of two years,<sup>9</sup> which would save thousands of jobs, and help maintain the uninterrupted delivery of public services like health care, first responders, and safe drinking water.
- Increase the match in federal dollars that New Mexico receives to fund Medicaid, providing an additional \$1 billion over an 18-month period.<sup>10</sup>
- Provide \$669 million for education, including \$435 million for public K-12 schools and \$201 million to public colleges and universities,<sup>11</sup> which would save 6,600 jobs supporting K-12 education and 1,000 supporting higher education.<sup>12</sup> This funding would help strengthen distance learning and teaching strategies to keep students and teachers healthy.



# WHAT'S NEXT:

It is likely that both the pandemic and the recession it caused are far from over. To help ease the financial pressures that states and localities are facing, it is imperative that the federal government pass the HEROES Act to:

- Allocate at least \$915 billion in direct grants to states, localities, tribes, and territories.<sup>13</sup>
- Increase the federal Medicaid match by at least 14 percentage points until June 30, 2021.<sup>14</sup>
- Provide at least \$90 billion to the Education State Stabilization Fund to support both public schools and public colleges and universities.<sup>15</sup>

It's becoming increasingly clear that states and localities are at the forefront of combating the pandemic and its economic fallout. From keeping students enrolled in remote learning programs to equipping community health centers with the protective gear needed to safely treat COVID-19 patients, state and local involvement can be seen and felt everywhere. But states can't do it alone and as revenue shortfalls continue, states will be tempted to enact increasingly stingier budgets that imperil our schools, hospitals, roads, and more.

Studies<sup>16</sup> on the Great Recession have found that states that chose to deal with severe budget constraints with austerity dampened their long-term gross domestic product (GDP), prolonged their spells of high unemployment, and extended their recessions. We must not repeat the past.

New Mexico desperately needs help to cover those who are unemployed due to the pandemic and to offset extra Medicaid costs related to COVID-19. Without proper funding, the state will be unable to keep families healthy or provide life-saving care to those who are ill. That puts the quality of life for all in jeopardy.



## Endnotes

1 Economic News Release, Table 3. Employees on nonfarm payrolls by state and selected industry sector, seasonally adjusted, US Bureau of Labor Statistics (US BLS), June 19, 2020

2 Economic News Release, Table 1. Civilian labor force and unemployment by state and selected area, seasonally adjusted, US BLS, June 19, 2020

3 Economic News Release, Table 3, US BLS, June 19, 2020

4 UI Weekly Claims: Latest News Release, Office of Unemployment Insurance, U.S. Department of Labor, May 1, 2020

5 "The world economy on a tightrope," OECD Economic Outlook, Organisation for Economic Co-operation and Development, June 2020

6 "Without federal aid to state and local governments, 5.3 million workers will likely lose their jobs by the end of 2021," Economic Policy Institute, June 10, 2020

7 "Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act" fact sheet, National Education Association (NEA), June 6, 2020

8 "How the COVID-19 Recession Could Affect Health Insurance Coverage" report, Urban Institute, May 4, 2020

9 "The Heroes Act" fact sheet, Speaker of the House Nancy Pelosi, U.S. House of Representatives

10 "Pelosi Bill Includes Much-Needed Medicaid Funding for States," Center on Budget and Policy Priorities (CBPP), May 15, 2020

11 "Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act" fact sheet, NEA

12 "NEA warns COVID-19 could lead to loss of up to 2 million education jobs," NEA, June 12

13 "Federal Funding is Essential to Saving New Mexico's Public Services" fact sheet, CBPP, July 7, 2020

14 Ibid

15 Ibid

16 "What Have We Learned About Austerity Since the Great Recession?" report, Center for American Progress, May 30, 2014

