
To: New Mexico Economic Development Department
From: Lauren McNamara
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Subject: Improving Sustainable Economic Development in New Mexico

I. Introduction

It is recommended for New Mexico to initiate a clean energy transition to achieve better public schooling outcomes. Throughout time, the climate crisis continues to pose unprecedented challenges yet copious opportunities for the public to employ. New Mexico represents a compelling case for this, as it is one of the most climate-vulnerable states yet relies heavily on its major oil and gas industry. As a result, many public operations are suffering from the volatile nature of this funding mechanism, in particular their public schools. Many teachers have protested for years about changing the state’s revenue stream, however there is constant pushback from major corporations and other public figures regarding concerns to continue upholding a sufficient enough school budget without the heavy contributions of its carbon-heavy industry. This memo further analyzes the context leading to this challenge, a personalized recommendation, and additional details that are relevant to the discussion of this topic.

II. Background

a. New Mexico’s educational history

In 2019, New Mexico was ranked 50th in the United States for its K-12 education (“New Mexico Rankings and Facts”). Despite recent strides to invest more money and efforts into these public schools, the state continues to face many ongoing obstacles that continue to leave students behind. Most notably in 2018, this contention was furthermore confirmed by a state court that deemed the New Mexican education system in violation of its state constitution, deeming it failing to provide “an adequate, sufficient education to at-risk students – i.e., socioeconomically disadvantaged children, English learners, Native American students, and children with disabilities” (“Yazzie and Martinez”). According to the New Mexican Public Education Department, these students attain an average reading proficiency of 34%, math proficiency of 21%, and science proficiency of 40%; additionally, the average high school graduation rate is 73.9% in comparison to the 85.3% national average (“New Mexico Student Performance”).

b. New Mexico’s environmental policy history

New Mexico represents the second largest oil-producing state in the United States. As of 2021, the New Mexico Oil and Gas Association announced that over \$5.3 billion was raised for state and local revenue (Attanasio and Lee). This extractive industry is the largest contributor to the state’s GDP, accounting for 2.2% of overall growth and underlying the budget for public

goods such as education (Ladislaw and Hyland). Despite its dominant status in the fossil fuel industry, however, the demand for clean energy has risen as a result of worsening climate change and the need to stabilize its revenue source. The Governor of New Mexico, Michelle Lujan Grisham, has notably acknowledged this by committing to greater initiatives such as the 2015 Paris Agreement and the U.S. Climate Alliance. Within the state, she has also pledged to the Energy Transition Act (ETA) that calls for New Mexico to be 100% carbon neutral by 2045 (Righetti et al.). Many consider New Mexico to be an ideal candidate for a transition into renewable energy, granted its geographic makeup of high solar irradiance and great wind conditions. This is perceived in its wind and solar output having increased by threefold and five-fold over the past decade (Ladislaw and Hyland). Although there are many impending political and legal challenges to truly achieving a clean energy transition, New Mexico is in serious need of a monumental change.

III. Policy Recommendation

My policy recommendation for New Mexico to achieve economic development is to diversify its energy sector away from fossil fuels and into clean energy. Although this would not immediately include a totally phasing out of fossil fuels, it would be an introductory strategy for the state to undertake with a goal of further abatement in the future. As a result, institutions such as public schools will benefit from this transition because of their dependence on state funds for operation. Currently, the State Equalization Guarantee Distribution (SEG) is the main segment of the Public School Fund and accounts for 90% of the school districts' operational revenue. With the unpredictable and fluctuating nature of fossil fuels, public schools in New Mexico are extremely volatile to frequent shocks and behaviors from international markets (Wyland). Investing in cleaner energy is likely to stabilize public school funding while simultaneously promoting a sustainable economy – both environmentally and structurally.

Transforming the energy sector into a cleaner system will allow for innovation and creativity to flourish and revitalize the state's economy ("Oil & Gas Program"). Alongside the high potential renewable technologies in the state, there are also major prospects for increased revenue as well. According to a model done by the Natural Resources Defense Council (NRDC), a nonprofit international environmental advocacy group, obtaining a 50% renewable portfolio standard (RPS) could potentially create up to 8,830 new jobs in the clean energy sector and stimulate over \$4.6 billion of new investments within the state by 2030 (Long and Krishnaswami). Another study done by the official New Mexico Legislative Finance Committee estimates that clean energy could extend beyond \$11.2 billion in investments by 2032, securing over 10,000 new jobs ("New Mexico Legislative"). Many of these investments are generated by the prospects for new sustainable infrastructure and developments. Studies such as these indicate a positive outlook towards renewable potential, implying a likelihood for sufficient revenue and new opportunities for state workers.

Pattern Energy director of New Mexico Project Development furthermore commented that their company, one of New Mexico's main renewable energy developers, is likely to double its 10,000 megawatt capacity through its projects ("Oil & Gas Program"). Representing the fastest-growing energy source to date, the future for renewables depicts a necessity to fulfill both economic and social wellbeing. The business of fossil fuels is not a sustainable one, whereas the movement towards constructing a cleaner energy sector will continue to attract more businesses

and employees to the area (“Oil & Gas Program”). As soon as investments can be allocated to diversifying this sector, the sooner New Mexico and its constituents will begin to benefit from this economic development.

IV. Government’s Role

The role of the state government is in part to oversee risk management and promote social wellbeing. As a result, changing the landscape for cleaner energy production is much more likely to establish an environment that will fulfill these requirements. To initiate this transition, there is an urgent need for the government to end fossil fuel subsidies in the state. With such a large number of money directed towards fossil fuel production in the country, it makes this transition much more difficult to initiate. For instance, New Mexico Senator Martin Heinrich agreed to phasing out monetary support to oil and gas companies, expressing his concerns in achieving climate justice in the state (Hart). These subsidies are a negative carbon price and ultimate shift this cost onto marginalized residents instead, thus eliminating this incentive for fossil fuel production is more environmentally responsible and more equitable.

Furthermore, the state government should establish a subsidy program for renewables. Areas such as grant funding for clean energy producers should be promoted, since this funding would allow for the industry to achieve lower prices and create a competitive market for investors. All funds granted towards the actors in this industry would be directed towards solely clean energy production features such as biomass, geothermal, hydropower, wind, and solar technologies. They may be used on the installation, maintenance, or purchase of corresponding features. Developing these strategies is much more likely to incentivize consumers to participate in this market, as well as making it more accessible to a larger audience. In the context of New Mexico, there is already an existing Renewable Energy Production Tax Credit (REPTC) in place that has notably brought a plethora of new consumers to the economic development happening as a result of this credit; thus, expanding on this area in addition to funding producers in the form of grants would result in effective change. Implementing these efforts towards the increase of state funding towards renewable resources is particularly valuable in shifting public interest.

V. The Case of Washington State

In reference to New Mexico, other states in the United States have proven that a successful energy transition is possible. For instance, in 2019, the Washington State Legislature passed 11 bills from the Clean Energy Transformation Act (CETA) that completely reshaped how their energy section functioned. Consequently, the state has committed to carbon neutrality by 2030 and the complete elimination of carbon emissions from energy by 2045. This act officially committed Washington to a carbon-free energy supply by 2045 with the goal of bettering surrounding communities and overall public health (“Clean Energy”).

Today, approximately 90% of Washington State’s energy production derives from renewables. Additionally, the proportion of clean energy jobs within the construction sector rose to 25%, paying almost 11% more than the rest of the state’s median wage (“U.S. Energy”). It is evident to see tangible changes in the state’s carbon output comparing recent years to before CETA, anchoring Washington as one of the most energy-conscious states in the country.

Although the shock of COVID-19 has left some energy workers out of business, policymakers say that there is room for lots of job creation in clean energy for the future. Guiding these industries into following this clean pathway has led to the resurgence of Washington's economic recovery, and there is much more progress to be made. It is crucial for other states such as New Mexico to take models such as Washington into consideration when making policy changes. Especially since New Mexico has the geography to undertake the same scale of clean technology implementation, Washington serves as a strong example for the potential that other states can achieve.

VI. Equity

Although a large initiative to undertake, this transition into building a cleaner energy grid is becoming increasingly urgent as the effects of climate change worsen and target marginalized populations first. As one of the fastest warming and water-stressed states in the continental United States, it is the low-income and minority residents that are likely to be some of the ones who bear the harshest consequences ("Oil & Gas Program"). As mentioned previously, the rationale behind New Mexico's poor public education ranking comprises of these underlying issues of mass poverty, rural geography, minority disparities, and generational illiteracy that are typically found within these disempowered groups ("Development Department Empower & Encourage"). Although this is a prominent state with immense diversity, the severe underfunding in New Mexican public schools considerably hinders the ability to break patterns of oppression and expand development throughout the community.

Targeting funding and equity concerns within these public schools allows for future generations to attain their full potentials as participating citizens in the labor force in addition to promoting economic efficiency and consistency. By increasing state funding to K-12 programs, these students can experience higher quality education that leads them to producing more innovative and competitive work in their future years ("Development Department Empower & Encourage"). These efforts later transform into even greater societal contributions, where educated students make better decisions and have more monetary power to redistribute this money back into the local economy. Transitioning into a cleaner energy sector will allow low-income households to participate in better jobs and more opportunities. As per the Public School Finance Act, this diversified renewable stream will more directly impact these "at-risk" students in particular ("State of New Mexico").

VII. Conclusion

New Mexico holds a unique in its position as a mega-oil producer and climate-vulnerable state. Although many stakeholders have entertained the idea of a clean energy change for years, it is very controversial amongst the public because of its short versus long term impacts. Based on the recommendations mentioned in this memo, there are ways to mitigate this issue while working towards a sustainable environment and economy. The implications of these strategies prioritize the largest audience, mainly upcoming generations and vulnerable populations in particular. It is recommended that New Mexico undertake these policies for the best interests of its residents.

Citations

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The Associated Press News is a nonprofit media organization founded in 1846. It is one of the most trusted news resources in the world, promoting fast, accurate, and unbiased news at all hours. It is a reputable source used by a plethora of scholars and public figures alike.

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This report was prepared by the Legislative Education Study Committee, an official interim committee under the New Mexico Legislature.