

MINUTES
Legislative Finance Committee
Ruidoso, New Mexico
June 23 - 25, 2021

Wednesday, June 23

The following members and designees were present on Wednesday, June 23, 2021: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Javier Martinez, Nathan P. Small, Randal S. Crowder, Gail Armstrong, Candie Sweetser, Jack Chatfield, and Dayan Hochman-Vigil; and Senators Nancy Rodriguez, Steven P. Neville, Roberto “Bobby” J. Gonzales, Crystal R. Diamond, Stuart Ingle, Sia Correa Hemphill, and Pete Campos. Guest legislators: Representatives Phelps Anderson, Ambrose Castellano, Zachary J. Cook, Candy Spence Ezzell, Antonio Maestas, Larry R. Scott, and James Townsend.

Welcoming Remarks. Mayor Lynn Crawford thanked legislators for funding critical capital outlay projects in Ruidoso, including flood damage cleanup and restoration, bridge replacement, and village hall renovation. Recently, the village hired additional managers to oversee projects.

Mayor Crawford remarked on the need for tax reform and the shortage of workers and housing. Despite these challenges, Mayor Crawford said Ruidoso is ready to fully reopen July 1.

George Bickert, Ph.D., superintendent of Ruidoso Municipal Schools, commended legislators for passing legislation to ensure each school district’s and charter school’s FY22 SEG distribution is not less than its budgeted FY21 SEG distribution.

LFC Program Evaluation: State-Funded Water Projects. Cally Carswell and Janelle Taylor Garcia, Ph.D., both program evaluators, presented the report *State-Funded Water Projects*. Public investment in water infrastructure has made life as New Mexicans know it possible. Twenty years into a punishing drought, strategic investments in water infrastructure are a major reason Santa Fe has not placed moratoriums on new development for lack of water.

Proactive, ongoing investments are needed not only to continue providing basic services but also to allow New Mexico to grow, even as the state confronts a widening gap between water supply and demand. Unfortunately, many New Mexico communities are already behind the curve, with significant, as-yet-unfunded capital needs, looming or immediate threats to water supply or quality, and limited financial, technical, and administrative capacity to address water-related challenges, despite significant state support.

From FY16 to FY20, the state provided roughly \$876 million for water projects, mostly to local and tribal communities in the form of grants or low- or no-interest loans, and over the last decade New Mexico made proportionally more state grant and loan funding available for water projects than any other state.

The wide availability of state grants for water projects disincentivizes communities from seeking low-cost financing, limiting New Mexico’s ability to fully leverage federal and local dollars. Communities often seek grants before tapping local revenues or pursuing funding through the

state's federally backed revolving loans, which had \$125 million in uncommitted lending capacity in spring 2021.

The Water Trust Board, colonias infrastructure fund, and tribal infrastructure fund all use standards-based vetting systems to score and prioritize projects for funding, but projects funded with legislative capital outlay do not undergo any formal review process. Lack of planning prior to funding and piecemeal funding create risk that projects will not meet their intended purpose or will become plagued by long delays.

The state's water finance system is fragmented and lacks a consistent strategy or goal, with at least 10 programs across four state agencies plus the Legislature offering grants and loans for water projects. The siloed and uncoordinated system contributes to difficulties in accessing funding and tracking outcomes, leaving it unclear what taxpayers are getting for their money.

LFC staff recommend the Legislature

- Create an interagency water project review team to develop and implement a process for vetting water-related capital outlay funding requests using criteria, scoring projects, and providing the Legislature with prioritized recommendations for funding on an annual basis;
- Require agencies administering funds for water projects to standardize policies, scoring criteria, and funding prerequisites across state grant programs to the greatest extent possible; and
- Task the Environment Department, within the review team, with reporting to the Legislature annually on all water project requests and funding awards and working with LFC and Department of Finance and Administration staff to develop reporting that allows the state to track the outcomes of spending.

Water and wastewater infrastructure investments are integral to the public health and environmental protection mission of the Environment Department (NMED). Rebecca Roose, deputy director of NMED administration, said the agency agrees with LFC staff findings and is exploring policy changes and program innovations to increase the percentage of available federal funds for wastewater and stormwater projects going into New Mexico. As NMED considers the full suite of LFC staff recommendations, however, there is concern with timeline and resource implications. Ms. Roose explained placing additional duties on NMED operations without first building the capacity is setting the agency up to fail. The agency recommends a flexible timeline with milestones that drive forward progress with appropriate resources to ensure a quality, lasting outcome for the state.

Marquita Russel, chief executive officer of the New Mexico Finance Authority (NMFA), said the issues impacting New Mexico's finance system for water projects are complex. NMFA understands the need to develop an objective need-based vetting process for capital outlay funding requests but has concerns if all water project applications, particularly loan programs, go through a uniform funding process subject to legislative approval.

In response to Representative Crowder, Ms. Carswell said most larger cities in New Mexico have public water systems. Communities with private water systems may also apply for the federally backed loans for water projects but are subject to a higher interest rate.

In response to Representative Anderson, Ms. Carswell said the interagency water project review team should comprise the Indian Affairs Department, Office of the State Engineer, NMED, and NMFA. The team should also include capital outlay analysts from the Department of Finance and Administration and LFC.

In response to Chairwoman Lundstrom, NMED Deputy Director John Rhoderick said the Water Protection Division did not meet its FY21 target number of inspections conducted on facilities operating under a groundwater discharge permit due to the pandemic. The division was able to conduct some inspections virtually.

Developmental Disability Waiver Update. Scott Doan, interim director of the Department of Health (DOH) Developmental Disabilities Supports Division, said the mission of DOH is to effectively administer a system of person-centered community supports and services that promotes positive outcomes for all stakeholders with a primary focus on assisting individuals with developmental disabilities and their families to exercise their right to make choices, grow and contribute to their community.

Mr. Doan reported on New Mexico's four home- and community-based Medicaid waiver programs, administered by the Human Services Department (HSD) and operated by DOH. Every five years, the state must apply to the Centers for Medicare and Medicaid Services for federal approval to renew the programs.

The Developmental Disability Waiver program is currently serving 3,261 individuals at a per capita rate of \$94 thousand. The program's current term is scheduled to expire on June 30. Once renewed, DOH will implement updated service standards for the program.

The Mi Via Self-Directed Waiver program is currently serving 1,775 individuals at a per capita rate of \$67 thousand. The program provides residential services but not 24-hour supports. The program's term is scheduled to expire in 2025.

The Medically Fragile Waiver program is currently serving 275 individuals at a per capita rate of \$25 thousand. The program's term is scheduled to expire June 30.

The Supports Waiver program, implemented for the first time in 2020, was appropriated \$7 million to provide services to individuals on the DD Waiver waiting list. Of the 2,000 individuals notified, only 97 have accepted services. Available services include nonmedical transportation, respite care, and behavioral support consultations. To increase participation, Mr. Doan recommended enrollment fairs and contacting each person on the waiting list. There are currently 4,660 individuals on the wait list; the average wait is 13 years.

Highlighting key points in the LFC staff brief, Analyst Kelly Klundt said the state continues to dedicate increased resources to the DD Waiver program in an effort to reduce the waiting list. The standard federal Medicaid matching rate (FMAP) for the program will be 76.1 percent in FY22, or an additional \$448 million in federal revenues.

In spring of 2020, the federal Families First Coronavirus Response Act changed Medicaid benefits and temporarily increased FMAP by 6.2 percentage points. The DD Waiver program is receiving increased federal revenue from the enhanced FMAP, an estimated \$7 million per quarter, reducing general fund need. The enhanced FMAP is slated to end in December 2021 but could be continued by the federal government at 6.2 percent or changed to a lower rate to slowly scale down.

In addition to the enhanced FMAP, the federal American Rescue Plan Act (ARPA), contained a number of provisions designed to increase coverage, expand benefits, and adjust federal financing for state Medicaid programs. ARPA temporarily increased FMAP rates by 10 percent for Medicaid home- and community-based services (HCBS), including DD Waiver services, from April 1, 2021 to March 30, 2022.

Additional federal revenue for all eligible ARPA HCBS is estimated at \$500 million. The funding includes \$277 million that can be directed to the DD Waiver program.

The state must file an initial funding plan by July 12 to use the revenue and may refile quarterly to adjust the plan.

Senator Rodriguez expressed concern about the large number of individuals on the waiting list. Mr. Doan said current funding is providing 272 new slots a year, but about 350 individuals are applying for the services at the same time. Mr. Doan said the Supports Waiver program was implemented to help individuals while they wait to be approved for DD Waiver services.

Representative Armstrong asked why the Supports Waiver program has little participation. Mr. Doan said some individuals on the waiting list might think they will no longer be eligible for DD Waiver services if they accept Supports Waiver services. Another reason could be that some individuals are receiving services from other programs as they wait for DD Waiver approval.

Cybersecurity Plan and Broadband Funding Update. Secretary John Salazar said the Department of Information Technology (DoIT) contracted Deloitte to develop a broadband acceleration plan. The agency is using four main pillars in its approach to accelerate broadband in the state: governance, stakeholder engagement, funding, and infrastructure. Secretary Salazar said the newly established Connect New Mexico Council will provide leadership and focus and engage stakeholders across the state. State funding will be leveraged with federal dollars and a state-owned infrastructure build plan will be developed.

Secretary Salazar said DoIT conducted a comparative research study across seven states with attributes similar to New Mexico to identify best practices and inform broadband acceleration efforts. The agency used key benchmarks and guiding research questions to inform its study. Six key barriers were identified, which DoIT will address by

- Managing state grant requirements, applications, and awards,
- Managing grant program timelines and requirements,
- Establishing a dedicated broadband office,
- Using national-level maps,
- Verifying crowd-sourcing data with Internet service providers, third-party vendors, and the public,

- Empowering municipalities to take ownership of broadband construction and operation at the local level,
- Proposing legislation that clearly outlines the official processes and addresses regulatory or permitting goals to support standardized broadband adoption, and
- Strategizing broadband initiatives that supports economic development, telemedicine, and agriculture.

Secretary Salazar said New Mexico currently ranks 49th in Internet access, pricing, and average download speeds; however, new legislation, increased funding, and implementation of industry best practices position the state well for success in addressing its broadband issues. To fully meet New Mexico's broadband needs, between \$272 million and \$647 million more is needed. Secretary Salazar said DoIT is working to reduce the gap by maximizing state investments and pursuing federal and private dollars.

LFC Analyst Jessica Hitzman provided additional detail on broadband funding and initiatives. Ms. Hitzman said work by existing agencies may duplicate responsibilities outlined for the new Office of Broadband Access and Expansion. Coordination efforts across entities are needed to prevent duplication of work and ensure investments support connectivity statewide.

In response to Representative Hochman-Vigil, Secretary Salazar said Deloitte is expected to release its final report in September.

Chairwoman Lundstrom asked Secretary Salazar to follow up with Representatives Chatfield and Small on additional questions.

Oil and Gas Production Update. Bernadette Johnson, vice president of Market Intelligence at Enverus, reported on the current state of oil and gas markets and said increased crude prices are result of OPEC+ supply management and demand improvements. The Iran deal, however, presents a downside pricing risk.

Natural gas prices are currently averaging \$3 per 100 thousand British thermal units (MMBtu). Prices in the coming months will depend on production, summer weather, and liquefied natural gas exports.

Ms. Johnson said the New Mexico Delaware basin is well-positioned relative to price expectations and other U.S. basin economics.

Enverus Senior Associate Robyn Fiell detailed current economics of the Permian Basin.

Garrett Golding, business economist for the Federal Reserve Bank of Dallas (FRBD), said 25 percent of U.S. oil and gas production in FY20 came from federal and tribal lands. Majority of the onshore production from federal and tribal lands was from the New Mexico Delaware basin.

On January 20, the U.S. Department of Interior (DOI) paused all federal oil and gas permitting for 60 days, unless authorized by senior DOI officials. Mr. Golding said this included pipeline rights-of-way and routine permit modification. The pause excluded Native American lands. In late

March, field offices were re-granted authority to issue permits. Permit applications and approvals have since accelerated.

On January 27, an executive order indefinitely paused new federal oil and gas leasing pending completion of a comprehensive review and reconsideration of federal oil and gas permitting and leasing practices. Mr. Golding said public forums have been held and an initial report is expected soon. Last week, a federal judge issued a preliminary injunction blocking plans to pause future lease sales.

Mr. Golding said FRBD economists project oil and gas production in the Permian Basin to have steady growth through 2025 despite greater federal limits.

Adrienne Sandoval, director of the Energy, Minerals, and Natural Resources Department Oil Conservation Division, said older wells are typically vertical and produce less early in life but are proven to be more stable than newer wells, which have a steeper decline profile. Newer wells, however, have higher production volumes.

Ms. Sandoval talked about production behavior and reported 6,089 approved applications for permit to drill (APDs) on federal lands in New Mexico as of February. APDs are approved for two years with possibility for a two-year extension. On April 16, New Mexico had 70 rigs, up from 60 rigs three weeks prior. In January, the price of oil averaged \$50.35 per barrel (bbl), a decrease from the average price of \$56.42/bbl in January 2020.

Highlighting key points in the LFC staff brief, Chief Economist Dawn Iglesias said the New Mexico Tax Research Institute reports state and local government revenue attributable to the oil and gas industry totaled \$4.7 billion in FY20. Revenues from the industry's activity include production and ad valorem taxes, royalties and bonuses, income taxes, gross receipts and other sales taxes, and various permitting fees. The significant contributions in tax and royalty collections affect state and local general funds, bonding capacity, and distributions to the permanent funds. These revenues support education, healthcare and human services, and public safety funding across the state.

Ms. Iglesias said, considering the inherent volatility in oil markets and uncertainty on the timing of a future energy transition, New Mexico should prepare by implementing budget stabilization mechanisms, maintaining high reserves, and reducing budget reliance on oil and gas-related revenues.

In response to Senator Rodriguez, Ms. Iglesias said the current pause will not impact the 90 percent of leases already in place.

In response to Representative Townsend, Ms. Sandoval said a well that produces less than 20 barrels a day is considered to be a marginal well, and a well that produces less than 10 barrels a day is considered a stripper well. About 60 percent of the wells in New Mexico are marginal or stripper wells. The cost of plugging a well averages between \$35 thousand and \$38 thousand.

Thursday, June 24

The following members and designees were present on Thursday, June 24, 2021: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Javier Martinez, Nathan P. Small, Randal S. Crowder, Gail Armstrong, Candie Sweetser, Jack Chatfield, and Dayan Hochman-Vigil; and Senators Nancy Rodriguez, Steven P. Neville, Roberto “Bobby” J. Gonzales, Crystal R. Diamond, Stuart Ingle, Sia Correa Hemphill, and Pete Campos. Guest legislators: Representatives Phelps Anderson, Ambrose Castellano, Zachary J. Cook, Candy Spence Ezzell, Antonio Maestas, and James Townsend; and Senator Shannon D. Pinto.

Transportation Project Report. State Transportation Commissioner Bruce Ellis remarked on the dedication of Department of Transportation (NMDOT) staff.

Reporting on road conditions, Tamara Haas, director of NMDOT Asset Management and Planning Division, said the agency contracts with a consultant to assess pavement condition of New Mexico’s 15 thousand state highway lane miles. Charts in the presentation showed current pavement conditions by district. Overall, 80 percent of state highways in New Mexico are in good or fair condition and 20 percent are in poor condition. An additional \$125 million annually is needed to achieve overall conditional index targets for interstate, non-interstate national highway system (NHS) pavements, and non-NHS pavements.

Almost 96 percent of bridges in New Mexico are in good or fair condition. To achieve a condition rate of seven or greater on all bridges, \$90.4 million is needed annually for the next 10 years. An annual investment of \$41 million is needed to address interchanges and \$150 million to replace bridges in poor condition.

NMDOT Chief Engineer David Quintana said there are 13 shovel-ready road projects for FY21, costing \$180 million: six projects in district one, two projects in district two, three projects in district three, and two projects in district four. For FY22, eight road projects are expected to be shovel-ready, costing \$148 million. Mr. Quintana reported a road and bridge maintenance funding gap of \$281.2 million annually.

Mr. Quintana said an additional \$23.8 million is needed to improve rest areas.

Mallery Manzanares, interim director of NMDOT Administrative Services, said the agency reverted \$75 million in FY20 due to the pandemic.

NMDOT’s FY21 operating budget is \$1billion. The agency received \$91 million in federal CARES Act funds, of which \$8.6 million is designated for metropolitan planning organizations (MPOs). Additional financial detail was provided.

Pedro Rael, director of NMDOT Aviation Division, said Senate Bill 133 of the 2021 legislative session created a new aviation grant program to support air service in rural parts of the state. Specifically, the program offers eligible municipal and county governments funding to provide air service operators minimum revenue guarantees for new air service routes. Municipalities and counties must have a minimum population of 20 thousand people residing within a 50-mile radius of the airport. Also, recipients must establish a two-year or longer contract with air service

providers and airplanes cannot exceed a capacity of nine passengers. The program will reimburse 90 percent of costs for contracted for airports without any scheduled service up to a maximum \$1.75 million and 50 percent of costs for contracted for airports with scheduled air service up to a maximum of \$1.25 million.

Mr. Rael said the Legislature appropriated the program \$9 million, of which 10 percent may be used for infrastructure related to new air service. Twenty airports currently meet the technical qualifications, of which six have scheduled passenger air service. NMDOT expects the proposed program rules to be adopted in August and grants to be issued starting in December.

Charles Remke, director of NMDOT Intelligent Transportation Systems Bureau, said House Bill 270 of the 2021 legislative session amends the New Mexico's Motor Vehicle Code to include the authorization of testing autonomous vehicles on New Mexico roads. The new legislation allows platooning of such vehicles, as well as authorizes vehicles within a driver-assisted platoon to follow other connected vehicles closer than currently permitted, although each vehicle in the platoon would have to have human driver.

Mr. Remke said NMDOT is tasked with promulgating the rules for autonomous vehicles and is focused on encouraging the advancement and efficient implementation of autonomous vehicle testing in New Mexico that will not impede on maintaining a safe environment for public roadway users. The agency will be soliciting input from various stakeholders.

NMDOT's vacancy rate is currently 15 percent, which Secretary Mike Sandoval said the agency is working to lower; 390 positions are currently open. NMDOT is facing other challenges, including rising construction costs.

Providing an overview of FY21 general fund appropriations and bonding, Secretary Sandoval said the bond proceeds will primarily be spent on interstate improvement projects. A list of funded projects by district was provided.

Secretary Sandoval said about \$155 million in local transportation project funds are available in FY22.

In response to Vice Chairman Muñoz, Mr. Rael said the Aviation Division can assist Gallup with ensuring infrastructure development at the airport does not impact air ambulance services.

In response to Representative Chatfield, Secretary Sandoval said road construction costs per mile vary by the type of road. For example, a wider shoulder is required on interstates.

Representative Crowder requested NMDOT provide LFC a map of the proposed charging station network and list of airports that meet technical qualifications for aviation grant program participation. Information on current rest area projects was also requested.

Representative Martinez remarked on the need to build mass transit infrastructure.

Chairwoman Lundstrom asked LFC staff to include Representatives Small and Sweetser and Senators Hemphill and Diamond in scheduled discussions with NMDOT on border issues.

Local Capital Outlay. LFC Analyst Steve Olson said local capital outlay appropriations are important to communities, but funds often struggle to effectively and efficiently address health, water, and public safety issues. Large unspent appropriation balances indicate delays in critical capital investments, and significant incoming funds will exacerbate the spending bottleneck. With increasing construction costs, local entities may need to re-scope projects, use local funds to cover shortfalls, seek additional state support, or forgo projects altogether.

In April 2021, 1,953 outstanding local capital projects, appropriated between 2016 and 2020, had remaining balances, totaling \$543.8 million; the majority of projects were still in a pre-construction phase. This year, the Legislature appropriated an additional 1,034 local capital projects, totaling \$292.2 million. Of the appropriations, 3 percent is from the general fund and 97 percent is from STB proceeds.

Mr. Olson listed the common challenges and obstacles facing local capital projects:

- Capital appropriations stall when infrastructure capital improvement plans (ICIPs) are used as wish lists, funds are provided before project plans are in place, and funds are appropriated to projects not requested in ICIPs;
- Limited staff and turnover at both the state and local level hinder completing administrative tasks related to grant agreements, the procurement process, notices of obligations, and reimbursement requests;
- Many smaller entities struggle to obtain professional services for certain capital projects, such as water systems, that require significant design and engineering expertise;
- Cities and counties report delays in spending appropriations when serving as fiscal agents for nonprofit organizations and non-audit-compliant entities when an agreement is not in place before the appropriation;
- Capital projects do not advance if available funds cannot complete a functional phase; and
- Current labor and material shortages are driving up construction prices.

Roswell City Manager Joe Neeb said the current cost of all capital projects in the city's ICIP is \$400 million, of which the state provides \$3 million on average each year. Roswell expends about \$50 million in capital outlay annually.

Mr. Neeb talked about the issues facing local capital projects in Roswell and said the city is happy to serve as the fiscal agent for nonprofit organizations; however, challenges occur when nonprofits go directly to the legislators and the city learns after passage the city must serve as fiscal agent. Additional challenges exist when the nonprofit improvements requested are on city property due to the ongoing maintenance needs.

Mr. Neeb said services funded by the city's general fund, including police, fire, and parks, are the most difficult to fund because of the revenue growth caps on property and gross receipts taxes.

Sanjay Bhakta, chief financial officer for the city of Albuquerque, talked about capital project planning and capacity and said Albuquerque's ICIP is developed through a lengthy process that

includes hearings conducted with city departments to determine needs. Albuquerque has three grant administrators and general and technical staff to manage capital outlay.

Albuquerque Capital Implementation Program Official Mark Motsko said the city is working with nonprofit organizations to ensure the city is aware of their requests and prepared to serve as the fiscal agent. Some projects requested by nonprofits, however, continue to be authorized without the city's knowledge; those projects often violate the anti-donation clause.

Mr. Bhakta remarked on other issues impacting capital projects and recommended the Legislature consider policy changes to improve the state's capital outlay process.

Roosevelt County Manager Amber Hamilton talked about capital outlay requested by nonprofit organizations and said shifting the burden from nonprofits to local governments is unsustainable, explaining such projects create operational issues and tie up resources. Attempts to address the issues legislatively have been unsuccessful. Ms. Hamilton said nonprofits should be required to obtain preapproval of their requests by the local governing body.

Donnie Quintana, director of the Department of Finance and Administration (DFA) Local Government Division, said capital projects have higher probability of success when they follow a project management process of initiating, planning, executing, monitoring and controlling, and closing.

Mr. Quintana proposed a pilot program that builds state and local capacity to effectively manage capital projects in the state. If implemented, the pilot would comprise a select group of state agencies, municipalities, and counties and dedicated project management staff at the state and local level who are project management certified.

DFA Capital Outlay Bureau Chief Wesley Billingsley provided an overview of the capital outlay process and the bureau's functions.

Senator Rodriguez suggested increasing the administrative fee collected by fiscal agents of capital projects requested by nonprofits.

Racing Sunset Review. LFC Analyst Alison Nichols said the New Mexico Racing Commission (NMRC) is scheduled to terminate on July 1, 2021. Without extending the sunset date, the agency would have until July 1, 2022, to continue operations.

LFC staff recommend the Legislature extend the life of NMRC by five years, recognizing the need for continued regulation of horseracing in the state. While progress has been made in identifying violators, strengthening penalties, and bringing New Mexico's horseracing industry in line with national standards, more effort is needed to reduce the high number of racehorse fatalities; 112 racehorses died between 2018 and 2020. Building on NMRC's out-of-competition testing program could help reduce fatality rates at racetracks.

If the sunset date is extended, LFC staff recommend the Legislature add at least one public member to the commission and require the agency to address the lagging collection of fines.

Ms. Nichols said, with uncertainty around recently passed federal legislation on horseracing regulation and the lingering effects of Covid-19-related racing closures, NMRC is likely to face challenges in providing effective regulation that improves horseracing integrity in the state, necessitating a robust strategic plan to meet new and existing challenges in the industry.

NMRC Chairman Sam Bregman remarked on the abilities, focus, and hard work of commission members and staff and said New Mexico's horseracing industry is back in action after pandemic closures. Chairman Bregman reported increased purses, pari-mutuel wagering, and simulcasting at all racetracks in New Mexico.

Chairman Bregman talked about the economic impact of horseracing and said the industry generates about \$550 million in economic activity annually, according to a University of New Mexico study. The industry also supports over 8,000 jobs in the state.

NMRC Director Ismael "Izzy" Trejo provided an overview of agency operations, highlighting the success of the equine drug testing program. The number of out-of-competition tests conducted increased from 309 in 2017 to 819 in 2019. Mr. Trejo said NMRC recently received an award from the Association of Racing Commissioners International (ARCI) in recognition of exemplary service and contribution to horseracing integrity.

Despite successes, New Mexico's horseracing industry continues to face challenges. Mr. Trejo explained

- The state does not permit online and mobile wagering.
- NMRC does not have enough veterinarians.
- The Horseracing Integrity and Safety Act conflicts with existing state regulations and poses cost issues to implement.
- The state continues to grapple with bush tracks.

Mr. Trejo said NMRC considers it a privilege to regulate an industry that has such historical significance to citizens in the state, adding the welfare of horses is paramount. Mr. Trejo said NMRC works in the best interests of stakeholders and will continue to be progressive in its regulatory approach because it puts the welfare of horses in the forefront.

In response to Chairwoman Lundstrom, Mr. Trejo said NMRC is required to impose fines determined by ARCI, which are significant in cost and often cannot be afforded by violators. Mr. Trejo said NMRC is considering putting liens on properties and horses to collect fines. Chairwoman Lundstrom directed NMRC to provide LFC staff with regular updates on the progress of collecting penalty fees and inform LFC Staff of statutory changes that are needed.

In response to Representative Crowder, Mr. Trejo said NMRC has not been able to publish an annual report since 2018 because of a staff shortage.

Workforce Board Consolidation. Tracey Bryan, chairwoman of the Workforce Development Board (WDB), said a subcommittee was formed in 2020 to review workforce development initiatives in the state and provide recommendations for best practices. Providing an overview of the review, Ms. Bryan said the subcommittee identified best practices in other states, engaged with

the local workforce development boards, consulted with the U.S. Department of Labor, and evaluated performance metrics and funding allocation rules and regulations.

Yolanda Montoya-Cordova, deputy secretary of the Workforce Solutions Department (WSD), said the federal Workforce Innovation and Opportunity Act (WIOA), enacted in 2014, provides states funding to support workforce development. New Mexico's workforce development system, which received \$25 million in FY19, has lower participant rates than other similar states. Since 2014, the state has had little to no participant growth in WIOA programs. Reporting on current performance by region, Ms. Montoya-Cordova said three of the four local workforce development boards are failing to execute infrastructure funding agreements with partnering entities. Also, there are governance and spending issues among the boards, which WSD and WDB is working to address.

Ms. Montoya-Cordova said WSD and WDB are working with the boards to address issues by meeting regularly, providing technical assistance, and implementing intensive supports. According to a recent LFC policy report, transforming New Mexico's workforce development system from a four-region structure to a two-region structure – urban and rural – could result in administrative savings and improved communication of urban versus rural needs. Ms. Bryan presented a map of a proposed two-region structure and outlined next steps for transforming the system. WSD and WDB will

- Engage the County Commission Association to facilitate an orientation for county commissioners on the roles and responsibilities of chief elected officials,
- Consult with chief elected officials, local workforce development boards, and community stakeholders on the proposed two-region structure,
- Negotiate with chief elected officials to finalize potential regional designations, based on feedback and input,
- Publish recommendations for public input, and
- Work with chief elected officials to develop a comprehensive timeline for transition to present to the U.S. Department of Labor for review and approval.

Chairwoman Lundstrom expressed concern about designating all rural communities to one local workforce development board. Ms. Montoya-Cordova said WSD and WDB will be soliciting feedback and input before moving forward in formally proposing system changes. Even if supported by stakeholders and approved by the state, the currently proposed two-region map does meet the U.S. Department of Labor requirement of having designated regions composed of contiguous counties, so more research needs to be done before a new regional structure is formally proposed.

In response to Representative Anderson, Ms. Montoya-Cordova said designated regions cannot have divided counties, according to federal rule.

Forest Treatment and Wildfire Protection and Management. Laura McCarthy, director of the Energy, Minerals, and Natural Resources Department (EMNRD) State Forestry Division, said New Mexico is hotter and in severe drought. As result, the wildfire season is longer and has more extreme behavior, raising health, safety, property, and water concerns and impacting the tourism industry. In 2020, New Mexico had 504 wildfires, which burned over 46 thousand acres.

Reporting on New Mexico's wildfire management strategies and response capabilities, Ms. McCarthy said EMNRD developed a 10-year forest action plan based on expert and stakeholder engagement and climate change modeling. The plan focuses on protecting communities, water source areas, wildlife, fish, and plants. EMNRD's strategies include restoring forests and watersheds, stewarding private lands, maintaining utility rights-of-way, and reforesting burned areas. To track progress, the agency will report additional performance measures starting in FY22. New Mexico's wildfire fighting resources include state type two initial attack crews, type six wildland fire engines, inmate work camp state type two initial attack crews, and municipal, county, and volunteer fire departments.

Ms. McCarthy provided a brief overview of current projects and other activity, including status of implementing the Prescribed Burning Act.

Senator Gonzales recommended the state explore the innovative and sophisticated ways some countries are using to combat wildfires.

In response to Representative Anderson, Ms. McCarthy said EMNRD is statutorily tasked with protecting endangered plants.

Agriculture and Commodity Industry Issues. Jeff Witte, secretary of the New Mexico Department of Agriculture (NMDA), said the economic impact of New Mexico's agriculture industry was valued at \$3.4 billion in 2019. Agriculture and food processing accounted for about 13 percent of the state's gross domestic product and supported almost 60 thousand jobs. New Mexico's top agriculture commodities are milk, calves and cattle, pecans, hay, onions, and chile.

Tiffany Rivera, government affairs director for the New Mexico Farm and Livestock Bureau, said producers continue to pursue sustainable and innovative practices. The chile industry is producing more chile per plant per acre because of improved seed genetics. Dairy producers are doing more with less and pledge to be carbon net zero by 2050. Also, dairies recycle water to water crops that feed their cows. Ranchers "upcycle" forage on harsh terrain into nutrient rich protein. Since 1960, U.S. cattle producers have reduced their carbon footprint by 40 percent while producing 66 percent more beef.

Ms. Rivera talked about conservation efforts and said the state's farmers and ranchers are stewards of the land and our natural resources. Producers work in close collaboration with the state's 47 soil and water conservation districts, which leverage both state and federal dollars to improve landscapes and watersheds. Also, producers work to slow soil erosion, increase forage, remove invasive species, and increase plant diversity, benefiting wildlife and pollinators

Ms. Rivera said New Mexico has an opportunity to build the next generation of farmers and ranchers by supporting programs, like Future Farmers of America and 4-H, and establishing public education curriculum on food production. The state could also facilitate stronger connections between producers and consumers and support agritourism.

While strong, the industry is not without its challenges. Ms. Rivera said farmers and ranchers face persistent drought and struggle to provide an affordable crop for a growing population while

earning a fair income for their risk. Price and labor volatility and cost prohibitive and burdensome legislation also pose challenges. To support the industry, Ms. Rivera recommended the state

- Invest more in the industry, specifically the value-added sector;
- Protect the valuable resources and practices that producers use;
- Fully fund supporting agencies; and
- Increase state and federal emphasis and prioritization of watershed and natural resource management.

Representative Sweetser observed the trend of farmers transitioning to less labor intensive crops is decreasing the number of chile growers in the state.

Chairwoman Lundstrom requested cost information on supplying public school lunch programs with New Mexico grown foods.

Miscellaneous Business.

Action Items. Senator Campos moved to adopt the LFC May 2021 meeting minutes, seconded by Representative Armstrong. The motion carried.

Representative Sweetser moved to adopt the LFC contracts, seconded by Representative Small. The motion carried.

Review of Monthly Financial Reports and Information Items. David Abbey, director of LFC, briefed the committee on information items.

Friday, June 25

The following members and designees were present on Friday, June 25, 2021: Chairwoman Patricia A. Lundstrom; Representatives Nathan P. Small, Randal S. Crowder, Gail Armstrong, Candie Sweetser, Jack Chatfield, and Dayan Hochman-Vigil; and Senators Nancy Rodriguez, Steven P. Neville, Roberto “Bobby” J. Gonzales, Crystal R. Diamond, Sia Correa Hemphill, and Pete Campos. Guest legislators: Representatives Phelps Anderson and Candy Spence Ezzell; and Senator Shannon D. Pinto.

Overview of State Historical Sites and Museums. Debra Garcia y Griego, secretary of the Department of Cultural Affairs (DCA), provided a brief overview of the DCA programs and said museum and historic site attendance is returning to pre-pandemic levels. Secretary Garcia y Griego acknowledged various foundation and friends groups that help generate revenue for museums and historic sites and play a vital role in managing activities outside the expertise of agency staff, like concessions and gift shop services. Secretary Garcia y Griego updated the committee on capital outlay investments, reporting 91 percent of appropriations is expended. Patrick Moore, director of the Historic Sites Division, talked about the state’s eight historic sites, emphasizing how surrounding community businesses rely on the sites to generate revenue.

Senator Rodriguez asked if pandemic closures impacted fundraising efforts. Secretary Garcia y Griego said 2020 was a low fundraising year; the agency received about \$1.5 million in fundraising dollars.

In response to Chairwoman Lundstrom, Secretary Garcia y Griego said Fort Stanton staff have been working diligently to renovate the exhibit site, which should be open soon. DCA is focused on opening up the old hospital, renovating the water system, and formulating how the complex story of Fort Stanton is best told.

Tourism Marketing Plan. Jen Schroer, secretary of the Tourism Department, said eight in 10 Americans say they are ready to resume traveling. Polls show travelers favor domestic destinations over traveling abroad, good news for New Mexico. The secretary reported decreased occupancy and room rates at hotels in the state.

Secretary Schroer said New Mexico advertisements resumed soon after restrictions were lifted to encourage travelers to return to New Mexico. The agency uses data-driven models to determine key markets. Secretary Schroer talked about the co-op marketing and advertising program, which will provide either a 2:1 or 1:1 match for local marketing campaigns depending on how hard the community's tourism economy was hit during the public health emergency.

Secretary Schroer said current federal and state unemployment supports and childcare costs are impacting New Mexico's available workforce.

In response to Representative Sweetser, Secretary Schroer said most California markets, like San Francisco, are expensive for the state to advertise in; however, the recent \$7 million special appropriation provides enough funding to enter the Los Angeles market.

Representative Ezell said advertisements on eastern New Mexico destinations are fewer than the number of advertisements on Santa Fe and Albuquerque.

Representative Anderson said the 1:1 match to some local communities could lead to contention and encouraged the agency to consider a 2:1 match and 3:1 match instead.

Chairwoman Lundstrom remarked on the state's workforce issues and encouraged the agency to develop solutions.

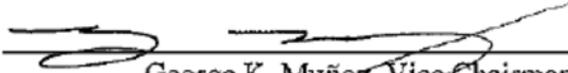
Chairwoman Lundstrom asked Representative Gail Armstrong and Senator Rodriguez to form a workgroup, with the help of LFC staff, to address the child care rate issues.

Members were invited to tour the historic site.

With no further business, the meeting adjourned at 10:30 a.m.



Patricia A. Lundstrom, Chairwoman



George K. Muñoz, Vice Chairman