LFC Meeting Minutes
June 24-26, 2025
Taos, NM

Tuesday, June 24 *(click here for webcast)*
The following members and designees were present on Tuesday, June 24, 2025: Chairman Nathan P. Small; Vice Chairman George K. Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Derrick J. Lente, Joseph Sanchez, Harlan Vincent, Rebecca Dow, and Susan K. Herrera; and Senators Benny Shendo, Jr., Roberto "Bobby" J. Gonzales, Pat Woods, Nicole Tobiassen, Linda M. Trujillo, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Kristina Ortez, Mark Duncan, Tara L. Lujan, and Charlotte Little and Senators Craig W. Brandt and Michael Padilla.

Welcoming Remarks *(8:42 AM, click here for meeting materials)* Edwin Concha, governor at Taos Pueblo, welcomed LFC to Taos and discussing critical state issues that impact tribal communities across New Mexico.

Tribal Secretary Jeremy Lujan addressed the committee speaking about major economic development efforts and future opportunities that economic development will bring to the pueblo. Secretary Lujan also spoke about the pueblo's need for capital outlay, tribal education, wildfire suppression, and pueblo water rights.

Taos Mayor Pascualito Maestas addressed the committee noting the completion of the construction on the roads in Taos, affordable flights from Taos to Denver International Airport, and plans to create pathways to homeownership.

Mary Gutierrez, University of New Mexico chancellor, welcomed the committee and spoke about the history of UNM-Taos and its new facilities.

Water Research and Economic Development Using Green Hydrogen *(9:49 AM, click here for meeting materials)* John Ortega, mayor of Questa, provided an update on Questa's transition from a mining town to a hub for green hydrogen energy. Questa was home to a mine operated by Chevron for 98 years until its closure in 2014, which resulted in the loss of 300 jobs and significantly impacted the broader northern New Mexico region. Chevron and the federal government have since signed an agreement that states they will restore the land as close to what it was traditionally used over the next 30 years. The green hydrogen project has already undergone a feasibility study and economic analysis, and Questa is requesting $50 million in funding to complete the solar component. The project is expected to generate long-term, high-paying jobs, provide stable revenue for the village, and fund essential services like firefighters, police officers, and public works staff. Mayor Ortega emphasized that this project can help retain local youth by providing career opportunities and aims to rebrand Questa as a forward-looking energy community. The hydrogen facility will use recycled wastewater instead of groundwater and may also enable new industries, such as fertilizer and oxygen production. The project is positioned as a national model for sustainable economic redevelopment in post-industrial communities.

Luis Reyes, chief executive officer of Kit Carson Inc., discussed the co-op's transition to renewable energy and its partnership with local communities to build hydrogen energy facilities in Questa, Taos, and Picuris Pueblo using a $231 million federal grant. Since separating from its former power supplier in 2016, Kit Carson has developed enough solar to cover 24 hours of the day use and added battery storage to support wildfire mitigation through microgrids. The hydrogen facilities will use reclaimed wastewater and electrolyzers to produce and store energy, improving local resilience during outages and creating economic opportunities. Mr. Reyes emphasized the importance of clean energy for rural development, retaining young residents, and building local power capacity. He also highlighted ongoing efforts to explore geothermal energy and aims to break ground on the Questa facility by December 1, 2025, to qualify for significant federal tax credits.

Pei Xu, Ph.D., a professor at New Mexico State University (NMSU) and director of the Produced Water Research Consortium, emphasized the critical role of green hydrogen in New Mexico's energy future. She explained hydrogen can serve as long-term energy storage, fuel for vehicles, and feedstock for chemicals like ammonia, with the potential to generate billions in revenue and create hundreds of thousands of jobs. Ms. Xu described electrolysis, which uses renewable energy to split water into hydrogen and oxygen, as the cleanest method and outlined how wastewater and brackish water can be treated and used instead of drinking water. She detailed NMSU's research in water purification and cost-effective hydrogen production, including cutting-edge technologies using solar energy and waste plastic to produce hydrogen at a cost near the U.S. Department of Energy targets. Ms. Xu highlighted NMSU's role in supporting the Kit Carson project through research and development, microgrid integration, and water source analysis. She concluded by stressing hydrogen's potential to drive economic development, energy resilience, and environmental sustainability across rural New Mexico.

Status of *Martinez-Yazzie*/ Public Schools Report Cards ***(12: 23 PM, click here for meeting materials)*** LFC Analysts Sunny Liu and Rachel Mabe presented an update on the *Martinez-Yazzie* education lawsuit and the state's progress toward compliance. Mr. Liu explained that the 2019 court ruling required the state to provide a uniform and sufficient education for all students, especially those considered at risk, after finding that inadequate educational inputs led to poor outcomes, such as low test scores and high college remediation rates. Since then, the state has increased the recurring public school budget by $2 billion, a 70 percent rise, with major investments in teacher pay, at-risk funding, and extended learning time. However, student outcomes have shown little improvement. A recent court order now requires the Public Education Department (PED) to develop a remedial action plan by November, in collaboration with an outside expert and input from the Legislative Education Study Committee. Mr. Liu emphasized, while the Legislature has made significant financial and policy strides, improving instruction and student achievement is primarily the responsibility of PED and schools. Ms. Mabe focused on educational outputs, describing the education system as a "machine" that should produce measurable improvements like higher test scores and graduation rates. Despite increased investment, New Mexico scores remain flat and below national averages and rising college remediation rates point to a disconnect between graduation and college readiness. To address this, the Legislature created the public education reform fund to pilot five initiatives over three years using logic models that link funding to outcomes, with the goal of identifying what truly works before expanding programs statewide.

Policy Spotlight: Orphaned Wells ***(2:40 PM click here for meeting materials)*** LFC program evaluators Stephanie Joyce and Elizabeth Dodson reported the policy spotlight had two main goals, which to understand why the number of orphaned oil and gas wells in New Mexico continues to rise despite record funding for plugging and to assess the costs involved. The state currently faces an estimated liability of $200 million to $700 million, with the potential to reach $1.6 billion. Orphaned wells, wells that are no longer producing and not plugged by operators, pose risks to groundwater, public safety, and nearby resource extraction. However, the report explains the term "orphaned well" lacks a clear legal definition and is used inconsistently, which contributes to confusion over the scale of the problem. Though most wells are plugged by the industry, the state steps in when operators fail to do so. The Oil Conservation Division (OCD) has plugged nearly 1,000 wells since 2002, funded mainly by the oil and gas reclamation fund and, more recently, by $55.5 million in federal grants. However, the cost of plugging wells has sharply increased from $30 thousand per well in FY19 to $163 thousand in FY24 due to rising per-foot costs and deeper, more complex wells. New Mexico faces a growing financial burden from orphaned oil and gas wells. The costs for plugging, remediation, and reclamation of existing orphaned wells, wells likely to become orphaned, and low-producing wells that may eventually require state intervention. Key drivers of rising costs include inefficient contracting practices, limited oversight, and insufficient financial assurance requirements from operators, often far below the actual plugging costs. The report recommends a combination of statutory and regulatory reforms, such as stronger financial assurance policies, greater contractor oversight, and the creation of well-specific trust funds, to reduce the state's future liabilities and encourage operator-led cleanup.

Energy, Minerals and Natural Resources Department Deputy Secretary Ben Shelton praised the Legislative Finance Committee's report as thorough, accurate, and fair in its assessment of the state's challenges with orphaned well liability. He emphasized that OCD, a regulatory agency not designed for large-scale plugging operations, faces significant cost and capacity constraints. Deputy Secretary Shelton highlighted the unpredictable and often high costs of plugging, using examples of wells where costs varied dramatically due to subsurface conditions. He explained New Mexico's more stringent plugging standards, aimed at protecting the environment, contribute to higher costs than in states like Texas. Mr. Shelton noted, while OCD lacks the resources to have staff on-site daily, it does monitor plugging through daily reports and invoice reviews. He acknowledged that some oversight practices were not clearly communicated in the report, but emphasized that many of the report's recommendations are already being addressed or are under review through rulemaking and policy updates. He concluded by expressing gratitude the report clearly articulated concerns the division has struggled to convey for years.

Jim Winchester, representing the Independent Petroleum Association of New Mexico (IPANM), and Ashley Wagner, vice president of government affairs for the New Mexico Oil and Gas Association (NMOGA), presented industry responses to the policy spotlight on orphaned wells. Mr. Winchester emphasized, while industry acknowledges the problem of abandoned wells, it has long taken responsibility, plugging 98 percent of them without state intervention. He criticized the state for diverting funds from the industry-funded reclamation fund over the years, calling it a breach of trust that left OCD under-resourced. Winchester expressed concern that bureaucracy and inefficiencies at OCD prevent timely, cost-effective well plugging, despite federal and state funds being available. He also warned against raising bonding requirements, arguing that doing so could force small operators out of business and worsen the orphan well problem, as seen in Colorado. Ms. Wagner echoed Mr. Winchester's concerns, highlighting that, for every well plugged using public funds, industry plugs 10 more. She stressed that no taxpayer dollars are used for orphaned well plugging, only funds from the industry itself. NMOGA supports modernizing the reclamation fund by improving procurement processes and reducing administrative burdens. Both presenters urged collaborative solutions that protect the environment without overburdening responsible operators.

Tax Expenditures ***(5:12 PM click here for meeting materials)*** LFC program evaluator Maggie Klug and LFC economist Brendon Gray presented the first *Tax Expenditure Assessment Report* which focuses on the rural job tax credit and the high wage job tax credit. Ms. Klug opened the presentation with an overview of tax expenditures, explaining they represent forgone state revenue used to incentivize economic behavior, such as through credits, exemptions, or deductions. Despite accounting for nearly $3 billion, equal to about one-third of the state's recurring budget, tax expenditures have received limited oversight. The report aims to analyze their fiscal and economic impacts using new economic modeling software, without making formal recommendations. Mr. Gray then described key terms like "return in revenue" (how much tax revenue is gained per dollar spent) and "economic return on investment" (how much the state economy grows per dollar spent). For the rural job tax credit, the state spent $637 thousand in FY24 across 45 claims. It showed a 35 percent economic return but only a 17-cent return in tax revenue per dollar spent. Usage has dropped significantly, and the value of the credit has declined by 45 percent in real terms. The credit does not have an expenditure cap or expiration date and only partially meets its goal of supporting rural business expansion. For the high wage job tax credit, Ms. Klug explained that businesses creating new high-wage jobs, those paying $60 thousand in urban areas and $40 thousand or more in rural areas, can receive up to 8.5 percent of wages in credit. In FY24, the state issued $11.2 million in credits across 89 claims, generating an estimated 135 jobs annually. The economic ROI was 47 percent, but the return in revenue was again negative, with only 17 cents gained per dollar spent. The credit has a sunset date (July 1, 2026) but no expenditure cap and partially meets LFC's policy criteria. The presenters emphasized, while these reports do not offer recommendations or compare across policy areas, they are meant to provide foundational insight into how well tax incentives are working and where improvements could be made.

Quarterly Status Reporting on Major Nonrecurring Appropriations ***(5:34 PM click here for meeting materials)*** LFC Director Charles Sallee emphasized the relevance for upcoming discussions on the status of key appropriations, such as the $20 million allocated for child welfare and behavioral health at CYFD, and investments in certificate training and higher education. While the report provides a helpful snapshot of current expenditures, it has limitations, particularly in tracking higher education spending and personnel encumbrances. Director Sallee cautioned the committee about end-of-year spending behavior, noting that agencies may feel pressured to use all funds to avoid reversions. He encouraged thoughtful evaluation, stressing that unspent funds should not automatically signal failure and efficiency should be recognized. However, if little to no spending occurs and agencies request extensions during the legislative session, it should prompt scrutiny about the project's viability and the appropriateness of the original appropriation.

Wednesday, June 25 (*click here for webcast)*
The following members and designees were present on Wednesday June 25, 2025, 2025: Chairman Nathan P. Small; Vice Chairman George K. Muñoz; Representatives Meredith A. Dixon, Jack Chatfield, Derrick J. Lente, Joseph Sanchez, Harlan Vincent, Rebecca Dow, and Susan K. Herrera; and Senators Benny Shendo, Jr., Roberto "Bobby" J. Gonzales, Pat Woods, Nicole Tobiassen, Linda M. Trujillo, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Kristina Ortez, Mark Duncan, Tara L. Lujan, and Charlotte Little and Senators Craig W. Brandt and Michael Padilla.

Workforce Training and Certifications Pilot Programs ***(8:41 AM click here for meeting materials)*** President Tracy Hartzler of Central New Mexico Community College (CNM), Chancellor Mary Gutierrez of the University of New Mexico Taos (UNM-Taos), and Chancellor James Johnston of the Eastern New Mexico University (ENMU) and president of its Portales campus, provided updates on the use and impact of state-funded workforce training programs, particularly through the New Mexico GRO (Government Results and Opportunity) initiative. President Hartzler emphasized CNM's role as a conduit for workforce development, noting that CNM and its partner institutions have leveraged approximately $26 million in GRO and related funds to offer direct learner support, subsidized internships, and program development in high-demand sectors. CNM has distributed nearly 2,600 scholarships and facilitated over 250 internships, with early data showing increased wages and employment in aligned industries. Chancellor Gutierrez, speaking for UNM-Taos, shared how her small institution maximized a $200 thousand GRO allocation by collaborating with local employers to address acute workforce shortages in areas such as CDL training, construction, film, and healthcare. She highlighted a 57 percent increase in CTE awards and strong student outcomes, driven by responsive program design and employer partnerships. Chancellor Johnston discussed ENMU's use of GRO funds to provide paid internships that remove financial barriers for students and small businesses alike. He outlined ENMU's Quality Initiative, which integrates career readiness and experiential learning into curricula system wide, aiming to connect students to high-paying, in-state employment. All three presenters stressed the importance of sustained funding, improved data collection, and timely allocation processes to maintain momentum and expand impact, with challenges cited around delayed fund distribution and burdensome reporting requirements.

Program Evaluation: Health Care Affordability Fund ***(10:25 AM click here for meeting materials)*** LFC Program Evaluator Matt Goodlaw and Deputy Secretary Alex Castillo-Smith, of the Healthcare Authority (HCA) presented the first 2025 program evaluation, focusing on the impact of Senate Bill 317 (2021), which created the healthcare affordability fund (HCAF) through a surtax on health insurance premiums to subsidize health care for small businesses, low- to moderate-income residents, and the uninsured. Mr. Goodlaw explained, while HCA has successfully implemented complex subsidy programs benefiting over 110 thousand New Mexicans, the evaluation found appropriations have significantly exceeded actual demand, pointing to insufficient performance measures and urging HCA to set clearer targets tied to uninsurance rate reductions. He detailed how surtax revenue flows into the HCAF, how subsidies work across different groups, and how the fund's large carryover reflects both lower-than-expected demand and the impact of enhanced federal subsidies that may soon expire—potentially increasing future costs. Deputy Secretary Castillo-Smith emphasized the fund's national significance, its role in closing healthcare coverage gaps, and the challenges ahead, including projected increases in uninsured rates and premium costs if federal support lapses. She noted the need for the HCAF to remain flexible and well-funded to respond to evolving federal policies and growing demands. Both agreed on the importance of improving performance tracking and sustaining the fund to maintain and expand affordable coverage in New Mexico.

LegisStat: Health Care Authority: Access to Health Care and Behavioral Health ***(11:01 AM click here for meeting materials)*** LFC Analyst Eric Chenier and Secretary Kerry Armijo of the Health Care Authority, briefed the committee on the current state and future outlook of New Mexico's healthcare system, focusing on access to care, Medicaid investments, and upcoming federal challenges. Chenier explained the policy area offered an opportunity for deeper legislative engagement and reviewed how more than $2.2 billion in provider rate increases and $555 million in behavioral health investments have been made over the past three years. Despite these historic investments, outcomes on maternal mortality, youth behavioral health, and other health metrics remain mixed, and data gaps persist, especially in tracking Medicaid managed care network adequacy and utilization trends. Secretary Armijo outlined signs of progress, including the addition of over 4,000 healthcare providers, 57 percent in behavioral health and 29 percent in primary care, along with increased reimbursement rates, expanded service offerings, and the launch of a statewide behavioral health crisis network. She highlighted rural healthcare investments, growth in graduate medical education, and reforms tied to the Healthcare Delivery and Access Act. However, she warned of looming threats from proposed federal policy changes, including the potential loss of $2.8 billion in Medicaid funding, new work requirements, increased administrative burdens, and the possible closure of rural hospitals. Both Mr. Chenier and Secretary Armijo emphasized the urgency of strengthening data systems and preparing the healthcare infrastructure to withstand federal shifts while maintaining access and quality of care for New Mexicans.

Thursday, June 26 *(click here for webcast)*
The following members and designees were present on Thursday June 26, 2025, 2025: Chairman Nathan P. Small; Vice Chairman George K. Muñoz; Representatives Jack Chatfield, Joseph Sanchez, Harlan Vincent, Rebecca Dow, and Susan K. Herrera; and Senators Benny Shendo, Jr., Roberto "Bobby" J. Gonzales, Pat Woods, Nicole Tobiassen, Linda M. Trujillo, Steve D. Lanier, and Pete Campos. Guest legislators: Representatives Mark Duncan and Charlotte Little

Program Evaluation: Election Costs *(8:35 AM click here for meeting materials)* LFC program evaluator Sarah Dinces, Ph.D., presented a program evaluation on election costs. The evaluation, revealed that state election costs have tripled since 2021, largely due to legislation shifting financial responsibility from counties to the state. The report found that while centralized funding has improved efficiency, it has also created budgetary risks, with the statewide election fund frequently operating at a negative balance and counties receiving inconsistent reimbursements. Ms. Dinces emphasized the need for stronger vendor oversight, formula-driven reimbursement processes, and better data collection to ensure cost-effectiveness. She highlighted that 63 percent of election costs go to vendors, particularly for ballot-on-demand systems, and noted significant cost differences between the two vendors currently in use. Additionally, counties are operating far more voting centers than required by law, contributing to an estimated $3.2 million in excess state spending. The report recommended tighter coordination between the Secretary of State, LFC, and Department of Finance and Administration to forecast costs, enforce reimbursement standards, and create a centralized data system.

Secretary of State Maggie Toulouse-Oliver responded with concerns about the evaluation process, characterizing it as rushed and lacking election-specific expertise. She emphasized that many recommendations, such as improving memoranda of understanding and enhancing training, are already being implemented by her office. She pushed back on the claim the state ran the election fund into a negative balance, explaining the fund was designed to be replenished annually and that legislative and executive staff had directed her office to use FY25 funds to cover FY24 costs. She also defended the need for flexibility in local election administration, particularly for rural and tribal communities, and cautioned against a one-size-fits-all approach. Finally, the secretary requested continued legislative partnership and support, especially for cybersecurity infrastructure, a statewide election management system, and ongoing clerk training, stressing that her lean office is doing critical work under significant resource constraints.

Miscellaneous Business (10:06 AM)
Action Items. Senator Gonzales moved to adopt the LFC May 2025 meeting minutes, seconded by Representative Chatfield. The motion carried.

Senator Gonzales moved to adopt LFC contracts, seconded by Representative Vincent. The motion carried.

Senator Gonzales moved to adopt the LFC work plans, seconded by Senator Woods and Senator Lanier. The motion carried.

Review of Monthly Financial Reports and Information Items. LFC Director Charles Sallee briefed the committee on information items.

Federal Funds Update ***(10:10 AM click here for meeting materials)*** LFC Director Charles Sallee reported the federal funds and reconciliation update highlighting the nation's $1.9 trillion annual deficit and explained how Congress is using the reconciliation process to make major policy changes to entitlement programs like Medicaid and the Supplemental Nutrition Assistance Program (SNAP). Most federal spending is on mandatory programs, meaning cuts to smaller discretionary items won't significantly reduce the deficit. New Mexico receives nearly $40 billion annually in federal funds through direct payments and state-managed programs. Proposed federal changes, including SNAP penalties, Medicaid work requirements and caps on provider payments could cost the state billions and jeopardize healthcare access, especially in rural areas. The Senate and House proposals differ in timing and impact, with many cuts delayed to later years. The committee was urged to prepare for possible federal cuts, consider whether to backfill lost funds, and prioritize spending based on need and performance rather than assuming continued federal support.

Third Quarter Report Cards ***(11:04 AM click here for meeting materials)*** LFC fiscal analyst Helen Gaussoin presented the latest agency report cards and introduced new online dashboards accessible via QR codes to reduce paper use and improve data access. Overall, performance remained steady, with most agencies showing little change between quarters. Agencies like tourism, transportation, and the judiciary continued strong performance, while others, such as public education and early childhood, showed mixed results. Concerns were noted with higher education retention rates, CYFD's lack of audits, SNAP's high error rate, and delays in behavioral health outcomes despite major investments. The Economic Development Department saw declines in job creation and film worker days, and the Environment Department continued underperforming despite funding. Forensic backlogs and procurement delays also remain issues. Ms. Gaussoin emphasized that red ratings signal areas needing review, not failure, and noted recent strong returns from the state's risk-averse investments.

With no further business, the meeting adjourned at 11:24 a.m.

Nathan P. Small, Chairman	George K. Muñoz, Vice Chairman