

MINUTES
Legislative Finance Committee
State Capitol, Room 307 - Santa Fe, NM 87501
January 14, 2019

Monday, January 14th

The following members and designees were present on Monday, January 15, 2018: Chairwoman Patricia A. Lundstrom; Vice Chairman John Arthur Smith; Representatives Jim R. Trujillo, James G. Townsend, Harry Garcia, Gail Armstrong, George Dodge Jr., Jason C. Harper, and Randal S. Crowder; and Senators Carlos R. Cisneros, Steven P. Neville, Stuart Ingle, Jacob R. Candelaria, Howie C. Morales, George K. Muñoz, William F. Burt, and Pete Campos. Guest legislators: Representatives Rebecca Dow, Roberto “Bobby” J. Gonzales, and Tomas E. Salazar; and Senator Clemente Sanchez.

LFC Endorsed Legislation. LFC staff presented legislative measures for the committee to consider sponsoring in the 2019 legislative session. Fiscal impact reports on the proposed legislation were provided.

1. *Public Education Funding Formula Changes.* The bill amends the Public School Code and the Public School Finance Act to increase teacher minimum salaries, establish a K-5 plus factor, establish an extended learning time program factor, phase out school size adjustments for public schools in districts with more than 2,000 students, establish a public education reform fund, increase the at-risk multiplier, and require educational plans and performance based budgets. The bill would apply to the public education program cost calculations for FY20 and subsequent fiscal years. Vice Chairman Smith noted that LFC staff worked closely with the Legislative Education Study Committee to develop the proposed bill. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.
2. *Changes to the Tax Stabilization Reserve Fund.* The bill is similar in concept to provisions of legislation passed in the 2017 special session to stabilize direct oil and gas general fund revenues. The bill creates a new section in statute to provide that federal mineral leasing (FML) payments received by the state in excess of the five-year average will be distributed to the tax stabilization reserve (i.e. the “rainy day fund”). FML payments include royalties on oil and gas production on federal land in New Mexico and bonus payments for bids on federal leases. The payments are subject to sudden spikes or declines based on oil and gas activity in state. The bill allows the state to capture revenue windfalls from the oil and gas industry and help stabilize general fund recurring revenues over time. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Gonzales.
3. *Public Private Partnerships.* New Mexico is one of 14 states without legislation allowing for public entities to enter into long-term capital financing, construction, and operating agreements of government assets with private parties, called public-private partnerships (P3). Despite the lack of specific statutory authority, several public-private partnership transactions have occurred within the state, typically through an ad-hoc workaround of existing statute, not intended for P3 agreements. Best practices in other states recommend a state statutory framework, which provides guardrails for the complex legal and financial issues contained within public-private partnership agreements. The bill would address use

and ownership of the government's assets including financing and operating agreements for the life of the transaction. The bill would create a model framework to be managed by the New Mexico Finance Authority. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.

4. *Higher Education Governance.* The bill amends the Higher Education Department Act by changing the higher education advisory board to a coordinating council with additional duties. It would require members of the coordinating council to have expertise in higher education, finance, policy, or management. The council would be represented by 13 voting members, including four cabinet secretaries, three public members (one appointed by the Governor, one by the House of Representatives, and one by the Senate), and six experts from higher education institutions. The chair would be the Higher Education Department Secretary, and the directors of the LFC and the Legislative Education Study Committee (LESC) would hold nonvoting council seats. The council would have oversight of the major activities of the Higher Education Department, including
 - annual recommendations for the higher education performance funding formula,
 - regular college and university budget reviews,
 - annual research and public service project performance and funding recommendations,
 - college and university endowment reports,
 - development and execution of a statewide strategic plan,
 - review of new graduate programs, and
 - review of college and university performance.

Representative Trujillo moved to adopt endorsement of the bill, seconded by Vice Chairman Smith.

5. *Sunset Bill – Board of Barbers and Cosmetologists, Nursing Home Administrators Board, Landscape Architects Board, Coal Surface Mining Commission, and Water Quality Control Commission.* The bill extends the sunset period of the Board of Barbers and Cosmetologists, Nursing Home Administrators Board, Landscape Architects Board, Coal Surface Mining Commission, and Water Quality Control Commission. Senator Cisneros moved to adopt endorsement of the bill, second by Representative Trujillo.
6. *Sunrise Bill – Creating a Naturopathic Doctors' Advisory Council of the New Mexico Medical Board.* The bill creates a naturopathic doctors' advisory council under the New Mexico Medical Board. The bill is already pre-filed by Senator Ortiz y Pino and endorsed by the Legislative Health and Human Services Committee.
7. *Reducing Water Quality Control Commission Members.* The bill reduces the Water Quality Control Commission from fourteen members to seven members. Senator Cisneros moved to adopt endorsement of the bill, second by Representative Trujillo.
8. *Eliminating the Option for Self-Insurance for Surface Mining and Reclamation (Coal Surface Mining Commission).* The bill eliminates the option to self-insure for surface mining and reclamation permit applications. Senator Cisneros moved to adopt endorsement of the bill, second by Representative Trujillo.

Miscellaneous Business.

Action Items. Senator Cisneros moved to adopt the November 2018 meeting minutes, seconded by Representative Trujillo. The motion carried.

Senator Cisneros moved to adopt the December 2018 meeting minutes, seconded by Representative Trujillo. The motion carried.

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

Presenting a Results First report on the cost and benefits of selected interventions for healthcare, Program Evaluator Maria Griego said New Mexico struggles with poor birth outcomes such as low birthweight and preterm birth. These factors can impact a child throughout life due to increased risk for illness and developmental and learning delays. Teen pregnancies have a higher risk of poor birth outcomes, and while the state has reduced its teen pregnancy rate, poor birth outcomes remain a challenge. The state also has high rates of cardiovascular disease and diabetes. Cardiovascular disease is the leading cause of death in New Mexico and nationally. Additionally, 37 percent of the state's population is either diabetic or prediabetic. The Department of Health and Human Services Department, via Medicaid, offer programs to address birth outcome and chronic disease risk factors. However, a coordinated multi-agency strategy to deploy evidence-based programming is needed to further address birth outcomes and chronic disease.

Representative Crowder requested further analysis on the impact of e-cigarette smoking compared with regular cigarette smoking.

LFC Analyst Jonas Armstrong gave a brief update on capital outlay. As of December 2018, approximately \$639.9 million from all funding sources for 1,608 projects remains unexpended, including \$71.5 million of earmarked fund balances for water, colonias, and tribal infrastructure projects. Additionally, \$395.8 million remains unexpended from supplemental severance tax bonds for public schools.

Since the September quarterly report, 108 projects closed and approximately \$51.7 million was expended or reverted. Members were provided detailed information on all projects; the status of select projects were highlighted.

Program Evaluator Jenny Felmley presented the 2018 Medicaid Accountability Report. Medicaid enrollment has declined, totaling 833,611 participants in September of 2018. According to the Human Services Department (HSD), the decline is primarily due to falling enrollment in the family planning Medicaid, a relatively small program that is not a Medicaid cost driver. The only eligibility criterion for family planning Medicaid has been its income limit of 250 percent of the federal poverty level, which led to many Medicaid applicants essentially defaulting into the program due to incomes too high for any other category. As recipients discover how limited the benefit package is, many choose not to recertify. Waiver renewal for Centennial Care 2.0 will limit family planning eligibility to individuals under 50 years old, further declining enrollment. Other factors driving enrollment decline include a generally improved economy and jobs picture, and annual eligibility redeterminations.

Despite declining enrollment and slowing growth, Medicaid's cost to the state is increasing due to decreased federal dollars for the program and increased reimbursement rates for behavioral health providers.

Results First: Costs and Benefits of Selected Evidence-Based Interventions in Public Education.

Program Evaluator Alison Nichols presented a "Results First" report on the costs and benefits of selected evidence-based interventions in public education. According to the report, New Mexico has seen modest progress in student achievement over the past few years but the state faces a persistent achievement gap, with some groups of students continuing to lag. The performance of economically disadvantaged students on statewide assessments lags that of their noneconomically disadvantaged peers by about 15 percentage points. Students also face disparities in graduation rates, with the four-year graduation rate for economically disadvantaged students almost five percentage points lower than the state average.

New Mexico's poor educational outcomes impose costs on the state, and improving outcomes can lead to significant savings. For every additional high school graduate, the long-term benefit to taxpayers is over \$125,000.

A review of research literature, as well as estimates from Results First, a nationally recognized, peer-reviewed model, indicate that while many interventions have positive outcomes, interventions that provide teachers with learning and growth opportunities, as well as academic and nonacademic student interventions including extended learning time, targeted to individuals or small groups, have relatively higher benefit-to-cost ratios.

Selecting proven, evidence-based interventions can increase the likelihood of meaningfully improving outcomes. Interventions must also be implemented with fidelity, or according to prescribed models, in order to achieve expected benefits.

While there is no silver bullet for improving outcomes and closing the achievement gap, implementing a range of evidence-based interventions targeting both students and teachers can increase the chances of success for all New Mexico students.

In response to Representative Crowder, LFC Program Evaluation Manager Jon Courtney said few best practices for addressing disciplinary issues in classroom, like the Pax Good Behavior Game, are being implemented in the state.

Program Evaluation: Cost Effectiveness and Operations of the New Mexico Railrunner.

Brian Hoffmeister, LFC program evaluator, presented the report *Cost Effectiveness and Operations of the New Mexico Railrunner*. Since opening in 2006, the New Mexico Rail Runner Express commuter railroad has taken over 11 million passengers on trips along its 97-mile route between Belen and Santa Fe. Owned by the state and operated by Rio Metro Regional Transit District through a private contractor, the Rail Runner is New Mexico's only commuter rail line. However, weak economic and population growth in its service area and recent, consistent declines in ridership have contributed to higher costs per passenger and fewer incentives for development around its stations.

Ridership on the Rail Runner totaled 787 thousand trips in FY18, 37 percent below the peak of 1.2 million in FY10 and the lowest level since service was extended to Santa Fe in FY09. The Rail

Runner primarily relies on a small, core group of regular intercounty commuters for most of its ridership, but fewer people in its service area are crossing county lines to get to work. Each passenger trip cost \$34 in 2017, but fares covered just 8 percent of that, among the lowest of similar railroads. Despite this, Rio Metro is working to achieve operational efficiencies. Although the state owns the railroad and its assets, it does not have a formal seat on the Rio Metro board of directors, potentially forgoing an assured role in governing its operations.

Scheduling, frequency of service, and long travel times are among the most common reasons people do not ride the Rail Runner. Core infrastructure improvements, such as planned projects to improve capacity through the center of Albuquerque, should allow some additional scheduling flexibility and reduced travel times. Larger scale improvements, such as upgrading certain segments to allow for speeds of up to 90 miles per hour, could build upon these to attract more riders. However, additional stations are unlikely to induce significantly more ridership.

Even though there has been growth in employment and transit-oriented development near stations in the key job centers of Downtown Albuquerque and Santa Fe, its effects overall remain unclear. Many conditions should be met before effective transit-oriented development can be implemented. The state can play a role in encouraging and regulating such development in locations with high potential to attract employers near stations, but New Mexico's geography naturally limits the extent to which may occur.

The report recommends Rio Metro incorporate efficiency and cost-effectiveness metrics into its regular performance reporting, improve tracking of downtime operating costs, and collaborate with local stakeholders on transit-oriented development guidelines. The report also recommends Rio Metro and New Mexico Department of Transportation (NMDOT) prioritize core infrastructure projects with the highest potential to attract ridership and partnerships for economic development around Rail Runner stations and consider requesting the Governor to exercise the authority under existing law to grant the state a seat on Rio Metro's board to ensure permanent representation in the future.

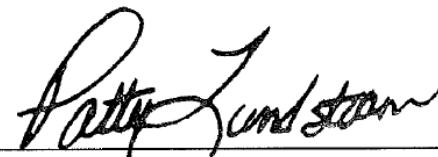
David Harris, director of the Transit and Rail Division of NMDOT, said the agency agrees with the report that core targeted infrastructure improvements would improve Rail Runner service, add value to the overall transportation system, and continue to provide mobility options for New Mexico for years; however, meeting the infrastructure and maintenance needs in the state is challenging. Mr. Harris said NMDOT is working closely with the Rio Metro to provide the best public transportation system possible. Rio Metro Director Terry Doyle highlighted key points made in Rio Metro's response to the report.

In response to Representative Gonzales, Mr. Doyle said Rio Metro's recently prepared transit asset management plan includes inventory and life expectancy of its rolling stock that will be used to initiate rehabilitation projects starting in 2020. Locomotive life span averages 39 years.

With no further business, the meeting adjourned at 11:49 a.m.



John Arthur Smith, Chairman



Patricia A. Lundstrom, Vice Chairwoman