

MINUTES
Legislative Finance Committee - Hybrid Meeting
Cloudfcroft, New Mexico
July 15 - 17, 2020

Wednesday, July 15

The following members and designees were present on Wednesday, July 15, 2020: Chairman John Arthur Smith; Vice Chairwoman Patricia A. Lundstrom; Senators Clemente Sanchez, Steven P. Neville, William F. Burt, George K. Muñoz (via Webex), Roberto “Bobby” J. Gonzales, James P. White (via Webex), and Pete Campos; and Representatives Javier Martinez (via Webex), Phelps Anderson, Rodolpho “Rudy” Martinez, Gail Armstrong, Candie Sweetser, Andres G. Romero, and Cathrynn N. Brown. Senators Jacob R. Candelaria (via Webex), Ron Griggs, and Mary Kay Papen; and Representatives Rachel A. Black, Harry Garcia, and Nathan P. Small (via Webex).

Reopening the New Mexico Economy and Pace of Recovery. John Bingaman, chief of staff for the Office of the Governor, said the United States is facing one of the worst outbreaks globally as COVID-19 infections surge throughout the country. New Mexico flattened the curve early in the coronavirus pandemic through quick and aggressive action; however, the state is now experiencing an increase in cases tied to reopenings and insufficient adherence to the public health order.

Mr. Bingaman said New Mexico is using gating criteria, based on White House guidelines, to guide economic reopening in the state. The gating criteria consists of six measures, each with an assigned target. On July 1, New Mexico met targets to enter phase 1B, reopening restaurant dining rooms at a 50 percent occupancy limit, gyms at a 50 percent occupancy limit, and hair salons, barbershops, tattoo parlors, massage establishments, and nail salons at a 25 percent occupancy limit. Phase 1B also increased the hotel occupancy limit to 50 percent. Mass gatherings remained limited to five people. On July 9, targets for three of the six measures were no longer being met, closing indoor dining. When the state meets targets to enter phase two, cinemas, casinos, and recreational facilities will be able to reopen at a limited occupancy.

To mitigate spread and support reopening, Mr. Bingaman said New Mexico established statewide mask and travel quarantine orders, expanded testing, contact tracing, and case isolation capabilities, and issued COVID-safe practices. Also, the Economic Recovery Council was established to advise the governor on the recovery of New Mexico’s economy. The council comprises 15 business and labor leaders representing a variety of industries from around the state.

Alicia Keyes, secretary of the Economic Development Department (EDD), said the number of jobs so far lost in the current COVID-19 pandemic is greater and more immediate than the number of jobs lost during the Great Recession. As of May 2020, nonfarm employment in New Mexico totaled 768 thousand people. The last time it was this low was in August 2002, when the population had 240 thousand fewer people. In mid-March, the number of new unemployment insurance (UI) claims spiked, following shutdown orders. Although, new claims have since declined, the number of continued claims remains high.

Secretary Keyes said unemployment benefit recipients are currently receiving an average of \$1,000 a week, of which \$600 are federal dollars. The average benefit is greater than the average wage in

the accommodation, food service, and retail industries; current job losses are highest in those industries, followed by the healthcare and social assistance sectors.

Currently, New Mexico is not experiencing an uptick in the number of businesses filing for bankruptcy. Consumer spending plummeted nationwide in March and April but partially rebounded in May and June. Restaurant sales remain well below normal levels. Secretary Keyes reported other key data.

Reporting on assistance for small businesses impacted by COVID-19, Secretary Keyes said zero interest Local Economic Development Act (LEDA) loans, totaling \$1.7 million, were issued to businesses in Glencoe, Ruidoso, Santa Fe, and Albuquerque to retain 136 jobs. EDD implemented the COVID-19 emergency loan guarantee program, assisting businesses with emergency loans or lines of credit. The New Mexico Recovery Fund and Essential Services Working Capital are additional state programs providing relief for small businesses. EDD launched the Buy for Tomorrow Today website to help New Mexico businesses earn revenue during closures. The website connects shoppers with merchants offering a “buy for tomorrow” gift card campaign. Almost 22 thousand New Mexico businesses have received assistance from the federal Paycheck Protection Program, totaling \$2.2 billion. As of June 30, \$132 billion was still available. Businesses nationwide have until August 8 to apply. The federal Economic Injury Disaster Loan Program is also providing economic relief to businesses nationwide. Over 9,000 New Mexico businesses have received assistance from the program, totaling \$566 million.

Secretary Keyes said EDD is publishing county economic summaries to assist and guide policymakers as they look to invest in a sustainable recovery after the COVID-19 health emergency. The quarterly reports, accessible at www.GoNM.biz, include data on employment, domestic product, and wage trends.

Secretary Keyes said New Mexico needs economic diversity and better paying jobs to build sustainable wealth not dependent on volatile industries.

Jeff Mitchell, director of the Bureau of Business and Economic Research (BBER) of the University of New Mexico, said 95 thousand New Mexicans received UI benefits the week of June 29. Compared with other states, the number of UI claims in New Mexico in recent months is relatively low; however, the number of New Mexicans returning to work is moderate.

Generally, employment data understates job losses and overstates the pace of recovery. Mr. Mitchell explained:

- Multiple sources of data measure different things at different times;
- Household surveys miscode responses of many laid off workers;
- Business employment counts significantly undercount job losses and overcount job gains – e.g., a full-time employee laid off but returns part-time, or for a brief period (and laid off again), is counted as employed;
- Employer counts do not include self-employed, contractor, and “gig workers”; and
- Mining is undercounted in all estimates to the extent laid-off workers leave the state.

Mr. Mitchell said New Mexico's economic recovery depends on virus control, length of initial phase shutdown, and federal response. BBER's preliminary forecast under a baseline scenario expects the recovery to be delayed, estimating just under half of the 86 thousand jobs lost through June were regained by December. The pace of recovery could quicken in mid-to-late 2021, when a vaccine is available and global energy markets recover. New Mexico could reach 2019 employment levels by end of 2024. BBER expects oil production to recover more slowly, likely remaining well below 2019 levels until the end of 2025. Under an optimistic scenario, New Mexico would fully recover by early 2024.

Mr. Mitchell said the shutdown and reopening will result in significant changes. Many smaller businesses unable to borrow will be replaced by larger businesses better able to weather the storm. Some industries will come out stronger (e.g., information technology) and others will falter (e.g., retail). The gap between professional and hourly workers will widen, likely increasing the demand for healthcare and social assistance.

Jim Peach, Ph.D., professor emeritus of the Economics, Applied Statistics and International Business Department of New Mexico State University, said a common question is how soon can New Mexico return to a "pre-COVID" economy. The simple answer is New Mexico cannot and will not return to a pre-COVID economy. The effects of the current crisis are likely to be as profound as those experienced during World War II, the 1970s oil crisis, 9/11, or the Great Recession.

Professor Peach said New Mexico lost over 51 thousand jobs during the Great Recession. The state did not reach its December 2007 level of jobs again until November 2018, more than a decade later. This year's job loss is nearly twice as many. Despite impressive job gains in 2018, New Mexico's job creation record is not enviable.

Reporting on recovery expectations in New Mexico, Professor Peach said the oil and gas industry will recover slowly and is unlikely to create enough new jobs to offset recent declines in employment because of increasing labor productivity in the industry. The hospitality and tourism industry may improve in the next 12 months; however, a full recovery will depend on virus spread and vaccine development. Retail trade was in trouble long before the COVID-19 crisis. Many of the jobs in the industry may never return. Changes in consumer behavior and the ease of buying on the Internet suggest retail trade will not be a growth sector anytime soon. Professor Peach provided additional comments on public education, higher education, and sporting events.

Concluding, Professor Peach said relying on the oil and gas industry for a substantial portion of state revenue will continue to be very risky. New Mexico needs to find new sources of revenue. Professor Peach said it is a good time to consider serious tax reform that could put the state on a sound fiscal trajectory for many years to come.

In response to Senator Burt, Mr. Bingaman said the Department of Health (DOH) reports the total number of recovered COVID-19 cases in the state. Senator Burt requested the Department of Health also report the number of recovered cases by county.

Senator Burt expressed concern about the current fiscal crisis and suggested counties and municipalities be given the authority to determine reopenings based on guidelines established by the state.

Representative Armstrong requested EDD provide the committee employment data before and after the start of the pandemic.

In response to Representative Martinez, Mr. Bingaman said the state is looking for ways to help the many immigrant families not eligible for UI benefits.

Status of New Mexico Use of Coronavirus Stimulus Fund to Address Pandemic. Debbie Romero, acting secretary of the Department of Finance and Administration (DFA), said the governor vetoed the \$500 thousand budget cut in the Secretary of State's elections program and the \$400 thousand budget cut in the Office of the State Engineer. Secretary Romero said the budget cuts would have negatively impacted core services. Other budget cuts approved in the 2020 special session but reversed by the governor include \$5 million for the state's new early childhood department and \$8 million to develop culturally and linguistically appropriate instructional materials. Six million dollars for economic development and \$4 million for 12 water projects was also restored.

Secretary Romero said federal coronavirus relief fund (CRF) appropriations, authorized under the Coronavirus Aid, Relief and Economic Security (CARES) Act, are to be used to address necessary expenditures incurred due to the COVID-19 public health emergency. The appropriations cannot be used to replace lost revenue or match other federal dollars. To ensure the funds are spent appropriately in New Mexico, DFA established an application process and is providing guidance to local and tribal governments. Documentation on how the funds will be used must be submitted with the application.

Secretary Romero said it is unclear whether the federal government will give states the flexibility to use CRF appropriations for other purposes. DFA entered into a 60-day pro bono services agreement with Accenture to help manage the increased number of federal grants in the state. Secretary Romero said Accenture

- Compiled a list of all COVID-19-related federal funding;
- Established a rational and systematic process to make decisions on which funding sources to pursue, including priorities, intended results, or other complexities;
- Developed tools and methods to apply, track, receive, expend, account, and report for all funding sources;
- Built a system to track and manage progress; and
- Created a Federal Funds Information for States (FFIS) expense and fund dashboard.

Secretary Romero said more tasks need to be done, including preparing guidance for state agencies and developing a system to monitor expenditures and ensure compliance with federal requirements. Accenture services end this week.

In response to Representative Martinez, Secretary Romero said the Local Government Division, Capital Outlay Bureau, and tribal liaison are forming a team that will review applications and make

recommendations on CRF allocations to local and tribal governments. Representative Martinez asked DFA to provide legislators a copy of the application and agreement for review.

Representative Romero expressed concern that New Mexico public schools may lose some CRF dollars to private schools. Representative Romero said the public dollars appropriated should stay within the public school system.

In response to Chairman Smith, Secretary Romero said she will report back to the committee which local governments, if any, requested a loan from DFA recently. Chairman Smith said some local governments may not be able to pay back a loan from DFA.

LFC Program Evaluation Manager Micaela Fischer said New Mexico received \$2.26 billion in CARES Act funding. The appropriation includes \$1.25 billion from the coronavirus relief fund (CRF), of which \$1.07 billion is allocated to the state and \$182 million is allocated to the city of Albuquerque and Bernalillo County. Not tied to any specific program, the CARES Act stipulates CRF dollars are to be used for expenditures (1) necessary to respond to the COVID-19 public health emergency, (2) not accounted for in the state budget most recently approved as of March 27, 2020, and (3) incurred between March 1 and December 30, 2020.

Of the CRF funding received for the state, \$750 million was transferred to the state general fund for schools, colleges, and all other state government entities to respond to the COVID-19 public health emergency. Chapter 5 of special legislative session (House Bill 1) authorized the transfer and designated the funds for COVID-19-related expenses, including facilitating distance learning, mitigating lost learning, initiating public health and safety measures, and enabling remote and safe work practices. The legislation intended for broad authority to minimize the administrative burden of allocating the funding for unanticipated COVID-19-related costs in FY21. If the federal government does not allow for the broad use of CRF dollars, the Public and Higher Education Department and DFA will undertake an exercise to account for all CRF-eligible expenses between March 1 and December 30, 2020.

State Auditor Brian Colon said the Office of the State Auditor (OSA), General Services Department, DFA, LFC, and other key agencies are working together as an accountability workgroup to establish oversight and an approach to auditing expended CARES Act funds in the state. State Auditor Colon said he hopes the Department of Health joins the workgroup.

OSA is combating a spike in unemployment insurance (UI) fraud. State Auditor Colon said fraudsters are using stolen identities to claim UI benefits. Emergency procurement is another risk to the state. State Auditor Colon said state agencies must follow state procurement procedures so phantom vendors, falsified invoices, bribes and kickbacks, and counterfeit, inadequate, and substitute goods are avoided. Cyber fraud increased significantly in recent months. State Auditor Colon said OSA is working with the Department of Information Technology to ensure state agency computer networks are in compliance and receive penetration testing. OSA regularly issues advisories and alerts on current threats.

State Auditor Colon said New Mexicans concerned about governmental waste, fraud, or abuse should contact OSA or the Office of the Attorney General to report COVID-19-related consumer

fraud, Department of Workforce Solutions to report UI fraud, and Department of Health to report abuse, neglect, or exploitation.

In response to Representative Anderson, Ms. Fischer said unencumbered CRF dollars will revert to the federal government at the end of the year.

In response to Senator Sanchez, LFC Deputy Director Charles Sallee said staff will report to the committee information on CARES Act funding allocated to tribal communities in the state.

Permian Basin Drilling and Production Update. Bernadette Johnson, vice president of Market Intelligence of Enverus, said crude oil prices made an impressive comeback in May and June after deep production cuts and a partial recovery in demand for motor fuels. The recovery in demand remains weak, however, and the poor refining margins and recent rise in COVID-19 cases raise concerns. Nevertheless, Enverus is cautiously optimistic that oil production and demand will continue to rebalance in the market.

Ms. Johnson said the natural gas market remains very bearish, with prices currently averaging \$2 per 100 thousand British thermal units (MMBtu). Demand losses due to COVID-19 have been higher than production declines. Current production levels, however, are not enough to meet the upcoming peak-demand winter months. Enverus expects prices to increase north of \$3.50/MMBtu this winter.

In this year's first quarter, public energy companies experienced a range of budget fluctuations, bankruptcies, shut-ins, and operational disruptions. Second quarter earnings will begin in the back half of July. Ms. Johnson said all eyes will be on curtailments, activity, costs, and liquidity. With West Texas intermediate (WTI) eclipsing \$40 per barrel in late June, Enverus expects optimistic but erratic results.

Ms. Johnson provided detail on oil and gas production cuts, U.S. liquids demand, refining margins, Canadian and Mexican imports, storage inventory, and earnings.

In response to Representative Anderson, Ms. Johnson said companies hedged between 60 percent and 70 percent of supply at the beginning of the year.

Update from Local School Districts and Local Governments. Mayor Dave Venable said the statewide reclosure of indoor dining is hurting businesses in Cloudcroft. Mayor Venable said he and 20 other mayors in the state joined together to implore the state to provide economic relief to businesses around the state.

Mayor Venable said infrastructure projects are continuing in Cloudcroft. The potable water reuse system project is near completion.

Superintendent Tana Daugherty said enrollment at Cloudcroft Municipal Schools (CMS) averages 400 students. Reporting on performance, Superintendent Daugherty said CMS is designated as a spotlight school, ranking in the top 25 percent of schools in New Mexico. Fifty-two percent of students are proficient in reading, 57 percent of student are proficient in science, and 29 percent of

students are proficient in math. The graduation rate is 92 percent. The school district is transitioning to an integrated math curriculum to improve math proficiency and the daily attendance rate.

Superintendent Daugherty talked about how CMS implemented remote learning this past spring. The school district issued Chromebooks to students who did not have electronic devices to do online learning. Hotspots were set up in various locations for students without Internet at home. According to parents surveyed, families struggled with the multitude of online learning platforms used. Unlike most school districts, CMS graded students, took attendance, and gave virtual final exams. Superintendent Daugherty said the school district maintained rigor, minimizing learning loss.

Providing an overview of the school district's reentry plan for the 2020-2021 school year, Superintendent Daugherty said CMS' priority is the health and safety of students, staff, and community while maximizing the amount of safe, in-person learning opportunities. All students will receive in-person instruction four days a week, except those opting to do online learning.

Colleen Tagle, deputy superintendent of operations of Alamogordo Public Schools, said the school district is providing about 10 thousand meals a day to students this summer, 9 thousand more than last year. Ms. Tagle said the district hopes to continue serving meals to students through the U.S. Department of Agriculture waivers program.

Deputy Superintendent Tagle said the district is starting the 2020-2021 school year using a hybrid model of instruction. The school district will also administer online instruction for students opting out of the hybrid model. Deputy Superintendent Tagle said COVID-19-related expenses and lawsuits are a concern for the school district.

In response to Senator Gonzales, Deputy Superintendent Tagle said district transportation services are now operated in-house, which allows the school district to provide other services, including delivering hotspots and meals to students.

In response to Representative Romero, Deputy Superintendent Tagle said the number of teachers announcing retirement or requesting a leave of absence has increased.

Vice Chairwoman Lundstrom requested LFC staff report to the committee the number electronic devices issued and cash balances in each school district.

Evelyn Huff, finance director for Alamogordo, said the city's Emergency Operations Center was activated on March 23 to address the COVID-19 public health emergency. Reporting on the economic impacts of COVID-19, Ms. Huff said Alamogordo estimates a \$1 million decrease in FY20 gross receipts tax (GRT) revenue. Another \$4 million is expected to be lost in FY21. Lodging tax revenue is estimated to be down \$100 thousand in FY20 and \$320 thousand in FY21. The cancellation of events and closure of various public facilities, including the recreation center, is resulting in additional lost revenue. Forty-four city employees are laid off.

Ms. Huff said many of the Alamogordo businesses participating in the Payroll Protection Program are reporting issues with the program, according to the Alamogordo Chamber of Commerce.

Assistant City Manager Stephanie Hernandez said the number of COVID-19 cases in Alamogordo is low and businesses are suffering. Otero County currently has 72 COVID-19 cases, of which 36 are in Alamogordo. Mayor Richard Boss provided additional remarks on the economic impacts in Alamogordo.

Thursday, July 16

The following members and designees were present on Thursday, July 16, 2020: Chairman John Arthur Smith; Vice Chairwoman Patricia A. Lundstrom; Senators Clemente Sanchez, Steven P. Neville, William F. Burt, George K. Muñoz, Roberto “Bobby” J. Gonzales, James P. White (via Webex), and Pete Campos; and Representatives Javier Martinez (via Webex), Rebecca Dow, Rodolpho “Rudy” Martinez, Gail Armstrong, Candie Sweetser, Andres G. Romero, and Cathrynn N. Brown. Senators Jacob R. Candelaria (via Webex) and Mary Kay Papen; and Representatives Phelps Anderson, Harry Garcia, Dayan Hochman-Vigil, Derrick J. Lente, and Nathan P. Small (via Webex).

Reopening Public Schools and Enhancing Instruction Time. Ryan Stewart, secretary of the Public Education Department (PED), said the School Reentry Task Force was established to provide guidance and recommendations on reopening schools in New Mexico. Since commencing in May, the advisory group, comprising educators, administrators, students, parents, public and school health officials, legislators, advocates, and other stakeholders, has produced high-level recommendations in five broad categories: safety and hygiene; meals and transportation; academics and student support; communication, partnership, and tribal collaboration; and staffing and labor.

Built on the guidance and recommendations of the School Reentry Task Force and other sources, PED issued reentry guidance to support school districts, charter schools, and communities in determining their plans and strategies for reopening schools in 2020-2021. Secretary Stewart said the goals of the guidance are to prioritize the health and safety of students, staff, and communities, maximize the amount of safe, in-person learning opportunities, and make decisions based on science and data.

Providing an overview of PED’s reentry guidance, Secretary Stewart said New Mexico will take a phased approach to reopening schools, starting the school year using a hybrid model of instruction. Schools must participate in a surveillance and rapid response testing program. Staff and students must social distance and wear face coverings, with some exceptions. Meals must be provided to students receiving in-person and remote learning instruction. PED specifies other minimum requirements for reentry. The guidance addresses high-risk staff and encourages schools to use federal coronavirus relief funds for purchasing personal protective equipment and closing the digital divide. Gating criteria will be used to determine when it is safe to transition from a hybrid opening to a full reopening.

Deputy Secretary Gwen Perea Warniment, Ph.D., said superintendents and charter school leaders must submit to PED an assurances document for reentry, a plan for prioritizing additional

instructional time, and a local plan for remote learning. Additional detail on reentry guidelines was provided.

T.J. Parks, superintendent of Hobbs Municipal Schools (HMS), said 67 percent of students in the school district are expected to enroll in in-person instruction for the 2020-2021 school year. For the remaining 26 percent of students, HMS will administer online instruction. Superintendent Parks said the mask mandate in schools is controversial among parents in his district. HMS is working to address transportation issues and childcare needs.

Superintendent Parks said HMS is drafting reentry guidelines. The guidelines outline expectations of the school, parents, students, and staff. Temperature checks, sanitizing processes, and bus loading procedures are some of the practices HMS is putting in place. The guidelines also outline the school district's plan for hybrid instruction. Kindergarten through third-grade students will receive in-person instruction four days a week and fourth-grade through twelfth-grade students will receive in-person instruction two days a week. Superintendent Parks said hybrid instruction is difficult for teachers because they have to simultaneously manage in-person and online instruction. Marching band and athletic courses pose unique challenges. HMS is considering staggered schedules as a potential solution.

In response to Representative Martinez, Secretary Stewart said PED deployed a new statewide online learning management system, providing school districts and charter schools innovative software for creating, hosting, and editing online learning resources.

Senator Sanchez expressed concern for New Mexico's learning loss because of COVID-19 school closures. Secretary Stewart said the at-risk student population is particularly impacted. Secretary Stewart said PED is working to mitigate the impacts, close the digital divide, and keep students safe.

In response to Representative Romero, Secretary Stewart said PED is using some coronavirus relief funds to purchase personal protective equipment (PPE) for schools. PED is working with the Department of Homeland Security and Emergency Management to secure a Federal Emergency Management Agency (FEMA) grant to purchase more PPE.

Reopening College Campuses: Strategic Outlook for Higher Education Under COVID-19 Constraints. Dan Arvizu, Ph.D., chancellor of New Mexico State University (NMSU), talked about the unprecedented challenges and implications of COVID-19 for higher education and said NMSU is partnered with local and regional businesses and leaders to provide community support.

Chancellor Arvizu said NMSU enrollment in FY19 totaled 14,296 students, flat with FY18. Despite current challenges, the university is working to meet enrollment targets over the next five years. Other goals outlined in NMSU's strategic plan are closing the achievement gap and improving the graduation rate.

Reporting on NMSU's reopening plan, Chancellor Arvizu said the university conducts virtual town hall meetings every few weeks to keep the community and the public informed during the pandemic. The university also issues weekly newsletters and sends informational emails. NMSU's

reopening plan is posted at www.ready.nmsu.edu. As with other higher education institutions, NMSU is putting measures in place to protect students, faculty, and staff, including social distancing requirements, sanitizing procedures, and classroom modifications. Also, NMSU is working with TriCore Reference Laboratories to implement a robust COVID-19 testing program.

Chancellor Arvizu said FY21 instruction and general (I&G) funding decreased \$7.9 million. A decline in student housing revenue and other earnings is also causing NMSU financial hardship. The university could lose \$20 million in athletics revenue if there are no sports in FY21. The university is considering leveraging resources, consolidating operations, and reducing nonessential services to balance the budget.

Garnett Stokes, Ph.D., president of the University of New Mexico (UNM), said UNM oversees Libros, a consortium of academic, research, and special libraries within New Mexico and surrounding areas that shares a common integrated library system. The Diversity Summit is another example of how higher education institutions in the state are sharing resources. The summit provides higher education institutions the opportunity to convene and discuss how to create and maintain diversity, equity and inclusion programs and curriculum.

Reporting on spring semester 2020 performance, President Stokes said the number of course withdrawals decreased and the average grade point average (GPA) increased. The number of students who opted into the credit/no credit grade system increased from 129 students in spring semester 2019 to 2,839 students in spring semester 2020. President Stokes said UNM projects a 4.3 percent enrollment decrease this fall.

President Stokes said UNM's reopening plan is guided by a network of teams developing health protocols, forming external communications, establishing instructional continuity and student support, and coordinating financial planning. UNM is reopening in phases, which the university is calling "bringing back the pack." The fall semester will begin with a hybrid model of instruction. The goals for UNM's reopening are to

- Limit but not eliminate face-to-face instruction;
- Support essential in-person instruction;
- Provide students with access to important resources;
- Ensure proper social distancing in classroom;
- Prioritize testing into essential, intermediate, and lower priority based on availability of supplies and capacity; and
- Provide resources to the Department of Health to support contact tracing.

President Stokes said the number of COVID-19 admits in UNM's health system peaked the week of April 27; admits decreased significantly the following weeks but increased the last two weeks. UNM Health Sciences Center has had 75 thousand cancelled appointments since the start of the pandemic.

Becky Rowley, Ph.D., chairwoman of the New Mexico Independent Community Colleges (NMICC) and president of the Santa Fe Community College (SFCC), said the reopening priorities of New Mexico independent community colleges are to protect the health, safety, and well-being of students, faculty, and staff, reinvigorate efforts to provide job training, particularly to

individuals displaced from their jobs, and increase collaboration among colleges in preparation for further budgetary belt tightening. President Rowley said the institutions worked together to develop their individual reopening plans by sharing research on best practices and discussing options for addressing various scenarios that may unfold. The plans look different from university plans because community colleges are different from universities. All plans include new and expanded wrap-around student support services to help students navigate life in the age of COVID-19. Independent community colleges' fall semester instruction will be predominantly online, except for the New Mexico Military Institute and New Mexico Junior College.

President Rowley said to minimize spread on campuses and help fill the statewide need for contact tracers, higher education institutions are working with the Office of the Governor and Health and Human Services departments to give qualified students credit toward internships or to work as contact tracers.

Reporting on SFCC, President Rowley said, although most instruction and services will be online this fall, the community college is offering some career technical education face-to-face in very small groups. SFCC is upgrading the ventilation system of its Trades and Advanced Technology Building. The Kids Campus will open this fall with limited capacity. As with other higher education institutions in the state, SFCC expects enrollment to be down.

President Rowley said the independent community colleges have solid plans, developed in consultation with each other and with the guidance of expert sources. They are ready to pivot quickly depending on the trajectory of the virus, changes in executive orders, and other factors that may influence enrollment levels.

In response to Vice Chairwoman Lundstrom, Chancellor Arvizu said NMSU tuition will increase 3 percent this fall semester. President Stokes said UNM tuition will increase 2.6 percent and the discount for students taking 15 credit hours was reduced. Vice Chairwoman Lundstrom asked LFC staff to report back to the committee the tuition increases of all higher education institutions in the state.

Policy Spotlight: Prison Classification. Cally Carswell, presenting on *Policy Spotlight: Prison Classification*, said inmate classification is the backbone of the prison system. Classification determines the security level at which inmates are housed and has implications for the safety of inmates and prison staff, for the cost of incarceration for taxpayers, with higher levels of security generally costing more, and for prison operations, inmates' access to services, and recidivism. It is thus fundamental to the performance of state prisons.

The consequences of an inadequate classification system are evident in some of the most violent incidents in New Mexico prison history. On August 31, 1999, a guard was stabbed to death at the Guadalupe County Correctional Center in Santa Rosa, provoking a riot. An independent investigation found that underclassification was a primary underlying cause of the violence, with the New Mexico Corrections Department (NMCD) erroneously placing high-risk inmates and gang members in a medium-security setting.

NMCD's current classification system evolved in response. The scoring tool that guides housing decisions was redesigned and the agency made notable progress in managing security threats. NMCD, however, has yet to implement several standard industry practices to ensure its current system works. Most importantly, it has yet to validate the scoring tool that guides custody decisions to determine whether it appropriately classifies inmates, though it is now finalizing a contract with researchers at the University of New Mexico to do so. Additionally, the agency has not regularly reviewed its classification practices to identify and correct problems or to determine its effect on prison operations. The extent to which the system is effective in today's policy environment and for the current inmate population is thus poorly understood.

While underclassification no longer appears to be an issue, inmates are frequently placed at higher security levels than the scoring tool indicates is necessary. While 60 percent of new inmates from 2014 to 2016 scored at minimum security, only 29 percent are currently housed there, with the majority instead held in medium security. However, because NMCD's scoring tool has not been validated, it is impossible to definitively say whether these decisions are appropriate or represent unnecessary overclassification. Without clarity, it will be difficult for NMCD to effectively minimize costs, plan for future capital needs, or provide offenders with appropriate access to minimum-security settings. LFC staff analysis finds the deviations from the scoring tool cost the state up to \$28 million a year.

Alisha Tafoya Lucero, secretary of NMCD, said the current classification system is over 20 years old and needs to be updated. NMCD engaged the University of New Mexico Institute for Social Research and a classification expert to revise and validate its scoring tool. Secretary Tafoya Lucero said NMCD's objective is to accurately integrate mandatory overrides into the system.

Secretary Tafoya Lucero said NMCD is developing its Recidivism Reduction Division. The new division will ensure release planning is conducted well in advance.

In response to Representative Dow, Secretary Tafoya Lucero said, while NMCD provides educational, behavioral health, and other services inside its facilities, comprehensive release planning is especially effective in reducing recidivism.

In response to Representative Anderson, Secretary Tafoya Lucero said the NMCD population is currently at 6,188 inmates and the recidivism rate is 54 percent. Secretary Tafoya Lucero said many states calculate recidivism rates differently.

Program Evaluation: Nursing Expansion and Workforce. LFC Program Evaluator Brian Hoffmeister, presenting the report *Nursing Expansion and Workforce*, said over the past two decades, the Legislature has invested nearly \$120 million in efforts to increase the production of nursing degrees and expand the nursing workforce in response to shortages. These “nurse expansion” appropriations contributed to growth of 141 percent in nursing bachelor's degrees awarded since FY12 and an approximate doubling of the number of licensed nurses in the state. Still, with an aging population, Medicaid expansion, and increased insurance coverage contributing to more demand on the healthcare system, the number of nurses needed in the state is expected to continue to rise into the middle of this decade.

Despite rising enrollment in nursing programs at the state's public higher education institutions, many programs, especially those serving rural areas, face persistent difficulties in attracting and retaining faculty, securing clinical placements in the field for students, and admitting students who are adequately prepared for the rigors of a nursing curriculum. Rather than targeting initiatives to address these specific areas of need, the bulk of nurse expansion funding essentially supplements the state's instruction and general (I&G) formula to cover core program costs, leading to an inefficient funding process for nursing education programs. Further contributing to these barriers is a general lack of any statewide data on the full extent of clinical placement need and academic preparedness. Additionally, uncertainty and precautions around the COVID19 pandemic are leading to new constraints and challenges.

Once nurses are working in New Mexico, there is a geographical mismatch between supply and demand, with many nurses educated outside the Albuquerque metropolitan area migrating there for jobs. This leaves higher rates of unmet demand among employers of nurses in other parts of the state, especially northern New Mexico. Nurse practitioners can be particularly crucial to filling gaps in primary and behavioral healthcare, sectors in which most of the state outside Bernalillo County remains underserved. Effective implementation of nurse residencies and transition-to-practice programs at hospitals and healthcare providers may help with retention in these places, but this has been limited to date in New Mexico.

LFC staff made key recommendations. The Legislature should consider

- Putting future nurse expansion funds into the program development enhancement fund for the Higher Education Department to award grants on a competitive basis;
- Increasing targeted financial aid for nurses by approximately \$750 thousand in FY22 or future fiscal years to meet demand, including loan repayment for practicing in rural or medically underserved areas; and
- Amending Chapter 24, Article 14C NMSA 1978, to require the Healthcare Workforce Committee to work with the Department of Workforce Solutions to leverage demand-side data, such as vacant positions, to enhance knowledge of the need for nurses and other healthcare professionals.

The Higher Education Department should

- Modify administrative rules so I&G-related research and public service projects are rolled into main I&G appropriations if a project's funding has remained flat for three or more consecutive years and consider all requests for nurse expansion based on addressing identified capacity building needs; and
- Leverage data matches with the Department of Workforce Solutions to regularly analyze in-state workforce retention of New Mexico-educated nurses and share the analysis with nursing programs, the Healthcare Workforce Committee, and the Board of Nursing.

The Higher Education Department and higher education institutions should

- Work with the Legislative Finance Committee and the Department of Finance and Administration to develop performance metrics tied to nurse expansion appropriations that measure in-state and regional retention of nursing graduates, including for advanced practice nurses in federally designated provider shortage areas.

The Board of Nursing should

- Work with pre-licensure nursing programs to develop standardized measures to quantify and track clinical placements and identify providers with which nursing programs have clinical placement agreements, and quantify and track academic preparedness of admitted and denied nursing students; and
- Consider promulgating a rule creating a data system for employers to voluntarily report the employment of nurses whose primary residence and state of licensure is outside New Mexico.

The New Mexico Nursing Education Consortium should

- Work with the Board of Nursing to leverage collection of data and evaluate clinical placements and academic preparedness at New Mexico Nursing Education Consortium programs and set outcome-oriented objectives for these in its requests for state funding.

The Health Care Workforce Committee should

- Reassess its benchmark for nurses to encompass additional factors beyond per-capita employment rates, including provider demand and population health characteristics.

Board of Nursing Executive Director Sasha Poole, Ph.D., RN, said many college students entering a science, technology, engineering, and mathematics (STEM) program, including nursing, are not proficient in reading, writing, and mathematics.

Ms. Poole said a colleague reported to her New Mexico nursing programs are doing a remarkable job with relatively small budgets. Before teaching in New Mexico, the colleague taught nursing in another state; the nursing program had a budget five-times larger than the program for which she now teaches. Both programs are similar in size.

Ms. Poole said, in general, the Board of Nursing agrees with LFC staff findings and recommendations addressed to the agency. Ms. Poole highlighted key points in the board's written response.

Ricky Serna, deputy secretary of the Workforce Solutions Department (WSD), said the Higher Education Department supports leveraging data matches with WSD. The agencies are working together to develop a statewide longitudinal system that will help align efforts.

Mr. Serna said the Public Education Department was appropriated \$650 thousand in FY21 to support school districts in developing healthcare curriculum to prepare students who plan on entering a postsecondary health occupation program. Mr. Serna recommended measures be put in place to ensure the curriculum is based on best practices.

Discussion Draft of FY22 Budget Guidelines. LFC Deputy Director Charles Sallee presented a draft of FY22 budget guidelines. The guidelines provide analysts with committee direction on performance-based budgeting, the preparation of the budget narrative, the development of FY22 recommendations on recurring appropriations, and priority capital spending and other one-time investments. The guidelines also serve to inform state agencies and the general public about new

LFC priorities and approach to budget recommendations for FY22. Committee members provided feedback. The committee will vote on the proposed guidelines in August.

Friday, July 17

The following members and designees were present on Friday, July 17, 2020: Chairman John Arthur Smith; Vice Chairwoman Patricia A. Lundstrom; Senators Clemente Sanchez, Steven P. Neville, William F. Burt, George K. Muñoz, Roberto “Bobby” J. Gonzales, James P. White (via Webex), and Pete Campos; and Representatives Javier Martinez (via Webex), Rebecca Dow, Rodolpho “Rudy” Martinez, Gail Armstrong, Candie Sweetser, Andres G. Romero, and Cathrynn N. Brown. Senators Jacob R. Candelaria (via Webex) and Mary Kay Papen; and Representatives Phelps Anderson, Harry Garcia, and Nathan P. Small (via Webex).

Miscellaneous Business.

Action Items. Vice Chairwoman Lundstrom moved to approve the June 2020 meeting minutes, seconded by Senator Gonzales. The motion carried.

Vice Chairwoman Lundstrom moved to approve the LFC contracts, seconded by Representative Armstrong. The motion carried.

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

Medicaid and COVID-19 Update. Dr. David Scrase, secretary of the Human Services Department (HSD), said New Mexico’s Medicaid program, Centennial Care 2.0, has its rates rebased every two years, determined from prior utilization and expenditure data.

Nicole Comeaux, director of the Medical Assistance Division of HSD, said Congress passed the Families First Coronavirus Response Act to safeguard Medicaid benefits in anticipation of exponential growth in enrollment due to COVID-19 employment and income losses. The legislation provides free coronavirus testing, strengthens food assistance, enhances unemployment aid, establishes paid leave, and temporarily increases the federal medical assistance percentage (FMAP) match rate by 6.2 percent. States must attest compliance with the statutory requirements to receive the FMAP increase: no new eligibility and enrollment requirements that are more restrictive than were in place prior to the public health emergency, no cost-sharing for testing, no premium increases, and no disenrollment during the public health emergency declaration.

The Coronavirus Aid, Relief and Economic Security (CARES) Act includes funding to aid hospitals and healthcare providers and support state, local, and territorial governments.

Ms. Comeaux said FMAP increases during public health crises, natural disasters, or economic downturns are intended to help states address higher Medicaid costs resulting from higher enrollment as people lose their jobs or see their hours or wages reduced and become eligible for Medicaid. It also allows for greater financial support to the healthcare safety net that disproportionately serves Medicaid beneficiaries. Ms. Comeaux said some groups believe the 6.2 percent FMAP increase is insufficient to fund the Medicaid cost growth in this pandemic.

Reporting on program enrollment and costs in New Mexico, Ms. Comeaux said total enrollment increased from 837 thousand members in February to 864 thousand members in May. June enrollment is estimated at 874 thousand members. HSD expects managed care enrollment of the program to increase 8.3 percent, costing an additional \$63.8 million in the first half of FY21. HSD is exploring options to manage increased program costs. Reducing benefits and implementing copay and premium increases would violate the FMAP increase requirements, resulting in lost federal dollars of up to \$204.5 million. Eliminating the Centennial Rewards program and postponing the Home Visiting program expansion and behavioral management skills pilot would not violate requirements; however, these options would provide little cost savings.

Dr. Scrase said managed-care organization (MCO) contract costs may be reduced by moving MCOs down to the bottom of the rate range, reducing care coordination staff working at MCOs, and requiring MCOs to pay 340(b) federal discount pricing for prescription drugs. To manage healthcare provider rate costs, HSD resubmitted waivers to rescind emergency provider rate increases. Provider rate reductions could provide additional savings. Other cost containment options were discussed.

Dr. Scrase said people living in lower income census tracts in New Mexico are 10 times more likely to contract COVID-19, according to Department of Health (DOH) data.

Dr. Chad Smelser, deputy state epidemiologist of DOH, said New Mexico had its first confirmed COVID-19 case on March 11, 2020. As of July 13, the United States had 3.3 million cases; New Mexico cases totaled 16,138 thousand, ranking the state 32nd highest nationwide.

Dr. Smelser said New Mexico is participating in a genomic study conducted by the Centers for Disease Control and Prevention to estimate the number and timing of COVID-19 introductions into the state using genetic data. The findings will help researchers understand how outbreaks entered certain settings, including nursing homes and correctional facilities.

Dr. Smelser said the weekly counts of new COVID-19 cases in New Mexico have been increasing steadily since mid-June. The highest percent of total cases are in the 20-29 age group, followed by the 30-39 and 40-49 age groups. Forty-three percent of New Mexicans who have contracted the virus are Native American and 35 percent are Hispanic. COVID-19 hospitalizations increased 50 percent from June 28 to July 14; however, ventilator use decreased 20 percent. The weekly counts of COVID-19 deaths have been decreasing steadily since May. The overall COVID-19 fatality rate in New Mexico is 3.6 percent; however, the fatality rate is 7 percent for Native Americans.

Reporting on COVID-19 response in New Mexico, Dr. Smelser said the state has been very aggressive in its interventions. Executive and public health orders were initiated shortly after the first cases were identified. The state was quick to prohibit mass gatherings and mandate face mask wearing in public. DOH activated the Medical Advisory Team, comprised of multiple groups working to address a wide range of pandemic issues. DOH is investigating approximately 80 percent of confirmed cases, which Dr. Smelser said is excellent compared with other states. New Mexico has the 3rd highest testing rate in the United States.

Dr. Smelser talked about COVID-19 response challenges and said the state has limited staff to conduct the wide range of activities needed to mitigate the spread of COVID-19, including case investigations and contact tracing. New Mexico's data systems require substantial upgrades and integration. "Pandemic fatigue" is also a challenge. Dr. Smelser explained the public is becoming less patient and tolerant of COVID-safe practices, case investigations, and contact tracing.

Dr. Smelser urged legislators to communicate to their constituents the importance of face mask wearing to mitigate spread.

Dr. Scrase provided information on the work of the Medical Advisory Team.

In response to Vice Chairwoman Lundstrom, Dr. Scrase said about \$54 million of FY20 Medicaid funding will revert to the general fund.

In response to Representative Dow, Dr. Scrase said if a person tests positive more than once, they would be included in the case count only once. Dr. Smelser said a positive antibody test is not counted as a COVID-19 case.

In response to Representative Dow, Dr. Scrase said New Mexico has not had any resident under age of 18 die of COVID-19, as of today. Dr. Scrase said it appears schools are successfully reopening in countries doing well during the pandemic while schools in countries not doing well are unsuccessful.

In response to Senator Munoz, Dr. Smelser said out-of-state residents receiving care for the virus in New Mexico hospitals are not counted in New Mexico case counts.

With no further business, the meeting adjourned at 11:30 a.m.


John Arthur Smith, Chairman


Patricia A. Lundstrom, Vice Chairwoman