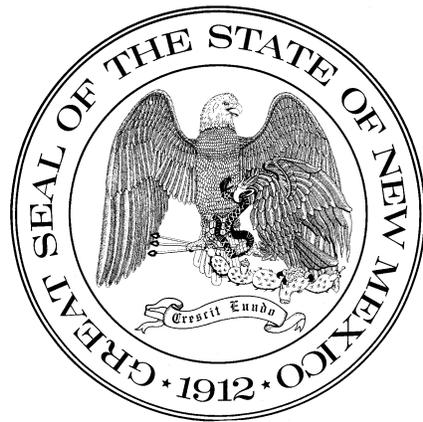


**NEW MEXICO
FINANCE AUTHORITY
OVERSIGHT COMMITTEE**

FINAL REPORT



New Mexico Legislative Council Service
Santa Fe, New Mexico
February 2014

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New Mexico Finance Authority Oversight Committee

2013 Interim Summary

The committee met five times in the 2013 interim to carry out its statutory duties to monitor and oversee the New Mexico Finance Authority (NMFA), the Border Authority, the Spaceport Authority and the New Mexico Renewable Energy Transmission Authority (RETA). The committee examined the mission, organizational structure, operations budget, activities and projects of all four authorities.

Audit Findings and Responses

NMFA representatives periodically updated the committee on the NMFA's responses to findings and concerns that emerged after the 2012 fraudulent audit discovery from investigation and audit reports produced by the State Auditor's Office, the Securities Division of the Regulation and Licensing Department and auditing firms. In many areas singled out as needing improvement, NMFA representatives reported that they had met or made progress toward designated goals. The representatives also testified that the NMFA submitted all of its required 2013 audits on or ahead of schedule.

Committee members continued to probe for measures to strengthen the NMFA's organizational structure in an effort to prevent an incident like the production of a fraudulent audit from recurring.

Water Projects Application Process

2013 was the transition year for a new application cycle, intended to improve efficiency and oversight, in the administration of water project funding programs.

Electricity Transmission

The transmission of electricity for exportation was discussed multiple times during the interim. Representatives of the New Mexico Express testified about their plan to bury high-voltage direct-current lines across the state to connect major regional electricity hubs. They requested from the committee help to overcome anticipated rights-of-way issues and proposed giving the state a portion of transmission line user fees. The committee heard reactions to the proposed plan from representatives of the Legislative Finance Committee, the Department of Transportation, the State Land Office, RETA and the Public Regulation Commission.

Definition of "Colonia"

The committee discussed the needs of communities that are similar to defined "colonias" in all respects but geographic designation. Committee members discussed proposed measures to address the needs of such colonia-like communities.

The Border Authority

Representatives of the Border Authority highlighted key current and planned projects, including the expansion of the Santa Teresa port of entry and construction of the Santa Teresa-San Jeronimo rail bypass project, infrastructure to control flooding in Columbus, a binational industrial campus, a dual customs clearance facility and commercial lanes adjacent to the rail

border crossing.

RETA

Representatives of RETA requested funding for operations and updating a study on energy transmission concepts, economic benefits and cost allocation and a corresponding 20-year plan.

Spaceport Authority

Committee members heard from Spaceport America employees, board members and Virgin Galactic representatives about developments concerning, among other topics, the spaceport's self-sufficiency, spaceport-area infrastructure and the timing of passenger launches. Members questioned the propriety of use of the local-share portion of the spaceport gross receipts tax for local school district science, technology, engineering and math programs. Members expressed concern about the state's investment in the spaceport, generally, and emphasized the necessity of constructing a high-quality southern road for greater access to Spaceport America.

Transitions

The NMFA experienced some transition in its leadership. Nann Winter, board chair, and Paul Gutierrez, board member, resigned from the board. The committee learned that a new chief executive officer (CEO), Robert P. Coalter, formerly of the Texas Public Finance Authority, would replace John Gasparich, the interim CEO.

Endorsements

The committee endorsed the following bills and memorials for introduction in the 2014 legislative session:

- (1) a bill authorizing the NMFA to make loans for public projects from the Public Project Revolving Fund (PPRF);
- (2) a bill authorizing the NMFA to make loans or grants from the Water Project Fund;
- (3) a bill changing the NMFA board composition and meeting requirements;
- (4) a bill providing an opportunity for disadvantaged communities to finance infrastructure projects;
- (5) a bill expanding the definition of "local revenue" for calculation of a school district's state equalization guarantee distribution;
- (6) a bill appropriating \$2 million from the PPRF to the Local Government Planning Fund for expenditure in FY 2014; and
- (7) a memorial requesting that a task force be formed to study improving the state's telecommunications infrastructure.

**2013 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

Members

Rep. Patricia A. Lundstrom, Chair
Sen. Joseph Cervantes, Vice Chair
Rep. Alonzo Baldonado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Anna M. Crook
Rep. Candy Spence Ezzell
Rep. Roberto "Bobby" J. Gonzales
Sen. Phil A. Griego
Sen. Ron Griggs

Rep. Jimmie C. Hall
Rep. Yvette Herrell
Rep. Dona G. Irwin
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Sen. John C. Ryan
Rep. Henry Kiki Saavedra
Sen. William P. Soules
Rep. James P. White

Advisory Members

Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Brian F. Egolf, Jr.
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Sen. Stuart Ingle
Rep. Emily Kane
Sen. Timothy M. Keller
Rep. W. Ken Martinez
Sen. George K. Munoz

Sen. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. William H. Payne
Sen. John Pinto
Sen. Clemente Sanchez
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton
Rep. James R.J. Strickler
Rep. Thomas C. Taylor
Rep. Monica Youngblood

Work Plan

The New Mexico Finance Authority (NMFA) Oversight Committee was created with the enactment of the New Mexico Finance Authority Act, Sections 6-21-1 through 6-21-31 NMSA 1978, to monitor and oversee the operations of the NMFA. In addition, the legislature assigned oversight of the Border Authority, the Spaceport Authority and the New Mexico Renewable Energy Transmission Authority (NMRETA) to the committee.

The committee is required by statute to monitor and oversee state and local government capital planning and financing; provide advice and assistance to the authorities and cooperate with state and local governments on planning and setting priorities for, and financing of, state, local, border and port-of-entry capital projects; review and approve rules proposed by the authorities; and report its recommendations and legislation to the governor and legislature on or before December 15 of each year.

To carry out such tasks and its statutory duties during the 2013 legislative interim, the NMFA Oversight Committee shall:

(1) monitor and oversee the operations of the NMFA and review the NMFA's operational budget, investments, policies, audit committee processes, allocation of resources, funds and loan programs;

(2) take testimony on the structure and organization of the NMFA;

(3) receive progress reports on capital and public projects funded through the NMFA;

(4) review the status of bonds that the NMFA has the statutory authority to issue;

(5) review the status of funds that the NMFA has the statutory authority to administer;

(6) take testimony and make recommendations on the NMFA's administration of loans and grants;

(7) take testimony from the chair of the NMFA board about board actions;

(8) review the maximization of federal funds available to New Mexico;

(9) review projects proposed for funding through the Colonias Infrastructure Project Fund and review and approve the policies and procedures of the Colonias Infrastructure Board;

(10) monitor and oversee the operations and budget of the Border Authority and review and analyze the Border Authority's projects, goals and needs;

(11) monitor and oversee the operations and budget of the Spaceport Authority and review its projects, goals and needs;

(12) monitor and oversee the operations and budget of the NMRETA and its contracts, funding, goals and needs;

(13) receive testimony on the consideration of projects eligible for funding under the Water Project Fund;

(14) receive testimony on transportation infrastructure needs and funding options, including bonds issued through Governor Richardson's Investment Partnership program; and

(15) report to the legislature and recommend necessary changes in law or policy.

**New Mexico Finance Authority Oversight Committee
2013 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
May 30	Santa Fe
August 26-27	Taos
September 30-October 2	Las Cruces
October 31-November 1	Clovis
November 25-26	Santa Fe

AGENDAS

**TENTATIVE AGENDA
for the
FIRST MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**May 30, 2013
Room 307, State Capitol
Santa Fe**

Thursday, May 30

- 9:00 a.m. **Call to Order and Welcome**
—Representative Patricia A. Lundstrom, Chair
—Senator Joseph Cervantes, Vice Chair
- 9:05 a.m. (1) **Interim Committee Procedures**
—Raúl E. Burciaga, Director, Legislative Council Service (LCS)
- 9:15 a.m. (2) **New Mexico Finance Authority (NMFA) Mission and Structure**
—John Gasparich, Acting Chief Executive Officer, NMFA
- 9:45 a.m. (3) **Public Project Revolving Fund — Bond Issuances and Use of
Governmental Gross Receipts Tax Revenues as Collateral**
—John Gasparich, Acting Chief Executive Officer, NMFA
—Michael Zavelle, Chief Financial Strategist, NMFA
- 10:15 a.m. (4) **Water Project Funds and Water Trust Board Processes**
—Scott Verhines, State Engineer, Office of the State Engineer (invited)
—Richard Rose, Water Resources Allocation Program Manager, Office of
the State Engineer (invited)
—Marquita D. Russel, Chief of Programs, NMFA
—Angela Quintana, Senior Program Administrator, NMFA
- 11:30 a.m. (5) **Responses to Auditor Recommendations (Working Lunch)**
—Donna Trujillo, Chief Financial Officer, NMFA
- 12:30 p.m. (6) **NMFA Budget and Staffing**
—John Gasparich, Acting Chief Executive Officer, NMFA
- 1:30 p.m. (7) **Statewide Economic Development Finance Act Reporting**
—John Brooks, Director of Commercial Lending, NMFA

- 2:00 p.m. (8) **Proposed Work Plan and Meeting Dates and Locations for 2013 Interim**
—Lisa Sullivan, Staff Attorney, LCS
- 2:30 p.m. (9) **2013 Legislation Summary**
—John Gasparich, Acting Chief Executive Officer, NMFA
—Lisa Sullivan, Staff Attorney, LCS
- 3:00 p.m. **Adjournment**

Revised: August 22, 2013

**TENTATIVE AGENDA
for the
SECOND MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**August 26-27, 2013
Padre Martinez Hall
University of New Mexico-Taos Branch
Klauer Campus
1157 County Road 110
Ranchos de Taos**

Monday, August 26

- 9:00 a.m. **Call to Order and Welcome**
—Representative Patricia A. Lundstrom, Chair
—Senator Joseph Cervantes, Vice Chair
- 9:05 a.m. **Welcome from Taos**
—Darren Cordova, Mayor, Town of Taos (invited)
—Daniel R. Barrone, Chair, Taos County Board of Commissioners (invited)
—Barbara Wiard, Former Chair, Intergovernmental Council (invited)
—Kate O'Neill, Ed.D., Executive Director, University of New Mexico-Taos
Branch
- 9:15 a.m. (1) **Chief Executive Officer and Internal Auditor Search**
—Nann Winter, Chair, New Mexico Finance Authority (NMFA) Board
—John Gasparich, Acting Chief Executive Officer, NMFA
- 9:30 a.m. (2) **Governmental Gross Receipts Tax Allocations**
—Jeff Canney, Program Evaluator, Legislative Finance Committee
—Veronica Gonzales, Secretary, Cultural Affairs Department
—Tommy Mutz, Director, State Parks Division, Energy, Minerals and
Natural Resources Department
—Wanda R. Bowman, Chair, Youth Conservation Corps (YCC) (invited)
—Wendy Kent, Executive Director, YCC
—John Gasparich, Acting Chief Executive Officer, NMFA
—Michael Zavelle, Chief Financial Strategist, NMFA
- 11:00 a.m. (3) **Public Project Revolving Fund Purposes and Effects**
—John Gasparich, Acting Chief Executive Officer, NMFA
—Michael Zavelle, Chief Financial Strategist, NMFA
- 11:45 a.m. (4) **Approval of Minutes and Committee Business**

- 12:00 noon (5) [Taos County Administrative/Judicial Complex Funding \(Working Lunch\)](#)
—Rick Martinez, Director of Business Development, NMFA
- 12:15 p.m. (6) [Water Project Fund and Drinking Water State Revolving Loan Fund Updates](#)
—Jana Amacher, Director of Water Resources, NMFA
—John Gasparich, Acting Chief Executive Officer, NMFA
- 1:15 p.m. (7) [Governor Richardson's Investment Partnership \(GRIP\) Bond Program Implementation](#)
—Tom Church, Secretary-Designate, Department of Transportation
—Michael Zavelle, Chief Financial Strategist, NMFA
—Dan Opperman, Counsel, NMFA
- 2:00 p.m. (8) [Bond Issuer Pricing Approval and Senate Bill 346 \(2013 Regular Session\)](#)
—John Gasparich, Acting Chief Executive Officer, NMFA
—Michael Zavelle, Chief Financial Strategist, NMFA
- 2:15 p.m. **Tour of Taos County Administrative/Judicial Complex and Taos Eco Park**
—Transportation Provided
- 4:45 p.m. **Recess**

Tuesday, August 27

- 9:00 a.m. (9) [Electricity Transmission Needs](#)
—Toney Anaya, Former Governor of New Mexico
—Phillip G. Harris, Chief Executive Officer, Tres Amigas, LLC
—Julia Frayer, Managing Director, London Economics International, LLC
- 10:00 a.m. (10) [New Mexico Renewable Energy Transmission Authority \(NMRETA\) Update](#)
—Jeremy Turner, Director, NMRETA
—Angela Gonzales-Rodarte, Assistant Director, NMRETA
- 11:00 a.m. (11) [Colonias Infrastructure Funds and Severance Tax Bond Proceeds](#)
—John Gasparich, Acting Chief Executive Officer, NMFA
—Rick Martinez, Director of Business Development, NMFA
- 12:00 noon **Adjourn**

Revised: September 27, 2013

**TENTATIVE AGENDA
for the
THIRD MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**September 30-October 1, 2013
New Mexico State University
Barbara Hubbard Room
Pan American Center
1810 East University Avenue
Las Cruces**

**October 2, 2013
Spaceport America
Town of Upham
Sierra County**

Monday, September 30

- 9:00 a.m. **Call to Order and Welcome**
—Representative Patricia A. Lundstrom, Chair
—Senator Joseph Cervantes, Vice Chair
- 9:05 a.m. (1) **Welcome from Las Cruces**
—Billy G. Garrett, Chair, Dona Ana County Commissioners (invited)
—Dan Howard, Executive Vice President and Provost, New Mexico State
University
- 9:15 a.m. (2) **Update on New Mexico Finance Authority (NMFA) Board Actions, NMFA
Bond Issuances and Filling Vacancies**
—John Gasparich, Acting Chief Executive Officer, NMFA
- 9:40 a.m. (3) **Approval of Minutes**
- 9:45 a.m. (4) **Public Project Revolving Funds for Charter School Lease-Purchases**
—Paul Aguilar, Deputy Secretary, Public Education Department
—Charles Sallee, Deputy Director, Legislative Finance Committee (LFC)
—John Gasparich, Acting Chief Executive Officer, NMFA
—Michael Zavelle, Chief Financial Strategist, NMFA
—Marquita D. Russel, Chief of Programs, NMFA
- 11:45 a.m. (5) **NMFA — Funded Projects (Working Lunch)**
—John Gasparich, Acting Chief Executive Officer, NMFA

—Marquita D. Russel, Chief of Programs, NMFA

- 1:00 p.m. (6) [New Mexico Border Authority \(NMBA\) Budget and Update](#)
—William Mattiace, Executive Director, NMBA
—Erika De La O, Deputy Director, NMBA
- 1:45 p.m. (7) [Proposed Legislation](#)
—Senator Timothy M. Keller
—Senator Jacob R. Candelaria
—Rick Martinez, Director of Business Development, NMFA
- 3:30 p.m. (8) [Water Project Fund Applicants](#)
—Marquita D. Russel, Chief of Programs, NMFA
- 4:30 p.m. (9) [Arrowhead Center Business Development Services](#)
—Kevin Boberg, Ph.D., Vice President for Economic Development, Arrowhead Center (invited)
- 5:30 p.m. **Recess**

Tuesday, October 1

- 8:30 a.m. (10) [Presentation to Energy Transmission Working Group](#)
—Tom Church, Secretary-Designate, Department of Transportation (DOT)
—Clinton Turner, Chief Economist, DOT
—Ron Noedel, Bureau Chief, Right-of-Way Bureau, DOT
—Shawn Chafins, Utility Unit Supervisor, DOT
—Loren Hatch, General Counsel, DOT
—Hugh Perry, Assistant General Counsel, DOT
—Don Britt, Assistant Counsel, State Land Office
—Ben Hall, Chair, Public Regulation Commission
—Jeremy Turner, Director, New Mexico Renewable Energy Transmission Authority (NMRETA)
—Angela Gonzales-Rodarte, Assistant Director, NMRETA
—David Abbey, Director, LFC
—Toney Anaya, Former Governor of New Mexico
—Phillip G. Harris, Chief Executive Officer, Tres Amigas, LLC
—Julia Frayer, Chief Executive Officer, London Economics International, LLC
- 10:30 a.m. (11) [Spaceport Authority Budget, Economic Development Plan and Update](#)
—Christine Anderson, Executive Director, Spaceport Authority
—Ben Woods, Board Member, Spaceport Authority
- 12:00 noon **Lunch Provided**

12:30 p.m.

Tour of Union Pacific

—Transportation Provided, Departing from Pan American Center

1:30 p.m.

(12) **[Union Pacific Corporation Site Economic Development and Infrastructure Plans](#)**

—Raquel Espinoza, Director of Corporate Relations and Media, Union Pacific Corporation

4:30 p.m.

Recess

Wednesday, October 2

10:00 a.m.

Tour of Spaceport America

—Transportation Provided, Departing from Follow the Sun Tours, 710 Highway 195, Elephant Butte

1:00 p.m.

Adjourn

Revised: October 30, 2013

**TENTATIVE AGENDA
for the
FOURTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**October 31-November 1, 2013
Clovis Civic Center
801 Schepps Blvd.
Clovis**

Thursday, October 31

- 9:30 a.m. **Call to Order and Welcome**
—Representative Patricia A. Lundstrom, Chair
—Senator Joseph Cervantes, Vice Chair
- 9:35 a.m. **Welcome from Clovis**
—David Lansford, Mayor, Town of Clovis
- 9:40 a.m. (1) **Board Report**
—Blake Curtis, Member, New Mexico Finance Authority (NMFA) Board
—John Gasparich, Acting Chief Executive Officer (CEO), NMFA
- 10:15 a.m. (2) **NMFA Dashboard Report**
—John Gasparich, Acting CEO, NMFA
- 11:00 a.m. (3) **NMFA Lending Processes**
—Rick Martinez, Director of Business Development, NMFA
—Marquita D. Russel, Chief of Programs, NMFA
- 11:45 a.m. (4) **NMFA Budget (Working Lunch)**
—John Gasparich, Acting CEO, NMFA
- 12:15 p.m. (5) **New Markets Tax Credits**
—Marquita D. Russel, Chief of Programs, NMFA
- 12:45 p.m. (6) **Water Trust Fund, Project Application Process and Approved Applicants**
—John Gasparich, Acting CEO, NMFA
—Jana Amacher, Director of Water Resources, NMFA
- 1:30 p.m. (7) **NMFA Board Attendance Requirements**
—Senator Timothy M. Keller
- 2:30 p.m. (8) **Public Project Revolving Fund Appropriation to Local Government**

Planning Fund

—John Gasparich, Acting CEO, NMFA

- 3:30 p.m. (9) **Water Project Fund Distribution and Forest Industry Economic Development Programs**
—Brent Racher, Ph.D., President, New Mexico Forest Industry Association
—Laura McCarthy, Director of Agency and Governmental Relations, The Nature Conservancy (invited)
—John Gasparich, Acting CEO, NMFA
- 4:30 p.m. (10) **New Mexico Community Assistance Fund**
—Senator Jacob R. Candelaria
—Rick Martinez, Director of Business Development, NMFA
- 5:00 p.m. **Recess**

Friday, November 1

- 9:00 a.m. (11) **State Telecommunications Needs**
—Moirá Gerety, Deputy Chief Information Officer, Information Technologies Department, University of New Mexico
- 10:00 a.m. (12) **U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program**
—Frank Padilla, Field 6 Director, HUD (invited)
—Andrew Jacobson, Deputy Secretary, Department of Finance and Administration
- 10:45 a.m. (13) **Energy Transmission Laws and Regulations**
—David Stidham, Chief Operating Officer, Tres Amigas
—Toney Anaya, Former Governor of New Mexico
- 12:15 p.m. **Adjourn**

Revised: November 22, 2013

**TENTATIVE AGENDA
for the
FIFTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 25-26, 2013
State Capitol, Room 307
Santa Fe**

Monday, November 25

- 9:00 a.m. **Call to Order and Welcome**
—Representative Patricia A. Lundstrom, Chair
—Senator Joseph Cervantes, Vice Chair
- 9:05 a.m. (1) **Board Report**
—Nann Winter, Former Board Member, New Mexico Finance Authority
 (NMFA) Board
—John Gasparich, Acting Chief Executive Officer (CEO), NMFA
- 9:35 a.m. (2) **Water Trust Board Report and Proposed Legislation**
—Jana Amacher, Director of Water Resources, NMFA
—Scott A. Verhines, State Engineer, Chair, Water Trust Board
—Richard Rose, Ph.D., Director of Water Resources, Water Resources
 Allocation Program, Office of the State Engineer
- 10:45 a.m. **Transportation Bonds**
—Tom Church, Secretary-Designate, Department of Transportation
- 11:15 a.m. (3) **Use of Public Highway Rights of Way by Certain Public Utilities —
Potential Legislation**
—Representative Patricia A. Lundstrom
- 12:00 noon (4) **Working Lunch: Task Force to Study Telecommunications Infrastructure
— Potential Legislation; Request to Legislative Finance Committee**
—Senator Jacob R. Candelaria
—Representative Debbie A. Rodella
—Representative Patricia A. Lundstrom
- 12:45 p.m. (5) **Factoring Local Revenue in the Calculation of the State Equalization
Guarantee Distributions**
—Representative Patricia A. Lundstrom

- 1:30 p.m. (6) [NMFA Board Attendance Requirements — Proposed Legislation](#)
—Senator Timothy M. Keller
- 2:15 p.m. (7) [New Mexico Disadvantaged Community Assistance — Proposed Legislation](#)
—Senator Jacob R. Candelaria
—Rick Martinez, Director of Business Development, NMFA
- 3:00 p.m. (8) [Appropriation for Local Government Planning Fund — Potential Legislation](#)
—John Gasparich, Acting CEO, NMFA
- 3:10 p.m. (9) [NMFA Public Project Revolving Fund \(PPRF\) — Potential Legislation](#)
—John Gasparich, Acting CEO, NMFA
- 3:20 p.m. (10) [Recent PPRF Recipients](#)
—Zach Dillenback, Chief Lending Officer, NMFA
—Marquita D. Russel, Chief of Programs, NMFA
- 3:45 p.m. (11) [Local Government Planning Fund Funding Parameters](#)
—Zach Dillenback, Chief Lending Officer, NMFA
—Marquita D. Russel, Chief of Programs, NMFA
- 4:30 p.m. (12) [Economic Development Revolving Fund Update](#)
—Marquita D. Russel, Chief of Programs, NMFA
- 5:00 p.m. **Recess**

Tuesday, November 26

- 9:00 a.m. (13) [NMFA Audit Update](#)
—Donna M. Trujillo, Chief Financial Officer, NMFA
- 9:30 a.m. (14) [Spaceport Authority \(SA\) Budget and Economic Development Plan](#)
—Richard Holdridge, Ph.D., Chair, SA Board
—David Buchholtz, Member, SA Board
—Paul Deason, Member, SA Board
—Jerry Stagner, Member, SA Board
—Christine Anderson, Director, SA
- 10:45 a.m. (15) [Telecommunications Infrastructure as a Capital Need](#)
—Christine Anderson, Director, SA
—Jeremy Turner, Executive Director, New Mexico Renewable Energy
Transmission Authority

11:30 a.m.

Telecommunications Infrastructure as a Capital Planning Consideration
—John Gasparich, Acting CEO, NMFA

12:00 noon

Adjourn

MINUTES

**MINUTES
of the
FIRST MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**May 30, 2013
Room 307, State Capitol
Santa Fe**

The first meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, on Thursday, May 30, 2013, at 9:17 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Patricia A. Lundstrom, Chair
Sen. Joseph Cervantes, Vice Chair
Rep. Alonzo Baldonado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Yvette Herrell
Rep. Dona G. Irwin
Rep. Jane E. Powdrell-Culbert
Sen. William P. Soules
Rep. James P. White

Advisory Members

Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Anna M. Crook
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Rep. Emily Kane
Rep. W. Ken Martinez
Sen. John Pinto
Sen. Clemente Sanchez
Rep. Edward C. Sandoval

Absent

Rep. Candy Spence Ezzell
Sen. Phil A. Griego
Sen. Michael Padilla
Rep. Debbie A. Rodella
Sen. John C. Ryan
Rep. Henry Kiki Saavedra

Rep. Brian F. Egolf, Jr.
Sen. Stuart Ingle
Sen. Timothy M. Keller
Sen. George K. Munoz
Sen. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. William H. Payne
Rep. Sheryl Williams Stapleton
Rep. James R.J. Strickler
Rep. Thomas C. Taylor
Rep. Monica Youngblood

Guest Legislator
Sen. Cliff R. Pirtle

Staff
Lisa Sullivan, Legislative Council Service (LCS)
Tessa Ryan, LCS
Elizabeth Katz, LCS

Guests
The guest list is in the meeting file.

Handouts
Handouts are in the meeting file and posted online at http://www.nmlegis.gov/lcs/committee_handout_list.aspx?CommitteeCode=NMFA&Date=5/30/2013.

Thursday, May 30

The chair welcomed the committee members, who introduced themselves.

Interim Committee Procedures

John Yaeger, assistant director for legislative affairs, LCS, reviewed routine committee procedures, including information about achieving quorums, taking formal and informal actions and the availability of committee calendars.

NMFA Mission and Structure

John Gasparich, NMFA acting chief executive officer, informed the committee that the mission of the authority is to provide low-cost financing statewide for the:

- planning, design and construction of public infrastructure;
- purchase of public equipment and vehicles;
- conservation, development and delivery of water resources; and
- creation of private-sector jobs and economic development.

Mr. Gasparich stated that the major public infrastructure programs involving the authority include:

- the Public Project Revolving Fund (PPRF);
- Governor Richardson's Investment Partnership (GRIP) program;
- the Local Government Planning Fund; and
- the Colonias Infrastructure Fund.

Recipients of public infrastructure funding include local and tribal governments, state agencies, public schools, higher education institutions, special districts and local police and fire departments. Some of the partners with which the authority funds or implements public infrastructure programs include the Department of Transportation, the private banking community,

institutional investors, the State Board of Finance, the United States Department of Agriculture, the Department of Finance and Administration and the legislature, according to Mr. Gasparich.

PPRF — Bond Issuances and Use of Governmental Gross Receipts Tax Revenues

Michael Zavelle, NMFA chief financial strategist, and Mr. Gasparich informed the committee that the NMFA recently sold over \$44 million in bonds for its PPRF program. It was the first bond issuance since 2012, while the 2011 faked audit was being investigated. Throughout such investigations, the authority was able to maintain its high bond ratings with Standard & Poor's and Moody's in part because of the state's pledge of governmental gross receipts tax (GGRT) proceeds, which would be used to cover the amount of any default in loan repayments. Fortunately, no borrower has ever defaulted on a loan in the history of the PPRF program, from which 672 loans have been issued. The 100% loan repayment rate, in addition to the structure of the PPRF program and the conservative fiscal management practices of the authority, also helped the authority maintain its high bond ratings, according to Mr. Zavelle.

The primary component of the PPRF program is the GGRT allocation. Because of the GGRT allocation, the authority obtains an optimal bond issuance rate, which allows the NMFA to issue loans with very low interest rates.

The committee adopted a motion to draft an opinion for release to the media highlighting the recent bond issuance by the authority.

Water Project Funds and Water Trust Board Processes

Marquita Russel, chief of programs for the authority, and Angela Quintana, senior program administrator for water resources for the authority, distributed to the committee a handout and presented information about the water project funding programs administered by the authority with the assistance of the Water Trust Board. Ms. Russel stated that the Water Trust Board helps review applications for loans and grants from the Water Project Fund and the Acequia Project Fund and prioritizes projects for recommendation to the legislature. For detailed information about the sources and amounts of money in these funds, as well as the application review and project prioritization criteria and processes, please see the handout in the meeting file.

Richard P. Rose, Ph.D, director, Water Resources Allocation Program, Office of the State Engineer, followed Ms. Russel and Ms. Quintana with a presentation about the Water Trust Board's revision of the application review processes and funding cycle to maximize efficiency and efficacy. Included in his handout for the committee is a comparison of the timing and criteria of the 2013 and proposed 2014 funding cycles and an example of a funding eligibility list.

Dr. Rose also presented to the committee a comprehensive chart of most of the major funds that are available for public water projects in the state. Dr. Rose informed the committee that water-related projects may receive funding from the following funds through loans or grants administered by the authority:

- the Water Project Fund;
- the Drinking Water State Revolving Loan Fund;
- the Water and Wastewater Planning Fund;

- the Water and Wastewater Project Grant Fund;
- the Colonias Infrastructure Project Fund; and
- the PPRF.

Water-related projects also may receive funding from additional funds through loans or grants administered by agencies other than the authority. Please see the comprehensive chart that is posted as a handout to the legislative web site listed on page 2 of these minutes.

Responses to Auditor Recommendations

Mr. Gasparich and Donna Trujillo, chief financial officer for the authority, updated the committee on the authority's responses to investigations and audits conducted by the State Auditor's Office, the Securities Division of the Regulation and Licensing Department and the auditing firms PricewaterhouseCoopers, Hewitt EnnisKnupp and the Rogoff Firm. Those investigations and audits yielded multiple reports containing findings and recommendations. The authority synthesized the findings and recommendations in a "Findings Status Matrix" that was distributed to the committee members. Mr. Gasparich and Ms. Trujillo explained that the matrix lists focus areas; status (of compliance efforts); continued challenges; successes; and next steps. Some of the authority's compliance actions include the following recent improvements: entrance and exit conferences are being attended by the audit committee; the Bank of Albuquerque was selected as the new fiscal agent; the authority's board is approving and maintaining minutes and records; training courses are being completed by staff; and a new loan origination system is being implemented. According to Mr. Gasparich, the authority is committed to monitoring and complying with all areas of concern raised in the reports.

Ms. Trujillo informed the committee that the 2012 audit has been completed and submitted to the state auditor. The 2013 audit is pending because certain tasks must be completed by an internal auditor, which position is unfilled. The deadline for submitting the 2013 audit to the state auditor is December 15.

NMFA Budget and Staffing

Mr. Gasparich and Robert Brannon, controller for the authority, presented handouts and summaries of the authority's budget and use of staff positions. There was discussion about balancing the authority's need to operate on a flat budget with the growth in the programs that signal a need for additional staff. To buffer certain areas of organizational risk, as identified in the auditor's and investigators' reports, the authority added a position for an internal auditor and a position for a technology systems analyst.

Mr. Gasparich and Mr. Brannon also noted that the amount of operating expenses is slightly higher in fiscal year 2013 because of the cost of the PricewaterhouseCoopers investigation solicited by the Office of the State Auditor. That expense was offset to an extent by the lower bond issuance fees, since there was only one issuance in 2012, and by the fact that only 39 of the 47 staffing positions are filled.

Mr. Gasparich discussed Senate Bill 12 (2012 regular session), which would have established minimum qualifications for NMFA board members and specific requirements for conducting

meetings. The legislature passed Senate Bill 12, but the governor vetoed it. Committee members expressed concern about inconsistent meeting attendance by some of the board members, which could impede the board's oversight of the authority. That problem would have been addressed by Senate Bill 12, which would have limited the number of meetings a board member could miss. A committee member requested a board update at each committee meeting.

After the legislative session, a certified public accountant was asked to serve on the board, according to Mr. Gasparich.

Statewide Economic Development

John Brooks, director of commercial lending for the authority, and Ms. Russel testified that the New Mexico Tax Credits program, the State Small Business Credit Initiative and the state's Economic Development Revolving Fund (EDRF) create opportunities for the authority to facilitate economic development. The New Mexico Tax Credits program and the State Small Business Credit Initiative receive federal funding, and the EDRF receives state and federal funding, according to Mr. Brooks and Ms. Russel.

Mr. Brooks and Ms. Russel stated that economic development program participants are private businesses in rural and underserved areas, small businesses associated with tribal entities and corporations that will be sited in the state. In operating these programs, the authority partners with commercial banks, private investors, the Economic Development Department (EDD) and the United States Department of the Treasury.

Mr. Brooks and Ms. Russel explained that the EDRF was created by the 2003 Statewide Economic Development Finance Act as a measure to equip the state with financing tools to make it more competitive with neighboring states in the field of economic development. The EDRF receives state and federal appropriations.

The EDRF has been used to operate two economic development programs: the Smart Money Loan Participation program and the Collateral Support Participation program. For both programs, the authority partners with private banks on loans made to qualifying businesses. While the private banks originate and service the business loans, the authority purchases an interest in the loans.

Mr. Brooks and Ms. Russel stated that the Smart Money Loan Participation program was created to focus on long-term, low-cost financing for businesses in rural areas. The Smart Money Loan Participation program requires that one or more jobs be created for every \$50,000 in loans made from program funding.

The Collateral Support Participation program provides short-term financing, such as lines of credit, for businesses whose financing needs are not met by the Smart Money Loan Participation program. Through a formal agreement with the authority, the EDD administers the \$13.2 million in Collateral Support Participation program funding made available through the federal Small Business Jobs Act of 2010, according to Mr. Brooks and Ms. Russel.

Proposed Work Plan and Meeting Dates and Locations for 2013 Interim

Ms. Sullivan presented the committee's proposed work plan and schedule for the 2013 interim. Members recommended the addition of some items and changes to the proposed schedule, then adopted the proposed work plan.

2013 Legislation Summary

Mr. Gasparich summarized the five bills endorsed by the committee at the end of the 2012 interim that were introduced during the 2013 session and signed into law. Those bills were: House Bill 70 (Laws 2013, Chapter 21), which increased the number of entities authorized to receive PPRF loans; House Bill 18 (Laws 2013, Chapter 82), which appropriated \$2 million from the PPRF to the Drinking Water State Revolving Loan Fund; House Bill 54 (Laws 2013, Chapter 178), which appropriated \$2 million from the PPRF to the Local Government Planning Fund to make grants up to \$50,000 to public entities to pay for planning documents and feasibility studies; Senate Bill 228 (Laws 2013, Chapter 24), which authorizes the authority to make grants and loans from the Water Project Fund and the Acequia Project Fund to local governmental entities; and Senate Bill 118 (Laws 2013, Chapter 106), which extends for three years the suspension of legislative authorization otherwise required for a qualified entity to receive financing under the Statewide Economic Development Finance Act.

There being no further business, the committee adjourned at 2:16 p.m.

MINUTES
of the
SECOND MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

August 26-27, 2013
Padre Martinez Hall
University of New Mexico-Taos Branch
Klauer Campus
Ranchos de Taos

The second meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, on Monday, August 26, 2013, at 9:08 a.m. at the Klauer Campus of the University of New Mexico (UNM) in Ranchos de Taos.

Present

Rep. Patricia A. Lundstrom, Chair
Rep. Alonzo Baldonado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Yvette Herrell
Rep. Dona G. Irwin
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Sen. John C. Ryan
Rep. James P. White

Advisory Members

Sen. Sue Wilson Beffort
Rep. Sharon Clahchischilliage
Rep. Anna M. Crook
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Sen. John Pinto
Sen. Nancy Rodriguez
Rep. Edward C. Sandoval (8/27)
Rep. Sheryl Williams Stapleton

Absent

Rep. Joseph Cervantes, Vice Chair
Rep. Candy Spence Ezzell
Sen. Phil A. Griego
Sen. Michael Padilla
Rep. Henry Kiki Saavedra
Sen. William P. Soules

Sen. Jacob R. Candelaria
Rep. Brian F. Egolf, Jr.
Sen. Stuart Ingle
Rep. Emily Kane
Sen. Timothy M. Keller
Rep. W. Ken Martinez
Sen. George K. Munoz
Sen. Bill B. O'Neill
Sen. Mary Kay Papen
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. James R.J. Strickler
Rep. Thomas C. Taylor
Rep. Monica Youngblood

Guest Legislator

Sen. Richard C. Martinez

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)

Tessa Ryan, Staff Attorney, LCS

Alexandria Tapia, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts are in the meeting file and posted online at http://www.nmlegis.gov/lcs/committee_handout_list.aspx?CommitteeCode=NMFA&Date=8/26/2013.

Monday, August 26**Call to Order, Introductions and Welcome**

Representative Lundstrom welcomed all present and announced that Representative Gonzales would chair the morning segment of the meeting.

Several local representatives introduced themselves and welcomed the committee to Taos. Daniel R. Barrone, chair of the Taos County Board of Commissioners, expressed gratitude for the NMFA's assistance in funding the new Taos County Administrative/Judicial Complex. Barbara Wiard, former chair of the Intergovernmental Council, identified the council, which comprises members from 13 governmental entities, many of which the NMFA has assisted: Taos County; the Town of Red River; the Town of Taos; the Village of Angel Fire; the Village of Eagle Nest; the Village of Questa; the Village of Taos Ski Valley; the Pueblo of Picuris; the Pueblo of Taos; Peñasco Independent School District; Questa Independent School District; Taos Municipal School District; and UNM-Taos. Dr. Kate O'Neill, executive director of UNM-Taos, highlighted that UNM-Taos educates 1,700 students, has nationally accredited nursing and early childhood education programs and collaborates with nine high schools to award students dual credit. Mario Suazo, business operations director at UNM-Taos, Mayor Darren Cordova of the Town of Taos and Leandro Cordova, finance director of Taos County, also introduced themselves and welcomed the committee.

Representative Gonzales commented that UNM-Taos provides the Taos area with affordable post-secondary degrees and continuing education programs and that the branch is growing to provide additional opportunities.

NMFA Chief Executive Officer (CEO) and Internal Auditor Search

Nann Winter, chair, NMFA board, and John Gasparich, interim CEO, NMFA, updated the committee on the status of the open CEO and internal auditor positions in the NMFA.

Ms. Winter and Mr. Gasparich distributed a handout with a suggested recruitment schedule for hiring a CEO and a brochure advertising the CEO position. The NMFA contracted with Ralph Andersen & Associates to recruit candidates for the CEO position. That firm has identified potential candidates from the state and the region. NMFA staff will assist the board in the selection process.

Mr. Gasparich will continue in the position of interim CEO until such time as a CEO is hired, ideally by October or November 2013. Mr. Gasparich also will assist the NMFA with the transition to a new CEO.

In reviewing the steps that the NMFA has taken to hire an internal auditor, Ms. Winter and Mr. Gasparich emphasized the importance of having someone in the position to safeguard against situations such as the 2011 faked audit. The position has been posted in the state twice with no responses from qualified applicants. The next posting will be regionwide. The board identified two vacant staff positions that could be used to supply funding for the salary of the internal auditor. If the position cannot be filled in the near future, the NMFA will continue to contract out some of the audit work to an external auditor. Since that would not be ideal, the NMFA would then continue the search for a qualified internal auditor.

NMFA Updates

Ms. Winter and Mr. Gasparich updated the committee on NMFA audit and board meetings. They provided a handout showing the schedules of the meetings, which have been conducted more frequently since the 2011 faked audit. They also noted that attendance at meetings has improved and that fewer designees stand in for committee and board members. Ms. Winter reported that since certified public accountant Ricky Bejarano, deputy secretary, Department of Finance and Administration (DFA), was appointed to chair the audit committee last year, he has met with the committee at least twice each month. Mr. Gasparich said that Mr. Bejarano regularly reports to the board on the NMFA's progress toward accomplishing report reconciliation goals.

Mr. Gasparich and Ms. Winter provided an overview of NMFA loan and grant data for the past two fiscal years. They explained that the NMFA's capacity to make loans and grants was reduced during the bond rating agencies' placement of NMFA ratings on CreditWatch during the investigation of the 2011 faked audit.

Approval of Minutes

Upon a motion made and seconded, the minutes of the May meeting were approved.

Governmental Gross Receipts Tax (GGRT) Allocations

Cultural Affairs Department (CAD)

Jeff Canney, program evaluator, Legislative Finance Committee (LFC), and Veronica Gonzales, secretary, CAD, discussed pertinent conclusions of an LFC program evaluation of the CAD. For the LFC, Mr. Canney produced a lengthy program evaluation report on capital outlay

needs and use of capital outlay funds by the CAD. While no funding sources were recommended or identified, Mr. Canney included in his report, and reproduced for the committee, a pie chart illustrating allocations of the GGRT, which is five percent on certain government revenues. One percent of the GGRT is allocated to the CAD for spending on its 16 museums and historic sites. Seventy-five percent of the GGRT is allocated to the NMFA; 14 percent of the GGRT is allocated to the State Parks Division of the Energy, Minerals and Natural Resources Department; and 10 percent of the GGRT is allocated to the Youth Conservation Corps (YCC). Mr. Canney stated that the CAD's share of the GGRT allocation for its capital needs is inadequate, and the CAD is required to make an annual capital outlay request. He stressed that the CAD needs a steady source of income for capital projects, and he urged the legislature to identify a source.

State Parks Division

Representatives from the State Parks Division — Tommy Mutz, director, Jerome Madrid, deputy director, Byron Pippin, fiscal officer, and Judy Kowalski, bureau chief of the Design and Development Bureau — gave a presentation and distributed a handout on the state parks. They indicated that the GGRT allocation of 14 percent is the only sustainable funding source for capital projects associated with the 35 state parks.

Mr. Mutz presented a slide show and explained how GGRT revenues have been used to improve state park infrastructure. Among other points, he stated that: most state parks manage their own water treatment systems; some parks are energy neutral; recent projects include the extension of some boating ramps to overcome consequences of drought; and recurring revenue for capital projects is vital for recovery from natural disasters.

Mr. Mutz highlighted some State Parks Division operations and initiatives and related data. The division has established a strategic operations and sustainability plan that deals with budget and staffing reductions and increasing demand for services. The plan is available online or by mail upon request. The division also develops park management plans and evaluates proposed capital improvement projects. It recently added new criteria to the evaluation process for 400 proposed projects, which are then ranked and funded accordingly. Mr. Mutz added that adequate funding for state parks and outdoor recreation, an important economic driver, makes state parks more inviting and modern.

YCC

Ralph A. Gallegos, assistant commissioner for special projects, State Land Office, and YCC Commission designee for Commissioner of Public Lands Ray Powell, and Wendy Kent, executive director, YCC, provided a handout presenting an overview of the YCC, including project profiles.

The remainder of the presentation focused on praise for the YCC by George Duda and Sharon Hickey, public members of the YCC Commission; several YCC participants; Timothy Hartman, a teacher from the Robert F. Kennedy Charter High School; Porfirio Chavarria and Michael Saiz from the Santa Fe Fire Department; and Carl Colonius, executive director of the Rocky Mountain Youth Corps. Mr. Colonius identified YCC program objectives as: 1) youth employment and training; and 2) completion of environmental restoration programs. He discussed the valuable contributions that youths have made in those areas. Mr. Hartman talked about two particular YCC

projects and how those projects benefited students: that students developed confidence, learned construction and soft job skills and were able to help their families financially. Mr. Chavarria, as a wildland specialist involved in the program, created a wildland training crew that thins the forest and fights fires. Mr. Saiz testified that he learned a lot through the wildland program and that, because of the YCC, he has moved forward in his career.

NMFA

Michael Zavelle, chief financial strategist, NMFA, and Mr. Gasparich spoke about the GGRT allocation to the NMFA.

Mr. Zavelle and Mr. Gasparich highlighted the following information about the Public Project Revolving Fund (PPRF) program in a handout that they distributed.

- The PPRF program has provided nearly \$3 billion in loans, averaging approximately six loans per month since its inception.
- The average loan per capita by region is the highest for the Eastern Plains Council of Governments (COG) region, at \$1,119 per capita, and the lowest for the Southeastern New Mexico Economic Development District COG, at \$376 per capita.
- During the investigation of the 2011 faked audit, the PPRF program was essentially on hold, but the contingent liquidity account was tapped to make loans available to smaller communities that would be incapable of obtaining low-cost loans based on their individual credit ratings.
- Currently, approximately \$21.35 million is available for loans from the PPRF.
- If revenues from the GGRT allocation decline due to recessionary conditions or if the NMFA's allocation is reduced, then the amount of money available to make affordable loans to communities would be reduced.
- Language from a recent Standard & Poor's rating report corroborates the likely effect of a reduction in the GGRT allocation to the NMFA. In the report, the bond ratings agency stated that, had audit-related issues resulted in "a significant reduction in the allocated [GGRT] revenues", the ratings would likely have been lowered. Lower bond agency ratings naturally result in higher interest rates, which, in turn, lead to a reduced capacity to make loans.
- The handout includes a list of PPRF borrowers from across the state and the number of times each has borrowed through the program.

The committee discussed the consequences of adjusting the percentage of the allocation to the NMFA. A member stated that a reallocation of the GGRT still would not cover the CAD's capital needs.

Water Project Fund and Drinking Water State Revolving Loan Fund (DWSRLF) Updates

Mr. Gasparich and Jana Amacher, director of water resources, NMFA, discussed the NMFA's water-related programs. Their handouts provide an overview of the DWSRLF and the Water Project Fund programs.

Ms. Amacher highlighted the federal capitalization grant aspect of the DWSRLF program. She indicated that current funding from a federal allotment based on population and from a state

match is inadequate to satisfy all of the requests for loans. Last session, a state match required for the federal allotment was secured through an appropriation bill. Ms. Amacher added that the federal government may forgive portions of loans taken by poorer communities.

Ms. Amacher reviewed the new application process for communities that apply for funding from the Water Project Fund. One of the benefits of the new process is that a complete list of all initial applications submitted will be presented to the committee during the interim.

Governor Richardson's Investment Partnership (GRIP) Bond Program Implementation

Tom Church, secretary-designate, Department of Transportation (DOT), Mr. Zavelle and Mr. Gasparich discussed the content of a handout on the GRIP bond program. Secretary Church stated that the DOT has taken certain measures over the last three years to reduce its borrowing costs. The chart on page three of the handout shows the annual debt service by revenue source, and it reflects the expiration of a federal Department of Energy grant for the Waste Isolation Pilot Plant. The chart on page four illustrates the impact of refinancing on debt service in fiscal year (FY) 2016 and a reversal in the level of payments from federal and state sources in FY 2015 and FY 2016. Representative Lundstrom requested that the presenters show the page four chart to the Transportation Revenue Infrastructure Subcommittee at its August 28 meeting.

Referring to page six of the handout, which discusses the structure of fees paid by the DOT to the NMFA, the presenters indicated that the NMFA is currently exempt from depositing half of the administrative fee that would otherwise be paid to the Local Transportation Infrastructure Fund. For the reduction in payment to continue, similar language would need to be reenacted. Representative Herrell made, and Representative Powdrell-Culbert seconded, a motion that was unopposed to endorse the quoted language and forward it to the LFC for its recommendation to incorporate it into House Bill (HB) 2.

Secretary Church informed the committee that HB 391 (2013 session), which would have changed the bond issuer name from the NMFA to the State Transportation Commission, will not be reintroduced, due to the significant costs and projected benefit-neutral consequences of such a name change.

A committee member raised a concern about the lack of collection of in-state trucking fees. The committee member asked that the DOT remedy the situation and maximize collection of fees.

Bond Issuer Pricing Approval and Senate Bill (SB) 346 (2013 Session)

Mr. Gasparich and Mr. Zavelle discussed SB 346 (2013 session). According to Mr. Zavelle, a coalition of bankers and law firms supported the bill. It was tabled during session to allow the NMFA Oversight Committee to review it during the interim. The handout contains a reprint of SB 346 and an outline of the purposes of the bill, primarily that a designee for a bond issuer may approve bonds on that issuer's behalf.

Taos County Administrative/Judicial Complex Funding

Rick Martinez, director of business development, NMFA, provided a handout about two NMFA-funded projects: the Taos County Administrative/Judicial Complex and the Town of Taos's

Alexander Gusdorf Eco-Park. In addition to some U.S. Department of Agriculture (USDA) funding and a state appropriation, the county received two loans totaling over \$34 million to build the administrative/judicial complex.

Tour of Taos County Administrative/Judicial Complex

The committee toured the newly completed Taos County Administrative/Judicial Complex. The building was designed in New Mexico's pueblo and territorial styles. The 137,753-square-foot building includes a county commissioners' chamber, district courtrooms, magistrate courtrooms, administrative offices and separate detention facilities for adult males, adult females, juvenile males and juvenile females.

Recess

With no further business for the day, the meeting recessed at 4:45 p.m.

Tuesday, August 27

Representative Lundstrom reconvened the meeting at 9:03 a.m.

Electricity Transmission Needs

Toney Anaya, former governor of New Mexico, Phillip G. Harris, CEO, and Adrienne Smith, vice president of administration, Tres Amigas, LLC, and Julia Frayer, managing director, London Economics International, LLC, informed the committee about a Tres Amigas plan to improve energy transmission.

Governor Anaya outlined the situations that the project is intended to address. First, the state needs more electricity capacity and lacks needed connections to larger electrical networks. Since much of New Mexico is marked by low population density and long distances between people and places, building transmission lines using traditional technology to make these connections has been impractical. Second, New Mexico has vast, untapped renewable energy resources, but, because its low population base cannot support the capital costs of developing infrastructure, potential profits from energy exportation are not being realized. Energy must be exported for production to be profitable, Mr. Anaya asserted. In order to export energy, one or more connections to larger networks must be in place.

Mr. Harris testified that Tres Amigas will attract private developers to finance a project to bury high-voltage direct-current lines that would connect major regional hubs: Four Corners (Western Interconnection) and Eddy County (Texas Interconnection). A potential obstacle to the project's development, Mr. Harris testified, is securing the rights of way through the multijurisdictional areas that the proposed lines would occupy. To address this situation, he asked that committee members examine the Public Utility Act and research available rights of way. Mr. Harris also asked the committee to endorse laws to make aspects of project development less uncertain. In other words, a committee member summarized, Mr. Harris was asking for regulatory changes.

Mr. Harris indicated that a percentage of the fee assessed on users of the direct-current transmission line could be distributed to the state. Ms. Frayer discussed the economic growth that the project, if implemented, could spur in the state.

According to Mr. Harris, direct-current technology is used in many other countries, while alternating-current technology is the predominant technology in the United States.

An audience member, David Getts, general manager, Southwestern Power Group II, questioned whether burying lines is cost-effective and realistic. He said that his organization conducted a study to determine the costs of burying alternating current for two miles under the Rio Grande. When all relevant factors were considered, the cost was too high to move forward. Mr. Getts added that he did not know whether burying direct-current lines would be equally costly.

Another audience member, Keith Sparks, director of development, Clean Line Energy Partners, also testified that, to his knowledge, burying high-voltage lines has not been deemed feasible.

Representative Powdrell-Culbert made, and Representative Gonzales seconded, a motion that was unopposed to create the Energy Transmission Working Group to examine in greater detail the possibility of increasing energy transmission capacity in the state. Committee members of the working group include Representatives Baldonado, Clahchischilliage, Crook, Fajardo, Gonzales, Hall, Herrell, Lundstrom, Powdrell-Culbert, Rodella, Sandoval and White and Senator Griggs.

New Mexico Renewable Energy Transmission Authority (NMRETA) Update

Jeremy Turner, executive director, NMRETA, and Angela Gonzales-Rodarte, assistant director, NMRETA, distributed a handout and presented information on the NMRETA's background, funding and goals. The state appropriated \$1 million to the NMRETA at its inception and made additional appropriations for the next two years, after which the NMRETA made no request for funding for three consecutive years. Meanwhile, over \$800,000 has been received from private sources. According to Mr. Turner, the NMRETA intends to achieve self-sufficiency by reducing operational costs and continuing to support projects such as High Lonesome Mesa, Lucky Corridor, LLC, and Western Spirit-Clean Line. However, the NMRETA will request a general fund appropriation for operational costs for FY 2015.

In outlining the NMRETA's goals, Mr. Turner stated that the authority had commissioned Los Alamos National Laboratory to conduct a high-level study on energy transmission concepts, economic benefits and cost allocation and to provide a 20-year plan. The NMRETA proposes to update the study and will need an appropriation to do so.

A committee member asked whether the proposed New Mexico Express project would conflict with projects that the authority oversees. Mr. Turner and Ms. Gonzales-Rodarte conceded that there could be possible conflicts, since many entities are vying for the same capacity but that potential for synergies also exists. Mr. Turner indicated that he and Ms. Gonzales-Rodarte have communicated with representatives from Tres Amigas about the New Mexico Express project.

Colonias Infrastructure Funds and Severance Tax Bond Proceeds

Mr. Martinez discussed issues and presented handouts concerning the colonias infrastructure funds (CIF), including a memorandum discussing the effect of Executive Order 2013-006 on 2013 CIF project awards; a handout about communities with colonias-type conditions that currently do not qualify as colonias because they are located more than 150 miles from the Mexican border; and a table of projects recommended for funding.

On the topic of project awards and the executive order, Mr. Martinez reported that:

- the executive order establishes uniform criteria, grant management and oversight requirements for money issued by state agencies to other entities;
- the DFA delayed the sale of bonds in the CIF 2013 funding cycle;
- the NMFA set an October 1 deadline for applicants to comply with the executive order;
- fifty-nine applications were submitted, one of which did not meet eligibility criteria;
- the CIF board recommended, and the NMFA approved, 37 projects for funding, which is derived from five percent of senior lien bond proceeds of severance tax bonds (over \$16 million); and
- five projects were funded through the USDA and the federal Department of Housing and Urban Development/Community Development Block Grant (almost \$25 million), entities with which the NMFA coordinates.

On the topic of the definition of "colonias", Mr. Martinez gave an overview of, and a handout listing, state and federal funding sources available to communities that do not meet the definition because they are located more than 150 miles from the Mexican border.

In response to a committee member's questions, Mr. Martinez described the NMFA's efforts to reduce duplicative funding of colonias projects from multiple sources, including capital outlay appropriations.

Adjournment

There being no further business before the committee, the meeting adjourned at 11:55 a.m.

**MINUTES
of the
THIRD MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**September 30-October 2, 2013
Barbara Hubbard Room
Pan American Center
New Mexico State University
Las Cruces**

The third meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, on Monday, September 30, 2013, at 9:15 a.m. at the Barbara Hubbard Room of the Pan American Center at New Mexico State University (NMSU) in Las Cruces.

Present

Rep. Patricia A. Lundstrom, Chair
Rep. Joseph Cervantes, Vice Chair
Rep. Alonzo Baldonado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Yvette Herrell
Rep. Dona G. Irwin
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Sen. William P. Soules
Rep. James P. White

Advisory Members

Sen. Sue Wilson Beffort
Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Anna M. Crook
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Sen. Timothy M. Keller
Sen. Mary Kay Papen
Sen. John Pinto
Rep. Sheryl Williams Stapleton

Absent

Rep. Candy Spence Ezzell
Rep. Roberto "Bobby" J. Gonzales
Sen. Phil A. Griego
Sen. John C. Ryan
Rep. Henry Kiki Saavedra

Rep. Brian F. Egolf, Jr.
Sen. Stuart Ingle
Rep. Emily Kane
Rep. W. Ken Martinez
Sen. George K. Munoz
Sen. Bill B. O'Neill
Sen. William H. Payne
Sen. Nancy Rodriguez
Sen. Clemente Sanchez
Rep. Edward C. Sandoval
Rep. James R.J. Strickler

Rep. Thomas C. Taylor
Rep. Monica Youngblood

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)
Tessa Ryan, Staff Attorney, LCS
Alexandria Tapia, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts are in the meeting file and posted online at http://www.nmlegis.gov/lcs/committee_handout_list.aspx?CommitteeCode=NMFA&Date=9/30/2013.

Monday, September 30

Representative Lundstrom welcomed all present, recognized the presence of former state representative Andy Nuñez and announced that Senator Cervantes would help to chair the meeting.

Welcome from Las Cruces

Dan Howard, executive vice president and provost of NMSU, and Wayne D. Hancock, vice chair of the Doña Ana County Board of Commissioners, welcomed the committee to Las Cruces.

Update on NMFA Board Actions, NMFA Bond Issuances and Filling Vacancies

John Gasparich, acting chief executive officer (CEO), NMFA, updated the committee on the status of the NMFA board and the open CEO and internal auditor positions in the NMFA.

Mr. Gasparich informed the committee that Nann Winter, NMFA board chair, will leave the board on December 1. The governor will appoint her replacement. Paul Gutierrez, who is also leaving, will be replaced by Steve Kopelman of the New Mexico Association of Counties.

The NMFA board subcommittee spearheading the search for a CEO will meet with the recruiter this week. Ms. Winter has indicated to Mr. Gasparich that some action — on either a single candidate or multiple candidates — will be taken at the board's October meeting. Meanwhile, the search for an internal auditor has yielded no qualified candidate. If an internal auditor is not recruited in the reasonably foreseeable future, then the NMFA will contract with an accounting firm to conduct internal audit services.

Mr. Gasparich and Michael Zavelle, NMFA chief financial strategist, gave an overview of and answered questions on the most recent bond issuances. Two issuances totaling \$33.5 million are to be sold in October. The first (series 2013B, negotiated sale of about \$17.5 million) will be tax-exempt, senior lien Public Project Revolving Fund (PPRF) revenue bonds with a 10-year call provision. The second will have two tranches. Both tranches will be subordinate lien, PPRF

revenue bonds subject to five-year call provisions. The first (series 2013C-1, negotiated sale of about \$4 million) will be tax-exempt. The second (series 2013C-2, negotiated sale of about \$12 million) will be taxable. The second issue is not subject to the standard 10-year call provision because of the special repayment and cancellation provisions of the revenues that secure them. Standard and Poor's and Moody's will rate the issuances.

At a committee member's request, Mr. Gasparich agreed to present to the committee at its next meeting an update of the corrective actions that the NMFA has taken in response to reports produced in the wake of the fraudulent-audit discovery.

Approval of Minutes

Upon a motion made and seconded, the minutes of the August meeting were approved.

Public Project Revolving Funds for Charter School Lease Purchases

Three presenters informed the committee about charter school lease-purchase arrangements for education building occupancy.

Hipolito "Paul" J. Aguilar, deputy secretary of finance and operations for the Public Education Department (PED), gave some background on charter school lease-purchase arrangements and noted some of the PED's related concerns. School districts and charter schools may enter into these arrangements subject to certain provisions: the school district or charter school must have no obligation to continue the lease or purchase of the building; and the lease must terminate if the leasing entity cannot make current lease payments. Many charter schools take advantage of the lease-purchase mechanism because they cannot tax (they lack the capacity to raise a "local share" of money to match state contributions — and legislation that addressed this issue expired) and they have a limited number of funding streams.

Mr. Aguilar said that a law provides that, as of July 1, 2015, a new charter school must meet at least one new criterion: 1) the school occupies a public building; 2) the school is involved in a lease-purchase arrangement; or 3) the school's building meets certain educational occupancy standards. Charter schools due for renewal after that date must meet at least one of those criteria at the time of renewal. Mr. Aguilar indicated that the most attractive and feasible option for most charter schools is the second of these options, the lease-purchase arrangement.

Mr. Aguilar noted the following concerns of the PED: in ordinary (non-lease-purchase) leases, state resources are being used to make improvements to privately owned buildings in which the state reaps no investment value; in the case of state-chartered charter schools whose charters are revoked or not renewed, the building asset reverts to the state; funding for charter schools is unstable; and potential lenders to charter schools face high risks. In response to some of these issues, a coalition of charter schools entered into a joint powers agreement with the Department of Finance and Administration to form a cooperative purchasing consortium, with the authority as a governmental entity, to have buildings built for charter school use and to reassign a building vacated by a charter school to another charter school. The chair requested that the PED provide a copy of this agreement to the committee.

Charles Sallee, deputy director of the Legislative Finance Committee (LFC), presented a handout highlighting the findings of an LFC report on charter school facilities that was released in January 2013. The LFC evaluated charter school leases and charter school facility budgeting and planning. Its key findings were that charter schools pay excessive, unnecessary lease costs at taxpayers' expense and that there are deficiencies in the oversight of and planning by charter schools. Mr. Sallee noted that there has been rapid growth in the number of charter schools, which often occupy unconventional spaces, and in the amount of lease-assistance awards. In some cases, the costs of charter school leases are driven up by subleasing intermediaries that lease buildings from governmental entities for a nominal amount and then sublease to charter schools for thousands of dollars. In these cases, taxpayers pay twice for a public building, and the aim of the state equalization guarantee is thwarted. Of further concern, a majority of charter schools use operational fund money for lease payments, and there is too little attention paid to potential conflicts of interest in the charter school approval process. Mr. Sallee added that charter schools would benefit from more guidance from the Public School Facilities Authority (PSFA). Legislation proposed but not enacted last session would have required the PSFA to offer this assistance and tightened the charter school approval process.

Mr. Sallee summarized the LFC's recommendations. Recommended statutory changes include: 1) making more stringent the building-related requirements of new and relocating charter schools; and 2) requiring Public School Capitol Outlay Council (PSCOC) pre-approval of lease-payment amounts. The LFC report also contains several recommendations for the PSCOC and the PSFA to implement in order to remedy some of the issues identified in the report.

Mr. Zavelle offered a handout on the use of the PPRF for charter school lease purchases. Typically, PPRF loans are made in connection with enduring revenue sources that offer a margin of safety (i.e., meet a minimum debt-service requirement), which most charter schools would have difficulty demonstrating. If the charter school defaults on its loan and the value of the building proffered as collateral is inadequate, then the PPRF will suffer a loss. Because of the high potential for loss, the NMFA has established policies (outlined for the committee by Marquita Russel, chief of programs for the NMFA) and has considered other measures to mitigate charter school-related risk to the PPRF. One idea, still in its nascent stage, is to establish a charter school purchase reserve fund. Ms. Russel indicated that the NMFA could also reduce risk by tightening its quantitative policies — those related to debt and revenue coverages and loan-to-value collateral ratios.

Responding to the three presenters' comments, committee members voiced concerns about:

- foundation and third-party involvement in subleasing arrangements and the potential for unethical self-dealing;
- the lack of a statutory prohibition on unethical self-dealing;
- some charter schools' impermanence; and some charter school board members' having insufficient stake in investments in which the state bears the burden of a default;
- using operating funds for facilities;
- taxpayers paying twice for buildings that have subleases;
- state-chartered charter school property that, upon default, reverts to the state and not the local school district;

- how some could analogize proliferative lease-purchase agreements as real-estate speculation; and
- the possibility that the state is leasing distressed buildings, improving them with state funds and then subleasing them at nominal costs to lessees.

Responding to the first concern, Mr. Aguilar said that foundations involved with charter schools, but not other third parties, are examined in yearly independent audits of those charter schools. Responding to the second concern, Mr. Sallee indicated that a bill to enact laws against such self-dealing was pocket-vetoed. Mr. Aguilar represented that that bill was vetoed because of opposition to its overall goal, not to its components. Responding to all of the committee members' concerns, Mr. Gasparich indicated that, although the NMFA does not advocate for any position on charter schools, it does aim to make sound financial decisions. Mr. Gasparich said that concerns raised at the committee meeting will be reported to the NMFA board.

Representative Lundstrom closed the discussion by asking that charter school funding-related legislation pursued by the LFC and the NMFA be presented to this committee for endorsement, since it affects the lending capacity of the NMFA. She also asked that Mr. Aguilar provide details on the rate paid by the charter school occupying an Albuquerque jail hall.

NMFA Funded Projects

Mr. Gasparich furnished a handout with current data on NMFA programs: the PPRF; the Water Project Fund; the Drinking Water State Revolving Loan Fund; the Local Government Planning Fund; the Colonias Infrastructure Project Fund; and economic development. He reviewed some of the programs' characteristics.

Some committee members who also serve on the Land Grant Committee asked whether a particular land grant entity with an incomplete water system project whose need was brought to that committee's attention could apply for NMFA assistance. Mr. Gasparich responded that the entity could apply and that someone from the NMFA could contact the entity and follow up with its legislative representatives.

A committee member asked for elaboration of some content of the "Benefiting Colonia" columns on the handout pages pertaining to the Colonias Infrastructure Project Fund. The member remarked that many communities designated as colonias do not appear to be what are commonly understood as colonias and that the legislation establishing the program was not intended to benefit those types of communities. Rick Martinez, director of business development, NMFA, replied that all communities listed in the column meet the state's definition of colonia, which in part requires the community to have been designated a colonia before 1990 and that it have inadequate infrastructure. He added that the NMFA works closely with appropriate federal agencies that track communities' needs in order to avoid giving assistance to communities that are in less need.

A committee member asked about the effect, if any, of Executive Order 2013-006 on NMFA project funding. Mr. Martinez indicated that the NMFA's legal counsel interpreted the order to apply to projects receiving senior severance tax bond revenues and recommended for funding by the Water Trust Board. The member questioned the propriety of that interpretation and whether

programs of the NMFA, a quasi-governmental, non-executive agency, should be subject to an executive order.

New Mexico Border Authority (NMBA) Budget and Update

William Mattiace, executive director, NMBA, and Erika De La O, deputy director, NMBA, provided a handout on the NMBA's current and planned projects. Mr. Mattiace and Ms. De La O noted that infrastructure to control flooding in Columbus is the NMBA's top fiscal year (FY) 2015 capital outlay priority. A study for the Santa Teresa-San Jeronimo rail bypass project, which would relocate the regional rail interchange with Mexico from downtown El Paso/Ciudad Juarez to Santa Teresa, has begun. The presenters cited the recent expansion of the Santa Teresa port of entry and highlighted other NMBA-related projects: a bi-national industrial campus; a dual customs clearance facility; and commercial lanes adjacent to the rail border crossing. Tom Church, secretary-designate of transportation, noted that the West Mesa Corridor-Santa Teresa to I-10/West Las Cruces project is in the first phase of a feasibility study.

The NMBA representatives presented a handout on the NMBA FY 2015 strategic plan. They noted that the NMBA has achieved many of its previously set goals, including increasing commerce at ports of entry, and that relations with Mexico, from their perspective, are positive.

A committee member asked about reports of wait times as long as four hours at the Santa Teresa border crossing that cause some traffic to shift to El Paso, thereby harming commerce. Mr. Mattiace and Ms. De La O explained that the slowdowns are largely attributable to federal budget cuts, inadequate infrastructure on the Mexican side of the border and the need for an additional entomologist at the site; these and many other contributing factors are beyond the state's control.

Proposed Legislation

Senators Keller and Candelaria and Mr. Martinez distributed bill-related materials to the committee to gather the committee's input and consider bills for endorsement at a future meeting.

NMFA Governance Changes

Senator Keller discussed resuscitating vetoed Senate Bill (SB) 12, which was endorsed by the committee last interim and introduced by Representative White and Senator Keller in the previous session. Senator Keller reviewed SB 12 and its veto message and solicited the committee's input on an approach to pursue the same or similar legislation. Among other measures, SB 12 would have: diversified the entities making appointments to the NMFA board by giving the legislature some appointment power; required that at least one member of the board be a certified public accountant; provided that the board chair be chosen by board members; increased board meeting transparency and opportunities for public involvement; addressed conflicts of interest; required an orientation for new members; required that the board establish work plans; and prohibited designee representation.

Senator Keller noted that the bill largely reflects the recommendations, related to NMFA board governance, of an investigative firm retained after discovery of the fraudulent audit. He commented that the governor likely vetoed the bill because it would have curtailed executive branch power by removing the ex-officio appointments of four cabinet secretaries. A committee member

remarked that when cabinet secretaries are too busy to attend meetings — as has been widely evidenced — there is a de facto loss of executive power.

Senator Keller stated that the committee could choose: 1) not to endorse a new version of SB 12 or any version of it; 2) to endorse the bill for reintroduction; 3) to endorse a revised version of the bill (e.g., one that excludes appointment-related changes or one that would continue to allow designee representation); or 4) to support an attempted veto override.

Change to the Definition of "Colonia"

Senator Candelaria presented a draft of a bill that, for purposes of the Colonias Infrastructure Act, would designate as a "colonia" a community that otherwise meets the definition but is located beyond 150 miles of the United States-Mexico border. If the bill passed, these communities would be eligible to receive financing from the Colonias Infrastructure Project Fund.

Senator Candelaria explained that he is bringing forward the idea because, in discussions with this committee and the interim Economic and Rural Development Committee, he has learned that there are ineligible colonia-like communities throughout the state. The original legislation was modeled on federal law, which includes the 150-mile restriction and, according to Senator Candelaria, arbitrarily excludes some deserving communities.

Several committee members affirmed that there are many such communities deserving of state resources to help with basic infrastructure needs and that the bill redresses a fundamental inequity. Other committee members expressed reservations about that bill, commenting that: it would be premature to amend the relatively new Colonias Infrastructure Act; if the act were amended, it would be difficult to later re-impose the 150-mile restriction; the committee should consider the number of communities that would be brought into the definition; and the bill would dilute the legislatively hard-fought amount of money available to communities currently meeting the definition. Committee members asked whether other states have changed the designation as this bill proposes to do and whether the bill would interfere with the leveraging of federal money. A member proposed that the statutory distribution to the fund be raised to reduce competition among funding applicants.

Representative Lundstrom requested committee staff to draft a bill for the committee's consideration that would dedicate funding for infrastructure projects of colonia-like communities that are ineligible for assistance through the Colonias Infrastructure Project Fund or the Tribal Infrastructure Project Fund.

NMFA-Proposed Legislation

Mr. Martinez presented drafts of two bills for the committee's consideration: one that would authorize the NMFA to issue loans from the PPRF for public projects for enumerated entities and one that would appropriate \$2 million to the Local Government Planning Fund. Concerning the former, Mr. Martinez noted that a version of the bill is introduced every three years and that some projects are absent from the bill because authorization is outstanding. Some committee members pointed out that projects can be removed from the bill because the need for them no longer exists.

Water Project Fund Applicants

Ms. Russel updated the committee on Water Project Fund applications, citing figures from a related handout and noting that the number of applications submitted (124) and the total amount requested (almost \$143 million) represent significant increases. Mr. Martinez reported that about \$36 million will be available for awards, approximately the same amount as was distributed last year.

Union Pacific Corporation Site Economic Development and Infrastructure Plans

Raquel Espinoza, director of corporate relations and media for the Union Pacific Corporation, reported on the progress of the Union Pacific facility in Santa Teresa. Ms. Espinoza described the planned facility as a runway with train tracks that will enable the efficient sorting of freight. Much of this freight will originate in the Pacific Rim, be sorted at the facility, then get shipped to California.

Ms. Espinoza reviewed the project's planned time line: phase one of construction is complete; phase two of construction continues; and the fueling facility and intermodal ramp will be complete in 2014 if certain contingencies occur. At present, the Department of Transportation (DOT) is working on the road, and a housing development and hotel are to be built near the site.

Ms. Espinoza emphasized that the project has spurred economic development in the area, and that when finished, the facility will continue to generate spending. The crew-change component will encourage spending in hotels and restaurants.

Fred Ocheskey, a lobbyist for the Union Pacific Corporation, joined Ms. Espinoza in responding to committee members' questions about accountability to the state and the project's impact on local employment. The corporation is required annually to report data about the number of workers from New Mexico and the project's economic impacts. According to Mr. Ocheskey, the law does not establish jobs-related quotas, but the corporation has worked and continues working on recruiting New Mexico-based contractors and creating jobs for New Mexicans to fill. The corporation has spent \$40 million on New Mexico-based subcontractors. Committee members nevertheless expressed concern that Texas is reaping and will reap much of the project's benefits because of the site's proximity to El Paso, a commercial hub and metropolitan center.

Recess

With no further business for the day, the meeting recessed at 4:30 p.m.

Tuesday, October 1

Representative Lundstrom reconvened the meeting at 8:39 a.m.

Presentation to Energy Transmission Working Group

Former New Mexico Governor Toney Anaya and Phillip G. Harris, CEO of Tres Amigas, LLC, summarized the transmission project concept that they presented at the previous meeting and their requests of the legislature for moving the project forward. David Abbey, director, LFC, Don

Britt, assistant counsel, State Land Office (SLO), Secretary-Designate Church, Jeremy Turner, executive director, New Mexico Renewable Energy Transmission Authority, Loren Hatch, general counsel, DOT, Hugh Perry, assistant general counsel, DOT, Shawn Chafins, utility unit supervisor, DOT, Clinton Turner, chief economist, DOT, and Ron Noedel, right-of-way bureau chief, DOT, also contributed to the discussion and answered committee members' questions.

Governor Anaya explained that the proposed New Mexico Express is a transmission project to increase electricity transmission capacity in which the state could be involved. The New Mexico Express would fill a transmission-line gap between markets using buried high-voltage, direct-current (HVDC) lines, thereby making it possible for developers to profit from tapping the state's rich supply of renewable resources. Mr. Harris noted that the benefits of buried HVDC technology, used widely in other countries, include that it generates less public opposition by being out of sight.

Mr. Harris cited three options for the proposed line's development: 1) use existing transmission line rights of way; 2) get permits to use the state highway system's rights of way; and 3) use railroad rights of way. Under the second option, the state could participate and capture some of the project's revenue potential by charging a user fee. Mr. Harris has been negotiating with railroad representatives on the third option.

Governor Anaya and Mr. Harris summarized their current requests of the state: 1) statutory endorsement of a policy to encourage underground transmission capacity growth; 2) guidance from the DOT as to what laws would need to be enacted in order to ensure that the proposed project be implemented quickly; and 3) guidance from the Public Regulation Commission (PRC) on whether, in order to allow existing easements to be used for underground lines, PRC-related laws would need to be changed.

Secretary-Designate Church and members of his staff discussed some applicable laws and practical considerations of the New Mexico Express using the state highway system's rights of way. Mr. Noedel indicated that the DOT owns in fee simple some rights of way and has easements on other lands on which the transmission line might be buried. He and Mr. Chafins described the permitting process; in essence, the utility must get permission from the DOT and any entity owning the land on which the right of way is sought, and it must comply with DOT installation prescriptions. Mr. Perry said that state law generally embraces a policy of accommodating utilities but that federal approval (if required) might be harder to win. Mr. Hatch added that the project would likely require statutory and rule changes, including some to reflect the needs for a fee schedule and revenue repository. Further, since permitting is generally accomplished by the district offices and since this line would occupy land in three or four districts, the process would require unity of district efforts. Clinton Turner added that, since the DOT does not charge utilities for use of its rights of way, it has no fee-charging reference and would rely on the SLO for guidance on setting a schedule.

Mr. Britt indicated that the SLO has a schedule of fees for use of rights of way on state trust land. Since many state highways are on state trust land, some of these fees would be assessed.

Mr. Abbey commented on the fiscal impact of the project's use of state highway rights of way. Much would depend on the DOT's approach to valuation of the rights of way (at present, it is using an outdated model, according to Mr. Abbey); whether the project sought federal or state rights of way; and other issues listed in a handout that he distributed. He suggested that the appropriate next step would be to ask the DOT to propose a fee schedule like that of the SLO. DOT representatives suggested that, unlike the SLO, the DOT is not tasked with generating a profit from state lands.

Jeremy Turner suggested that the committee look more closely at the definition of "utility" and consider what impact charging a fee for underground lines would have on other projects — such as overhead lines — that use the state's rights of way.

Patrick H. Lyons, public regulation commissioner for district two, endorsed the concept outlined by Tres Amigas representatives, noting the proposed line's many potentially beneficial effects. With the line underground, controversy such as that stirred by the SunZia project and the risk of wildfire ignition from fallen power lines would be averted.

Committee members commented that the project appears to have job-creation and revenue-generation potential (acutely needed for the State Road Fund) and to be feasible to implement — particularly if use of federal highway rights of way is avoided. Representative Lundstrom requested that staff work with the DOT, the PRC, the SLO and Mr. Abbey on a draft of proposed legislation that would help the New Mexico Express to move forward.

Spaceport Authority (SA) Budget, Economic Development Plan and Update

Christine Anderson, executive director, Ben Woods, board member, and Aaron Prescott, business operations manager, SA, gave a presentation and handouts on the SA's status, budget and economic development plan.

Ms. Anderson's comments included the following points.

- The goal in spaceport development was to create a self-contained "city".
- All phase one projects are complete. Phase two projects are under way. The operations center will be finished soon.
- Virgin Galactic, the spaceport's anchor tenant, is renting space. It continues testing in the Mojave Desert and recently launched a passenger-less test flight there.
- The recently passed informed consent legislation is attracting customers.
- UP Aerospace has launched several flights. A new tenant, SpaceX, signed a three-year lease in April.
- The SA's business model centers on launch space and tourism. Efforts to attract tourists include offering a fun, educational visitor experience. An off-site spaceport visitor center, shuttles to the spaceport and an on-site visitor center with a 3-D theater will help to facilitate that experience.
- The SA partners with the Tourism Department. Exhibits at the visitor center will showcase a revolving selection of other parts of the state.
- A request for proposals for a visitor center in Hatch yielded no viable site. The SA continues discussions to find a site.

- The SA has two budgets: a construction/pre-operation budget and an operational budget. The SA is moving toward its goal of becoming more self-supporting and having only an operational budget.
- The SA has \$212 million in outstanding bonds.
- Certain of the SA's assumptions for its operating budget calculations were wrong, so it took measures to conserve resources, such as cross-training employees to function as both security guards and firefighters.
- Construction and maintenance for the southern road to the spaceport, which if improved would make transportation for workers from Las Cruces much easier, have been arranged.
- The SA is requesting an FY 2015 budget appropriation approximately equal to that of FY 2014: \$460,000. SA revenues constitute the remainder of its total annual spending, which is about \$7.6 million.
- In FY 2015, the SA will replace several of its contractors with full-time employees, thereby reducing costs.
- Major revenue sources for FY 2015 would include Virgin Galactic operational flights, leases and rents, tourist activity and excess pledged revenue.
- The SA, with the help of Team IDEAS, is seeking sponsors for various assets.

Ms. Anderson reviewed the SA's marketing and outreach efforts and the past year's public engagements and media interviews and tours. She reviewed the SA's economic contributions to the state to date, projected jobs-creation levels and strategic business plan goals.

A committee member inquired whether the money allocated for educational purposes from the Doña Ana and Sierra counties gross receipts taxes assessed to support spaceport development was being used as intended — for science and mathematics programming. Ms. Anderson responded that the SA does not oversee how that money is used. Another committee member inquired whether the distribution of gross receipts tax proceeds to schools located in only Doña Ana and Sierra counties would run afoul of the principles behind the state equalization guarantee.

Other committee members commented on the importance of the SA: stimulating development in Doña Ana County; ensuring that the southern road is improved to withstand heavy use — even if that improvement would cost the state more; having the statewide capital outlay fund bear the cost of that improvement, since the spaceport is a state-sponsored project; and comparing SA performance measures with those of other spaceports.

Some committee members expressed concerns about: Virgin Galactic's level of commitment to the spaceport; when viewed as a business model, the low return on investment inherent in the SA undertaking; whether the project is resulting in New Mexico job creation; whether the spaceport is otherwise spurring economic development; and competition from the Mojave Desert spaceport in vying for Virgin Galactic's business. Ms. Anderson responded that the spaceport has certain advantages over others in that the surrounding area has low population density, a higher-altitude flight is allowed and White Sands Missile Range is in its proximity.

Representative Lundstrom asked Ms. Anderson to return to the committee at a future meeting to present more detail on the SA budget, the SA's need for additional full-time employees, the SA's short-term strategic economic development goals and relevant data supporting the appropriation request and the impact of the informed consent legislation.

Tour of Union Pacific

The committee toured the Union Pacific facility, which is under construction, near the Santa Teresa port of entry.

Wednesday, October 2

Tour of Spaceport America

The committee went on a tour of Spaceport America. The tour included a visit to the future command center and the spacecraft hangar and a drive down the horizontal-launch runway. Committee members viewed the emergency response vehicles housed in the command center and the future location of the on-site spaceport visitor center.

Adjournment

The meeting adjourned at 12:20 p.m.

**MINUTES
of the
FOURTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**October 31-November 1, 2013
Clovis Civic Center
801 Schepps Blvd.
Clovis**

The fourth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, on Thursday, October 31, 2013, at 9:05 a.m. at the Clovis Civic Center in Clovis.

Present

Rep. Patricia A. Lundstrom, Chair
Sen. Joseph Cervantes, Vice Chair (10/31)
Rep. Alonzo Baldonado (10/31)
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Candy Spence Ezzell
Rep. Roberto "Bobby" J. Gonzales
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Yvette Herrell
Rep. Dona G. Irwin (10/31)
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Rep. James P. White

Advisory Members

Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Anna M. Crook
Rep. Mary Helen Garcia (10/31)
Sen. Stuart Ingle
Sen. Mary Kay Papen (10/31)
Sen. John Pinto
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton

Absent

Sen. Phil A. Griego
Sen. John C. Ryan
Rep. Henry Kiki Saavedra
Sen. William P. Soules

Sen. Sue Wilson Beffort
Rep. Brian F. Egolf, Jr.
Rep. Kelly K. Fajardo
Rep. Emily Kane
Rep. Timothy M. Keller
Rep. W. Ken Martinez
Sen. George K. Munoz
Sen. Bill B. O'Neill
Rep. William H. Payne
Sen. Nancy Rodriguez
Sen. Clemente Sanchez
Rep. James R.J. Strickler
Rep. Thomas C. Taylor
Rep. Monica Youngblood

Guest Legislator

Sen. Pat Woods (10/31)

(Attendance dates are noted for members not attending the entire meeting.)

Staff

Tessa Ryan, Staff Attorney, Legislative Council Service (LCS)
Amy Chavez-Romero, Assistant Director for Drafting Services, LCS
Alexandria Tapia, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

Handouts are in the meeting file and posted online.

Thursday, October 31

Representative Lundstrom welcomed all present and announced that Representative Crook would help to chair the meeting.

Welcome from Clovis

David Lansford, mayor, Town of Clovis, welcomed the committee to Clovis.

Board Report

Blake Curtis, NMFA board member, updated the committee on changes within the NMFA board. He informed the committee that Nann Winter, NMFA board chair, would soon be leaving the board. He added that Paul Gutierrez recently left the New Mexico Association of Counties and the NMFA board.

Mr. Curtis indicated that the NMFA board is continuing its search for a chief executive officer (CEO) to replace John Gasparich, the NMFA's acting CEO. He stated that the board has identified at least two prospects for a CEO, including Rob Perry, the chief administrative officer for the City of Albuquerque, and Robert Coalter, executive director of the Texas Public Finance Authority. Mr. Curtis commended Mr. Gasparich's work and thanked him for his service to the board. In response to a question from the chair, Mr. Curtis said that the NMFA board members are aiming to hire a new CEO by November 5 or 6.

Mr. Curtis provided an overview of the Public Project Revolving Fund (PPRF) bond issuances closing in November. The NMFA board approved PPRF bond issuances of approximately \$30.65 million, including: \$16.36 million for Series 2013 B; \$3.75 million for Series 2013 C-1; and \$10.55 million for Series 2013 C-2. Mr. Curtis highlighted that the Standard and Poor's rating for the Series 2013 C-1 bonds improved from AA to AA+.

In response to questions about the NMFA's vacant internal auditor position, Mr. Gasparich said that the board might seek an accounting firm to perform an internal audit. According to Mr. Gasparich, the internal audit function is not currently being fulfilled. He noted that the NMFA had a contract a year ago with an accounting firm to perform that function, but the contract was canceled when a decision was made to create a full-time internal auditor position at the NMFA. Mr. Gasparich indicated that he did not anticipate any adverse findings from external auditors due to the vacancy in that position. Some committee members expressed support for making the audit function independent from the NMFA.

Committee members asked questions about the process followed by the Office of the State Engineer (OSE) in procuring a contractor for development of a statewide water plan. Mr. Gasparich explained that the OSE applied for financing from the NMFA for \$400,000 to use for a statewide water development plan. He explained that the application went through the standard loan review process before the NMFA board approved it. Mr. Gasparich said he did not know whether a contract had been awarded with regard to the state water plan, but the NMFA board considered its funding process as a mechanism to permit the OSE to prospectively develop the plan over a three-year period. Some committee members questioned whether the OSE initially requested a sufficient legislative appropriation for the plan, due to its subsequent request to the NMFA board for additional funding. Mr. Gasparich indicated that the OSE proposed to use its legislative appropriation with financing from the NMFA to merge 16 regional water plans into a cohesive, statewide water plan.

Approval of Minutes

Upon a motion made and seconded, the minutes of the third meeting of the NMFA Oversight Committee were approved.

NMFA Dashboard Report

Mr. Gasparich provided the committee with a report of the process used by the NMFA to track and correct findings from all investigations, audits and reviews of the NMFA subsequent to the fraudulent audit. He indicated that the NMFA's management and staff reviewed a number of reports, including reports from the Office of the State Auditor and the Securities Division of the Regulation and Licensing Department. The NMFA's management and staff additionally reviewed a report from Hewitt EnnisKnupp, Inc., a forensic audit report from PricewaterhouseCoopers, LLC, and an external audit report from the REDW, LLC. The management and staff of the NMFA accumulated the findings identified in each report and organized the findings by focus area. The NMFA devised a matrix to organize the concerns identified by the reports and the NMFA's actions to address those concerns.

Mr. Gasparich updated the committee on the status of an external audit performed for the NMFA for fiscal year (FY) 2013. He explained that the entrance conference, single audit, internal control test work and substantive work are complete. However, the financial statement review for the audit is still in progress. The exit conference for the audit is scheduled for November 13, 2013. Mr. Gasparich said that the NMFA plans to submit the audit to the state auditor before December 15, 2013.

Mr. Gasparich discussed a number of issues contained in a matrix of findings from the audit reports reviewed by the NMFA management and staff. First, he discussed some challenges with respect to the FY 2012 audit. He indicated that some deadlines pursuant to state rules and federal requirements were missed with respect to the FY 2012 audit. However, he indicated that the NMFA plans to meet all of the required deadlines with respect to the FY 2013 audit.

Mr. Gasparich mentioned that other findings from previous audits have been addressed and should not present any adverse findings for the FY 2013 audit. For example, the NMFA's lack of a chief financial officer (CFO) was identified as a finding in a previous audit, but the NMFA has since hired a CFO. A lack of compliance training was identified as another finding in a previous audit of the NMFA. Since that finding was made, the NMFA's general counsel has received a certificate in compliance and ethics, and the NMFA's accounting staff members have completed training in compliance.

Next, Mr. Gasparich addressed a number of staffing issues contained in the matrix. To address resource management concerns, the NMFA modified its hierarchy structure to require all staff to report directly to the controller or the CFO. The NMFA has additionally provided a number of training initiatives to its staff, including:

- training from the Office of the State Auditor;
- ethics training for the NMFA's accountants;
- government accounting, auditing and financial reporting training;
- courses on internal control;
- compliance workshops for the controller and loan operations; and
- training from the Government Finance Officers Association.

In response to a question regarding audit training for the NMFA board members, Mr. Gasparich indicated that the board members have received training from the Office of the State Auditor. He added that one of the board members is a certified public accountant, while the NMFA's audit committee chair is experienced in governmental accounting.

Mr. Gasparich discussed the challenges in improving the NMFA's loan servicing operations. He indicated that the NMFA has attempted to automate its loan servicing program, but it has encountered challenges with its software. To resolve the existing software issues, the NMFA is in the process of working with North Ridge Software, Inc., to modify its existing project plan and better define the scope of deliverables. A project manager has been assigned to lead this effort.

Accounting practices are another area addressed by the matrix presented by Mr. Gasparich. He indicated that a previous finding related to bank reconciliation timeliness has been resolved and that all bank reconciliations are now up to date. A finding with regard to invoice documentation and credit card usage has been addressed by ceasing all credit card use within the NMFA, except for the purchase of supplies online.

The reports provided to the NMFA's staff additionally identified a lack of up-to-date procedures as an area of concern. In response, Mr. Gasparich indicated that the NMFA

recognizes the need to develop procedures with its new loan servicing system. Another accounting issue identified was the classification of extraordinary items on the NMFA's financial reports. Mr. Gasparich explained that certain general fund reversions were miscategorized as grants, and the problem has been corrected by reclassifying the funds. Finally, an issue arose with respect to the manner in which the NMFA reported certain fringe benefits, including the use of an automobile, to the Internal Revenue Service. Mr. Gasparich explained that the NMFA has eliminated the automobile and the issue has been resolved.

State compliance was also identified by the matrix as an area of concern. Mr. Gasparich indicated that a particular issue under this area of concern stems from the NMFA's payment to an auditor without an approved contract. Mr. Gasparich indicated that the payment has been returned to the NMFA and the issue has been resolved. In addition, one of the NMFA's auditors identified the NMFA's need for timely cash deposits. Mr. Gasparich said that in response to this concern, the NMFA implemented a 24-hour deposit period and can now deposit checks electronically. In response to concerns regarding travel and per diem, the NMFA board has adopted a policy similar to that followed by other state agencies. Finally, the NMFA has updated its equipment in response to concerns that some of its equipment had become outdated.

The committee members discussed a number of other issues with Mr. Curtis and Mr. Gasparich, including:

- the terms of settlement with Clifton Gunderson LLP relative to the estimated \$1.6 million in costs associated with alleged errors made by that auditing firm;
- the parties involved in approving the settlement; and
- the possible role of an internal auditor in addressing the items identified by the NMFA on its matrix report.

NMFA Lending Processes

Rick Martinez, director of business development, NMFA, and Marquita D. Russel, chief of programs, NMFA, provided the committee with an overview of the three phases of its lending process.

Ms. Russel explained the first phase, involving the lending officer's analysis of an application for a loan from the NMFA. Applications are submitted by a number of sources, including banks, municipalities, counties, farmers and engineers. After receiving an application, the NMFA first determines whether the submitting entity is an entity qualified to receive financing and whether the project involved is qualified. Particularly with respect to projects funded through the PPRF, it might be necessary to determine whether the entity and project have received the necessary legislative authorization. The NMFA also determines the median household income (MHI) of the community within which the project would reside. Ms. Russel elaborated that the MHI is a variable important to the determination of the applicable interest rate. The NMFA offers an interest rate below the market interest rate for communities with an MHI below 90 percent of the statewide MHI.

Ms. Russel explained that the NMFA conducts an analysis of the revenue that would be pledged to support the loan. The NMFA examines at least a three-year revenue history of the

entity applying for the loan. For enterprise funds, the NMFA examines the nature of the entity's expenditures. Additionally, the NMFA examines any revenue anomalies that might implicate the projected revenue of the entity.

After analyzing the applying entity's revenue, the NMFA reviews the entity's existing debt, including debt service and loan covenants. Loan covenants would be examined to ensure that they allow for parity debt.

The NMFA next determines the term of the loan. The NMFA will not provide a loan for a term longer than the life of the asset to be financed. The final part of the NMFA's analysis of revenue involves a determination of debt service coverage. Specifically, the NMFA determines the appropriate amount of the loan, keeping in mind the applying entity's revenues, expenditures and cash flow coverage.

After completing a revenue analysis, the NMFA analyzes management strengths and weaknesses, industry trends and market conditions. It also determines the market value of collateral, as applicable. Ms. Russel explained that while most projects funded from the PPRF are secured by collateral, that collateral does not supplant the necessary revenue streams necessary to repay a loan. The last part of the lending officer's initial analysis is the analysis of the structure of the proposed loan, including a determination of the lien position and any ongoing lien covenants.

Review and approval of the loan comprise the second phase of the NMFA's lending process. A first review by the chief lending officer is conducted. Ms. Russel added that the NMFA employs a chief lending officer for public lending programs and another chief lending officer for private lending programs. Then, a second review and recommendation by the staff credit committee occur. A third review and recommendation are made by the appropriate board committee. Finally, the NMFA board reviews and approves the proposed loan.

The third phase of the NMFA lending process is composed of the closing and post-closing procedures for the loan. Once the loan has been approved by the NMFA board, the NMFA's counsel drafts loan documents and sends them to the NMFA staff and the applicant for review. Next, the lending officer and the applicable loan servicer review the documents. The NMFA then sets the final interest rate, and the closing occurs. The NMFA monitors the loan for the life of the contract.

Committee members asked Mr. Martinez and Ms. Russel about the NMFA's process for financing charter school projects. Ms. Russel indicated that the NMFA's evaluation process includes referral to the NMFA's finance and loan committee and an evaluation of the charter school's mission to ensure that the proposed project life will exceed the terms of the requested loan. Ms. Russel further pointed out that charter schools are statutorily designated as "qualified entities" for the purpose of PPRF financing. She added that charter schools often find such financing attractive because the NMFA offers low interest rates. Some committee members expressed concern about the possible risks of providing funding to charter schools with fluctuating revenue streams.

NMFA Budget

Mr. Gasparich presented a handout containing the NMFA's FY 2014 budget request and an analysis of its request. He indicated that the budget request is based on goals to increase efficiency, to reach a flat-based budget and to ensure adequate funding for growing demands for colonias projects and upon the new markets tax credit program. The budget request also reflects funding needs for the management of the Local Government Planning Fund and the Drinking Water State Revolving Loan Fund. Mr. Gasparich also mentioned that the NMFA is assuming the risk involved with respect to a variety of complex and diverse financing programs. He added that the NMFA is increasingly relying upon intricate information technology systems and is increasing its emphasis on project oversight.

Mr. Gasparich proposed a budget of approximately \$8.57 million for FY 2013, including projected expenditures for personnel services, employee benefits, in-state travel, maintenance and repairs, office supplies, professional services, operating costs and out-of-state travel. Mr. Gasparich additionally presented detailed information, contained in the NMFA's handout, regarding the various operational revenue sources and amounts projected for FY 2014. The operational revenue sources are estimated by the NMFA to equal its operational expenses.

Some committee members inquired about the NMFA's ability to recover costs from financing water projects and colonias projects. Mr. Gasparich indicated that costs for those projects are recovered from utilizing loan repayments. He indicated that, in some cases, the loan repayments have not yet materialized. He noted that some unrecovered expenses extend back to FY 2006.

In response to questions from the committee regarding the NMFA's proposed operating budget for personnel, Mr. Gasparich noted that the NMFA intends to fill an assistant general counsel position. He added that the NMFA intends to provide funding for a compliance specialist to work with the NMFA's new loan servicing software.

Upon a motion made and seconded, the committee approved the NMFA's budget proposal.

New Markets Tax Credits

Ms. Russel provided the committee with a presentation on new markets tax credits. She first explained the purpose of the new markets tax credit program. The program provides tax incentives to investors for equity investments in certified community development entities. A federal investment tax credit, equal to \$.39 per \$1.00, may be allocated for a qualified project. Investors may purchase the future flow of tax credits to be earned over a period of seven years, including five percent in each of the first three years and six percent in the remaining years. Ms. Russel indicated that credits cannot be used for projects that are considered "sin" businesses or projects that have more than 80 percent of their annual incomes composed of residential rental income. She said that, in general, the tax credits are allocated for areas considered to be "highly distressed". Under the federal definition, this includes rural communities with at least 20 percent of the population living in poverty or urban communities with at least 30 percent of the population living in poverty.

Ms. Russel indicated that the NMFA's goal is to form partnerships with banks to fill financing gaps for qualified projects. New markets tax credits supplement the NMFA's loan participation programs with capital provided by the private sector. Ms. Russel indicated that the new markets tax credit program contributes to economic development in New Mexico through increased construction, increased tax collections and new capital investments in rural and underserved communities. Ms. Russel indicated that the program also brings new goods and services to those communities and funds vital community service projects.

Ms. Russel described the role of Finance New Mexico, LLC, within the new markets tax credit program. Finance New Mexico is a certified community development entity in which the NMFA has a 99 percent interest. New Mexico Community Capital, a nonprofit organization, has the remaining one percent interest. The NMFA is the manager of Finance New Mexico. The NMFA appoints an advisory board to ensure that the new markets tax credits are used consistently with federal requirements. Concluding her presentation, Ms. Russel described a few projects that received new markets tax credit allocations in New Mexico and the detailed process by which new markets tax credits are leveraged.

Committee members inquired about consequences with respect to the new markets tax credits when the involved borrowers do not meet federal requirements. Ms. Russel indicated that new markets tax credits are subject to a clawback provision under such circumstances. She said that investors closely monitor the risk of borrowers' ongoing compliance and noncompliance.

Water Trust Fund, Project Application Process and Approved Applicants

Mr. Gasparich and Jana Amacher, director of water resources, NMFA, provided the committee with a list of Water Project Fund projects recommended for legislative authorization for the 2014 legislative session. The NMFA requested funding for 120 projects at an amount of \$139,531,417. The recommended projects included: 76 water storage, conveyance and delivery projects; 11 watershed restoration and management projects; 12 flood prevention projects; two federal Endangered Species Act of 1973 collaborative projects; and 19 water conservation treatment, reuse and recycling projects. Ms. Amacher noted that the Water Trust Board deemed three projects ineligible for funding from the Water Project Fund upon legal review.

Ms. Amacher presented a list of six Acequia Project Fund projects recommended by the NMFA for legislative authorization. The NMFA requested approval of \$100,000 in funding for those projects.

The committee members commented on the volume of projects recommended for legislative approval. Ms. Amacher stated that only \$32.4 million from the Water Project Fund would be available for water projects. She added that the Water Trust Board will rank the projects, and those projects will be further evaluated against the necessary criteria. She stated that the Water Trust Board will decide which projects to recommend for approval to the NMFA board in May 2014, and the NMFA board would review that recommendation the following month.

Committee members asked what would become of the projects that are deemed to be ineligible. Ms. Amacher said that the NMFA would work with its legal staff to find alternative sources of funding for those projects. The committee members additionally expressed the possible necessity to further review the eligibility of some of the Water Trust Board projects proposed for legislative approval. Ms. Amacher commented that the legislature has the ability to add or subtract projects from the proposed project list. The chair requested that the committee carefully review the projects on the list provided by the NMFA and be prepared to discuss the possibility of endorsement at the committee's next meeting.

PPRF Appropriation to Local Government Planning Fund

Mr. Gasparich proposed two bill drafts to the committee for its endorsement. The first proposed bill draft included a \$2 million appropriation from the PPRF to the Local Government Planning Fund for expenditure in FY 2014. The appropriation would be used to make grants to qualified entities and to evaluate and estimate the costs of implementing the most feasible alternatives for infrastructure or water or wastewater public projects or to develop water conservation plans, long-term master plans, economic development plans or energy audits. The appropriation would also be used to pay the administrative costs of the NMFA's local government planning program. The committee unanimously endorsed the bill.

Mr. Gasparich proposed a bill draft to authorize the NMFA to transfer up to \$2 million per fiscal year from the PPRF to the Local Government Planning Fund. The committee did not endorse the bill draft.

Water Project Fund Distribution and Forest Industry Economic Development Programs

Brent Racher, Ph.D., president, New Mexico Forest Industry Association, discussed issues related to wildfire and water source protection in New Mexico. Dr. Racher stated that forest overgrowth contributes to wildfires. He indicated that recent wildfires have destroyed larger areas in the state than in the past. He added that rainfall after a high-severity burn may cause debris flows and flooding, which damages water sources and water supplies. Dr. Racher expressed concern about the effects of high-severity wildfires on New Mexico's water sources.

To address the issues discussed, Dr. Racher recommended that a fund for wildfire and water source protection be established to accelerate treatments. He proposed that the fund include contributions from water users and businesses and leveraged federal, local and private funds. Dr. Racher additionally proposed that criteria for use of the fund include consideration of the probability of high-severity wildfires, post-fire debris flows and risks to communities.

Dr. Racher provided the committee with several statistics. He stated that for every \$1.00 spent in managing forests, the state saves: \$.18 to fight and suppress wildfires; \$.61 to rehabilitate stabilized burned areas; \$.86 in direct costs such as property losses, evacuation aid and damage to utilities and facilities; and \$2.23 in the full cost of wildfires. Dr. Racher added that for every 1,000 acres of forest restored, the state can generate four to 10 jobs in mechanical or hand thinning, eight jobs in product manufacturing and sales and seven jobs in planning and transportation. He noted that most jobs would be created in rural areas.

Terry Sullivan, state director, The Nature Conservancy, discussed The Nature Conservancy's support of forest management and expressed that there is a relationship between forest management and watershed management. He said that restoration efforts due to fire damage can cost hundreds of millions of dollars and that such damage impairs the ability of communities to withdraw water from the Rio Grande.

With respect to Dr. Racher's and Mr. Sullivan's proposals, committee members discussed possible issues that might be posed under the federal Endangered Species Act of 1973 and by various groups. Members asked about any plans to conduct National Environmental Policy Act assessments with regard to Dr. Racher's and Mr. Sullivan's proposals. Committee members suggested that solutions outside of forest thinning might require exploration, including funding for fire stations and firefighting equipment. Concerns were also raised about the flexibility of forest closure periods and issues of control over forests.

New Mexico Community Assistance Fund

Senator Candelaria presented to the committee for endorsement a bill to create the Disadvantaged Community Assistance Project Fund to assist disadvantaged communities with infrastructure projects. The bill would permit the legislature to appropriate money from the PPRF to the Disadvantaged Community Assistance Project Fund. Senator Candelaria said that the bill would provide an infrastructure funding source to disadvantaged communities unable to obtain funding from other sources. Senator Candelaria indicated that as part of his proposal, the NMFA board would be permitted to make recommendations to the legislature with respect to the allocation of any appropriations from the PPRF to the new fund.

Committee members asked about alternative funding sources for projects in disadvantaged communities. Senator Candelaria indicated that sources such as severance tax bonds and funds from local government planning could be more volatile than funding from the PPRF. Mr. Martinez indicated that the proposed bill could permit the NMFA to review the proposed allocation of appropriations and formulate a more accurate estimate of funding amounts. Other committee members discussed issues with regard to the scope of the communities that could be eligible for financing pursuant to the provisions of the bill.

The committee members did not vote on the endorsement of the bill. The chair requested additional information on possible alternative sources of funding for the projects described by Senator Candelaria.

Recess

With no further business for the day, the meeting recessed at 4:20 p.m.

Friday, November 1

Representative Lundstrom reconvened the meeting at 9:00 a.m.

State Telecommunications Needs

Moira Gerety, deputy chief information officer, Information Technologies Department, University of New Mexico (UNM), provided the committee with a presentation regarding the contributions of higher education institutions to the state's information technology infrastructure.

Ms. Gerety stated that researchers at New Mexico's universities are at the forefront of global networking, and they collaborate with global peers to conduct leading-edge work. She added that the universities also often work with local communities to improve the state's broadband ecosystem.

Ms. Gerety described the higher education networks in New Mexico. In particular, she described the network landscape of UNM and indicated that its network landscape includes building networks and campus networks. Ms. Gerety also described metropolitan networks in the Albuquerque area.

Next, Ms. Gerety described statewide networks. She indicated that those networks are challenging to fund, but federal stimulus funds could assist in such funding. She said that the Rio Grande Valley Fiber Optic Network, the eastern loop and national networks currently traverse the state. Ms. Gerety also indicated that UNM participates in a regional network to the benefit of other research institutions and that there is currently a New Mexico research network agreement in effect. Ms. Gerety described some other national and global networks to which higher education institutions are linked.

Ms. Gerety described a number of assets associated with higher education broadband projects, including equipment, software and human capital. She also described the associated costs.

Ms. Gerety provided a number of examples of the manner in which non-higher education institutions have used the information technology infrastructure built by New Mexico's higher education institutions. According to Ms. Gerety, entities that have used the information technology infrastructure include: the Pueblo of Zia; the Pueblo of Zuni; the City of Albuquerque; the OSE; the City of Gallup; and McKinley County.

Ms. Gerety indicated that state funding for information technology infrastructure has significantly diminished, and there is a concern about how the key linkage points in the state can be funded. She added that federal funding for information technology projects is scarce.

Some committee members asked questions about the life of the assets associated with information technology infrastructure projects and their relationship to the life of the bonds issued to finance those projects. Ms. Gerety responded that the state's universities are struggling with whether some information technology assets constitute capital assets that are properly funded through the issuance of bonds. She indicated that the universities are seeking financing alternatives for information technology infrastructure projects.

Other committee members asked Ms. Gerety how the state could adequately address regional and statewide investments in the state's information technology infrastructure. Ms. Gerety indicated that universities could serve as anchors that could bring resources, such as broadband access, into communities. She indicated that it is a challenge to provide the necessary financing to the necessary parties in a manner that most efficiently improves the information technology infrastructure.

A committee member proposed that a memorial could establish a task force to study the state's information technology infrastructure. Other committee members inquired about the manner in which the information technology landscape in the state could be used for renewable energy and agricultural projects. The committee unanimously approved a motion to make a request to provide general obligation bond funding for information technology infrastructure.

U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program

Andrew Jacobsen, deputy secretary, Department of Finance and Administration (DFA), provided the committee with an overview of the HUD Section 108 loan guarantee program. Deputy Secretary Jacobsen explained that HUD Section 108 loan guarantee program is part of the community development block grant (CDBG) process. Entities compete for CDBG funds to develop existing communities. The goal of the program is principally to benefit low-to-moderate income areas and to eliminate and prevent the development of slum and blight conditions. Deputy Secretary Jacobsen indicated that HUD Section 108 funds can be used to leverage CDBG funds into loans for economic development projects. HUD Section 108 financing could be guaranteed by funds from future CDBG funds.

Applicants eligible for Section 108 financing include entitlement communities, which are usually composed of larger cities, and non-entitlement communities, which are smaller cities. The non-entitlement communities apply for Section 108 financing through the state. The state may apply for Section 108 funding in an amount equal to its CDBG allocation, multiplied by five. That product now approximates \$42 million for New Mexico.

Deputy Secretary Jacobsen explained how funds flow to and from various entities with respect to the HUD Section 108 loan guarantee program. First, the HUD provides funds to the State of New Mexico. The state then provides the funds to a local non-entitlement entity, which then can provide financing for a project.

Deputy Secretary Jacobsen indicated that the HUD has provided a number of guidelines with respect to the loan guarantee program. C.F.R. 570.711 lists the application requirements for state borrowers. The HUD has also published underwriting guidelines and an economic toolkit with respect to the program. Finally, the HUD has published mandatory public benefit standards, including a requirement for one full-time employee for each \$50,000 in Section 108 loan assistance. The standards also indicate that a loan of \$5 million must generate at least 100 jobs.

According to Deputy Secretary Jacobsen, a number of concerns possibly implicate future HUD Section 108 allocations to the state. He identified the following concerns:

- risks to future CDBG funding;
- a lack of underwriting infrastructure;
- a complicated structure;
- competition from other states;
- a lack of clear program guidelines;
- uncertainty about the types of loans that are appropriate; and
- borrower concerns, including a lack of structure and predictability.

Ultimately, Deputy Secretary Jacobsen indicated, the goal is to clarify and develop rules so that the HUD Section 108 program can be implemented in a consistent, strategic and thoughtful manner, while avoiding the appearance of favoritism.

Committee members asked for clarification regarding the communities eligible to receive portions of the state's CDBG funding. Committee members also asked questions about salary requirements with respect to federal job creation requirements associated with Section 108 funding. Deputy Secretary Jacobsen indicated that the HUD sets such guidelines, and those guidelines do not contain salary requirements. Finally, committee members asked whether Section 108 financing would be used to develop infrastructure projects in particular areas to promote economic development. Deputy Secretary Jacobsen indicated that such a use is possible if all the federal and state requirements are met.

Energy Transmission Laws and Regulations

Toney Anaya, former governor of New Mexico, provided an overview of the New Mexico Express (TNME), a project to build a transmission line using buried high-voltage direct current technology, extending from Gallup to Clovis and from Clovis to southeastern New Mexico. Governor Anaya said that TNME would facilitate the export of electricity generated in New Mexico.

Governor Anaya stated that with requested cooperation from the state, TNME developers seek to develop a state energy plan and identify the state's unmet needs for additional transmission capacity. He added that they also seek to encourage development of the state's clean energy resources consistent with the state's economic and social policies. Governor Anaya mentioned that legislative oversight on progress development and deployment of a state energy plan is encouraged.

According to Governor Anaya, obtaining rights of way for transmission lines has presented challenges for TNME. Previously, TNME developers proposed an expedited process for approval of public highway rights of way. Governor Anaya indicated that the Department of Transportation (DOT) already expedites the process for granting those rights of way and that the DOT timely acts upon the applications within six to nine months after receipt.

Committee members discussed with Governor Anaya the possibilities of providing wind power facilities with access to the proposed transmission line and burying fiber optic cables as

part of the effort to bury the proposed transmission line. Committee members additionally inquired about potential costs associated with moving existing utility lines, which Tom Church, secretary-designate, DOT, indicated would be borne by the developer. In response to committee member questions, Governor Anaya discussed the ways in which Tres Amigas, LLC, TNME and the New Mexico Renewable Energy Transmission Authority are cooperating with respect to the proposed transmission line.

Governor Anaya presented a proposal to permit the DOT to receive a fee for the use of its state highway rights of way with respect to the transmission project. He estimated that the fee could provide \$12 million to \$17 million in additional revenue to the DOT. Governor Anaya suggested some statutory changes to achieve the goals in the proposal. Upon a motion that was made and seconded, the committee voted to request a bill draft in accordance with suggested statutory changes.

Finally, the committee unanimously approved a motion to reflect a correction in the minutes from the last NMFA Oversight Committee meeting.

Adjournment

The committee adjourned at 11:26 a.m.

**MINUTES
of the
FIFTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 25-26, 2013
State Capitol, Room 307
Santa Fe**

D The fifth meeting of the New Mexico Finance Authority (NMFA) Oversight Committee was called to order by Representative Patricia A. Lundstrom, chair, on Monday, November 25, 2013, at 9:23 a.m. in Room 307 of the State Capitol in Santa Fe.

Present

Rep. Patricia A. Lundstrom, Chair
Sen. Joseph Cervantes, Vice Chair
Rep. Alonzo Baldonado
Rep. Ernest H. Chavez
Sen. Lee S. Cotter
Rep. Roberto "Bobby" J. Gonzales (11/26)
Sen. Ron Griggs
Rep. Jimmie C. Hall
Rep. Yvette Herrell
Sen. Michael Padilla
Rep. Jane E. Powdrell-Culbert
Rep. Debbie A. Rodella
Rep. James P. White

Absent

Rep. Candy Spence Ezzell
Sen. Phil A. Griego
Rep. Dona G. Irwin
Sen. John C. Ryan
Rep. Henry Kiki Saavedra
Sen. William P. Soules

Advisory Members

Sen. Jacob R. Candelaria
Rep. Sharon Clahchischilliage
Rep. Kelly K. Fajardo
Rep. Mary Helen Garcia
Sen. Timothy M. Keller (11/25)
Rep. W. Ken Martinez (11/26)
Sen. Bill B. O'Neill (11/25)
Sen. Mary Kay Papen (11/25)
Sen. John Pinto (11/26)
Sen. Nancy Rodriguez
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton

Sen. Sue Wilson Beffort
Rep. Anna M. Crook
Rep. Brian F. Egolf, Jr.
Sen. Stuart Ingle
Rep. Emily Kane
Sen. George K. Munoz
Sen. William H. Payne
Sen. Clemente Sanchez
Rep. James R.J. Strickler
Rep. Thomas C. Taylor
Rep. Monica Youngblood

(Attendance dates are noted for members not present for the entire meeting.)

Staff

Lisa Sullivan, Staff Attorney, Legislative Council Service (LCS)

Tessa Ryan, Staff Attorney, LCS

Alexandria Tapia, Research Assistant, LCS

Guests

The guest list is in the meeting file.

Handouts

D Handouts and other written testimony are in the meeting file.

Monday, November 25

Board Report

Nann Winter, chair of the NMFA board, and John Gasparich, acting chief executive officer (CEO), NMFA, updated the committee on the status of the NMFA board and the open CEO position at the NMFA.

Ms. Winter announced that the board has made an offer to enter into a three-year employment contract to Robert P. Coalter, presently the executive director of the Texas Public Finance Authority; it is presumed that he will assume the role of CEO in January. Ms. Winter encapsulated the board's process for selecting Mr. Coalter, described the salary and benefits package offered to him and its relativity to those of comparable professionals and commented on his background and qualifications. Referring to Mr. Coalter's résumé, which was distributed to committee members, she noted that the board was impressed by Mr. Coalter's ability to mentor employees, managerial skills and understanding of the types of programs that the NMFA administers as well as charter school financing.

Referring to a handout, Ms. Winter highlighted notable events and actions affecting the NMFA since the fraudulent audit. She emphasized that the board met frequently during that period. Also in that time, the NMFA not only recovered from the incident, but also exceeded its previous bond-issuance performance. The 2013 audit already has been submitted, ahead of schedule, to the state auditor.

Ms. Winter confirmed that she will resign from the board, effective December 2013. She expressed gratitude for Mr. Gasparich's interim leadership and noted that Mr. Gasparich has agreed to mentor Mr. Coalter during the upcoming legislative session. Members of the committee thanked and praised Mr. Gasparich for his work.

When asked by a committee member for her ideas to improve the working relationship between the board and the legislature, Ms. Winter responded with praise for the committee's work, specifically for having had an audit conducted after the committee learned of the fraudulent audit. She also recommended that there be a legislative liaison from the NMFA to

interact regularly with the committee. She then commended the work of the board, which she characterized as having reacted responsibly to the fraudulent audit situation.

Water Trust Board Report and Proposed Legislation

Jana Amacher, director of water resources, NMFA, and Richard Rose, director of water resources for the Water Resources Allocation Program of the Office of the State Engineer, addressed the committee. Committee members received handouts on: 1) the Water Trust Board (WTB) application and funding process; 2) details of 2013 application funding recommendations; 3) sample past legislation authorizing project funding; and 4) 2014 recommendations for legislative authorization of projects funded by the Water Project Fund and the Acequia Project Fund.

Related to the WTB application and funding process, Mr. Rose outlined problems under the pre-reform model and described recently implemented improvements. The process is now structured so that there is more time for applicants to complete, and for agencies to review, applications and for the NMFA to work with communities to identify and address problems. Under the current application process, applicants must submit a preliminary engineering report, project cost estimates and other sources of funding.

Committee members expressed concerns about: 1) the disproportionate burden on small communities inherent in some application requirements, such as the production of an engineering report; 2) the need for illuminating whether a project receives funding from other sources; 3) problems in coordination between the executive and legislative branches and other funding and approval sources — and the resulting delay that some small communities suffer; and 4) possible overstepping of powers, underscored by the recent attorney general opinion in the matter of Executive Order (E.O.) 2013-006. Mr. Rose said that application requirements have not deterred smaller communities from applying for and benefiting from the program. Ms. Amacher added that many communities can access money from the NMFA's Local Government Planning Fund (LGPF) or the United States Department of Agriculture to cover the cost of the project planning phase. Mr. Rose also indicated that final applications are submitted in March after the legislative session, which gives the WTB the benefit of knowing whether a particular project received funding through a legislative appropriation. He acknowledged that coordination between involved entities has been a long-standing issue and mentioned that other states have a funding board that oversees all of the money for all projects. He remarked that efforts to improve coordination are under way. A committee member requested that the spreadsheet on 2014 funding projects include a column listing other sources of funding.

On the matter of 2013 funding recommendations, Mr. Rose said that applicants are scored and ranked within each category and then funded until resources are exhausted. He clarified that the "tentative status" column of the corresponding handout reveals information on whether projects are compliant with E.O. 2013-006. Committee members asked, and Mr. Rose and Ms. Amacher answered, questions about specific listed projects.

In response to a committee member's question, Mr. Gasparich explained that the proposed legislation includes an emergency clause because an early effective date is necessary for the projects to be funded through the June bond sale.

A motion to endorse a bill authorizing the NMFA to make loans or grants from the Water Project Fund and the Acequia Project Fund was made and seconded and then endorsed with no opposition.

Transportation Bonds

Tom Church, secretary-designate, Department of Transportation (DOT), and Marcus Trujillo, State Transportation Commission bond manager, gave the committee an update on DOT bond financing. Secretary-Designate Church noted that the DOT has taken steps to reduce overall debt costs. He reviewed annual debt service by revenue source over a 30-year range and remarked on the future of the DOT bond program. He also reviewed a handout containing details of deferred, active and completed New Mexico bonding investment projects.

Use of Public Highway Rights of Way by Certain Public Utilities — Potential Legislation

Representative Lundstrom and former Governor Toney Anaya, who was in the audience representing the proposed New Mexico Express, a project to develop buried electricity transmission lines across the state, provided some background on the current version of draft legislation that would require the DOT to impose fees for utility companies to use public highway rights of way for deposit in the State Road Fund. Ms. Sullivan added that some changes in the draft were made to modernize existing statutory language. Other changes were made to codify certain non-statutory DOT practices. The committee discussed aspects of the draft and expressed concerns about its potential implications, including that utility companies currently using the rights of way might be unfairly subjected to the fee imposition. Moreover, the impetus behind the legislative measure, that the New Mexico Express willingly pay the state a fee for rights-of-way use, excluded other utilities from incursion of the fees, according to a committee member. Committee members suggested that an amendment to the bill that would exempt existing utilities from the fee payment could be proposed to a standing committee.

A motion to endorse the proposed legislation was made and seconded. With one member opposing, the motion passed.

Approval of Minutes

Upon a motion made and seconded, the minutes of the October-November meeting were approved. A motion to make a correction to all past minutes — to include Representative Herrell as a voting member — was made, seconded and passed with no opposition.

Task Force to Study Telecommunications Infrastructure — Potential Legislation

Representative Rodella briefly summarized a memorial requesting that a task force be formed to study improving the state's telecommunications infrastructure. Committee members commented that the Jobs Council, the Science, Technology and Telecommunications Committee and the Department of Information Technology (DoIT) are also looking at the issue. A member remarked that the DoIT should be consulted in the study.

A motion to endorse the proposed legislation was made and seconded. With no opposition, the motion passed.

Factoring Local Revenue in the Calculation of the State Equalization Guarantee Distributions

Representatives Lundstrom and Stapleton presented a draft bill that would add locally generated revenue spent on education to the factors used in the state equalization guarantee (SEG) funding calculation. Sharon Ball, senior researcher, LCS, added information on related context and on the bill's technical aspects. Representatives Lundstrom and Stapleton explained their concern about a local gross receipts tax for spaceport development distributed in part to spaceport region school districts for science, technology, engineering and mathematics (STEM) education, without going into the SEG formula. Representative Lundstrom reported that she had not yet received a reply from Secretary-Designate of Public Education Hanna Skandera to her concerns about preventing contravention of the SEG, copies of which were distributed to the committee.

Committee members discussed the bill and the implications of its passage or non-passage. Members raised concerns, which included that: 1) without the law, school districts outside of the taxed area might sue the state to enforce the SEG; 2) without the law, other local governments could use portions of their gross receipts tax revenue for school operations, thereby further diluting the SEG; 3) the draft bill might not make explicit that *any* transfer to a school district would be factored into the SEG calculation, as opposed to a transfer made because the tax's enabling legislation articulates the educational purpose of the revenue; 4) the spaceport tax would not have won its narrow-margin voter approval without the widespread understanding that a portion of the tax's revenues were to be dedicated to education in spaceport region school districts; and 5) the recipient school districts, which are poor, benefit greatly from the supplemental revenue generated by the spaceport tax.

A motion to endorse the proposed legislation was made and seconded. With two members in opposition, the motion passed.

NMFA Board Attendance Requirements — Proposed Legislation

Senator Keller presented a draft bill that would change certain requirements affecting the NMFA board and explained aspects of the bill and its evolution. Last year, the committee endorsed a bill that would have enacted sweeping NMFA reforms recommended following an investigation conducted in response to the fraudulent audit discovery. The bill passed the legislature by a wide margin but was vetoed. This year's bill draft removes what was understood to be objectionable about the previous bill: the partial removal of executive-branch control over appointments to the board.

Committee members discussed, and Senator Keller and Ms. Sullivan clarified, aspects of the revised bill. A member suggested that to enforce the attendance requirement, letters could be mailed to a board member upon that member's first and second absences and a letter could be mailed to the leaders of the House of Representatives and the Senate upon that member's third absence.

A motion to endorse the bill was made and seconded. With three members in opposition, the motion passed.

New Mexico Disadvantaged Community Assistance — Proposed Legislation

Senator Candelaria presented three versions of draft legislation that would provide funding to certain disadvantaged communities for infrastructure development. The committee received a handout outlining the key provisions of each version. Senator Candelaria explained the context of those proposals — that many colonia-type communities do not fit the definition of "colonia" for the purpose of receiving funding from colonias infrastructure funds and therefore lack opportunity for development. Committee members weighed the merits of the three proposals. Rick Martinez, director of business development, NMFA, who was in the audience, provided some related information for clarification.

During the subsequent presentation on the Public Project Revolving Fund (PPRF), a motion was made and seconded to revise Senator Candelaria's second bill proposal as follows and endorse the revised bill: transfer \$1 million of the unencumbered balance in the LGPF (which Marquita D. Russel, chief of programs, NMFA, said is approximately \$1.6 million) to the proposed New Mexico Disadvantaged Community Assistance Project Fund. With no opposition, the motion passed.

Appropriation for LGPF — Potential Legislation

Mr. Gasparich presented a bill that would appropriate \$2 million from the PPRF to the LGPF. A motion to endorse the bill was made and seconded. With no opposition, the motion passed.

NMFA PPRF

Mr. Gasparich presented a bill that would authorize the NMFA to make loans from the PPRF to named entities. Committee members recommended that on page 15, line 12 of the bill draft, "and Valencia County" be inserted after "county" and that on page 17, lines 22 through 25 be struck. A motion to endorse the revised bill was made and seconded. With no opposition, the motion passed.

Recent PPRF Recipients

Zach Dillenback, chief lending officer, NMFA, and Ms. Russel gave a presentation on the PPRF and its recent recipients. They referred to a related handout distributed to the committee. Mr. Dillenback explained that the PPRF helps governmental entities, including some that qualify as disadvantaged, by offering them loans at highly competitive rates. Money in the fund comes from loan repayments, a share of all governmental gross receipts tax revenue and bond sales. Some of those bonds are tax-exempt, some are tax-subsidized and others are taxable. The PPRF's high credit rating makes its bonds attractive to investors and keeps loan interest rates low. Funding for a project that costs more than \$1 million requires prior legislative authorization. Mr. Dillenback gave an overview of the number and value of loans made since the PPRF's inception and of recent PPRF activity with respect to regular and disadvantaged entities. He attributed the decline in disadvantaged funding that occurred between fiscal year (FY) 2010 and FY 2011 to a competitive interest rate environment.

LGPF Funding Parameters

Mr. Dillenback and Ms. Russel gave a presentation on the LGPF that was accompanied by a handout on the topic. The presenters highlighted: 1) the origin of the LGPF; 2) changes that the legislature has made to the LGPF since its inception; 3) the types of planning documents that are eligible for payment from the fund; 4) data on the projects funded to date; and 5) profiles of some successful projects.

Ms. Russel responded to committee members' comments and questions. She said that the NMFA requests updates from recipient entities on money use. To reduce the number of projects that have been planned but not completed due to lack of capacity, the NMFA recently hired a staff person to help entities and monitor projects. Also related to projects that are partially funded but that do not materialize, the WTB now requires planning documents prior to project funding. These measures should lead to more funding success, but some smaller communities nevertheless sometimes struggle to bring projects to fruition because those communities lack the resources necessary for implementation.

In response to committee members' concerns about the propriety of money from the LGPF having been spent recently on a water plan for the Office of the State Engineer, Ms. Russel indicated that state agencies have always been eligible to receive money from the fund.

Economic Development Revolving Fund (EDRF) Update

John Brooks, director of commercial lending, NMFA, and Ms. Russel addressed the committee on the topic of the EDRF. Mr. Brooks provided background on the fund's legislative origin and noted recent legislative actions that have affected it. He explained that the fund fuels two loan participation programs, the Smart Money Loan Participation Program and Collateral Support Participation Program, and offered reasons that the loan participation arrangement is useful. First, it helps to fill financing gaps. It also involves banks that independently analyze the repayment potential of clients, and, therefore, it helps to insulate against the risk of financing. Moreover, businesses enjoy lower interest rates without having to complete additional paperwork or pay extra fees, and banks earn fees for their services. Mr. Brooks discussed the EDRF's two sub-accounts and gave an overview of each program's status.

Committee members asked for, and the presenters provided, details of particular projects listed in the handout. A member requested that in the future, the presenters report on the portion of each program's portfolio in non-accrual.

NMFA Audit Update

Donna Trujillo, chief financial officer, NMFA, and Mr. Gasparich gave the committee an audit update, which included reference to a handout entitled "Findings Status Matrix". The committee also received a handout dated June 30, 2013 entitled "Management's Discussion and Analysis". Mr. Gasparich noted that: 1) the stated need for a certified public accountant to serve on the board has been satisfied; 2) the audit committee attended the exit and entrance conferences for 2011, 2012 and 2013; 3) the NMFA is up to date on its audits; 4) the NMFA has addressed staffing issues by focusing on staff training; 5) the NMFA is in the process of

implementing a new loan tracking and servicing system and of preparing a request for proposals for a contracted internal auditor; 6) many items in areas required by the state auditor have been completed; and 7) several loan servicing-related items are in their initial phase of completion.

In response to committee members' questions, Mr. Gasparich commented on aspects of the post-fraudulent-audit situation. Clifton Gunderson LLP, the accounting firm that was paid \$67,000 to conduct the audit that was ultimately falsified, repaid the NMFA as part of a negotiated settlement agreement.

Telecommunications Infrastructure as a Capital Planning Consideration

Representative Lundstrom prefaced Mr. Gasparich's presentation on telecommunications infrastructure by saying that the need for strategic planning of statewide telecommunications infrastructure development was recognized at the previous meeting and has been addressed by other committees. Discussion at that meeting centered on the possibility of charging the NMFA with the task of providing technical assistance to borrowers developing such infrastructure. She stressed that telecommunications infrastructure, which promotes economic development, should not be an afterthought in capital project development.

Mr. Gasparich maintained that the NMFA, a lender, would face a conflict of interest if it participated in the design of a project it funded. Mr. Gasparich proposed that NMFA staff offer some technical assistance on projects, but he resisted the idea of the NMFA being held responsible for ensuring the adequacy of a telecommunications infrastructure project.

In response to a question from a committee member, Ms. Russel clarified that a feasibility study is a required part of the loan application for infrastructure projects, including broadband infrastructure projects. Mr. Gasparich was agreeable to the committee's recommendation that a question on whether telecommunications infrastructure planning has been conducted be included, and therefore routinely asked, in the loan application form.

Recess

With no further business for the day, the meeting recessed at 4:06 p.m.

Tuesday, November 26

Representative Lundstrom reconvened the meeting at 8:40 a.m.

Spaceport Authority (SA) Budget and Economic Development Plan

Christine Anderson, director, SA, gave a presentation on the SA's budget and economic development plan using a handout on the topics and an economic development plan report. She was accompanied by the following board members: Rick Holdridge, chair; David Buchholtz, member; Paul Deason, member; and Jerry Stagner, member. Bruce Jackson, vice president for trade controls and export strategy, Virgin Galactic (VG), and Mark Butler, senior program manager, VG, were also present to provide testimony.

SA Budget

Ms. Anderson discussed the SA's budget. The SA, which hosts two commercial space companies, VG and Space X, has the goal of becoming self-supporting in approximately two years. Ms. Anderson explained some assumptions on which the FY 2014 and FY 2015 operating budgets were based and the measures that the SA has taken to mitigate the effects of delays. Ms. Anderson noted that the proposed FY 2015 operational budget, which reflects a conversion of contract positions to nine new full-time positions, reflects no appropriation increase from FY 2014; expenses in excess of that amount would be paid from the SA's revenue. Further, the conversion would save the state money in the next fiscal year and over time. If the nine positions are not approved, then the total budget request will increase by \$1.3 million.

Committee members posed comments and questions and received responses as follows.

- Has the Legislative Finance Committee (LFC) voted on the SA budget? Jon Clark, analyst, LFC, said that it has not. When the LFC reviewed the proposed budget, it did not express concern about the addition of full-time employees.
- Two major projected revenue sources in the proposed budget are tourism and special events, but that revenue generation is not assured. The conversion of contracts to full-time employees, which represents a new commitment by the state, is based on a precarious revenue projection. Ms. Anderson replied that because there is no history to provide information on the likely generation of revenue from these sources, and because the SA works in an emerging industry, the projections are based on the best information available from tenants. Mr. Butler interjected that safety considerations have resulted in flight delays, which VG has timely communicated to the SA. He said that VG plans to start flights from the spaceport in August 2014 and then continue the flights. Mr. Stagner added that VG, the premier space company, has pre-sold approximately 700 tickets and will continue to sell more.
- Spaceport-taxpaying counties are subsidizing SA operations when tax revenues exceed the amounts necessary to service bond obligations, but county taxpayers should not have to pay for operations, which are arguably a state responsibility. Perhaps that excess revenue should be dedicated to constructing the southern road, which the spaceport taxpayers commonly understood would be part of their investment. Mr. Buchholtz indicated that the board may decide how to spend the 75% of gross receipts tax revenue that exceeds bond payment obligations. If the excess revenue were used to pay for the road, then the SA would require money from another source to pay for part of its operations.
- The southern road is a critical aspect of the spaceport that should be constructed to last, even if that construction requires more than the minimum investment. Ms. Anderson agreed that the road is important but said that cost considerations and the federal Bureau of Land Management (BLM), which dictates aspects of the approach, discourage opting for a more expensive, higher-quality road. Mr. Holdridge characterized the road issue as a dilemma because the road is not mentioned in the Spaceport Development Act. He was grateful that the committee appreciated the need for a durable road.

- More should be done — including continuing discussions with the BLM on the issue and involving the governor and the congressional delegation in the issue — to ensure that the road is well-built.

Upon a motion made and seconded, and with one member in opposition, the committee approved the proposed SA budget subject to a change from nine to five additional full-time-employee positions, with an operational budget figure adjusted accordingly.

SA Economic Development

Ms. Anderson commented on the space industry and the SA in relation to the rest of the industry. She referred to the economic development plan report to highlight the SA's goals and economic development mission, which includes four steps each for the aerospace support services and infrastructure group and the tourism and hospitality support services and infrastructure group. Ms. Anderson noted that in the areas of job and work force development, the SA has already worked with councils of governments, New Mexico Institute of Mining and Technology, the Tourism Department and other entities.

Committee members posed comments and questions, to which SA representatives responded, as follows.

- What were the results of the most recent audit? Ms. Anderson said that it revealed no material findings.
- What is the SA's strategy for handling delays in VG commercial activity? Ms. Anderson responded that the SA has focused on priorities and redirected resources. To increase revenue, SA representatives have engaged in discussions to attract additional vendors.
- The economic development plan, designed with the help of Lautman Economic Architecture, is based on a model that was employed for use by the interim Jobs Council (council). The council has identified the spaceport and the tourism associated with it as drivers of some of the job creation that the council determined will be needed to return the state to pre-recession employment levels within 10 years, and it has considered the spaceport's economic sector and geographic location in its work.
- The space industry is competitive. Have SA representatives been actively monitoring the competition? Because of that competition, the spaceport investment should be handled with a proactive, not reactive, approach. Ms. Anderson responded that in relation to other spaceports, New Mexico's boasts custom-designed infrastructure. She added that the SA is an executive member of the Commercial Spaceflight Federation, through which SA representatives can network with prospective clients. Because those companies are focused on the bottom line, SA has been intent on reducing its overhead to improve competitiveness.
- The SA should work with New Mexico's national laboratories to take advantage of the technology transfer program. Ms. Anderson said that for now, the SA does business with commercial developers, but there is potential for satisfying some federal government needs in the future.

- What are the SA's top three initiatives that the state or federal government could support? Ms. Anderson replied that the SA's highest priority is constructing the southern road. Much of the initial work for its construction has been completed. The SA will meet soon with representatives from Sierra and Dona Ana counties to discuss road construction. A member commented that construction companies are leaving the state because there is not enough work.
- What led to the arrangement whereby school districts in Sierra and Dona Ana counties receive a portion of the spaceport tax for education? Is that money used for STEM education? Ms. Anderson said that the SA was not involved in formative discussions on the matter, but to her understanding, there are memoranda of understanding between the counties and school districts providing that the 25% portion of revenues from the spaceport tax that the counties receive are redirected to those school districts. The SA wishes to collaborate more with school districts to encourage STEM-focused education, but those efforts are unrelated to the issue of use of the spaceport tax. Mr. Deason testified that he understood that the county revenue, at least in part, is used for STEM education.
- Work force development is an integral piece of the economic development plan. A comprehensive study recently revealed that in parts of the world that produce a high proportion of workers capable of meeting the current and future technology-related demands, physics is introduced early into the educational curriculum. Exposing young learners to physics education could improve the supply of qualified workers.
- How committed is VG to using New Mexico's spaceport? Mr. Butler responded that VG: 1) has signed a 20-year lease and hopes to renew that lease; 2) is in the process of increasing operations at the spaceport; 3) has given millions of dollars to New Mexico companies to develop facilities; and 4) might use other locations but will continue flights from New Mexico. Mr. Jackson added that VG wants to be successful in New Mexico.
- Since all New Mexico taxpayers have invested in the spaceport, it is important that VG remain there and that new tenants come in. Are there clawback provisions in the 20-year lease? Mr. Butler responded that there are provisions imposing a penalty for breaching the lease. Ms. Anderson said that VG will be required to pay \$3 million per year beginning in the fifth year of the lease.
- What bonds were issued for spaceport development? Can they be prepaid? Mr. Buchholtz said that two series of gross receipts tax bonds were issued — one in 2009 and the other in 2010 — to the NMFA and paid with money from the PPRF. He added that it would be possible to negotiate with the NMFA to modify the bond terms, but those discussions would be premature before the spaceport begins generating more revenue.
- The next time the SA reports to the committee, the SA should provide details of its business plan.

Mr. Holdridge closed by thanking the committee for inviting board members and for its support for the spaceport endeavor, which he said will create opportunities for New Mexico's children.

The committee requested that LCS staff compose a letter to Sierra and Dona Ana county managers to request a report of the use of their portion of spaceport tax proceeds.

Telecommunications Infrastructure as a Capital Need

Representative Lundstrom restated the importance of state-funded agencies' anticipating their future telecommunications/information technology (IT) infrastructure needs in order to avoid unnecessary future expenditures and retrofitting. Ms. Anderson indicated that IT infrastructure is central to the spaceport's operation and was integrated into the spaceport during construction. She added that existing infrastructure should continue to satisfy the spaceport's IT needs for approximately five to 10 years.

Jeremy Turner, executive director, New Mexico Renewable Energy Transmission Authority (RETA), provided a handout for the committee and discussed IT infrastructure in relation to RETA. He said that a relatively small amount of money has been spent on IT needs because RETA is a relatively small entity. Although RETA is trying to decrease its expenditures over the next several years, IT development is part of RETA's long-term plan.

Legislation

Representative Lundstrom informed the committee that, on behalf of the committee, she would send a letter to the governor requesting that the governor issue messages for all committee-endorsed legislation likely to require a message for introduction.

Adjournment

There being no further business before the committee, the fifth meeting of the NMFA Oversight Committee for the 2013 interim adjourned at 11:18 a.m.

Committee-Endorsed Bills and Memorials

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HOUSE BILL

51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014

INTRODUCED BY

FOR THE NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

RELATING TO PUBLIC SCHOOL FINANCE; EXPANDING THE DEFINITION OF
"LOCAL REVENUE" FOR CALCULATION OF A SCHOOL DISTRICT'S STATE
EQUALIZATION GUARANTEE DISTRIBUTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. Section 22-8-25 NMSA 1978 (being Laws 1981,
Chapter 176, Section 5, as amended) is amended to read:

"22-8-25. STATE EQUALIZATION GUARANTEE DISTRIBUTION--
DEFINITIONS--DETERMINATION OF AMOUNT.--

A. The state equalization guarantee distribution is
that amount of money distributed to each school district to
ensure that its operating revenue, including its local and
federal revenues as defined in this section, is at least equal
to the school district's program cost. For state-chartered
charter schools, the state equalization guarantee distribution

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1 is the difference between the state-chartered charter school's
2 program cost and the two percent withheld by the department for
3 administrative services.

4 B. "Local revenue", as used in this section, means
5 seventy-five percent of receipts to the school district derived
6 from ~~[that amount produced by a school district property tax~~
7 ~~applied at the rate of fifty cents (\$.50) to each one thousand~~
8 ~~dollars (\$1,000) of net taxable value of property allocated to~~
9 ~~the school district and to the assessed value of products~~
10 ~~severed and sold in the school district as determined under the~~
11 ~~Oil and Gas Ad Valorem Production Tax Act and upon the assessed~~
12 ~~value of equipment in the school district as determined under~~
13 ~~the Oil and Gas Production Equipment Ad Valorem Tax Act]:~~

14 (1) that amount produced by a school district
15 property tax applied at the rate of fifty cents (\$.50) to each
16 one thousand dollars (\$1,000) of net taxable value of property
17 allocated to the school district;

18 (2) property tax receipts derived from the
19 assessed value of products severed and sold in the school
20 district as determined under the Oil and Gas Ad Valorem
21 Production Tax Act;

22 (3) property tax receipts derived from the
23 assessed value of equipment in the school district as
24 determined under the Oil and Gas Production Equipment Ad
25 Valorem Tax Act; and

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1 (4) the amount of a tax imposed by a
2 municipality, a county or the school district and used to
3 provide funding to the school district for any operational
4 purpose.

5 C. "Federal revenue", as used in this section,
6 means receipts to the school district, excluding amounts that,
7 if taken into account in the computation of the state
8 equalization guarantee distribution, result, under federal law
9 or regulations, in a reduction in or elimination of federal
10 school funding otherwise receivable by the school district,
11 derived from the following:

12 (1) seventy-five percent of the school
13 district's share of forest reserve funds distributed in
14 accordance with Section 22-8-33 NMSA 1978; and

15 (2) seventy-five percent of grants from the
16 federal government as assistance to those areas affected by
17 federal activity authorized in accordance with Title 20 of the
18 United States Code, commonly known as "PL 874 funds" or "impact
19 aid".

20 D. To determine the amount of the state
21 equalization guarantee distribution, the department shall:

22 (1) calculate the number of program units to
23 which each school district or charter school is entitled using
24 an average of the MEM on the second and third reporting dates
25 of the prior year; or

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1 (2) calculate the number of program units to
2 which a school district or charter school operating under an
3 approved year-round school calendar is entitled using an
4 average of the MEM on appropriate dates established by the
5 department; or

6 (3) calculate the number of program units to
7 which a school district or charter school with a MEM of two
8 hundred or less is entitled by using an average of the MEM on
9 the second and third reporting dates of the prior year or the
10 fortieth day of the current year, whichever is greater; and

11 (4) using the results of the calculations in
12 Paragraph (1), (2) or (3) of this subsection and the
13 instructional staff training and experience index from the
14 October report of the prior school year, establish a total
15 program cost of the school district or charter school;

16 (5) for school districts, calculate the local
17 and federal revenues as defined in this section;

18 (6) deduct the sum of the calculations made in
19 Paragraph (5) of this subsection from the program cost
20 established in Paragraph (4) of this subsection;

21 (7) deduct the total amount of guaranteed
22 energy savings contract payments that the department determines
23 will be made to the school district from the public school
24 utility conservation fund during the fiscal year for which the
25 state equalization guarantee distribution is being computed;

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1 and

2 (8) deduct ninety percent of the amount
3 certified for the school district by the department pursuant to
4 the Energy Efficiency and Renewable Energy Bonding Act.

5 E. Reduction of a school district's state
6 equalization guarantee distribution shall cease when the school
7 district's cumulative reductions equal its proportional share
8 of the cumulative debt service payments necessary to service
9 the bonds issued pursuant to the Energy Efficiency and
10 Renewable Energy Bonding Act.

11 F. The amount of the state equalization guarantee
12 distribution to which a school district is entitled is the
13 balance remaining after the deductions made in Paragraphs (6)
14 through (8) of Subsection D of this section.

15 G. The state equalization guarantee distribution
16 shall be distributed prior to June 30 of each fiscal year. The
17 calculation shall be based on the local and federal revenues
18 specified in this section received from June 1 of the previous
19 fiscal year through May 31 of the fiscal year for which the
20 state equalization guarantee distribution is being computed.
21 In the event that a school district or charter school has
22 received more state equalization guarantee funds than its
23 entitlement, a refund shall be made by the school district or
24 charter school to the state general fund."

25 SECTION 2. EFFECTIVE DATE.--The effective date of the

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1 provisions of this act is July 1, 2014.

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SENATE BILL

51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014

INTRODUCED BY

FOR THE NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

AN ACT

MAKING AN APPROPRIATION TO THE LOCAL GOVERNMENT PLANNING FUND.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF NEW MEXICO:

SECTION 1. APPROPRIATION.--Two million dollars

(\$2,000,000) is appropriated from the public project revolving fund to the local government planning fund administered by the New Mexico finance authority for expenditure in fiscal year 2015 and subsequent fiscal years to make grants to qualified entities to evaluate and estimate the costs of implementing the most feasible alternatives for infrastructure, water or wastewater public projects or to develop water conservation plans, long-term master plans, economic development plans or energy audits and to pay the administrative costs of the local government planning program. Any unexpended or unencumbered balance remaining at the end of a fiscal year shall not revert

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1 to the public project revolving fund.

2 SECTION 2. EFFECTIVE DATE.--The effective date of the
3 provisions of this act is July 1, 2014.

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1 SENATE JOINT MEMORIAL

2 **51ST LEGISLATURE - STATE OF NEW MEXICO - SECOND SESSION, 2014**

3 INTRODUCED BY

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6 FOR THE NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE

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10 A JOINT MEMORIAL

11 REQUESTING THAT A TASK FORCE CONVENE TO STUDY APPROPRIATE WAYS
12 FOR THE STATE TO PARTICIPATE IN BUILDING BROADBAND NETWORK
13 INFRASTRUCTURE.

14
15 WHEREAS, digital communications comprise an ever-growing
16 proportion of day-to-day educational and commercial
17 interactions; and

18 WHEREAS, increasingly, people's upward educational and
19 economic mobility correlates to the degree of their access to a
20 broadband communications network; and

21 WHEREAS, if all people in New Mexico had access to a
22 broadband network, their opportunities for educational and
23 economic advancement would grow and the state would develop
24 economically; and

25 WHEREAS, some New Mexicans cannot access broadband

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1 technology because of deficiencies in network infrastructure;
2 and

3 WHEREAS, many parts of the state lack network
4 infrastructure because it is not profitable for the private
5 sector to develop that infrastructure in those regions; and

6 WHEREAS, the state should play an active role in
7 developing underserved and unserved areas by forging broadband
8 network connections where they currently need strengthening or
9 where they do not exist; and

10 WHEREAS, several of New Mexico's universities are working
11 with communities and collaborating with public utilities and
12 commercial providers to improve the state's public broadband
13 network;

14 NOW, THEREFORE, BE IT RESOLVED BY THE LEGISLATURE OF THE
15 STATE OF NEW MEXICO that a task force be requested to study the
16 appropriate role of the state in building broadband
17 infrastructure so that all New Mexicans have access to a
18 broadband network; and

19 BE IT FURTHER RESOLVED that the task force be composed of
20 a representative of the legislative finance committee; a
21 representative of the science, technology and
22 telecommunications committee; a representative of the New
23 Mexico finance authority; and experts in broadband technology
24 infrastructure who represent the university of New Mexico, New
25 Mexico state university and the New Mexico institute of mining

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underscoring material = new
~~[bracketed material] = delete~~

1 and technology; and

2 BE IT FURTHER RESOLVED that the New Mexico legislative
3 council appoint the legislative members of the working group;
4 and

5 BE IT FURTHER RESOLVED that the legislative finance
6 committee, the science, technology and telecommunications
7 committee and the New Mexico finance authority oversight
8 committee be requested to hear testimony and receive
9 recommendations from the task force and other experts in
10 broadband technology; and

11 BE IT FURTHER RESOLVED that copies of this memorial be
12 transmitted to the information technology departments and the
13 boards of regents of the university of New Mexico, New Mexico
14 state university and the New Mexico institute of mining and
15 technology.

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