MINUTES
LEGISLATIVE FINANCE COMMITTEE
August 22, 2007 - August 24, 2007

Senator John Arthur Smith, chairman, called the Legislative Finance Committee (LFC) meeting to order on Wednesday, August 22, 2007, at 8:34 a.m.

The following LFC members were present on August 22, 2007:

Senator John Arthur Smith, Chair; Representative Luciano "Lucky" Varela, Vice Chair; Representatives Don E. Bratton, Patricia Lundstrom, Brian K. Moore, Roberto J. Gonzales (for Edward C. Sandoval), Jeannette O. Wallace, Nick L. Salazar, and Henry "Kiki" Saavedra; and Senators Timothy Z. Jennings, Sue Wilson Beffort, Carlos R. Cisneros, Phil A. Griego, Joseph J. Carraro, Leonard Lee Rawson and Pete Campos. Representative Richard J. Berry and Senator Cisco McSorley attended the meeting as guest legislators.

Welcome Remarks and Community Input

Chairman Smith stated LFC is an interim committee that does budget work for the state of New Mexico by forecasting revenue and by working with the executive to maintain a balanced budget. The remainder of the meeting was chaired by Senator Carlos Cisneros.

Linda Calhoun, mayor of the village of Red River, stated the village continues to upgrade infrastructures to accommodate new developments. Eighty-five children attend the Red River charter school, which has been in operation for six years. The village is also working with the United States Forest Service to establish a fire station. The highest priority need for Red River is upgrades to its wastewater treatment plan.

Charlie Gonzales, vice chair of the Taos County Commission, reported on plans to propose a gross receipts tax increase to construct a new facility to house the judiciary, the detention center and all administrative facilities for the county.

Dr. Kate O'Neill, Director of UNM-Taos, reported on the status of the Taos campus. The campus is presently housed in six separate locations, some of which are leased. UNM-Taos needs to be housed in one location since the current funding formula does not allow funding for leased facilities. Additionally, UNM-Taos has established cooperative programs with other New Mexico campuses, including education, healthcare and business. The university is currently establishing a collaboration with New Mexico State University for an allied program. The university also focuses on workforce development.

Richard Romero, superintendent of Questa Public Schools, reported that upgrades and improvements to the Red River Charter School are in progress. Questa Public Schools receive funding for pre-K initiatives, physical education, after school programs and capital outlay. Mr. Romero asked LFC to investigate the possibility of rewarding school districts for maintaining school facilities in good order.

The committee heard the following discussion:

- UNM-Taos was ranked number one on the critical need list statewide because of inadequate campus infrastructure, although it only received credit for 18,000 square feet of campus because the remainder of the facilities are leased. UNM-Taos needs to upgrade its water and wastewater facilities, along with fire suppression systems for buildings currently under construction.
- School districts using software programs designed to monitor utilities usage, work orders, and the cost of materials used in completing work orders are better able to manage school facilities.
- A school district must have a five-year facility master plan in place before it is allowed to request capital outlay funding.
- It may be possible to adjust the funding formula to require adequate maintenance levels as a condition of funding.
- The Questa School District collaborates with Molycorp to provide internships for students and offers distance learning with other education institutions in the state. The district is also working to establish standardized dual credit agreements with state universities.
- Red River's wastewater treatment plant is 30 years old and is currently running at one-third of its capacity. The plant services 8- to 10 thousand customers. The village has secured a loan from NMFA for part of the funding for a new treatment plant.
- The village of Red River, Molycorp, the United States Forest Service, and the Department of Transportation worked together to clear a mud slide that recently blocked a highway outside of Red River.
- Red River is receiving $198 thousand from GRIP II to construct a road by the fishing ponds. The total cost of the project is $220 thousand.
- Three out of five schools in the Questa School District achieved annual yearly progress (AYP). Mr. Romero believes that while the district is making progress toward AYP, the time frames in which No Child Left Behind benchmarks are set will be a problem in future years.
- UNM-Taos is collaborating with a number of entities to establish a workforce development program. Recurring funding is needed in order to grow the program.
- The federal No Child Left Behind legislation allows states flexibility in how states recognize elements of education and by virtue fo that flexibility, gives states more control on how to implement similar legislation at the state level.
- New Mexico schools are making progress in educating its children, even though the schools may be failing to meet benchmarks under the No Child Left Behind statute.
- Families must be involved in their children's education.
- Early childhood education programs are important to the education of New Mexico children.
- UNM-Taos expects to complete its early care education and family support program by January, 2008.
- The No Child Left Behind mandate has brought a heightened awareness of the educational needs of New Mexico. Data derived from test results assist schools in

identifying deficiencies in education and allow schools to adjust lesson plans to address the deficiencies.

Status Report on Initiatives Focused on Improving Student Achievement in High Poverty, High Need Schools

Paul Aguilar, LFC principal analyst, reported on the 2007-2008 school year status of AYP in New Mexico public schools.

Senator Cisneros and Representative Salazar referenced a PED rule stating children who live within a one-mile radius of a school are not to be bused to school. They expressed concern over children being compelled to cross State Road 285, which is a four-lane highway, on foot to get to school.

Jim Shipley, president of Jim Shipley and Associates, presented the committee with the systems approach to continuous improvement using the Baldrige performance excellence criteria to meet No Child Left Behind requirements. The approach creates high performing learning systems by using systems alignment, systems improvement and systems integration to create continuous school improvement. Mr. Shipley noted that New Mexico's design for meeting the requirements of No Child Left Behind is a good plan and should be implemented.

Dr. Patricia Woodward, principal of Painted Sky Elementary School in Albuquerque, reported how Painted Sky Elementary School implemented the Baldrige continuous improvement approach to achieve AYP for its students.

Dr. Karen Harvey, assistant secretary of Quality Assurance and Systems Integration, PED, reported on the status of AYP in New Mexico Schools in 2006-2007. PED is using the following concepts to improve the education achievements of New Mexico students: Focus on the success of all students, use a comprehensive approach to school improvement, professional development, implement a standards based curriculum, and adequate funding for all schools.

Mike Gottleib, superintendent of the Roswell School District, reported that 75 percent of the schools in the district are achieving AYP. The district uses the Shipley method to improve its schools.

Dr. Lana Paolillo, bureau chief, Early Childhood Education Bureau, PED, asked the committee to continue funding for early childhood development programs such as the pre-K program, K-3-plus program, and the Reading First program.

Dr. Peter Winograd, director of the Office of Educational Accountability, DFA, reported the effects of the New Mexico pre-K initiative on children's school readiness. The pre-K initiative has produced meaningful impacts on early language, literacy, and math development. Every pre-K site should meet the highest possible standards to ensure success of the program.

Peggy Soria, childhood coordinator for the Central Consolidated School District, reported on the four early childhood programs used in the district. Data for the four programs show children involved in the programs score 3 to 18 percent higher than their peers who did not participate in the programs.

The committee heard the following discussion:

- Workshops and training sessions are available to all schools on the systems approach to education.
- Teachers graduating from college should have the training and skills necessary to ensure students' academic success; however, those teachers may still need training in continuous improvement principles and how to apply those principles in the classroom.
- PED spends $2 to $3 million each year to teach teachers how to teach reading.
- New Mexico is one of the top ten states in the nation in the Reading First program for grades kindergarten through third grade.
- PED is currently gathering information to compare the qualifications of pre-K teachers at both CYFD and PED sites.
- Parent involvement is important in children's education.
- It is important to have well qualified teachers in New Mexico classrooms.
- Higher reimbursement rates for providers will result in better qualified care givers in early childhood programs.
- The pre-K program gives children the opportunity to succeed in school by giving them an initial gain. That gain needs to be maintained through future years, including good nutrition and health care, to close the achievement gap.
- An annual report is published containing data on the progress of the pre-K program.
- Education should be coordinated for the student from the beginning kindergarten through college. Teachers graduating from college should have the skills to begin teaching without the need for extensive additional training.
- PED is working with New Mexico universities to improve the quality of teacher programs. It is working to align the pre-K through 20 policy development.
- Colleges of education should teach the systems approach to education to reduce the need for additional training for newly graduated teachers.
- Schools should remember that all children can learn, and schools must find ways of balancing the challenges politics, rules, regulations and union demands with the goal of ensuring all children have the opportunity to learn.
- Funding should be established to establish the systems approach in all schools in order to meet the unfunded Federal No Child Left Behind mandate.
- CYFD and PED early childhood education programs are sometimes in conflict with each other. There may be ways to combine those programs into one agency.
- The Students Helping Students program can also be used to help children learn.
- Special ed programs are also important to assist children with special needs.
- Seed money should be expended for training on the systems approach to education. The result of that training will enable schools to identify successful programs and to eliminate unsuccessful programs.

- CYFD coordinates its pre-K programs with the federal Headstart program. It would be helpful to see data on how the federal Headstart programs tie in to all early childhood development programs.
- Funding is needed to conduct external evaluations of early childhood development programs.
- The committee asked for a summary of recent changes to the No Child Left Behind mandate.
- Schools should take advantage of the Technology in Education Act as a source for additional funding.
- Parental involvement in their children's education is essential, although some parents are unable to be as involved because their circumstances.
- Schools should work to ensure quality classroom instruction through the twelfth grade to ensure the benefits of early childhood development are maintained.
- Increasing the school year may help students achieve a better education outcome.

Expanding Health Coverage In New Mexico

Mark Weber, LFC principal analyst, reported the Health Care Coverage for New Mexicans Committee (HCNMC) has submitted recommendations to the Legislature and to the executive on next steps in the state's efforts to achieve universal coverage for New Mexicans. HCNMC chose three models for analysis and comparison – the Health Security Act, New Mexico Health Choices and Health Coverage Plan. A cost study was conducted by Mathematica Policy Research, Inc. to estimate the cost of the current health care system in New Mexico and the relative cost of the three alternative models to ensure that all New Mexicans become and remain covered. The study in its entirety can be found at http://insurenewmexico.state.nm.us.

Mary Feldblum, director, Health Security for New Mexico, presented the Health Security Plan (HSP) proposal which provides for a single, statewide comprehensive health insurance plan for all residents who enroll.

- Services would mirror those of New Mexico state employees.
- Premiums are scaled to income.
- Employers pay a contribution as a percentage of payroll.
- Self-insured employers may elect to participate.
- HSP is administered by an appointed commission that would negotiate provider fees and facility budgets.
- Cost savings would result through reduction in administration of multiple health insurance companies and through provider rate negotiations and oversight.

Celia Ameline of New Mexico Health Choices presented the New Mexico Health Choices Plan (NMHC), which provides market-based universal coverage through government subsidized vouchers provided to residents.

- A single, statewide risk pool would replace individual and group health insurance markets.
- The plan provides a range of private and government options to obtain health insurance.

- New Mexicans not covered by public programs such as Medicaid would be given vouchers to purchase insurance through commercial carriers pre-selected by a newly created Alliance.
- Version 1 provides for coverage on an individual basis and employers contribute via payroll tax.
- Version 2 allows employers to continue to offer coverage and to be exempted from payroll tax for workers enrolled in their health plan.
- Insurance coverage would be mandatory for all residents.

Pamela Hyde, secretary, Human Services Department, presented the Health Coverage Plan (HCP) which provides for combined public and market-based universal coverage that preserves roles for both the current public and private health care system. The plan

- Focuses on coverage for currently uninsured New Mexicans;
- Includes expansion of Medicaid for low-income families and workers;
- Provides financial incentives for employers to provide health insurance for workers (tax credits and fair share contributions);
- Requires all people living in New Mexico to buy commercial insurance, enroll in employer-sponsored insurance, or enroll in state or federally subsidized insurance if eligible;
- Offers five different benefit options;
- Creates a Cost, Access and Quality Council

Dr. Mike Kaufman of the Taos County Medical Society, reported the New Mexico Medical Society has not endorsed any of the three proposals, but has adopted the following set of principles to be used in evaluating any plan for health care reform:

- Coverage for New Mexicans should be universal, continuous, portable and mandatory.
- Benefits should be uniform, include behavioral health, with options to obtain additional benefits.
- The delivery system must ensure choice of physicians and preserve patient/physician relationships. The system must focus on providing care that is safe, timely, efficient, effective, patient-centered and equitable.
- Administration and governance must be simple, transparent, accountable, efficient and effective in order to reduce administrative costs and maximize funding for patient care. The system should be overseen by a governing body that includes regulatory agencies, payers, consumers and care givers and is accountable to the citizens.
- Financing of health care coverage should be equitable, affordable and sustainable. The financing strategy should strive for simplicity, transparency and efficiency. It should emphasize personal responsibility as well as societal obligations, due to the limited nature of resources available for health care.

Dr. Kaufman stated the New Mexico Medical Society is committed to working with the Legislature to draft legislation for universal .

Dr. Will Wiese, UNM Institute for Public Health, presented the results of a study it recently conducted entitled "Reforming Health Care: The 2006 HR Managers Study." The study

solicited opinions from human resource professionals working for companies that offer employee based health insurance. The results showed the group was in favor of the following:

- Universal coverage,
- Focus on the patient,
- Efficiency,
- Transparency (knowledgeable buyer),
- Large actuarial pool,
- Separation of financing (pool) from provision of services,
- Choice of providers (competition)
- No exclusion of preexisting conditions,
- Portability,
- Phase out of employer-based insurance
- Public or private management of financing and actuarial pool
- Use of information technology opportunities.

The study concluded that changing the financing is not enough; there must be fundamental reform in structure and operations. Additionally, the financing of health care should be separated from service providers.

Representative John Heaton gave his perspective on universal health care for New Mexico, giving statistics on the current health care system. The health care system is so expensive because provider revenue is driven by procedures. Incentives should be placed on good outcomes and wellness. There should be competition and a free market system in health care. Representative Heaton believes change is necessary to the health care system. Creating a health care authority is a major step forward. The money to fund universal health care is already in the system. All New Mexicans should be covered under a health care plan. It is important to maximizing the federal match. New Mexico needs to commit to a plan, develop and vet legislation, make ERISA bulletproof, make IRS Section 125 implementable, and prepare for insurance provider backlash.

The committee heard the following discussion:

- It is difficult to attract physicians to New Mexico.
- Focusing on coordination of care can result in cost savings.
- Rural areas are short on health care providers.
- Higher reimbursement rates for Medicare and Medicaid patients need to be negotiated.
- Universal health care should provide for adequate compensation for health providers.
- The federal government should be responsible to fully fund health care for veterans.
- Preventative health care services should be provided at low or no cost to the patient.
- Alternative medicine practitioners should be included in universal health care.
- The time frame for implementing universal health care was discussed. Ms. Hyde believes a comprehensive, well planned phased-in approach is necessary to implement universal healthcare.
- The effect of political pressure on implementing universal health care is unknown.
- A universal health care plan must ensure that rural residents have access to adequate care.

- A universal health care plan must take into consideration worker's compensation claims, cash employment transactions, and provisions for people living in New Mexico who are not legal residents.
- Universal health care is an important issue and may not be completed during the upcoming 30-day legislative session. It is important, however, to begin the discussion.
- Workforce retention in the health care field is important.
- Health care should be provided for everyone, not health care insurance.
- Mathematica should do further study on the impact of uninsured motorists on the health care system.

Medicaid Enrollment and Budget Update

Pamela Hyde, secretary, Human Services Department, provided a budget update for the Medical Assistance Division. Medicaid enrollment has declined because of slowdowns in outreach efforts, cost containment initiatives, automated notice and closure systems, and citizenship documentation required by the federal government.

Ken Posach of the New Mexico Center on Law and Poverty stated HSD needs more caseworkers are needed to enroll New Mexicans in Medicaid. Automatic closure of enrollment is also an issue that needs to be resolved to ensure New Mexicans stay enrolled in Medicaid.

Bill Jordan, executive director, New Mexico Voices for Children, stated it is important to maximize Medicaid to draw down federal dollars and provide health care for low income children.

The committee heard the following discussion:
- The minimum wage increase is having an adverse effect on the recruitment of health care providers.
- Families are sometimes unwilling to enroll their children in Medicaid.
- HSD is trying many outreach efforts to get families to enroll their children.
- Federal audits require documentation at least once every 12 months that the child still meets requirements for Medicaid. HSD has started telephone outreach, mailings, and print media campaigns to comply with the audit requirements.
- The federal government introduced a new requirement that a child has to have citizenship papers to qualify for Medicaid. HSD is working with the Department of Health to access birth records online. If the child was not born in New Mexico, however, it is sometimes difficult to obtain citizenship papers for the child.

The meeting adjourned at 6:00 p.m.

August 23, 2007

Representative Roberto J. Gonzales called the Legislative Finance Committee (LFC) meeting to order on Thursday, August 23, 2007, at 8:30 a.m.

The following LFC members were present on August 23, 2007:

Senator John Arthur Smith, Chair; Representative Luciano "Lucky" Varela, Vice Chair; Representatives Don E. Bratton, Patricia Lundstrom, Brian K. Moore, Roberto J. Gonzales (for Edward C. Sandoval), Jeannette O. Wallace, Nick L. Salazar, and Henry "Kiki" Saavedra; and Senators Timothy Z. Jennings, Sue Wilson Beffort, Carlos R. Cisneros, Phil A. Griego, Leonard Lee Rawson and Pete Campos. Representative Richard J. Berry and Senator Cisco McSorley attended the meeting as guest legislators.

Planning and Financing Pathways in New Mexico for Water, Wastewater and Solid Waste Infrastructure

Linda Kehoe, LFC principal analyst, gave an overview of current pathways for water and wastewater infrastructure within New Mexico, identifying four primary issues that provide avenues for improvement – the infrastructure process remains fragmented, financing and funding are not optimized, lack of asset management, and lack of project planning and accountability.

Richard Rose, bureau chief, New Mexico Environment Department (NMED) Construction Programs Bureau, gave an overview of the processes NMED uses to administer and oversee capital outlay projects. A series of checklists are used to ensure all phases of a project from the inception of the project to the completion of the project.

Bill Sisneros, chief executive officer of the New Mexico Financing Authority (NMFA), stated NMFA was created to act as a financing arm of state government. Mr. Sisneros noted the following problems:

- Distribution of funding to agencies or entities when the agency or entity is not ready to proceed with the project. These delays often result in increased construction costs. The availability of grant money is also diminishing;
- Unaccounted use of water through evaporation, leaks or water that is invoiced incorrectly or not invoiced at all; and
- Fragmentation of funding sources and untapped funding sources.

Mr. Sisneros gave an overview of water infrastructure costs, federal contributions, local contributions, commercial and residential water rates comparisons, state contributions, and water infrastructure costs. Mr. Sisneros sits on the Water Trust Board and believes a revolving fund needs to be established to ensure the solvency of the fund for future projects. Additionally, current funding sources sometimes compete with one other because of conflicting requirements and regulations.

Catherine Miller, secretary, Department of Finance and Administration, noted the current planning process for water projects is fragmented and decentralized. Opportunities to align funding sources are often missed, projects are partially funded, and technical assistance and capacity development needs to be aligned. There is a need to ensure effective collaboration,

consultation and public participation in the development and implementation of water policy by all applicable state agencies.

Ms. Miller stated the state water plan needs to be updated to include water quality. The state engineer collaborated with NMED and other agencies to develop criteria for water system planning, performance, and conservation as a condition of funding. The executive proposed during the last legislative session a concept to create a standalone office to oversee the criteria developed by the state engineer. Funding sources would remain as-is and not move to the water office. The water infrastructure office would serve as a clearinghouse for all water applications, to assist in identifying possible funding sources, and to make recommendations on which projects are best suited for each funding source and when the project is ready for funding. The water infrastructure office would also be responsible for centralized reporting on water projects to increase efficiency and improved oversight for available funding.

The committee heard the following discussion:

- A uniform application process is already in place and monitoring and coordination of projects should be possible from those applications. DFA staff tries to monitor each project, but lacks adequate staff to manage each project.
- There is no requirement for entities to go through DFA local government for a water projects which makes it difficult for DFA to coordinate and track projects.
- Legislation passed in 2003 was successful in getting additional match monies from EPA.
- Requirements for storing materials on a project should be flexible to minimize theft and still provide access to the materials when needed.
- Entities should exert control to ensure architects and engineers design adequate water projects without over-designing projects.
- Feasibility studies and engineering reports should be included with bid solicitations to ensure bidders have a clear idea of the project before they begin the bid process.
- Controls should be in place to protect against inappropriate cost overruns on projects.
- Change orders should be specifically related to the initial project and should be reasonable and cost effective.
- Projects with a short life cycle should be moved into operational funds, thereby freeing up capital funding for larger projects.
- Prioritization of projects is important. A project should not be funded until the agency or entity is ready to begin the work.
- Needs of irrigation districts, mutual domestic water systems, acequeas, land grants, and regional water systems need to be included in consideration of water projects.
- Perhaps a water infrastructure office could be created in the Office of the State Engineer.
- Water conservation and public health are issues that need to be considered when assessing a proposed water project.
- The water infrastructure office legislation was introduced halfway into the last session and the Legislature had insufficient time to study the proposal. The proposal was presented to interim committees in November and December.
- The water trust board requirement of a 20 percent payback on projects creates difficulties for small communities. A waiver process could be established to address these issues.

- There is no legislative oversight of the water projects funded through the water trust board. However, the projects deemed appropriate by the water trust board are introduced during the legislative session for legislative approval. It was noted that sometimes legislators add projects to the legislation.
- The water trust board has developed a grading criteria where each member ranks proposed projects. NMFA reviews the grading criteria and prioritizes the projects according to the ranking score. Of the 16 water trust board members rating projects, seven members are appointed by the executive. There are no legislative appointees on the board.
- There was discussion regarding whether the water infrastructure office legislature would be introduced during the upcoming session and whether there were plans to create office by executive order.
- There was discussion regarding with a water infrastructure office would streamline the process and whether projects would be fairly reviewed and prioritized and whether the Legislature would be kept fully informed of water projects.
- NMFA has processes in place to assist small districts that are unable to repay NMFA for water project funding.
- The Legislature should exercise its control over spending. It is imperative the Legislature and executive work together.

Molybdenum Mining Update

Anne Wagner, manager, Molycorp Environmental and Public Policy Division, reported on Molycorp's commitment to operational excellence by establishing the following:

- Triangle of Prevention - A union led, company supported initiative to engage workers in incident prevention.
- Incident and Injury Free - A journey based on a shared commitment to the elimination of worker injury.
- Mine Rescue Teams - Trained to meet federal standards.

Molycorp received the Safe Operator of the Year award for small underground mines in 2005. It received the Safety Innovator of the Year award in 2006 for its Triangle of Prevention program. The New Mexico Mining and Minerals Division awarded its Excellence in Reclamation Award in 2005 for Molycorp's mitigation at Goathill North. Molycorp has established an employee contribution committee, community grants, a scholarship program, a GED program, and an intern program.

Molycorp began an investigation in 2001 for EPA remedial Investigation/Feasibility Study. That investigation is nearing completion and EPA will issue a record of decision in the summer of 2008 with a plan for remediation.

The committee heard the following discussion:

- As of September 1, Molycorp will change its name to Chevron Mining, Inc. - Questa Mine.
- The demand for molybdenum remains high.

- Molybdenum is an alloy in steel and stainless that reduces corrosion in high heat environments.
- The mine expects to remain operational for the next couple of decades. The mine will have to seek a new permit to expand the existing mine. It was noted no new mine permit has been granted in New Mexico for the past 15 years.
- Molybdenum is mined in South America, the United States and Canada. China is a big producer of molybdenum, although none of that production is exported to other countries.
- The mine is currently stable. Molycorp monitors the slopes after storms and maintains drainage ditches.
- Water used in the mine is taken to a tailing facility west of Questa and discharged into the Red River under a permit from EPA.
- The mine produces 4 to 5 million tons of ore per year.
- The deepest part of the mine is 1,400 feet.
- It is difficult to hire experienced miners.
- Molycorp partners with high schools and universities to build a workforce.

Miscellaneous Business

Representative Varela moved, and Representative Salazar seconded, that the FY 09 LFC Budget Guidelines be approved. The motion carried unanimously.

Representative Gonzales moved, and Representative Lundstrom seconded, that the minutes of the July, 2007, LFC meeting be approved. The motion carried unanimously.

Representative Gonzales moved, and Representative Lundstrom seconded, that a contract in the amount of $6 thousand be approved to complete the higher education research and public service projects. The motion carried unanimously.

Senator Rawson moved, and Representative Lundstrom seconded, that the Program Evaluation and Information Technology Subcommittee report dated July 19, 2007, be accepted. The motion carried unanimously.

Representative Varela moved, and Senator Cisneros seconded, that the LFC FY 09 budget request be approved. The motion carried unanimously.

August 24, 2007

Senator John Arthur Smith, chairman, called the Legislative Finance Committee (LFC) meeting to order on Friday, August 24, 2007, at 8:00 a.m.

The following LFC members were present on August 24, 2007:

Senator John Arthur Smith, Chair; Representative Luciano "Lucky" Varela, Vice Chair; Representatives Don E. Bratton, Patricia Lundstrom, Brian K. Moore, Roberto J. Gonzales (for Edward C. Sandoval), Jeannette O. Wallace, Nick L. Salazar, and Henry "Kiki" Saavedra; and

Senators Timothy Z. Jennings, Sue Wilson Beffort, Carlos R. Cisneros, Phil A. Griego, Joseph J. Carraro, Leonard Lee Rawson and Pete Campos. Representative Richard J. Berry and Senator Cisco McSorley attended the meeting as guest legislators.

Merit System Reform and the New Mexico Personnel Act

Donald E. Klingner, Ph.D., gave the committee an assessment of the New Mexico Personnel Act. Mr. Klingner reported the following conclusions:

- New Mexico's civil service reforms are relatively moderate compared with those of other states. There is no evidence that New Mexico's reform outcomes differ significantly from those of other states that have initiated similar reforms.
- When they function effectively as intended, New Mexico's Personnel Act and regulations and the State Personnel Office as directed by the State Personnel Board can work together to achieve the Personnel Act's intended objectives.
- State agencies may have violated state law or accepted procedures in several areas of personnel policy and practice.
- SPO may have violated its own policies with respect to recruitment and selection, affirmative action and sexual harassment, due process in termination and other disciplinary actions, ethical violations and public access to records it holds.
- SPO may have failed to consistently exercise effective oversight over agency personnel policies and practices as required by state law.

Mr. Klingner made the following preliminary recommendations to the committee:

- The Personnel Act and its enabling regulations are quite adequate to protect merit system principles and allow effective managerial performance by state agencies.
- The State Personnel Board and SPO are appropriately designed to implement the Personnel Act.
- SPO should remain aware of the impact of its practices have on other state agencies.
- SPO should be encouraged through appropriate legislative oversight to develop and apply a strategic human resource management model as the basis for its own personnel policies and actions.
- The director of SPO, with the assistance of the State Personnel Board and possibly an informal advisory group, enhance the effectiveness of SPO oversight over other agencies' personnel practices with respect to recruitment and selection, pay, affirmative action, due process in disciplinary action and termination, and ethical standards throughout state agencies.

The committee heard the following discussion:

- The State Personnel Board should be insulated from political pressure to allow it to function properly. Staggering appointments is one way to accomplish this insulation.
- The State Personnel Board authority should be enhanced so it can exercise good oversight over SPO and other agencies by emphasizing strategic objectives that are information driven, rather than politically driven or expediency driven.
- Performance measures should be established to assist SPO and the Legislature in assessing the effectiveness and efficiency of the human resource system in New Mexico.

- Political appointees should be qualified to do the job to which they are appointed.
- Proposed whistle blower legislation should include measures of what percentage of complaints are found to be justified and the level of retaliation that may occur.
- Pay for performance requires additional funding to implement.
- Staggered terms for members of the State Personnel Board is a good way to legislatively enforce accountability. Public pressure and media attention are also ways to enforce accountability.
- The Senate should use its power to confirm appointees to ensure that appointees are insulated from public pressure and qualified to hold the position to which they seek appointment.
- An advisory board might include members from the business community, private sector, community based organizations, and personnel experts. The advisory board could be a neutral board charged with enforcing legislative intent.

State Personnel Department Quarterly Performance Measures

Gene Moser, LFC principal analyst, noted meaningful performance measures can be used to assist SPO, the executive and the Legislature in assessing the effectiveness and efficiency of the human resource system in New Mexico. The SHARE system can provide meaningful data to assist SPO in making date driven decisions.

Sandy Perez, director, State Personnel Office, submitted the SPO's workforce report for the fourth quarter of FY 07. Ms. Perez stated the report lacked some data because personnel resources are being used to implement the SHARE system. The next report will include more complete data.

Ms. Perez reported she and her staff presented the Single Point of Contact Service Model at the National Association of State Personnel Executives Conference in July. The model was well received and SPO has received numerous requests from other states and consultants for more information on the model.

The committee heard the following discussion:

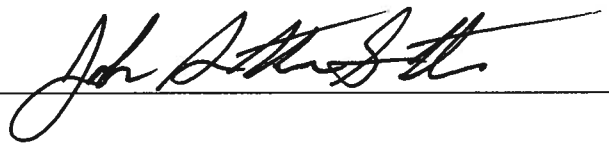
- SPO is conducting side-by-side training out of single point of contact teams with agencies on the HR component of the SHARE system.
- SPO does not have oversight of all SHARE training.
- SPO training unit currently focuses on performance evaluation training, supervisor management training, and interviewing and selection training.
- SPO currently tracks turnover as employees leave state government. With the implementation of SHARE, SPO will be able to track turnover to another state agency.
- It would be helpful to know why employees leave state government or why employees choose to move to a different state agency.
- Training manuals on the SHARE system should be written and furnished to and maintained by SPO.
- SPO should establish a dialog with the state CIO to ensure SHARE training is adequate.

- The executive should take corrective action to ensure the SHARE system functions properly.

Senator Smith stated the committee should start thinking about accountability issues in education and Medicaid enrollment. Representative Saavedra requested that the committee also think about issues surrounding GSD.

Representative Saavedra expressed concern that state police officers are completely stopping traffic on interstates to investigate accidents even though legislation was passed in the last session requiring police officers to divert traffic around accidents.

The meeting adjourned at 11:00 a.m.



10-5-07

Chairman Date