Legislative Finance Committee
Meeting Minutes
San Juan College
Farmington, New Mexico
July 9 - 11, 2014

Wednesday July 9, 2014
Joint Session with Revenue Stabilization and Tax Policy Committee
The following members and designees were present on Wednesday July 9, 2014: Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Patricia A. Lundstrom, Paul C. Bandy, Don L. Tripp, James E. Smith, and Donald E. Bratton; and Senators William E. Sharer, Mary Kay Papen, Carroll H. Leavell, Steven P. Neville, and Pete Campos. Guest legislators: Representative Carl Trujillo and Senator William F. Burt.

The following Revenue Stabilization and Tax Policy Committee Members were present: Chairman Edward C. Sandoval, Vice Chairman Carlos R. Cisneros; Representatives Anna M. Crook, James R.J. Strickler, Rodolpho "Rudy" S. Martinez, Jim R. Trujillo, and Thomas C. Taylor; and Senators Nancy Rodriguez and Clemente Sanchez.

Welcoming Remarks. Toni Hopper-Pendergrass, president, San Juan College, welcomed the committee. San Juan College serves approximately 18,500 students annually and is the fourth largest higher education institution in New Mexico. Enrollment for summer is up 7.5 percent over last summer, with the fall enrollment up 6.5 percent so far. She said 60 percent of students are women with the average age of 32. San Juan College serves 48 percent Anglo students, 30 percent Native American students, and 15 percent Hispanic students. She thanked the committee for its support of the school of energy capital facilities project. Total project funding of $15.6 million includes $5 million approved by the Legislature, $8.6 million from corporate industry partners, and the balance from the college. Ms. Hopper-Pendergrass said the school of energy is vitally important for the economic development for the state, reporting that the college is the onshore education provider for BP's North America for new and current employees. She asked for the committee's support for the college's capital facilities' requests for FY16, which include infrastructure and life safety improvements. The college continues to work with local school districts to improve college readiness and has launched several initiatives to improve student success and completion rates.

Kim Carpenter, chief executive officer, San Juan County, said the population is approximately 130 thousand and is rich in natural resources, with over 65 percent of New Mexico's surface water flowing through the county. He said the primary industries are the extractive and power industries, although they are growing in the retail sector as well. He spoke about local ruins, tourist attractions, and upcoming events.

Representative Tripp asked Ms. Hopper-Pendergrass to describe the college's relationship with BP. The college provides training for several thousand new and current onshore, BP employees in North America.

Energy Economic Outlook. Helen Currie, senior economist, Conoco Phillips Corporation, spoke about the global economy, stating the United States is in year six of a long recovery from what was a painful recession. She said economists are seeing more solid economic growth in the United States with positive numbers regarding employment numbers and with equity markets reacting favorably. She said the European Union (EU) and China are seeing growth. The EU is arguably the most concerning regarding the maintenance of solid and sustained growth. She said international policy coordination is better now than it has ever been. The U.S. energy industry has been and is a vital part of the economic recovery and has seen greater strength in manufacturing purchasing managers index (PMI) over China. She said the energy industry can be very proud of the role it has played in helping to bolster manufacturing activity. She said U.S. manufacturing employment has gained over a 500 thousand jobs since 2010.

Ms. Currie discussed the shale revolution, stating shale gas has grown from less than 1 percent of U.S. production in 1995 to about 40 percent in 2013. The United States was the largest natural gas producer in the world in 2013, while U.S. crude oil production has surpassed all others in recent years. She discussed the tremendous amount of production growth in the United States and Canada that will be coming from shale gas plays. The center piece plays are the Marcellus and the Utica plays in the northeastern part of the country and the Montney and Horn River shale plays in western Canada. She said an important element of all of the gas resource in North America is that it enables us to not only satisfy the domestic growth but also allows us to deliver to other markets worldwide.

Ms. Currie spoke about natural gas flows, stating there has been momentum building in terms of pipeline reversals. With the advent of gas out of the Marcellus in Appalachia gas production is not only moving to the east coast it is also moving back west. She said net exports to Mexico have more than doubled from 2010 to 2013. She said Mexico is looking at reopening its productive assets to international investment. There are several details yet to be seen but it is something to look at because the Eagle Ford shale extends south into Mexico.

Next she discussed natural gas demand growth by region and sector. She said it is important to look out to the next decade because there are policies underway that will have a bigger impact the next decade. The liquid natural gas (LNG) export sector is projected to be the largest source of demand growth for the United States with approximately 7 billion cubic feet (Bcf) per day going out by 2020 and a projected 6 Bcf/day for a total of 13.5 Bcf/day by 2030. She said the market will dictate how much will flow out of the United States. She went on to discuss demand from other sectors, including power, industry, exports, and transportation. She stated regionally growth in U.S. demand for natural gas is in the west south central including Texas, Louisiana, Arkansas and Oklahoma where there is a great amount of manufacturing.

Next she discussed LNG exports, stating there are numerous projects filed with the U.S. federal energy regulatory commission or Canada National Energy board. The U.S. Department of Energy (DOE) has permitted seven projects for exports to non-Free Trade Agreement countries. The only one currently under construction is the Sabine Pass project. The global LNG demand and competing supplies will restrict the number of projects built. She discussed shale gas production and how it is spurring investment in chemicals and affiliated manufacturing in the

United States and Canada. Natural gas liquids (NGL) are a key component in revitalizing U.S. manufacturing and has grown 40 percent from 2008 to 2013.

Ms. Currie went on to discuss oil markets; she talked about the world economy as background to why there is optimism on world demand for oil and liquids. It is the underlying economic growth that is key to demand for commodities and energy. The U.S. Energy Information Administration indicates, in spite of the slow economic recovery, the demand for oil has been good. She said the United States can easily expect another 7 million barrels a day of demand growth by 2020. Another set of reasons that cause economists to believe oil prices will be supported is all the geopolitical turmoil occurring with two major exporters Libya and Iran showing a tremendous drop in exports resulting in a drop in the supply of oil to world markets. U.S. production of tight oil is a truly world scale phenomenon. So far in 2014, U.S. production of tight oil and its affiliated liquids alone would dwarf all Organization of the Oil Exporting Countries members except for Saudi Arabia. That is not counting the Alaska or Gulf of Mexico production. She said U.S. crude oil production grew 50 percent from 2008 to 2013 and now exceeds 8.0 million barrels per day (MMBD) for the first time since 1988.

Ms. Currie discussed production growth supported by efficiency gains and capital. She said onshore spending will continue to increase from 2010-2020. Upstream capital spending is expected to reach 100 percent growth with most of the spending that still needs to occur is in the Permian and in the northeast. She went on to discuss the Permian Basin activity, partially located in southeast New Mexico. New Mexico is now benefiting in many ways from the Permian Basin, poised to lead future liquid production growth in New Mexico. She discussed the implication of production successes on U.S. oil prices, highlighting the lower 48 is sensitive to seasonal turnaround by refineries. Looking forward on United State versus global oil prices, the per-barrel price spread between Brent and WTI (West Texas Intermediate) is expected to widen to about $10 or $11 in 2016 and narrow to $8 or $9 thereafter.

She described the evolving composition of U.S. crude oil imports. The United States is currently importing almost no light sweet oil because those imports have been backed out by U.S. production. The light sour barrels are also being backed out, as production continues to grow. Because the United States does not have exports available to us, the light barrels produced domestically will continue to compete and push out some medium barrels. Light crude oil exports need to be allowed to let the market perform efficiently. The United States will also need to export heavy crude oil because it is the type of oil U.S. refining infrastructure has spent many billions of dollars to be able to process. Next she discussed gasoline prices, stating they are set globally by international crude prices because the refined product is traded worldwide. Allowing U.S. crude oil exports should not influence the gasoline prices, assuming exports would contribute to the global supply of crude oil can potentially lower gasoline prices.

In conclusion Ms. Currie outlined benefits of U.S. crude oil exports, including lower consumer fuel costs by $18 billion annually; the U.S. economy could gain $135 billion and about 1 million jobs at its peak; reduce its oil import bill by $67 billion annually; increase government revenues by $1.3 trillion between 2016 and 2030, and strengthen the U.S. geopolitical position.

Senator Smith asked what one should take away from this as far as the impact on the Keystone XL Pipeline. Ms. Currie said Canada is a very important trade partner to the United States and holding up or delaying that pipeline is not necessarily what a good neighbor would do. She said her organization is very clearly on record as being in favor of Keystone XL pipeline moving forward. She said regardless of what happens in Canada, the industry is moving forward with production growth as well as other alternatives to move oil sand barrels to various markets. An unanticipated consequence of delaying Keystone XL is that it has highlighted to Canada the importance of exporting to other markets in addition to the United States.

Representative Lundstrom asked what New Mexico can do to help lower gasoline prices. Ms. Currie said one thing would be to open up the exports. One reason that benefits New Mexico is for every barrel of Eagle Ford oil that gets exported out of Texas, it is one less barrel New Mexico's oil is competing with at a U.S. refinery. She said it helps the New Mexico oil production to also receive a global price; currently, New Mexico's oil production, like any other state's, is receiving the US price. Allowing exports, although those may not be directly out of New Mexico, exports from other states will indirectly help to lower prices at the pump. Representative Lundstrom asked for a list of specific recommendations for the state.

Senator Leavell asked if there has been a movement for additional refining. Ms. Currie said refiners are making some investments in low-cost conversions. They are making some small steps toward being able to lightly process the crude oil so it qualifies for export but those units do not completely refine the oil. The reaction refiners are having is slow and arguably inadequate to be able to process the growth that is anticipated.

Representative Sandoval asked if increasing oil exports will lower the price at the pump. Ms. Currie said an increase in world supply should help to lower oil prices, which in turn can lower the final product prices. On the other hand, many factors move world oil prices that economists have to be careful about making definitive statements. Representative Sandoval asked what the timetable would be from export to seeing the results. Ms. Currie said the amount of time it takes to see those results depends on the amount of crude oil exported, but it could be within a year, depending on how fast the U.S. exports. Representative Sandoval asked what the timetable is in a crisis situation, to which Ms. Currie said the market reacts relatively quickly in a crisis situation, sometimes within days.

Senator Sanchez asked where the Keystone Pipeline runs, to which Ms. Currie said the southern part of the pipeline is from Oklahoma to the Gulf Coast. The part in question is the northern leg, which has to cross the border between Canada and the United States. Senator Sanchez asked if New Mexico will benefit and what can be done from a New Mexico policy standpoint. Ms. Currie said allowing the northern leg to come to fruition will facilitate the delivery of the heavy oils out of Alberta to the Gulf Coast refining center, which is well-suited to process it. That would create more jobs around the refining complexes. The benefits for New Mexico are going to be indirect because the pipeline does not come through New Mexico.

Representative Carl Trujillo asked if New Mexico could be a player in getting a facility to liquefy natural gas. Ms. Currie said the way New Mexico should think about the LNG export issue is parallel to the crude oil issue. Allowing more exports broadens your total potential market. For New Mexico, it is more indirect because there are no liquefaction facilities here.

Representative Taylor asked for clarification on New Mexico's refining capability. Ms. Currie said 18 million barrels per day is approximately the total refining capacity. Some of that capacity is well-suited to refine the heavier sour crudes. New Mexico has a surplus of crude is in the light type of barrels.

Representative Bratton discussed the suitability of Gulf Coast refineries to process Canadian heavy crude. He asked if there has been an analysis by the refining industry in the United States with regard to what may happen if and the United States forces the Canadians to take that crude elsewhere in the world. He said what that is going to do is increase heavy coking capacity competition for Gulf Coast refineries and reduce the competitiveness of the United States. Ms. Currie said the American Petroleum Institute is the best example having put forth several position papers and researched this issue. She said the United States is best suited partly because the investment has already been made to allow U.S. refiners to process the oil sands. Representative Bratton asked when the last complete refinery was built in the United States, to which Ms. Currie said she believed it was 1976 but there is currently a small new refinery under construction in North Dakota.

Update on Sole Community Provider Federal Compliance (Committee Substitute for SB268, et al). Brent Earnest, deputy secretary, Human Services Department (HSD), updated the committee regarding payments to hospitals and the implementation of Senate Bill 268. He gave the committee background on the issue, saying the state's sole community provider program is a supplemental payment program to 29 hospitals around the state. The program provided additional payments to support hospitals in New Mexico that are the principal or sole provider of hospital services in their service areas, as well as the primary point of access to health care for uninsured or indigent patients. The available funding generally grew every year, and payments reached $278 million by FY11. Counties, since the program's inception, contributed matching funds for these payments. State general fund appropriation did not support this program. At the end of 2012, the state faced a reduction in the amount of money available for hospitals under the sole community provider program. The change would have reduced payments by more than 70 percent from $246 million to $69 million for FY13. Recognizing the severe impact this reduction would have on hospitals, HSD proposed a new payment structure to the federal government (CMS) that resulted in payments in FY13 of $159 million. The state and managed care organizations now participate in these payments and counties continued to provide the state matching funds. The payment structure served as a bridge, beginning January 1, 2014 the Sole Community Provider Program was replaced with the Safety Net Care Pool (SNCP). Senate Bill 268 recognizes that HSD needed a consistent, dedicated revenue stream to make these hospital payments. Counties still have a significant role in supporting their local hospitals and other indigent fund programs. The bill allows for reduced contributions from counties than provided historically. It requires new reporting to counties by the department and hospitals while providing additional flexibility to counties in the use of county indigent funds. Senate Bill 268 requires counties to dedicate the equivalent of $1/12^{th}$ of county gross receipts tax revenue for this program, about $24 million statewide. HSD originally sought a $1/8^{th}$ equivalent to equal about $36 million. This results in counties contributing less than they have in the past. To make up part of the difference, the Legislature appropriated $9 million from the general fund, the first time state revenue has been appropriated for these payments to hospitals. This left a $10 million to $12 million hole in state funding necessary to make the anticipated hospital payments. He said HSD is seeking a one-year fix for FY15, but there is still a recurring funding gap for these payments.

Mr. Earnest directed the committee’s attention to a table illustrating expected expenditures, historical expenditures, estimates for calendar year 2014 and a snapshot of where the state is today. He said in FY13 HSD paid out approximately $159 million to these hospitals in the transition program. He said there are two types of payments: the uncompensated care (UC) pool payments at $68.8 million and the rate increase payments at $123.2 million. He said the UC pool payments were geared to help the smallest and small hospitals because they do not do as much Medicaid business but they still are a critical access point of care and the state wanted to make sure they had money if they qualified for it. The second sets of payments generate more money for larger hospitals with about $9 million to the smallest hospital to $45 million to the largest hospital. He said larger hospitals do not get money out of the UC pool but it is offset by the fact that they get more from rate increases. The total estimate during the session for calendar year 2014 is $192 million going out to these hospitals. The current estimate of $240 million includes a much expanded Medicaid program with 147 thousand more New Mexicans on Medicaid. In closing Mr. Earnest said in 2015 there will be another component of the SNCP called the Hospital Quality Improvement Incentive Pool. This pool is in addition to the $68 million and will be used to improve the quality of care. He said the metrics are currently under development and hospitals can earn these funds by exceeding those benchmarks.

Jeff Dye, president, New Mexico Hospital Association (NMHA), said the association has 44 members but only 29 of them are impacted by this program. He said the hospitals were used to quarterly payments to hospitals under the old program but have not seen those since January. He said in the past there was the ability of hospitals and counties to maximize payments and draw down federal match almost without limit. He said all hospitals are now under a standardized federal definition of uncompensated care, every hospital has had to complete that and submit it to HSD. The numbers on Mr. Earnests chart are a product of that analysis. This is allowing the hospitals to get to that total on the uncompensated care pool and defining how much goes to each subset of the pool and how much goes to each hospital. He said in the long run it will be better for counties, hospitals and the state because we are all now driven by one standardized federal definition. Mr. Dye went on to discuss how the ongoing operation and funding of the SNCP program is critical to the 29 hospitals and the communities they serve. He said rural hospital operations have never been more fragile with limited cash on hand and also facing reimbursement cuts from other sources such as Medicaid, Medicare, HIS and Tricare. Of the 29 hospitals 13 of them have replaced CEO’s in the last 18 months, SNCP provides much needed predictability and stability to hospitals.

Mr. Dye said counties remain integral partners in funding SNCP committing funding in February 2013. He said one key fact is when counties save $1, hospitals lose $4, leaving $3 of federal funding on the table because of the matching process. He said counties retain the statutory liability for uncovered indigent claims. In closing Mr. Dye said NMHA is committed to work with counties, HSD, and LFC to develop a full funding solution acceptable to all stakeholders.

Steve Kopelman, director, New Mexico Association of Counties, said the association feels the counties compromised by agreeing to the $1/12^{th}$ GRT to help fund the hospitals on an interim basis. He said all counties other than Bernalillo and Sandoval are required under Senate Bill 268 to pass an ordinance by July 1, 2014, that would dedicate the SNCP the equivalent of $1/12^{th}$ gross receipts tax. The provisions of the bill are such that the payments to hospitals occur quarterly with the first payment at the end of September 2014. The most important issue is the governor has vetoed the three-year sunset provision, an integral part of the bill. He said the obligation on counties now is approximately $25 million a year, more than the counties paid the previous year. With the veto of the three-year sunset, the counties are obligated to make that payment every year.

Kim Carpenter, chief executive officer, San Juan County, spoke about the impact of Senate Bill 268 on San Juan County. He said the termination of the Sole Community Provider Program compounded by an additional $1/12^{th}$ GRT mandate for the SNCP leaves San Juan County's indigent program in the red and bankrupt, with no funds to meet the indigent needs of the citizens and mandated by statute. On July 1, 2014, the San Juan Commission approved changes to the Health Care Assistance Program Policy and Procedure Manual that reduces eligibility guidelines, which will significantly reduce the number of people eligible for assistance and reduces the reimbursement to providers and facilities to 33 percent of billed charges. Mr. Carpenter said the revenue generated from the $1/8^{th}$ GRT is $4.4 million, with a program cost at 33 percent reimbursement rate totaling $4.2 million. He said San Juan County has a mandatory county-supported Medicaid fund that they pay $2.1 million and the mandatory $1/12^{th}$ SCNP fund requires $3 million annually. In addition, they have to pay $1 million for inmate medical care previously paid out of Sole Community Provider Funding and a DWI/AXIS program at a cost of $600 thousand. The total annual shortfall to San Juan County is $6.5 million

Steve Kopelman, director, New Mexico Association of Counties, said counties were given additional taxing authority in three GRT increments; last year they were given an additional $1/16^{th}$ or $1/12^{th}$ increment for the SNCP. He said one of the problems is the GRT system is broken. He directed the committees attention to a chart outlining all of the increments that counties are authorized to use and how much they have used to date. He said the 19 different GRTs, have 49 different increments, most of which have not been implemented. Unlike municipalities that generally have unrestricted general purpose gross receipts tax authority, counties have several restrictions that do not often make sense. In conclusion, Mr. Kopelman suggested working with the Legislature and the Tax and Revenue Department on removing unused increments and broadening the ones they do need to general purpose. Mr. Kopelman expressed his dissatisfaction with the SNCP and asked that they be removed from the program all together stating why should counties pay $1/16^{th}$ GRT for a general Medicaid program and why should they pay $1/12^{th}$ for Medicaid base rate increases or uncompensated care.

Mike Philips, chief strategy officer, San Juan Regional Medical Center (SJRMC), commented on the local perspective, stating in 2011 San Juan Regional Medical center received approximately $20 million from the Sole Community Provider program. He said this fiscal year SJRMC will receive approximately $9 million. He said the Centennial Care waiver pool had approximately $80 million. The hospital's pool has been divided to protect the smallest hospitals that get 60 percent of the pool. The three largest hospitals that have been providing 40 percent of the uncompensated care in the state get zero.

Chairman Varela asked how they plan to approach this situation, stating he read about a possible lawsuit by eight counties. He asked if the Legislature will be asked to revisit the issue under separate legislation. Mr. Kopelman said the New Mexico Association of Counties board of directors has not taken a formal position and he cannot speak on behalf of all counties. However, he hopes to discuss the issues with the governor and legislative leadership to develop a solution for 2015.

Chairman Sandoval said this solution was developed as a stop gap with the agreement all parties involved would continue to work and develop a better solution during the next legislative session.

Senator Rodriguez stated legislation has to fix the perpetual responsibility that is now on the backs of the counties by virtue of the veto from the governor. She said we need to recognize the veto is profound and far reaching for all counties. She said Senate Bill 268 had two key functions, one was that counties agreed to contribute for three years. The other key function was the counties would be able to recoup that expense with the ability to forge a tax if they needed to recover those funds. She said the bill had a three-year sunset clause for good reason. Legislators thought three years was a reasonable amount of time to study the issues, help the hospitals, and not drain the county indigent funds. She pointed out the second sunset clause was not vetoed, which states the counties cannot after three years impose a tax to recover funds. She said counties are no longer responsible or required by state law to contribute to the state. The counties were required under the Sole Community Provider program to contribute to the state and they did so willingly. Medicaid falls under the state's obligation.

Senator Neville said he voted for the SNCP because at the time of the vote in committee there was a sunset clause and an acceptable distribution of $14 million for San Juan County. He asked what changed after the session adjourned. Mr. Earnest said the allocation that exists today is the one that HSD proposed in the waiver and discussed in the session. An alternate proposal from the consultants from San Juan Regional Medical Center and Memorial Medical Center included $14 million for San Juan County. Mr. Earnest said HSD decided if the hospitals agree with a different allocation methodology, HSD will work that into our waiver and move forward with federal government to change that. Ultimately that did not happen, hospitals did not agree. He pointed out that $14 million was more than what they would have qualified for under the application and more than they are demonstrating that they have in uncompensated care. He said he disagrees with Mr. Philips statement that San Juan County gets zero. He said paying hospitals more reduces your uncompensated care ultimately. This is why there has always been a two component structure and you have to look at them together. Senator Neville said the average Medicaid payment is 50 cents on the dollar so increasing that is not helping because they are not paying the costs of some services that are being shifted over to private sources. Mr. Earnest said it is a $9 million benefit to the hospital in San Juan County, a significant 62 percent increase in inpatient reimbursement rates. He said this was going to change regardless of the implementation of Centennial Care or the Affordable Care Act. This program had been under extreme scrutiny from the federal government. The state and counties had to pay money back to the federal government because of inappropriate use and alleged donations. He said the department was trying to secure additional money for these hospitals. Senator Neville asked Mr. Carpenter what he plans to do to take care of the indigent population in San Juan County, to which he said he cannot speak for all the commissioners but the plan is to impose a 1/8 percent hold harmless gross receipt tax that will leave a $2.1 million gap.

Representative Lundstrom asked why hospitals have not received their quarterly payments, to which Mr. Earnest said they have only received the applications in the last few weeks from the hospitals and they are working through them to make those payments.

Chairman Varela asked if they had a meeting in the governor's office regarding this issue and the executive was supposed to draft a bill to bring to the legislature but it never happened. Mr. Earnest said there were dozens of meetings, including some in the governor's office prior to the session, to work through a resolution. Ultimately there were several bills introduced, not one particularly from the administration. Chairman Varela asked the counties, hospitals, and government to develop a proposal as soon as possible to develop a piece of legislation that can be introduced during the 60-day session.

Senator Sharer said the first time he saw the bill was in committees committee in the Senate and there was an issue if the bill was germane. After some discussion, it was voted for. He said when the bill returned to the Senate, there was a question of voting for a tax increase. He said San Juan County and San Juan Regional Medical Center asked him to vote for it. He asked why the bill went from something urgent and necessary to something bad. Mr. Carpenter said he was informed the hospital association had originally proposed a distribution formula, the committee or board of the hospital association re-voted and went back after legislation and re-voted again. He said they have since been told the hospital would not be holding the county harmless. He said this piece of legislation pitted counties against counties, counties against the hospitals, and counties against the state. Mr. Dye said, from the hospitals' perspective, using this consistent formula San Juan Regional Medical center can demonstrate $20 million worth of cost of uncompensated care. Under any of these new formulas SJRMC is falling far short of that with the hospitals getting 100 percent of their costs. Senator Sharer said the committee had a large spreadsheet when they voted and it is his understanding it was not included in the law. He said they thought they were voting on one thing and it didn't happen.

Representative Bandy said it has been addressed sufficiently how important the sunset provision was in the passage of the bill and the governor vetoed it under a constitutional provision that allows line vetoes in appropriation bills. He said all the bills he has seen that appropriate money have it in the title. He asked where the appropriation is in Senate B ill 268. Mr. Earnest said there is a fund in this bill that has an appropriation to the department. He said there are other provisions of laws like this that make it subject to a line-item veto. Representative Bandy said the bill contains provisions that confiscate money from the counties. He questioned the legitimacy of the line-item veto in the bill that does not make an appropriation of state money.

Representative Jim Trujillo asked for clarification on how HSD plans to come up with the shortfall. Mr. Earnest said coming out of the session the bill had a requirement that they seek funding. He said this is a calendar year program that crosses two fiscal years for us. HSD has a surplus in the Medicaid budget for FY14 and a deficit projected for FY15 due to increased enrollment. He said we have been able to advance half of the year's payment of what would have been FY15 payments into the FY14 budget.

Representative Bratton asked how Bernalillo and Sandoval counties pay for their uncompensated care and indigent care. Mr. Earnest said Bernalillo has a separate mill levy and Sandoval County was exempted from this 1/12th but otherwise has a similar indigent care structure. Representative Bratton said this should have been levied equally across the state. There is more than adequate new money that comes into the state in a typical year. He said there is something unfair about taking money from local municipalities and the state saying the municipalities can raise taxes to recover it. He said it is a disproportionate burden on one community as opposed to another and is unfair.

Chris Garcia, chief executive officer, Big Brothers Big Sisters, San Juan County, thanked the committee for their support and gave a brief presentation. She said during the 2013 legislative session the Legislature expressed confidence in their services by allocating funds to be disbursed for FY14. However, they did not get signed contracts until the end of February. This resulted in eight months of lost funding causing operating reserves to be diminished and eventually lost jobs and matches in programs. She said due to the delays and a multitude of billing issues, her organization will get 50 percent of our contracts, a reduction in total of 75 percent for 2013. She said 50 percent of the children served in San Juan County are Native American with the majority of them living on the Navajo reservation. The structure of the current contract has made it difficult to continue services.

Representative Varela stated there has been difficulty in getting funding to programs like Big Brothers Big Sisters and the Boys and Girls Clubs. He asked Ms. Garcia to go to the secretary of the Department of Finance and Administration to ask about the delay in funding.

Senator Burt asked for clarification regarding issues in Otero County. Angela Reed-Padilla, CEO of Big Brothers Big Sisters, Central New Mexico, said they have been a long-standing contractor with the state. One of the issues this year was the intent of the legislature was to provide for this type of one-to-one service and group mentoring. But the scope of services was changes so much by the DFA that when they billed for services DFA rejected the billing. This resulted in the rejection of over 50 percent of billing, even though it is the same services they have always provided. Senator Burt said this is a statewide issue of the DFA not releasing funds for these programs.

Senator Neville said he spoke with DFA Secretary Tom Clifford about this issue and Secretary Clifford said the first RFPs were rejected then they reissued them. By the time they did that the year was half over. Consequently the services could not be billed in arrears so Secretary Clifford said they were going to provide a lump sum payment, which never happened.

David Abbey, director, LFC, said he agrees with that assessment from last year and it is a concern that money reverted but that is water over the damn. He asked what the nature of the problem is for FY15 going forward. Ms. Reed-Padilla said the three issues are delay in contracts, timely payment for services, and rejected billings. Mr. Abbey asked if they have contacted DFA for a response. Ms. Reed-Padilla said their continued response is it wouldn't be fair to anyone else with a contract to sit and talk with you. Mr. Abbey said he would try to intervene again and discuss these issues with Secretary Clifford.

Overview of Oil and Gas Industry in the San Juan Basin. David Martin, secretary, Energy, Minerals and Natural Resources Department (EMNRD), briefed the committee on the fiscal impacts of the oil and gas industry in the state. He said the industry provides approximately 9 percent of employment in the state and represents 11.6 percent of the gross domestic product with the production value for FY13 at $12.8 billion. He said the New Mexico Tax Research Institute provided data on the general fund revenue attributed to oil and gas. He said the FY13 contribution to total general fund revenue is 31.5 percent. He directed the committee's attention to a chart demonstrating the past decades production of natural gas, crude oil and the two combined. Through other graphs he reviewed the percentage of oil production value versus the natural gas production value highlighting the increase in oil production from approximately 30 percent in 2008 to 70 percent in 2013. He discussed oil and gas production value by county as well as reviewed revenue activity in FY13. In conclusion Mr. Martin discussed the stabilization of natural gas production and prices and the increase in crude oil production.

Producer Panel. T. Greg Merrion, president and chairman, Merrion Oil and Gas, read a disclaimer stating his comments do not reflect the opinions of his associates or company. He discussed Mancos shale exploration in the San Juan Basin, stating they produce over 30 thousand wells. He discussed the way oil and gas was developed in the past and how it has changed over time with the use of horizontal well drilling and hydraulic fracturing. He said with the combination of the two techniques applied in a formation that no one thought could be commercially produced changed the industry. He reviewed U.S. shale plays and how the Mancos was deposited 90 million years ago. He showed diagrams illustrating the San Juan Basin cross sections and what is produced at each level highlighting the deepest part of the basins ability to produce dry natural gas. In the shallow regions of the basin wet gas and oil can be found. He reviewed the northwest New Mexico monthly gas production since 1994 highlighting the steady decline in natural gas prices since 2008. He said the San Juan Basin is important not only to New Mexico but to the nation. The nation produces about 20 trillion cubic feet of natural gas a year and approximately 1 trillion comes the San Juan Basin. He said there are currently 11 drilling rigs running in the basin and highlighted that prior to the horizontal Mancos boom, oil production was at approximately 200 thousand barrels a month and it is now at 450 thousand barrels a month. He said the most oil the basin has ever produced is 750 thousand barrels a month and expected to rise over the next year. In conclusion Mr. Merrion said the first sweet spot has been identified, drilling activity is picking up and the producers and operators are continuing to hone techniques. He said federal and Indian permitting is slow, the market for crude oil could become an issue and all 4 Indian reservations appear to have Mancos potential.

Jason Sandel, executive vice president, Aztec Well Services, introduced employees of his company, highlighting their important role in the community. He discussed the industry's role in the economic development in the region and gave a brief history of Aztec Well Services, highlighting its growth from 1999 to 2008. Once the global economic crisis caught up with energy prices, the company experienced an immediate 66 percent shutdown of equipment. Today they operate in five producing basins across 12 states and employment is almost to levels seen in

2008. Mr. Sandel reviewed rig counts in New Mexico, noting most growth has been largely in the southeast part of the state. He went on to discuss how production rates have influenced Farmington and Aztec's local gross receipts tax, noting a 25 percent loss between FY09 and FY11. In conclusion, Mr. Sandel discussed the future of the San Juan basin stating the focus has shifted from natural gas to oil production. He talked about challenges including infrastructure, timeliness for permits, employee migration out of the San Juan Basin, and capital for New Mexico companies.

Tim Smith, senior reservoir engineer, San Juan Basin, Encana Corporation, directed the committee's attention to illustrations depicting the Gallup Mancos oil fairways, stating there are more than 20 thousand existing wells producing in the San Juan Basin with 98 percent being gas wells. He reviewed an illustration of what a hydraulic fracture looks like noting various casings of cement and steel that protect the surface and the aquifer. Mr. Smith discussed Encana's investments in New Mexico, including 176 thousand net acres and 700 plus potential wells. He said Encana will invest $350 million in 2014 in the San Juan Basin. Next he reviewed Encana's responsible operating practices, including closed-loop drilling, voluntary groundwater sampling, piloting the reuse of produced water, facility designs that minimize air emission, and multi-well pads that increase drilling efficiency and reduce the footprint. Mr. Smith discussed challenges faced by Encana, including permitting delays, federal rulemaking processes, availability of services and take away capacity or transportation. In closing, Mr. Smith outlined economic benefits to northwest New Mexico, such as job creation, support of community institutions, and taxes.

Senator Leavell expressed concern for the roads in southeastern New Mexico, stating they have deteriorated from heavy use from the energy boom and that deterioration has caused more traffic accidents. Tom Church, secretary, Department of Transportation said to there are $79 million in projects currently with $107 million in FY14. He said the primary concern in the area is US 82. Making that stretch of road a four lane would cost $172 million more than the entire state has for two years combined. He said the federal highway trust fund is also becoming an issue exacerbating the situation. Senator Leavell pointed out that severance tax revenue derives from southeast New Mexico and more of it should be appropriated there.

Representative Carl Trujillo asked about the efficiency of hydraulic fracturing, to which Mr. Merrion said the technologies are improving and will continue to become more. Mr. Smith said efficiency and technology will improve over time.

Representative Lundstrom asked about safety precautions when oil is transported from truck to rail. Mr. Merrion said he was not an expert in transporting crude but said to his understanding transporting oil has not posed a problem. Mr. Smith said he would follow up with the committees.

Regulatory Panel.

Thomas W. Engler, dean of engineering, New Mexico Institute of Mining and Technology, gave a brief history of hydraulic fracturing in New Mexico. He said hydraulic fracturing is the injection primarily of water and sand under high pressure into the producing formation, creating fissures in the rock that allows a pathway for oil and gas to migrate to the wellbore. He said it occurs at depths anywhere from 5,000 to 10 thousand feet. He discussed how fresh water is protected and the composition of fracking fluid. Mr. Engler noted that New Mexico has an agency regulating well construction and integrity, unlike some states. He went on to discuss the amount of water used for fracking in the San Juan Mancos/Gallup horizontal wells, stating the average is 3.1 acre-feet per well. In 2013 the total water use for fracking the Mancos/Gallup was 137 acre-feet. The total annual withdrawals of ground water in the upper Colorado River Basin of New Mexico is approximately 4,000 acre-feet, or 3 percent. He discussed the industry's direction to mitigate water use, including nitrogen foam fracking, recycling fracking fluids and the exploration of the use of brackish or saline water. Mr. Engler closed his presentation with a discussion on what the industry means to the state including revenues and employment.

Jami Bailey, director, Oil Conservation Division (OCD), Energy, Minerals and Natural Resources Department, reviewed the department's mission and structure. She said there are 27,647 active oil wells, 28,315 gas wells, 3,445 enhanced recovery injection wells, 847 salt water disposal wells, 760 CO2 wells, and 737 wells plugged and sites released as of June 2014. She reviewed production totals, including 99.6 million barrels of oils and 1.22 trillion cubic feet of gas in 2013. Ms. Bailey reviewed a chart illustrating the relationship between how many wells were drilled by type and year. She said in 2008 there were almost an equal number of oil and gas wells for a total of approximately 1,800. In 2013 there were eight times the number of oil wells as gas wells, with a total of approximately 1,800. She discussed production levels since 1970, noting a spike due to oil and gas production in the southeast and northwest. She said the department has recently faced difficulty keeping up with the number of permits and applications and also had issues with recruitment and retention. Ms. Bailey reviewed regulatory actions the department has taken including amending the pit rule, promulgating the horizontal well rule and the hydraulic fracturing disclosure rule. She said the OCD plans to amend rules including the acid gas injection rule, the produced water use and re-use rule and the surface water management facilities rule. In closing, Ms. Bailey outlined department goals such as increasing staff, increasing well inspections and the implementation of future rules and regulations required with new technologies in the oil and gas industry.

Jeri Sullivan Graham, Chemical Diagnostics and Engineering Group, Los Alamos National Laboratory, briefed the committee on brackish water use and produced water recycling. Ms. Sullivan Graham discussed drought and drought recurrence in the state, stating there have been 66 dry years and 47 wet since 1900. This indicates the need for alternative and emergency water supplies. She outlined the New Mexico recoverable water initiative and its two subcommittees. The brackish water workgroup technical team consists of the Energy, Minerals and Natural Resources Department, the Office of the State Engineer, Environment Department, state Bureau of Geology, Los Alamos National Laboratory, Water Resources Research Institute, New Mexico State University, and New Mexico Tech. Key challenges to the use of brackish water include availability locations, volume, cost to transport and treat, infrastructure, investment, risk perception and human acceptance, environmental sustainability, regulations and partnerships with industry and localities. She discussed the workgroups next steps, which include the establishment of processes to obtain, handle and evaluate data, set data selection criteria, refine data, coordinate to maximize resources and value and evaluate resources availability and leveraging. Next Mr. Sullivan Graham discussed produced water use, currently regulated as a waste. She said it can be reused for unconventional production and can replace the use of fresh water in production and can provide a consistent, stable water resource for producers. She said infrastructure and treatments are needed to reuse produced water and discussed a path forward that includes adaptations to regulations, infrastructure and investments by companies, sharing of best practices and measuring and understanding results benefits and impacts. She said the department of energy (DOE) is very interested in a broad range of topics related to water and energy. The DOE has developed a water energy tech team with more than 20 participants from all major DOE offices that have developed a water-energy program plan. In conclusion, Mr. Sullivan Graham outlined the southwest energy water challenges and strategy meeting held by Los Alamos National Laboratory and Sandia National Laboratories.

Representative Carl Trujillo asked about aquifers and fresh water supply. Mr. Sullivan Graham reported some areas in New Mexico water levels have declined continuously over the last 30 to 40 years despite years of heavy rainfall. She said extraction is greater than the recharge. It may be possible to supplement with treated brackish water but it is unknown how much is available.

Tour of Oil and Gas Training Center and Adjacent Simulated Well Location. Members of the committee toured the future site and the current location of the San Juan College School of Energy Oil and Gas Training Center. Randy Pacheco, dean of the School of Energy, led the tour of both facilities. The new School of Energy Oil and Gas Training Center is being constructed on the main campus of San Juan College. The cost of the project is $15.6 million. The building will be 65 thousand square feet when completed and contain five labs and a conference room. The focus of the training center is to provide students with the skills necessary to work on oil and natural gas wells. In the future, the School of Energy hopes to add an environmental program and an offshore oil drilling program.

Members toured the current location of the Oil and Gas Training Center, which includes an oil well site for training and a well control simulator. Students receive hands on training with machinery and equipment at the oil well site that prepares them for entry level positions in the oil and gas industry. The School of Energy offers five associates of applied science degree programs, four certificate programs, and oil and gas training courses. Oil and gas training courses are offered to people currently employed in the oil and gas industry. The School of Energy has a $3 million budget and employs 17 professors and eight adjunct professors. The oil and gas program produced approximately 150 associate degree graduates last semester. Oil and gas students have a 98 percent completion rate and 90 percent of those who graduate with an associate's degree find employment. The School of Energy has been the BP trainer of choice for onshore well sites for the past six year.

Thursday July 10, 2014

The following members and designees were present on Thursday July 10, 2014: Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Patricia A. Lundstrom, Paul C. Bandy, Don L. Tripp, Edward C. Sandoval, Rodolpho "Rudy" S. Martinez, James E. Smith, and Donald E. Bratton; and Senators Carlos R. Cisneros, William E. Sharer, Mary Kay Papen, Clemente Sanchez, Carroll H. Leavell, Steven P. Neville, and Pete Campos. Guest legislators: Representative Carl Trujillo and Senator William F. Burt

Northwest School Districts Performance and Strategic Initiatives. Janel Ryan, superintendent, Farmington Municipal Schools, outlined the composition of the district, which includes 10 elementary schools, four middle schools, two regular high schools, one alternative high school, one preschool, and two prekindergarten schools. There are approximately 800 teachers serving approximately 11 thousand students per year. She said they are looking for 140 new teachers and expressed concern with the shrinking applicant pool. Ms. Ryan discussed recent construction projects within the district using critical capital outlay funds, including approximately $45 million since 2010, to assist in the maintenance and improvement to facilities. Next she discussed graduation rates and an initiative by Merrion Oil and Gas that provides a counselor at both of the regular high schools to ensure students know how to apply to and finance college. She said this program will continue although their funding will end next year. She said the district recognizes the value of the service and stated 69 percent of seniors are college-bound, demonstrating the effectiveness of a single program. She discussed their collaboration with San Juan College and their partnership to decrease the number of students requiring remediation. Ms. Ryan stated the district has written and received a Reads-to-Lead grant and has received $195 thousand to assist with materials and interventions. She discussed other grant applications the district has written including a STEM grant and a Workforce Energy Grant. Ms. Ryan closed with her presentation discussing the Farmington Learning Initiative which was implemented in school year 2008-2009 and provides every 6-12 grade student with a laptop and provides teachers with the technology and professional development to enhance their ability to integrate technology into all curriculum areas.

Joe Rasor, superintendent, Bloomfield School District, opened his presentation with an outline of the district's vision, mission, and goals. He said the district served 2,986 students in the 2013-2014 school year, equating to approximately 20 students per teacher. He said the district has a 30 percent mobility rate meaning 1 of 3 students will be lost during the year. He highlighted the district's size, comparing it with half the size of the state of Connecticut. He said they have had an agreement since 1996 with Lybrook schools where Lybrook takes the elementary students and the Bloomfield district takes the secondary students. Mr. Rasor discussed a strategic action plan, which delineates academic priorities for regular, special needs and bilingual students. He said school safety is a top priority in the district and has installed door systems, purchased school radios, and has worked with county law enforcement and fire departments to conduct emergency drills. Next Mr. Rasor discussed the district's student test scores and the multitude of new testing requirements, saying he is looking forward to having one common assessment that is not changing yearly. He said the district received a prekindergarten grant, currently serving approximately 190 students; he thanked the secretary and the Legislature for funding the program, which is serving a great need in the community. Next he discussed the district's two-year involvement in the PED Academic Language Development for All project to co-develop onsite professional development to build on schools' bilingual multicultural strengths and address areas needing assistance. Mr. Rasor discussed district interventions in reading and math as well as the duties of a student reengagement officer to find students that are not attending school or who have dropped out. In closing, he highlighted the teacher shortage as becoming critical in the state.

Kirk Carpenter, superintendent, Aztec Municipal Schools, briefed the committee on the structure and enrollment of the district containing six schools and serving 3,182 students in school year

2013-2014. He discussed funding trends from 2008-present and how the budget is allocated to classroom instruction and instructional support. Next he discussed student achievement and reading and math scores for third, fourth and eighth grade students, stating there are things to be celebrated and things to learn in every category. He highlighted fourth grade math scores, which fell from 47 percent proficient in 2010 to 29 percent proficient in 2014, stating the reason was due to extended response in math, which hurt them on the standards-based assessment. He said they mined data to discover the root cause and will work on it next school year. Next Mr. Carpenter reviewed school grades and graduation rates which are on average with the rest of the state. He outlined district strategic initiatives including professional learning communities, University of Virginia Turnaround work, the Four Corners Consortium and Continuous Learning Foundation work.

Don Levinski, superintendent, Central Consolidated Schools, spoke about challenges and goals of the district, stating when he first began only 51 percent of funds were going to direct instruction. He set a goal to reach 64 percent; to achieve that a cut in administration was necessary. He outlined the student population, highlighting 90 percent are Native American with the majority living on the Navajo reservation. He discussed district comparisons in math, reading and science across all students as well as Native American students stating they are closing the gap and showing an increase in proficiency of 1.7 percent in math. Mr. Levinski went on to discuss college and career readiness, noting access to college and career readiness interventions has increased 518 percent compared to the previous three years. He said they offer summer classes to juniors that have been identified as college bound but may need remedial courses. By working through the summer and senior school year, students cut back on the number of remedial courses students may have to take in college. Next he discussed Advanced Placement exam success, noting under previous administrations the average ACT score was 15.9 but has risen to 16.5. Although a modest increase, the ACT prep program will be placed at all high schools in the coming year. Next he reviewed drop-out rates which have been cut by 53 percent for all students and 67.9 percent for students with disabilities. He outlined the district's curriculum writing efforts over the past 4 years, stating teachers in each school were involved in the process. In closing Mr. Levinski outlined other strategic initiatives, such as the K-3 Plus program, STEM camp, summer school, immersion camp, advanced youth development and extended school year.

Chairman Varela asked the panel to comment on the teacher evaluation system, recent legislation for social promotion, funding for the three-tier salary structure, classroom sizes and vocational training in public schools. Mr. Levinski commented on the teacher evaluation, stating it is a good step forward although it has problems that need to be worked out. On the subject of social promotion he said it was his understanding there are five ways a student can advance to the next grade level with what the PED has put together. He said if the student fails the third grade on the standards-based assessment, they are offered summer school and allowed to pass onto the fourth grade it is a positive step and gives the student the support they need.

Mr. Rasor commented on the necessity of the evaluation system and how many of its components are sound. However, it is unclear how value-added models are working for schools. On the subject of social promotion he said retention based on one test score is scary; he discussed the development of a system of alternative demonstrations of competency. He closed with a discussion about vocational training, expressing his support and highlighting the necessity of vocational training for some students.

Ms. Ryan said the teacher evaluation system will eventually be an effective system. She expressed disappointment in not being able to provide teachers with their summative evaluation because of inaccurate information at the end of this year. She said they worked to ensure information entered into STARS was accurate and later learned information was changed. She said at the end of the year they had not received the surveys students did on teachers, nor had they received the attendance information from PED. She expressed concern that 50 percent of a teacher's evaluation could be determined by information they did not have. Ms. Ryan said she liked the observation component of the evaluation. She discussed the utilization of funds to ensure they did not have to ask for class size waivers, noting the rise in kindergarten enrollment. On the subject of social promotion she said the original system provided an individual plan for a failing student. She said we do not have a mass number of people that have to be retained but we offer a Title I program for 12 of their schools allowing students four to five weeks of interventions every summer to assist those students. On the subject of vocational training she said Farmington has the Career and Technology Education Center (CATE) providing welding, auto mechanics and culinary arts training.

Mr. Carpenter said due to the size of his district, Aztec relies heavily on the San Juan College for vocational training. He spoke about the collaboration among local districts and the college regarding career readiness and would like to see a vocational energy program developed. On the subject of social promotion Mr. Carpenter noted that several things can happen during standards-based assessment testing week. He said the media has painted bad pictures of standards-based assessments, resulting in some students performing poorly intentionally to get back at their teachers. Next he spoke about the three-tier system, the teacher shortage and the need for more funding for salaries to compete with neighboring states. Mr. Carpenter spoke about the evaluation system, stating the rubric and the observation portions are the single most important part of the evaluations -- not test scores, surveys or attendance.

Senator Smith asked about the districts networking with Colorado. Ms. Ryan said their concern is the decrease in the number of graduates in the education field. Senator Smith asked if the Colorado Public Education Department is doing something New Mexico should be; Ms. Ryan said there is no collaboration between the two. Senator Smith asked about absenteeism in the districts. Ms. Ryan said they work well with the district attorney, there is a truancy officer in every building and students have more supervision than in the past, resulting in a decrease of absenteeism. Senator Smith asked if Central Consolidated district networks with the sovereign law enforcement, to which Mr. Levinski said yes but the Navajo Nation does not give support with school attendance, also noting attendance on the reservation is as good as attendance in schools off the reservation. Senator Smith asked for comments on the state of our colleges of education and their ranking poorly on a national level. Ms. Ryan said Farmington has three schools in the University of Virginia Turnaround Program. She said several principals have not been prepared for the instructional component that is so essential; this program supports leadership and trains them to utilize data for success. If you have a quality leader who can get the majority of teachers and parents working together there will be success. Mr. Carpenter expressed his appreciation for the University of Virginia Turnaround Program and noted it is unfortunate that you have to qualify for the program. Senator Smith asked for comments on the credentialing of teachers and how that may need to be changed. Mr. Rasor said the university system has not kept up with current trends in education, noting expense at the district level for professional development.

Representative Lundstrom asked how effective the Indian education program is in the area. Mr. Levinski said he does not know how well it is being followed. However, the public schools that are doing the worst are the grant schools controlled by the Navajo nation. He said one of the problems is finding teachers for the emersion class who can read, write and speak Navajo. He said the current certificate program the Navajo nation provides is basically a program for grandparents to be trained to go into the classroom and teach Navajo. Mr. Levinski said they have asked them to develop higher certifications and they are in the process of writing curriculum and training. He noted there is no Navajo academic language, stating they have to develop words and it has to be done centrally to maintain consistency. Panelists expressed difficulty finding qualified teachers for Indian education programs and also difficulty with the Indian Education Bureau of the Public Education Department. Representative Lundstrom expressed concern with Native American student performance and suggested collaboration between the Public Education Department and the Indian Affairs Department. She then asked if a bussing issue had been resolved with Gallup McKinley to which Mr. Levinski said it has been resolved.

Status of Uranium Cleanup and Air Quality Initiatives. Ryan Flynn, secretary, New Mexico Environment Department, introduced the panel and outlined the topics of discussion. Jerry Schoeppner, chief, Groundwater Quality Bureau, New Mexico Environment Department, reviewed the Grants mining district history, stating the area was a major uranium producing area from 1950-1980 with most mining occurring prior to any environmental regulations resulting in many legacy contamination issues. He discussed the publication of a series on legacy uranium mines and in 2008 the Environmental Protection Agency (EPA) Region 9 developed a five-year plan focused on sites on the Navajo Nation. Region 6 mirrored that plan in 2009 with objectives to assess water supplies, cleanup legacy uranium mines and contaminated structures, cleanup uranium milling sites, and conduct surveillance of public health. Mr. Schoeppner outlined the Grants mining belt, which includes the Shiprock mining district and the Grants mining district. He gave an overview of sub-districts and mills that operated in the area, of which some are currently undergoing decommissioning and cleanup activities.

Mr. Schoeppner detailed the assessment of water supplies, which included sampling in the Ambrosia Lake and Laguna and Marquez sub-districts, resulting in the discovery of elevated levels of selenium and uranium corresponding with what came out of the mines. He said several phases of groundwater monitoring were initiated to examine current conditions. A total of 133 wells were sampled, resulting in 83 of them exceeding at least one federal or state standard. The property owners were notified giving them the opportunity to treat the existing supply or find an alternate source of water. Next he detailed the assessment legacy mines, stating 97 mines were screened and prioritized based on physical hazards and environmental hazards resulting in one site proposed for consideration for removal action due to ongoing releases.

Mr. Schoeppner discussed the assessment of 65 square miles of residential structures completed with aerial and ground radiological surveys showing areas with relatively high concentrations of radiation. He said 891 structures were examined, with 128 of them with greater than action levels. To date 83 have been cleaned up, 45 are pending cleanup, one radon abatement system has been installed, and one resident has been relocated. He then discussed the assessment of mills, stating some are currently undergoing cleanup. Next he discussed the Jackpile mine and health surveillance initiatives, stating the Jackpile mine was the largest open pit mine in the United States and has undergone reclamation. In 2010-2011, the Laguna Pueblo asked the federal Environmental Protection Agency to conduct an examination and was listed on the national priorities list, with Region 6 overseeing cleanup. He said very little has been done thus far regarding health surveillance due to funding. He said the New Mexico Department of Health conducted public health surveillance, including a urine analysis study and provided free on-line private well classes and information regarding contaminants in the area. Mr. Schoeppner outlined future activity including continued coordination with federal, state and tribal agencies, additional assessments and groundwater sampling, establishing cleanup criteria, prioritizing sites and a groundwater investigation. In closing he outlined challenges including state and federal funding limitations.

Jeff Kendall, general counsel, New Mexico Environment Department, briefed the committee on the Tronox Chapter 11 bankruptcy and the settlement of fraudulent conveyance claims. He said in 2009 Tronox Inc. declared bankruptcy in the southern district of New York. He said the company was created as a shell for Kerr-McGee Corporation to house various assets that had numerous environmental liabilities from historical practices spanning over 2700 sites in 47 states. Once Tronox initiated bankruptcy, it also initiated a lawsuit against Kerr-McGee Corporation. The bankruptcy was finalized in 2011 and called for $270 million in payouts to creditors for environmental claims throughout the country. In New Mexico, there was $12 million for Navajo area uranium mine sites, $1 million for the Shiprock mill site, and $1 million for the Quivira Churchrock mine. He said the problem with the settlement is that it allocated a certain percentage of the fraudulent conveyance claims settlement at different sites. That litigation was ongoing and brought by the Tronox litigation trust and the U.S. Department of Justice. He said the court entered an order in the southern district of New York in December 2013, recommending dollar amounts between $5 billion and $14 billion and finally settling at $5.15 billion, of which 88 percent is to be allocated to environmental cleanup. One billion dollars, or 20 percent, is dedicated to what is referred to in the bankruptcy settlement as Navajo area uranium mine sites, including 21 sites in New Mexico, several of which are in the Ambrosia Lake area. After reexamination, it was decided to have been an error not to have participated in the original lawsuit; however, they proposed to the Navajo Nation that EPA Regions 9 and 6 be charged with allocating how funds are spend at these sites. Secretary Flynn highlighted the department's role as critical in the determination of how these funds are allocated toward cleanup initiatives in the area and thanked the EPA and the Navajo nation for their role in the settlement.

Fernando Martinez, director, Mining and Minerals Division, Energy Minerals and Natural Resources Department, gave an updated to the committee on additional federal funding from the Bureau of Land Management (BLM) for the Spencer Mine in Ambrosia Lake and in Barbara J mine complex in the Poison Canyon area. He said that state originally had approximately $1.4 million and has spent $200 thousand assessing legacy uranium sites across the state. He said construction is expected to commence at the Spencer mine in the fall of 2014 with work in the Poison Canyon area to commence in 2015. Mr. Martinez outlined the work done at mine sites across the state and have compiled a database. He said they have identified 259 abandoned uranium mines with 137 never having been reclaimed. He went onto discuss the departments involvement with the 21 sites designated in the Tronox settlement.

Maureen Gannon, executive director, Environmental Services, PNM, gave a brief presentation regarding the environmental benefits of a regional haze plan that the New Mexico Environment Department (NMED) proposed last year, was approve in October 2013 and is currently in front of the EPA Region 6 for approval. She said the regional haze rule was promulgated in 1999 with guidelines published in 2005. Under the rule, the Clean Air Act sets a goal of returning our national parks and wilderness areas to natural visibility levels by 2064. As a state, New Mexico is required to develop a plan to limit emissions from major contributors. In 2006, NMED identified San Juan as a regional haze source based on emissions, age of the plant and proximity to 16 national parks and wilderness areas. In February 2013, EPA, NMED and PNM reached a settlement now formalized in a revised state implementation plan (SIP), including the proposed closure of units two and three and the installation of selective non-catalytic reduction technology for nitrogen oxide (NOx) reduction on units one and four. She said PNM has proposed replacing the power at the plant with 134 megawatts of nuclear generation and 40 megawatts of solar renewable and the building of a 177 megawatt-natural gas "peaker" at San Juan generating station. She provided a highlight of the emission reductions they are expecting with the regional haze implementation, citing a 62 percent reduction in NOx, 67 percent reduction of sulfur dioxide (SO2), a 50 percent reduction of particulate matter (PM) and a 50 percent reduction in carbon dioxide (CO2). Next Ms. Gannon discussed visibility results and other environmental benefits.

Ryan Flynn, secretary, New Mexico Environment Department, gave an overview of the new EPA greenhouse gas regulations for new and existing power plants. He gave key dates for EPA action in President Obama's climate action plan published in June 2013. He discussed Section 111d of the Clean Air Act (CAA) giving the EPA authority to require states to develop plans for existing sources of pollutants, for which there is not a National Ambient Air Quality Standard (NAAQS), if similar new sources are subject to federal performance standards. He said greenhouse gases (GHG) do not have a NAAQS but the EPA has proposed standards for greenhouse gases from new power plants. He discussed the overall structure of the CAA, stating it is system of cooperative federalism in which states determine the best way to reduce emissions or BSER. He said it is a good example of how regulatory approaches to complex environmental issues can work well if this principle is followed. The EPA's proposal requires New Mexico to reduce GHG by 41.7 percent by 2030 with the national average goal of 30 percent.

Secretary Flynn discussed legal and technical issues surrounding the EPA's proposal. He said it requires emission reductions to be obtained "beyond the fence line" of the facility. He spoke about a debate over whether or not the EPA can require reductions that involve switching from coal to natural gas or renewables and nuclear, as well the affects to the consumer. He discussed jurisdictional issues, enforcement issues and how the EPA did not consider New Mexico's renewable performance standards (RPS) standards for investor owned utilities and rural electric cooperatives. Next he discussed the developing a state plan which will carefully evaluate and comment on EPA's proposed rule for existing power plants, develop a stakeholder involvement plan, evaluate options and write New Mexico's plan, and eventually finalize the plan for submission to the EPA.

Senator Sanchez asked about the location of the 21 uranium mine sites and the location of the Homestake mill, to which Mr. Schoeppner explained their location and stated that it is currently undergoing decommissioning. The environment department recently had a hearing to renew and modify the discharge permit. Senator Sanchez asked about the status of the Jackpile mine to which Mr. Schoeppner said surface reclamation was completed and later the pit lake was backfilled. He spoke about water that is present and whether it is surface water or groundwater that has come up and the concern that the water has concentrations that still exist above standards. He said there will be additional cleanup criteria applied to the site. Senator Sanchez asked if Laguna construction conducted the cleanup at the site, to which Mr. Schoeppner said yes. He spoke about a settlement agreement between the pueblo of Laguna and the operator. Senator Sanchez asked about the $1 billion settlement and who is in charge of the cleanup of the uranium mine sites, to which Mr. Kendall said the language in the settlement designates EPA Region 9; however, there are other sites receiving funds for cleanup. He said he anticipates the allocation of $1 billion for 50 sites will be collaborative efforts between EPA Regions 9 and 6 and the Navajo Nation. He said the funds will go into litigation trusts and environmental trusts to be allocated for the cleanup operations. Senator Sanchez asked if the Ambrosia Lake area is on Navajo land, Mr. Kendall said it is difficult to say. He said it is designated as a Navajo area uranium mine site in the settlement although it is not technically Navajo Nation land.

Senator Cisneros asked about the decision not to participate in the original lawsuit, to which Secretary Flynn said it was a decision before his tenure at the department. He said and the decision was made by the department with input from the Attorney General.. That being said the regional administrator has been very cooperative and encouraged the state's participation. Senator Cisneros asked how many mines are currently in operation, to which Mr. Schoeppner said there are no current operations in the state. Senator Cisneros asked if there was potential for any mines in the area to be reopened. Mr. Schoeppner said there are currently two applications and expect a third. He noted the market will bear whether or not these operations will start highlighting the limited availability of operating mill sites. Mr. Martinez listed companies currently applying for permits in the area.

Senator Neville expressed concern over closing power plants because of the able vast coal resources in the area and the impact on jobs. He asked if PNM has considered the feasibility of carbon capture. Ms. Gannon said it is something PNM looks at seriously; currently there are five demonstration projects ongoing in the United States related to the gasification of coal and capture of carbon dioxide. Those projects are very expensive, heavily subsidized, and still not ready for commercial production. However, she noted the technology will come.

Tribal Infrastructure. Arthur Allison, secretary, Indian Affairs Department, welcomed the committee in his native language and thanked the committee for addressing needs of the indigenous people in the area. Graham Knowles, Infrastructure Manager, Indian Affairs Department, presented an assessment of needs for capital infrastructure in Indian country. He said there are 22 tribes, nations and pueblos in New Mexico and 54 chapters of the Navajo

Nation 13, which are certified in terms of the local governance act of 1999 because of their fiscal management and controls and the ability to receive funds and manage those independently. Mr. Knowles outlined infrastructure needs which include community needs and a desired future which varies for each sovereign entity. He said the infrastructure capital improvement plans (ICIP) that have been submitted to DFA are $2.1 billion for the period of 2015 through 2019.

He said the tribes, nations and pueblos have clearly articulated a prioritized need for a variety of types of infrastructure they believe are essential and basic to their quality of life. He said there is a need for more than $400 million for tribal water, wastewater and solid waste infrastructure. Mr. Knowles reviewed a list of needs for the coming years, including economic development, highways, roads, housing, fire and public safety. He discussed bridging the gap of need between the current reality and desired future with the utilization of tribal infrastructure funds (TIF) and associated capital outlay funds. Since 1994, more than $260 million has been invested in funding more than 1,700 tribal projects; since 2006, more than $170 million has been invested in funding more than 800 tribal projects. He said from 2006 to 2011 the general fund was the major source of funding, with severance tax bond funding being the primary source of funding since. Since 2006, 54 tribal entities have been assisted receiving $54 million in funding with an additional $14.2 provided as recently as June 2014. He said since 2006 more than 125 projects have been funded through this program and have been supported by leverage funding in excess of $150 million in matching funds.

Mr. Knowles discussed the TIF program pace, citing 89 completed projects since the inception of the fund disbursing over $30 million with 17 due for completion in October 2014. He said the expected draw down of funds is in excess of $6 million. Next he discussed project distributions stating there are comments made in some circles that the majority of funds have been allocated to the Navajo Nation when in fact just over 30 percent of funds have been allocated to projects in the Navajo Nation. He said the misunderstanding may have been a result of the quantitative number of projects. The chapters have frequently received funding; however, the amount is significantly less. Mr. Knowles said 32 percent of the Native American population of the state of New Mexico is Navajo, as a result of the population breakout is in sync with the distribution of funds.

Mr. Knowles went on to discuss the project prioritization process to address the tremendous need and significant gap. He said the projects demonstrating a high degree of critical need are reviewed by the project review team and the tribal infrastructure board to determine the use of funding. In the last funding cycle, more than 130 projects were submitted for consideration and 29 projects were funded. Some factors considered by the team and board are if the project has a high priority listing in the most recent ICIP, if the project has a high percentage of matching funds, if the project demonstrates a high degree of benefit and finally if the project is viable, fundable and ready-to-proceed. He reviewed 2014 TIF project allocations citing 12 percent of funding was for planning projects, 11 percent for design and 77 percent for construction. Mr. Knowles discussed sustainable tribal communities which are economically, environmentally and socially healthy and resilient. He then discussed moving forward toward sustainability through integrated solutions and long-term perspectives. He listed strategies for sustainability including planning, capacity building, funding forums, learning networks, training and resources.

Secretary Allison discussed the Navajo Water Rights Settlement of 2010. A feature of this settlement is the construction of a major water infrastructure project that will supply water from the San Juan River basin to the Navajo Nation, the city of Gallup and the southwestern part of the Jicarilla Apache Nation. He said the U.S. Bureau of Reclamation will develop the main trunk line with a turnout about three feet from the main line with chapters and tribes responsible for matching funds to extend the water line east and west to the surrounding communities. Secretary Allison said they do not have total numbers for cost but it will be a tremendous project. He expressed concern that if there is further need the allocation of $14 million or $15 million annually will not be enough to address the Navajo Chapter development let alone other projects needed for the other tribes. Mr. Knowles went on to discuss the Taos-Abeyta Water Rights Settlement and the Aamodt Water Rights Settlement. He said they call for investment in the improvement and upgrade of local infrastructure as well as construction of a regional water system.

Senator Cisneros asked why there was no listing for Pojoaque Pueblo and if it was because they did not submit a request or because they did not qualify for TIF funds. Mr. Knowles said they did submit a request in the 2014 cycle for the white sands extension phase three but they did not rank highly enough on the fundable project list. Senator Cisneros highlighted the approximate 740 objections to the Aamodt Water Right Settlement and the fact that the movement is picking up momentum.

Representative Carl Trujillo made comments about the Aamodt Water Right Settlement. He said the literature sent to public from the settling parties asking them to either accept or object the settlement by a date that was not set by the court. He said the information was misleading and people panicked. The State Engineer’s office was asked to send out a clarification notice and it chose not to, citing a cost of $6 thousand. He said there were 2,500 wells in that valley and 30 percent of the well owners did not get notices, highlighting 800 objections. He said people were being asked to sign a settlement agreement that was not complete; the State Engineer’s office has not come up with the rules and regulations to inform residents what the settlement will do or at what cost. In closing, he expressed concerns regarding the regional water authority that would be established under this settlement.

Representative Lundstrom asked for clarification on the percentage of Navajo members in the state versus all other pueblos. She said the way the charts read you have the bulk of population coming out of the pueblos and it is my understanding it would be the other way around. Next she asked about the request for additional infrastructure to tie into the main trunk line provided by the bureau of Reclamation. She said it is her understanding Indian Health Service (IHS) has the responsibility to build distribution systems off the main trunk line. She asked if they have been involved with this request because the state of New Mexico is already providing a very large cash match toward the federal obligation for the main trunk line. Secretary Allison spoke about a proposal presented by the Navajo Nation and Gallup in which they would build a major waste water system in Gallup to service communities. He said the IHS will only take water to a residential area anything beyond that they will not provide. Representative Lundstrom said the Navajo Gallup water settlement to provide drinking water and use conjunctive wells that are currently being used to provide water everything else. She asked for a clear understanding of the request because the water source for everything that is non-human consumption is supposed to come from conjunctive wells. She also asked if the chapters are responsible for providing the funding up front and then reimbursed by TIF or if TIF provides funding directly.

In regard to the population break out Mr. Knowles said according to the 2010 census there were 65,764 members of the Navajo Nation that resided in the state of New Mexico and 146,935 Apache and Pueblos', of the universe of Native Americans living in the state of New Mexico 69 were either Apache or Puebloan and 65 thousand or 31 percent were of the Navajo Nation. He juxtaposed that with the project distribution over the cycle from 2006 to 2013. He said it reflects $17.29 million in project funding provided for projects in the Navajo Nation which was 31 percent; $36.3 million or 66 percent was provided for projects in puebloan communities and 2 percent or $1.25 million for the Apache. He spoke about equity and fairness in terms of the distribution of project funding coupled with demographics of population groups. Mr. Knowles said he would work on refining the numbers and work with Representative Lundstrom to get further clarification and greater accuracy.

His second response was to the reimbursement nature of the program. He said projects are fronted by the recipient then they submit an application seeking a reimbursement payment. Because of the severance tax bonding nature of the funding only direct project costs are allowable. Representative Lundstrom asked if the tribes set aside any funding toward infrastructure to which Secretary Allison said it is a possibility and something that can be explored. He said in working on the projects that have been selected it has been his experience that tribes have been able to come up with the matching funds they need. Mr. Knowles noted as a result of the lack of capacity and resources within these communities one of the trends observed is their misunderstanding of the scope of work or budget and they are seeking the fullest amount they can possibly attain.

Senator Sanchez asked about a delayed project in his district and the amount of capital outlay and TIF funds that are going unspent. He suggested the possibility of it being taken back and redistributed. Secretary Allison said from 2012-2014 all monies have been allocated and encumbered. He then spoke about 2013 delays that were due to an executive order. Mr. Knowles clarified one reason for delay in 2012 was the inability to execute projects in a timely fashion. Senator Sanchez asked about the relationship between capital outlay and TIF funds and big Navajo to which Mr. Knowles explained all funds flow through the big Navajo office for chapter projects. Representative Sandoval asked if a local government entity can act as the fiscal agent for chapters to which Secretary Allison said yes they can act as the fiscal agent with approval from the Navajo Nation. He went on to explain the 638 contract and the government to government relationship.

Chairman Varela discussed the Santa Fe Indian School and asked LFC staff to develop a capital outlay process to bring requests to a capital outlay hearing instead of asking for special requests every year. In closing Secretary Allison highlighted his departments work with other agencies and the Navajo Nation on audits to provide transparency of allocated capital outlay and TIF funds.

Tour of Main Street. Adrienne Boggs, Education Coordinator at the Farmington Museum and Visitor Center, led the committee on a walking tour of the Farmington MainStreet district and

historic buildings. She said the goal of the downtown revitalization effort is to increase foot traffic downtown to generate revenue. They would like to slow down traffic and make the area more pedestrian-friendly. Part of the plans call for building "cultural gateway" curved arches and "fingerpost" signposts, pointing the way to destinations throughout the city. They also want to install new lights that provide better illumination for pedestrians.
The committee asked if the city is doing any historic preservation, and Ms. Boggs replied it is renovating an old building into a historic museum. The tour ended at the little plaza area at the corner of Main and Orchard, and Ms. Boggs described the events held there. The traffic noise made it difficult for everyone to hear the discussion, and she remarked again they would like to slow down vehicular traffic to make it a more pleasant and safer place for pedestrians.

Friday July 11, 2014
The following members and designees were present on Friday July 11, 2014: Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Carl Trujillo, Paul C. Bandy, Don L. Tripp, Edward C. Sandoval, Rodolpho "Rudy" S. Martinez, James E. Smith, and Donald E. Bratton; and Senators Carlos R. Cisneros, William E. Sharer, Mary Kay Papen, Clemente Sanchez, Carroll H. Leavell, Steven P. Neville, and Pete Campos. Guest legislators: Representative Patricia A. Lundstrom and Senator William F. Burt

Update Strategic Initiatives and Programs. Toni Hopper-Pendergrass, president of San Juan College, introduced members of the college's board of trustees and staff. She discussed the college's four strategic directions: student success and completion, community partnership and economic development, institutional effectiveness, and valuing people. She outlined a student success course focusing on eight success principles that teach students to succeed in college and life. She recognized that 87 percent of degree-seeking students are placed into at least one developmental education class. To improve student success, the college has completed redesign of developmental and gateway math and English classes, reviewed pre-requisite classes, and improved placement processes; efforts have resulted in reducing the number of students in developmental English and math courses by 3 percent and 5 percent, respectively. The college offers 24 percent of its courses online, with one in three students taking at least one online course. The college evaluates online education content, delivery, and materials based on a national standard, Quality Matters. Other student success and retention efforts address needs of particular student groups, including a veteran's center, Hispanic center, Native American center, and a support center for working families.

Ms. Hopper-Pendergrass briefed the committee on community partnerships and economic development. The College sponsored a regional college readiness conference with area school districts that identified math identified as the first target for improving student success. More than 70 participants attended the conference, where they discussed aligning the school-to-college math curriculum and increasing the number of high school graduates prepared for college.

With respect to institutional effectiveness, the college is preparing for a review visit by the Higher Learning Commission team. As a result of their preparations, the college was approved to offer 100 percent of programs online. The college is working to improve laboratory spaces in the science, technology, engineering and mathematic areas. She noted the college values people by nurturing an internal community of trust, mutual respect and inclusion.

Representative Bandy asked about an area south of Farmington where the “sweet spot” of the oil development is supposed to be. He said the ownership is like a checkerboard owned by the federal Bureau of Land Management and private individuals. Clear ownership must be determined to develop land and mineral rights. Randy Pacheco, dean, School of Energy, San Juan College, said the schools of energy and business are working with the federal Bureau of Indian Affairs, Indian Minerals Office to process leases; students on internships are helping with the project.

Employee Benefits and Risk Management. AJ Forte, director, Risk Management Division, General Services Department, briefed the committee on the employee benefits fund, stating in the past the fund was a negative $70 million. Significant changes were needed, including premium increases of 15 and 10 percent in 2013 and 2014. He said, going forward, the department intends to keep increases between 3 percent and 5 percent with a balanced plan design. Other fixes included House Bill 654 allowing a different allocation of premiums for life and disability insurance. Now employees pay 100 percent of disability insurance and the employer pays 100 of life insurance, these changes reduced expenses for employees going forward. He said Blue Cross Blue Shield’s deductible was $700 and will be reduced to $500, and Presbyterian’s deductible was $350 and will be reduced to $325, lowering the out-of-pocket expenses for employees. He said the majority of employees are in the $40 thousand-$45 thousand income range; these changes have lowered the total out-of-pocket max from approximately $5,000 a year to $3,500 per year. He discussed the funds solvency, which is $37.5 million. With the current plan and expenses, the fund will be actuarially sound at the end of FY16.

Mr. Forte went on to discuss a wellness program, which provides a health risk assessment to identify health issues and refer patients for disease management, which will reduce expenses in the long term. Next he discussed risk rates, highlighting significant changes to ensure all agencies were properly assessed. He said the public liability fund’s ending cash balance is approximately $34 million with a goal to get all funds at a 50 percent solvency rate. He said with what was approved and funded last year we are on a path to solvency. Mr. Forte said the public property ending cash balance is $7.6 million, noting plans to conduct appraisals on all state buildings. Next he discussed the state unemployment fund, highlighting the successful changes implemented the past two years. He said the fund was $3.5 million in the negative and currently has a balance over $10 million. GSD has simplified the calculation using an actuals methodology. He noted FY15 total premium totals of $81.9 million, with FY16 at $82.6 million. He went on to discuss unemployment rates, noting significant decreases resulting in savings to agencies.

Sammy Quintana, executive director, New Mexico Public School Insurance Authority, (NMPSIA) outlined the structure of NMSPIA, stating it has 208 members, 88 of which are public schools, 95 are charter schools and 25 are other educational entities. He provided a risk program overview and discussed concerns, including sexual molestation claims, special education claims, a large number of schools in insurance catastrophic zones, limited firefighting and police protection in rural areas, and the increase in property exposure. Next he discussed the present value of estimated outstanding losses totaling $42.9 million for workers compensation and liability and property capped at aggregate reserves. He gave a risk fund budget history spanning from FY11 to FY15, stating they had not asked for increases in the risk fund budget for five years due to a very effective loss prevention program. In closing, he said the risk fund balance is projected to be $5.6 million for FY15.

Christy Edwards, deputy director of benefits, New Mexico Public School Insurance Authority, briefed the committee on past NMPSIA health benefit coverage, which was at or above the national trend. The agency realized it could not sustain this type of coverage and raised the out-of-pocket limit to $2,800 per year. She said since the initial increase there has been increases in the medical benefit premium lower than the national trend and this year they are looking at an increase of approximately 2.8 percent with no plan changes. She discussed three challenges facing the benefit program: 1) A decrease in pool size from 60 thousand to 54 thousand members with the average age staying the same, 2) Exposure under the Affordable Care Act at a cost of $3 million in reinsurance fees to subsidize the exchanges, and 3) Changing provider reimbursements from fee for service to value-based purchasing. Next she discussed the state of the benefits fund balance, currently $35 million with a projected ending balance of $45 million, highlighting the cost of monthly claims ranging from $22 to $24 million.

Vera Dallas, director, Employee Benefits, General Services Department, gave an overview of the Albuquerque Public School District (APS) demographics and benefit programs. She listed balances for the self-funded medical and prescription drug reserve fund of $13.3 million, $2.8 million for dental, and $634 thousand for the vision plan. The projected 2015 medical plan costs are $89.3 million leaving a projected shortfall of $3.8 million. The projected increase needed over plan year 2014 is 4.47 percent based on APS enrolled members as of February 2014. The projected 2015 costs for dental are $6 million leaving a projected shortfall of $198 thousand. The projected 2015 costs for vision are $903 thousand leaving a projected shortfall of $23 thousand. The total 2014 contributions are $92.2 million with a total increase needed of $4 million and total budgeted employer increase of $2.5 million leaving a total shortfall of $1.5 million. Next Ms. Dallas reviewed proposed medical rate premiums and gave a history of medical plan changes from 2013 – 2015. She discussed managing losses and healthcare costs for medical and prescription drug plans, the benefit strategy for medical, dental and vision is to conduct a dependent audit in plan year 2015 projected savings are $1.5 million to $2 million. She said changing the prescription drug plan co-pays has a projected savings of $56 thousand and the plan design changes to the compound drug program will save a projected $44 thousand. In closing she gave a history of employee wellness incentive programs and reviewed plans for an on-site health clinic proposed in 2015.

Mike Wilson, director, Risk Management, Albuquerque Public Schools, gave an overview of the structure of the risk management department and outlined a range of challenges. He presented the APS actuarial confidence levels for workers compensation and property and casualty programs and highlighted the expectation of continued stability.

Representative Sandoval asked if the autism benefit was new, to which Ms. Dallas gave an overview of autism coverage stating behavioral analysis was added. Representative Sandoval asked if the state has made changes to its autism coverage to which Mr. Forte said they made the same changes. He said the key to that bill passage was the implementation date of January 1, 2015 because the state did not have the funding at the time to do an immediate effective date.

Senator Leavell asked if APS has catastrophe back up of any kind, to which Mr. Wilson said APS has excess insurance. The workers' comp coverage is in the area of $225 thousand per year with an excess limit of $550 thousand per claim per employee. He said property coverage is $250 thousand, except for freezing of water pipes, which is $500 thousand, at a premium cost of $1.2 million. The excess coverage for general liability is $1.1 million with a $350 thousand excess retained limit. He said the only area in which there is traditional complete insurance is for boiler coverage.

Miscellaneous Business
Action Items
Approval of June 2014 Meeting Minutes – **Representative Sandoval moved to approve the June 2014 meeting minutes, seconded by Senator Leavell. The motion carried.**

Director Abbey recommended a $30 thousand contract for IT Project Assistance to support staff with IT performance evaluations. **Representative Bratton moved to approve the contract, seconded by Senator Sanchez. The motion carried.**

Information Items
David Abbey, director, LFC, briefed the committee on the upcoming approval of the LFC policy and procedures manual and budget guidelines suggesting the members take them home for review.

With no further business, the meeting adjourned at 10:08 a.m.

Chairman Luciano "Lucky" Varela

Vice Chairman John Arthur Smith