

MINUTES
Legislative Finance Committee
Alamogordo/Cloudcroft, New Mexico
July 15 - 17, 2015

Wednesday, July 15

The following members and designees were present on Wednesday, July 15, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, William F. Burt, Carroll H. Leavell, Howie C. Morales, Steven P. Neville, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano “Lucky” Varela, Doreen Y. Gallegos, Paul C. Bandy, Monica C. Youngblood, Bill McCamley, and Patricia A. Lundstrom. Guest legislator, Representative Yvette Herrell.

Welcoming Remarks. Susie Galea, Alamogordo mayor, provided opening remarks and discussed local issues including LEDA funding, the School for the Blind and Visually Impaired, and a brackish water project.

In response to Representative Larrañaga, Mayor Galea discussed the impact of 1-800-Flowers leaving Alamogordo after receiving LEDA funds. Ms. Galea commented that the city needs to focus on retaining companies.

In response to Representative Bandy’s question regarding Alamogordo’s brackish water project, Mayor Galea stated the project has been ongoing for 10 years and design of the project is 60 percent complete.

Ken VanWinkle, Ph.D., interim president of New Mexico State University-Alamogordo, gave an overview of NMSU Alamogordo. Mr. VanWinkle was appointed interim president two weeks earlier. Mr. VanWinkle discussed the institution’s mission and presented information on enrollment, retention rates, and graduation rates. Mr. VanWinkle talked about the programs offered at NMSU-Alamogordo and what kind of changes need to be made to academic programs to meet the communities workforce needs. Facilities and current capital outlay projects were discussed. NMSU-Alamogordo is currently replacing the roof on the faculty office building, updating the floor plan of the library to be ADA compliant, and upgrading the kitchen in the student center. Capital outlay will be requested for an addition to the trade center for welding, plumbing, and heating-ventilation-and-air-conditioning programs. One million dollars in capital outlay will be requested to replace the roof of the physical plant building and the north protech building.

In response to Representative Lundstrom, Mr. VanWinkle discussed matriculation of credits from NMSU-Alamogordo and the main campus of NMSU. All credits transfer to main campus. NMSU is in the process of implementing a common course numbering system wide. Mr. VanWinkle also stated the graduation rate at NMSU-Alamogordo is 8 percent.

Representative Hall asked if the school continues to offer associate’s degree for registered nurses. Mr. VanWinkle responded the associate’s program had been replaced by bachelor’s of science in nursing program, which can be completed on the Alamogordo campus.

Spaceport Update. Christine Anderson, New Mexico Spaceport Authority (NMSA) director, gave an overview of current Spaceport operations. She reported that another spaceport in Texas was just licensed by the Federal Aviation Administration, bringing the total number of licensed spaceports to 10. Virgin Galactic is 85 percent complete building its replacement spacecraft and another new spacecraft. The Spaceport is in discussions with Exos Aerospace for space launch testing. Visitor ticket sales are up 136 percent since the June 24 visitor experience opening. Ms. Anderson also reported a large corporate retreat is planned for May 2016.

Committee members asked what strategic advantages New Mexico has, and Ms. Anderson replied each state has a “sweet spot” and this state offers restricted airspace, weather, and altitude. She responded that connecting the Spaceport to rail is not an ideal option for the state.

The committee asked what the residual costs are for running the Spaceport, and Ms. Anderson directed attention to the personal services and employee benefits costs. In response to committee questions about the authority to pay for protective services from local gross receipts tax (GRT) bond revenues, she said she received a letter from the New Mexico Finance Authority (NMFA) saying protective services is a valid pre-operational expense. The committee asked LFC staff to follow up and acquire a copy of the letter.

Committee members then pointed out that the numbers provided by the Spaceport for the FY15 and FY16 operating budgets do not match up with the official operating budgets, and the committee is unable to see preoperational expenses in the operating budget. Committee members also noted NMSA was authorized for 18 FTE in the House Appropriations Finance Committee hearing, and both the executive and LFC budget recommendations included 18 FTE, but the Spaceport presentation showed plans to hire up to 20 FTE and exceed the personal services and employee benefits appropriation in the FY16 operating budget.

The committee then talked with Ms. Anderson about improving relationships with communities and discussed the positive impact of Spaceport GRT funds on Las Cruces science, technology, engineering, and math programs in schools.

In response to questions about Virgin Galactic, Ms. Anderson responded if more than 25 percent of flights launch elsewhere, penalties kick in, and the company lost less than 10 percent of its customers after the accident. There is no sunset on GRT bonds as far as NMSA knows.

Ms. Anderson and committee members ended the presentation saying the Spaceport is not seeing activity as quickly as hoped, but New Mexico is a great location for aerospace activity given the state’s strong history in the field.

Military Base Planning. Senator Smith turned the chair to Senator Burt. Senator Burt pointed out Congress is warming up to another round of base realignments and closures (BRAC), and while New Mexico is positioned for its bases to be receiver bases, the state has to be cautious. He then introduced the new director for the Office of Military Base Planning and Support (OMBPS), Colonel Eric Kivi.

Col. Kivi said the next BRAC round is most likely to occur in federal fiscal year 2019. He then discussed legislation enacted during 2015, including bills that extended the sunset dates for the office and the commission and reduced the number of commission members from 17 to 12.

Col. Kivi discussed the National Defense Authorization Act under debate by Congress and reported the funding New Mexico's bases would receive under the proposal. He then reviewed key military issues across the state. The transfer of two squadrons of F-16 aircraft from Luke Air Force Base (AFB) to Holloman AFB remains the number one issue for the commission. The two squadrons arrived, and F-16 training will begin in full later in 2015. One of the key aspects to the transition is the integration of the F-16 flying requirements into the airspace controlled by the Federal Aviation Administration and White Sands Missile Range (WSMR).

At Kirtland AFB, the primary issue is the ongoing work to remediate the fuel plume. In June 2015, the first of nine planned pumps began pumping contaminated water to remove the contaminants.

At Cannon AFB, the 27th Special Operations Wing remains engaged in combat operations around the world. Special operations forces will continue to receive the highest funding priority at a national level even if funding decreases under sequestration.

At WSMR, the commanding general is seeking a "critical mass" of active duty soldiers to sustain the base, because the current active duty assigned population is very low after the 2nd Engineering Battalion departed. The proposed SunZia transmission project traverses the WSMR northern extension area and impacts WSMR's ability to conduct threats against long range threats, particularly cruise missiles. The Bureau of Land Management's decision regarding the project calls for most of the transmission line to remain above ground but for three sections totaling five miles to be buried.

Senator Burt then introduced Colonel Robert Brown, Missions Support Group Commander, Holloman AFB. Col. Brown reported remotely piloted aircraft is a mainstay for Holloman, and the base produces more remote pilots than any other division of the Air Force. He said the value of Holloman is about a \$1.3 million daily impact on the community. New Mexico offers unrivaled airspace, and there is huge potential for growth in the industry in this part of the country.

Col. Brown said Holloman has the best base-community relationship he's seen, and many unique, one-off missions help to make Holloman as BRAC-proof as possible. It is also one of the few bases that has its own elementary and middle schools, but very old facilities create challenges.

Committee members noted residents in northern and eastern New Mexico complained about low-level flights from Cannon.

In response to committee questions, Col. Brown reported Holloman schools are under the jurisdiction of the Alamogordo school district, and the land was leased to the district at no cost.

There are 450 students in the elementary school, which received a grade of C from the state, and 180 students in the middle school, which received a grade of B from the state.

Col. Brown responded Holloman has about 3,500 active duty personnel, and close to 10 thousand with families. About half the city has some ties to the base, and there are about 1,000 houses with 5,000 – 6,000 people living on base.

The committee discussed the commissary and raised the issue of the commissary system causing pricing issues where taxpayers do not receive payment for the full cost of items. Food was never taxed at the commissary, and Fort Bliss may have the second largest commissary in the U.S.

Overview of Museums System. The committee toured the Space Museum and then heard a presentation from Department of Cultural Affairs (DCA) Secretary Veronica Gonzales. She highlighted *El Palacio Magazine* and the Museums Summer Guide. *El Palacio* is the oldest art and cultural magazine in the United States.

Secretary Gonzales discussed the economic impact of the industry and highlighted the International Folk Art Market in Santa Fe. She said the event receives 19 thousand visitors and generates \$240 thousand in spending and a total \$12 million impact.

Secretary Gonzales discussed improved attendance at museums and historic sites and mentioned attendance at the Museum of Indian Arts and Culture (MIAC) increased 30 percent during FY15. The department is working to update the MIAC exhibit, and the Museum Foundation of New Mexico raised \$295 thousand toward the \$300 thousand match from the state. Additionally, there were 40 thousand more visitors for the National Hispanic Cultural Center (NHCC) in FY15 than in FY14. She mentioned the need for a steady stream of capital outlay just to use for maintenance and repairs.

Secretary Gonzales reported the state's cultural assets are valued at about \$1 billion, and the agency uses a large number of volunteers. She thanked Space Museum Director Chris Orwoll for hosting the committee and his work at the museum. She also thanked the committee for the capital outlay the agency received in the special legislative session.

Committee members discussed the importance of history, arts, and culture in the state but noted difficulties with the fee structure providing enough revenues for the facilities. Members also noted the state struggles to educate children on New Mexico history and arts.

In response to questions about the Los Luceros property, Secretary Gonzales said DCA is transitioning the property to New Mexico State University. Discussions are going well, DCA did a site visit with Governor Carruthers, there is an agreement drafted, and the two agencies are in negotiations.

Committee members asked if DCA has a working relationship with the Tourism, State Parks, and Game and Fish agencies and noted the agencies seem to have separate marketing efforts. Secretary Gonzales gave an example of a partnership with the Tourism Department and one with State Parks.

The committee asked why the state cannot get native artifacts removed from Chaco Canyon and sent to New York City brought back and noted Representative Hall and Senator Pinto passed a memorial to do so. Members noted Bloomfield has a museum, and it should cooperate more with DCA.

Committee members asked if there are any revenues from educational opportunities at NHCC. Secretary Gonzales said the facility serves more than 30 thousand children and families, but they are mostly need-based children. NHCC does fund-raising to offer these programs for free. Every fourth grader comes to NHCC for ecology courses that infuse art. Members noted this is art, but it's also education of the state's cultural heritage.

In response to committee questions, Secretary Gonzales said the state system of museums qualifies for national accreditation. For reaccreditation, the agency needs to address mechanical issues, show stabilized funding, provide external funding for exhibits, etc. The Museum of Natural History and Science had reaccreditation put on hold in the past but is now reaccredited.

Members suggested the department might work to get the museums summer guide in other newspapers across the state, because right now it only appears in the *Albuquerque Journal*. Members also said they want equality for rural areas that receive less or no investments in arts and culture and noted many arts in public places (AIPP) funds have been sitting around for years, and this could be viewed as a potential source for a fund sweep. Members noted in closing that library dollars sit around too long unspent, and DCA and other capital outlay beneficiaries are now in competition with roads for those funds.

New Mexico School for the Blind and Visually Impaired Overview and Campus Tour.

Linda Lyle, director of New Mexico School for the Blind and Visually Impaired (NMSBVI), provided an overview and a history of the school. NMSBVI operates two campuses in the state serving over 1,200 students within the last year. NMSBVI also provides services and instructional materials to students in public schools as well. Ms. Lyle and NMSBVI staff presented their current capital outlay projects and led a tour of the campus.

Representative Larrañaga, Representative Varela, and Senator Morales shared stories about having family members attend NMSBVI and the positive impact the school had on their family members.

In response to Senator Smith, Ms. Lyle stated that students are taken home on the weekend. NMSBVI provides ground transportation for the students. Senator Smith asked NMSBVI to review the possibility of air transportation for students.

Thursday, July 16

The following members and designees were present on Thursday, July 16, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, William F. Burt, Carroll H. Leavell, Howie C. Morales, Mary Kay Papen, Steven P. Neville, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano "Lucky" Varela, Doreen Y. Gallegos, Paul C. Bandy, Sharon Clahchischilliage, Bill McCamley, and Patricia A. Lundstrom. Guest legislators: Senators Ron Griggs and Lee S. Cotter.

Welcoming Remarks. Ronnie Rardin, commissioner of Otero County, began the meeting with a brief overview of Otero County. In terms of land mass, Otero County is the second largest county. Commissioner Rardin mentioned the commission's support of Jade Helm operations in Otero County. The Army will be conducting a military exercise with 12 green berets, taking place in Texas and the southern tip of Otero County.

Dave Venable, mayor of Cloudcroft, provided a brief overview of the village of Cloudcroft. Mayor Venable mentioned the joint effort of the village of Cloudcroft and the U.S. Forest Service to restore the Mexican canyon railroad trestle. Mayor Venable said the trestle has become a major attraction in the area. Current construction in the village of Cloudcroft includes a new headquarters building for Otero County Electric Cooperative and commercial space available for lease. With help from a colonias grant, the village of Cloudcroft has a new 500 thousand gallon well water storage tank.

In response to Senator Cisneros, Mayor Venable said the current population is approximately 800. The population increases to approximately 2,500 in the summer. There has been an increase in gross receipts due to construction and the new Family Dollar store.

In response to Representative Larrañaga regarding the long-term water issue, Mayor Venable said a potable water system is near completion. The system will augment existing wells and springs. The village of Cloudcroft has been awarded a colonias grant for a water study that will identify new water sources.

Adrienne Salas, superintendent of Alamogordo Public Schools (APS), briefed the committee on the status of APS. Superintendent Salas talked about APS's strategic goal to improve student performance through professional development. According to standards-based assessment scores from the 2013-2014 school year, 57 percent of students are proficient in reading, and 51 percent of students are proficient in math. The overall trend shows a slightly higher percentage in both reading and math compared with the state average for the past three school years. Superintendent Salas said the district is working toward reaching a reading and math proficiency of 80 percent to 90 percent by 2020. Alamogordo High School's graduation rate was 73.4 percent for the 2014 school year. Superintendent Salas talked about new initiatives to improve instruction including alignment of kindergarten through grade five reading instruction. APS has received approval from the Public Education Department to purchase a new cohesive reading program. Superintendent Salas briefly discussed operational issues, which include unfunded mandates and retention of highly qualified teachers.

Travis Dempsey, superintendent of Cloudcroft Municipal Schools (CMS), briefed the committee on the status of CMS. For the first time in 10 years, CMS experienced an increase in enrollment in the 2014-2015 school year. Because Cloudcroft's economy is dependent on tourism, Superintendent Dempsey said it is important the district stays involved with its community. Superintendent Dempsey talked about the district's focus on mathematics. Fifty-two percent of students received a passing grade in math after completing end-of-course exams in the 2014-2015 school year. CMS is working on alignment of its math curriculum. CMS offers career technical programs designed to provide dual credit. Woodworking, welding, and structures classes offer a certificate on completion. The culinary program receives support from local

businesses. Superintendent Dempsey talked about the struggles its district faces, which are similar to those of APS. Struggles mentioned included the hiring and retention of math, science, and special education teachers, and testing time versus instructional time. CMS invested approximately \$100 thousand for additional computer labs to alleviate testing time.

In response to Representative Hall, Superintendent Dempsey said there was significant savings after shifting from a five-day class week to the current four-day class week. Regarding the kindergarten-three plus program, Superintendent Salas said approximately three-quarter of APS students eligible for the program are currently enrolled and are showing great strides.

In response to Senator Cisneros, Superintendent Dempsey said CMS does not have any national board certified teachers. APS has one national board certified teacher.

In response to Senator Burt, Superintendent Dempsey said because attendance is now a part of the teacher evaluation, CMS is not budgeting as much for substitute teachers.

In response to Senator Morales, Superintendent Dempsey said testing during the school year totals more than 19 days. Superintendent Dempsey expressed concern that a student's academic struggle might not be identified and addressed as quickly because testing results are not received until mid fall semester. However, CMS uses end-of-year exams as a safety net.

In response to Senator Morales, Superintendent Salas said the virtual academy is funded from a Department of Defense Education Activity (DoDEA) grant and serves many children in military families that move into the district already enrolled in the academy.

Overview of Severance Tax Revenue. Stephanie Schardin-Clarke, deputy secretary of the Department of Finance and Administration (DFA), began her presentation with an overview of the severance tax bond (STB) program. The modern STB program began in 1973 along with the creation of the severance tax permanent fund (STPF). Severance taxes are paid by mineral extraction industries on the value of resources severed from the ground. The taxes are remitted to the Taxation and Revenue Department (TRD) and deposited into the STB fund. The STB funds are only available for paying debt service, limited costs of administering the program, and semi-annual transfer to the STP fund. Currently, 95 percent of severance tax revenue is used for bonding. In 1999, the supplemental STB program was created to pay public school facility improvements. Since FY2000, over \$2.7 billion has been issued for public school facilities and the facilities condition index of public schools has greatly improved. Ms. Schardin-Clarke talked about the impact of House Bill 236. Legislation passed in 2015 decreases STB fund revenue used for senior debt service from 50 percent to 47.6 percent by 2019. By 2022, HB236 will also reduce the STB fund revenue used for combined senior and supplemental debt service from 95 percent to 86.2 percent. Ms. Schardin-Clarke further detailed HB236. Referring to the handout, Ms. Schardin-Clark went over questions often asked about the STB program. Ms. Schardin-Clarke explained the difference between senior and supplemental STBs. Senior STBs have a senior or first priority lien in the event of default. Regarding a bond versus a note, bonds are securities with a duration over one year; notes have a duration less than a year. Also explained is how the State Board of Finance bond issuance process works. Referring to a graph in the handout, Ms. Schardin-Clarke showed the growth of contributions from the permanent fund to

the general fund. HB236 will positively impact the growth of contributions. A pie chart showed the percentage of project types fund by STB and general obligation bonds (GOBs).

Senator Cisneros asked if there is anything legislators can do to streamline the process of issuing STB funds to local governments for projects. To help the process move more quickly, Ms. Schardin-Clarke said the State Board of Finance sometimes issues the project with a condition that must be met before the funding can be released and the grant agreement filed.

In response to Senator Cisneros regarding unexpended balances, Ms. Schardin-Clarke said DFA does not consider unexpended dollars as money on the sidelines. Ms. Schardin-Clarke said \$3 billion of the unexpended balance is sitting right where it needs to be.

In response to Senator Neville, Ms. Schardin-Clarke said in FY15, the total bonding fund revenue was just short of \$500 million; \$475 million was severance tax revenue and the remaining was interest earnings and other.

In response to Representative Lundstrom, David Abbey, director of LFC, said half a billion dollars of the unexpended balance is for public school capital outlay. Director Abbey said approximately 80 public school construction projects are currently underway.

In response to Senator Morales regarding bonds sold in June 2015, Ms. Schardin Clark said after the capital outlay bill was signed by Governor Martinez in June, DFA moved quickly to identify projects ready to use up the sponge capacity left available for FY15. Senator Morales requested legislators be included in DFA's communication with local governments on projects as they move through the process.

Status of Lower Rio Grande Litigation. Steve Farris, director of the Environmental Protection Division of the Attorney General's Office (NMAG), began the discussion with the facts surrounding pending litigation of the lower Rio Grande. While Texas agrees New Mexico is in compliance with the Rio Grande compact delivery requirements to Elephant Butte, it argues groundwater pumping in the lower Rio Grande reduces the amount of water delivered at the state line. New Mexico meters, measures, and administers groundwater pumping in the lower Rio Grande. Groundwater pumping in Texas is unregulated. According to Mr. Farris, the 2008 operating agreement between irrigation districts in New Mexico and Texas does not provide any protection to groundwater pumping for New Mexicans. Referring to the timeline of events provided in the handout, Mr. Farris talked about New Mexico's motion to dismiss Texas' and the United States' complaints. The special master will hear oral arguments on New Mexico's motion to dismiss August 19, 2015, in New Orleans. It is unclear how long the litigation will need to be funded by the Legislature.

Amy Haas, general counsel for the Interstate Stream Commission (ISC), provided an overview of how the appropriations are being spent on the pending litigation. The high cost of defense stems from expert technical and legal support and a myriad of other expenses. Ms. Haas mentioned costs for surface water and ground water modeling, land use analyses, agricultural engineering services, expert water litigation consultation, data compilation and management, a water banking study, and hiring expert historians, economists, and contract attorneys. Of the \$6.5

million appropriation made in 2013, \$3 million was appropriated to the NMAG, \$3 million was appropriated to the ISC, and \$500 thousand was appropriated to the Environment Department. Ms. Haas said while there is no overlap of expenditures made by the NMAG and ISC, there are certain categories for which the NMAG and ISC are both paying consultants and contractors. The Legislature appropriated another \$4 million in 2015 to continue support for the litigation.

In response to Representative Larrañaga, Mr. Farris said Elephant Butte irrigation district has filed a motion to intervene in the U.S. Supreme Court case.

In response to Representative Larrañaga regarding water compacts in the western part of the country, Mr. Farris said other western states' involvement may be pending the outcome of New Mexico's motion to dismiss.

In response to Senator Leavell regarding the depletion of Jal's groundwater due to Midland's groundwater pumping, Ms. Haas said interstate compacts govern only surface water and there is no governing law for interstate impacts of groundwater pumping. A similar situation involving Utah and Nevada resulted in no resolution and therefore offers no clear answers on how to handle the situation.

In response to Senator Cisneros, Ms. Haas said the litigation will continue to need additional funding. Mr. Farris added, if the lawsuit goes to trial, costs may exponentially rise. Regarding a 1906 treaty between the United States and Mexico, Ms. Haas said the water delivery obligation to Mexico continues to be fully satisfied.

Public Safety Force Update. Gregory Fouratt, secretary of Department of Public Safety (DPS), began his presentation talking about an article in *USA Today* that listed New Mexico as the second most dangerous state in America. The article based its research on 2013 uniform crime reporting data. The data indicates Belen as the most dangerous city in New Mexico. Secretary Fouratt then updated the committee on the Motor Transportation Division merger. As result of the merger, 153 sworn law enforcement officers were transferred to the New Mexico State Police Division (NMSPD). The merger also created a single point of entry for new officers entering DPS.

Pete Kassetas, chief of the State Police, provided additional detail on the reorganization. On June 1, 2015, participants meeting with a consultant agreed on a vision of a successful reorganization, strategic actions necessary to achieve the vision, and the establishment of working groups to make recommendations regarding five high-priority actions which are

- Training and curriculum,
- Hiring practices for traditional and lateral schools,
- Inter-bureau transfers, including training requirements,
- Review of organization, and
- Image and insignia.

Secretary Fouratt talked about officer salary structure. A \$3 million appropriation for FY15 achieved internal equity among division. In FY16, an appropriation of \$3.3 million compressed

patrol officer salary steps from 13 to 5. The starting salary in New Mexico market moved from 11th to 6th. To reach the top three in New Mexico market, DPS will be making an appropriation request for FY17 to increase salaries. Secretary Fouratt said the pay increases are essential to recruitment and retention. Secretary Fouratt talked about where NMSP is headed in the future. Secretary Fouratt envisions a single, unified entity with increased staffing essential to public safety. For adequate staffing at end of FY17, DPS would need to hire 63 additional officers. The additional officers do not count towards replacement of officers that retire or leave the division.

Chief Kassetas talked about the State Police recruit school. Graduation of 46 recruits currently in the academy is scheduled for December 4, 2015. The next academy will be starting January 2016. The work of the Special Operations Bureau was mentioned. The bureau, comprising highly skilled teams, responded to 565 calls for service in 2014. Secretary Fouratt gave a brief overview of the officer training curriculum. Law enforcement recognizes the law cannot be enforced the way it was in years past. Secretary Fouratt said the department has an obligation to repair the relationship between the public and police officers. Secretary Fouratt said law enforcement must recruit the right type of person and train them to be right kind of police officer. According to a survey done by the Garrity Group, the level of trust citizens have in New Mexico police officers has rebounded from 37 percent in 2014 to 54 percent in 2015. The officer training curriculum consists of basic police officer training, post-academy field training, and advanced training. Police officers are required to receive 40 hours of advanced officer training every two years. Although administratively run by DPS, the law enforcement academy is governed by the Law Enforcement Academy Board. The board prescribes minimum standards for accreditation of the academy's basic training program and the certification of officers. There are total of nine police academies in New Mexico. Chief Kassetas talked about the officer's training on how to handle difficult situations.

Data-sharing among law enforcement agencies for effective crime response and prevention was discussed. The Information Technology Division of DPS manages, provides, and maintains technologies that make it easier for the courts, Corrections Department, police officers, and citizens to interact with DPS.

Representative Lundstrom requested LFC staff create a chart that shows the correlation between salaries and the most dangerous cities.

In response to Senator Cisneros regarding DPS's capital needs to accommodate the increase in the workforce, Secretary Fouratt said included in the capital improvement plan is a proposal for a new DPS complex in Albuquerque. Secretary Fouratt said the current district office in Albuquerque is outdated and outgrown. The proposed complex would free up money from leases and give the state an opportunity to sell premier property where the current facility is located. Senator Cisneros asked Chief Kassetas what the approximate dollar amount would be needed to accommodate the increase in workforce. Chief Kassetas estimated a base increase need of \$16 million.

In response to Representative Larrañaga regarding DPS's future appropriation requests for salary increases, Secretary Fouratt said the goal is to get and keep salaries in the top three in New Mexico market.

In response to Representative Larrañaga, Secretary Fouratt talked about DPS's relationship with other law enforcement agencies and the courts.

In response to Senator Morales, Chief Kassetas said the Legislature indirectly provides the resources necessary when State Police assist in policing large events. Chief Kassetas said while State Police may sometimes enter an agreement with communities hosting an event, often it's a balancing act in making sure everything is in place regarding permits, regulations, and security.

In response to Senator Morales, Chief Kassetas said while progress has been made in identifying the issues involving the mentally ill, significant progress must still be made in training toward those issues.

Juvenile Justice Services Facilities Capacity, Cambiar Implementation and Outcomes, and Children, Youth and Families Department Update. Monique Jacobson, secretary of the Children, Youth and Families Department (CYFD), began with an overview of CYFD's strategic plan. Secretary Jacobson said in developing its mission statement over the last six months, the agency has become united. CYFD's mission is to improve the quality of life for our children. Secretary Jacobson said CYFD must first do what it can to reduce overall fatalities. To improve the quality of life, the state needs to make children safe, nurtured, and prepared to be a contributing member of society. Secretary Jacobson talked about CYFD's operating principles, which include owning mistakes and learning from them and creating a culture of accountability and support. In implementing its operating principals, CYFD will be working on five strategic planks:

- The shoring-up core functions,
- Prevention,
- The improvement of communication and relationships with law enforcement,
- Financial controls, and
- Community engagement.

Secretary Jacobson talked about going back to basics to ensure CYFD is functioning as it should. Recruitment and retention of CYFD workers was discussed. Secretary Jacobson mentioned partnering with universities for recruitment. To address the need for more foster families, CYFD will be streamlining the process from inquiry to license. Training will be made more accessible to foster parents and efforts will be made to retain them. Regarding childcare assistance, CYFD is focusing on balancing access with quality. Eligibility for childcare assistance has been increased from 100 percent to 150 percent of the federal poverty level. CYFD is working with its providers to ensure proper rate structure. Secretary Jacobson talked about ensuring prevention initiatives are reaching at-risk families. Prevention initiatives include home-visiting to new families, childcare assistance, and a Protective Services and Early Childhood Services pilot program. To improve communication with law enforcement, CYFD will be extending the virtual desktop pilot program, which gives dispatchers accessibility to CYFD files. The pilot program, created in partnership with State Police, may be expanded to other law enforcement. CYFD received its largest budget in FY17. Secretary Jacobson talked about the agency's priorities to ensure dollars are spent efficiently and effectively. CYFD is developing an integrated financial reporting process to allow for monthly reconciliation of financial activity. Secretary Jacobson

ended the discussion on the five strategic planks talking about involving communities in the fight to improve the quality of life for children.

Secretary Jacobson reported on Juvenile Justice Services and its mission to keep clients and public safe and prepare clients to be contributing members of society. In updating the committee on the Cambiar model implementation, Secretary Jacobson talked about the changes made to improve outcomes. Changes include the size, look, and feel of the living units. Emphasis has been placed on positive peer culture and conflict resolution through communication. Behavioral health therapists are now assigned to each unit. Policy revisions have been made on the use of force and isolation. The Incident Review Committee (IRC) is responsible for reviewing all incidents in its facility and report its findings and recommendations to the superintendent. A no separation policy has been implemented. Secretary Jacobson talked about how the agency is measuring success. CYFD is using a federal data-driven improvement model called performance-based standards to compare New Mexico with other states. Other measures of success include the internal quality assurance process and LFC report card. Secretary Jacobson concluded with next steps. CYFD will continue implementing Cambiar through policies and procedures that support a sense of accountability and incentives for clients. Staffing levels will continue to be analyzed to ensure levels are appropriate for both safety and efficiency. CYFD will look at establishing more programs, such as a volunteer coordinator program and a sports program.

In response to Representative Lundstrom, Secretary Jacobson said the current vacancy rate is 16 percent. Secretary Jacobson said some positions in rural areas are often difficult to fill. CYFD is exploring opportunities such as partnering with universities for recruitment particularly in rural communities.

Senator Morales commented on the need for increased collaboration between CYFD, the Public Education Department, and school districts.

In response to Representative Varela, Secretary Jacobson said CYFD is doing an assessment on Lincoln Pines Youth Center to determine its future. In the meantime, the youth have been moved to other facilities.

Friday, July 17

The following members and designees were present on Friday, July 17, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, William F. Burt, Carroll H. Leavell, Mary Kay Papen, Steven P. Neville, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano “Lucky” Varela, Doreen Y. Gallegos, Paul C. Bandy, Sharon Clahchischilliage, Bill McCamley, and Patricia A. Lundstrom. Guest legislator, Representative Yvette Herrell.

Overview of State Transportation Project Prioritization and Funding Practices. Tom Church, secretary of the Department of Transportation (NMDOT), began his presentation showing a map of the Statewide Transportation Improvement Program (STIP) projects completed in the last five years. In another map, Secretary Church showed projects currently in progress. As required by the U.S. DOT’s Moving Ahead for Progress in the 21st Century Act

(MAP-21), a long-range plan has been developed and will be used as an overall guidance for New Mexico projects. Secretary Church reported that 95 percent of New Mexico's interstates are in good condition. NMDOT has implemented the Transportation Asset Management (TAM) program, which uses data-driven asset management to maximize use of limited public resources to maintain the state's transportation infrastructure.

Referring to a handout, Secretary Church briefed the committee on completed and active highway construction projects from 2010 to 2015. While highway construction projects are majority federally funded, state dollars are primarily being spent on maintenance activities, such as filling potholes and paying salaries and benefits. Historically, the nation's transportation system has been 40 percent federal funded. Secretary Church reported that New Mexico invests \$93 million a year in its bridge system and that the current investment level is anticipated to reduce deficient bridges from 5 percent to 1 percent in 10 years. In response to Representative McCamley, Secretary Church said there is no immediate danger of a bridge collapse. Secretary Church noted that bridges are inspected every two years and DOT would close the bridge if it is found to be completely deficient.

In addition to the bridge program, New Mexico invests \$120 million a year on pavements. The current pavement rating is 53.3 PCR (pavement condition rating) meaning that most of the roads in the system are considered to be in "fair" condition. If the investment is not increased, the PCR will decrease to 39, or poor condition, in 10 years. Secretary Church recommended increasing the investment to \$275 million a year, which would allow NMDOT to maintain roads at a rating similar to the current rate. Secretary Church is not sure if it would be wise to transfer dollars spent to maintain bridges to the maintenance of pavements. Don Martinez, division administrator of the New Mexico Division of the Federal Highway Administration (FHA), said if dollars are taken away from the bridge program, New Mexico cannot expect for its bridges to stay at the current deficiency level.

In response to Senator Cisneros regarding county roads and municipal roads, Secretary Church said there is a similar need for additional dollars at the local level to maintain roads. Regarding an incomplete GRIP project on Highway 54, Secretary Church said there was not enough funding to complete the project.

In response to Representative Larrañaga regarding MAP 21, Mr. Martinez talked about NMDOT's requirement to implement a performance management program. Performance targets will need to be set for payments, bridges, safety, and other programs.

In response to Representative Larrañaga, Secretary Church said the debt service schedules require a monthly set aside. The state road fund deposits money monthly and then is reimbursed by the FHA. Representative Larrañaga expressed concern of a cash flow problem if there is an interruption in receiving federal reimbursement.

In response to Representative Lundstrom, Secretary Church said NMDOT will be looking at how to maximize the \$45 million appropriated in the capital appropriations bill during the 2015 special session.

In response to Representative McCamley's question about what would happen if pavement conditions went from fair to poor, Secretary Church said the state would experience more traffic congestion, more potholes, and an increased number of accidents. The General Services Department raised NMDOT's liability rates by \$6 million last year.

In response to Senator Leavell, Secretary Church said the number of traffic accidents and fatalities in Eddy and Lee counties have almost doubled in the last four years. Forty million dollars in federal funds will be spent on putting shoulders on highway 529. Capital outlay dollars will be spent on improvements to highway 82.

In response to Representative Hall, Secretary Church noted that as NMDOT moves forward with the TAMP, the department will begin to explore how portions of the NMDOT construction and maintenance budget can be distributed based on recommendations of a new pavement management system. Representative Hall noted that in Colorado 70 percent of road construction and maintenance projects must be recommended by a pavement management system that uses road condition data and traffic data to recommend the projects with the highest return on investment.

Miscellaneous Business

Action Items.

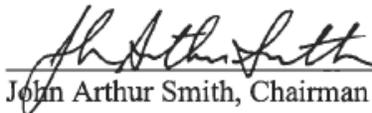
Approval of LFC Minutes – July 2015. Senator Cisneros moved to adopt July's meeting minutes, seconded by Representative Hall. The motion carried.

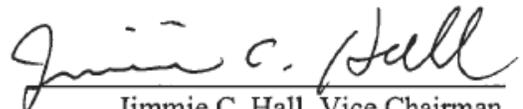
Information Items

Review of Monthly Financial Reports

David Abbey, director, LFC, briefed the committee on information items. Referring to the July 2015 full-time-employees-by-agency report, Director Abbey pointed out the increase in employment compared with the last few fiscal years. NMDOT employment is up 3 percent. Director Abbey informed the committee of a new report prepared by LFC staff that tracks capital outlay projects under \$1 million. The projects are primarily local.

With no further business, the meeting adjourned at 10:18 p.m.


John Arthur Smith, Chairman


Jimmie C. Hall, Vice Chairman