

**Legislative Finance Committee  
Meeting Minutes  
Western New Mexico University  
J. Cloyd Miller Library  
Silver City, New Mexico  
June 12-14, 2013**

**Wednesday, June 12, 2013**

The following members and designees were present on Wednesday, June 12, 2013: Chairman Luciano “Lucky” Varela, Vice Chairman John Arthur Smith; Representatives Henry “Kiki” Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Rudolpho “Rudy” Martinez, William “Bill” J. Gray, James P. White; Senators Carlos R. Cisneros, Howie C. Morales, Carroll H. Leavell, Lee S. Cotter, Ron Griggs, and Mary Kay Papen. Representative Dianne Miller Hamilton attended as a guest.

The committee introduced themselves, noted represented districts, and thanked everyone for their hospitality. Senator Morales chaired welcome remarks and community input and introduced community leaders and members of the Grant County Prospectors.

**Welcome Remarks and Community Input.** Silver City Mayor James R. Marshall welcomed the committee and said Silver City has an unprecedented set of partnerships with the county and the tri-city municipalities – and the best relationship with Western New Mexico University he can remember. Silver City responded to the economic downturn by diversifying capital assets. Bolstering economic development, Mr. Marshall noted the baseball fields and soccer fields were rebuilt, with more than 800 youth benefitting. The clubhouse at the golf course is being built. Mr. Marshall said Silver City has one of the longest running MainStreet programs in New Mexico history, receiving numerous awards.

Brett Kasten, chairman, Grant County Commission, and Charlie Kelly, mayor of Bayard and a trustee of the Gila Regional Medical Center, urged the committee to help with county hospitals. Mr. Kasten said normally \$270 million comes to the state but soon hospitals will only see about a third of the amount. Another issue facing the county is \$400 thousand in unpaid landfill fees and no mechanism in place to stop water for chronic delinquency.

Lon Streib, superintendent, Silver Consolidated Schools (SCS), introduced Tricia Martinez, associate superintendent, and said the district is partnering with the state in Reads to Lead and K-3 Plus, and classroom sized are being adjusted. Mr. Streib said it would help his district to have latitude to invest in the latest computer and digital technology for instruction.

Western New Mexico Board of Trustees member Tony Trujillo said the transformation of the university since Joseph Shepard became the president is astounding. Mr. Shepard said the university did not have voicemail a year ago, welcomed the committee and thanked them for their support using the latest wireless video and audio technology.

Grant County Prospectors President Mike McMillan said the Prospectors were honored to have the committee in Silver City. The goal of the Prospectors is to educate and advocate for issues important to Grant County on a local, regional, and state level through a variety of activities.

Chairman Varela asked how the state could maximize federal funds from the Sole Community Provider Act. Mr. Kasten said Grant County matches the maximum for federal dollars, but the Human Services Department (HSD) gave the county more money than was due, so the county has to pay the money back – Gila Regional Medical Center has to pay \$2.7 million. Chairman Varela also asked how the Affordable Care Act will affect the county. Grant County Manager Jon Saari said the HSD has predicted a shortfall to all hospitals through December. Sole Community Provider funds will be cut from \$270 million to \$70 million annually and divided by hospitals in New Mexico, he said. The state expects \$90 million from enrollment in ACA, but a \$110 million shortfall exists, he said. The Gila Regional Medical Center, for example, may see less money because of various managed care provider contracts and fees. Everything we're hearing, he said, is the ACA "fixes" are going to make things worse.

Ms. Martinez said SCS developed a rotation for Chrome books, with Mr. Streib adding that software scares the Public Education Department because it is less tangible than a textbook, but bandwidth is a problem in rural schools. The committee discussed the relevance and necessity of teaching life skills at the secondary education level. Vice Chairman Smith said the committee had concerns about gaming the funding formula – when looking at English language learners and students with disabilities, SCS is well below the statewide average.

The mining industry benefits Grant and surrounding counties, because the state cannot fully support the numerous federal cuts.

Representative Martinez asked about local water projects. Mr. Kelly said Bayard has a regional waste water plant with funding to install a higher-grade filtering system to reuse water, which should be complete in a year. Mr. Marshall said Silver City is doing a water recharge and water can be accessed on the Hurley side of town, which is important for the region.

Senator Morales recognized former Representative Murray Ryan.

**Status of Department of Health's Facilities Management Division and Follow-Up to 2007 DOH Facility Management Division Review.** LFC staffer RubyAnn Esquibel introduced DOH Chief Deputy Secretary Brad McGrath. Pamala Galbraith, senior evaluator, LFC, gave a brief progress report of DOH facilities since the LFC evaluations in 2007 and 2009, saying the oversight of financial operations of the facility continues to be major concern; facility management's inability to accurately project revenue stresses the overall state budget; and staffing is a driver of facility costs. Key recommendations are the Office of Facilities Management (OFM) should develop and implement a plan to rely on not more than 45 percent of the state general fund for expenses; the OFM should decrease facility capacities and staffing to match more realistic census, consolidate facilities, or move services to community providers; and the DOH should develop healthcare financing and procurement expertise at the facility's program management level. Ms. Galbraith said outstanding issues are all facilities financially report as one program and per the SPO, no requests have been made to develop a census

management program to adjust staffing on a regular basis. The LFC recommends the department develop a traveling core of health professionals to react to DOH facility needs. Ms. Galbraith stated the OFM continues to struggle to recruit and retain health professionals because of compensation competition. The LFC recommends the SPO take another look at the issue, she said. Other than the Behavioral Health Institute and Turquoise Lodge, facilities have not sufficiently improved their revenue generation in spite of access to Medicare and Medicaid funding.

Ms. Esquibel briefed the committee on current issues facing the OFM, saying for FY14 the Facilities Management Program was appropriated a total of \$139.1 million and 2,119 FTE. The facilities' FY13 year-end projections show third-party revenue (Medicaid, Medicare) is expected to be short by \$5.1 million. The DOH supplants this revenue shortfall with general fund surpluses from the facilities' personal services and employee benefits category, she said. For FY13, the DOH is projecting a surplus of near \$6 million for the facilities' personal services and employee benefits due to recruiting and retention difficulties associated with nurse shortages and non-competitive pay. Ms. Esquibel said that with the expansion of Medicaid and the further implementation of the federal Affordable Care Act, it will become even more critical to bill and collect for third-party revenues.

The average daily occupancy at the end of FY12 was 70 percent, with a high of 94 percent at Turquoise Lodge and a low of 34 percent at the Fort Bayard Medical Center's Yucca Lodge chemical dependency unit. Despite less-than-optimum occupancy, the Facilities Management Program continues to have considerable overtime costs. Patient falls and injuries remain of concern at facilities, along with incidences of influenza, norovirus, bed sores and skin lesions, she said.

Ms. Esquibel said the Sequoyah Adolescent Residential Treatment Center in Albuquerque has had its license placed on a 180-day provisional status pending completion of 13 standards. She noted although Chapter 90 of Laws 2011 requires drug and alcohol testing for direct healthcare providers in state healthcare facilities, neither the SPO nor the DOH have yet to promulgate rules and regulations to implement this law.

Dr. McGrath said the department is working hard to improve accountability and performance measures. He reviewed the department's organizational chart and said the new ASD director is Leonard Tapia, who has 30 years of private hospital chief financial officer experience.

Turquoise Lodge Hospital Administrator Mike Gutierrez said within the last year the lodge has had a successful 95 percent occupancy rate and has expanded to provide the state's only adolescent (ages 14 to 18) inpatient detox unit, which has beds for 10 females and 10 males. Mr. Gutierrez said Turquoise Lodge has contracted with the University of New Mexico to bring in intravenous drug users needing extended stays and has expanded by six beds for the program. Mr. Gutierrez said the lodge has a partnership with Bernalillo County for a Medical Observation Treatment Unit that provides an alternative to an emergency room for substance abuse and was accepted as a Value Added Services Provider with OptumHealth for the next six months for reimbursement on adolescent claims.

Troy Jones, administrator, New Mexico Behavioral Health Institute (NMBHI), said the Institute is the only state-owned and -operated psychiatric hospital in New Mexico, with five divisions; each separately licensed with unique admission criteria. The NMBHI provides adult psychiatric services on six units, serving almost 1,000 admissions yearly; adolescent sex offender services; forensic competency evaluations; and treatment for adult patients. It has the largest long-term nursing care facility for elderly and disabled residents. Mr. Jones told the committee about 49 percent of the patients in the Forensics Division are considered to be not competent, not restorable, and dangerous, staying between three years to five life terms; this limits access for other treatable patients, he said. Mr. Jones thanked the Legislature for capital outlay funding for phase one and two of Meadows Home and said a new clinical director was recently hired.

New Mexico State Veteran's Home (NMSVH) Administrator Lori Montgomery said the NMSVH in Truth or Consequences is the exclusive long-term care home for Veterans, their spouses, and Gold Star parents in New Mexico, providing 145 beds with inpatient long-term care services at three levels: assisted living (10 beds), nursing care (135 beds), and skilled nursing and acute care. The NMSVH has an onsite lab and a full time doctor and pharmacist clinician. Ms. Montgomery said the NMSVH generates enough income to be self-sustaining and promotes volunteerism. More than 70 people volunteer by augmenting activities and services.

Jeremy Averella, administrator, Fort Bayard Medical Center (FBMC), said the new FBMC is primarily a long-term intermediate care facility that opened in 2010 and includes the Fort Bayard State Veterans Home and Yucca Lodge Chemical Dependency Unit. FBMC is a Western New Mexico University training site for nursing, nursing aide, physical therapy, occupational therapy, and substance abuse counseling students, he said. The FBMC is an approved training facility for the Certification of Certified Nursing Assistants and Medication Aids. The FBMC is developing and initiating a new strategic plan with specialized care and treatment programs.

Dr. McGrath said he tasked Department of Health Chief Nursing Officer Gayle Nash with changing medication procedures and reinventing the program at the Sequoyah Adolescent Treatment Center (SATC) in Albuquerque to be more therapeutic rather than correctional. Ms. Nash said the SATC treats boys 12 to 18 years of age (some on probation) with mental health diagnoses and other compounding behavioral issues. To improve the program, she said, the SATC is partnering with the federal Substance Abuse and Mental Health Services Administration to complete a consultative review of the program in an effort to align current evidence-based interventions.

Los Lunas Community Program Administrator John Hellebust said the program is completely community-based, serving clients with developmental disabilities through a wide range of programs. The LLCP also serves as a safety net for individuals in crisis on a statewide basis, he said. Services are funded via the Developmental Disabilities Medicaid waiver, the general fund, the crisis fund, and other Intermediate Care Facility for Mental Retardation funds. The LLCP currently serves 80 individuals, with 61 receiving 24-hour care; 50 percent of these individuals are involved in the Jackson litigation. Residential homes vary from two individuals to four individuals, he said.

Dr. McGrath said the New Mexico Rehabilitation Center in Roswell offers a wide range of rehabilitation services including physical and occupational therapy, yet this center has a chemical dependency unit that is not the same as Turquoise Lodge's intensive program. The NMRC staff successfully recruited two employed physical therapists and contracted with one locally.

Ms. Nash switched gears and talked about performance measures, saying the department is dedicated to performance measures and outcomes. Department objectives: achieve national accreditation for all facilities, leadership accountability, and conduct quarterly facility management meetings. Other objectives include establishing peer review systems for practicing DOH clinicians in facilities that are discipline-specific; increase workforce development activities to prevent medical errors; participate in the DOH and partner studies; recruit and retain staff; and implement financial accountability.

Tres Schnell, director, Office of Policy and Accountability, assured the committee the department is working very hard on making serious improvements to performance measures and accountability. The Facilities Management Program has three quarterly performance measures: percent of operational capacity beds filled at all agency facilities; percent of third-party revenues collected at all facilities; and total dollar amount of uncompensated care at all facilities. Ms. Schnell said the DOH is considering performance measures for FY15 that include reducing the percentage of long-term care residents with healthcare acquired pressure ulcers, reducing rehabilitation patient falls, and behavioral health record transfer accountability.

According to the DOH's Mike Mulligan, some information does not paint an accurate picture of the department's finances, particularly the measure being reported as the third-party revenue collection. The department has been misreporting this measure; in fact, he said, the actual percentage is more between 75 percent and 95 percent of the collectable revenues collected each year. The DOH has made it a priority to stress the importance of collecting every dollar for services provided. Also, the uncompensated care measure has not been adequately and accurately reported to the Legislature. Beginning July 1, reporting will change. Mr. Mulligan said facilities have reported earned income as though it were all billable, which caused the problem. Mr. Mulligan briefed the committee on the department's budget, which is \$139 million with 2,000 FTE. The DOH tries to finish each year in the black, he said, at the facility level and the program level.

All facilities are aggressively and accurately recruiting, said Teresa Padilla, human resources director, Department of Health; currently the DOH facilities vacancy rate is averaging 14.6 percent of funded vacant positions. The SPO is working with the DOH to develop a tiered process for healthcare workers. Dr. McGrath said staffing is the department's biggest challenge. New Mexico has a severe and growing shortage of healthcare workers. Senator Cisneros suggested developing a training system to produce people to fill the need. The DOH works closely with the schools, Dr. McGrath said, but the state does have strong cards to play when it comes to recruitment. The DOH is also working on retaining, mentoring, training, and promoting employees.

The panel discussed the process for better using and developing Yucca Lodge and Fort Bayard to accommodate medical detox, as well as the behavioral, medical, capital outlay and staffing, and money issues accompanying the plan.

Senator Cisneros asked what adolescents at Turquoise Lodge are being treated for. Mr. Gutierrez told the committee it is shocking what some 14 to 18- year old children are using – spice (at least 20 different compounds) whose long-term effects are unknown; heroin is big. On the medical side, children are being treated for post traumatic stress disorder and many other mental health issues. Desert Hills treats children younger than 12 years old, and Mr. Gutierrez said community partnerships are important. Multigenerational drug usage is common, he said. Mr. Gutierrez discussed the difficulty of tracking the adult population to gather data, and the DOH is working with Bernalillo County and other community partners.

Representative White asked about the status of the old Fort Bayard hospital. Ms. Esquibel said the Legislature appropriated \$3.7 million for demolition. Mr. Averella said a number of outside groups are interested in the building.

Senator Morales commended the staff at Fort Bayard and asked if all facilities will earn joint commission accreditation. Ms. Nash said four facilities have been joint accredited. The overall cost estimated for joint commission accreditation in Las Vegas is \$40 thousand for a five-day survey. The panel discussed the importance of accreditation from an outside agency for reimbursement. Senator Morales asked if there are any state facilities not in compliance with the Centers for Medicaid/Medicare Services. Ms. Nash stated with licensing and certification, the DOH is in good standing. Mr. Mulligan said he would provide the department's policies and procedures with regard to third party reimbursements to Senator Morales.

Chairman Varela said the state personnel hiring, salary, and classification structure is flawed and would like nothing better than to see NEOGOV, the state personnel application system, dismantled and authority to hire given back to agencies. Currently, the DOH has the ability to create and approve job postings and rank lists. Chairman Varela requested a subcommittee to review the hiring and pay structure for all branches of government.

**Update on Copper Mining Production, Employment and Regulatory Issues.** Tony Trujillo, director, Government Relations, Freeport McMoran, said in a nutshell Freeport McMoran is the economic engine in the southern part of the state with more than 4,300 jobs. New Mexico Operations Vice President John Brack said the company has 15 mines total; 13 are in the Americas and the two in New Mexico are Chino and Tyrone. Mr. Brack said the company spends \$235 million annually on exploration. Copper reserves and mineralized material are at 117 billion pounds.

Tim Eastep, senior manager, administration, Freeport McMoran, said the company has 1,600 employees and about 300 contractors in New Mexico. The total direct and indirect economic impact in Grant County is \$116 million from operations and another \$9 million from supplier purchases; the state impact is \$340 million. Mr. Eastep noted that last year more than \$1 million went directly to nonprofits in Grant County.

In 2012, copper production at the Chino mine was 144 million pounds, up from 69 million in 2011; the Tyrone mine produced 83 million pounds, compared with 76 million pounds in 2011. Mr. Eastep said at Chino a second line in the concentrator was started last year, are looking at permitting additional stockpiles. A significant permitting process for Freeport McMoran is connecting a haul road on federal land between Chino and Cobre to haul ore to Chino for processing.

Mr. Eastep said the company is looking for clear and consistent rule process, saying the company's rules are more onerous than current requirements. Mr. Trujillo said Senate Bill 206 was passed in 2009 to give the dairy and copper industries predictability, stability and transparency. Today, the "copper rule" is pending with the Water Quality Control Commission after numerous public hearings and a decision is expected in August, he said.

Mr. Eastep gave a brief history of mining in New Mexico, saying people have been mining in this area for more than 100 years. Chino is known as one of the original mines where open pit was perfected. Chino's open pit, the Santa Rita pit, began in 1910. Tyrone was primarily underground and began open pit mining in 1967.

Chino and Tyrone mines have open pit mine operations and leaching operations. Chino has an additional capacity with a concentrator. Mr. Brack explained the process of mining copper that includes drilling, blasting, and concentrating. The salt and extraction process takes the copper into solution, and it is pumped to a salt and extraction plant where copper is recovered. Copper concentrate is shipped to a smelter in Miami, Arizona, or overseas.

FMI has done extensive reclamation in Grant County, with close to 5,000 acres of reclamation. Under the Mining Act, the company has to have financial assurance to cover cost to closure. FMI has more than \$370 million in financial assurance in place.

Rebecca Neri Zagal, executive director, Office of Natural Resource Trustee (ONRT), said the state agency's mission is to restore or replace natural resources (fish, wildlife, plants, air, groundwater and surface water) and resource services that have been injured by the release of hazardous substances or oil. The trustees are the states, tribes and five federal agencies. In New Mexico, ONRT is the trustee for the state. Natural resource damage assessment and restoration is the restoration of resources to the condition they would have been in prior to release of contaminants; while remediation, she said, is the removal or containment of contaminants released into the environment to protect human health and environment.

The ONRT's operating budget comes from the general fund; although the last few years some funding has also come from the fund balance. The money for planning and implementing restoration projects comes from damage settlements. New cases are started with reimbursement of assessment costs money.

Ms. Neri Zagal said the first step in the process is assessing injury to natural resources. All cases are done with a cooperative assessment process to analyze injury together. Once the range of injury is determined, damages are negotiated, she said. A consent decree is filed and restoration can begin.

The ONRT worked with Freeport McMoran in a cooperative assessment process and was able to settle both groundwater and terrestrial and wildlife injuries for \$13 million and \$5.5 million, respectively. Groundwater restoration projects for the settlement with FMI include the San Vicente Creek Mill for removal of tailings and contaminated soils; Santa Clara wellhead protection; sewer improvements for Santa Clara; Silver City sewer lines; infrastructure for groundwater conservation at the Bayard Wastewater Reuse Facility; and replacement of clay sewer pipes leaking into groundwater at the Hurley Sewer. The ONRT completed a draft restoration plan for wildlife and wildlife habitat. Restoration is anticipated to begin at the end of the year.

In the public comment portion of the hearing, Tannis Fox, assistant attorney general, said the discussion will pertain to the “copper rule” hearing. The Attorney General (AG) strongly supports copper mining in New Mexico and strongly supports the protection of groundwater resources in our state for present and future generations of New Mexicans; which are not mutually exclusive goals, she said. Groundwater and surface water represent a highly valuable resource for the state. About 90 percent of the state’s drinking water comes from groundwater, she said. Given the current drought, water resources become more important today and into the future. The opinion of the AG’s office is now is precisely the wrong time to loosen protections on groundwater.

Ms. Fox stated New Mexico has had one of the strongest groundwater protection programs in the nation because of the Water Quality Act, which protects all groundwater with a present and a reasonably foreseeable future use. The Water Quality Control Commission has passed regulations protecting all groundwater that has 10 thousand milligrams per liter of total dissolved solids or less. Ms. Fox said that water – the water under discharge sites, sites such as dairies, mines, and waste treatment sites – has been protected historically. Ms. Fox stated the proposed copper rule would undo 35 years of protecting groundwater under discharge sites. In the opinion of the AG’s office, she said, the kind of allowance for water contamination is not allowed under the Water Quality Act and sets a bad precedent. Ms. Fox concluded by saying the AG’s office supports copper mining and groundwater protection but that is not the goal of the proposed rule at present.

Harry Brown, co-founder of the Gila Resources Information Project (GRIP), a community-based environmental advocacy group, said a strong economy and a healthy environment are not just compatible goals, they are mutually supportive goals. The GRIP advocates for responsible mining, but copper mining should not be conducted at the expense of environmental quality or public health. Copper mines should be responsible for cleaning up the messes they create without using taxpayer money to do so, he said.

GRIP opposes the new proposed “copper rule” because it violates the New Mexico Water Quality Act, allowing mining companies to knowingly pollute groundwater at mine sites. Pollution containment, he said, would require wasting an enormous amount of clean groundwater. Mr. Brown questioned how thousands of acre-feet per year of contaminated water could be pumped and treated in perpetuity. Mr. Brown said GRIP does not believe the pollution can be contained effectively or in perpetuity. Mr. Brown said there is no need for risky change in pollution regulation because Freeport McMoran enjoys billions of dollars in annual net

income and is publicly traded. Mr. Brown concluded that hundreds of years of wasteful groundwater pumping or the destruction of tens of thousands of acre-feet of groundwater is too high a price to justify mining.

Speaking for the Percha Animas Watershed Association, Max Yeh said Freeport McMoran is a successful business, but in terms of economic impact, one simply has to take the value of New Mexico's water into consideration. Mr. Yeh said New Mexico gives \$60 (60 gallons of water) to Freeport McMoran to make \$3.50 worth of copper. When taking water into consideration, the situation does not seem so great.

In response to Senator Leavell, Ms. Fox said the 2009 amendment required the Water Quality Control Commission (WQCC) to promulgate industry-specific rules for dairies and the copper rules and allowed the commission to promulgate specific rules, whereas previously the commission did not have the authority to be so prescriptive.

Senator Smith said the challenge is to work collectively and strike a balance for future generations. Senator Morales agreed, saying mining is important to the state. TJ Trujillo said about 90 percent of the proposed copper rule has been agreed upon, with 10 percent still being worked out. Mr. Brown interjected by saying the by the Copper Regulation Advisory Committee's (a multi-stakeholder committee) efforts to come up with rules acceptable to all parties were abruptly discarded by the New Mexico Environment Department.

Senator Morales asked Ms. Fox about a \$1.5 million appropriated to the AGO for Grant County Ms. Fox said she would have someone from the AG's office contact him.

The committee briefly discussed the copper rules applying to all mining facilities.

**Facility Master Planning for Colleges and Universities – Establishing Priorities for 2014 General Obligation Bond Funding.** Robert Doran, university architect, University of New Mexico, oriented the committee to the UNM campus and concentrated his briefing to three academic needs of the North Campus and three on Central Campus. 1) The first project on Central Campus is Ferris Engineering, built 60 years ago and 67,700 square feet. Mr. Doran said the building is overpopulated, the mechanical system needs to be replaced, and the specific request is for \$23.1 million from general obligation bonds to repurpose the building by renovating and expanding. 2) UNM is asking \$3.5 million for phase one of a new physics and astronomy building, now arguably the worst building on campus, he said. The Physics and Astronomy programs garner the most research money on campus and have an international reputation, yet the dilapidated facility has turned prospective faculty away. 3) Two candidate sites have been identified for the Anderson School of Management. The request for phase one is \$2.5 million, and UNM has already secured \$5 million from private funding for the project. 4) On North Campus, UNM is asking for \$30 million for the third phase of Domenici Hall for more classroom space. Mr. Doran said phasing the three-phase project has cost 17 percent more than if it were completed all at once. 5) The Center for Developmental Disability project is a \$30 million project, and the request is for \$1.5 million in general obligation bond proceeds (GOB) for programming, planning, and design. 6) The School for Public Health is the last request at \$1.5 million for programming, planning, and design with two candidate sites.

Glen Haubold, assistant vice president for facilities, New Mexico State University, said NMSU uses a data-driven approach to capital outlay initiatives that align with strategic and master planning. Mr. Haubold said the university's FTE has outgrown their space, but there is more to it than square footage per student; net usable area and other factors are taken into consideration.

The Facilities Condition Index (FCI) is the maintenance and replacement deficiencies of the facility divided by the current replacement cost. NMSU brought initial assessment data up to date through Arcadas and implemented a facilities condition assessment module in the work order system to keep current.

Mr. Haubold said he works with the registrar's office to efficiently assign classroom space using a number of metrics. Forty percent of NMSU's buildings are between 25 and 50 years old, which has serious implications to capital renewal.

From the FCI, the Las Cruces Campus has \$8.5 million in critical and immediate needs based on age. The request for the Las Cruces Campus (2014 GOB year) of \$21.3 million includes renovations and additions to engineering facilities Jett Hall, Jett Annex, and Thomas & Brown Hall (\$10 million). The primary request for the campus in Alamogordo is \$5 million for the Advanced Technology Education Center phase two; \$4 million for the Child Development Education Center in Carlsbad; \$2 million at Doña Ana Community College for infrastructure upgrades, replacement and repairs; and \$4 million to replace the Child Development Education Center (which received planning money for this in last legislative session) and \$1.36 million for infrastructure upgrades and replacement.

Joseph Shepard, president, Western New Mexico University, said in 2006 WNMU's average FCI was 65, with some historic structures at 125. Revenue bonds are funding new dormitories, and a new student activity building. WNMU wants to continue developing student housing and create activities for students on campus to increase retention rates. Mr. Shepard said the Legislature appropriated \$2.5 million for the second phase for Light Hall, where the College of Business is housed, and funds to acquire property for a business complex. The GOB request will be to renovate classrooms in the business building and for the sciences building, which houses the botany and zoology programs. Fleming Hall, the oldest building still left on campus, he said, still has no central heating and cooling system and is number three on their list; number four is funding to redesign the arts complex. Mr. Shepard said because WNMU is closely tied with the community, university facilities must be multipurpose. The university is in the process of hiring an architect to do a master plan; community input, infrastructure, and FCI updates will be included in the plan, he said.

The panel briefly discussed how projects are prioritized. Senator Cisneros spoke to the 2010 GOB defeat and the process a project must go through to be considered for funding. He requested that thorough review be completed internally by each university and that a reasonable amount is requested and a criteria be established. Mr. Haubold said projects are appearing in priority order. Dr. Shepard discussed the process a project goes through to be funded, and said once funded, each projects goes through three to four approval processes that delays the start to all projects. Mr. Doran said projects are prioritized to fund actual construction. Timing is a constant issue, he said, and depends on circumstances.

Representative Larrañaga mentioned Ferris Engineering was one of the principal problems identified by the accreditation group and if something was not done by the next cycle, UNM may be in trouble. Mr. Doran did clarify that Ferris is the number one priority. Representative Larrañaga stated legislators contributed \$700 thousand for plan and design and asked what the status was on the funding. Mr. Doran stated they have already started the process of planning in-house and will move into the design phase soon after and they anticipate being “shovel ready” by the time the 2014 GOB funding is available.

The committee and panel discussed alternate, additional financing for university capital outlay, and Vice Chairman Smith said it is imperative to reflect on some of the problems and dilemmas the Legislature faces regarding university master planning: With the introduction of the Bridge and Lottery scholarships, UNM distorted enrollment at all the universities because growth shot up – interrupting a master plan for all universities. Every governor wants a smoother capital outlay plan and has participated in distorting that plan, the HED’s new funding formula with numerous campuses, and the disconnect between the HED and universities’ President’s Organizations. Mr. Doran said that if it were any consolation, UNM’s 2011 master plan was endorsed by the Board of Regents for the first time in history.

Senator Griggs said the Advanced Technology Education Center in Alamogordo has already been partly built and funded solely by a property tax; a committee worked with the HED and believed the state would provide the additional funding should the citizens pass a bond. The state didn’t follow through, he said, so please remember the citizens stepped up and funded the first phase of the building.

#### **Thursday, June 13, 2013**

The following members and designees were present on Thursday, June 13, 2013: Chairman Luciano “Lucky” Varela, Vice Chairman John Arthur Smith; Representatives Henry “Kiki” Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Rudolpho “Rudy” Martinez, William “Bill” J. Gray, James P. White; Senators Carlos R. Cisneros, Howie C. Morales, Carroll H. Leavell, Lee S. Cotter, Ron Griggs, and Mary Kay Papen. Representative Dianne Miller Hamilton attended as a guest.

#### **Review of Training Programs.**

**New Mexico Labor Force Dynamics and Unemployment** – Lee Reynis, director, Bureau of Business and Economic Research, discussed labor force dynamics and unemployment within New Mexico compared with national levels. In 2011, unemployment in New Mexico was widespread and now the problem is less serious, with a few concentrated areas including Mora and Luna Counties. New Mexico, she said, fell deep into the recession and bottomed out in second half of 2010. It remains stagnant because the state does not have positive, sustained growth, which is not the case nationally. Ms. Reynis noted New Mexico’s unemployment rate in the expansion from the beginning of 2003 fell to under 4 percent. The state’s unemployment rate is now just under 8 percent, substantially below the 10 percent nationally. Ms. Reynis said the irregular unemployment rate in could be the result the local area unemployment program changes in 2005.

New Mexico has a lower percentage of claims among those who would be eligible, she said, and the state is lower until 2010 – when the whole new unemployment system was brought online. Ms. Reynis presented unemployment insurance continued claims data by state: New Mexico, Texas, and Idaho are at 54 weeks, down considerably because of the tier system. Actual Claims Data is a monthly series collected by local workforce solutions – data on actual continued claims.

Ms. Reynis briefed the committee on the methodology of how unemployment is estimated today in New Mexico. Ms. Reynis said the CPS is a great tool but expensive, so small samples within each state are used to estimate labor force and unemployment. Model rates are developed for the region and other states, which can distort numbers. Ms. Reynis said there are some problems with the methodology, which is why New Mexico has low unemployment rates compared with neighbors and the rest of the country.

The median duration of unemployment in New Mexico moved from seven weeks up to 20 weeks recently. Ms. Reynis said the consequences of long-term unemployment have been severe – one survey indicated people out of work for more than six months have a disadvantage, and the situation is worse for people age 50 and older. Evidence indicates education can get you a job, but not necessarily a good one, she said. Men generally have had higher unemployment rates during the initial part of the recession; Hispanics and young people are at a disadvantage. Women heads of household unemployment has crept up to more 10 percent in 2011, which is alarming, she said.

Ms. Reynis said New Mexico has a shrinking workforce, lower labor force participation rates, and fewer people employed. Of people who are marginally attached to the workforce (looked for work within the last 12 months) New Mexico is at the top, next to Nevada. What this means, she said, is people don't see the growth here and decide to leave the state. In 2012, according to census bureau estimates, New Mexico lost about 7,600 people.

Davin Lopez, president, Mesilla Valley Economic Development Alliance, said New Mexico has an image problem. Referring to a New Mexico report card provided by Pollina Corporate, Mr. Lopez noted site-selectors look at the drop-out rate and teacher compensation when deciding to base or expand a business in New Mexico. New Mexico received an F for the drop-out rate and a D for teacher compensation.

A lower unemployment rate hurts New Mexico, he said, because companies are looking at skilled and readily-available workforce. In Doña Ana County, Mr. Lopez said a prospective company may have less than 10 percent of the population to choose from. Matching education and work experience needs for individual companies has been a challenge.

In terms of visibility to the rest of the country, it is important to illustrate how New Mexico is improving the workforce situation by investing in education and higher graduation rates – a necessary, long-term goal. New Mexico also needs to illustrate that a strong, ready workforce exists.

One of the challenges the MVEDA faces with employers is the need for basic soft skill sets. Mr. Lopez said our students in high school and at the community college level should be better

prepared and trained on subject matters to provide labor to growing industries in the country. The United States has made technical/vocational skills a secondary education, which is detrimental – Mexico is attracting aerospace industry, surpassing the United States, he said.

New Mexico exports our most important assets – our students, he said, which is not a strong return on investment.

Mr. Lopez told the committee after IBM chose Baton Rouge instead of New Mexico, Louisiana creatively responded by providing \$14 million to Louisiana State University to expand their computer science program and implemented a \$2 million package to pay reimbursement costs for recruitment out of state. New Mexico is missing the opportunity to bring in talented workforce. Certainly, the situation is a case study for New Mexico. The Job Training Incentive Program is our strongest tool, he said, but it is New Mexico-based and encourages a \$14 an hour program. Mr. Lopez encouraged the committee to expand JTIP to non-residents.

Jon Clark, analyst, Legislative Finance Committee, gave an overview of his brief and said New Mexico's employment growth rate of 1 percent lags every state in the region but Wyoming and the national average of 1.6 percent. New Mexico's per capita income was \$35.1 thousand in 2012, falling below the national average of \$42.7 thousand, and ranks 43<sup>rd</sup> in the country. High school and college graduation rates are at the very bottom of the national rankings as well – because of this, workforce development and training programs are critical. Mr. Clark said the brief identifies options for investment in workforce training and development programs.

Department of Workforce Solutions Programs. Celina Bussey, secretary, Department of Workforce Solutions (WSD), said there are more than 20 workforce connection centers around the state that provide resume and job search assistance. The WSD is the State Administrative Entity responsible for oversight of Workforce Investment Act activities designed to enhance employability, occupational attainment, retention, and earnings of adults, dislocated workers, and youth. The WIA funds support statewide employment training programs decided upon at the local level, she said.

The State Workforce Board has begun comprehensive inventory of current programs in line with the WIA, the amount of money invested, and the return on investment. Programs should be structured to address specific populations across the state, she said. The Employability Partnership (Public Education Department, Higher Education Department, Human Services Department, Economic Development Department), is taking look at an integrated data and delivery system.

Ms. Bussey said the state must focus local, community-based, state, and federal resources to maximize benefit and outcomes, targeting successful projects and initiatives with demonstrated effectiveness such as I/BEST. The state needs to continue existing strong partnerships between community colleges and the workforce development system – community colleges are a critical source of remediation, occupational skills training and credentials and a huge opportunity to leverage resources and eliminate duplication, she said.

The WSD is trying to promote skills-based workforce development by assessing the workforce in a different way – utilizing skills-assessments for skills-based credentialing. The department is also developing a statewide business survey to collect data and information from private and public employers to understand the skills and competencies lacking in the workforce. From this, the department can develop a comprehensive action plan to guide public policy, she said.

Ms. Bussey stated 13 million Americans are looking for work and 8 million more are settling for part-time work, yet 49 percent of employers face hiring challenges. Additional challenges: 6.5 million adults between 16 and 24 are not in school and not working in the United States; 39 percent of all college students across the nation require remediation and New Mexico is worse and remediation is expensive and unproductive; 58 percent of employers in the United States report graduates are not adequately prepared for work; 53 percent of recent college graduates are unemployed or underemployed – these are our college graduates who are waiters and waitresses who carry college debt. Also, this category is underserved because often this group does not qualify for any workforce training programs.

Workforce Training at Schools and Universities. Jennifer Amis, principal, Arrowhead Park Early College High School (APECHS), told the committee the school is a public school in Las Cruces that opened in 2010, and the model is for students to complete six years of education in four years of high school. The student body is 78 percent Hispanic, 63 percent first-generation college attendees, and 49 percent economically disadvantaged, which reflects the population of the district. Instead of a traditional high school with athletics and performing arts, Arrowhead Park is STEM-focused, resulting in a lower than average budget for a high school. The largest academic pathways are pre-engineering and health occupations, and the school provides access to all degree plans offered by New Mexico State University - Doña Ana Community College.

APECHS is a nationally endorsed Project Lead the Way school. All students receive the same academic level of preparation and are fully immersed in the technology environment. Ms. Amis briefly discussed staff qualifications and industry experience and the committee viewed a video submitted by students to Samsung Solve for Tomorrow, which illustrates project-based instruction requiring students to problem solve using math and science for which the school was awarded \$110 thousand worth of Samsung equipment.

Ms. Amis said the APECHS is celebrating the fact that 100 percent of students have progressed to the next grade level on time; 57 percent of students have a 3.0 GPA or higher; and APECHS has a 95 percent pass rate in Algebra I and a 90 percent pass rate in Algebra II.

Kristin Krell, director of a \$2.7 million, multi-year federal grant supporting the Integrated Basic Education and Skill Training (I-BEST) model, described a statewide consortium of eight community colleges that provide career/technical and adult education to non-high school graduates. Santa Fe Community College hosts the program. The I-BEST program primarily serves low-skilled adults, frequently testing at the sixth grade level in math and English, seeking skills leading to higher wage and higher skill jobs.

Modeled on Washington State's I-BEST approach, New Mexico's program targets low-income, adult students and provides certificate and training in high-demand workforce areas, aiming to

increase the percentage of New Mexicans with postsecondary credentials. The I-BEST approach features both an adult basic education teacher and a career and technical professional in the same classroom. This dual-teaching approach has proven to be more cost-effective over time, reducing the need for remedial work and improving student retention and certificate completion rates.

I-BEST is designed to increase post-secondary credential attainment for low-skilled individuals delivering demand-driven career pathways based on regional and statewide industry need. I-BEST program areas including plumbing, home health aide, pharmacy technician, EMT, farrier science and electrical trades. Certificates earned through the I-BEST model can satisfy requirements for more highly-skilled trade or certificate programs and associate degrees.

In its first year, the I-BEST program reports 169 students received certificates in high-demand career pathways, with 69 percent of those tested having demonstrated skill gains.

The federal grant supporting I-BEST and other workforce training programs ends September 2014. Ms. Krell reports that the consortium will likely submit an FY15 budget request for nearly \$900 thousand to sustain the current level of I-BEST services, however, the program wants to expand to more community colleges throughout New Mexico. The Washington experience and initial reports from New Mexico's participants show that the I-BEST approach gets students in, through, and out of entry-level postsecondary programs quicker and for less money and time than students going through the adult basic education model. And, I-BEST students are employable, whereas traditional adult basic education students frequently require additional training to improve employability.

Chad Smith, vice president for Student Learning, Eastern New Mexico University-Ruidoso, reported on the community college's cyber security certificate program and it is helping to address a statewide and nationwide need for highly-skilled workers. According to the Department of Defense, 110 thousand information assurance professionals will require security certification within the next five years, he said. New Mexico had 433 information technology (IT) job postings in 2012, and 30 percent more computer and network workers needed through 2018. No doubt, the training need is tremendous and growing, he said, and ENMU-Ruidoso can meet this need. To date, 14 people have graduated with the cyber security certificate and all are employed.

Mr. Smith briefed the committee on cyber security certificate development and the required certifications necessary; the community college's program is one of 14 colleges and universities to be Info-Sec certified. Tuition is low and all 19 credit hours of college coursework and the self-paced, community education versions are available entirely online. The self-paced certification program is tailored for active military, returning veterans, and current IT professionals. Beginning this year, ENMU-Ruidoso's cyber security courses will be shared with community colleges in New Mexico via SUN Online, so that students anywhere in the state can participate in the program and costs to offer such a program are not incurred by other institutions.

Vice Chairman Varela asked Mr. Smith to provide a copy of his briefing to the Science and Technology Oversight Committee, and tasked the LFC staff to come up with a cyber security plan.

Senator Cisneros briefly discussed regulatory constraints that may hold back businesses from coming to New Mexico and said he would like the committee to revisit the subject. Senator Cisneros asked the panel to speak about attracting big businesses coming to New Mexico and whether our lack of water is a deal-breaker. Mr. Lopez reiterated his example of IBM choosing Louisiana and LSU training students to meet the need. New Mexico has to be willing to work on basic skill sets and advertising our workforce is crucial, he said. Speaking to the water issues for businesses, Mr. Lopez said it is a continuing challenge. Ms. Reynis said New Mexico needs to stay focused on education and businesses such as the national research laboratories already here. Ms. Bussey said the state could do a better job of working with companies already here who today have contracts with the lab but tomorrow may need to redirect their goods services to the private sector.

Senator Morales asked Ms. Amis if the APECHS curriculum was standardized or individualized. Ms. Amis said ninth grade students have a prescribed schedule and less choice is better in terms of testing, but by the end of their sophomore year, the curriculum is somewhat individualized based on needs and goals. Senator Morales said the APECHS is a model for other schools.

Senator Morales stressed the importance looking at data based on truth as a policymaker and referred to Mr. Lopez' third-party grading information provided to the committee. Mr. Lopez said he put the information forth to speak to the image of New Mexico circulating. Economic Development Department General Counsel Wade Jackson explained MainStreet's 19:1 statistic questioned by Senator Morales, saying it means for every \$1 in state capital outlay funds expended through the program, \$19 are invested in the same project – a measure of leverage. Senator Morales said in terms of jobs, he does not see that significant amount of return on investment. Senator Morales stated he wanted to further discuss unemployment benefits at a later date.

The panel discussed a lack of credentials in terms of licenses and developing a workforce to meet licensing requirements. Ms. Bussey said in conversations with the DOH, a large number of individuals who go through private entities for healthcare training cannot pass state credentials in order to go to work. A third partner in the conversation should be licensees, she said.

Representative Larrañaga asked if there is any place to find the real percentage of people unemployed. Ms. Reynis said people can attach a statistic like the unemployment rate – in general, the unemployment rate is not the best statistic to look at, rather, look at job creation and employment growth. The unemployment rate may give wrong signals, she said. Ms. Bussey said she wished there was a perfect way to collect unemployment data. Representative Larrañaga commended Ms. Amis on APECHS.

Ms. Reynis, in response to Representative White, said the unemployment data do not track well in terms of what has happened with the employment data in the state, which is the first clue there may be something wrong. Ms. Reynis said New Mexico is in worse shape than the rest of the

country by a variety of measures – job growth has lagged behind the rest of the nation and has not bounced back. Historically, the state has been insulated by government, but in this particular cycle, she said, government has been a major factor in dragging down the economy. In 2009, 20 percent of the state’s jobs were in government. Forecasts actually show New Mexico growing, she said. The conversation turned to education. Representative White said “relevant” rather than “higher” education is important when talking about economic development.

Senator Leavell said in Lea County has worked on diversifying their economy for the last 15 years – employees are hard to come by. Lea County has joined forces with New Mexico Junior College to fund a foundation for research and development, he said. Senator Leavell talked about the uranium facility URENCO to illustrate job opportunities in Lea County.

The panel discussed the possibility of surveying job-seekers at job fairs to determine age groups, whether already unemployed or looking for another job. Chairman Varela stated he didn’t understand why, with thousands of people at job fairs, the state does not have the workforce.

**Tourism Marketing: Strategic Plan, Return on Investment, Reporting and Coordinating With Local Initiatives.** Monique Jacobson, secretary, Tourism Department, said the tourism industry has good jobs in New Mexico ranging from introductory jobs to entrepreneurs with high growth potential. Other reasons to consider tourism as a key economic development driver are the state’s natural assets and weather, no industry tax incentives are required, and tourism is a great investment for taxpayers in New Mexico. Additionally, the New Mexico True campaign delivered a 3:1 return on investment (ROI) at the tax-base level, and a 30:1 ROI at the spend level.

Ms. Jacobson briefed the committee on new initiatives within the NMTD’s four strategic planks.

1) Build a strong magnetic brand. The New Mexico True brand is continuing to build momentum, and with the \$4.5 million (\$2 million increase from FY13) the Legislature invested, the department will increase New Mexico True presence with the New Mexico True campaign in key markets such as Denver and Dallas and create a winter campaign to illustrate New Mexico is a year-around destination.

The department is increasing the money put into their regional marketing program under the New Mexico True brand that highlights each region under the overarching brand, she said. Communities came on board and funding increased from \$150 thousand to \$450 thousand. Ms. Jacobson showed the committee various ads marketing golf, festivals, and Disney’s movie *The Lone Ranger*. The NMTD will launch the film trails program later this month, she said, which showcases locations of films made in New Mexico.

Ms. Jacobson thanked the committee for the \$2 million increase in funding and said tourism has been a focus area for a lot of states that have also increased their funding; she projected Arizona and Colorado will spend 3.5 times more on tourism than New Mexico. Ms. Jacobson said it is important to note the potential for growth.

2) Unify and lead the industry. This shift from funding the industry to unifying and leading the industry has been successful beyond the department's hope and expectations with the creation of New Mexico True templates; the message is more powerful out in the marketplace and communities have access to gold-standard creative media. Ad spend statewide is \$ 1.6 million without the general fund. The NMTD expects 28 communities to come on board.

Other initiatives to unify and lead the industry are True Tours, where the department travels to rural communities around the state to learn what they have that can be brought to life in future e-newsletters, public relations, and advertising efforts. Ms. Jacobson also briefed the committee on the department's New Mexico True merchandise tailored to designated communities.

3) Ramp up the rigor. Ms. Jacobson said she was thrilled to announce that not only is *New Mexico Magazine* operating in the black, it won Magazine of the Year. Also to ramp up the rigor, the department will research why the state's repeat visitor rate is low. A tourism infrastructure assessment will be conducted and findings presented to the Legislature in late FY14.

4) Inspire in-state travel. Every month radio station 93.3 in Albuquerque travels to different locations and broadcasts their show live. Ms. Jacobson said the most exciting effort to inspire in-state travel is the department's New Mexico True Stories promotion for natives and travelers to share stories by uploading photos and experiences to the website. At the end of the contest, the top 20 stories will be featured in a New Mexico True Insider Guide.

Rich Williams, MainStreet director and arts and culture state coordinator, Economic Development Department, thanked the Legislature for the increase and said there will be four new MainStreet communities: the Barelás neighborhood in Albuquerque, the South Valley, Gallup, and Harding County. In July, applications for arts and cultural districts will be released, and applications are out for the new Frontier Communities Initiative Program.

In 2007 the Legislature created the New Mexico Arts and Cultural District program based around communities dedicated to cultural institutions, cultural entrepreneurs, creative industries, artists and artisans. The intent of the program in the area is to enhance a cultural investment and have a high quality experience.

To address some of the lack of resources at the beginning, the EDD created an interagency group of people to work together: Department of Cultural Affairs Arts Commission, the DCA Historic Preservation Division, and the Tourism Department, along with the McKewan Foundation, the New Mexico Museum Foundation, and engaged the Scenic Byways program.

The ACD program is about cultural economy, he said. The ACD put together a process for rural communities to develop an arts and cultural district program. The program is aggressive and intense, he said. Once a cultural plan is developed and adopted within a community, there are four areas of development to work on – cultural planning and development, physical planning and development, capacity and sustainability, and branding and marketing. Mr. Williams stated a survey process has been developed to gauge progress and consistency within the operational

components. Mr. Williams showed the committee the division's flyer that connects to social media.

Mr. Williams said he is concerned about lower wage jobs and a shift away from part-time jobs, in arts and cultural districts, and said sustaining and supporting economic development within the cultural economy are critical issues. Many of New Mexico's traditional and commercial centers (e.g. historic theaters and libraries), he said, have been disinvested, and the question is how do we begin to bring money in to stimulate the areas.

Silver City's Arts and Cultural District and Tourism Director George Julian Dworin welcomed the committee and said arts and culture is where we are, what we make, and what we do in Silver City. Tourism is connecting people to people to make an economy. Arts and cultural tourism is critical to the small, off the beaten path, town of Silver City, he said, and the life blood of small businesses, cultural entrepreneurs, and is essential to the sustainability of economic development going forward.

Mr. Dworin spoke to the committee about his efforts to produce a clay community with 75 distinct sites, highlighting the vast role of clay in the Southwest. Mr. Dworin said the next step is marketing and thanked the New Mexico Arts and NEA for the start-up grant. The clay festival draws international attention.

Silver City has micro-culture economies – the Gila River Festival, Wild Wild West Pro Rodeo, a cycling Tour of the Gila, a blues festival, and many others, he said.

Mr. Dworin said New Mexico True campaign is critical to Silver City. By doubling the ad budget with the NMTD templates and access to expertise, a 100 percent return on investment is seen and huge for the city, he said.

Chairman Varela recognized Melody Goodman from Senator Tom Udall's office.

The committee and panel discussed New Mexico rest stops, and the NMTD expanding New Mexico True to the Chicago market rather than San Diego. Ms. Jacobson said at this point having a presence in Chicago is on the table with the funding available. The goal is to go into a few markets in a big way and have a meaningful presence in that market, and after extensive research (areas of growth, price of media buy, overall income, discretionary spending, direct flights) the department determined it could not be done in San Diego at this time, she said.

Ms. Jacobson said that through a media plan the department's focus is depicting the state visually; radio is another way, and a beautiful New Mexico song was written and available on iTunes. Regarding films, she said, the focus is capitalizing on films made in New Mexico for New Mexicans, and cited an Albuquerque trolley business which gives tours of Breaking Bad locations.

Ms. Jacobson explained that the NMTD has a tier system for events: sponsorship buys are evaluated like media buys – very few events meet this hurdle; the next level is a coop grant (\$600 thousand program), which looks at heads and beds or impact to various communities; and

the Sports Authority, which is only a \$30 thousand program that focuses on impact to the whole state. Events are also featured in advertising on the website and other media sources, so the department is supporting various events through a number of ways, she said.

The committee briefly discussed working with a Taiwanese delegation on tourism.

Hidalgo County Commissioner Dar'r Shannon testified that the county has cut the budget by doing a lot more with less, and has still managed to give employees a 3 percent pay increase. As commissioner, her goal is to change the mindset of government, she said. Ms. Shannon thanked the committee and said she wanted the committee to know the county has worked harder to contribute its part without having their hand held out every five minutes.

Members of the committee were treated to a brief bus tour of Silver City's Arts and Cultural District by Faye McCalmont and Lee Gruber.

### **Friday, June 14, 1013**

The following members and designees were present on Friday, June 14, 2013: Chairman Luciano "Lucky" Varela, Vice Chairman John Arthur Smith; Representatives Henry "Kiki" Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Rudolpho "Rudy" Martinez, William "Bill" J. Gray, James P. White; Senators Carlos R. Cisneros, Howie C. Morales, Carroll H. Leavell, Lee S. Cotter, Ron Griggs, and Mary Kay Papen.

### **Miscellaneous Business**

#### *Action Items:*

***Approval of May 2013 Meeting Minutes – Senator Cisneros moved to approve the May 2013 meeting minutes, seconded by Senator Leavell. The motion carried.***

Mr. Abbey requested approval of contracts for IT services (\$28.8), editing and public relations services (\$27.0), and the UNM Bureau of Business and Economic Research (\$34.9). **Representative Gray moved to approve the three contracts, seconded by Senator Cisneros. The motion carried.**

**College and University Efforts To Boost Student Performance.** President Garrey Carruthers, New Mexico State University (NMSU); President Joseph Shepard, Western New Mexico University (WNMU); and Academic Vice President Dennis Atherton, New Mexico Junior College each presented how their respective institutions have worked more recently on improving student performance. During the 2013 session and FY14 budget process, legislators have expressed an interest in whether the state's instruction and general (I&G) funding formula has influenced institutional behavior because the formula includes funding for student course completion, graduation, and graduation in certain areas and by financially-at-risk students.

President Carruthers reviewed a handout describing NMSU's current statistics on student retention, graduation rates, and efforts by particular groups of students and students in particular fields. He described the university's continuing effort to stream-line academic counseling and improve processes, such as helping faculty improve their counseling skills. He would like NMSU and faculty to streamline academic programs; with fewer program or course choices,

students can complete courses more efficiently, improving retention and continued academic progress.

To help students graduate in four years, President Carruthers would like to improve the transfer process, particularly for two-year students so they do not lose the academic work they completed prior to transferring. He suggested implementing common course numbering within the NMSU system, and not just within business programs, that would particularly improve the transfer process and reduce the need to take seemingly redundant courses. He has asked the financial aid program to look at the impacts of requiring the university's top scholars to take 15 credits as a condition of their institutional scholarship. Requiring students to take 15 credits or more per semester will help students reduce their debt and complete programs closer to four years and help the institution better schedule courses. He also noted he's asked staff to review options for dissuading students from switching majors or instituting cost consequences should students choose to exceed the cost of the programs.

Lastly, President Caruthers added that he'd like the higher education community and the LFC to consider opportunities to encourage entrepreneurship. Combining science, technology, engineering and math recruitment and retention efforts can be further developed into workforce training and growth opportunities by adding entrepreneurship courses.

Supplementing President Shepard's prepared remarks, the president observed all institutions vary as to successful approaches and intervention efforts to improve student academic progress. The efforts at WNMU likely differ than those at NMSU given the different student demographics and public missions of both institutions. He particularly focused on WNMU's efforts to improve the college readiness of incoming students and changes to help returning adult students succeed.

Western New Mexico University has experienced better-prepared, traditional-age students, some of which is due to years of focus on increasing the dual enrollment efforts in local school districts. Students who are dually-enrolled have lower remediation rates and perform better once enrolled in college. In addition, WNMU's data has shown that there may be a ripple-effect of dual enrollment programs and students on students who do not take college courses while in high school, perhaps due to a changing college-going culture and raised expectations for attending college in the student body.

President Shepard cautioned members about the declining funding for dual enrollment, by decreasing funding for the student credit hour or workload component in the formula. Without additional tuition revenue or reimbursement from the Public Education Department for offering these courses, it is a financial burden to offer them – even though research at WNMU and other places has demonstrated higher college success rate for dual enrolled high school students.

Offering a community college perspective, Vice President Dennis Atherton discussed three ways NMJC has enhanced existing programs to improve student success. Like WNMU, he discussed the greater success of college students (evidenced by lower remediation) if they had taken some college courses while in high school. He reported that better academic advising and counseling by faculty members is being implemented after a counseling program with student-athletes

demonstrated significant success in improving timely program completion. Also like WNMU, improving student engagement on campus has begun to show improved retention rates.

Other presidents in the audience offered comments on their programs and efforts to improve student performance. President Cheri Jimeno, NMSU-Alamogordo, announced the school's receipt of their 10-year institutional accreditation, but also reported that their nursing program (which receives separate program accreditation) is on warning status. In response to the program's warning status, the branch campus is working with NMSU main campus to get current students (44) through the associate nursing degree program and a new cohort of students will not be brought in this fall until program shortcomings will be addressed.

President Rusty Barcelo, Northern New Mexico College (NNMC), echoed the remarks of what other institutions are doing to help students – increasing tutoring opportunities, required academic counseling, expanding dual enrollment opportunities. To boost college readiness, NNMC implemented a multi-week summer program for incoming freshmen to ease the transition to college. The college has implemented an intrusive counseling program, similar to its engineering program's counseling program, to aid in student outreach and not letting students fall through the cracks. The college is evaluating the benefits of a degree auditing program, similar to NMSU's program, to help students stay on track and reduce changes in academic concentrations and programs. President Barcelo reported that retention rates are increasing, and she expects graduation rates will follow over time.

Senator Morales addressed questions to the panel, focusing on admissions standards and practices, dual enrollment and transferability of courses, and the use of intermediate outcome measures to test students' progress. Regarding admissions, the institutions use different tests, though WNMU and NMJC are "open enrollment" institutions and tests are used for course placement purposes and not admissions. Higher Education Department Deputy Secretary Glenn Walters reported that most institutions use ACT testing products, both for admissions and placement, which can provide solid data on incoming students. President Carruthers responded that many academic programs, like the business programs, are required by accrediting bodies to have students demonstrate knowledge and skills gained by using a variety of means (research papers, major presentations, case studies or community projects). These program requirements, or intermediate outcomes, support and illustrate student knowledge and indicate whether students will complete their academic programs.

Senator Griggs asked about the high credit hour requirements to complete college programs and the affect on student debt and job readiness. He expressed an interest in institutions reducing the average credit hour requirement of 128 to graduate to 120. President Carruthers supports this approach, and has asked his staff to review programs for where this can be achieved. He has also asked staff to identify where tenured faculty can teach more upper division courses and the community college faculty can teach lower-level courses, to take advantage of the cost-savings to both the institution and student.

There was discussion about the use of graduation rates as an appropriate outcome measure. President Carruthers noted a graduation rate should be one among many measures to evaluate efficiency and effectiveness. Vice President Atherton responded graduation rates reflect the

strength or weakness of the local economy, and for NMJC are difficult to control or influence, particularly if there is a surge in oil production and students leave for high-paid employment opportunities.

Representative Tripp asked about whether and how institutions are working together to expand on-line courses and programs. Both presidents observed that there is little coordination among state institutions, though proprietary institutions are serving an increasing share of students at much higher costs than those of public institutions. It is too early to tell whether and how massive open online courses (MOOCs) or other delivery systems will specifically change postsecondary education, though it presents an even larger market for New Mexico institutions and top-notch programs to serve. Representative Tripp also asked about using facilities over the summer to provide courses, which presidents responded that financial aid policies make it difficult for students to take summer courses and difficult to pay faculty to teach.

Representative Larrañaga observed that college readiness for high school graduates is lacking and followed-up with questions about effective student counseling and support programs. All panelists testified to the importance of academic counselors, who are charged with keeping students academically on-track in programs and schedules, and the role of faculty mentoring and professional guidance for more advanced students. Over time, faculty at particular types of institutions have become less involved in student academic and professional counseling, and this is something most presidents would like to see reversed.

Vice-Chairman Smith asked panelists, or the Public Education or Higher Education Departments, to provide data by district and high school as to the remediation rates, by subject, for high school graduates. President Shepard noted that measuring this data at the college level may be skewed because the research institutions will enroll fewer students needing remediation than open admission, comprehensive universities. Senator Papen shared her concern with the high remediation rates for incoming college students, and hopes the committee budget recommendations can address this issue.

Committee members discussed the levels of student debt, and asked what institutions are doing to curb debt. President Shepard noted that a comparatively high debt level of WNMU students (average \$26 thousand for graduates), but this reflects his older student population who uses educational debt to also finance life responsibilities. President Carruthers cited a number of studies that show education remains a solid investment, particularly some two-year college programs, for students who graduate or complete programs. Committee members noted that better coordination between the HED, PED, and other departments to identify and address workforce needs could lead to more effective state spending and lead to reduced student indebtedness, particularly if pursuing fields that do not have clear employment benefits.

**Legislative Lottery Scholarship Program.** Higher Education Department Secretary José Garcia provided the committee with an update on the Legislative Lottery Scholarship Program funding for FY13 and proposals for FY14. The secretary reported since 1996, 8,619 students have earned their degrees through the program.

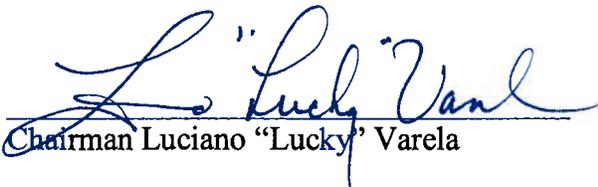
Reviewing FY13, the secretary reported revenues are estimated at \$40 million, though scholarships will cost more than \$60 million. Additional funds for FY14 because of Chapter 228 (SB 113/392, 2013 Session) will add another \$9 million in revenues, but the department expects funds will be insufficient to fully fund scholarship levels. In a May 13, 2013, letter sent to college presidents, the secretary stated institutions should award full scholarship levels for the fall 2013 semester, but that scholarships will need to be reduced (to an unspecified level) for the spring 2014 semester unless the program changes or additional funds are made available. The secretary said he will request a supplemental appropriation for FY14 to meet full student need.

The secretary and department have begun efforts to implement Senate Memorial 101, creating a working group to study and make recommendations about the Legislative Lottery Scholarship Program. He announced initial meetings on July 24-25, 2013, with follow-up meetings in August and September. The memorial states the working group should submit recommendations to the Legislature by December 1, 2013. The secretary concluded by noting recommendations and changes to the Legislative Lottery Scholarship Program should be viewed in conjunction with a review of all financial aid programs and tuition levels and that student aid programs should support the state's goals of producing a skilled workforce.

Chairman Varela asked about the possibility of receiving recommendations sooner than December 1, 2013. Mr. Abbey reminded the committee a higher education subcommittee may meet in September and October to review the Legislative Lottery Scholarship Program and issues related to the higher education funding formula. Proposals could be shared at these meetings.

Representative Tripp asked about whether the department has follow-up on the student-led conference held in Socorro last April. He expressed concern the scholarship has promoted access, but that there's no alignment with graduation or program completion goals. The secretary noted the state succeeds in providing access to postsecondary education, particularly for Hispanic and Native American students. However, more has to be done to encourage and facilitate completion. Representative Tripp requested the department review data on the impacts of the lottery scholarship program – and whether it changed college-going and graduating behaviors; it is likely that many scholarship recipients would have gone to college and graduated, from some institution, even without the scholarship.

With no further business, the meeting adjourned at 11:14 a.m.

  
Chairman Luciano "Lucky" Varela

  
Vice Chairman John Arthur Smith