

**Legislative Finance Committee
Meeting Minutes
Columbus/Deming, New Mexico
May 2-4, 2012**

Wednesday, May 2

The following members were present on Wednesday, May 2, 2012: Chairman John Arthur Smith, Vice Chairman Luciano "Lucky" Varela, Representatives Don Tripp, William "Bill" J. Gray, Dona G. Irwin, James P. White, Edward C. Sandoval, Larry A. Larrañaga, and Henry "Kiki" Saavedra; Senators Carlos R. Cisneros, Mary Kay Papen, Timothy Z. Jennings, William F. Burt, and Peter Wirth.

The committee to introduced themselves and thanked everyone for their hospitality.

Welcoming Remarks and Community Input. Luna County Commissioner Javier Diaz thanked everyone for coming to Columbus and addressing the needs of the county.

Luna County Manager Kelly Kuenstler said although the county is rich in culture and beauty, unemployment is very high and about to get worse with Proper Food closing its doors. The recent closure of a cattle-crossing in Columbus by the Department of Agriculture affects income from taxes as well. Ms. Kuenstler thanked legislators for capital outlay projects that allowed for a new roof and flooring in a domestic violence shelter and said the county sheriff's office is substandard.

Chairman Smith explained what the committee accomplishes and said it is a requirement to carry healthy reserves. New Mexico, he said, is better off than 37 other states.

Columbus Mayor Nicole Lawson said despite a desperate fiscal crisis, the village of Columbus is a close-knit community and has the potential to thrive. Ms. Lawson chronicled the steps taken for financial solvency since becoming mayor in late June last year. After meeting with the Department of Finance and Administration (DFA) and learning the village was in error by over \$600 thousand, the village voted to stop funding and close the animal control, code enforcement, and police departments, turning village protection over to the Luna County Sheriff's Department. Examples of the village's cumulative outstanding liabilities are insurance and risk management. With what Ms. Lawson described as a "painful" option of self-audit -- fines and penalties due with their delinquent payments were waived. The village is current on these two of many fiscal responsibilities. Other outstanding debt addressed were payroll, pension payments, federal and state taxes, now current. Ms. Lawson stated grants haven't been administered properly, including a congressional grant used to turn the bulk of a former elementary school into a multipurpose community center.

Ms. Lawson said within the last five years the village of Columbus has made more than \$400 thousand in water systems improvement and said Luna County once again quickly came to the village's aid when a main water system failed.

The village recently completed an update to the comprehensive plan to address issues and future development of the municipality and is working toward a balanced budget to submit to the DFA.

The future of Columbus' emergency medical services is in jeopardy because money runs out the end of July of this year. This is a great concern for the mayor and citizens of Columbus. There are volunteer emergency medical technicians, and the county is helping by researching all possibilities.

Chairman Smith said he wanted to put a positive light on the efforts that have already been made in Columbus. He said Mayor Lawson did not get a soft landing, and if other small communities endured the same budget cuts, there would be an uprising. Future legislative budget decisions are still going to be extremely tough.

Representative Larrañaga asked if anyone is helping put grants together for the water system and other environmental needs, and Mayor Lawson stated a grant completely covered the new reverse osmosis plant with a few stipulations for maintenance. The village is pursuing insurance reimbursement for the earlier malfunction.

Senator Jennings commended Mayor Lawson and said living in rural America is a team effort. Mayor Lawson thanked her team and said it was a privilege to live in Columbus.

Vice Chairman Varela asked LFC staff to follow-up with the local government division to assist Columbus with their budget and audit processes. Mayor Lawson told the committee Isaac Montoya is the contact and is extremely helpful.

Harvielee Moore, superintendent of Deming public schools, briefed the committee that when capital outlay money became available, four new schools were built and one was renovated in five years, including the elementary school in Columbus. Ms. Moore told Representative Tripp 400 students a day are bused to schools in Columbus and Deming from Palomas, Mexico. These students are U.S. citizens who live in Mexico.

Border Development Update. William Mattiace, New Mexico Border Authority (NMBA) executive director, introduced his staff and updated the committee on primary activities of the authority. Monthly advisory meetings provide statuses of border patrol, customs and border protection at all ports, and federal policy.

The NMBA ensures any policy issue in Mexico that is jointly related to infrastructure and activities in New Mexico are coordinated with the Mexican government. Ombudsman activities are another major function of the authority, and Mr. Mattiace gave a few examples where employees at the border and consulate helped people.

Antelope Wells, a \$12 million port of entry, should be opening in December. Mr. Mattiace said that according to federal representatives, the status of Columbus' new port of entry is in limbo because the \$50 million port-of-entry bill in Congress hasn't been addressed.

Mr. Mattiace provided for the committee a report from Dr. Jim Mott detailing what happened between the U.S. Department of Agriculture (USDA) and U.S. Customs and Border Protection and the ramifications of closing the Luna County Cattle Crossing. Mr. Mattiace said the NMBA quickly met with the Luna County manager and Economic Development Department cabinet secretary Jon Barela on the issue.

The State Planning Commission just completed land and building assessments, which will be reflected in June's financial statement. Mr. Mattiace briefed the committee on Bi-National

Metroplex Committee meetings at the NMBA to continue the effort in coordinating a regional border land use plan for the Juarez area. The goal is to come up with a regional plan to develop the border. The NMBA is also working on a rail bypass study with N.M. Transportation Department.

Linda Smrkovsky, director of Deming/Luna County economic development, told the committee the cattle crossing closure took away 26 jobs from both sides of the border. Luna County's unemployment rate is 21 percent. Ms. Smrkovsky told the committee about various small businesses in the county such as Sapphire Energy, Compass Components, Border Foods, and Solitaire Manufactured Homes. Ms. Smrkovsky said regional economic development efforts are under way.

Davin Lopez, president, Mesilla Valley Economic Development Association, said the association concentrates on economic-based job creation, supports growth of existing businesses, and tries to bring new businesses to Doña Ana County.

Mr. Lopez said trends impacting the future economic growth in the area are the overcrowding of El Paso and Mexican firms looking to expand their market share in the United States and build new facilities in the United States.

Opportunities are also in existing businesses in the Doña Ana County. Mr. Lopez stated bio fuels and companies like Sapphire are invaluable to the area and the research support offered by NMSU complements the growth in the industry. The potential in the aerospace industry is phenomenal because of its unique, combined assets — Spaceport America, White Sands Missile Range, and the Flight Test Center in Las Cruces, the only place in the United States that gives Federal Aviation Administration certification for unmanned air vehicles. Mr. Lopez used Union Pacific as an example of a project affecting all of New Mexico and creating a stronger tax base in the southern part of the state.

Infrastructure and housing are challenges Mr. Lopez sees coming with rapid growth in business. Another challenge is a New Mexico-based workforce with the right skill sets. Mr. Lopez concluded by saying the biggest challenge is marketing and compared El Paso's \$1.6 million marketing and recruiting budget with New Mexico's \$550 thousand budget.

Jerry Pacheco, director, International Business Accelerator, told the committee New Mexico is breaking records every year in terms of exports to Mexico. Almost half a billion dollars in exports is composed of industrial inputs and components to Mexico's maquiladora industry. Mr. Pacheco said in spite of the violence and retail devastation in the city of Juarez and State of Chihuahua, the maquiladora industry continues to grow.

Mr. Pacheco told the committee that the Foxconn project, which assembles and packages Dell computers, has increased northbound traffic and commerce at the port of Santa Teresa. The Union Pacific project is the clearing of a 13-mile strip for track.

Legislative initiatives create economic development, such as passing law for the six-mile zone around New Mexico's Mexican ports of entry that allows for reducible loads above the maximum weight. This initiative has brought businesses to the border.

Mr. Pacheco told the committee there are many challenges such as fire suppression and waste water systems within the infrastructure in Santa Teresa that hinder companies. Money for capital outlay will be an investment.

Mr. Lopez told the committee that Verde owns most of the industrial land in Santa Teresa and the state relies on a partnership.

Senator Jennings said it is very important for the NMBA to work outside of the big cities, spread the growth around, and double its efforts around the border for economic development. Mr. Mattiace said he didn't agree with Senator Smith that the NMBA didn't act compassionately and fairly for the Columbus cattle crossing closing. Mr. Mattiace said he has just as much care and sympathy for what is happening with jobs in Columbus as he does in Santa Teresa.

Mr. Pacheco told Representative Larrañaga the infrastructure problems are not due to water rights, they are because of inadequate waste water treatment capacity.

Agriculture and Trade Update. Richard Heerema, extension pecan specialist for Luna County Cooperative Extension Service, said New Mexico State University (NMSU) has been involved with pecans since 1916. Deane Stahmann planted the first sizeable commercial pecan acreage in the Southwest in the 1930s. In 2010, New Mexico produced 60 million pounds of pecans, valued at \$186.8 million. Doña Ana County is the largest producer of pecans. The NMSU Cooperative Extension Service hosts an annual conference and trade show, as well as short courses and workshops.

Jack Blandford, program director for Luna County Cooperative Extension Service, gave an overview of his role, which includes holding pesticide training and testing workshops and giving information from NMSU to county clientele. Luna County has 13 hundred acres planted, and water usage has been reduced by 50 percent to 70 percent by taking advantage of new and improved irrigation systems. Mr. Blandford said Hidalgo County is expanding pecan acres.

Brad Lewis, a research entomologist with the Agriculture Experiment Station at NMSU, said there are two pecan production areas in the United States, and NMSU is the primary research institution for western states. NMSU researches both long- and short-term solutions for everything "pecan." NMSU is the only university to develop a molecular technique for pecan nematode (a parasitic ground worm) identification. Mr. Lewis said New Mexico is the only state to eradicate the pecan weevil, a major threat to pecan trees.

David Lucero, director, Marketing and Development Division, New Mexico Department of Agriculture, said the United States produces about 80 percent of the world supply of pecans, about 300 million pounds annually, with New Mexico producing 23 percent of that. Typically, Georgia is the biggest producer of pecans. In 2010, New Mexico had about 40 thousand acres, and the challenge for New Mexico is to find markets for these products. From 1985 to 2010, the average price for New Mexico pecans has been \$1.31 because it is a higher quality nut. Mr. Lucero said China buys pecans for its Chinese New Year to offer as gifts and packages them for retail. Marketing pecans to China has produced almost \$39 million in additional revenue to the state.

Mr. Lucero said the USDA used \$35 thousand of state-appropriated dollars to obtain \$250 thousand in federal funding through a marketing access program. The USDA is looking at other markets like Turkey and India.

In response to Senator Popen, Mr. Lucero said the return on investment is \$39 million of money outside of New Mexico coming into the state each year.

Luna County Stockyard

The site visit to the Luna County Stockyard in Columbus was headed by the Luna County Commission Chairman Jay J. Spivey and the Luna County Stockyard Director Chad Shannon. Both expressed concerns over the stockyards recent closing. Chad Shannon explained that on March 6, 2012, the Luna County Stockyard received a phone call around 4 p.m. from the state's USDA office with instructions to close the livestock port of entry in Columbus due to the increased border violence in Mexico. Commission Chairman Spivey said there was confusion as to who actually ordered the port to close. The state's USDA office claims it was following orders from the regional USDA office out of Colorado, and the regional USDA office claims it was taking orders from U.S. Customs. The Mexico inspection pen is just five blocks from the U.S. border, but the area was deemed too violent to allow the USDA veterinarians to enter and perform livestock inspections. Mexico's President of the Chihuahua Animal Health Commission William "Bilo" Wallace attended and expressed Mexico's growing frustration with the closing, stating that Mexico too has spent time and money to ensure the crossing was up to code. Chairman Smith asked LFC committee members in attendance if anyone would object to sending a letter to the Department of Homeland Security Janet Napolitano and courtesy copying the New Mexico congressional delegation asking for the reopening of the stockyard. No member objected and a letter has since been sent out asking for all parties to come together to help find a solution that would allow the Luna County Stockyard to reopen.

Sapphire Energy

Sapphire Energy is an algae-based green crude oil production company that has chosen for its first facility in the country to be based in Luna County. Sapphire Energy's Director of Corporate Affairs Denise Gitsham said Luna County is ideal for algae-based biofuel because of the flat desert conditions, the high level of sunlight, and the large amount of underground salt water. Ms. Gitsham said Sapphires "green crude" is a 100-percent renewable resource with about 70 percent less carbon emissions than petroleum-based equivalents. With an \$8 million facility in nearby Las Cruces, Sapphire Energy continues to stimulate New Mexico's economy. In response to Representative Gray, Ms. Gitsham said Sapphire has 180 on-site employees, with 70 of the 180 being locals. LFC Director David Abbey asked if Sapphire Energy had a target number of barrels produced daily and Ms. Gitsham explained that by 2018 they are aiming to produce 80 barrels a day. No money from the state is needed, and the company has received more than \$300 million in federal and private funding. Private investors include Bill Gates and the Rockefellers.

Preferred Produce

The Legislative Finance Committee toured the Preferred Produce facility, a certified organic, negative carbon-footprint, produce plant that specializes in tomatoes and lettuce. Owners Matthew Stong and his son Todd Stong guided a tour for LFC members and guests on the economic development impact preferred produce can have on our state if New Mexicans bought

local. Preferred Produce claims that if just the residents of Luna County purchased all its produce from growers within its county, it would create 700 jobs and take the unemployment rate to a negative 7 percent. If all New Mexico residents purchased their produce goods from local growers, it would create 60 thousand jobs and take New Mexico's unemployment rate to a negative 6 percent. Director Abbey asked about competition with the Baja California region, where so much produce is produced with cheaper labor. Matthew Stong commented that local produce is a much better product, stating that one pound of Preferred Produce tomatoes has more nutrients than 17 pounds of those in the Baja region. Senator Cisneros asked who carries Preferred Produce products, and Todd Strong said Whole Foods will begin carrying their product along with a home-delivery service they operate.

Thursday, May 3, 2012

The following members were present on Thursday, May 3, 2012: Chairman John Arthur Smith, Vice Chairman Luciano "Lucky" Varela, Representatives Don Tripp, William "Bill" J. Gray, Dona G. Irwin, James P. White, Edward C. Sandoval, Larry A. Larrañaga, and Henry "Kiki" Saavedra; Senators Carlos R. Cisneros, Mary Kay Papen, Timothy Z. Jennings, William F. Burt, Stuart Ingle, and Peter Wirth.

Welcoming Remarks and Community Input. Mayor Andres Z. Silva of Deming welcomed the committee and began with a brief overview of the impact of city's gross receipts tax (GRT). Mayor Silva said the GRT pyramiding bill will affect the GRT and impact estimates were not comprehensive, so the full impact will not be known until the bill is implemented. Mayor Silva also said with hold-harmless provisions mitigating the impact on local governments unresolved, the city's main tax revenue is not stable. He said there is a disparity of GRT authority between cities and counties. Richard F. McInturff, Deming city manager, told the committee the last GRT increment for cities was in the early 1990s. Other increments since then were from the county or the state.

Mayor Silva said Deming has a 20 percent unemployment rate, and 131 jobs will be lost when Proper Foods closes.

There is a high level of interest in locating renewable energy projects in Luna County, with Element Power planning to construct a 300 megawatt solar sister facility near its Macho Springs site. The city is investigating the feasibility of a solar array to supply energy to the wastewater treatment plant. Mayor Silva said the area needs to capitalize on the unique resource and asks the Legislature for their support.

Harvielee Moore, superintendent, Deming Public Schools, said the county has 800 public school employees, and the community strongly supports its students. Graduation rates have improved and dropout rates are down. Ms. Moore told the committee all audits are conducted on time without findings.

Ms. Moore told the committee that many students do not have food at home and feeding children at school was a good decision. Ms. Moore stated Columbus Elementary was included in a national cookbook. She gave each member of the committee a copy. Students are learning about farming and agriculture and the importance of eating fresh vegetables.

Ms. Moore asked the committee for assistance with the difficult timeline to use carry-over money because during that timeframe the money cannot be used in the classroom. Ms. Moore concluded by asking the committee to think about the other balances, characteristics and weights when measuring students for readiness after high school besides a single test.

Joe "Oleo" Milo, Luna County commissioner, thanked the committee for choosing beautiful Luna County with its rich history and good golf, for the meeting.

Vice Chairman Varela asked if the statute needs to be changed in terms of parents having the final decision of social promotion. Ms. Moore said if districts are educating and working with parents to help their children succeed, and if the parents are involved in the process, educators would be remiss in leaving parents out of the process. It is important to hold parents accountable, she said.

The panel and the committee also discussed teacher accountability, economic development opportunities with the recent closure of Proper Foods, and Deming's revenue stream which cannot support street repair.

Chairman Smith said he was extremely proud of the committee for taking an unpopular stand and navigating the economic downturn better than most states.

Labor Market Overview and Barriers to Employment. Mimi Aledo-Sandoval, senior fiscal analyst, LFC, gave an overview on what has been identified as training deficiencies, and the state programs to address deficiencies.

Jim Peach, regents professor, New Mexico State University, said New Mexico, at a minimum, should have workforce training and programs to be a success story in the 21st Century. Mr. Peach made several points: When the nation does well, so does New Mexico. New Mexico is in trouble if Washington D.C. makes serious budget cuts because of dependence on federal dollars, affecting demand for labor (the national laboratories, etc.). Baby boomers are getting older, which will change the occupational and industrial structure between now and 2020. The economy is about to go through shifts, which mean occupations will change.

Nearly 63 percent of the approximately 54.8 million job openings between 2010 and 2020 are expected to be replacement jobs. Mr. Peach said approximately 150 thousand New Mexico workers today will leave the workforce by 2020. Mr. Peach said education is important in the labor market, with a clear and obvious pattern: people without a high school diploma are ill-prepared to function in a modern society. What this means for New Mexico is educated people will cost the state less in expenditures and pay more taxes.

Mr. Peach said in the year 2000, eight out of 10 of the biggest growing occupations required a college degree, yet in 2010, only two occupations required a degree. The bottom line: Now New Mexico needs competent high school graduates. Mr. Peach advises all students to major in what they like.

Mr. Peach said he is convinced children and possibly their parents should be fed three square meals a day, seven days a week. Providing dental and vision care for students will also benefit New Mexico's labor market in the future. Mr. Peach is also convinced students have too few textbooks and too many tests.

Responding to Representative White, Mr. Peach said economists have recognized for a long time that income is not everything, but New Mexico needs a strategy for economic development.

Representative Sandoval wanted to know if other states address feeding students better than New Mexico, and Mr. Peach said Finland did it because it was the right thing to do, and the test scores rose subsequently.

Review of Workforce Programs. Heather O'Keefe, chief operating officer, SL Start and Associates, told the committee SL Start has been under contract with the Human Services Department (HSD) since June 2011 to provide job readiness, training, and development for the Temporary Assistance for Needy Families (TANF) component. SL Start has a defined approach to assisting clients, assessing individuals to understand what is creating barriers to becoming financially successful. SL Start focuses on jobs and partnering with area businesses.

As of March, the total caseload in 35 offices across New Mexico is 14,379. Ms. O'Keefe broke the caseload down further by participation status and parents engaged in federally approved core activities. In August 2011, 1,505 people were engaged in the core activities, and in March 2012 2,459 people within the caseload were employed. Participants must be engaged in at least one core activity based on their ability.

The contract with HSD requires that NM Works parents make \$7.50 hourly and that the contractor identify one job available for every NM Works parent. More jobs are available than NM Work parents across the state. The top five barriers to employment for NM Work parents are a lack of a General Educational Development certificate, lack of transportation, lack of child care, criminal history, and issues with substance abuse, domestic violence, or both.

SL Start plans include securing funding for programs like Transitional Jobs and partnering with the Income Support Division to identify and implement policy changes that will help meet federal work participation rates.

Steve Duran, director, Southwest Area Workforce Development Board (SAWD), said the Workforce Investment Act has three types of customers: employers, job seekers, and youth. The types of services provided are core, intensive, and on-the-job training. The youth program offers mentoring, paid work-experience, basic skills training, occupational skills training, academic enrichment, and youth life skills. A few of the many training providers are New Mexico State University and Southern NM Mechanical Contractors Association.

Mr. Duran stated SAWD has met or exceeded its performance measures. Challenges for SAWD are the economy, the relationship with the TANF program, limited space in facilities to assist employers, youth soft-skill training, and need for best practice model for at-risk youth in all school districts. The need for funding for summer youth jobs is important, too, he said.

Connie Leyva, chief, Workforce Services Bureau, Workforce Solutions Department (WSD), said 2012 is the year of reemployment. As part of the integrated workforce system, the department strives to meet the needs of businesses while expanding the quality and quantity of services to unemployment clients.

Workforce Services include assisting businesses with recruitment needs through job fairs, analyzing how to fill difficult-to-fill vacancies, and workforce layoffs. Workforce Services provides a one-stop shop for jobseekers online and priority training and job services to veterans.

Ms. Leyva told the committee the department has provided 143 individuals with tuition support under the training program of the Workforce Investment Act. The average investment for a two-year program per person is \$2,272. Ms. Leyva said 33 people participated in on-the-job training, and 25 people had short-term training, with an investment of \$800 a person. The total number of people served by all programs for the quarter ending in March is 158,115, of those 10,107 are veterans. Ms. Leyva concluded with a few success stories.

Anthony Hyde, director, Manufacturing Technology Education Center (M-TEC) at NMSU, said the mission of the center is to promote economic development in New Mexico by providing quality technical assistance, manufacturing, agriculture engineering, and other educational and outreach services.

M-TEC helped The Produce Bagger design, build and commercialize an automated onion bagger and gave technical assistance to other companies as well. M-TEC's agriculture engineering projects include building a precision fertilizer applicator and an automated GPS-controlled grid sprayer. M-TEC has assisted New Mexico's chile industry by working on a de-stemming machine that de-stems 10 thousand pounds per hour.

Mr. Hyde said NMSU is the affiliate for Project Lead The Way (PLTW), a premier STEM (Science, Technology, Engineering, Math) program in the country. PLTW is in almost all Doña Ana County high schools and 35 other schools across the state, with Spaceport tax providing the funding. The Manufacturing Technology Bridge Program is a high school workforce initiative to increase the number of workers in the manufacturing area, particularly in the border region.

Carrie Moritomo, division director, Workforce Transition Services, told Representative Larrañaga bureaus within the WSD work closely with individuals receiving unemployment to assist with retraining and retooling for other careers. Representative Larrañaga asked about the timeframes of TANF and Ms. O'Keefe stated 60 months is the maximum lifetime benefit. Mr. Duran told Representative Larrañaga there is a statewide system for individuals to view available jobs.

In response to Senator Ingle, Mr. Duran said employers are seeing a lack of soft skills in the workforce – young people not aware of the need to communicate with employers when not coming to work or coming in late, dress inappropriately, and unaware of how they should behave with coworkers and supervisors. Drug tests are a key complaint from employers.

Update on Arizona Water Settlements Act. State Engineer Scott Verhines introduced staff members. Craig Roepke, deputy director, Interstate Stream Commission, summarized efforts and work that will take place under the Arizona Water Settlements Act (AWSA) within the next few years. The AWSA allocates to New Mexico up to \$128 million in non-reimbursable federal funding and an annual average of 14 thousand acre-feet of additional water from the Gila Basin, representing a 47 percent increase in New Mexico's current Gila apportionment. Of that, \$66 million can be used for a New Mexico Unit to develop the new water and fund other water utilization alternatives to meet water demands in the Southwest Water Planning Region of New Mexico (SWPRNM). The AWSA requires the new Gila Basin water be consumed in New Mexico, and leasing any of the 14,000 acre-feet of Gila water outside New Mexico is not allowed. By December 31, 2014, New Mexico must inform the Secretary of the Interior if any of the additional water will be used.

Mr. Roepke said there have been over 200 meetings since 2001 discussing this difficult matter. The Southwest New Mexico Stakeholders Group (SWNMSG) formed to figure out how to use the water and the federal funding in the AWSA but was not able to reach a consensus on a small number of projects. Consequently, the ISC began its own two-tiered evaluation process and decided on 16 projects for further assessment, integration, and refinement. Each proposal requires comprehensive assessments.

In January 2012, the Bureau of Reclamation deposited \$9.04 million into the New Mexico Unit Fund pursuant to the AWSA. The same amount will be deposited for the next two years.

During negotiations of the AWSA the primary focus was to ensure the water was "wet water." Because of senior downstream water rights, the ISC negotiated a Consumptive Use and Forbearance Agreement, where downstream senior rights agreed not to object if New Mexico diverts the 14 thousand acre-feet of water. To effect the diversion, the Secretary of the Interior is required to provide a like amount of water to the downstream Arizona users.

Vance Lee, chairman of the Gila/San Francisco Water Commission, summarized the history of the commission and its involvement with the AWSA. Mr. Lee named the projects the ISC selected through the tier process to be studied and said most, if not all, projects would be good for the people of Southwest New Mexico. Funding, he said, is the limiting factor.

Mr. Lee said the process has been long and trying, but the people of New Mexico should never forget how important water is to the desert southwest to maintain the present standard of living and for the future.

Representative Tripp asked if New Mexico is going to lose any of the 14 thousand acre-feet of water. Mr. Roepke responded by saying there is 12,700 acre-feet that could be developed off the Gila River in the Gila Basin, and another 4,000 acre-feet that could be developed off of the San Francisco River. It is the responsibility of the ISC to meter the 140 thousand acre-feet of water over the next 10 years.

Representative Larrañaga asked Mr. Roepke to put a price on an acre-foot of water in the Gila Basin, and Mr. Roepke said people with money can buy some of that irrigation water right for

\$10 thousand an acre-foot. Representative Larrañaga asked if the \$66 million can be used for an entirely new unit in New Mexico and Mr. Roepke said above the first \$66 million, New Mexico receives any additional money up to \$62 million only on a construction cost schedule basis to develop some or all of that water.

Senator Wirth asked why stakeholder meetings were not open and Mr. Roepke said open public meetings tend not to be productive for many reasons, which is why the input group was formed. The input group was representative of all groups. All private meetings were filmed. The Open Meetings Act does not apply because it is not a government group.

Southwest Border Security Threats. Gordon Eden, secretary, Department of Public Safety, said there are three main Southwest border law enforcement issues: violence, smuggling, and public corruption. The four types of smuggling are drugs, money, weapons, and human.

Secretary Eden said El Paso, the sixth safest city in the United States, is separated by a canal from the second most violent city in the world—Juarez, Mexico. Mexico has five of the 10 most dangerous cities in the world, mainly due to drug cartel wars.

Cross border violence includes attacks or unintentional damage resulting from attacks by illicit traffickers on U.S. assets and personnel. Gun battles, gang-on-gang violence, attacks on U.S. operations, and mass influxes of casualties coming in to the port of entry from Mexico are examples.

Drug trafficking continues to be one of the biggest threats. Not only do drug cartels smuggle marijuana and cocaine, they smuggle meth, heroine and diverted counterfeit pharmaceutical drugs. Secretary Eden said methamphetamine “super labs” have declined in the United States because it is cheaper to make it in Mexico and smuggle it. Secretary Eden briefly touched on weapons and human trafficking and briefed the committee on Mexican drug cartels.

Secretary Eden stated the involved departments have seen a huge increase in federal funds to the Boot Hill area of New Mexico. Chairman Smith stated between the two stations, there are more Border Patrol agents than New Mexico State Police.

Secretary Eden informed the committee that returning law enforcement veterans will not have to go through the 22-week academy to become state policemen.

Luna County Sheriff (LCSO) Raymond Cobos said his department can do nothing to protect Palomas students who are used to smuggle drugs into the United States because Mexican drug dealers threaten their parents and livelihood at home. Sheriff Cobos said there is a partnership with the Border Patrol, who processes 400 students every school day, but the department has other responsibilities in the county, encompassing 3,000 square miles.

When the village of Columbus could not sustain its police department, the LCSO took over. Operation Stone Garden, sponsored through FEMA and Homeland Security, provides funds for overtime, equipment and gas. Also helping is a coalition the sheriffs formed to share resources and cross utilize. Sheriff Cobos said no one agency can do it alone.

Lieutenant Pat Green with the Hidalgo County Sheriff's Department said high numbers of juveniles are being used to smuggle drugs. Operation Stone Garden is an immense help in Hidalgo County, he said.

Greg Myers, secretary designee, Department of Homeland Security and Emergency Management, told the committee the state provides to Luna and Hidalgo counties overtime for about 36 deputies and 26 city officers, 18 patrol vehicles and 13 laptop computers, among other resources.

Cartels are the lynchpin to the greatest threats surrounding the border region, using ultra-light aircrafts to smuggle drugs more and more.

Secretary Designee Myers said communication is one of the biggest challenges the Boot Hill area faces due to the terrain, and the department is looking into spending residual grant money for a tower in the area as well as encryption capabilities.

Representative Saavedra said it seems the United States needs to concentrate on arresting people on this side of the border for buying the drugs from Mexican smugglers. A lengthy discussion ensued.

Chairman Smith said he appreciates District Attorney Mary Lynne Newell for sitting in and appreciates the testimony and background. Ms. Newell stated the National District Attorney's Association is working on a massive border curriculum for prosecutors. The curriculum is impressive and scary.

Miscellaneous Business

Action Items

Approval of March 2012 Meeting Minutes – Senator Cisneros moved to approve the March 2012 Meeting Minutes, seconded by Representative Larrañaga. The motion carried.

Director David Abbey advised the committee to take home the *Quarterly Report of Outstanding Funds & Projects ≥ \$1 Million*, an important tool. Director Abbey briefly discussed the BAR Report and future LFC evaluations.

Friday, May 4

The following members were present on Friday, May 4, 2012: Chairman John Arthur Smith, Vice Chairman Luciano "Lucky" Varela, Representatives Don Tripp, William "Bill" J. Gray, Dona G. Irwin, James P. White, Edward C. Sandoval, Larry A. Larrañaga, and Henry "Kiki" Saavedra; Senators Carlos R. Cisneros, Mary Kay Papen, Timothy Z. Jennings, William F. Burt, Stuart Ingle, and Howie Morales.

Effective Teacher and School Leadership Preparation Programs and Practices. Rachel Gudgel, senior fiscal analyst, LFC, briefed the committee that effective preparation programs are

extremely important because research indicates teachers and school leaders are the top two school-related factors influencing student achievement.

Linda Paul, director, New Mexico School Leadership Institute (NMSLI), says the institute's main focus is instructional leadership, with partnerships between New Mexico's five higher education institutions. The NMSLI mentors new leaders, as well as teaches leaders how to implement strategic planning initiatives focusing on student success, use data effectively, and implement common core content standards. The NMSLI also provides comprehensive professional development for leaders in charter schools environments.

The NMSLI's newest initiative focuses on leadership for the common core content standards, working with districts and more than 200 leaders across the state to date. Initiatives on the horizon include measures of teacher and principal effectiveness, leadership for the common core content standards, data use for advocacy and school improvement, and advanced professional development for superintendents. In response to Representative Tripp, Ms. Paul stated Vanderbilt identified six core components and six key practices of effective principals. An example is rigorous curriculum, so the principal's role is to ensure the curriculum is rigorous and planned and is accurate and monitored. The NMSLI trains on effective walk-throughs and on how to gather and analyze that data to identify how teachers need support in their own work.

Ms. Paul told Senator Morales the NMSLI places user-friendly math and reading test data on a spreadsheet.

Chairman Smith asked for the operating budget of NMSLI. Ms. Paul stated the NMSLI was funded by the Legislature in FY10, but today it is a fee-for-service business, primarily funded through a grant with the Albuquerque Public Schools. The basic operating budget is approximately \$270 thousand to \$300 thousand. Chairman Smith noted it is important to ensure resources allocated for public education are used efficiently and economically, and dollars are reaching the classroom. Senator Smith also noted he is not satisfied with the argument that there is so much more for teachers and principals to do daily than there used to be that it requires increased funding.

Matt Montañó, director of educator quality, New Mexico Public Education Department, briefed the committee on PED's role in college of education programs. The PED evaluates and approves education preparation programs pursuant to state statutes. While the Higher Education Department oversees the universities, the PED oversees the colleges of education at both two-year and four-year degree granting institutions.

Minimum criteria teachers must meet to be entry-level prepared for public education is basically universal. Mr. Montañó said a bachelor's degree is needed with various hours of core classes and content areas.

Mr. Montañó stated New Mexico has partnered with the National Council for Accreditation and Teacher Education (NCATE) for accreditation of colleges of education. National and state teams review six standard requirements: candidate knowledge, skills and professional disposition,

assessment system and unit evaluation, field experiences and clinical practices, diversity' faculty qualifications, performance and development, and unit governance and resources.

Mr. Montañó summarized nine general teacher competencies, which included willingness to examine and implement change and working productively with colleagues and parents.

The New Mexico Teachers Assessment tracks data on how teachers perform. Every teacher must take a basic skills, teacher competency, and content knowledge test. Mr. Montañó said there has been discussion on how elementary core knowledge is assessed. Every secondary teacher is required to pass a content-knowledge specific assessment. Mr. Montañó stated there are obvious concerns about the number of times the basic skills test can be taken because there are no limitations. The cut score for passing is generally well below the 50th percentile.

Mr. Montañó stated many things have been recommended nationally for college preparation programs to increase the effectiveness of teachers in entry level, secondary, and special education positions, such as grade-level specific classroom management, training in effective reading instruction, and broad content-specific knowledge. Mr. Montañó said it was his experience as a teacher and administrator that when teachers struggle with content, there are behavior and overall classroom management struggles.

The PED is championing three initiatives: adoption of common core content standards, school grading, and teacher and school leader evaluation. Mr. Montañó said the adoption of common core content standards will lead to uniform standards nationally, and school grading forces the focus on every single student.

Gladys de Necochea, assistant dean for budget and planning, New Mexico State University (NMSU), briefed the committee that the College of Education enrolls about 2,600 students. It has five academic programs: College of Educational Psychology; Curriculum and Instruction; Educational Management and Development, which has the Educational Leadership Doctoral Program; Human Performance Dance and Recreation; and Special Education and Communication Disorders. Ms. de Necochea informed the committee about the college's outreach and partnerships, such as the unique Bridge program that brings together educators, policymakers, and members of the business community to bring renewed focus to educating youth.

Amalia Ludeke, associate professor of educational management, NMSU, said her work is committed to building the capacity of respective school leaders through sustained professional development. Ms. Ludeke was heavily involved with Senate Joint Memorial 3 (SJM3), a statewide effort that has brought all of the licensure-granting universities together to look at the indicators and figure out what principals really need to know to meet their objectives and challenges. As a result, several recommendations were implemented and five core courses were redesigned. Outcome-based results helped examine what was being done well, and what needs to be done differently. Ms. Ludeke said this would not have happened without SJM3.

Patricia Manzanares-Gonzales, dean, School of Education (SOE), Western New Mexico University (WNMU), said the when she came to WNMU six years ago there was a disconnect

among faculty, students and school districts, so she made a commitment to hire practitioners who understood the real issues impacting the children, schools and communities.

The College of Education, as it will be known as of July 1, 2012, offers many effective teacher and school leadership programs and practices that are nationally accredited. Ms. Manzanares-Gonzales said through April 11, 2011, WNMU's SOE was the only New Mexico institution that met all six NCATE standards in the last seven years.

In 2009, the instate retention for graduates completing any education program at WNMU was 81 percent. Between 2007 and 2009, the retention of students completing programs was approximately 80 percent, which indicates persistence. During the same period, 138 non-resident students completed education degrees at WNMU and of those 60 percent were subsequently employed in New Mexico.

Ms. Manzanares-Gonzales provided student demographics and the structure of SOE programs with entry and exit criteria for the committee and specifically addressed special education. To graduate with a degree in special education from WNMU, students must graduate with a minimum of two endorsements in content areas.

Gus Benakis, associate superintendent, Silver City Consolidated Schools, told the committee about his experience as a principal at Harrison Schmitt Elementary School, and the characteristics of their success.

First, Mr. Benakis said he needed to raise the employee's expectations, beginning with "we will" statements. This statement clarified for classroom teachers the school would never be below the state average on assessments. Mr. Benakis said being an engaged parent guided his approach as principal when it came to communication. Parents want to know how their children are doing, so teachers were required to communicate through progress reports every week and welcome the children every day. When everyone, including principals, listens effectively, it carries more weight, and as a teacher himself, he wanted his students to know he was happy to see them.

High visibility by listening to and interacting with parents, children and other teachers throughout the school is important, especially for principals. Mr. Benakis said high visibility breeds consistency and accountability in the classroom because teachers knew he might stop in to watch a class and that he knew every teacher's schedule.

Successful schools and districts encourage collaboration between teachers. Teachers are encouraged to talk and follow students through the grades. Teachers do their best this year because they know a colleague will have that student next year. Mr. Benakis stated that only asking teachers to do what he would do was also effective.

Another quality of success at Harrison Schmitt was not being afraid of retention. Between 10 and 15 students a year were retained in kindergarten, and 12 to 18 students a year on average were retained in first grade. Deficiencies need to be identified early with the child and parents, and it is easier than doing it than in second or third grade than when students are really behind.

About seven years ago the school aligned the math curriculum, which has been very effective. Additionally, math was taught for an hour each day. Students were not surprised when tested in third grade, and there has been an increase in test scores district wide.

Another key to their success was taking away excuses. Mr. Benakis told the committee of purchasing computers with stimulus money he knew was not recurring. Prior to the purchase, Harrison Schmitt was the worst school in the district technologically.

Mr. Benakis stated charts and data were used for greater accountability and creating buy-in. Test scores in math and reading continue to grow even with a change in leadership. The curriculum is tough, expectations are high, kids are expected to come to school and behave, and they are expected to learn. Teachers are expected to deliver quality education every day. Mr. Benakis said his approach is simple and old-school.

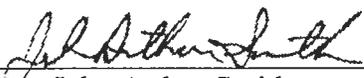
In response to Senator Papen, Mr. Montañó said there is an interesting dichotomy when it comes to early childhood in New Mexico. New Mexico has one of the most progressive early childhood programs, yet it lacks requirements for content knowledge. Mr. Montañó noted quality early childhood facilities are located where there are more affluent families.

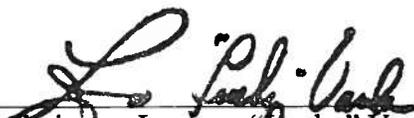
Senator Papen told Mr. Benakis she wished every principal was like him.

Ms. de Necochea told Senator Morales all levels of education must continue cultivating, challenging, and supporting a sense of community of scholars and educators that move through institutions.

Senator Morales briefly addressed PED initiatives, and stated he was concerned that 50 percent of a teacher's annual evaluation will be based on student performance data -- 35 percent based on the state standards-based assessment, and the other 15 percent based on district-created assessments, which teachers do not have direct control over. The discussion continued with Senator Morales asking Mr. Montañó what the plan was regarding a Senate Memorial 86 directing the PED to review the A through F formula. Mr. Montañó stated it was not his area of expertise but he would have Secretary Skandera follow-up for the senator.

With no further business, the meeting adjourned at 11:47 a.m.


Chairman John Arthur Smith


Vice Chairman Luciano "Lucky" Varela