

**MINUTES**  
**Legislative Finance Committee**  
**State Capitol Room 307**  
**Santa Fe, NM 87501**  
**November 17 – 20, 2015**

**Tuesday, November 17<sup>th</sup>**

The following members and designees were present on Tuesday, November 17, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Carroll H. Leavell, Mary Kay Papen, George K. Munoz, Steven P. Neville, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano “Lucky” Varela, Nick L. Salazar, Paul C. Bandy, Jason C. Harper, George Dodge Jr., and Patricia A. Lundstrom. Guest legislator: Representative Don L. Tripp.

**General Fund Revenue Volatility and Reserves.** Laird Graeser, contract economist for the Legislative Finance Committee, began testimony with the 20 year history of total general fund revenues. The annual growth rate in total revenues over this period has been 4.42 percent. The growth in revenues has been driven by population growth and the increase of business. In the past 10 years, oil and gas revenues averaged between 15 percent to 20 percent of the total general fund. A chart in the presentation showed the unpredictability of oil and natural gas prices. Because of this unpredictability, consensus revenue estimates are often underestimated. General fund revenue from other sources such as sales and income taxes, also can be volatile.

Then reporting on LFC’s report on finance facts on general fund reserves, David Abbey, LFC director, said the operating reserve is, in effect, the state’s checking account. Mr. Abbey said, in recognizing historic volatility, it is important to have accessible funds to deal with sharp, unexpected market and economic downturns. New Mexico traditionally keeps a minimum 5 percent reserve balance. Significant spending pressures were discussed. Special, supplemental, and deficiency appropriations requested for FY16 total \$147 million. The Human Services Department requested \$47 million for Medicaid. The Department of Health requested \$20 million. The Corrections Department requested \$15 million. IT requests total \$63 million.

Mr. Abbey said that, while FY15’s reserve balance was 10 percent, much of it is comprised of restricted reserves. The operating reserve balance was 3.3 percent, which Mr. Abbey suggested is too low. A new revenue estimate will be presented in December by the consensus revenue estimating group. Moving forward, Mr. Abbey suggested the executive be encouraged to manage agency spending to reduce projected needs. Also, lowering spending levels may beef up the reserves’ needed for special, supplemental, and deficiency requests. Mr. Abbey lastly suggested sweeping surplus monies from accounts in the treasury to the general fund.

In response to Chairman Smith, Mr. Abbey said based on current revenue, if all special, supplemental, deficiency, and IT requests for FY16 are funded, reserves could be reduced to as low as 6 percent.

In response to Representative Harper, Mr. Abbey said the Tobacco Settlement Permanent fund may serve as an important revenue source to address the funding pressures of Medicaid. The fund gives the Legislature an option to deal with the funding pressures of Medicaid rather than cutting Medicaid spending.

In response to Representative Larrañaga, Mr. Abbey said litigation proceedings are increasingly putting pressure on funds.

**Administrative Office of the Courts.** Barbara Vigil, chief justice for the New Mexico Supreme Court, began with a brief overview of the judiciary's unified budget process. The Chief Judges Council first meets to develop budget recommendations. The recommendations are submitted to the Supreme Court and final priorities are then adopted. After the priorities are established, each judicial budgeting unit then prepares its budget request and submits it to the Judiciary's Budget Committee. After review by the committee, the judiciary's total budget request is then recommended to the Chief Judges Council. The total budget request, which may be modified by the council, is then submitted to the Supreme Court for final approval.

The Chief Justice Council has identified five core components critical to maintaining a healthy judiciary: employees, judges, infrastructure, court services, and court security. Chief Justice Vigil said these five components formed the basis of the judiciary's unified budget request for FY17. The budget request is an increase of \$14.4 million, or 8.9 percent, over the FY16 appropriation and will fund three priorities for the judiciary. Priority one is \$6 million to implement a workforce investment plan. Chief Justice Vigil said the plan is a sustainable compensation initiative designed to attract and retain a highly qualified and motivated workforce by investing in a long-term and uniform compensation initiative. Priority two is \$6.9 million for operating expenses, including an additional judgeship in the 5<sup>th</sup> Judicial District. Priority three is \$1.4 million for judicial compensation increases. Regarding capital outlay, the judiciary requested funding to complete construction of the fourth floor of the Metropolitan Courthouse in Albuquerque.

Chief Justice Vigil concluded with proposed legislation endorsed by the courts that will be introduced during the 2016 legislative session. If passed, the 5th Judicial District will receive a new judgeship, a language access fund would be created and used to pay for interpretation separately from the jury and witness fund, and the judge pro tem funds would become nonreverting. There will also be a proposed amendment to Article 2, Section 13, of the New Mexico Constitution that would give judges the lawful authority to deny bail and detain dangerous defendants pending trial. Justice Charles Daniels further discussed the constitutional amendment.

Artie Pepin, AOC director, then provided additional detail on the judiciary's three priorities. The majority of court clerk jobs are clerk 2 positions. A court clerk 2 employee, whose job duty is to manage data, earns \$15.09 an hour. At this time, the judiciary system is experiencing difficulty in retaining its court clerks. If funded, the workforce investment plan would increase their pay by \$2.43 an hour. Other initiatives of the plan include a career progression structure for its employees, increase compensation for judges' at-will staff, and address salary inequities and compression.

In discussing priority two, Mr. Pepin said \$631.6 thousand of the AOC's FY17 budget request is for jurors and interpreters. The budget increase would provide sufficient funding to pay jurors and interpreters the statutory rate of \$7.50 an hour. Currently, the rate is \$6.75 an hour. Regarding special court services, Mr. Pepin said modest increases are requested for the Court Appointed Special Advocates Program and the Safe Exchange and Supervised Visitation Program. An increase of \$307.7 thousand is requested for the Court Appointed Attorneys Program. Mr. Pepin talked about the need for additional funding in automation.

Mr. Pepin then discussed the Magistrate Courts budget request of \$1.8 million. The decrease in other state funds, which supplemented the Magistrate's operating expenses in years past, has increased the need for general appropriation funds. Judge Anaya, president of the Magistrate Judges Association, said the association approves of the budget request submitted by AOC. The association supports implementing the workforce investment plan.

In response to Representative Bandy, Chief Justice Vigil said the skill set that court clerk 2 employees must attain obligates the judiciary to pay them appropriately. Currently, many private sector jobs pay the same, or a higher hourly rate with little or no skill required. Mr. Pepin said the state's retirement benefits are not enough to keep those employees from going to the private sector for more money.

In response to Representative Larrañaga, Justice Daniels said a bond can be forfeited for failure to show for a court appearance but cannot be forfeited for committing new crimes.

Representative Larrañaga and Senator Beffort expressed concern over open-ended lawsuits, such as the Jackson lawsuit regarding treatment of the developmentally disabled, that are increasingly putting pressure on the state's budget. Senator Beffort said abuses have occurred with billing. For example, a lawyer in the Jackson lawsuit charged over \$12 thousand to give a 30 minute presentation.

In response to Senator Papen, Chief Justice Vigil said the unified judicial process determined that an additional judgeship in the 3<sup>rd</sup> Judicial District was not a priority. The Chief Judges Council has formed a subcommittee of judges to examine how judgeship needs will be determined in the future.

In response to Representative Harper, Justice Daniels gave a brief history of bail bonding. Representative Harper then asked about the proposed constitutional amendment. Justice Daniels explained that the amendment would also ensure that a person who is not considered dangerous or a flight risk not be detained solely because of financial inability to post a money or property bond.

In response to Senator Munoz regarding cost-savings efforts in the judicial branch, Chief Justice Vigil said the case management order implemented in the 2<sup>nd</sup> Judicial District has saved millions of dollars in Bernalillo County by eliminating unnecessary pre-trial detention. Mr. Pepin said because the case management system has allowed the courts to operate more efficiently, the courts have not needed to request funding for additional clerks.

**District Courts (231-243).** Beginning with the 11<sup>th</sup> Judicial District Court, Karen Townsend, chief judge, said the district is supportive of the workforce investment plan. The court requests a special appropriation of \$149 thousand. In response to Representative Bandy, Weldon Neff, court executive officer, said jurors must either be a taxpayer, a voter, or have a driver's license.

J.C. Robinson, chief judge of the 6<sup>th</sup> Judicial District Court, said the district requests a 1.9 percent increase for personal services and employee benefits to fill a drug court surveillance officer position, a court clerk position, and a financial specialist position. The court requests reclassification of a full-time unauthorized position to an authorized probation officer position.

William Shoobridge, chief judge of the 5<sup>th</sup> Judicial District Court, said a sentencing workload study determined that the district has the highest need in the state for an additional judgeship. The study found that the state overall needs an additional 6.7 judges, of which 2.5 judges are needed for the 5<sup>th</sup> district alone. The court requests \$60.6 thousand to replace IT equipment. Judge Shoobridge expressed support for the workforce investment plan. In response to Senator Leavell, Judge Shoobridge said the sheriff's department has moved out of the courthouse and the additional space will be remodeled to accommodate a new judgeship.

Fernando Macias, chief judge of the 3<sup>rd</sup> Judicial District Court, said the court requests a budget increase of \$112 thousand for FY17, of which \$32 thousand is attributed to a law clerk position being changed to attorney associates position. The legal office and self-help office has been revamped. In discussing the court's support for the workforce investment plan, Judge Macias said the district often loses its clerks to the federal sector.

James Counts, chief judge of the 12<sup>th</sup> Judicial District Court, said the court's FY17 budget request is an overall 2 percent increase. The request includes funding for an additional court clerk 2 and reclassification of a part-time bailiff position to a court services specialist. A supplemental appropriation of \$192.6 thousand was requested to replace vehicles and purchase remote video equipment and courtroom audio equipment. Judge Counts said the number of case filings have decreased in the district. However, the number of pleadings docketed has greatly increased. The number of jury trials has also increased. Katina Watson, court executive officer, expressed the court's support of the workforce investment plan.

Drew Tatum, chief judge of the 9<sup>th</sup> Judicial District Court, said the court recently celebrated its 100<sup>th</sup> graduate from its drug court program. In another event, several local attorneys offered free legal advice to students at Eastern New Mexico University. Judge Tatum said the court is satisfied with the budget request determined by the unified budget process.

Jeff McElroy, chief judge of the 8<sup>th</sup> Judicial District Court, said the court's FY17 budget request increase of \$79,800 supports implementation of the workforce investment plan. Judge McElroy reported that over the past 3 years, 7 of the 9 clerk positions experienced turn over. The budget request includes funding for a security bailiff for the domestic relations hearing officer. A special appropriation is requested for a vehicle.

Matthew Reynolds, chief judge of the 7<sup>th</sup> Judicial District Court, expressed support of the workforce investment plan. In response to Senator Beffort, Judge Reynolds said that although

additional funds for drug court are needed, it was not determined to be a priority through the unified budget process.

Albert Mitchell, chief judge of the 10<sup>th</sup> Judicial District Court, updated the committee on the status of capital outlay funds being used to remodel the courthouse. A budget increase of \$9,500 is requested for the court for FY17. Regarding the proposed constitutional amendment, Judge Mitchell said he believes the system would survive without bail bondsman.

Matthew Sandoval, chief judge of the 4<sup>th</sup> Judicial District Court, said the budget request increase for FY17 includes funding to complete a microfilming project.

Louis McDonald, chief judge of the 13<sup>th</sup> Judicial District Court, said \$216 thousand is needed to continue the foreclosure settlement program in FY17. Sandoval, Valencia, and Bernalillo counties have the highest foreclosure rates in the state. Judge McDonald said capital outlay is needed to purchase IT equipment and to furnish the newly constructed courthouse in Cibola County. In response to Representative Varela, the foreclosure settlement program was funded through a grant received from the Attorney General's office (NMAG). NMAG awarded the grant after receiving settlement money from five of the largest banks.

Nan Nash, chief judge of the 2<sup>nd</sup> Judicial District Court, said because of the size of the district, the cost to implement the workforce investment plan, which would be \$1.3 million, is significantly higher than other districts. The court requests \$160 thousand to continue its mortgage alternative program. The court also requests funding to fill a court clinician position, an administrative assistant position, and a part-time bailiff position. In response to Representative Larrañaga, Judge Nash said that through joint efforts, the population has been reduced and is on target at the detention center.

Raymond Ortiz, chief judge of the 1<sup>st</sup> Judicial District Court, said the court's 2 percent budget increase includes funding for one full-time IT specialist. Judge Ortiz said there is a substantial need in the district to implement the workforce investment plan. Judge Ortiz mentioned that although not determined a priority for FY17, an additional judgeship is needed for the district. Regarding capital outlay, the court requests \$90 thousand for its electronic docket display system and \$30 thousand for a vehicle. In response to Representative Varela, Judge Ortiz said there are currently four vacancies.

**Metropolitan Court (244).** Henry Alaniz, chief judge of the Metropolitan Court, said it has been difficult finding applicants to fill six probation officer positions. The current pay rate for those officers is below what the state is offering its probation and parole officers. The court is adding an eighth specialty court for veterans. The court requests a budget increase of \$305 thousand for FY17. The court requests capital outlay for security cameras and to complete construction of the fourth floor. Judge Alaniz briefly talked about the court's support of the proposed constitutional amendment.

Representative Larrañaga expressed concern for the high number of cases judges must handle a year. Judge Alaniz agreed that, while it is a challenge, most cases move quickly. Motion hearings, criminal trials, and jury trials take the most time. Judge Alaniz said that although the

court could benefit from another judgeship, the priority at this time is the workforce investment plan.

In response to Representative Larrañaga, Judge Alaniz said 4,800 domestic violence cases have been filed so far this year.

**New Mexico Environment Department (667).** Ryan Flynn, secretary of the New Mexico Environment Department (NMED), said the agency requests a general fund increase of \$1.2 million for FY17. Secretary Flynn mentioned that in FY16 NMED was appropriated 23.6 percent less general fund than was appropriated in FY08. The FY17 budget request includes funding 11 FTE that are currently unfunded vacancies within the agency.

As a result of reorganization, all of NMED's water programs are now under one division. Also, the agency's federal resource conservation recovery act programs and hazardous and solid waste programs are now under one division.

Secretary Flynn then reported on major issues. In June 2015, an extraction well was drilled at the Kirtland Air Force Base fuel spill site to pump and treat contaminated water. Over 13 million gallons of contaminated water has been treated so far. Two additional extraction wells will be drilled by the end of the year. At this time, monitoring wells have determined that the plume is not moving toward Albuquerque's drinking water wells.

After being notified of the Gold King Mine spill, Secretary Flynn said NMED immediately deployed 25 staff members to San Juan County and informed public water systems to stop taking water from the Animas and San Juan rivers before the plume arrived. Downstream users, including the Navajo Nation, Arizona, and Utah were also immediately notified. Within days, field teams were mobilized and sampling equipment was set up. The federal Environmental Protection Agency (EPA) did not set up a mobile lab as originally planned; however, NMED was able to set one up just days after the spill occurred.

In other issues, 5.7 million tons of carbon dioxide emissions will be eliminated in the next two years as result of a recent negotiated agreement with involved industries. Regarding WIPP, the state is very close to signing settlement agreements with the Department of Energy. The settlement will provide \$73 million for projects in affected communities. Secretary Flynn lastly reported on the progress being made within the Ground Water Quality Bureau.

In response to Senator Leavell, Secretary Flynn said there are a number of rules proposed by the U.S. Bureau of Land Management that would impact wells on public lands.

In response to Representative Bandy, Secretary Flynn said the EPA will be reimbursing the state for costs incurred from the Gold King Mine spill. Emergency response costs totaled almost \$1 million. Secretary Flynn said the cost of a long-term monitoring plan is projected to be slightly over \$5 million over a five-year period.

### **Wednesday, November 18<sup>th</sup>**

The following members and designees were present on Wednesday, November 18, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Carroll H. Leavell, Mary Kay Papen, George K. Munoz, Steven P. Neville, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano “Lucky” Varela, Nick L. Salazar, Paul C. Bandy, Jason C. Harper, George Dodge Jr., and Patricia A. Lundstrom. Guest legislators: Senators Lee S. Cotter and John Patrick Woods and Representative John L. Zimmerman.

### **Department of Finance and Administration (341) and Special DFA Appropriations (344).**

Tom Clifford, secretary of the Department of Finance and Administration (DFA), began with a brief overview of the agency’s mission. Secretary Clifford said state government needs to be focusing on financial training.

Secretary Clifford said the agency’s total FY17 budget request is \$140 million, of which the majority is for special programs. The agency requests \$27 million from the general fund, a 2.5 percent increase over FY16. The general fund request includes a budget increase of \$325.3 thousand for the New Mexico Land Grant Council and a budget increase of \$147.6 thousand for the New Mexico Acequia Commission. The general fund increase is also reflective of additional funds needed in personal services and employee benefits. DFA recommends the funding for the Food Bank program be transferred to the Human Services Department.

Secretary Clifford lastly talked about agency initiatives, which include improving the accuracy and accountability of the consensus revenue forecast and reforming the state’s capital outlay programs. DFA will be installing software that works with SHARE to automate the comprehensive annual financial report (CAFR) preparation and improve timeliness. DFA requests a \$1 million special appropriation to perform an assessment of agencies that handle credit card transactions to ensure the data is secure according to industry standards.

Brian Moore, lobbyist for the New Mexico Association of Counties (NMAC), then briefly addressed the committee. Mr. Moore said appropriations made to the county detention facilities reimbursement fund is no longer sufficient to help pay for county jails. County jail costs have increased. A resolution will be proposed to the Legislature in 2016 to help cover those increased costs.

Ed Marks, executive director the New Mexico Legal Aid (NMLA), gave a brief presentation about the statewide legal services program that provides free legal services to low-income people who are eligible under federal poverty guidelines. NMLA focuses on several issues, including issues that affect Native Americans, veterans, and rural communities. Mr. Marks said a recent multi-state study found that an average of \$3.50 is returned to communities and clients for every dollar spent on legal aid services. An increase of \$375 thousand is requested for the civil legal services fund for FY17. The increase would return funding to the amount that was available in 2009.

Angel Reed Padilla, chief executive officer of Big Brothers Big Sisters (BBBS) of Central New Mexico, lastly addressed the committee. BBBS’s mission is to create life-changing friendships.

New Mexico's BBBS program is currently serving 3,000 children. Ms. Reed said the youth mentoring program helps improve the outcomes for the kids it serves, many of which live in poverty.

In response to Representative Larrañaga, Mr. Marks said many of the volunteer attorneys also give cash donations. Since 2009, private attorneys have donated almost \$2 million to the nonprofit organizations that provide legal assistance to the poor.

In response to Representative Varela, Mr. Moore said according to the Judicial Sentencing Commission's estimate of the population in county jails, \$5 million would help the county detention facilities reimbursement fund. In response to Senator Smith, Tasia Young of NMAC said she would calculate and report to him how many counties have imposed an additional gross receipts capacity due to the hold-harmless provision.

In response to Senator Cisneros, Secretary Clifford said the agency would support moving certain programs from DFA to a more appropriate agency. Secretary Clifford said that, while DFA performs the fiscal agent services for those programs, it is not in the position to provide expert supervision. Secretary Clifford said he will work with LFC staff and make recommendations to the committee on areas where movement can be made.

In response to Senator Munoz regarding the CAFR reserve, Secretary Clifford said an estimate of the liability will be provided in December. The liability is projected to be lower, which means remaining money will go back into the operating reserve.

**Department of Public Safety (790).** Greg Fouratt, secretary of the Department of Public Safety (DPS), said with the passing of Senate Bill 95, which allowed the department to reorganize, the agency has improved the services it provides and has graduated commissioned officers who are more capable. Reporting on 2014 uniform crime rate (UCR) data, Secretary Fouratt said New Mexico ranks third as the most violent state. Of 9,345 cities nationwide, Espanola ranks as the 21<sup>st</sup> most violent. DPS has identified three primary vulnerabilities in New Mexico: 1) New Mexico's crime rate and its reputation for being violent. 2) The increasing reliance on New Mexico State Police (NMSP) by local and county law enforcement agencies. and 3) The backlog of forensic cases. To address these vulnerabilities, Secretary Fouratt said DPS needs to hire more officers, retain and recruit staff to support officers, and increase capacity at the state forensic laboratories.

Then reporting on New Mexico's ports of entry, Secretary Fouratt said New Mexico is not doing as well as it can to maximize the revenue collection at its ports. Data suggests that about \$50 million in tax and permit revenue has gone uncollected. Efforts are being made to study whether operational improvements can be made at its ports.

DPS's FY17 budget request includes \$4 million for phase three of its officer pay plan. The funding would bring NMSP officer starting pay up from 6<sup>th</sup> to 4<sup>th</sup> in market and should improve recruitment and retention. The request also includes \$2.4 million to increase officer growth by 4.7 percent. DPS requests a \$576 thousand supplemental for a new lateral officer school. If

funded, the eight-week program would graduate 19 officers by the end of FY16. DPS requests a special appropriation of \$4 million for vehicle replacement.

As a result of House Bill 560, which reformed New Mexico's forfeiture law, DPS and NMSP have lost federal forfeiture funding. To replace those funds, DPS requests \$986 thousand for FY17. Secretary Fouratt said the funding is needed for core law enforcement needs.

Secretary Fouratt talked about DPS dispatchers. A chart in the presentation showed that DPS dispatchers are low paid. DPS requests a supplemental appropriation of \$100 thousand to implement a dispatcher pay plan, which would increase dispatcher salaries by an average of 11 percent. The supplemental would fund those salaries from April 1, 2016, to the end of FY16. Pete Kassetas, chief of NMSP, talked about a long-term consolidation strategy for the DPS's dispatch centers. The vision is to have three regional locations serving northern, southern, and central New Mexico. The consolidation strategy is anticipated to be fully achieved in five years.

Secretary Fouratt then talked about the Statewide Law Enforcement Support program. The program provides free services to all law enforcement agencies in New Mexico. DPS requests \$175.5 thousand for two currently unfunded forensic scientist positions. The agency also requested \$165 thousand for two additional IT professionals to support the new computer aided dispatch system. DPS requests \$110 thousand for laboratory expenses. Secretary Fouratt said a recent story in the *Albuquerque Journal* reported on the number of untested sex assault kits that are sitting in evidence rooms in police departments across the state. Finally, Secretary Fouratt described urgent needs in the Forensic Laboratory Bureau, including more space and better equipment.

In response to Representative Hall, Secretary Fouratt said creating a statewide criminal history database would be a significant step to ensure judges have the information they need when making decisions on bail or sentencing.

In response to Representative Larrañaga, Secretary Fouratt said a return-to-work initiative for retired police officers would help DPS. Chief Kassetas said there a pool of retired officers that would be willing to go back to work as an officer on the streets, which is where they are needed. Chief Kassetas added that tribal entities, which have a different retirement system, are hiring those retired officers and are benefiting from their experience.

Representative Larrañaga asked why all 10 candidates recently offered a latent fingerprint position declined the offer. Secretary Fouratt said some of the candidates were offered more money to do the same kind of science somewhere else. Secretary Fouratt said another contributing factor is that the primary lab in Santa Fe is not conducive in applying the best physical science. Because of the high cost to construct a new lab, DPS is instead requesting funding to renovate the current lab.

In response to Representative Bandy, Secretary Fouratt said that in FY15, laboratory analysts spent 82 percent of total court time traveling, 13 percent waiting to testify, and 5 percent in actual testimony. The total court time ranges from 10 to 20 percent of an analyst's career. An analyst can testify remotely if the defense attorney agrees to it.

In response to Senator Munoz, Secretary Fouratt said testing of DNA samples cannot be outsourced because private DNA companies cannot enter their results into the nationwide database.

Senator Cisneros commented that the root cause of the high crime rate in northern New Mexico is drugs. Secretary Fouratt said the Northern New Mexico Drug Coalition, established in 2010, has not yet seen improvement in the drug-related issues affecting those communities.

Representative Nate Gentry, who serves on the Judicial Education and Training Advisory Committee, then briefly addressed the LFC. Representative Gentry said the New Mexico Supreme Court formed an Ad-Hoc Committee on pre-trial release to determine what can be done to ensure people who are a danger to the community remain in jail. The committee recommends that a statewide criminal history database be established. The cost to implement the database in its first year is approximately \$700 thousand. The recurring cost after the first year is estimated to be \$600 thousand. Justice Charles Daniels expressed his support of creating the database.

**Department of Game and Fish (516).** Sunny Liu, analyst for the LFC, said the agency's budget request is \$40.3 million, an increase of 0.2 percent over FY16 appropriations. The request includes an expansion request for an additional 12 FTE. The request also includes \$674 for lease agreements with the State Land Office and other land owners. Alexandra Sandoval, director of the Department of Game and Fish (DGF), said the expansion would increase the number of game wardens from 56 to 66. Increasing the number of game wardens would reduce the number of square miles each officer covers, currently 2,200 square miles each. The agency also requests two additional FTE for its IT division. Because DGF provides online sales, one position will focus on the security issues to ensure DGF is PCI compliant.

In FY17, Ms. Sandoval said DGF will continue to focus on its Habitat Restoration Program. The program, which has received over \$21 million in the last year and a half, improves wildlife habitat, decreases the number of depredation issues, and improves forest and watershed issues.

Ms. Sandoval reported that the agency's vacancy rate has been reduced to under 10 percent. DGF is rebuilding its recruitment and intern program. Twelve interns will be recruited from New Mexico Universities.

In FY17, New Mexico State Police will begin overseeing DGF's communication services. The agency's radio system will be upgraded. Also in FY17, DGF will be working with Pocket Ranger to develop its mobile app.

In response to Vice Chairman Hall, Mr. Liu said the budget request does not include \$1.3 million in the other financing uses category for transfers to the State Parks program. In FY16, Ms. Sandoval said \$500 thousand was given to State Parks through the trail safety fund, and another \$500 thousand through the game protection fund. The transfers were special appropriations and therefore not recurring funding.

In response to Representative Varela, Ms. Sandoval said the tool report does not reflect the actual number of vacancies because it is counting 18 recruits for the Field Operations Program. Therefore, the actual current vacancy rate is 9.9 percent.

In response to Representative Bandy, Ms. Sandoval said DGF has committed \$5 million to the State Forestry Program. Sixteen million in Pittman Robertson Act funds has been given for large scale habitat restoration projects.

**Secretary of State (370).** Connor Jorgensen, analyst for the LFC, said the Secretary of State (SoS) requests \$11.1 million from the general fund for FY17. The request is an increase of \$2.6 million, or 31 percent over FY16's operating budget. The request replaces \$1.25 million from the public election fund with general fund revenue. The request includes an increase of \$3.7 million for the Elections Program, a 159 percent increase over FY16. The increase will cover all costs of the presidential election in FY17.

Mary Quintana, acting secretary of state, gave a brief overview of the agency. The current vacancy rate is 25 percent. Of the 15 currently vacant positions, the agency is actively working to fill eight. Historically, the agency's budget has been funded from the general fund, public election fund, and special appropriations. The SoS requests the entire budget in FY17 be funded by general fund. The public elections fund would then only be used for its primary purpose, which is to assist candidates who qualify for public financing.

Ms. Quintana talked about increased costs associated with election technology. Costs have increased for rental voting equipment and IT contractual services. The expanded use of voting convenient centers increased the cost of providing those centers with the voting systems and supplies. Other increased costs include the upkeep of software licenses and maintenance of the new vote tabulators.

In response to Representative Bandy, Ms. Quintana said the equipment used to print a ballot at a voting place is leased. Leasing is preferred over purchasing the equipment because of the support the leasing company provides for that equipment.

In response to Representative Lundstrom, Veronica Albin, chief financial officer for the SoS, said the SoS averages a 15 percent vacancy rate. The agency is purposely keeping 7 positions vacant.

**Commissioner of Public Lands (539).** Jonas Armstrong, analyst for the LFC, said the agency's FY17 budget request is an increase of \$2.1 million over the FY16 operating budget. The request includes \$595 thousand to reduce the current vacancy rate to 4 percent. The request also includes a \$1.5 million expansion to support restoration projects on state trust land.

Commissioner Aubrey Dunn first reported on revenue. Of the \$739 million total revenue received in FY15, \$690 million went to public education. FY16 earnings are estimated at \$494 million. In FY15, the land maintenance fund collected \$70.1 million in revenue. The agency estimates the revenue to be \$51.9 million in FY16. Revenue generated in the land grant permanent fund in FY15 was \$669.4 million. Revenue is estimated to be \$441.8 million for that

fund in FY16. Commissioner Dunn briefly went over beneficiary distribution. It is estimated that \$647 million will be given to public education from FY16 earnings.

Commissioner Dunn updated the committee on current activities of the State Land Office including caliche pit clean-up efforts and replacing the Oil and Natural Gas Administration and Revenue Database (ONGARD). The agency is in the process of reorganization. Commissioner Dunn said the requested budget for FY17 is reflective of the agency's plan to focus on watershed health and site remediation.

In response to Representative Varela, Commissioner Dunn said to fund the restoration projects, the agency included a \$1.5 million expansion in its FY17 appropriation request for restoration and also requested a special appropriation of \$2 million. The funds would come out of the land maintenance fund.

In response to Senator Woods, Commissioner Dunn said although grazing fees have increased every year for the past four years, they are expected to decrease in the following year. Grazing fees are determined by several factors including cattle prices and rain.

**Regulation and Licensing Department (420).** Robert Unthank, superintendent of the Regulation and Licensing Department (RLD), said \$33.1 million in revenue was generated in FY15. The current vacancy rate is 16.4 percent. Superintendent Unthank provided an overview for each of RLD's six divisions. The Boards and Commissions Division oversees 30 boards and commissions. The Board of Body Art Practitioners was added by the Legislature in 2015. The division is currently working on creating a one-stop business portal and implementing paperless operations. The division completed 2,384 inspections in FY15.

Reporting on the Alcohol and Gaming Division, Superintendent Unthank said \$3.6 million in general fund revenue was generated by new licenses, license renewals, and fines. There is an increase of restaurant beer and wine licenses, which indicates positive industry growth. Over the past year, RLD has resolved 691 out of 843 citations, resulting in collection of \$288,868 in fines. Superintendent Unthank pointed out that RLD no longer oversees gaming and suggests the Legislature remove the word gaming from the division's title.

In FY15, \$19.9 million in general fund revenue was generated in the Securities Division. The revenue was generated by license fees, various filings including mutual funds, investment adviser examinations, securities registration and renewals. The division has launched a Spanish website to enhance outreach efforts to Spanish speaking citizens. Key staff has been relocated to Albuquerque to increase public accessibility.

In 2015, the Conference of the State Bank Supervisors (CSBS) awarded the Financial Institutions Division the first ever mortgage accreditation. New Mexico is one of only 19 states to have received accreditation through CSBS. In FY15, the Financial Institutions Division completed 844 examinations of state chartered financial institutions and licensed financial entities. This is a net increase of 52 examinations from the previous year. The number of licenses issued and renewed by the division increased in FY15.

The Construction Industries Division has completed approximately 51,613 inspections to date this year. The Manufactured Housing Division has completed approximately 6,488 inspections to date this year. The ACCELA permitting and inspection software system has been launched. Superintendent Unthank said the software will increase efficiency and allow inspectors to conduct field inspections on a tablet or Smartphone. The Construction Industries Division is working with its commission to eliminate 9 existing licensing classifications and scopes.

A chart in the presentation showed the progress made by RLD in reducing its reversions. In FY13, \$925,941 was reverted. In FY15, \$65,488 was reverted. The agency hopes to only revert \$25,000 in FY16. RLD is working to reduce the vacancy rate to 12 percent.

Superintendent Unthank lastly talked about RLD's FY17 budget request. The request includes an increase of \$500 thousand for the Construction Industries Division to bring the licensing function into the division and to cover salary adjustments that were included in the General Appropriation Act of 2014.

In response to Senator Papen, Superintendent Unthank said the importance of reciprocity needs to be emphasized to individual boards and commissions. Superintendent Unthank said there needs to be common sense regulations and the boards and commissions need to understand that growth is being impeded if reciprocity is not happening.

In response to Senator Munoz, Superintendent Unthank said he met with the Mayor of Gallup and the city attorney to begin discussion on what can be done to alleviate the issue of excess alcohol licenses in McKinley County. Superintendent Unthank said the agency recognizes it is a serious issue and will do what it can to reduce the number of those licenses.

In response to Representative Lundstrom, Superintendent Unthank said RLD is increasing its activity in its audits of small loan companies. Deputy director Chris Moya said the Financial Institutions Division is examining all small loan companies. The division examined approximately 681 small loan companies last year. The division has expanded its small loan team.

In response to Senator Cisneros, Superintendent Unthank said for the time being, RLD recommends that the vacancies in the appointed boards and commissions remain available. A recommendation will be made to the 2017 Legislature to consolidate some of the boards.

**Workforce Solutions Department (631).** Celina Bussey, secretary of the Workforce Solutions Department (WSD), said New Mexico's Unemployment Insurance (UI) Program was ranked number one in the United States by the U.S. Department of Labor for quality of claims determinations for quarter ending September 2015. New Mexico also ranks in the top 10 for the timeliness of benefit payments and quality determinations. As result of a performance action plan issued by the federal government, the appeals tribunal is now meeting and exceeding its performance measures. Secretary Bussey reported the UI trust fund balance was \$263 million as of November 10, 2015. Approximately \$12 thousand individuals are certifying for UI benefits every week. UI benefits are paid from the UI trust fund.

Secretary Bussey then talked about new initiatives. WSD will be working with the Higher Education Department to build an internship portal. WSD requests \$200 thousand for the project in FY17. In another initiative, WSD implemented the Reemployment Services and Eligibility Assessment Program. The goal of the program is to decrease the exhaustion and duration rates of its claimants. New Mexico's current exhaustion rate for UI benefits is 42.1 percent, which ranks the state 14<sup>th</sup> highest in the nation. The current duration rate of benefits is 18 weeks, which places New Mexico 8<sup>th</sup> highest in the nation.

Reporting on the Labor Relations Division, Secretary Bussey said 774 wage claim cases were investigated in FY15, which resulted in \$335,361 being collected for the claimants involved. The division completed 2,257 public works inspections in FY15.

Field and desk audits helped collect over \$1 million for the public works apprenticeship and training fund in FY15. Secretary Bussey said 85 percent of those dollars support registered apprenticeship programs in New Mexico.

Secretary Bussey then summarized WSD's FY17 budget request. WSD requests a general fund increase of \$1.3 million. The request includes \$1.1 million for IT operations and service support. A chart in the presentation showed that the agency is predominately supported through federal revenue. Federal revenue in the FY17 appropriation request is \$46 million. Federal funding for the UI program is continuing to decrease annually. Due to the reduction of those federal funds, WSD will be using the security department funds and the penalty and interest funds as a revenue source.

Lastly reporting on FY15 BAR activity, Secretary Bussey pointed out that WSD has made significant progress in reducing its overall bar activity.

In response to Senator Munoz, Secretary Bussey said of the \$200 thousand requested for the internship portal, approximately \$80 thousand will be used to hire 1 FTE. The remaining dollars will be used to cover ongoing maintenance and licensing costs.

In response to Representative Lundstrom, Secretary Bussey said the internship portal will be created to be as flexible as possible to allow universities and other entities to structure how they wish to use it.

In response to Representative Larrañaga, Secretary Bussey said WSD is still required to administer all of the same federal programs even though there is less money being appropriated to fund those programs.

In response to Representative Larrañaga, Secretary Bussey said at the start of 2015, about 20 employers requested a payment plan. As long as those employers made the incremental payments that they agreed to, penalty and interest was waived. Secretary Bussey said WSD has not seen an increase in penalties, late reports, or delinquent payments in 2015.

## **Miscellaneous Committee Business.**

### **Action Items.**

*Approval of LFC October Subcommittee Report A.* Senator Cisneros moved to adopt October's Subcommittee Report A, seconded by Representative Larranaga. The motion carried.

*Approval of LFC October Subcommittee Report B.* Representative Larranaga moved to adopt October's Subcommittee Report B, seconded by Senator Cisneros. The motion carried.

*Approval of 2016 Session Bill Analyst Contractors.* Senator Cisneros moved to adopt 2016 Session Bill Analyst Contractors, seconded by Representative Larranaga. The motion carried.

### **Information Items**

#### **Review of Monthly Financial Reports**

David Abbey, director of LFC, briefed the committee on information items. David Abbey requested committee members to provide feedback in the coming month on potential 2016 committee sponsored legislation. The committee will not take action on the potential legislation until January.

### **Thursday, November 19<sup>th</sup>**

The following members and designees were present on Thursday, November 19, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Carroll H. Leavell, Mary Kay Papen, Steven P. Neville, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano "Lucky" Varela, Nick L. Salazar, Paul C. Bandy, Conrad James, George Dodge Jr., and Patricia A. Lundstrom. Guest legislators: Senators William F. Burt, Lee S. Cotter, and Gerald Ortiz y Pino; and Representative John L. Zimmerman.

**Aging and Long-Term Services Department (624).** Myles Copeland, secretary designate of the Aging and Long-Term Services Department (ALTSD), said the agency's overall FY17 budget request is \$48.3million, an increase of \$500 thousand over FY16's operating budget.

Secretary Copeland talked about the "New Mexico State Plan for Family Caregivers" and stated there are 419 thousand New Mexicans who serve as family caregivers each year, contributing \$3.1 billion in unpaid care. Pursuant to House Joint Memorial 4, which passed in 2014, ALTSD worked with stakeholders to assess the needs of those family caregivers, identify current resources, and develop strategies to bridge gaps. The findings were developed into the state plan, which was recently presented the plan to the Legislative Health and Human Services Committee.

For FY17, ALTSD requests an increase of \$250 thousand for the Consumer and Elder Rights Division (CERD). Secretary Copeland said the increase, which funds four additional positions, will enable the Aging and Disability Resource Center (ADRC) to answer an estimated 13,260 additional calls. ADRC options counselors assess the needs of family caregivers and connect them with over 4,000 different verified resources across the state.

An increase of \$250 thousand is requested for Aging Network to maintain current service levels made more costly by rising food and personnel costs. The increase will also address waiting lists for homemaker services and adult daycare. A chart in the presentation showed a 38.1 percent increase in the number of persons receiving Aging Network community services in FY15. The number of meals served is also rising. Secretary Copeland said New Mexico's aging population growth is affecting all the divisions within the agency.

Secretary Copeland then introduced two individuals who briefly shared with the committee their experiences using services provided by ALTSD. Vivian Martinez, whose husband has Alzheimer's disease, talked about the support she and her husband received from the Alzheimer's Association. The association assisted in creating a younger onset support group in New Mexico. Betty Stevens talked about the home delivery meals and the transportation services she receives.

In response to Representative Hall, Secretary Copeland said several senior citizen centers are working with the Farmers Market program to obtain New Mexico produce.

In response to Representative Lundstrom, Secretary Copeland said ADRC staff does significant outreach, especial during Medicare open-enrollment. Secretary Copeland has recently visited some communities to present on the Family Caregiver Plan. Representative Lundstrom invited agency staff to McKinley County to inform the community about what resources are available.

In response to Senator Leavell, Secretary Copeland said there is no waiting list to participate in the Meals on Wheels program.

In response to Chairman Smith, Secretary Copeland said, to apply equity across the state, all seven Councils of Government have been invited to participate in the vetting process of its capital outlay projects.

Senator Smith requested the agency provide a map to the committee showing the demographics by percentage of the age by county. Representative Lundstrom requested information on the funds matched by tribes and pueblos for senior programs.

**Cultural Affairs Department (505).** Veronica Gonzales, secretary of the Cultural Affairs Department (DCA), said DCA is New Mexico's cultural steward. DCA's facilities, programs, and services help support New Mexico's \$5.6 billion cultural industry. Secretary Gonzales complemented DCA staff on their dedication and work expertise in supporting DCA's mission. The agency currently has 1,300 volunteers working for its divisions.

New Mexico's cultural industry greatly impacts the economy, such as providing 77 thousand jobs within the state. Twenty-five percent of tourism in the state is a result of cultural and heritage activities.

DCA provides several educational programs. In FY15, DCA delivered direct education programming to 585 thousand people. DCA's educational programs align with national common core benchmarks and standards, and augment traditional education methods taking place in classrooms.

Reporting on agency activity, Secretary Gonzales said significant improvements have been made to museums and historic sites. The New Mexico Space Museum is currently renovating and upgrading exhibits. Attendance at the National Hispanic Cultural Center exceeded 200 thousand in FY15. Improvements are being made to the Palace of the Governors.

DCA requested a budget increase of \$1.575 million for FY17. The request includes \$1.5 million to replace fund balance and \$75 thousand for the Wonders on Wheels program. DCA requested a \$1 million supplemental appropriation to address DCA's current budget shortfall. Regarding special appropriations, the agency requested \$665 thousand for educational programming and outreach, \$150 thousand for marketing, and \$150 thousand for the economic development arts initiative.

Regarding capital outlay, Secretary Gonzales said DCA has so far obligated 27 percent of the \$5.5 million appropriated for repairs in 2015. The remaining balance has been allocated for critical projects, currently in their early stages. DCA requested \$21.6 million in capital outlay for FY17. Capital priorities address public health and safety, security of collections, and preservation of facilities.

Jaime Clements, president of the Museum of New Mexico Foundation, briefly addressed the committee. Mr. Clements said New Mexico has the largest and most dynamic museum system in the country. New Mexico's museums and historic sites are sustained through a public private partnership in which the state staffs and operates the institutions while money is raised from the private sector to fund special exhibitions and educational programs.

Others briefly addressed the committee, including Thelma Domenici, president of the Board of Regents for the Museum of New Mexico. Ms. Domenici said the regents support DCA's FY17 appropriation request. Blanche Harrison, of Los Compadres del Palacio, invited committee members to visit the Palace of the Governors. Cynthia Shetter, co-chair of the New Mexico Library Association, asked the committee for its support of the 2016 General Obligation Bond request of \$17.5 million for libraries.

In response to Senator Leavell, Secretary Gonzales said the New Mexico Literacy Coalition will be transferred to the Higher Education Department because the coalition believes there are better partnership and leveraging opportunities with higher education. Funding for the coalition was not included in the agency's budget request because of the transfer. Funding requested for library services therefore decreased.

In response to Senator Beffort, Greg Geisler, chief financial officer for DCA, said there has not been a drastic reduction in federal support for the State Library, Historic Preservation, and the Arts Program.

In response to Representative Larrañaga, Secretary Gonzales said DCA works closely with the Tourism Department on the New Mexico True campaign. DCA's funding request for marketing will be specifically used to market exhibits.

**Tourism Department (418).** Rebecca Latham, secretary of the Tourism Department, said visitor spending generated \$609 million in local and state taxes in 2014 and offset the household tax burden for New Mexican families by \$810. The number of tourism jobs is also continuing to grow, and 1-in-12 New Mexico jobs are supported by visitor spending.

In 2014, 32.7 million people traveled in New Mexico, making it the third consecutive record-breaking year for tourism growth. The people who traveled were a combination of domestic and in-state travelers, which Secretary Latham said indicates that New Mexico's economy is catching up with the rest of the country. Domestic marketable overnight trips, the primary focus of the New Mexico True campaign, increased 2.1 percent from 2013.

Secretary Latham said the New Mexico True campaign is working. The advertising delivers a 3-to-1 ratio on return on investment. The agency recently conducted a return-on-investment study in Houston, Dallas, Denver, Phoenix, and Chicago. The incremental trips taken as result of the New Mexico True advertising in those markets generated \$72 in visitor spending for every dollar spent, which translates into \$7 at the tax base level for every one dollar spent.

Research confirms that venturesome travelers are the best people to whom to market the campaign. Venturesome travelers are defined as those who seek authentic and unusual adventurous travel experiences. Secretary Latham said venturesome travelers are typically opinion leaders who earn above-average household income and travel more frequently.

For FY17, the agency requested a budget increase of \$4.7 million to add the prioritized market of San Francisco, expand the cooperative marketing program, and establish recurring funding for the event sponsorship program.

Chris Stagg, of Taos Ski Valley, expressed his support of the agency's budget request. Jen Schroer, president and CEO of the New Mexico Hospitality Association, said now is best time to invest in marketing to the bay area. Lisa Boeke, of the Carlsbad Chamber of Commerce, said Carlsbad has been a recipient of the co-op grant marketing program for the past 18 years. As result of the program, lodgers tax collection has increased by 22 percent.

In response to Senator Cisneros, Secretary Latham said the agency is excited about the addition of a new national park in New Mexico and sees tremendous opportunity based on the history of the Manhattan Project in Los Alamos.

In response to Representative Varela, Secretary Latham said the Tourism Department is partnering with the Cultural Affairs Department (DCA) to promote its tangible tourism assets. Secretary Latham said DCA's tangible tourism assets are exactly what inspire venturesome travelers to come to New Mexico.

**Department of Information Technology (361).** Darryl Ackley, secretary of the Department of Information Technology (DoIT), said critical operations are being maintained 24 hours a day, seven days a week, 365 days a year. Secretary Ackley noted the SHARE system is now stable and working so DoIT can now begin upgrading the software. There have been no unplanned outages for the system in almost 20 months. DoIT has been working closely with the

Department of Finance and Administration and the State Treasurer's Office on the cash reconciliation issue.

Reporting on ongoing initiatives, Secretary Ackley said DoIT continues to explore opportunities to modernize services provided to better scale and match existing and emerging technology. For broadband, DoIT is applying strategic planning according to state priorities. The New Mexico One Stop Business Portal will be launched in FY17.

The agency's budget request for FY17 is \$72.9 million, of which 98 percent is charge-back, meaning state agencies are billed for services provided by DoIT; just 2 percent of the request is for general fund revenues. The agency requested an expansion of \$500 thousand in general fund revenue for broadband. The budget request included \$444 thousand from the federal state local implementation planning grant.

Secretary Ackley lastly reported that the agency recently worked with General Dynamics to complete a pilot deployment of LTE technology for first responders. The technology was demonstrated at the New Mexico State Fair and the Albuquerque International Balloon Fiesta and Secretary Ackley noted the trial was well received by New Mexico State Police. DoIT hopes to put the technology in regular service across the state to give first responders more advanced tools.

In response to Representative Varela, Secretary Ackley said the agency requested \$6.642 million in supplemental funding for prior year payments, noting that part of the reason for the shortfall could be that the service rates are not at the appropriate levels. Another reason could be a decline in service utilization by state agencies; for example, one agency stopped using phones that DoIT had already paid for and decided to stop using the DoIT-provided services.

**Review of Information Technology Requests.** Brenda Fresquez, program evaluator for the LFC, said 13 agencies submitted 31 requests for IT appropriations totaling \$97.9 million. The request for general funds was \$54.1 million; \$14.6 million was requested in other state funds and \$29.1 million was requested in federal funds. IT requests are evaluated on how well the projects conform to the state IT strategic plan, agency goals, and other criteria indicative of successful projects.

Ms. Fresquez and Christine Boerner, analyst for the LFC, summarized major project requests:

The Taxation and Revenue Department (TRD) submitted a request to replace the Oil and Natural Gas Administration and Revenue Database (ONGARD) system that includes \$8 million in general fund revenues and \$4 million in other state funds. Three agencies will leverage available commercial-off-the-shelf (COTS) solutions for Severance Tax and Royalty collections. The agencies' collaboration resulted in the successful development of a plan that is less expensive than the previous estimate.

TRD submitted a request for the Property Tax Division (PTD) to develop an enterprise information system to support all PTD business operations that includes \$2 million in fund balance from self-generated revenue sources. The new system will improve reporting and

provide its three bureaus, Appraisal, State Assessed, and Delinquent Properties, to meet legislative, statutory, and regulatory obligations.

The Department of Finance and Administration submitted a \$3.1 million general fund request to implement a Capital Outlay Planning and Project Management system to expand the use of General Services Department's (GSD) AiM license. GSD currently licenses AiM from AssetWorks Inc. AiM is a fully-integrated work and facilities management system that includes project management, oversight, reporting, and utilization of capital projects, facilities, and leases, providing for a complete statewide capital management system.

The Public Employees Retirement Association submitted a request to enhance its Retirement Information Online (RIO) system with \$4.2 million from interest earned on the investments fund, to improve business processes and data integrity.

The State Personnel Office (SPO) requested \$1.5 in general fund revenues to continue its digitization and modernization project. It is a multi-year project to implement an enterprise content management (ECM) system to digitize personnel records statewide and modernize SPO business processes. Phase one is in process to implement a scalable platform at state agencies using SPO Shared HR Services.

The Human Services Department (HSD) submitted a request to replace the current Medicaid Management Information System (MMIS) funded with \$3.2 million in general fund revenues and \$28.8 million in federal funds. MMIS is the essential claims payment system used to both adjudicate and issue payments for services delivered.

Department of Health (DOH) submitted eight requests totaling \$10 million in general fund revenues. Two of the eight requests appear to be infrastructure related, which may fall under the Department of Information Technology's purview. The Bureau of Vital Records and Health Statistic is requesting \$4 million in general fund revenue to upgrade its document management and imaging system.

Children, Youth, and Families Department (CYFD) requested \$10.1 million in general fund revenues to continue phase four of its EPICS project and for user interface framework conversion. It is a multi-year project; phase four incorporates the Juvenile Justice Services program and follows previous phases for provider, client, and service management modules including with Race to the Top. EPICs is a web-based system that consolidates previously siloed systems and is expected to streamline CYFD business practices and improve service to clients. LFC staff is currently conducting a program evaluation on the status of EPICS, with anticipated completion at the end of December.

The Corrections Department is requesting \$12.5 million in general fund revenue to implement an offender management system to track approximately 26 thousand offenders under its jurisdiction. Estimated project costs are overstated because maintenance and operations are included in the request. With responses from the agency's request for information (RFI), it anticipates the purchase of a commercial off-the-shelf (COTS) web-based system. The COTS solution will

incorporate 17 modules, designed to manage offenders from intake through release into the community. The total project is expected to take three years.

The Department of Public Safety requested \$2.5 million in general fund revenues to implement an integrated Records Management System in conjunction with a new computer-aided dispatch system.

The Department of Information Technology (DoIT) is required to provide its recommendation to the LFC by November 21. Secretary Ackley said the agency will be requesting \$2.5 million from the general fund to implement phase three of the One Stop Business Portal. LFC staff will provide an IT funding recommendation in December.

In response to Representative James, Gregg Marcantel, secretary of Corrections Department, said the new offender management system will track an inmate's risk and needs and provide inmate programming.

In response to Representative James, Secretary Ackley said the One Stop Business Portal will provide a single authoritative web entry point into the state to conduct business.

In response to Representative Lundstrom regarding DoIT's report card, Ms. Boerner said the agency recently provided LFC staff an update on the SHARE upgrade. Secretary Ackley said the agency is working to improve its rating on the reporting of the upgrade.

Representative Varela asked about verifying that a new system is viable. Secretary Ackley said DoIT provides the oversight and compliance of new systems. In the case of the Department of Corrections request, DoIT was involved in the initial planning stages to implement a new system. If there is an RFP, DoIT will review and sign off. DoIT often remains involved after implementation of a system, especially with larger ticket items.

**Economic Development Department (419).** Jon Barela, secretary of the Economic Development Department (EDD), said 3,294 jobs were created in FY15. The agency has exceeded its jobs performance measure for the past three years. The Job Training Incentive Program (JTIP) trained 1,894 workers in FY15. Secretary Barela said almost 90 percent of JTIP workers are still employed in New Mexico one year later. Seventy-three percent of those workers are with the same employer.

Also in FY15, the MainStreet program created 612 new jobs and 118 new businesses. The program received \$7.85 million in private sector funding. Funding for the Local Economic Development Act (LEDA) ended with a 10-to-1 private-to-public-sector investment ratio, with annual cost per job under the performance target: \$2,500 versus \$5,000. The U.S. Department of Commerce announced that New Mexico leads the nation in export-related job growth at 107 percent. Regarding rural programs, EDD provided \$42 thousand for community kitchens in Taos, Gallup, Silver City, and Espanola. Five theaters received LEDA funding as part of the historic theaters and movie houses initiative.

Because of funding from third-party sources, Secretary Barela said the agency is able to do more leveraging and rely less on the general fund. EDD has received funding from the International Trade STEP Grant, the Office of Economic Adjustment Grant, and private foundations.

Reporting on quarter one of FY16, Secretary Barela said JTIP is close to 50 percent of its annual target. There is \$3.2 million available for the remainder of FY16. Also in quarter one, 778 jobs were created, and 279 were rural. Secretary Barela said film activity continues to be strong. The Film Office has announced several new major productions in New Mexico.

For FY17, EDD requested a budget increase of \$2 million. The increase includes \$1 million for JTIP and \$500 thousand for the MainStreet program. EDD requested two special appropriations: \$7 million for JTIP and \$50 thousand for LEDA.

Representative Larrañaga said the federal government has increased funding in the U.S. Department of Defense's budget for directed energy. Secretary Barela said he has been briefed several times about the importance of directed energy. Directed energy is increasingly playing a greater role in the national defense infrastructure. Secretary Barela said New Mexico offers great opportunity for directed energy research.

Senator Beffort commented on the importance of the MainStreet program in rural communities. Secretary Barela said LEADS is another program that assists rural communities with economic development projects.

Senator Cisneros commented that overall job growth in New Mexico is marginal and asked what can be done to stimulate job growth, especially in rural areas. Secretary Barela said the state needs to focus on rural infrastructure development. Secretary Barela said certain industries in New Mexico are adversely impacted by unreasonable federal statutes and regulation, which hinders job growth.

In response to Senator Cisneros, Secretary Barela said northern Mexico is prime for foreign direct investment. Secretary Barela talked about creating an office in Chihuahua to represent New Mexico. Secretary Barela said New Mexico should expand opportunities to trade with northern Mexico. Secretary Barela said New Mexico should also continue to focus on its bi-national community.

**Public Employees Retirement Association (366).** Wayne Propst, executive director of the Public Employees Retirement Association (PERA), said the total PERA fund in FY14 had a funded ratio of 75.8 percent. The current funded ratio is 74.9 percent. Mr. Propst said FY15 was not a good year for the markets. In FY14, the PERA fund returned 17.03 percent. In FY15, the PERA fund returned 1.87 percent. The decrease in funding levels is also attributed to higher-than-expected salary increases in FY15. In FY15, all of PERA's plans remained relatively flat with FY14 levels. Mr. Propst said overall, the unfunded actuarial accrued liability (UAAL) increased by \$410 million. Statutory rates are now expected to fully amortize the UAAL in 41 years. The PERA fund is still expected to be 100 percent funded by 2043.

A chart in the presentation gave a 30-year funded ratio projection. Mr. Propst cautioned the committee on its accuracy because of the uncertainty and volatility in the markets. However, the fund is headed in the right direction if current projections materialize.

Mr. Propst provided a snapshot of the average annual pensions, the average age at retirement, and the average service credit for each of its plans. There has been a gradual increase in the age of members retiring. Mr. Propst said the later people retire, the better it is for the fund. The number of retirements decreased in FY15.

Jon Grabel, chief investment officer for PERA, provided additional detail on the fund's performance in FY15. The fund balance at the end of the fiscal year was \$14.2 billion. Mr. Grabel said PERA is a mature plan. The PERA fund generated investment income of \$336 million, while paying out benefits of \$989 million during FY15.

PERA's budget request for FY17 is \$43.5 million, a decrease of 5 percent over FY16's operating budget. The decrease is primarily attributed to a reduction in funding for contractual services.

Reporting on agency initiatives, Mr. Propst said PERA's Albuquerque office will be expanded to provide the same level of services as the Santa Fe office. The Retiree Health Care Authority office has been relocated to the PERA building, providing convenience for members. An investment fee analysis resulted in approximately \$5 million in manager fee savings. Mr. Propst lastly mentioned that a new PERA website has been launched.

In response to Representative Bandy, Mr. Propst said PERA manages several funds: legislative, judicial, magistrate, volunteer firefighter, and the public employees, the largest fund.

In response to Representative Larrañaga regarding settlement claims, Mr. Propst said there is one case pending against Wells Fargo.

In response to Senator Ingle, Mr. Propst said in 2013, the Legislature passed comprehensive pension reform for the public employees plan, the judicial plan, and the magistrate plan. The reform bills for the magistrate and the judicial were vetoed by the governor. The bills were reintroduced and passed in 2014. Mr. Propst said while the funded ratio for both the magistrate plan and the judicial plan is still lagging, it is better than where they would have been if the reform bills did not pass.

**Educational Retirement Board (352).** Jan Goodwin, executive director of the Educational Retirement Board (ERB), said ERB's fair market value has increased to \$11.4 billion, and the funded ratio continues to increase. ERB has implemented GASB Statement 68.

Ms. Goodwin recognized ERB staff for contributing to the agency's success. The current vacancy rate is 4.6 percent. ERB's budget request for FY17 is \$32.1 million, a 5.6 increase over FY16's operating budget. The increase includes funding for 3 additional FTE. Ms. Goodwin said ERB is working with an increased number of schools.

Reporting on the fund's FY15 performance, Ms. Goodwin said the actuarial funded ratio improved from 63.1 percent to 63.7 percent. The unfunded actuarial accrued liability (UAAL) increased from \$6.3 billion to \$6.5 billion. The normal cost rate decreased from 13.11 percent of pay to 12.98 percent of pay. Ms. Goodwin said the decrease is the result of legislation passed in 2013 and the longer service requirements enacted in 2009. Ms. Goodwin lastly talked about the funded ratios projected for the future.

**Recommendations of Legislative Health and Human Services Committee.** Senator Gerald Ortiz y Pino provided a brief overview of legislation that will be proposed in the 2016 legislative session and is endorsed by the Legislative Health and Human Service Committee (LHHSC). Twenty out of the twenty-two bills request appropriations. Senator Soules will be introducing a bill to reduce the Developmental Disability Waiver waiting list. Senator Rodriguez will be introducing three bills, each with \$5 million appropriation, to increase the reimbursements given to community providers that serve the developmental disability populations. A bill will be introduced to provide an additional \$500 thousand for school-based health centers. Another bill would provide \$11.5 million for the treatment of autism spectrum disorder. There are four bills relating to juvenile justice and corrections, including a bill to provide additional funding to the Crime Victims Reparation Commission for victims of human trafficking. Representative Garcia will be introducing a bill to fund a community re-entry program.

In response to Senator Burt regarding the bill to reduce the DD waiver waiting list, Michael Hely, of Legislative Council Service, said the objective of the bill is to get the list to a point that there is not a three-year wait.

In response to Senator Cisneros, Mr. Hely said the appropriations requested in all 22 bills total \$59 million.

### **Friday, November 20<sup>th</sup>**

The following members and designees were present on Friday, November 20, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Carroll H. Leavell, Howie C. Morales, Stuart Ingle, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano "Lucky" Varela, Nick L. Salazar, Paul C. Bandy, Jason C. Harper, Stephanie Garcia Richard, and Patricia A. Lundstrom. Guest legislators: Senator William F. Burt and Representative John L. Zimmerman.

**District Attorneys/Administrative Office of the District Attorneys (251-265).** Rick Tedrow, district attorney for the 11<sup>th</sup> Judicial District-Division 1 and president of the District Attorney's Association, said pay structures for district attorneys and staff are being restructured. Increasing staff pay is a priority. Mr. Tedrow talked about the need for adequate funding for district attorneys base budgets.

Mr. Tedrow said marijuana from Colorado is an issue for his district, especially for its juveniles. Meth use and its relation to burglaries is another issue. Caseloads for the district are high. Mr. Tedrow said, recently, candidates for two attorney positions and one secretary position turned down the job offers because of low pay. The district only received three resumes after posting a notice to hire at 80 law schools.

Senator Beffort expressed concern that the pay plan to increase staff salaries will result in pay increases of 30 percent or 40 percent. David Abbey, director of the LFC, said LFC staff will work with Mr. Tedrow on getting parity on the plan.

Tim Rose, district attorney for the 10<sup>th</sup> Judicial District, said there is growing concern for the district's five vehicles that have mileage over 100 thousand. Mr. Rose said the district office has moved into a different building. Five thousand dollars is requested for FY17 to fund janitorial services for the office. The district's FY17 budget request includes \$15 thousand for contractual services and expert witness fees. The district also requested an expansion for a prosecution specialist in De Baca County.

Diana Martwick, district attorney for the 12<sup>th</sup> Judicial District, said the district needs more money to prosecute. In 2015, attorneys prosecuted an average of 379 cases each. The district has lost grant funding. Through an assessment, the Sentencing Commission recommended 18 attorneys for the district. However, there are currently 12. For FY17, the district requested an expansion for two additional attorneys and two additional support staff. Ms. Martwick said the district needs funding to secure its database.

Diana Luce, district attorney for the 5<sup>th</sup> Judicial District, said the number of criminal filings has increased by 29 percent since 2013. There were 122 trials in FY14. The Sentencing Commission recommended the district have 44.8 district attorneys, but there are currently 24. To cut costs, the district went paperless. The district received grant funding from the Victims of Crime Act (VOCA) for two victim advocates. In its recruitment efforts, the district has advertized through word of mouth and social media. Ms. Luce said recruiting continues to be difficult because of poor pay and high case loads. For FY17, the district requested an expansion for 3 FTE. Ms. Luce said if the district is awarded an additional judgeship, funding for an additional attorney and a secretary is requested. In response to Senator Leavell, Ms. Luce said the starting salary for an attorney just out of law school is \$49 thousand. Representative Hall requested that the committee be provided the total cost of personnel and facilities for the new judgeship. Chairman Smith said the county would cover those costs.

Francesca Martinez-Estevez, district attorney for the 6<sup>th</sup> Judicial District, said the district currently has 11 attorneys. Ms. Martinez-Estevez said the district has been aggressive in its recruitment efforts. For FY17, the district requested funding for two currently unfunded attorney positions. The district is focusing on several areas, including staff development and law-enforcement training.

Clint Wellborn, district attorney for the 7<sup>th</sup> Judicial District, said the district's FY17 budget request includes \$10.8 thousand to cover increased costs in fees. Mr. Wellborn said the district is experiencing higher turnover, especially with support staff. From June 2015 through October 2015, the district had nine new murder cases.

In response to Senator Morales, Mr. Tedrow said districtwide, there is a great need for vehicles. Vacancy savings in FY15 provided funding for some vehicles for the 11<sup>th</sup> Judicial District Attorney.

Mark D'Antonio, district attorney for the 3<sup>rd</sup> Judicial District, talked about a new program that is serving women and the most vulnerable. As result of the program, more women are reporting domestic violence and therefore have increased the number of domestic violence cases. The district currently has 24 attorneys, of which seven are funded through grant money. For FY17, the district requested funding for two attorney positions.

Senator Cisneros commented that the state needs to prepare should grant monies completely go away. Chairman Smith requested Mr. Abbey to provide the committee a listing by district on grant funding from the High Intensity Drug Trafficking Areas Program (HIDTA). Mr. Abbey said LFC staff would provide more information to the committee on grant funding.

Andrea Reeb, district attorney for the 9<sup>th</sup> Judicial District, said there are 11 attorneys in the district. Ms. Reeb said the district shares the same struggles that the other districts have reported on. The starting salary for a new attorney is \$45 thousand. For FY17, the district requested funding to fill one unfunded attorney position.

Donald Gallegos, district attorney for the 8<sup>th</sup> Judicial District, said the district's FY17 budget request is an increase of 2.2 percent to cover increased costs in premiums.

Kari E. Brandenburg, district attorney for the 2<sup>nd</sup> Judicial District, talked about the pressure the district faces due to limited resources and the case management order (CMO) imposed by the Supreme Court. In FY15, approximately 5,000 felony cases were indicted. However, the number of indictments is expected to significantly decrease in FY16. For FY17, the district requested that the CMO positions be made permanent. The district requested a special appropriation for eight new attorney positions and eight paralegals.

Representative Harper expressed concern for the decreased number of indictments in FY16. Ms. Brandenburg said while she agrees with the goal of the CMO, which is to move cases more quickly through the system, it is not being done in the right way. Ms. Brandenburg said getting discoveries is much more complex than it was 20 years ago.

In response to Representative Harper regarding the proposed constitutional amendment, Ms. Brandenburg said the district is concerned that while it would allow serious offenders to remain in custody, it would let out a lot of other offenders who maybe should stay in custody.

James Malone, deputy district attorney for the 11<sup>th</sup> Judicial District-Division 2, said the majority of issues in the district are alcohol-related. FY17, the district requested an expansion for a senior secretary. The district will be going paperless.

Lemuel Martinez, district attorney for the 13<sup>th</sup> Judicial District, said district FY17 budget request is an increase over FY16's operating budget. The increase is requested for personal services and benefits. Representative Hall requested that the district work with LFC staff to determine the reason for the budget adjustment requests (BAR) submitted by the district.

Richard Flores, district attorney for the 4<sup>th</sup> Judicial District, said the district requests a flat budget for FY17. There is a slight increase to cover higher insurance premiums. Representative Hall

requested that the district work with LFC staff regarding a \$311 thousand BAR submitted by the district.

Leroy Garcia, office manager for the 1<sup>st</sup> Judicial District, said the number of cases increased by 8 percent in FY15. The district's FY17 budget request is an increase of 2.75 percent to hire two support staff.

Henry Valdez, director of the Administrative Office of the District Attorneys (AODA), said AODA has not performed a security threat assessment on its IT system in some time. The agency wants to ensure its system is secure. AODA's budget request for FY17 includes funding for IT initiatives and for an additional attorney. In response to Representative Bandy, Mr. Valdez said AODA does not use the state's IT services because there are less expensive alternatives.

**Attorney General (305).** Connor Jorgensen, analyst for the LFC, said, for FY17, the Attorney General's Office (NMAG) requested a budget increase of \$3.3 million, of which \$1.1 million is from general fund, and \$1.1 million is consumer settlement fund. The agency requested \$2.8 million for the Legal Services Program, an increase of 16 percent over FY16. The NMAG requested an expansion of 4 FTE for the Medicaid Fraud Program.

Attorney General Hector Balderas said Medicaid fraud and elder abuse are serious issues for New Mexico and requested that a general fund investment be made that would qualify for a 3-to-1 federal match. Mr. Balderas also requested that investment be made in the NMAG to make it the most competitive legal office in the nation. The agency will be working on improving the security of witnesses and employees. Mr. Balderas talked about partnering with other state agencies to protect New Mexico's children and families.

He said the expansion of 4 FTE in the Medicaid fraud program would help the agency to increase staff in the southern part of the state and that increases in personnel would make the agency more competitive in staff recruitment. A special appropriation was requested for a forensic vehicle to travel throughout the state and train law enforcement and teachers on internet crimes against children.

The attorney general briefly updated the committee on the status of water litigation in the Texas v. New Mexico case. He noted there was recently a motion to dismiss hearing in New Orleans and the NMAG is waiting on the specials master's determination. Because the litigation is its early stages, additional funding for the litigation was requested.

In response to Senator Cisneros, the attorney general said there has been discussion with the Land Grant Committee about the possibility of an expansion of one or 2 additional FTE for the NMAG's Land Grant Division.

In response to Representative Lundstrom, he said there is active litigation on inadequate staffing levels in nursing homes. There is also litigation looking at the funding levels of nursing homes.

**New Mexico State Fair (460).** Jon Clark, LFC analyst, said the State Fair Commission met quarterly in 2014 and 2015, improving oversight for the agency. Even though the number of state fair days has been reduced from 17 to 11, attendance increased again in 2015. However, the

increase did not generate enough revenue to cover increased General Services Department (GSD) risk rates. Debt owed to the Risk Management Division of GSD increased from \$1.8 million to \$3.5 million.

Dan Mourning, general manager, said the agency is working with GSD and the Department of Finance and Administration to resolve the debt. Reporting on the 2015 state fair, Mr. Mourning said advanced purchase ticket sales doubled. There were increased carnival revenues with the new operator Reithoffer Shows. Approximately 760 people worked the state fair, and surveys indicated a 93 percent positive response rate.

Mr. Mourning said the agency has addressed LFC recommendations. There is increased oversight of the fair. The agency finalized conversion of its financial systems to SHARE. A chief procurement officer has been hired. The agency is exploring ways to generate more revenues, such as implementing a cashless system.

In response to Senator Beffort, Mr. Mourning said the State Fair's website has been redesigned. A calendar of events is on the website.

In response to Representative Hall, Mr. Mourning said the agency's audit is almost complete.

**State Auditor (308).** Carlie Malone, analyst for the LFC, said the Office the State Auditor (OSA) requested \$4 million for FY17. The budget request is an increase of \$200 thousand, 5.4 percent over FY16. Due to a revenue swap of general fund for fund balance, the agency requested a \$400 thousand increase from the general fund. The overall increases are largely to accommodate a lower vacancy rates and increase salaries of CPAs.

State Auditor Tim Keller said OSA is responsible for the auditing of 981 government entities. OSA's vision is to help government work better by combating fraud, waste and abuse. Mr. Keller briefly went over the agency's organization chart, pointing out the increased number of CPAs. The Special Investigations Division is fully staffed. Mr. Keller reported agency activity Changes are being made in the audit rule. The presentation listed special investigations.

Sanjay Bhakta, deputy state auditor, went over the current at-risk list. The list not only includes entities that are late in submitting an audit but also entities with audits that contain a disclaimer, or multiple modified opinion, or certain findings. Mr. Bhakta then talked about the small political subdivision funding, which assists small and rural subdivisions with audit compliance. In 2015, the fund awarded 31 entities totaling \$160 thousand.

In evaluating entities audits, OSA identified 10 of the most common findings. The most common is payroll related. Forty percent of findings were repeated from previous years, indicating the need for corrective action.

Sunalei Stewart briefly went over OSA's FY17 budget request. The increase requested for the salaries and benefits category will be used to recruit and retain auditors. Mr. Stewart said auditors are important for the agency's work on special investigations. Mr. Stewart talked about training expenses. About 66 percent of employees are new hires since January 2015.

Representative Garcia Richard requested a list of who applied for small political subdivision funding.

Representative Garcia Richard asked why 33 projects were determined ineligible for capital outlay funds. Mr. Keller said the lack of paperwork was a large reason. Another reason was because some entities did not want an audit done.

In response to Representative Bandy, Mr. Keller said the OSA is doing all that it can to help with the cash remediation project. OSA is involved in relevant meetings and the entrance and exit conference. Mr. Keller said the agency does not see a short term clean audit on the horizon.

**State Treasurer's Office (394).** David Lucero, deputy director of the LFC, said the State Treasurer's Office (STO) requested a flat budget for FY17. To increase contractual services, the agency realigned some of the expenditure line items between categories. STO's current vacancy rate is 27.5 percent. Half of the vacancies are funded. Issues that the agency is currently working on include cash reconciliation and the SHARE upgrade. STO requested a special appropriation of \$300 thousand for planning and design of a new treasury module.

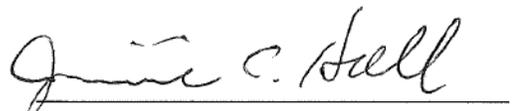
State Treasurer Tim Eichenberg said the agency lost several employees to retirement. STO expects to have those positions filled by the end of FY16. Ten percent of the agency is IT staff. One IT position has been renamed as risk officer. The position will look at risk exposures.

Sam Collins, deputy state treasurer, provided additional detail on the agency's initiative to implement a new treasury module. Mr. Collins also informed the committee the audit of the general fund for FY15 was nearly complete and would mostly reverse the \$100 million contingent liability booked in the previous audit. The \$100 million set aside was due to the cash reconciliation issue.

In response to Representative Varela, Mr. Collins said the agency oversees 600 bank accounts.

With no further business, the meeting adjourned at 1:01 p.m.

  
John Arthur Smith, Chairman

  
Jimmie C. Hall, Vice Chairman