

**MINUTES
of the
SEVENTH MEETING
of the
NEW MEXICO FINANCE AUTHORITY OVERSIGHT COMMITTEE**

**November 28, 2006
State Capitol, Room 307
Santa Fe**

The seventh meeting of the New Mexico Finance Authority (NMFA) Oversight Committee for the 2006 interim was called to order by Senator Mary Kay Papen, chair, on Tuesday, November 28, 2006, at 9:10 a.m. in Room 307 of the State Capitol in Santa Fe, New Mexico.

Present

Sen. Mary Kay Papen, Chair
Rep. Daniel P. Silva, Vice-Chair
Sen. Joseph J. Carraro
Sen. Clinton D. Harden, Jr.
Rep. Dona G. Irwin
Rep. Jane E. Powdrell-Culbert
Sen. Nancy Rodriguez
Rep. Henry Kiki Saavedra
Sen. H. Diane Snyder
Rep. Joe M Stell
Rep. Richard D. Vigil

Advisory Members

Sen. Vernon D. Asbill
Rep. Hector H. Balderas
Rep. Jose A. Campos
Rep. Anna M. Crook
Sen. Dianna J. Duran
Rep. Mary Helen Garcia
Sen. Mary Jane M. Garcia
Rep. Roberto "Bobby" J. Gonzales
Rep. Ben Lujan
Sen. Richard C. Martinez
Sen. Leonard Lee Rawson
Rep. Edward C. Sandoval
Rep. Sheryl Williams Stapleton
Sen. James G. Taylor

Staff

Cleo Griffith
Doris Faust
Lindsey Bilovesky

Guests

Absent

Rep. Daniel R. Foley
Rep. Patricia A. Lundstrom
Sen. Lidio G. Rainaldi
Sen. Shannon Robinson
Rep. Don L. Tripp

Sen. Pete Campos
Rep. Ernest H. Chavez
Sen. Kent L. Cravens
Sen. Joseph A. Fidel
Sen. Stuart Ingle
Sen. Steven P. Neville
Rep. Luciano "Lucky" Varela

The guest list is in the meeting file.

Copies of all handouts are in the meeting file.

Tuesday, November 28

Welcome and Introductions

Senator Papen welcomed the committee and introduced committee members to the public.

Proposed Rules for Behavioral Health Capital Fund

Mark Valenzuela, NMFA director of intergovernmental relations, presented a history and perspective of the Behavioral Health Capital Fund, reporting that the fund has been very successful. The purpose of the Behavioral Health Capital Fund is to provide funding for capital projects to nonprofit providers in order to increase behavioral health care services to sick and indigent patients.

Catherine Hebenstreit, spokeswoman for the Santa Fe chapter of the Clubhouse organization, described the Santa Fe Clubhouse as a program designed to assist people recovering from mental illness, and people who need a way of focusing themselves. The Clubhouse is a day program whose goal is to teach work skills and to get people with a history of mental illness into the workforce. The program has proven cost effective in other communities, as evidenced by studies showing that Clubhouse member hospitalizations are reduced by 67 percent, and the length of stay in hospitals is reduced by an average of 97 percent. The cost per person per day for the Clubhouse program is substantially less than the cost per person per day for incarceration or hospitalization. The Santa Fe Clubhouse is currently up and running on a modified basis but is looking for funding for a building.

Joseph McDonald, a Santa Fe Clubhouse volunteer, described how the Clubhouse changed his life.

Marquita Russel and Traci Davis, NMFA staff, outlined the proposed Behavioral Health Capital Fund rules. The fund is administered jointly by the NMFA and the Department of Health. Loans are made to entities recommended by the Department of Health at an interest rate of three percent, for terms of up to 15 years. Up to 20 percent of annual principle and interest can be forgiven in exchange for services rendered to indigent patients. Funds are directed primarily to rural and medically underserved communities.

Upon questioning by the committee, discussion ensued regarding the qualifications necessary for an entity to qualify for funds through the program, and possible funding streams for applicants.

Presentation of Award to Representative Joe M Stell

William Sisneros, NMFA chief executive officer, presented an award to Representative Stell in thanks for his many years of service. Representative Stell thanked the NMFA and the committee.

Committee Business

Representative Vigil moved to approve the minutes from the August, September and October meetings. Representative Silva seconded. All minutes were approved without opposition.

Statutory Changes to the Local Transportation Infrastructure Fund

Mark Valenzuela presented an overview of the Local Transportation Infrastructure Fund (LTIF) and proposed statutory changes to the program. The LTIF allows the NMFA to issue bonds based on the funding stream provided by Governor Richardson's Investment Partnership (GRIP) administrative fees. Local governments receive grants of 25 percent of their project and loans of 75 percent of their projects. The NMFA works with the State Transportation Commission, which provides a list of eligible LTIF projects each year.

Rhonda G. Faught, secretary of transportation, addressed committee questions regarding road maintenance, the possibility of setting up a long-term road maintenance fund and possible permanent funding streams for road maintenance such as toll roads. The committee noted that one of the sticking points with LTIF has been the fact that the Department of Transportation prioritizes projects and that there is no legislative oversight of LTIF project selection. Secretary Faught indicated that local governments, not her department, prioritize projects. She also noted that legislative oversight of project selection will cause delay in project funding and that funds would not be disbursed until the following year. This may not be a big problem, since local governments will just have to submit their lists earlier.

Proposal on NMFA Operating Budget

Mr. Sisneros reviewed the NMFA operating budget with the assistance of Jerome Trojan, NMFA chief operating officer, and Joe Gosline, NMFA chief financial officer. Mr. Sisneros reported that the NMFA's focus is on being a policy-driven organization. Policies are drafted and in place, and NMFA management is now ensuring that the policies are in line with legislative intent. Mr. Trojan has reviewed every department within the NMFA to ensure that they are following NMFA policy.

Mr. Sisneros reported that the NMFA has received clean audits and that Standard and Poors has upgraded NMFA bond ratings by two grades. He reviewed some of the NMFA's programs, such as the New Markets Tax Credit program and the SMART money program, while emphasizing that the NMFA has not lost sight of its original function. A local government that needs a fire truck still gets more service than any other NMFA client.

Mr. Sisneros reviewed the NMFA 2006 operations budget of approximately \$6.6 million and compared the 2006 budget to prior years. NMFA operating funds derive from the cigarette tax, administrative fees and investment income. The NMFA is working on controlling costs; towards that end, it is in the process of hiring an in-house attorney and support staff to reduce legal costs. The NMFA's strong financial position has also allowed it to reduce insurance costs by 50 basis points.

The committee discussed the NMFA's reserve balances, possible expansion of programs, concerns regarding the creation of too much debt in local governments and NMFA long-term goals. Upon request by Senator Rawson, Mr. Sisneros agreed to provide the committee with copies of the NMFA audit for last year. On completion of the current audit, the NMFA will provide copies for the current fiscal year as well.

Proposal for New Mexico Renewable Energy Transmission Authority

Representative Campos and Joanna Prukop, secretary of energy, minerals and natural resources, presented a proposal for a New Mexico Renewable Energy Transmission Authority and discussed the goal of using renewable resources to generate 6,500 megawatts of energy. Secretary Prukop reported that New Mexico is able to supply its own energy needs and has an enormous opportunity to export power to other states. However, New Mexico is currently handicapped in its ability to sell power by a lack of transmission infrastructure.

Upon questioning by the committee, the presenters discussed infrastructure security, the location of proposed windmill power generation sites, solar energy, the environmental community's support of the renewable energy proposal and potential job growth created by renewable energy generation.

Update on Request for Gross Receipts Tax Deduction for Ticket Sales for Special Events at University Venues

Lobbyist Dave Kimball and Will Lofdahl, director of special events at New Mexico State University, reported to the committee regarding a bill to provide a deduction from gross receipts for receipts from admissions to certain events at certain higher educational institutions. The current bill has resolved the NMFA's earlier concerns regarding impairment of bonds.

Review of Proposed Legislation for Committee Endorsement

The committee endorsed the following bills:

- * an authorization bill for the public project revolving fund identifying projects to be funded, to be sponsored by Senator Garcia;
- * an authorization bill for the Economic Development Revolving Fund, identifying projects to be funded, to be sponsored by Senators Papen and Asbill and by Representatives Silva and Crook;
- * an appropriation of \$30 million to the Economic Development Revolving Fund, to be sponsored by Senator Papen and Representative Silva;
- * an appropriation of \$4 million for the drinking water system financing, to be sponsored by Senators Snyder and Taylor;
- * an authorization bill for the Water Project Fund, identifying projects to be funded, to be sponsored by Senator Taylor and by Representatives Gonzales, Powdrell-Culbert and Crook;
- * a joint memorial asking the federal government for greater funding to assist New Mexico with the disproportionate cost of handling border-related issues, to be sponsored by Representatives Irwin and Mary Helen Garcia;
- * a bill amending the New Mexico Finance Authority Act to add a requirement for legislative approval of TIF projects, to be sponsored by Representatives Silva and Lundstrom; and

* a gross receipts tax deduction for special events at New Mexico State University, to be sponsored by Senator Rawson and Representative Mary Helen Garcia.

Update on Mesa del Sol Proposal for State Gross Receipts Tax Increment Financing

Mike Daly, chief operations officer of Mesa del Sol, reported on progress in Mesa del Sol and on the positive impact that tax increment financing is having on the project. Advent Solar is already thinking about expanding, and Albuquerque Studios has endowed a chair at the University of New Mexico for digital media studies. Albuquerque Studios has also already attracted three other companies to New Mexico. University of New Mexico is a 15 percent partner in the Mesa del Sol land office and will participate in the appreciation of land values. Mr. Daly estimates that tax increment financing will have a positive impact of approximately \$564 million in the Mesa del Sol project alone.

Brian Harper, City of Las Cruces downtown coordinator, who also spoke in support of tax increment financing, reported that tax increment financing has been a key component in revitalizing Las Cruces' downtown area. Mr. Harper believes that the program will help all New Mexico communities.

Adjournment

There being no other business, Senator Papen adjourned the meeting at 2:40 p.m.