

MINUTES
Legislative Finance Committee
Santa Fe/Taos, New Mexico
April 27 - 29, 2022

Wednesday, April 27

The following members and designees were present on Wednesday, April 27, 2022: Chairwoman Patricia A. Lundstrom; Representatives Nathan P. Small, Dayan Hochman-Vigil, Ryan T. Lane, Candie Sweetser, Christine Chandler, and Brian G. Baca; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, Steven P. Neville, Gay G. Kernan, Bill Tallman, Pat Woods, Sia Correa Hemphill, and Michael Padilla. Guest legislators: Representatives Meredith A. Dixon and Tara L. Lujan; and Senators Crystal R. Diamond and William E. Sharer.

LFC Program Evaluation: Albuquerque Public Schools. LFC Program Evaluators Catherine Dry and Clayton Lobaugh presented the report *Albuquerque Public Schools*. Albuquerque Public Schools (APS) is responsible for educating one-quarter of public school students statewide and accounts for a similar percentage of the New Mexico public education budget. As such, the district drives statewide trends in funding, enrollment, and performance. Over the last decade, demographic changes reduced enrollment by nearly 17 percent to 72.5 thousand in FY22, while per-pupil funding for APS from the state equalization guarantee (SEG) funding formula grew by 49 percent to \$9,919. The long-term trend in declining enrollment, worsened by Covid-19, will require the district to accelerate its efforts to adjust its workforce and physical infrastructure while also addressing increased building repair needs.

Despite more funding and fewer students, student outcomes remain low – only 20 percent of APS students were proficient in math and 31 percent in reading in 2019. The over 51 thousand low-income students in APS show larger achievement gaps than low-income students statewide. High school graduation rates, while improving, continue to lag national averages and college enrollment and readiness are declining. The pandemic exacerbated these challenges – more students and teachers left the district, chronic absence rose, and significant unfinished learning needs to be addressed.

New data from mid-year assessments in APS elementary schools showed both lower proficiency and slowed growth in proficiency compared with results from before the pandemic. Low-income students, already starting behind their peers, experienced limited growth in proficiency. Improving student outcomes will require increased use of effective programs and practices including extending learning time and improved professional development. In FY21, there was \$57 million in available state funds that could have been used by the district for these purposes, including untapped funding for the K-5 Plus and Extended Learning Time (ELT) programs and excess cash balances. Unprecedented levels of federal, pandemic-related funding totaling \$359 million also present a unique opportunity for APS to respond to the Covid-19 emergency and make meaningful investments in positive change.

A separate and pressing challenge to the district lies in the need for stronger oversight practices. The district strengthened procurement procedures in response to a recent criminal investigation

against a former legislator and APS employee. Additional opportunities remain, including broadening the focus of the internal audit unit.

LFC staff recommend APS

- Adjust the size of the workforce to its student population;
- Implement K-5 Plus and continue to expand ELT, using both state and federal pandemic funds;
- Consider a pay differential or other financial incentives for hard to staff positions in high-needs schools;
- Spend more of budgeted funds on high-quality, sustained professional development that instructs teachers on how to use data to guide instruction; and
- Diversify the types of funds internally audited by APS each year.

Superintendent Scott Elder highlighted key points made in APS' response to the report and said many of the findings are not unique to APS. As stated in the written response, APS is facing declining enrollment, aging facilities, and unfinished learning. The school district is using unprecedented federal resources to address some of these issues. However, APS recognizes federal pandemic aid is nonrecurring and is therefore targeting funds to developing infrastructure, lengthening the school day, and increasing salaries for support staff who provide at-risk services. In addition to participating in ELT, some APS elementary schools are lengthening the school day, embedding daily professional development and student achievement. To keep longer school days after federal funding runs out in FY24, APS recommends the Legislature increase the funding factor for K-5 Plus and ELT. Increased ELT funding is also needed to support credit recovery programs for high school students.

APS does not perceive cash reserves as excessive but necessary to ensure it can responsibly balance its checkbook. The school district would like to work with the Legislature on creating policies and defined purposes for cash reserves, similar to those in other states.

APS supports restructuring the Public School Capital Outlay funding formula to incentivize participation from large, urban school districts, such as modifications to the local offset and state-local matches for projects.

In response to Senator Neville, Superintendent Elder said APS has lost many students to homeschooling and online private schools. The school district used federal funding to expand its online school, now serving over 2,500 students.

In response to Senator Gonzales, APS Chief Financial Officer Tami Coleman said the school district's internal audit function is comprised of five certified auditors who work almost exclusively with bookkeepers across APS to ensure the protection of fundraising dollars. The external auditor relies on the internal audit function.

Chairwoman Lundstrom asked LFC staff to report back to the committee information on state equalization guarantee distributions designated for special education services but repurposed.

FY22 Second Quarter Performance Reports. LFC Deputy Director Charles Sallee said the New Mexico Accountability in Government Act (AGA) requires state agencies to provide quarterly performance reports on key measures and targets critical to agency operations. The information is reported to legislators through the use of report cards. Mr. Sallee presented the FY22 second quarter report cards; key performance was highlighted. Most public schools are conducting interim assessments this quarter but the Public Education Department will not evaluate data until the end of FY22. Limited FY21 test data suggests math proficiency may have fallen as much as 10 percentage points during the pandemic. Schools have only spent 11.6 percent of federal emergency relief aid, and participation in state extended learning time programs remains mixed, likely exacerbating existing achievement gaps and projected slides from pandemic disruptions.

From 2010 to 2020, enrollment at New Mexico higher education institutions fell 27 percent, more than double the 11 percent decline experienced nationally. The college going rate also fell from 72 percent of graduating high school students in 2010 to 61 percent in 2018. LFC staff recommend institutions report more timely data on enrollments and completions to measure impacts of new programs, such as the opportunity scholarship, and the Higher Education Department should develop an action plan to improve outcomes.

The Early Childhood Education and Care Department (ECECD) added new measures in FY22 for early prevention and intervention programs such as home visiting; however, the state did not collect data on prekindergarten programs during the pandemic. Programming decreased, as virtual prekindergarten sessions only averaged 30 minutes to 45 minutes.

Childcare assistance average monthly enrollment in FY22 is 16 percent below FY20 enrollment levels – from 20 thousand to 17 thousand children – and the cost per child has increased 19 percent – from \$676 to \$743 monthly. Though enrollment was lower, ECECD assumed the full-cost of care and continued waiving parent co-payments through the end of FY22 in addition to increasing rates beginning in July 2020.

The Department of Health reported some improvements in performance but managing the state’s pandemic response continues to negatively affect performance in other programs. Many state health facilities with declining occupancy will experience operational funding strains if they are unable to reverse the trend. The agency is developing a needs assessment at the facilities level to determine how to safely open more beds and is providing recommendations, such as a recruitment and retention campaign.

The Aging and Long-Term Services is developing plans to establish Medicaid-funded adult daycare and other services; however, agency performance remains below pre-pandemic levels, with fewer investigations, referrals, callbacks, meals, and caregiver support hours provided.

The Medicaid program appears to be lagging behind targets, including only 38 percent out of a targeted 88 percent of children receiving well-child primary care visits.

Expanding funding and access to behavioral health services through telehealth has increased behavioral health service provision. Community-based follow-up services improved for younger Medicaid members discharged from inpatient psychiatric hospitals but worsened for adults.

Follow-up for members with alcohol or drug dependence and behavioral health services via telephone remain below targeted service levels.

Shifting services from the back-end, after children have already been abused or removed to foster care, to front-end prevention, is becoming the national standard. The Children, Youth and Families Department performed well on the measure for in-home services or family support services preventing subsequent substantiated reports of maltreatment.

Caseloads for all justice partners continue to decline year over year, indicating there is not a significant “backlog” of cases delayed by public health closures. The courts reported key outcomes for time to disposition and drug court graduation rates on a quarterly basis for the first time in several fiscal years.

Inmate populations at New Mexico’s prisons continue to decline. The Corrections Department reports improvements in several areas, including a drop in offender recidivism due to technical parole violations. The agency continues to struggle with high vacancy rates among correctional officers.

The Environment Department executed 31 new funding agreements for drinking water, wastewater, and stormwater infrastructure projects this quarter and disbursed \$5.8 million to communities, bringing total water infrastructure investments for the first half of FY22 to \$14.8 million.

The Economic Development Department focused on rural job creation, after outcomes in rural areas of the state lagged overall job creation in FY21. The agency awarded just over \$2 million in Local Economic Development Act funds in the second quarter, creating approximately 338 jobs at a cost of \$5 thousand per job.

New Mexico’s unemployment rate improved to 5.8 percent; however, labor force participation rates have not recovered to pre-pandemic levels. The state’s average labor force participation has trailed the national rate by 4 percent and Colorado by nearly 10 percent since 1999.

The Taxation and Revenue Department remained on track to meet annual target for collections of outstanding balances but fell short of the target for collectible audit assessments again this quarter. The Motor Vehicle Division call center wait times decreased by almost half, from nearly 12 minutes to 6 minutes 23 seconds, and in-office wait times also decreased, from 8 minutes to 7 minutes. The agency is also making progress on the number of tax protest cases resolved, with 829 total cases resolved, or about 54 percent of the total target number for FY22.

The Department of Transportation was appropriated \$1.3 billion for transportation projects, which the agency is managing well. However, the condition of New Mexico’s roads is deteriorating and the agency faces rising costs and supply-chain challenges at a time when both state and federal governments are investing heavily in transportation infrastructure. Traffic fatalities are on the rise and ridership on the Rail Runner remains low.

Senator Kernan requested LFC staff provide the committee information on fines issued by the Environment and Energy, Minerals and Natural Resources departments.

Major State and Federal Investments Status Report. Reporting on federal pandemic aid, Debbie Romero, secretary of the Department of Finance and Administration (DFA), said \$5.5 million of \$1.17 billion in Coronavirus Aid, Relief and Economic Security (CARES) Act funds remains unclosed. The agency expects none of the funds will be reverted. Initial funding for the Emergency Rental Assistance (ERA) Program in New Mexico totaled \$172 million, of which \$34.7 million remains unexpended. The state received an additional \$49.1 million for ERA, which is to be administered as a separate program (ERA2). DFA intends to roll out ERA2 after ERA1 ends. Through a memo of understanding with DFA, the Mortgage Finance Authority is administering \$47.4 million in Homeowners Assistance Program funds; about \$157 thousand is expended so far. Of the \$2.5 billion in American Rescue Plan Act (ARPA) funds received, the Legislature allocated \$1.59 billion to state agencies for special programs. Secretary Romero said DFA will be able to provide updates on their execution in the coming months. Lastly, DFA is administering \$22.3 million in Governor's Emergency Education Relief (GEER) funds, which was appropriated for the purpose of providing local education agencies, higher education institutions, and other education related entities with emergency assistance in response to the pandemic. The following is allocated:

- \$4.7 million to the Early Childhood Education and Care Department (ECECD) for Prekindergarten, home learning support, and social and emotional support;
- \$13.8 million to the Public Education Department (PED) for online learning and professional development;
- \$3.8 million to the Higher Education Department (HED) for digital devices and connectivity, personal protective equipment, building sanitation and cleaning supplies, air filtration, social emotional support, and various other needs;
- \$4.2 million to ECECD for Summer Jumpstart and mental health support;
- \$2.8 million to PED for indoor air quality;
- \$2.9 million to HED for workforce development, and
- \$4 million for ECECD, PED, and HED for the GEER Broadband Pilot Project.

In the coming weeks, DFA will launch an online dashboard on the status of ARPA funds. Secretary Romero said the agency intends to create dashboards on other federal pandemic aid.

Reporting on special programs, Secretary Romero said the Legislature authorized from the appropriation contingency fund \$15 million to the Mortgage Finance Authority for the purpose of growing energy-efficient affordable housing, \$50 million to an eligible county for the purpose of building an acute care hospital, and \$45 million to DFA for the purpose of developing regional recreation centers and quality of life projects. The Legislature this year appropriated \$14.7 million from the general fund to the Hunger Initiative. The Legislature also appropriated funding to hire a rural and frontier ombudsman for the state.

Secretary Romero provided a brief overview of new capital outlay and a timeline of bond sales. Senate Bill 212 of the 2022 legislative session made 1,303 capital outlay appropriations, totaling \$823.1 million. The next bond sale will occur in late June.

LFC Program Evaluation Manager Micaela Fischer and LFC Analyst Eric Chenier highlighted key points in the staff brief. As of March 2022, the state, state subdivisions, businesses, and individuals had been awarded \$26.1 billion in federal pandemic assistance, first through direct payments to individuals, business support payments, unemployment benefits, other grants, and second through assistance to local governments and the state through the coronavirus relief state and local fiscal recovery funds, and other federal government acts. About \$15.2 billion came from unemployment insurance or direct payments or loans to individuals, businesses, and healthcare providers. Since October 2021, federal pandemic awards increased \$3.8 billion for additional business support, healthcare provider support, food assistance, Federal Emergency Management Agency grants, economic development grants, broadband, and for new allocations. Congress also passed the Infrastructure, Investment and Jobs Act, increasing infrastructure funding to the state by \$163.2 million annually.

Some of the \$26.1 billion has been appropriated or expended in the eight regular and special legislative sessions held since 2020. However, there remain several key unexpended federal grants, including coronavirus state fiscal recovery funds, capital project funds, homeowner and rental assistance funds, school emergency relief funds, and many other smaller competitive grants directly allocated to state agencies.

In response to Senator Woods, Secretary Romero said funds for regional recreation centers and quality of life projects could be used to improve the fairgrounds in Curry County.

Senator Correa Hemphill asked what the Legislature can do to help accomplish New Mexico's greatest needs. New Mexico Rural and Frontier Ombudsman Shanna Sasser, Ph.D., said more grant writers and project managers are needed. Also, the state could provide funding to assist communities in developing a comprehensive plan.

In response to Representative Hochman-Vigil, Ms. Fischer said LFC staff will report back to the committee how much Infrastructure Investment and Jobs Act funding is allocated for airports in the state.

Federal Grant Opportunities for State and Local Governments. Martin Chavez, infrastructure advisor for the Office of the Governor, said the federal Bipartisan Infrastructure Law, as enacted in the Infrastructure Investment and Jobs Act, will deliver \$3.8 billion to New Mexico for the purpose of developing transportation infrastructure in the state. Allocation of the funds will be 60 percent formula-based and 40 percent grant based. Applications are currently being accepted for three major grant opportunities through the end of May. Mr. Chavez said many local governments in the state currently lack grant writers, unfortunately. The New Mexico Municipal League, however, will be providing local governments grant writing training.

Mr. Chavez said American Rescue Plan Act (ARPA) funds must be obligated by 2024 and expended by 2026. The Department of Finance and Administration will be launching an online dashboard on the status of ARPA funds, which Mr. Chavez said will be a great tracking tool.

Col. Donnie Quintana, director of the Local Government Division of Department of Finance and Administration (DFA), said DFA is working to ensure the state is ready to execute federal dollars

on the way. Local government capacity, however, could be an issue for getting projects done efficiently.

Director Quintana talked about DFA's strategies in ensuring anticipated federal dollars are successfully administered. The agency is defining what is a shovel ready project. Also, DFA is applying a holistic approach and focusing on project management. Director Quintana said he is highly encouraged by the spirit, momentum, collaboration and desire to improve the state's capital outlay system that is efficient, effective, and supports New Mexico's constituents.

In response to Representative Small, Mr. Chavez said airports were recently provided a list of grant opportunities.

Thursday, April 28

The following members and designees were present on Thursday, April 28, 2022: Chairwoman Patricia A. Lundstrom; Representatives Nathan P. Small, Harry Garcia, Ryan T. Lane, Candie Sweetser, Christine Chandler, and Brian G. Baca; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, Gay G. Kernan, Jeff Steinborn, Pat Woods, Sia Correa Hemphill, and Michael Padilla. Guest legislators: Representatives Ambrose Castellano, Dayan Hochman-Vigil, Tara L. Lujan, Kristina, Ortez, and Debra M. Sarinana; and Senator William E. Sharer.

Welcoming Remarks. Taos Mayor Pascualito Maestas welcomed LFC to Taos and talked about challenges facing the town, including the affordable housing shortage and climate change. Mr. Maestas said 42 percent of Taos' housing stock is vacant while the median home value is \$495 thousand. Also, income inequality and increased cost of services are impacting local communities. Mayor Maestas invited committee members to reflect on the rich culture of Taos and consider making transformative investments to address current challenges.

Darlene Vigil, chairwomen of Taos County Commission, talked about the many collaborations in the county working to improve the community. Various partners, like Kit Carson Electric Cooperative and Enchanted Circle COAD (Community Organizations Active in Disaster), are currently providing assistance to residents who are impacted by the pandemic, gas outages, snow, and wildfires. Also, there has been unprecedented collaboration with federal agencies, including the USDA Rural Partnership Network program.

Ms. Vigil invited committee members to the 2022 New Mexico Outdoor Economics Conference, taking place in Taos on October 5 through 7.

Valerie Trujillo, assistant superintendent of Taos Municipal Schools, said the school district is working to expand the community school model to all grade levels. Ms. Trujillo talked about the successful programs at Enos Garcia Elementary, including the Family Navigation program and a comprehensive needs and asset assessment program.

Ms. Trujillo said the school district is working with tribal governments to ensure that student needs are met through district programming, including providing culturally and linguistically responsive teaching, Tiwa language classes and tutoring. Also, the school district launched Taos Tiger

Connect Online Academy, implemented social emotional learning services and expanded bus services to students residing on tribal lands.

Dr. Michael Kauffman of Taos Medical Group talked about financial incentives for physicians wishing to practice in the state and the future of medicine. Dr. Kauffman said loan forgiveness is important for physicians in rural areas, noting medical practices pay 8 percent gross receipts taxes on top of medical deductibles and copays. Lower salaries are a result, especially in areas of the state with a large Medicaid/Medicare population. Dr. Kauffman pointed out the difficulty in collecting gross receipts taxes due to large copays, creating a disincentive to practice in those areas.

Dr. Kauffman said the medical system is transitioning to a value-based system, which is lower cost and higher quality.

In response to Senator Woods, Mayor Maestas said 400 affordable homes are needed to meet current needs, according to the Taos County affordable housing master plan. Ms. Trujillo said the school district lost eight teachers this year because of the housing shortage.

In response to Senator Correa Hemphill, Ms. Trujillo said the school district hopes to continue emotional learning services after pandemic federal aid ends.

State Personnel Compensation Plan. Highlighting key information in the LFC staff brief, Analyst Joseph Simon said the Legislature authorized an average 7 percent pay increase for state employees this year, with sufficient funding for a minimum pay rate to \$15 per hour. The pay increase will be issued in two parts: three percent effective April 1 and an average 4 percent effective July 1. The exact percent increase in FY23 will be based on an employee's salary schedule, pay band, and compa-ratio. Mr. Simon said the planned formula will lead to pay increase disparities, with classified employees on an occupation-specific salary schedule seeing a smaller share of total compensation increases.

Max Cordova, operations manager of the State Personnel Office (SPO), said the agency worked with union partners to formulate the executive's FY23 compensation recommendation. The collaboration focused on establishing a minimum pay rate, addressing compaction issues, and issuing a responsible increase to total payroll while strategically focusing on employees paid the least. Although most classified employees under occupational salary schedules will receive a 4 percent increase July 1, some may receive a larger increase to bring their pay rate to \$15 per hour.

Compa-ratio tells where an employee's hourly rate rests relative to the midpoint of their pay band. Mr. Cordova said the FY23 pay increase formula targets low employee compa to support agency recruitment and retention.

Mr. Cordova said pay equity challenges exist for various reasons, including agency budget availability, historical agency vacancy rates, and minimum wage changes. To address these challenges, SPO plans to

- Conduct an audit to identify disparities within classifications, across agencies;
- Increase the impact of talent acquisition efforts through paid marketing and agency coordination;

- Establish models for worker pipeline development that address critical vacancies;
- Automate the process through which actions are routed and processed across agencies; and
- Implement strategies that allow for stakeholder feedback and process improvement measures.

SPO Deputy Director Teresa Padilla provided additional detail on efforts to address current challenges.

In response to Senator Padilla, Mr. Cordova said it currently takes on average 70 days for an agency to fill a position. Mr. Simon said the average was 56 days before the pandemic.

In response to Representative Lane, Mr. Cordova said SPO evaluates the compa-ratio of classified employees on an occupation-specific salary schedule at least once a year.

Chairwoman Lundstrom asked LFC staff to report to the committee the vacancy rates of state child protective service investigators, correctional officers, and nurses.

Update on Strategic Plan and Appropriations for Broadband and Cybersecurity. Raja Sambandam, acting secretary of the Department of Information Technology (DoIT), said cybersecurity continues to evolve in the state. DoIT is establishing new cyber processes to combat complex threat vectors, moving toward a centralized enterprise system. Efforts are focused on developing a system that is compliance driven and risk based. DoIT is using an enterprise roadmap. Secretary Sambandam said cybersecurity-related regulations need to be updated.

Reporting on recent accomplishments and successes, Secretary Sambandam said DoIT collaborated with the U.S. Cybersecurity and Infrastructure Security Agency to develop New Mexico's cybersecurity response plan and playbook. Quarterly reporting from the State Cybersecurity Advisory Committee is underway. DoIT established the Enterprise Vulnerability Management Program and implemented annual cybersecurity awareness training, enterprise denial of service risk mitigation, enterprise web application firewall, and multifactor authentication. Also, a risk management assessment program and security operations center were launched.

Secretary Sambandam provided an overview of current state investments in cybersecurity and remarked on the difficulty in filling critical IT positions due to low pay and lack of skilled workforce.

Secretary Sambandam said DoIT improved the state's cybersecurity posture in the last three years. Risks remain, however, and will continue with the changing threat landscape. Without changes to the current approach, the state will continue to be vulnerable.

Reporting on broadband, Secretary Sambandam said operations of the new Office of Broadband Access and Expansion are underway. The purpose of the office is to centralize and coordinate broadband activities across state government agencies, local governmental bodies, tribal governmental organizations, and internet service providers. These efforts will be in conjunction with the newly formed Connect New Mexico Council, which is tasked with overseeing \$130

million in broadband grant and infrastructure appropriations. The council is comprised of 15 members, representing state agencies, tribes, and the general public.

Secretary Sambandam said the new broadband office and council are focused on expanding middle mile network capacity to improve broadband access statewide, increase bandwidth and performance, and drive efficiency of last mile investment. Next steps for New Mexico's broadband initiatives include introducing refined state broadband mapping, launching a grant pilot program, releasing the state broadband strategic plan, conducting community outreach and engagement, and applying for federal middle mile funding.

Senator Padilla asked for the status on a broadband plan and staffing the broadband office. DoIT Advisor Matt Schmit said none of the five authorized positions have been filled but he hopes to staff up to 13 positions for the office long-term and that the office is awaiting further guidance from the federal government for developing the broadband plan.

In response to Representative Small, Todd Baran, general counsel to the agency, said the grant pilot program will be launched in the coming weeks and awards are expected to start this fall.

Taos Greenway. David Norden, chief executive officer of Taos Ski Valley, said the clean energy transportation and recreation corridor project is a public private collaboration to develop clean transportation, watershed management, outdoor access, and roadways in Taos County. The project is currently estimated at \$150 million, of which \$20 million is private investment. Mr. Norden said the project is strongly supported by stakeholders.

This year, the Legislature appropriated \$5 million to the project. Mr. Norden said the funds are to be used for road erosion control, waterline repairs, wildfire risk management, and watershed management. A plan for the funds was recently proposed to the state and county. Mr. Norden said the proposed projects are shovel ready. Taos County is the fiscal agent.

Chris Stagg, vice president of Taos Ski Valley, said the clean energy transportation and recreation corridor project is an opportunity to do big things, but the challenge is figuring out how to make it happen through collaboration.

Chairwoman Lundstrom pointed out the availability of capital outlay and grant dollars for such projects. Mr. Norden said the goal is to get things done quickly, without time spent chasing grant dollars.

Capital Outlay Quarterly Status. LFC Analyst Cally Carswell said strong state revenues and an influx of federal funds combined with supply chain, construction cost and labor issues associated with the pandemic are contributing to large outstanding balances across thousands of active projects. In the coming year, balances are likely to grow and bottlenecks further tighten when \$2.2 billion in new appropriations to over 1,400 additional state and local projects come online.

As of mid-March 2022, outstanding capital outlay funds totaled approximately \$2.1 billion, including \$162.3 million in earmarked funds for water, colonias, and tribal infrastructure projects and \$599.4 million in supplemental severance tax bonds for public schools. About 2,000 projects

have not started construction. Funds for state-owned projects have been spent more quickly than local project funds, with 52 percent of statewide appropriations expended compared with 35 percent for local projects.

Severance tax bonds are the primary source of outstanding balances, accounting for 55 percent of unexpended funds at \$863 million. Other major sources include \$364.7 million in general funds and \$252.3 million in general obligation bonds.

Ms. Carswell said economic conditions that may or may not be temporary and systemic issues unique to New Mexico's approach to financing public infrastructure both present barriers to timely completion of capital projects. Some state financing programs require projects to complete planning before they can receive construction funding. This ensures analysis of cost-effective alternatives has been completed, provides funders with realistic cost estimates that can be used to fully fund projects, and supports the efficient expenditure of public funds. Many outstanding projects funded with capital outlay have still not progressed through planning and design, however.

Ms. Carswell said New Mexico is currently flush with funding for capital projects from a variety of state and federal sources, including federal funds that have gone directly to local and tribal governments and school districts. This rapid accumulation of new money presents the state with a historic opportunity to make major improvements to public infrastructure as well as unusual challenges, including finding enough applicants for funding available from some sources.

LFC analyst Nina Chavez said staff is currently tracking 478 "\$1 million or greater" projects, totaling \$1.8 billion; \$1.1 billion is unexpended.

Members were provided detailed information on all projects; the status of select projects were highlighted.

Chairwoman Lundstrom requested LFC staff report to the committee information on stalled Department of Transportation projects.

Senator Gonzales requested LFC staff provide the committee information on teacherages.

2022 Interim. LFC Deputy Director Charles Sallee presented analysts' work plans for the 2022 interim. The work plans are focused on addressing current issues. Highlighting key assignments, Mr. Sallee said analysts will be

- Reviewing the higher education funding formula and developing a list of possible revisions to the formula for consideration;
- Evaluating statewide trends in teacher compensation, preparation, licensure, retention, recruitment, placement, diversity, experience, and working conditions;
- Identifying ways to improve educator competencies and develop advancement pathways for master teachers;
- Monitoring DD waiver system scaling and movement of individuals from the wait list to waivers;
- Visiting state health facilities to better understand underutilized capacity and facility needs;

- Tracking federal funds for hunger initiative programs, hospital funding, children’s behavioral health services, and other initiatives;
- Monitoring Medicaid enrollment, unwinding projections, and funding for people eligible for Medicaid as the federal maintenance of effort requirements under the pandemic expire;
- Tracking action plans on economic development investment from federal funding and state appropriations to Tourism, Economic Development, and Cultural Affairs departments;
- Forming a legislative public safety fiscal workgroup to propose cost-saving reforms and investment in evidence-based programs and other methods to improve criminal justice outcomes;
- Monitoring how the Department of Transportation is using additional resources and how resources are prioritized to improve road conditions;
- Proposing updated capital outlay project vetting criteria for FY23 funding requests;
- Assessing the impact of New Mexico tax policies, including investments in rebates, income support programs, and other tax incentives;
- Tracking and reporting on the status of cannabis sales in New Mexico.
- Monitoring cannabis regulatory activities within the Taxation and Revenue and Regulation and Licensing departments;
- Tracking Department of Information Technology spending on rural and statewide broadband projects and progress of statewide connectivity, digital equity, and digital inclusion; and
- Improving LFC revenue models and tracking.

Deputy Director Jon Courtney, Ph.D., said LFC’s program evaluation unit is currently wrapping up an evaluation on bilingual and multicultural education programs in New Mexico. Projects expected to be completed later this year include an evaluation on state personnel and hiring, effectiveness of Medicaid in preventative care, and impacts of past Local Economic Development Act (LEDA) and Job Training Incentive Program (JTIP) investments. A results first report on child welfare will be presented in August. Other projects happening this interim include various progress reports, including a progress report on broadband.

Mr. Sallee outlined proposed work plans for LFC subcommittees: Public Education, Higher Education, and Infrastructure. Items include LegisStat on student performance, extended learning, and higher education enrollment management.

Chairwoman Lundstrom appointed members to the LFC Sunset Subcommittee: Representatives Baca, Chandler, and Garcia; and Senators Gonzales, Kernan, and Woods.

Chairwoman Lundstrom asked LFC staff to review local funding formulas that some school districts use, including Albuquerque Public Schools. She also asked staff to review community school funding and the use of new building construction in light of reduced enrollment. The committee discussed other potential assignments for staff.

Miscellaneous Business.

Action Items. Senator Rodriguez moved to adopt the LFC January 2021 meeting minutes, seconded by Representative Small. The motion carried.

Senator Gonzales moved to adopt the LFC contracts, seconded by Senator Rodriguez. The motion carried.

Representative Small moved to adopt the LFC 2022 meeting calendar, seconded by Senator Rodriguez. The motion carried.

Senator Rodriguez moved to adopt the LFC FY23 operating budget, seconded by Representative Small. The motion carried.

Review of Monthly Financial Reports and Information Items. David Abbey, director of LFC, briefed the committee on information items.

Friday, April 29

The following members and designees were present on Friday, April 29, 2022: Chairwoman Patricia A. Lundstrom; Representatives Nathan P. Small, Harry Garcia, Ryan T. Lane, Candie Sweetser, and Christine Chandler; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, Steven P. Neville, Gay G. Kernan, Jeff Steinborn, Pat Woods, and Sia Correa Hemphill. Guest legislators: Representatives Joy Garratt, Tara L. Lujan, Kristina, Ortez, and Debra M. Sarinana; and Senator William E. Sharer.

Taos Valley Ranch. Ryan Hanson, chief strategy officer of the Burrell Group, talked about the value of using Taos Valley Ranch to serve young adults and the University of New Mexico-Taos (UNM-Taos). The Burrell Group purchased the Blackstone Ranch several years ago and has been working to develop relationships to partner on various initiatives with a goal of opening the ranch in late fall of 2022. Mr. Hanson talked about young adults being over dependent on technology, noting the average screen time for young adults is 8 hours and screen time, an increase of 50 percent in the last several years. The Burrell Group will be creating a three- to six-month residential program to teach young adults how balance technology use.

UNM-Taos Chancellor talked about the use and overdependence on technology.

Chair Lundstrom remarked on the need for more research on the use of technology. Mr. Hanson described algorithms leading to overdependence on technology impacting younger children, and concerns with impacts on child development.

In response to Representative Garret, Mr. Hanson said transparency and advertising to students through UNM-Taos will be key to community interaction.

Senator Sharer asked how use of technology would be limited at the ranch. Mr. Hanson said the program will consist of modeling and creating experiences so enjoyable that students will recognize the value of those experiences over the use of technology. The goal is to have students learn how to balance technology use.

Department of Transportation Projects. Michael Sandoval, secretary of the Department of Transportation (NMDOT), provided an overview of current projects, noting \$1.3 billion in state funding. Secretary Sandoval said the majority of funding prior to 2020 is committed.

Reporting on federal funding opportunities, Secretary Sandoval said NMDOT will apply for federal grants to reconstruct U.S. 180 in southwest New Mexico, Interstate 25 in Albuquerque and for new infrastructure in Santa Teresa, including a new runway at the Dona Ana County Jetport. In the future, the agency hopes to secure federal funding to expand Interstate 40 from four lanes to six lanes.

NMDOT Deputy Secretary Justin Reese reported on the condition of state roads and bridges. Four percent of NMDOT-owned bridges are in poor condition. New state and federal resources, however, will be used to improve bridges statewide.

NMDOT Local Government Liaison George Dodge talked about agency efforts to improve communication and cooperation with local and tribal governments. Mr. Dodge said the transportation project fund is providing a new source of revenue for local road projects, with annual transfers from the motor vehicles excise tax expected to be between \$40 million and \$50 million.

NMDOT Modal Director Franklin Garcia said \$15 million was appropriated for rural airports and discussed the status of the rural air service program, highlighting new passenger air service between Gallup and Phoenix and between Las Cruces and Albuquerque.

Reporting on electric vehicle initiatives, NMDOT Program Director Paul Montoya said the agency is working to increase the number of charging stations along New Mexico's interstates.

Tom Taylor, district 5 commissioner of the State Transportation Commission, thanked legislators for supporting transportation projects. Mr. Taylor provided a brief overview of current projects in the district and talked about commission's role in policy making. Chairwoman Lundstrom invited State Transportation commissioners to LFC meetings, noting the importance of cooperation between the commission and LFC.

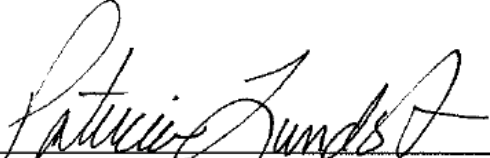
In response to Senator Woods, Secretary Sandoval talked about the possibility of U.S. highway 87 between Raton and the Texas border being converted into an interstate highway. Secretary Sandoval said Texas identified U.S.-87 as the site of a future interstate on the Texas side and does not make sense for the interstate to end at the state line. However, conversion to an interstate would require significant investment – between \$300 million and \$400 million – to ensure the road meets all interstate criteria.

Senator Woods requested NMDOT provide the committee data on the number of vehicles traveling on Interstate 40 east and west of Albuquerque.

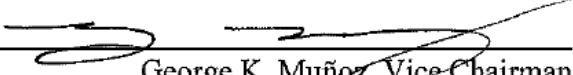
Secretary Sandoval answered several questions about NMDOT's electric vehicle (EV) strategy. The cost of each EV charging station averages \$890 thousand. There are currently no partnerships with private entities to purchase charging stations; NMDOT is open to partnering with the private sector, but does not have the capacity to manage EV charging at private facilities. Senator Gonzales said state should consider a road use tax for electric vehicles. Senator Sharer said the state will need to build its electric grid capacity to meet EV charging needs.

In response to Senator Steinborn, Secretary Sandoval said NMDOT contracted two providers to provide litter control services with recent funding for roadway beautification. The agency is also re-engaging with the Department of Corrections for litter control operations.

With no further business, the meeting adjourned at 10:30 a.m.



Patricia A. Lundström, Chairwoman



George K. Muñoz, Vice Chairman