

**MINUTES**  
**Legislative Finance Committee**  
**Virtual Meeting**  
**January 17, 2022**

**Monday, January 17**

The following members and designees were present on Monday, January 17: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Javier Martinez, Nathan P. Small, Randal S. Crowder, Gail Armstrong, Candie Sweetser, Jack Chatfield, and Dayan Hochman-Vigil; and Senators Nancy Rodriguez, Steven P. Neville, Roberto “Bobby” J. Gonzales, Gay G. Kernan, Pat Woods, and Sia Correa Hemphill. Guest legislators: Representatives Christine Chandler and Harry Garcia.

**Proposed LFC Endorsed Legislation.** LFC staff proposed 8 bills and additional language in the preamble of the capital bill for the committee to consider endorsing in the 2022 legislative session. Fiscal impact reports on the proposed legislation were provided.

1. *Gross Receipts Tax (GRT) Reduction and 2021 Tax Rebate.* The bill lowers the state gross receipts tax rate 0.25 percent, adds anti-pyramiding provisions for accounting and IT related business-to-business services, provides for an income tax rebate, temporarily limits some local GRT rate increases, and exempts additional municipalities from the hold harmless phase-out. The income tax rebate is a one-time, \$300 refundable rebate to those eligible for the low- and middle-income tax exemption. Municipalities with populations between 10 thousand and 25 thousand will receive a distribution equal to 90 percent of the GRT otherwise generated from food and healthcare services. The bill limits some local government GRT rate increases for five years to prevent tax increases from offsetting the state rate reduction. Local GRT rate increases passed by local elections, increases that were approved before the bill becomes effective, and renewals of expiring rate increases are still allowed under the bill.
2. *Early Childhood Trust Fund.* The bill increases the distribution from the early childhood education and care fund from \$30 million to \$40 million in FY23 and adds authorization for expenditure to executive agencies for which an appropriation is made by the Legislature. Appropriations from the fund following FY23 will be based on an amount equal to the greater of 5 percent of the average of the year-end market values of the fund for the immediately preceding three calendar years or \$40 million. Senator Gonzales moved to adopt endorsement of the bill, seconded by Representative Small.
3. *Elected Official Salary Increases.* The bill increases salaries for elected officials. The increases are as follows:

Position	Section	Current Salary	Natn'l Rank, Current	Proposed Salary	Natn'l Rank, Proposed	Last Adjusted
Governor	8-1-1	110,000	44	150,000	19	2002 from \$90k
Lieutenant Governor	8-3-3	85,000	29	115,000	16	2002 from \$65k
Secretary of State	8-1-1	85,000	45	115,000	21	2001 from \$65k
State Auditor	8-1-1	85,000	43	115,000	25	2002 from \$65k
State Treasurer	8-1-1	85,000	42	115,000	21	2002 from \$65k
Attorney General	8-1-1	95,000	46	125,000	30	2002 from \$72.5k
Comm. of Public Lands	8-1-1	90,000		125,000		2002 from \$72.5k
Public Regulation Commissioner	8-1-1	90,000		140,000		2002 from \$72.5k

Senator Neville moved to adopt endorsement of the bill, seconded by Representative Small.

4. *Procurement Code Changes.* The bill makes a number of changes to the Procurement Code as recommended by past LFC program evaluations. Specifically, Sections 1, 7, and 12 remove procurement code exemptions for large health care procurements, all marketing, and caps procurement code exemptions for advertisement at \$10 thousand. Sections 2 and 3 add new procurement code definitions for advertising and marketing. Section 4 requires state agencies to gain approval of the Attorney General before executing an outside legal contract. Section 6 adds more direct language requiring state agencies and local public bodies to register chief procurement officers (CPOs) on the State Purchasing Division website. Section 6 also requires the State Purchasing Division to review the CPO list and notify both the agency or local public body and the State Auditor if an agency or local public body does not have a registered CPO. Section 8 gives the state purchasing agent authority to review and approve sole source procurements and limits sole source procurements to one year. Section 9 also limits emergency procurements to one year. Section 10 requires state agencies to develop a contract with a defined scope of work before procuring services over certain price points with a business under a statewide price agreement. The price points are defined as over \$60 thousand for general services and over \$5,000 for general services. The section also newly requires state agencies to gather and document three quotes before proceeding with a price agreement purchase between \$10 and \$60 thousand for a purchase of a general service or tangible property. Section 11 limits the time period of extension or renewal for contracts to five years and limits increases for contract costs to that of the cost of the original contract plus inflation over the extended time. Section 5 contains statutory language clean-up. Representative Martinez moved to adopt endorsement of the bill, seconded by Representative Garcia.
5. *Venture Capital Investment Act.* The bill creates the Venture Capital Investment Act and the venture capital investment fund under the New Mexico Finance Authority. The purpose of the fund is to make investments in new, emerging or expanding businesses in New Mexico that create new job opportunities. These investments are required to be made with venture private equity funds or with New Mexico businesses in early stages of development, where the investments enhance the economic development objectives of the state. Representative Martinez moved to adopt endorsement of the bill, seconded by Representative Small.
6. *Extend Racing Commission Termination Date.* The bill extends the State Racing Commission's termination date to July 1, 2027 and the repeal of the Horseracing Act to July 1, 2028. Senator Rodriguez moved to adopt endorsement of the bill, seconded by Representative Armstrong.
7. *Hydrogen Hub Development Act.* The bill facilitates the development of hydrogen production in New Mexico by authorizing the state and its political subdivisions ("public partners") to enter into public-private partnership agreements, establishing grant and loan programs to help finance hydrogen hub projects under such agreements, and creating tax deductions and credits to incentivize the development of hydrogen facilities. The legislation also creates a process for designating a "hydrogen hub," defined in the bill as a distinct geographic area within which proposed projects that create or modify infrastructure for the generation of power and the production, storage, transport, and consumption of hydrogen may receive state-funded grants or loans. Section 4 lists requirements and restrictions for public-private partnerships and Section 5 creates a hydrogen hub development board. Board members will include the secretaries of Economic Development

Department, Department of Finance and Administration, Energy, Minerals and Natural Resources Department, Environment Department, and Taxation and Revenue Department; the chief executive officer of the New Mexico Finance Authority (NMFA); and five public members appointed by the Legislative Council. The board will review and approve or disapprove proposed hydrogen hub areas and proposed public-private partnerships as well as grant and loan applications. Section 8 creates new duties for NMFA, including providing staff support to the hydrogen hub development board for financial analysis of proposed projects, administering grants and loans for approved projects, and issuing bonds for projects. Section 9 creates the hydrogen hub project fund, which will be administered by NMFA to provide grants and loans to eligible applicants and support administrative costs of the board and NMFA. The bill allows NMFA to make grants of up to \$250 thousand to public partners for cost-benefit analyses regarding public-private partnerships on proposed hydrogen projects. Representative Small moved to adopt endorsement of the bill, seconded by Representative Garcia.

8. *Economic Diversification Fund.* The bill creates the economic diversification and climate resilience fund using 50 percent of the oil and gas production tax revenue that would otherwise flow to the general fund. These taxes include the oil and gas emergency school tax and the oil and gas conservation tax. The new fund would be a nonreverting fund in the state treasury, subject to appropriation by the legislature, for the purposes of economic diversification and development of key industries within the state, workforce training and development, infrastructure improvements to attract business development, and projects to support conservation and restoration of public lands, forests, watersheds, parks, and trails. The bill requires any agency that receives an appropriation from the new fund to provide a report on the impact of the appropriation upon request by the Legislative Finance Committee. Representative Small moved to adopt endorsement of the bill, seconded by Representative Garcia.

### **Miscellaneous Business.**


***Action Items.*** Senator Rodriguez moved to adopt the LFC November and December 2022 meeting minutes, seconded by Representative Sweetser. The motion carried.

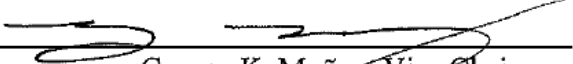
Representative Armstrong moved to adopt the LFC staff recommendation for addition to capital outlay framework, seconded by Representative Crowder. The motion carried.

Senator Rodriguez moved to adopt the LFC contract, seconded by Representative Crowder. The motion carried.

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

With no further business, the meeting adjourned at 10:16 a.m.

  
Patricia A. Lundstrom, Chairwoman

  
George K. Muñoz, Vice-Chairman