

MINUTES
Legislative Finance Committee
State Capitol, Room 322 - Santa Fe, NM 87501
January 20, 2020

Monday, January 20th

The following members and designees were present on Monday, January 20, 2020: Chairman John Arthur Smith; Vice Chairwoman Patricia A. Lundstrom; Senators Clemente Sanchez, Steven P. Neville, William F. Burt, George K. Muñoz, Roberto “Bobby” J. Gonzales, James P. White, and Pete Campos; and Representatives Joseph L. Sanchez, Jason C. Harper, Javier Martinez, Rodolpho “Rudy” Martinez, Candie Sweetser, and Randal S. Crowder.

Consideration and Approval of Second Bond Issuance for Winrock Town Center Tax Increment Development District.

Darin Sand, vice president of development of Goodman Realty Group, said Winrock, Albuquerque’s first shopping mall, was purchased by Goodman Realty Group in 2007 with intention to redevelop the 84-acre parcel into a town center comprising retail, restaurant, office, hotel, and residential space. Mr. Sand said project plans, which include a park with a lake, are designed to address market needs and appeal to all generations. Financed by the Winrock tax increment development districts (TIDDs), \$43.3 million in bonds have so far been issued to build roads, an underground public parking garage, and other infrastructure. This year, New Mexico Orthopedics relocated its main campus and two physical therapy locations to the Winrock Town Center, which Mr. Sand said is generating more activity at the property.

A second series of bonds are proposed to complete phase two of the project, including construction of the park, main entrance, and second parking garage. Mr. Sand said the project brings a unique regional amenity to Albuquerque that provides an edge for attracting people to shop, live, work, and play in the city.

Chapter 58, Laws 2009, authorize Winrock TIDDs to issue tax-exempt bonds secured by 57 percent of state gross receipts tax (GRT) revenue generated in TIDD one and 70 percent of GRT revenue generated in TIDD two. The legislation sets the maximum issuance at \$137 million and requires the review and recommendation of the Legislative Finance Committee (LFC) of proposed bonds and determination by the New Mexico Finance Authority (NMFA) that the master indenture and any amendments to the master indenture assure the proceeds of bonds are used as described in the tax increment development plan for the project.

Giving an overview of proposed 2020 bonds, LFC Chief Economist Dawn Iglesias said TIDD one plans on issuing senior lien and subordinate lien GRT bonds in late February. In a recent letter to LFC, TIDD one stated the bonds will not exceed \$120 million in the aggregate, consisting up to \$45 million of senior lien refunding bonds, up to \$50 million of senior lien new money bonds, and up to \$25 million of subordinate lien new money bonds. The senior lien refunding bonds will allow TIDD one to refinance its current debt at a lower interest rate and the senior and subordinate new money bonds, which will not exceed \$60 million in the aggregate, will be used to further Winrock Town Center infrastructure. The bonds will be sold in a negotiated sale to D.A. Davidson and Co.

Ms. Iglesias said NMFA completed its review of the proposed 2020 bonds on January 16, 2020, concluding the bond indenture contains provisions that assure the proceeds of the bonds will be used in accordance with Winrock TIDDs' plan. In LFC's review, staff find the proposed 2020 bonds will finance projects consistent with the plan. The project is expected to be completed in 2024 and projected to create 3,313 permanent jobs.

Albuquerque City Councilor Diane Gibson talked about the significance of the Winrock Town Center project and requested legislative support for Winrock TIDDs.

In response to Representative Crowder, Mr. Sands said water for the water feature in the park will come from an on-site reclaimed water treatment system.

Senator Sanchez moved to recommend the authorization to issue senior lien and subordinate lien GRT bonds for phase two of the Winrock Town Center project, seconded by Representative Martinez. The motion carried.

Proposed LFC Endorsed Legislation. LFC staff proposed two bills for the committee to consider sponsoring in the 2020 legislative session. Fiscal impact reports on the proposed legislation were provided.

1. *Public School Funding Formula Changes (At-Risk Index, Hard to Staff Teacher Adjustments).* The bill would amend the Public School Finance Act to increase the at-risk multiplier and increase the compensation of teachers in special education classrooms, teachers with a bilingual teaching license teaching in bilingual programs, and teachers serving as mentors to new teachers in mentorship programs approved by the Public Education Department. The bill would apply to the public education program cost calculations for FY21 and subsequent fiscal years. The corresponding spending amounts needed to enact the changes are included in LFC's FY21 recommendation for public schools. Senator Sanchez moved to adopt endorsement of the bill, seconded by Senator Gonzales.
2. *Public Private Partnerships.* New Mexico is one of 14 states without legislation allowing for public entities to enter into long-term capital financing, construction, and operating agreements of government assets with private parties, called public-private partnerships (P3). Despite the lack of specific statutory authority, several public-private partnership transactions have occurred within the state, typically through an ad-hoc workaround of existing statute, not intended for P3 agreements. Best practices in other states recommend a state statutory framework, which provides guardrails for the complex legal and financial issues contained within public-private partnership agreements. The bill would address use and ownership of the government's assets, including financing and operating agreements for the life of the transaction. The bill would create a model framework to be managed by the New Mexico Finance Authority. Vice Chairwoman Lundstrom moved to adopt endorsement of the bill, seconded by Representative Crowder.

Review of Financial Aid and Tuition Assistance for Higher Education. LFC Program Evaluator Clayton Lobaugh and LFC Analyst Mark Valenzuela presented a brief on financial aid

and tuition assistance for higher education. According to the brief, New Mexico provides broad support to students to ensure a postsecondary education is accessible for every college-bound New Mexican. New Mexico provides the sixth highest level of state financial support in the country to public colleges and universities, according to the National Center for Higher Education Management Systems. Moreover, tuition and fees remain the fifth lowest in the country.

Every year, college students receive \$600 million in financial aid support to pursue postsecondary education in New Mexico. The aid – 51 percent from grants, 12 percent from scholarships, 35 percent from loans, and 2 percent from work-study – is primarily needs-based. Students with the lowest incomes accrue 71 percent of the support. Programs like the lottery tuition scholarship have paid up to 100 percent of tuition costs, and the college affordability scholarship has helped adult learners return to earn a degree.

Despite the available support, fewer New Mexico college-bound students – recent high school graduates or returning adult learners – are choosing to attend New Mexico's colleges or universities, according to college enrollment data collected by the Higher Education Department (HED). Over the past five years, college enrollment has declined by 14.1 percent in New Mexico. Some administrators suggest high school populations are declining. Yet, high school graduation rates and the number of high school graduates have increased 10 percent over the same five-year period.

The concern for New Mexico policymakers is that several research studies show a widening postsecondary attainment gap contributes to growing economic inequality. The same studies illustrate a household income's outsized influence on student success; top performing low- and middle-income students earn bachelor's degrees at the same rate as low performing high-income students. In addition, low- and middle-income students are less likely to attend college.

In fall 2019, the governor proposed the opportunity scholarship, a last-dollar financial aid program paying for college tuition and fees for recent high school graduates and returning community college students after other aid. To pay for the program, HED requested \$35 million for FY21 to serve 55 thousand students. The cost estimate may be low. Other states implementing similar programs experienced 20 percent growth in the first year.

Researchers find tuition and fee costs are not the obstacle to students who pursue a college degree, especially in states as generous as New Mexico with very low tuition. Rather, researchers highlight the cost of attendance – cost remaining after scholarships and grants – is the financial obstacle for low- and middle-income students in particular. Cost of attendance reflects the cost of books, transportation, housing and food, not covered by a grant or scholarship.

Providing aid based on need can help bridge the gap families face in paying for college and policies that promote first-dollar funding strategies are more likely to target those most in need. However, free college programs, or those providing last-dollar funding for unmet tuition costs, carry risks. Initial estimates for the opportunity scholarship proposal identify the cost as \$35 million; however, subsequent analysis by LFC staff indicate the cost could be as much as 40 percent higher at \$49 million. Also, research finds last-dollar investments have the potential to be regressive in that they often direct funds to middle- and higher-income students rather than to low-income students.

LFC staff recommend the state use existing tools to improve access, success, and retention by

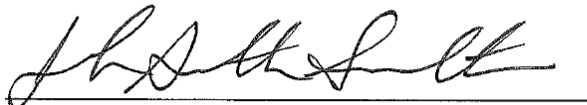
- Increasing investment in first-dollar student incentive grants, which target aid to students based on financial need;
- Enhancing first-dollar lottery scholarship coverage of existing tuition gaps;
- Providing resources for HED to increase student completion of the Free Application for Federal Student Aid (FAFSA); and
- Addressing specific workforce needs and the existing public school teacher shortage with teacher preparation affordability scholarships.

Miscellaneous Business.

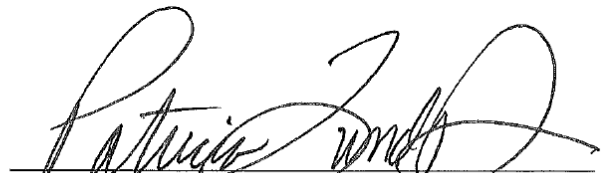
Action Items. Vice Chairwoman Lundstrom moved to adopt the November and December 2019 meeting minutes, seconded by Representative Sweetser. The motion carried.

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 11:44 a.m.



John Arthur Smith, Chairman



Patricia A. Lundstrom, Vice Chairwoman