

MINUTES
Legislative Finance Committee
Silver City, NM
July 20 - 22, 2022

Wednesday, July 20

The following members and designees were present on Wednesday, July 20, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Ryan T. Lane, and Tara L. Lujan; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, Steven P. Neville, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Meredith A. Dixon, Raymundo Lara, Debra M. Sariñana, and Luis M. Terrazas; and Senators William F. Burt, Crystal R. Diamond, William E. Sharer, and Mimi Stewart.

Review of Tax Policy Issues. Jackson Brainerd, program principal for the National Conference of State Legislatures, said most states collect personnel income, sales, and corporate taxes. The majority of state tax collections come from personal income tax, followed by sales tax. In New Mexico, however, the largest source of tax revenue is from sales. Also, the oil and gas industry contributes a significant share of tax revenue in the state, making New Mexico’s fiscal structure among the most volatile in the country.

Reporting on economic recovery from the pandemic, Mr. Brainerd said revenue growth has largely been positive and major tax categories did not decline as much as projected. Many states restored or added to their rainy day funds. Mr. Brainerd said states should be cautiously optimistic as federal pandemic relief programs end and economic uncertainty persists.

Broad-based rate reductions are currently taking place in several states, mostly through personal income tax cuts. Mr. Brainerd said other taxpayer relief efforts include sales and motor fuel tax holidays and retiree income and grocery tax reductions. Many states implemented earned income and child tax credit programs. For small businesses, various tax reductions and incentives are also taking place in some states. At least 29 states have approved new pass-through entity taxes since 2018. New taxes were recently enacted in some states.

Mr. Brainerd said some states recently enacted new taxes, including a paid family leave payroll tax in Maryland and Delaware and peer-to-peer car sharing excise tax in Kentucky. Last year, Maryland enacted a gross receipts tax on digital ad revenues of companies with over \$100 million in global annual gross revenues. Other states are considering similar legislation.

Richard Anklam, president and executive director of the New Mexico Tax Research Institute, said good tax policy accomplishes six principals:

- Adequacy: Revenues should be sufficient to fund needed services;
- Efficiency: Interference with the private economy should be minimized;
- Equity: Taxpayers should be treated fairly;
- Simplicity: Laws, regulations, forms, and procedures should be as simple as possible;
- Comprehensiveness: All taxes should be considered when evaluating the system; and
- Accountability: Exceptions should be rare and should be carefully evaluated and justified.

New Mexico's fiscal structure is unusual in that the sales tax generates more revenue than the personal income tax, which Mr. Anklam said reflects the state's high poverty rate. About 34 percent of New Mexico's tax revenue is from sales tax, followed by personal income tax at 23 percent and energy-related tax at 20 percent.

Mr. Anklam said New Mexico's gross receipts tax is actually sales tax. A gross receipts tax is levied upon the seller of goods or services, while a sales tax is nominally levied on the buyer; both are collected and paid to the government by the seller. The combined average state and local sales tax rate in New Mexico is 7.8 percent, compared with a high of 9.6 percent in Louisiana and Tennessee and low of 5.2 percent in Wyoming. The average personal income tax rate in New Mexico is 5.9 percent, compared with a high of 13.3 percent in California and low of 2.9 percent in North Dakota. Mr. Anklam pointed out actual rates depend on where a person lives and how much they make.

New Mexico's tax system ranks 28th overall on the Tax Foundation's 2022 state business tax climate index. Mr. Anklam said the state has a fairly broad sales tax base. According to Tax Policy Center data, the share of potential tax base covered by state general sales tax ranges from 19 percent in Vermont to 66 percent in New Mexico and 88 percent in Hawaii. The percentage of taxable service expenditures ranges from 20 percent or less in many states to 80 percent in New Mexico and 93 percent in Hawaii.

Reporting on tax changes, LFC Economist Jennifer Faubion said legislation since 2019 has decreased personal income tax revenue but increased gross receipts and energy-related tax revenues. Ms. Faubion explained the Legislature reduced personal income tax rates and implemented gross receipts tax changes, including the enactment of destination-based sourcing. Since 2021, the Legislature has given nearly \$1.1 billion back to residents through rebates.

Ms. Faubion said New Mexico's tax system has become more progressive over time, especially at low-income levels, but remains regressive at middle and high incomes. Personal income tax changes have contributed the most to increasing progressivity. Most income-earning taxpayers fall into the fourth personal income tax bracket, effectively "flattening" the personal income tax structure. Ms. Faubion said the progressivity of gross receipts and property taxes has had little change.

In FY21, New Mexico switched to destination-based sourcing to broaden the gross receipts tax base and level the playing field between in-state and out-of-state businesses. LFC Economist Fellow Cherrita Guy said destination-based sourcing is contributing to a growing tax base across government. When compared with recent fiscal years, FY22 matched taxable gross receipts (MTGR) for the state, counties, and municipalities have grown significantly, in part because of economic recovery.

Ms. Guy said industries with a significant portion of out-of-state activity imported to the state are now paying more in local gross receipts taxes because activity is now taxed based on the destination of the good, rather than the origin. Such industries include mining, oil and gas, retail trade, wholesale trade, and construction.

In response to Senator Kernan, Mr. Anklam said he does not see a need to have exceptions in destination-based sourcing. Senator Kernan said an exception for the oil and gas industry should be considered. Decreased MTGR in Carlsbad and Hobbs is overwhelmingly attributable to the decline in oil and gas industry activity reported to each city because of destination-based sourcing. The industry-specific losses in oil and gas activity are so large, the inclusion of out-of-state activity, such as retail trade, has not compensated for them. Chairwoman Lundstrom asked LFC staff to examine the issue and work with Senators Kernan and Gonzales and Representatives Small and Lujan on drafting a memorandum to the full committee about destination-based sourcing issues in the state.

Review of FY24 Draft Budget Guidelines. LFC Deputy Director Charles Sallee outlined LFC's proposed budget guidelines for FY24. The guidelines serve as general direction and reflect committee priorities. Members were invited to provide feedback on the proposed guidelines before the committee votes on them in August.

Mr. Sallee said state revenues are growing rapidly as persistent inflation, consistently strong financial markets through tax year 2021, a tight labor market, and high consumer spending are pushing personal income and gross receipt tax revenues to record levels. Adjusted for 2022 legislation, recurring revenues for FY23 are estimated at \$8.8 billion, and FY24 recurring revenues are estimated at \$9.3 billion. However, given the unexpected strength in FY22 revenues, FY23 and FY24 forecasts will likely be significantly revised upwards.

Due to the higher than anticipated revenues, reserves remain strong. FY23 ending reserve balances are estimated at \$2.1 billion, or 25 percent, prior to any legislative action in the 2023 session or revenue update in August reflecting additional revenues in FY22.

Education continues to be the state and Legislature's highest priority and biggest fiscal and policy challenge. Other committee priorities include early childhood investments, public health, workforce development, public safety, protection of vulnerable citizens, and increased economic growth, and improving transportation infrastructure.

Chairwoman Lundstrom requested an update on spending from the supplemental appropriation bill called "junior" and requested the LFC Higher Education Subcommittee schedule discussion on disparities among four-year comprehensive universities.

Balancing Mid- to Long-Term Revenues and Expenditures. Reporting on the U.S. economy and employment, Leonardo Delgado, chief economist for the Department of Finance and Administration, said the risk of recession is high due to elevated inflation driven by energy costs and persistent supply chain issues. Real gross domestic product declined 1.6 percent in the first quarter of 2022. The U.S. unemployment rate is currently 3.6 percent.

As with the nation, New Mexico real gross state product contracted in the first quarter and the state unemployment rate was 5.1 percent in May. Mr. Delgado said New Mexico's nonfarm employment rate is expected to return to prepandemic levels early next year.

Mr. Delgado said IHS Global Insight, Moody's Analytics, and Rystad Energy project the price of oil to drop in 2023, averaging between \$70 and \$80 per barrel. National forecasters also project oil production to peak between 2028 and 2033. Current trends indicate a slow transition toward a decarbonized economy.

Mallika Pung, chief economist for the Department of Transportation, said the state road fund received \$468 million in recurring revenues in FY21 and is projected to receive 14 percent additional recurring dollars in FY22, primarily due to increased motor fuel excise tax distribution. The fund's largest revenue sources are motor fuel and weight-distance taxes and vehicle registration fees. Over the next five years, state road fund revenue is expected to grow at an annual rate of 1.3 percent, plateauing thereafter.

Ms. Pung said New Mexico has not revised its gasoline tax since 1996 and diesel tax since 2004. Currently, New Mexico's gasoline tax is third lowest in the nation and its diesel tax is ninth lowest; passenger vehicle registration fees in the state are significantly lower than the U.S. average. Increased fuel efficiency of vehicles and adoption of electric vehicles are also a concern for the state road fund's future. Ms. Pung said the state might want to consider additional registration fees and road user charges to mitigate the loss in fuel tax revenues.

Lucinda Sydow, chief economist for the Taxation and Revenue Department, said current forecasts indicate steady growth in general fund revenue through FY50. Beginning in FY28, however, revenue from gross receipts and personal income taxes is projected to grow while revenue from oil and gas severance tax is projected to decline, depressing general fund revenue growth in the long-term.

LFC Chief Economist Ismael Torres said the Legislature has prioritized stabilizing revenues, preserving existing programming, and balancing budgets within recurring revenues; however, long-term revenue growth might be insufficient to maintain current levels of government services. To improve the long-term revenue outlook, LFC staff recommend the state

- Foster economic growth to beat current expectations,
- Resist spending all recurring revenues on recurring uses,
- Invest short-term, peak production revenues for future use (e.g., endowments and trust funds),
- Extend five-year average protections on oil and gas revenues, and
- Use short-term, peak production revenues for nonrecurring uses.

LFC Deputy Director Charles Sallee likened the task of balancing short- and long-term revenues with budget needs to a roller coaster. Organizations, such as the Pew Charitable Trust State Fiscal Health project and Government Finance Officers Association, encourage states to engage in more long-term financial planning. Mr. Sallee said New Mexico already uses some long-term planning information, including revenue stress tests, multi-year consensus revenue estimates, and multi-year fiscal impact reports. Additional planning, however, could help the state avoid budgeting by crises and surprises, strategically implement services or tax changes that benefit New Mexicans, avoid committing to unsustainable spending, and understand the full scope of upcoming liabilities and competing budget priorities.

Mr. Sallee said New Mexico has volatile revenues but a strong fiscal position.

During LFC's lunch break, the committee broke into three groups to discuss tax policy issues one-on-one with panelists.

Status on New Mexico Crime. LFC Program Evaluation Deputy Director Jon Courtney, Ph.D., said New Mexico's violent and property crime rates have improved overall in recent years, but remain above U.S. averages. In several New Mexico communities, violent crime has increased. Albuquerque experienced a 78 percent increase in robberies and 147 percent increase in homicides in 2021. Mr. Courtney said many other large cities are also experiencing Covid-19-related spikes in violent crime, although these crimes were trending upward prior to the pandemic.

LFC Analyst Ellen Rabin said New Mexico lacks timely data on statewide crime trends. Local law enforcement agencies are statutorily mandated to provide crime reports to the Department of Public Safety (DPS); however, the agency is currently transitioning to the national incident-based reporting system (NIBRS), which the Albuquerque Police Department (APD) and New Mexico State Police have not been able to report to because of changes in their records management systems. DPS expects to provide more timely data when the transition to NIBRS is complete.

Mr. Courtney said the swiftness and certainty of justice is important for deterrence. Violent crime arrests and prison admissions, however, have not tracked with crime increases. Decreased arrests and prosecutions appear to have reduced judiciary workload, with fewer cases coming into the system. Between FY17 and FY21, total prosecutions dropped 27 percent, and the share of referred cases prosecuted fell from 79 percent to 70 percent. Ms. Rabin said cases are taking longer to resolve in most districts despite lower workloads.

Ms. Rabin said the Legislature is working to address key issues inside and outside the criminal justice system. These efforts include investments in law enforcement recruitment, retention, and training initiatives, 24/7 electronic monitoring during pretrial supervision, crime and violence reduction grant programs, and behavioral healthcare. LFC staff recommend the Legislature also consider

- Improving the utilization of care addressing root causes,
- Implementing Medicaid-funded medication-assisted treatment (MAT) in communities with high justice-involved populations,
- Reforming probation and parole to reduce reincarceration of technical parole violators,
- Improving programming that connects offenders reentering the community with employment opportunities.

LFC staff recommend the Corrections Department fully implement its risk assessment tool (COMPAS), implement MAT, and better track and evaluate program outcomes.

DPS Secretary Jason Bowie said the integration of data into NIBRS is complex because several law enforcement agencies (LEAs) are still using different systems to report data. DPS data analysts, however, are working closely with LEAs to collect data and transition them to NIBRS. When fully implemented, NIBRS will have the capability to provide data in real time, making it

useful for criminal intelligence, workflow realignment, field direction, and information sharing. Secretary Bowie said the system will also be useful to measure outcomes.

Damon Martinez, senior policy advisor for the city of Albuquerque, said the Metro Crime Initiative (MCI) was established last year, engaging leaders in the criminal justice system to develop together a list of actions to reduce crime in the Albuquerque metro area. Among the actions, new legislation made operating a chop shop a crime in New Mexico.

MCI continues this year, with a new list of actions currently in development. Mr. Martinez said initiative leaders are focused on addressing the fentanyl epidemic and gun and domestic violence. Mr. Martinez invited legislators to attend the next MCI meeting in August.

Representative Armstrong said many counties in the state do not share the same crime issues and therefore, some crimes issues should be dealt with at the local level.

In response to Vice Chairman Muñoz, Deputy Chief Cecily Barker said APD hired civilian personnel to perform certain duties and alleviate overtime of sworn officers. Investigation services are among the duties performed by civilian staff.

In response to Representative Dixon, Ms. Rabin said the law enforcement retention fund is managed by DPS. The Department of Finance and Administration will be implementing a similar program.

Reducing Violent Crime: What Works. Jennifer Doleac, Ph.D., associate professor of economics at Texas A&M University, said one reason crime is punished is to deter future crime. People respond to incentives, so increasing the expected cost of crime should reduce criminal behavior. Two ways to make criminal behavior more costly is to increase the length of sentence and probability of getting caught. Evidence shows longer sentences do not work, however. Professor Doleac explained would-be offenders do not think very far into the future, so adding years to a potential sentence does not change behavior today. An increased probability of getting caught, however, does work because it increases short-term consequences.

Professor Doleac said more and better policing is one way to increase the probability of getting caught. The professor cautioned increased police presence could lead to unnecessary arrests and use of force, however. Technology, like DNA databases and cameras, is another way to increase the probability of getting caught. Evidence shows adding people charged with felony crimes to a DNA database reduces future charges by over 40 percent.

Leniency toward first-time (nonviolent) offenders deters future crime. Professor Doleac said giving people a second chance to avoid a first conviction has big public safety benefits.

Professor Doleac said increasing access to mental health care prevents violent crime. Currently, 44 percent of jail inmates and 37 percent of prison inmates have a history of mental health problems. Summer youth employment programs also reduce violent crime. Such programs decreased violent crime arrests 37 percent in Boston and 42 percent in Chicago. Professor Doleac said summer jobs provide teens a glimpse of a different path and something to aspire to. Also,

supervisors often serve as informal mentors who help teens learn how to interact with adults, handle workplace disagreements, etc.

Professor Doleac said public assistance is important for preventing first time offenses and reducing recidivism. Reducing air pollution and lead exposure and investing in key infrastructure, like better street lighting and air conditioning, can also deter crime.

Anne Teigen, associate director of the Criminal Justice Program of the National Conference of State Legislatures (NCSL), said investments in community violence intervention programs in the country have significantly increased in recent years. Colorado, for example, established three grant programs focused on multidisciplinary crime prevention and crisis intervention; law enforcement workforce recruitment, retention, and tuition; and assistance in recruitment and training.

NCSL Policy Analyst Kate Bryan said the sequential intercept model (SIM), developed by policy research associates, is a tool used to think systematically about alternative responses and points of connection across the criminal justice system. The model's concept is currently being implemented in 25 states. SIM is designed to reroute individuals away from the criminal justice system prior to arrest or contact with law enforcement. The exact elements of each modeled program are unique to every community and influenced by available resources and community-based alternatives. Ms. Bryan said data indicates SIM programs help decrease crime and recidivism.

Young adults account for 9.5 percent of the U.S. population and 23 percent of all arrests. Ms. Teigen said young adults reoffend at a greater rate than the general population and are twice as likely to be a victim of violent crime. In response, Ms. Tiegen said some states are shifting to nontraditional interventions.

Senator Hemphill expressed concern for the large number of New Mexicans who will no longer qualify for Medicaid when the public health emergency ends and, therefore, lose access to mental healthcare.

Progress Report: Medicaid Fraud Recovery. LFC Analyst Annie Armatage presented a progress report on Medicaid fraud recovery. Increased risks of Medicaid fraud, waste, and abuse associated with Medicaid expansion and Covid-19 call for continued progress to protect taxpayer dollars. Since the 2011 LFC evaluation found the state's fraud oversight efforts did not pay for themselves, the state has implemented most of the report's recommendations and has begun to see a positive return on investment (ROI) in addressing Medicaid fraud. The Office of the Attorney General's (NMAG) Medicaid Fraud Control Unit's (MFCU) ROI is now above the national median. However, while recoveries of outright fraud have increased, the proportion of investigations resulting in convictions and recoveries has decreased. MFCU could improve collaboration with sister agencies and federal partners to increase the quantity and quality of fraud referrals. The Human Services Department's (HSD) recovery of improper payments have generally declined since FFY17. HSD can improve on this measure by recovering from managed care organizations (MCOs) all improper capitation payments made on behalf of the 18 thousand New Mexico Medicaid recipients who were also enrolled in other states' public assistance programs in 2021. In addition, HSD and MFCU should update agreements and contracts to clarify Medicaid program integrity roles and responsibilities. Finally, NMAG and HSD should work with

the Legislature to bring New Mexico into compliance with the federal False Claims Act to increase the state's portion of fraud recoveries.

Providing a brief overview of MFCU, Chief Deputy Attorney General Anne Kelly said the unit ranks 20th in the nation, returning \$2.73 for every dollar in 2021. Ms. Kelly said NMAG agrees the False Claims Act should be amended.

MFCU Director Constance Tatham said additional resources for the unit will need to increase as New Mexico's Medicaid program expands.

HSD Chief Counsel Paul Ritzma provided a brief overview of the agency's new fraud capture system and cost avoidance tools and said monthly matches against third party coverage sources are averaging \$3.44 in savings per Medicaid customer. HSD is conducting medical records audits. Mr. Ritzma reported 480 claims to date, with potential recovery of \$2.3 million. In 2019, New Mexico had the second lowest overall Medicaid improper payment rate among its cohort.

Thursday, July 21

The following members and designees were present on Thursday, July 21, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Ryan T. Lane, and Tara L. Lujan; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Meredith A. Dixon, Rebecca Dow, Raymundo Lara, Debra M. Sariñana, and Luis M. Terrazas; and Senators William F. Burt, Crystal R. Diamond, William E. Sharer, and Mimi Stewart.

Welcoming Remarks and Regional Issues. Joseph Shepard, president of Western New Mexico University (WNMU), thanked legislators for supporting WNMU and invited them to tour the campus.

Chris Ponce, chairman of the Grant County Commission, said the county received \$211 thousand in federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) funding, of which \$118 thousand was spent on personal protective equipment and \$93 thousand on small business grants.

Mr. Ponce said current reimbursement for housing inmates at the Grant County Detention Center is not enough to cover total incarceration costs. Mr. Ponce asked legislators to consider more funding for the county detention facility reimbursement fund.

Will Hawkins, superintendent of Silver Consolidated Schools (SCS), said student enrollment declined 11.3 percent in 2020; however, the school district has since recovered 3.9 percent of its student population. To address learning loss, SCS is implementing targeted tutoring instruction. The school district is also piloting K-12 Plus.

Superintendent Hawkins talked about the SCS' safety plan and effort to maintain its large number of aging school buildings. Also of concern is at-risk and small schools funding. Superintendent

Hawkins said funding for the school district decreased \$504 thousand this year, due to changes in the small school and at-risk funding formulas.

Mayor Pro Tem Guadalupe Cano said the population of Silver City is just under 10 thousand residents. Mayor Cano said Silver City is a close-knit community with a strong presence of volunteer activity. The town serves as a gateway to the Continental Divide trail and offers a number of outdoor recreation activities.

Mayor Cano said Silver City needs more affordable housing.

Cassandra Hartley, health and human services coordinator in Grant County, said the county is both rural and frontier, with a population of 26 thousand people. Compared with other counties, Grant County ranks high in substance abuse and suicides. The lack of a crisis care continuum in the county is forcing residents to seek crisis services at the Gila Regional Medical Center emergency room, stressing the hospital's capacity. In response, Grant County is using 988 Crisis Now framework to improve local behavioral healthcare. Recently, the county received grant funding to develop crisis services.

Autumn Brunton said Amplified Therapy is a Family, Infant, Toddler (FIT) program provider in Catron, Grant, Hidalgo, Luna, and San Juan counties. Ms. Brunton, chief executive officer and president of Amplified Therapy, said the FIT program provides early intervention services and supports to families of children from birth to age three who have or who are at risk for developmental delays or disabilities. Ms. Brunton said Amplified Therapy is working to increase awareness of the FIT program and Interagency Coordinating Council Board.

Miscellaneous Business.

Action Items. Vice Chairman Muñoz moved to adopt the LFC June 2022 meeting minutes, seconded by Representative Small. The motion carried.

Representative Armstrong moved to adopt the LFC Capital Outlay Subcommittee June report, seconded by Chairwoman Lundstrom. The motion carried.

Representative Small moved to adopt the LFC Accountability/LegisSTAT Subcommittee June report, seconded by Senator Kernan. The motion carried.

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

The committee discussed recent correspondence, including a response from the Higher Education Department (HED) regarding funding for auxiliary projects. Chairwoman Lundstrom said HED's response did not resolve the situation and asked LFC staff to follow up with HED on next steps. Vice Chairman Muñoz asked LFC staff to draft a response to HED, expressing continued concern and asserting NMMI's request for funding should be eligible for inclusion in the HED recommendation for general obligation bond funding.

LegisSTAT: Workforce Development. LFC Analyst Eric Chenier said LFC launched LegisSTAT last August, a first of its kind legislative-driven performance improvement approach that builds on existing resources and tools used to monitor performance of state programs. The approach drives collaboration and formulates questions for agencies about where the state needs to go and what kind of resources and policy changes are needed to make that happen.

Applying LegisSTAT in developing New Mexico's workforce, Mr. Chenier reported key data and said New Mexico's current unemployment rate is near prepandemic levels, but the labor force participation rate (LFPR) is persistently low. About a quarter of the state's population is not employed but is of working age. If New Mexico's LFPR was at the national average, the state would have close to 100 thousand more workers.

To boost LFPR, the National Conference of State Legislatures recommends strengthening workforce attraction, retention, and expansion programs. Mr. Chenier said some states are expanding access to higher education and workforce development programs and working on strategies to keep workers in the workforce by improving mental health access and worker accommodations. Other states are working to recruit out-of-state workers by marketing their state as a desirable place to live and work. Workforce reentry programs could help the large number of people in the criminal justice system enter the labor force.

Mr. Chenier said the Workforce Solutions Department (WSD) conducted a labor force participation study this past year. The agency found the reasons for low labor force participation include the out-migration of working-age adults, aging population, and high number of people receiving disability benefits. The number of people receiving disability benefits between 1999 and 2020 doubled from 31 thousand to 61.3 thousand.

The study flagged areas that could produce long-lasting results, such as focusing on youth employment, improving college enrollment and completion, and empowering disabled people to work. This year, the Legislature appropriated \$10 million for reemployment services and youth apprenticeships, \$100 million for teaching endowments for nurses and social workers, \$7 million for the teacher loan repayment fund, and \$20 million for higher education work-study programs. The Legislature also expanded childcare subsidies, added a return-to-work program for Educational Retirement Board retirees, required paid sick leave, and increased the minimum wage to \$12 per hour.

Chairwoman Lundstrom asked what the difference is between the unemployment rate and LFPR. People not in the labor force are those who do not meet the criteria to be classified as either employed or unemployed.

Reporting on agency initiatives, Deputy Secretary Yolanda Cordova said WSD is focused on industry engagement, community coordination, career transition planning, and short-term training programs. In addition to new state investments, federal grants are furthering workforce development efforts in the state, including \$2.8 million from the U.S. Department of Labor to expand outreach and support for unemployment insurance (UI) benefits in marginalized communities. Ms. Cordova said WSD is collaborating with the Tourism, Early Childhood Education and Care, and Human Services departments and Division of Vocational Rehabilitation.

A recently formed task force, comprising agency leaders and community stakeholders, will be providing guidance in disbursing funding for youth workforce and apprenticeship development and workforce case management in the state.

This year, WSD and the Tourism Department established a leisure and hospitality employer reimbursement program, funded with \$2.5 million in federal grant dollars. Marcos Martinez, director of WSD Employment Services, explained the program will cover up to 16 weeks training with a range of reimbursement per employee up to \$5,000. To date, the program has provided reimbursement for 712 employees across 130 employers, totaling \$2.3 million. Mr. Martinez said WSD is considering the same program to support the healthcare and childcare industries.

Mr. Martinez remarked on the effectiveness of the statewide community gatherings held this past year by WSD and partnered agencies.

Ms. Cordova said the U.S. Department of Labor recently announced a new workforce development funding opportunity: Quality Jobs, Equity, Strategy, and Training (QUEST) Disaster Recovery National Dislocated Worker Grants.

In response to Chairwoman Lundstrom, Mr. Martinez said about 75 percent of New Mexico's workforce development programs are federally funded.

In response to Senator Rodriguez, Mr. Martinez said WSD has significantly improved time in engaging unemployment insurance (UI) recipients with services to help them regain employment.

Senator Rodriguez said many of her constituents are having trouble reaching a WSD representative. Mr. Martinez said WSD is working to improve its UI call center wait time and is adding UI staff in the workforce connection centers.

In response to Representative Sweetser, LFC Director David Abbey said seasonal farm work could be one reason for Luna County's high unemployment rate. Chairwoman Lundstrom asked WSD to research other factors affecting Luna County's unemployment rate.

Copper Mining Update and Tour. Randy Ellison, general manager of Chino Operations, said Freeport-McMoRan operations in New Mexico generated over \$366 million in economic benefits and employed 946 people in 2021. Mr. Ellison said Freeport-McMoRan's ripple effect of wages and taxes plus services purchased generates 3,324 jobs in the state.

Mr. Ellison said copper has superior properties that allow it to be used for many types of clean energy, including electric vehicles. Mr. Ellison talked about new investments.

LFC toured the Tyrone mine, 10 miles southwest of Silver City.

Friday, July 22

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“Bobby” J. Gonzales, Steven P. Neville, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Meredith A. Dixon, Rebecca Dow, and Luis M. Terrazas; and Senators William F. Burt and William E. Sharer.

LegisSTAT: Developing the Tourism Industry in New Mexico. New Mexico’s tourism industry experienced growth this past year; however, it is unclear how much is attributed to state investment and how much is just a symptom of national recovery as the pandemic eases. Reporting on FY22 performance, LFC Analyst Amanda Dick Peddie said leisure and hospitality employment in New Mexico increased 20 percent, within a percentage point of the national average. The number of passengers deplaned at the Albuquerque International Airport climbed to near prepandemic levels. In April 2022, movement in the state, including visitation to parks and commercial vendors surpassed prepandemic levels.

Employing LegisSTAT in New Mexico’s economic recovery efforts, LFC engaged the Workforce Solutions, Economic Development, and Tourism Departments last August. Since then, a joint-agency website was created to advertise and connect workers with available jobs in the leisure and hospitality industry. Ms. Dick Peddie said the Tourism Department also completed a workforce needs study and established the Rural Pathway Program to provide tourism stakeholders in rural areas with technical assistance.

Jen Paul Schroer, secretary of the Tourism Department, said the tourism industry suffered greater economic injury in New Mexico than in surrounding states because of policies put in place during the pandemic. Increased funding for the Tourism Department, however, is helping the state revive its tourism industry. Secretary Schroer said every action taken by the agency is rooted in research.

In May, the statewide occupancy rate was 99.4 percent of prepandemic levels and the average daily rate was 24 percent higher than the average in May 2019. Secretary Schroer said New Mexico also had 77,217 more passenger deplanements at the Albuquerque Sunport and 13,100 more leisure and hospitality jobs than last spring.

Despite inflation and high gas prices, Secretary Schroer said travelers are still placing high priority on travel, and New Mexico is well positioned to capitalize on travelers looking for a quality vacation on a budget. A recent article identified New Mexico as an affordable domestic alternative for vacationers looking to travel internationally. To encourage visitation, Secretary Schroer said it is important for the state to increase marketing efforts and promote the New Mexico True brand.

Tourism Development Director Lancing Adams said current initiatives are based on the tourism economy advancement model. The Tourism Department is implementing an events growth and sustainable program and developing tourism infrastructure and aviation business. Mr. Adams said the agency is also working to optimize community and outdoor recreation and address regulatory issues. A tourism exchange program is also in development.

Carol Wight, chief executive officer of the New Mexico Restaurant Association, said a recent survey revealed hardships experienced by restaurants across the state. At least 1,093 restaurants and 194 bars have gone out of business since the start of the pandemic. Many restaurants did not receive federal pandemic aid. Surviving restaurants carry an average debt of \$160 thousand, while

surviving bars carry even great debt because none qualified for federal pandemic aid. Ms. Wight explained the funding was reserved for businesses that retained employees; bars, however, were completely shut down. Restaurants and bars continue to suffer because of high inflation and supply chain issues.

Ms. Wight said, of the 1,529 restaurants that applied for restaurant revitalization funding, only 601 restaurants were approved. Ms. Wight recommended the Legislature consider establishing a state relief fund, paid from a targeted gross receipts tax holiday.

Kathy Komoll, chief executive officer of the New Mexico Hospitality Association, said New Mexico tourism in 2019 was the second fastest-growing industry in the state, supporting nearly 100 thousand jobs and generating almost \$694 million in state and local tax revenue. In 2020, hotel occupancy rates in state plummeted to a low of just over 20 percent and the industry experienced a 40 percent decrease in employment.

Ms. Komoll said the industry has seen recovery, but significant challenges remain. Sports and leisure travel is rebounding, but the rate of business travel continues to lag prepandemic levels. Events are starting to rebuild, but marketing assistance is needed. Despite wage increases, hotels and tourism-related businesses struggle to maintain staffing levels that support full occupancy and service levels. Hotels and tourism-related businesses are also having trouble accessing affordable insurance. High inflation, supply chain issues, and debt burdens are also impacting the industry.


Ms. Komoll invited legislators to attend the association's communitywide meetings.

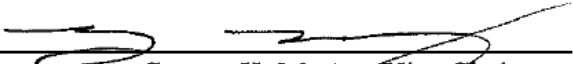
Chairwoman Lundstrom asked how the industry will adjust for less business travel because virtual events are likely to continue in the future. Ms. Komoll said there is still desire for in-person events; however, the industry recognizes virtual events are here to stay. Ms. Komoll said hotels, for example, may want to consider investing in new technology to offer hybrid meeting options. Ms. Wight said many restaurants are already incorporating new technology into their business model, like QR codes.

Chairwoman Lundstrom asked what the Legislature could do to directly support hotels and restaurants as they navigate the shift in how business is done. Ms. Wight suggested supporting programs like ProStart, a two-year, industry-backed culinary arts and restaurant management program for high school students. Chairwoman Lundstrom said community school funding could potential support such programs.

Representative Dow remarked on the need to improve state parks. Senator Burt said New Mexico's rest stops also need improvements.

With no further business, the meeting adjourned at 10:13 a.m.


Patricia A. Lundstrom, Chairwoman


George K. Muñoz, Vice Chairman

August 19, 2022

MEMORANDUM:

TO: Legislative Finance Committee

FROM: Senator George Muñoz
Senator Roberto “Bobby” Gonzales
Senator Pat Woods
Representative Nathan Small
Representative Jack Chatfield

SUBJECT: Emergency Response Subcommittee Report

LFC Subcommittee on Emergency Response met at 2:30pm on Tuesday July 19, 2022 at the Western New Mexico University’s Miller Library in Silver City, NM. Senator George K. Muñoz chaired the meeting, which was also attended by subcommittee members Representative Jack Chatfield, Representative Nathan P. Small, Senator Roberto “Bobby” J. Gonzales, Senator Pat Woods, and Senator William Sharer. The meeting was also attended by Representative Patricia Lundstrom, Senator Pete Campos, Senator Siah Correa Hemphill, Representative Gail Armstrong, Representative Harry Garcia, and Representative Tara Lujan

Update on Forest Fires, Recovery, and Long-term Impacts. Kelly J. Hamilton, Deputy Secretary of the Department of Homeland Security and Emergency Management (DSHEM), provided an update on the Hermit’s Peak/Calf Canyon wildfires (HPCC) Fire and the Black Fire, and discussed fire recovery, flood mitigation, and preparation. Mr. Hamilton also spoke to the availability and process of obtaining state and federal funding assistance for governmental entities, individuals, future preparations, and emergency response outlook.

Deputy Secretary Hamilton reported that the HPCC Fire had burned 333 thousand acres and was 93 percent contained as of July 19. He explained that the watershed for Las Vegas uses between 1.2 and 1.8 million gallons per day. There are ongoing concerns around the preservation of the water supply in the wake of flooding and debris/ash flow.

Representative Lundstrom asked the committee to be prepared for a request for funding to include state funds that would be used to at least start the process of paying for projects. She also wanted

to know if LFC could expect to see a coordinated approach to funding requests from the various agencies. Representative Chatfield also asked about getting an estimate on total costs of remediation, which Mr. Hamilton indicated they did not currently have.

Representative Small asked how we balance climate resilience and mitigation efforts, with the goal of slowing and eventually reversing the catastrophic effects of climate change in our state. Mr. Hamilton said that whereas DHSEM spends a lot of money on disaster response, they are going to have to shift some of these to mitigation efforts. He said that the department must work with partner agencies to bolster defense and not rely simply on “response.” In response to an inquiry from Representative Small, Mr. Hamilton indicated that they are currently working on a dashboard to share information with the public about the granular details of remediation and costs.

Deputy Secretary Hamilton reported the Black Fire had burned 325 thousand acres and was 70 percent contained as of July 19.

Representative Chatfield and Mr. Hamilton discussed the federal government reimbursement response and the timeline for when the formula will revert from full reimbursement to the old formula (75 percent federal / 25 percent state and local match).

Senator Woods and Mr. Hamilton discussed the impact of the Black Fire on livestock, grazing rights, fencing, and the lack of federal response to these smaller, but ultimately critical expenses.

Senator Correa Hemphill inquired what percentage of the area affected by the Black Fire was state land. Mr. Hamilton said that in excess of 99 percent of the land affected was federal land. Senator Correa Hemphill asked if there was a risk that it might affect state or private land moving forward. Mr. Hamilton indicated that he was not under the impression that it would affect private and state land, but said that conditions on the ground are constantly shifting.

Representative Armstrong expressed concerns that remediation and mitigation efforts might stop at restoring the status quo ante, and that these steps would be insufficient to prevent future disasters.

Senator Rodriguez pointed out that there would likely be challenges related to ensuring funding ended up in the most effective remediation and mitigation efforts, especially because of disagreements between federal agencies about what defined “critical infrastructure.”

Representative Lujan expressed concerns about the high cost to community members of loans instead of grants. She said that the lack of loan applications was likely due to folks being unsure about their ability to repay. Mr. Hamilton clarified that although the Small Business Administration loan paperwork was the tool being utilized for grant applications, they were in fact, grants not loans.

Senator Campos encouraged the committee to continue to ask for holistic approaches to disaster mitigation and prevention efforts. He reminded the committee that agencies often have their own plans, but that we need a statewide plan.

Impact of Black Fire on Local Communities. James Paxon, chair of the Sierra County Commission, and Chris Ponce chair of the Grant County Commission, discussed the impacts of Black Fire to date and expected future impacts as well as the status of coordination with state and local partners. Commissioner Paxon indicated that about 80 thousand acres have been severely

burned and said that although the burn is in Sierra County, the flow of water is going to flow into Grant and Catron counties. Commissioner Paxon discussed the impact to individual families, water sheds, livestock and grazing, as well as the impact to tourism and recreation related taxes and revenues.

Representative Small mentioned that the last legislature passed a package to help rural counties but asked for an update from the soil and water conservation district efforts to work with community members and businesses negatively affected by the blaze.

Representative Lundstrom asked what the commissioners expect the future impacts will be. Commissioner Ponce said that the fire has changed things, and while those changes may not be permanent, they are apprehensive about what the future holds economically. Representative Lundstrom asked the committee to investigate the long-term impacts of Covid-19, wildfires, and flooding on the tourism and economic development prospects of communities impacted by these events.

Several senators discussed their concerns about lasting economic impact in the burn areas, and encouraged community members and county commissioners to continue updating the legislature as they worked on mitigation and remediation efforts. Senator Woods requested that the committee send a letter to Congress and the United States Forest Service emphasizing the need for federal support for remediation, mitigation, and compensation of ranchers for lost grazing as well as property. Senator Woods moved that such a letter be composed; Representative Small seconded the motion and asked the letter include language about proactive forest management.

Senator Muñoz directed LFC staff to draft the letter for the full committee to review before the end of the scheduled meetings on Friday, July 22.

Emergency Response Funding. Ellen Rabin, LFC fiscal analyst, discussed the state emergency funding system, past proposals to amend emergency declaration and funding system, and updated the committee on executive order funding allocations and expenditures. Ms. Rabin explained the current system allows for \$750 thousand per emergency declaration to be allocated on a per-order-basis. Because of this system, multiple declarations are needed to cover costs above \$750 thousand. Funds are generally drawn from the appropriation contingency fund (ACF). In advance of the 2021 legislative session, LFC endorsed legislation to address issues in the existing emergency funding system; that legislation was unsuccessful, and most of the identified issues still persist.

The governor has allocated \$59 million in emergency funding for 2022 wildfire response including \$51 million to the Energy, Minerals and Natural Resources Department (EMNRD) and almost \$7 million to DHSEM. Ms. Rabin explained that because the federal government has taken responsibility for the HPCC fire and the 25 percent state and local match has been waived through early August, it is expected the state will be largely reimbursed for many of these expenditures.

Recently, because the ACF has been depleted, the executive has been drawing on the general fund operating reserve, which may exceed the executive's statutory authority. The governor issued 132 executive orders in 2022, which allocated \$72.1 million in emergency funds. The lack of a reversion requirement on some of these funds means there are unexpended emergency funds leftover from previous years for other emergencies. Lacking a clear definition of "emergency" in the statute, there are a few recurring expenditures that are being primarily funded through these

mechanisms, including EMNRD's wildfire suppression funds. Ms. Rabin suggested the committee might want to consider adjusting these mechanisms for in future legislation.

Senator Muñoz said that the committee should consider adding reversion requirements to these types of funds and that doing so would help with transparency and accountability.

Objection to Budget Adjustment Request. The subcommittee heard testimony from the Department of Finance and Administration (DFA), DHSEM, Fire Protection Grant Council Chair Robert Larranaga, and State Fire Marshal Randy Varela regarding a budget adjustment request (BAR) objection. LFC Director David Abbey provided a summary of the objection.

Diego Jimenez, DFA executive budget analyst, stated nothing in the BAR was submitted outside of normal processes or normal calendar. He recognized that while the BAR submission happening in late June was not ideal, he could assure the committee this was a one-time issue and reminded the committee of the need for these funds to be used for fire protection and the purchase of fire protection and mitigation equipment.

DFA Secretary Deborah Romero stated the goal is to assist these fire protection agencies as best they can and the agency's action was based on their understanding that the Legislature intended to prevent reverting money in the fire protection grant fund to the general fund. Ms. Romero said the BAR was submitted by the agency in line with its interpretation of legislative intent, not as an attempt to circumvent the process.

Representative Lundstrom underscored the objection was not to the intent of the BAR, but rather that the committee wanted to better understand the process for how fire protection grants are allocated including how projects are scored. Representative Chatfield reminded the subcommittee that while the process is important, so is human life. Representative Chatfield said he understood the questions about the timing of BAR, reversion mechanisms for unused funds, and the circumstances surrounding specific instance, and asked the committee to consider that if the process surrounding projection of fire protection fund revenues is flawed, they must fix the process.

Senator Muñoz indicated that although he was sympathetic to the goal of preventing reversions, the legislature made a recommendation based on a projection that was over \$11 million off, and explained that this difference was the main reason for the BAR objection.

The subcommittee adjourned shortly after 6:00 p.m.

July 21, 2022

MEMORANDUM

TO: Legislative Finance Committee

FROM: LFC Public Education Subcommittee: Chairwoman Patricia A. Lundstrom; Co-Chairs Roberto “Bobby” J. Gonzales and Candie G. Sweetser; Senators Pete Campos and Pat Woods; Representatives Brian G. Baca and Harry Garcia; and Ex-Officio Senator George K. Muñoz

SUBJECT: Public Education Subcommittee Report of July 21, 2022 Meeting

On July 21, 2022, the LFC Public Education Subcommittee heard reports from LFC and Legislative Education Study Committee (LESC) staff concerning Extended Learning Time (ELT) proposals and the state of the educator workforce. The following issues were discussed:

Extended Learning Time Proposals: Public Education Department (PED) Secretary Kurt Steinhaus, Ph.D., shared his perspective on five aspects important to ELT programs: an opportunity for schools to shape their own programs, the importance of school leadership in implementing programs, using ELT to close gaps in proficiencies and between student sub-groups, emphasizing quality instructional practice, and building community and parents connections. Secretary Steinhaus additionally noted the importance of relying on evidence-based practices and providing time for teachers to review student work together.

Gwen Perea Warniment, Ph.D., director of LESG, and Sunny Liu, LFC analyst, highlighted multiple legislative studies, investments, and *Martinez-Yazzie* findings that recommend extending learning time for schools. Low participation rates and statutory loopholes have hindered implementation of K-5 Plus and ELT and left \$400 million for both programs on the table in recent years. To address these issues, Director Warniment and Mr. Liu recommended increasing instructional hours and local flexibility, professionalizing the educator workforce, increasing incentives for K-5 Plus and additional days, right-sizing appropriations, and supporting alternatives for high-performing schools.

The subcommittee members and guest legislators asked questions about current lack of participation, teacher quality and supply, correlations between additional learning time and increased proficiency, whether ELT programs should be mandated in statute, what would be considered learning time in terms of ELT funding, housing in rural areas, ELT community buy-in, curriculum across the state that ensures proficiency, teacher turnover and vacancies, and funding for school transportation. Senator Mimi Stewart spoke to how extended learning could be leveraged in combination with literacy initiatives, noting the Tennessee reported recovery of pandemic learning loss in elementary reading due in part to \$125 million for literacy and tutoring initiatives.

Mr. Liu noted measures of success for ELT include math proficiency, reading proficiency, and graduation rates and flexibility for ELT design needs to coincide with improved outcomes. Chairwoman Lundstrom voiced concern that ELT would not be measurable. In response, Director Warniment recommended amending statute to provide oversight.

State of the Educator Workforce: Director Warniment and Mr. Liu noted the educator pipeline relies on recruitment, educator preparation programs, and teacher supports, including professional development and school leadership. The panel noted teacher residencies recently expanded, a 500 percent increase in teacher residents over the past year. A \$2.5 million appropriation for leadership initiatives in schools could be expanded, and Director Warniment also suggested investments in social workers and counselors to support both student mental health and time for teacher to focus on teaching work.

Rick Marlatt, interim director of the Teacher Preparation program at New Mexico State University (NMSU), discussed educator preparation initiatives at NMSU. NMSU is seeing an uptick in educator preparation enrollments, with graduates showing high participation in teacher residencies. It is also helping to organize the statewide Educators Fellows program, an initiative to increase classroom experience for alternatively licensed teachers, and is exploring online programs to increase rural access.

Questions from the subcommittee focused on teaching the science of reading and ensuring an emphasis on what is and is not working in educator prep programs.



July 21, 2022

MEMORANDUM

TO: Legislative Finance Committee

FROM: LFC Higher Education Subcommittee: Co-Chairs Representative Nathan P. Small and Senator Nancy Rodriguez; Senators Siah Correa Hemphill and Gay Kernan; Representatives Jack Chatfield and Gail Armstrong; and Ex-Officio Representative Patricia A. Lundstrom; Senator George K. Muñoz

SUBJECT: Higher Education Subcommittee Report

Item 1: Creating Efficiency in Higher Education

Joe May, chancellor emeritus of Dallas College, began the presentation by noting, while student enrollment is falling overall, many students are moving to online learning and seeking noncredit workforce preparation certifications and these sectors are experiencing enrollment growth.

Mr. May stated Dallas College focused on expanding workforce training programs to help students prepare for specific jobs and worked with corporate and government partners to direct students into these workforce programs. Mr. May noted growing enrollment is accomplished through recruitment of prospective students and by creating efficiencies in “handoffs” between functions of the colleges, such as financial aid and advisement, so students are not lost as they pass through the administrative process. Mr. May stated they did not have to invent new services at Dallas College, but they did have to get entities within the college to work cooperatively, rather than competitively, to help students navigate the system.

Mr. May stated charting current business processes for student enrollment is a good place to start increasing efficiencies. This involves identifying steps in the administrative process that are burdensome for students and areas where students leave the admissions systems. Mr. May praised New Mexico’s CHES initiative that aims to reduce duplication in administrative services, such as consolidation of payroll functions across institutions. Additionally, Mr. May noted the importance of the longitudinal data system and data collection.

Mr. May noted the shift in student preferences is unlikely to be temporary. This will require institutions to get creative in how programs are delivered and also provides an opportunity for institutions to reassess their current business practices and delivery models to better align them to student needs and expectations.

LFC analyst Connor Jorgensen presented an overview of student enrollment, comparing New Mexico enrollment with U.S. enrollment. Mr. Jorgensen noted New Mexico enrollment at two-year institutions fell at roughly the same rate as the national average over the past decade. Enrollment at four-year public institutions in New Mexico fell by 19 percent over the past decade, while four-year public institution enrollment increased by 17 percent nationally. Mr. Jorgensen also noted higher education institutions reported anticipated growth of 10 percent by 2027, but this would still leave enrollment 44 thousand students lower than peak enrollments experienced by the institutions.

Mr. Jorgensen noted New Mexico higher education institutions receive the largest portion of their revenues from state sources. Over the past decade, appropriations to higher education institutions increased by 4.3 percent, but inflation increased by 22 percent over this time period, resulting in a purchasing power reduction of 14 percent over the past decade.

Mr. Jorgensen noted staffing has been significantly reduced at institutions statewide, with the majority of the reductions being in part-time faculty positions. However, full-time and part-time nonfaculty positions also saw reductions, while full-time faculty positions actually increased slightly. Mr. Jorgensen stated the combination of flat appropriations and reduced staffing led to increasing fund balances across all institutions. Unrestricted I&G (instruction and general uses) fund balances totaled \$260 million at the end of FY21.

President Garnett Stokes of the University of New Mexico, who followed Mr. Jorgensen's presentation, noted UNM has reduced faculty size by 8.5 percent over the past five years, with the majority of the reductions being in part-time faculty. President Stokes noted New Mexico higher education institutions have a much larger proportion of Hispanic faculty than their regional peers. President Stokes noted UNM is partnering with Helio Campus, a consulting firm that will help UNM to benchmark their staffing levels against other institutions and are paying particular attention to administrative costs. According to the Helio data, UNM is ranked second lowest in administrative spending among peers measured by Helio. President Stokes noted the university will be using the Helio data to create efficiencies. For example, the data show how much of certain university functions, such as communications, are centralized and compares this with peer institutions. President Stokes hopes this information will help the university identify areas where efficiencies could be realized.

President Stokes stated UNM is also planning on reducing campus square footage by 285 thousand square feet and is also looking into how to better use current classroom facilities. This effort includes how to configure classroom space to meet the needs of the courses being taught. For example, making sure that a course with 30 students is not taught in a classroom with a 100 student capacity. Redesigning existing space will allow the university to provide the space required without increasing the size or number of facilities.

Another efficiency measure would be to expand the times courses could be offered so courses are available when students want to take them. This will increase course subscription rates and should also allow facilities to be better utilized throughout the day.

President Stokes noted strong growth in online courses over the past several years. Online course fail rates for upper division courses are significantly lower than they are for lower division courses. This is likely because younger students are less well prepared to succeed in less structured online courses.

President Stokes reported UNM is prioritizing student mental health. Additionally, UNM continues to offer academic support including tutoring to help students graduate on-time and with higher GPAs. President Stokes then highlighted several other programs designed to improve student engagement.

Representative Chatfield asked how students in noncredit courses are counted in enrollment reporting. Mr. Jorgensen stated noncredit students are not counted in the enrollment reports and the funding formula does not include funding for completion of noncredit programs.

Senator Munoz asked why male student enrollment has been falling. Joe May noted male student enrollment has been falling for a long time and there is no consensus on the reason. Senator Munoz then asked how students could complete academic programs faster. Mr. May stated institutions could focus on getting students to complete certificates quickly so they can start working sooner. However, Mr. May stated certificates degrade quickly, so there is a need to retrain, and institutions should support retraining and can help students complete certificates on their way to a more traditional degree.

Representative Small asked how many additional nursing student slots would result from the nurse expansion funding. President Stokes reported program slots would increase from 128 to 244.

Senator Correa-Hemphill asked for the number of workforce certificates awarded by type of certificate and what the workforce outcomes for participants are. Mr. Jorgensen stated he would work with institutions to get a list of the programs, but that the data on workforce outcomes is not tracked.

Senator Kernan asked if students are coming in less prepared as a result of Covid-related school closures. President Stokes noted efforts to help mitigate lost learning include breaking up three credit hour courses into single credit hours.

Item 2: Funding Formula Update

Harry Rommel, director of institutional finance presenting in the place of Higher Education Department (HED) Secretary Stephanie Rodriguez, noted a funding formula technical group is meeting throughout the interim. The group is looking at expanding the definition of at-risk from just Pell grant eligibility to include other factors, like whether a student is a first-generation college student. Additionally, Director Rommel stated HED is interested in including certain workforce programs in the formula. Director Rommel specifically mentioned adding teaching

and social work, as well as other workforce credentials. Director Rommel then stated it would take decades for the current formula to equalize disparities in per-student appropriations because the changes in the formula are relatively small.

Director Rommel reported the final rule on the opportunity scholarship, published on July 12, is designed so the opportunity scholarship will enhance use of lottery funds and not create loopholes. Director Rommel reported HED does not yet know how much the opportunity scholarship will cost, but HED would be providing an estimate to LFC in the coming weeks.

In response to a question from Representative Armstrong, Director Rommel noted all applications for nursing program funds have been received and are in the scoring process now. Director Rommel stated HED is anticipating issuing award letters in the next week.