

MINUTES
Legislative Finance Committee
Carlsbad, New Mexico
June 4 - 6, 2018

Monday, June 4th

The following members and designees were present on Monday, June 4, 2018: Chairwoman Patricia A. Lundstrom; Vice Chairman John Arthur Smith; Representatives Jim R. Trujillo, Larry A. Larrañaga, Jimmie C. Hall, Roberto “Bobby” J. Gonzales, James G. Townsend, George Dodge Jr., and Randal S. Crowder; and Senators Carlos R. Cisneros, Gay G. Kernan, Sander Rue, William F. Burt, and Pete Campos. Guest legislators: Representatives Cathrynn N. Brown, Kelly K. Fajardo, and Larry R. Scott; and Senators Ron Griggs and Pat Woods.

Welcoming Remarks. In a letter addressed to the committee, Mayor Janway welcomed LFC to Carlsbad and thanked the Legislature for its action to remediate Carlsbad’s brine well. Susan Crockett, chairwoman of the Eddy County Commission, said the funding appropriated for the remediation project was the first step in the long process.

Chairwoman Crockett asked for additional legislative support for improving U.S. 285 in Eddy County. Projects are underway but the improvements include only partial conversion of the highway from two lanes to four lanes.

Chairwoman Crockett said the oil and gas industry is booming in Eddy County, resulting in several challenges. Homes and hotel rooms are limited and costly. The high price of accommodations is hurting the tourism industry. The workforce available for retail business is limited, preventing the recruitment of new retailers. Other challenges include zoning and ordinance issues.

Community Services Director Wesley Hooper said the lack of funding for infrastructure projects, mostly road projects, is Eddy County’s biggest hurdle in supporting its booming oil and gas industry. Director Hooper said the county is establishing a committee of industry and government leaders to address its infrastructure funding issues.

In response to Representative Larrañaga, Chairwoman Crockett said some of Eddy County’s infrastructure projects are in partnership with the private sector.

In response to Vice Chairman Smith, Director Hooper said Eddy County imposed a one-eighth percent increase in gross receipts tax (GRT), generating about \$4 million more in revenue annually. If the county increases GRT another two-eighths, an estimated \$12 million to \$16 million would be generated.

Oil and Gas Market Outlook. The committee was made aware that Jack Collins, chief financial officer and senior vice president of BP America U.S. Lower 48 Onshore, had flight issues getting to the meeting; a hard copy of his presentation was provided to the committee.

Giving an outlook of the U.S. oil and gas market, LFC Economist Dawn Iglesias said U.S. oil production averaged 10.5 million barrels per day (bpd) in April 2018, according to the Energy

Information Administration (EIA). U.S. oil production is projected to average 11.9 million bpd in 2019, likely exceeding Saudi Arabia's oil production average. The United States will potentially become the world's largest oil producer in two to five years. Much of the oil being produced in the United States is coming from the Permian Basin. Prices are expected to average \$65.58 per barrel in 2018 and \$60.86 in 2019.

U.S. natural gas production is reaching a record high of 80.5 billion cubic feet per day (Bcf/d) in 2018. EIA projects natural gas production will increase to 83.3 Bcf/d in 2019. Prices are expected to average \$3.12 per thousand cubic feet in 2018 and \$3.23 in 2019.

According to BP America projections, global energy demand will increase over the next 25 years; however, the extent of growth will be offset by increased energy efficiency.

Then giving an outlook of the oil and gas market in New Mexico, Ms. Iglesias said about 90 oil rigs are currently active in the state. Ninety percent of the rigs are drilling horizontal wells, a 45 percent increase from 2011. New Mexico oil production increased 23 percent from July 2017 to March 2018. The state is on track to exceed 190 million barrels of oil produced in 2018. Natural gas production in the state is also up, about 4 percent over this time last year. Much of oil and gas being produced in the state is coming from wells in the southeast New Mexico.

According to LFC economists' latest revenue report, FY18 general fund revenue through February is up an estimated \$187.6 million, or 3 percent, from the January consensus revenue forecast. Ms. Iglesias said New Mexico is heavily dependent on revenue from the mining industry, a highly volatile source. Eleven percent of the state's gross domestic product is mined, primarily oil and gas. New Mexico's government and real estate industries are larger than the mining industry but contribute little in state revenue.

Oil and Gas Market Issues. LFC Economist Dawn Iglesias said New Mexico's oil and gas revenue is generated and distributed several ways. The amount of revenue depends on the amount and value of oil and gas extracted. The committee was provided charts on the state's oil and gas tax rates, beneficiaries, and revenue generated in recent years. In FY17, New Mexico received about \$1.9 billion in direct revenue from the oil and gas industry. Of the \$1.9 billion, \$870 million was distributed to the general fund, \$336 million was distributed to the severance tax bonding fund, \$554 million was distributed to the land grant permanent fund, and \$141 million was distributed to local governments.

Ms. Iglesias said New Mexico's oil and gas tax structure is difficult to compare with other states because of the unique factors in each state; however, the overall assessment is that New Mexico's cost burden on the oil and gas industry is on par with other states.

Lucinda Sydow, senior economist for the Taxation and Revenue Department (TRD), reported on the status of the severance tax replacement project. Completed this past March, the project replaced the system managing the state's severance tax collections and distributions. The Oil and Natural Gas Administration and Revenue Database (ONGARD) system was replaced with the existing GenTax/Taxpayer Access Point (TAP) system, which Ms. Sydow said will improve the accuracy and efficiency of severance tax collections and distributions. The new system delivered its first

distributions in April; a total of \$113 million was distributed. Additional detail of the new system was provided.

Because GenTax is the system of record from calendar year 2014 to present, data purification of returns from ONGARD to the new system remains ongoing.

John Tysseling, consulting director of Moss Adams accounting firm, talked about New Mexico's gross receipts tax (GRT) deduction for chemicals and reagents. The deduction, established in 1953, plays an important role in the oil and gas industry. A chart in the presentation compared New Mexico's total gross receipts with total taxable gross receipts. From January 2015 to February 2018, the state averaged \$300 million to \$500 million in total oil and gas-related gross receipts, of which an average of \$200 million was taxed. The amount of deductions in Eddy and Lea counties have remained stable month over month since January 2015. The amount of deductions in San Juan County, however, have significantly increased since July 2015.

Concluding, Mr. Tysseling recommended the chemicals and reagents gross receipts tax (GRT) deduction be continued.

In response to Vice Chairman Smith, Ms. Iglesias said staff have received little information on the status of property tax issues in Eddy and Lea counties. LFC Director David Abbey said staff will work with the Association of Counties and TRD to provide the committee an update on the status of property tax issues in those counties.

New Mexico Unconventional Operations Overview - An XTO Perspective. Staale Gjervik, senior vice president of Permian Integration XTO Energy, said XTO Energy is a leader in the U.S. oil and gas industry. Exxon Mobile and XTO Energy have combined its headquarters in attempt to maximize value. XTO Energy has some 35 thousand oil wells operating throughout the United States, with the majority using horizontal and unconventional drilling tactics.

In late 2016, XTO Energy purchased the assets of the BACO Company, roughly 300 thousand acres in southeast New Mexico. XTO Energy envisions a dramatic increase in production, possibly tripling Permian production over the next few years. Over the next few years, XTO Energy plans to invest nearly \$50 billion in the Midland Basin and Delaware Basin. The acreage XTO Energy purchased from BACO in 2016 is attractive because of its large land area and effectiveness with horizontal drilling.

For the Permian Basin, although rig counts decreased, production continues to rise due to the industry's improved knowledge of the geology and ability to target drilling locations effectively. Advances in technology have increased the ability to successfully and safely extract roughly 10 billion gallons of oil from the Permian Basin. About 65 percent of the cost of a well is not in the drilling itself but in the completion. Due to the thick acreage position of the land, XTO Energy is able to drill 2-3 mile wells horizontally, rather than vertically. XTO Energy is currently drilling multiple wells up to 15 thousand feet long, maximizing resource development with the lowest cost of supply. The industry can successfully put more wells on single pads, minimizing the movement of equipment, and limiting road congestions. The Midland Basin data is slightly ahead of the

Delaware Basin in terms of development from an unconventional point of view. In just two to three years, the Midland Basin has lowered costs and maximized efficiency.

Booms and busts are a concern, but Mr. Gjervik remains confident that this resource is resilient and XTO Energy is looking at it as a multiple decade investment. Water conservation is on the forefront of how XTO Energy goes about its development planning, focusing on the recirculation of water used for fracturing. XTO Energy and Exxon Mobile have made it a priority to reduce methane emissions and flaring, globally and nationally.

In response to Senator Rue, Mr. Gjervik said technology has played a crucial role in enhancing the production of extraction. Internally, several people in the industry are working to use technology to get the most out of oil extraction.

In response to Senator Rue, Mr. Gjervik said XTO Energy is trying to retrofit existing wells so they are up to date with today's technology. Mr. Staale Gjervik said the industry has plans to put money back into infrastructures, such as road conditions, workforce, healthcare, and future needs. XTO Energy works with the local county to improve road conditions and specific areas in need of attention. The goal is to rectify the problem before it grows too large to repair.

In response to Representative Larrañaga, Mr. Gjervik said about 10 percent of the rigs in New Mexico are XTO, and it plans to add rigs nearly every month, leading to billions of dollars in investment. A significant portion of the \$50 billion investment will go to the Midland and Delaware basins.

In response to Representative Crowder, Mr. Gjervik said the total length of the drill goes about 2 miles vertically and 3 miles horizontally. XTO Energy uses a "spider system" when extracting oil to reduce land disturbance and maximize cost efficiency.

In response to Representative Townsend, Mr. Gjervik said it takes roughly a year to permit a single well. XTO Energy is working with the federal Bureau of Land Management to expedite the process of attaining permits for each well. As the rig count rises, permit requests also rise for the drill wells and the infrastructure that comes with it. The ultimate goal is to shorten the length of time it takes to acquire a permit so thousands of oil rigs can be implemented in the coming decades.

Economic Development Initiatives in Southeast New Mexico. Steve Vierck, president and chief executive officer of the Economic Development Corporation of Lea County (EDCLC), said EDCLC is focused on local economic development. Three years ago Lea County lost nearly 20 percent of its employees due to the Great Recession. However, employment rates in Lea County have steadily increased and should continue to rise in the coming years.

Lea County is bordered by Texas, resulting in constant competition. The objectives of the corporation are to build capacity and increase attraction and retention. EDCLC traveled to Houston in May to meet with oil and gas producers, as well as some midstream companies. Questions from the senior executives of the oil and gas firms mostly dealt with housing, education, workforce development, and quality of life instead of labor cost and transportation.

EDCLC is currently working on two major solar projects, each costing over \$100 million. Solar projects generate ample property tax, but struggle to generate jobs other than those in construction. Wages for extraction employees in Lea County are 42 percent higher than average state wages. Mr. Vierck said state and local governments must support economic development.

John Waters, executive director of the Carlsbad Department of Development, said Carlsbad and Eddy counties have an unemployment rate of 3 percent. Currently over 1,000 positions in Carlsbad are vacant, the highest ever. Eddy County has mining, oil and gas, nuclear, manufacturing, agriculture and tourism. Eddy County has surpassed San Juan County in oil and gas production.

Processing is essential for proper development and Eddy County has Navajo Refining, one of the largest employers in the county. The county is the home to 28 mid-stream plants and numerous other enterprises. Two competitors from southeastern New Mexico have joined forces to bring in Holtec. Manufacturing is growing in Eddy County, including production of refinery parts, solid state electric equipment, nuclear equipment, and F-16 engines and test stands.

In the greater Carlsbad area, the 2010 census disclosed a population of about 43 thousand people. The population today is roughly 72 thousand people. Housing is one of the biggest issues in Eddy County. To supply the demand, Eddy county needs to develop thousands of units. Hotels, RV parks, and man camps are all full.

Oil and Gas Well Reclamation, Environmental Protection, and Regulatory Issues. Matthias Sayer, deputy secretary of the Energy, Minerals and Resources Department (EMNRD), said three categories of financial assurance exist under the statutory and regulatory scheme in New Mexico: single well financial assurance, blanket well assurance, and approved temporary abandonment assurance. The average cost to plug a well in New Mexico is about 33 thousand. The average well depth is 5,000 feet.

State Land Commissioner Aubrey Dunn said that 93 percent of state land revenue comes from the oil and gas industry. Bonus sales have reached an all-time high and are projected to reach \$116 million in revenue this year. About \$830 million will go into the general fund this year, with \$700 million going to public schools. Adam Erenstein, manager of Trinity Consulting Services in Albuquerque, said the BLM and New Mexico Environment Department (NMED) environmental regulations overlap significantly. NMED has been charged with implementing the federal Environmental Protection Agency's (EPA) rules for new modified and reconstructed oil and gas sources. BLM is responsible for implementing rules reducing waste from all sources.

Ryan Flynn, executive director of the New Mexico Oil and Gas Association (NMOGA) said New Mexico is the third largest oil producer in the United States, currently producing an average of 500 thousand barrels of oil per day. The industry makes monumental economic contributions to the state. The industry is committed to reducing methane emissions.

In response to Representative Scott, Director Flynn said only a fraction of a percent of total gas produced in the state is actually vented and flared. Whenever possible and safe, the industry is going to capture gas, rather than flaring.

Tuesday, June 5th

The following members and designees were present on Tuesday, June 5, 2018: Chairwoman Patricia A. Lundstrom; Vice Chairman John Arthur Smith; Representatives Jim R. Trujillo, Larry A. Larrañaga, Jimmie C. Hall, Roberto “Bobby” J. Gonzales, James G. Townsend, George Dodge Jr., and Randal S. Crowder; and Senators Carlos R. Cisneros, Gay G. Kernan, Pat Woods, Cisco McSorley, William F. Burt, and Pete Campos. Guest legislators: Representatives Cathrynn N. Brown, Kelly K. Fajardo, and Larry R. Scott.

Permian Basin Tour. The committee toured several active oil and gas sites in the Carlsbad region. The first location, the Aventine site, is operated by Occidental Petroleum as the first integrated logistics-and-maintenance hub. Occidental also has plans to drill 120 wells in southeast New Mexico with a goal of establishing 700 tier one locations. Occidental estimates the Aventine facility will generate \$33 million in taxes over the next five years at current market conditions. This will likely grow and provide 250 to 260 full-time direct employees for service providers. The Aventine site uses 30 thousand tons of sand, a two-week supply shipped by train from Wisconsin, that has the strength and size necessary for hydraulic fracturing. Facilities are on location to properly mix the sand and water, which creates greater oil production efficiency by maintaining a supply at a shorter distance to the well. Occidental estimates the number of miles driven with supplies will be reduced by 60 percent, or more than 12 million miles over the next five years. That is 33 thousand fewer truckloads on the road during that span of time, reducing transportation-related emissions equating to about 9,000 metric tons. Occidental would like to make Carlsbad a hub for supply and services in addition Odessa, Texas, due to proximity of the Permian Basin.

The XTO Bermuda facility has 10 projects across the southeast portion of the state. It takes approximately five to six months to construct a facility before extracting oil and gas from a well. Approximately 30 to 45 days are required to construct roads and infrastructure to the pad site and clear land and 30 to 60 days for equipment delivery. XTO reports a 2 percent carbon footprint reduction for ExxonMobil through leak detection technologies and proper pipe fabrication. On average 10 thousand oil barrels per day are pulled from this location. XTO reports operations are sourced from approximately 80 percent federal land, with a nominal degree of state land and very little private land. Moving through the federal lease and permitting process takes longer. Development of horizontal wells crosses state and federal interests. The tax responsibility depends on who owns the minerals, not necessarily where the facility is located. This supports the prorated basis of well pipelines depending on land ownership.

At a Marathon oil and gas site, the committee viewed cross sections of the various sizes of pipe used in production. Marathon currently operates five rigs in Eddy and Lea counties. Marathon’s goal, similar to other operators, is to minimize ground disturbance by drilling multiple wells per pad – a positive aspect of hydraulic fracturing. On average, wells in the state are 10 thousand feet deep with one or more lateral sections that may be 1 to 2 miles depending on the acreage available.

Representative Brown directed the committee to a stop on U.S. 285 adjacent to the Carlsbad brine well. Shallow salt formations of 400 feet are too shallow for long-term well stability, and the contract and work necessary to remediate this well cannot come soon enough. She noted fissures in front of the feed store that formed at fence post holes.

Miscellaneous Business.

Action Items. Senator Cisneros moved to adopt the April and May 2018 meeting minutes, seconded by Representative Hall. The motion carried.

Senator Cisneros moved to adopt 4 LFC contracts, seconded by Representative Larranaga. The motion carried.

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

Brine Well Recovery Plan. George Veni, executive director of the National Cave and Karst Research Institute, said brine is necessary to drill in particular areas for oil and gas. The brine must be created, because it is not readily available. A long-term concern with brine wells is subsidence, which can cause serious damage for several decades. The collapse of a brine well consists of four stages. The first is the collapse in itself, and the second is a breach of the surface. Transitioning into stage three could take up to a month. Gradual subsidence will continue to cause damage over a number of decades. The fourth stage results in complete dismantling of the well.

Don Purvis, retired general manager of Mosaic, said three cavities were remediated and back filled. The cavity in Carlsbad has not collapsed because the cavity pressure was maintained properly. If you bleed the cavity pressure, the roof will most likely collapse. The remediation work in Carlsbad must be done while maintaining pressure.

Vickie Maranville, consulting branch manager of Amec Foster Wheeler Environmental and Infrastructure, said the site has been monitored for five years. Offsite drilling was conducted to collect subsurface data, and a feasibility study was prepared. A large amount of data being used is incorporated into the feasibility study. There are currently four micro seismic stations. These stations monitor acoustical subsurface noise and track movement of the subsurface. They are deployed off site and are monitored 24/7.

Dan Kwiecinski, New Mexico operations manager of Amec Foster Wheeler Environmental and Infrastructure, said each cavity has slight geological differences. The proposed solution is to maintain cavity pressure, and the industry will look at technologies from the oil and gas industries, geotechnical work, and cavity filling work. The plan is to use four different techniques to develop a three-dimensional representation of what a cavity looks like. Amec estimates a half dozen phases of implementation starting on the north side, where several wells will be installed. The same will be done on the east, south, and west sides for a total of 26 wells. Field implementation is currently scheduled for February 2019.

In response to Representative Crowder, Mr. Kwiecinski said the brine well remediation project will take roughly two years. The project will begin in February 2019 and should be complete by spring 2021.

In response to Representative Larrañaga, Mr. Kwiecinski said the contract is with the Energy, Minerals and Natural Resources Department. Secretary McQueen is the chair of the brine well authority.

In response to Representative Brown, Mr. Veni said the pressure needs to be at about 65 pounds per square inch (psi) to keep the cavities stable. Mr. Kwiecinski said he suspects there is a range for the psi. The pressure has dropped as low as 20 psi, in which some of the tilt meters start to falsify. The goal is to maintain a psi of 65, but that will differ. Right now the cavity is in a static state, making it easier to maintain. Once the cavity becomes more dynamic and grout is pumped inside, fluctuations are likely to occur.

Hobbs and Carlsbad School Districts. Superintendent TJ Parks said Hobbs Municipal Schools (HMS) has created a pathway called the “Hobbs Way.” The reasons for creating this pathway program were in large part due to the pendulum swing that occurs in education when administrations shift. The elections should not affect staff and students. The graduation rate at Hobbs High School increased from 69 percent in 2011 to 87 percent in 2018. HMS has been able to maintain its staff. It was rated number one in the state for putting operational dollars back into the classroom. In the last 35 days of the 2018 school year, 25 of those were directed toward testing. Instruction during these days is minimal, if not eliminated completely. Testing at HMS is excessive, and students should not have to sacrifice educational opportunities. Training teachers properly is vital. Teachers have about 18 days of professional development. Although instructional days will be impacted, high quality educators teaching the students are a high priority for the district.

Superintendent Greg Rodriguez said academic student achievement at Carlsbad Municipal Schools (CMS) is a priority. The vision for the school district is “Excellence Today, Opportunity Tomorrow.” The focus is to improve quality instruction inside the classroom. This can be achieved by having more strategic assessments, materials that meet necessary standards, and meaningful professional learning for teachers. Professional learning communities give teachers the opportunity to collaborate and improve educational instruction. CMS grew by about 200 students in the previous year, and the district is anticipating growth of 150-200 students per year. More housing would improve enrollment. One of the biggest concerns when hiring a teacher is whether or not they will have a place to live with their family.

In response to Representative Hall, Superintendent Rodriguez said the district has recently applied for the truancy dropout prevention program from the Public Education Department. They received an allocation of three coaches at the elementary, middle school, and high school levels. This will provide more oversight for kids that struggle with truancy.

In response to Senator Burt, Superintendent Parks said that lack of funding in the school district creates an unhappy environment internally. In 2010, there was a \$4 million deficit. The district cut 65 positions and has increased enrollment by over 2,000 students since 2010. The central office staff is smaller today with more students than eight years ago. The central office takes on the burden.

Department of Transportation District 2 Road Conditions and Needs. Tim Parker, District 2 engineer for the Department of Transportation (NMDOT), manages over 7,000 lane miles serving 137 communities. NMDOT projects in progress include reconstruction of U.S. 82 east of Artesia. The goal of the project is to add lanes, enhance shoulders, and improve overall safety. Another project is 5.1 miles of pavement rehabilitation and roadway reconstruction in Curry County. NMDOT received roughly \$27 million in funding for facility upgrades. Passing lanes to Tatum are a priority, and secondary routes, which have now become primary routes, need to be completed. Federal money is no longer coming in to maintain those roads. Project development can take up to two years due to clearances, design, and funding. A \$15 million investment is scheduled for N.M. 176 west of Eunice. The roads are a significant issue in this area, and the commission has made it a priority to improve interstates, while maintaining safety regulations. The commission is working to ensure highway safety and reduce driving fatalities.

In response to Senator Woods, Tim Parker said most of this could not be done without the help of elected officials.

Health Notes: Centennial Care 2.0 Medicaid MCO Procurement Process. Committee members were given an LFC staff brief on the Human Services Department (HSD) managed-care organization (MCO) procurement process for New Mexico's Medicaid program Centennial Care 2.0 (CC 2.0). LFC Director David Abbey gave a summary of the brief. The scoring methodology is one key difference between the initial 2012 procurement cycle and the CC 2.0 procurement, with notably lower overall scores this year for five out of six MCOs that also participated in 2012. The cost proposal structure for this procurement cycle generated some relatively low cost bids that could have positive implications for the program's finances; however, the appropriateness of the rate ranges was also a central issue for the protests lodged by four of the MCOs that were not awarded contracts, and now for the court appeals filed by two MCOs.

Key issues to watch over the coming year include the transition of over 300 thousand Molina and United Healthcare members to new MCOs. Such a major transition is likely to be particularly challenging for the more vulnerable behavioral health and long-term services populations and may be complicated by the end of one administration and the possible arrival of a new leadership team at HSD. Looming over the transition are the uncertainties surrounding the final outcome of the MCO protests. Shortly after HSD issued its administrative denials, Molina and United Healthcare both filed appeals with the district court; AmeriHealth and Well-Care may yet decide to follow suit. The potential delays and complications from the appeals may be an important factor in how effectively HSD is able to focus on preparing for CC 2.0 and could pose challenges for smooth member – and provider – transitions. The protests have already cost the department time and money, and the legal cases will have additional financial implications for the program going forward.

Wednesday, June 6th

The following members and designees were present on Wednesday, June 6, 2018: Chairwoman Patricia A. Lundstrom; Representatives Jim R. Trujillo, Larry A. Larrañaga, Jimmie C. Hall, Roberto “Bobby” J. Gonzales, James G. Townsend, and Randal S. Crowder; and Senators Carlos R. Cisneros, Gay G. Kernan, Pat Woods, Cisco McSorley, William F. Burt, and Pete Campos. Guest legislators: Representative Cathrynn N. Brown.

Higher Education in Southeast New Mexico. Kelvin Sharp, president of New Mexico Junior College (NMJC), said Higher Learning Commission (HLC) accreditation is highly regarded. Over 1,000 institutions are HLC accredited, including NMJC. NMJC is one of six institutions recognized by HLC for its demonstration and documentation of evidence for assurance argument. President Sharp attributed NMJC's accreditation success to the college's faculty and staff.

President Sharp gave an overview of NMJC's enrollment, performance, and budget. NMJC enrollment fluctuates depending on the condition of the oil and gas industry; student enrollment is up when price of oil is down and student enrollment is down when the price of oil is up. This fluctuation causes financial challenges for the college.

NMJC's graduation rate was 25 percent in 2017. Although improved since 2014, NMJC is working to increase its graduation rate to 40 percent by 2022.

Of the 473 students graduated from Hobbs High School in 2016, 84 percent enrolled at NMJC.

NMJC provided workforce training to over 2,000 students in the 2016-2017 school year, serving 239 companies. The program includes oil and gas safety training, commercial driving license training, medical training, and soft skills training.

Outlining revenue sources and expenses in FY17, President Sharp said NMJC's operating budget totaled \$31.9 million, of which 19 percent was funded with state dollars. Over 80 percent of the budget was appropriated for instruction and general (I&G) support. Other expenses totaled \$5.9 million, of which \$1.6 million was appropriated for athletics. President Sharp said NMJC's athletics program plays an important role for the college, explaining many good athletes do not qualify to attend a division 1 college. President Sharp added athletes enhance diversity in classrooms and provide stability in enrollment.

Concluding, President Sharp said infrastructure projects are in progress to address NMJC's HVAC, fire, and plumbing issues.

John Gratton, president of New Mexico State University-Carlsbad (NMSU-Carlsbad), said enrollment at NMSU-Carlsbad also depends on the condition of the oil and gas industry. President Gratton said NMSU-Carlsbad established, in partnership with Eddy County's potash mining industry, a mining engineering degree program. The college is continuing to establish other degree programs through partnerships to serve other local industries, including workforce training for the Waste Isolation Pilot Plant (WIPP).

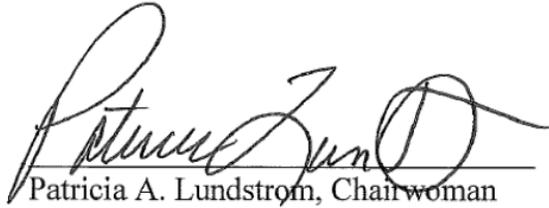
President Gratton said lack of affordable housing in Eddy County is turning away potential students from other parts of the state. NMSU-Carlsbad is working with the Carlsbad Department of Development to build more housing on campus. A number of other initiatives and projects were reported. The college is working to improve its graduation rate and campus safety. The Carlsbad Early College High School graduated its first class this past May; 55 students were awarded a certificate or associate's degree. Infrastructure projects include building renovation and erosion remediation.

In response to Senator Kernan, President Sharp said NMJC's dormitory occupancy rate averages 70 percent.

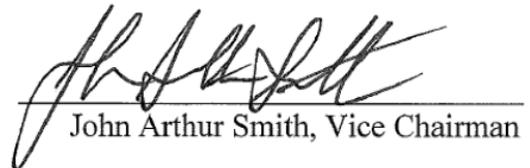
In response to Senator Woods, President Gratton said statewide articulation and transfer of college credits has improved in the state.

Chairwoman Lundstrom acknowledged the attendance of a NMSU Board of Regents member at the meeting. Chairwoman requested NMSU and its Board of Regents be prepared to report to the committee later this year on the issues pertaining to the college's budget. Chairwoman Lundstrom expressed her disappointment in the departure of NMSU Chancellor Garrey Carruthers. Senator Burt, Senator Cisneros, Representative Crowder, and Representative Townsend said they concur with Chairwoman Lundstrom's sentiments.

With no further business, the meeting adjourned at 10:03 a.m.



Patricia A. Lundstrom, Chairwoman



John Arthur Smith, Vice Chairman