

MINUTES
Legislative Finance Committee
Gallup, NM
June 15 - 17, 2022

Wednesday, June 15

The following members and designees were present on Wednesday, June 15, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, William E. Sharer, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Eliseo Lee Alcon, Anthony Allison, Ambrose Castellano, Meredith A. Dixon, Dayan Hochman-Vigil, Wonda D. Johnson, Ryan T. Lane, Raymundo Lara, Tara L. Lujan, and Debra M. Sariñana; and Senators Shannon D. Pinto and Bill Tallman.

Tallgrass Project at Retired Escalante Power Plant. Vince Martinez, government relations advisor for the Tri-State Generation and Transmission Association, said the association serves eleven rural electric cooperatives in New Mexico. Currently, 33 percent of the power Tri-State provides is renewable energy.

In 2020, Tri-State closed its coal power plant in Prewitt. Mr. Martinez said the association has since committed \$5 million to various economic development groups to develop new opportunities for the area.

Justin Campbell, vice president of Power and Transmission at Tallgrass Energy, said Tallgrass Energy is a leading energy infrastructure company that is using its experience, expertise, and resources to drive big reductions in greenhouse gases. Current Tallgrass projects include the conversion of a natural gas pipeline into a carbon sequestration pipeline and redevelopment of Escalante into a hydrogen plant. Objectives of the Escalante project, Escalante H₂ Power, are to establish large-scale clean energy production in northwest New Mexico and integrate other renewable resources to the system. Mr. Campbell said 97 percent or more of the carbon captured from hydrogen production will be permanently sequestered, not used for enhanced oil recovery. The project is expected to generate \$500 million in investments, 500 construction jobs, and 60 permanent jobs.

Mr. Campbell said a hydrogen-fired power generating facility in New Mexico would support decarbonization and provide affordable and reliable power and infrastructure for other industries.

In response to Vice Chairwoman Lundstrom, Mr. Campbell said there is tremendous advancement and momentum in developing clean hydrogen for a decarbonized future.

In response to Senator Woods, Dwayne Philips, vice president of Hydrogen at Tallgrass, said Escalante H₂ Power will be able to generate between 80 and 90 thousand dekatherms a day.

Representative Sarinana said the U.S. president recently stated only green hydrogen is clean energy. Mr. Campbell said the hydrogen power produced by Escalante H₂ Power will be considered clean energy according to current EPA standards.

Chairwoman Lundstrom provided time for public comment on the hydrogen project and said LFC would continue to accept written comments through the end of the week. Billy Moore, chairman of the McKinley County Commission, expressed support for the project and said Escalante H₂ Power will help create jobs and provide the community an opportunity to grow. Robert Castillo, chief executive officer of the Continental Divide Electric Cooperative, said the cooperative offers green power and supports adding hydrogen power to New Mexico's renewable energy portfolio. Jason Sandel, executive vice president of Aztec Well Servicing, said hydrogen is an energy storage and clean fuel solution that can decarbonize multiple industries and create jobs, according to the U.S. Department of Energy. Mr. Sandel said the Navajo Nation supports the development of hydrogen production in northwest New Mexico, as expressed by Vice President Myron Lizer to the Legislature this year. Eric Montgomery, regional director of Government Affairs of El Paso Electric, said hydrogen power is reliable renewable energy.

Tom Solomon, co-coordinator of 350.org New Mexico, said the state must address the climate crisis and over-dependence on oil and gas by creating a truly sustainable economy. Mr. Solomon said hydrogen produced from methane (blue hydrogen) is not the answer, as it will increase greenhouse gasses and worsen the climate crisis. Krystal Curley, executive director of Indigenous Lifeways, said the energy and extractive industries infiltrated McKinley County many years ago and continue to desecrate the land. Ms. Curley said the production of blue hydrogen in northwest New Mexico would not create a sustainable economy. Jonathan Juarez-Alonzo, policy lead for Yucca Action, said hydrogen production is not clean or sustainable and recommended the state focus on solar and wind energy. Marisa Russell, a resident of Farmington, said many Navajo people do not support the development of hydrogen production in northwest New Mexico because it will further damage land.

Goals and Plans of the Western Interstate Hydrogen Hub Agreement (NM, CO, UT, and WY). The federal Infrastructure Investment and Jobs Act (IIJA) includes \$8 billion for the development of four or more hydrogen hubs across the country. New Mexico entered into a memorandum of understanding (MOU) with Colorado, Utah, and Wyoming to coordinate the development of a regional clean hydrogen hub that meets the criteria for funding from IIJA.

New Mexico State University (NMSU) is assisting in the development of policy and technology of the western inter-states hydrogen hub (WISHH). NMSU Chancellor Dan Arvizu said the source of energy, production pathway, energy carrier, and hydrogen use of the hub need to be determined to draft a proposal for U.S. Department of Energy (DOE) review. IIJA will be funding hydrogen hubs that produce clean hydrogen from fossil fuels, renewable energy, and nuclear energy for the electric power generation sector, industrial sector, residential and commercial heating sector, and transportation sector. The hubs are to be in different regions, with at least two in regions with the greatest natural gas resources. Also, funding will be prioritized for hubs likely to create skilled training and long-term employment to the greatest number of residents in their region.

WISHH working groups are currently inventorying assets among the four states, including infrastructure and natural resources, and engaging a legal entity to accept funding if DOE approves the hub. James Kenney, secretary of the Environment Department (NMED), said the hubs approved for IJIA funding will require a 50 percent minimum non-federal cost share.

Secretary Kenney said an MOU with Triad National Security and Sandia National Laboratory was established to provide national technology and engineering solutions.

Secretary Kenney said the governor signed an executive order in March directing multiple state agencies, including the Economic Development Department (EDD), to collaborate on funding and economic opportunities for clean energy, specifically hydrogen. Sarah Cottrell Propst, secretary of the Energy, Minerals and Natural Resources Department (EMNRD), said the agency will assist in various efforts, including regulatory opportunities.

EDD Secretary Alicia Keyes said IJIA is an opportunity to build the infrastructure and workforce for businesses looking to operate carbon free. To bring the hydrogen sector to New Mexico, the state first needs to prepare communities for economic development and workforce training opportunities. Secretary Keyes highlighted two companies in the hydrogen sector that are already operating in the state: Universal Hydrogen and BayoTech. The film, aerospace, and trucking industries could soon be key players in the hydrogen sector.

Chairwoman Lundstrom requested a flow chart on the various entities working to draft the WISHH proposal.

In response to Representative Small, Chancellor Arvizu said IJIA funding will help accelerate the development of hydrogen infrastructure in New Mexico.

McKinley Paper Tour. LFC took a tour of McKinley paper in Prewitt. The facility receives recycled cardboard by truck and rail and produces 750 tons a day of corrugated paper stock. The facility received \$5 million in Local Economic Development Act funding.

LegisSTAT: Economic Development Department. LFC Analyst Amanda Dick-Peddie said after nearly two years of adapting an already fragile economy to an unprecedented global health pandemic, New Mexico is finally on the road to recovery. However, the state continues to lag behind others in total employment, wages, and participation. With over \$200 million in new funding for various economic development initiatives, including \$50 million for the Local Economic Development Act (LEDA) and a 20-year statewide strategic plan, the Economic Development Department (EDD) has more resources and responsibility, than ever to transform New Mexico's economy through evidence based strategies.

EDD Secretary Alicia Keyes said the 20-year statewide strategic plan for economic development is based on four core analyses: target industry SWOT (strengths, weaknesses, opportunities, and threats), asset maps, economic assessment, and innovation ecosystem. The strategic plan focuses on key industries, including aerospace, biosciences, cybersecurity, film, green energy, and sustainable and value-added agriculture.

EDD's vision is New Mexico will have a diverse and robust economy that engages local talent, cultivates innovation, and delivers prosperity for all New Mexicans. Secretary Keyes said the agency is working to

- Modernize the economic development ecosystem,
- Strengthen communities,
- Reimagine education and training,
- Create economic justice and equity,
- Enable innovation, and
- Diversify the economy.

Representative Lujan remarked on the need for childcare centers in New Mexico.

In response to Senator Woods, EDD Deputy Secretary Jon Clark said the strategic plan is based on evidence based research.

In response to Representative Lane, Secretary Keyes said paid internships are one way to keep college graduates in New Mexico.

Comments of Economic Developers. The Albuquerque Regional Economic Alliance (AREA) is a nonprofit organization that supports existing business and industry and recruits new employers to generate quality job opportunities for the greater Albuquerque region. Danielle Casey, president of the alliance, said AREA's strategies are marketing Albuquerque as a leading location for economic development, recruiting, retaining and aligning workforce, and breaking down barriers to regional competitiveness. Ms. Casey said funding for marketing, workforce training, and other needs is equally important as funding for the Local Economic Development Act (LEDA). Ms. Casey recommended the state also consider establishing a tiered site readiness program and redefining the anti-donation clause.

Eric Montgomery, regional director of Government Affairs of El Paso Electric, said the availability of utilities is critical for economic development.

Mr. Montgomery expressed his support for the angel investment tax credit. Reporting on current issues, Mr. Montgomery recommended the Legislature revisit the anti-donation clause, pause construction gross receipts tax, provide supports for rural communities, simplify LEDA, increase Public Regulation Commission funding, and expand the Administrative Hearings Office.

Michael Sage, deputy director of the Greater Gallup Economic Development Corporation (GGEDC), said infrastructure – shovel ready sites, industrial building stock, and workforce – is key to driving economic development. In Gallup, GGEDC is working the Department of Transportation to develop infrastructure. Mr. Sage said business expansion and workforce retention are also GGEDC's focus.

Eileen Chavez Yarborough, executive director of the Cibola Communities Economic Development Foundation, said the lack of infrastructure and marketing are the primary reasons Cibola County is having trouble attracting businesses. Ms. Yarborough recommended additional funding for the New Mexico Partnership to boost marketing efforts

Jennifer Lazarz, tourism and marketing manager for the City of Gallup, thanked legislators for supporting economic development in Gallup. Ms. Lazarz said the city recently received a \$3.5 million rural air service expansion grant and funding to improve the Joe Danoff airport terminal. Gallup also received matching funds for marketing. Ms. Lazarz said Fly Gallup, air service between Gallup Municipal Airport and Phoenix Sky Harbor, will begin August 1.

In response to Senator Gonzales, Ms. Chavez Yarborough said railway in Cibola County would significantly help attract businesses.

Thursday, June 16

The following members and designees were present on Thursday, June 16, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, William E. Sharer, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Eliseo Lee Alcon, Anthony Allison, Ambrose Castellano, Meredith A. Dixon, Dayan Hochman-Vigil, Wonda D. Johnson, Ryan T. Lane, Raymundo Lara, Andres Romero, and Debra M. Sariñana; and Senators Linda M. Lopez, Shannon D. Pinto, William P. Soules, and Bill Tallman.

Recap of Litigation to Boost Funding for Native American Students and the State’s Policy

Response. LFC Analyst Sunny Liu said public education litigation has long existed in the United States, with the first wave beginning in 1952 – *Brown v. Board of Education* – which dealt with racial segregation and equal protection of education rights. In 1973, the U.S. Supreme Court determined there is no federal right to education, deferring responsibility of providing education to the states. Since then, various lawsuits have focused on the equity of resources and adequacy of funding.

Mr. Liu said New Mexico established the state equalization guarantee (SEG) formula in 1974, intended to equalize financial opportunity and guarantee each student access to appropriate programs regardless of location. Other significant public education legislative actions later followed, including enactment of the Public School Capital Outlay, Public School Reform, and Indian Education Acts.

However, New Mexico has not avoided public education litigation. In 1999, the court determined in the *Zuni v. New Mexico* case that the public school capital outlay funding system was unconstitutional. Then in 2004, plaintiffs in the *Zuni v. Department of Education* argued the methodology for determining whether New Mexico could credit federal impact aid payments in the SEG was unlawful. Most recent, the court determined in the *Martinez-Yazzie* consolidated case that the state failed to provide a constitutionally-sufficient education to at-risk students.

Reporting on the status of these lawsuits, Mr. Liu said the state last year completely removed the SEG credit for impact aid payments in the operational formula, allowing uncredited SEG to be used for capital outlay and improvements; however, the court denied the state’s motion to amend the findings or grant a new trial. The Legislature appropriated \$30 million to the state-support reserve fund to address the FY21 impact aid liability.

The state continues to take measures in response to the *Martinez-Yazzie* findings. This year, the Legislature appropriated an additional \$425 million from the general fund to public schools, increasing teacher pay and expanding current initiatives. The public education reform fund is providing \$208 million for instructional time pilots, teacher preparation, educational technology, career technical education, and community schools.

New Mexico continues to face challenges in its effort to address litigation. Mr. Liu explained recurring impact aid payments will shift the balance of resource allocation to select districts. Regarding public school capital outlay, school facility conditions have improved; however, fund balances are growing and demand for funds have fallen significantly. Also, growth in legislative offsets and the local match rate may be discouraging participation. Many districts are now requesting waivers. For *Martinez-Yazzie*, participation in evidence-based programs and accountability for significant investments are lacking.

Mr. Liu said LFC framework for funding public education focuses on high quality teaching and school leadership, extended learning opportunities, responsive and appropriate curriculum, and effective oversight and accountability.

In response to Representative Lane, Mr. Liu said the Central Consolidated School District is administering a four-day school week and K-5 Plus on the fifth day.

In response to Vice Chairman Muñoz, Mr. Liu said the *Martinez-Yazzie* plaintiffs asserted the state was not providing access to K-5 Plus and Extended Learning Time. Although now fully funded, the school districts that sued, including Gallup McKinley County Schools, are not participating in the programs. Vice Chairman Muñoz said the state may need to consider a countersuit.

Chairwoman Lundstrom asked LFC staff to provide the committee the value of maintenance needs of school districts, including ancillary supports.

District Responses to Increased Funding and Initiatives to Improve Native American Student Performance. Mike Hyatt, superintendent of Gallup-McKinley County Schools (GMCS), said economic development is needed in McKinley County to replace the loss of Escalante Power Plant and increase the school district's bonding capacity. GMCS supports the development of hydrogen production in northwest New Mexico.

Superintendent Hyatt said 79 percent of GMCS students participated in career technical education this past school year. Over 1,000 dual credit courses were completed, more than double from the 2019-2020 school year. The graduation rate is 77.2 percent.

Reporting on current issues, Superintendent Hyatt said the local union asserts there is no amount of money they would agree with to implement extended learning time. GMCS recommends instructional hour increases be embedded in law to ensure school districts can implement more learning time for students. To support recruitment and retention, GMCS recommends pay differentiation for hard-to-staff areas and sufficient and stable funding for changes. Superintendent Hyatt said there is confusion about the role of the Public Education Department (PED) versus the role of public school boards. Also of concern, the at-risk factor does not account for the PED

definition, teacher cost index is not providing enough funding for all teaching staff, Indian Education Act funding is not equalized, transportation funding is insufficient, reimbursements are significantly delayed, distribution of program funds is slow, technology infrastructure is deficient, adequacy standards for capital outlay projects are not meeting educational specifications, and teacherage funding is not yet available.

Student attendance in the school district decreased 5 percent this past school year, which Superintendent Hyatt attributed to ongoing health concerns and social anxiety, particularly among Navajo families. The graduation rate was 70.1 percent, a 2 percent decrease from the 2019-2020 school year. CCSD will be implementing programs this summer to improve student engagement, boost student morale and confidence, decrease anxiety, and improve other social-emotional factors.

Steve Carlson, interim superintendent of Central Consolidated School District (CCSD), said less than 2 percent of property in the school district is taxable. The potential closure of two power plants would further impact CCSD funding.

Reporting on current initiatives, Superintendent Carlson said CCSD recently established two new departments: Intercultural Community Outreach and Data Department. The school district is improving the Diné language proficiency assessment, which has six levels of proficiency to determine students' overall oral language ability at kindergarten, fourth grade, eighth grade, and twelfth grade. CCSD is expanding career counselor resources and access to college, job, and career fairs. CCSD is using extended learning time funding to add 10 additional instructional days to the school calendar and implement after school programs, and Title 1 funding to offer summer school opportunities. Superintendent Carlson said some communities, however, do not want to participate in these programs.

Superintendent Carlson highlighted key capital projects and said 15 additional teacherages will be completed in Shiprock this fall. CCSD is anticipating the rebuild of Newcomb Elementary School.

Max Perez, superintendent of Grants Cibola County Schools (GCCS), said the school district has a good working relationship with leaders of the Acoma and Laguna pueblos and Navajo Nation. GCCS implemented a new standards-based learning system to improve the academic proficiency of students and formed an attendance team to address absenteeism. Superintendent Perez said the school district also implemented extended learning time and K-5 Plus.

Superintendent Perez said the statewide adequacy standards are not meeting current needs.

Randy Stickney, superintendent of Zuni Public School District (ZPSD), said the school district is working to improve its student proficiency, attendance, and graduation rates. ZPSD is also focused on improving college readiness among students. For students not planning to attend college, the school district provides career technical education.

Superintendent Stickney said ZPSD is in its second year of extended learning time, implemented as an after school component; however, participation has been low due to the pandemic.

Reporting on teacher recruitment and retention efforts, Superintendent Stickney said ZPSD received grant funding to hire 21 educator fellows. The primary goal of the Educator Fellows Program is to create a teacher pipeline.

Superintendent Stickney said the increased SEG funding is not enough to cover teacher raises and expanded initiatives; the school district plans on using cash balances and a portion of impact aid to cover the shortfall.

In response to Representative Small, the school districts said they support extended learning time. Superintendent Hyatt recommended the Legislature increase the number instructional hours in statute, still providing school districts discretion on how to implement.

In response to Senator Soules, the school districts said they use some impact aid for capital projects.

Chairwoman Lundstrom remarked on the challenge of balancing state and local control and the need for oversight.

Update on Forest Fire Recovery. On May 27, the LFC Emergency Response Subcommittee met with state and local leaders and toured burn sites of the Hermits Peak and Calf Canyon Fire, including the Gallinas Creek Watershed/Bradner reservoir and New Mexico State University Mora Reforestation Center. Vice Chairman Muñoz said monsoon season is threatening the town of Las Vegas, as ash and debris flows could damage area watersheds. Senator Campos said the fire was 70 percent contained on June 15, with over 335 acres burned. Representatives Castellano and Chatfield described the burned areas as severely damaged. The executive, local leaders, and volunteers are working together to support residents impacted by the fire and recover watersheds. Representative Small said the State Engineer's Office is working to quickly address damaged watersheds. Senator Campos said the state expects federal reimbursement to cover all costs associated with the fire.

In response to Chairwoman Lundstrom, Representative Small said a plan is in place to protect Las Vegas' drinking water system.

Program Evaluation: Bilingual and Multicultural Education Programs. LFC Program Evaluators Janelle Taylor Garcia, Ph.D., and Ryan Tolman, Ph.D., presented the report *Bilingual and Multicultural Education Programs*. The goal of New Mexico's bilingual multicultural education programs (BMEP) is to have all participating students, including English learners (ELs), become bilingual and biliterate and meet the academic content standards and benchmarks in all subjects as defined in statute. However, most recent data indicates BMEP may not be producing students who are proficient in a second language.

Due to Covid-19, the state suspended standardized and language proficiency testing in 2020 and 2021. Statutorily, bilinguals and ELs are to achieve academic achievement as well as bilingual and biliteracy growth, as measured by language and literacy assessments in English and the home or heritage language. However, 2018-2019 school year data showed nearly half of students who participated in a Spanish BMEP were not proficient in Spanish. Further, fewer Spanish-speaking

BMEP students achieved at least limited proficiency compared with students in Native languages BMEP.

Although BMEP funding per student is at its highest level in recent history, enrollment is declining, even with a growing number of EL students. Since FY13, per student funding has increased 35 percent while student participation has declined 21 percent, despite the same number of school districts and charters participating. In 2022, BMEP will serve 44,525 students at the cost of \$36.2 million or \$820 per student.

The Public Education Department (PED) is not meeting statutory requirements for providing BMEP oversight and technical assistance. For example, PED conducted only one BMEP site visit in the last three years, less than 1 percent of total programs. This drop in productivity occurred despite PED receiving additional resources for its Language and Culture Division. LFC review of district and charter bilingual program applications suggests ongoing issues with statutory compliance, including at least three districts that did not report required information to PED. A lack of accountability, partnered with program implementation challenges, reflects additional hurdles in meeting the goal of BMEP.

High vacancy rates of bilingual teachers throughout the state make implementing BMEP challenging for districts and charters. These vacancies will likely be exacerbated by the retirements of bilingual higher education faculty and low numbers of education majors at state universities. Interestingly, according to PED records, New Mexico has an untapped resource of BMEP teachers, since it has over 4,000 bilingual endorsed teachers, but many choose not to teach in BMEP.

LFC staff recommends PED

- Conduct BMEP on-site monitoring visits for quality improvement every three years, and provide in-person professional development to participating districts,
- Deny BMEP applications that do not meet the statutory goals of providing targeted training to each staffing group, and develop a list of training and professional development activities that meet statutory requirements,
- Report English language proficiency rates by grade level, years in program, and participation in a BMEP type to evaluate the effects and success of the different program types,
- Evaluate student achievement data by individual BMEP to identify successful practices and identify programs that need additional support,
- Assist districts on using federal American Rescue Plan Act (ARPA) funds to address the disproportionate impacts of the pandemic on EL students,
- Update the proficiency exam for bilingual Spanish teacher endorsement (Prueba),
- Work with the Higher Education Department and higher education institutions to include bilingual/TESOL coursework as part of the standard teacher preparation curriculum,
- Expand middle and high school career technical options to include bilingual education, and
- Partner with higher education institutions to prioritize hiring faculty in schools/colleges of education to teach courses in Spanish/Native American languages(s) for bilingual endorsement.

PED Secretary Kurt Steinhaus said BMEP is the cornerstone of academic opportunities for our culturally and linguistically diverse students. PED is developing a working relationship with tribal leaders. Secretary Steinhaus said the preservation of language and culture is a priority to tribes.

Secretary Steinhaus said the agency is fully staffed and ready to address the findings identified in the report. The secretary said PED supports the recommendation for BMEP site visits, noting the agency is considering site visits for all programs.

Senator Gonzales expressed concern about the school districts without BMEP.

In response to Senator Soules, Ms. Taylor Garcia said it takes between five and seven years for a student to become proficient in two languages, according to Thomas and Collier research. Mr. Tolman said PED does not currently track the number of years in BMEP by student.

Chairwoman Lundstrom asked for the higher education institution designated the Center of Excellence in graduating teachers be added the next LFC Higher Education Subcommittee agenda.

Gallup Inter-Tribal Indian Ceremonial Association. Kyle Tom, president of the Gallup Inter-Tribal Indian Ceremonial Association, said the Native American and indigenous tribal performance showcases of the Gallup Intertribal Ceremonial remain unchanged since first showcased in 1922. This year, the Gallup Intertribal Ceremonial will celebrate 100 years at Red Rock Park from August 4 to 14. Mr. Kyle said the celebration will be the ceremonial's largest event in history, with more dancers and an expanded art show and rodeo. Event Coordinator Dudley Byerley said 350 dancers are anticipated for the parade, including dancers of Chickasaw and Aztec descent.

The association budgeted \$750 thousand for this year's ceremonial. Mr. Kyle said the association is working with the Tourism Department to receive funds allocated by the Legislature.

Melissa Sanchez, director of the Indian Ceremonial Office (ICO), said advertising is underway for this year's ceremonial. Also, KOB will rebroadcast a special one-hour documentary, *Spirit of the Ceremonial*, on July 24.

Ms. Sanchez said ICO is planning a nighttime parade to kick off the ceremonial on August 4, with Native American and indigenous tribal processions and performance showcases the following two evenings. Tickets for selected events can be purchased online. Mr. Kyle said Fire Rock Casino is covering admission fees for all attendees on August 12.

Representative Johnson said advertisements of the ceremonial should include banners and radio and newspaper communications to reach everyone.

MainStreet Programs in Gallup. LFC toured the Gallup MainStreet Arts and Cultural District, led by the district's Interim Executive Director Michael Bulloch and Board President Emerald Tanner. An overview of Gallup's MainStreet programs was also provided by Daniel Gutierrez, director of New Mexico MainStreet; Rose Eason, executive director of GallupARTS; and Jennifer Lazarz, tourism and marketing manager for the City of Gallup.

Friday, June 17

The following members and designees were present on Thursday, June 16, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, William E. Sharer, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Eliseo Lee Alcon, Anthony Allison, Ambrose Castellano, Meredith A. Dixon, Dayan Hochman-Vigil, Wonda D. Johnson, Raymundo Lara, and Debra M. Sariñana.

Miscellaneous Business.

Action Items. Senator Campos moved to adopt the LFC May 2022 meeting minutes, seconded by Representative Garcia. The motion carried.

Senator Gonzales moved to adopt the LFC Public Education Subcommittee May report, seconded by Senator Woods. The motion carried.

Senator Rodriguez moved to adopt the LFC Higher Education Subcommittee May report, seconded by Senator Hemphill. The motion carried.

Vice Chairman Muñoz moved to adopt the LFC Emergency Response Subcommittee May report, seconded by Senator Campos. The motion carried.

Representative Sweetser moved to adopt LFC contracts, seconded by Senator Hemphill. The motion carried.

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

Welcoming Remarks. Billy Moore, chairman of the McKinley County Commission, said Gallup is proud to host LFC and will work on expanding meeting space at the courthouse for the committee’s next visit.

Gallup Mayor Louie Bonaguidi thanked LFC for visiting Gallup and invited legislators to attend the city’s upcoming events, including WildThing Championship Bullriding.

Sabrina Ezzell, interim chancellor of the University of New Mexico-Gallup (UNM-Gallup), thanked legislators for supporting higher education and providing funding for UNM-Gallup’s nursing program and tribal education initiative. Interim Chancellor Ezzell said the university hopes the general obligation bond to renovate a building on campus passes this fall.

Fiscal and Infrastructure Issues for McKinley County. McKinley County Manager Anthony Dimas Jr. said closure of the Ecalante Power Plant in Prewitt and Marathon Petroleum Refinery in Gallup resulted in declined revenues and job opportunities in the McKinley County. In response, the county is prioritizing key infrastructure projects, including development of McKinley County Industrial Park. Mr. Dimas said the industrial park is a 40-acre site centrally located between

national ports and along Interstate 40 and the Burlington Northern and Santa Fe Railway Transcon line. The county recently received a grant from the Economic Development Department to install utilities at the park. Mr. Dimas said local economic development partners are working to recruit tenants.

Mr. Dimas said McKinley County is improving its bridges. Nine bridges in the county are in poor condition and 32 bridges are in moderate condition. Several of the bridges are military surplus bridges from the Vietnam War. Mr. Dimas said the large number of deficient bridges in McKinley County is limiting school bus coverage and emergency service access. Also, the bridges are safety hazard to those relying on them to travel outside their communities. About \$11 million is currently needed for eight bridge improvement projects that are construction ready.

McKinley County is also developing the Prewitt Industrial Park, a 626 acre site. Mr. Dimas said the county anticipates the industrial park to serve the hydrogen industry.

In response to Representative Johnson, Mr. Dimas said the bridge improvement project in Church Rock is fully funded and ready for construction.

Federal and State Funding for Navajo Nation: Use of ARPA Funds and Bipartisan Act Grant Opportunities. Navajo Nation President Jonathan Nez said a preparedness team was formed early in the pandemic to monitor, plan, prepare, and coordinate precautionary efforts of the novel coronavirus. Still, the virus quickly entered the reservation and the preparedness team transitioned into a response team. President Nez said the virus spread like a wildfire in the reservation, turning it into a national hotspot in March 2020. Federal pandemic relief funding was swift for states, but not tribal governments.

President Nez remarked on the resilience of the Navajo people throughout the pandemic. Despite the recent uptick in infections, hospitalizations remain low. Navajo Nation leaders continue to rely on healthcare professionals, leading experts, and various partners to provide guidance. About 70 percent of the Navajo people are currently vaccinated.

President Nez said the Navajo Nation received \$2.79 billion in federal pandemic relief funding, of which \$914 million was disbursed to the Navajo people as hardship assistance and \$879 million was allocated to infrastructure projects. President Nez remarked on the bureaucracy that often hinders projects.

Navajo Nation Council Delegate Mark Freeland said he represents eight chapters in McKinley and San Juan counties. To spend the remaining \$1.07 billion in federal pandemic relief funding, Delegate Freeland is sponsoring a bill that, if passed, would allocate \$81.9 million for chapters' needs, \$35 million for critical pandemic services, \$5 million for cybersecurity, and \$79.4 for Department of Health needs. Delegate Freeland listed the several other allocations proposed in the bill.

Delegate Freeland said many Navajo people are living in multi-generational homes without utilities.

Navajo Nation Chief of Staff Paulson Chaco said a project development team was formed to expedite projects and spend federal pandemic relief funding in the time permitted; however, increased construction costs, supply chain issues, and the vast area of the Navajo Nation is a challenge.

Tom Platero executive director of the Navajo Nation Fiscal Recovery Fund Office, said the office is working to address bureaucracy hurdles and partnering with the state on broadband initiatives.

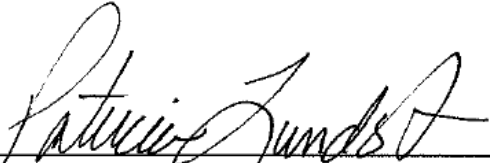
Senator Muñoz said Starlink, a satellite internet system, could provide the Navajo Nation with reliable internet.

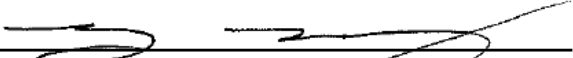
In response to Representative Johnson, President Nez said the hardship assistance payments are still being issued.

Representative Allison asked the Navajo Nation to consider using federal pandemic relief funding to complete stalled projects in his district.

In response to Representative Small, President Nez said the Navajo Nation supports the development of hydrogen production in northwest New Mexico.

With no further business, the meeting adjourned at 10:56 a.m.



Patricia A. Lundstrom, Chairwoman

George K. Muñoz, Vice Chairman

June 16, 2022

MEMORANDUM

TO: Legislative Finance Committee

FROM: LFC Capital Outlay Subcommittee: Chairwoman Patricia A. Lundstrom; Senators Pete Campos and Nancy Rodriguez; Representatives Gail Armstrong, Christine Chandler and Jack Chatfield

SUBJECT: Capital Outlay Subcommittee Report of June 16, 2022 Meeting

On June 16, 2022, the Legislative Finance Capital Outlay Subcommittee reviewed a presentation from expert witnesses and LFC staff on the current challenges facing capital outlay projects and potential policy solutions. Cally Carswell and Nina Chavez identified nine issues: inflation, piecemeal funding, a fragmented finance system, local capacity, project management and oversight, procurement and delivery methods, reauthorizations, the volume and timing of capital outlay requests, and maximization of federal funding. LFC staff presented approximately 30 policy options to address these issues. Panelists Donnie Quintana, director of the Department of Finance and Administration's Local Government Division, and AJ Forte, executive director of the New Mexico Municipal League, provided additional insight. Their comments highlighted the need for further investment in water infrastructure and other health and safety projects, particularly in rural areas, staff capacity, and project management.

Senator Rodriguez and Representative Chandler asked about the capacity of mutual domestic water systems, villages, acequias, local governments, and other small entities to meet matching funds requirements for their requests. Mr. Quintana advised the state has an opportunity to improve its project management and vetting process so good data drives project selection toward execution. He also suggested stronger deterrents to piecemeal funding and for a review of the state's water infrastructure to develop a more comprehensive approach to meeting water needs without taking away local autonomy.

Senator Rodriguez asked for further discussion to explain Mr. Quintana's comments on total funding versus meeting total projects funds. Mr. Quintana shared that cost increases are causing cost overruns to original bids on projects. Some communities can no longer complete a project

because the funding, though adequate when the project was initiated, is no longer sufficient. For example, some counties are returning community development block grant (CDBG) funds due to this issue. Mr. Quintana advised the state should streamline its ability to initiate and enter into contracts.

Mr. Forte shared that the league sees water and wastewater health and safety issues as the biggest concerns across the state, especially in rural areas and recommended the Legislature make fully funding these projects a priority.

Representative Lundstrom asked about current technical capacity at the state level to review project requests.

The subcommittee concluded with Chairwoman Lundstrom noting the subcommittee needed additional time and further discussion of the policy options. Chairwoman Lundstrom directed LFC staff to meet individually with each subcommittee member to gather feedback and report back at a later meeting.

July 22, 2022

MEMORANDUM

TO: Legislative Finance Committee

FROM: Accountability/LegisSTAT Subcommittee
Representative Dayan Hochman-Vigil, Chair
Senator Siah Correa Hemphill
Representative Harry Garcia
Senator Gay Kernan
Representative Nathan P. Small
Senator Pat Woods

SUBJECT: LFC Accountably/LegisSTAT Subcommittee Report

The LFC Accountability/LegisSTAT Subcommittee met on June 16, 2022 to discuss the LFC's Legislating For Results Framework and new efforts, including LegisSTAT performance hearings aimed at ensuring performance, and the promotion of Results Focused Government Best Practices and support and training for agencies to implement best practices.

Charles Sallee, LFC deputy director, presented an update to the Legislating for Results framework, highlighting the LegisSTAT approach. Deputy Director Sallee said the framework consists of five tasks: identify priority areas and performance, review program effectiveness, develop budgets, implement oversight, and monitor outcomes. The toolbox includes research, cost-benefit analysis, policy and budget analysis, report cards and other monitoring tools, public LFC hearings, and program evaluations.

Deputy Director Sallee said two new tools have recently been added to the framework: LegisSTAT meetings, which focus on performance, implementation of evidence-based interventions, and outcomes with the goal of making progress on high-priority agency challenges; and an inventory of evidence-based practices in agencies with the goal of strengthening agencies' capacity for high performance.

LFC – LFC Accountably/LegisSTAT Subcommittee Report

July 22, 2022

Page 2

LegisSTAT hearings, Deputy Director Sallee said, differ from traditional committee hearings by focusing the data-driven discussion on a specific performance issue with ample time built in for committee members to ask questions. He said the committee would continue to go back to the same performance issues in an effort to build solutions that reflect a collaboration between the Legislature and executive. The approach, focused on larger agencies, also includes analysts working with agencies to rate their use of best practices.

He listed the principals of LegisSTAT as the following:

- **Focused:** Meetings focus on most important challenges facing agencies, identified ahead of time.
- **Committee-driven:** Meetings driven by the committee chair and by members' questions; only short presentations.
- **Emphasizing deeper dives:** Use of follow-up questions by members to get to the root causes of problems...“the Five Whys.”
- **Action-oriented:** Agencies ideally commit to specific actions by the next meeting, representing near-term actions even if long-term challenges.
- **Strong on accountability:** Meetings designed to start with agency updates on action items from previous meeting.
- **Collaborative:** Meetings require ongoing collaboration between legislators and agency leaders.
- **Aiming for impact:** Important part of the initiative's impact occurs between meetings, when agencies work to achieve action items committed to during the meetings.

Deputy Director Sallee reported LegisSTAT started in August 2021 and has so far included hearings with the Workforce Solutions, Economic Development, Tourism, Higher Education, and Public Education departments. The approach is being expanded to the Early Childhood Education and Care Department, Behavioral Health Collaborative, Child Protective Services, pretrial services, and Medicaid services for pregnant women and infants.

Representative Dayan Hochman-Vigil, chair, requested staff provide briefing materials before the hearings so committee members can prepare. Representative Nathan Small suggested the staff provide the committee members with suggested questions at least a week before and take other steps to engage committee members on the front end. Representative Meredith Dixon said she would like to get all briefing materials ahead of time so she can prepare properly for the hearing. Representatives Hochman-Vigil and Small asked for briefing meetings with staff in the week before the full committee meeting.