

**MINUTES - FIRST DRAFT
LEGISLATIVE FINANCE COMMITTEE
June 20, 2007 - June 22, 2007**

Senator John Arthur Smith, chairman, called the Legislative Finance Committee (LFC) meeting to order on Wednesday, June 20, 2007, at 8:30 a.m.

The following LFC members were present on June 20, 2007:

Senator John Arthur Smith, Chair; Representative Luciano “Lucky” Varela, Vice Chair; Representatives Don E. Bratton, Patricia A. Lundstrom, Edward C. Sandoval, Larry A. Larranaga (for Brian K. Moore) Jeannette O. Wallace, Nick L. Salazar, and Henry “Kiki” Saavedra, and Senators Timothy Z. Jennings, Sue Wilson Beffort, Carlos R. Cisneros, Mary Kay Papen (for Phil A. Griego) Rod Adair (for Leonard Lee Rawson) and Pete Campos.

Mayor Pro Tem Alison Cupert welcomed the committee to Las Cruces. Victoria Martinez, coordinator of the ProStart program, gave a brief overview of the program, which is comprised of state-driven industry and educational partnerships throughout the country. The program serves as the national umbrella organization for restaurant and food service career education. The ProStart program promotes the adoption of restaurant and food service curricula in high schools and increases industry involvement in educational partnerships, sets standards for career education.

Dr. Mike Martin, president of New Mexico State University (NMSU), stated that he has set three goals for the university – to find ways to bring international recognition to NMSU by focusing on its research programs, to provide an accessible institution of learning for everyone without sacrificing the quality of education; and to be an engaged university involved in the community and the state.

Dr. Martin reported the university is focusing on research clusters which include managing natural resources to promote economic development. The university also:

- Uses partnerships around the state to promote accessibility to NMSU
- Focuses on individual needs of traditional and non-traditional students in the areas of economics, academic preparation, and time management
- Partners with the city of Las Cruces and Dona Ana County to promote economic development, job growth, and cultural development

Dr. Martin also reported the university is:

- Renovating academic buildings
- Focusing on ways to attract faculty to replace faculty who are reaching retirement age
- Working to better utilize NMSU resources such as land and water rights
- Identifying ways to meet the needs of non-traditional students
- Establishing a laboratory to perform equine testing for race horses

Dr. Martin reported that NMSU students have purchased a piece of property from the university which they now manage as a student parking lot. Dr. Martin noted the university also provides free parking and shuttle bus service for faculty and students.

Dr. Martin stated the current faculty population is reaching retirement age and that NMSU is focusing on creative ways to restore faculty.

The committee heard the following discussion:

- NMSU can be a part of a continuing partnership that makes the entire region more prosperous and reduces the need for people to illegally cross the border.
- NMSU is creating technologies that can be used to increase security along the border.
- The Workforce Development program is managed by the extension service. The program is currently assessing the needs of the region and is developing community partnerships to ensure that people already living in the community have first access to jobs.
- NMSU is a land grant university and should continue its commitment of being a university focused on agriculture.
- Tuition at NMSU remains affordable.
- NMSU is working with surrounding community colleges to offering degrees focused on the dairy industry.
- The current funding formula is inadequate to meet the needs of community development.

Dr. Martin reported on some of the ongoing research projects at NMSU:

- The genetic testing laboratory is expanding its program.
- The physical sciences laboratory is working with the Department of Defense on the remote detection of roadside bombs.
- The MBA program for Los Alamos National Laboratory staff is expanding its program.
- NMSU offers degree programs for employees with Sandia National Laboratory, Los Alamos National Laboratory and White Sands Missile Range.
- NMSU is working with Fort Bliss to establish degree programs for GIs and their dependents.

Stan Rounds, newly appointed Las Cruces Public Schools superintendent, addressed the committee, stating that the Las Cruces schools are currently drafting a two-year plan to shrink personnel while maintaining its commitment to deliver quality education. Mr. Rounds asked the committee to study the salary structure for teachers; expressed his support for increasing the employer and employee contributions to the education retirement fund; and stated his commitment to assist the legislature in revising the school funding formula.

Mr. Rounds also expressed his willingness to collaborate with the economic development council and the workforce development program to provide jobs for high school students. Mr. Rounds shared his concern about the method of funding of specialized programs in physical education, noting that the Las Cruces schools received no funding for those programs.

Tax Incentive Accountability

Norton Francis, LFC chief economist, reported on the review of the statutes of 45 tax incentives. Mr. Francis reported only 4 of the 45 incentives analyzed contained specific reporting requirements and data was available for only 18 of the 45 incentives analyzed.

The review identified the following areas of concern:

- Reporting requirements. Reports should be produced on a reasonable schedule and should be widely available to both governmental entities and the public.
- Taxpayer reporting should be simple and at the same time include accountability to ensure the incentive is working as intended.
- Credits are usually the most transparent and accountable since there is a paper trail. Reporting credits in a consistent manner is important. Credits, particularly film credits, can be a significant burden on agency resources.
- Tax deductions need to be uniquely identified for transparency, but more lines on the tax form make the form more complex. The audit function is important to validate exemptions.
- Tax exemptions are generally the least transparent. Only through taxpayer auditing are exemptions validated, but audit results are not compiled to arrive at aggregate data.
- Refundable credits are more effective for new businesses and industries that have little liability.
- Transferable credits may miss the target if the credits are sold at a price below face value or sold to an entity not intended by the Legislature.
- Carry-forward terms vary across credits and represent a potentially large liability.
- Tax incentive definitions should be consistent.
- None of the 45 incentives analyzed were indexed.
- Agency coordination is needed when the tax incentive affects multiple agencies.
- Tax increment financing information is not available because there is no requirement to report to the state. City resolutions may be at odds with state interests.

Dr. Kelly O'Donnell, deputy secretary of the Economic Development Department (EDD), reported New Mexico's economy is strong today with unemployment at its lowest rate since 1978, while job growth in 2006 was 3 percent. She stated tax incentives play an important role in New Mexico's economic growth by creating a business-friendly climate and by providing a tool for economic developers. Dr. O'Donnell believes New Mexico must have tax incentives to compete with other states for new businesses. Dr. O'Donnell stated the key tax incentives in New Mexico today are the rural job tax credit, the high wage jobs tax credit, tax incentives associated with industrial revenue bonds, the manufacturers investment tax credit, and the technology jobs tax credit.

Dr. O'Donnell outlined the new incentives and changes to existing incentives enacted during the last legislative session:

- Locomotive fuel gross receipts tax and compensating tax exemption
- Angel investment credit
- Financial management tax credit
- Rural banks legislation

- Aircraft manufacturing tax deduction
- Film production tax credit amendments

Additionally, Dr. O'Donnell stated the new energy incentives created by the legislature will enable New Mexico to create and sustain jobs in metropolitan as well as rural communities.

Jim Nunns, tax policy director for the New Mexico Taxation and Revenue Department (TRD), reported the department has three projects underway related to tax incentive accountability:

- Implementing new legislative requirements for business tax credit disclosure
- A multi-year tax expenditure analysis focusing initially on tax credits
- A comprehensive review of business tax credits that may lead to proposed legislation to make the credits simpler, more uniform and more effective

Mr. Nunns stated TRD is currently planning to publish more data on the tax system and to make that data available on its website. Additionally, TRD believes there should be more general indexing parameters in the tax code so that dollar amounts do not decline with inflation.

Richard Anklam, executive director of the New Mexico Tax Research Institute, stated the Institute has adopted six principles of taxation. Mr. Anklam defined a tax incentive as any factor that provides a motive for a particular course of action or counts as a reason for preferring one choice to the alternatives. Mr. Anklam discussed measurement, accountability and effectiveness of tax incentives. He also reported on other mechanisms that can be used to provide legislative oversight of incentives such as sunset provisions, clawbacks, and ongoing or ad hoc studies. Analysis should also be conducted to determine the effectiveness of a tax incentive.

Mr. Anklam closed by stating that tax incentives can potentially burden taxpayers with the remainder of the tax. Therefore, steps should be taken to ensure that an incentive meets its objective; the outcome of the incentive can be measured; the incentive provides the highest and best use of the money available; and the incentive is easily understood, easily used and efficiently administered by the regulating agency.

The committee heard the following discussion:

- Most high paying jobs are located in Albuquerque.
- Tax credit transfers can be transferred to an entity not intended by the legislature.
- EDD should be proactive in educating businesses about little-used tax incentives.
- Proposed tax legislation should be filed in advance of the legislative session so that legislators have time to conduct a thorough analysis of the legislation.
- Reports need to be produced showing the effect of the tax incentive on economic growth.
- General provisions for tax incentives should be developed to assist legislators in considering new incentives, including the tradeoffs of the incentives.
- Representative Sandoval requested information on the amount of revenue being produced by films in which New Mexico has invested.

- There is currently no way to compare the number of small businesses as opposed to larger businesses that take advantage of tax incentives.
- Small businesses are paying taxes while larger businesses are more easily able to take advantage of incentives, thereby creating a disadvantage for the small business.
- An independent review of proposed tax incentives could assist the legislature in crafting appropriate tax incentives.

The committee discussed the levels of success of New Mexico's tax incentives. Chairman Smith expressed the committee's appreciation to the panel for their cooperation in presenting information on tax incentives and for the quality of their presentations. Chairman Smith also expressed the importance of providing proposed tax incentive legislation to the legislature in advance of the session so that a thorough analysis can be conducted.

The committee met in executive session from 12:15 p.m. to 1:40 p.m.

The afternoon session was called to order at 2:00 p.m. by Chairman Smith.

Competition, Regulation and Technological Change in the Telecommunication Industry

Larry Blank, professor of economics, Center for Public Utilities, NMSU, gave an overview of the telecommunication industry from the Communications Act of 1934 to the current structure of the industry and the state jurisdictional regulatory responsibilities.

Michael Ripperger, telecommunications bureau chief, New Mexico Public Regulation Commission (NMPRC), gave an overview of the role of the NMPRC. Mr. Ripperger also gave an overview of the current NMPRC regulation of incumbent local exchange companies (ILEC), rural local exchange companies (RLEC), wireless carriers, and voice over internet protocol (VoIP) providers. NMPRC provides public information, resolution of consumer complaints, certification of telecommunication carriers, and collection of carrier and utility fees. NMPRC ensures compliance with NMPRC rules and New Mexico statutes, reviews interconnection agreements between ILECs and CLECs, sets applicable wholesale rates for non-rural ILECs, monitors the wholesale market, sets intrastate access rates, and implements the State Rural Universal Service Fund.

Mr. Ripperger discussed regulation and market power, competition in the telecommunications industry, consumer choices, broadband and VoIP, migration from public switched telephone networks to VoIP networks, regulation in response to the changing telecommunications market, and future plans of the NMPRC.

Jerrold Thompson, executive director, Qwest Public Policy, gave an overview of the growth of population versus Qwest switched access lines from the year 2000 to 2006. Mr. Thompson reported the percentage of U.S. households with only wireless telephone services has increased from 2.9 percent in 2003 to 11.8 percent in 2006. Many state legislatures have set pricing caps for basic

telephone services. Emerging technologies include internet based telephony, wireless telephony, and broadband over power lines.

Mr. Thompson concluded by stating evolution and convergence in the telecommunications industry will continue to drive change, innovation and heightened competition in the telecommunication industry. Emerging competitors in the telecommunication industry are either lightly regulated or not regulated at all. Qwest continues to explore innovative ways to compete in the telecommunications industry.

Dennis Pappas, program director, Qwest Network Operations, gave a brief overview of the Second Amended Settlement Agreement (SASA) which became effective on February 1, 2007. The term of the SASA is 42 months for all categories except for broadband deployment. The settlement amount is \$270 million with \$255 million being invested in network infrastructure and other job related costs and \$15 million being returned to customers. SASA also contains a quarterly reporting requirements for each group signing the agreement.

Brian Harris, Assistant Attorney General, provided an overview of the Attorney General's role in consumer protection and gave an example of the type of complaint of disrupted phone service reviewed by the Attorney General. Mr. Harris also discussed the Attorney General's role in the Qwest AFOR settlement case.

Ben Lujan, Chairman, NMPRC, gave an overview of the primary actions of the NMPRC on telecommunication matters:

- Settlement of AFOR 1 investment issue (SASA)
- Creation of AFOR 2 plan for Qwest, effective January 1, 2007
- Sacred Wind certification to operate in former Qwest territories, effective March 21, 2006
- Implementation of 575 area code ordered on December 12, 2006
- Drafted separate mid-size carrier rules as created by statute in 2004
- Implemented the State Rural Universal Service Fund
- Implemented Dona Ana expanded area of service

Chairman Lujan also stated NMPRC performs reviews of interconnection agreements between ILECs and CLECs, provides dispute resolution and arbitration on interconnection issues, processes informal and formal complaints before the commission, provides customer education, performs tariff review and approval, and enforces telecommunication statutes and NMPRC rules. Mr. Lujan also expressed his thanks to Qwest for its efforts to provide service and connectivity to New Mexico residents.

The committee heard the following discussion:

- Qwest purchases wireless service from Sprint and resells the service to its customers.
- Wireless companies are regulated by the federal government. The NMPRC has been successful in resolving some consumer complaints regarding wireless services.

- The status of the deployment of high speed fiber lines in New Mexico.

The meeting adjourned at 4:15 p.m.

Thursday, June 21, 2007

Senator John Arthur Smith, chairman, called the Legislative Finance Committee (LFC) meeting to order on Thursday, June 21, 2007, at 9:05 a.m.

The following LFC members were present on June 21, 2007:

Senator John Arthur Smith, Chair; Representative Luciano “Lucky” Varela, Vice Chair; Representatives Don E. Bratton, Patricia A. Lundstrom, Edward C. Sandoval, Larry A. Larranaga (for Brian K. Moore) Jeannette O. Wallace, Nick L. Salazar, and Henry “Kiki” Saavedra,; and Senators Timothy Z. Jennings, Sue Wilson Beffort, Carlos R. Cisneros, Mary Kay Papen (for Phil A. Griego) Rod Adair and Joni Gutierrez (for Leonard Lee Rawson) and Pete Campos. Senator Cisco McSorley attended the meeting as a guest legislator.

Border Development Activities: Activities of the NM-Chihuahua Commission

Juan Massey, director of the Office of Mexican Affairs, Economic Development Department (EDD), stated the mission of the Office of Mexican Affairs is to produce high-paying employment opportunities for New Mexicans. The office coordinates trade missions and bi-national events such as the Border Governor’s Conference and the New Mexico-Chihuahua Commission. Mr. Massey reported that his office works to bring key players together and facilitate the discussion on ways to develop the economy in the border region. The office has also facilitated discussions on public safety, tourism, water issues, and public health issues.

Jerry Pacheco, executive director, International Business Accelerator (IBA), stated IBA was established in 2003 as a part of the New Mexico Small Business Development Center Network which is administered by Western New Mexico University. IBA provides resources for New Mexico businesses and individual wishing to introduce their product or service into the global market.

Davin Lopez, vice president of Business Development, NM Economic Development Partnership, reported on the New Mexico Maquiladora Supplier program, stating the program is intended to increase New Mexico trade with Mexico by helping New Mexico businesses gain contracts as maquiladora suppliers, as well as relocating established maquiladora suppliers to New Mexico to create jobs and increase tax revenues for the state. New Mexico offers relocation incentives to attract maquiladora suppliers such as industrial revenue bonds, tax incentives and technology transfer programs with the state’s research institutions. As a results of the program, three maquiladora supplier related trade shows were held in 2006-2007 and five trade shows are scheduled for the upcoming fiscal year.

Jaime Campos, executive director, New Mexico Border Authority, reported on ongoing state or state sponsored development projects at Santa Teresa and Columbus ports of entry. Mr. Campos reported that the border authority is facilitating discussions to pave a road on the Mexican side of the border to connect with Antelope Wells, among other projects.

The committee heard the following discussion:

- The port of entry at Sunland Park/Anapra has yet to be approved by the U.S. State Department. The project is supported by the city of Sunland Park, Governor Richardson and Chihuahua Governor Baeza.
- Representative Lundstrom asked for a listing of the tax incentives Lasershield Systems, Inc., utilizes.
- Efforts should be focused not only on health issues but on enhancing trade and industrial development, technology transfers and stability for Mexican families.

Border Infrastructure Projects and Facilitating Trade

Ron Blankenship, CEO, Verde Group, reported the Verde Group is working on a master plan to build industrial facilities and a housing development to include the construction of 400 homes. This project is aimed toward future growth of Santa Teresa and to facilitate dignified housing for workers employed at industrial facilities close to their places of employment, including the Union Pacific Railroad operation which is slated to be moved from El Paso to Santa Teresa. The Verde Group has been working on this plan since 2003. The plan will create a community with shared goals including healthcare, churches, daycare centers, libraries, and schools within walking distance.

The committee heard the following discussion:

- The Verde Group has contacted the landowner on the Mexican side of the border adjoining the Verde development and has discussed with the owner the possibility of working with him on a development in Mexico. Mr. Blankenship noted that the landowner has a master plan for developing the property in Mexico.
- The Verde Group is prepared to make an investment to get the schools in the planned community built and operational. The Gadsden school district will administer the schools.
- The Verde Group will build the lots and sell the lots to builders. The group will not be involved in financing the housing.
- The Verde Group has received approval from the Texas and New Mexico departments of transportation as well as the federal highway authority. Alvin Dominguez, NM Department of Transportation, stated the highway to Las Cruces is contained in the DOT long-term plans as an unfunded project.
- All water rights and utility assets will be placed in a water authority.
- The development anticipates soccer fields, baseball fields and other recreational areas; however, no golf courses are planned at this time.

Steve Sands, Union Pacific Railroad, gave an overview of the Union Pacific railway system. Union Pacific has plans in place to relocate its El Paso terminal to Santa Teresa, including fueling, crew

change, a switching yard and train-to-truck transfer station. Mr. Sands thanked the New Mexico Legislature for eliminating two barriers to relocating the refueling facility by approving the paving of four miles of road near Strauss and by approving a tax incentive so that gross receipts and compensating tax will not apply to locomotive fuel beginning July 1, 2009. Union Pacific anticipates the fuel facility will be completed by 2010 and construction of the intermodal ramp will begin by 2015. Union Pacific anticipates an investment of \$150 million in New Mexico associated with this project. Sixty jobs will be located in Santa Teresa. The train-to-truck transfer station will serve as a catalyst for regional economic development such as warehousing, distribution and light manufacturing facility.

Alvin Dominguez of the New Mexico Department of Transportation (DOT) stated road construction has been approved by the DOT as a long-range project at the Love's exchange. He anticipates federal money to construct the road will be earmarked in the near future. Mr. Dominguez noted that the funds to construct the road will come from the state's road fund.

The meeting adjourned at 11:52 a.m.

The committee traveled to Juarez to tour the maquiladora industry and to learn about border trade and development.

June 22, 2007

Senator Mary Kay Papen called the Legislative Finance Committee (LFC) meeting to order on Friday, June 22, 2007, at 8:15 a.m.

The following LFC members were present on June 22, 2007:

Senator John Arthur Smith, Chair; Representative Luciano "Lucky" Varela, Vice Chair; Representatives Don E. Bratton, Patricia A. Lundstrom, Edward C. Sandoval, Larry A. Larranaga (for Brian K. Moore) Jeannette O. Wallace, Nick L. Salazar, and Henry "Kiki" Saavedra, and Senators Timothy Z. Jennings, Sue Wilson Beffort, Carlos R. Cisneros, Mary Kay Papen (for Phil A. Griego) Rod Adair and Joni Gutierrez (for Leonard Lee Rawson) and Pete Campos.

Spaceport Update

Rick Holdridge, member of the Spaceport Authority, reported he anticipates Spaceport America to be operational in late 2009 or early 2010 with a budget of \$194.04 million. Mr. Holdridge reported the following:

- Virgin Galactic is the anchor tenant for Spaceport America. The project is currently working with Virgin Galactic on the development agreement and facilities lease.
- New Mexico Spaceport Authority (NMSA) continues to work with the FAA for the issuance of a site operator's license.

- An RFP for programming and development was issued in September of 2006. The winner will be selected in July of 2007.
- The Spaceport America Planning and Design Advisory Committee was formed to advise NMSA on issues related to site layout, access, security and logistics; facility/building design and appearance; and El Camino Real Trail management and education.
- Dona Ana County passed a 1/4 percent gross receipts tax increase in April of 2007. 25 percent of the tax will remain in Dona Ana County for educational purposes. The bonds will be sold in 2008.
- Sierra and Otero counties will vote to institute similar gross receipt tax increases in 2008.

Dr. Burton Lee, technical consultant for NMSA, provided the following assessment of NMSA's position and growth prospects in the global aerospace and tourism marketplace:

- The global commercial space industry is showing growing momentum and substantial levels of investment.
- Corporations such as Microsoft, Google and Cisco are paying close attention to commercial space.
- The commercial aerospace industry provides a diversified market, revenue, jobs and tax base.
- Space tourism is an emerging segment of the global extreme sports market. Resorts and tourist attractions, along with space-themed racing, competitions and entertainment will bring growing visitor traffic to southern New Mexico.
- Other market opportunities may include inland launch to orbit; inland spacecraft landing/recovery from orbit; research, development, test and evaluation; alternative energy and environmental systems; and film and global media broadcasting.
- Strengths of NMSA are technical features such as airspace, weather, altitude and sparse population; increased economic environment; solid leadership and management team; anchor tenants; first-mover advantage; state funding in place; and the technical depth and workforce experience.
- Weaknesses of NMSA include limited equity funding in New Mexico; Las Cruces area remoteness; isolation from key financial, research and innovation networks; federal funding uncertainties; graduate education and research; changes in political leadership; and substantial technical work to be done for an inland launch.
- Risks include an unproven space tourism market; federal funding support for NMSA build-out; legal risks associated with delays in Spaceport licensing for suborbital and orbital launches; state liability legislation; potential spacecraft accidents; and political leadership changes.
- Futron study results in December of 2005 anticipates Spaceport America will create 2,460 new jobs in the construction phase and 4,300 new jobs associated with Spaceport operations and visitor spending by the year 2020.
- Indirect returns for New Mexico include international branding, market exposure and deals across a range of technology industries; workforce education and development; graduate education and research; new broadband IT and roads infrastructure in southern New Mexico; and attracting new angel and venture capital to New Mexico.

Mr. Holdridge closed by stating New Mexico has demonstrated bold and visionary global leadership in commercial space transportation. He stated Spaceport America has succeeded against tremendous odds since 1990 and expressed his believe that Spaceport America is a critical long-term element of New Mexico's economic development strategy.

Chairman Smith related the background on the development of NMSA and expressed his hope that New Mexico will benefit by the long-term investment in Spaceport America.

The committee heard the following discussion:

- The gross receipts tax increase approved by Dona Ana County will provide the funding to complete the budget for NMSA.
- Funds from potential gross receipts tax increases in Sierra and Otero counties will provide a cushion to ensure adequate funding for Spaceport America.
- A total of 32 miles of road have to be paved from Las Cruces to Truth or Consequences. Senator Jennings asked for more refined numbers of the cost of paving the road.
- NMSA is in the beginning stages of discussions on potential user fees with tenants.
- There has been one unsuccessful launch and one successful launch from Spaceport America.
- NMSA should calculate not only the number of jobs created but other economic impacts such as taxes and payroll. This information can be used to plan for funding education and other programs.
- NMSA is working with Economic Development Department to recruit companies to Spaceport America.

Miscellaneous Business

Approval of LFC Minutes - May 2007

Senator Cisneros moved, and Representative Bratton seconded, that the minutes be approved as written. The motion carried unanimously.

David Abbey requested approval of the following contracts:

- UNM Bureau of Business and Economic Forecasting to purchase quarterly long-term forecasts suitable for estimating changes in tax collections, the tax incidence, and the economic impacts of national-level trends on the New Mexico economy. The amount of the contract is \$26.6.
- Services of Ralph Vincent for technical support of LFC's computer systems and applications. The amount of the contract is \$25.0
- Services of Helen Gaussoin for editing and public relations. The amount of the contract is \$24.5
- Services of Janet Peacock to provide financial and economic analysis on projects included in the LFC's interim work plans and as directed by the LFC director. The amount of the contract is \$15.0.

- Services of Tom Pollard to provide financial and economic analysis on projects included in the LFC's interim work plans and as directed by the LFC directed. The amount of the contract is \$40.0.
- NM Institute of Mining and Technology to provide professional assistance to the LFC on network performance, vulnerability analysis and detection, penetration testing and analysis of computer systems, security enhancements, and continued work on verification of information security compliance. The amount of the contract is \$8.0.

Representative Larranaga moved, and Senator Cisneros seconded, that the contracts be approved. The motion carried unanimously.

David Abbey presented a memorial to Representative Varela reflecting an editorial from the Albuquerque Journal.

Condition and Funding of Cultural Affairs Department Facilities

Stuart Ashman, secretary of the Department of Cultural Affairs (DCA), presented the department's five-year capital improvements plan to the committee. Secretary Ashman explained DCA does not have access to the support of the General Services Department Property Control Division to build or maintain the state's museums and monuments.

Secretary Ashman presented a video of the State Library and the Bookmobile program. He thanked Representative Saavedra for his support in sponsoring legislation to purchase two additional bookmobiles.

Secretary Ashman reported DCA's highest capital outlay priority continues to be ensuring the safety and preservation of the state's collections and historic properties and presented the entire capital outlay request to the committee.

The committee heard the following discussion:

- Some museums and monuments seem to receive more funding than others. Each museum and monument should receive a fair and reasonable amount of funding to complete construction, to complete repairs and to provide for proper maintenance.
- DCA should request an appropriation to begin a program showcasing New Mexico mariachi bands.
- Representative Varela requested that DCA investigate the possibility of preserving the Cross of the Martyrs monument in Santa Fe.
- A more consistent and predictable revenue stream to DCA would allow the department to preserve the state's museums, monuments, collections and historic properties.

Shawna Brown of the Farm and Ranch Heritage Museum presented plans to complete the Farm and Ranch Heritage Museum, including completion of exhibits, completion of a bridge, a sheep and goat

barn, a beef barn, a greenhouse, a courtyard cover, South 20 infrastructure and a wagon barn. Ms. Brown invited the committee members to tour the museum after the meeting.

The committee heard the needs of each museum as follows:

Museum of International Folk Art	Improvements to the Girard Wing to upgrade the electrical infrastructure to accommodate a new lighting system; improve climate control to prolong the life of the collection and save utility costs; digital computer technologies to allow greater access by teachers and the public; and increase storage capacity by 40 percent for growth of the collection.
New Mexico State Monuments	Land acquisition and easement acquisition at Jemez State Monument.
National Hispanic Cultural Center	Completion of the Domenici Education Building; wiring, furniture, telephones and security equipment for the building.
State Library	Landscaping and shelving.
New Mexico History Museum	Completion of the museum.
Center for New Mexico Archaeology	Complete construction phases of the center.
Museum of Indian Arts and Culture	Hire a historical architect to look at the building and identify ways to make the collection more accessible to the public and opportunities for expansion.
Capital Improvements	Statewide infrastructure repairs and upgrades
Museum of Natural History and Science	Education space to accommodate visitors.
New Mexico Museum of Art	Restore and maintain the state's art collection.
Space History Museum	Complete repairs and renovations to existing facilities and grounds; construction of a new museum complex; exhibits at Spaceport America facility

Linda Kehoe, LFC principal analyst, stated the criteria LFC staff used to prioritize the DCA capital outlay requests were, one, public health and safety; two, maintenance and renovation, deferred maintenance and restoration of exhibits; and three, completion of ongoing projects. Last year LFC recommended \$8 million in capital outlay. The actual appropriation was \$2 million. LFC staff is

concerned about unexpended funding to local government and private non-profit sources. Ms. Kehoe reminded the committee that monies which go to private non-profit sources and local government sources are administered by DCA with existing staff.

The committee heard the following discussion:

- The Santos art collection has been appraised and a report is due by July 20, 2007.
- With the exception of the theft of a Georgia O'Keefe painting, DCA has not experienced significant financial losses. DCA collected an insurance settlement on the O'Keefe painting which the museum used to purchase other paintings. There was no serious damage to archeological artifacts due to a recent flood at the La Villa Rivera building. DCA staff used the upper levels of the building to recover 1400 boxes of material which experienced moisture from the flood. The material was dried, repackaged and recataloged with the help of a professional company.
- Dr. Hunner reported the centennial steering committee formed two years ago continues to meet to plan for the state's centennial celebration. The committee noted several New Mexico citizens who were instrumental in helping New Mexico become a state.

The meeting adjourned at 11:30 a.m.



Chairman

7/18/07

Date