MINUTES
Legislative Finance Committee
State Capitol, Room 322 - Santa Fe, NM 87501
May 10 - 12, 2016

Tuesday, May 10th
The following members and designees were present on Tuesday, May 10, 2016: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Steven P. Neville, Lee S. Cotter, Stuart Ingle, Howie C. Morales, George K. Muñoz, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano "Lucky" Varela, Nick L. Salazar, Sharon Clahchischilliage, Jason C. Harper, George Dodge Jr., and Patricia A. Lundstrom. Guest legislators: Senator Mary Kay Papen and Representative Conrad James.

Program Evaluation: Assessing "Time-on-Task" and Efforts To Extend Learning Time. Madelyn Serna Marmol, Ph.D., and Nathan Eckberg, both program evaluators, presented the report *Assessing "Time-on-Task" and Efforts To Extend Learning Time.* Most of New Mexico's public school students do not perform at academic grade level, with most starting out behind the first day of school and staying behind their entire academic careers. Too many of these students eventually drop out and experience the damaging long-term impacts of low educational attainment in an economy that requires new and ever increasing skill and education levels. Across New Mexico, teachers and students are racing against time to teach and learn, while supporting social and emotional growth as well. How much time is made available for instruction and how it is used, referred to as "time-on-task" in the report, is critical to an effective education system. The Legislature over the past decade has shown interest in available instruction time, from efforts to increase the number of school days overall, and in a targeted way, through the K-3 Plus extended school year program.

The evaluation assessed the time available for instruction in New Mexico public schools, factors that cause lost instruction time, and how those factors impact student achievement and different student populations. The evaluation also reviewed research-based best practices to promote time-on-task and their use by schools. The evaluation used a statewide representative survey of teachers and principals, along with administrative data, to assess how instructional time is used across the state.

New Mexico has established minimum hour requirements for instructional time, either on a per-day or per-year basis that, if implemented, would result in a standard 180-day school calendar. Public schools have used this flexibility to implement a wide variety of school calendars and school days. Almost all have implemented extended school days and as a result most have shorter school years of about 167 days and still exceed yearly requirements for instructional hours.

Much of the instructional time made available for learning, however, is lost to other non-instructional activities or impacted by absences. Elementary students, for example, lose well over a third of instructional time, even after accounting for the extra time schools have built in above state minimums. The more lost time per school corresponds directly with lower student achievement. The state lacks a framework and attention to maximizing the use of existing instructional time and ensuring investments in extended time programs (K-3 Plus) are implemented correctly to ensure instructional time results in academic success.

The evaluation recommended the Legislature continue investments in strategies that result in increased instructional time, implement better accountability measures for public schools' flexible use of at-risk funding and the school calendar, and for PED and public schools to create a framework for assessing and maximizing the effective use of instructional time through a collaborative process of evaluation, technical assistance and professional development.

Matt Pahl, policy director at PED, said PED agrees in part with the evaluation's findings and recommendations, particularly with those that may lead to higher rates of student and teacher attendance, and improve teacher practice to maximize return on each minute of the school day. PED has recently implemented a teacher evaluation system to identify the best teachers, giving school leaders the information they need to maximize the effectiveness of their teaching force. Mr. Pahl said PED has verified school calendar and time calculations through the budget review process and is collaborating with teacher preparation programs to ensure program approval requirements focus on practice-based training that can lead to better instruction.

Addressing concerns with the report, Mr. Pahl said the evaluation did not analyze the impact of teacher effectiveness in leveraging school hours. New Mexico's most effective teachers leverage the same amount of time as less effective teachers to obtain greater results with their students. For this reason, Mr. Pahl said PED is focused on recruiting and retaining the best teachers in the profession.

Discussing initiatives to increase time-on-task, Mr. Pahl said NMTEACH is a teacher evaluation system that holds teachers accountable for their attendance. School districts implementing the system are experiencing higher attendance rates.

The evaluation reported the Breakfast after the Bell program leads to two days of lost instruction. Mr. Pahl said students need to be fed to make each minute of the school day valuable. Senate Bill 144, passed by the Legislature in 2016, gives schools districts the flexibility to implement the program before or after the bell.

Mr. Pahl said the evaluation focused on the need to increase at-risk funding though changes in the funding formula. Mr. Pahl said the recommendation did not note how distributions from the state equalization guarantee, which are non-categorical, connect to time-on-task. PED believes targeted investments are best to target specific education needs, as the funds are directed where there is most need and districts can be held accountable for their programmatic expenditures.

Mr. Pahl lastly mentioned the instructional audits, which he said addresses time-on-task through the underlying research. The Priority Schools Bureau's initiatives at PED are created to support struggling districts and schools to create and maintain an aligned system that support increased time-on-task. In an aligned district and school system, time-on-task is improved because school and district leadership roles contribute to shaping behavior, attitudes, and actions.

In response to Representative Hall, Ms. Serna Marmol said all schools statewide were surveyed. Fifteen of the larger school districts were visited and interviewed. Representative Hall expressed concern that the evaluation might have a statistical error because rural schools may not have been adequately represented in the analysis. In response to Senator Cisneros, Ms. Serna Marmol said the charter schools were surveyed; however, the analysis did not include their school hours because charter school schedules greatly differ than traditional school schedules.

In response to Senator Cisneros, Ms. Serna Marmol said, in speaking with some superintendents, there is evidence that novice teachers have more difficulty with classroom management, suggesting not enough classroom management training is being provided in the teacher preparation programs.

In response to Representative Lundstrom, LFC Deputy Director Charles Sallee said the recommendations made for the Legislature, affecting the General Appropriation Act, strikes the right balance of flexibility to meet local needs while holding school districts accountable for better use of resources.

In response to Representative Larrañaga, Mr. Sallee said there needs to be a balance between local flexibility and accountability. For example, school districts are given the flexibility on how they allocate instructional time. School calendars vary widely. Mr. Sallee the state needs to use a framework to examine how this flexibility is being used to ensure it is not impeding on instructional time.

Medicaid Fraud Prosecution. Attorney General Hector Balderas said the work of the 25-member Medicaid Fraud Control Unit (MFCU) is critical to ensure proper oversight of Medicaid funds for 850 thousand New Mexicans. The unit struggles to retain and recruit staff, which Mr. Balderas described as among the brightest multidisciplinary professionals in state government. MFCU often has three to five vacancies. Mr. Balderas stated that, as recommended by a 2013 LFC evaluation, MCFU will open a Las Cruces office.

Current MCFU casework consists largely of nursing home litigation, and claims against one of the largest nursing home chains are being reinvestigated. In January 2016, the Attorney General's Office (NMAG) prevailed in a state motion to dismiss and is now proceeding in discovery against the involved corporations.

The number of qui tam, or whistleblower, cases is increasing, which Mr. Balderas said is a positive sign indicating increased public participation but is also of concern because of need for additional resources to adequately cover investigations. Mr. Balderas said it is a good time to invest in criminal and civil fraud-detection techniques and investigation and prosecution operations, explaining the recoveries would provide additional state funding and send the right message to communities.

Mr. Balderas talked about aligning the state Medicaid False Claims Act with federal statute by making the NMAG the primary prosecutor. Mr. Balderas stated his intention to propose legislation during the next session to amend the act. Aligning state law to the federal statute has the potential to increase the state portion of Medicaid fraud recoveries by 10 percent.

In response to Representative Hall regarding the behavioral health audit issues, Mr. Balderas said the office is currently streamlining the referral process to better handle complaints.

Representative Hall said he has land grant information that he wants to turn over to NMAG. AG Balderas said the office is in the process of hiring additional dedicated land grant staff with the appropriation provided in the 2016 session for that purpose.

Senator Papen asked about the status of a case involving Optum Health. Mr. Balderas said qui tam cases are handled under the normal process of investigation to determine whether there should be intervention.

In response to Representative Larrañaga, Carla Martinez, chief of staff, explained that the $1.16 million in overbilling found in the investigation into the 2013 audit of behavioral health service providers was the result of billing irregularities, but she pointed out that the audit did not find a pattern of patients not being qualified for services or any other type of fraudulent activity.

Long-Term Economic Development Strategies. Talking first about workforce development, Chris Erickson, professor of economics at New Mexico State University, said kindergarten through 12th grade education is the key to setting up students for success in higher education for employer training. Mr. Erickson said entrepreneurs are likely to relocate to a state with good K-12 education. New Mexico's performance in K-12 education is poor. To address this problem, Mr. Erickson recommended focusing on hiring, training, and retaining above-average teachers.

Business incentives were then discussed, which Mr. Erickson stated are not the answer to economic development. New Mexico has 46 different incentive programs. There is little evidence business incentives promote long-term growth. Any short-term benefits are offset by decreased government services, which reduce growth of incumbent firms. Mr. Erickson mentioned the risk of crony capitalism, as incentives are often designed to benefit the politically connected. The bidding war that occurred in 2014 among several states, including New Mexico, regarding the location of Tesla's proposed Gigaplant was used as an example of how business incentives are used.

Mr. Erickson talked about what New Mexico can do to develop a new competitive advantage. The first step is to identify emerging technologies likely to become prominent in the next decade. To do this, Mr. Erickson suggested working with experts, as North Carolina did when they worked with a blue ribbon committee that included Nobel laureates. Mr. Erickson said the goal is to get in on the ground floor of the emerging technology. The next step is to invest in research and development in the emerging technology. The final step is continued ongoing commitment to support the new technology as it moves to market.

Bob Walton, vice president of local business development at Albuquerque Economic Development (AED), said when he first started working with AED, a private non-profit organization, many locally based companies were not aware of the state's business incentives. Today, 14 years later, AED has helped over 1,600 local businesses grow and expand. Mr. Walton said New Mexico is doing a great job in providing incentives for existing businesses.

Mr. Walton then talked about the Job Training Incentive Program (JTIP), which he said is the best program the state has. Mr. Walton said more staff is needed to inform local businesses of the programs available. If informed, more businesses would grow, which will then grow the economy.

Next to address the committee was Kathy Keith, director of community programs at the Los Alamos National Laboratory. Ms. Keith said economic development changed when companies began exporting manufacturing jobs in the 1990s and early 2000s. Innovation-based companies have since become the way to create jobs and build the economy. In 2013, the Kauffman Foundation reported all new job growth was attributed to young companies. Ms. Keith provided information on what some states are doing to address this shift in economic development. Colorado is issuing grants for proof-of-concept, helping businesses prove their new idea will work and is marketable. Connecticut is investing $2 billion for research and development and science and technology education at the University of Connecticut.

Because economic development is the new paradigm for economic development, Ms. Keith said policymakers must be willing to take risks and accept longer development times. Investments in technology research must be made to create new knowledge and ideas for commercialization.

Ms. Keith then talked about what New Mexico can do to attract new high-growth companies. The Kauffman Foundation recommends simplifying tax codes and payment systems. The Kauffman Foundation also recommends cultivating human capital. Ms. Keith said start-ups pay attention to high school and college completion rates.

The Kaufman Foundation reports New Mexico is competitive in start-up activity, which is partly attributable to the innovation created using federal research dollars. To generate more start-ups, Ms. Keith recommended implementing what Taos is doing in other areas of the state. Taos has an entrepreneurial network that provides monthly meet-ups and employs a facilitator who connects entrepreneurs to people and resources. Ms. Keith also recommended collaboration between the laboratories and universities, and using existing resources.

Robin Brule, vice president of community relations at Nusenda Credit Union, spoke about the implementation of the Living Cities Integration Initiative in Albuquerque. Founded in 1991, Living Cities was created using 22 of the world's largest foundations and financial institutions to build a new type of urban practice. The initiative focuses on reshaping programs, policies, and resource allocation by using the theory of aligned contributions, which Ms. Brule explained has three major premises:

- Strategy of collective impact,
- Public sector innovation; and
- Capital innovation.

The initiative is looking at ways to reduce the number people on public assistance by analyzing entrepreneurial opportunities in New Mexico. Ms. Brule said access to capital is a problem for many individuals. To address this problem, Living Cities created a lending program that lends based on character rather than credit history or collateral. Mr. Brule said the lending program, in place for five years, has a default rate of less than 1 percent.

Ms. Brule concluded with recommendations for policymakers, which included looking at the theory of aligned contributions and noting the importance of making lasting results despite changes in leadership.

Last to address the committee was Jeff Mitchell, director of the Bureau of Business and Economic Research. Mr. Mitchell pointed out that the presenters all noted the same fundamentals for building economic development: education, innovation, access to capital, local business, and long-term commitment.

Mr. Mitchell said New Mexico is in a serious situation. Before the recession, the state was 10th in job creation. Today, New Mexico is ranked 49th. Mr. Mitchell said the problem is structural, explaining that since the start of the recession, cuts in government spending have occurred, demographics have changed, and there has been an increased value of education.

Mr. Mitchell talked about what does and does not work for building economic development. Mr. Mitchell said recruitment does not work. According to a 2014 report by the National Governors Association, only 2 percent of jobs are the result of relocation. Placing focus on small business also does not work. A survey conducted by the Kauffman Foundation found that 75 percent of small business owners are not interested in growing their businesses. Mr. Mitchell said start-ups sometimes work, explaining that start-ups most often do not grow to have more than 25 employees. Mr. Mitchell said for businesses to grow and thrive, there needs to be a network of support. Rapid growth often occurs in places with established support systems. Data should be used to determine what is and what is not working so that investments are made where the returns are the strongest.

Mr. Mitchell talked about building within. Mr. Mitchell said spreading dollars over a larger number of businesses with relatively small support costs less than big dollar recruitment programs. When a program is not successful, it leaves behind infrastructure that can be built on. Mr. Mitchell said locally grown businesses stick around and tend to reinvest in their community.

Mr. Mitchell concluded with a recommendation to build a system that is sustainable and locally based.

In response to Senator Cisneros, Mr. Mitchell said the Local Economic Development Act (LEDA) tends to reward rather than foster activity. Ms. Keith said she views LEDA as infrastructure money. Several states invest in infrastructure to build economic development. Ms. Keith said New Mexico does not have developed infrastructure.

In response to Senator Cisneros, Ms. Keith said broadband is vitally important to communities and entrepreneurs. Ms. Keith pointed out that high-growth businesses are going to have markets outside the state. Accessing external markets is not only important for businesses but also for local artisans who want to sell their work. Mr. Mitchell said broadband is extremely important to households for accessing services and developing education.

Senator Cisneros then asked about New Mexico's mining industry. Ms. Keith said mining, which was described as an extractive industry, is very cyclical and, therefore, a sustainable industry needs be developed.

Representative Lundstrom requested Mr. Erickson provide the committee the report that said high school graduation rates are associated with more rapid economic growth at the state level.

Representative Harper asked what tax policies make the most sense. Mr. Erickson recommended low tax rates that are broad-based. Mr. Mitchell said permitting gross receipt taxes. Ms. Keith said rather than taxes, having a one-stop shop for permitting and licensing. Ms. Brule said having co-op tax services and also a one-stop shop.

Chairman Smith said one of the issues for building economic development is that the state lacks good empirical data to support movement. New Mexico's revenue is highly dependent on oil and gas. The volatility in oil and gas revenues has affected the speed of movement. Chairman Smith said the executive branch and legislative branch need to work together on making long-term investments.

Job Training Incentive Program (JTIP). Reporting on the Job Training Incentive Program (JTIP), Jon Barela, secretary of Economic Development Department (EDD), said 1,894 workers were trained in FY15. Almost 90 percent are still employed in New Mexico, and 73 percent are with the same employer. Sixty-one percent of those workers have increased wages of 10 percent or more. The cost per trainee was $5,581. Of the 59 businesses that participated in the program, 52 were small businesses.

So far in FY16, 2,065 workers have been trained. The cost per trainee has increased to $5,759. Mr. Barela pointed out that of the 54 companies participating, 44 percent are manufacturing companies. A chart in the presentation showed continued growth year-after-year in the number of JTIP trainees since its inception in 2013. Mr. Barela said Site Selection Magazine ranked JTIP as one of the four best on-the-job training programs.

Mr. Barela said there is pressure on JTIP funds. JTIP's unobligated balance in April was $5.3 million. The JTIP board will meet next month to determine FY17 appropriations. If the expected $2.3 million is allocated, JTIP's unobligated balance at the beginning of FY17 will be $3.3 million.

Mr. Barela then talked about the Local Economic Development Act (LEDA). EDD has created a report on the economic impact of LEDA funds. In FY15, committed LEDA funds totaled $5.3 million, leveraged against $113.7 million in private capital. The overall leveraged ratio is $21.1 million to $1 million. Direct jobs created totaled 2,477. The average cost per LEDA job was $2,177. An analysis determined that for every $1 the state invested in LEDA projects, $2.84 was returned. A pie chart in the presentation showed that 52 percent of LEDA projects are happening in urban areas, and 48 percent are happening in rural areas.

In response to Representative Harper, Mr. Barela said $10 million would continue JTIP as it currently exists.

Representative Dodge commented that the historical theaters initiative is making a positive difference for small communities. Mr. Barela said the initiative is administered by the MainStreet program. Six theaters have been renovated so far.

In response to Chairman Smith, Mr. Barela said the incentives given to Skorpios Technologies Inc. was a good investment. Mr. Barela explained that the investment encapsulates what the state needs to be doing to build economic development. Mr. Barela said the company received $5.5 million in LEDA funds. Chairman Smith noted the hourly wage of Skorpios employees may pose a concern for critical mass. Mr. Barela said as long as a company is continuing to grow and expand in New Mexico and needs help to offset training so they can invest in other benefits, there is not a critical mass issue.

Wednesday, May 11th

The following members and designees were present on Wednesday, May 11, 2016: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Steven P. Neville, Lee S. Cotter, Stuart Ingle, Howie C. Morales, Mary Kay Papen, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano "Lucky" Varela, Nick L. Salazar, Sharon Clahchischilliage, Jason C. Harper, George Dodge Jr., and Patricia A. Lundstrom. Guest legislator: Representative Conrad James.

Early Childhood Services Strategic Plan. Monique Jacobson, secretary of the Children, Youth and Families Department (CYFD), said CYFD's mission is to improve the quality of life for all New Mexico children. To achieve this mission, CYFD is working to reduce fatalities, ensure safety, ensure children are cared for and nurtured, and prepare children to be contributing members of society.

CFYD has begun using key principals in its daily operations. The first is to be kind, respectful, and responsive. Secretary Jacobson said this key principal addresses the majority of complaints that indicated CYFD was not being responsive to the people who reach out to the agency. The second key principal is to be child centric. Secretary Jacobson explained that CYFD wants to make the right decisions based on the best interest of each child, adding that it ensures children have a voice. The third key principal creates a culture of accountability and support. Secretary Jacobson talked about holding providers accountable and providing the support to ensure they meet standards. The fourth key principal simplifies activity to produce better results. With this principal, CYFD is focusing on larger initiatives as opposed to several smaller initiatives that produce fewer results. The fifth key principal connects the behavioral health program and other program support to all CYFD programs. The final key principal focuses on providing quality CFYD workers.

While the key principals are how the agency is conducting its work, CYFD's strategic planks are the agency's objective. The strategic planks are

- Shoring up core functions,
- Preventing tragedy,
- Improving communication with law enforcement,
- Ensuring internal financial control, and
- Engaging the community.

Secretary Jacobson said CYFD wants to build a strong, continuum of early childhood services balancing access and quality with an eye to serving the most vulnerable. CYFD programs have grown significantly in the past few years. Since FY11, the overall budget has increased by $78.7 million, or 52 percent.

With a budget of $15.3 million for FY16, CYFD's home visiting program, through which paraprofessionals visit families with infants, is currently serving an average 2,746 families monthly. CYFD pursues federal funding to support the program. Since 2011, home visiting has received $21 million in federal funding. Secretary Jacobson said CYFD was recently awarded an additional $3.5 million in federal grants to support its evidence-based programs. In 2013, the Home Visiting Accountability Act became law. The act ensures home visiting providers are held accountable through an annual review. In another accountability measure, CYFD has expanded the tiered quality rating and improvement system (TQRIS) to include the home visiting program. Secretary Jacobson said home visiting is only as good as the relationship is between the provider and the family.

Secretary Jacobson said the home visiting program supports CYFD's strategic plank to prevent tragedy. In FY17, CYFD will invest $2.5 million in home visiting level two, a new initiative. The program will target higher-need families at an increased risk for adverse childhood experiences. These families will be connected with a bachelor- or master-level professional that has specialized training. The curriculum in level two is more structured than the regular home visiting program. Also, there are more visits.

To ensure accountability, CYFD has hired five contract monitors that will provide technical assistance to home-visiting providers. The agency is also doing a monthly contract obligation and expenditure oversight reconciliation.

Secretary Jacobson then talked about CYFD's prekindergarten programs. Prekindergarten received $26.5 million in FY16 to serve 3,814 children. Secretary Jacobson noted that CYFD's appropriation for prekindergarten does not include appropriations made to the Public Education Department for the program. The increase in prekindergarten funding has allowed CYFD to offer the extended prekindergarten program. CYFD's FY16 appropriation for prekindergarten included $4 million for early prekindergarten. Secretary Jacobson said it is equally important to grow early prekindergarten. TQRIS is also being used to evaluate CYFD's prekindergarten programs.

Child care was then discussed. Secretary Jacobson said child care is the greatest tool to break the cycles of poverty and violence and is the area where the greatest number of families can be impacted. The Child Care Assistance program is currently serving 18 thousand children. Ninety percent of children receiving subsidies are cared for by licensed child care providers. To address provider issues, CYFD improved the rate structures. In October 2016, certification for childcare assistance will increase to 12 months. Secretary Jacobson said the increase minimizes disruptions in service and provides a level stability for families. In FY17, TQRIS will no longer be a pilot and will be administered to all CYFD child care providers.

Secretary Jacobson spent some time talking about prevention through child care. CYFD's Early Childhood Division is partnering with the Protective Services Division to create a new program that will make it possible for some families that may not be eligible for child care assistance to receive it temporarily while they stabilize their lives.

Secretary Jacobson said only one-third of those eligible to receive child care assistance at the 150 percent of federal poverty level are taking advantage of the program. The recently implemented Pull Together initiative is working to create a system that increases public awareness and simplifies navigation of existing services for people.

Secretary Jacobson concluded her presentation requesting permission to allow Rosa Barraza, president of the Early Care and Learning Association (ECLA), to briefly address the committee. Ms. Barraza said ECLA is composed of over 400 providers. Ms. Barraza expressed how important CYFD's partnership is with ECLA to be able to provide high quality services to the families of New Mexico.

Questions were held after the next panel.

Update on First Born Home Visiting Program Evaluation and Strategies to Strengthen Early Childhood Systems. Appearing by video conference, Kay Johnson of Johnson Group Consulting, first gave a brief background about her experience. She has over 30 years of experience in child and family policy. Ms. Johnson said New Mexico is a leader in public investment in early childhood programs. Yet, New Mexico children still have unmet needs for prevention, early intervention, and treatment services. Ms. Johnson said too many young children face risks to their health and well-being. The Home Visiting Accountability Act, which became law in 2013, and the decade of efforts in home visiting that preceded it, puts New Mexico in a position as a national model for accountability and system development. Ms. Johnson said New Mexico's standards-based approach and the commitment of CYFD to consistent quality is exemplary in the nation.

With the support of New Mexico's Department of Health in 2014, Ms. Johnson conducted an analysis of state early childhood programs and systems and identified ways the state can do more through leadership, systems development, and interagency coordination. The Thornburg Foundation is currently supporting the analysis of Medicaid and home-visiting options.

Ms. Johnson said Medicaid financing for home visiting is an option that has been used by several states in recent years. Recently, the federal Centers for Medicaid and Medicare Services (CMS) and Health Resources and Services Administration (HRSA) issued a joint informational bulletin on home visiting. The bulletin affirmed that current law permits states to use Medicaid funding to pay for core components of home visiting services furnished to Medicaid beneficiaries. It also clarified that Medicaid services can be furnished in any setting that is lawful under state medical practice standards, including the home.

How to structure coverage and payments is largely up to the state. Under federal law and guidance, states have various Medicaid payment strategies to choose from when financing home visiting. Direct fee-for-service payments are an obvious option. Services could be bundled in a global payment rate to arrive at an episode of care (e.g., a month or year of home visiting) or an encounter rate. Alternatively, home visiting could be covered under a managed care contract, as part of capitated payments and under contractual terms that ensure use of qualified providers and adherence to specific home visiting protocols. States can also define payment rates and specify the network of qualified providers under the fee-for-service or managed care contract arrangements. Medicaid could pay for all or a portion of a home visit, and states use varying procedure codes to reflect their approach.

Identifying the benefit coverage category is also a state-level responsibility. Ms. Johnson said the bulletin discussed Medicaid coverage and payment options and provided nine examples of relevant federally-recognized Medicaid benefit categories. Case management is the most commonly used.

Ms. Johnson gave five reasons New Mexico is well positioned to use Medicaid financing for home visiting. 1) The state is investing millions of dollars in general revenue funds into its home-visiting system. Much of this state general revenue could qualify for 70 percent Medicaid federal match. 2) No state using Medicaid financing for home visiting has experienced "run-away" costs or unexpectedly large budget impact. 3) New Mexico's Medicaid managed care program, Centennial Care, offers opportunities to integrate home visiting into an existing structure and define provider networks. 4) New Mexico has a network of qualified providers that offer different program approaches to serve families with varied needs. 5) The strong oversight role of CYFD's home-visiting system, which emphasizes accountability and quality, can complement and continue in the context of Medicaid Financing.

Ms. Johnson lastly discussed why a universal home-visiting approach, which has been proposed by some stakeholders, would not work for New Mexico. Ms. Johnson said it would require a substantial upfront investment and different staff. It might also miss families at high-risk who already have children, for whom evidence-based programs have been shown to reduce abuse, improve health, and promote good parenting practices. Ms. Johnson strongly recommends New Mexico use existing resources and Medicaid to reach those at higher risk.

Rebecca Kilburn, senior economist for Rand Corporation, said findings from the Nurse Family Partnership are helping fuel home-visiting expansions nationwide. However, the Nurse Family Partnership is not a good match for some states, including New Mexico, because of nursing shortages. The First Born home-visiting program might be a better alternative for these states because it uses an innovated staffing model. First Born is already being implemented in New Mexico, 1,400 children were served in 2015.

Rand Corporation, which is an independent, non-partisan organization, evaluated the First Born program. Ms. Kilburn presented a preview of the evaluation findings, currently under review at Peer Reviewed Journals. Because the information is embargoed, Ms. Kilburn said the information cannot be shared or cited.

In response to Representative Hall, Secretary Jacobson said CYFD contracts with home-visiting providers. Home visits are scheduled based on what works for the family. Representative Hall then asked about ensuring entities are not being double funded for children receiving both child care and prekindergarten services. Steve Hendrix, director of Early Childhood Services at CYFD, said the agency has compared the childcare rosters to the prekindergarten rosters. There has been no evidence of double funding.

In response to Representative Larrañaga, Secretary Jacobson said the long-term strategies work group created by the Human Services Department is looking at ways to address Medicaid spending. Using Medicaid financing for home visiting is likely being explored.

In response to Representative Larrañaga, Ms. Johnson said foundation funding can be used for Medicaid match. States typical don't use it for long-term investments.

In response to LFC Director David Abbey, Mr. Hendrix said if the Head Start program is not accounted for in New Mexico's early childhood initiatives, a large number of children will not be addressed. Meetings discussing the Head Start program in the past year have focused on data sharing.

Update on Annual Home-Visiting, Child Care, and Prekindergarten Reports. Steve Hendrix, director of Early Childhood Services at CYFD, said New Mexico is in its fourth year of the Race to the Top Early Learning Challenge Grant. CYFD is currently working on two early child data initiatives funded by the grant; the enterprise, provider, information, and constituent services system (EPICS) and the early childhood integrated data system (ECIDS).

Mr. Hendrix said CYFD has been focusing on improving performance measures. Mr. Hendrix said, except for one, CYFD received the highest rating for each of its programs measured in the second quarter of FY16. Mr. Hendrix said this indicates CYFD is moving in the right direction in achieving its mission.

Next to address the committee was Dana Bell, associate director of early childhood projects at the University of New Mexico Center for Education Policy Research. Ms. Bell presented the third annual *Home Visiting Outcomes Report*. The intention of the report is to communicate how well state funding is doing at accomplishing the goals of home visiting. Since 2013, the home-visiting system has expanded significantly with outcomes that have remained consistent.

Ms. Bell gave a brief overview of the report's findings. Women in home visiting access prenatal care more often and earlier than women statewide. Used for the first time in FY15, an observation tool called the Parenting Interactions with Children: Checklist of Observations Linked to Outcomes (PICCOLO) found that 90 percent of parents who initially scored the lowest levels on measures of nurturing and parental behavioral improved their scores on follow-up screening. Home visiting is making significant contribution in most areas on improving screening and referral rates.

Hailey Heinz, senior policy analyst the University of New Mexico Center for Education Policy Research, then talked about producing the first annual child care data report. The new report will provide information on the investments made, the children being served, the programs, and the providers. The report will be completed in fall 2016.

Lastly to address the committee was Claire Dudley Chavez, executive president of the United Way of Santa Fe County. Ms. Dudley Chavez is also the director of the New Mexico Early Childhood Development Partnership (NMECDP). NMECDP's mission is to create public awareness and political will for increased investments in early childhood care and education in New Mexico. Ms. Dudley Chavez said the organization performs research and analysis on New Mexico early childhood programs with a focus on accountability and quality. NMECDP will be focusing on expanding prekindergarten the next two years.

In response to Representative Hall, Mr. Hendrix said the unique identification numbers that will be assigned to every child receiving services will be not be used in the Public Education Department's student teacher accountability reporting system (STARS). The data system that will be used to produce reports will de-identify the data for confidentiality.

Update on Statewide Compensation Strategy. Justin Najaka, director of the State Personnel Office (SPO), emphasized the state's vision of being an employer of choice, not the employer of last resort. Mr. Najaka said the state should view employees as a business investment rather than a business expense, and investing in quality employees will allow New Mexico to attract and retain the outstanding personnel needed to perform critical work. Mr. Najaka said state government is not a training ground.

To achieve this vision, Mr. Najaka said multiple market-driven pay structures need to be established, occupationally based job families and classification descriptions need to be developed, and use of the Hay system of job evaluation needs to be continued.

The new compensation strategy proposed will establish a classification framework and a compensation system to support agency efforts to attract and retain a qualified workforce, reflect current work performed by classified state employees, and serve as the foundation for all future classification studies and decisions. The new system will have 11 occupationally based pay groups, of which five capture approximately one-third of state government, or about 5,700 classified positions. These five are corrections, health care, information technology, public safety and security, and social services. Given the current economic situation, cost for the project has been reduced to $12 million.

Mr. Najaka stated the biggest problems with the current system are improperly classified positions and poorly design organizational structures. The current system prevented salary structures from being adjusted to address market pressures. The current statewide vacancy rate is 15.5 percent. The high number of vacancies has increased overtime pay. In FY15, $41.2 million was spent on overtime pay.

The committee was then updated on the new corrections salary structure. The Legislature appropriated $4.5 million to the New Mexico Corrections Department (NMCD) to implement the market-driven, occupationally based salary structure. Thirteen levels of work were identified for the 1,450 positions at NMCD. A chart in the presentation compared the salary structure of the 13 levels of work in the current system with the new system. Another chart compared the compa-ratios. In the current system, the average hourly salary of a correctional officer is $14.39, and the average compa-ratio is 86.4 percent. In the new system, the hourly salary of a correctional officer increased to $16.35, with average compa-ratio of 83 percent. The compa-ratios in the new system provide more opportunity for growth. Mr. Najaka provided a chart showing total cost of $3.5 million to bring employees to the new minimum salary for each of the 13 levels of work.

Mr. Najaka said once the new salary structure for corrections is implemented, alternative pay bands will not be needed. The structure addresses the pay issues of groups identified as having the highest turnover rate. Mr. Najaka pointed out that NMCD's unique salary structure will not require multi-agency buy-in and approval. SPO will be measuring the outcomes of the new system to ensure retention rates increase, vacancy rates decrease, overtime costs are reduced, and recruitment lists are improved. Mr. Najaka said it may take a year to see results.

Mr. Najaka then discussed SPO's next priorities, one of which addresses the compensation issues affecting IT employees. A survey conducted by the National Association of Chief Information Officers found that 92 percent of states are challenged in attracting and retaining IT talent because of their salary rates and structures. SPO has completed an IT classification study and will be meeting with Kenning Consulting Inc. to discuss SPO's proposed IT classification framework and salary structure. If the consulting firm supports the proposed framework, SPO will present it to the State Personnel Board in July.

In another priority, SPO will be conducting an engineering classification study. Mr. Najaka said the state is having a difficult time attracting and retaining engineers. The study will analyze the market, review the classifications, and look at correcting non-licensed positions. Mr. Najaka noted that 85 percent of the engineer positions are at the Department of Transportation.

Concluding the presentation, Mr. Najaka said the executive will engage in discussions this summer and fall to identify FY18 compensation initiatives. Implementation of the public safety and security salary structure is one possible initiative. Additional funding of up to $2.5 million may be sought to reduce compaction in the corrections and information technology salary structures.

In response to Senator Neville, Mr. Najaka said first-line supervisors and managers are required to attend the fundamentals of supervision training and the managing employee and performance training conducted by SPO.

In response to Senator Cisneros, Alex Tomlin, deputy secretary of administrative support at NMCD, said NMCD's vacancy rate is a serious problem. NMCD budgeted $15 million for overtime pay in FY16; however, overtime pay could total $17 million by the end of the fiscal year. Ms. Tomlin said the new salary structure will help.

In response to Senator Cisneros, Mr. Najaka said implementing new pay structures for the remaining pay groups will depend on funding. Mr. Najaka added that it will most likely happen in phases.

Best Practices for Sunset Review. Ken Levine, director of the Texas Sunset Advisory Commission, said Texas implemented the sunset process in 1977. Texas uses the sunset process as a key tool for the Legislature to oversee state agencies and improve how Texas government works. Agencies under sunset are abolished unless continued by the Legislature. This forces critical thinking about the need for and performance of an agency. For the past 20 years, the sunset process has been used more for reforming than abolishment.

About 130 agencies are subject to sunset in Texas. Most are executive branch agencies that vary in size. Universities and courts are exempt. Sunset review usually happens every 12 years for each agency. Using the Texas Corrections Department as an example, Mr. Levine said having agencies subject to sunset creates momentum for passing bills and reform.

Texas's Sunset Commission comprises of five senators, five representatives, and two public members. Sunset Commission staff, which operate independently from the commission, evaluate agencies subject to sunset. Led by a director and deputy director, teams of staff are created to evaluate agencies, which take between three and eight months.

The Texas sunset process has three phases: 1) sunset staff evaluation; 2) Sunset Commission deliberation; and 3) legislative action. Mr. Levine noted public involvement throughout the process. Criteria and standards to determine efficiency, effectiveness, and transparency are used in a sunset review. Mr. Levine mentioned that the last sunset review of Texas's human services agencies revealed several areas of duplication.

Mr. Levine spent some time talking about occupational licensing agencies. Questions to consider when reviewing these agencies include the following: Does the agency's occupational licensing program serve a meaningful public interest and provide the least restrictive form of regulation needed to protect the public interest? Could the program's regulatory objective be achieved through market forces, private certification and accreditation programs, or enforcement of other law? What are the impacts of the regulation on competition, consumer choice, and the cost of services?

In dealing with dedicated licensing fee revenue, Mr. Levine said the fairest way to approach it is to require the licensing agencies to limit fee collections to the amount appropriated. In this way, efficiency savings go to the licensees paying for the services.

Mr. Levine said the sunset review process in Texas has streamlined state government, saved taxpayers money, and provided effective legislative oversight.

Mr. Levine said key elements for New Mexico to consider include leadership support, dedicated staff and adequate funding, clear assistance of and access to agencies, and aligning functional areas in review cycles.

Sunny Liu, analyst for the LFC, said New Mexico currently has 35 boards subject to sunset, which are generating $13.5 million in other state funds. Thirty-one are occupational licensing boards. Mr. Liu's brief listed the agencies up for review. The state has sunset a total of two boards in 15 years.

The Mercatus Research Center found that sunset review processes are mostly used to improve efficiencies and identify issues within the agencies subject to sunset and not so much for abolishing the agencies. The sunset process appears to the most effective review process.

Mr. Liu provided the committee the report of the last sunset subcommittee meeting held October 2014. The committee also received a copy of the self-evaluation report that will be sent to the agencies up for review to complete.

Last to address the committee was Charles Sallee, deputy director of the LFC. Mr. Sallee talked about a sunset review he worked on when he worked in Texas. Because the agency had several issues, the Legislature was able to use the sunset process to make substantial reforms.

Mr. Sallee talked about the similarity of Texas's sunset review process and LFC evaluations.

Representative Larrañaga asked if reviewing state statutes is worthwhile. Mr. Levine said it would depend if it has a negative effect on the agency. Mr. Levine said "cleaning up" statutes is not the same thing as sunset.

In response to Representative Hall, Mr. Levine said, when an agency is reviewed, the draft report is sent to the agency and an exit interview is scheduled, which allows the agency to address concerns with the report. Once finalized, the report is published.

In response to Chairman Smith, Mr. Levine said Texas shares the same issues in filling board positions. However, under Texas constitution, board members serve until a replacement is named. Mr. Levine said board members are well informed of the expectation to be present at all board meetings.

Miscellaneous Business

Action Items.

Approval of May Minutes. Senator Cisneros moved to adopt the May meeting minutes, seconded by Representative Hall. The motion carried.

Information Items

Review of Monthly Financial Reports

David Abbey, director, LFC, briefed the committee on information items. Data in the monthly general fund revenue tracking report is relatively the same since last reported.

Christine Boerner, LFC analyst, updated the committee the Health and Human Services Department's (HSD) progress on Medicaid cost-containment efforts. HSD recently reported a $38.9 million reduction in state funds needed for FY17, reducing the projected shortfall to $24.5 million and bringing the FY17 projection in line with what the Legislature appropriated. The $24.5 million deficit is FY16 expenses being pushed forward, in part because HSD does not expect to receive $20 million in additional intergovernmental transfers from University New Mexico Hospital (UNMH) in FY16. For FY17, the federal government will allow a moratorium on a health insurer fee, a federal tax which state actuaries are directed to build into the managed-care organizations managed-care premiums as a cost of doing business, saving the state about

$18 million in general fund revenue. The FY17 projection also includes $32 million in general fund savings anticipated from recently proposed provider rate reductions. Ongoing risks include whether an additional $20 million of intergovernmental transfers from UNMH will materialize in FY17 as budgeted and potential impacts of new federal requirements, such as mental health and substance use disorder parity, managed-care rules, and access to care standards.

The General Appropriations Act of 2016 contains $928.6 million in general fund revenue for Medicaid (including about $15 million for administration), or about $21 million over the FY16 operating budget. With federal matching funds, appropriations to Medicaid will allow the program to spend $5.7 billion, or about $215 million more than the FY16 operating budget but essentially flat with the FY16 projected level.

While FY17 pressures have eased, significant FY18 pressures continue. Changes in the state share of Medicaid expansion will increase again in FY18 and HSD expects a need to replace the $18 million temporary moratorium on insurer fees. While an FY18 projection is not yet available, the department estimates $60 million to $80 million in new general fund need above FY17 levels. These costs are before considering the costs of enrollment, price and utilization increases.

However, by FY18 the program could benefit from recommendations from the Medicaid Advisory Subcommittee, tasked with saving $20 million in the areas of benefit package, eligibility verification, and recipient cost-sharing (with an implementation target of January 1, 2017) as well as longer-term strategies such as targeted payment reform, expansion of health homes, workgroup efforts to reduce non-emergency use of emergency rooms, and new ways to leverage Medicaid.

The memo provided additional detail regarding department cost containment efforts as well as the status of implementation or actions required. The memo also provided additional options for cost containment identified in recent LFC evaluations that would save an estimated $456 million in all funds; although, the department has disagreed with some of these findings. Finally, other options for consideration by the Legislature are the ongoing tax expenditures for the healthcare sector, the fastest growing in the New Mexico's economy, which cost the general fund almost $300 million annually. Reducing these expenditures could help fund future Medicaid costs without significant burdens on citizens.

Charles Sallee, deputy director of LFC, said it is important for legislators to remember that Medicaid spending is going to continue to grow. The purpose of the cost-containment efforts is to slow the rate of growth.

Representative Larrañaga said a letter he recently received from the New Mexico Center on Law and Poverty was incorrect in indicating that Medicaid eligibility requirements have changed. Mr. Sallee said there has been no changes to the benefit package either. David Abbey, director of LFC, directed staff to prepare an executive summary for committee members to address constituent questions and concerns.

<u>Thursday, May 12th</u>
The following members and designees were present on Thursday, May 12, 2016: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Steven P. Neville, Lee S. Cotter, Howie C. Morales, Mary Kay Papen, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano "Lucky" Varela, Nick L. Salazar, Sharon Clahchischilliage, Jason C. Harper, Stephanie Garcia Richard, and Jim R. Trujillo.

<u>Quarterly Report on Capital Outlay Appropriations to Local Governments.</u> Linda Kehoe, principal analyst for LFC, said all local outstanding capital outlay appropriations total $213.8 million. Thirty-six percent of funds authorized in 2012 remain unexpended, 69 percent of funds authorized in 2013 remain unexpended, and 87 percent of funds authorized in 2014 remain unexpended. Ms. Kehoe noted the counties with projects that have large unspent balances. Turning to attachment B, summarizing local outstanding capital outlay appropriations of $300 thousand to less than $1 million, Ms. Kehoe said $59.5 million remains unexpended for the 159 projects appropriated between 2012 and 2015. Ms. Kehoe noted the project status reported by state agencies is at times inconsistent with the status being reported by the local entities. Ms. Kehoe attributed this to local entities not updating the Capital Project Monitoring System (CPMS) monthly, as required by the grant agreement. Also, state agencies may at times only update the system quarterly.

As requested by Representative Larrañaga at a previous LFC meeting, staff presented a new report providing information on projects in their third or fourth year with no expenditures. As of March 2016, $20.2 million remains unexpended for 162 projects authorized in 2012 and 2013. Approximately $2.1 million is scheduled to revert June 30, 2016, for 23 projects. Ms. Kehoe briefly discussed some of the issues affecting the progress of projects and use of funds. Ms. Kehoe mentioned problems with adequate planning and the issuance of bonds when projects were not ready to proceed and anti-donation issues.

Lastly, Ms. Kehoe lastly referred to guidelines for possible use by legislators for funding local capital projects. In 2009, staff from the Legislative Education Study Committee, Legislative Council Services, and LFC collaborated with the Association of Counties, the New Mexico Municipal League, and the Department of Finance and Administration to develop the guidelines for better prioritization and management of projects.

Rick Lopez, director of the Local Government Division (LGD) at the Department of Finance and Administration (DFA) indicated he appreciated being able to work with LFC staff, the New Mexico Municipal League, and the New Mexico Association of Counties on the issues and discussing solutions to improve the capital outlay process for local projects. Mr. Lopez said DFA divisions and bureaus work collaboratively to process capital outlay efficiently and accurately. Mr. Lopez then provided an overview for each division and bureau. Every spring and fall, the Board of Finance staff and bond council analyze over 1,000 new legislatively authorized capital projects for legal compliance, IRS tax code restrictions, and project readiness. The Capital Outlay Bureau, which oversees the capital projects, reviews agency Infrastructure Capital Improvement Plans (ICIPs) to assist the governor in making the executive capital outlay recommendation. LGD has several responsibilities including coordination of local government completion of bond project questionnaires, certifying bonds to be sold, and reviewing local government audits for compliance. The Administrative Services Division coordinates the financial reimbursement process for local government capital projects, reviews W9 information, and gives the final approval of notice of obligations. The Financial Control Division issues an ACH or warrant for each draw received from the Board of Finance.

Bill Fulginiti, executive director of the New Mexico Municipal League (NMML), said many local governments have expressed frustration and confusion with the capital outlay process because of the number of agencies they must work with and the multitude of paperwork. Mr. Fulginiti said many of the forms requested by the various state agencies are different but ask the same information. Mr. Fulginiti said local governments feel the process is too cumbersome and takes too long. For example, processing a grant agreement can sometimes take a year. Mr. Fulginiti suggested some of the processes could be completed before legislative action is taken. Mr. Fulginiti also suggested written guidelines for local governments would be extremely helpful and may reduce the time spent by agencies clarifying deadlines.

Steve Kopelman, executive director of the New Mexico Association of Counties (NMAC), said county governments share the same frustrations with the capital outlay process. Mr. Kopelman said working with the LFC and DFA will make a big difference on improving the process. Mr. Kopelman suggested LFC and DFA staff participate in NMAC's annual two-day educational session on the capital outlay process for newly elected officials.

Mr. Kopelman said one issue is that many projects do not receive adequate funding, making it difficult to move them through. Mr. Kopelman also mentioned the information cities and counties are asked to submit for the ICIP duplicates information cities and counties are required to fill out for capital outlay request forms and for the Board of Finance certifications.

Lastly, Ms. Stephanie Schardin Clarke, deputy secretary of DFA, said when a project is determined not ready before the bonds are issued, it remains on the authorized but unissued list and DFA must reserve capacity for it until it is ready, which sometimes takes two years or could take three to four years if the project is reauthorized. The capacity available to be authorized by the Legislature is therefore decreased by that reserved amount. She also said because there is less taxable severance tax bond capacity than previous years, DFA must now issue taxable projects by borrowing long-term, increasing financial costs.

Ms. Schardin Clarke said until larger project amounts are funded and a fewer number of projects are passed it would be extremely difficult to reduce agency timelines. DFA will be implementing efforts to improve the process, such as issuing the Board of Finance (BOF) bond questionnaire earlier to give the governor more information on projects and allow DFA to move the timing of bond sale up by a month. DFA will also be sending agencies the projects list immediately after the bond sale, expediting the grant agreement process.

Senator Cisneros requested the NMML, NMAC, DFA, and LFC give the same presentation to the Revenue Stabilization and Tax Policy Committee. He also suggested staff develop a capital outlay action plan to address the capital outlay concerns presented by Mr. Kopelman and Mr. Fulginiti. Senator Cisneros then commented on the General Services Department's project management system, which he said provides transparency, and suggested it be expanded to include local projects.

In response to Representative Hall, Mr. Lopez said there has been discussion with LGD to provide legislators training specific to the anti-donation clause in the constitution. Mr. Kopelman said it would be more productive to address the anti-donation issues before legislative action is taken. Regarding the proposed guidelines, Ms. Kehoe said Raul Burciaga, director of the Legislative Council Service (LCS), will be looking at ways to assist in the capital outlay process and still keep confidentiality. Ms. Kehoe suggested LCS leadership allow more shared information without the sponsor's name.

In response to Senator Neville, Ms. Schardin Clarke said the BOF questionnaire could be shared with LCS to address some of the questions included in LCS's capital outlay request form, which takes place first. Ms. Schardin recommended LCS utilize an online database to gather the information. BOF started utilizing an online database to review their questionnaires, and as a result, the online database has significantly reduced the amount of staff time it takes to review and approve questionnaires.

In response to Representative Trujillo, Ms. Kehoe said, because of liability issues, the constitution does allow state money be used for a privately owned building, although there are some exemptions for medical purposes.

Ms. Kehoe lastly commented that the processes required by other key agencies, such as the Department of Transportation and the Environment Department, also need to be included as part of the action plan to improve the capital outlay process.

Program Evaluation: Science, Technology, Engineering and Math (STEM) – Degree Production and Employment Outcomes. Travis McIntyre, Ph.D., program evaluator for the LFC, presented the report *Science, Technology, Engineering and Math (STEM) – Degree Production and Employment Outcomes.* High tech industries have created 65 percent of new jobs since the recession and their employees earn twice as much as the average worker outside the industry. However, while New Mexico is ranked 1st in high tech resources like Ph.D. scientists and federal research dollars per capita, the state is 50th in high tech employment growth since 2000, at negative 30 percent.

High tech industry growth is predicated on innovation, and science, technology, engineering, and math (STEM) education is identified nationally as the driving component of innovation in the 21st century. STEM education is incentivized in the state's higher education funding formula and the innovation cycle largely begins at New Mexico's research institutions, according to the Economic Development Department. The objective of the evaluation was to evaluate STEM degree production and innovation development at higher education institutions. It measured the effectiveness and benefit of incentivizing STEM education, examined the efforts by institutions to incorporate innovation and entrepreneurship into student learning outcomes, and examined how institutions leverage their role as drivers of innovation into economic opportunity for New Mexico.

New Mexico higher education institutions are underproducing STEM graduates for an average high tech economy. Approximately 2,600 STEM students graduate each year for 4,600 high tech job openings, estimated from the Department of Workforce Solutions projections and Brookings Institute data on average high tech job growth in the United States. The high tech industry in New Mexico hires a lower percent of STEM graduates from New Mexico institutions than expected, compared with the industry national average, and the state struggles to retain top out-of-state talent, as out-of-state STEM students who graduate from New Mexico institutions are half as likely to be employed in New Mexico.

Despite shortages of STEM workforce production, STEM graduates working in New Mexico have the highest salaries outside of the health fields. In particular, STEM graduates working in the high tech industry have a higher median salary than graduates from any other field in any other industry. While costs for educating STEM graduates are higher than for non-STEM graduates, the additional costs provide a measurable return on investment to the state.

Universities nationwide are transitioning their educational delivery, research, and administrative services to align with educating and commercializing innovation. New Mexico institutions have been commercializing intellectual property for years but are in the nascent phases of incorporating innovation into their education models and lack a coordination of efforts. The University of New Mexico and New Mexico State University are in the bottom quartile of their peers for the percent of total research dollars that come from corporate-sponsored funding. Additionally, comparing corporate-funded research dollars among UNM's peer institutions shows a statistically significant difference between peers that have institutionalized the leveraging of their research strengths into corporate partnerships versus those that have not. However, there is no evidence that innovative research is being effectively used in New Mexico by institutions or the state as a strategic asset to foster economic investment and interest from corporations at the national or international level. The report recommended that higher education institutions leverage education and research outcomes to more effectively attract and partner with private high tech industry.

Barbara Damron, secretary of the Higher Education Department (HED), said the report effectively highlighted the return on investment for New Mexico from STEM education when STEM graduates decide to work in the state. Secretary Damron said some of New Mexico's research institutions are already working with some corporate partners, such as the biotech partnerships with the Health Sciences Center.

Secretary Damron said the report recognizes the need for coordinated efforts and agreed that corporate relations offices would be beneficial, although increased administrative costs may make it difficult for universities to construct them. Secretary Damon said research universities should also consider examining how corporate funding could be included within the framework of peer-reviewed research while also protecting academic freedom and preserving the faculty promotion and tenure process.

In response to Representative Larrañaga, Mr. McIntyre said Innovate ABQ will not be successful unless the programs are used by researchers, students, faculty, and businesses. Secretary Damron talked about inspiring students through synergy, passion, and enthusiasm to create the force for high tech industries.

In response to Representative Garcia Richard, Secretary Damron said HED is currently working with the New Mexico Institute of Mining and Technology on a new bio-technology program to ensure the program is vetted. Secretary Damron said some of the research institutions have strong relationships with the Sandia National Laboratories and the Los Alamos National Laboratory.

In response to Chairman Smith, Mr. McIntyre said the New Mexico Institute of Mining and Technology receives 15 percent in corporate-sponsored research, most likely ranking the institute high in its peer group.

With no further business, the meeting adjourned at 11:12 a.m.

John Arthur Smith, Chairman

Jimmie C. Hall, Vice Chairman