<u>MINUTES</u>
Legislative Finance Committee
State Capitol, Room 307 - Santa Fe, NM
November 14 - 17, 2022

<u>Monday, November 14</u>
The following members and designees were present on Monday, November 14, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Dayan Hochman-Vigil, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Tara L. Lujan; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, William E. Sharer, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Linda Garcia Benavides, Christine Chandler, Harry Garcia, Ryan T. Lane, and Debra M. Sariñana.

<u>Program Evaluation: Impacts of Past Local Economic Development Act and Job Incentive Training Program Investments.</u> LFC Program Evaluation Manager Micaela Fischer and LFC Program Evaluator John Campbell presented the report *Impacts of Past Local Economic Development Act and Job Incentive Training Program Investments*. Appropriations to the Job Incentive Training Program (JTIP) and Local Economic Development Act (LEDA), two of the state's larger economic development incentive programs, are higher than ever. Since FY16, the state has appropriated over $350 million to JTIP and LEDA. However, the two programs currently carry significant fund balances, $35 million for JTIP and $64 million for LEDA.

The Economic Development Department (EDD) has made improvements to LEDA and JTIP policy and reporting, and additional reforms and improvements could build on this progress. Some reforms to law, regulation, and policy could benefit from transparency measures and other guardrails to provide better reporting and increased accountability. In particular, the LEDA statute lacks some processes necessary to align with model economic development policies. These processes include a clear way to prioritize potential state investments and an open and transparent application process wherein a company must demonstrate that its relocation or expansion would not occur but for the state's investments.

JTIP and LEDA projects sometimes create fewer quality jobs than projected and funds are not consistently clawed back for unfulfilled job promises. Analysis of employment at companies after receiving LEDA or JTIP funding reveals many expand and hire new employees; however, for about one-third of all LEDA agreements and half of JTIP agreements, businesses do not grow as projected at the time of the grant agreement. This has been tempered somewhat by changes in policy by EDD to switch from the historical practice of giving all money awarded through LEDA to the company upfront and instead provide the money in tranches as the company meets milestones. However, inconsistency in pursuing clawbacks when possible under agreements remains, with approximately $4.1 million in foregone clawbacks from agreements between FY16 and FY21.

Finally, the state should improve how it monitors post-investment impacts of JTIP and LEDA. EDD began an effort to do this for LEDA in 2022, after proposing additional performance measures in 2019 to provide greater information on LEDA and JTIP results. However, EDD could do more in its quarterly Accountability in Government Act (AGA) reporting to demonstrate how LEDA and JTIP funds result in job growth and other positive economic impacts over time. Further, because JTIP and LEDA are only two of several tools that state and local governments use to entice businesses, there is a need for more comprehensive reporting and analysis of total public investment into private corporations.

LFC staff recommend EDD

- Work with the Legislature to amend the LEDA statute to include high-level goals, such as expanding the tax base or creating living wage jobs;
- Promulgate rules for state LEDA funding that define
    - An open, formal process through which all companies seeking state LEDA funding apply,
    - Local support expectations for LEDA projects with exceptions for very small communities, and
    - Criteria and scoring rubrics by which the department might approve projects and determines award levels;
- Better monitor agreements for compliance with job creation obligations and not release state funding if job creation obligations have not been met;
- Develop a policy that details when LEDA agreements with companies that have no job creation commitments are appropriate;
- Work with LFC and Department of Finance and Administration staff to revise the agency's quarterly AGA reporting for JTIP and LEDA to include actual expenditures, actual jobs created, and actual average wages;
- Create policies and procedures for EDD staff to create an annual public report to the JTIP board on
    - One-year retention compliance for JTIP employees and any necessary clawback actions,
    - Three-year retention of JTIP employees by a company, and
    - Three-year wage growth of JTIP trainees, with the period including both pre- and post-training wage levels; and
- Work with the Workforce Solutions and Taxation and Revenue Departments before December every year to provide a report to LFC that summarizes the suite of economic development incentives by company in the prior fiscal year and the estimated costs and actual economic improvements caused by those incentives.

EDD Secretary Alicia Keyes said New Mexico is experiencing strong employment and economic growth statewide. Since the last recession, however, economic development has become more competitive. The secretary explained New Mexico's population is the size of a median city on the east coast, making it difficult to convince companies the state has enough skilled workforce to meet their needs. Fortunately, JTIP and LEDA is helping New Mexico compete. Secretary Keyes reported a 315 percent return to the state for every dollar invested in LEDA.

Secretary Keyes said EDD has worked the last four years to improve the efficacy, transparency, and accountability of JTIP and LEDA. The agency phased-in a 36 percent increased JTIP minimum wage to support jobs that build wealth. EDD scrutinizes every LEDA project carefully.

Despite progress, Secretary Keyes said the agency recognizes more progress can be made and welcomes the opportunity to work with the Legislature and LFC staff.

Representative Chatfield asked why companies in certain industries, like leisure and hospitality, are ineligible for LEDA funding. Secretary Keyes said LEDA is focused on bringing out-of-state money into New Mexico through manufacturing and creating goods.

In response to Representative Garcia, Secretary Keyes said EDD hired more regional reps last year to work with rural communities on MainStreet, outdoor recreation, and other economic development opportunities. Vice Chairman Muñoz noted the Legislature recently appropriated the Department of Finance and Administration $10 million to hire additional grant writers.

In response to Representative Allison, EDD Division Director Mark Roper said a project to develop infrastructure for Shiprock's flea market would be eligible for LEDA funding under the retail provision.

Aging and Long-Term Services Department (624). LFC Analyst Kelly Klundt said the Aging and Long-Term Services Department (ALTSD) requests $79 million from the general fund for FY24, a 50 percent increase over FY23. The request includes $10 million for New Mexicare and $8.7 million for grants in the Aging Network program.

Highlighting key performance data, Ms. Klundt said ALTSD continued to miss a significant portion of its targets in FY22. In the fourth quarter, the Aging and Disability Resource Center (ADRC) received 6,899 calls, lower than prepandemic levels. The Consumer and Elder Rights Program met its target, however, for its percent of ombudsman complaints resolved within 60 days. The number of abuse, neglect, and exploitation investigations conducted by the Adult Protective Services Program increased but did not reach the target in FY22. No instances of repeat maltreatment were reported. The Aging Network Program did not meet its target for the number of transportation units and caregiver support hours provided. ALTSD and the Area Agency on Aging are developing a plan to establish Medicaid funded adult daycare and other services. This could significantly increase both funding resources and services availability of adult daycare services by senior centers statewide.

Of the $72.1 million in capital outlay appropriated to ALTSD for six "$1 million or greater" projects, $65.9 million remains unexpended, including $6 million of $10 million appropriated for a project funded in 2018. Ms. Klundt said, as with other capital projects in the state, ALTSD is facing challenges in getting projects underway and completed due to supply chain, construction cost, and labor issues.

ALTSD Secretary Katrina Hotrum-Lopez noted recent accomplishments and said plans are underway for the Kiki Saavedra senior dignity fund. ALTSD's vacancy rate decreased from 14 percent to 6 percent.

Secretary Hotrum-Lopez said ALTSD requests a $13.5 million budget expansion: $3 million for transportation services in rural areas, $10 million for New Mexicare, $91 thousand for Alzheimer's and other dementia initiatives, $69 thousand for community health work, $110 thousand for Aging

Network Program support, $90 thousand for food, farm, and hunger initiatives, and $100 thousand Senior Services Bureau support.

ALTSD also requests $41.6 million in nonrecurring general funds: $500 thousand for intergenerational childcare and senior care, $280 thousand for the IT Medicaid management system, $800 thousand for area agencies on aging, and $40 million for the Kiki Saavedra senior dignity fund. Secretary Hotrum-Lopez said anticipated projects for the senior dignity fund include a ramp construction program and windshield time coverage program.

An overview of requested budget language was provided.

Secretary Hotrum-Lopez said only about 18 percent of New Mexicans age 65 and older are eligible for Medicaid, leaving many to rely solely on Medicare coverage. New Mexicare is a new program that will provide all-inclusive caregiver support services through a participant-centered, self-directed model of service delivery. Each participant will be provided with an individualized budget allotment that can be used for several services, including home care, respite care, and adult day services.

Secretary Hotrum-Lopez said ALTSD requests an additional $60 thousand for the Consumer and Elder Rights Program to help recruit and retain staff, allow for cross-training, and improve responsiveness to calls and accuracy of referrals.

In response to Representative Sweetser, Secretary Hotrum-Lopez said ALTSD will continue to administer other service programs already in place, separate from New Mexicare.

In response to Representative Allison, ALTSD Office of Indian Elder Affairs Director Rebecca Baca said the agency works with the Navajo Nation and provides funding to ensure meals for seniors on the reservation.

In response to Representative Armstrong, ALTSD Aging Network Director Denise King said New Mexico has approximately 240 senior centers; 60 percent are in rural areas.

State Land Office (539). LFC Analyst Helen Gaussoin said the State Land Office (SLO) is funded from the land maintenance fund, which derives its revenue from sustainable trust land activities. For FY24, SLO requests a budget of $23.5 million, a $1.65 million increase over FY23. Ms. Gaussoin said the requested increase includes $600 thousand for a satellite data service subscription and $718 thousand for personal services and employee benefits, of which $177 thousand is an expansion of 2 FTE.

Deputy Commissioner of Operations Sunalei Stewart said New Mexico state trust land generated a record-breaking $2.41 billion in FY22, a $1.16 billion increase over FY21. Earnings for the land grant permanent fund totaled $2.32 billion, and earnings for the state lands maintenance fund totaled $92.9 million. Highlighting other key accomplishments, Mr. Stewart said SLO tripled renewable energy capacity under lease, increased recreational access by 28 percent, and finalized a Santa Ana Pueblo land exchange.

Mr. Stewart said SLO's accomplishments are resulting in larger workloads in almost every division, and with limited staff, the agency is finding it difficult to oversee the 13 million acres of state trust land. Mr. Stewart said a $718 thousand increase in personal services and employee benefits would allow the agency to fill vacancies and add 2 additional FTE to meet increased workloads.

Mr. Stewart said SLO's subscription to Planet Labs, a satellite data service, is used to monitor state trust land, helping to detect trespasses and spills. In FY21, the agency received a special appropriation for the subscription. To include the cost of the subscription in the operating budget, SLO requests a $600 thousand increase in other uses. SLO also requests new budget adjustment request (BAR) language to allow the agency to request budget increases from other state funds or federal funds received from other state agencies up to $3 million for fire-related prevention and response activities.

In response to Senator Kernan, Mr. Stewart said right-of-way fees on state trust land have always been imposed, including a charge for access to install fiber-optic internet.

Parole Board (760). LFC Analyst Ellen Rabin said the Parole Board requests $725 thousand from the general fund for FY24, an $84 thousand increase over FY23. The agency requests the increase to fully fund all filled and unfilled positions.

Ms. Rabin said the Parole Board continued to reduce the cancellation rate for parole hearing in FY22; however, the agency experienced significant performance difficulties in other key areas: The share of parole hearings resulting in a parole certificate fell from 74 percent to 66 percent and the share of parole revocation hearings held within a month of a parolee's return to custody fell from 90 percent to 63 percent. Also, no applications for medical or geriatric parole were granted in FY21 and FY22, despite receiving 88 applications during the height of the pandemic when New Mexico's prisons had the highest Covid-19 mortality rate in the country.

Acting Director Deborah Romero said the Parole Board comprises 15 volunteers who receive per diem and mileage, but not compensation for the time it takes to prepare for hearings. Case review ranges from 30 minutes to 1.5 hours. Members currently average 20 cases per month; however, Ms. Romero said the Parole Board is working to be more efficient and increase the number of cases handled. Electronic processes, DocuSign, and a general email box were recently implemented.

If the budget increase is approved, the Parole Board will have a staff of 7 FTE, including a new financial coordinator. Ms. Romero said the agency also requests $242 thousand to compensate members for their time preparing for hearings.

Office of the Governor (356). LFC Analyst Jessica Hitzman said the Office of the Governor requests $5.5 million from the general fund for FY24, a $60 thousand increase over FY23. The office requests the increase to cover a slight personnel risk rate increase.

The Office of the Governor requests a flat budget for contracts and other costs, including $96 thousand for the governor's contingency fund. In FY22, the office spent $25 thousand from the fund, including $16.5 thousand on food and beverage.

Teresa Casados, chief operations officer for the Office of the Governor, said the FY24 budget request is a 1.1 percent increase.

Senator Woods asked the Office of the Governor to consider including the purchase of meat in Double Up Food Bucks Program.

Attorney General (305). LFC Analyst Brendon Gray said the Attorney General's Office (NMAG) requests $70.2 million for FY24, a $39 million increase over FY23. Majority of the increase—$37.4 million—is requested from the general fund, including $590 thousand for a 5 FTE expansion to better investigate internet crimes against children and $35.9 million for a 221 FTE expansion to eliminate contracted counsel in the Consumer and Environment Protection Division. NMAG's base budget request includes an additional $2.3 million from the consumer settlement fund, a 20.1 percent increase over FY23.

Attorney General Hector Balderas said the office is working closely with the next attorney general to ensure a smooth transition, leaving information and stability so important executive decisions can be made quickly on arrival.

If approved, Attorney General Balderas said NMAG's budget increase would allow the agency to aggressively litigate critical cases like the *Texas vs. New Mexico* federal lawsuit. Currently, litigation efforts are paused midtrial to attempt a settlement through mediation. Additional funding for the case will be needed even if a settlement is reached.

Attorney General Balderas said a plan is needed for settlement money received from opioid litigation, of which 55 percent is to be disbursed to counties and local governments and 45 percent to the state.

Incoming Attorney General Raul Torrez thanked Attorney General Balderas and his staff for their work in preparing the new administration.

In response to Representative Garcia, Chief Deputy Attorney General Cholla Khoury said some pieces of the Gold King mine spill litigation have been resolved. Ms. Khoury said settlement money will be disbursed to the communities impacted, but not to individuals.

In response to Vice Chairman Muñoz, Ms. Khoury said attorney salaries at NMAG average between $75 thousand and $80 thousand. Vice Chairman Muñoz expressed concern for NMAG's ability to hire an additional 226 FTE.

Representative Allison said it is disappointing that NMAG has not directed funding toward solving the missing and murdered indigenous women and relatives' crisis, adding it should also be a top priority.

Department of Cultural Affairs (505). LFC Analyst Amanda Dick-Peddie said the Department of Cultural Affairs (DCA) requests $41.1 million from the general fund for FY24, a $3.1 million increase over FY23.

In FY22, DCA received $2.2 million in federal revenue due to an influx of pandemic relief funding. Ms. Dick-Peddie said, while the additional revenue alleviated lost revenue during closures, visits to museums and historic sites have not returned to prepandemic levels.

As of September, $12.2 million remains unexpended of $32 million in capital outlay appropriated to DCA for twelve “$1 million or greater” projects.

Secretary Debra Garcia y Griego provided an overview of current activity and said DCA’s goals are to expand access and inclusion, grow collective impact, enhance stewardship of cultural resources, and increase partnerships in rural and tribal communities. According to DCA FY22 performance data, 683,424 people visited museums and historic sites, 426,526 people participated in educational programs, 356,959 children participated in programs, 1.3 million people attended arts funded programs, and 3,294 artists received professional development training. Also, DCA completed 98 percent of historic preservation reviews within 30 days. Secretary Garcia y Griego said DCA works closely with the Tourism Department to coordinate marketing and other activities.

DCA’s requested budget increase includes a $2 million expansion of 30 FTE (permanent janitorial staff). Secretary Garcia y Griego said the agency requests the expansion to achieve acceptable cleaning standards at museums, cultural centers, and sites statewide. In general, one custodian per 47,000-80,000 square feet is considered unhealthy. DCA currently has eight custodians for its 964,054 square feet of space, amounting to 120,500 square feet per custodian.

Secretary Garcia y Griego said DCA requests four special appropriations: $8 million to implement a 20th anniversary program, $600 thousand to purchase project management software, $150 thousand to replace IT hardware, and $15 million to support the rural library endowment. DCA capital outlay requests total $19.6 million, including $2.9 million for the National Hispanic Cultural Center, $758 thousand for the Los Lucero Historic Site, $1.4 million for the Museum of Space History, $1.2 million for the Farm and Ranch Heritage Museum, and $1.8 million for the New Mexico History Museum.

In response to Senator Hemphill, Secretary Garcia y Griego said American with Disabilities Act (ADA) compliance is a top priority and the agency is actively working to make improvements at facilities. Ten DCA employees recently participated in ADA training and are now certified.

In response to Chairwoman Lundstrom, Secretary Garcia y Griego said DCA’s vacancy rate is currently 10 percent. The vacant positions are financial, administrative, and security; none are custodial.

Department of Information Technology (361). LFC Analyst Jessica Hitzman said the Department of Information Technology (DoIT) requests $86.7 million for FY24, an $8.9 million increase over FY23. The request includes a $5.5 million increase from the general fund: $500 thousand for the new Office of Broadband Access and Expansion and $5 million for cybersecurity services.

Highlighting key FY22 performance, Ms. Hitzman said DoIT exceeded its target for the number of vulnerability scans performed. In FY24, the agency will implement four new measures for the new broadband office.

Also next fiscal year, DoIT service rates will increase an average of 4.8 percent, except for the SHARE subscription, which Ms. Hitzman said will decrease.

Ms. Hitzman said 29 IT funding requests were submitted by state agencies for FY24, totaling $217 million: $104.1 million from the general fund, $31.3 million from other state funds, and $81.6 million from federal funds. Requests include the reauthorization of funding for some ongoing projects.

Secretary Designee Peter Mantos said DoIT is responsible for

- Developing the state's strategic direction for information technology,
- Delivering enterprise IT services and telecommunications for executive agencies,
- Performing oversight of IT projects and procurements,
- Delivering high-quality and cost-effective IT services,
- Reducing exposure of the state's computer assets to cybersecurity risks, and
- Providing government technology investment oversight with transparency, consistency, and fiscal responsibility.

DoIT's $86.7 million budget request includes an estimated $60.5 million in enterprise revenue. Outlining the request by program, Secretary Designee Mantos said the equipment replacement fund was created for the purpose of acquiring and replacing capital equipment and associated software used to provide enterprise services. For FY24, DoIT requests $12.7 million for the fund, of which $9.5 million is enterprise services funding and $3.3 million is fund balance. The request is a $2.2 million increase.

DoIT requests $6.6 million from the general fund for the Compliance and Project Management Program, a $5 million increase. The agency requests the increase for cybersecurity services. DoIT Chief Security Officer Raja Sambandam said businesses spend on average 10 percent of their IT budget on cybersecurity, according to a recent study.

DoIT requests $1.3 million from the general fund for the Office of Broadband Access and Expansion (OBAE), a $500 thousand increase. The agency requests the increase to hire 5 additional FTE, which OBAE Director Kelly Schlegel said is needed to prepare, plan, and administer federal funding for broadband deployment and digital equity initiatives across the state. DoIT also requests to transfer 0.5 FTE from the Enterprise Services Program to OBAE to make the program's FTE count whole.

Of the 29 IT funding requests submitted by state agencies, 23 are being considered for recommendation to fund. Secretary Designee Mantos said the list of recommended projects will be submitted to LFC on November 21.

In response to Representative Garcia, Secretary Designee Mantos said DoIT currently has 31 funded FTE positions vacant.

In a memo to LFC, Ms. Hitzman reported on an incident that cut off thousands of cell phone and internet users in the Laguna Pueblo, Grants, and Gallup area, disrupting communication with first responders, banks and business, and other essential services. The outage happened on September 21 and services were not returned until the next morning, 14 hours later.

Ms. Hitzman said representatives from Lumen—previously CenturyLink—reported the incident was caused by a fiber optic line cut along Interstate-40 during sewer construction by another contractor, primarily affecting Lumen customers. However, because other companies rely on Lumen carrier towers, other local services and telecommunication carriers were also affected. There is currently no network redundancy in the area, so residents were unable to access services in place of Lumen during the outage.

To prevent future outages, Lumen reported they are applying for federal funds to build more redundancy in the area, potentially collaborating with other local carriers like Sacred Winds. Lumen is also exploring potential interconnection points between Farmington and Gallup.

In other efforts, the University of New Mexico-Gallup (UNM-Gallup) is building a connection point at the institution to provide additional redundancy, which is part of a statewide education network project led by the Public School Facilities Authority and other stakeholders.

OBAE Director Kelly Schlegel said the office is working with Lumen to coordinate efforts for more redundancy. Ms. Schlegel said Lumen is developing a plan for enhanced locator services to prevent cut fiber in the future. To build redundancy, Lumen is anticipating continuing negotiations with the Navajo Tribal Utility Authority, building fiber between Flagstaff and Albuquerque, building fiber to the UNM-Gallup node, and leasing lit fiber from another internet service provider in the area.

Ms. Schlegel said OBAE set up a meeting with the state Department of Public Safety and Homeland Security departments to determine plans for emergency services during fiber outages.

Lumen Government Affairs Director Leo Baca said the provider cares about its customers and is actively working to prevent a future outage.

Chairwoman Lundstrom asked OBAE to provide the committee an estimated cost to expand the middle-mile network to meet state broadband priorities.

Tuesday, November 15

The following members and designees were present on Tuesday, November 15, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Dayan Hochman-Vigil, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, William E. Sharer, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Cathrynn N. Brown, Ambrose Castellano, Harry Garcia, and Ryan T. Lane; and Senator Bill Tallman.

Department of Finance and Administration (341) and Special Appropriations (344). LFC Analyst Jessica Hitzman said the Department of Finance and Administration (DFA) requests $45.3 million from the general fund for FY24, a $16.7 million increase over FY23. The increase includes two expansions: $13.6 million for hunger and food initiatives and $850 thousand for 4 FTE in the new federal infrastructure office that will oversee federal infrastructure funding.

DFA also requests an additional $2.5 million in federal revenue for federal grants management, including 6 new FTE. Ms. Hitzman noted of the nearly $8 million appropriated for federal grants management and oversight in FY23, DFA has spent $653 thousand of administrative and personnel funds and $2.9 million of funds available for grants management to local governments and councils of governments. However, the agency has yet to distribute $1.5 million for contract grants management or $1 million for grants to local governments to match federal funding.

Ms. Hitzman said the FY24 general fund request for nonoperating appropriations includes a $142 thousand increase for leasehold community assistance and $253 thousand increase for the land grant council.

Ms. Hitzman said DFA currently has 35 capital outlay projects rated red.

Secretary Deborah Romero said DFA is entering a new chapter and developing new roles as it continues to navigate pandemic response and manages new state and federal funding. These new roles include administering direct constituent programs. Highlighting recent accomplishments, Secretary Romero said DFA mobilized boots on the ground during the Calf Canyon fires to provide vendor remediation and processing advice to state and local entities. DFA created an online web platform for the emergency rental assistance program (ERAP) and launched a state and federal grants reporting dashboard for better spending, tracking, and transparent reporting. The agency also established the Federal Grants Bureau to help track, plan, and report the unprecedented amount of federal funds to the state.

Secretary Romero said DFA is currently managing over $1.7 billion worth of federally funded programs. Funding for ERAP ($203 million) is expected to be fully expended by next spring; however, DFA is building off the federal program and launching the housing stability program to continue to help at-risk communities navigate housing obstacles in New Mexico.

Reporting on executive grant initiatives, Secretary Romero said the purpose of the food security grant (FSG) program is to build a robust food system for New Mexicans and create food access for those dealing with food insecurity. All of the initial $24.7 million appropriated for the initiative in FY23 has been expended. Kendal Chavez, food and hunger coordinator for the Office of the Governor, said the state has made significant progress in reducing food insecurity; however, one in four children and one in eight adults in New Mexico are still food insecure. Ms. Chavez said in addition to a base increase, a $41.1 million special appropriation is requested for the initiative. Ms. Chavez noted a majority of the request ($31 million) would support universal free meals for students, but the amount was currently a placeholder. DFA is planning to launch an online dashboard to report the status of hunger initiative investments.

The regional recreation centers and quality of life grant program has $45 million available; however, the program received 147 applications for projects totaling $244 million. The emergency watershed protection grant program will be administered in two phases: aerial seeding and mulch and on-ground point protection. The capacity grant, matching grant for federal funding, and law enforcement fund are three other initiatives.

Secretary Romero outlined DFA's budget request and said the agency's workload has increased. The request includes an additional $712 thousand to fill vacancies. DFA requests a $300 thousand supplemental to cover a shortfall in contractual services.

In response to Vice Chairman Muñoz, Secretary Romero said all federal Coronavirus Aid, Relief and Economic Security Act funding appropriated to New Mexico has been expended. Spending of American Rescue Plan Act funding, however, is in various stages.

In response to Senator Sharer, Vice Chairman Muñoz said the amount of an executive order is capped at $750 thousand; however, the number of executive orders is not limited.

General Services Department (350). LFC Analyst Joseph Simon said the General Services Department (GSD), funded primarily through service fees and insurance premiums, requests a budget of $608.1 million, a $36.7 million increase over FY23. The increase includes $26.9 million for expenditure authority in Employee Group Health Benefits, $5 million for a 33 FTE expansion in Facilities Management, and $1.1 million for increased litigation costs in Risk Management.

Mr. Simon said GSD has not raised health benefit premiums since 2019, resulting in large differences between revenue and expenditure in FY22 and FY23. As of October 17, the health benefits fund was $72.9 million overdrawn. The life insurance fund also has a shortfall. To cover both deficits, GSD requests supplemental and deficiency appropriations totaling $96 million.

Agencies FY24 budget requests do not include additional funding for health benefits premium rate increases. GSD's request for health benefits, however, is $91 million above projected FY23 revenue.

Mr. Simon said GSD has a large number of outstanding capital outlay projects; however, the majority are progressing on schedule.

GSD Secretary John Garcia said Senate Bill 39 of 2022 renewed the preference that New Mexico veteran-owned businesses receive in bidding on state contracts. The legislation also increased the bidding preference for other in-state businesses and, for the first time, allows Native American-owned businesses operating on tribal land to qualify for the preferences. Highlighting other recent accomplishments, Secretary Garcia said GSD

- Launched a new IT security training campaign for GSD staff,
- Implemented a strategic sourcing module for SHARE to better track state spending,
- Completed construction of a secure storage facility for the Department of Public Safety,

- Renovated the Lamy and Montoya buildings to provide daycare for children of state employees,
- Obtained a federal judge's order, in coordination with the Department of Health, to end the so-called *Jackson* lawsuit, a 35-year-old landmark case that challenged conditions in state-run institutions for intellectually and developmentally disabled New Mexicans, and
- Added the first hybrid pickups to motor pool.

Secretary Garcia said GSD's FY24 budget request consists of three budget components: $55.9 million for program operating budgets, $103.8 million for risk funds, and $448.4 million for employee health benefits. General fund accounts for $23.8 million, or 4 percent, of the request. The secretary noted the agency requested an 18.7 percent increase in the personal services and employee benefits category to fully fund unfunded positions and for 33 additional FTE in the Facilities Management Division. Secretary Garcia said the growth of GSD responsibilities have outpaced funding received for administrative and workforce needs. GSD's vacancy rate is currently 19 percent.

GSD is increasing training opportunities for staff, implementing phase two of the strategic sourcing module for SHARE, and purchasing additional zero-emission and low-emission vehicles. Also, the agency is working to increase use of the Stay Well Health Center. Secretary Garcia listed several other initiatives.

Secretary Garcia said GSD requests three special appropriations: $1.5 million to purchase new vehicles, $1.2 million to overhaul or replace both engines on the GSD aircraft, and $480 thousand to increase security at state buildings in Santa Fe.

In response to Representative Small, Secretary Garcia said GSD contracted Aon to identify ways to improve management of the health benefits fund. The agency is also reviewing best practices in other states. Secretary Garcia said GSD has not increased premiums due to the pandemic. Vice Chairman Muñoz expressed concern that state employees could soon face significant premium increases, creating greater hardship than if rates were instead slowly increased the last few years.

In response to Representative Armstrong, Secretary Garcia said the majority of vehicles in GSD's motor pool are GPS tracked.

Program Evaluation: State Facilities and Space Utilization. LFC Program Evaluators Clayton Lobaugh and Annie Armatage presented the report *State Facilities and Space Utilization*. State government has a significant physical footprint, with roughly 22 million square feet of owned and leased building space. This building space costs the state approximately $158 million each year in maintenance, utilities, and rent. Yet, the state is underusing its available building space, a problem that predates but is exacerbated by trends in telework.

Before the pandemic, state agencies were underutilizing available space. This underutilization has been partially caused by agencies using budgeted full-time employees (FTE) as a benchmark for space needs despite a 21 percent statewide employee vacancy rate in state government. Underutilization has been exacerbated by lower levels of filled positions and more recently by telework since the pandemic. Based on August 2022 data, up to 38 percent of state employees telework on any given day.

Over multiple site visits, LFC staff found entire office buildings and several building floors of unused office space. For example, almost all employees of one agency occupying a building with a $1.2 million annual lease continue to telework, and the agency had no existing return-to-work plan.

New Mexico is at a crossroads, where the state could return to a prepandemic level of office use or reduce its building square footage in response to fewer employees and increased telework practices. While other states have reduced facilities footprints and lease costs in response to telework, New Mexico is paying up to $18 million statewide for unoccupied office space.

As noted in a recent LFC evaluation, the State Personnel Office has not enacted a systemwide policy or future goals regarding telework, despite these being recommended best practices from the U.S Government Accountability Office. In the absence of a statewide telework policy, the General Services Department's Facility Management Division (FMD) cannot plan the state's future space needs. Additionally, FMD lacks data to actively monitor and manage how agencies use space within buildings. FMD is not fully exercising its statutory authority to oversee agency use of state building space and should establish rules for determining whether agencies are effectively using their assigned space, whether requests for additional space are needed, and for reassigning unused space. The state has not enacted building use fees to incentivize agencies to manage space efficiently even though there is statutory authority to do so.

At the same time, the state is planning a new $221.6 million executive office building that includes a $46 million underground parking garage. However, plans for the executive office building were developed prior to the pandemic and the onset of teleworking. The agencies expected to occupy the new building have high rates of telework and LFC staff observed hundreds of unused parking spaces around the state capitol campus.

LFC staff recommend the General Services Department (GSD)

- Change its space planning standards within the next fiscal year to plan building space needs based on funded FTE;
- Establish rules by FY24 for determining whether agencies are utilizing their assigned space, whether requests for additional space are necessary, and reassigning space that is unused by agencies;
- Pilot a building use fees schedule in FY25 for state agencies under its jurisdiction occupying state-owned buildings in Santa Fe;
- Set regulations by FY24 making the purchase of future state buildings contingent on the implementation of building use fees for occupants of those buildings; and
- Revise plans and cost estimates for the executive office building with recent construction cost estimates and expected occupant telework practices.

The State Personnel Office should set a systemwide telework policy with consistent eligibility criteria for telework and report it to the Legislature, by January 2023.

GSD Secretary John Garcia said the agency expects state employee telework to end in the near future. The secretary noted agencies also plan for growth when determining their office space needs.

Secretary Garcia said GSD appreciates the report and will consider LFC staff recommendations.

Senator Sharer suggested a cost-benefit analysis be conducted on state employee telework.

Department of Public Safety (790). LFC Analyst Ellen Rabin said the Department of Public Safety (DPS) requests $163.1 million from the general fund for FY24, a $13 million increase over FY23. The increase includes $2.1 million for New Mexico State Police (NMSP) officer pay and $9.3 million for a 66 FTE expansion: 18 FTE for the forensic lab, 12 FTE for the Certification Board, 10 FTE for IT, 11 FTE for the Standards and Training Council, 10 FTE for the Law Enforcement Records Bureau, and 5 FTE for the Administrative Services Division. Ms. Rabin noted the Certification Board and Standards Training Council were recently established under 2022 legislation.

Highlighting key performance data, Ms. Rabin said NMSP arrests fell in FY22, but driving while intoxicated (DWI) arrests increased compared with last year. DPS experienced significant challenges in state police staffing this year, with a record number of retirements driving the agency's highest vacancy rate at 12.1 percent. Large pay raises implemented in FY23 and retention payments may help improve manpower. Also, the now larger academy classes may help combat high levels of retirement.

Three of the four units in the forensic laboratory increased their productivity in FY22, and the laboratory ended its case backlog 29 percent lower than the prior year. The Law Enforcement Academy Board also decreased its backlog, with 45 percent fewer outstanding misconduct cases at the end of FY22.

Ms. Rabin said DPS requests language to extend three FY22 special appropriations through FY24, including $9 million to purchase vehicles. The agency also requests $3.1 million in special appropriations to purchase equipment and conduct job task analysis.

The majority of DPS "$1 million or greater" capital outlay projects are progressing on schedule, except a $1 million project appropriated in 2020 for a firing range. DPS capital outlay requests this next session include $8.5 million for a reality-based training facility project, which Ms. Rabin said relates to the firing range project.

Outlining DPS' budget request by program, Secretary Jason Bowie said agency budget priorities for FY24 are to continue recruitment and retention efforts, enhance training and available technology, and meet staffing needs. DPS requests a $3.6 million base increase from the general fund for the Law Enforcement Program: $843 thousand is for IT maintenance and support, $732 thousand is for tasers and ammunition, and $2.1 million is for the officer pay plan to place 250 personnel in the correct rank step based on their years of service. DPS also requests an $800 thousand special appropriation to purchase bulletproof plate carriers and ballistic shields and $400 thousand special appropriation to purchase investigative technology. The secretary pointed out

NMSP plays an important role in aiding other law enforcement agencies by providing support and sharing resources and expertise they would otherwise not have access to.

DPS requests $25.8 million from the general fund for the Statewide Law Enforcement Support Program, an $8.9 million increase over FY23. Majority of the increase is to expand by 61 FTE. DPS is working to implement the new Certification Board and Standards Training Council under the program. Providing an overview of other activity in the program, Secretary Bowie said the Law Enforcement Academy (NMLEA) provides basic training and certification of officers for state, county, municipal, and tribal law enforcement agencies. In FY22, NMLEA and academy satellites together graduated 405 individuals. The Law Enforcement Records Bureau is the designated criminal justice information services systems agency for the U.S. Department of Justice. Only one agency in every state has this unique designation. The Forensic Laboratory Bureau will relocate to a new 44 thousand square feet building in the spring. The bureau is comprised of three laboratories that serve more than 300 law enforcement and criminal justice agencies. Special appropriations requested for the Statewide Law Enforcement Support Program include $1.25 million to conduct job task analysis and $300 thousand to purchase video surveillance.

For Program Support, DPS requests $6.1 million from the general fund. The request includes $520 thousand for a 5 FTE expansion.

In response to Senator Rodriguez, Ms. Rabin said recruitments are expected to outpace retirements in FY23, with 655 state police officers anticipated at the end of FY23. State police force strength averaged 635 officers in FY22.

Representative Lane remarked on the high-stress work of dispatchers. NMSP Deputy Chief Troy Weisler said DPS expanded its wellness program to dispatchers. Deputy Chief Weisler said dispatcher pay will continue to be a priority as duties of the job become more technical.

In response to Senator Tallman, Secretary Bowie said recruitment and retention continue to be the agency's biggest challenge.

Public Defender Department (280). LFC Analyst Brendon Gray said the Public Defender Department (PDD) requests $76.3 million from the general fund for FY24, a $13.2 million increase over FY23. Of the increase, $5.7 million is for a 60 FTE expansion (30 attorneys and 30 core staff), which Mr. Gray said is in response to recommendations of a recent workload study. The increase also includes $4.2 million to raise compensation of contract attorneys, $1.2 million to raise compensation of targeted positions, and $919 thousand to cover higher operation costs.

Mr. Gray said PDD's vacancy rate increased from 8 percent in FY21 to 14 percent in FY22.

Chief Public Defender Bennett Baur said the workload study of New Mexico's public defense system, published last January by American Bar Association Standing Committee on Legal Aid and Indigent Defense and Moss Adams, found PDD needs three times as many of attorney hours to provide reasonably effective assistance counsel. PDD's requested budget increase includes $11.1 million to begin implementing the study's recommendations. Mr. Baur said the additional

FTE in the request does not achieve the full recommendation of an additional 602 attorneys; however, it is an initial step in improving indigent representation and providing direct client services, including social workers and case managers assessing client needs, and matching clients with available community services. The additional FTE would also bring PDD closer to staffing parity with district attorney offices.

Mr. Baur said PDD intends to fully implement the recommendations over a five-year period.

Public Defender Commission Chairman Thomas Joseph Clear shared two stories of public defense successes. Chairman Clear said New Mexico public defenders are not always able to humanize their clients as much as they want to because their caseloads are too high, however. Chairman Clear urged the committee to consider PDD's budget request.

In response to Chairwoman Lundstrom, Mr. Baur said PDD's vacancy rate increased during pandemic; however, conditions are improving to fill vacancies.

In response to Representative Lane, Mr. Baur said public defender workloads averaged 264 cases in FY22.

Public Regulation Commission (430). LFC Analyst Amanda Dick-Peddie said voters approved a constitutional amendment in 2020 to replace the five-member elected Public Regulation Commission (PRC) with a three-member appointed PRC. Effective January 1, 2023, PRC members will be appointed by the governor, instead of through district elections. The governor will nominate members from a qualified list of nominees compiled by the PRC nominating committee.

Ms. Dick-Peddie said PRC requests $12.2 million from the general fund for FY24, a $1.1 million increase over FY23. The agency requests the increase to cover higher personnel costs related to the upcoming transition and to supplant a $449.2 million reduction in budgeted pipeline safety fee revenue with general fund revenue.

PRC Chief of Staff Wayne Propst thanked legislators for their continued support and said PRC has made progress in filling vacancies. Recently, the agency converted two long-time vacant positions into two attorney positons for its general counsel office, which Mr. Propst said had been understaffed.

Mr. Propst said the nominating committee held public hearings interviewing 15 candidates over two weeks in October and will finalize its recommendations on December 2. Mr. Propst said a budget increase would put the new commission in a better position to serve the state.

Senator Woods remarked on PRC's staffing level, which he thinks is too low.

In response to Chairman Muñoz, Mr. Propst said PRC's new office location is not large enough for its entire staff. Most PRC staff are currently telecommuting.

Secretary of State (370). LFC Analyst Jessica Hitzman said the Secretary of State (SOS) requests $22 million from the general fund for FY24, a $7.5 million increase over FY23. The request reflects an even-year budget need for two elections and includes a $79 thousand expansion for a trainer business implementation specialist.

Ms. Hitzman said SOS also requests $104 thousand in fee revenue and $526 thousand in fund balance.

Secretary of State Maggie Toulouse Oliver said a budget increase is needed to cover higher election costs, noting redistricting created new precincts and polling locations. Also, same day voter registration was implemented.

Secretary of State Toulouse Oliver said the agency is working to fill vacancies. Currently, the Administration and Operations vacancy rate is 29 percent and Elections vacancy rate is 16 percent. The agency is also working to change the funding mechanism for elections. The secretary explained SOS will now request half the budget for elections every year, instead of the full amount every other year. The purpose is to have a more predictable year-to-year budget with less variance and fluctuation.

SOS requests $4.1 million in supplemental appropriations, including $770 thousand for a shortfall in Administration and Operations and $675 thousand for a shortfall in Elections. Secretary of State Toulouse Oliver said the agency also requests a one-time infusion of $20 million to the statewide election fund.

In response to Representative Lane, Elections Director Mandy Vigil said the two upcoming election recounts are together expected to cost $15 thousand.

Public School Insurance Authority (342). LFC Analyst Joseph Simon said the Public School Insurance Authority (NMPSIA) provides risk and benefit insurance for 88 school districts, 100 charter schools, and 25 other educational entities. NMPSIA does not receive general fund appropriation and health and risk insurance premiums are fully funded with employer and employee contributions. For FY24, NMPSIA requests a base budget of $487.7 million, of which $24.5 million is an increase for Benefits, $19.5 million is an increase for Risk, and $61 thousand is an increase for Program Support.

Noting key policy issues, Mr. Simon said a growing number of school districts are voluntarily picking up a larger share of health insurance premiums. Current law allows school districts and charter schools to cover up to 80 percent of health insurance premiums. In Risk, high dollar sexual misconduct claims and excess insurance cost increases are posing challenges. In FY23, NMPSIA anticipates paying approximately $57.8 million for excess insurance coverage for property and liability. From FY19 through FY22, the agency paid $168.4 million for the insurance; however, excess insurance recoveries totaled $36.8 million over the same period, a net loss of $131.6 million.

Executive Director Patrick Sandoval said NMPSIA's budget request includes an expansion of one FTE to support executive staff.

Reporting on current activity, Mr. Sandoval said NMPSIA benefit offerings are robust. Available prescription drug coverage was recently switched from Express Scripts to CVS Caremark. Benefits enrollment has steadily declined since 2014, which Mr. Sandoval attributed to Medicaid expansion and the exit of Central New Mexico Community College. However, NMPSIA gained New Mexico Tech in 2019. NMPSIA is currently covering 75,164 lives. Medical and prescription drug claims totaled $357 million in FY22, of which $311 million was plan paid. The agency is requesting two appropriations to reimburse FY21 and FY22 Covid-19 expenses, totaling $25 million. NMPSIA will increase health insurance premiums by 7.2 percent in FY24.

In FY22, property and liability claims totaled $34.1 million and workers compensation claims totaled $8.8 million. Mr. Sandoval listed NMPSIA's loss prevention efforts, including threat assessment and active shooter training to reduce the probability of an incident of multiple victim school violence, a technical assistance program to help primarily small school districts handle special education claims, training on identifying a predator to reduce the number of sexual molestation claims, and an on-site school facility audit program to reduce the frequency of workers' compensation, liability, and property claims. NMPSIA will increase risk insurance premiums 6 percent in FY24.

In response to Senator Tallman, Mr. Sandoval said the majority of risk claims in FY22 were sexual molestation and weather-related claims.

Retiree Health Care Authority (343). LFC Analyst Joseph Simon said the Retiree Health Care Authority (RHCA) does not receive general fund appropriation and is fully funded with employer and employee contributions, member premiums, and a distribution from the tax suspense fund. For FY24, RHCA requests a base budget of $398.5 million, a $14.4 million increase over FY23. The request includes a $281 thousand expansion of 3 FTE.

Mr. Simon noted state statute mandates the distribution from the tax suspense fund grow at a 12 percent annual rate, roughly doubling the amount every six years. Revenue in the tax suspense fund would otherwise be directed to the general fund.

Executive Director Neil Kueffer said RHCA serves 302 public employer groups; 50 percent are school districts and charter schools, 25 percent are state agencies, and 25 percent are municipalities, counties, and universities. Over 92 thousand active employees are contributing to the health program, providing benefits to 68 thousand retirees. The average age of beneficiaries is 70. About 1,700 beneficiaries are under the age of 55.

Mr. Kueffer said RHCA conducts a solvency study annually to monitor the condition of its program and assist the board in determining where changes need to be made to ensure sustainability of the program. The trust fund, which had a balance of $1.05 billion in September, is projected to remain solvent through 2053. The Government Accounting Standards Board (GASB) 74 valuation, completed in December 2021, reported RHCA unfunded liability totals $4.4 billion.

Mr. Kueffer said RHCA's budget request reflects the following assumptions:

- Modest growth in overall plan participant numbers and an increase in the number of members electing lower premium/higher out-of-pocket expense plans;
- Continued migration and election of lower costing Medicare Advantage Plans compared with Medicare Supplement; and
- Growth in medical and pharmacy plan costs resulting from increases in cost and utilization in plans.

Mr. Kueffer said RHCA requests a $476 thousand increase for Program Support, primarily to meet staffing needs. The agency also requests a $26 million special appropriation to lower its unfunded status.

Mr. Kueffer said employee and employer contribution increases will be proposed this upcoming session:

- One percent of salary to 1.17 percent of salary for employees who are not covered by an enhanced retirement plan and 1.25 percent of salary to 1.47 percent of salary for employees covered by an enhanced retirement plan, and
- Two percent of payroll to 2.33 percent of payroll for employees who are not covered by an enhanced retirement plan and 2.5 percent of payroll to 2.93 percent for employees who are covered by an enhanced retirement plan.

Wednesday, November 16

The following members and designees were present on Wednesday, November 16, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, William E. Sharer, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Linda Garcia Benavides, Cathrynn N. Brown, Randal S. Crowder, Susan K. Herrera, Ryan T. Lane, Willie D. Madrid, and Debra M. Sariñana; and Senators Crystal R. Diamond, Martin Hickey, Gerald Ortiz y Pino, and Bill Tallman.

Energy, Minerals and Natural Resources Department (521). LFC Analyst Scott Sanchez said the Energy, Minerals and Natural Resources Department (EMNRD) requests $155.7 million for FY24, a $75.3 million increase over FY23. The request includes a record $68.9 million in federal revenue, largely federal Infrastructure Investment and Jobs Act (IIJA) funding. The request also includes a $10.8 million increase from the general fund.

Deputy Secretary Todd Leahy said the objective of EMNRD's FY24 budget request is to build capacity to adequately administer fire and natural resource protection, extractive industry oversight, state park visitation enhancement, and sustainable building certification. Mr. Leahy said the request also reflects a 9 percent adjustment for inflation.

By program, Mr. Leahy said EMNRD requests $32 million for State Forestry to fight fires, conduct local firefighter training and support, and implement post-fire watershed recovery. The request is a $13.8 million increase, of which $7 million is for an 86 FTE expansion.

For Oil and Gas Conservation, $57.2 million is requested, a $44 million increase. Of the increase, $25 million is IIJA funding to plug abandoned and orphaned wells. The request is also a $2.8 million increase from the general fund, primarily for a 20 FTE expansion consisting of compliance officers, petroleum specialists, environmental specialists, and legal and IT staff. According to a University of New Mexico's Bureau of Business and Economic Research report, Oil and Gas Conservation staffing has not kept pace. Mr. Leahy said additional staff would improve permit and remediation processing time, supporting the state's budget by keeping operations and cleanup running in a timely and efficient manner. The additional staff would also bring increased revenue to the state through increased remediation and reclamation activities.

Forty-one million dollars is requested for State Parks. The request includes $12.7 million from the general fund, a $2.7 million increase. Mr. Leahy said EMNRD requests a general fund increase for the program to fill vacancies and cover higher operating costs.

For Energy Conservation and Management, $5.5 million is requested. The request includes an additional $44 thousand from the general fund for personnel services and employee services to support two federally funded term employees, which Mr. Leahy said will improve response times and increase efficiency within the sustainable building tax incentive program.

Of the $423 thousand requested from the general fund for Mine Reclamation, $268 thousand is for a 2 FTE expansion to support implementation of the Water Data Act. EMNRD also requests an additional $3.8 million in federal revenue for mine reclamation.

For Program Support, EMNRD requests $4.1 million from the general fund, a $73.5 thousand increase. Mr. Leahy said EMNRD requests the increase to support retention efforts.

In response to Senator Gonzales, State Forestry Director Laura McCarthy said contractors are currently working to collect burned wood, which will later be sold as firewood. Also, the state is assisting the U.S. Forest Service in transporting the logs cut during the fire suppression efforts to community centers in Mora and San Miguel counties to be made available to people with a firewood permit.

Representative Armstrong remarked on the need for improvements at Elephant Butte State Park.

In response to Senator Woods, Mr. Leahy said fees collected for Oil and Gas Conservation permitting are used to support hearings and IT infrastructure. State Parks Director Toby Velasquez the State Parks fee schedule has not changed since 1998. In the past, legislative approval was needed to adjust EMNRD's various fee schedules.

Chairwoman Lundstrom asked Representative Small and Senator Gonzales to develop a public-private partnership (P3) proposal for oil and gas reclamation.

Office of the Superintendent of Insurance (440). LFC Analyst Amanda Dick-Peddie said the health insurance premium surtax rate generates revenue for the health care affordability fund, which may be used to reduce premiums and out-of-pocket healthcare costs for New Mexicans who qualify for coverage, reduce premiums for small businesses and their employees, and provide resources for planning, design, and implementation of healthcare coverage initiatives. FY23 distributions from the fund were $58 million for cost reductions and $31.7 million for recurring Medicaid expenses.

For FY24, the Office of Superintendent of Insurance (OSI) requests from the health care affordability fund $10.4 million for premium assistance, $15.7 million for out-of-pocket assistance, $38.6 million for small business premium relief, $22.8 million for coverage for uninsured residence, and $3.42 million for administration of the programs.

Highlighting recent accomplishments, Superintendent Russell Toal said OSI took action to ensure every funeral home and storage shed operator is in compliance with state statute. OSI saved or recovered $2 million for 1,038 consumer complainants. The office also helped several consumers with positive resolution of their complaints that did not directly involve monetary recoveries. OSI lowered title insurance rates by 6 percent and workers comp rates by 10.7 percent. Also this past year, OSI conducted considerable wildfire outreach.

Superintendent Toal said OSI collections are projected to total $82.5 million in FY24. Over 50 percent of collections will be received by the patient compensation fund. Revenue from licenses and renewals is distributed to five funds: insurance operations, general fund, fire protection, Carrie Tingley, and law enforcement protection.

Superintendent Toal said OSI operates solely on revenues generated by the agency, without the use of general funds. For FY24, the agency requests $60 million, a $6.8 million increase over FY23. The request includes a $1.8 million expansion of 19 FTE and $1.4 million for contract management of the patient's compensation fund, a flow-through expenditure program that pays malpractice settlements for member physicians and hospitals. OSI also requests a transfer of $1.8 million and 15.5 FTE from the Insurance Policy Program to create a stand-alone program for Insurance Fraud and Auto Theft. OSI's vacancy rate is currently 9 percent.

Superintendent Toal said OSI special appropriation requests include $32.5 million to eliminate a deficit in the patient compensation fund and reduce the rate of impact of nondeficient related rate increases and $1.5 million to reimburse the Medical Insurance Pool for lost premiums due to the Covid-19 emergency. From health care affordability fund, OSI requests a $92 million special appropriation for FY24 initiatives and a $2.3 million supplemental for FY23 small business health insurance premium relief. Superintendent Toal said an actuarial report on the fund will be released at the end of FY23.

In response to Representative Lane, Superintendent Toal said state statute mandates the deficit in the patient compensation fund is to be eliminated by the end of 2026. To help provide the fund financial stability, Superintendent Toal recommended the state remove physician responsibility for the deficit. In response to Chairwoman Lundstrom, Superintendent Toal said the current base budget for the fund is not enough to meet needs over the next two years.

Vice Chairman Muñoz asked OSI to provide the committee the list of physician and hospital claims paid by the patient compensation fund. Superintendent Toal noted it takes about five years on average for a malpractice claim to reach full resolution.

Workforce Solutions Department (631). LFC Analyst Eric Chenier reported key data for LegisStat discussion and said New Mexico's current unemployment rate is near prepandemic levels, but the labor force participation rate (LFPR) is persistently low. About a quarter of the state's population is not employed but is of working age. If New Mexico's LFPR was at the national average, the state would have close to 100 thousand more workers.

In July, LFC conducted a LegisStat hearing with the Workforce Solutions Department (WSD). The agency was asked what the state can do to make participation in the state's labor force more competitive nationally, whether it would be reasonable to set a goal for bringing people back into the labor force, researching why the state's participation rate is shrinking more quickly than the national rate within key demographics, what more the state could do to attract more workers, and researching national best practices and evidence-based options for growing the labor force. The committee also asked WSD to provide a plan for the two appropriations totaling $10 million for adult and youth reemployment and case management services.

In an initial written response, WSD did not provide concrete ideas for substantially increasing participation in the state's labor force. Mr. Chenier said the agency cited efforts other state agencies are engaged in such as creating the opportunity scholarship, increasing childcare access, increasing higher education enrollment, improving criminal justice re-entry programs, and addressing high substance abuse rates.

Mr. Chenier said WSD requests $14.4 million for FY24, a $3.9 million increase over FY23

WSD Secretary Designate Sarita Nair said there are currently about 30 thousand more jobs available than there are unemployed people. To help fill the gap, WSD is focusing on meeting its performance targets.

Secretary Designate Nair said WSD's FY24 budget request includes $2.4 million to fund administrative positions from the general fund and $239 thousand to hire two additional FTE for the Labor Relations Division. The request also includes $2.2 million to support state government workforce initiatives, primarily state agency apprenticeships.

In 2022, WSD received two special appropriations for adult and youth reemployment and case management services, totaling $10 million. Secretary Designate Nair said WSD is spending $5 million on Be Pro Be Proud, a program operating in several southern states to get youth interested in working in professions such as welding, electronics, and machining. The remaining $5 million will be spent on case management system upgrades.

Education Trust Board (949). LFC Analyst Sarah Helms said the Education Trust Board (ERB), which is self-supported through an administrative fee on its plans, requests a 7.9 percent operating budget decrease, from $3.5 million in FY23 to $3.3 million for FY24. The budget decrease is in response to slowed revenue projections and decreasing fund balances.

Executive Director Natalie Cordova said ERB administers New Mexico's 529 plans. A 529 plan is an education savings plan operated by a state or educational institution designed to help families set aside funds for future college costs. Plan assets can be used to pay for the expenses of postsecondary education, public or private. All earnings and withdrawals from a 529 plan are free from federal and state income taxes if used to pay for qualified educational expenses. Contributions by a New Mexico taxpayer may be deducted from income for New Mexico individual income tax purposes if used to pay for qualified higher education expenses. Ms. Cordova pointed out New Mexico's 529 plans attain the highest cap ratings.

Ms. Cordova said studies find students with college savings between $1 and $500 are three times more likely to attend college and four times more likely to graduate high school.

Ms. Cordova said ETB's FY24 budget request aligns with current revenue projections. The request also reflects a slight increase in personnel costs. ETB conducts outreach year-round. Recently, ETB partnered with the New Mexico Community Trust and launched an online application process for the Saving for Success, a new private donor funded program that will award 50 eligible New Mexico students with up to $1,000 invested in a 529 plan.

New Mexico Lottery Authority. LFC Analyst Sarah Helms said the New Mexico Lottery Authority (NMLA) saw unprecedented revenues in FY21, possibly related to participants diverted from pandemic-related casino closures. Since then, NMLA gross revenue has decreased. Transfers to the legislative lottery scholarship fund in FY22 totaled $41.1 million, a $5.4 million decrease from FY21.

NMLA Chief Executive Officer David Barden said scratcher sales totaled $80.1 million in FY22, comparable with previous years except FY21, when scratcher sales reached $95.5 million.

Mr. Barden said the New Mexico lottery is required by statute to return a minimum of 50 percent of proceeds to players in the form of prizes and 30 percent to the lottery scholarship fund. Remaining funds are allocated to cover the cost of products as well as retailer commissions and administrative costs. Between 14.5 percent and 16 percent of NMLA gross revenue is spent on operations. Mr. Barden noted retention challenges.

Miscellaneous Business.

Action Items. Senator Gonzales moved to adopt the LFC October 2022 meeting minutes, seconded by Senator Campos. The motion carried.

Representative Garcia moved to adopt the LFC Sunset/Sunrise October 2022 report, seconded by Representative Armstrong. The motion carried.

Representative Small moved to adopt the LFC Subcommittee A report, seconded by Senator Campos. The motion carried.

Senator Rodriguez moved to adopt the LFC Subcommittee B report, seconded by Representative Garcia. The motion carried.

Representative Small moved to adopt the LFC contracts, seconded by Vice Chairman Muñoz. The motion carried.

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

District Attorneys/Administrative Office of the District Attorneys (251-265). LFC Analyst Brendon Gray said $99.6 million is requested for district attorneys in FY24. The request includes $95.2 million from the general fund, a $6.3 million increase over FY23. District attorneys request the increase to raise attorney salaries, fill vacancies, replace lost revenue, and offset lapsing federal grant funding.

Marcus Montoya, district attorney for the 8th Judicial District and president of the New Mexico District Attorneys Association (NMDAA), said the majority of the increase is to support recruitment efforts and ensure enough district attorneys statewide. Mr. Montoya explained the overwhelming vacancy rate and inability to compete with current salary demands makes prosecuting serious violent crimes much more difficult and denies citizens justice that agencies are entrusted to provide.

Mr. Montoya said the increase also includes the replacement of lost revenue due to legislation that stopped the collection of preprosecution diversion program fees. The replaced revenue will be used to continue district attorney training and legal education and cover costs associated with network bandwidth infrastructure services throughout the state.

Henry Valdez, director of the Administrative Office of the District Attorneys, said the office requests $3.6 million from the general fund for FY24, a $743 thousand increase over FY23. The request includes $200 thousand to cover higher operation costs and $212 thousand to add 2 additional FTE: an application developer and a special program director.

Presenting the FY24 budget request by district, Mr. Gray said the 8th Judicial District requests $4 million for FY24. The request is a $353 thousand increase from the general fund. Mr. Montoya provided an overview of the district's budget priorities and highlighted recent activity.

The 6th Judicial District requests $4 million for FY24. The request includes a $9,000 increase from the general fund. District Attorney Michael Renteria said the district requests the increase to support recruitment and retention efforts and supplement funding for federal grant positions.

The 3rd Judicial District requests $7.4 million for FY24. The request includes a $701 thousand increase from the general fund. Chief Deputy District Attorney Heather Chavez said the request includes $183 thousand to add 2 FTE: a victim witness assistant and program assistant. Ms. Chavez said the increase would also be used to purchase case management software, replace IT equipment, and cover travel and training costs.

The 11th Judicial District, Division 2, requests $3.9 million for FY24. The request includes a $353 thousand increase from the general fund. District Attorney Bernadine Martin said the district requests the increase to contract a prosecutor and secure better internet. Ms. Martin said the district is having trouble filling vacant positions. In response to Vice Chairman Muñoz, Ms. Martin said many interviewees say they want to work from home, which the district cannot accommodate.

The 5th Judicial District requests $7.2 million. The request includes a $122 thousand decrease in general fund. District Attorney Diana Luce said the district is experiencing recruitment issues while facing high crime. Ms. Luce said all staff are working in district offices, not teleworking.

The 9th Judicial District requests $4.1 million. The request is a $22 thousand increase from the general fund. District Attorney Brian Stover said the district is also dealing with high crime. Mr. Stover thanked legislators for increasing attorney pay last legislative session.

The 12th Judicial District requests $5.5 million for FY24. The request includes a $951 thousand increase from the general fund. District Attorney Scott Key said the increase includes funding to add an additional FTE for human resources, offset lost federal dollars, and support recruitment and retention efforts.

The 10th Judicial District requests $1.9 million for FY24. The request is a $149 thousand increase from the general fund. District Attorney Tim Rose said the district implemented pretrial services this year. Mr. Rose said the district requests the increase to fill vacancies and add an FTE: a program specialist for pretrial services.

The 7th Judicial District requests $3.4 million for FY24. The request is a $187 thousand increase from the general fund. District Attorney Clint Wellborn said the district requests the increase to fund two already existing positions.

The 4th Judicial District requests $4.5 million for FY24. The request is a $442 thousand increase from the general fund. District Attorney Thomas Clayton said the lack of available housing and other rural issues in the district are impacting attorney recruitment. Mr. Clayton said the increase includes $249 thousand to cover expert witness costs. In response to Senator Campos, Mr. Clayton said the district is working with the county commission and local law enforcement to address substance use disorders in the district.

The 11th Judicial District, Division 1, requests $7.3 million for FY24. The request includes a $912 thousand increase from the general fund. District Attorney Rick Tedrow thanked the committee for its support and invited members to visit the district.

The 13th Judicial District requests $8.4 million for FY24. The request includes a $1.2 million increase from the general fund. District Attorney Barbara Romo said the district requests the increase to fill vacancies. Ms. Romo said violent crime increased 18.8 percent and community crime increased 40.9 percent this past year. The district is currently handling 52 homicide cases.

The 2nd Judicial District requests $29.8 million for FY24. The request includes a $315 thousand increase from the general fund. Chief Administrative Officer Carla Martinez said the district requests the increase for an expansion, keeping positions that were previously funded with federal dollars.

The 1st Judicial District requests $8.5 million for FY24. The request includes an $879 thousand increase from the general fund. District Attorney Mary Carmack-Altwies said the district made great progress in addressing a backlog this past year. To further progress, Ms. Carmack-Altwies said the district requests the increase to add 5 FTE and purchase IT software.

Reports of Joint Committee Work Groups. Reporting on the issues impacting the state employee health benefits program, Senator Martin Hickey said the U.S. healthcare inflation rate is projected to be between 10 percent and 20 percent this next year. The General Services Department (GSD) has not increased benefit premiums since 2019, leading to large deficits in the health benefits program. Annual Interagency Benefits Advisory Committee (IBAC) costs are trending upward of 6 percent, well above other states, which Senator Hickey said could largely be because of “billed charges” contracts by third-party administrators and the lack of joint purchasing by IBAC. Also, there are major discrepancies in percent of employee personnel costs between agencies and limited oversight, accountability, and action to contain costs and improve health.

Senator Hickey said Aon, a human resource consulting firm, is working with third-party administrators to get voluntary actions for GSD. Recommending other actions to address issues, Senator Hickey said the state should

- Secure a claims payment integrity review consultant for auditing,
- Implement insurance "law of large numbers" for lower per capita costs,
- Obtain data from each IBAC agency third-party administrator for audits of claims and establishment of optimal benefit design for cost and health access and improvement,
- Engage Milliman for a comparison of New Mexico health spend, benefits, and trends to other governmental entities in the United States and report best practices, and
- Allow only one year for the next IBAC request for proposal.

For the long term, Senator Hickey said the state should fundamentally re-think how state-supported health benefits are purchased, consider a universal benefit and beneficiary cost design, and require health status improvement accountability.

Chairwoman Lundstrom asked Senator Kernan and Representative Small to keep apprised of Senator Hickey’s full report.

Senator Martin Hickey reported on tobacco issues impacting the state and said 34 percent of high school students and 17 percent of middle school students vape. According to research, youth who vape are seven times more likely to advance to cigarettes. Almost 3,000 deaths in New Mexico annually are directly related to smoking. Vaping enhances addiction pathways leading to much greater likelihood of other addictions. New Mexico is in top tier of opioid addiction. New Mexico only spends $8.9 million on nicotine and tobacco interventions.

Senator Hickey recommended the state

- Impose a new tax on all nicotine products and delivery systems,
- Invest more on nicotine and tobacco interventions,
- Require managed care organizations to enact prevention activities,
- Ban smoking in racinos,
- Enact a pre-emption exception that allow municipalities and counties to increase regulation on sales,
- Support Attorney General litigating on national settlement, and

- Allocate some opioid settlement money to nicotine prevention.

Senator Gerald Ortiz y Pino said the Legislative Health and Human Services Committee (LHHS) recommends the 2023 Legislature fund

- A $10 million appropriation to the Human Services Department (HSD) for a program that provides first-year funding for behavioral healthcare providers that open practices in shortage areas and serve Medicaid patients;
- A $5 million annual recurring appropriation to pay behavioral healthcare providers who act as preceptors;
- A $5 million appropriation to provide or supplement salaries of behavioral healthcare providers who have graduate degrees in social work, psychology, and counseling, but are not yet licensed due to supervision requirements;
- A $100 thousand to the Higher Education Department to study temporarily expanding eligibility for the opportunity scholarship to students enrolled in graduate programs in psychology, social work, counseling, and psychiatric nursing;
- A $25 million appropriation to create an expendable healthcare trust fund for healthcare capital outlay projects, equipment, and workforce training, recruitment, and retention programs;
- An appropriation to operate four new school-based health center vans that provide services in rural and underserved areas;
- A $20 million appropriation to HSD to support a statewide program to provide people experiencing homelessness access to services;
- A $1.1 million appropriation to the Board of Regents of the University of New Mexico for a program that collects data on the prevalence of cervical cancer and the impact of prevention measures;
- An appropriation to HSD for supportive housing programs in Dona Ana County for people in recovery from substance use disorder and living with mental illness;
- A $2 million appropriation to make the LHHS a year-round committee; and
- An appropriation to fund the family center in Dona Ana County that will work to prevent adverse childhood experiences and trauma.

Representative Andres Romero said many school districts across the state are using federal pandemic relief funding to employ additional staff, including ancillary staff. To ensure school districts are able to keep the additional staff and continue to meet other needs after the federal dollars are depleted, the Legislative Education Study Committee recommends raising the at-risk index multiplier, providing flexible funds to support at-risk students. Representative Romero said the recommendation is a $53.2 million increase.

Representative Romero said other LESC recommendations include

- Providing salary increases for all school personnel and include appropriations for scheduled employer retirement contribution increases and proposed employer insurance contribution increases,
- Repurposing earmarked appropriations for K-5 Plus and Extended Learning Time to raise instructional hours, establish minimum professional work hours, and incentivize the flexible addition of calendar days through a new K-12 Plus factor,
- Increasing funding for elementary physical education, fine arts programs, and instructional

materials,
- Increasing the transportation distribution,
- Increasing funding for initiatives related to the Indian, Hispanic, and Bilingual Multicultural education acts, and
- Increasing funding for evidence-based programs, such as structured literacy and teacher residencies.

Representatives Nathan Small and Jack Chatfield said the LFC natural resources workgroup is working to identify potential solutions for major statewide water issues, such as several significant appropriations to the Office of the State Engineer to promote settlement of *Texas v. New Mexico* and to undertake projects to comply with terms. The workgroup is also looking to recommend funding for
- State match for federally-authorized projects in the Middle Rio Grande and San Acacia reaches,
- Completion of the state's cost-sharing obligation for the eastern New Mexico rural water system,
- Long-term solvency of the water trust fund, and
- Forest and watershed health and land and water conservation and restoration.

Representative Ryan Lane said the LFC courts and criminal justice workgroup worked this year to identify key issues and recommendations for New Mexico’s criminal justice system. Representative Lane said the workgroup recognizes the need for continued investments in recruitment, retention, and targeted pay increases.

The workgroup reviewed Department of Public Safety IT projects, including a new statewide criminal justice information system. Representative Lane said there are funding options for crime reduction grants, including resources for local jurisdictions to identify frequent system users.

The workgroup is looking to recommend funding for universal screening, professional peer support, loan repayment programs, rural judiciary clerkship pilot, and comprehensive reentry supports. Also, the workgroup supports continued efforts to address Hepatitis C infections in correctional facilities.

Thursday, November 17
The following members and designees were present on Thursday, November 17, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, William E. Sharer, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Linda Garcia Benavides, Cathrynn N. Brown, Ryan T. Lane, and Willie D. Madrid; and Senator Crystal R. Diamond.

Assistance Available Through State Agencies for Finding Funding for Capital Projects. Among other duties, the New Mexico Environment Department (NMED) guides local and tribal governments on addressing infrastructure needs, which Deputy Secretary Rebecca Roose said includes advising on project development and presenting funding options. As does the New

Mexico Finance Authority, NMED administers infrastructure funding programs, including a refinance loan program.

Johanna Nelson, strategic programs manager of the Economic Development Department (EDD), said FundIt is a program that connects projects to funding opportunities from over 20 different state and federal entities and strives to leverage financing opportunities. Ms. Nelson said the program was created to increase awareness of opportunities, support coordination, and address limited capacity and funding. FundIt connects projects to over 20 funding organizations at one meeting. The program also connects projects to funding organizations on its online hub.

In response to Representative Small, Ms. Nelson said up to five projects are in a meeting.

In response to Representative Baca, Ms. Roose said approximately $100 million in drinking water state revolving loan funding is currently available for projects.

New Mexico Judicial Unified Budget. New Mexico Supreme Court Chief Justice Shannon Bacon outlined the judiciary's FY24 budget priorities, including judicial compensation. The judiciary requests $13.3 million for judicial and employee salary increases. Chief Justice Bacon remarked on the need to tie justice pay to federal magistrate pay.

To support judicial education services, the judiciary requests $2.1 million to create a judicial education services division within the Administrative Office of the Courts (AOC).

Providing an overview of the judicial unified budget process, Artie Pepin, director of AOC, said each district submits a budget request to AOC. The requests are presented in budget committee hearings. The budget committee then makes budget recommendations to the judicial council to develop a unified budget request.

Administrative Office of the Courts (218). LFC Analyst Brendon Gray said the Administrative Office of the Courts (AOC) requests a budget of $71.3 million for FY24, a 3.5 percent increase over FY23. The request includes a $2.4 million increase from the general fund; however, funding for the court appointed attorney program decreased $5.2 million because the newly created Office of Family Representation and Advocacy will absorb most responsibilities. After accounting for the transfer, AOC requests a net general fund revenue increase of $7.7 million.

Of the $7.7 million net general fund revenue increase, $2.3 million is for a 35 FTE expansion, $1.2 million is for positions previously funded with fee revenue, $736 thousand is for magistrate court lease costs, and $2.1 million is for the transfer of the Judicial Education Center at the University of New Mexico to AOC.

By program, AOC Director Pepin said the agency requests a $285 thousand increase from the general fund for Administrative Support to fund two positions previously funded with fee revenue and add 2 FTE. AOC requests a $1.5 million increase from the general fund for Magistrate Court to cover magistrate court and warrant office lease costs, security costs, and add 5 FTE. AOC requests a $3 million increase from the general fund for Statewide Judiciary Automation to fund eleven positions previously funded with Supreme Court automation funding, add 9 FTE, and cover

IT costs. AOC requests a $1.2 million decrease from the general fund for Special Court Services. However, the request is a net general fund increase of $2.3 million due to a transfer of responsibilities to the new Office of Family Representation and Advocacy and transfer of the jury and witness fee fund. Outside the programmatic changes, the request for Special Court Services includes an additional $581 thousand to cover higher operation costs and $280 thousand to add 3 FTE.

District Courts (231-243). The 1st Judicial District Court requests $13.7 million for FY24. The request includes a $438 thousand increase from the general fund. Chief Judge Bryan Biedscheid said the court's request includes a 0.25 FTE expansion to support the administration of services, including counseling.

The 12th Judicial District Court requests $6.6 million for FY24. The request includes a $494 thousand increase from the general fund. Chief Judge Angie Schneider said the court's request includes funding to add 1 FTE and cover a magistrate judge salary shortfall.

The 2nd Judicial District Court requests $36.9 million for FY24. The request includes a $1.8 million increase from the general fund. Chief Judge Marie Ward said the court requests the increase for operation and personnel costs. The court also requests a $331 thousand supplemental appropriation to cover a judge salary in FY23.

The 13th Judicial District Court requests $14.9 million for FY24. The request includes a $1.4 million increase from the general fund. Chief Judge George Eichwald said the court is facing increased workload due to population growth in the district. The court requests the increase to fill two vacancies, add 2 FTE, and cover pretrial services and security costs. The request also includes additional funding for the foreclosure settlement program.

The 3rd Judicial District Court requests $14.3 million for FY24. The request includes a $1 million increase from the general fund. Chief Judge Manuel Arrieta said the court requests the increase to cover personnel costs, hire additional staff for pretrial services, and support the veterans' treatment court.

The 11th Judicial District Court requests $14.6 million for FY24. The request includes a $1 million increase from the general fund. Chief Judge Curtis Gurley said the court requests the increase to cover judge salaries and add 6 FTE.

The 4th Judicial District Court requests $5.6 million for FY24. The request includes a $441 thousand increase from the general fund. Chief Judge Flora Gallegos said majority of the increase is to add 9 FTE.

The 9th Judicial District Court requests $6.6 million for FY24. The request includes a $511 thousand increase from the general fund. Chief Judge Kevin Spears said the court request the increase to fill one vacancy, conduct training, and supplement federal funding.

The 5th Judicial District Court requests $13.5 million for FY24. The request includes a $476 thousand increase from the general fund. Court Financial Officer Russel Hardy said the court requests the increase to support training and cover personnel and security costs.

The 10th Judicial District Court requests $2.2 million for FY24. The request includes a $167 thousand increase from the general fund. Chief Judge Albert Mitchell said the court requests the increase to cover personnel costs and support training.

The 6th Judicial District Court requests $7.2 million for FY24. The request includes a $513 thousand increase from the general fund. Chief Judge Jennifer DeLaney said the court requests the increase to add 4 FTE, cover security costs, and fund pretrial services. The court also requests special appropriations to upgrade the audio visual and security systems.

The 8th Judicial District Court requests $6.3 million for FY24. The request includes a $562 thousand increase from the general fund. Chief Judge Emilio Chavez said the court requests the increase to support its specialty courts, domestic relations, and security.

The 7th Judicial District Court requests $5.3 million for FY24. The request includes a $342 thousand increase from the general fund. Chief Judge Mercedes Murphy said the court requests the increase for personnel, training, and security costs.

Metropolitan Court (244). LFC Analyst Brendon Gray said the Metropolitan Court requests $32.4 million for FY24. The request includes a $970 thousand increase from the general fund. Chief Judge Maria Dominguez provided additional budget detail.

Response to Senate Memorial 1 - Paid Family Leave. Senator Mimi Stewart said Senate Memorial 1 of 2022 convened a taskforce to develop recommendations for the enactment and implementation of a paid family and medical leave (PFML) act, including the establishment and administration of a paid family and medical leave trust fund. Remarking on the benefits, Senator Stewart said businesses that offer PFML report increased productivity and reduced turnover cost. Also, there is less liability for workplace injuries and deaths because people do not have to work while sick.

In a report to the Legislature, the PFML Taskforce recommends near universal coverage for PFML, the creation of a state-administered trust fund, optional participation for self-employed and contract workers, and benefit portability. The program would be administered by the Workforce Solutions Department and funded with mandatory contributions into the trust fund from workers at 0.4 percent of wages and employers at 0.5 percent of wages. The recommended legislation would allow PFML for the same reasons workers can currently participate in unpaid family medical leave. Senator Stewart said contributions would begin January 1, 2025, and benefit payments would begin January 1, 2026.

Tracy McDaniel, policy advocate for the Southwest Women's Law Center, said PFML is for people who need to take a longer period of time away from work to bond with a new child, care for themselves or a family member with a serious medical condition, deal with a death of a family member, respond to a family member called to active duty, and deal with a domestic violence, sexual assault, or stalking situation.

Ms. McDaniel said a state-administered PFML program allows small businesses to provide the benefit that large corporations and government entities offer, improving their ability to compete for employees. PFML improves employee recruitment, retention, morale, and productivity and supports workforce participation of parents, unpaid family caregivers, and individuals with chronic health conditions. Also, there is greater overall economic resilience to withstand disruptions like those experienced during the pandemic.

Ms. McDaniel said workers with job protected leave stay on their employer's health insurance program, reducing Medicaid utilization. Family caregiving decreases length of hospital stays, emergency room usage, and nursing home utilization among elders. When workers take leave and treat medical conditions earlier in a disease progression, they are less likely to leave the workforce due to permanent disability. Finally, access to paid leave postpartum is associated with

- Reduced utilization of public assistance and SNAP benefits;
- Decreased child abuse hospitalizations and domestic violence incidents; and
- Improved breastfeeding rates, vaccination rates, and improved parental mental health.

To administer a state-administered PFML, WSD would need to hire an additional 216 FTE for a new division within the agency, including customer service agents, tax specialists, administrative law judges, supervisors, analysts, and other administrative staff. Ms. McDaniel said an estimated $36.5 million would be needed in FY24 to begin.

LFC staff noted the total estimated program administration cost is $60 million annually.

In response to Representative Baca, Ms. McDaniel said an employee would be eligible for PFML after six months. An employee may take up to 12 weeks of PFML per year.

With no further business, the meeting adjourned at 11:13 a.m.

Patricia A. Lundstrøm, Chairwoman

George K. Muñoz, Vice Chairman