

MINUTES
Legislative Finance Committee
Taos Ski Valley, NM
September 21 - 23, 2022

Wednesday, September 21

The following members and designees were present on Wednesday, September 21, 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, Steven P. Neville, William F. Burt, Siah Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Phelps Anderson, Micaela Lara Cadena, Ambrose Castellano, Meredith A. Dixon, Ryan T. Lane, Raymundo Lara, Tara L. Lujan, Debra M. Sariñana, and Christine Trujillo; and Senators Martin Hickey, Michael Padilla, Shannon D. Pinto, William E. Sharer, Benny Shendo, Jr., and Mimi Stewart.

Welcoming Remarks. Taos Mayor Pascuelito Maestas talked about the housing crisis in Taos and said housing instability impacts educational and health outcomes. Taos’ lack of affordable housing is also impacting the recruitment of educators; the median home price is just under \$500 thousand. Mayor Maestas said Taos needs support in addressing short-term rentals and corporate-owned investment properties and programs that provide pathways to home ownership and serve its workforce who earn over 80 percent of medium-income. A nonprofit organization—Taos Housing Partnership—was recently established to help solve Taos’ housing challenges. Its board will be composed of community leaders from public and private sectors.

AnJanette Brush, vice chairwoman of the Taos County Commission, said state funding was secured to repair a section on the highway to Taos Ski Valley. Reporting on other activity, Ms. Brush said Taos County signed an agreement with the U.S. Forest Service last year to provide administrative support to Carson National Forest restoration and watershed protection projects. Two elementary schools in Taos were recently allocated state funding to transform into community schools. Ms. Brush asked for the Legislature to consider supporting the many firefighter and public safety volunteers in rural communities.

Chris Stagg, village councilor of Taos Ski Valley, welcomed LFC and said the village achieved net zero carbon emissions last month. Taos Ski Valley is continuing to strengthen its clean energy transportation system.

Chairwoman Lundstrom asked LFC staff to share with the panel the housing analysis completed in April.

Department of Transportation: Update on Transportation Infrastructure Plan and General Fund Appropriations for Transportation Projects. Pedro Rael, director of the Aviation Division of the Department of Transportation (NMDOT), said the Rural Air Service Enhancement (RASE) Act was established in 2021 as a grant program to support air passenger service in rural New Mexico. The program awards two-year grants to municipal or county governments to provide air service operators minimum revenue guarantees for new air service routes. To be eligible for a

grant, a municipality or county must have a minimum population of 20 thousand people residing within a 50 miles of the airport, unless there is existing air service at the airport.

Mr. Rael said the Legislature appropriated the program an additional \$5 million this year and amended the act to allow for larger aircraft—30 passenger jets—and a lower match if there is existing air service—20 percent. Also, the maximum grant increased from \$1.75 million to \$2.75 million if there is no existing air service and from \$1.25 million to \$2.25 million if there is existing air services.

Mr. Rael said 20 airports qualify for RASE; two grants have been awarded so far (Gallup and Las Cruces.)

NMDOT Executive Projects Director Jerry Valdez said the agency has received \$50.2 million in state and federal funding over the last two years to build New Mexico's electric vehicle (EV) charging station system, including \$38.4 million in federal Infrastructure Investment and Jobs Act (IIJA) funding. Additional federal funding opportunities are becoming available this fall. Mr. Valdez said NMDOT is working with power providers statewide to ensure sufficient capacity and energy for the system.

NMDOT Wildlife Coordinator Matthew Haverland said the Wildlife Corridors Act directed the Department of Game and Fish (DGF) and NMDOT to develop a plan for addressing wildlife corridors at wildlife-vehicle collision hotspots. Now completed, the plan lists 11 priority projects, each costing between \$17.6 million and \$50.5 million. Of the \$2 million received this year for these projects, \$15 thousand is committed as a state match for America the Beautiful grant funding. Remaining dollars will be spent on project design for the collision hotspot identified on U.S. 550, north of Cuba.

NMDOT Secretary Designee Ricky Serna said \$25 million is available for planning projects along Interstates 10 and 40. The agency recently issued a request for proposals to identify projects consistent with local or regional plans and aimed at facilitating economic development. Applicants must be able to start spending funds within six months and demonstrate capacity to leverage other resources. Secretary Serna said NMDOT is also working with the Economic Development Department to identify projects with statewide economic impact.

NMDOT Administrative Services Director Mallery Manzanares said the local government fund (LGRF) has a recurring budget between \$22 million and \$27 million. LGF projects require a 25 percent local match. The transportation project fund (TPF) has a recurring budget between \$40 million and \$45 million. In addition, TPF receives between \$20 million and \$121 million in nonrecurring dollars. TPF projects require a 5 percent local match. Ms. Manzanares provided information on the distribution of funds.

NMDOT Local Government Liaison George Dodge said the agency is working closely with its six districts to track the large amount of funding received for TPF in recent years, about \$325 million.

NMDOT Highway Operations Director John Romero talked about the management of NMDOT equipment and said the average replacement of light duty equipment (pickups/sedans) is nine

years. For heavy duty equipment (dump trucks/backhoes/plows), the average replacement is 15 years. The agency currently has 6,900 pieces of equipment, averaging 12 years old. Over \$6 million was spent on repairing equipment in FY22. Currently, the replacement of some equipment is delayed because of supply chain issues.

Mr. Romero said NMDOT received \$20 million this year to improve rest areas.

NMDOT Chief Engineer David Quintana said rising construction costs are resulting in funding gaps for major projects already underway. To complete these projects, \$1.75 billion is needed. Detail of the funding gaps by project and district was provided.

In response to Chairwoman Lundstrom, Mr. Valdez said EV charging stations will be installed in Deming, Roswell, and Las Vegas this fall.

Chairwoman Lundstrom asked NMDOT to provide a list of which local governments have not yet received LGRF and TPF funding.

In response to Representative Armstrong, Mr. Valdez said New Mexico's deployment plan for IJA funding for EV charging infrastructure is posted on NMDOT's website.

Senator Gonzales asked if equipment can be ordered ahead of time to avoid a delay in replacing equipment due to supply chain issues. Mr. Romero said NMDOT cannot order equipment before funding is in place. Secretary Serna said the Legislature may want to consider providing an emergency clause to allow the procurement of equipment a few months ahead of receiving funding.

In response to Representative Garcia, Mr. Rael said there is currently only enough funding for three RASE grants, despite having 20 qualifying airports in the state.

FY22 Fourth Quarter Agency Performance Reports. Deputy Director Charles Sallee said LFC recently received an award from the Pew Research Center for its Results First work.

Mr. Sallee presented the FY22 fourth quarter agency report cards; key performance was highlighted. FY22 standardized test results revealed a third of students are proficient in reading and a quarter are proficient in math. High school graduation rates remain flat at 77 percent and chronic absenteeism rates have increased nearly 40 percent. Statewide enrollment remains flat and participation in state initiatives, like K-5 Plus, Extended Learning Time, and dual-credit courses, continues to decline.

College enrollment has continued to fall, despite efforts by colleges and universities to improve metrics through expanded access to online courses, courses offered during nontraditional hours, shorter-duration classes, and expanded short-term credential programs.

The Early Childhood Education and Care Department reported only 299 families were enrolled in Medicaid-funded home visits, well below the 2,000 target. The program met annual performance targets for families demonstrating progress in positive parent-child interactions and children receiving regular well-child visits, an indication Home Visiting can improve outcomes when

available. However, performance on metrics for childcare and prekindergarten were mixed. The share of childcare providers with the highest quality ratings was down from last year to less than 40 percent—although 60 percent of the children served are in highly rated programs—and children in state-funded prekindergarten scoring well on assessments was 54 percent, short of the 85 percent goal.

Reducing repeat child maltreatment is the primary measure of New Mexico’s welfare system and one on which the Children, Youth and Families (CYFD) continues to perform poorly. New Mexico’s rates for repeat maltreatment are among the worst in the nation. CYFD cites high poverty rates, complex family needs, and poor retention of caseworkers as obstacles to reducing maltreatment. The Legislature increased FY23 appropriations to the Behavioral Health Services Program by 21 percent and Protective Services by 8 percent and appropriated additional tens of millions to higher education institutions to increase social worker endowments, housing assistance, and food bank services.

The Aging and Long-Term Services Department continued to miss a significant portion of its targets in FY22. The agency reported turnover in the Aging and Disability Resource Center contributed to poor performance and pandemic-related closures continue to depress performance on caregiver support in the Aging Network.

Quarterly data for the Human Services Department’s Medicaid Program, the largest per capita Medicaid program in the country, is not consistently reported because of a lag in data from the reporting period, making it difficult to monitor performance outcomes. Where data is available, Medicaid’s performance appears to be lagging behind the targets, concerning for a program of this size and import. The agency reports performance is improving on certain Medicaid performance measures when compared with the same time period last year.

All criminal justice partners saw a significant decrease in cases in FY20 due to the pandemic and remained low through FY22.

The Corrections Department saw significant improvements in its overall recidivism rate this year, but ongoing issues in the agency’s reporting on this and other key metrics preclude analyzing this improvement in the context of years prior to FY21. The state’s prison population continued to decline over the course of FY22 but may be leveling off. Drug use among inmates is up significantly this year after three years of reduced drug use. The agency continues to struggle with high vacancy rates among correctional officers in both public and private facilities, and after improving significantly in FY21, vacancies among probation and parole officers rose substantially in FY22.

The Economic Development Department realized significant performance improvements in key areas, including rural job growth, and met or exceeded targets for every measure except those relating to the New Mexico Partnership.

The state continues to face challenges related to employee recruitment and retention. The State Personnel Office reports the classified service vacancy rate is 22.8 percent, up from 20 percent in FY21 and 21 percent in FY22, and state agencies are taking longer to fill positions, 69 days for

FY22 compared with 50.5 in FY21 and 56 in FY20. However, fill-time improved over the year, to an average of 64 days in the fourth quarter from the 72 days reported at the beginning of FY22. Once positions are filled, fewer employees are completing their probationary period, with only 57 percent completing it in the third quarter, despite new hires being offered salaries above pay band midpoints.

While the Taxation and Revenue Department's Program Support Division surpassed the annual target of resolved tax protest cases, the Tax Administration Division fell short on targets for collecting outstanding tax balances, the subject of a 2021 LFC program evaluation, and the Compliance Enforcement missed the target for tax investigations referred to prosecutors. The Property Tax Division reached its target of returning recovered property taxes to New Mexicans, reducing the total amount of delinquent property taxes statewide to \$56.9 million.

The Legislature has made significant nonrecurring appropriations to the Department of Transportation for road construction and maintenance in response to deteriorating road conditions due to aging pavement and insufficient maintenance. The agency has done well managing projects as illustrated in its consistent ability to complete projects on-time and on-budget. However, performance on lane miles in poor conditions continues to lag both the target and actual results from prior years.

Chairwoman Lundstrom asked LFC staff to share performance data of key measures with other legislative interim committees.

Vice Chairman Muñoz asked LFC staff to conduct analysis on wage inflation.

Medicaid Request and Forecast Update. Secretary David Scrase, M.D., said the Human Services Department is currently serving about 1.1 million people. Reporting on the impact of HSD programs this past year, Secretary Scrase said 538.6 million meals were provided, 977,688 thousand individuals were Medicaid-enrolled, 54,856 thousand homes were heated and cooled, 10,986 families were provided shelter and necessities, 214,951 individuals were provided behavioral health services, and an average of \$125.46 in child support obligation per child was collected.

HSD Medicaid Director Nicole Comeaux talked about current activity of the Medicaid program and said HSD

- Published its five-year waiver renewal,
- Designed a new Medicaid contract and request for proposals,
- Completed and published a comprehensive provider rate study,
- Drafted a complete Medicaid billing manual,
- Received federal approval for reimbursement for services of all Medicaid children in schools,
- Distributed Covid-19 rate adjustments,
- Completed \$130 million in economic recovery payments to home- and community-based service providers, and
- Continued elimination of Developmentally Disabled Waiver waitlist, in partnership with the Department of Health.

The increased federal share of Medicaid costs throughout the pandemic provided greater benefits and reached more people, providing continuous coverage for Medicaid enrollees throughout the pandemic. However, the enhanced federal Medicaid matching funds will end when the public health emergency is lifted. The state will need to restart eligibility redeterminations for all Medicaid enrollees and transition an estimated individuals no longer eligible, estimated to be 85 thousand individuals. Ms. Comeaux the public health emergency is currently extended through mid-January 2023.

Ms. Comeaux said New Mexico's Medicaid program is projected to cost \$8.8 billion in FY24, a 3.4 percent increase over FY23. HSD requests \$1.42 billion from the general fund for FY24. The agency will seek another \$155.7 million from the general fund to cover a shortfall. Ms. Comeaux said New Mexico ranks 54th in the nation for per capita spending on Medicaid members.

Secretary Scrase said the increased cost of the state's Medicaid program is attributed to enrollment growth and increased payments to providers. Ms. Comeaux talked about HSD's efforts to help control managed care organization (MCO) costs. For example, HSD pays each MCO a per member per monthly cost, capping profits at 3 percent. If profits exceed 3 percent, an MCO must return half the excessive profits to the state, from which the federal share is returned.

Ms. Comeaux said HSD's provider rate study is posted online. To bring Medicaid provider rates to 120 percent of Medicare rates, an additional \$83.1 million would be needed.

Jean Wilms, president and chief executive officer of Western Sky Community Care (WSCC), said WSCC began serving New Mexico's Medicaid population in 2019. WSCC leverages Centene national expertise and innovation with local leadership and focus to meet the needs of New Mexico members.

To ensure access to care, Ms. Wilms said WSCC continues to build its network and create solutions to bring care to members, including building capacity in rural areas. WSCC allows practitioners to practice to the fullest extent of their licenses. Ms. Wilms said WSCC is working to effectively manage utilization and use of services to maximize health outcomes.

Sharon Huerta, chief executive officer of Blue Cross and Blue Shield of New Mexico (BCBS) Centennial Care, talked about BCBS' efforts to increase access to care for Medicaid members and said \$7.7 million has been invested in community-based programming since 2018. Ms. Huerta said BCBS utilization returned to prepandemic levels.

Brandon Fryar, president of Presbyterian Health Plan (PHP), said meeting delayed-care demand with the shortage of providers has been challenging. Also, New Mexico's growing aging population is a challenge. Mr. Fryar said PHP maintains a broad network. Leveraging telemedicine are among PHP efforts to support access to care.

In response to Representative Armstrong, Secretary Scrase said HSD is working with the health insurance exchange to be ready to transition those no longer eligible for Medicaid when the health emergency ends to another appropriate source of coverage.

In response to Representative Chandler, Secretary Scrase said MCOs pay gross receipts tax, which is built in the rates providers receive.

Thursday, September 22

The following members and designees were present on Thursday, September 22, 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, Steven P. Neville, William F. Burt, Siah Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Phelps Anderson, Micaela Lara Cadena, Ambrose Castellano, Meredith A. Dixon, Ryan T. Lane, Raymundo Lara, Tara L. Lujan, Debra M. Sariñana, and Christine Trujillo; and Senators Michael Padilla, William E. Sharer, Benny Shendo, Jr., and Mimi Stewart.

Department of Corrections Report on Recidivism and Programming for Reentry. Secretary Alisha Tafoya Lucero said the Corrections Department (NMCD) has been working to develop its reentry program by streamlining processes, building community supports, and strengthening programs, including the peer education project.

NMCD Recidivism Reduction Director Morgen Jaco said NMCD integrated the Adult Prison Division with the Probation and Parole Division to centralize reentry efforts. Ms. Jaco said the prerelease processes and coordination of care have improved since the integration.

Ms. Jaco said NMCD is partnered with the Alternatives to Violence Project of Northern New Mexico, Alcoholics Anonymous, Women in Leadership, and other service providers to offer more individualized opportunities in the reentry program. The agency is anticipating a new partnership with Fathers New Mexico.

Ms. Jaco said NMCD is focused on implementing evidence-based practices and education and training opportunities. These opportunities include heavy equipment operator training and a ten-week certificate program—Roots of Success—that prepares inmates for environmental and STEM jobs and career pathways in the water, waste, transportation, energy, building, food, health and agriculture sectors.

NMCD Community Corrections Coordinator Haven Scogin provided an overview of NMCD’s supportive housing services and said probation and parole officers work with reentry coordinators and classification staff to develop individualized parole plans to eliminate anxiety of release. Ensuring supportive housing, however, has been challenging due to rising costs and shortages. In response, NMCD shifted funding from other areas to support housing services. Ms. Scogin said 90 percent of NMCD’s FY22 budget for community corrections was spent on inpatient treatment, transitional living, and supportive housing services. Ms. Scogin noted the various other needs to support formerly incarcerated people, such as transportation services.

Secretary Tafoya Lucero invited legislators to visit NMCD facilities and observe current programming.

Karla Thornton, M.D., senior associate director of Project ECHO (Extension for Community Healthcare Outcomes) at the University of New Mexico Health Sciences Center, said NMCD partnered with Project ECHO several years ago to address NMCD's high inmate population with hepatitis C (HCV). Over the years, HCV treatment cost has decreased and funding has increased, enabling NMCD to treat more inmates. In 2021, over 600 inmates were treated, 500 more than the previous year.

In recent years, NMCD's partnership with Project ECHO has evolved, expanding the community peer education program to have former probationers and parolees guiding others through reentry. Secretary Tafoya Lucero said the expanded peer-to-peer educator model is a first in the nation. Peer to peer educators participate in workshops and training and receive regular follow-ups. Dr. Thornton said Project ECHO believes redemption is a solution and the time spent incarcerated should be an opportunity to regain a healthy and more productive life.

Daniel Rowan and Ambrosia Garcia, both peer-to-peer educators, provided an overview of the community peer education program. Mr. Rowan and Ms. Garcia shared their experiences as inmates and talked about the opportunities that helped changed their lives.

Mr. Rowan said institutional support is community support and leaders build other leaders.

In response to Senator Neville, Secretary Tafoya Lucero said inmates are not eligible for Medicaid, according to federal law. The procurement of 340b federal discount drug pricing has helped NMCD treat more HCV infected inmates.

In response to Senator Burt, Secretary Tafoya Lucero said correctional officer pay has greatly improved. The secretary attributed NMCD's high vacancy rate to the shortage of workforce and recruitment competition with law enforcement agencies.

In response to Representative Anderson, Secretary Tafoya Lucero said NMCD is improving its data system to more accurately report recidivism rates.

Miscellaneous Business.

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

Senator Campos moved to adopt the LFC Capital Outlay Subcommittee August report, seconded by Senator Rodriguez. The motion carried.

Senator Gonzales moved to adopt the LFC Accountability/LegisStat Subcommittee August report, seconded by Senator Rodriguez. The motion carried.

Senator Campos moved to adopt the LFC Sunset/Sunrise Subcommittee August report, seconded by Representative Garcia. The motion carried.

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

Progress Report: Broadband. LFC Program Evaluator Kathleen Gygi and LFC Analyst Jessica Hitzman presented a progress report on broadband in New Mexico. At the height of Covid-19, the Department of Information Technology (DoIT) and other entities faced a changing broadband landscape and increased need during closures of schools, government, businesses, and critical health and social service entities. DoIT funded emergency connectivity and planning, using a \$10 million capital outlay appropriation for rural broadband. These projects, as well as the Public Education Department's and the Public School Facilities Authority's student connectivity efforts, successfully connected unserved and underserved users to new broadband services.

Further, the Legislature in 2021 established the Broadband Access and Expansion and the Connect New Mexico acts, which created the Office of Broadband Access and Expansion (OBAE), Connect New Mexico Council, and the connect New Mexico fund. In total, the state has seen an investment of nearly \$300 million in state and federal funds for broadband expansion and planning efforts at state agencies, including \$100 million appropriated into the connect New Mexico fund. Very little has been spent, however, and four out of five newly added positions for OBAE remain vacant, though hiring is reportedly in progress.

As of September 2022, OBAE has met deadlines to apply for some new federal broadband grant programs. Still lacking from OBAE is an overarching strategy and plan to spend existing broadband appropriations and coordinate the various public and private broadband expansion efforts undertaken across the state.

Reporting on recent accomplishments, OBAE Director Kelly Schlegel said all federal funding milestones to capture federal funds were met, notice of available ARPA funding was released, a digital equity report was drafted, and a middle and last mile strategy was developed. Also, OBAE filled four positions.

The middle and last mile strategy leverages the state education network. Ms. Schlegel said \$26.5 million in state matching dollars is needed now to secure federal funding for the project. Next May, another \$175 million in state matching dollars will be needed to secure Broadband Access Equity and Deployment Grant funding. Ms. Schlegel noted tribal lands may require fees for right-of-way.

Ms. Schlegel said OBAE's FY24 budget request includes a \$500 thousand expansion of 4 FTE.

Vice Chairman Muñoz asked OBAE to look into rerouting broadband to Gallup because the current connection (fiber line) from Albuquerque to Gallup has been cut accidentally three times, putting Gallup at risk.

In response to Senator Hemphill, Ms. Schlegel said OBAE is forming partnerships with various entities to build New Mexico's IT workforce.

Representative Garcia remarked on the lack of broadband in his district. Chairwoman Lundstrom asked OBAE to draft a memo informing LFC of the office’s plan to implement a pilot project to connect residents with broadband in the rural communities of district 69.

Mortgage Finance Authority. Executive Director Isidoro “Izzy” Hernandez listed current members of the New Mexico Mortgage Finance Authority (MFA) board and legislative oversight committee. Established in 1975, MFA administers all housing programs in the state to ensure every New Mexican has access to quality and affordable housing. Mr. Hernandez said MFA resources, derived from federal, state, and other sources, are allocated to over 30 housing programs that support the entire housing continuum—homelessness to homeownership. In 2021, MFA provided \$757 million in low-interest financing and grants for affordable housing and related services, generating about \$275 million in economic development. Additionally, 7,400 households received pandemic-related financial assistance, totaling \$27.4 million.

MFA Chief Housing Officer Donna Maestas-De Vries said young people who do not have stable housing are more vulnerable to mental illness, developmental delays, and poor cognitive outcomes, and cost-burdened families experience high levels of stress in meeting healthcare, transportation, and other needs. Ms. Maestas-De Vries said homeless programs, however, reduce reliance on costly de facto solutions like emergency rooms and jails, and home rehabilitation programs alleviate the health risks of substandard housing. Also, housing development decreases housing insecurity and homeownership among low- and moderate-income households builds wealth and greater social engagement and satisfaction.

Reporting on current challenges, MFA Chief Lending Officer Jeff Payne said supply chain, construction cost, and labor issues are impacting housing development. The demand for housing development remains strong despite rising construction costs, which increased 14 percent this year. The housing market slowdown may relieve some pressure, but current issues are expected to persist. Mr. Payne said the possibility of an economic downturn in the near-term should be taken seriously.

Of New Mexico’s homeless population, 44 percent are female, 53 percent are male, 34 percent have a mental illness, 19 percent have chronic health conditions, and the majority are between 25 and 54 years old. Ms. Maestas-De Vries provided an overview of the homeless programs currently administered in the state, including Emergency Homeless Assistance. New Mexico also has transitional and specialized housing programs available.

Ms. Maestas-De Vries said pandemic-related programs in New Mexico include state and federal funding for housing development and homeownership, rental, and shelter assistance.

Mr. Hernandez said the Legislature authorized 2.5 percent severance tax bonding capacity for the New Mexico Housing Trust fund, which will provide recurring appropriations starting in FY25. MFA is developing a plan and finance model for the trust based on needs across the housing spectrum, including geographic considerations.

The agency recently completed a statewide housing strategy, which analyzed and projected the state's affordable housing needs, assessed barriers to affordable housing development, and reviewed all affordable housing resources. Mr. Hernandez said the report revealed

- More than 15 thousand New Mexicans are experiencing or at risk of homelessness—9,000 are children and youth;
- 78 thousand households with children are cost-burdened and face high rates of housing instability;
- Issues with substandard housing: 40 thousand units in the state lack complete kitchens, and 40 thousand lack complete plumbing;
- 5,100 units per year must be developed to prevent housing challenges from getting worse.
- Affordable housing gap of 32 thousand units for households at or below 30 percent of area median income; and
- Housing costs have increased much faster than incomes, making it harder for low and increasingly, moderate, income households to afford housing.

To solve affordability issues, the housing strategy outlined goals and strategies ranging from policy changes to additional appropriations. The strategies include changing revenue generating policies that benefit affordable housing, establishing tax exemptions for affordable housing development, reducing regulatory barriers to housing development, streamlining local and state residential inspection processes, and expanding funding for the Linkages program. Mr. Hernandez said the MFA Housing New Mexico Advisory Committee will create an implementation plan for each strategy and form partnerships to implement.

Mr. Payne provided a brief overview of MFA's single family programs and said the number of reserved and purchased loans decreased in FY22. The average first mortgage loan amount was \$199 thousand, a significant jump from the \$157 thousand average in FY19.

For FY24, Mr. Hernandez said MFA requests \$10 million for the housing trust fund to develop 235 quality affordable homes or weatherize or provide energy efficiency improvements for 1,000 homes for low-income New Mexicans. The agency also requests \$250 thousand to provide Affordable Housing Act oversight and implementation.

MFA Chief Financial Officer Lizzy Ratnaraj said revenue from administrative fees has decreased, resulting in less operating revenue for the agency. Operating expenses, however, continue to increase. Excess revenue is used to support MFA's housing opportunity fund activities.

In response to Vice Chairman Muñoz, Mr. Hernandez said the Linkages program is currently providing housing for 338 people. Funding for the program is through the Human Services Department. Mr. Hernandez said MFA supports efforts to increase funding for Linkages.

In response to Representative Anderson, Ms. Ratnaraj said the majority of MFA investments is managed by the State Investment Council.

In response to Representative Allison, Ms. Maestas-De Vries said mobile homes on permanent foundations qualify for rehabilitation and weatherization assistance, including those on tribal land. **New Mexico Finance Authority.** Chief Executive Officer Marquita Russel said the New Mexico Finance Authority (NMFA) was established in 1992 to finance public infrastructure and

community and economic development projects. NMFA is governed by a board of directors and overseen by a legislative oversight committee.

NMFA is currently administering 18 programs. Ms. Russel said the public project revolving fund (PPRF), NMFA's flagship program, makes low-cost loans to state, local and tribal governments to finance public infrastructure and equipment. All borrowers receive PPRF's AAA interest rates. Governmental gross receipts tax, of which the PPRF receives a 75 percent share, is the primary credit enhancement for the program and provides critical liquidity.

The opportunity enterprise fund was established this year to provide financing for new or existing commercial facilities to attract businesses to New Mexico communities and allow existing businesses to expand their operations. Ms. Russel said the new program will be governed by a board comprising six appointed members with finance and construction development expertise and six ex officio members from relevant state agencies, including the Economic Development Department.

Also established this year, the Venture Capital Program invests in New Mexico businesses that enhance economic development objectives of the state and create new job opportunities. Specifically, the program provides capital for start-up, expansion, product or market development, recapitalization or early-stage development. Ms. Russel noted a significant gap in venture capital available to local businesses in New Mexico compared with peer states.

Reporting on economic stimulus recovery and relief funds, Ms. Russell said NMFA awarded 9,531 businesses more than \$344 million through 2,368 loans and 8,638 grants, between August 2020 and June 2022; 1,420 businesses participated in more than one program. About one-third of the funding went to businesses in the accommodation and food service sector. The three recovery programs generated more than 21 thousand applications.

Ms. Russel reported 54 outstanding economic and community development program loans, totaling \$175 million.

Executive Grant Initiatives. Kendal Chavez, food and hunger coordinator for the Office of the Governor, said the food security grant (FSG) program funds projects that provide food and hunger assistance, with a special focus on multi-sector collaborations that increase food security for all residents. Administered by the Department of Finance and Administration (DFA), the program received \$10 million this year for new grants.

Eligible Funding Categories

- Commercial storage and delivery equipment to expand food access and distribution,
- Facility adaptations and renovations to increase capacity, and
- Kitchen equipment for use in preparing, processing, cooking, and serving food.

Eligible Programs:

- Child nutrition programs, senior programs, non-profit food banks and food pantries, non-profit food hubs, and grower cooperatives, and
- Multi-sector collaborations that connect local food production with food insecure

communities.

Of the 105 grants requested, 40 awards were given, which Ms. Chavez said will serve approximately 478 thousand people across 26 counties.

Taos Mayor Pascualito Maestas said the Taos County Economic Development Corporation was awarded FSG funding to support the Mobile Matanza, a traveling slaughterhouse. Mayor Maestas said the funding will give local ranchers the opportunity to participate in markets that provide local grass-fed beef to schools, senior centers, and other institutions.

Reporting on the regional recreation centers and quality of life grant program, DFA Local Government Division Director Donnie Quintana said \$27.5 million is available this year for projects that improve the quality of life for New Mexico residents by creating new or expanding existing regional recreational facilities. Over 145 grants have been requested, totaling \$244 million.

Mr. Quintana said the Law Enforcement Protection Fund is a grant program with the purpose of providing equitable distribution of money to municipal police, university police, tribal police and county sheriff departments. The program has so far resulted in 317 more police officers in the state.

The Capacity Building Grant program provides funding for local governments to hire or contract grant specialists to conduct grant writing, grant management, and project management. Mr. Quintana said it is a capacity-building initiative with \$1.5 million in grant management state funding. In addition, \$1 million available to match federal funds. The deadline to apply is September 23. The funds will be distributed on a direct distribution basis and must be spent by end of FY23.

The state's housing initiatives include the Home Fund and Eviction Prevention and Diversion Program. Mr. Quintana said DFA is also administering homeowner assistance, in collaboration with the Mortgage Finance Authority.

LFC Analysts Jessica Hitzman and Ellen Rabin provided additional remarks on the grant programs. Ms. Rabin said Chapter 56 of 2022 created a new program within DFA "to distribute funds for local law enforcement agencies to provide recruitment and retention stipends to law enforcement officers." The bill mandated DFA establish such a program and further stated DFA "shall establish criteria for distribution of funds appropriated for that purpose, prioritizing recruitment and retention of personnel to increase investigative capacity."

DFA received \$50 million from the general fund for the new program, which is to be distributed to local law enforcement agencies for officer recruitment or retention through FY27.

Initially, language in the bill specified no more than \$10 million be distributed per fiscal year through fiscal year 2027. However, this language was vetoed by the executive. The veto may be invalid. *Coll v. Carruthers* provides the line-item, or partial, veto is a power to destroy, not create, and removing the language restricting the appropriation to \$10 million per year effectively enlarged the appropriation. As a result, the executive is planning to expend \$23.7 million in FY23

and a total of \$41.5 million over four years from this appropriation, which violates the Legislature's intent in imposing the reasonable condition of spreading nonrecurring funds over a multi-year period.

In July, the Department of Public Safety (DPS) sent out an optional survey to law enforcement agencies requesting information about law enforcement vacancies, with the intention the survey would assist in the development of guidelines for recruitment and retention efforts. The survey distributed by DPS did not state agencies' responses would be used to determine awards or as an application.

As of August 30, DFA's Local Government Division reported it had not yet developed program guidelines or an application process for distributing the funds. However, on September 9, the Governor's Office announced the awarding of \$41.5 million from the fund over three years (including \$23.7 million in FY23) to 29 law enforcement agencies for the purpose of hiring over 300 new officers. These awards were made without previously announced criteria or a clear application process.

Further, letters announcing the awards to law enforcement agencies state their allocation determinations were based on the responses of the July survey and the total number of new law enforcement hires identified in the survey.

The program states officers are funded at a cost of \$75 thousand per year for salaries and benefits, with funding provided to cover their full cost for the first year of the program, 50 percent for the second year, and 25 percent for the third year. According to data provided by DFA, a total of \$23.7 million will be provided in the first year, funding a total of between 315 and 317 law enforcement officers at a cost of \$75 thousand each.

The funding can only be spent for salaries and benefits for the number of officers identified in the survey, and cannot be used for recruitment campaigns, recruitment or retention stipends, or training or equipment for new officers.

Of the 117 municipal police departments and county sheriff's offices that employed at least one certified law enforcement officer at the beginning of FY23, only about one-quarter are set to receive an award. The largest total awards were granted to the Albuquerque Police Department (APD) and Las Cruces Police Department (LCPD), which will receive \$8.8 million over three years.

Of the 20 largest municipal police departments and county sheriff's offices in the state, 12 received an award, while the remaining eight did not, apparently due to their lack of response to the survey.

It is unclear how carefully agencies' responses to the DPS survey were vetted to ensure accuracy, or if agencies' capacity to hire the number of officers for which they received funding was considered in making awards. Most notably, the Las Cruces Police Department (LCPD) reported 202 vacant positions and received an award to hire between 66 and 67 officers. However, LCPD has a total of 202 certified law enforcement officer positions, of which 172 are filled, suggesting the vacancies were reported in error, and LCPD actually has just 30 officer vacancies. As a result,

it appears LCPD's actual award should be \$3.9 million over three years, \$4.8 million less than the \$8.8 million the agency is set to receive.

Representative Dixon said the short timeframe between when the DPS surveys were due and awards were made may not have been enough time to do proper vetting.

Representative Lane expressed concern that awards were given to fill vacant positions and not for recruitment and retention efforts, which was the intent of House Bill 68.

Progress Report: Department of Health Facilities. LFC Program Evaluators Catherine Dry and Rachel Mercer-Garcia presented a progress report on Department of Health (DOH) facilities. Last year's LFC evaluation found quality and operational challenges at DOH facilities. Although the agency has since made progress in addressing these challenges, significant issues with quality of care and utilization persist.

DOH is in the process of implementing most LFC recommendations, including hiring dedicated leadership to oversee statewide facility operations and clinical outcomes, tracking daily census across facilities, and implementing some quality improvement processes. However, despite increased need for behavioral health care and long-term care in New Mexico, facilities are chronically underutilized, driving up cost per bed by an estimated 25 percent from FY20 to FY22. Budget forecasts continue to overestimate expected revenue, leading to supplemental or special appropriation requests.

Underutilization is partially driven by staffing shortages, leadership challenges, unpublished admissions criteria and mixed quality, with some of these factors potentially also negatively impacting patient outcomes. Lower level direct-care positions, such as certified nursing assistants and technicians, are particularly hard to hire and the implementation of SPO's recent pay plan has created new pay disparities. Leadership challenges and turnover at the agency and within facilities pose risks to oversight.

Quality of patient care and oversight at the New Mexico State Veterans' Home (NMVH) is of particular concern. A June 2022 federal report from the Centers for Medicare and Medicaid Services (CMS) found significant clinical deficiencies at NMVH, resulting in substandard care and examples of patient harm. As a result of the CMS findings, the NMVH is at risk of losing its provider agreement with Medicaid and Medicare if all deficiencies are not resolved by December 2022.

DOH Acting Secretary David Scrase, M.D., said DOH values external review and agrees with latest findings identified by LFC staff. Secretary Scrase said DOH takes the findings very seriously and wants to deliver high-quality care at all its facilities. The secretary pointed out many facilities nationwide are facing the same challenges; however, New Mexico has new leadership and the funding systems in place to address them.

DOH Facilities Deputy Secretary Lea Harrison said accountability and a shift in culture at facilities is important moving forward. DOH is improving recruitment and retention efforts. An employee assistance program, for example, is being implemented at every facility. Also, DOH is building

partnerships to help with recruitment. The deputy secretary noted the difficulty in filling positions at rural facilities.

Senator Hemphill asked why New Mexico's facilities receive more CMS citations than the national average, which Secretary Scrase attributed to less resources and more thoroughness. Deputy Secretary Harrison said DOH conducts root cause analysis to identify issues at facilities and found medication errors could be largely resolved by using automatic dispensing machines, which the agency has since installed at some facilities.

In response to Representative Armstrong, Deputy Secretary Harrison said NMVH is currently not admitting new patients due to compliance issues and staffing shortage. Twenty people are currently on the waiting list for NMVH admittance. Deputy Secretary Harrison said DOH hired a subject matter expert to ensure appropriate training is taking place, patients don't fall through the cracks, and deficiencies don't happen again. Representative Garcia suggested having an oversight committee to monitor NMVH's progress.

Friday, September 23

The following members and designees were present on Friday, September 23, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Ambrose Castellano, Jack Chatfield, Gail Armstrong, Candie Sweetser, and Brian G. Baca; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, William F. Burt, Siah Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Anthony Allison, Phelps Anderson, Meredith A. Dixon, Ryan T. Lane, Raymundo Lara, and Tara L. Lujan; and Senators William E. Sharer and Mimi Stewart.

LFC Program Evaluation: Martinez-Yazzie Funding Sufficiency. LFC Program Evaluator Rachel Mercer-Garcia presented the report *Martinez-Yazzie Funding Sufficiency*. In 2018, the 1st Judicial District Court ruled in the *Martinez-Yazzie* education sufficiency lawsuit, finding the state had not provided sufficient funding to deliver educational programs for at-risk students as guaranteed in the state constitution and confirmed by poor student outcomes in the state. The court further acknowledged the different responsibilities of the Legislature (funding and policy), school districts and charter schools (implementation) and the Public Education Department (oversight).

The report aimed to measure and summarize the state's progress toward sufficiently resourcing the state's public schools and providing additional resources for at-risk students and evidence-based programs. The report also reviewed existing data related to implementation and oversight.

Martinez-Yazzie plaintiffs cited a 2008 American Institutes of Research (AIR) study of New Mexico's school finance system as a potential benchmark of sufficiency, a benchmark described by the 1st Judicial District Court as a "wish list." Using this benchmark, New Mexico has now surpassed recurring funding formula targets (adjusting for inflation) by 6 percent or \$220 million. Since the court ruling, New Mexico has invested more than one billion additional dollars, targeting resources for at-risk students, evidence-based programs, and teacher salaries among other areas. Today, public schools receive about 45 percent of the state's \$8.4 billion general fund. In FY22, school districts and charter schools also carried forward \$525.5 million in cash balances, which is more than double the amount schools carried forward in FY18. While New Mexico is typically on

par with neighboring states for classroom spending, the state continues to rank lower in measures of student achievement.

Implementation and oversight challenges remain hurdles to improving poor student outcomes. School districts and charter schools have faced significant challenges implementing new programs supported by additional resources, such as extended learning time programming, and leveraging additional resources for student support. Similarly, recent LFC reports have identified ongoing challenges in the PED's oversight of school budgets and activities, including ensuring compliance with the Indian Education Act and the Bilingual and Multicultural Education Act. Staff recommended the following next steps:

The Legislature should consider

- Addressing extended learning time implementation challenges by considering approaches to increase instructional hours and local flexibility, increasing incentives for K-5 Plus and additional school days, and right-sizing extended learning time appropriations; and
- Coupling increases or changes to the at-risk index with approaches to better direct and track the expenditure of resources targeted for at-risk students.

The Public Education Department should

- Fully implement additional accounting codes for districts to track at-risk funds in state budgeting systems;
- Enforce monitoring and oversight provisions of state law identified as shortcomings by the court ruling and previous LFC reports including the Bilingual, Multicultural, Indian education and Hispanic education acts.

New Mexico school districts and charter schools should

- Leverage increased available state and federal funding to implement research-based and evidence-based programming and promote and implement K-5 plus and other extended learning time programs;
- Increase investments for professional development and ensure professional development spending is sustained, collaborative, and uses data to guide instruction for teachers and school leaders;
- In accordance with the court findings regarding student support positions, school districts should use increased SEG, at-risk, and fund balance revenue sources to increase the number of personnel providing student support, including social workers and counselors.

PED Secretary Kurt Steinhaus provided an overview of the progress PED had made to begin addressing the court's findings and outlined responses to the LFC report recommendations. Secretary Steinhaus noted PED had made progress to fill PED vacancies and teacher vacancies across the state. The secretary also noted PED is developing a statewide implementation plan to address the court's findings that will focus on student attendance, student attainment or graduation, and student achievement. The Secretary shared steps the department is taking to improve school budget tracking and accountability and provided context about why school district cash balances may have increased, including miscoding cash in school district chart of accounts, and he discussed steps the department is taking to improve oversight related to the state's Bilingual and Multicultural Education Program and the Indian Education Act.

Senator Sharer asked what more the state should do, in addition to funding, to address court findings. Secretary Steinhaus responded that investing in school district leadership is needed, and the state has experienced significant turnover among school district superintendents. The Secretary also recommended schools leverage extended learning time and pursue other family supports.

Senator Gonzales noted concerns about providing safeguards or actions to stabilize efforts following leadership turnover and the role school boards may plan.

Senator Muñoz asked what three things the state might do to address the court's findings and what might be required of school districts. The Secretary responded by noting an increase in the amount of instructional time students receive, addressing people and superintendent pipeline needs, and using data to make instructional decisions. Senator Muñoz followed up with a question about performance standards for superintendents and school districts.

Senator Burt made a comment about the growth in school administration and the need to ensure resources are reaching teachers and classrooms.

Representative Armstrong noted delays with reimbursements from PED as a potential cause for the growth in school district cash balances. She also recommended the need for teacher housing in rural communities and potential licensure barriers.

Chairwoman Lundstrom noted governance issues in school districts are very important and is glad to know the education subcommittee is considered a governance bill.

Border Authority (417). LFC Analyst Amanda Dick-Peddie said the Border Authority requests a flat budget with a slight increase in the personal services category and decrease to the other category to address the approved compensation increases.

Border Authority Executive Director Marco Grajeda highlighted major accomplishments in the last three years such as advancing and securing full funding for new projects and key infrastructure projects previously stalled for a total of \$67 million. The authority has increased its revenue by 72 percent in the last three years. It has expanded agency partnerships and support at the local, regional and federal level both in the United States and Mexico.

Director Grajeda reported on the border highway connector project saying it will be a game changer for the border region and has received \$45 million in federal funding. This will slash drive times between Santa Teresa port of entry and Sunland Park, as well as El Paso highways. The connector will be owned and maintained by the Department of Transportation. Construction should be complete by the end of 2024.

The Border Authority is increasing partnerships with all stakeholders at the local, regional, state and federal level both in the United States and Mexico.

Spaceport Authority (495). LFC Analyst Amanda Dick-Peddie said the Spaceport requested a flat base budget with an increase to other revenues by \$600 thousand. The agency requested 2

agency expansion FTE, one infrastructure planner and one security personnel totaling \$220 thousand from the general fund revenue.

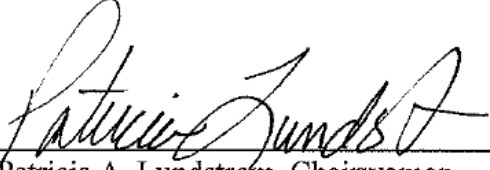
Spaceport Authority Executive Director Scott McLaughlin reported on recent revenue producing events such as the high altitude platform satellite system which has three different vendors testing UAV's that fly 60 thousand feet. Spaceport has hired contract project management services to allow them to move faster on their capital improvement projects.

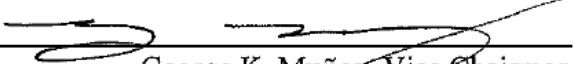
Thirteen hundred students from around the country traveled to New Mexico to participate in the Spaceport America Cup. Mr. McLaughlin explained this event is a nice economic boost for the area and a great way to market southern New Mexico. NMSU Atomic Aggies won the Chile Cup. Staff are reaching out and hope to see several other groups from various region's participate next year.

The Spaceport continues to see growth with customers after the downturn during the Covid-19 pandemic. One of the big activities last year was Virgin Galactic going to space.

The Spaceport's current budget is \$10.8 million and staff hope to get \$7 million in revenue from customers. The agency has kicked off an economic impact study estimating 500 jobs that are either direct, indirect, or induced because of the Spaceport with an estimate of \$3 million that comes back to the state in terms of taxes.

With no further business, the meeting adjourned at 10:01 a.m.


Patricia A. Lundstrom, Chairwoman


George K. Muñoz, Vice Chairman

September 21, 2022

MEMORANDUM

TO: Legislative Finance Committee

FROM: LFC Public Education Subcommittee: Chairwoman Patricia A. Lundstrom; Co-Chairs Roberto “Bobby” J. Gonzales and Candie G. Sweetser; Senators Pete Campos and Pat Woods; Representatives Brian G. Baca and Harry Garcia; and Ex-Officio Senator George K. Muñoz

SUBJECT: Public Education Subcommittee Report of September 21, 2022 Meeting

On September 21, 2022, the LFC public education subcommittee heard a report from LFC staff to review the 2022 interim and discuss budget issues for public schools in FY24. The following issues and concerns were discussed:

Context on Extended Learning Proposals: LFC Deputy Director Charles Sallee reiterated perspectives from a report by American Institutes of Research (AIR), which had been submitted to the New Mexico legislature in 2008. Mr. Sallee noted the AIR report emphasized high-impact interventions: support services for at-risk students, quality teaching at high-poverty schools, high-quality school leadership, and investing in students early rather than late. Mr. Sallee also noted the consolidated *Martinez-Yazzie* sufficiency lawsuit requires the state of New Mexico to improve outcomes by increasing spending for key minority and at-risk student groups. To address these needs in New Mexico’s schools for FY24 and improve on deficiencies in Extended Learning Time (ELT) proposals, Mr. Sallee said the LFC has developed a three-prong strategy in partnership with the LESC to improve Extended Learning Time and K-5 Plus proposals: increase instructional hours, create a flexible calendar, and combine K-5 Plus and Extended Learning Time programs into K-12 Plus.

FY24 Recurring Budget Issues: Sunny Liu, LFC analyst, highlighted the committee's need to utilize large reversions from the Public Education Reform Fund (PERF) while addressing needed changes in school practices and pandemic learning loss. Low student counts in both K-5 Plus and Extended Learning Time programs demonstrate the need for a different systemic approach to making extended calendars successful for more schools and students. LFC and LESC staff proposals, as introduced by Mr. Sallee, intend to better incentivize extensions of the schools year by consolidating K-5 Plus and ELT into a K-12 Plus factor that offers most districts more funding at every level of participation.

Mr. Liu noted in the SEG formula, *Yazzie* plaintiffs had requested an increase to the at-risk index, yet raising the index to 0.300 has not demonstrated evidence that schools are using their increased at-risk funding to directly serve at-risk student groups. Mr. Liu said additional budget issues of note include reduced vacancies in reaction to significant raises in FY23, increased costs of retirement benefits and insurance premiums; also, schools report led to pay compaction, and use of federal ESSER funds to pay for raises for federal employees. In transportation and fixed costs, Mr. Liu discussed increasing fuel prices and afterschool program costs have increased overall transportation costs that some districts and schools have supplemented with operational funds.

Mr. Liu discussed initiatives at the Public Education Department (PED) for FY24 include early literacy support, Native American student support, educator residencies and leadership support, and math achievement. PED is also requesting support for initiatives in high-need areas including special education, career technical education (CTE), and programs in response to *Martinez-Yazzie*.

FY24 Nonrecurring Budget Issues: Mr. Liu noted legislative priorities for FY24 nonrecurring funding from PERF include continued funding for residencies, financial aid for teachers, K-12 Plus pilot programs, tribal ELT, CTE and dual credit initiatives, educational technology, and community schools.

Questions from the subcommittee included broad perspectives on school compliance with ELT programs. Senator and subcommittee Chair Bobby Gonzales asked about transportation costs and how K-12 Plus would apply to schools with a four-day week. Chairwoman Patricia Lundstrom asked about expanding early childhood funding, sustainable school health insurance funding, and looking into how to improve efficacy of statutes on school governance. Representative Brian Baca noted summer school, STEAM, and extracurricular activities are all sources of extended learning time engagement. Senator Mimi Stewart noted schools in New Mexico may lack consistency and common standards. Other committee concerns included chronic absenteeism measures, impacts of community schools programs, developing school site leaders, and how CTE programs could be best funded and integrated into afterschool and extracurricular efforts.

September 21, 2022

MEMORANDUM

TO: Legislative Finance Committee

FROM: LFC Higher Education Subcommittee: Co-Chairs Representative Small and Senator Rodriguez

SUBJECT: Higher Education Subcommittee Report of September 21, 2022 Meeting

On September 21, 2022, the LFC higher education subcommittee heard a report from LFC staff to review the 2022 interim and discuss budget issues for higher education in FY24. The following issues and concerns were discussed:

Funding Formula: LFC analyst Connor Jorgensen discussed the funding formula, the mechanism by which new higher education appropriations are awarded to institutions. Mr. Jorgensen noted that the formula distributes new funding based on a combination of student credit hours, degree awards, and mission-specific measures such as dual-credit. The formula does not include a redistribution component so that higher education budgeting is base plus budgeting where the base is protected and grown through the formula, but no institution receives less revenue because of the formula.

Mr. Jorgensen reported that the funding formula working group, including staff of higher education institutions, LFC, DFA, and HED met several times to discuss potential changes to the formula for FY24. The group discussed the inclusion of workforce certificates in the formula, the exclusion of academic progress awards, and increasing the weight for student credit hours. Student credit hours are a proxy for enrollment. Mr. Jorgensen stated that enrollments were up for the current year by about 2.5 percent, but were still significantly below historical levels. Mr. Jorgensen also noted the working group discussed expanding the definition of at-risk students to include indicators such as first-generation college students, but there were not sufficient data to allow a change in the definition to be made this year.

Non-Formula Spending: Mr. Jorgensen provided an update on nonrecurring appropriations made for teaching, nursing, and social work. HED began award of these funds through a request for award (RFA) process. Mr. Jorgensen reported that requests for research and public service projects (RPSP) were due to HED on September 15th, but the detail had not yet been shared with LFC staff. Mr. Jorgensen noted there were several backfill items including pension contribution increases and nurse expansion backfill.

Mr. Jorgensen discussed opportunity scholarship funding, and stated the appropriation increase need to pay for the scholarship is likely to be nearly \$90 million in FY24. However, cost projections submitted by institutions to HED have not been made available to LFC to verify. In addition, HED requested an additional \$13 million for medical professional loan repayment programs.

Questions from the subcommittee included requests for additional information on enrollments for fall, 2022, how to increase graduation and retention rates, and funding the opportunity scholarship. Senator Munoz asked why the projected cost of opportunity scholarship was increasing in the out years given declining student population. Mr. Jorgensen stated that the growth factor was largely driven by potential tuition increases which are controlled by the individual institutions. Representative Armstrong asked about funding for dual credit programs. Mr. Jorgensen stated that dual credit is a formula component, but that school districts do not pay tuition on behalf of dual credit students and most of the cost is absorbed in the operating budget of the institution. Representative Chatfield asked whether workforce certificates would be included in the formula. Mr. Jorgensen stated that a number of workforce programs are credit bearing, and so are included in the funding formula calculation and the working group is looking at increasing the weight given to workforce preparation programs in the formula. Senator Correa-Hemphill asked for a status report on work study programs. Dr. Rommel stated that work study participation fell as a result of the pandemic and that institutions have had difficulty spending their work study funds.

Nonrecurring appropriations. Following member questions on recurring funding items, Mr. Jorgensen discussed nonrecurring appropriations including those for career technical education, facilities, and work study funds.

Following the presentation from LFC and HED staff, Chair Small invited representatives of the Council of University Presidents (CUP), the Independent Community Colleges (ICC), and the Association of Community Colleges (ACC) to address the committee. The association representatives discussed enrollment trends, workforce credentials, and dual credit.