

**MINUTES
of the
SEVENTH MEETING
of the
GOVERNMENT RESTRUCTURING TASK FORCE**

**October 14-15, 2010
Room 307, State Capitol**

The seventh meeting of the government restructuring task force (GRTF) was called to order by Senator Tim Eichenberg, chairman, on October 14, 2010 at 10:15 a.m. in room 307, state capitol.

Present

Sen. Tim Eichenberg, chairman
Rep. Patricia A. Lundstrom, vice
 chairwoman
Mr. Patrick Baca
Rep. Paul C. Bandy
Rep. Keith J. Gardner
Mr. John Gasparich
Dr. Dan Lopez
Sen. Linda M. Lopez
Ms. Michelle Lujan Grisham (10/15)
Rep. Rick Miera
Sec. Dannette Burch
Sen. Steven P. Neville
Mr. Jim O'Neill
Mr. David Ortiz (10/15)
Sen. William H. Payne
Sen. John Arthur Smith
Rep. Luciano "Lucky" Varela

Absent

Advisory Members

Sen. Carlos R. Cisneros
Sen. Stuart Ingle
Sen. Lynda M. Lovejoy (10/14)
Rep. James Roger Madalena
Rep. Al Park (10/15)
Rep. Jeannette O. Wallace

Sen. Mary Jane M. Garcia
Rep. Joni Marie Gutierrez

Guest Legislator: Sen. Timothy Z. Jennings

(Attendance dates are noted for members not present for the entire meeting.)

Staff: Raúl E. Burciaga, Jonelle Maison, Kim Bannerman and Leslie Porter for the legislative council service (LCS); David Harrell for the legislative education study committee (LESC); David Abbey and Cathy Fernandez for the legislative finance committee (LFC); Stephanie Lenhart and David Hadwiger for the department of finance and administration (DFA); Scott

Hughes for the office of education accountability; and Tim Karpoff, contract task force facilitator.

Thursday, October 14

Copies of handouts are in the meeting file. The minutes were approved on the second day of the meeting.

Staff suggested not meeting on November 11 and 12 because staff will not have time to get bill drafts ready by that date. After a brief discussion, the members decided to meet on November 11 to address education matters. The task force will then meet again on November 22 and 23 to address bill drafts and the final report.

Higher Education Master Plan and Recommendations for Efficiencies — Dr. Viola Florez, secretary of higher education

Dr. Florez presented the higher education state master plan to the task force. She noted that the higher education department's (HED) vision in creating the master plan was to provide:

- every qualified student with access and the maximum potential for success through a high-quality post-secondary education regardless of financial need;
- a broad range of educational alternatives in convenient settings, without unnecessary duplication, that responds to the state's needs for an educated work force and other human capital; and
- flexibility for New Mexico colleges and universities to identify, define and realize their distinct teaching, research and public service missions and strengths within a defined, interdependent and collaborative educational system that will advance New Mexico as one of the most attractive places to live, learn and work.

In examining these areas, HED came up with five major discussion topics in the master plan:

- (1) seamless environment — increasing successful student participation in higher education;
- (2) access, quality, diversity and technology — ensuring completion of college;
- (3) work force and economic development — leveraging higher education skills and resources to increase economic activity statewide;
- (4) funding — improving success in college; and
- (5) governance — improving educational experience and cost-effectiveness of higher education.

In regard to creating a seamless environment for student success, HED has suggestions for getting students prepared for college and financial aid recommendations. Dr. Florez explained

there are several programs that should be examined to increase student preparedness for college. She noted the dual credit program was very successful, but needs some modification. In regard to transfer of credits from two-year institutions to four-year institutions, she emphasized that the Post-Secondary Education Articulation Act needs better implementation to ensure that credits can transfer from college to college. She also suggested examining the quality of teacher education programs to ensure that teachers are properly preparing students for higher education.

Dr. Florez turned the task force's attention to the important role of financial aid in providing success in higher education. She explained that because New Mexico has such a high poverty rate, financial aid is vital in ensuring that low-income students receive the same opportunities as their peers. The two main suggestions in the master plan regarding financial aid are to increase need-based aid over merit-based aid, including funding the college affordability fund. She also addressed the lottery scholarship. The HED master plan notes the importance of the lottery scholarship, but also emphasizes that it may need to be reformed to allow students who may not be ready for college right after high school to use the fund. The master plan also suggests spreading the money out over credit hours, rather than semesters, to prolong the funding.

The primary suggestion regarding technology is the development of a comprehensive student data warehouse. Dr. Florez explained that such a system would allow for tracking students from pre-K through college and into the work force. She noted that HB 70 from the 2010 regular session creates such a system, but it must be fully implemented.

Regarding distance education, Dr. Florez said branches and learning centers are an integral part of distance education. HED understands this is an area that has become somewhat controversial, but it has made no recommendation to close branches or learning centers. She explained that closing these centers is complicated because the centers or branches are embedded in the communities in which they are located, the tax districts to fund the entities are already created and because, comparatively, New Mexico does not have that many learning centers or branches. While noting these issues, Dr. Florez did say there are areas that may be improved in regard to branches and learning centers; they may be funded more efficiently, with funding based on success rather than enrollment. Dr. Florez also suggested refining the geographic boundaries by rule to limit the number of branches or learning centers built in one area. She also explained that duplication at all institutions needs to be studied and eliminated. In conclusion, she said HED is not recommending building more branches or learning centers, but distance education is the future and is an area that needs to be carefully examined.

The master plan also attempts to better link higher education with work force and economic development. The plan suggests a comprehensive examination of work force and education priorities for the state, including implementation goals. It also suggests better communication between the economic development, workforce solutions and higher education departments to develop multi-agency priorities in addressing the impact of higher education on economic development.

Dr. Florez briefly addressed the master plan's recommendations for funding, while advising that the next presentation would go into the funding formula in depth. HED's main suggestion relating to funding in the plan is to revise the funding formula to fund based on student successes, not student enrollment. However, she warned that a comprehensive study on the funding formula should be undertaken before any major changes are made.

Dr. Florez concluded her presentation by emphasizing a few of the main recommendations that came out of the public meetings for the state plan. The first was that remedial classes should be provided at two-year institutions only. The second recommendation asked HED to work with comprehensive institutions to increase the effectiveness and efficiency of the regional campuses around the state. To do so, it was suggested that the institutions determine what "niche" areas they can serve to better serve their regions. Another suggestion asked that comprehensive institutions develop a process to avoid overlap. The third recommendation from the public meetings was to require the three research institutions in the state to raise their academic admission standards. To assist in ensuring these institutions' standards remain high, the community branch colleges attached to the research institutions should become a major pathway for providing lower level classes or any remedial work that needs to be done prior to entering the research institutions.

Dr. Florez briefly addressed some of the government restructuring recommendations that HED had reviewed. HED asked that the task force retain and fully support a cabinet-level higher education department. HED also opposes returning to the former system of having a commission on higher education rather than a department. In conclusion, Dr. Florez emphasized HED's opposition to being merged with the public education department (PED). She said that she understand the need for a new model for pre-K-20 education, but the mandates of both of these departments are distinct. Rather than merging the two departments, Dr. Florez suggested adequately staffing and funding both to ensure that both can carry out the demands on them to improve education in the state.

On questions from Representative Miera, Dr. Florez said IDEAL-NM is already being used to provide distance learning; however, the curriculum for IDEAL-NM classes needs to be expanded to provide more options for students. Dr. Florez also clarified that core curriculum classes are not taught by IDEAL-NM because each school has a very different core curriculum. Representative Miera asked whether higher education should have a common core curriculum to make distance education easier. Dr. Florez answered in the negative, explaining that each institution already has developed its own core curriculum. One way to help distance education, however, is to ensure that all two- and four-year institutions use the same titles and course numbers for the same classes. This would facilitate transferring courses between different institutions, and IDEAL-NM could also use the same numbering system. Representative Miera asked if higher education funding should be similar to the public school's fortieth-day count so the state is not paying for students who have dropped out of class. Dr. Florez said the drop and add procedures for higher education institutions are different than public schools, and institutions each have different policies. She pointed out that research shows it is not good to have a long drop period, but if a student drops too early, it could affect the student's financial aid. Asked if HED has enough staff to implement its programs or the statutory authority to do all it needs to do, Dr. Florez said the department faces a couple of challenges. While the statute does give HED very clear mandates, the department has not been able to fully implement those mandates because of staffing and funding problems. That said, institutional autonomy makes oversight more complex and problematic, particularly for the constitutional schools. The department does have a collaborative working relationship with the institutions. HED's one strength is its statutory approval of institutional budgets, but it must have adequate staff to properly exercise that authority.

Senator Smith noted that New Mexico spends more on higher education per student than many states but is not getting the desired outcome from this funding. He pointed out that the legislature has been looking at the duplication problem in higher education for years without coming up with a good fix; now, the state is facing a financial crisis and something needs to be done to take care of the problem immediately. He also expressed frustration that the state is paying for remedial classes, which he said sustains low expectations. He suggested a better system would be to require the student who needs those classes to pay for them. Dr. Florez agreed that remedial classes are a big issue at present. There are two types of remedial classes being provided by community colleges: those focused on adult learners and those that offer high- school-level classes. Each type of student needs remedial classes for different reasons; changing the system based on one type of student alone is not practical. Dual credit is expected to help mitigate the need for remediation of high school graduates. Again, institutional autonomy becomes an issue as each institution decides its own cut scores for placement. HED is examining this issue in depth, but it is clear that until the state gets better academic performance from students in high school, remedial courses will be necessary. Some community colleges are offering remediation (development courses) at high schools, but it is still costly. Senator Smith raised the question of tying the public education and higher education funding formulas together. Dr. Florez deferred the question to the funding formula experts.

Senator Neville expressed concern about the lottery scholarship program. As he explained, when the state cuts higher education funding, tuition goes up, which then requires more money from the lottery tuition fund. He suggested the program be restructured to avoid its collapse. As to duplication problems within the higher education system, Senator Neville noted that Colorado has two university systems and everything then falls under those two institutions. He asked whether a system like Colorado's would work in New Mexico. Dr. Florez explained that HED is looking nationwide at systems of higher education to determine what may work here. She did not know specifically if a Colorado-type system would work in New Mexico, but she assured the task force that HED is looking into systemic governance. However, she pointed out that changing the structure of the system in New Mexico may not necessarily save money. Senator Neville agreed that a new governance structure might not save money immediately, but the reduction in competition and duplication might save money over time and improve the higher education system overall.

Representative Varela initiated a discussion of merging HED with PED, noting that the two departments are so interrelated that a merger may be the most cost-effective measure. Dr. Florez said the two departments should not be merged just to merge; several states that have done so are facing major problems and are trying to untie the two systems. She suggested that a completely new pre-K-20 model should be examined if such a merger is desired. In response to this discussion, Representative Miera and Dr. Florez emphasized the important role community colleges play in providing public school education because of the dual credit programs with those colleges. Public schools cannot offer all the classes that community colleges do, so public schools rely on those higher education institutions to provide those classes for their students.

Representative Varela asked about the dropout rate for college freshmen. Yash Morimoto, HED director of planning and research, said that currently 40% of those that enroll in a higher education institution drop out and do not complete college within six years. Representative Varela suggested that perhaps students are being forced into college before they are ready. He asked whether high school vocational education is common in the state. Representative Miera

said the state used to have quite a lot of vocational education, but the educational trend of a few years ago was to prepare students for college; now, vocational education is once again being offered. There are two problems as school districts try to gear up again to offer vocational education: (1) the capital costs for equipment; and (2) the lack of qualified teachers. The dual credit program offers a means for students to take advantage of technical-vocational education at the community college level. Referring to Representative Varela's point of college readiness, Dr. Florez said the dual credit program is helping prepare students for college-level work by showing them what will be expected of them in college-level courses. The relatively new high school redesign requirements, including the necessity for dual credit, advanced placement or distance education coursework, which started with ninth graders in the 2009-2010 school year, will help with college preparation. Some high schools are quite sophisticated in their offerings of college preparation and career academies or career electives; however, a shortage of teachers at both the high school and college levels is the major issue in vocational education.

Representative Varela also asked how the funding formula could be used more effectively. Dr. Florez answered that the funding formula is being reevaluated by the funding formula study task force, which periodically revises components of the formula, but since the formula has never been fully funded, a more thorough analysis would have to be done to answer that question. While a new funding formula is not under consideration, changes or modifications that would help the formula are always under examination. Asked again about the merger of HED and PED, Dr. Florez said one of the major problems found across the country where mergers have been tried is the very different cultures and very different deliverables of the two educational systems. She said Florida had merged its systems several years ago and is now trying to redesign them. She suggested that the state should look at a totally different, new model of delivery. She noted that both HED and PED are understaffed, and if a merger were not thought through carefully, the state could be in much worse shape. Representative Varela said a merger is not intended as a cost-savings measure but as a way to make the entire system of publicly funded education better. The idea is to streamline and make the whole system more efficient. He asked what kind of push-back HED had gotten from the institutions and the gubernatorial candidates during its planning process. Dr. Florez said the department had tried to be inclusive and to hear from all interests, and it is continuing to incorporate comments it has received.

Senator Payne observed that the idea of government restructuring is very frustrating because everyone pushes back when changes are suggested. As to the higher education system, he said the goal should be to graduate students, not simply to allow everyone to try out higher education. The state loses money through both the scholarship fund and the funding formula when two-thirds of lottery scholarship students do not graduate. He said the higher education system is not for dabbling or providing a bloated infrastructure and bureaucracy. The senator pointed out that the state is number one in the nation for the amount of noninstructional staff. He also noted the large number of learning centers around the state and the high per-student cost. He asked several questions, including what HED is doing to focus on increasing the number of college graduates and making better use of resources. If HED needs more statutory authority to achieve better outcomes, it should tell the legislature specifically what is needed. Dr. Florez stressed that the master plan is still being finalized and that specific recommendations will be examined again and put in the final plan.

Representative Bandy turned the task force's attention to student loan problems. Noting the extremely high debt that many students obtain in college, he opined that it is a disservice to students to allow them to incur so much educational debt that the career for which they are being

educated will not generate enough in salary to pay back student loans. He noted the problem is particularly acute at for-profit schools. He suggested that the issue be looked at as part of HED's accreditation or licensing process. Dr. Florez said that individual schools decide how much financial aid to provide; many for-profit schools are nationally accredited, but perhaps HED could examine student lending more carefully.

Dr. Lopez commended Dr. Florez on the master plan. He said all of the ideas in the master plan may not work, but the plan is a good concept and a place to start. He warned the task force that restructuring higher education is an extraordinarily complex problem. He expressed the opinion that there is no way to deal with the major issues while keeping in mind the short-term goal of saving money. Over the last several decades, the legislature has asked the higher education institutions to focus on access, and the institutions have responded to that request by providing access to the greatest number of students around the state, and funding is based on providing that access. The fundamental question is "who do we want to educate?". If access is no longer the primary goal, the entire pre-K-20 system should be revisited. The current funding formula was built to encourage campuses around the state to provide access. If that is no longer desired, the formula will need to be changed. But, he warned, change needs to be created within the master plan. The lottery scholarship money is eaten up by tuition; when the legislature takes tuition credits, the institutions pass that along to the student. As for earlier testimony and comments, he offered the following observations. The legislature cannot be impatient with institutions because they are doing what the system was designed to do. Taking remediation savings might be a quick fix, but there are consequences to such action, and policymakers need to know and agree to those consequences. If a student does not want to complete the student's education, there is no way an institution can make the student do so. Costs are not elastic; students have to pay. Policymakers need to understand what the term "duplication" means. Two institutions may be offering math courses, but one might be industrial math and the other theoretical math; are those duplicate courses? If ideas are not defined well, the resulting system could be a great disservice to students, institutions and residents. Graduation rates are the most misunderstood statistic; students are part time, they drop out, they transfer. Those behaviors make attempts at measuring cohorts difficult; to say only 40% of a cohort graduates is not a true measure of eventual success. The data warehouse, a joint project of public and higher education, is an important tool for data collection and analysis. Under pressure to find savings, the task force finds itself acting like an appropriator instead of considering broad policy areas, and it is crucial that the task force and other policymakers understand the unintended consequences of recommendations. The HED master plan is a good first step, but implementation is the issue. Dr. Florez said it was interesting to read the 1986-87 plan and note that the state is still dealing with the ramifications of those policy changes.

★ Senator Eichenberg closed the discussion by challenging Dr. Florez to really examine ways to fix the system and noting some major areas of concern, including the issues of cut scores and remedial education and the \$26 million cost of remediation; differences in statute and rule, e.g., the rule definition of "campus", which is at odds with the law; and classes not transferring because the course names at different institutions do not match up. He said that he expected HED to come forth with concrete recommendations to improve both the delivery and content of higher education in the state.

Mr. Karpoff reminded the task force that its goal is to look at ways to make government better, more efficient and less costly. He said the presentation and discussion evolved into five themes that seem to be emerging recommendations:

1. funding — review the funding formula criteria, waiver policies and lottery scholarships;
2. structural — the merger of HED and PED is not useful, and policymakers need to look at an entirely new model for the delivery of publicly funded education; there should be no new institutions, but existing ones should not be closed; and there should be uniformity in cut scores;
3. efficiencies — dual credit is successful and should be expanded; look for niches of expertise, which may or may not align with an institution's particular geographic area; and eliminate duplicate courses; and
4. pedagogy — distance learning is the future; continue remediation if access is the value; and actively coordinate workforce solutions and economic development departments' functions with higher education; and
5. accountability — data clearinghouse; and full staffing at HED.

★ Representative Lundstrom expressed concern regarding the development of niches at higher education institutions. She asked for a list of the different niches at the various institutions around the state. Dr. Lopez gave the New Mexico institute of mining and technology as an example of a niche institution, where technical areas are its core mission.

Recognizing that the planning phase had not been completed, Mr. Karpoff asked if there were short-term recommendations related to immediate budget needs that could be supported. Senator Jennings reminded the task force of the dire fiscal straits of the state and suggested that funding be based on completion rather than enrollment.

Higher Education Funding Formula — Tino Pestalozzi, deputy secretary of higher education

Mr. Pestalozzi presented a detailed explanation of the current higher education funding formula. He explained that the formula is not in statute and is always evolving. The higher education funding task force (HEFTF) examines the formula yearly to make recommendations for modifications. HEFTF is made up of representatives from higher education institutions, the governor's office, DFA, LFC, LESC and HED. These recommendations are then given to the secretary of higher education, who includes the recommendations in the funding recommendations to DFA and LFC.

Mr. Pestalozzi noted that HEFTF had come up with three recommendations to revise the funding formula this year:

- (1) do away with the enrollment band;
- (2) enact a mill levy revenue credit based on actuals, not projected amounts; and

(3) simplify the tuition revenue credit.

Representative Lundstrom asked for clarification regarding the enrollment band. Mr. Pestalozzi and Dr. Lopez explained that the band was put in place to allow for schools to have fluctuations in enrollment without having major changes in funding. If a higher education institution's enrollment is up 3%, the institution will not receive more funding that year. Conversely, if a higher education institution's enrollment is down 5%, the institution will not receive less funding that year. The task force has looked at using a three-year rolling enrollment average instead of the band.

Senator Smith asked how the current formula compares to those of the past. Mr. Pestalozzi and Dr. Lopez explained that the current formula is actually much simpler than the older versions. Senator Smith asked if HED or HEFTF had looked at other states after which to model New Mexico's formula. Mr. Pestalozzi said other states have been examined, but it is difficult to compare New Mexico's formula to the others because each state is so different. He warned the task force that changes can be made to the formula, but any changes will result in winners and losers — some schools will get more money and some will get less. He said changes would take political will and would most likely require a "save harmless" for some time. Senator Smith noted ruefully that political will might not be there, although he continues to hope it will surface.

Senator Smith initiated a discussion of New Mexico's high administrative costs. Mr. Pestalozzi said credit hour cost is fairly constant nationwide; administrative costs depend on the institution and are not driven by the formula. The variation among institutions is the mix of revenue supporting instruction and general (I&G). Senator Smith asked Mr. Pestalozzi how he would change the formula. Mr. Pestalozzi said there are many people on the HEFTF that can come up with ideas, but they need the time to do so. David Lepre, executive director of the council of university presidents, advised the task force that New Mexico's administrative costs are actually at or below the national average. Mr. Gasparich emphasized that caution should be taken when altering the funding formula. He warned that if alterations are made to the formula and then not allowed to fully develop, major challenges may occur.

Taking up Senator Smith's point, Dr. Lopez noted that before the formula, each school came to the legislature for individual funding. Resources can be redistributed, but there will be winners and losers. He added that tuition credits do strange things to the formula and they disproportionately hurt students. Senator Smith asked Dr. Lopez if he thinks formula changes could be done in a fair manner. Dr. Lopez agreed that it seems fair that if a school does not have enough workload, it should go out of business. But, he countered, is it really fair to limit the opportunities that students have in rural areas? The schools are already dealing with major cuts. Since 2009, higher education has lost over \$122 million and will have to deal with another \$40 million to \$60 million cut this year. The institutions are dealing with the cuts and should be asked how they are doing so. Senator Smith concluded the conversation by noting that he would rather determine what schools are not serving enough students and close them completely than cut all schools; it is better to have a few losers than a lot. Senator Ingle suggested that institutions need to run more like businesses rather than government-subsidized programs. Senator Smith noted his concern with such institutions having to constantly raise tuition and fees.

★ Senator Smith recommended that the task force consider a bill to tighten the definition of "campus" to stop the proliferation of campuses.

State Employee Survey Update — Raúl E. Burciaga, LCS

Mr. Burciaga gave a brief summary of the public employees survey requested by the task force. The survey is on the legislative web site, and over 800 surveys have been received. The survey is still open, and staff expects to give a final report at the November 22 meeting. Some trends have emerged, including dissatisfaction with the performance of gubernatorial appointees, lack of professional development and training and the need to do too much with too few line staff and too few resources. Mr. Burciaga said there have been over 200 responses to the public survey, and the results of that survey will be included in the report. He noted that 91% of the respondents have been in New Mexico for more than five years.

Public Comment

Several people spoke in support of the commission on the status of women and the office of the governor's council on women's health.

There being no further business for the day, the meeting recessed at 4:55 p.m.

Friday, October 15

The meeting reconvened at 9:15 a.m.

Boards and Commissions Subcommittee Report — Michelle Lujan Grisham, chairwoman

Subcommittee members were Ms. Grisham, Representative Bandy, Senator Eichenberg, Senator Neville, Mr. Gasparich and Mr. O'Neill. Ms. Grisham said there may be further research needed on some of the individual board recommendations, but the basic recommendations were to: (1) require that administrative services be performed by the department to which a board is attached; (2) limit per diem and mileage, possibly by allowing only mileage for volunteer board members; (3) require that all boards be sunsetted; (4) provide a process whereby the legislature could veto state rules; (5) move rulemaking and policy back to departments; and (6) minimize redundancy and duplication. The subcommittee did not consider professional boards, as they are self-sufficient. Ms. Grisham went through the spreadsheet, noting the subcommittee's recommendations. Representative Bandy stressed that streamlining does not necessarily mean that functions are not necessary or important, and the intent is to move those functions back to departments under the control of the governor as the chief executive officer of the state. Representative Lundstrom agreed that where feasible, functions should be returned to departments. She asked if instrumentalities are subject to the Audit Act. Representative Varela said they are, but they are not subject to the Budget Act.

Representative Lundstrom moved, and Representative Bandy seconded, that the task force accept the report of the subcommittee. Representative Miera emphasized that the motion was only to accept, not adopt, the report. Representative Lundstrom concurred, saying the task force would make final recommendations after LFC, DFA and LESC have an opportunity to comment at the November 11 meeting. The motion passed.

Small School and Small District Size Adjustment Analysis — Frances Ramírez-Maestas, director, and Craig Johnson and Peter Van Moorsel, fiscal analysts, LESC

Mr. Johnson reported that there are 282 out of the approximately 800 school districts that receive small school size adjustment units. The data is based on the SY 2010 final funded run. If the bill proposed at the last meeting passes, 116 schools would be eliminated, representing 17,929 MEM and \$32,829,136.68. The handouts include a list of schools that would lose their eligibility for small school size adjustments.

Mr. Van Moorsel reported on the estimated effect of proposed changes on calculations for small school district size adjustments. There are currently 72 out of 89 school districts that receive the adjustments; 17 would lose those units, for a total program cost per total unit value of \$7,279,909. The handouts show which districts would lose the adjustment. The total effect of the combined changes would be a general fund or state equalization guarantee distribution (SEG) gain of \$40,109,050.

Mr. Abbey said the point of the legislation as envisioned by LFC was to eliminate duplication and gaming of the funding formula. Senator Lopez noted that \$26 million would come from Albuquerque public schools (APS), including charter schools. She said that small charter schools often work with students who might be considered "throwaways" in regular schools. She suggested that the task force move cautiously on this measure and work with local school boards before taking action. Representative Madalena concurred with the senator's points about charter schools. Representative Wallace said it would be a mistake to eliminate small school and district adjustments. Mr. O'Neill said that a basic tenet of economics is that people respond to economic incentives, and the size adjustments are incentives to remain small. He also agreed with Senator Lopez's points, but wanted the record to reflect that his wife is a member of a charter school board. He said charter schools were supposed to be experiments in alternatives to traditional schools and the proposal would gut them without enough study.

Senator Payne said that charter schools serve as relief valves, and in those cases, they are not duplicating other schools. He asked for comments from educational representatives. Carrie Menapace of APS said the superintendent has not decided if APS could take back all the charter school students if the charter schools have to close because of a lack of funding. She said the APS board is looking at the issue. Tom Sullivan, director of the coalition of school board administrators, said the superintendents' association and the coalition consider the bill to be inflammatory and of such a dramatic change that the idea needs much more study before it is introduced. One issue to be resolved, he said, is whether the money goes to the general fund or the SEG.

Ms. Ramírez-Maestas reminded the task force that \$70 million had been supplanted with federal American Recovery and Reinvestment Act of 2009 (ARRA) funds and that amount would need to be recovered. On questions from Senator Payne, Ms. Ramírez-Maestas said that out of 81 charter schools, only six would still be eligible for small school size adjustment. Senator Smith pointed out that the appropriation committees will have to find enough money for the entire budget next year, and the task force has been waiting for LESC to give recommendations on savings. He said the budget cannot hold one group harmless and damage all the others. The state does not have options at this point; there may have been supplantation, but the state simply does not have the dollars. A representative noted that the legislature has cut \$900 million out of the budget, but people cannot accept cuts to education.

Representative Gardner asked how many small districts receive emergency supplemental funding. Mr. Van Moorsel said of the \$12 million distributed this year, seven would be affected by the proposed bill. Ms. Ramírez-Maestas said that 24 districts received emergency supplemental funding; the seven are Chama, Lake Arthur, Maxwell, Santa Fe, Springer, Taos and West Las Vegas. On another question, Ms. Ramírez-Maestas said emergency supplemental funding used to be about \$2 million, but last year it was \$12 million. Representative Gardner said that was his point, any increases in emergency supplemental funding would have to be factored in.

Representative Lundstrom requested that LESC think of other cost savings because the task force needs suggestions on how to cut the overall budget of state government. Senator Smith said that the task force had taken the position that other committees were better qualified to make decisions and recommendations, but they are not forthcoming. He urged LESC to provide recommendations. Representative Bandy agreed that there have to be cuts. Senator Smith advised that LFC had issued a scathing audit of charter schools.

★ Mr. Gasparich asked about restrictions on districts. Ms. Ramírez-Maestas said the elected local school boards decide how to spend state funding. Mr. Gasparich made the point that the analysis gives the impression that there would be cuts to education, but that may be an erroneous point of view. Rather, he said, the legislature appropriates every dollar it can. He suggested the analysis start with a set amount, for example, \$2.2 billion; run that through the old and the new funding formulas to see the effects. Ms. Ramírez-Maestas acknowledged that LESC or PED could do this, but said there would still be winners and losers. Senator Eichenberg said he would like to have all options before the task force. Representative Wallace asked if PED is funded with the schools. Ms. Ramírez-Maestas said the PED is funded as a state agency and is not part of the SEG.

★ Senator Eichenberg suggested that because of its fiscal impact, the task force look at the public works wage bill passed in 2009 for possible suspension or repeal.

Senator Eichenberg informed the task force that former Representative Fred Luna has passed away.

Bill Drafts and Staff Reports — Jonelle Maison and Kim Bannerman, LCS

Staff pointed out that several bills had already been approved by the task force, and some of them included analyses. The only change in the list of approved bills was to move the bill to abolish the New Mexico health policy commission back to consideration.

Following are the other bills or concepts discussed by the task force:

- ▶ Department of environment (DOE)/energy, minerals and natural resources department (EMNRD) merger — after discussion, the task force asked for a bill that moves the overlapping DOE divisions to EMNRD and health-related functions of DOE to department of health (DOH) or regulation and licensing department; moves department of game and fish to EMNRD; and abolishes the state game commission.
- ▶ After discussion, the task force decided not to move forward with the idea of moving agency attorneys to the office of the attorney general. Representative Varela said that if agencies have too many attorneys, that can be dealt with through the budget process.
- ▶ After lengthy discussion, the task force decided not to propose a bill to combine PED and HED; it will consider recommending that the issue be taken up next year. However, the task force wants to consider an educational finance division in DFA to provide fiscal oversight of both education departments. Both Dr. Lopez and Secretary-Designate Burch pointed out that both PED and HED approve budgets of their respective systems. Secretary-Designate Burch added that DFA already approves higher education budgets; it does not approve school district budgets, but PED has an extensive system to do so.
- ▶ Commerce Department Act — after discussion centered on whether tourism should be combined in the department, Representative Lundstrom asked that the bill move forward and be considered for endorsement when the task force makes final decisions.
- ▶ Homeland security/department of public safety (DPS) bill — Secretary-Designate Burch said the local government E911 portion is a financial function. Representative Varela said the safety component should be in DPS and the technical portion be in department of information technology. Representatives Gardner and Varela and Mr. O'Neill expressed concerns about moving the motor transportation division out of DPS because it concerns law enforcement. Senator Payne said that homeland security, fire and state police are related functions, and their being in one department should offer the secretary a better ability to function in an emergency if they are all together. He agreed that the homeland security and fire divisions should be strengthened so they are equal partners, not subservient units of the state police. Representative Lundstrom asked Senator Payne and Representative Varela to work with LCS on the draft. Senator Lopez reminded them that DOH also has a role and powers in emergencies.
- ▶ Expand DFA to include general services department functions — Representative Varela suggested that property control and building services divisions not be moved into DFA, but be in a noncabinet agency. An earlier decision changes the bill to include the educational finance and accountability division.
- ▶ The task force approved the bill to require that the exempt salaries plan include actual salaries and be approved by the legislature.
- ▶ The task force adopted the following boards and commission subcommittee recommendations:

- ▶ require administrative services to be provided for administratively attached agencies;
 - ▶ per diem and mileage for all public officers and employees at the same rate and with the same restrictions; and
 - ▶ sunset all boards and commissions (in concept; the bill is on hold for changes based on other GRTF decisions).
- ▶ The task force will consider further the recommendation for a constitutional amendment to provide for legislative veto of state rules.
- ▶ A joint memorial requesting the state personnel office to conduct a review of exempt and classified administrative and managerial positions and salaries for each classification — Representative Varela said the study is important.
- ▶ The task force agreed to move forward the bill to combine the state racing commission and the gaming control board.
- ▶ The task force agreed to the bill to delay the state's educational retirement board contribution.
- ▶ The task force asked staff to resubmit to the legislative health and human services committee the bill to move all medicaid functions into the human services department and the bill to create an insurance agency.
- ▶ The task force said it would defer decisions on the small school and small district size adjustment bill until it hears a report from LESC on all of its recommendations.

Public Comment

Several people spoke against the recommendation to abolish the commission on the status of women and move its functions to departments.

Several people spoke against making the homeland security and emergency management department a division of DPS.

Several people spoke against moving the tourism department to the commerce department.

One person spoke against repealing the military base planning commission.

One person spoke against moving DOE functions to EMNRD and, instead, suggested that overlapping functions should be moved from EMNRD to DOE.

One person spoke against abolishing the public regulation commission.

One person spoke against applying to local school boards the radius from home for the payment of per diem.

Members Please Note: The chairwoman set 8:30 a.m. as the starting time for the November 11 meeting. She said the hope is for the task force to complete its agenda as early as possible because members may have veterans day events to attend.

Adjournment

There being no further business before the task force, the seventh meeting of the GRTF adjourned at 4:45 p.m.