

Tuesday, August 20 ([click here for webcast](#))

The following members and designees were present on Tuesday, August 20, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Michael Padilla, William F. Burt, Benny Shendo Jr., Pat Woods, William E. Sharer, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Alan T. Martinez, Gail Armstrong, Debra M. Sariñana, and Derrick J. Lente. Guest legislators: Representatives Anthony Allison, Art De La Cruz, Candy Spence Ezzell, Joy Garratt, Tara L. Lujan, Randall T. Pettigrew, Joseph Sanchez, and Harlan Vincent.

Welcoming Remarks (8:46 AM, [click here for meeting materials](#)). Rick Baugh, general manager of Ruidoso Downs, thanked legislators for supporting Salt and South Fork fire recovery efforts, which are being led by a task force comprising local officials. Ruidoso Downs, an economic driver in the community, sustained severe flooding damage from burn scars. Mr. Baugh said recovering the racetrack is critical for the community and the state.

Thora Walsh Padilla, president of the Mescalero Apache Tribe Council, welcomed LFC to the Indian reservation and remarked on the indigenous people living in the mountain region who understand the river must have space and flood plains are hydrologically important and ecologically productive. President Walsh Padilla said the Salt and South Fork fires provided an opportunity to become more resilient.

Lynn Crawford, mayor of Ruidoso, described the economic aftermath of the fires and flooding and requested help in replacing lost revenue. Mayor Crawford said the state should also consider additional measures to manage its forests.

Mark Fischer, commissioner of Lincoln County, said the Salt and South Fork fires burned about 938 homes in the county; a third of the homes were primary residences. Another 220 homes suffered severe flooding damage. The county manager said the lost homes will greatly impact property tax revenue.

Ryan Trosper, president of Eastern New Mexico University-Ruidoso, highlighted the community's resiliency.

Randall Camp, manager of Lincoln County, welcomed LFC and asked for support in rebuilding Ruidoso's future.

Update on Salt and South Fork Fire Efforts (10:12 AM, [click here for meeting materials](#)).

Secretary Ricky Serna said the Department of Transportation (NMDOT) is the state's primary agency for managing wildfire recovery efforts. The agency spent \$1 million per week at the onset of Hermits Peak-Calf Canyon Fire recovery efforts. Secretary Serna talked about the challenges in managing the substantial cost of emergency work and waiting for FEMA reimbursements. The secretary recommended more flexible procurement methods and a dedicated fund to manage cash flow for recovery efforts.

State Forester Laura McCarthy recounted the progression of the Salt and South Fork fires, both ignited June 17 on Mescalero tribal land and spread in a southwest direction toward Ruidoso. Ms. McCarthy outlined the firefighting costs: South Fork Fire totaling \$22.8 million and Salt Fire totaling \$6.4 million. The state's share of South Fork firefighting costs is \$5.6 million. The Salt Fire did not burn state-owned land. Ms. McCarthy highlighted watershed recovery efforts in progress and their funding sources.

Deputy Secretary Ali Rye said the Department of Homeland and Security and Emergency Management (DHSEM) is the state's coordinating agency for emergency response and recovery. Ms. Rye highlighted Salt and South Fork fire response and recovery efforts administered by DHSEM. Ms. Rye said House Bill 1 of the 2024 special session authorized \$100 million to support recovery efforts.

Property Insurance and Wildfire Mitigation Efforts (11:40 AM, [click here for meeting materials](#)). Colin Baillio, deputy superintendent of the Office of Superintendent of Insurance (OSI), said wildfires are a growing threat in western states and subsequently creating insurance access issues. In response, OSI is turning to risk mitigation efforts to maintain insurance access in the state.

Steve Hawks, senior director for wildfire at the Insurance Institute for Business and Home Safety (IBHS), said built environment conflagrations follow humans, drought, and wind. To build resilience against conflagration, communities should focus on structure density, connective fuels, and building materials. IBHS offers Wildfire Prepared Home, a research-based mitigation and assessment program designed to reduce wildfire risk.

State Forester Laura McCarthy said the Energy, Minerals and Natural Resources Department (EMNRD) is working with the State Fire Marshal's Office, Regulation and Licensing Department, and OSI on wildfire risk mapping, community wildfire risk reduction supports, building code development and inspection, fire fund grants, and insurance-industry-accepted standards.

EMNRD Secretary Melanie Kenderdine thanked firefighters and state and local officials for their work and remarked on the need to develop a state master plan.

Innovative Public School Staffing (1:55 PM, [click here for meeting materials](#)). Brent Madden, executive director of next education workforce initiatives of the Mary Lou Fulton Teachers College at Arizona State University, talked about changing the way schools are staffed. Nationally, teacher preparation programs have long seen declining enrollment and teachers often switch careers or retire early. Mr. Madden said we ask teachers to be all things to all people at all times. The job is hard in specific ways that inhibit success. The college finds team-based education models are better for students and teachers because they provide students deeper and personalized learning by building teams of educators with distributed expertise and empower educators by developing better ways to enter the profession, specialize, and advance. Mr. Madden said the cost of a one-teacher, one-classroom staffing model and a team-based staffing model are comparable.

Bryan Hassel, co-president of Public Impact, highlighted the opportunity culture model implemented by the Carlsbad Municipal School District. The ladder goes from advanced

paraprofessionals—reach associates—to multi-classroom leaders, who head a team of teachers, reach associates, and paid yearlong teacher residents. MCLs provide intensive, day-to-day support, collaboration, and professional development. Opportunity culture roles earn additional pay, funded within existing school budgets; however, state supplementation for high-need schools could provide even higher pay.

Approval of FY26 Budget Guidelines (2:32 PM). LFC Director Charles Sallee outlined LFC’s proposed budget guidelines for FY26, which provide analysts with committee directions on performance-based budgeting, budget narrative and recommendations on recurring appropriations, and priority capital spending and other one-time investments. The guidelines also inform state agencies and the public about LFC priorities and approaches to budget recommendations.

Senator Woods moved to adopt 30 percent reserves in LFC’s FY26 budget guidelines, seconded by Representative Armstrong. The motion lost, with nine members voting no and four members voting yes.

Chairman Munoz moved to adopt the LFC FY26 budget guidelines, including 25 percent reserves and consideration to add the Department of Transportation as a general-fund-supported agency, seconded by Senator Padilla. The motion carried. Senators Woods and Sharer and Representatives Armstrong and Martinez voted in opposition.

Wednesday, August 21 ([click here for webcast](#))

The following members and designees were present on Wednesday, August 21, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Michael Padilla, William F. Burt, Benny Shendo Jr., Pat Woods, William E. Sharer, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Alan T. Martinez, Gail Armstrong, Debra M. Sariñana, and Derrick J. Lente. Guest legislators: Representatives Anthony Allison, Art De La Cruz, Joy Garratt, Tara Jaramillo, Randall T. Pettigrew, and Harlan Vincent.

Preliminary FY24 General Fund Revenues, FY25-FY29 Revenue Outlook, and General Fund Financial Summary (8:49 AM, [click here for meeting materials](#)).

The Consensus Revenue Estimating Group (CREG)—Taxation and Revenue Department Secretary Stephanie Schardin Clarke, Department of Finance and Administration Secretary Wayne Propst, and LFC Chief Economist Ismael Torres—presented the general fund financial summary and revenue outlook. Currently, economic growth is moderate. U.S. real gross domestic product (RGDP) increased 2.8 percent in the second quarter of 2024, exceeding expectations. Likewise, New Mexico’s annualized RGDP growth exceeded expectations at 2.6 percent in 2023. Inflation has moderated across all major areas and the labor market is strong, but cooling. New Mexico’s unemployment rate is currently 3.9 percent, on par with the national rate.

Oil prices averaged \$78.50 per barrel (bbl) in FY24 and projected to average \$76.50/bbl in FY25. New Mexico FY24 oil production was a record high, but growth is expected to slow and prices are projected to decrease to \$70/bbl in the out years. New Mexico natural gas production is also slowing, with prices currently averaging \$3.20 per thousand cubic feet (mcf).

FY24 recurring revenue from all sources is estimated at \$13.04 billion, up \$1.45 billion from

FY23. As legislative changes to the tax code take effect and economic activity softens, revenue growth is expected to contract by 0.2 percent in FY25 and grow 2.8 percent in FY26 before returning to more typical growth rate of 3 percent in FY27 and beyond. Estimated recurring revenue is estimated at \$13.02 billion for FY25 and \$13.38 billion for FY26.

LegisStat: Early Childhood Education and Care Department (10:26 AM, [click here for meeting materials](#)). LFC Analyst Kelly Klundt said LegisStat hearings on Medicaid-funded home visiting took place in August 2022 and May 2023. Since then, the Home Visiting, Prekindergarten, Childcare Assistance, and other early childhood programs have continued to receive historical funding, reaching nearly \$700 million in FY25. A sizable portion of these increases came from revenues generated through a constitutional amendment that increased distributions from the permanent school fund to the early education and the early childhood trust fund. The Legislature's substantial investment necessitates ongoing oversight to monitor program expansion and ensure high-quality delivery of services. Despite these increases, the state is continuing to miss out on millions of federal funds due to low Medicaid-funded home visiting enrollment. Home visiting providers need additional support and capacity building to improve Medicaid-funded home visiting enrollment goals.

Elizabeth Groginsky, secretary of the Early Childhood Education and Care Department (ECECD), talked about the efforts to enhance outreach, leverage Medicaid funding, and improve the quality of home visiting services, including expanding evidence-based models and transitioning to paying per child. ECECD launched a new home visiting referral system, designed to be a user-friendly portal that streamlines the referral process, reduces barriers to accessing services, improves transparency, and distributes referrals more equitably among providers. The secretary emphasized the importance of direct partnerships with national model offices and improving communication with the home visiting community. ECECD implemented cost modeling to set provider rates, ensuring funding formulas are equitable.

Medicaid Waiver for Prison Reentry Services (1:40 PM, [click here for meeting materials](#)). Alex Castillo Smith, deputy secretary of the Health Care Authority (HCA), outlined New Mexico's approved Medicaid waiver to provide incarcerated individuals within 90 days of release with enhanced care management and coordination, medication-assisted treatment, and a 30-day supply of medications and durable medical equipment, as appropriate, on release. Additional services, like behavioral health services, may be provided, but not required. The waiver's purpose is part of a broader effort to improve outcomes for justice-involved individuals by reducing healthcare disparities and supporting successful community reintegration. HCA is currently developing an implementation plan and cost estimate for 60-day pre-release coverage, including one-time startup funds for planning and capacity building and potential for additional services provided. The program will take effect July 2025, and its status will be reported quarterly to CMS.

Wence Asonganyi, health services administrator for the Corrections Department (NMCD), said the plan is to have providers work collaboratively the corrections' facility medical staff on providing services to eligible inmates. Mr. Asonganyi emphasized the need to build capacity.

NMCD Deputy Director Haven Scogin said most incarcerated people will exit at some point. Many of these individuals need care for serious mental illness and age-related disabilities, which the

waiver will support as they near release. Ms. Scogin recommended the state consider extending services under the waiver to include behavioral health care.

Best Practices for Wildfire and Emergency Funding (2:28 PM, [click here for meeting materials](#)). LFC Analyst Austin Davidson said recent catastrophic events, including the pandemic and Hermits Peak and Calf Canyon Fire, revealed significant flaws in New Mexico's system for allocating emergency funding, including vague language and a lack of transparency and accountability. While some attempts were made to improve emergency funding mechanisms, the system still faces obstacles in meeting the demands of such large-scale disasters. This year, New Mexico experienced another catastrophic fire and flooding season, leading to additional federal disaster declarations and stressing the need for comprehensive reforms to the state's emergency funding system.

State Forester Laura McCarthy said state funded wildfire response consists of hand crews, fire suppression modules, wildfire engines, aviation resources, and local supports. The state also has eight facilities for wildfire response. FEMA reimburses 75 percent for wildfire that threaten homes. Currently, New Mexico does not proactively budget for wildfire suppression costs, other than salaries for some personnel. Instead, the Forestry Division regularly relies on accessing emergency funding through executive orders capped at \$750,000 each, even for minor fire incidents. Ms. McCarthy said this practice presents several challenges.

Ronojoy Sen, Pew Charitable Trusts, said disasters are becoming more frequent, severe, and costly. State and local governments are increasingly burdened with these expenses; however, it is difficult to quantify this impact because disaster spending is not consistently tracked by these entities. Also, many lack appropriate emergency funding mechanisms and underinvest in risk reduction.

Peter Muller, Pew Charitable Trusts, outlined how New Mexico currently funds fire suppression and recommended the state establish a dedicated fund for wildfire, decide the uses of the dedicated fund, determine what to do with unused funds and reimbursements, designate funding source and amount, and create an expenditure-reporting requirement. Examples of successful fire suppression funding mechanisms in other states were highlighted.

FY26 Health Insurance, Risk Management, and Information Technology Rates (3:35 PM, [click here for meeting materials](#)). Executive Director Patrick Sandoval said the Public School Insurance Authority (NMPSIA) provides risk and benefit insurance for 88 school districts, 99 charter schools, and 28 other educational entities, insuring over 77 thousand individuals. In FY24, NMPSIA medical claims totaled \$319 million, a \$40.75 million increase from FY23. FY25 medical claims are estimated at \$353.55 million. About 36 percent of NMPSIA's medical cost is generated by 1 percent of its members who typically have the following conditions: hyperlipidemia, hypertension, mental health issues, obesity, and diabetes. Member premiums will increase 10 percent this October. NMPSIA risk claims totaled \$54.5 million in FY24, a \$20 million increase from FY23. The significant increase was attributed to high dollar sexual molestation and property loss payments. Mr. Sandoval highlighted NMPSIA's risk mitigation efforts.

Alex Castillo Smith, deputy secretary, Health Care Authority (HCA), said the administration of

state health benefits transferred to HCA at the start of FY25. In recent years, the program, which currently serves 59,804 individuals, has had expenses exceed revenue. This fiscal year, employee premiums increased 10 percent; however, a shortfall is still projected. Ms. Castillo Smith said HCA is focused on achieving fiscal responsibility and providing healthcare plans that meet employee needs. The agency is currently doing actuarial analysis on the program's historical enrollment, utilization, and expenditure data.

Robert Doucette, secretary of General Services Department (GSD), reported a rise in risk claims, increasing to \$66 million FY24. Mr. Doucette highlighted recent activity in the Risk Management Division, including improved practices and the addition of three attorneys. Mr. Doucette said GSD is focused on building a more effective risk management system.

Thursday, August 22 ([click here for webcast](#))

The following members and designees were present on Thursday, August 22, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Michael Padilla, William F. Burt, Benny Shendo Jr., Pat Woods, William E. Sharer, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Alan T. Martinez, Gail Armstrong, Debra M. Sariñana, and Derrick J. Lente. Guest legislators: Representatives Anthony Allison, Art De La Cruz, Joy Garratt, Randall T. Pettigrew, and Harlan Vincent.

Miscellaneous Business (8:05 AM).

Action Items. Representative Armstrong moved to adopt the LFC July 2024 meeting minutes, seconded by Senator Rodriguez. The motion carried.

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

Vice Chairman Small moved to adopt the LFC FY26 budget request, seconded by Senator Rodriguez. The motion carried.

Review of Monthly Financial Reports and Information Items. LFC Director Charles Sallee briefed the committee on information items.

Policy Spotlight: State Funded Water Projects (8:20 AM, [click here for meeting materials](#)).

LFC Program Evaluator Clayton Lobaugh and Analyst Rhea Serna presented a policy spotlight on state-funded water projects. Government entities across New Mexico report \$5.7 billion in future water and wastewater infrastructure needs. Local water and wastewater systems, ideally, should operate as self-sustaining enterprises, where rate revenue is sufficient to cover operating expenses and repair and replacement needs. However, many of these systems are financially unsustainable, relying on state subsidies due to artificially low rates and deferred maintenance. Many are also having issues with basic operating practices and limited workforce.

Capital outlay appropriations from elected officials (the largest source of state water funding) is generally diffused across multiple projects, providing only partial funding and discouraging local governments from seeking alternative sources of low- or no-cost financing. This system often

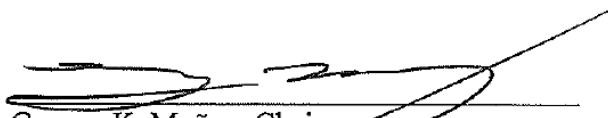
results in piecemeal funding that is not aligned with actual needs and leads to unspent funds and delays in critical infrastructure improvements.

LFC staff recommend streamlined funding through specific state sources, one-time appropriations for urgent needs, and improved financial and operational practices among public water systems, including adequate rate-setting and timely service line inventories. Recent legislative changes aim to support regionalization, allowing small systems to pool resources and improve their financial and operational capacities.

Capital Outlay Quarterly Report (9:53AM, [click here for meeting materials](#)). LFC Analysts Cally Carswell and Antonio Ortega presented the capital outlay report. At the end of the fourth quarter of FY24, an estimated \$5.9 billion in capital outlay from all funding sources was unexpended, including \$3.4 billion for projects authorized by the Legislature and \$1.6 billion for projects funded with supplemental severance tax bonds for public school construction. Members were provided detailed information on all projects; the status of select projects were highlighted. The report noted moderation in construction cost increases nationally, with some costs leveling off.

This year, the Legislature established the capital development fund to provide steady funding for smaller projects and the New Mexico match fund to enhance access to federal funds for local entities. In addition, the Department of Finance and Administration has a new division to improve project management and outcome tracking: Infrastructure Planning and Development.

With no further business, the meeting adjourned at 10:28 a.m.


George K. Muñoz, Chairman


Nathan P. Small, Vice Chairman