

**MINUTES**  
**Legislative Finance Committee**  
**Carlsbad, NM**  
**June 11-13, 2024**

**Tuesday, June 11**

The following members and designees were present on Tuesday, June 11, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Michael Padilla, Pat Woods, William E. Sharer, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Jack Chatfield, Gail Armstrong, Debra M. Sariñana, Brian G. Baca, and Dayan Hochman-Vigil. Guest legislators: Senator Antonio Maestas and Representatives Cathrynn N. Brown, Micaela Lara Cadena, Art De La Cruz, Natalie Figueroa, Joy Garratt, Jared A. Hembree, Pamelya Herndon, Susan K. Herrera, Randall T. Pettigrew, and Larry R. Scott.

**Welcoming Remarks.** Highlighting local economic and finance data, LFC Analyst Emily Hilla said Eddy County’s general fund continues to grow, primarily due to increased revenue from oil, gas, and equipment taxes. Like the county, the city of Carlsbad’s general fund has grown, including additional state appropriations for capital outlay projects and fire and law enforcement initiatives.

Hobbs Mayor Sam Cobb remarked on the unintended consequence of destination-based sourcing. In FY21, New Mexico switched to destination-based sourcing to broaden the gross receipts tax base and level the playing field between in-state and out-of-state businesses. However, Mayor Cobb said the change is instead resulting in less gross receipts tax revenue for Hobbs and Carlsbad because oil and gas industry activity is no longer reported to each city.

Carlsbad Mayor Rick Lopez welcomed LFC to Carlsbad and reiterated the importance of oil and gas activity to communities in southeast New Mexico, noting the industry’s involvement in supporting local jobs, public schools, healthcare systems, and other critical needs. Mayor Lopez said the industry should not be overregulated because it plays a vital role in the state and local economies.

Eddy County Commission Chairman James “Bo” Bowen said county revenue generated from oil and gas industry is supporting local needs, including \$150 million invested in projects over the past five years and another \$400 million anticipated in the next five years. Highlighting key partners and recent accomplishments, Chairman Bowen said the county’s fire department is fully staffed and equipped and the sheriff’s office is a full service law enforcement agency, noting the Pecos Valley Drug Task Force, a division of the sheriff’s office, is leading the state in combating the fentanyl crisis. In 2023, Chevron invested \$2.4 million in social initiatives across the state. The company also partnered with the State Land Office recently on a solar project. Currently, Devon Energy and Mewbourne Oil are partnered with the Eddy County on making critical road improvements.

**Opportunities and Challenges in the Delaware Basin.** Chief Executive Officer Mike Dyson, said Infinity Water Solutions is a fully integrated, U.S.-based sustainability, technology and water management company. The company was founded in 2019, following the enactment of the

Produced Water Act. As a cross-industry pioneer, Infinity is reclaiming wastewater, with reuse water projects in progress in Eddy and Lea counties, which encompass a portion of the Delaware Basin.

Mr. Dyson said produced water is naturally occurring water in oil and gas formations. For every barrel of oil produced, between two and six barrels of wastewater are collected. Traditionally, wastewater is reinjected via saltwater disposal facilities. Infinity is instead recycling it for reuse, preserving fresh water and minimizing seismicity.

Mr. Dyson said Infinity is administering a four-staged recycling process: water gathering, water recycling, water staging, and water sourcing. Working with major and independent operators, Infinity is building a “peer-to-peer” water-sharing network in Eddy and Lea counties. Current operations call for a build-out of seven networked facilities. By 2025, Infinity will have more than 500 thousand barrels of daily throughput capacity, with more than 20 million barrels of staging. When Infinity’s build-out is completed, 300 jobs are expected to be retained.

To foster economic diversity, sustainability, and resiliency, Mr. Dyson said the state and industry should explore every aspect of the open- and closed-loop water manufacturing process, from resource planning and sourcing to reuse sales and distribution. Mr. Dyson said Infinity’s focus goes beyond direct water reuse, pointing out the value of derivative minerals, metals, and hydrocarbons found within the same waste stream.

Committee members toured Infinity’s mobile facility.

In response to Representative Scott, Infinity Chief Scientific Officer Zacariah Hildenbrand said the use of dissolved solids extracted from the produced water could include sodium chloride feedstock for renewable battery production.

Representative Pettigrew asked what the biggest challenge is in taking advantage of the opportunities that produced water offers. Mr. Dyson said the biggest challenge is not having clear produced water standards for use outside the oil and gas industry.

In response to Vice Chairman Small, Mr. Hildenbrand said untreated produced water typically has less concentration of per- and polyfluorinated alkyl substances (PFAS) than municipal drinking water. Current oxidation and filtration technology is showing positive results in diminishing PFAS in produced water.

**Oil and Gas Setbacks.** Highlighting key information in the staff brief, LFC Analyst Austin Davidson said New Mexico is the second largest producer of oil in the United States, producing 15.1 percent of the country’s oil as of February 2024, averaging roughly 1.98 million barrels of oil production a day. New Mexico currently has 73 thousand active oil and gas wells and nearly 100 active rigs drilling new wells each month. Revenue from the oil and gas industry accounted for an estimated 38 percent of the state’s general fund budget in FY24.

While generating revenue for the state, oil and gas production has also resulted in methane, particulate matter, nitrogen oxide, and other chemicals compounds released into the air. Exposure

to these chemicals from fossil fuel production has been linked to increased risk of asthma, lung diseases, and mortality, particularly for those in close proximity to production centers that produce air pollutants.

Setbacks, distances set by law between production facilities and protected areas, are meant to alleviate the risks of disease for people who live in these areas. However, New Mexico does not have state laws creating setbacks and there is currently no universal consensus on recommending a specific setback distance to protect citizens. According to the Associated Press, over 144 thousand New Mexicans are estimated to be living in or attending school within a half-mile of oil and gas production.

While the state has no statutory laws on oil and gas setbacks, some counties and municipalities have imposed their own. Eddy County has oil and gas ordinances requiring 300 feet of distance between wells and residences, mercantile establishments, schools, and churches. In Carlsbad, well drilling must be approved first by the city council and the company must show it will not contaminate the city's water supply. Additionally, the city requires wells, storage tanks, and compressors be 500 feet away from commercial and residential buildings and pipelines be 40 feet away from commercial, industrial, or residential buildings. In Lea County, only municipalities have setbacks, including Hobb's setback requirements of 300 feet from a well, 750 feet from natural gas processing, and 1,500 feet from municipal freshwater supplies. San Juan County, New Mexico's third largest oil and gas producing region, has no setbacks. However, Aztec imposes a setback of 400 feet from structures and 100 feet from roads. Aztec also requires operators comply with air quality standards and protect water resources from contamination. Farmington prohibits wells, tanks, and pipelines within 75 feet of roads, 200 feet of residences, and 300 feet from schools, institutions, and places of assembly.

Other oil and gas producing states have adopted a variety of setbacks. Colorado increased its initial setback of 500 feet to 2,000 feet in 2020, the largest setback in practice, nationwide. Wyoming instituted a setback of 500 feet between wells and occupied structures. However, North Dakota allows development without setbacks and instead requires property owners within 1,000 feet of a proposed well to petition the state's director of oil to stop the well, if a setback is desired.

While New Mexico does not have statewide setbacks, it does have laws regulating air quality. New Mexico standards for air quality are governed by the federal Clean Air Act (CAA). Passed in 1963, the CAA is a large body of law outlining minimum air quality and pollution control standards. It tasks states with creating state implementation plans, reviewed by the Environmental Protection Agency.

New Mexico's multiple implementation plans since 1963 led to the creation of 20 air pollutant-monitoring sites. Located in 11 of New Mexico's 33 counties, the sites monitor levels of ozone, nitrogen dioxide, sulfur dioxide, fine particulate matter, and particulate matter. Each monitoring site is not equipped to monitor each level of pollutant, but most have dual or triple compound monitoring capabilities.

In their annual network review, the Environment Department's Air Quality Bureau reported Eddy and Lea counties have some of the worst air quality in the state. Both counties were in the 95th-

100th percentile of national levels for ozone and in the 95th-100th percentile of state levels for particulate matter. Current research in the Permian Basin is being conducted to identify sources and locations of pollutants. Preliminary results show proximity to oil and gas production is likely the cause of higher pollutant levels in the region.

Research identifying the health benefits of setbacks remains incomplete, however. Because pollutants can travel hundreds of miles, the reduced risk from a setback of several thousand feet has not been substantiated in studies of states with setbacks. Furthermore, basins and production companies may differ in pollutant makeup, especially with evolving regulations.

Other regulatory options may exist to achieve the desired health outcomes. For example, the Environmental Protection Agency (EPA) implemented the Petroleum Refinery Sector Rule (method 325) and successfully reduced pollutant levels since fully implementing in 2018. Under the program, oil-refining companies report fence line monitoring data to EPA, and if their pollutant levels are above an EPA action level, the refinery must conduct investigations and implement corrective measures to reduce pollution. Recent data show a marked improvement, with the most extreme cases of benzene pollution falling more than 60 percent.

Gunnar Schade, Ph.D., associate professor of atmospheric sciences at Texas A&M University, said he and four other scientists are currently assessing source contributions to air quality and noise in Eddy County's unconventional oil shale plays. Funded by the Health Effects Institute, the research team is using highly sensitive, regulatory grade instruments and protocols that are fully automated and provides nonstop in-situ measurements. The pollutants measured at the site in Loving are those with sources in the oil and gas industry, including equipment leaks, evaporation from tanks, and combustion in diesel engines or gas flares. The data collected is publicly reported in real time at <https://bouldair.com/loving.htm>.

In combination, emitted hydrocarbons and nitrogen oxides from the oil and gas industry serve as the fuel and catalyst for atmospheric ozone production during the daytime. Mr. Schade depicted average nitrogen oxides emission levels for a combination of winds at the site in Loving. The visual showed a higher level of nitrogen oxides emissions in a southwest direction of the area due to a combustion source on the neighboring pad, most likely a frequently burning gas flare. Also at the Loving site, methane plumes are frequent and ethane levels are several times higher than five Colorado comparison sites; though, Mr. Schade noted more oil and gas emission sources surround the Loving site.

Mr. Schade said the research team is also doing passive sampling, using commercial, well-characterized activated carbon cartridges that are exposed to ambient air on private properties for approximately a week at a time. Current sampling reveals remarkably elevated toxic benzene levels in the Permian Basin, which strongly varies between locations based on proximity to sources and spatial density of sources.

Mr. Schade said air quality is poor in Eddy County, pointing out it is the only location in the United States where ozone is continuing to increase above the national ambient air quality standard. Mr. Schade said virtually all fuel for ozone formation comes from oil and gas industry hydrocarbon emissions. Ozone, nitrogen oxides, and benzene can cause lung diseases, anemia, cancer, and other

health conditions, depending on the level and duration of exposure. The pollutants may also cause adverse birth outcomes, like premature birth and birth defects. Mr. Schade said children, outdoor workers, and those with pre-existing conditions are most at risk.

Tami McMullin, Ph.D., senior toxicologist for the Center for Toxicology and Environmental Health, said there is no one-size-fits-all answer to addressing public health concerns related to the oil and gas industry. Reporting on how Colorado's public policy on oil and gas development evolved over time, Ms. McMullin said the state formed a task force in 2014 to develop recommendations on policy and legislation that would harmonize state and local regulation structures for the industry. To address public health concerns, Colorado's task force, comprising representatives from local government, civic organizations, environmental interests, agriculture, and affected industries, recommended the state

- Increase capacity to effectively regulate emissions,
- Establish a health complaint and information line,
- Develop a complaint and response program, and
- Evaluate and summarize the scientific evidence on oil and gas development and health effects.

Ms. McMullin said it is imperative to establish public health frameworks to evaluate adverse public health impacts from industrial operations, adding that a well-established framework will inform risk management and policy.

As New Mexico considers the health effects from oil and gas activity, Ms. McMullin said the state should be aware that

- Environmental data collected in communities near oil and gas development have not been at levels of concern for adverse health risks.
- Health outcomes studies are largely inconsistent, lack cohesiveness of findings, and are not designed to show causal evidence that oil and gas causes specific health outcomes.
- Health studies from other states can be useful, but caution should be taken on applicability to New Mexico.
- A policy mandating a prescriptive "one-size-fits-all" setback is not the answer to a multi-faceted public health issue.
- A systematic process using established frameworks and convening of stakeholders would be a valuable next step in developing evidence-based policy to protect citizens.

In response to Representative Sariñana, Mr. Schade said benzene levels in the air of urban areas have dropped nationwide since EPA banned it from gasoline.

Josie Dominguez-Zuniga shared with the committee her experience as a Carlsbad resident living next to oil and gas activity, reporting declined health due to endocrine-disrupting chemicals. Dominguez-Zuniga said the smell and chemicals in the air often burns her eyes and nose, adding that her sister suffers from severe nose bleeds.

In response to Vice Chairman Small, Mr. Schade said new technology is available to reduce heavy-duty diesel engine nitrogen oxide.

**Oil and Gas Revenue to the State of New Mexico.** In a graph provided, LFC Economist Jennifer Faubion showed the flow of FY23 oil and gas revenue to the federal, state, and local governments, totaling \$15.26 billion. The unprecedented revenue is providing significant funding levels for the state, including the early childhood trust fund.

Ms. Faubion said current national and global market conditions have increased oil prices to near-record levels and accelerated oil and gas production in New Mexico. In the last five years, oil and gas revenue to the state more than quadrupled, including a 115 percent increase to the general fund, 800 percent increase to the oil and gas reclamation fund, 404 percent increase to the severance tax permanent fund, and 283 percent increase for the land grant permanent fund.

State taxes on oil stack to roughly 8.27 percent of the value of oil severed in New Mexico, while that of natural gas is slightly higher at 8.97 percent. Ms. Faubion said, when comparing effective tax rates across states, New Mexico lies in the middle, roughly the same as Texas. State royalty rates, however, are lower than Texas for Permian tracts.

Ms. Faubion said a large share of New Mexico's oil and gas revenue also comes federal royalties. For the first time since passage of the federal Mineral Leasing Act in 1920, minimum royalty rates for oil and gas produced from federal lands will increase from 12.5 percent to 16.67 percent, capping at 18.75 percent. Set forth by the Inflation Reduction Act, the increased rates will generate additional revenue, half of which is distributed to the states. In New Mexico, federal royalty revenue up to the 5-year average is distributed to the general fund, with remaining revenue sent to the early childhood trust fund.

Currently, 19 percent of the general fund is from direct oil and gas revenue. When adding indirect oil and gas revenue, 35 percent of the general fund is from the industry. Ms. Faubion said the revenue growth is driving the state into further dependence on oil and gas, although expectations for reliance are falling. At this time, general fund reserves have enough money to cover a worst-case scenario. New Mexico oil production is expected to peak in the 2030s.

Strong oil and gas revenue is also benefiting the early childhood trust fund and, beginning in FY25, the severance tax permanent fund. Ms. Faubion explained distributions to severance tax permanent fund, which supports capital projects in the state, are intended to reverse the impact of declining oil and gas revenues in the general fund. House Bill 253 of 2024 authorizes the Board of Finance to convert any excess cash available in the severance tax bonding fund at the end of FY24, up to \$500 million, into a one-time distribution to the new capital development and reserve fund. It also constrains future long-term debt and sends savings to the fund. Similarly to how the permanent funds help stabilize the general fund, the development and reserve fund will leverage investment earnings to "spin-off" reliable revenue and replace some severance tax revenue for capital projects.

Lastly, Ms. Faubion said property taxes, which fund the state general obligation bond program, are also becoming more dependent on the oil and gas industry. Oil and gas properties comprised 37 percent of taxable property values in 2023, up from an average share of 8 to 14 percent prior to 2021. Property taxes primarily benefit local governments. About 5 percent of property taxes fund the state general obligation bond program.

In response to Representative Armstrong, Ms. Faubion said LFC staff estimate 10 percent of wells could be impacted if oil and gas setbacks are issued by the state. Ms. Faubion said the actual impact is difficult to predict, however, because we do not know how the industry will respond, pointing out that wells can be drilled laterally up to two miles, but at a higher cost.

In response to Senator Woods, LFC Analyst Cally Carswell said the goal of the new capital development and reserve fund is to transition from bond to cash in the financing capital projects.

### **Wednesday, June 12**

The following members and designees were present on Wednesday, June 12, 2024: Chairman George K. Muñoz; Senators Nancy Rodriguez, Michael Padilla, Ron Griggs, Pat Woods, William E. Sharer, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Jack Chatfield, Gail Armstrong, Debra M. Sariñana, Brian G. Baca, and Dayan Hochman-Vigil. Guest legislators: Senator Antonio Maestas and Representatives Cathrynn N. Brown, Art De La Cruz, Natalie Figueroa, Joy Garratt, Pameyla Herndon, Susan K. Herrera, and Randall T. Pettigrew.

**LegisStat: Department of Transportation.** Highlighting key information in the staff brief, LFC Analyst Joseph Simon said the Legislature made significant resources available to the Department of Transportation (NMDOT) to improve the quality of New Mexico's roadways and manage other transportation programs. Overall, the transportation budget has grown substantially in recent years, supplemented by nonrecurring funding sources made possible by windfall oil and gas revenue. Including funds for local government roads, transportation appropriations increased from \$876 million in FY18 to more than \$2 billion in FY25, providing NMDOT an opportunity to get ahead of road construction and maintenance needs.

How NMDOT manages these investments will determine the state of New Mexico's roads in the future. Monitoring the agency's performance through on-time project completion, ability to maintain a consistent letting schedule, and ability to hit longer-term planning and construction benchmarks will show progress toward improving the state's road network. NMDOT identified staffing as a critical area for investment and monitoring the agency's ability to fill and retain employees in key roles will demonstrate its capacity to continue managing large investments.

Finally, the safety of New Mexicans is the primary concern of NMDOT and drives investment decisions. Currently, New Mexico ranks worse than other states in motor vehicle fatalities. Reducing fatalities will show the impact the state's investments are having on New Mexicans.

NMDOT Secretary Ricky Serna said the agency is finalizing its public-facing dashboard to track 2024 appropriations by project: \$320 million in severance tax bond projects, \$70 million in special projects, and \$120 million in maintenance projects. The dashboard reports project locations, funding sources and gaps, and letting dates.

Among current priorities, Secretary Serna said NMDOT is working to improve roadway safety. Albuquerque's high incident intersections include Central and Wyoming, Central and Eubank, Lomas and Louisiana, and San Mateo and Montgomery. On states roads, high incident intersections include Coors and Illif in Albuquerque, Cerrillos and Saint Michaels in Santa Fe, and NM68 and NM518 in Taos.

Denise Peralta, manager of NMDOT's Capital Program and Investments Division, talked about how the agency collects and uses data to inform where improvements need to be made. Uniform crash reports are among the sources of data collected. Also, Fugro is currently contracted to deploy a fleet of 3D automatic road analyzer vehicles that collect high-resolution, high-accuracy pavement and roadway data. Potential projects are scored on safety, pavement conditions, general mobility, freight, multi-modal, and economic development.

Ms. Peralta said public education and awareness campaigns, like ENDWI, continue to be a key tool in addressing roadway safety. NMDOT also collaborates with law enforcement agencies and engages communities on roadway safety measures.

NMDOT Special Director Amy Whitfield said target zero is a new initiative to coordinate all transportation safety work and sharpen NMDOT's focus on safety. Key principles of the initiative are safety and human life first, data-driven, equity, and accountability.

Representative Armstrong said driver education on how to enter a roundabout is needed in the state.

In response to Senator Woods, Rick Padilla, director of NMDOT highway operations, remarked on the need to reconstruct Interstate 40. Mr. Padilla said, while improvements are being made, total reconstruction will be difficult, as lanes quickly back up and detours onto local roads are not designed to handle interstate-type of traffic.

In response to Senator Campos, Secretary Serna said legislation is proposed to allow the placement of speed cameras at state road project sites.

In response to Senator Rodriguez NMDOT Chief Engineer David Quintana said all road projects have change orders, but at varying degrees.

**Capital Outlay Spotlight.** Reporting on the status of local capital outlay, LFC Analyst Cally Carswell said local entities in Eddy County received 70 capital outlay appropriations from 2019 to 2023, totaling \$42 million. About \$19 million was unexpended as of this April. Additionally, 11 higher education or statewide projects in Eddy County received appropriations from 2018 to 2023, totaling \$10.4 million. Balances on those projects totaled \$5.4 million as of April.

This year, local entities in Eddy County received \$9.2 million in capital appropriations, with the largest appropriations going to Carlsbad for water line replacements and sewer system expansions south of town. Eddy County received three new capital outlay appropriations: \$500 thousand for healthcare facility improvements, \$200 thousand for a shooting range training facility, and \$600 thousand for a splash pad. Eddy County was one of the beneficiaries of the severance tax bond package for roads in the capital outlay bill, with up to \$70 million authorized for improvements to U.S. Highway 180.

Carlsbad received 21 capital appropriations from 2019 to 2023, totaling \$14.9 million. The largest were for sewer and water system improvements. The city increased lodgers' tax to support quality of life improvements, including rehabilitation of the historic Cavern Theater. Additionally, the city



built a water park and splash pad on the Pecos River and is improving playgrounds and upgrading its community recreation center. Some of these projects are self-financed, while others are using local funds and state grant programs.

Carlsbad has a diversified groundwater supply through water rights it owns in three distinct aquifers. Turning its strong paper water rights into a wet water supply, however, will require additional infrastructure. In particular, Carlsbad owns a well field near Tatum that appears to be very productive but will require 20-plus miles of waterline to connect to the city system. Carlsbad is in the process of more thoroughly testing the wells' productivity before investing public dollars into additional infrastructure.

Sewer system expansion on Old Cavern Highway is under construction and rights of way are being finalized for another sewer expansion on National Parks Highway. The projects are necessary to support new housing. The largest capital appropriation Carlsbad received in 2024 was for the National Parks Highway sewer project (\$1.4 million), which also received appropriations in 2020 and 2023.

Loving received eight capital appropriations from 2019 to 2023, totaling \$3.3 million. The village received no new appropriations in 2024.

Loving is improving public services and increasing salaries and benefits for employees. Additionally, it is replacing vehicles and equipment and investing in quality of life projects, including building a pickleball court, reopening a senior center, and improving parks. The village partnered with the county to improve fire and ambulance service and pays \$300 thousand per year for county emergency services.

Loving is also expanding water and sewer services and upgrading aging infrastructure. It is now able to keep supplies on hand for water line repairs, for instance, and is exploring valve installation throughout the water system to minimize service disruptions.

Loving continues to seek state and federal support for basic infrastructure projects.

Ms. Carswell noted New Mexico's oil and gas boom is generating more revenue for local governments. From FY21 to FY23, revenue for Eddy County more than doubled to roughly \$200 million, while expenditures increased only gradually to about \$50 million. Revenue for Carlsbad increased at a more modest rate, from just over \$50 million in FY21 to nearly \$70 million in FY23. Loving has experienced substantial revenue increases, from \$2.4 million in FY21 to \$11.4 million in FY23.

Highlighting key projects, LFC Analyst Antonio Ortega said the city of Carlsbad is completing rehabilitation of its historic Cavern Theater, which sits in the heart of downtown and has been largely out of operation since the 1980s. The renovation is part of a broader effort to diversify the city's economy and improve quality of life to attract people to Carlsbad for reasons other than work. The city acquired the Cavern in 2014 and the five-phase renovation will have spanned roughly a decade when complete. It is funded with \$4.8 million in local revenues and \$3.9 million in state grants.

Carlsbad increased its lodgers' tax to fund quality of life improvements, including multiple projects on the Pecos Riverwalk. The city is also using state grants and city general funds to improve the Riverwalk Recreation Center, including HVAC and electrical replacement.

Loving is making incremental upgrades to its water and sewer infrastructure to improve services and accommodate growth. Though the village continues to tap grant programs for essential infrastructure, it is using increased gross receipts tax revenue for local match and funding gaps.

**LegisStat: Economic Development Department.** Highlighting key information in the staff brief, LFC Analyst Julisa Rodriguez said science and technology industries in New Mexico have significant growth potential due to several resources in the state, including national laboratories, research universities, test facilities, and military installations. The Economic Development Department (EDD) identifies five science and technology target industries—aerospace, intelligent manufacturing, cybersecurity, biosciences, and sustainable and green energy—as part of nine industries in its strategic plan aimed at increasing economic diversification.

Science and technology industries in the state experienced an average 18 percent growth between 2019 and 2023, with the bioscience industry leading with a 23 percent growth. Another advantage of these industries is higher average wages, representing an opportunity to increase the state's per capita income and quality of life. The industries' average annual wage of \$90,599 is 57 percent higher than the state's average annual wage.

However, while these industries have grown, they still constitute a small portion of the state's total employment, comprising just 6.7 percent. Three of the industries—cybersecurity, biosciences, and sustainable and green energy—each account for less than 0.5 percent of the state's total employment. Aerospace and intelligent manufacturing collectively represent 5.4 percent, with aerospace making up 3.6 percent and intelligent manufacturing 1.8 percent. This underscores a pressing need for EDD to prioritize its strategies and funding to better support these industries, while also presenting possible opportunities for the Legislature to provide additional funding mechanisms and policies.

EDD acting Secretary Mark Roper thanked legislators for the additional funding appropriated to fill key positions, including program specialists and director of the Office of Strategy, Science, and Technology (OSST). Additional recurring funding is also supporting EDD's efforts to build New Mexico's science and technology industries: \$750 thousand for asset analysis, \$800 thousand for research university team pitch grants, \$500 thousand for startup and carbon concierge services, \$500 thousand for quantum information technology projects, \$600 thousand for industry-specific contractors, and \$1.7 million for advanced energy and climate technology grants. OSST Director Nora Sacket provided additional detail.

Acting Secretary Roper highlighted major science- and technology-related activity in progress, including Intel's expansion. There are currently 60 active Local Economic Development Act (LEDA) projects in the state. The average duration of a project is four years.

In response to Representative Herndon, acting Secretary Roper said LEDA grants are funded on a reimbursement basis per statute.

In response to Representative Garratt, acting Secretary Roper said the purpose of doing asset analysis is to identify gaps and costs of improving infrastructure.

Representative Chatfield remarked on the need for more collaboration across agencies, including the Workforce Solutions and Energy, Minerals and Natural Resources departments, to build New Mexico's workforce.

Chairman Muñoz expressed concern about the large number of incomplete LEDA projects that have been in progress for several years, including some reaching 10 years duration. Chairman Muñoz asked EDD to provide the committee detail on the current status of LEDA dollars.

### **Miscellaneous Business.**

*Action Items.* Senator Rodriguez moved to adopt the LFC May 2024 meeting minutes, seconded by Senator Campos. The motion carried.

Senator Rodriguez moved to adopt the LFC contracts, seconded by Representative Dixon. The motion carried.

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

*Strengthening Quality of Life in Southeastern New Mexico.* Carlsbad City Councilor JJ Chavez said the Pecos riverwalk and waterpark are among the city's top amenities. The city also has a sports complex, putt-putt golf course, and transit system. City Councilor Chavez said the World Health Organization designated Carlsbad as an age-friendly community in 2017, the first in the state.

Heather Brewer, government relations liaison for the Permian Strategic Partnership (PSP), said the nonprofit organization was founded in 2019 by oil and gas developers and two higher education institutions. The partnership works with leaders across the region to address current and future challenges for the responsible development of oil and gas resources in the Permian Basin. Its focus is on community infrastructure: education, healthcare, housing, and workforce.

Ms. Brewer remarked on the importance of Permian Basin resources to New Mexico and Texas economies. Oil and gas development also impacts the U.S. economy, generating an estimated \$181.8 billion per year in gross domestic product.

To date, PSP has invested \$160 million in projects and contributed to collaborative investments totaling \$1.5 billion. Ms. Brewer said PSP's role is to be a partner with the public sector to leverage private dollars for a greater outcome. Highlighting PSP projects in New Mexico, Ms. Brewer said STEM centers were built at 34 schools in Eddy, Lea and Chaves counties and Holdsworth Center initiatives were implemented at Artesia, Carlsbad, and Hobbs schools. Ms. Brewer said the Holdsworth Center is focused on improving the quality of public schools by providing leadership training and support to teachers, counselors, and administrative staff. PSP is funding principal internships at Carlsbad and Hobbs schools.

PSP is also investing in roadway safety and behavioral health, providing first responders with lifesaving equipment kits and developing Permian Basin counseling and guidance. Other projects include the Permian Warrior Partnership and Flipped Energy Internship Program.

TJ Parks, chief executive officer of the JF Maddox Foundation, said the private family foundation supports educational programs, social initiatives, and community development projects that enhance quality of life in Lea County. The foundation also makes significant contributions to Texas Tech. Its third generation board of directors, who meet on a quarterly basis, comprise five family members and two independent directors.

The University of the Southwest hosts the Jack Maddox distinguished lecture series, which Mr. Parks said has included professional basketball player Shaquille O'Neal, astronaut Jose Hernandez, Olympic gold medalist Amy Van Dyken, and other nationally recognized personalities.

Mr. Parks said the Maddox Leadership Institute provides intense nine-month leadership training by the J.W. Fanning Institute of the University of Georgia. Jack Maddox annual scholarships comprise one full ride anywhere the recipient chooses, four \$20 thousand awards, and 15 \$5,000 awards. The foundation also provides small grants up to \$50 thousand.

Highlighting current contributions, Mr. Parks said the foundation invested \$5 million in Hobbs Downtown, \$250 thousand in Lea County Habitat for Humanity, \$1.5 million in Burrell Medical School residency program, \$350 thousand in Lovington Boys and Girls Club, and \$1.7 million in Hobbs grade level reading campaign.

Mr. Parks remarked on the foundation's partnership with entities in Lea County and highlighted recent accomplishments.

In response to Representative Dixon, Ms. Brewer said PSP works closely with the Public Education Department to ensure its educational programs comply, amplify, and augment with the state's.

Representative Armstrong remarked on the opportunities brought to New Mexico by the oil and gas industry.

**Medicaid: Behavioral and Physical Health Workforce.** Highlighting key information in the staff brief, LFC Analyst RubyAnn Esquibel said New Mexico faces ongoing challenges in ensuring high quality healthcare is accessible for all residents. Healthcare workers are needed more than any other occupational field in the state. According to current data, New Mexico needs 16.7 percent more healthcare workers through 2030 and another 28 percent by 2036.

National data show that shortages of physical health and behavioral health providers are an issue across the country. In New Mexico, approximately 845 thousand residents are underserved, or about 40 percent of the state's population. A lack of access to behavioral healthcare, for example, can have long-term effects, including the lack of a proper diagnosis or an individual turning to

drugs or alcohol to self-medicate. This is particularly true in rural counties where there is limited access to care, long waiting times, and far distances to travel for care.

Like other states, New Mexico is employing strategies to address the provider shortage, including loan forgiveness. Of the 144 healthcare workers that requested loan forgiveness in FY21, 22 of them received an award, averaging \$25 thousand. The average award amount remained the same in FY24, with 1,122 individuals that applied for loan forgiveness and 701 granted awards. This growth indicates that, at the very least, more individuals are learning about the loan forgiveness program. However, it is unclear at this time if the program is achieving its desired outcomes of recruiting and retaining healthcare workers in the state. More data is necessary to understand if this program, which cost the state \$14.6 million in FY24, is successful.

New Mexico had a shortage of 5,000 healthcare workers between 2018 and 2023. On average, New Mexico universities have 3,000 students enrolled in healthcare classes. This includes those in a nursing program or social work program (master's degree only). Even if every student were to graduate and seek employment in New Mexico and in the healthcare field, there is still a shortage of approximately 2,000 workers within the healthcare and social assistance field.

To recruit more individuals to the healthcare field, the Legislature appropriated \$50 million to the Higher Education Department for faculty endowments, \$59 million for nursing faculty endowments and financial aid, and \$80 million for social work endowments.

Medicaid data indicates all contracted managed care organizations (MCOs) have increased the size of their provider networks. But the MCO provider network increases are not equal and not at the same pace as the increases in Medicaid enrollment from 2019 to 2023. The growth in the provider network for Medicaid recipients was driven by increases in Western Sky Community Care networks.

Michael Richards, M.D., senior vice president for clinical affairs at the University of New Mexico Health Sciences Center (UNM-HSC), said the *2023 New Mexico Health Care Workforce Committee Report* confirmed the healthcare worker shortage in the state; however, the data was reported as though Bernalillo and a few other counties are at benchmark for the number providers it has, showing supply but not accounting for demand.

UNM-HSC uses SG2 and other partners to do detailed market analysis and sophisticated forecasting to determine workforce needs, which Dr. Richards said takes into account demographic trends, geographic considerations, local market factors, productivity benchmarks, and other impacts. According to current data, New Mexico's aging population is increasing, while the pediatric population is decreasing. Dr. Richards said this trend will exacerbate the healthcare workforce crisis; therefore, New Mexico will need to recruit from out of state to fill the gap. Developing healthcare system infrastructure will also be critical to ensure the state has what it needs to deliver its workforce to. New Mexico currently ranks 48th nationally in the number of hospital beds for every 1,000 people.

Dr. Richards noted a shift to more corporate practices and less private practices.

The National Center for Health Workforce Analysis (NCHWA)—a unit of the Health Resources and Services Administration—collects data, conducts research, and generates information about the U.S. healthcare workforce to inform and support public- and private-sector decision making. According to NCHWA, New Mexico’s physician supply is at the national median. Dr. Richards said the national center also finds access to primary care 93 percent adequate and access to pharmacists 100 percent, though adequacy in rural areas is significantly lower.

NCHWA projects New Mexico’s adequacy rates will decline by 2034, estimating 48 percent adequacy for behavioral health providers, 78 percent adequacy for physicians, 81 percent adequacy for nurses, and 64 percent adequacy for dental hygienists.

Dr. Richards said to adequately address the healthcare workforce shortage, New Mexico’s future strategies will need to focus on expanding health educational programs in parallel with growing healthcare infrastructure and attracting and retaining talent.

In response to Representative Armstrong, Ms. Esquibel said research done by the Health Resources and Services Administration and other partners helps leverage data, but more is needed by different key sources, like the Higher Education Department.

Representative Armstrong expressed concern about fewer nursing students despite increased funding for nursing programs.

In response to Representative Baca, Dr. Richards said the UNM health system is planning to expand its residency program to 1,000 residents.

In response to Representative Brown, Dr. Richards said the UNM School of Medicine admits approximately 100 students annually.

Senator Woods remarked on the difficulty in recruiting healthcare workers to the hospitals and other healthcare facilities that communities demand be built.

### **Thursday, June 13**

The following members and designees were present on Thursday, June 13, 2024: Chairman George K. Muñoz; Vice Chairman Nathan P. Small; Senators Nancy Rodriguez, Michael Padilla, Ron Griggs, Pat Woods, William E. Sharer, and Pete Campos; and Representatives Meredith A. Dixon, Harry Garcia, Jack Chatfield, Gail Armstrong, Debra M. Sariñana, and Brian G. Baca. Guest legislators: Senator Antonio Maestas and Representatives Cathrynn N. Brown, Art De La Cruz, Natalie Figueroa, Joy Garratt, Pamelya Herndon, Susan K. Herrera, and Randall T. Pettigrew.

**Welcoming Remarks/Status of Local School District.** Reporting on the status of Carlsbad Municipal School District (CMSD), LFC Analyst Sunny Liu said the school district’s reading and math proficiency rates are currently on par with statewide averages, and the four-year high school graduation rate is exceeding the statewide average. Chronic absenteeism is especially high in the school district, with nearly half of students missing more than 10 percent of school days.

Mr. Liu said CMSD cash assets have grown substantially, particularly alongside a boom in local oil and gas revenue, coupled with large recent bond sales.

Superintendent Gerry Washburn remarked on the impact of the oil and gas industry in generating revenue for public schools, noting increased revenue is helping CMSD fund critical capital projects and initiatives. Among current investments, the school district implemented an opportunity culture model that supports, grows, and retains excellent educators. Superintendent Washburn said the model is showing remarkable results at one of the school district's middle schools. CMSD plans on expanding the model next year, which the superintendent said will boost performance. Mindy Rogers, CMSD director of opportunity culture, shared additional detail about the model.

Superintendent Washburn said CMSD continues to improve its career academy program, considering community feedback to ensure all students are served. The program offers a wide variety of career pathways, including business, information technology, arts, industrial science, and human resources.

Among the superintendents in attendance, Gene Strickland of Hobbs Municipal Schools (HMS) provided brief comments, remarking on the efforts of school districts to address the current skills gap. Superintendent Strickland said HMS' career pathways program strives to create relevant opportunities in partnership with the community.

In response to Representative Baca, Superintendent Washburn said the CMSD performing arts center was bond-financed at \$85 million.

In response to Representative Herrera, Superintendent Washburn said opportunity culture implementation cost \$983 per student last school year. However, the cost is expected to decrease to \$759 per student next school year.

**Program Evaluation: Student Attendance and Performance.** LFC Program Evaluators Sarah Dinces, Ph.D., and John Valdez, Ph.D., presented the report *Student Attendance and Performance*. Students need to attend class to reap the benefits of school. Whenever a student misses school, whether excused or unexcused, it decreases their learning outcomes and may even reduce their likelihood of graduating high school. Chronic absenteeism—defined as missing more than 10 percent of school—grew by 119 percent in New Mexico from school year 2019 to school year 2023, the largest increase in the nation. In the 2023 school year, over 124 thousand New Mexico students were chronically absent, raising the dropout risk for these students.

In 2019, New Mexico enacted the Attendance for Success Act, changing the state's focus from students with many unexcused absences (habitually truant) to those frequently absent for any reason (chronically absent). The law also shifted district responses to absences from a punitive to a more supportive approach. However, this new reporting and a large increase in absences led to more chronically absent students compared with those who had been previously reported as habitually truant.

A survey of attendance personnel in schools and school districts identified illness, parent decisions, and lack of engagement as the main reasons students are chronically absent, which is in line with

national research. No matter the reason, student absence in early grades hampers later academic success. Chronically absent students are roughly 14 percent less likely to meet academic proficiency. Additionally, student absences in third grade decrease the likelihood of high school graduation, such that students with 10 percent less attendance in third grade are 12 percent to 18 percent less likely to graduate.

The state's Attendance for Success Act aligns with many best practices, including tiered interventions and requirements for district or school personnel to meet with families with attendance challenges. However, the Public Education Department (PED) has yet to provide guidance or rule on implementing these interventions, leading to inconsistent district practices. Further, some teachers and school personnel might struggle with accurate attendance taking, and disparate data systems across districts further complicate accurate attendance reporting. PED clarification on how to take attendance and a statewide student information system could improve data collection.

Lastly, the state could influence local initiatives to improve attendance, including allowing calendars to be adjusted at the school level to meet student cultural needs, and explicitly allowing extra school for chronically absent students.

LFC staff recommend the following.

The Legislature should consider amending the Attendance for Success Act to allow districts to require extra instruction time for excessively absent students.

PED should

- Publish rules regarding how districts take attendance. This guidance should be different for elementary versus secondary schools and allow for some district flexibility;
- Determine if Nova, the agency's new data system, meets state and district needs for reliable real-time data in the next six months. If not, PED should conduct a feasibility study to determine how to best automate real-time data collection from districts that allow for collection of average daily attendance, including exploring a single statewide student information system;
- Develop and publish a strategic plan as to how the agency can support districts regarding attendance; and
- Produce and publicly post a list of best practice interventions to improve absenteeism and post templates for letters home regarding student absences.

PED and school districts should together

- Provide parents with information on the impact of attendance on their child's academic outcomes;
- Focus on attendance at elementary and middle schools, given the impact of poor attendance in early grades; and
- Implement and evaluate teacher incentive programs to determine if incentives help increase teacher attendance.

Lastly, school districts should allow schools to set separate calendars to meet cultural needs.



Highlighting current efforts, PED Deputy Secretary Candice Castillo said the agency hosted two attendance conferences in the last 12 months and webinars are ongoing to provide school districts guidance on attendance best practices. The agency is also launching an attendance campaign.

PED's written response to the report provided additional detail on current efforts.

Representative Sariñana said one of the problems is that many students pass to the next grade level even when they are not ready.

In response to Representative Chatfield, Mr. Valdez said national research finds career and technical education positively influences school attendance.

**Class Sizes, Teacher Supports, and Quality of Instruction.** LESC Analyst Annie Armatage and LFC Analyst Sunny Liu presented a joint report on class sizes, teacher supports, and quality of instruction. Research shows teachers are the most important school-related factor influencing student outcomes, such as performance on reading and math assessments, likelihood of on-time high school graduation, and even college attendance, college completion, future earnings, and other distal outcomes. The court in the *Martinez-Yazzie* consolidated education lawsuit found effective teachers are key to improving proficiency and concluded the quality of teaching for at-risk students was inadequate in New Mexico.

The need for highly effective teachers in New Mexico is particularly great, with only 38 percent of students proficient in reading and 24 percent of students proficient in math. A high proportion of students are at risk, with one in four children living in poverty and higher than national averages of students identified as English language learners or students with disabilities. Statewide academic achievement for these students continues to lag those of their peers.

Furthermore, the Covid-19 pandemic heightened these challenges, with teachers in New Mexico and across the nation reporting a marked impact on students' social, emotional, and behavioral development, resulting in increased disruptions of instructional time and demands on teachers and support staff.

At the same time, New Mexico faces several barriers to ensuring each classroom is staffed with a highly effective teacher. Despite significant investments in teacher recruitment and retention, teacher vacancies and turnover persist. Since the *Martinez-Yazzie* ruling in 2019, the Legislature has increased recurring funding for public schools to \$4.4 billion, an increase of \$1.6 billion, or 58 percent. Over 60 percent of the total increase, or \$984 million, is attributable to educator compensation, including higher minimum salaries, across-the-board raises, insurance, and expanded coverage benefits. Beyond pay increases, the state has reduced barriers to entry by funding teacher residencies, educator fellowships, student teaching stipends, teacher preparation affordability scholarships, and teacher loan repayment awards.

To achieve better student outcomes, New Mexico must improve the quality of instruction. Within schools, teachers unequivocally have the greatest impact on student achievement. The state is well on its way toward developing a strong educator workforce, with regionally competitive teacher salaries, robust clinical experiences, financial incentives for recruitment, overall shrinking class sizes, opportunities for professional work time, and innovative staffing models to reinforce masterful teaching.

However tempting it may be to hope for silver bullet approaches, relying too heavily on a single strategy may create unintended consequences or lackluster results. Simply reducing class sizes may improve working conditions but also substantially increase the number of services and amount of infrastructure required to support more teachers and classrooms. Relying solely on residency programs to prepare teachers ignores the impact that school cultures play on collective efficacy. Increasing salaries alone will not change the existing practices of current teachers. And merely adding hours for professional work does not guarantee time will be used productively.

Building a world-class teaching profession and workforce will require an outcome-focused, holistic approach that employs multiple, connected strategies. The state also cannot allow the continuance of structures that rely on underprepared teachers to teach, push high-performing teachers to leave the classroom, and create classroom silos rather than collaborative schools. And ensuring educators are on board, as implementers of policies, will be key to successful implementation.

LESC and LFC staff recommend the following.

The Legislature should consider:

- Fund innovative staffing pilots that provide exemptions from class loads over three years through the government results and opportunity (GRO) fund program,
- Fund grow-your-own programs or evidence-based educational assistant training programs through the GRO fund program,
- Fund standards-based assessments that include interim, short-cycle assessments,
- Establish and connect performance measures related to teacher retention, diversity, placement in hard-to-fill positions, and student outcomes to the Public Education Department's GRO appropriations, and
- Amend the School Personnel Act to develop pathways or roles for the best teachers to stay within the classroom rather than moving into administration or leaving the profession.

The Public Education Department should

- Standardize collection of class load data through unified business rules or upgrading the agency's statewide information system, and ensure transparency by publishing annual class loads in districts,
- Provide guidance on effective class sizes for beginning teachers,
- Publish teacher mentorship programs on NMVISTAS and ensuring all beginning teachers participate in approved programs,
- Provide technical assistance for establishing and implementing effective teacher mentorship programs,
- Apply for federal apprenticeship program funding for teacher residencies, and
- Report and evaluate performance of teacher residencies, paid student teaching, educator fellowships, grow-your-own initiatives, and traditional preparation programs.

The Public School Facilities Authority should

- Update adequacy standards to consider innovative staffing models, and
- Identify and coordinate the transfer of portable classrooms to districts with larger class sizes or fewer vacant classrooms.

School districts and schools should

- Adjust schedules or add time to increase opportunities for collaboration and data sharing among teachers and EAs,
- Leverage K-12 Plus program funding to add instructional days that increase class time and professional work time,
- Embed professional work time throughout the school day in regular increments rather than at the beginning and middle of the school year,
- Reduce class sizes for beginning teachers,
- Adopt a residency or apprenticeship model for staffing classrooms,
- Expand opportunities for observations and classroom walkthroughs, particularly of high performers, beyond the principal to other teachers,
- Ensure professional development is targeted, using student assessment data, and research-based,
- Leverage increased SEG, at-risk, and fund balance revenue sources to increase the number of personnel providing student support, and
- Leverage cash balances to support professional work opportunities and training.

PED Secretary Arsenio Romero said smaller class sizes result in better performance because students have more one-on-one time and teachers have less workload. However, the cost and feasibility of smaller class sizes is difficult. The state may want to consider, therefore, phasing in smaller class sizes.

Secretary Romero highlighted current educator and instruction supports, including residencies, educator fellowships, and beginning teacher mentorships.

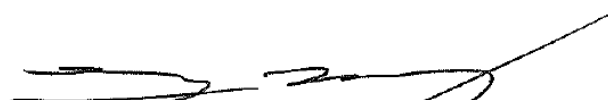
The summer reading program is a statewide instruction and intervention program that supports students from incoming kindergarteners through outgoing eighth graders. Secretary Romero said the program is currently serving 9,362 students.

Secretary Romero asked legislators to consider

- Phasing in smaller class sizes
- Developing educational leadership preparation programs, new licenses for teachers and leaders, and continuing education units, and
- Mitigating insurance premium increases.

Representative Dixon requested PED provide LFC an update this fall on the summer reading program.

With no further business, the meeting adjourned at 11:45 a.m.

  
George K. Muñoz, Chairman

  
Nathan P. Small, Vice Chairman

**Minutes**  
**Legislative Finance Committee**  
**Carlsbad, New Mexico,**  
**June 11, 2024**

**Tuesday, June 11<sup>th</sup>**

-The following members and designees were present on Tuesday, June 11<sup>th</sup>: Subcommittee Chair Nancy Rodriguez of the Legislative Finance Committee, Vice Chair George Munoz, Chair Nathan Small, Senator Moe Maestas, Senator Patrick Woods, Senator Pete Campos, Representative Art De La Cruz, Representative Cathrynn N. Brown, Representative Susan Herrera, Representative Jack Chatfield, and Representative Debra M. Sariñana.

**LFC Water Subcommittee:**

Rebecca Roose, Infrastructure Advisor to the governor, presented an overview of the states the 50-yr water plan and how the strategic water supply (SWS) augments that.

She outlined how the first three targets for the New Water Supply:

- 1: Establish the state strategic water supply, and by 2028, 100,000-acre fee of new water for clean energy production, storage, and manufacturing is available to the state. By 2035, 50,000-acre feet of treated brackish water available for purposes above plus aquifer recharge and surface water augmentation
- 2: Promulgate water reuse rules and policy,
- 3: By 2032, all major aquifers characterized and mapped.

She then discussed the estimated 2-billion-acre feet of brackish water under New Mexico and how the SWS will be targeting how to use it. Then she discussed how the state will create Advanced Market Commitments (AMCs) to purchase treated brackish/produced water. These AMC's will help provide a guaranteed buyer and reduce risk for water treatment market entrants and currently a feasibility study is underway to support policy decisions and funding allocations.

New Mexico will then sell treated water to advance clean energy production and storage and also advanced manufacturing, such as solar, wind, and components of zero emission vehicles. The feasibility study is expected to be available by the end of the summer.

The panel then transitioned to the presentation by Dr. Stacy Timmons, Associate Director of Hydrology at the New Mexico Bureau of Geology and Mineral Resources. She gave a brief overview of the Bureau's history and purpose and then discussed the water data act, and how the NM Bureau of Geology is currently working to map all of New Mexico's aquifers and needs more funding. Dr. Timmons then discussed the aquifer mapping program and its plan to characterize the quantity, quality, and distribution of groundwater in aquifers. She then discussed how the project is funded partially by general fund but also by multiple gifting organizations, regional funding, and individual donations. What this mapping will allow New Mexico is that it will give more information regarding flow directions, groundwater storage, recharge processes and interaction with surface water, and compile a regional water "budget" of sorts. Further, far less is known about our brackish aquifers than our freshwater aquifers. A statewide brackish water assessment was funded by NMED in 2016. It showed that currently existing chemistry data is only from existing water supply wells, which is insufficient to provide to complete understanding of the distribution of groundwater salinity.

Dr. Timmons then discussed an overview of the salinity of brackish water, how it is not a monolith, and that more data on brackish water aquifers is needed to better utilize the resource. Specifically, the quality and quantity of this water is information that is needed. We need to know its volume, its productivity, its recharge rate, its suitability for different uses, and possible waste disposal considerations. Dr. Timmons also showed a map that shows where the state monitors its groundwater levels. The New Mexico Bureau of Geology monitors roughly 200 wells annually. The United States Geological Survey has an agreement with the New Mexico State Engineer to measure about 800 wells annually. Dr. Timmons then discussed the funding needs that the program is looking for. With current annual funding of \$800 thousand and that an additional \$1.25 million would help cover recurring costs to cover FTEs.

In nonrecurring funding, the New Mexico Bureau of Geology estimates that \$175 million over 12 years would cover these costs. Dr. Timmons ended by discussing the funding goals for the aquifer mapping program and the water data initiative.

The final presentation by the panel was by Dr. Pei Xu, a professor at New Mexico State who is helping lead the New Mexico Produced Water Research Consortium. Dr. Xu discussed some updates from the New Mexico Produced Water Research Consortium and its six working groups. Dr. Xu then discussed the progress and status of produced water research:

- Produced water characterization and toxicity
- Produced water treatment for closed system fit for purpose uses
- Public education, outreach, and survey.

Representative Chatfield asked about the age of deep aquifers and how the state can learn about its old water and how its aquifers interact with each other. Dr. Timmons agreed that more information was needed and that the aquifer mapping effort she was leading would help inform these questions. Dr. Xu discussed how due to new fundings from NMED, the consortium was able to take samples from these deep brackish aquifers and that this would help inform what the costs would be to treat this water and how to understand the age of it.

Senator Woods asked about how much money that the New Mexico Bureau of Geology needed for its characterization of aquifers and how it related to the Strategic Water Supply proposal and if she knew of an aquifer that had the amount of brackish water to meet the goals of the SWS. Dr. Timmons said that, due to a lack of mapping information, that she didn't have an aquifer in mind, but that another way to think about the SWS is where in New Mexico needs 100,000 new acre feet of water? She is currently working with the consortium in working with groups in Santa Teresa to see how they can drill new wells and new exploratory wells. While costs for these new wells is complex, this sort of thinking is needed to augment New Mexico's water supply. Rebecca Roose discussed that the 2028 target discussed in the strategic water supply is for treated produced water, not for brackish water. The 2035 goal was related to brackish water. Senator Woods asked about the changing of regulation regarding produced water and he wanted to know specifically if they had some drafts for the new rules that they wanted. Rebecca said that no statutory changes are needed but that there may be some changes to the produced water act. She discussed how regulatory framework changes are needed to accomplish these goals. Senator Woods asked about the new proposed rules before the New Mexico Water Quality Control Commission and what's the timeline for a resolution or ruling would be. Rebecca Roose said that rulemaking is underway from NMED

to be put forth before the WQCC and an initial hearing has been heard and another rule making process meeting will happen in early August. Some of the discussion around this new rule making is about discharge and non-discharge of treated produced water. Senator Woods asked if Dr. Xu was part of the produced water rule making process. Dr. Xu answered that yes, the consortium is a part of the information aspect of the rulemaking process, giving all stakeholders all the information they need.

Representative Herrera informed the committee about how the northern aquifers in her district are a good example of how the aquifer mapping is a needed use of funds. Rep. Herrera discussed how more knowledge is needed but that the program is a good start. Rep. Herrera ended by asking what is happening with produced water right now. Dr. Xu discussed how much produced water is being made, how its being injected into well, and shipped to Texas.

Rep. Herrera discussed how the regulation of water is divided dozens of ways and a lack of communication. Rep. Herrera asked how should these bridges be created. Dr. Timmons said that siloed agencies are not the way to go but that communication has improved and that the water data act and the regional water act are good ways at fixing these breakdowns.

Representative Small shared from Oil Conservation Division (OCD) that billions of gallons of produced water has been reused that has been created, freshwater saved in a way. But more room is needed to fix these issues of water use. Rep. Small asked how can the committee help to improve the water data act and how can the efforts at New Mexico Bureau of Geology be augmented. Dr. Timmons said that increasing FTE count and then replicating successful other states would aid in both those efforts. Rep. Small asked if a \$1 to \$1.5 billion dollar investment in water broadly something that the legislature should be considering during the legislative session. Rebecca Roose answered that the executive is close to requesting that, but a concrete plan for those funds is what is needed.

Representative Scott asked Dr. Xu if it would be fair to say that New Mexico would need to also consider the major user of freshwater, agriculture, to have a complete conversation about produced water. And he asked if it does still cost, roughly, 4-5 dollars a barrel of treated water. He ended by asking who is going to buy this water. Dr. Xu answered that in 2019 it was 4-5 dollar a barrel for treated water, but it has been reduced. It is still too expensive to replace agricultural use, but advancements can be made. Heavy manufacturing could be a place for this new treated water, like chip manufacturing, or new energy. If the cost goes down to 1 dollar a barrel, other industries will buy the barrels. Rep. Scott stated that state subsidies are still needed for all of this to be accomplished and he was fearful as to when this happens. Oil and gas is too up and down, not a stable market, and this effort to augment the industry like this is leading us to a “money pit.”

Representative Sarinana asked Dr. Xu if she thought that New Mexico was close to the point to not use fresh water in the oil process. Dr. Xu answered yes. We don't need to do that anymore. Produced, treated produced water can be used for it. Rep. Sarinana asked if the current National Pollutant Discharge Elimination System (NPDES) class list all the effluent in Produced water. Dr. Xu answered that yes, it does. Rep. Sarinana asked Rebecca Roose what the number for unused brackish water and what is its source and does it take into account all shallow and deep aquifers. Rebecca Roose answered that the number was gained from a group of experts and stakeholders, but it is in many ways a guess. More data is needed to get a more accurate number. It could be 2-

4 billion acre-feet. Dr. Timmons added that the number is inclusive of deep and shallow aquifers. Rep. Sarinana asked if the \$175 nonrecurring requested for the aquifer mapping is part of the strategic water supply and what will be gained from this \$175 million. Dr. Timmons answered that the request is part of the SWS, but also covers more levels of mapping and data for the state to use. Rep. Sarinana asked if this data will ensure that we are not impacting our wells during oil operations. Dr. Timmons answered that ideally, with more data, we can get closer to a certain answer.

Senator Maestas asked if the administration is not seeking a bill, are they just seeking funding changes for what Dr. Timmons and the NMBOG needs. Dr. Timmons answered that the senator was correct, they are just seeking an appropriation, not a statutory change. Sen. Maestas asked if Dr. Timmons preferred a one-time funding or to come back each year. Dr. Timmons answered that one time funding would be ideal.

Chairman Munoz stated that the executive needs to show up to these meetings and discussions. The Chairman highlighted that NMED and EMNRD needed to be here, at LFC hearings, engaging in discussions of water policy. The chairman's advice to the executive was to come to September with policy and ideas.

Senator Rodriguez ask if there was a new dollar amount for the SWS. Rebecca Roose answered that for now, it's \$250 million a year, two years, but after the feasibility study, that number could change due to a variety of reasons. Further in the interim, that number could change.

The second subcommittee panel was a discussion on efforts to increase New Mexico's Water Security. The first presentation was by Infrastructure Advisor Rebecca Roose. She presented the 50 year water action plan, the science and policy related to it. She then discussed how he ISC convened a study, called the leap ahead study, and that the science in it showed that New Mexico will have 25% less water in 50 years. She then discussed the long-term planning of what in New Mexico is being done to address this number. Rebecca then discussed the Water Security Planning Act and its implementation. Then she discussed the 11 priority actions that the plan discussed. The 11 were divided into separate policy issues and the immediate next steps to work on these priorities, then she finished by discussing how some of these next steps have begun, like aquifer mapping.

The second presentation was led by Director of the Interstate Stream Commission Hannah Risley-White. The director discussed implementation highlights from the 50 year water plan. Specifically, A-1, the water education program that is underway in New Mexico. ISC is working with UNM and NM Tech to convene a water education roundtable to understand where the water education landscape is and how it can grow and improve. The director then discussed C-4 and watershed restoration projects and how ISC is working with EMNRD and working with it on its Forest Action Plan. If New Mexico can properly manage our landscapes where all our surface water is, a comprehensive Forest Action Plan is essential. Also, the State Reforestation center in Mora continues to utilize state and federal funds to protect our landscapes.

Representative Herrera asked the panel about the various communication efforts that went into engaging and listening to local perspectives regarding the Water Security Planning Act. Director

Risley-White explained that the ISC contracted with two firms out of Albuquerque that helped with engagement and with being sure to document it for future use by communities. Representative Herrera ended her questions by stating that her district has a lot of water experts and that outside experts would do well to involve them in the process and listen to their advise.

Representative Chatfield ended the subcommittee by noting that the state already has a “water fund,” the water trust fund and that a new fund would complicate investment in water in New Mexico. Representative Chatfield advised that the subcommittee use its existing funds and invest in it, not in a new one.



## **Sub-Committee Report**

### **Legislative Finance Committee Sub-Committee on Child Welfare**

**June 11, 2024**

#### **June 11, 2024**

The following legislators were present on June 11, 2024: Chairwoman Meredith Dixon; Representatives Nancy Figueroa, Joy Garratt, Brian Baca, Pamela Herndon, Gail Armstrong, and Harry Garcia and Senators Michael Padilla and William Sharer.

#### **LFC Child Welfare Sub-Committee**

LFC staff Rachel Mercer Garcia presented an overview of the state's child welfare system, including organization, spending over time, and performance. She highlighted key performance challenges, including maltreatment and repeat maltreatment rates that are persistently higher than the national average, high rates of turnover and vacancies in the Protective Services Program, and insufficient numbers of community-based placements for youth in foster care. Emily Hilla then presented an update regarding the state's child welfare information system (CCWIS) IT project, known as the NM Impact Project, including updated implementation timelines and spending.

LFC staff Nathan Eckberg and Sarah Dinces provided an overview of LFC research and evaluation of evidence-based programs to prevent child maltreatment and highlighted evidence-based programs New Mexico could implement but is not currently.

Secretary Teresa Casados engaged in a LegisStat hearing regarding the three key performance challenges and shared updates the agency is taking to address these challenges. CYFD reported a total 1,042 foster and resource home placements, while 2,030 children are in Protective Services custody. The agency has hired a contractor to recruit foster families and held 124 events this year, which resulted in only 19 inquiries about becoming a foster/ resource family.

The agency reported some progress to fill vacant Protective Services roles and reduce turnover, while reporting the agency continues to exceed caseload standards. The Secretary reported the agency had chosen not to travel to recruit social workers from out of state, using a \$3 million special appropriation that has gone unspent, noting the agency projects a deficit in the Protective Services budget and needing to slow hiring. Yet, CYFD submitted a BAR to increase the Protective Services PS&EB budget by \$1.4 million in June 2024. The agency also noted CYFD is working to resubmit the state's federal Title IV-E Families First Prevention Services Plan. The plan was originally submitted in 2022, and New Mexico is one of only five states with plans not yet approved.

Representative Armstrong asked about reintegration services and concerns that youth staying in offices or the receiving center were not attending school or receiving adequate nutrition. Secretary Casados reported Protective Services will end the year in a deficit and asserted the

agency's budget over estimates the federal funding the agency is able to draw down. The Secretary also reported that the agency has posted 17 CARA navigator positions, funded by TANF.

Senator Padilla requested more information about caseloads, and the Secretary noted caseloads have exceeded benchmark standards and vary by region and type of caseworker.

Representative Garratt asked questions about how basic needs of foster care youth, such as clothing and haircuts are met, how often foster or resource homes are inspected, and how many grandparents are formally kinship placements.

Senator Sharer asked questions about how long it takes to become a licensed foster (resource) home and if this is a barrier to increasing placements and questions about the transitional youth programs. Secretary Casados clarified a misperception that CYFD is reducing contracts by 25 percent. Instead the agency is reviewing the impact of contracts and is holding back a portion of contract funding that flows through Falling Colors so the agency can make mid-year adjustments for contracts.

Chairwoman asked questions about how many other states have approved Title IV-E plans and the status of the state's current plan. Chairwoman Dixon requested CYFD provide LFC staff with a copy of the submitted Title IV-E plan and any feedback from the Administration of Children and Families, and the Chairwoman requested LFC staff conduct an analysis of the plan and report back to the sub-committee.