# MINUTES
## Legislative Finance Committee
## Chama, NM
## August 17 - 19, 2022

**Wednesday, August 17**
The following members and designees were present on Wednesday, August 17, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Dayan Hochman-Vigil, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Phelps Anderson, Ambrose Castellano, Meredith A. Dixon, Kelly K. Fajardo, Doreen Y. Gallegos, Harry Garcia, Susan K. Herrera, Ryan T. Lane, Tara L. Lujan, Antonio Maestas, and Debra M. Sariñana; and Senators Crystal R. Diamond, Martin Hickey, Michael Padilla, and William E. Sharer.

**Welcoming Remarks.** Chama Mayor Ernest Vigil, Rio Arriba County Commissioner Moises Morales, Cumbres and Toltec Scenic Railroad Commissioner Billy Elbrock, Chama Valley Independent School District Superintendent Eric Martinez, and Rio Arriba County Manager Lucia Sanchez welcomed LFC to Chama. Mayor Vigil said the village continues to face a water crisis; however, water supply is improving.

Anthony Mercure, executive vice president and general manager of the Northern Rio Arriba Electric Cooperative (NORA) said the cooperative is committed to meeting the power needs of its consumers; however, the age and condition of transmission line infrastructure is impacting its system. NORA is working to secure funding to replace 35 miles of transmission line.

In response to Vice Chairman Munoz, Mayor Vigil said Chama water system leaks have been addressed and engineers are accessing the water treatment plant to determine what needs to be done to increase the plant's capacity to treat water. Mayor Vigil said Chama is short about $600 thousand to address its water issues.

In response to Representative Herrera, Ms. Sanchez said certified water operators and bookkeepers are needed to manage Rio Arriba County's water system.

**Preliminary FY22 General Fund Revenues, FY23-FY27 Revenue Outlook, and General Fund Financial Summary.** Stephanie Schardin Clarke, secretary of the Taxation and Revenue Department (TRD), said the Consensus Revenue Estimating Group (CREG) comprises staff from TRD, Department of Finance and Administration (DFA), Department of Transportation (DOT), and Legislative Finance Committee (LFC). CREG's projections are based on IHS Global Insight, Moody's Analytics, and University of New Mexico's Bureau of Business and Economic Research (BBER) forecasts and data collected from various sources, including state agencies, the Congressional Budget Office, and the extractive industry. Secretary Schardin Clarke said Moody's Analytics anticipates federal funds rate increases and moderate market growth. Also, oil prices are peaking higher than previously forecasted. Inflation is expected to moderate and return to the

Federal Reserve's target inflation rate of about 2 percent by the end of 2023. Both national forecasters do not include a recession in their baseline forecast.

Secretary Schardin Clarke said U.S. real gross domestic product (RGDP) decreased in the first and second quarter of 2022; however RGDP is expected to grow at annual rate of 2 percent in the coming years. Although competitive and tight, the U.S. labor market is strong, with the national unemployment rate currently at 3.5 percent.

In New Mexico, positive growth in RGDP is projected after contraction earlier this year. However, employment has yet to return to prepandemic levels—a lack of 10,000 jobs. Secretary Schardin Clarke said New Mexico is expected to regain an average 1,400 jobs per month through the end of this year and 900 jobs per month in 2023, reaching prepandemic levels early next year. New Mexico's unemployment rate is currently 4.9 percent.

Secretary Schardin Clarke said oil prices are inherently volatile and dependent on oil demand, oil-producing nations' decisions, inventory levels, and other factors. Increased demand after two years of slower transportation activities have driven prices upward. Also, the Ukraine and Russian conflict and worldwide demand in excess of current production supply are putting pressure on prices. Oil prices are projected to average $90.50 per barrel (bbl) in FY23, an increase from $86.50/bbl in FY22. In FY24, oil prices are projected to average $78.50/bbl.

Secretary Schardin Clarke said the number of rigs operating in New Mexico returned to prepandemic levels and produced an estimated high of 529.4 barrels in FY22. Oil production in the state is projected to increase 11.4 percent in FY23.

New Mexico natural gas production reached an estimated high of 2,585 billion cubic feet (bcf) in FY22, with an average price of $6.90 per thousand cubic feet (mcf). Secretary Schardin Clarke said natural gas prices are expected to remain elevated through FY24.

Reporting on tax revenues, Secretary Schardin Clarke said increased wages resulted in strong withholding in the first three quarters of 2022. FY22 revenue from personal income tax (PIT) is estimated over $2 billion, a 22 percent increase from FY21. Legislative changes, however, will impact PIT revenue in FY23 and FY24, declining between 3 percent and 4 percent.

The inclusion of internet sales and destination-based taxation has grown New Mexico's gross receipts tax (GRT) base, increasing GRT revenue from all industries. Secretary Schardin Clarke noted the strong relationship between oil production, rig activity, and GRT in Eddy and Lea counties. FY22 GRT revenue is currently estimated at $3.25 billion, a 14.6 percent increase over FY21. GRT revenue is expected to remain above prepandemic levels in FY23 and FY24.

Secretary Schardin Clarke said elevated oil and natural gas prices have driven severance tax and rents and royalties revenue to unprecedented levels. Transfers to the early childhood trust fund from FY22 activity will total $2.8 billion and are expected to total $2.6 billion in FY23. FY23 severance tax revenue to the general fund is expected to increase from $644 million to $987 million. FY23 rents and royalties revenue to the general fund is expected to increase from $808 million to $1.01 billion.

Cannabis excise tax is projected to generate $22.7 million for the general fund in FY23 and grow at an annual rate of 10.6 percent thereafter.

DFA Secretary Debbie Romero said FY22 recurring general fund revenue is estimated $9.22 billion, a 14 percent increase over FY21. Reserves are estimated at $2.73 billion, or 36.7 percent of recurring revenues. Recurring general fund revenue is projected at $9.85 billion in FY23, a 6.8 percent increase, and $10.86 billion in FY24, a 10.3 percent increase. An estimated $2.05 billion in severance tax bond capacity is available in FY23 for capital projects.

Secretary Romero noted key risks to the forecast, including the Ukraine-Russian conflict and persistent inflation.

LFC Chief Economist Ismael Torres highlighted key information in CREG's forecast and said revenue strength is the result of sustained high inflation raising expectations for gross receipts tax and income tax collections. Additionally, consumer spending has remained strong, wage growth has been robust, and high oil and gas revenues are supported by global supply-side constraints raising prices and encouraging production expansion. Oil and gas revenue strength is pushing severance tax and federal royalty collections higher above their five-year averages, resulting in larger transfers to the early childhood trust fund than was expected in December of 2021 and boosting the amount reaching the general fund throughout the forecast horizon.

Beginning in FY22, the state changed the GRT from reporting based on the seller's location (origin-based sourcing) to reporting based on the buyer's location (destination-based sourcing) for nearly all goods and services. The most significant impact to the state will be the change in reporting for out-of-state sales. Under origin sourcing, out-of-state sales were not subject to local GRT increments, and the state received the full state tax rate of 5.1 percent on those sales. Now, under destination sourcing, local governments receive their GRT increments, and any out of-state sales sourced to a municipality results in a 1.2 percent distribution to that city, leaving the state share of the tax at 3.9 percent.

Mr. Torres pointed out the effect is somewhat offset, however, for receipts moving from a municipality to a county. This is especially the case for any oil and gas services previously sourced in Carlsbad or Hobbs, for example, that are now sourced to the remainder of Eddy and Lea counties. In this case, the state no longer makes the 1.2 percent distribution to the municipality.

Mr. Torres said the consensus forecast estimates the effects of destination sourcing on state GRT collections, but the portion of receipts sourced to municipalities or county remainder areas remains uncertain. With nearly a complete fiscal year of destination-based sourcing, the effects of the change are still unclear because significant out-of-state reporting remains even for industries where no out-of-state receipts are expected. Those taxes still reporting as out-of-state indicate poor taxpayer understanding and compliance. Should sourcing differ from the estimate, it would be a risk to the GRT forecast.

In response to Representative Chatfield regarding drilling restrictions, DFA Chief Economist Leonard Delgado said many of the oil producers have enough permits and long-term leases to sustain production growth.

**Tracking Major State and Federal Appropriations of 2021 Special Session and 2022 General Appropriation Acts.** LFC Analyst Eric Chenier and LFC Program Evaluation Manager Micaela Fischer reported on the status of major state and federal appropriations in New Mexico and said during the December 2021 second special session, the Legislature appropriated about $345 million from American Rescue Plan Act (ARPA) state fiscal relief funds (SFRF) for transportation projects, economic development, rural jobs and natural resources, and other items. To date, $257.3 million remains unexpended, including zero expended for seven projects totaling $116.5 million. These projects include regional airport upgrades, surface water and river habitat improvements, outdoor recreation and equity grants, endowed faculty teaching positions in nursing, and affordable energy efficient housing.

With unprecedented revenues in the general fund from SFRF, oil and gas, and other sources, the Legislature made large nonrecurring appropriations during the 2022 regular session, totaling $1.8 billion. Of the appropriations available for spending since March 2022, $190 million has been expended; 66 percent was spent within the Medicaid program to reimburse hospital and nursing home labor costs related to Covid-19. Expenditures to date also include $5 million expended by the Tourism Department for local event marketing and advertising and $5 million for the purchase of L Bar Ranch.

For local governments, New Mexico received ARPA local fiscal recovery funding in two tranches, one-half in summer of 2021 and the other half this summer. As of April 2022, the largest counties—Bernalillo, Dona Ana, Lea, McKinley, and Santa Fe—had budgeted or obligated at least half their funding. Most other smaller counties had not budgeted any of their funds. In total, $180.6 million of the $409.1 million was obligated as of April. The metropolitan areas were similarly mixed, with Albuquerque budgeting about half its ARPA funding but Farmington and Santa Fe budgeting none. Current budgeted or obligated funding includes $8.7 million in Bernalillo County for housing and mental health services, $4 million in Dona Ana County for broadband and mental health/housing projects, and $500 thousand in Las Cruces for aid to tourism and hospitality businesses.

To track current and future federal grant funding, the Department of Finance and Administration (DFA) is operating two grant management dashboards and a grant management system. The system, however, does not include tracking of some appropriations from state general fund revenues or other federal grants administered directly by another receiving agency.

DFA sends out recommendations to state agencies and local governments on grants they may be eligible for on a regular basis. To date, DFA has made 93 grant recommendations to state agencies, of which 16 have been accepted, 31 have been declined, and 46 have not yet been acted on. DFA reports state agencies are frequently choosing not to apply for recommended federal funding opportunities due to a lack of interest and, more commonly, a lack of capacity within the agencies to manage the funds and meet associated funding requirements.

The Coronavirus Aid, Relief, and Economic Security (CARES); Coronavirus Response and Relief Supplemental Appropriations (CRRSA); and American Rescue Plan (ARPA) Acts included direct appropriations for states to distribute to public schools. Schools and the state must expend or obligate CARES, CRRSA, and ARPA funds by September 30 of 2022, 2023, and 2024, respectively. As of June 2022, schools had met the deadline to spend all $108.5 million of their CARES funding but still had a combined $1.2 billion in CRRSA and ARPA funding to spend.

Schools are using a significant portion of their CRRSA funding (30 percent) to cover payroll and additional compensation for staff. In supplanting their state funding for payroll costs with federal funds, schools are amassing sizable cash balances. School districts and charter schools budgeted an all-time high of $525.5 million in unrestricted cash balances carried over from FY22 to FY23. Statewide cash balances grew by $76.5 million, or 17 percent, from the prior year and now represent 14.3 percent of FY23 program cost.

Chairwoman Lundstrom asked LFC staff to share Appendix A of the report (nonrecurring ARPA and general fund matched with severance tax and general obligation bonds) with the Revenue Stabilization and Tax Policy Committee.

Senator Hemphill requested a report of cash balances by school.

**Program Evaluation: State Personnel Compensation and Classification Plan and Human Resources Authority.** LFC Program Evaluation Manager Micaela Fischer and LFC Program Evaluator Kathleen Gygi, Ph.D., presented the report *State Personnel Compensation and Classification Plan and Human Resources Authority.* According to the report, the state's ability to hire and retain a stable, quality workforce is key to ensuring government can deliver services and benefits that keep us safe, healthy, and able to thrive. However, in past years the state has not been able to pay competitively and still struggles to recruit and retain employees, particularly in key health and safety positions.

Post pandemic, the state is also now competing to fill vacancies from a shrinking labor pool. Fewer adults than ever in New Mexico are working or searching for work and there are more job openings in the state than there are unemployed people. The State Personnel Office (SPO) oversees the hiring, compensation, and retention of state employees, but the larger structure of human resources (HR) functions is splintered. Centralized approval authority for many HR activities is seated with SPO, but the majority of the HR personnel are located within state agencies.

The result of this hybrid system, in which only some HR activities must be reviewed centrally, has been an underwhelming performance in key HR functions. For example, it takes agencies over nine weeks to hire for posted jobs. Cumbersome processes that involve agencies, SPO, and sometimes the Department of Finance and Administration (DFA) mean it takes over a month, on average, to process HR transactions like promotions and position changes. Further, inequitable distribution of recently legislated pay increases and proliferation of job classes mean work requiring similar knowledge and skills are not always rewarded equally across agencies or job categories.

SPO's focus on reviewing and approving HR activities has bogged down what would otherwise be normal day-to-day HR activities. It has also kept SPO from playing a stronger leadership and strategic consulting role on personnel matters for the state. The result has been the uneven or nonexistent application of employee engagement and exit surveys, studies of workforce adequacy, and monitoring of ratios of managers to reporting employees (spans of control)—all activities common among other states' personnel offices.

Encouragingly, SPO and DFA have recently begun testing models to delegate HR authority back to select agencies and for select HR activities to speed hiring and other HR processes. Moving ahead, SPO should consider additional ways to allow agencies to be more nimble in their agency-specific HR activities and rethink its operations to reflect the original legislative intent of the office's creation: to provide policy guidance and quality control for agencies that can manage their own HR. LFC staff also recommend SPO

- Develop a more equitable way to distribute future legislated pay increases based on merit and filling critical, hard-to-staff positions;
- Rework lower pay bands into wider widths to ensure the equitable potential for in-pay-band increases and ensure the pay bands include employees with salaries currently above their authorized pay bands;
- Develop an action plan for reviewing all classifications annually per guidelines from the Society for Human Resource Management, deauthorize unused classifications, and adjust pay bands where necessary to eliminate the use of alternative pay bands;
- Consider further expanding the delegation of HR approvals, as it has to NMED, to other agencies with sufficient HR capacity;
- Provide agencies with guidance to conduct, analyze, and disseminate results of ongoing employee engagement and exit surveys; and
- Consider implementing a mandatory systemwide telework policy to promote fairness across agencies and market it to potential employees as a benefit.

LFC staff recommend agencies use national and evidence-based benchmarks to determine staffing levels as the basis of FTE budget requests as opposed to only relying on vacancies. Also, the Legislature and executive should consider following best practices set by the Government Finance Officers Association to use the U.S. Bureau of Labor statistics' employment cost index to build cost-of-labor increases into salary budget requests.

SPO Operations Manager Max Cordova said the agency worked with union partners to formulate the executive's FY23 state employee compensation recommendation for a minimum pay rate and action plan to address compaction. For FY23, the Legislature authorized an average 7 percent pay increase, with sufficient funding for a minimum pay rate of $15 per hour. Mr. Cordova said the increased compensation rates have improved compa-ratios and boosted recruitment and retention efforts. As of August 15, the state vacancy rate was 24.2 percent.

Mr. Cordova said the new compensation plan furthers SPO's efforts to address state employee pay inequities. SPO designed the occupation-based salary schedules according to a blend of market-based and point-factor approaches. Many agencies, however, are not leveraging their salary schedule to full potential. Also, when determining pay rates for new hires, agencies should consider budget availability and internal alignment.

Listing current priorities, Mr. Cordova said SPO is working with agencies on

- Identifying disparities within classifications, across divisions,

- Increasing the impact of talent acquisition efforts through paid marketing and agency coordination,
- Establishing models for worker pipeline development that address critical vacancies,
- Automating the process through which actions are routed and processed across agencies,
- Implementing strategies that allow for stakeholder feedback and process improvement measures, and
- Communicating needs.

SPO is also partnering with the New Mexico State University Edge program to create an HR certification program, developing a uniform exit survey for all executive agencies, and launching a benefit program—Access Perks.

Representative Chandler suggested agencies ask where the employee is leaving to in the exit survey.

Vice Chairman Munoz requested SPO's presence during LFC's budget hearings, particularly when agencies with high vacancy rates present their budget request.

In response to Representative Small, SPO Workforce Planning Manager Cynthia Sandoval said SPO's paid internship program was launched three years ago and is gaining traction.

Chairwoman Lundstrom appointed Representative Hochman-Vigil and Senator Kernan co-chairs and Representatives Chandler and Baca members of LFC's subcommittee on state personnel issues.

**LegisStat and Results-Focused Government Follow-Up.** LFC Deputy Director Charles Sallee said LFC launched LegisStat last August, a first of its kind legislative-driven performance improvement approach that builds on existing resources and tools used to monitor performance of state programs. The approach drives collaboration and formulates questions for agencies about where the state needs to go and what kind of resources and policy changes are needed to make that happen.

Consultant Andrew Feldman, Ph.D., said, while New Mexico is leading the nation in results-focused budgeting, improvement needs to be made in using performance information within agencies, making evidence-based decisions, and strengthening a culture of continuous improvement. In response, LFC recently hosted a LegisStat workshop—Performance Academy—for agencies, in partnership with the Department of Finance and Administration. Mr. Feldman said the workshop identified best practices in evidence-related strategies, performance management, and data use, including developing a learning agenda, creating an evaluation policy, using performance information, implementing strategic planning, and expanding data sharing.

Mr. Feldman said results-focused government is important for creating a bottom line and making good decisions. Mr. Feldman recommended the Legislature

- Keep implementing and deepening LegisStat,
- Expand program inventories, and

- Consider a fund to support ongoing Performance Academy work and an evaluation fund to support high-value program evaluations in agencies.

**Cumbres and Toltec Scenic Railroad Commission.** Scott Gibbs, president of the Cumbres and Toltec Scenic Railroad , thanked legislators for supporting the railroad and said 20 percent of riders are New Mexico residents, 19 percent are Colorado residents, and 18 percent are Texas residents. Many international travelers are also riders. Ridership declined from 42 thousand in 2019 to 11 thousand in 2020. C&TSRR revenue rebounded in 2021; however, this year's opening day was delayed due to wildfire threat, resulting in an estimated revenue loss of $750 thousand. Increased insurance costs and capital projects have also been a challenge.

Mr. Gibbs said the railroad generates $17.9 million in economic activity in the Colorado and New Mexico region, according to a recent study.

**Thursday, August 18**

The following members and designees were present on Thursday, August 18, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Dayan Hochman-Vigil, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, Gay G. Kernan, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Phelps Anderson, Micaela Lara Cadena, Ambrose Castellano, Meredith A. Dixon, Kelly K. Fajardo, Doreen Y. Gallegos, Harry Garcia, Ryan T. Lane, Tara L. Lujan, Antonio Maestas, and Debra M. Sariñana; and Senators Crystal R. Diamond, Martin Hickey, Michael Padilla, William E. Sharer, and William Soules.

**Evidence-Based Options to Address Child Maltreatment.** LFC Program Evaluator Nathan Eckberg presented the LFC *Results First* report on evidence-based options to address child maltreatment. According to the report, a governor's 1991 task force report identified the current system for child protection as "crisis-oriented" and proposed a service delivery philosophy emphasizing prevention and early intervention, which led to the creation of the Children, Youth and Families Department (CYFD) and a CYFD "preventive services division." Recently, CYFD has made progress in directing more money toward prevention and implementing evidence-based approaches, such as differential response. However, there is still room for improvement.

About five out of every 1,000 children in New Mexico's child protection system will receive preventive services, compared with the national average of 43 children per 1,000. Meanwhile, CYFD will field almost 26 thousand reports of maltreatment in a given year with over 7,000 substantiated cases, reflecting a maltreatment rate that is 77 percent higher than the national rate.

Though steps taken by the Legislature and CYFD to promote preventive measures are promising, prevention should be expanded by continued investments and enhanced piloting efforts and the state may wish to make increased investments in proven early intervention programs such as differential response (DR), SafeCare, Triple P, and evidence-based family preservation. CYFD should consider submitting a plan to the federal government to draw on Title IV-E Families First prevention services grants, as 40 other states have done. Additionally, the DR pilot could expand to cover more populated areas of the state and expand to additional levels of response for families with greater need. More broadly, state agencies, including CYFD, should examine high turnover and hard-to-staff positions and come to the Legislature with a plan to address it and the corresponding appropriation request. Agencies should use national and evidence-based benchmarks to determine staffing levels and as the basis for their FTE budget requests as opposed to only relying on FTE vacancies. CYFD should consider working with the Department of Finance and Administration and the Legislative Finance Committee to create performance measures and targets focused on the rate of short-term placements in foster care and to develop quantitative performance measures for DR specifically as required by the 2016 amendments to the Abuse and Neglect Act. The $20 million appropriated to CYFD for the development of behavioral health provider capacity should be used to stand up providers to implement evidence-based programs.

Mr. Chenier reported key data for LegisStat discussion and said New Mexico is consistently among the poorest performing states when it comes to repeat child maltreatment. High poverty rates, complex family needs, lack of services, and poor recruitment and retention have all been cited by CYFD as obstacles to reducing child maltreatment in the state. By far, the two leading caregiver risk factors for child maltreatment are alcohol and drug use.

Mr. Chenier said spending on prevention programs within the Protective Services Program was 6.6 percent of total expenditures in FY22, but the amount has grown significantly since FY18. In FY22 and FY23, the Legislature reinvested savings from smaller foster care caseloads into prevention services totaling $5.7 million. The federal government enacted the Families First Prevention Services Act in 2018, allowing states to use Title IV-E funds for prevention services. New Mexico has not submitted its plan yet, even though 40 states and Puerto Rico have.

Chronic workforce shortages plague just about every area of New Mexico's child welfare system, including social workers, caseworkers, investigators, and other workers in the service provider network. Mr. Chenier said CYFD estimates 85 additional FTE are needed in the Protective Services Program to meet benchmarks. In FY23, the Legislature appropriated $20 million to CYFD and HSD to develop more behavioral health provider capacity and $50 million to higher education institutions to increase social worker endowments.

CYFD Secretary Barbara Vigil said success is having New Mexico's children live, grow, and thrive in the state, safe from harm and neglect. To succeed, New Mexico needs economic development and good healthcare and education. Secretary Vigil said CYFD's strategy is to work as a data-driven organization.

Secretary Vigil said interventions are critical to reducing repeat maltreatment. Preventions are equally critical, which Protective Services Program Director Emily Martin said the agency is working to strengthen by working with communities directly. Ms. Martin said the implementation of differential response has expanded to 12 counties, for example.

In response to Senator Kernan, Secretary Vigil said CYFD is accountable for having a system of care that supports families. Secretary Vigil said supporting CYFD workers is also priority. The agency is currently finalizing a Title IV-E plan for submission in September. The secretary said the plan will be thoughtful and data-driven.

In response to Representative Garcia, Secretary Vigil remarked on CYFD's workforce development plan, which Ms. Martin said includes more robust and targeted training. Chairwoman Lundstrom said the Legislature this year appropriated $50 million for endowed faculty teaching positions in bachelor and master's degree social worker programs at New Mexico public and tribal institutions of higher education to expand enrollment and the number of graduates able to work in the behavioral health, child welfare, and school systems. Secretary Vigil said CYFD is collaborating with the Higher Education Department and higher education institutions on the investment's rollout.

In response to Senator Hemphill, CYFD Deputy Secretary Beth Gillia said the federal Comprehensive Addiction and Recovery Act (CARA) program in New Mexico focuses on supportive care for pregnant people affected by substance use and on the coordination of services for parents, caregivers and family members of newborns affected by substance exposure before birth. The program coordinates a network of healthcare providers, health insurance companies, and community-based programs that provide services that promote healthy pregnancies, healthy parenting and improved outcomes for newborns and young children who experienced substance exposure prenatally.

Senator Woods suggested CYFD contract recruiters to help meet staffing needs.

Chairwoman Lundstrom asked CYFD what actions will be done in the next few months to support prevention efforts. Secretary Vigil said the agency will visit with higher education institutions' schools of social work, conduct micro trainings, and work with the Human Services and Early Childhood Education and Care departments on CARA program implementation.

**Building Out Behavioral Health Network and Services for Youth and Adults.** Mr. Chenier reported key data for LegisStat discussion and said New Mexico ranks 36th nationally in behavioral health outcomes, despite having better access to behavioral health services. The federal government estimates 19.6 percent (300 thousand) of New Mexicans 18 or older have a mental illness and 4.7 percent have a serious mental illness (72 thousand).

Mr. Chenier said eight of the 10 leading causes of death in New Mexico are at least partially caused by substance use disorder. Substance use disorder and untreated behavioral health has impacts across society. Between 2014 and 2018, substance use was a factor in nearly 32 thousand cases of child maltreatment in the state. Abuse, neglect and substance use in the home all qualify as "adverse childhood experiences" (ACEs), a categorization of sources of stress and trauma that impact a child's health and wellbeing for years to come. Childhood experiences play a crucial role in brain development and traumatic life events can have profound negative impacts. ACEs are preventable and successful prevention could make a big difference.

The Behavioral Health Collaborative (BHC), comprising 16 agencies, was established to develop and coordinate a single statewide behavioral healthcare system. Participating agencies are still meant to administer behavioral health programs, but actual services are contracted through a single entity. Mr. Chenier said about $132 million in services were contracted out in 2022 for these agencies, including the Department of Health (DOH) and Children, Youth and Families Department (CYFD), and another $600 million went through the Human Services Department's

(HSD) Medicaid program where the vast majority of patients are served; 20 percent of behavioral health providers, however, do not serve Medicaid patients, even though patients with mental illness and substance use disorder are overrepresented in the Medicaid population.

Mr. Chenier said CYFD Behavioral Health Division spending decreased nearly $2 million between FY21 and FY22, despite receiving a $4.6 million budget increase during the same period. Spending on transition services for youth aging out of foster care decreased $601 thousand and spending on behavioral health services for infants and children decreased $1.2 million.

HSD Secretary David Scrase, M.D., said Centennial Care's behavioral health provider network has increased 75 percent since 2019, doubling the number of behavioral health service visits by Medicaid members.

Secretary Scrase said HSD is continuing to take steps to improve outcomes, including aligning provider incentives and identifying best practices for treating mental illness.

BHC Chief Executive Officer Bryce Pittenger said the number of behavioral health organizations in New Mexico increased from 274 in 2014 to 388 in 2021, thanks to more Indian health service and tribal contract centers and the addition of federally qualified health centers, which entered the network in 2019 and provide a broad array of primary care services including onsite outpatient behavioral health treatment.

Likewise, the number of behavioral health practitioners in New Mexico has increased significantly since 2014. Ms. Pittenger said growing this workforce across all disciplines continues to be a priority for the state. It takes multiple years to train psychiatrists, psychologists, social workers, therapists, and nurse practitioners. Ms. Pittenger said, although peer support workers and community support workers may not require as many years in trainings, it is important to develop and implement strong supervision structures to support their work.

Reporting on public health and prevention strategies for children, youth, and emerging adults, Douglas Ziedonis, M.D., executive vice president of the University of New Mexico Health Sciences Center, said New Mexico should focus on

- Improving the quality of life, recovery, hope, self-empowerment, networks of support, and productivity for individuals and families;
- Addressing social determinants of health, adverse childhood events, and multi-generational traumas;
- Providing prevention and treatment services for substance use, misuse and addiction among children, youth, and emerging adults;
- Supporting families, communities, and schools to provide the support for children, youth, and emerging adults;
- Building New Mexico's behavioral health workforce; and
- Increasing community-based clinical behavioral health resources.

Dr. Ziedonis said nicotine is a gateway drug and substance use disorder often coincides with mental illness.

Dr. Ziedonis recommended three actions for the state to do in coming months: establish a statewide tele-consultation service program, boost workforce development, and expand intensive outpatient services.

CYFD Secretary Barbara Vigil said the agency is working closely with BHC to build out New Mexico's system of care for all children and youth in the state.

In response to Vice Chairman Munoz, Secretary Vigil said CYFD is working with HSD to budget the $20 million investment appropriated this year to develop providers and implement evidence-based behavioral health services and evidence-based community child welfare services that will be eligible for Medicaid or federal Title IV-E of the Social Security Act families first reimbursement. The secretary said both agencies are concentrating first on improving the training for the providers that will benefit from the investment.

In response to Representative Sweetser, Secretary Scrase said a large number of behavioral health providers in New Mexico do not serve Medicaid patients because of the low reimbursement rates. Secretary Scrase said the reimbursement rates are at the maximum that can be paid at this time. In response to Chairwoman Lundstrom, Secretary Scrase said HSD will report back to the committee what would need to be done to increase the rates. Senator Hickey suggested the state request a waiver to increase the reimbursement rates.

In response to Representative Lane, Secretary Scrase said the 988 Crisis Now system should help reduce the high rates of alcohol-related deaths, drug overdose deaths, and violent crime in the state.

Senator Hickey said there is an eleven-year span between the onset of mental illness symptoms in an individual and diagnosis of the disease, according to Milliman's research report in 2020. Senator Hickey said research also indicates medical costs decrease 20 percent when behavioral health issues are addressed.

**Miscellaneous Business.**

***Action Items.*** Senator Campos moved to adopt the LFC July 2022 meeting minutes, seconded by Senator Rodriguez. The motion carried.

Vice Chairman Muñoz moved to adopt the LFC Emergency Response Subcommittee July report, seconded by Representative Small. The motion carried.

Senator Sweetser moved to adopt the LFC Public Education Subcommittee July report, seconded by Senator Gonzales. The motion carried.

Representative Small moved to adopt the LFC Higher Education Subcommittee July report, seconded by Senator Rodriguez. The motion carried.

Senator Gonzales moved to adopt the LFC contracts, seconded by Senator Campos. The motion carried.

Representative Small moved to adopt the LFC FY24 budget, seconded by Representative Armstrong. The motion carried.

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

**Expanding Home Visiting and Prekindergarten Services to Improve School Readiness and Health Outcomes.** LFC Analyst Kelly Klundt reported key data and recommendations for LegisStat discussion and said the Home Visiting parent supports program is one of the state's cornerstone programs to improving the well-being of young children. Funded by a mixture of state and federal revenues, efforts to maximize federal Medicaid revenues and, therefore, expand services, has stalled. Beginning in FY12 the legislature appropriated $2.3 million from the general fund for home visiting, growing to $15.1 million from the general fund in FY23. Currently, the majority of state general fund revenues for home visiting is not matched by the Medicaid home visiting program.

Ms. Klundt said maximizing Medicaid revenues would allow the state to provide Home Visiting services to many more families with existing appropriations than are currently being provided. Expanding Medicaid-eligible home visiting models and providers in addition to growing family interest and improving the state's referral system are key strategies for growing Medicaid-matched home visiting services.

Ms. Klundt said New Mexico prekindergarten is a proven early education program for 3- and 4-year olds, which improves school readiness administered by the Early Childhood Education and Care Department (ECECD). Prekindergarten is available to families for either half-day or extended-day services. In FY23, over 11 thousand children are projected to receive prekindergarten services. Despite some barriers to expansion, New Mexico is close to providing sufficient funding to ensure 4-year-olds receive at least some type of early education through childcare assistance, prekindergarten, or Head Start. In fact, the National Institute for Early Education Research ranks New Mexico 10th nationally in prekindergarten spending, 11th in prekindergarten access for 3 year olds, and 13th in prekindergarten access for 4 year olds.

Nationally, there is concern the pandemic negatively impacted the delivery of early childhood programs, including prekindergarten. Ms. Kelly said closely monitoring prekindergarten effects and quality in the next few fiscal years will be extremely important to ensuring the program maintains pre-pandemic performance outcomes.

Previous LFC analysis found significant expansion of services, a declining birthrate, and competition among providers resulted in the duplication of services or unused funding for prekindergarten, childcare assistance, and Head Start. Ms. Klundt said more coordination among programs is needed to prevent Head Start programs from losing funding if federal enrollment standards are not maintained.

Ms. Klundt said future expansion of 4-year-old prekindergarten should focus on additional hours in the day. Currently, full-day prekindergarten is only six hours, forcing many families and providers to wrap around other program to cover an eight-hour day of care. In addition, expansion of the number of days in a year covered by prekindergarten would also provide families with longer and more consistent care options.

Ms. Klundt said the state should also consider expanding the hours, days, and slots of 3-year-old early prekindergarten.

ECECD Secretary Elizabeth Groginsky said it is important to maximize all available funding to support comprehensive home visiting in the state. The agency is currently working with the Human Services Department (HSD) on submitting a waiver to the federal Centers for Medicare and Medicaid Services for four more home visiting models to the system: Safe Care, Healthy Families America, Child First, and Family Connects. Secretary Groginsky said the models are evidenced-based and Medicaid-eligible and will address the diverse and unique needs of families across New Mexico.

Home visiting referrals increased from 258 in FY21 to 524 in FY22, which Secretary Groginsky said is reflective of better coordination since the start of ECECD.

Secretary Groginsky said ECECD recently met with school-based prekindergarten administrators to discuss upcoming changes, including the implementation of comprehensive and nationally recognized prekindergarten standards in New Mexico. Prekindergarten teachers will be required to take specific training.

Annabelle Martinez, benefits and reimbursement bureau chief of the HSD Medical Assistance Division, said the agency is working closely with Medicaid home visiting providers, MCOs, and ECECD to address issues and improve Medicaid home visiting. HSD is currently developing a provider manual and performance measures to track progress.

Cam Scott, senior government affairs manager of the National Service Office for Nurse-Family Partnership (NFP) and Child First, said key goals of NFP are to improve pregnancy outcomes, child health and development, and economic self-sufficiency of families. Specially trained nurses work with first-time moms who face significant challenges. Trial outcomes indicate the program reduces child abuse and neglect by 48 percent, ER visits for accidents and poisonings by 56 percent, and language delays in toddlers at 21 months by 50 percent. Other positive outcomes have been reported. The University of New Mexico Center for Development and Disability and Youth Development, Inc. are currently administering the program. According to the Pacific Institute for Research and Evaluation, NFP return-on-investment in New Mexico is estimated at 6:1.

NFP is a Medicaid-eligible program; however, Mr. Scott said there are challenges with the use of Medicaid because the billing is complex and sometimes administratively burdensome and not enough eligible referrals are received from MCOs. Also, the program requires supplemental funding for startup, expansion, and staff turnover.

Mr. Scott said Child First is a two-generation, evidence-based mental health home visiting intervention program for children from prenatal through age 5. The program works to decrease stressors through connection to comprehensive community-based services and supports. Also, the program promotes a responsive, nurturing, protective, parent-child relationship. Data indicates the program improves child communication 67 percent and child social skills 65 percent and reduces child problem behavior 53 percent and parenting stress 72 percent.

Katherine Freeman, chief executive officer of Growing Up New Mexico, remarked on the challenges of program implementation and said the introduction of home visiting should be focused on aiding the bond between parent and child. Ms. Freeman said the majority of brain development occurs before age 5 and what a child experiences in the first years of life is critically important.

Ms. Freeman said home visiting should be culturally and linguistically responsive and community-based.

In response to Senator Hemphill, Ms. Klundt said a request for proposals was submitted recently to contract for a second study on First Born in effort to have the model federally approved for coverage under Medicaid. Ms. Klundt said the study will take at least two years to complete.

In response to Representative Baca, Secretary Groginsky said prekindergarten teachers must have a bachelor's degree or a professional development plan to attain a bachelor's degree in early childhood education. Prekindergarten teacher assistants must have an associate's degree. Secretary Groginsky said many prekindergarten classrooms are not currently meeting these requirements.

Senator Kernan requested data on third grade reading and math proficiency of students who participated in prekindergarten compared with students who did not.

In response to Representative Garcia, Secretary Groginsky said ECECD's vacancy rate is currently 14.6 percent.

In response to Vice Chairman Munoz, Secretary Groginsky said ECECD is spending $123 million in federal pandemic relief to expand program eligibility and waive copayments through end of FY23.

**LFC FY24 Draft Budget Guidelines.** LFC Deputy Director Charles Sallee outlined LFC's proposed budget guidelines for FY24. The guidelines serve as general direction and reflect committee priorities.

Education continues to be the state and Legislature's highest priority and biggest fiscal and policy challenge. Other committee priorities include early childhood investments, public health, workforce development, public safety, protection of vulnerable citizens, and increased economic growth, and improving transportation infrastructure.

Vice Chairman Munoz moved to adopt the LFC FY24 budget guidelines, seconded by Senator Neville. The motion carried.

**Health, Risk, and Information Technology Rates and Pension Fund Stabilization.** LFC Analyst Joseph Simon said premium revenue into the General Services Department (GSD) health benefits fund has fallen short of claims since 2020, a result of the agency not increasing premiums to match cost trend. At the beginning of FY20, the health benefits fund had a deficit of more than $2 million. Since then, the deficit has grown exponentially, despite a total of $42.6 million in general fund appropriations to help stabilize the fund. GSD estimates the fund will end FY22 with a deficit of more than $65 million. The governor vetoed funding for increased premiums in FY23, likely leading to additional shortfalls in the current fiscal year. To date, GSD has not provided state agencies with health insurance premium rates for FY24, despite a need for agencies to include any cost increase when submitting their budget by September 1.

Mr. Simon said the Public School Insurance Authority (NMPSIA) has continued to pass premium increases along to its members, but its fund continues to experience high levels of expenditure. FY22 per member per month cost is estimated at $628, more than $7,500 per year. Five years ago, the per member per month cost was $458. Education advocates are calling for increased state subsidies. Current law allows school districts to cover up to 80 percent of the total health insurance premium for school employees; however, the law only requires schools to cover 60 percent of health insurance for those earning more than $25 thousand per year. This contrasts with GSD plans, where state employees earning less than $50 thousand have 80 percent of their premium paid by the employer.

For FY24, NMPSIA will request a 6 percent increase in premiums, in line with recent history. Mr. Simon said the board, however, noted it does not want to consider plan design changes that would reduce the growth of plan costs but increase member out-of-pocket payments. In FY22, the agency estimates a loss of $23.7 million. While the plan has plenty of cash to continue paying claims, continued cost increases could prove challenging without a larger premium increase or increase in member cost sharing.

Reporting on risk insurance, Mr. Simon said GSD is proposing rates for FY24 that would result in an increase of 17.4 percent for state agencies and 15.2 percent for other entities. For state agencies, the largest increases are in medical malpractice, property insurance, and civil rights coverage. Although civil rights coverage is higher for FY24, this increase does not reflect potential changes due to amendment to the New Mexico Civil Rights Act, which did not become effective until July 2021 and is not yet included in GSD's claims history.

GSD's major risk funds have seen a downturn in their funded status, falling an estimated $67 million in negative fund balance. However, the agency retains cash in major risk funds to pay claims and expenses.

Mr. Simon said NMPSIA continues to struggle with high dollar sexual misconduct claims. The agency settled twelve claims from a single individual, with total payouts of $35.6 million. Other claims have resulted in multi-million dollar settlement payments. Despite the high cost of these claims, NMPSIA reports many school districts and charter schools have yet to come into compliance with training requirements included in recent legislation designed to reduce incidents of ethical misconduct in public schools.

Reporting on retiree benefits, Mr. Simon said Senate Bill 72 of 2020 increased employer and employee contribution rates for the Public Employee Retirement Association (PERA) and shifted from a fixed rate cost-of-living adjustment to one tied to the fund's investment returns and funded status. In June of 2021, PERA projected the repayment period at 72 years, an improvement over the prior year projection of 106 years.

In FY24, state employers and employees will be in the final year of a 0.5 percent contribution increase, totaling a 2 percent increase over that last four years. According to PERA, a 1 percent increase raises about $25 million for the PERA fund.

Mr. Simon said recent legislation improved the Education Retirement Board's (ERB) long-term solvency by adjusting benefits for new employees who serve for a short period of time and raising contribution rates for employers. The agency currently projects a repayment period of 42 years, largely driven by increases in the employer contribution rate. In FY24, the employer contribution rate will increase an additional 1 percent.

In recent years, the Retiree Health Care Authority (RHCA) has taken steps to limit the costs, including limiting eligibility for subsidized retiree health plans to those over the age of 55. Younger retirees continue to have access to unsubsidized plans. Despite the lack of rate increases, RHCA's fund improved its status, from only 11 percent funded in FY17 to 25 percent funded in FY21. In FY24, premiums are expected to increase 4 percent for pre-Medicare retirees and an average 2 percent for retirees under a Medicare supplement plan.

LFC Analyst Jessica Hitzman reported on Department of Information Technology (DoIT) rates and said the agency recently added two new optional services: Kiteworks, a secure file sharing service for a cost of $17.25 monthly per user, and a VPN access fee for secure remote employee access at a total cost of $12.25 per month per user. DoIT estimates 800 users of Kiteworks and 900 users of VPN in the first year. DoIT was also approved to add a miscellaneous rate code within each service category to allow agencies to obtain better pricing through DoIT for one-off licenses or services, such as Microsoft Projects, allowing DoIT to achieve economies of scale and collect an administrative fee for provision of these services while agencies receive better pricing.

In FY24, DoIT rates will increase slightly for active directory and file server services, data center services, Adobe, VINE, and some telephone services. Rates will decrease, however, for most cloud services, wireless LAN services, and voicemail services. SHARE subscription fees will also decrease, from $360 per user to $328 per user.

In response to Representative Small, Mr. Simon said decreasing NMPSIA membership could result in increased costs.

**Friday, August 19**

The following members and designees were present on Friday, August 19, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Dayan Hochman-Vigil, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Phelps Anderson, Meredith A. Dixon, Doreen Y. Gallegos, Harry Garcia, and Ryan T. Lane; and Senators Crystal R. Diamond, Michael Padilla, and William E. Sharer.

**Capital Outlay Quarterly Report.** LFC Analysts Nina Chavez and Cally Carswell reported on status of capital outlay in the state and said strong state revenues and an influx of federal funds contributed to historically large capital investments during the December 2021 special session and 2022 regular session. The appropriations, however, are becoming available at a time when supply chain, construction cost, and labor issues are slowing progress on projects.

At the start of FY23, $3.8 billion from all funding sources for 4,600 projects was unexpended, including $295.6 million in earmark appropriations for water, colonias, and tribal infrastructure projects and $539.2 million in supplemental severance tax bonds for public schools. Additionally, $977.4 million in special GAA appropriations was unexpended.

Funds for state-owned projects have been spent more quickly than local project funds, with 56 percent of statewide appropriations through 2021 expended compared with 39 percent for local projects.

The Board of Finance split the severance tax bond sale for new projects into two issuances due to market conditions. Roughly $322.5 million was sold in June, with a second sale planned for September.

Staff is currently tracking 494 “$1 million or greater” projects, totaling $2.1 billion; $1.5 billion is unexpended.

Members were provided detailed information on all projects; the status of select projects were highlighted.

In response to Vice Chairman Munoz, Ms. Carswell said the capital project reporting system is being revamped to improve collection of data on the status of projects.

Chairwoman Lundstrom asked LFC staff to follow up on concerns regarding unrealistic letting dates set by the Department of Transportation.

**Water Evaluation Follow-up.** LFC Analyst Cally Carswell said last year’s evaluation on the state’s funding system for water projects found the state’s water finance system is fragmented and lacks a cohesive strategy. State grants for water projects limit use of federal and local dollars and insufficient project vetting and piecemeal funding create risk for incomplete projects that do not serve the public. LFC staff recommended the Legislature pursue water funding reform to meet four primary goals:

- Increase the likelihood that public spending on water infrastructure will efficiently and effectively solve public problems;
- Require projects to be planned prior to receiving funding for design and construction;
- Reduce or eliminate piecemeal funding by consistently vetting projects for need, quality, and readiness and providing the Legislature with more complete information about projects requesting funding, and
- Better and more consistently quantify statewide water infrastructure needs and progress toward meeting them.

Since LFC's report, more money is flowing into the state's water finance system, but foundational problems remain. Ms. Carswell said efforts are being made to address these problems, however. For example, key leaders are working with Water Task Force on developing recommendations for the Legislature to consider next session.

Ms. Carswell said some progress has been made in lowering the uncommitted balances of federally backed revolving loan funds. Also, the Water Trust Board approved policy changes for 2023 designed to expand the pool of eligible applicants, lower barriers to funding for small systems, and to develop a pipeline of "shovel-worthy" projects and make them shovel ready.

Ms. Carswell noted the New Mexico Environment Department and New Mexico Finance Authority report an increased need for emergency funding due to the impacts of drought and wildfire on water systems.

In response to Chairwoman Lundstrom, Monica Abeyta, executive director of the North Central Council of Governments, said the Department of Finance and Administration Local Government Division has not yet released guidelines on the money set aside for local governments to increase grant writing capacity and match funds.

**Infrastructure Supply Chain Issues.** LFC Director David Abbey highlighted key points in the staff hearing brief and said the 2022 global supply chain shocks are the result of multiple factors. First, logistical disruptions from the pandemic-induced shutting of global ports and airports have delayed international commodity and resource deliveries. Second, a lack of technological investment that promotes efficient and resilient operations has hampered supply chains' ability to adapt to disruptions. Lastly, labor shortages have caused staffing and production issues across industries, exacerbating disruptions. As a result of the supply chain shocks, there are notable shortages of semiconductors, copper, construction materials, and refining oils.

Global supply chain disruptions have contributed to the current stubborn inflation and significant increases in federal funding for infrastructure projects related to the Infrastructure Investment and Jobs Act (IIJA) have increased demand for materials and labor, with project costs for some transportation projects increasing between 50 percent and 100 percent.

IIJA allocated about $3.8 billion to New Mexico to build new roads and bridges, improve clean water infrastructure, install a new electric vehicle charging network, improve airports, and create more affordable, high-speed internet. Further, the act has opportunities for New Mexico to apply for competitive grant programs like the National Highway Performance Program, Surface Transportation Block Grant Program, and the Capital Investment Grants Program.

With suppliers unable to meet demand due to increased consumer spending and supply chain disruptions, the market for warehousing in southern New Mexico has substantially grown. The construction of speculative space, industrial space a developer constructs without having a contract with a tenant, would help companies needing to lease space in a relatively short time period. The Borderplex region, comprising El Paso, Juarez, and Southern New Mexico, is expected to see a 30 percent increase in speculative space rates by 2025 if current market trends continue.

Teryn Lamoreaux, board president of Associated General Contractors of New Mexico, talked about four main issues impacting construction projects: high demand, rapid inflation, supply chain disruptions, and labor shortages. To support projects, Mr. Lamoreaux recommended setting realistic budget and schedule expectations, improving contractual agreements, and shortening the period between bid and award.

Chairwoman Lundstrom asked LFC staff to conduct a rapid inflation calculation of the largest capital projects in the state.

Chairwoman Lundstrom recommended LFC staff include individuals with technical expertise to support LFC's work on capital outlay.

In response to Representative Armstrong, Mr. Lamoreaux said design-build could limit the number contractors able to bid on projects.

**Review of Higher Education Capital Requests.** LFC Analyst Nina Chavez said the Higher Education Department (HED) held its 2022 Capital Outlay Committee summer hearings in the east, south, central, and north regions of the state from July 26 to August 3.

Ms. Chavez said HED guidelines called on higher education institutions to prioritize critical health, safety, code compliance, accessibility infrastructure, and asset protection. New construction is discouraged in a year without general obligation bonds, which must be approved by voters and, thus, are proposed only in election years. Seventy-seven projects were submitted to the committee, including requests for supplemental funding for cost overruns for existing active projects, due to the market fluctuation and increase in construction and material costs. The guidelines allowed research institutions to submit three projects plus one supplemental request. The remaining institutions were allowed to submit two projects plus one supplemental request.

Ms. Chavez said approximately $220.18 million was requested, including $27.1 million to pay cost overruns on existing active projects. Based on policy, certain institutions will be required to match state funds, totaling $102.55 million. Matching funds may be derived from local property taxes, institutional reserves, or other unrestricted non-state fund balances.

The top two types of projects requested were infrastructure improvements and renovations. The top five most common requests included upgraded or new campus-wide keycard access systems; renovations to science, math, or health schools and facilities to meet the demand for up-to-date nursing, and STEM programs; updated heating, ventilation, and air conditioning system equipment; parking lot and driveway improvements and accessibility compliance; and roof improvements.

As experienced with other capital projects in the state, colleges will face challenges getting projects underway and completed. Ms. Chavez said outstanding balances for already existing capital outlay projects appropriated between 2018 and 2021 total $287.9 million. In addition, appropriations from severance tax and general obligations bonds authorized during the 2022 legislative session total $254.8 million, nearly doubling outstanding funds.

With no further business, the meeting adjourned at 9:36 a.m.

Patricia A. Lundstrom, Chairwoman

George K. Muñoz, Vice Chairman