

MINUTES
Legislative Finance Committee
State Capitol, Room 307 - Santa Fe, NM
December 12 - 16, 2022

Monday, December 12

The following members and designees were present on Monday, December 12, 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, Michael Padilla, Steven P. Neville, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Linda Garcia Benavides, Ryan T. Lane, Tara L. Lujan, and Debra M. Sariñana; and Senator William E. Sharer.

FY22 and FY23 General Fund Revenue Projections. Stephanie Schardin Clarke, secretary of Taxation and Revenue, began by reviewing the assumptions and expectations for national economic forecasts, specifically lingering on inflation, rising interest rates, high recessionary risks, and strong wages and consumer spending.

Secretary Schardin Clarke then presented U.S. macroeconomic data. The secretary illustrated the employment gains since the onset of the pandemic and the tightening of the labor market as people return to work. She highlighted the Moody's forecast does not include a recession while the IHS forecast does. Secretary Schardin Clarke then presented New Mexico macroeconomic data, highlighting trends in gross state product, employment, and wages and salaries.

Shifting to the oil and gas market, Secretary Schardin Clarke presented price and volume trends, including a chart of the active oil and gas rigs in New Mexico, which have been volatile but largely increasing since 2020. She reported New Mexico reached record levels of oil and gas production and rig counts have steadily increased. She projected oil volumes are expected to increase by 30 million barrels in FY23 and between 20 and 35 million barrels in future years. She stressed the volatility of oil prices but said that prices have been slightly depressed in the near term and trend upward from the August forecast in the out-years.

Discussing personal income tax, Secretary Schardin Clarke reported historically high gross withholding, with record 10.1 percent growth in FY22. Wage and salary forecast is expected to remain strong across industries. She explained that, due to legislative changes, FY23 will only grow 3 percent even though underlying wages will outpace that rate. In FY24, those legislative changes will result in a 3 percent decrease in personal income tax (PIT) revenue. Wrapping up personal income tax, Secretary Schardin Clarke discussed the effects from stimulus rebate payments, the child tax credit, social security and military retirement exemptions, and other legislative impacts on personal income tax collections.

On gross receipts taxes, Secretary Schardin Clarke said the strength in gross receipts tax (GRT) collections is coming from mining and retail trade. The secretary pointed out GRT's dependence on oil and gas, especially in Eddy and Lea counties, which make up 22 percent of the state's taxable gross receipts. She notes the December forecast includes upward revisions from August, increasing 8.7 percent year-over-year in FY23.

On severance taxes, rents, and royalties, Secretary Schardin Clarke reported high oil prices and increased production are driving revenue growth. These revenues are split between the general fund and the early childhood trust fund. She highlighted that the stabilization mechanisms to divert money into the early childhood trust fund are becoming less insulating as the five-year average climbs.

DFA Secretary Romero resumed the presentation. She started by reviewing the new disbursement of the land grant permanent fund, noting the higher distribution rate will have implications for the fund's long-term growth.

Secretary Romero then moved on to highlight the general fund's expected increase in both FY22 and FY23 by 19 percent and 114 percent, respectively. In FY24, recurring revenues are projected to increase by 11.3 percent with \$3.6 billion in "new money." Presenting the general fund financial summary, Secretary Romero highlighted how the path of revenues is influenced by strength in income taxes, GRT, and oil and gas revenues. Secretary Romero reported the December estimate improved over the August estimate by \$459 million in FY22, \$928 million in FY23, and \$1.14 billion in FY24. Secretary Romero pointed out the estimates provide for ending reserve balances of \$3.23 billion in FY22 and \$5.1 billion in FY23. Secretary Romero also described how money market activity, tight labor markets, supply chain issues, inflation, recessionary pressure, and oil market volatility all present risks to the forecast, which could result in substantial deviations from the revenue forecast.

Secretary Romero highlighted the stress testing analysis conducted by the Consensus Revenue Estimating Group. The analysis shows optimistic and pessimistic scenarios that demonstrate the impacts of alternative economic expectations including prolonged recession and low-oil price scenarios, as well as demonstrating how current revenues are far exceeding the ten-year trend.

Ismael Torres, chief economist for the Legislative Finance Committee, presented the Legislative Finance Committee brief. Reinforcing the secretaries' comments, Mr. Torres commented this estimate is up 20 percent from the August estimate, about 11 percent year-over-year, exceeding \$10 billion for the first time. He also stressed the first quarter of FY23 continues to come in strong. He stated new money is estimated to be \$3.6 billion. Most of this increase in the estimate, and the revenue increases in general, are related to the oil and gas market, investment returns, and high PIT and GRT revenues.

Mr. Torres then discussed recessionary risks and uncertainty, including inflation and money markets. He also reviewed U.S. and N.M. macro indicators, such as employment, labor market participation, etc. He highlighted the oil and gas industry growth. New Mexico surpassed North Dakota as the second largest oil-producing state and is the only state in which oil production has fully recovered from the pandemic, up 50 percent from prepandemic. Two-thirds of general fund growth is attributable to direct oil and gas receipts.

Mr. Torres then turned to severance taxes and federal royalties, highlighting the success of the reforms related to transferring the excess of the five-year average to the early childhood trust fund and tax stabilization reserve while also stressing their waning efficacy as the five-year average increases with booming oil and gas revenues. Mr. Torres also discussed the shift of oil and gas

production to federal lands which affects royalty payments directly to the general fund and not to the land grant permanent fund as oil produced on state land.

Mr. Torres then turned to discuss the newly approved constitutional amendment and high reversions that contributed to higher-than-expected general fund revenues. He then reiterated the risks to the forecast including swings in oil and gas, a high likelihood of a recession, and inflation, as well as discussed the stress tests and above-trend receipts.

Mr. Torres then reviewed the long-term outlook, showing that oil and gas revenues will eventually peak and be insufficient to cover growing expenses. He discussed how this necessitates using high revenues now to invest for when revenues will be lower, by putting money into permanent funds, for example.

Mr. Torres then discussed reserves, highlighting how some of the ancillary reserve accounts are not liquid and do not actually serve as reserve accounts, in effect inflating the state's reserve balance.

In response to questions from Senator Muñoz, Mr. Torres further explained the stress test scenarios and how they can help inform what could happen if oil markets change. In response to a question from Vice Chairman Muñoz, Mr. Torres explained that the recession is likely to hit capital-intensive industries harder than others.

In response to Representative Small, Mr. Torres explained that 80 rigs are needed to maintain current oil production and that there is a possible upside to this oil and gas forecast. Mr. Torres and LFC Director David Abbey also explained that money in reserve accounts earn much less than money in better-invested accounts, such as trust funds or permanent funds.

In response to Senator Padilla, Mr. Torres and Mr. Abbey explained how the early childhood department budget was formulated and how much money would be needed in the trust fund to cover its budget indefinitely. Secretary Schardin Clark explained some bracket creep could result in higher tax rates.

In response to Senator Hemphill, Secretary Romero stated she is confident the state will not have to return any federal stimulus funds.

In response to Senator Neville, Mr. Torres reiterated, in an oil downturn, the general fund could lose over \$2.7 billion in FY24. Secretary Schardin Clarke also highlighted that high production accelerates the timeline for the depletion of this nonrenewable resource.

In response to Chairwoman Lundstrom, Mr. Torres explained not all current reserve funds are outlined as reserves in statute. Mr. Torres explained how money is channeled into the tax stabilization reserve.

Department of Health (665). David Scrase, acting secretary of the Department of Health (DOH), presented the agency's mission and an overview of the FY24 operating budget request. For FY24, DOH requests \$393 million from the general fund, a \$39.8 million increase over FY23. Secretary

Scrase said the increase supports seven priorities: staff recruitment and retention, provider rate increases, marketing, substance abuse prevention, school-based health center expansion, family planning and reproduction health services, and language access. Additionally, Dr. Scrase reported on needs for the IT workforce, healthcare facility oversight, and community health workers and health equity.

DOH's requested increase includes \$10.2 million for provider rate increases for the developmental disabilities (DD) and Mi Via Medicaid waivers, and the department is continuing to work on eliminating the waiting list; 1,308 individuals were moved off the waiting list and into services. DOH also reported the DD waiver legacy *Jackson* lawsuit was disengaged. To continue work eliminating the waiting list, the department requested additional funding in the Division of Health Improvement for DD waiver oversight and compliance. Additionally, the department requested \$3 million recurring general fund revenue and \$5 million nonrecurring general fund revenue for marketing. Other large general fund requests by the department included \$5.4 million for school-based health centers, \$2 million for alcohol misuse prevention, and \$3 million for personnel at state facilities.

Senator Hemphill asked for a plan on the supports waiver, which has experienced a decline in enrollment since implementation of eliminating the waiting list. Director Jason Cornwell responded that DOH is looking at the eligibility criteria, which may qualify more individuals. Senator Muñoz stated the department needs to prioritize wages at the department and high vacancies.

Corrections Department (770). Ellen Rabin, LFC fiscal analyst, presented a brief overview of the Corrections Department's (NMCD) FY24 budget request. The agency requested an increase of \$2.2 million, or 0.7 percent, from the general fund, entirely due to anticipated increases in fixed rate costs, while also making transfers among categories and programs with no net change in the overall budget.

New Mexico's prison population is falling, which has allowed NMCD to reduce population at understaffed facilities, as public and private correctional officer vacancies have increased and remain high. Vacancy rates among probation and parole officers also rose in FY22. The agency has improved in the most important metric of its performance, recidivism, which fell in FY22, but problems with data prevent comparing FY21 and FY22 performance with prior years.

NMCD is requesting a \$30 million special appropriation for hepatitis C treatment to continue a successful program initially funded in 2020, and the agency has also requested \$84 million in capital outlay funds. All the agency's large outstanding capital outlay appropriations are rated green by LFC's capital outlay analysts.

NMCD Administrative Services Director Ed Smith presented the agency's budget request in more detail. Excluding compensation appropriations made over the past three years, NMCD's budget request for FY24 represented a \$4.5 million reduction compared with FY21. Rates set by the General Services Department, particularly unemployment compensation, workers compensation, and employee liability, have risen almost 62 percent between FY23 and FY24. NMCD's requested budget included a transfer of \$9.2 million of vacancy savings within the Inmate Management and

Control Program to address shortfalls in medical and behavioral health contracts, rate increases for privately operated prison facilities, an increase in the food services contract, and increased utility costs at the Penitentiary of New Mexico. The agency also requested to move \$1 million from the Reentry Program to the Community Offender Management Program for offender drug testing.

NMCD Secretary Alisha Tafoya Lucero provided an update on agency activities, including the expansion of Project ECHO into the community, use of peer mentoring, implementing the Reentry Program (which was new in FY23), and providing rental assistance for offenders reentering the community, which the agency received funding for during the 2022 legislative session. Secretary Tafoya Lucero also noted the agency had provided inmates with about 150 tablets from which to access educational programming. Renegotiation of the food contract to provide hot breakfasts while not reducing calories at lunch and dinner led to the projected increase in that contract. According to the secretary, the agency's focus going forward will be on the continued expansion of the Reentry Program.

Representative Chatfield asked if the department tracked how many offenders "fell through the cracks" and did not reoffend but did not successfully reintegrate into the community with stable jobs and housing. Secretary Tafoya Lucero explained NMCD does not track offenders once their supervision period is over but noted it was an interesting question and would be useful to know the answer.

In response to questions from Representative Hochman-Vigil, Secretary Tafoya Lucero explained NMCD was recently awarded a grant from the Human Services Department to pilot medication-assisted treatment (MAT) in prison facilities. The department is focusing on Western New Mexico Correctional Facility, which holds both male and female inmates, and on inmates releasing to the Bernalillo County area because there are MAT providers there, which will allow them to continue their treatment after release. The agency engaged with the Council of State Governments to survey other state corrections departments regarding their MAT programs and what is working and inform the pilot program. If the pilot is successful, NMCD plans to request continuing funding for the program in its FY25 budget request.

In response to questions from Senator Muñoz and Representative Small regarding high vacancies among correctional officers, Secretary Tafoya Lucero reported some of the initiatives the department is undertaking to improve officer recruitment and retention, including conducting screenings for prospective officers at prison facilities (rather than only in Santa Fe), adding guard housing at difficult-to-staff facilities, and implementing targeted longevity pay increases at five, 10, and 15 years of service. Secretary Tafoya Lucero noted the shortage among correctional officers is ameliorated by the low population at New Mexico's prison facilities, and the department has shut down housing units at five of its prisons to adjust to current population and staffing levels. The secretary further noted the department would like to see return-to-work legislation to help with its staffing issues.

Representative Small expressed concern regarding the quality of programs offered by Corrections Industries and their impact on recidivism and public safety. Representative Small inquired whether there was space for increased oversight of NMCD to better ensure recidivism reduction and proper staffing at facilities, to which Secretary Tafoya Lucero responded there was not. The secretary

noted the Governor's Office oversees the department, and its facilities are also certified by the American Correctional Association. Secretary Tafoya Lucero added the agency also receives oversight from the Legislature, LFC, and the public.

Senator Woods suggested the department explore ways to reduce its fixed rates, such as increasing safety training to reduce the cost of workers compensation in the long term. Secretary Tafoya Lucero noted changes to NMCD's training academy, including working with the Department of Public Safety to provide de-escalation training to correctional officers.

Tuesday, December 13

The following members and designees were present on Tuesday, December 13, 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, Michael Padilla, Steven P. Neville, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Cathrynn N. Brown, Linda Garcia Benavides, Meredith A. Dixon, Joy Garratt, Ryan T. Lane, Tara L. Lujan, and Debra M. Sariñana; and Senators Craig W. Brandt, Martin Hickey, William E. Sharer, Benny Shendo, Jr., and Bill Tallman.

Department of Transportation (805). LFC Analyst Joseph Simon reviewed the Department of Transportation's (NMDOT's) FY24 operating budget request, noting the department's request of \$1.184 billion was a slight decrease from FY23; this decrease was due to the use of state road fund balance in FY23, which the department did not request for FY24. Ricky Serna, secretary-designate, NMDOT, reviewed department priorities, including proposed projects for special transportation appropriations. He said the department was progressing on projects authorized by the Legislature but noted it can take many years to complete projects from design to construction. He also noted the importance of matching funds for federal discretionary grant programs.

The chairwoman noted special transportation appropriations are a discretionary piece of the budget, and there have been many years where these appropriations had not been included, although she anticipated funds would be appropriated this year. She noted it was helpful for the department to propose projects, but the projects ultimately selected were a legislative decision.

Senator Muñoz noted the department had outstanding debt payments and said the Legislature could consider using one-time funds to pay down debt, making additional funds available if budgets were to become tight in the future.

Program Evaluation: Medicaid Network Utilization and Adequacy. LFC Program Evaluators Sarah Dinces, Ph.D., and Ryan Tolman, Ph.D., presented an LFC program evaluation on Medicaid access for New Mexicans. The report addressed the state's Medicaid provider network and potential barriers to service access for Medicaid enrollees, analyzed Medicaid utilization rates, and examined how rates relate to program funding and capitation rates. Key findings included Medicaid enrollees do not have adequate access to timely healthcare, contracts between the state and managed care organizations (MCOs) need improvements and further investment in provider recruitment and retention are needed to bolster the state's healthcare workforce. Several

recommendations were made to the committee. Health and Human Services Department (HSD) Director Nicole Comeaux presented the agency's response to the evaluation.

Senator Hickey stated HSD should ensure appropriate funding gets to medical providers through MCOs. He said HSD should re-work ratio charts to Medicaid patient type and geographic area because generalized healthcare ratios do not meet the complex needs of Medicaid patients. He suggested LFC and HSD implement a rate higher than \$83 million across the board to combat shortages of Medicaid specialists. Because of low earning potential in New Mexico, he said half of social workers are leaving the state for better opportunities, and ancillary care rates should also be increased. He said the LFC recommendation for HSD to partner with the Office of the Superintendent of Insurance (OSI) was tremendous and more funding should be added to OSI's personnel budget.

Senator Hemphill attested to the impacts of Medicaid adequacy on families with disabilities. She said HSD needs to streamline processes around wheelchair inspections. She said more consideration should be given to missed work, expenditures for travel, fuel, and the financial hardships incurred by families. Director Comeaux said automation has been a big part of HSD's solution to streamlining services. Senator Hemphill requested HSD providers transitioning out of office keep lists of patients and pass those on to new providers—access to patient lists is critical for continuity of care. Director Comeaux said HSD struggles with continuity of care, but care coordinators employed by the MCOs play the role in supporting families through provider transitions.

Representative Small asked if federal loan repayment options and expansions will be included in HSD's budgets requests. LFC Director David Abbey responded the Higher Education Department will include it in its budget request. Representative Armstrong said 83 percent of births in New Mexico are Medicaid births and rural obstetric hubs are critical. Medicaid is one piece of healthcare provision, she said, and many fixes to the state healthcare system are needed.

State Engineer/Interstate Stream Commission (550). LFC Analyst Scott Sanchez and State Engineer Mike Hamman presented the agency's FY24 budget request, which included a \$3.6 million, or 8.3 percent, increase over FY23, and an additional request for \$121 million in special appropriations. State Engineer Hamman cited accomplishments during 2022, including lending expertise to the team litigating the *Texas v. New Mexico* lawsuit, leveraging record levels of federal funding, developing the state's 50-year water plan, and leading the Water Policy and Infrastructure Task Force, both of which the agency planned to publish prior to the start of the 2023 legislative session.

Responding to Senator Correa-Hemphill, Mr. Hamman explained the use of New Mexico unit fund dollars was not keeping pace with the agency's goals, and statutory changes might be necessary to allow for use of funds for capacity development and planning because the current statute limited the use to project implementation only.

Responding to Representative Lujan, Mr. Hamman stated the agency had successfully absorbed cannabis permitting into its workload but recognized that improvements in the agency's external

communications and marketing would be necessary to improve performance and leverage federal funding available in the next few years.

Responding to Representative Small, Program Support Director Jeff Primm explained decreases in the balances of the irrigation works construction fund and the improvement of the Rio Grande income fund were largely attributable to losses from long-term investments that hit these funds in FY22. Mr. Hamman responded to another question by Representative Small indicating the agency had improved retention rates by working with the State Personnel Office to adjust several salaries within their pay bands but that the agency had likely reached the limits of such adjustments. Representative Lundstrom also asked about transfers from these funds to the acequia and community ditch infrastructure fund (ACDIF), which Mr. Hamman explained were part of a mix of funding sources ACDIF received to fulfill its mission but stated the program was not overseen by the agency.

Responding to Representative Chatfield, Mr. Hamman explained that the ultimate resolution of the *Texas v. New Mexico* lawsuit was still pending but that investments in water channel health were going to be a necessary part of any settlement or judgment. Mr. Hamman cited efficiency improvements, especially in the low-flow conveyance channels north of the Elephant Butte Irrigation District as high-priority projects in FY24.

Responding to Senators Muñoz, Sharer, and Tallman, Mr. Hamman cited recommendations included in the forthcoming reports from the Water Policy and Infrastructure Task Force and the 50-year water plan, which will aim at generating a “whole of government response” to continued water supply challenges. Mr. Hamman explained that hundreds of billions of dollars in investments over the next several decades in growing the state’s supply, improving efficiency, and research and development will be critical to protecting and preserving the state’s water supply.

LFC Spotlight: Role of Inspectors General in State Government. LFC Program Evaluator Nathan Eckberg presented a policy spotlight on internal audit functions and offices of inspector generals at 10 state agencies. When structured correctly, agency internal audit functions can help ensure financial accuracy, efficiency, transparency, and accountability. The role of an internal audit function is to investigate and evaluate the system of internal controls and the efficiency with which the various units of an agency are performing their assigned roles and to report their findings and make recommendations to an internal audit board or committee, or top management. With unprecedented amounts of state general funds and federal funding distributed to state agencies, it is imperative they have proper internal controls to promote financial accuracy, efficiency, transparency, and accountability which ultimately can foster public trust in the use of state resources and funds.

Last reviewed by LFC in 2006, internal audit functions and offices of inspector generals within agencies were generally found to be minimally effective. Although a number of executive cabinet departments have internal audit functions, previous LFC reports have found these government accountability functions lack statutory guardrails, are structured in such a way that potentially impairs independence, lack published work plans, do not coordinate their work, and sometimes do not have a positive return on investment. This spotlight finds that many of these needed improvements still exist 15 years later.

At least 10 state agencies have some form of internal audit function, costing over \$4.8 million annually. However, state statute is silent on whether or not agencies should have internal audit functions, meaning none of the agencies with these internal audit functions are currently guided by state statute, though some may have federal requirements if they receive federal funds. Following previous LFC report recommendations, legislation has been introduced in prior legislative sessions to require independent offices of inspector generals at select state agencies. Other legislation options would have created a central state inspector general office to investigate and inspect all branches of New Mexico government. However, bills addressing previously identified weaknesses have not passed during previous legislative sessions. The Legislature should consider enacting legislation to institutionalize internal auditing wherever feasible to help ensure agencies are operating economically and efficiently and provide guidance on policies and procedures based on best practices.

Regulation and Licensing Department (420). Linda Trujillo, superintendent of the Regulation and Licensing Department (RLD), said the agency serves licensees in 35 industries, professions, and trades. RLD's vacancy rate is currently 13 percent. There have been 17 rule hearings for House Bill 191 from the 2022 regular session, and expedited licensure is now available for 29 license types. She presented the agency's FY24 budget request.

For FY24, RLD requests a \$760 thousand general fund increase, 4.6 percent over the FY23 operating budget. The request comprises of \$400 thousand for the Boards and Commissions Program and \$360 thousand for the Construction Industries Program. The Financial Industries Program requests a \$240 thousand increase from other revenues, a 19.6 percent increase. The total request is \$1.2 million, a 2.5 percent increase over the FY23 operating budget. No additional FTE are requested. Superintendent Trujillo said the agency's request for a \$5 million special from other state funds is for the completion of the licensing system for the Boards and Commissions Program. LFC staff confirmed the request was submitted to avoid delays with C2 funding; the agency is requesting to use funds from the Boards and Commissions Program. Senator Rodriguez said the \$3.5 million supplemental request to combat the agency's October cyber incident is more than reasonable.

Review of LFC Capital Outlay Framework. Staff presented the LFC capital outlay framework for state agencies and higher education institutions to LFC members on Tuesday, December 13, 2022. Staff explained the draft framework aimed to strike a balance between need and capacity to efficiently expend funds and complete projects. Staff reported at the end of the first quarter of FY23, outstanding capital outlay funds totaled \$3.5 billion across roughly 4,000 projects.

Cally Carswell and Nina Chavez, LFC capital outlay analysts, highlighted several major requests, including those for statewide senior center projects, a new forensics unit at the Department of Health's Behavioral Health Institute in Las Vegas, continued funding to the Department of Information Technology's P25 public safety radio project, funding to support aquifer recovery on the Lower Rio Grande and promote settlement of *Texas v. New Mexico*, funding for a major renovation at New Mexico State University, supplemental funding for new construction at Central New Mexico Community College, and funding for two renovations at the University of New Mexico.

Chairwoman Lundstrom asked whether the New Mexico Military Institute had received funding for a bathroom renovation it had sought in previous years but not requested through the Higher Education Department's capital outlay process this year. A representative for the school responded it still required funding for the project.

Chairwoman Lundstrom asked whether the early childhood trust fund could fund new construction related to early childhood education at higher education institutions.

Senator Muñoz noted the cancer center at the University of New Mexico has a funding shortfall that should be addressed.

Senator Muñoz asked where funding for vocational technology education was located. Director Abbey responded that the Public School Capital Outlay Council had just endorsed a \$100 million appropriation for school security, career technical education and public school maintenance and staff would clarify where the appropriation would be located in the LFC budget recommendation.

Representative Chandler expressed concern about how state match for county courthouses would be distributed.

Representative Small noted New Mexico State University required funding to upgrade antiquated utility infrastructure.

New Mexico Environment Department (667). Secretary James Kenney said the Environment Department (NMED) is focused on implementing the principles of science, collaboration, invention, and compliance as it works to fulfill its mission of protecting the environment and public health. The secretary explained the department has taken a leadership role in clean energy development and compliance initiatives. However, the agency continues to face operational challenges because of staffing, including issues with recruitment and retention. Because of this, the agency is requesting a \$3.4 million increase from the general fund, or 16.8 percent, over FY23. In addition to the increase in general fund appropriations, Secretary Kenney explained the agency is seeking \$32.1 million in special appropriations.

LFC Analyst Scott Sanchez summarized the agency's budget request, which included a \$2.7 million increase in general fund appropriations for the consolidation of leased-space costs. He cited the agency's stated goal of shifting the use of other state funds and special revenue funds toward services for New Mexicans and away from operational costs that could instead be funded by appropriations from the general fund.

Responding to Senator Rodriguez, Secretary Kenney explained the agency is seeking to maximize the use of special revenue funds and other state funds to modernize the department and leverage federal funding available through the federal Infrastructure Investment and Jobs Act (IIJA). He further explained the use of \$3.5 million from the corrective action fund was to match federal Occupational Safety and Health Administration grant money and to pay for all of the staff in the Construction Programs Bureau.

Responding to Senator Correa-Hemphill, Secretary Kenney explained the cost of cleaning up the asphalt emulsion spill in Jaybird Canyon has not been fully calculated but that the agency is keeping track of costs and intends to pursue reimbursement from the responsible party.

Responding to Senator Muñoz, Secretary Kenney explained agency staffing has been disproportionately affected by the salary increases provided by the Legislature because much of the department's revenue and expenses relate to programs that do not receive general fund appropriations. Senator Muñoz further encouraged the agency to explain these discrepancies to the executive and stated he hoped the executive budget recommendation would address these funding discrepancies. Representative Small echoed Senator Muñoz's comments regarding the need for clarification on salary-related budget shortfalls.

Responding to Representative Dixon and Senator Tallman, Secretary Kenney stated the agency does not have staffing levels comparable with other states, which affects permitting time for projects that require agency approval. He further explained the agency is often required to cut back inspection rates to balance its statutorily mandated permitting responsibilities.

Responding to Representative Chandler and Representative Benavides, Secretary Kenney stated the agency continues to incentivize innovation and flexibility within its workforce while focusing on improving recruitment and retention. The secretary also explained the agency was interested in working with nongovernmental organizations to bring in eligible retirees who possessed specific experience to help it fulfill its mission.

Chairwoman Lundstrom expressed concerns relating to questions from committee members that framed the agency's budget request as percentage increases over previous fiscal years, citing the long-running trend of cutting agency budgets during some administrations while failing to restore funding in subsequent years when leadership of the executive branch changed.

Special, Supplemental, Deficiency, and Information Technology Request. LFC Analyst Joseph Simon and Andrew Miner, deputy director, State Budget Division, Department of Finance and Administration, reviewed agency requests for special, supplemental, deficiency and information technology appropriations. Mr. Simon said LFC staff received 388 special, supplemental, deficiency, and information technology requests, a significant increase from previous years. Requests totaled \$2.41 billion. He noted 41 requests were from individual institutions of higher education, which have typically not requested special appropriations in the past. He said staff also understood that some institutional priorities did not make it onto the list of requests. He said, as a result, institutions will likely need to engage early with the Legislature to help identify priorities.

The chairwoman noted the Early Childhood Education and Care Department made several requests for large special appropriations and asked if the early childhood trust fund could be used for some of these requests. Kelly Klundt, principal analyst, LFC, said statutory guidelines for the use of the early childhood trust funds were broad and the department's requests would likely be allowable under current law.

Senator Muñoz noted a large request from the Department of Finance and Administration for law enforcement recruitment and retention, stating the initial appropriation was meant to last for five

years. Representative Dixon raised concerns with the department's rollout of the recruitment and retention program, noting the intent of the original program was to review the effectiveness of program to make adjustments to the program. Representative Small noted the statewide benefit of continued recruitment and retention of law enforcement personnel.

In response to Representative Small, Connor Jorgensen, principal analyst, LFC, noted a number of the requests from individual institutions of higher education should be considered on a statewide basis, ensuring student receive the same financial consideration regardless of the institution they attend.

Wednesday, December 14

The following members and designees were present on Wednesday, December 14, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Cathrynn N. Brown, Meredith A. Dixon, Rebecca Dow, Doreen Y. Gallegos, and Tara L. Lujan; and Senators Martin Hickey, Michael Padilla, William E. Sharer, Benny Shendo, Jr., and Jeff Steinborn.

Higher Education Institutions (952-977). LFC Analyst Connor Jorgensen presented an overview of enrollment and awards trends at higher education institutions, noting a 27 percent decrease in enrollment over the past decade while awards remained relatively stable. Mr. Jorgensen noted that, while overall awards were relatively unchanged over the last 10 years, the mix of awards changed. Total enrollments for fall 2022 were up for the first time in a decade, an increase likely attributable to the creation of the Opportunity Scholarship. Mr. Jorgensen stated the scholarship was estimated to cost approximately \$100 million, but that no actual cost information has been provided to the Legislature to date and the cost is still unknown.

Mr. Jorgensen then discussed findings of a recent special audit of research and public service projects at the University of New Mexico, stating the report found lax financial controls for research and special projects. Mr. Jorgensen stated faculty compensation in New Mexico lags the national average and noted higher education institutions would seek additional funding for pension contribution increases and to replace nonrecurring funding for nursing programs with recurring funding.

Following Mr. Jorgensen's presentation, Vice Chairman Muñoz recognized the higher education leaders in attendance and recognized the retirements of Patrice Caldwell of Eastern New Mexico University and Ricardo Rel of New Mexico State University.

Secretary Stephanie Rodriguez of the Higher Education Department discussed the increased enrollment experienced in fall 2022 as well as detailing degree production at New Mexico higher education institutions. The secretary also discussed funding formula changes, including the inclusion of in-demand workforce certificates and the removal of general education certificates. The secretary discussed the recommendation of the Higher Education Department, including a 5

percent increase in the funding formula allocation as well as additional funding for research and public service projects.

Higher education institutions represented by the New Mexico Council of University Presidents, New Mexico Independent Community Colleges, and the New Mexico Association of Community Colleges presented their unified budget request for FY24. The speakers were Joe Shepard of Western New Mexico University, Becky Rowley of Santa Fe Community College, and Shawn Powell of Eastern New Mexico University-Roswell. The speakers presented a request for a 5 percent increase in instruction and general funding, a 10 percent increase for faculty and staff salaries, a \$25 million increase for the research closing fund, \$10 million for the higher education endowment fund, \$8 million for campus safety improvements, \$9 million for student support services, \$15 million for dual credit courses, \$20 million for workforce training, and \$25 million for infrastructure improvements. The presenters also voiced support for increased student financial aid.

Representative Small asked if New Mexico could compare its higher education funding practices with other states. Secretary Rodriguez stated those comparisons would be part of the funding formula development. Senator Shendo requested additional data on retention rates for minority students. Secretary Rodriguez stated this information could be added to the transfer report that is produced annually by the Higher Education Department. Senator Padilla asked if there was additional funding available to train social workers. Secretary Rodriguez reported that, of \$50 million appropriated for social worker faculty endowments, \$19.5 million is remaining. President Powell noted ENMU-Roswell is considering a veteran-focused social work program. Senator Steinborn asked if there was sufficient funding for the Opportunity Scholarship. Secretary Rodriguez stated the Higher Education Department was analyzing fall 2022 expenses and would report findings by the end of the year. Senator Muñoz stated the importance of receiving data timely and noted concerns about increases in tuition.

Higher Education Department (950). LFC Analyst Connor Jorgensen presented budget highlights for the Higher Education Department, including a request for \$88 million for the Opportunity Scholarship, \$13 million for healthcare professional loan repayment, \$5 million for teacher loan repayment, \$2.7 million for adult basic education programs, and \$737 thousand for additional employees in the financial aid division.

Secretary Rodriguez discussed the oversight responsibilities of the department, noting the need for additional staff. The secretary then stated the original cost estimate for the Opportunity Scholarship was \$100 million but stated that costs for fall 2022 were not yet finalized and the actual cost of the program is not yet known. The secretary also noted a request for \$4 million for dual-credit programs to pay tuition costs for high school students taking college courses.

Chair Lundstrom asked for additional detail on funding formula changes proposed for FY24. Representative Small asked about outcomes for recipients of medical loan repayments. Secretary Rodriguez stated medical doctors and nurses who receive loan repayment are more likely to remain in New Mexico than are other allied health professionals who receive loan repayment. Senator Muñoz voiced concern about credit caps on the Opportunity Scholarship program.

University of New Mexico Health Sciences Center. Dr. Douglas Ziedonis presented the budget priorities of the University of New Mexico Health Sciences Center. Dr. Ziedonis stated UNM hospital is currently at 130 percent occupancy driven by the “trippledemic” of Covid, influenzas, and the respiratory virus commonly called RSV. Dr. Ziedonis stated increasing teaching faculty compensation to the national median is a top priority of the UNM Hospital and reported a 10 percent faculty salary increase would cost \$52 million. Dr. Ziedonis stated the college of nursing was requesting expansion funding for both graduate and undergraduate nursing education programs. Dr. Ziedonis noted 92 percent of college of nursing graduates stay in New Mexico and that 80 percent worked clinical rotations in rural areas. Dr. Ziedonis stated HSC is \$24 million short of the need for improvements for the cancer center facility.

Senator Hickey noted concern about low faculty pay and stated increases to Medicaid rates may be helpful in addressing the shortfall of providers. Senator Gonzales voiced support for the BA/MD program and asked if there were any New Mexico counties not represented by its participants. Dr. Ziedonis stated there were no participants from De Baca or Catron counties. Chair Lundstrom requested additional information on how many of the HSC priorities aligned with the recommendations of the New Mexico Legislative Health and Human Services interim committee priorities.

Miscellaneous Business.

Action Items. Senator Gonzales moved to adopt the LFC contracts, seconded by Vice Chairman Muñoz. The motion carried.

Vice Chairman Muñoz moved to adopt the LFC Capital Outlay Subcommittee November report, 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.

Special Schools. New Mexico School for the Deaf: NMSD Superintendent Dr. Jennifer Herbold presented key findings from the school’s annual report, including enabling hearing screenings for over 15 thousand children per year and nearly 200 children attending school at the Santa Fe campus. Dr. Herbold expressed concern over ongoing Covid-19 impacts on student learning loss and gaps in early interventions and highlighted ongoing increased costs in teacher salaries and transportation and general impacts of inflation.

New Mexico Military Institute: NMMI Superintendent General Jerry Grizzle stated NMMI’s overall enrollment was increasing but had not surpassed prepandemic levels, and the school has continued to attract increasing international students. General Grizzle asked for increases for the Knowles Legislative Scholarship and athletics transportation costs. General Grizzle also acknowledged prior conversations concerning NMMI’s sink room capital project, for which he requested \$10 million in additional funding.

New Mexico School for the Blind and Visually Impaired: NMSBVI Superintendent Patricia Beecher presented on the school’s services to over 1,600 students in the state, including over 120

students enrolled across two campuses. She also highlighted providing a high-quality workplace for educators and therapists. Superintendent Beecher expressed concerns over ongoing Covid-19 impacts on student learning loss, community outreach programs, increased costs in teacher salaries and transportation, and the general impacts of inflation.

Among the questions from the committee:

- Senator Correa Hemphill asked NMSD for more information on the impacts of Covid-19 and trends in their teacher workforce as impacted by the pandemic and public school salary increase; Dr. Herbold confirmed Covid-19 had led to ongoing difficulties in staff retirements, and NMSD has experienced financial pressure related to public school salary increases.
- Senator Burt asked for more information on community outreach and pandemic-related impacts on student services at NMSBVI; Superintendent Beecher confirmed the pandemic had made some early childhood outreach services more difficult to scale.
- Senator Muñoz asked NMMI to clarify the sink room capital request and changes in enrollment; General Grizzle explained the sink room request had moved forward in discussions with the committee, and enrollments in the 2022-2023 school year increased over enrollment in the 2021-2022 school year but had not recovered to pre-pandemic enrollment levels.

Human Services Department (630). Director Abbey read a letter from the committee thanking and bidding farewell to Nicole Comeaux, Medicaid director. LFC analyst, Ruby Ann Esquibel, reported on the Human Services Department's (HSD) FY24 budget request and policy and performance issues. Dr. David Scrase, secretary of HSD, reported all HSD programs together serve over 1 million unduplicated New Mexicans.

HSD requested a 14.4 percent increase in its FY24 budget request. Secretary Scrase noted Medicaid is the largest healthcare payer in the state of New Mexico. The agency's general fund request proposes support for the estimated 990,528 New Mexicans who will receive Medicaid benefits during FY24, over 45 percent of the state's population.

Specific initiatives include continuous enrollment for children up to age 6 and the addition of four new home-visiting models; medical respite housing for people experiencing homelessness and housing insecurity following a hospital stay and expansion of supportive housing statewide; member-directed traditional healing benefits for Native Americans, enabling access to culturally responsive services; and a statewide patient-provider closed loop referral system that improves patient access to medical, behavioral health, and nonmedical services, with the expected goal of improving patient outcomes.

Secretary Scrase reported since 2019, HSD has made progress in fixing New Mexico's broken behavioral healthcare system by building a new behavioral health provider network, optimizing federal and state spending, and increasing New Mexicans' access to behavioral healthcare. The FY24 behavioral health request includes a statewide expansion of the Crisis Now integrated behavioral health response system that includes mobile crisis teams and crisis triage centers and raising non-Medicaid behavioral health reimbursement rates from 85 percent of Medicaid to 100

percent. HSD provided 214,951 adults with non-Medicaid behavioral health services from April 2021 through March 2022.

HSD will begin redetermining eligibility for many Supplemental Nutrition Assistance Program (SNAP) and Medicaid customers when the federal public health emergency (PHE) ends. These redetermination efforts require increased staff capacity and additional IT investments. HSD is reforming its child support program to incorporate national best practices that studies show result in more consistent child support payments and employment.

In response to Representative Chatfield noting support for rural healthcare practitioner residencies and asking if the additional enhanced federal matching funds decreased the need for state general fund to support Medicaid, Secretary Scrase agreed with both items.

Senator Hemphill noted the Medicaid enrollment phone app was useful and asked about the replacement of \$80 million in FY23 general fund revenue clawed back when the state received additional enhanced federal Medicaid matching funds. Ms. Esquibel and Secretary Scrase replied the funding was replaced in the FY24 HSD budget request.

Senator Rodriguez commented the peak in multiple viruses this winter was straining the healthcare system. Secretary Scrase agreed and noted hospitals were particularly stressed.

Representative Armstrong questioned if HSD was being proactive in engaging with people who may be ineligible for Medicaid when the PHE ends and was told HSD has sent out multiple notices to clients. Representative Armstrong noted it was problematic that parents that responsibly home-schooled their children were ineligible to receive pandemic electronic benefits transfer (P-EBT) food benefits based on school enrollment.

Senator Burt asked about the federal Medicaid matching funds formula and inflation and Secretary Scrase responded the formula was based on the state's income levels and economic performance and inflation factors are included in the FY24 Medicaid request.

Senator Muñoz noted there has been little improvement in behavioral health and other HSD performance outcomes and noted the importance of a Navajo Nation Medicaid managed care organization (MCO). Neal Bowen, Behavioral Health Services Division director, noted behavioral health practitioners have increased and behavioral health encounters have doubled in the last year, and the state is trying to expand certified community behavioral health clinics. Secretary Scrase said HSD is open to working with entities regarding a Navajo Nation Medicaid MCO.

Representative Dixon asked about Temporary Assistance for Needy Families (TANF) program funds being used for early childhood services and about use of the healthcare affordability fund for Medicaid and was directed to information in the LFC staff HSD packet of information.

Representative Small asked about increasing participation in home visiting and collaborating on the home-visiting program with multiple departments and Medicaid director Nicole Comeaux noted Medicaid is conducting more home visiting outreach in hospitals.

Children, Youth and Families Department (690). Eric Chenier, LFC analyst, introduced the panel and presented a LegisStat brief on reducing repeat child maltreatment. Mr. Chenier covered the state's poor performance compared with other states on 12-month repeat maltreatment and high rates of alcohol and substance misuse among caregivers linked to maltreatment and on progress the Children, Youth and Families Department (CYFD) made since the last LFC LegisStat hearing in August. Since August, the department submitted its Families First Prevention Services Act plan to the federal government, expanded its alternative response like program to more counties, provided further detail on the state's implementation of Comprehensive Addiction and Recovery Act (CARA) plans of safe care, and is continuing to work on improving recruitment and retention through appropriate placement salary adjustments, 10 percent salary differentials for hard to fill positions, and working with other entities to improve the social worker pipeline.

Barbara Vigil, secretary, CYFD introduced her staff and discussed actions the department is engaged in to improve recruitment and retention such as adjusting compensation, working with higher education institutions, and improving on the federal Title IV-E stipend program. To reduce child maltreatment, Secretary Vigil said the department is extending the time for maltreatment investigations from 45 to 75 days, working on individualized planning meetings for high-risk children, improving on children's behavioral health services, and improving the quality assurance process.

Chairwoman Lundstrom asked what the entry level salary for Protective Services workers is. The department replied that a person with a master's degree in social work would receive a starting hourly wage of \$22. Mike Regensberg, budget director, said recruitment differentials for hard-to-fill positions were instituted at 10 percent. Chairwoman Lundstrom said the state goes to other states to recruit more teachers and asked why CYFD does not go to other states for recruitment. She also asked about paying for moving expenses, incentives, and bonuses. Representative Small asked if the department would set a goal of 20 percent turnover and Secretary Vigil responded the turnover goal will be 18 percent. Small also asked how many social workers have a social work credential. Secretary Vigil did not have the number but said she would provide it. Senator Padilla asked what the three top reasons are for people leaving the department. Emily Martin, Protective Services director, said the three reasons are pay, workload, and morale. Padilla also asked whether the department had conducted a detailed study to determine what salaries should be. Ms. Martin responded that cost-of-living adjustments would go a long way.

Thursday, December 15

The following members and designees were present on Thursday, December 15, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Candie Sweetser, Brian G. Baca, and Christine Chandler; and Senators Nancy Rodriguez, Roberto "Bobby" J. Gonzales, Steven P. Neville, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representatives Cathrynn N. Brown, Meredith A. Dixon, Rebecca Dow, Doreen Y. Gallegos, and Tara L. Lujan; and Senators Craig W. Brandt, Michael Padilla, William E. Sharer, Benny Shendo, Jr., and Jeff Steinborn.

Early Childhood Education and Care Department (611). Elizabeth Groginsky, secretary of the Early Childhood Education and Care Department (ECECD), presented the agency's mission and

an overview of the FY22 operating services that include 18,428 children per month in Childcare Assistance, 3,987 families in Families First, 13,827 children in the Family, Infant and Toddler program, 6,747 children in home visiting parent-support services for new families. Secretary Groginsky then reported the department had an 18 percent vacancy rate, or 46 positions vacant.

The secretary presented the department's five-year strategic plan, which includes the goals of school readiness, family and community engagement, expanding government-to-government relationships, system alignment, and actionable data use. By 2027, ECECD's goal is to increase services, including serving 5,000 additional children in prekindergarten and 5,000 additional children in home visiting.

For FY24, DOH requests \$202.9 million from the general fund, a \$7.3 million increase over FY23. Secretary Groginsky said the increase supports staff recruitment and retention, IT, and the Childcare Assistance call center.

Senator Hemphill asked about the department plan for wages and professionalization of the early childhood workforce. The secretary responded that providers are working with the department on a career ladder in addition to a request for IT systems for a workforce database. Representative Small asked about increasing enrollment in the state home visiting program. Secretary Groginsky stated there was a capacity need and need to work with the Medicaid program and medical providers for referrals. Representative Small also asked for an updated forecast of the early childhood trust fund by 2027, LFC staff responded the fund is forecasted at \$10 billion in 2027.

Economic Development Department (419). LFC Analyst Amanda Dick-Peddie presented a LegisStat for the Economic Development Department, highlighting performance improvements in jobs created, including rural jobs created since the first LegisStat hearing held in August, 2020. Chair Lundstrom thanked the department for being a pilot agency for the LegisStat program.

Secretary Alicia Keyes, with Deputy Secretary Jon Clark, presented the agency's FY24 budget request, a general fund revenue increase of \$9.4 million, or 55 percent over the FY23 operating budget. The majority of the increase is for initiatives related to film, including funding for contract management of the new Next Generation Film Academy. Secretary Keyes also noted the department has three special appropriations requests, including \$5 million for the Job Training Incentive Program, \$5 million for business incubators, and \$25 million for the Local Economic Development Act fund.

In response to Representative Chatfield, Secretary Keyes noted the department is working on several initiatives, including supporting the expansion of the Very Large Array in Socorro, to train a new generation of workforce for STEM jobs. In response to Representative Small, Secretary Keyes noted economic growth on the border is growing, as Texas tightens its border policies. In response to Representative Dixon, Deputy Secretary Clark commented, though EDD only has a small team currently working on clean technology, the sector will continue to grow in the state.

In response to Senators Muñoz and Sharer, Deputy Secretary Jon Clarke clarified the agency has received transition funding from the closure of the San Juan generating plant but is not authorized to spend the funds without legislative appropriation.

Taxation Revenue Department (333). Stephanie Schardin Clarke, secretary of the Taxation and Revenue Department (TRD), presented the agency's FY24 budget request. She said the agency's main priorities for FY24 are to fund software and maintenance costs for existing systems that process about 36 tax programs, including \$150 thousand for tax help to low-income and elderly taxpayers. The agency reported a 22 percent vacancy rate.

For FY24, TRD requested \$3 million in general fund revenue, a 4.2 percent increase above the FY23 operating budget. The requested increases were primarily for vacancy reductions in Tax Administration and Program Support, as well as Department of Information Technology telecommunications and IT agreements. The general fund request included \$150 thousand for a tax preparation program for elderly taxpayers and \$135.7 thousand to implement a salary study. The general fund request for Tax Fraud Investigations, \$171.8 thousand, included the implementation of a pay study for special agents that impacts 4 FTE. For the Motor Vehicle Program, the agency requested \$62.9 thousand from other state funds to reduce vacancies and fund supplies.

In prior years, TRD relied on approximately \$5.7 million in revenues from administrative fees. However, following the removal of language in the General Appropriation Act of 2019, this fee revenue was no longer available, requiring TRD to rely more on other sources of revenue, mainly the general fund. Senator Muñoz said that the implementation of wage scales are critical to TRD staffing and operations. He also said the Motor Vehicle program should have a commercial driver's license program for young adults age 18 and up.

Review of Large Nonrecurring Spending and Federal Relief Spending. Eric Chenier, LFC principal analyst, presented the brief on major nonrecurring spending since the last update from October. As of early December 2022, state agencies committed a total of \$478.1 million, or \$52 million more than was reported expended for the October 2022 update. The pace of spending was relatively steady and in line with prior updates. The committed amount accounts for 23.6 percent of the \$2 billion in major nonrecurring appropriations that were in the brief.

Micaela Fischer, LFC program evaluation manager, presented LFC's memo on the state's use of federal recovery funds. Department of Finance and Administration (DFA) staff recently raised concerns that some of the Legislature's appropriations of American Rescue Plan Act (ARPA) state fiscal recovery funds may not be eligible uses of the funds under federal rules. DFA voiced concern over a \$10 million appropriation to the rural library endowment fund. The memo Ms. Fischer presented clarified federal rules only stipulate a few, narrow restrictions for the use of ARPA state fiscal recovery funds and all other uses are allowable. Therefore, the Legislative appropriations of the funds are in line with the federally permissible uses of the funds.

Patrick Schaefer, general counsel, Department of Finance and Administration (DFA) said that federal state fiscal recovery funds are project-based funds. He said the funds are broadly meant to help with economic recovery and pandemic response. He said DFA is working to make sure the state's appropriations from the state fiscal recovery fund are in line with the federal government's rules and the main concern is with endowment funds such as the appropriation to the rural library endowment fund.

Public Education Department (924) and Public School Support (993). Secretary Steinhaus highlighted changes in the department’s responsibilities, including managing responses to the *Zuni* and *Martinez-Yazzie* lawsuits and significant increases in federal funds managed by the department. Secretary Steinhaus highlighted 4,000 new teaching licenses had been issued by the department since January 2022, a December 2022 launch of free online tutoring for all Title I school students, a decrease in teacher vacancies, and a shortage of school counselors. Secretary Steinhaus emphasized department initiatives in supporting students with disabilities, the new statewide iMSSA interim student assessments, leadership supports, math curriculum, and early literacy and asked for increased funding across these initiatives.

In public school supports, Secretary Steinhaus emphasized an increase in funds to support increasing instructional hours, including funds to backfill financial support to schools who had been participating in instructional hour requirements for extended learning or K-5 Plus programs. Secretary Steinhaus also emphasized a request for increased budgets for Career Technical Education, early literacy, community schools, and family income index, and highlighted new budget priorities for behavioral health, educator recruitment and hard-to-fill positions, and supports in special education educator pay.

Questions from the committee included clarifications on what is included in instructional time as defined by proposed instructional time hour requirements, cost of assessments, how schools already showing high proficiency or already engaged in extended learning would be impacted by changes to hour requirements, and supports provided to disabled students. Secretary Steinhaus stated instructional time was flexible and could include such activities as career technical education activities but not professional learning time. Secretary Steinhaus clarified the increased cost of assessments from the prior fiscal year reflects assessment costs without federal fund assistance but not an increase in overall costs, and the department’s budget requests has multiple items specific to expanding support for disabled and special education students. Senator Muñoz and Chairwoman Lundstrom asked the secretary to look into disparities in Indian Education Act distributions among districts. Representative Dow asked the secretary to assess differences in PED funding and state funding for early childhood and prekindergarten education and expressed concern over best pathways for adults students to receive a GED or high school diploma. Secretary Steinhaus stated the department understood these concerns and would provide a response to the committee on Indian Education Act distributions, early childhood education funding, and high school diploma pathways for adults.

Friday, December 16


The following members and designees were present on Friday, December 16, 2022: Chairwoman Patricia A. Lundstrom; Vice Chairman George K. Muñoz; Representatives Harry Garcia, Nathan P. Small, Jack Chatfield, Gail Armstrong, Candie Sweetser, and Brian G. Baca; and Senators Nancy Rodriguez, Roberto “Bobby” J. Gonzales, Steven P. Neville, William F. Burt, Sia Correa Hemphill, Pat Woods, and Pete Campos. Guest legislators: Representative Cathrynn N. Brown and Senators Craig W. Brandt, Michael Padilla, William E. Sharer, and Jeff Steinborn.

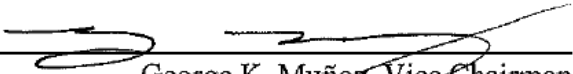
New Mexico Legislature. LFC Assistant Director Jeannae Leger said the Legislature requests \$28.9 million for FY24, a \$3.8 million increase over FY23. The Legislature also requests funding for three IT projects.

Final Review. LFC Director David Abbey and Deputy Director Charles Sallee presented to the committee a packet of spreadsheets summarizing staff recommendations for FY24 appropriations, including special, supplemental, deficiency, and IT appropriations.

Vice Chairman Muñoz moved to adopt staff recommendations for FY24 appropriations, seconded by Representative Small. The motion carried. The vote was unanimous.

With no further business, the meeting adjourned at 8:57 a.m.



Patricia A. Lundstrom, Chairwoman

George K. Muñoz, Vice Chairman