New Mexico Legislating for Results

Charles Sallee, Deputy Director for Budget
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Presentation Overview

- Budget Process Overview

- Legislating for Results Framework

- Example of the Framework

- New Tools for the Framework
  - LegisSTAT
  - Results Focused Government Ratings

OVERVIEW OF NEW MEXICO FINANCES: FY22 OPERATING BUDGET

(in millions of dollars)

OPERATING FUNDS

Taxes & Misc. Fees 70.2%

Interest 12.7%

Energy 17.1%

RECURRING GENERAL FUND $7,449.9

- 46.3% → Public Schools
- 12.0% → Higher Education
- 26.6% → Health and Human Services
- 10.8% → Courts/ Public Safety
- 4.4% → General Govt.

State Funds 57%

Federal Funds 43%

ROAD FUND $1,051.1 → Roads

INVESTMENTS [1]

Land Grant Permanent Fund [2] **$25,033** Total Assets — $777.1 → General Fund

Severance Tax Permanent Fund [2] **$6,432** Total Assets — $246.4 → General Fund

State Treasurer Investments [2] **$5,553** General Fund Investment Pool Assets — $15.8 → General Fund

DEBT SERVICE [3]

Severance Taxes $1,504.3

Severance Tax Bond Capacity Net Senior = $663.5 Supplemental = $267.1

General Obligation Bond Capacity $259.7

1 Investments exclude retirement funds
2 October 31, 2021 Value
3 Includes only state debt service

Source: LFC Files

Budget Process

Fiscal Year: July 1-June 30

July/August: LFC reviews and approves budget guidelines. DFA sends out budget preparation directions to agencies.

August: Consensus Revenue Estimate Group general fund revenue estimates released.

September 1: Agencies submit appropriations requests to LFC and DFA. Requests for public school support and institutions of higher education due in November/December.

September-December: LFC fiscal staff analyze requests and make staff recommendations to the Committee, which holds public hearings on all requests.

January: Statute requires the Governor to submit appropriation recommendations, including capital outlay, to LFC and full Legislature. LFC finalizes recommendation in December and releases it usually the day after the Governor.

Budget Process, cont.

January-Feb/March/April:

- Legislative "Feed bill" usually passed during first days of the session to fund the operations of the Legislature, its agencies and session expenses.
- House Appropriations and Finance Committee (HAFC) typically creates the General Appropriation Act first; both HAFC/SFC review LFC and Governor recommendations.
- After House passage Senate Finance Committee typically holds public hearings and develops an amendment containing the SFC substantive changes and move the bill for passage by the full Senate.
- Senate changes are either accepted by the House or go to a public conference committee to reconcile differences.
- Both chambers adopt the final GAA and send it to the Governor.
- The Governor may sign the bill, veto it entirely, or exercise a partial veto, also called "line item veto"
- Partial veto is the power to destroy, not to alter or expand, based on past judicial rulings.
- The bill becomes effective upon approval by the Governor.

Legislating for Results Framework
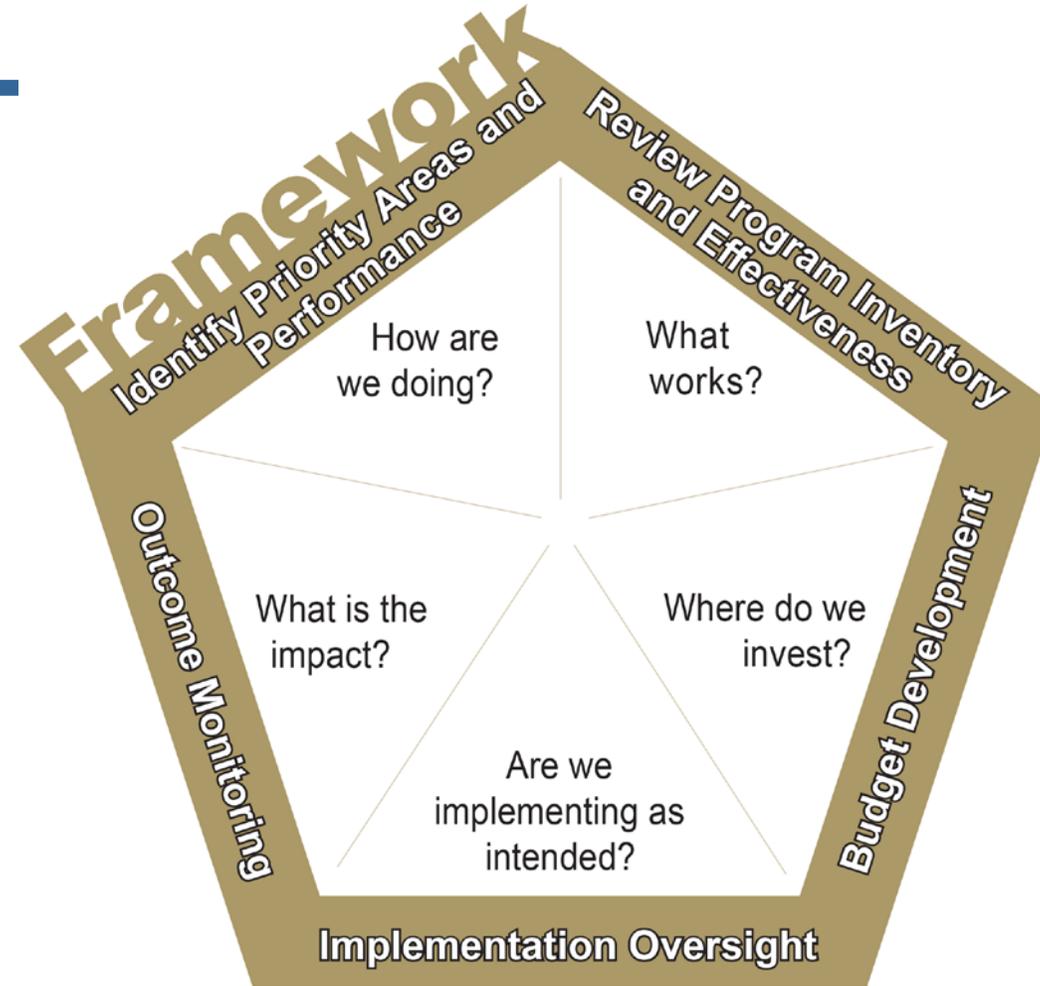
Legislating for Results Tools

LFC Integrates a mix of….
- Research
- Cost-Benefit Analysis
- Policy Analysis
- Budget Analysis
- Performance Monitoring (Report Cards)
- Performance, Policy and Budget public LFC hearings &
- Program Evaluation

Into the policy and budget process, in addition to traditional approaches

Key Resource for Legislators

- Budget Documents (Vol 1 Policy Analysis, Vol II Budget Recommendations, Vol III Supplemental Data)
- Revenue Estimates
- General Fund Financial Summary
- Agency Report Cards
- Program Evaluation Reports
- Staff Briefs
- High Level Budget Summaries
- Finance Facts – one page summaries on key topics

Legislating for Results Example – Child Protective Services

PERFORMANCE REPORT CARD
Children, Youth and Families Department
Third Quarter, Fiscal Year 2022

| Budget: $179,905.2 FTE: 1,081	FY20 Actual	FY21 Actual	FY22 Target	FY22 Q1	FY22 Q2	FY22 Q3	Rating
Children in foster care who have at least one monthly visit with their caseworker	96%	98%	50%	97%	97%	96%	G
Children in foster care for more than 8 days who achieve permanency within 12 months of entry into foster care	29%	30%	30%	32%	33%	35%	G
Children in foster care for 12 to 23 months at the start of a 12-month period who achieve permanency	40%	40%	35%	38%	41%	38%	G
Children in foster care for 24 months, or more, at the start of a 12-month period who achieve permanency	34%	41%	32%	42%	39%	38%	G
Children who were victims of a substantiated maltreatment report during a 12-month period who were victims of another substantiated maltreatment allegation within 12 months of their initial report	14%	14%	9%	14%	14%	14%	R

Most of CPS Spending on Out-of-Home Placements

Protective Services Spending Categories

Legend:
- Foster Care
- Adoption Services
- Field Work/investigations/SCI
- Other Costs/Admin
- Other Prevention
- Differential Response

Source: SHARE

Foster Care and Adoption Cost Per Child

Legend:
- Cost Per Adoption
- Cost Per Foster Child

Source: SHARE and ROM
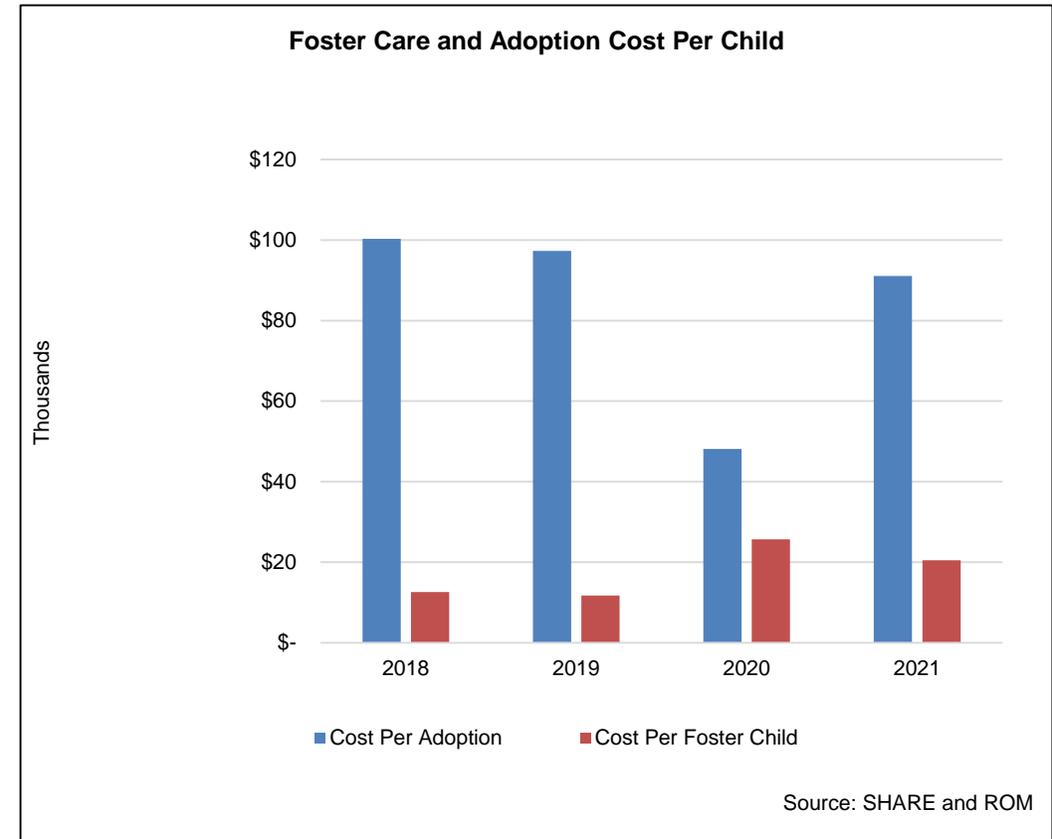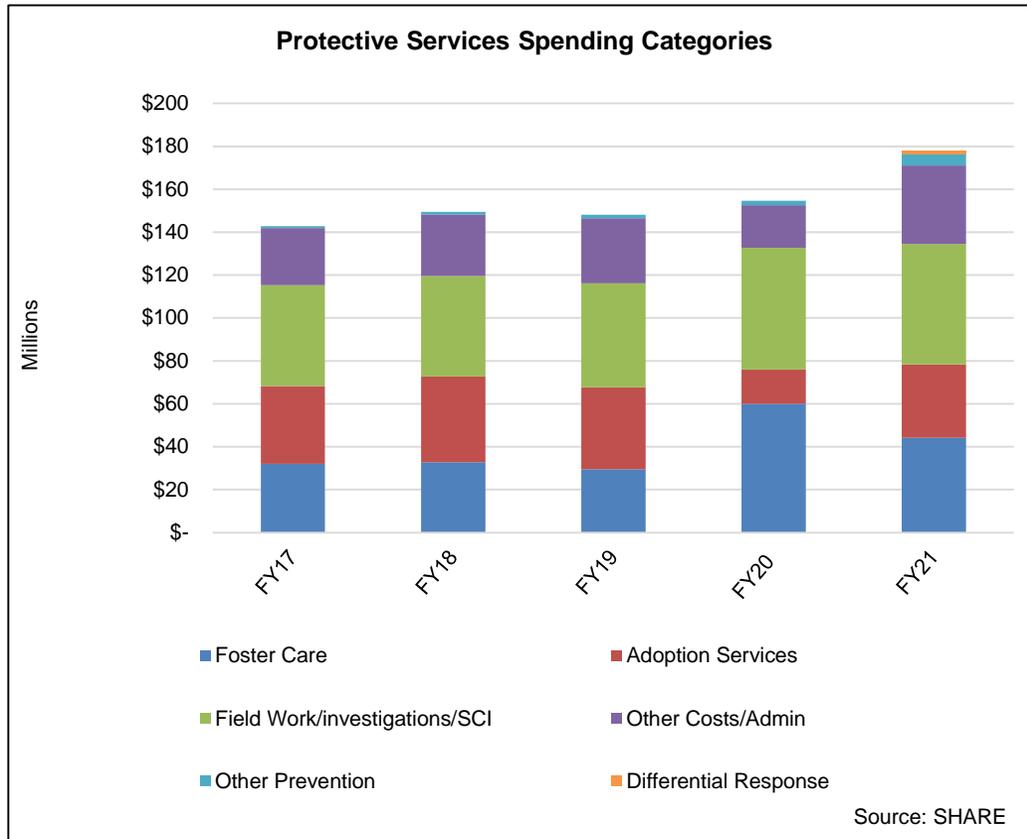
Decline in Out of Home Placement Free Up Funding

Protective Services Children in Care by Placement Type

Legend: Other | Relative Foster Care | Non-Relative Foster Care | Total

Source: CYFD
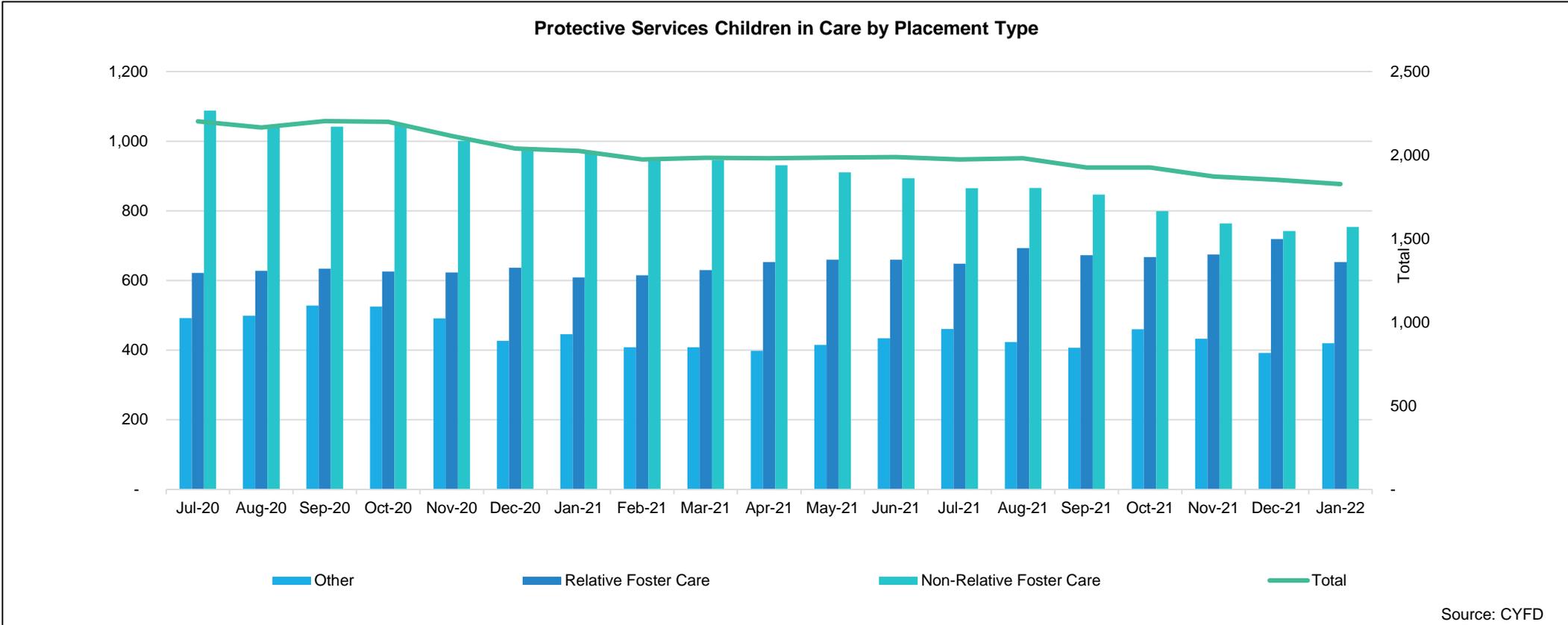
What works to get better outcomes?

Total Benefit to Cost Ratio by Program

Legend: ■ Taxpayer Benefit to Cost Ratio ■ Non-Taxpayer Benefit To Cost Ratio
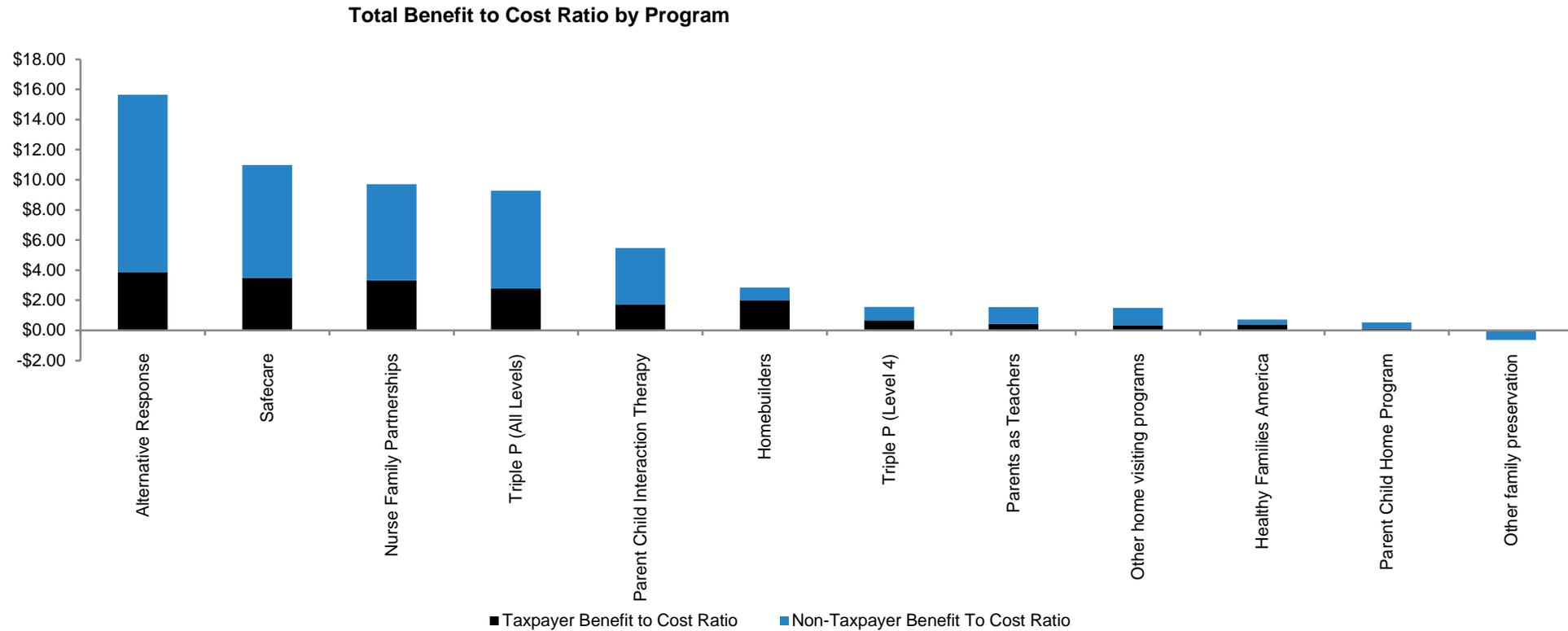
Budget Development

CHILDREN, YOUTH AND FAMILIES DEPARTMENT
General Fund Highlevel
(in thousands)

		Executive Recommendation	LFC Recommendation	Laws 2022, Chapter 54	
24	PROTECTIVE SERVICES				24
25	Prior Year OpBud	98,538.4	98,538.4	98,538.4	25
26	Reduce Vacancies	3,523.5	3,623.6	3,623.6	26
27	Extended Foster Care	3,000.0	3,000.0	3,000.0	27
28	Supportive Housing	1,150.0	1,150.0	1,150.0	28
29	Repurpose Foster Spending for Prevention		(2,000.0)	(2,000.0)	29
30	Increase Early Intervention Prevention Services		2,000.0	2,000.0	30
31	Replace Federal Revenue with General Fund	4,807.9			31
32	Miscellaneous	100.1			32
33	Subtotal Current Year Base	111,119.9	106,312.0	106,312.0	33
34	% Change from OpBud	12.8%	7.9%	7.9%	34

LFC's *Legislating for Results* Framework: Evidence-Based Policy and Budgeting

- Identify priority areas and performance,

- Review programs and performance,

- Budget development,

- **Implementation oversight, and**

- **Outcome monitoring**

Two New Components of Legislating for Results Framework

Ongoing LegisSTAT meetings to focus on Performance, implementation of evidence-based interventions, and outcomes.

Goal: Make progress on high-priority agency challenges as identified by the Committee.

Parallel effort: Yearly rating of selected agencies' use of best practices in evidence + performance + data.

Goal: Strengthen agencies' capacity for high-performance government

Two New Tools for the Legislating for Results Framework

LegisSTAT

- LegisSTAT is an **initiative of the LFC** designed to help the committee become a more effective partner with New Mexico state agencies in continually improving agency programs and policies.

- Based on a leadership strategy known as **PerformanceStat.**

- LegisSTAT **adapts the PerformanceStat approach to a legislative context**.

- The goal is to ensure **focused conversations** between the LFC (as a committee or subcommittee) and agency leaders about addressing high-priority agency performance challenges and opportunities.

RESULTS FOCUSED GOVERNMENT RATINGS

- Parallel effort to help establish good government best practices – focused on larger service delivery agencies.

- LFC analysts will work with agencies to rate their use of 10 of the best practices and produce an annual scorecard.

- Plan in works for ongoing training and support to for agencies implement the best practices.

NM LegisSTAT

- In August 2021, LFC launched LegisStat, first adaptation of PerformanceStat strategy to a legislative context.

- Builds on existing efforts in New Mexico around evidence-based budgeting.

- Broad goal: Strengthen collaboration with state agencies in monitoring the implementation of state programs and improve state budget decisions.

LegisSTAT adapts performance conversations to a Legislative environment

- PerformanceStat involves ongoing, regular meetings between executive leadership and departments or bureaus.

- Participants review key performance measures and diagnose performance deficits, then decide how to fix those problems.

- Examples include CitiStat in Baltimore, StateStat in Maryland (picture at right) and many others.

Motivation for LegisSTAT

- Changing the format of agency hearings.

- Strengthening a focus on key agency performance challenges.

- Better tracking priority policies and programs.

- Making discussions more data-driven.

- Sustaining a focus on key challenges over time.

Principals of LegisSTAT

- **Focused:** Meetings focus on most important challenges facing agencies, identified ahead of time.

- **Committee-driven:** Meetings driven by the committee chair and by members' questions; only short presentations.

- **Emphasizing deeper dives:** Use of follow-up questions by members to get to the root causes of problems…"the Five Whys."

- **Action-oriented:** Agencies ideally commit to specific actions by the next meeting, representing near-term actions even if long-term challenges.

- **Strong on accountability:** Meetings designed to start with agency updates on action items from previous meeting.

- **Collaborative:** Meetings require ongoing collaboration between legislators and agency leaders.

- **Aiming for impact:** Important part of the initiative's impact occurs between meetings, when agencies work to achieve action items committed to during the meetings.

LegisSTAT Briefing Materials

Results Focused Government

Best Practices in Leadership

- ❑ Practice #1: Demonstrating that agency leadership values evidence and results

Best Practices in Evidence-Related Strategies

- ❑ Practice #2: Using evidence-based budgeting
- ❑ Practice #3: Developing a learning agenda
- ❑ Practice #4: Creating an evaluation policy
- ❑ Practice #5: Using rapid experimentation (also known as A/B testing)
- ❑ Practice #6: Implementing results-driven contracting
- ❑ Practice #7: Adding evidence incentives to grants

Best Practices in Performance Management

- ❑ Practice #8: Using performance information
- ❑ Practice #9: Implementing strategic planning
- ❑ Practice #10: Collaborating with other agencies or levels of government

Best Practices in Using Data

- ❑ Practice #11: Expanding data sharing and usage

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

For More Information

- http://www.nmlegis.gov/lcs/lfc/lfcdefault.aspx
  - Session Publications – Budgets
    - Performance Report Cards
      - Program Evaluations

Charles Sallee, Deputy Director
Charles.Sallee@nmlegis.gov
325 Don Gaspar – Suite 101
Santa Fe, NM 87501
505-986-4550