

**MINUTES**  
**Legislative Finance Committee**  
**State Capitol, Room 307 - Santa Fe, NM 87501**  
**January 15, 2018**

**Monday, January 15<sup>th</sup>**

The following members and designees were present on Monday, January 15, 2018: Chairwoman Patricia A. Lundstrom; Vice Chairman John Arthur Smith; Representatives Jim R. Trujillo, Larry A. Larrañaga, Jimmie C. Hall, Nick L. Salazar, James G. Townsend, George Dodge Jr., and Randal S. Crowder; and Senators Carlos R. Cisneros, Steven P. Neville, Carroll H. Leavell, Mary Kay Papen, George K. Muñoz, William F. Burt, and Pete Campos. Guest legislators: Representatives Paul C. Bandy, Doreen Y. Gallegos, Harry Garcia, Rodolpho “Rudy” S. Martinez, and Tomas E. Salazar; and Senator Sander Rue.

**LFC Health Notes: Behavioral Health Services for Medicaid Expansion Adults.** Jenny Felmley, Ph.D., and Amir Chapel, both LFC program evaluators, presented a *Health Notes* brief titled *Behavioral Health Services for Medicaid Expansion Adults*. In 2014, New Mexico implemented the Affordable Care Act’s option to expand Medicaid coverage to all individuals with incomes less than 138 percent of the federal poverty level (FPL). Medicaid expansion has provided access to behavioral health services for over 254 thousand New Mexicans, about a third of whom have made use of those services on a yearly basis since 2014. By comparison, about 18 percent of the base Medicaid population uses behavioral health services. However, despite relatively high rates of utilization and substantial expenditures, the outcomes for the program are unclear and appear mixed at best.

The brief first discussed key characteristics of the expansion population and looked at the improvements expansion has brought for two particularly vulnerable groups of New Mexicans, homeless individuals, and individuals involved with the justice system.

The brief reported which behavioral health services, at what cost, were most used by the cohort between 2014 and 2016. Analysis found that overall spending on behavioral health services for the expansion population has risen faster than the number of people using those services. One key driver: a 167 percent increase in spending for services that treat substance abuse disorder. Evidence-based treatment protocols appear to be used relatively frequently for substance abuse disorders but less so for mental health therapy.

LFC’s analysis considered access to care issues, which found positive improvements but also some persistent gaps in the provider networks of the Centennial Care managed-care organizations.

Lastly, the brief talked about available behavioral health outcome measures for Medicaid recipients as well as the program itself. Behavioral health outcomes are notoriously difficult to quantify. The Medicaid behavioral health program lacks sufficient meaningful outcome measures to reflect spending and utilization levels, and there are mixed outcomes on the measures available. The number of reported behavioral health critical incidents increased significantly between 2014 and 2016. On the other hand, the state’s rate of drug overdose deaths declined slightly between 2014 and 2015, and then stayed flat between 2015 and 2016, a positive trend that may be partly the result of increased access to substance abuse treatment for the Medicaid expansion population.

In response to Representative Crowder, Brent Earnest, secretary of the Human Services Department, said transition from the Omicaid claims system to the Medicaid Management Information system (MMIS) will be completed in 2019. Secretary Earnest said the purpose of the

transition is to replace the current outdated system with one that meets federal guidelines and provides more robust data.

**Status Report of LFC Review of Criminal Justice System in Bernalillo County.** Jon Courtney, Ph.D., LFC program evaluation manager, said staff is currently evaluating the criminal justice system in Bernalillo County, analyzing data from several sources, including the city of Albuquerque, Bernalillo County, and University of New Mexico Institute for Social Research. Mr. Courtney gave a preliminary report on the evaluation's findings, which will be completed this spring.

Mr. Courtney compared Albuquerque's total crime rate with the U.S. total crime rate from 1985 to 2017. The rates overall declined year-over-year from 1996 to 2010; however, Albuquerque's rate has since increased year-over-year, while the U.S. rate continues to decline. Compared with similar cities in the United States, Albuquerque's rate has consistently been higher since 2010. Mr. Courtney then compared Albuquerque's total crime rate with other cities in New Mexico. In 2016, Belen, Taos, Gallup, and Espanola had a higher rate than Albuquerque. Mr. Courtney said evaluators are analyzing the impact of policy changes, reforms, and significant events on Albuquerque's crime rate since 2010.

Research finds that, in general, deterrence depends on the swiftness of being caught, certainty of being caught, and severity of punishment; although, severity of punishment has been discounted by some researchers as a deterrence. When completed, staff's evaluation will include findings and recommendations based on data, collected in collaboration with the Pew-MacArthur Results First Initiative, on the impact of program and policies on crime avoidance, recidivism, and return-on-investment. Mr. Courtney informed the committee that much of the information is currently available on the PEW Charitable Trusts website.

Mr. Courtney provided a flow chart of Bernalillo County's criminal justice system, noting it as oversimplified. Staff is evaluating whether capacity and process issues are impacting Albuquerque's crime rate. Program evaluator Travis McIntyre, Ph.D., went over other charts in the presentation, including one that showed the correlation between the implementation of the case management order (CMO) and the spike in case dispositions. Mr. Courtney said correlation does not imply causation.

Mr. McIntyre said staff is examining the factors influencing Albuquerque's crime. Traditional factors are economic conditions, substance abuse, and gang activity. Mr. McIntyre said other factors include system issues, such as diversion and treatment issues and theory of the "revolving door." Mr. McIntyre listed the entities staff is working with on their research.

District Attorney Raul Torrez, Chief Public Defender Bennett Baur, and Bernalillo County Commissioner Maggie Hart Stebbins briefly addressed the committee. Mr. Torrez said, when completed, LFC's report will help the state make decisions on implementing effective strategies. Ms. Stebbins said she hopes the report includes information on the correlation between the case dismissal rate and crime rate.

Representative Larrañaga requested LFC staff provide him information on the effectiveness of a case management system.

**Committee-Sponsored Legislation.** Jacqueline Martinez, analyst for LFC, summarized 10 bills for the committee to consider sponsoring in the 2018 legislative session.

1. *Public School Funding Formula Changes - Training and Experience Index and At-Risk Index Adjustments.* The bill is similar to legislation (Senate Bill 30), endorsed by LFC and LESC last year, that was passed by the Legislature and vetoed. The bill amends the Public School Finance Act to replace the current instructional training and experience (T&E) index with a teacher cost index and increase the at-risk index over the next five years. The new teacher cost index aligns cost differentials with the three-tiered licensure levels and years of experience for classroom teachers. The bill phases in the new teacher cost index and increases the at-risk index multiplier from 0.106 to 0.15 over the course of five years, beginning in FY19. The LFC budget recommendation contains sufficient funds to cover the first year increase in the at-risk index multiplier in FY19 to 0.13. Changes to the T&E index would begin in FY20. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.
2. *Size Adjustment for Certain Schools.* The bill amends the Public School Finance Act to change how size adjustment units are calculated in the public education funding formula. The bill prohibits any school serving fewer than three grade levels from generating size adjustment program units and aggregates the student membership of any elementary school, junior high school, or senior high school within one mile of another school of the same type in size adjustment calculations. School districts with enrollment under 500 would be exempted from these changes in school size calculations. The bill would take effect starting in FY20. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.
3. *School-Age Persons Definition.* The bill amends the definitions of “school-age person” and “qualified student” in the Public School Code to prohibit public schools from enrolling and claiming funding for students over 21 years of age. The bill allows students over the age of 21 during the 2018-2019 school year to remain enrolled in a public school if they have been continuously enrolled at the same public school since the third reporting period of the 2017-2018 school year. The bill also makes related technical changes in the Public School Code. The bill contains a temporary provision stating it is the intent of the Legislature to appropriate an additional \$3 million to the Higher Education Department (HED) for adult education programs in FY20. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.
4. *Racing Commission.* The bill extends the sunset period of the racing commission from July 1, 2017, to July 1, 2019. Additionally, staff recommends introducing a memorial to study
  - administratively attaching SRC to the Gaming Control Board,
  - expanding the definition of “immediate family” to include parents,
  - authorizing advanced deposit wagering, and
  - amending the Horse Racing Act to require one public member on the commission;
  - Authorizing increased sanctions and enforcement against cheaters and bush tracks; and
  - Other issues related to the industry and regulation.

Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Dodge.

5. *Amend the Legislative Lottery Tuition Scholarship Act.* The bill amends the Legislative Lottery Tuition Scholarship Act to provide flat award amounts to students depending on the sector of institution they attend. Based on available revenues, scholarships would pay up to
  - \$1,500 per semester for students at research institutions,
  - \$1,000 per semester for students at comprehensive institutions, and
  - \$750 per semester for students at community colleges.

If revenues are insufficient to cover maximum award amounts, scholarship award amounts shall be reduced to fit available revenues proportionately among each sector. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Salazar.

6. *Tax Code Cleanup.* The bill closes potential tax loopholes to prevent further revenue erosion, such as addressing the potential national laboratory nonprofit contractor issue. It would also
  - clean up expired or outdated portions of the tax code,
  - require separate reporting for certain deductions to provide better data to analyze gross receipts tax reform proposals,
  - require additional reporting to allow analysis of tax incentives intended to spur job creation, and
  - allow LFC and Department of Finance and Administration (DFA) staff access to the same level of taxpayer data that local government officials are given.

Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.

7. *Elected Officials Salaries.* The bill amends Sections 8-1-1 and 8-3-3 NMSA 1978 to provide a 10 percent compensation increase for elected officials for new terms beginning on or after January 1, 2019. Statutory salary levels have not been adjusted since 2002. The bill applies to the following positions: governor, lieutenant governor, secretary of state, state auditor, state treasurer, attorney general, commissioner of public lands, and public regulation commissioners. The legislation would be a companion to House Bill 2 that includes in the special appropriation recommendations of \$67.3 thousand from the general fund and \$6,000 from other state funds to cover the proposed salary and benefit increases for a half year. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Larrañaga.
8. *Transfer Insurance Premium Collections.* The bill transfers the duty to collect insurance premium taxes, along with six full time employee positions and budget, from the Office of the Superintendent of Insurance (OSI) to the Taxation and Revenue Department (TRD). A special external audit found that the state is owed around \$65 million in revenue from under-collected premium taxes. LFC staff have identified long standing revenue collection challenges at OSI and its predecessor for over 15 years. TRD will require an additional appropriation to create premium tax collection capabilities within the GenTax computer system. The LFC, DFA, TRD, and OSI are meeting regularly during the 2017 interim and expect to bring a proposal to the 2018 legislature that would authorize the transfer effective

January 1, 2019. Both OSI and TRD support this change. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.

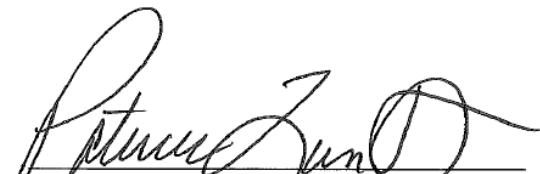
9. *Biennial Budgeting Pilot Project.* The bill authorizes selected agencies to operate on performance-based biennial budgets for an eight-year period. The governor would be granted authority to recommend agencies for the pilot project. Each biennium the governor would submit a two-year appropriations and performance request for selected agencies and in year two of the biennium request supplemental funding as necessary. The project would be overseen by the Governor's office, DFA, and LFC. Potential agencies for inclusion in the pilot would have small general fund appropriations and appropriations from other funds that do not impact general fund appropriations, such as licensing boards. Senator Cisneros moved to adopt endorsement of the bill, seconded by Representative Trujillo.
10. *School Data Collection and Class Goals.* The bill establishes operating budget targets for instruction, student support services, instructional support services, and school principal compensation for school districts and charter schools based on student enrollment or whether the institution is a virtual charter school. School districts and charter schools that fail to meet these operating budget targets must explain why targets are not met and submit plans to improve the following year. Each public school meeting or exceeding these targets will receive protection from state equalization guarantee distribution reductions based on cash balance amounts. The bill requires PED to design and implement an advanced data collection system by July 1, 2019, and establishes other reporting requirements.

**Miscellaneous Business.**

***Action Items.*** Senator Cisneros moved to adopt the November 2018 and December 2018 meeting minutes, seconded by Representative Hall. The motion carried.

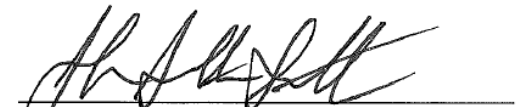
**Review of Monthly Financial Reports and Information Items.** David Abbey, director of LFC, briefed the committee on information items.

With no further business, the meeting adjourned at 11:34 a.m.



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Patricia A. Lundstrom, Chairwoman



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John Arthur Smith, Vice Chairman