UPDATED 12/6/17

Accountability in Government
Selected Performance Highlights
First Quarter, Fiscal Year 2018

Pursuant to the Accountability in Government Act (AGA), quarterly reports are required of key agencies, including performance measures and results approved by the Department of Finance and Administration (DFA) and other measures agencies consider important to operations.

Each quarter, LFC analysts review agency performance reports and develop report cards for select measures. The measures are listed in tables in the body of report cards, along with a green, yellow, or red rating that indicates how well the agency has met its performance targets. To add context to the report cards, and to fill gaps in agency reporting, LFC staff continues efforts to provide benchmark data comparing New Mexico results to those of neighboring states or national averages; benchmark data can be found in the side bars of the report cards. LFC staff also review agency action plans to determine whether those plans are thorough and comprehensive enough to support improved performance.

Performance of note for the first quarter of FY18 by major area:

Taxation and Revenue Department *(page 8)*

The Taxation and Revenue Department failed to meet performance targets in the first quarter and is lacking robust performance measures to ensure accountability. The Motor Vehicle Division did not meet the target for wait times in state operated field offices, which is a result of REAL ID implementation. The department is on track to meet performance targets for tax protest cases resolved and collections of outstanding balances. For FY19, LFC staff recommend increasing several performance targets and adding new measures to improve the department’s reporting of vital revenue projection information including updates on the State’s total tax liability.

Human Services and Medicaid *(page 10)*

The Human Services Department (HSD) continues to see declining enrollment in the Medicaid, Supplemental Nutrition Assistance Program and the Temporary Assistance for Needy Families Programs. Much of the decrease is associated with administrative clearing of backlogged applications with no benefits as well as fewer clients applying for services. HSD has a large number of performance measures for which data has been provided over previous fiscal years, and many of these performance measures have been retained in the agency’s report card. However, in this quarter, HSD failed to report data on the status of emergency room visits, well-child visits, prenatal care, the amount of child support collected, and several other performance measures. It is concerning that national, standardized programs of this size and importance are not maintaining consistent baseline reporting on these core performance measures.

Behavioral Health *(no first quarter report card)*

At the time of this report, LFC had not received the Behavioral Health Services Division (BHSD) performance report for the first quarter of FY18. This is a recurring issue with BHSD and detracts from LFC efforts to report agency outcomes and effectiveness in a timely manner. When the agency performance report has been received, the BHSD first quarter report card will be available on-line at https://www.nmlegis.gov/Entity/LFC/Performance Dashboard.

Department of Health *(page 14)*

Between 2016 and 2017, the average cost per client on the Medicaid waiver for people with developmental disabilities (DD Waiver) jumped 7 percent from $73.1 thousand to $78.4 thousand. Recent litigation lead the department to end the use of the supports intensity scale (SIS) and switch to a new "outside review" process and the new process may be driving costs up. The LFC, in a June 2010 evaluation, found the department lacked a reliable way to determine appropriate services for people on the DD Waiver. In response, the department began using the SIS and successfully managed average per client costs for several years. But since the change to the new outside review, early evidence suggests it is driving average cost increases.

Aging and Long-Term Services *(page 19)*

Due to slow provider reimbursements, poor performance, and other issues, the department's acting secretary ordered assessments on two of the state's four area agencies on aging (AAAs). The assessment on the Non-Metro AAA noted problems with internal financial control, unapproved budget changes, and inaccurate monthly reporting of expenditures. The assessment on the Non-Metro AAA raised more questions than it answered. Many of the problems noted in the assessments are common nationally and may be related to the federal Older Americans Act requirement that federal funds be distributed by the state to designated AAAs, and then to direct service providers. The Non-Metro AAA provides services in three planning and service areas, and according to federal officials, this arrangement is unique nationally.

Children, Youth and Families *(page 21)*

The Children, Youth and Families Department (CYFD) reported strain on the Protective Services Program as caseloads continue to rise. An increasing number of children coming into care of the agency, in conjunction with children staying in custody longer, is resulting in poor performance outcomes. The Juvenile Justice Services Program reported improved recidivism rates, but violence in committed juvenile facilities remains high. In addition, the Early Childhood Services Program reported fewer childcare providers reaching the highest level of quality than targeted, mostly as a result of the transitions to Focus, the state's third generation tiered quality rating and improvement system. Despite this, more than half of the children who receive childcare assistance subsidy participated in programs who were rated at the highest level of quality.

Public Safety *(NMCD, page 24; DPS, page 26)*

The New Mexico Corrections Department (NMCD) continues to struggle with abnormally high positive inmate drug tests, mostly due to the presence of Suboxone, a drug banned within prison that is used to treat narcotic addiction outside the walls. To combat the issue, the department has installed x-ray scanners in half of the state-run prisons and has requested a special appropriation to install scanners in the remainder of prisons. NMCD also saw another quarter with high probation and parole officer caseloads, reflecting a 17 percent first quarter vacancy rate and an increase in the number of inmates being released on-time and added to caseloads. Additionally, the department has a $5.4 million past-due radio bill to the Department of Information Technology for which the department has requested a base budget increase and special appropriations.

New Mexico's rate of 703 crimes per 100 thousand residents far exceeds the mountain west average of 391 crimes. Despite these facts, the Department of Public Safety continues to perform well, achieving all but one performance measure (percent of forensic latent finger print cases completed) and increasing focus on commercial vehicle enforcement. Additionally, the department has made progress on the number of backlogged sexual assault kits in the department's jurisdiction and implementing the criminal justice record clearinghouse.

Public Education *(page 27)*

Preliminary figures from the Public Education Department (PED) indicate the state experienced an average decline of about 2,000 students in FY17, resulting in an estimated $30 million savings from the preliminary FY18 state equalization guarantee. PED has not yet adjusted the preliminary FY18 unit value to account for this variance, despite authorization given to the department by the Legislature in the May special session to do this before the 2018-2019 school year. If PED increases the unit value in January, the incremental revenue may end up in school cash balances.

For FY18, PED has budgeted nearly $1.3 million in related-recurring "below the line" appropriations for department personnel costs, separate from the FY18 request. Staff has raised concerns about this recent practice, as it understates actual department operational costs and diverts initiative funding that could be available for direct services to pay for administrative overhead instead.

Higher Education *(page 29)*

Retention and completion results were mixed at the state's colleges and universities. Although two of New Mexico's four-year institutions – New Mexico State University and Western New Mexico University – met retention targets and improved year-over-year, all institutions remain below national rates for their peers. Community college completion rates demonstrated significant improvement in FY17, although two institutions reported single-digit graduation rates. LFC staff continue to work with institutions and the Higher Education Department to improve performance measures to provide a complete picture of the state's postsecondary educational institution, including proposal of efficiency measures for FY19.

Natural Resources *(EMNRD, page 34; NMED, page 36; OSE, page 38)*

The Oil Conservation Division of the Energy, Minerals, and Natural Resources Department (EMNRD) was unable to plug any abandoned oil and gas wells in the first quarter. EMNRD reports that the oil reclamation fund, which is used to pay for plugging, will be completely exhausted in FY20. Despite the rapidly declining oil reclamation fund balance, the agency continued its high pace of inspections of oil and gas facilities and will likely meet the annual performance target.

Of the $52.3 million of 2014 "year of water" capital outlay appropriations for local projects overseen by the New Mexico Environment Department (NMED), $12.7 million remains unspent. Ninety-seven of the 120 projects overseen by NMED are complete, seven projects totaling $4.8 million are yet to begin spending, and 18 projects that received just over $1 million were de-authorized during the special legislative session in 2016.

For the first time since the early 1990's, the state fell short by 20 thousand acre feet from meeting Rio Grande Compact water delivery requirements, the Office of the State Engineer (OSE) reports. This debit will require New Mexico to hold water in upstream reservoirs. OSE's Interstate Stream Commission believes above-average snowmelt in the Chama watershed will allow New Mexico to meet its compact obligations in the next fiscal year and the Rio Grande Compact allows for a delivery debit up to 200 thousand acre-feet.

UPDATED 12/6/17

Economic Development and Tourism *(EDD, page 39)*

The Economic Development Department's (EDD) performance results for the first quarter are on a positive path in every area except for the New Mexico's Partnership's performance. The New Mexico Partnership is EDD's largest contract at $1 million. In 2017, the New Mexico Partnership hired a new director, however, performance continues to lag into FY18. The Economic Development Division awarded four companies $2.9 million in LEDA funds in the first quarter, contributing to 436 jobs created. Of the four companies awarded LEDA funds, two were located in rural areas. Twenty businesses were approved for Job Training Incentive Program funding, totaling 672 workers trained. Of those jobs, 261 were approved companies in rural areas.

The Tourism Department exceeded its performance for the New Magazine, surpassing its annual target for revenue collected in the first quarter. The department also met its target for the percent change in New Mexico leisure and hospitality employment. The Leisure and hospitality industry registered an increase of 1,700 jobs, or 1.8 percent when comparing September 2017 with September 2016. The agency performance report for the Tourism Department was received too late to complete a first quarter report card for this packet; the report card will be available on-line at https://www.nmlegis.gov/Entity/LFC/Performance Dashboard.

Workforce Solutions Department *(no first quarter report card)*

The Workforce Solutions Department met or exceeded a majority of performance targets, including significantly reducing wait times to call for unemployment insurance (UI) benefits. Previously, wait times to speak with a call center representative were between 15 and 20 minutes. Due to a new callback function now available, wait times have been reduced to between four and six minutes. In addition, the UI trust fund received $52 million in revenue and paid out $37 million in benefits, resulting in an ending fund balance of $432.6 million.

The agency performance report for the Workforce Solutions Department was received too late to complete a first quarter report card for this packet; the report card will be available on-line at https://www.nmlegis.gov/Entity/LFC/Performance Dashboard.

General Government *(GSD, page 41; SPO, page 43; DOT, page 44)*

The General Services Department's (GSD) risk funds have sufficient funding in total to cover half of projected losses, which is the agency's goal, despite large transfers to the general fund for solvency purposes. At GSD's November budget hearing, LFC expressed concern about the lack of transparency of payments from the public liability fund. GSD agreed to consider adding information to its annual report and executive sessions to discuss large losses. For Facilities Management, most new leases met space standards and the four that did not were exempted because of special programmatic needs. Until this year, the Capital Building Planning Commission was maintaining an inventory of all state-owned and leased space which included FTE numbers by location. However, the governor vetoed funding for a contractor to maintain the website despite the executive branch's inability to report FTE by location in real time. For State Purchasing, state agency buying is not always well planned adding to costs, and contract oversight could be improved.

The State Personnel Office (SPO) is consolidating executive agencies' human resource (HR) functions to increase efficiency and enhance cost effectiveness. The executive initially indicated the consolidation would save millions, but any potential savings will be generated primarily through efficiencies within agencies' operating budgets in FY18. SPO has not proposed an action plan for reducing turnover and overtime usage, but expects the governor's initiative to consolidate all HR under SPO will improve hiring efficiency. However, SPO reported the implementation would be delayed until January 1, 2018 for general fund agencies, and until July 1, 2018 for multiple revenue agencies, because of difficulties transferring personnel funding, particularly for HSD, Department of Transportation, and CYFD.

Vacancy rates at the Department of Transportation (NMDOT) increased to 15 percent despite agency attempts to increase employee pay and retention. Despite the vacancy rate, NMDOT was able to perform 1.2 thousand miles of pavement preservation, putting the agency on track to exceed the FY18 target of 2.6 thousand miles. Traffic fatalities overall are down, from 107 in the first quarter of FY17 to 92 in the first quarter of FY18.

Information Technology Projects *(page 46)*

The estimated cost for 11 projects included in the IT report is over $260 million, including $175.6 million for HSD's Medicaid Management Information System (MMIS) replacement project (90/10 federal match). The multi-year phased project is expected to continue through 2019. The ONGARD replacement project red rating is due to the State Land Office's lack of progress in planning and cost uncertainty for the royalty administration and revenue processing system, and recent staff departures leave fewer subject matter experts. There are two projects with red ratings due to schedule delays, the Public Employees Retirement Association (PERA) Retirement Information Online (RIO) enhancement project, and the Department of Public Safety (DPS) Computer-aided Dispatch (CAD) project. In addition, there are two projects with red ratings due to risk associated with large complex multi-year projects, HSD's MMIS project, and CYFD's Enterprise Provider Information Constituent Services project (EPICS).

UPDATED 12/6/17

Investments *(page 51)*

One-year returns for the period ending September 30, 2017 ranged from 10 percent to almost 13 percent, and both the pension and permanent funds outperformed their long-term targets for the one- and five-year periods.

In the last year, the aggregate value of the state's combined investment holdings for the pension and permanent funds grew by $4.3 billion, or 9.4 percent, to end the quarter at $49.6 billion. The Educational Retirement Board's (ERB) and Public Employee Retirement Association's (PERA) fund balances grew 7.7 percent and 9.1 percent, respectively. The aggregate value of the permanent funds managed by the State Investment Council (SIC) grew by 10.7 percent.

The permanent funds' investment returns were above the median for the one-year period but ranked below the median for all other periods reported. ERB's returns were just above the 50th percentile for the three-year period, but below the median for all other periods reported. PERA's investment returns were near or below the lowest quartile for all periods reported. Percentile rankings are based on the Wilshire Trust Universe Comparison Service (TUCS) peer universe for public funds greater than $1 billion.

Courts and Justice *(see note)*

The district attorneys and Public Defender Department joined the Administrative Office of the Courts in a new, comprehensive report card format. As quarterly performance reporting improves, the LFC recommends improving measures to better reflect workloads and performance outcomes. Despite rising crime rates in New Mexico, cases referred to the district attorneys have fallen, suggesting a disconnect in crime and policing. For the Public Defender Department (PDD), data suggests contract defenders were less successful in attaining a reduction in charges, but performed more efficiently in time to disposition. However, the data provided represents only a portion of total contract cases because of underreporting from contractors.

Note: The performance report for Courts and Justice was inadvertently left out of the report cards packet; the report card is available on-line at https://www.nmlegis.gov/Entity/LFC/Performance Dashboard.

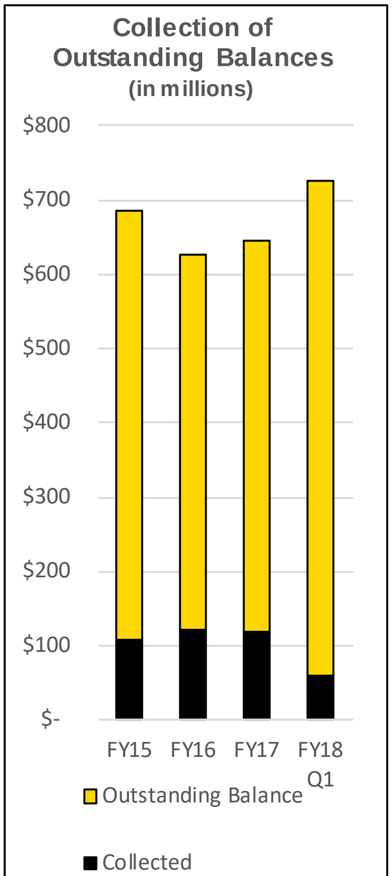
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Taxation and Revenue Department
First Quarter, Fiscal Year 2018

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

TRD faces substantial tax policy challenges due largely to lack of leadership and low employee morale, according to a report presented to the Council on State Taxation (COST). The report states: "practitioners and taxpayers uniformly agree that the Department is more dysfunctional [now] than at any time in at least the last 25 years." Included in the report are a variety of issues concerning TRD, including aggressive audits relying on changing interpretations of the law, an unpredictable approach to various tax incentives, and backlogs of administrative protests.



Source: TRD and LFC files

Taxation and Revenue Department

The department is failing to meet its performance target for wait times at Motor Vehicle Division (MVD) field offices, which is symptomatic of larger issues including Real ID implementation, tax administration oversight, and unsatisfactory leadership. The agency also lacks robust performance measures to ensure accountability.

Tax Administration

The Tax Administration Program is on track to meet, and possibly exceed, its annual performance targets. At the end of the first quarter the program collected $60.5 million, or 8 percent, of the $726 million collectible-outstanding balance, nearly half of its target for FY18. Additionally, the program collected $1.7 million, or 33 percent, of $5.2 million in collectible audit assessments, more than half of the collections target for FY18. The number of electronically filed tax returns is well under past year trends but should stabilize when all tax year filings are complete. This program is operating sufficiently to achieve its performance measures; however, additional resources and adjusted targets may be needed to improve collections of outstanding tax balances.

Tax Administration	Budget: $29.8 million	FTE: 495.8	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Collections as a percent of collectable outstanding balances from the end of the prior fiscal year		19%	18%	18%	8%			G
2	Collections as a percent of collectible audit assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year		43%	58%	60%	33%			G
3*	Electronically filed personal income tax and combined reporting system returns		85%	86%	N/A	3%			
Program Rating			Y	Y					G

*Measure is explanatory, for information purposes only and does not have a target.

Compliance Enforcement

The number of tax investigations referred to prosecutors annually is typically fewer than 10, causing the tracking of this measure to fluctuate significantly between each quarter. The total will be reported annually.

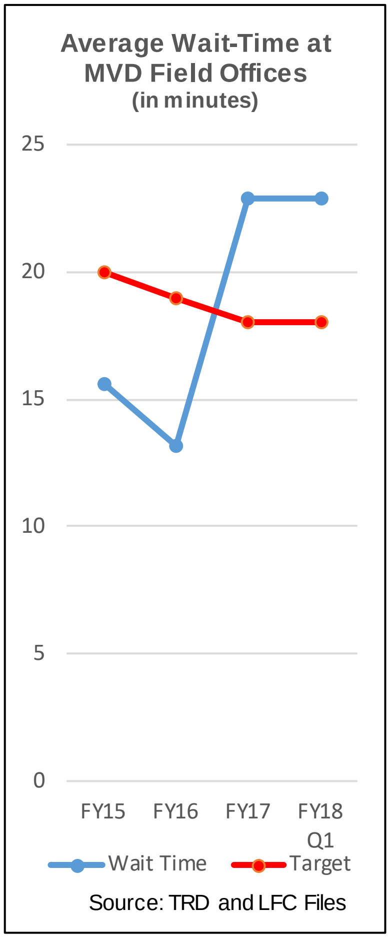
Compliance Enforcement	Budget: $1.6 million	FTE: 21	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
4*	Tax investigations referred to prosecutors as a percent of total investigations assigned during the year		88%	67%	85%	N/A			
Program Rating			G	G					

*Annually reported measure

Property Tax

After two and a half years of non-payment, delinquent property tax accounts are transferred to the Property Tax Division for collection pursuant to NMSA 7-38-62. The agency reports a few late reporting counties, therefore distribution in the first quarter may be adjusted in future performance reports; however, the agency appears to be on track to meet its annual performance target.

Property Tax		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $3.8 million	FTE: 39							
5	Delinquent property tax collected and distributed to counties, in millions	$11.6	$11.5	$11	$2.8			G
Program Rating		G	G					G



Motor Vehicle

The Motor Vehicle Program reports two major issues for not achieving its target of registered vehicles with liability insurance. The first is a tracking error in the number of vehicles observed by the insurance verification vendor. The second issue is late and inaccurate reporting by insurance companies. The agency is working to ensure only registered vehicles are tracked for insurance coverage for more accurate reporting. There are 38 MVD field offices equipped with "q-matic" systems, measuring wait-times for all transaction types. The program served 462.4 thousand customers in the first quarter with an average wait-time of 25:24, 7:24 slower than the 18-minute target. MVD did outperform its target of less than 6-minutes for call center wait times, answering 71.4 thousand calls with an average wait time of 4:11, 1:49 faster than the target.

Motor Vehicle		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $26.7 million	FTE: 340							
6	Registered vehicles with liability insurance	92%	90%	93%	91%			Y
7	Average wait time in "q-matic" equipped offices, in minutes	13:08	22:56	18:00	25:24			R
8	Average call center wait time to reach an agent, in minutes	6:07	4:33	<6:00	4:11			G
Program Rating		G	Y					Y

Program Support

Though the department is on track to meet its performance target for the number of tax protest cases resolved, it has yet to provide the LFC with information on potential liabilities to the state for forecasting purposes. Information requested from the department is to demonstrate the number of tax protests cases submitted by tax program with associated dollar amounts. LFC requested this information at the end of July, 2017.

Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $19.6 million	FTE: 182							
9	Tax protest cases resolved	1897	1524	1400	433			G
10*	Internal audit recommendations implemented	93%	91%	90%	N/A			
Program Rating		G	G					G

*Measure reported annually

Human Services Department

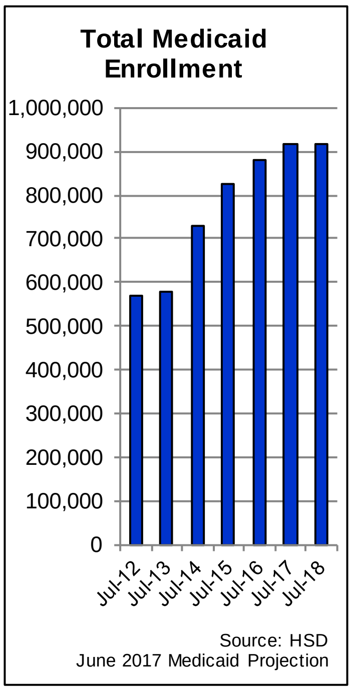
The Human Services Department (HSD) continues to see declining enrollment in the Medicaid, Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF) Programs. Much of the decrease is associated with administrative clearing of backlogged applications, some of which were not eligible for benefits. Concurrently, investigations and compliance issues continue to impact the department. The department has expended nearly $1 million to support attorneys' fees, compliance efforts, special master costs, and other costs associated with the Debra Hatten-Gonzales consent decree. The consent decree mandates HSD comply with state and federal requirements, as well as the provisions of the decree itself pertaining to the administration of the SNAP and Medicaid programs.

The department increased service requirements for managed care organizations in an effort to improve Medicaid outcomes in areas including well-child visits and reduced emergency room use. However, HSD did not report on the status of emergency room visits, well-child visits, prenatal care, and several other performance measures for which the department says it only has annual data. It is concerning that a nationally standardized program of this size and importance is not requesting the managed care organizations (MCOs) maintain quarterly baseline reporting on standard performance measures.

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

HSD's quarterly performance report includes comments on each performance measure providing background and status information.



In FY18, the Medical Assistance Program was directed to pursue federal authority to establish a Medicaid-funded home-visiting program in collaboration with CYFD and DOH that will align home-visiting programs, avoid service duplication, and leverage general fund appropriations. Instead, it is including home visiting in the FY19 Centennial Care 2.0 Medicaid waiver.

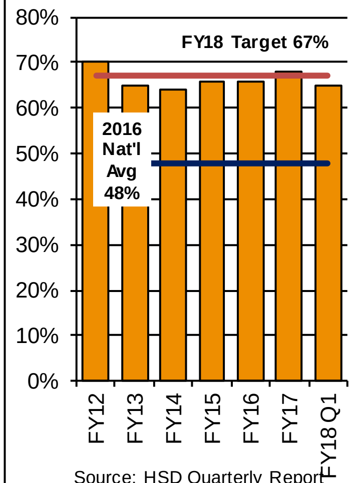
Medical Assistance Division

For FY18, the program added three new measures, including the number of managed care members enrolled in a patient-centered medical home (PCMH), in which a team of individuals collectively take responsibility for the ongoing care of patients using a coordinated, "whole person" approach. HSD requires MCOs to develop PCMH models of care that include standards for access, evidence-based medicine, quality improvement, and data management. Other new measures include the rate of short-term complication admissions for Medicaid managed care members with diabetes, and Medicaid managed care members with a nursing facility level of care being served in the community.

However, the department will only report annual data on seven baseline measures including individuals with diabetes who were tested during the year, emergency room visits per one thousand member months, justice-involved individuals determined eligible for Medicaid prior to release, numbers of well child visits and prenatal care visits, and Medicaid members receiving hepatitis C treatment. These are important standard measures for Medicaid programs across the country and MCOs and HSD should report quarterly trend data. HSD incorporated well child visits and other measures into MCO contracts as "tracking measures" to ensure MCOs focus on improving well-child visit outcomes. However, HSD indicates quarterly MCO data could under-report outcomes so only uses annual audited data.

Regarding prenatal care, MCOs provide incentives for patients to access prenatal care through the Centennial Care Member Rewards program which HSD reports has an 72 percent participation rate, in addition to incorporating quality improvement plans with a focus on the timeliness of prenatal care. HSD notes prenatal visit data is difficult to capture since the visits are often bundled with other pregnancy-related care when claims are submitted.

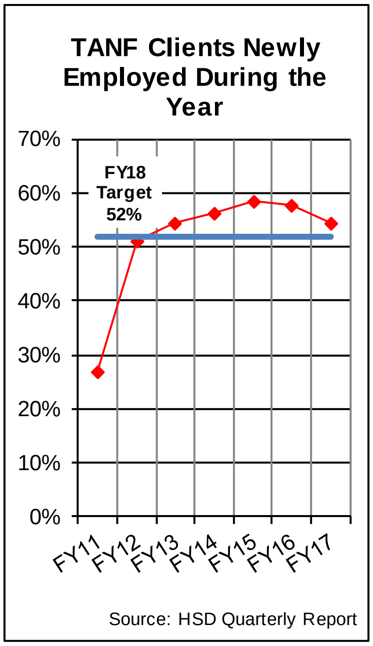
PERFORMANCE REPORT CARD
Human Services Department
First Quarter, Fiscal Year 2018



Home and Community Based Services were opened up to any Medicaid member who met a nursing facility level of care (NFLOC) in 2014 and this allowed for more members to receive assistance in their homes or community. In the last four years, more than 80 percent of the total Medicaid members with a NFLOC have been receiving services in the community.

Medical Assistance Budget: $5,178,887.1 FTE: 184.5		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3**	Rating
1	Children ages two to twenty-one enrolled in Medicaid managed care who had at least one dental visit during the measurement year	61%	68%	67%	65%			G
2	Individuals in Medicaid managed care ages eighteen through seventy-five with diabetes (type 1 or type 2) who had a HbA1c test during the measurement year**	58%	60%	86%	Annual			
3*	Emergency room visits per one thousand Medicaid member months	51	45	N/A	Annual			
4	Rate of per capita use of emergency room that is categorized as non-emergent care	NEW	NEW	500	478			G
5	Hospital readmissions for children ages two to seventeen within thirty days of discharge	8%	7%	6%	6%			G
6	Hospital readmissions for adults eighteen and over, within thirty days of discharge	13%	10%	<10%	10%			G
7*	Justice-involved individuals determined eligible for Medicaid prior to release	NEW	NEW	N/A	No Report			G
8	Rate of short-term complication admissions for Medicaid managed care members with diabetes, per one hundred thousand member months	NEW	NEW	350	150			G
9	Medicaid managed care members enrolled in a patient centered medical home and health homes, in thousands	NEW	NEW	215	346			G
10	Infants in Medicaid managed care who had six or more well-child visits with a primary care physician during the first fifteen months	43%	57%	N/A	Annual			
11	Children and youth in Medicaid managed care who had one or more well-child visits with a primary care physician during the measurement year	89%	85%	92%	Annual			
12	Newborns with Medicaid coverage whose mothers received a prenatal care visit in the first trimester or within forty-two days of enrollment in the managed care organization	71%	77%	85%	Annual			
13	Medicaid managed care members with a nursing facility level of care being served in the community	NEW	NEW	70%	86%			G
14	Medicaid members that received hepatitis C treatment	NEW	NEW	1,200	Annual			
Program Rating		R	Y					Y

*Explanatory measure for information purposes only; does not have a target.
**Final calendar year 2017 data audited by National Committee for Quality Assurance (NCQA) using administrative claims data and medical records. **Quarterly results are based on a rolling 12-month average of encounter data submitted through September 30, 2017. Results are preliminary and likely underreported.



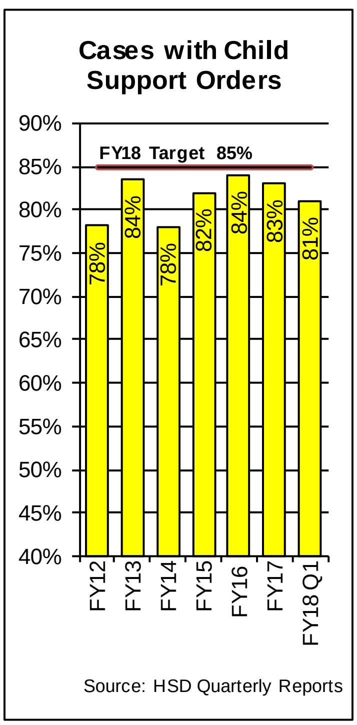
The table below provides per capita (per member per month) data for FY15 through FY17 on costs for various services provided under the Medicaid program.

Medicaid Service Categories	Per Capita Medical Costs (PMPM)			Percentage Change		
	2015	2016	2017	2016/2015	2017/2016	2017/2015
Acute Inpatient	$90.71	$91.69	$89.97	1.1%	-1.9%	-0.8%
Outpatient/Physician	$92.29	$93.12	$90.82	0.9%	-2.5%	-1.6%
Nursing Facility	$28.40	$27.76	$25.78	-2.2%	-7.0%	-9.2%
Community Benefit	$47.85	$47.46	$46.12	-0.8%	-2.8%	-3.6%
Other Services	$93.74	$94.68	$93.03	1.0%	-1.7%	-0.8%
Behavioral Health	$32.96	$32.94	$32.06	-0.06%	-2.7%	-2.7%
Pharmacy	$42.99	$44.86	$48.69	4.3%	8.5%	13.3%
Total	**$428.94**	**$432.51**	**$426.47**	**0.6%**	**-1.4%**	**-0.8%**

Income Support Division

Participation rates for two-parent families meeting temporary assistance for needy families (TANF) work requirements declined in the first quarter of FY18. For FY18, HSD did not provide quarterly data on TANF clients who become newly employed during the fiscal year, or children eligible for supplemental nutrition assistance program participating in the program at one hundred thirty percent of poverty level.

In November 2016, a federal judge appointed a special master to provide objective assistance to the department to come into compliance with federal and state requirements and court orders for administration of SNAP and Medicaid benefits. The percent of expedited SNAP cases meeting federal requirements appears to be trending up.



Income Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $984,567.1	FTE: 1,075							
15	Temporary assistance for needy families two-parent recipients meeting federally required work requirements	63%	55%	62%	57%			Y
16	Temporary assistance for needy families recipients (all families) meeting federally-required work requirements	54%	52%	52%	52%			G
17	Children eligible for supplemental nutrition assistance program participating in the program at one hundred thirty percent of poverty level	93%	92%	92%	Annual			
18	Temporary assistance for needy families clients who become newly employed during the fiscal year*	58%	55%	52%	Annual			
19	Expedited supplemental nutrition assistance program cases meeting federally-required timeline within seven days	98%	93%	98%	97%			G
Program Rating		G	Y					Y

*The most recent data available from the Department of Workforce Solutions was the first quarter of FY16.

Child Support Enforcement

The program is currently tracking behind FY18 targets. In FY17, the program did not meet targets. For FY18, HSD changed the collections measure to explanatory and so did not set a target for total child support enforcement collections, a critical measure of the program's success. HSD reports it is piloting a new business process model to provide more focused attention on collections, but no data was reported so the success of the pilot is indeterminate. For the past three fiscal years the program has collected arrears on two-thirds of the cases in which arrears were owed, but the department did not provide data on this performance measure.

In New Mexico, the total dollars collected in child support obligations for each dollar expended by the Child Support Enforcement Program are $3.26. This compares to the federal fiscal year 2016 national average of $5.22. The Child Support Enforcement Program reports it is working on improving its efficiency.

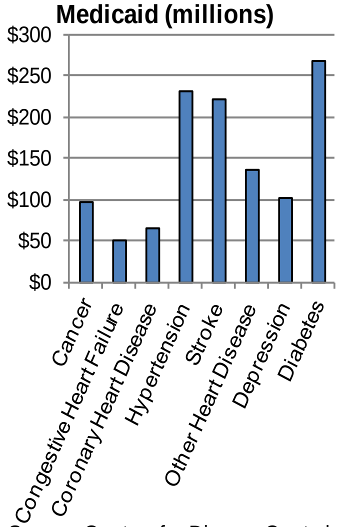
Child Support Enforcement		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $30,471.8	FTE: 383							
20	Child support cases having support arrears due, for which arrears are collected	62%	61%	67%	Annual			
21*	Total child support enforcement collections, in millions	$141	$140	N/A	No Report			R
22	Current child support owed that is collected	56%	56%	62%	55%			R
24	Cases with support orders	84%	83%	85%	81%			Y
Program Rating		G	R					R

* Explanatory measure for information purposes only; does not have a target.

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	No

New Mexico's Cost of Treating Preventable Chronic Disease in Medicaid (millions)



Source: Centers for Disease Control Chronic Disease Cost Calculator

New Mexico Child Health Indicator Rankings 2016

Teen Pregnancies ages 15-19	4th Highest
Low Birthweight	12th Highest
Pertussis Cases	10th Highest
Child Immunizations	37th Highest
Children in Poverty	1st Highest

Source: Centers for Disease Control and America's Health Rankings

Department of Health

For the first quarter, the department switched to reporting performance through a new online system. The department will now report on population health indicators, which the department may have little direct control over, and on performance measures, which the department does have control over. Many of the indicators the department reported are directly related to its strategic priorities to address obesity and diabetes prevalence, substance misuse, and teen pregnancy. Performance measures in most cases reflect the performance of activities and initiatives the department engages in to affect the indicators. The system includes functions allowing the department to provide action plans, data history, best practices, and strategy. Other states use the same system and it is expandable to other departments and agencies within the state.

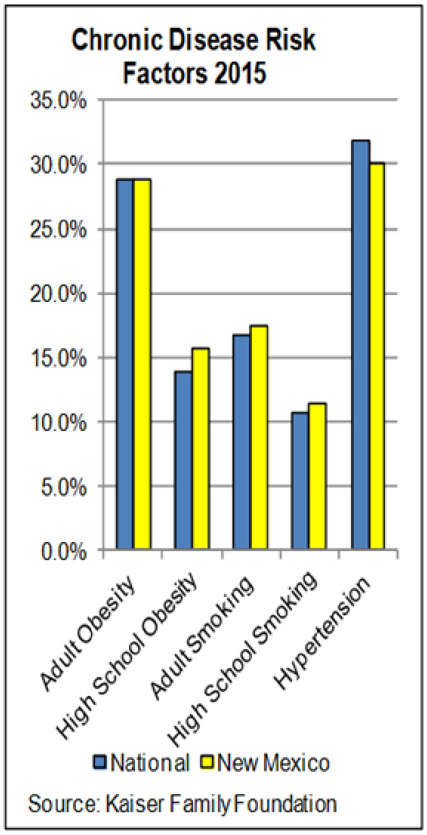
New Mexico Health Indicators		FY14	FY15	FY16
1	Drug overdose death rate per 100,000 population	27	25	25
2	Births to teens aged 15-19 per 1,000 females aged 15-19	37	34	29
3	Alcohol-related death rate per 100,000 population	60	66	66
4	Falls-related death rate per 100,000 adults aged 65 years or older	103	104	92
5	Heart disease and stroke death rate per 100,000 population	190	188	196
6	Suicide rate per 100,000 population	21	23	22
7	Pneumonia and Influenza death rate per 100,000 population	16	13	14
8	Diabetes hospitalization rate per 1,000 people with diagnosed diabetes	180	189	188
9	Percent of third grade children who are considered obese	18%	19%	19%
10	Percent of adults who are considered obese	28%	29%	28%
11	Percent of adolescents who smoke	14%	No Data	11%
12	Percent of adults who smoke	19%	17%	17%

Source: DOH

Public Health

One of several ways to determine the impact Public Health has on the state is to look at the costs of treating chronic diseases, many of them preventable. The cost to Medicaid alone to treat cancer, congestive heart failure, coronary heart disease, hypertension, stroke, other heart diseases, depression, and diabetes is estimated at about $1.2 billion in New Mexico according to the federal Centers for Disease Control. Every year the department invests in initiatives to reduce the prevalence of chronic disease risk factors such as targeting funding towards nutrition services, obesity, and tobacco use reduction programs. The department's new performance management system tracks the performance of initiatives designed to improve outcomes on diabetes, obesity, and tobacco use.

Another way to understand Public Health's impact is to consider child health outcomes. For example, a 2015 LFC evaluation on teen births found that children born to teen moms cost taxpayers $84 million annually due to costs to Medicaid associated with their births, increased reliance on public assistance, and poor educational outcomes. Furthermore, teens are more likely to have pre-term babies which cost Medicaid an average of $20 thousand in medical care during the first year of life. While progress was made in recent years New Mexico still has one of the highest teen birth rates in the nation. Another concern is low birth-weight. Significant maternal risk factors for low birth-weight include diabetes, high blood pressure, infections, inadequate prenatal care, insufficient weight gain, tobacco use, unemployment, and low education or income levels. As stated above, the state invests in reducing many of these risk factors. However, the state ranked twelfth nationally for low birth-weight babies in 2016.

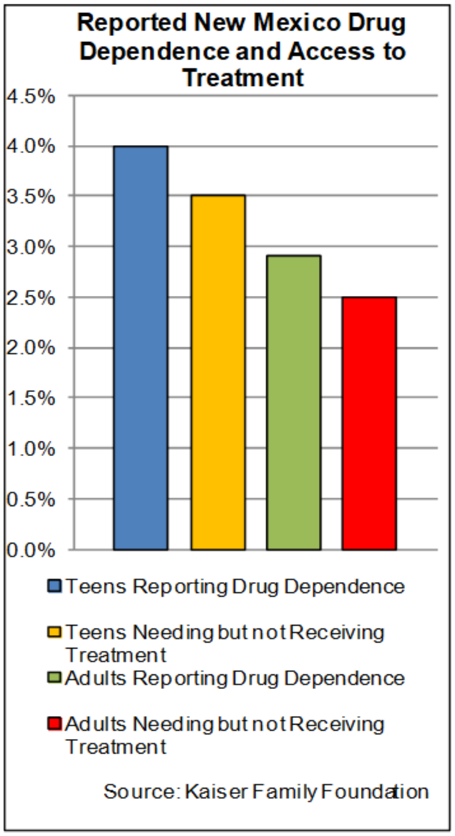


Public Health		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $181,331.1	FTE: 822							
1	Participants in the National Diabetes Prevention Program referred by a health care provider through the agency-sponsored referral system	New	70%	25%	70%			G
2	Children in Healthy Kids, Healthy Communities with increased opportunities for healthy eating in public elementary schools	97%	89%	70%	89%			G
4	High school youth trained in the Evolvement youth engagement program to implement tobacco projects in their school/community	329	356	350	No Data			
5	QUIT NOW enrollees who successfully quit using tobacco at 7-month follow-up	32%	32%	33%	29%			Y
6	New Mexico adult cigarette smokers who access NMDOH cessation services	2.4%	2.8%	2.5%	0.7%			Y
7	Teens who successfully complete a Teen Outreach Program (TOP) class	510	365	448	No Data			
8	Female clients ages 15-19 seen in NMDOH public health office who are provided most or moderately effective contraceptives	65%	66%	66%	60%			Y
9	Preschoolers (19-35 months) fully immunized	68.5%	No Data	75%	No Data			
10	Visits to School Based Health Centers (thousands)	48.2	50.3	48.0	No Data			
Program Rating		Y	G					G

Epidemiology and Response

In 2016, "America's Health Rankings" ranked New Mexico second for drug deaths in the United States, while male drug deaths were nearly double the national rate. One way to reduce drug deaths is to ensure widespread availability of Naloxone, an opioid overdose reversal medication. Recent legislation allowed any individual to possess Naloxone, and authorizes licensed prescribers to write standing orders to prescribe, dispense, or distribute Naloxone. The measure on retail pharmacies dispensing Naloxone improved this quarter to 40 percent.

According to the department, "in 2015, 1.7 million opioid prescriptions were written in New Mexico, dispensing enough opioids for each adult in the state to have 800 morphine milligram equivalents (MME), or roughly 30 opioid doses." CDC recommended strategies include increasing the use of prescription drug monitoring programs, policy changes to reduce prescribing, working to detect inappropriate prescribing, increasing access to treatment services, and assisting local jurisdictions.



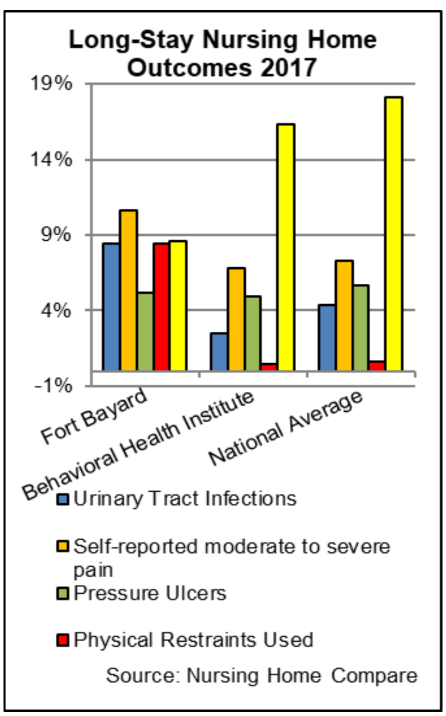
In 2016, New Mexico was one of 14 states to receive federal supplemental funding to implement these strategies. While the department does a good job tracking opioid epidemic indicators, there is more work to be done in coordinating a comprehensive strategy.

Epidemiology and Response		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $28,188.7	FTE: 188							
11	Retail pharmacies that dispense naloxone	23%	34%	55%	40%			G
12	Community members trained in evidence-based suicide prevention practices	30	52	100	0			Y
Program Rating		Y	Y					Y

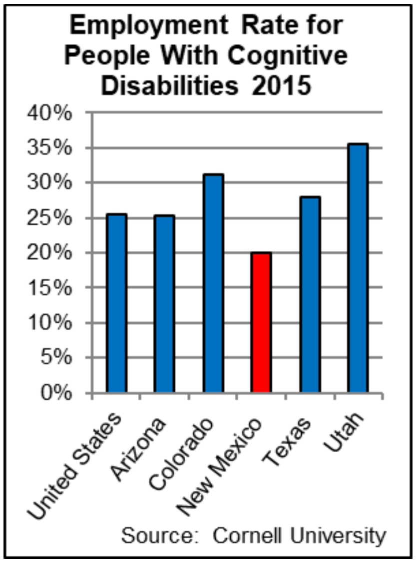
Office of Facilities Management

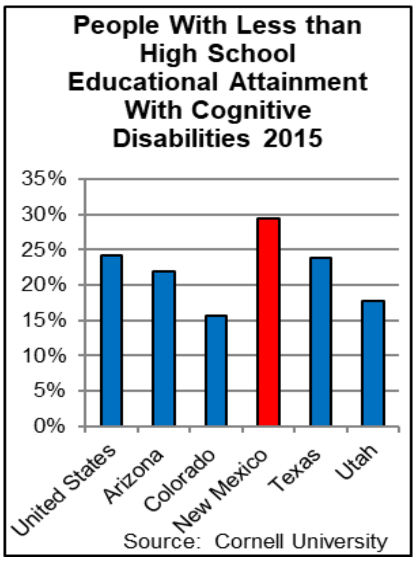
State operated facilities are another area where the department has a direct impact on the state's drug epidemic. However, until recently three of the department's hospitals were in the substance abuse rehabilitation business but the number of beds available for these services is diminished. Fort Bayard Medical Center closed Yucca Lodge and the department is moving these services five hours away to the Rehab Center in Roswell. Recently the Rehab Center's chemical dependency and medical detoxification units had low average censuses and are running at nearly half of the average daily census in 2015.

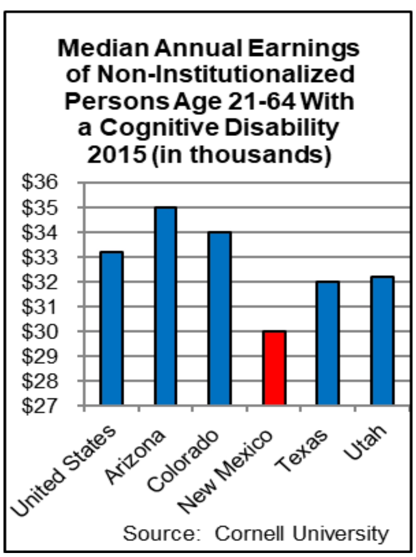
Imagining a future for state operated inpatient substance abuse rehabilitation services is difficult. However, the federal government released new guidelines allowing states to receive federal matching funds for Medicaid-coverable services provided to individuals residing in residential treatment facilities that are not ordinarily matchable, because these facilities qualify as Institutions of Mental Disease. States would have to apply for a 1115 demonstration waiver and show on an ongoing basis that the cost to treat SUD through the waiver demonstration is less than or equal to the status quo. These cost neutrality requirements are similar to other state waivers such as the waiver for people with developmental disabilities. The guidance lays out six goals and six milestones each demonstration waiver would have to meet, such as reducing overdose deaths, reducing emergency department use, and reducing hospital readmissions.



Office of Facilities Management		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $124,072.3	FTE: 1,808							
13	Turquoise Lodge Hospital Detox Occupancy Rate	72%	85%	85%	88%			G
14	Long-term care patients experiencing one or more falls with major injury	Not Reported	Not Reported	3%	2.2%			G
15	Eligible third-party revenue collected at all agency facilities	94%	93%	93%	85%			R
16	Vacancy rate for direct care positions	New	24%	10%	25%			R
17	Operational beds occupied	Not Reported	87%	90%	83%			R
Program Rating		Y	Y					Y







Developmental Disabilities Support

Positively impacting people with developmental disabilities requires more than counting Developmental Disabilities (DD) Medicaid waiver wait lists. Working to improve the lives of people who do not receive services through the DD Waiver is also vitally important. Education, transitional supports, supported and customized employment, Medicaid, and Mi Via are all examples of services that could be better leveraged to improve the quality of life for people not on the DD Waiver. For example, the employment rate for people with cognitive disabilities in New Mexico is about 20 percent, seventh lowest in the country and six percent lower than the national average. Median annual incomes are also low for this population and this may be related to New Mexico's lower educational attainment. With the use of existing resources, there may be ways to expand and improve on programs that are already available through the Department of Health, Public Education Department, local school districts, Vocational Rehabilitation, higher education institutions, and other entities.

Educational attainment is also a key determinant of economic performance that affects long-term socioeconomic status and quality of life. Children and adolescents with physical and cognitive disabilities typically have more limited access to formal education than their non-disabled peers. Working to educate people with developmental disabilities, when appropriate, improves quality of life and independence. The National Institutes of Health considers multiple developmental experiences that may contribute to learning and work achievements through the transition from adolescence to young adulthood important.

Between 2016 and 2017, the average cost per client on the DD Waiver jumped 7 percent from $73.1 thousand to $78.4 thousand. Recent litigation required the department to end the use of the supports intensity scale (SIS) and switch to a new "outside review" process, and the new process may be driving costs up. The LFC, in a June 2010 evaluation, found that the department lacked a reliable way to determine appropriate services for people on the DD Waiver. In response, the department began using the SIS and successfully managed average per client costs for several years. But since the change to the new outside review, early evidence suggests it is driving average cost increases.

Developmental Disabilities Support Budget: $159,443.8	FTE: 182	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
18*	Individuals receiving developmental disabilities waiver services	4,660	4,574		4,574			
19*	Individuals on the developmental disabilities waiver waiting list	6,526	6,775		6,529			
20	Developmental disabilities waiver applicants who have a service plan in place within 90 days of income and clinical eligibility	54%	92.3%	95%	67%			R
21	Adults receiving community inclusion services through the DD Waiver who receive employment services	38%	36%	34%	37%			G
Program Rating		Y	Y					Y

* Explanatory measure for information purposes only; does not have a target.

Health Certification Licensing and Oversight

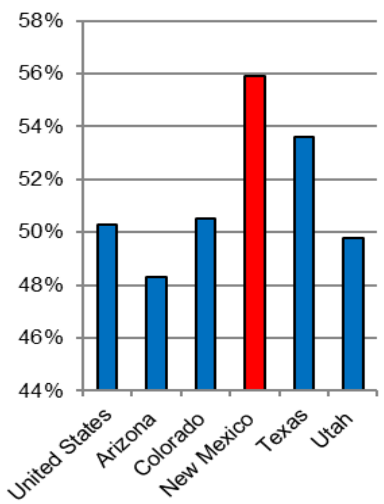
The Health Certification Licensing and Oversight Program is responsible for ensuring healthcare facilities, community based Medicaid waiver providers, and community support services provide safe and effective healthcare and services. The program does this by conducting surveys and investigations, and processing caregiver criminal history screenings. One of the primary goals of the program is to ensure the elderly are protected from influenza and pneumococcal bacteria, through regulation of providers' use of and screening for vaccinations. By decreasing the number of nursing home residents that get pneumonia, the number of hospital admission and treatment costs are reduced. The department's action plan to improve immunization rates in nursing homes is to use civil and monetary penalty funds to educate and improve outreach and improve data tracking. Measures 22 and 23 are from data provided by Centers for Medicare and Medicaid Services on an annual basis. Measures 24 and 25 will consistently be a quarter behind due to the time it may take from initial report to completion of investigation to determine substantiation or not.

Health Certification Licensing and Oversight		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $12,047.5	FTE: 172							
22	New Mexico's nursing home population who have received or who have been screened for influenza immunizations	91%	85%	90%	No Data			
23	New Mexico's nursing home population who have received or who have been screened for pneumococcal immunizations	83%	71%	90%	No Data			
24	Abuse Rate for Developmental Disability Waiver and Mi Via Waiver clients	10%	7%	8%	No Data			
25	Re-Abuse rate (within 12 months- same person) for Developmental Disability Waiver and Mi Via Waiver clients	14%	18%	9%	No Data			
Program Rating		Y	Y					Y

ACTION PLAN

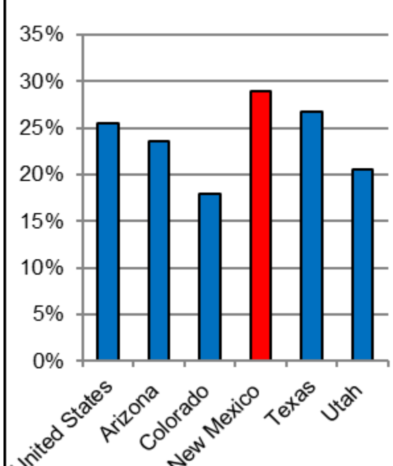
Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

Disability Prevalence 75 Years of Age and Older 2015



Source: Kaiser Family Foundation

Adults 65 Years of Age and Older Reporting Fair to Poor Health 2015



Source: Centers for Disease Control and Prevention

Aging and Long-Term Services Department

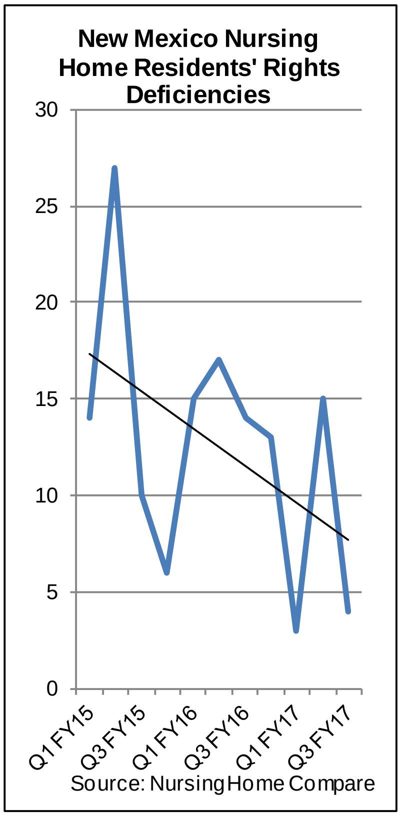
Our population is aging and by 2030 New Mexico will be the fourth oldest state in the nation. Ensuring adequate nutrition and sufficient protection from abuse neglect and exploitation is fundamental to keeping older adults and adults with disabilities safe and in their communities. However, the state's system for providing services for adults is burdened with ongoing issues related to area agency on aging oversight, timely provider reimbursement, and a flawed Aging Network funding formula. In recent quarters, the department began working again on its four-year state plan renewal. Proposed drafts of the plan changed little from the 2013 state plan. The current draft does not include protocols for cost sharing and voluntary contributions. Four area agencies on aging (AAA) serve the entire state under the Aging and Long-Term Services Department. One AAA, in particular, serves all non-metro non-Native American regions of the state, encompassing almost all of rural New Mexico. The base of operations for the non-metro AAA is located in Northern New Mexico and it is impossible to determine whether the needs of the 274 thousand older New Mexicans who live within the 120,189 square miles this AAA covers are being met.

Aging Network

Due to slow provider reimbursements, poor performance, and other issues, the department's acting secretary ordered assessments on two of the state's four AAAs. The assessment on the Non-Metro AAA noted problems with internal financial control, unapproved budget changes, and inaccurate monthly reporting of expenditures. Most strikingly, the assessment raised more questions than it answered and led the department to start a more in-depth audit, the results of which have not been reported. Many of the problems noted in the assessments are common nationally and may be related to the federal Older Americans Act requirement that federal funds be distributed by the state to designated area agencies on aging, and then to direct service providers. The Non-Metro AAA provides services in three planning and service areas (PSA), and according to federal officials, this arrangement is unique nationally.

A recent LFC progress report on a 2014 evaluation found that unit costs of services such as congregate and home-delivered meals and transportation, as well as total per-consumer service costs, vary widely between different locations statewide. In FY17, the cost per consumer of services provided through the Non-Metro AAA varied from nearly $1,900 in Harding County to as low as $257 in San Juan County.

Aging Network		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $39,236.8	FTE: 1							
1	Older New Mexicans whose food insecurity is alleviated by meals received through the aging network	94%	123%	90%	77%			R
2	Hours of caregiver support provided (cumulative)	429,612	397,598	400,000	93,065			Y
Program Rating		G	G					Y



Consumer and Elder Rights

The Care Transitions Bureau offers transition assistance to connect individuals to programs and services to help residents in long-term care facilities transition back into community-based settings. In the first quarter, 86 percent of residents receiving short-term transition assistance from a nursing facility remained in the community six months later. Safely returning residents to the community improves quality of life and likely reduces long-term services and support spending.

Consumer and Elder Rights	Budget: $3,872.8 FTE: 53.5	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
3	Ombudsman complaints resolved within sixty days	100%	90%	95%	80.2%			R
4	Residents requesting short-term transition assistance from a nursing facility who remained in the community during the six month follow-up	86%	86%	85%	86%			G
5	Calls to the aging and disability resource center that are answered by a live operator	72%	85%	85%	78%			Y
Program Rating		Y	G					Y

Adult Protective Services

Current data and performance measures make it difficult to assess the effectiveness of the program in preventing maltreatment. The program also does not report on repeat maltreatment, hampering the state's ability to determine the effectiveness of interventions. The measure on timely investigations does not measure progress since the result is routinely in the 99 percent range, justifying a yellow rating for this measure.

Adult Protective Services	Budget: $13,023.9 FTE: 133	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
6	Adult protective services investigations of abuse, neglect or exploitation	6,315	6,233	6,100	1,656			G
7	Emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed time frames	99%	99%	98%	99%			Y
8	Adults receiving in-home services or adult day services as a result of an investigation of abuse, neglect or exploitation	1,500	1,181	1,500	792			G
Program Rating		Y	Y					Y

Average Annual Investigations Per Case Worker

Region	FY15	FY16	FY17
Metro	122	108	105
Northeast	76	83	98
Northwest	85	125	102
Southeast	71	76	76
Southwest	95	109	107
Statewide	**94**	**99**	**99**

Source: Adult Protective Services

Substantiated Allegations by Type

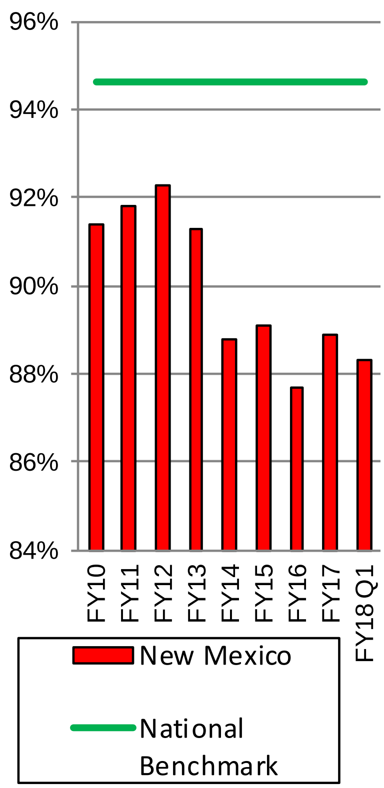
Type	FY15	FY16	FY17
Abuse	132	165	82
Neglect	182	108	109
Self-Neglect	1,061	949	730
Exploitation	212	141	161
Sexual Abuse	-	-	1
Total	**1,587**	**1,363**	1,083

Source: Adult Protective Services

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

Children not the Subject of Substantiated Maltreatment within Six Months of a Prior Determination of Substantiated Maltreatment



Source: CYFD/ NCANDS
*National Benchmark

Children, Youth and Families Department

The Children, Youth and Families Department (CYFD) reported strain on the Protective Services Program as caseloads continue to rise. An increasing number of children coming into care of the agency, in conjunction with children staying in custody longer, is resulting in poor performance outcomes. The Juvenile Justice Services Program reported improved recidivism rates, but violence in committed juvenile facilities remains high. Lastly, Early Childhood Services met a majority of targeted performance, but is struggling to transition frontier childcare centers to the state's third generation tiered quality rating and improvement system.

Protective Services

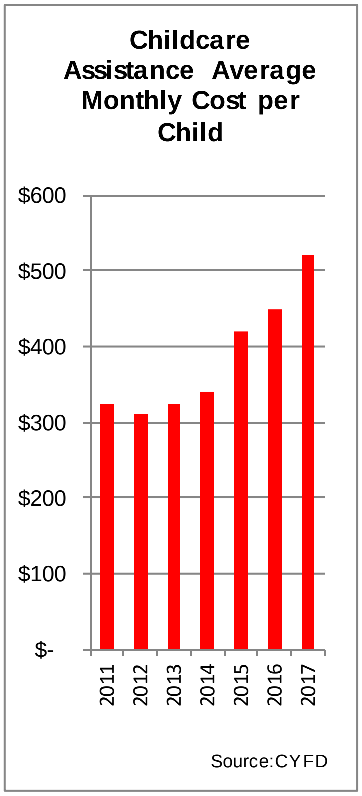
Child welfare performance outcomes continue to be mixed amid rising caseloads. CYFD reported rising repeat maltreatment rates both 6 months and 12 months after previous substantiated maltreatment. In addition, the time to reunifications and number of foster care placements increased, suggesting system strains for children in custody. However, caseworker turnover rates declined significantly, which supports system stability for families involved with the Protective Services Program. The Legislature and the department have targeted increased funding for personnel and compensation to support reductions in turnover.

Protective Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $145,719.1	FTE: 927.8							
1	Children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	87.7%	88.9%	92.0%	88.3%			R
2	Children who are not the subject of substantiated maltreatment while in foster care	99.8%	99.9%	99.8%	99.9%			G
3	Children reunified with their natural families in less than 12 months of entry into care	60.4%	58.2%	65.0%	61.3%			Y
4	Children in foster care for 12 months with no more than two placements	70.5%	72.9%	75.0%	60.8%			Y
5	Children adopted within 24 months from entry into foster care	23.3%	24.6%	33.0%	20.4%			R
6	Children in foster care who have at least one monthly visit with their caseworker	95.6%	94.8%	NA	95.3%			G
7	Turnover rate for protective services workers	29.7%	25.0%	20.0%	10.0%			G
8*	Children subject to repeat maltreatment within 12 months	NA	14.7%	NA	15.2%			
9*	Rate of victimization per day in foster care	NA	8.2%	NA	10.1%			
10*	Permanency within 12 months of entry	NA	30.6%	NA	30.1%			
Program Rating		Y	R	R				Y

*Measure is explanatory, for information purposes only; does not have a target.

Early Childhood Services

CYFD reported fewer childcare providers reaching the highest level of quality than targeted, mostly as a result of the transitions to Focus, the state's third generation tiered quality rating and improvement system. Despite this, more than half of the children who receive childcare assistance subsidy participated in programs that were rated at the highest level of quality. Performance reporting for the state's home visiting system, including demonstrating positive parenting practices and domestic violence safety plans, were similar to the previous fiscal year. The agency also reported that of the 1,552 families enrolled in home visiting services for six months or longer, only nine children received a substantiated report of maltreatment with the Protective Services program. The state continues to invest more resources for home visiting services as a key system to improve child welfare.



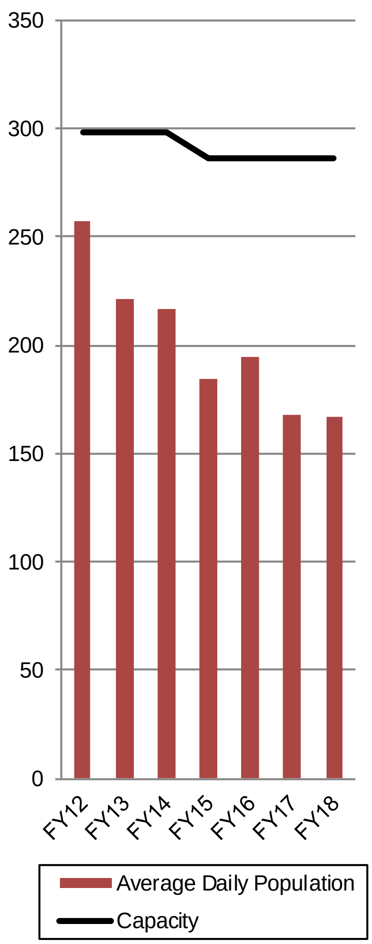
Early Childhood Services Budget: $236,849.1	FTE: 181.5	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
11	Children receiving subsidy in high quality programs	New	New	45.0%	56.3%			G
12	Licensed child care providers participating in high quality programs	New	New	39.0%	34.1%			R
13	Parents who demonstrate progress in practicing positive parent-child interactions	43.8%	44.0%	45.0%	44.6%			G
14	Children receiving state childcare subsidy, excluding child protective services childcare, that have one or more Protective Services-substantiated abuse or neglect referrals	New	1.2%	1.2%	0.3%			G
15	Families receiving home visiting services who have one or more protective services substantiated abuse or neglect referrals	New	New	NA	0.6%			G
16	Families at risk for domestic violence who have a safety plan in place	48.7%	41.8%	50.0%	40.8%			Y
Program Rating		G	Y					Y

Juvenile Justice Services

The Juvenile Justice Services Program met performance targets for the completion of probation and recidivism rates. In addition, turnover rates declined significantly. However, the program continues to struggle with incidents of violence in committed juvenile facilities. If continued at its current rate, the number of physical assaults will rise above the previous fiscal year despite declining facility populations. However, the agency notes FY17 experienced a 2 percent decline in the volume of physical assault incidents when compared to FY16, which also represents the first decline of physical assaults since FY13.

Juvenile Justice Services Budget: $75,445	FTE: 943.3	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
17	Clients who successfully complete formal probation	85.4%	82.7%	84.0%	86.7 %			G
18	Clients re-adjudicated within two years of previous adjudication	5.5%	6.0%	5.5%	5.0%			G

Secure Juvenile Justice Facilities Population Census (as of October 2017)



Source: CYFD

19	Clients recommitted to a CYFD facility within two years of discharge from facilities	9.5%	6.9%	8.0%	2.8%			G
20*	JJS facility clients age 18 and older who enter adult corrections within two years after discharge from a JJS facility	13.1%	11.0%	NA	3.3%			
21	Incidents in JJS facilities requiring use of force resulting in injury	1.6%	1.7%	1.5%	1.6%			Y
22	Physical assaults in juvenile justice facilities	448	398	<275	105			R
23	Client-to-staff battery incidents	147	143	<120	31			G
24	Substantiated complaints by clients of abuse or neglect in juvenile justice facilities	2.9%	9.5%	7.5%	0.0%			G
25	Clients successfully completing term of supervised release	66.4%	52.5%	70.0%	62.2 %			Y
26	Turnover rate for youth care specialists	18.3%	20.6%	15.0%	7.7%			G
Program Rating		R	R					G

*Measure is explanatory, for information purposes only; does not have a target.

Behavioral Health Services

The Behavioral Health Services Program met targeted performance for the first quarter of FY18.

Behavioral Health Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $16,867	FTE: 33.0							
27	Youth receiving community-based and juvenile detention center behavioral health services who perceive that they are doing better in school or work because of the behavioral health services they have received	82.2%	Not reported	80%	Reported Annually			
28	Infants served by infant mental health programs that have not had re-referrals to Protective Services Division	New	90%	80%	100%			G
Program Rating		Y	Y					G

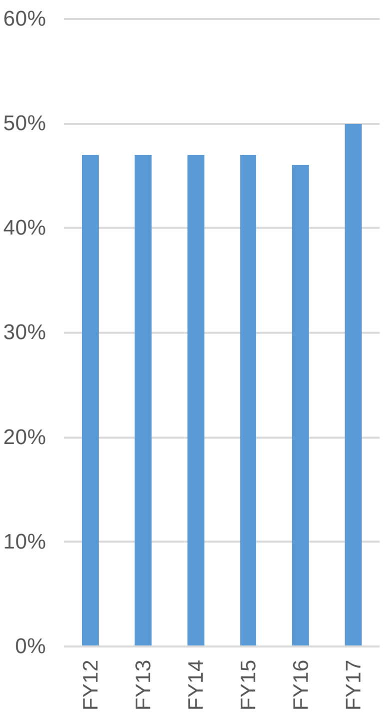
New Mexico Corrections Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

LFC staff has concerns about the accuracy of data reported by the New Mexico Corrections Department (NMCD) for report cards and evaluations, and has asked for data to verify results but to date has received only partial or no data. According to the data submitted, NMCD performed well on measures of recidivism of recovery center graduates and probation and parole officers' contact rates with high-risk offenders.

The department's budget has grown an average 2 percent per year over the last five years, mirroring inmate population growth. For FY18, NMCD received a $7.6 million general fund increase, including $3.6 million in recurring funds and $4 million in nonrecurring funds for inmate population growth, hepatitis C treatment, and custodial staff overtime costs. Additionally, the department was granted language in the 2017 General Appropriation Act allowing penalties from private prisons to be used for facility maintenance in both FY17 and FY18; the department generated $1.8 million in penalties in FY17 and projects to collect between $2.4 million and $3 million in FY18.



Source: LFC files

NMCD reported a 50 percent recidivism rate in FY17. Historically, the department's recidivism rate of 47 percent between FY12 and FY15 dropped to 46 percent in FY16. However, LFC is concerned these figures may not be accurate. NMCD was allocated $4.6 million in FY17 to purchase a new Offender Management System which should enable easier access and reporting of recidivism data by the agency.

Inmate Management and Control

The department began reporting a spike in positive inmate drug tests results in FY17 due to the drug Suboxone. The drug, banned within prison walls, is used to treat narcotic addictions. The department reports the drug is trafficked into prisons leading to the drug spike. While random drug tests are an annually reported measure in FY18 with a target of 1.5 percent, the department has reported an average 4.5 percent 'dirty' rate in the first quarter with spikes as high as 20 percent so far in FY18. The department has installed x-ray scanners, much like those used at airports, to combat the issue, and reports the need for at least four additional machines at state facilities. The department has requested $880 thousand in a special appropriation for FY19 to purchase the machines. Scanners are already in use at prisons in Springer, Santa Fe, and Los Lunas.

Inmate Management and Control		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $271,831.1	FTE: 1,837							
1	Inmate-on-inmate assaults with serious injury	21	15	10	9			R
2	Inmate-on-staff assaults with serious injury	9	6	4	2			Y
3	Prisoners reincarcerated within thirty-six months	46%	50%	40%	50%			R
4*	Participating inmates who have completed adult basic education	52%	62%	N/A	56%			
5	Release eligible female inmates still incarcerated past their scheduled release date	9%	8%	5%	9%			Y
6	Release eligible male inmates still incarcerated past their scheduled release date	9%	9%	5%	9%			Y
7*	Residential drug abuse program graduates reincarcerated within thirty-six months of release	New	No report	N/A	10%			
Program Rating		G	Y					Y

*Measures 4 and 7 are classified as explanatory, provided for informational purposes. The measures do not have a target.

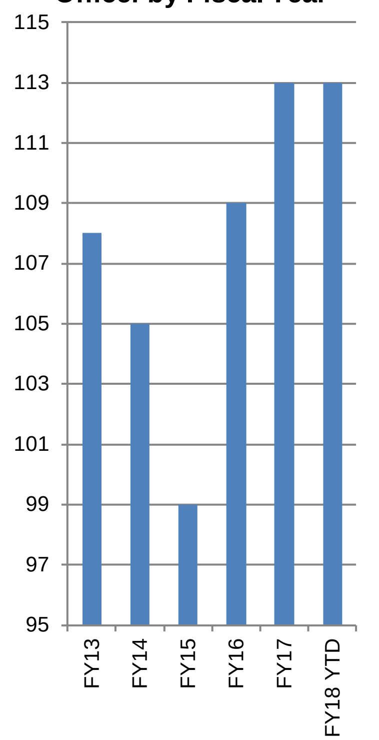
Community Offender Management

Last year, average standard caseloads peaked, as probation and parole officers carried an average of 113 cases over the year, well above the target of 100. The department's timely release of inmates may partially contribute to higher probation and parole caseloads. The agency maintains an open recruitment agreement with the State Personnel Office, enabling efficient hiring that should help reduce caseloads.

According to the American Probation and Parole Association (APPA), it is very difficult to determine recommended average caseloads. As a guideline, the APPA states there should be no more than 20 intensive cases per probation officer and no more than 200 low risk cases per officer. NMCD's officer caseloads may contain a mix of intensities.

Community Offender Management		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $33,216.8	FTE: 376							
8	Contacts per month made with high risk offenders in the community	95%	96%	95%	99%			G
9	Average standard caseload per probation and parole officer	109	113	100	113			Y
10	Male offenders who graduated from the men's recovery center and are reincarcerated within thirty-six months	18%	25%	20%	14%			G
11	Female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	New	New	20%	17%			G
12	Absconders apprehended	31%	28%	30%	29%			Y
Program Rating		Y	Y					G

Average Standard Caseload Per Probation and Parole Officer by Fiscal Year



Source: NMCD

Program Support

NMCD suffered from critical understaffing in FY17, ranging from 12 percent at Southern New Mexico Correctional Facility to 49 percent at the Roswell Correctional Facility. To help lower vacancies, the State Personnel Office has agreed to dedicate a staff member part-time to helping NMCD process new hires and NMCD has begun a cert-by-waiver academy to onboard experienced correctional officers more quickly. The department was also able to hire more than 30 correctional officers after federal facilities closed around the state.

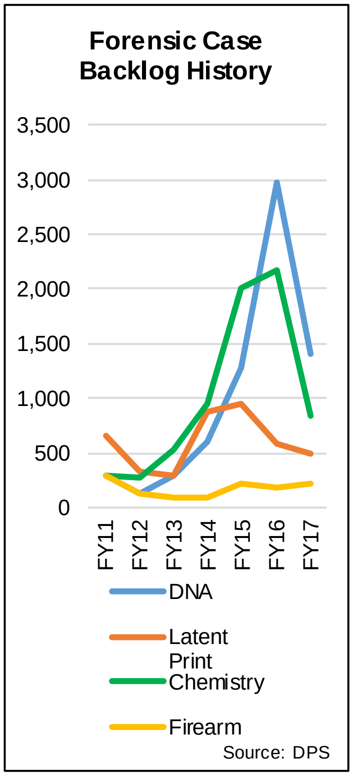
Additionally, the department owes the Department of Information Technology (DoIT) $5.4 million for radios. Five years ago, NMCD purchased their own security radios but did not use DoIT to maintain them. In FY14, when DoIT changed the frequency of public safety agency radios to comply with federal mandates, NMCD's self-purchased radios were incompatible and stopped working. Since DoIT did not own NMCD's radios, the equipment was never modified or updated to support the new frequency. In FY15, DoIT replaced all of NMCD's radios and didn't charge for the service until FY16. However, NMCD didn't pay the fees in FY16 and only paid $1 million in FY17.

Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $12,568.3	FTE: 158							
13	Vacancy rate of probation and parole officers	New	New	15%	17%			R
14	Vacancy rate of correctional officers in public facilities	New	New	15%	22%			R
Program Rating		New	New					R

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

DPS projects ending FY18 with 76 officer vacancies out of an authorized 732 officers, seven fewer officer vacancies than at the end of FY17. DPS projects closing FY19 with 101 vacancies, increasing to 113 at the end of FY20.



DPS is developing the criminal history clearinghouse, allowing judges to quickly assess defendant risk during arraigning and sentencing. Currently, the data is available only to the 1st judicial district and data is manually consolidated into a report. Complete automation and access for all courts is estimated to cost an additional $430 thousand.

Department of Public Safety

New Mexico's crime rate remains stubbornly above the national and Mountain West average (Arizona, Colorado, Idaho, Montana, Nevada, Texas, Utah and Wyoming). Violent crime rates spiked higher in Arizona and Wyoming in 2016 than in New Mexico; however, those state's violent crimes per 100 thousand residents are significantly lower. In Arizona, 470 violent offenses occur for every 100 thousand people, while in Wyoming only 244 occur. On average among Mountain West states, 391 crimes are committed for every 100 thousand in population. In New Mexico, 703 violent crimes occur.

Law Enforcement

DPS has focused efforts on commercial vehicle enforcement over the last two years, conducting 96.8 thousand commercial motor vehicle inspections in FY17 and 95.9 thousand in FY16, an increase from the average 68.9 thousand inspections per year in FY14 and FY15. All state patrol officers are being trained in commercial vehicle enforcement, boosting the department's impact on highway safety.

In FY17, DPS received a $1.2 million special appropriation to process backlogged sexual assault evidence kits. As of the first quarter of FY18, DPS tested 604 of 1,400 kits, with 194 of the kits eligible for entry into federal criminal databases. A total of 72 kits have been linked to persons whose DNA is included in federal criminal databases.

Law Enforcement		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $118,368.9	FTE: 1,067.7							
1	Data-driven traffic-related enforcement projects held (quarterly)	New	New	1,700	500			G
2	Driving-while-intoxicated saturation patrols conducted (quarterly)	New	New	975	1,131			G
3	Commercial motor vehicle safety inspections conducted (quarterly)	New	New	70,000	25,435			G
4	Driving-while-intoxicated arrests (quarterly)	New	10	2,250	621			G
Program Rating		G	G					G

Statewide Law Enforcement

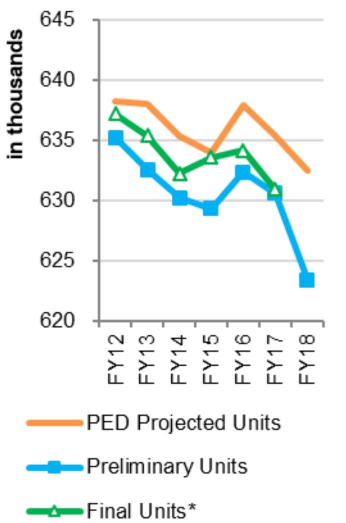
DPS met or surpassed targets for forensic firearm/toolmark, chemistry, and biology/DNA cases, but struggled to meet latent print targets. The department explains two latent print scientists are in training until mid-winter 2019, while another just completed training, slowing case completion rates.

Statewide Law Enforcement		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $19,554.8	FTE: 1,275.7							
5	Forensic firearm/toolmark cases completed	New	New	90%	90%			G
6	Forensic latent fingerprint cases completed	New	New	90%	77%			R
7	Forensic chemistry cases completed	New	New	90%	108%			G
8	Forensic biology and DNA cases completed	New	New	65%	116%			G
Program Rating		Y	Y					G

ACTION PLANS

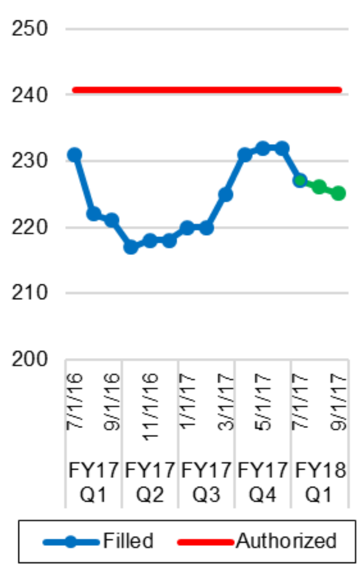
Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	Yes

PED, Preliminary, and Final Program Unit Projections



*FY18 Final Units will include new charter school and enrollment growth units.
Source: PED and LFC Files

PED FTE Headcount



Source: SPO

Public Education Department

Funding Formula

According to the Public Education Department (PED), preliminary figures indicate the state experienced an average decline of about 2,000 students in FY17. Because public school funding is a function of prior year student membership (calculated as program units), PED's initial projections of FY18 program units appear to be overstated, resulting in a low FY18 preliminary unit value (dollars per program unit). The PED secretary has typically finalized the unit value in January, often resulting in a mid-year increase in the unit value and influx of unbudgeted revenue for schools.

For FY18, preliminary estimates show a total of 623.4 thousand program units generated by the funding formula, about 9,000 units less than PED's projection of 632.5 thousand units, which was used to determine the FY18 preliminary unit value of $4,053.55. Typically, the number of units in the preliminary funded run may increase by about 2,000 units due to enrollment growth or new charter school units; however, even accounting for these adjustments, staff estimate over $30 million of the FY18 SEG distribution is currently not available to public schools based on the current preliminary unit value and estimated credits for federal and local revenues.

During the May special session, Laws 2017, 1st Special Session, Chapter 2 (House Bill 1) was enacted, allowing PED to increase the preliminary unit value by up to $16 for FY18, effectively making $10 million of SEG dollars available for public schools to budget at the beginning of the year. Language in the bill authorized the department to request cash balances in the state-support reserve fund and up to $10 million from the general fund operating reserve to address potential shortfalls resulting from the unit value increase of $16; however, PED did not exercise this authority. If PED increases the unit value in January, the incremental revenue may end up in school cash balances. More funding available at the beginning of the year would likely increase education expenditures and decrease reserves.

Department Operations

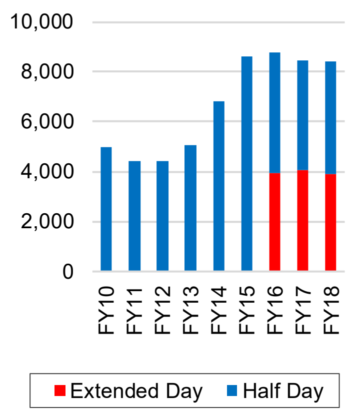
Data reported by PED in the first quarter showed some progress in meeting performance metrics. The department conducted four local education agency data validation audits of funding formula components and program compliance in the first quarter. Audits ensure equitable distribution of the SEG and other categorical grant funding. The department has increased the number of audits from historic levels. PED is meeting FY18 targets for processing school district budget adjustment requests, but took 37 days on average to process reimbursements to school districts and charter schools, 13 days longer than the target. Processing time affects cash flow for many school districts and charter schools. PED indicates the increase in process time is primarily due to the high volume of requests for reimbursement requests typically received late in the fourth quarter and not paid until the first quarter. Additionally, poor documentation and noncompliant transactions slow the process.

According to the State Personnel Office, PED averaged 226 filled FTE in the first quarter, resulting in an average 6.1 percent agency funded vacancy rate. PED ended FY17 with $23 thousand, or 0.2 percent, of their personal services and employee benefits appropriation. In FY17, the department had an average vacancy rate of 7

Below-the-line Funding Used for Personnel
(in thousands)

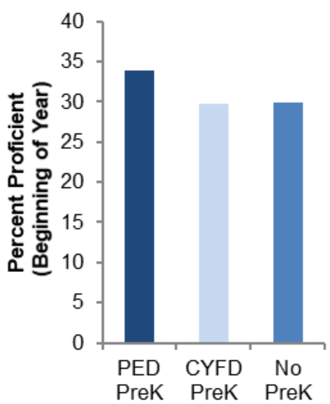
Appropriation	FY18
K-3 Plus Fund	$220.0
Public Pre-Kindergarten Fund	$300.0
NMTEACH Evaluation System	$150.0
Interventions and Supports	$445.0
Teacher Mentorship – Teachers Pursuing Excellence	$140.0
TOTAL	**$1,255.0**

Prekindergarten Children Served



Data only shows 4-year-olds.
Source: PED, CFYD

Kindergarten Reading Proficiency in FY17 by Prekindergarten Enrollment in FY16



percent, or approximately 17 vacant positions. It should be noted, in FY17, PED reduced general fund appropriations for personnel by $366.1 thousand for solvency but budgeted $1 million in related recurring "below-the-line" appropriations—intended to directly support school districts and charter schools—for department personnel costs. For FY18, PED budgeted approximately $1.3 million for department personnel costs. The $1.3 million of below-the-line appropriations budgeted for PED personnel costs are in addition to PED's operating budget and did not appear in PED's FY18 operating budget request. In the past, it has been customary for PED to budget funds for department personnel from appropriations for Indian education, prekindergarten, and kindergarten-three (K-3) plus programs; however, the use of other below-the-line appropriations for personnel has become a recent practice.

Public Education Dept. Budget: $11,065.3 FTE: 240.8		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Days to process reimbursements	34	18	24	37			R
2	Annual data validation audits of funding formula components	2	21	20	4			Y
3	Days to process school budget adjustment requests	11.2	8.4	10	7.1			G
4*	Eligible 4-year old children served in state-funded prekindergarten	8,761	8,572	N/A	8,427			Y
5*	Eligible children served in K-3 Plus programs**	20,093	13,778	N/A	13,778			Y
6*	PED special appropriations awarded by September 30	New	New	N/A	79.5%			N/A
Program Rating		Y	Y					Y

*Explanatory measures are for informational purposes and do not have established targets.
**Figures represent participation by summer program, not fiscal year. Q1 figures are from Summer 2017 enrollment.

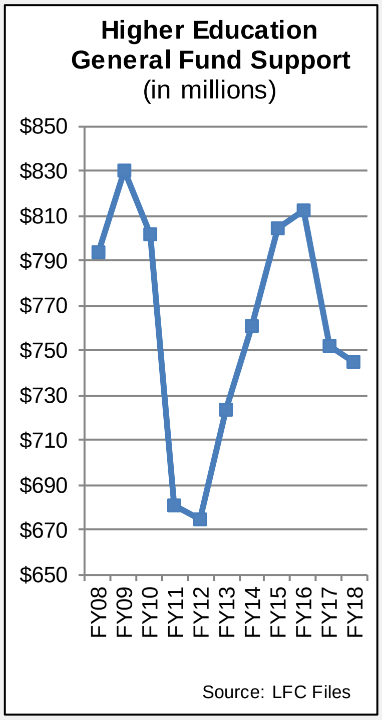
Early Childhood Education

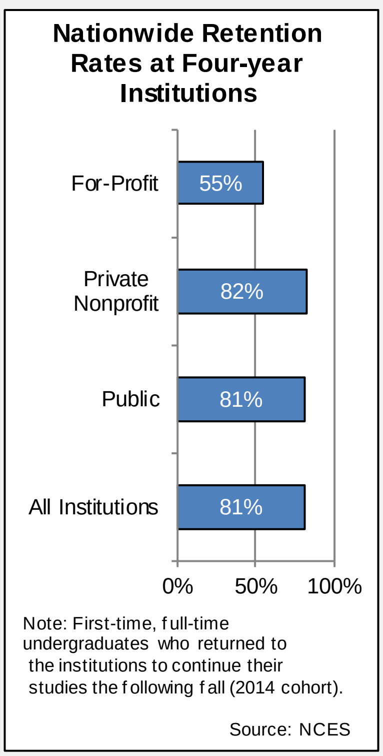
For FY18, PED is budgeted to serve 5,209 four-year old children in state-funded prekindergarten. Combined with the 4,168 children budgeted under the Children, Youth and Families Department (CYFD), total eligible four-year old children served in prekindergarten is 8,427. The CYFD number does not include 950 three-year old children served in early prekindergarten. The overall number of children served has declined slightly in recent years; however, more children are being served in PED extended-day programs. In FY18, PED is budgeted to serve 1,781 children in extended-day programs, an increase of 43 percent or 535 children from FY17. CYFD is budgeted to serve 2,108 children, a decrease of 25 percent or 718 children. Recent LFC evaluations and national research that found lasting benefits from prekindergarten, particularly from school-based programs.

PED reported 13.8 thousand students enrolled in summer 2017 K-3 Plus programs, approximately 1,271 less students than originally budgeted. In May, the department withheld $10.2 million for June 2018 programs when 15 thousand students were projected to enroll. Due to this overestimation, more funding might now be carried over for summer 2018 programs than originally planned.

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Higher Education
First Quarter, Fiscal Year 2018





Higher education institutions report on two staple Accountability in Government Act (AGA) performance measures – retention and completion – each fall. Both measures inform how well a college or university is supporting students as they pursue an associate or baccalaureate degree; however, the data only include first-time, full-time, degree-seeking freshmen. Generally referred to as traditional students, these individuals make up a larger proportion of the FTE enrollment at four-year research institutions, but first-time, full-time freshmen are much more sparse at New Mexico's community colleges; at branch campuses, for example, they comprise as little as 11.8 percent of FTE enrollment.

AGA measures underwent a review and revamp in preparation for the FY18 budget cycle in an attempt to broaden the scope of the measures. For example, new measures include the number of degrees awarded per 100 FTE students, which addresses all students rather than just traditional students. However, a recent LFC program evaluation, *Higher Education Cost Drivers and Cost Savings*, points to the need for efficiency metrics more closely aligned to the higher education funding formula, with better comparability among peer institutions. Mississippi, for example, calculates degrees awarded per $100 thousand in revenue, while Utah calculates the cost per degree. Such efficiency measures do not have clear targets on their own, and many measures are not comparable within the state; a rural institution is likely to have higher costs in educating students than an urban institution, but a rural New Mexico institution could be compared with another of similar size and mission in another state. Benchmarking the measures in this way would provide meaningful performance data to better inform appropriations decisions and improve accountability in higher education. LFC will propose efficiency metrics as explanatory measures in FY19. Until new measures can be fully implemented, retention and completion will continue to inform institution performance for a select sample of students throughout the state.

College and University Retention Rates. Retention rates into the second academic year showed mixed results at New Mexico's six universities, while Northern New Mexico College continues to experience significant volatility in the rate of students who return for the sophomore year. Although two institutions met their targets, and two others improved over prior-year retention rates, including Western New Mexico University's 10 percent gain over two years, all four-year institutions came in below the most recently available national fall-to-fall retention rate of 81 percent.

First-Time, Full-Time Student Retention to the Third Semester	Fall 2014 to Fall 2015 Actual	Fall 2015 to Fall 2016 Actual	Fall 2016 to Fall 2017 Target	Fall 2016 to Fall 2017 Actual	Rating
New Mexico Institute of Mining and Technology	75.1%	76.9%	77.0%	74.1%	R
New Mexico State University	73.5%	71.6%	74.0%	73.9%	G
University of New Mexico	79.5%	80.1%	80.0%	78.3%	R
				Program Rating	Y

Retention and Student Loan Default Rates

Retaining and graduating students results in lower student loan default rates. Default rates among students who dropped out or failed to earn a credential or degree are significantly higher than institutional average rates.

New Mexico's statewide student loan default rate of 18.5 percent is significantly higher than the national average of 11.5 percent across all states and territories. The statewide rate includes state-funded higher education institutions in the FY14 cohort year. Although the rate is higher than the national rate, New Mexico did improve, dropping from 19.3 percent in the FY13 cohort year. Only one New Mexico university – New Mexico Institute of Mining and Technology – came in below the national default rate.

Institutional Student Loan Three-Year Default Rate by Institution Type (FY14)

	0 - 10%	11 - 20%	21 - 30+%
Research	1	2	0
Comprehensive	0	3	1
Two-Year	0	2	5

Source: U.S. Department of Education
Branch figures included in main campus
Data not available for Mesalands CC

Default rates at the University of New Mexico and New Mexico State University tend to be higher than other four-year research institutions due to their associated branch campuses, which often have higher default rates.

First-Time, Full-Time Student Retention to the Third Semester	Fall 2014 to Fall 2015 Actual	Fall 2015 to Fall 2016 Actual	Fall 2016 to Fall 2017 Target	Fall 2016 to Fall 2017 Actual	Rating
Eastern New Mexico University	58.1%	58.7%	64.5%	63.1%	Y
New Mexico Highlands University	52.4%	52.7%	53.0%	45.2%	R
Northern New Mexico College	54.0%	63.8%	66.5%	55.0%	R
Western New Mexico University	51.5%	53.9%	56.2%	61.0%	G
				Program Rating	Y

__Community College Retention Rates.__ Retention rates reported by community colleges are based on fall-to-*spring* retention, rather than fall-to-*fall* retention rates reported by four-year institutions. This will change in FY18 reports, when AGA measures for community colleges change to fall-to-fall rates. Community colleges have noted concerns with reporting current-year fall-to-fall retention data because enrollment windows at community colleges tend to be fairly flexible and the data may not capture all students. To remedy this, LFC staff is working with community colleges to collect all available data as of November in a given year, noting the data are preliminary. If there are changes to the data, future reports will be corrected to reflect the changes.

More than 80 percent of students at four community colleges returned for their second semester, but two colleges were unable to retain at least 60 percent of their students within the academic year.

First-Time, Full-Time Student Fall-to-Spring Retention	Fall 2014 to Spring 2015 Actual	Fall 2015 to Spring 2016 Actual	Fall 2016 to Spring 2017 Target	Fall 2016 to Spring 2017 Actual	Rating
ENMU-Roswell	74.2%	81.8%	76.2%	76.2%	G
ENMU-Ruidoso	55.8%	51.4%	65.0%	58.6%	Y
NMSU-Alamogordo	72.0%	71.4%	79.8%	76.4%	Y
NMSU-Carlsbad	71.2%	75.2%	70.0%	70.4%	G
NMSU-Dona Ana	79.2%	74.5%	81.0%	80.0%	Y
NMSU-Grants	67.2%	77.8%	73.0%	63.0%	R
UNM-Gallup	81.8%	81.2%	84.0%	76.4%	R
UNM-Los Alamos	80.0%	77.4%	80.0%	81.8%	G
UNM-Taos	74.4%	78.9%	75.0%	75.0%	G
UNM-Valencia	77.6%	83.7%	80.0%	76.8%	R
Central New Mexico	81.4%	83.7%	83.0%	82.3%	Y
Clovis CC	83.1%	83.6%	75.5%	79.0%	G
Luna CC	58.3%	55.7%	70.0%	58.0%	R
Mesalands CC	74.0%	81.5%	70.0%	73.8%	G
NM Junior College	82.8%	84.4%	82.0%	83.0%	G

San Juan College	82.7%	79.2%	80.0%	79.4%	Y
Santa Fe CC	77.9%	73.3%	79.0%	77.0%	Y
				Program Rating	Y

College and University Completion Rates. Only two four-year institutions met baccalaureate degree completion targets, although all institutions graduated 20 percent of degree-seeking students within six years, an improvement over the two previous cohorts. Eastern New Mexico University (ENMU), which experienced a decline in this year's completion rate, has the highest rate and target among any comprehensive institution. ENMU reported it is initiating faculty and staff efforts to reach out to sixth-year non-completers and help them graduate. Northern New Mexico College continues to improve year-over-year completion rates at a steady pace. Finally, the target for New Mexico Highlands University, which is the lowest among four-year institutions, should be adjusted upward in future years based on recent completion rates.

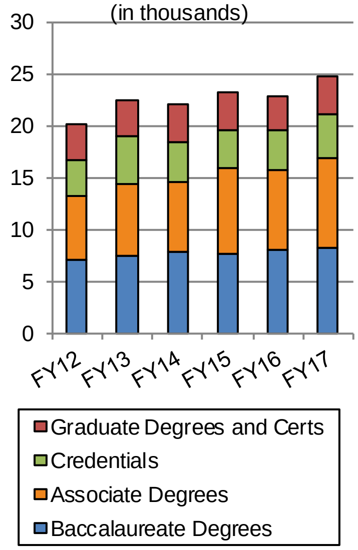
Six-Year Completion Rates for First-Time, Full-Time Degree-Seeking Students	Fall 2009 to Summer 2015 Actual	Fall 2010 to Summer 2016 Actual	Fall 2011 to Summer 2017 Target	Fall 2011 to Summer 2017 Actual	Rating
NM Tech	49.0%	49.2%	48.0%	47.2%	R
NMSU	42.0%	45.0%	47.0%	46.0%	Y
UNM	49.0%	43.9%	48.0%	48.7%	G
				Program Rating	Y

Six-Year Completion Rates for First-Time, Full-Time Degree-Seeking Students	Fall 2009 to Summer 2015 Actual	Fall 2010 to Summer 2016 Actual	Fall 2011 to Summer 2017 Target	Fall 2011 to Summer 2017 Actual	Rating
ENMU	30.6%	34.2%	35.0%	31.5%	Y
NMHU	17.9%	22.2%	20.0%	22.0%	G
NNMC	15.0%	19.0%	25.0%	22.0%	Y
WNMU	25.0%	24.2%	25.0%	24.0%	R
				Program Rating	Y

Community College Completion Rates. Two community colleges failed to graduate more than 10 percent of their degree-seeking students in the most recent cohort, but others demonstrated marked improvement. Most community colleges improved over prior-year performance. One college – New Mexico State University-Carlsbad – more than tripled the percent of students completing a degree program in recent years, improving from 3.9 percent with the fall 2011 cohort to 13 percent in the fall 2013 cohort.

Three-Year Completion Rates for First-Time, Full-Time Degree-Seeking Students	Fall 2011 to Spring 2014 Actual	Fall 2012 to Spring 2015 Actual	Fall 2013 to Spring 2016 Target	Fall 2013 to Spring 2016 Actual	Rating
ENMU-Roswell	23.6%	30.6%	20.0%	30.6%	G
ENMU-Ruidoso	16.3%	16.4%	20.0%	19.3%	Y

Awards Granted by New Mexico Colleges and Universities
(in thousands)



Source: Higher Education Funding Formula

How Ratings Are Determined

In general, an institution is assigned the rating of G when it has met its target. A rating of Y indicates a college or university did not meet its target but did show improvement over prior years and submitted sufficient documentation to demonstrate efforts to improve. A rating of R is reserved for institutions that neither met their target nor improved over prior-year performance.

A few exceptions exist. For example, if an institution is 0.01 percent from their goal, as was NMSU's retention rate, a rating of G is awarded. Another example includes institutions that made marginal gains over prior-year performance but fell significantly short of targets and peers. In such cases, the institution receives a rating of R.

Targets

Targets are requested by institutions and then set through consensus between the Department of Finance and Administration (DFA) and LFC. Generally, if an institution requests a high target, DFA and LFC will agree to the requested rate, even if it is well above actuals, as is the case for New Mexico Junior College's completion rate.

NMSU-Alamogordo	11.0%	8.3%	14.0%	7.7%	R
NMSU-Carlsbad	3.9%	6.2%	10.0%	13.0%	G
NMSU-Dona Ana	11.2%	10.4%	15.0%	13.0%	Y
NMSU-Grants	9.3%	14.2%	20.0%	18.8%	Y
UNM-Gallup	8.6%	7.5%	10.0%	9.2%	Y
UNM-Los Alamos	47.4%	17.9%	57.0%	28.0%	Y
UNM-Taos	10.9%	5.6%	14.5%	10.0%	Y
UNM-Valencia	7.6%	10.2%	9.5%	12.7%	G
Central New Mexico	13.1%	16.1%	13.0%	15.3%	G
Clovis CC	12.0%	41.9%	14.0%	35.0%	G
Luna CC	16.9%	11.2%	20.0%	17.0%	Y
Mesalands CC	39.6%	41.0%	40.0%	42.4%	G
NM Junior College	16.6%	21.9%	33.0%	22.3%	Y
San Juan College	13.8%	14.8%	15.0%	17.3%	G
Santa Fe CC	10.1%	13.7%	11.0%	15.0%	G
				Program Rating	Y

Higher Education Department – Adult Education. New Mexico's adult education program distributes about $5.2 million in state general fund appropriations and over $4 million in federal funds to 27 sites throughout the state, most of which are housed at higher education institutions. In FY16, adult education served 14.5 thousand students, 2,000 of which were in New Mexico correctional facilities. Of those students, 71 percent of adult learners were Hispanic, 13 percent were white, and 10 percent were Native American. Nearly half of adult education learners were between 25 and 44 years old. The Higher Education Department tracks the progress of adult education learners through employment and high school equivalency credential attainment. Although a higher percent of unemployed adult education students obtained employment in FY17, the department was just short of its target. The department exceeded its target in the number of test-takers achieving a high school equivalency credential. The target should be adjusted upward in future years.

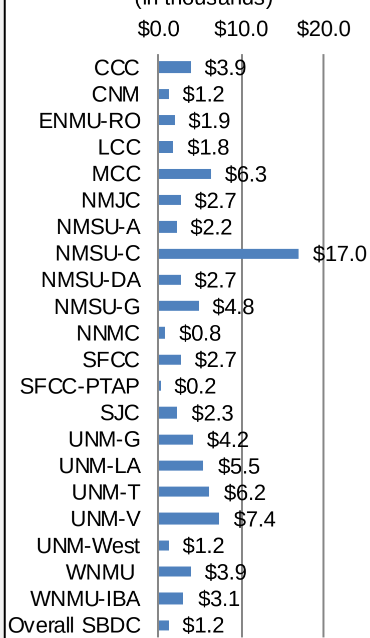
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Percent of unemployed adult education students obtaining employment	NEW	39.4%	42.0%	40.1%	Y
Percent of adult education high school equivalency test-takers who earn a high school equivalency credential	NEW	82.4%	76.0%	82.1%	G
				Program Rating	Y

Small Business Development Center

Santa Fe Community College hosts the Small Business Development Center (SBDC), which receives $4.1 million in general fund support each year to provide confidential consultation for current and future business owners in the areas of business expansion, financing, marketing, and procurement, among other services. In addition to a procurement assistance program and an international business accelerator, SBDC oversees 19 service locations housed in higher education institutions throughout the state.

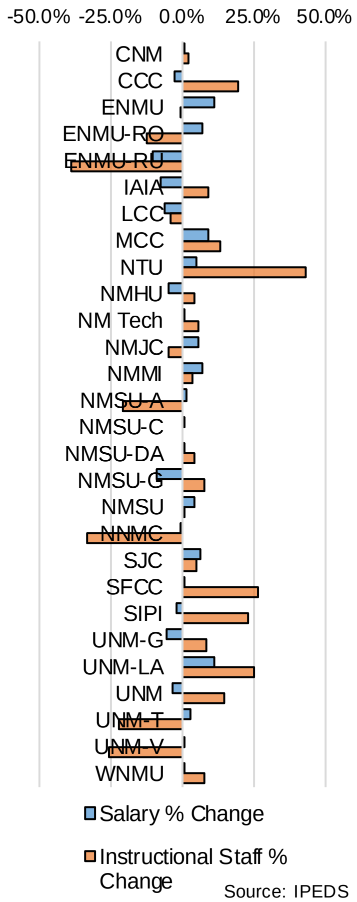
SBDC leverages about $1.3 million in grants from the U.S. Small Business Administration and the U.S. Defense Logistics Agency each year. As a condition of these federal grants, SBDC must track certified data indicating the number of jobs created or saved in addition to associated costs. For FY17, SBDC reports 3,612 jobs were created or saved, with an aggregate cost of $1.2 thousand per job.

FY17 SBDC Cost Per Job Created/Saved
(in thousands)



Source: New Mexico Small Business Development Center

Salary and Staffing Level Changes at NM Higher Education Institutions FY13-FY16



Source: IPEDS Adjusted for CPII

Higher Education Activity.

- The Office of the State Auditor released its report on UNM's athletics program, calling the program, "A tangled web of transactions" that has made it difficult for the public and financial staff at the university to be able to decipher program operations. The 10 audit findings include money mismanagement, particularly uncollected revenues and overpayments to coaches, problematic perks paid with state funds rather than booster dollars, no clear lines of responsibility, and a circular flow of money making "individual accountability for financial decisions nearly impossible." UNM's response acknowledged the audit findings and indicated the university has already begun corrective action on several findings.

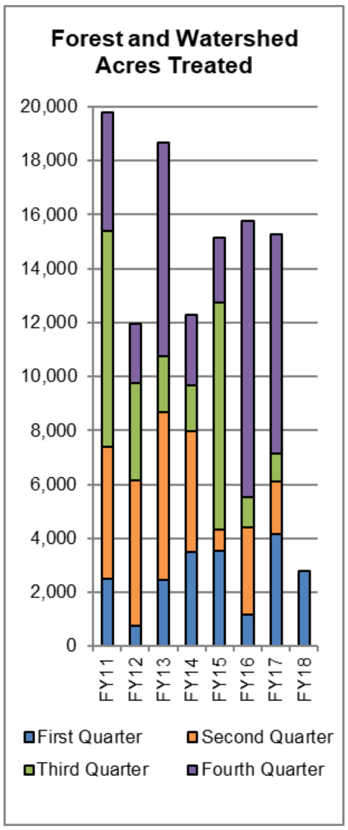
- The Higher Learning Commission, the accrediting body for all New Mexico state-funded colleges and universities, issued a show-cause order to Luna Community College requiring the college to demonstrate why accreditation should not be withdrawn. Earlier this year, a peer review team found LCC out of compliance with five core components needed for accreditation and cited problems with finances, financial oversight, and administrative and governance structures. LCC is required to provide its show-cause report by February 1, 2018. HLC will review the matter at its June 2018 meeting.

- Total certificates and degrees awarded in FY17 increased 8.5 percent compared with FY16, according to data provided in the higher education funding formula. The majority of the increase is attributable to 23.2 percent growth at Central New Mexico Community College, 25.4 percent growth at Eastern New Mexico University, and 58.7 percent growth at New Mexico Junior College.

Energy, Minerals and Natural Resources Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No



After falling short of some key performance targets in FY17, including forest treatment, the agency showed mixed results in the first quarter of FY18. While visitation to state parks was flat, per visitor revenues increased. The Oil Conservation Division continued its high pace of inspections in the first quarter of while increasing responsiveness to drilling applications; however, the agency did not plug any abandoned oil wells.

Healthy Forests

While the number of firefighters trained appears low in the first quarter, many were committed to suppressing fires in other states and the bulk of this training takes place in the winter and spring months when fire activity is lowest. Additionally, the active fire season in western states resulted in limited contractor availability to treat New Mexico forests. The agency expects to increase forest acre treatment in the second quarter as contractor availability increases as the fire season ends.

Healthy Forests		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $15,879.5	FTE: 78							
1	Nonfederal wildland firefighters provided professional and technical incident command system training.	1,625	1,362	1,650	47			Y
2	Acres treated in New Mexico's forest and watersheds.	15,142	15,291	15,800	2,796			Y
Program Rating		Y	Y					Y

State Parks

State park visitation was flat relative to the 1.7 million visitors the agency reported in the first quarter of FY17. Visitation typically peaks in the first and fourth quarter of the fiscal year and falls dramatically in the colder months; the agency reported visitation of 1.2 million for the third and fourth quarters of FY17. While visitation fell, the amount of revenue per visitor increased, which should translate into an increased ability to fund park needs such as hiring additional temporary workers.

State Parks		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $28,852.2	FTE: 234.5							
3*	Visitors to state parks, in millions	5.46	4.93	N/A	1.62			G
4*	Self-generated revenue per visitor	$0.81	$0.88	N/A	$0.97			G
5*	Interpretive programs available to park visitors	1,312	1,053	N/A	359			G
Program Rating		Y	Y					G

*Measures 3-5 are classified as explanatory and are provided for informational purposes; they do not have targets. The ratings indicate an improvement in prior year performance.

Mine Reclamation

Out of the 98 mines in the state, only one hard rock mine, the Asarco Deming mill, does not have adequate financial assurance. The Deming site is currently under application with a new owner, and the agency is working with the new owner to provide adequate financial assurance.

Mine Reclamation		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $8,078.5	FTE: 33							
6	Permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	96%	98%	100%	99%			G
Program Rating		Y	Y					Y

Oil and Gas Conservation

The Oil Conservation Division (OCD) continued a high pace of field inspections in the first quarter of FY18 and is on track to meet the target of 47,000. Additionally, OCD continues to approve applications to drill within the targeted time frame. The division reports 374 permits were approved in the first quarter with over 170 permits each requested in Hobbs and Artesia and an additional 11 approved in Aztec. No wells were plugged in the first quarter, which the OCD attributes to wet weather in the southeast which limited access to well locations. OCDs performance on this measure will also likely be hindered by funding; the oil reclamation fund, which is used to pay for plugging activities, will likely be exhausted by the close of FY20.

Oil and Gas Conservation		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $9,487.0	FTE: 66							
7	Inspections of oil and gas facilities	49,624	37,648	47,000	10,066			G
8	Application to drill permits approved within 10 business days	85%	96%	84%	99%			G
9	Abandoned oil and gas wells properly plugged	36	33	32	0			R
10*	Violations issued	912	2,279	N/A	519			
Program Rating		Y	G					Y

*Measure 10 is classified as explanatory, meaning it is provided for informational purposes and does not have a Target.

As the oil reclamation fund balance declines, OCD is able to pay for fewer plugging and reclamation projects. For example, remediation of the Carlsbad brine well would be eligible to receive oil reclamation funds, but due to limited fund balance, OCD cannot award funds for this purpose.

Oil Reclamation Fund

(dollars in thousands)

	Actual			Projection		
	FY15	FY16	FY17	FY18	FY19	FY20
Beginning Balance	**$ 9,225.4**	**$ 11,517.0**	**$ 10,110.4**	**$ 5,774.7**	**$ 5,354.6**	**$ 2,460.5**
Conservation Taxes	$ 4,815.1	$ 2,704.4	$ 1,656.6	$ 2,500.0	$ 2,300.0	$ 2,300.0
Other	$ 1,448.0	$ 508.2	$ 224.1	$ 2,000.0		
OCD personnel	$ (3,426.4)	$ (4,276.5)	$ (2,979.9)	$ (3,261.8)	$ (3,045.7)	$ (3,000.0)
OCD well-plugging	*	*	$ (1,049.5)	$ (1,015.0)	$ (1,663.0)	$ (1,500.0)
OCD other	$ (208.8)	$ (8.4)	$ (380.1)	$ (259.3)	$ (101.4)	$ (100.0)
Intra-agency transfer	$ (336.3)	$ (334.3)	$ (367.5)	$ (384.0)	$ (384.0)	$ (384.0)
Other			$ (1,439.4)			
Ending Balance	**$ 11,517.0**	**$ 10,110.4**	**$ 5,774.7**	**$ 5,354.6**	**$ 2,460.5**	**$ (223.5)**

*in FY15 and FY16, well plugging and personnel costs are combined under the personnel line item.

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
New Mexico Environment Department
First Quarter, Fiscal Year 2018

New Mexico Environment Department

ACTION PLAN

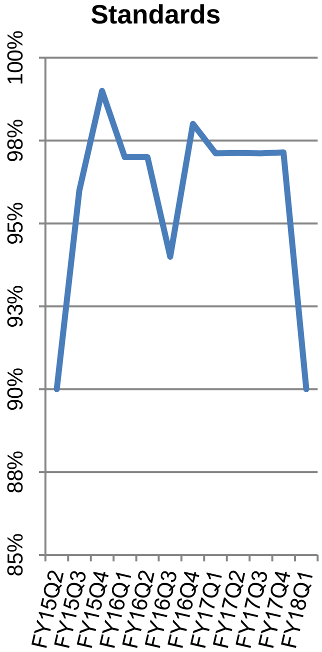
Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	No

Performance measures for the New Mexico Environment Department (NMED) remained heavily oriented toward output-based activities, such as number of facilities inspected in FY18, and a number of measures are classified as explanatory, meaning they do not have a target level. While NMED continues to provide quarterly reporting data timely, the department should consider expanding quarterly reporting measures to include safety issues such as air and water quality and occupational safety.

Water Protection

NMED reported a decrease in the portion of the population receiving water meeting health-based standards from the previous quarter due to two large systems being out of compliance. Las Cruces received a violation for failing to correct a significant deficiency within the required time-frame. Artesia received a violation due to E. Coli contamination in the distribution system. Both systems have returned to compliance. During the first quarter of FY18 over $43 million dollars was offered from the clean water state and the rural infrastructure revolving loan funds, and $8.36 million was declined. The remaining loan closings are in process and award amounts will be made in the second quarter.

Percent of New Mexicans Receiving Water That Meets Health Based Standards



Water Protection		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $28,624.9	FTE: 188.5							
1	Groundwater discharge permitted facilities inspected	65%	66%	65%	14%			Y
2*	Permitted facilities where monitoring results demonstrate compliance with groundwater standards	63%	71%	N/A	58%			Y
3*	Population served by community water systems that receive drinking water meeting health-based standards	98%	97%	N/A	90%			R
4*	Amount of new grants/loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in millions	$30.7	$11.3	N/A	$0.0			R
Program Rating		Y	Y					Y

*Measures 2-4 are classified as explanatory and are provided for informational purposes; they do not have targets. The ratings indicate a decline from prior year performance.

Resource Protection

Nearly all landfills are monitoring groundwater quality as required, and all solid and hazardous waste facility inspections found operators in compliance with regulations. The agency reported a slight increase in petroleum storage tanks in compliance with regulations compared to the end of FY17.

Resource Protection		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $14,093.3	FTE: 136							
5	Underground storage tank facilities in compliance with release prevention and detection requirements	77%	87%	77%	88%			G
6*	Landfills compliant with groundwater sampling and reporting requirements	100%	97%	N/A	96%			G

7	Active solid waste facility and infectious waste generator inspections showing compliance	93%	98%	93%	100%			G
Program Rating		Y	Y					G

*Measure 6 is classified as explanatory, meaning it is provided for informational purposes and does not have a target. The ratings indicate a continued good performance relative to prior years.

Environmental Protection

The program reports all of the 996 food establishment violations issued were corrected within the timeframe specified in the first quarter and that all air quality violations are being addressed through corrective action. While the agency investigated or inspected all allegations of serious workplace hazards, the percent of violations corrected in the first quarter was slightly below the annual target.

Environmental Protection		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $22,595.9	FTE: 236							
8	Food establishments inspected within timeframe due	100%	100%	100%	100%			G
9	Facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	100%	100%	100%	100%			G
10	Serious worker health and safety violations corrected within the timeframes designated	96%	95%	98%	93%			Y
Program Rating		G	G					G

Office of the State Engineer

The Office of the State Engineer (OSE) is facing significant difficulties in meeting performance targets in FY18. While the agency drove down the backlog of unprotested water right applications in FY17, OSE is running significantly behind the target pace for abstracting transactions into the water administration technical engineering resource database.

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

Several ISC commissioners resigned and two appointments have been made.

The New Mexico CAP entity selected a Gila River Diversion project it anticipates to cost $49 million and will benefit up to 100 users.

Texas v. New Mexico Appropriations

Year	New Mexico	Texas
FY14		
FY15	$ 6,500,000	$ 5,000,000
FY16	$ 4,000,000	
FY17	$ 3,000,000	$ 5,000,000
FY18*	$ 2,000,000	
FY19	N/A	$ 500,000
Total	$15,500,000	$ 10,500,000

Source: LFC Files

Based on the rate of progress from FY12 to FY15, completing ongoing adjudications will take 113 years and an additional $549 million if the agency's approach to the process and funding levels do not change.

Water Resource Allocation

The agency is well short of the annual target for the number of water right applications processed monthly, but the decline in the number of backlogged applications indicates these duties are a continued priority. Efforts to abstract data to the agency's database slowed in the first quarter as staff concentrated on cleaning up already entered transactions, training staff in district offices, and gearing up for a new project.

Water Resource Allocation Budget: $14,052.4	FTE: 182	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Unprotested new and pending applications processed monthly	37	36	85	40			R
2	Unprotested and unaggrieved water right applications backlogged	422	416	N/A	389			
3	Transactions abstracted into the water administration technical engineering resource system database	18,287	14,566	23,000	2,201			R
Program Rating		Y	R					R

Litigation and Adjudication

The completion of the Aamodt settlement in FY17 reduced the need to make offers to defendants in the northern bureau and the high vacancy rate in the lower Rio Grande bureau contributed to a reduction in offers made in the first quarter. The current measure for the percentage of water rights with judicial determinations does not provide a clear view of progress because it only reflects active adjudications.

Litigation and Adjudication Budget: $7,051.9	FTE: 66	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
4	Offers to defendants in adjudications	839	566	839	68			R
5	Water rights that have judicial determinations	63%	66%	70%	66%			Y
Program Rating		G	G					Y

Interstate Stream Compact Compliance

While agreement on New Mexico's Rio Grande Compact credit is the subject of ongoing litigation, the state's Pecos River Compact credit continues to be positive.

Interstate Stream and Compact Compliance Budget: $14,103.4	FTE: 46	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
6	Delivery credit on the Pecos River Compact, in thousand acre-feet	109.5	137.9	>0	137.9			G
7	Delivery credit on the Rio Grande Compact, in thousand acre-feet	0.4	-20.3	>0	-20.3			R
Program Rating		G	G					Y

PERFORMANCE REPORT CARD
Economic Development Department
First Quarter, Fiscal Year 2018

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

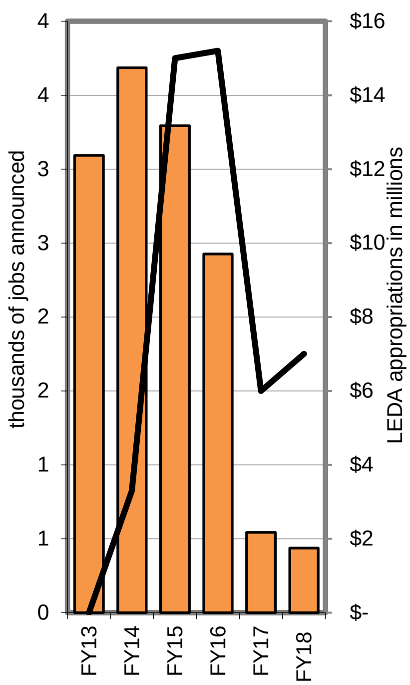
Economic Development Department

New Mexico's total nonfarm employment, comparing September 2017 with September 2016, grew by 6,800 jobs, representing a 0.8 percent increase. The Bureau of Labor Statistics reported that New Mexico was one of 22 states that had a "Statistically significant decrease" in unemployment from September 2016 to September 2017, seasonally adjusted. The Economic Development Department's (EDD) performance results for first quarter are on a positive path for FY18 as well, in every area except for the New Mexico's Partnership's performance, which is EDD's largest contract of $1 million. In 2016 the New Mexico Partnership hired a new Director, however, performance continues to lag into FY18.

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

LEDA Funding and EDD Jobs Announced



Sources: EDD, LFC files

Economic Development

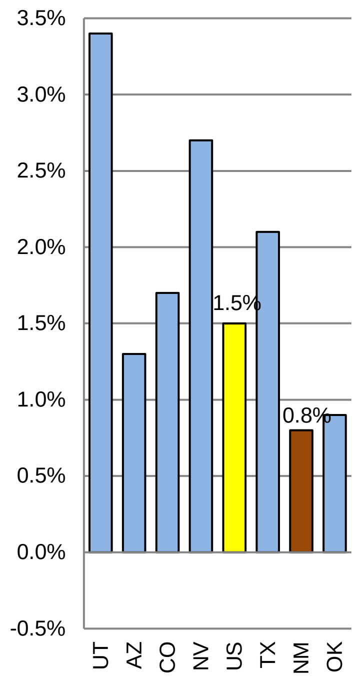
The Economic Development Division awarded four companies $2.9 million in LEDA funds in the first quarter, contributing to 436 jobs created. Of the four companies awarded LEDA funds, two were located in rural areas. These companies include USA Beef Packing in Chaves County, Raytheon and Flagship Foods in Bernalillo County, and PESCO in San Juan County. The private funds matched for these LEDA projects totaled $28.5 million. During quarter one, Facebook announced its plans to expand in Los Lunas, this expansion will add a second building and create 50 additional jobs. Facebook received a $10 million LEDA award in FY17 and did not receive any additional LEDA funding for the expansion announced in FY18.

Twenty businesses were approved for Job Training Incentive Program funding in the first quarter, totaling 672 workers trained. Of those jobs, 261 were approved for companies in rural areas including Bernalillo, Alamogordo, Las Vegas, Belen, Farmington, Loving, Jal, and Taos at an average wage of $17.75. After many years of not meeting JTIP statutory requirements for rural investment, during the first quarter 52% of JTIP allocations went to total projects. The Film Crew Advancement Program, one of the two JTIP for Film and Multimedia programs, was approved to train 72 crew members at an average wage of $21.70 per hour. The New Mexico Manufacturing Extension Partnership was approved for JTIP funding to provide New Mexico 9,000 certification training to sixteen New Mexico companies.

Economic Development Budget: 6,128.9	FTE: 25	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Total jobs created due to Economic Development Department Efforts	4,140	1,729	4,500	630			Y
2	Total rural jobs created	641	775	1,600	350			G
3	Jobs created through business relocations facilitated by the New Mexico Partnership	222	115	2,250	0			R
4	Potential recruitment opportunities generated by partnership marketing and sales activities	NEW	NEW	84	18			Y
5	Workers trained by the job training incentive program	2,238	2,009	1,850	672			G
6	Private sector dollars leveraged by each dollar through Local Economic Development act	16:8	21:1	12:1	95:1			G

7	Jobs created through the use of Local Economic Development act funds	2,426	530	2,200	436			Y
8	Private sector investment in MainStreet districts (in millions)	$22.17	$28.40	$11	$34			G
Program Rating		Y	Y					Y

September 2017 Year-over-Year Job Growth by State



Source: Workforce Solutions Department

The New Mexico MainStreet program was successful during the first quarter, by continuing to increase investment from the private sector and working with local affiliates. Local MainStreet programs reported $34.4 million in private sector reinvestment. Projects included 87 private buildings, 47 new businesses and business expansions, and the creation of 57 new jobs. The largest private investment was seen in the downtown Albuquerque area MainStreet district, reporting 21 rehabilitation projects, totaling $31 million in reinvestment dollars. The next largest private investment was seen in Raton, with $300 thousand invested for a new brewery and pub, which also included rehabilitation to a historic building.

The community, business and rural development team assisted three projects during the first quarter. The first project completed was a commercial kitchen in Ribera. The $2 million project included funds from federal, county, land grant and private sector investment. EDD provided funding from sealing the floors, and assisted in inspection and permitting. Regional representatives in Farmington assisted PESCO, in receiving a loan from the Enchantment Land Certified Development Company. Lastly, regional representatives in Chavez County, along with local officials, and multiple state agencies, including the New Mexico Department of Agriculture, assisted USA Beef in applying for LEDA funding.

New Mexico Film Office

The film office measured direct spend by the film industry into the New Mexico economy of $55.7 million for the first quarter. Productions that took place in quarter one include local and Hollywood films such as “The Kid,” a Dreamland production, “14 Cameras,” a Netflix original, and “The Wind and Hunted by My Ex,” By Lifetime. Locally produced productions include Back to Earth, Heart of the Gila, Numbskull Revolution, and Nasario Remembers the Rio Puerco. The Film Crew Advancement Program (FCAP) is the division’s priority program in training as it provides high-wage job opportunities with production companies where crew can diversify and advance their skill sets. Productions that hire qualifying, local crew are reimbursed 50 percent of a qualifying residents wage for up to 1040 hours. Six companies qualified for FCAP with 66 New Mexican participants.

Film Office		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 706.5	FTE: 8.0							
9	Direct spending by film industry productions, in millions	$387	$505	$260	$55			Y
10	Film and media worker days	260,307	448,304	230,000	57,104			G
Program Rating		G	G					G

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
General Services Department
First Quarter, Fiscal Year 2018

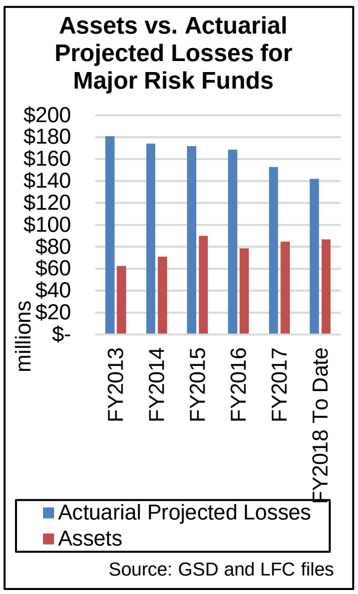
ACTION PLAN

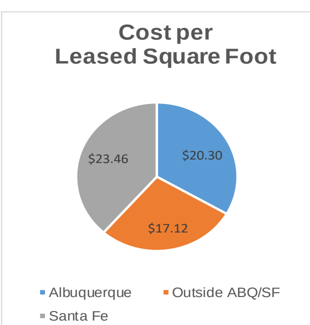
Submitted by agency? Yes

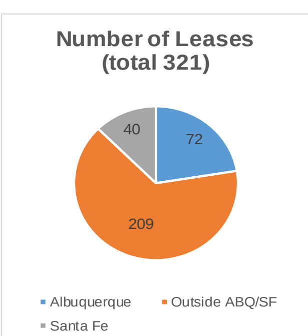
Timeline assigned? No

Responsibility assigned? Yes

Efforts to improve performance now include review by the Secretary of all new office leases and renewals that exceed space standards.







General Services Department

GSD's risk funds have sufficient funding in total to cover about half of projected losses, despite large transfers to the general fund for solvency. At GSD's budget hearing, LFC expressed concern about the lack of transparency of payments from the risk funds and in response GSD agreed to beef up its annual report and consider executive sessions to discuss large losses. For Facilities Management, most new office leases met space standards and the four that did not were exempted because of special programmatic needs. For State Purchasing, some state agency buying is not always well planned adding to costs, and contract oversight could be improved.

Risk Management

The program conducted 10 training events to prevent wrongful acts and promote workplace safety. Employees from the top loss-producing agencies attended nine of the 10 events. Public property claims have been lower than expected which has helped keep fund balances high. For the public liability fund, between fund sweeps and rates set to hold down costs for agencies, decreasing fund balance is a concern.

Risk Management Budget: $95,081.3 FTE: 57		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Projected financial position of the public property fund	340%	468%	50%	642%			G
2	Projected financial position of the workers' comp fund	37%	43%	50%	57%			G
3	Projected financial position of the public liability fund	32%	46%	50%	44%			Y
4	Trainings with top twenty loss-producing agencies	5	12	12	9			G
Program Rating		Y	Y					G

Group Health Benefits

In FY17, costs on a per member basis grew 8 percent from high cost claimants and specialty drug use. When compared nationally, premium costs for single coverage are not significantly different and deductibles are lower. The program reports costs are lower in the first quarter because of fewer provider visits in summer and fall.

Group Health Benefits Budget: $373,196.0 FTE: 0		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
5	Prescriptions filled with generic drugs	85%	87%	90%	89%			G
6	Percent change in premium	- 3%	- 3%	4%	Annual			
7	Growth in per member medical costs	$323	$338	<7%	$306			G
Program Rating		Y	Y					G

Facilities Management

In the first quarter, six active capital projects in Alamogordo, Las Vegas, and Santa Clara were off schedule due to budgeting delays or change orders. The program also reports that 100 percent of new leases met adopted space standards. However, four of the new leases, which were primarily for health and welfare agencies, were exempted by the Secretary because of special programmatic needs for their clients.

Appropriations to GSD to Address Immediate Building Deficiencies

(excludes an additional $7 million available annually for building repairs in Santa Fe subject to Board of Finance approval)

2018	$ -
2017	$4,000,000
2016	$2,000,000
2015	$ -
2014	$4,500,000
2013	$500,000

Source: LFC Files

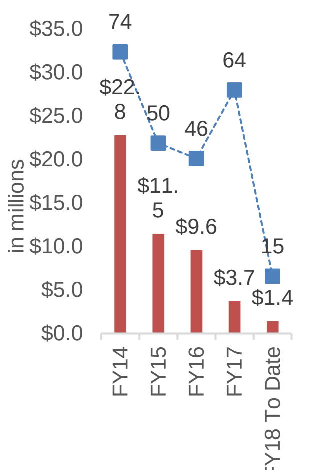
Facilities Management		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $13,283.3	FTE: 139							
8	Work orders completed on time	NEW	63%	75%	62%			R
9	Capital projects on schedule	94%	95%	90%	97%			G
10	Capital projects on budget	94%	76%	95%	100%			G
11	New office leases meeting space standard	NEW	19%	90%	100%			Y
Program Rating		Y	Y					Y

State Purchasing

Rather than using a reactionary approach, quarterly data suggests 13 of 60 agency procurements were well-planned and included negotiating the best value. This has been slow to improve despite requiring agencies to have one trained certified procurement officer. In terms of violations, 12 attendees from four agencies with procurement violations attended Procurement 101 classes to learn to buy correctly.

State Purchasing		FY16 Actual	FY17 Actual	FY17 Target	Q1	Q2	Q3	Rating
Budget: $2,263.9	FTE: 27							
12	Procurements using "best value" sourcing	NEW	23%	15%	22%			G
13	Agencies with certified procurement officers	NEW	NEW	90%	95%			G
14	Procurement violators receiving training	NEW	68%	90%	95%			G
Program Rating		Y	Y					G

Emergency Procurements



Source: GSD Contracts Database

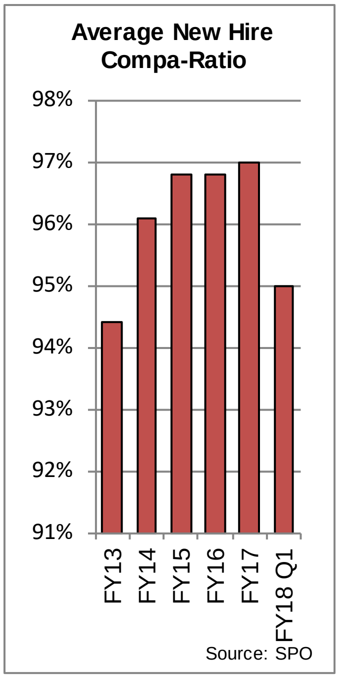
Transportation Services

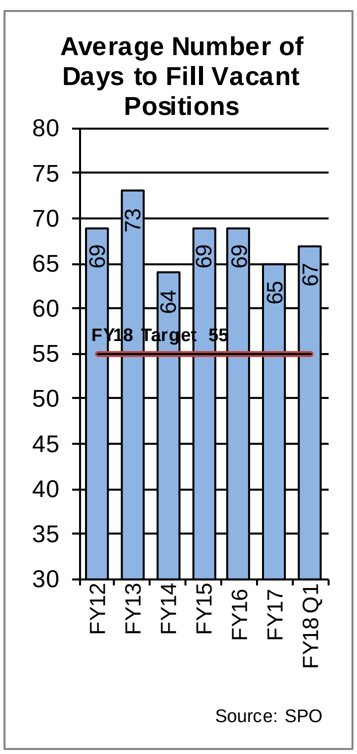
The average vehicle operational costs per mile consistently exceeds the industry standard. However, due to a transfer of its enterprise fund to the general fund for solvency purposes, the program had to cancel newly installed GPS vehicle monitoring which the program reports has impacted the ability to collect and analyze data. Prior to GPS tools, the program reported using manual mileage logs.

Transportation Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $12,023.1	FTE: 35							
15	Average vehicle operational costs per mile, as compared to industry standard	$0.47	$0.47	≤$0.59	Annual			N/A
16	Leased vehicles used 750 miles per month	35%	51%	80%	No data			R
17	Short term vehicle use	NEW	$652	$686	No data			R
Program Rating		Y	G					Y

ACTION PLAN

Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	No





State Personnel Board

The State Personnel Office (SPO) is consolidating executive agencies' human resource (HR) functions with the goals of increasing efficiency and enhancing cost effectiveness. The executive initially indicated the consolidation would save millions, but any potential savings will be generated primarily through efficiencies within agencies' operating budgets in FY18. SPO has not proposed an action plan for reducing turnover and overtime usage, but expects the governor's initiative to consolidate all HR under SPO will improve hiring efficiency. SPO reported the implementation would be delayed until January 1, 2018, for general fund agencies and until July 1, 2018, for multiple revenue agencies because of difficulties transferring personnel funding, particularly at the Human Services Department, Department of Transportation and Children, Youth and Families Department.

To prevent the state's compensation structure from falling further behind the market, it is necessary to pursue targeted or cost-of-living salary adjustments to maintain competitiveness in the labor market. SPO has not pursued cost-of-living adjustments, saying not all occupations face the same market pressures. However, one-third of state employees are currently in alternative pay bands and SPO estimates 15 percent of the workforce may be misclassified. Failure to adopt a statewide compensation plan has resulted in a proliferation of several agencies implementing ad hoc out-of-cycle pay adjustments. Additionally, salary compaction has increased as the gap between the salaries of new employees and more tenured employees shrinks. Narrowing the gap between new hire salaries and average salaries is determined by compa-ratios, or salary divided by midpoint. New hire compa-ratios have increased from 91 percent to 97 percent from FY11 to FY17. Over this same period, the average state employee compa-ratio grew to 101 percent. Compaction can lead to low morale and higher turnover as employees seek to increase their salaries by moving between agencies. The Corrections Department had the highest number of employee separations with 446 employees leaving and the Department of Health was next with 292 employees leaving.

State Personnel Office		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $4,082.1	FTE: 47							
1	Classified service vacancy rate	15%	18%	13%	18%			R
2	Average number of days to fill a position from the date of posting	69	65	55	67			R
3	Average state classified employee compa-ratio	102%	101%	≥95%	101%			Y
4	Average state classified employee new-hire compa-ratio	97%	97%	91%	95%			Y
5	New employees who successfully complete their probationary period	70%	65%	75%	61%			R
6	Classified employees voluntarily leaving state service	15%	15%	15%	4%			G
7	Classified employees involuntarily leaving state service	2%	2%	5%	0.5%			G
8*	State employee average overtime usage per month	16.2 hours	16.2 hours	N/A	15.3 hours			Y
9*	State employees receiving overtime	17%	17%	N/A	18%			Y
Program Rating		R	R					Y

*Explanatory measure for informational purposes; does not have a target.

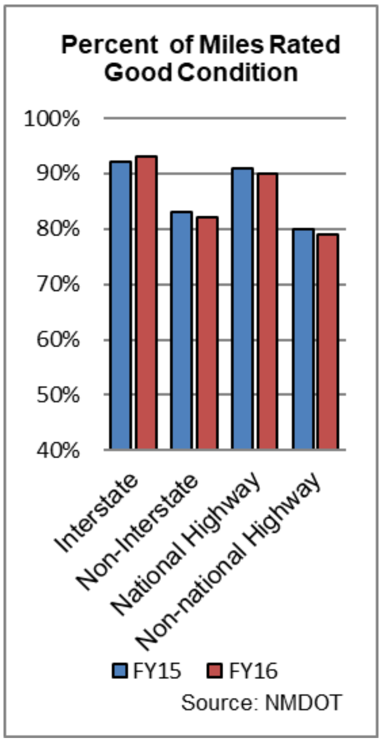
Department of Transportation

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

At the end of the first quarter, the New Mexico Department of Transportation (NMDOT) reports 92 total traffic fatalities, 27 percent of the target level. Traffic fatalities, including alcohol-related and unbelted fatalities are tracking slightly lower than first quarter, FY17. NMDOT continues to struggle to maintain the transportation system given strained resources; in FY16, the most recent year for which data is available, 79 percent of non-national highway system miles in the state transportation network were rated good, down from 80 percent in FY15 and miles in deficient condition increased 6.2 percent to 4.5 thousand. Despite aggressive recruiting efforts, NMDOT experienced increased vacancy rates likely due to the transition of HR functions to the State Personnel Office.

Despite constrained resources, the U.S. Department of Transportation (USDOT) ranks New Mexico 16th best out of 50 states in the percent of structurally deficient bridges in the system. Additionally, USDOT ranks New Mexico road conditions 17th in the nation.



Programs and Infrastructure

The program's performance measures provide information to determine how well projects are being managed and kept within budget and on time. Maintaining costs at bid amount or lower allows NMDOT to re-obligate residual fund balances that go toward other construction projects. NMDOT continues to complete a majority of projects according to schedule, and has increased performance in putting projects to bid. Additionally, steps taken to reduce change orders on construction projects have resulted in reducing the cost over bid amount to -1 percent as project costs are slightly under the bid amount.

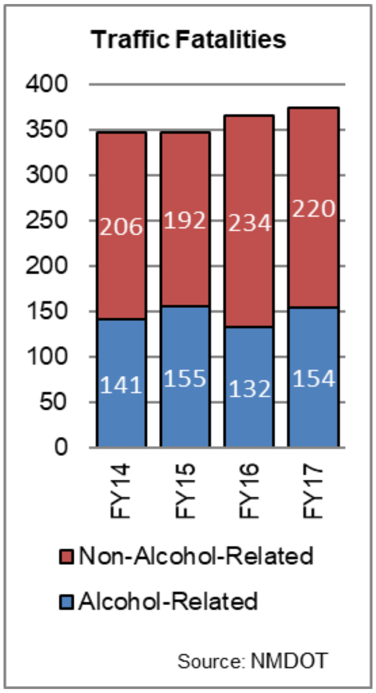
Project Design and Construction		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $536,056.7	FTE: 366							
1	Projects completed according to schedule	89%	94%	<88%	83%			Y
2	Projects put out for bid as scheduled	51%	65%	>67%	75%			G
3	Final cost-over-bid amount on highway construction projects	3.5%	-1.0%	<3%	-1.0%			G
Program Rating		Y	G					G

Transportation and Highway Operations

The percent of miles in good condition decreased for interstate and non-interstate roadways, but improved for National Highway System (NHS) and non-National Highway System (non-NHS) roadways. Reasons for deficient roadways vary from lack of funding, attention to other roads and not applying the appropriate treatment to roads. The number of pavement preservation lane miles is dependent on the focus of maintenance crews, available budget, weather conditions, and other functions such as litter collection.

Highway Operations		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $233,749.9	FTE: 1,827.7							

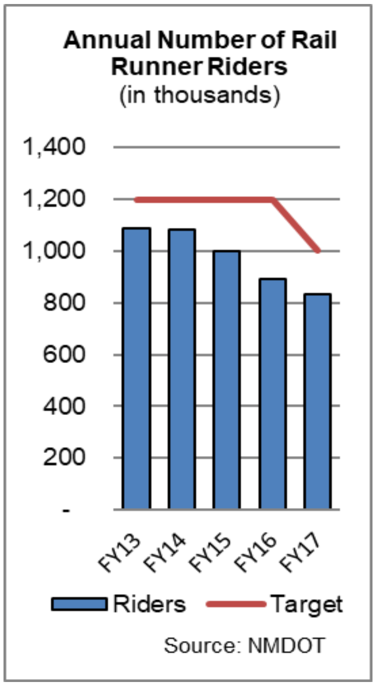
4	Statewide pavement miles preserved	2,457	3,668	>2,600	1,233			G
5	Bridges in fair condition or better, based on deck area	95%	95.5%	>88%	95.5%			G
Program Rating		Y	G					G



Modal Program

The Modal Program was created in FY17 to enhance safety and provide federal grants management and oversight of dedicated funding programs including traffic safety, aviation, transit and rail. Most of the performance measures were transferred from the Programs and Infrastructure Program. Traffic and pedestrian fatalities are higher than the trend necessary to meet targets. NMDOT reports Rail Runner performance but does not operate the passenger rail service; however, all public transit ridership continues to be down as more people instead use personal vehicles. The current low price of gasoline and diesel are rendering these transit services less competitive relative to driving.

Modal		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $64,378.3	FTE: 73							
6	Traffic fatalities	355	383	<340	92			Y
7	Alcohol related traffic fatalities	132	163	<135	18			G
8	Non-alcohol related traffic fatalities	223	220	<220	74			R
9	Occupants not wearing seatbelts in traffic fatalities	133	132	<140	30			G
10	Pedestrian fatalities	72	69	<55	20			R
11	Riders on park and ride, in thousands	264.2	247.1	>275.0	62.5			R
12	Riders on rail runner, in millions	0.89	0.84	N/A	0.21			
Program Rating		R	Y					Y



Program Support

NMDOT has an increasing vacancy rate despite aggressive recruitment and targeted salary increases for positions including highway maintenance workers and engineering technicians. NMDOT notes details of the statewide HR consolidation are still being worked out with the State Personnel Office and that four of the six transportation districts have one HR professional each. It is highly likely that the lack of HR staff is at least partially responsible for the increased vacancy rate. Of the 20 injuries occurring in the 1st quarter of FY18, nine occurred in a work zone.

Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $42,165.7	FTE: 236.8							
13	Vacancy rate in all programs	14%	14%	<10%	15%			R
14	Employee injuries	89	78	<90	20			G
15	Employee injuries occurring in work zones	32	34	<30	9			Y
Program Rating		G	G		Y			Y

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Risk
333 TRD	**ONGARD Replacement Severance Tax -Taxation and Revenue Department (TRD);** Replacement of the oil and natural gas administration and revenue database (ONGARD) system.	$11,100,000	$0	TBD	$6,878,680	Planning	6/30/2018 for Severance Tax	TRD and SLO presented to the Project Certification Committee on the status of the ONGARD replacement project.	Award contract for a new IV&V vendor.	The ONGARD replacement will be delivered by two separate systems 1) TRD Severance Tax in the current GenTax infrastructure, and 2) SLO Royalty (RAPS). Taxation and Revenue Department's (TRD) is integrating oil and gas severance tax into the existing GenTax Infrastructure. Project is progressing, with system testing underway. While separate interface specifications have been agreed upon for data exchange with SLO and EMNRD a formal agreement is not in place. Although the ONGARD Service Center (OSC) has initiated the decommissioning tasks, a plan, schedule and monitoring and tracking are incomplete and the impact to the overall system is unknown. The severance tax processing functionality in the legacy system must be disabled prior to the go-live of the severance tax module.			
539 SLO	**ONGARD Replacement Royalty Administration - State Land Office (SLO):** Replacement of the oil and natural gas administration and revenue database (ONGARD) system to the American Petroleum Institute (API); expand current well number by four digits and add additional processing logic for horizontal drilling.	$5,000,000	$0	TBD	$140,584	Planning	TBD	None	Unknown based on available documentation.	The ONGARD replacement for royalty administration overall red rating is due to the State Land Office (SLO) lack of progress in planning and unknown total cost. SLO cancelled its request for proposals in April for the royalty administration and revenue processing system (RAPS) citing inadequate submissions based on the available $5 million budget. Laws 2017 return $5 million of the ONGARD replacement project funding to SLO's control. The agency continues to assess other options and has yet to make a decision. With continued delays, the cost and project schedule for RAPS remains unknown. In addition, recent staff departures leave fewer subject matter experts. SLO has yet to request project certification committee approval for the planning phase and release of funds. For FY19, SLO requested reauthorization of the $5 million appropriation. In its FY19 budget request SLO indicates it will take ownership for the operation of the ONGARD Service Center (OSC), majority of the OSC staff will be transfered from TRD. A MOU for data exchange between the Tri-Agency partners has not been developed. The overall impact of the replacement project to the oil and gas industry is yet to be determined.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Risk
361 DoIT	**SHARE Software Upgrade:** Update the SHARE system from the current versions, 8.9 Human Capital Management (HCM) and 8.8 Financials (FIN), to the newest version, 9.2, with goals to increase standardization of the system, make key processes easier, and empower users with the right information and training.	$5,000,000	$0	$19,764,431	$16,602,908	Implementation	12/30/2017	Training workgroup sessions. Launched FIN on-line and classroom training	FIN upgrade implementation and lessons learned. Project will transition to production support after FIN go-live.	The Department of Information Technology (DoIT) will resume its SHARE Upgrade project quarterly briefings with key management from DFA, LFC, and STO sometime after the go-live of the FIN upgrade. The FIN upgrade was completed successfully mid-October 2017. A key principle of the FIN 9.2 upgrade is to align and standardize the state's business processes. While the upgrade was successful, the status of the SHARE business continuity and disaster recovery plan is unknown. This presents a risk and emphasizes the need for continued oversight. DoIT approved certification for implementation and release of $14.8 million. It remains unclear why the estimated project cost increased from $15 million to $19.8 million, or 32 percent. A reconciliation of project expenditures is still needed to ensure proper use of funds.			
361 DoIT	**DoIT Statewide Infrastructure Replacement & Enhancement (SWIRE):** Plan, design, purchase and implement infrastructure for public safety communications statewide for improved communication equipment affecting emergency responders.	$14,200,000	$0	$14,200,000	$9,064,204	Implementation	6/30/2021	Completed DPS mobile radio system replacement. DoIT approved project certification for a change request to budget and schedule to start Phase III.	Complete upgrade of public safety interoperable communications console at the Emergency Operations Center.	Laws 2016, Chapter 82, Section 10, appropriated an additional $5 million to continue with Phase III which includes deployment of 700Mhz-LMR trunking and conventional base station deployment for compliance of FCC licensing requirements, back-up generator replacements at various communication sites, additional DPS console system deployments at DPS Districts 2, 4 and 5 to support DPS dispatch center consolidation and mobile radios systems for new DPS vehicles for FY18. Local government Dispatch Console System upgrade is 95% complete. DOT Dispatch Console System upgrade 83% complete. Completed DPS mobile radio systems replacement for FY17. Overall the project Phase II is 99% complete however the project is behind schedule with an estimated completion during FY18.			
366 PERA	**Retirement Information Online (RIO) Enhancement:** Update current PERA system to include implementing business process improvements, user interface enhancement, data integrity and remediation, and customer relationship management software and workflow system.	$4,200,000	$0	$4,200,000	$972,805	Implementation	6/30/2018	DXC contract awarded. Finalized integration documents.	Security upgrade requirements. Integrated project plan and schedule.	An integrated project schedule process has been developed where the overall project manager is combining multiple schedules into one complete project schedule. Softech development for the first workflow is behind schedule. Updated service credit calculator rules were finalized by PERA on October 27, 2017. Both DXC and Softech are revising project schedules to accommodate the revised rules. Data remediation tasks continues on track or ahead of schedule.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Risk
630 HSD	**Child Support Enforcement System Replacement (CSESR):** Enhance or replace the existing system which maintains more than 59 thousand active cases with over $132 million in annually distributed child support payments.	$3,927,300	$1,023,700	$4,951,000	$2,652,449	Planning	TBD	Initiate development of Implementation Advanced Planning Document (IAPD).	Revise and resubmit the Feasibility Study to the Office of Child Support Enforcement (OCSE).	Planning phase is extended through FY18. The Office of Child Support Enforcement is requiring HSD to revise and resubmit the CSESR feasibility study. The team is developing a scope of work to procure vendor support under the existing IT professional services statewide price agreement to complete the feasibility study revisions. The project work plan was updated and is being incorporated into the Master HHS 2020 work plan. In addition, the schedule was updated with milestones to better align and leverage the HHS2020 Enterprise. HSD did not submit a FY19 C2 request, pending revisions to the feasibility study. HSD will continue to pursue other funding opportunities. Current state funding includes $3.4 million "incentive" funds from meeting its Federal performance measures and $527.3 thousand general fund for 34 percent federal match. Remaining funding appears sufficient to complete CSESR planning activities. Future project funding will be supported by 66 percent federal funding match and 34 percent state general fund.			
630 HSD	**MMIS Replacement Project:** Medicaid Management Information System Replacement (MMISR) and supporting application to align with Centers for Medicare and Medicaid Services (CMS) requirements.	$3,820,000	$33,580,000	$175,762,080	$19,976,230	Planning	11/30/2019	System Integrator (SI) contract negotiations are in process. Data Services (DS) request for proposals (RFP) due 6/21/17.	Finalize SI vendor contract award. Evaluate DS proposals and issue contract. Release Quality Assurance Services RFP.	The Centers for Medicare and Medicaid Services (CMS) authorized a $175.8 million budget to replace the current MMIS. There is potential the estimated budget may be reduced. This project is supported by 90 percent federal funding participation (FFP) and 10 percent state general fund. The current independent verification and validation (IV&V) assessment for HSD's MMISR project reported the lack of resource planning is impacting the project schedule, with conflicting priorities there is limited time to oversee or complete critical project management activities. While progress was reported last quarter, project management plans have yet to be finalized, introducing additional risk to the project. Without project plans, project tasks cannot be scheduled to control work activities and ensure project success. In addition, project risks have not been effectively managed; there is a lack of focus on communicating risks, developing mitigation strategies and identifying the root cause. Risk management is vital in identifying issues early to increase the likelihood the project is effectively delivered and ensure it is on time within budget.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Risk
665 DOH	**Women, Infants, and Children (WIC) System Replacement Project:** Replace a 14-year-old legacy system with the WIC regional solution that includes Texas, Louisiana, New Mexico and two independent tribal organizations. The State's new system will meet the USDA Food and Nutrition Service (FNS) requirements for Management Information Systems (MIS) and Electronic Benefits Transfer (EBT) delivery of WIC client benefits.	$0	$7,004,899	$7,004,899	$1,633,930	Implementation	11/30/2018	Finalize initial data mapping for New Mexico. Cost containment training scheduled.	Unknown based on available information.	Vexcel and Texas, as the lead state, have completed the user acceptance testing (UAT) phase for MIS and are in the final weeks of a 12-week pilot. New Mexico and independent tribal organizations completed the cutover for the first phase of EBT and are preparing for MIS user acceptance testing. Finalized schedule with Vexcel. Vendor conducted joint MIS-EBT collaboration meetings and tested updated reports.The Implementation Advanced Planning Document Update (IAPD-U) annual summary was submitted to FNS, the program addressed the FNS questions in the NM response, and now FNS will update the document to address the Vexcel MIS delay.			
690 CYFD	**EPICS** is a multi-phase/multi year project to consolidate Children, Youth and Families Department's legacy system (FACTS) and 25+ stand-alone systems into one enterprise-wide web application. The system will support program efforts to build a rapid response to federal, state, and local requirements. A comprehensive view of clients and providers will increase productivity, direct client care, and safety.	$10,636,823	$9,190,511	$19,827,334	$17,001,987	Implementation	3/31/2018	Race to the Top (RTTT) Pre-K and Child Care Phase I implemented April 2017. Child and Adult Care Food Program payments processed in SHARE for RTTT. Law Enforcement Portal live May 2017. Adoption/Foster Dashboard live on May 17.	Develop Summer Foods reports requirements.	The highest risk to the EPICS project is agency resources availability and competing priorities. Resource constraints continue to impact the project schedule; CYFD is working on a contingency plan to reallocate resources or adjust project schedules. Project staff turnover means a loss of business and project knowledge, which takes time to replace. Child Care, Pre-K and Summer Food Reports continue to be at risk due to staffing, time constraints and scope increase. A new contractor started in mid-July. CYFD is reallocating resources (contractor and state FTE) to provide additional support for reports development. This transition is in process. Child Care Phase 2 - Development delayed due to post-production support needs and increased project workload. CYFD continues to monitor resource availability and reallocate resources and/or adjust project schedules as needed through the Change Management process. Another contractor developer resigned the end of August which has caused a workload issue. However, a new contract developer started in mid-September. The project manager is handling due roles of application development supervisor and EPICS project manager. The projects continue to makeprogress with the ongoing development activities for RTTT Childcare and Summer Food subprojects.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Risk
770 CD	**OFFENDER MANAGEMENT SYSTEM (OMS) Replacement Project** The New Mexico Corrections Department (NMCD) will replace its 15-year old client-server offender management system with a commercial-off-the-shelf (COTS) web-based OMS.	$7,800,000	$0	Current estimate is $11,600,000	$1,874,584	Implementation	6/30/2019	Contract awards for project management and independent verification and validation Formal project kickoff. Project management vendor provided initial deliverables.	Initiate gap analysis. Revise project schedule to align with implementation vendor.	The department continues to publish a monthly project eNewsletter for Corrections employees. The project management contract was awarded to Berry Dunn for $250 thousand and the IV&V vendor contract to RE/SPEC is $150 thousand. Gap analysis is expected to be complete by February 2018. Based on the current scope of work the project is estimated to be completed in 24 months. The current scope of work includes 16 out of 17 modules needed for a complete OMS system. NMCD anticipates spending current funding by mid FY19 and estimates needing an additional $3.8 million to complete the project. The department requested an additional $3.8 million in C2 funding for FY19. The department is contracting with a staff augmentation vendor (RKV Technologies) while project activities are ongoing to mitigate risk associated with staffing constraints due to availability and competing priorities. In addition, NMCD has continued to advertise for two IT positions to alleviate resourcing concerns.			
790 DPS	**Computer Automated Dispatch (CAD)** The DPS project will replace the existing CAD system, which is over 10 years old. CAD is used to dispatch 911 calls to officers, map the call location in the dispatch center, provide automatic vehicle location for officers in the field, and provide the National Crime Information Center with access to data.	$4,150,000	$0	$3,976,200	$3,634,461	Implementation	9/27/2017	Amended Hexagon contract. Partial go-live in July 25th - August 3rd, 2017, completed.		Although DPS anticipated completion by September 2017, Valencia and Luna counties delayed their go-live until January 2018, which impacts the projected December project close-out. DPS .			

Source: DoIT IT project status reports, agency status reports, project certification committee documents, Independent Verification & Validation (IV&V) reports, Sunshine Portal, and LFC analysis.

DoIT FY18 1st Quarter Dashboard website:
http://www.doit.state.nm.us/dashboards/FY-2018-Q1/project_dashboards.html

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State of New Mexico
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December 4, 2017

LFC INVESTMENT REPORT FOR THE QUARTER ENDING SEPTEMBER 30, 2017

This report details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC) which manages the land grant permanent fund (LGPF) and the severance tax permanent fund (STPF). This report derives agency performance and market environment information from the investment performance reports submitted by PERA, ERB, and SIC for the quarter ending September 30, 2017.

INVESTMENT PERFORMANCE HIGHLIGHTS

- In the last year, the aggregate value of the state's combined investment holdings for the pension and permanent funds grew by $4.3 billion, or 9.4 percent, to end the quarter at $49.6 billion. ERB and PERA's fund balances grew 7.7 percent and 9.1 percent, respectively, and the aggregate value of the permanent funds managed by SIC grew 10.7 percent.
- One-year returns ranged from 10 percent to almost 13 percent, and each agency outperformed their long-term targets for the one- and five-year periods.
- The permanent funds' investment returns were above the median for the one-year period, based on percentile rankings in the Wilshire Trust Universe Comparison Service (TUCS) peer universe for public funds greater than $1 billion. However, the permanent funds ranked below the median for all other periods reported. ERB's returns were just above the 50th percentile for the three-year period, but below the median for all other periods reported. PERA's investment returns were near or below the lowest quartile for all periods reported.

PERFORMANCE VS. INTERNAL BENCHMARKS

The table below provides the funds' investment returns for the quarter, one-, three-, five-, and 10-year periods ending September 30, 2017. Also displayed are the funds' policy indices, which are a custom benchmark that show the returns that would have been generated if a passive investor consistently followed the agency's asset allocation targets according to their investment policy.

The state's investment funds each generated returns above their long-term targets for the one- and five-year periods, but fell short of those return targets for the three- and 10-year periods. The long-term return targets are 7.25 percent (PERA), 7.25 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

The PERA fund returned 10.4 percent over the last 12 months, above its long-term target but below its internal benchmark for the year. The PERA fund returned 8.1 percent over the last five years, above its long-term target and just above its policy index. PERA's returns also exceeded its internal benchmark for the quarter but fell below the policy index for the three- and 10-year periods.

Investment returns for the ERB portfolio were 11.1 percent over the one-year period and 8.3 percent over the last five years, both exceeding its long-term return target. ERB's returns fell short of its policy index for the quarter and one-year period, but exceeded that internal benchmark for the three-, five-, and 10-year periods.

Returns for the LGPF exceeded the policy index for all periods reported, with the fund returning 12.7 percent over the last 12 months and 8.6 percent over the last five years. The STPF returned 12.6 percent in the one-year period and 8.4 percent in the five-year period, exceeding the long-term targets but only beating the policy index for the one-year period.

Returns as of September 30, 2017 (Net of Fees)[1]

	PERA		**ERB**		**LGPF**		**STPF**	
Returns (%)	**Fund**	**Policy Index**	**Fund**	**Policy Index**	**Fund**	**Policy Index**	**Fund**	**Policy Index**
Quarter	3.0	2.6	3.0	3.3	3.3	3.1	3.2	3.2
1-Year	10.4	10.9	11.1	11.6	12.7	11.3	12.6	11.5
3-Year	5.9	6.5	7.1	6.7	6.6	6.6	6.6	6.6
5-Year	8.1	8.0	8.3	7.7	8.6	8.5	8.4	8.6
10-Year	4.1	5.0	5.3	4.7	5.0	4.6	4.3	4.6

FUND ASSET VALUES

Fund balances grew over in the last year, as shown in the table below. The aggregate value of all four of the state's investment funds grew by over $4 billion, or 9.4 percent, in the last year and grew by $12.6 billion, or 34 percent, over the last five years. The land grant permanent fund, which is the largest of the four funds, added about $1.7 billion to the fund balance year-over-year. ERB added about $895 million, PERA added about $1.3 billion, and the STPF added about $375 million in the last year. All amounts displayed in the table below are net-of-fees and represent annual growth in fund balances less any distributions.

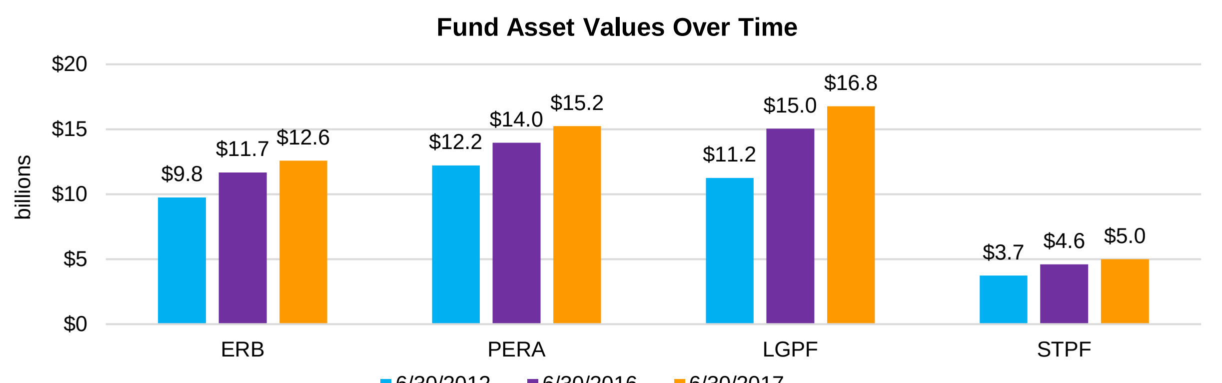
[1] When considering the performance of the state's investment funds, it is important to keep in mind the different investment goals, which influence the funds' risk-to-return choices, particularly in making asset allocation decisions that drive fund returns over the very long term. The pension funds operate under a dual mandate to generate income to pay current retiree benefits and to grow the principal of the fund to pay retiree benefits into the future. The permanent funds' investment goals are to grow the funds such that future generations may receive the same or greater benefits as current beneficiaries.

Current Asset Values* (millions)
For One-Year Period Ending September 30, 2017

	ERB	PERA	LGPF	STPF	TOTAL
Current Asset Value	**$12,580.0**	**$15,239.0**	**$16,768.7**	**$4,987.7**	**$49,575.5**
Annual Change					
Ending Asset Value (9/30/2016)	$11,685.1	$13,973.9	$15,047.1	$4,612.5	$45,318.6
Value Change – Year Over Year	$894.9	$1,265.2	$1,721.6	$375.2	$4,256.9
% Change – Year Over Year	7.7%	9.1%	11.4%	8.1%	9.4%

*Net of Fees

Each of the funds showed significant growth in the last five years, with the LGPF adding $5.5 billion to its fund balance, ERB adding $2.8 billion, PERA adding $3 billion, and the STPF adding $1.3 billion. Notably, as pension funds, PERA and ERB's fund values reflect retiree benefit payouts, which must be made regardless of the amount of contributions received. Distributions from the permanent funds, however, are based on a formula using revenue, contributions, and a five-year average of the fund. Generally, due to these differences in liabilities, the permanent funds tend to have a larger percent change in fund asset values than the pension funds.

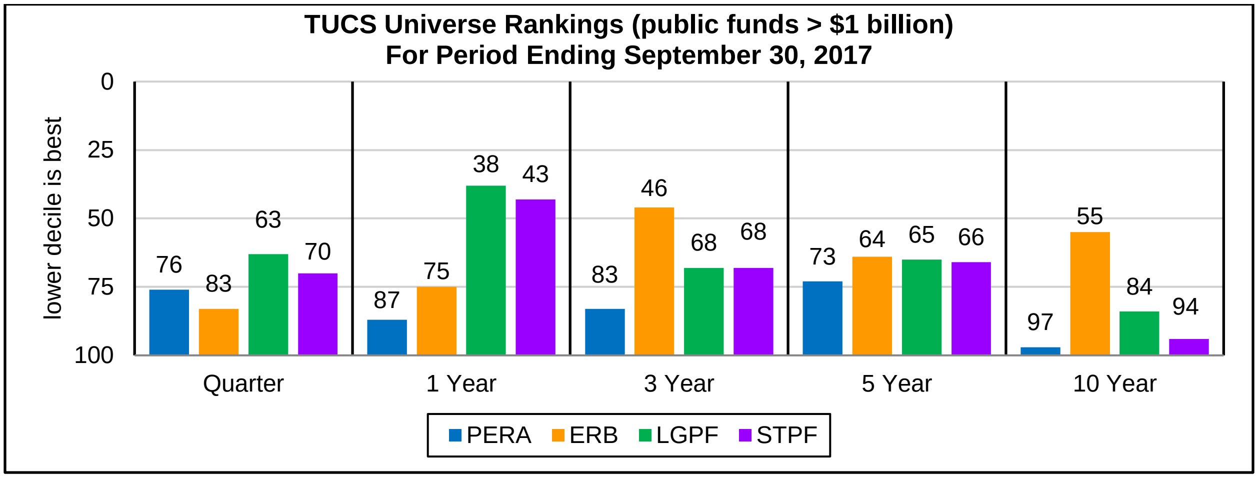


Source: Agency Investment Reports, LFC Files

PERFORMANCE RELATIVE TO PEERS

The Wilshire Trust Universe Comparison Service (TUCS) benchmark service evaluates the performance and allocation of institutional investment assets. The service evaluates New Mexico's investment fund returns alongside approximately 50 public funds with more than $1 billion in assets. The following figure shows gross-of-fees total return rankings for the agencies' large funds for the quarter, one-, three-, five-, and 10-year periods. A lower number (1 is best) denotes better performance when compared with other public funds within a comparable investment universe.[2]

[2] While a useful comparison, universe rankings represent an imperfect measure. Universe rankings focus singularly on a fund's returns compared with the returns of other funds of similar size without consideration of differing missions or investment goals. For example, funds focused on stability with specific distribution requirements, such as pension funds, will choose diversified asset allocations over a very long-term investment horizon. Such a decision recognizes that in a given time period, certain assets classes will underperform and others will outperform – meaning the fund may give up some short-term return potential in favor of less risk over the long-term. As such, a fund may rank very low or very high in a given timeframe, but that ranking may not be indicative of how well suited the fund is for long-



The permanent funds performed at or above the median for the one-year; however, these funds fell below the 50th percentile for all other periods reported. SIC states, given the portfolio structure of the permanent funds, it expects to be in the third quartile primarily due to outsized returns of the publicly-traded equity markets. The LGPF relies somewhat less on publicly-traded equity markets for return than the average peer fund. However, SIC states excess returns from active management in the last year is presently greater than the peer group, which moved the permanent funds above the median for the one-year period.

The ERB fund was the only one to rank in the 2nd quartile for the three-year period. However, the fund performed below the median for all other periods reported. Due to strong equity performance and the portfolio's relatively low equity exposure, ERB states the rankings are in line with what the agency would expect given its asset allocation. Having intentionally diversified away from a heavy stock market exposure, ERB recognizes the fund will give up potential returns in bull markets in favor of additional stability in moderate or negative return markets.

PERA also notes its relative underweight in equity relative to the peer universe, as well as its relative overweight in fixed income investments, detracted from performance. The fund ranked near or below the lowest quartile for all periods reported. PERA views the fund rankings as an indication of their defensive asset allocation relative to their peers. As such, PERA does not expect to outperform against funds that have higher exposures to risky asset classes, such as global equity.

MANAGEMENT FEES

For fiscal year 2017, the investment agencies prepared a compilation of management fees for each of their investment portfolios. The fees listed in the tables below include the management, administrative, audit, operational, and staff costs associated with administering the investment plans. The table includes both the dollar amount of management fees and the cost in basis points, which considers the cost relative to the size of the overall fund.[3] The amounts paid for performance, also known as carried interest, is a share of the profits generated on an investment that a manager receives as compensation and is intended to

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term viability. Specifically, funds with heavy equities exposure may rank high during stock market rallies but risk significant losses in the event of a market crash.

[3] One basis point is one hundredth of one percent, or 0.01 percent.

motivate improved performance. Since management fees only cover the cost of managing the fund, carried interest is often considered separately.

In FY17, ERB paid about $99 million in management fees, or 65 basis points, and $63.2 million in performance fees. ERB has lowered the cost of its management fees over the last fiscal year, which were $107.8 million, or 84 basis points, in FY16. The agency has employed are variety of cost-saving strategies, including switching to index funds in asset classes where managers have not consistently beat the market and bringing some asset classes under internal management. In FY17, about 21 percent, or $2.4 billion, of the ERB portfolio was passively managed and about 8 percent, or nearly $1 billion, was actively managed internally. The remaining 71 percent, or $8.3 billion, is actively managed externally. ERB notes that in the fourth quarter of this year the agency implemented their mid-cap U.S. equity index, which replaced two active managers and is expected to save the fund over $2 million in annual fees.

Educational Retirement Board - Asset Management Fees Paid FY 2017

Asset Class	Management Fees	Performance Fees	Total	Percentage	Annual Cost (in bps)
Domestic Equity	$ 3,191,570	$ -	$ 3,191,570	2.0%	12
International Equity	$ 11,977,982	$ -	$ 11,977,982	7.4%	67
Fixed Income	$ 1,726,474	$ 2,001,971	$ 3,728,445	2.3%	14
Private Equity	$ 19,771,364	$ 9,136,987	$ 28,908,351	17.8%	71
Private Real Estate	$ 9,480,800	$ 1,881,245	$ 11,362,045	7.0%	93
Real Return	$ 16,108,006	$ 3,961,131	$ 20,069,137	12.4%	146
Hedge Funds	$ -	$ -	$ -	0.0%	0
Opportunistic Credit	$ 27,642,654	$ 46,267,396	$ 73,910,050	45.6%	92
GTAA	$ 6,953,978	$ -	$ 6,953,978	4.3%	116
Risk Parity	$ 2,143,308	$ -	$ 2,143,308	1.3%	34
Cash	$ -	$ -	$ -	0.0%	0
Total	$ 98,996,137	$ 63,248,729	$ 162,244,866	100.0%	65

Over this past fiscal year, PERA paid $68.1 million in management fees, or 41 basis points, and $33.8 million in performance fees. In FY17, about 48 percent, or $7.1 billion was actively managed by external managers while the remaining 52 percent, or $7.8 billion is passively managed. While PERA's management fees are higher than in FY16 ($57.3 million, or 36 basis points), the agency's heavier reliance on passive management translates into the lowest amount and proportion of management fees relative to the other state funds.

Public Employees Retirement Association - Asset Management Fees Paid FY 2017

Asset Class	Management Fees	Performance Fees	Total	Percentage	Annual Cost (in bps)
Domestic Equity	$ 4,201,659	$ 27,758	$ 4,229,416	2.6%	45
International Equity	$ 3,996,796	$ 1,340,585	$ 5,337,380	3.3%	8
Fixed Income	$ 4,551,048	$ -	$ 4,551,048	2.8%	14
Private Equity	$ 14,040,342	$ 13,767,174	$ 27,807,517	17.1%	92
Private Real Estate	$ 7,168,047	$ 3,245,386	$ 10,413,433	6.4%	61
Real Return	$ 13,244,604	$ 5,577,081	$ 18,821,685	11.6%	90
Hedge Funds	$ 9,636,725	$ 7,911,369	$ 17,548,094	10.8%	120
Opportunistic Credit	$ 11,240,055	$ 1,885,662	$ 13,125,717	8.1%	55
GTAA	$ -	$ -	$ -	0.0%	0
Risk Parity	$ -	$ -	$ -	0.0%	0
Cash	$ -	$ -	$ -	0.0%	0
Total	$ 68,079,276	$ 33,755,015	$ 101,834,291	62.8%	41

The State Investment Council paid $135.3 million in management fees in FY17, or 56 basis points, and $76.7 million in performance fees. About three quarters of the permanent funds are actively managed externally, which is about $11.9 billion for the LGPF and $3.6 billion for the STPF. The remainder of the funds are passively managed, which is about $4.4 billion for the LGPF and $1.3 billion for the STPF. SIC states its active management strategies have returned about 3.5 times the management fees paid over the year ending September 30, earning roughly $450 million in excess return.

State Investment Council- Asset Management Fees Paid FY 2017					
Asset Class	Management Fees	Performance Fees	Total	Percentage	Annual Cost (in bps)
Domestic Equity	$ 12,598,642	$ -	$ 12,598,642	7.8%	22
International Equity	$ 13,457,403	$ -	$ 13,457,403	8.3%	34
Fixed Income	$ 7,665,332	$ -	$ 7,665,332	4.7%	19
Private Equity	$ 35,839,954	$ 33,000,015	$ 68,839,969	42.4%	98
Private Real Estate	$ 19,973,292	$ 12,737,322	$ 32,710,614	20.2%	81
Real Return	$ 24,146,574	$ 13,900,164	$ 38,046,738	23.5%	86
Hedge Funds	$ 13,316,896	$ 9,737,922	$ 23,054,818	14.2%	162
Opportunistic Credit	$ 8,286,651	$ 7,309,313	$ 15,595,964	9.6%	118
GTAA	$ -	$ -	$ -	0.0%	0
Risk Parity	$ -	$ -	$ -	0.0%	0
Cash	$ -	$ -	$ -	0.0%	0
Total	$ 135,284,744	$ 76,684,736	$ 211,969,480	130.6%	56

ACTUAL VS. TARGET ASSET ALLOCATIONS

The target asset allocations shown below represent the investment funds' portfolio structure, detailing how investments are made. Each of the investment agencies focus on a diversified portfolio, spreading out investments across a variety of asset classes. The table below shows the current actual asset allocation for the period ending September 30, 2017, compared with the funds' policy targets (except PERA, whose strategic asset allocation follows a different structure).

	ERB		PERA	LGPF		STPF	
	Actual	Target	Actual	Actual	Target	Actual	Target
US Equity	18.4%	20.0%	6.4%	26%	26%	25%	26%
International Equity	15.0%	15.0%	29.8%	20%	18%	21%	18%
Global Equity*			6.3%				
Fixed Income	7.9%	6.0%	21.6%	22%	23%	21%	22%
Emerging Market Debt	1.8%	2.0%	3.5%				
Total Alternatives	54.9%	56.0%	29.4%	31.3%	32.0%	31.7%	33.0%
Private Equity	11.6%	11.0%	5.0%	10%	9%	11%	10%
Real Estate	7.1%	7.0%	6.0%	9%	9%	9%	9%
Real Assets	6.4%	8.0%	7.0%	10%	9%	9%	9%
Absolute Return			0.2%	3%	5%	3%	5%
Hedge Funds			0.5%				
ETI**							
Opportunistic Credit	19.7%	20.0%	10.7%				
Global Asset Allocation	4.9%	5.0%					
Risk Parity	5.2%	5.0%					
Cash Equivalents	2.2%	1.0%	3.0%	1%	1%	1%	1%
Total Fund %	100%	100%	100%	100%	100%	100%	100%

*Unlike the other investment funds, PERA's global equity asset class includes domestic and international public securities, global low volatility equity, hedged equity, and private equity.

**Economically targeted investments

RISK PROFILES

Risk is an inherent component of investing in financial markets. As risk of an investment fund is a function of the strategic asset allocation, it is prudent to keep the risk within tolerant levels to achieve the overall goals of the plan. This report utilizes a few key measures to evaluate the impact that risk plays in an investment portfolio. The table below reports funds' standard deviation, Sharpe Ratio, and beta for the five-year period ending September 30, 2017. This report uses the five-year period as a proxy for the portfolios' risk profiles over the course of a full market cycle.

Risk Metrics*, Five Years Ending 09/30/17

	ERB	PERA	LGPF	STPF
Standard deviation	4.6	5.84	4.89	4.88
Sharpe Ratio	1.8	1.35	1.70	1.67
Beta	0.92	1.13	0.97	0.96

*Net of fees

Standard deviation measures the fund's expected variability (deviation) of returns from the mean return. Investments that are more volatile generate a higher standard deviation. Of the four funds, PERA demonstrated the highest standard deviation, indicating higher volatility relative to the other funds. PERA is still in the process of transitioning its portfolio to new policy targets. During the transition period, the PERA portfolio has shown greater volatility than its policy index, which is more diversified.

The Sharpe Ratio measures the risk-adjusted performance of a portfolio. The higher the number, the higher the return-to-risk level.[4] Typically, a good ratio is 1 or better, a very good ratio is 2 or better, and an excellent ratio is 3 or better. Each of the funds had a "good" Sharpe Ratio for the five-year period (between 1 and 2), suggesting a fair level of return for the investment risk taken.

Beta represents the volatility of the portfolio versus the policy index.[5] The beta for the PERA was just over 1.1, demonstrating more volatility relative to the other funds and greater volatility compared to its policy index.

[4] An example of a risk free return is a 5-year treasury bond.
[5] Beta = 1: portfolio moves with the market. Beta < 1: portfolio is less volatile than market. Beta > 1: portfolio is more volatile than the market.

ATTACHMENT 1 – INVESTMENT RETURNS