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

Pursuant to the Accountability in Government Act (AGA), quarterly reports are required of key agencies, including performance measures and targets approved by the Department of Finance and Administration (DFA) in consultation with LFC for the fiscal-year, 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 the report cards, along with a green, yellow, or red rating that indicates how well the agency is progressing in meeting its performance targets. To add context to the report cards, and to fill gaps in some 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 over time.

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

Taxation and Revenue Department *(page 10)*

Eight of 13 leadership positions are vacant or filled with acting-personnel including the cabinet secretary, tax policy director, Motor Vehicle Division (MVD) director, and Audit and Compliance director. Despite the instability of leadership, the department continues to meet most performance targets including collection of outstanding balances, MVD call center wait times, and tax protest cases resolved; however, the department continues to fall short of the target for wait times in MVD field offices. Current performance measures do not provide a full picture of TRD services or the challenges facing the department. For example, the department is meeting the target for collection and distribution of delinquent property taxes but local governments claim the department is inaccurately collecting and distributing GRT taxes. In the 2018 GAA, the Legislature adopted more than a dozen measures including the number of income tax returns processed, flagged as questionable, and stopped; turnover rate of tax fraud investigators; MVD system downtime; and the amount of general fund revenue pending from unresolved tax protest cases. However, the governor vetoed all new performance measures. LFC staff intend to work with DFA to implement new measures and improve existing measures.

Human Services and Medicaid *(page 12)*

The Human Services Department's (HSD) Medicaid program has several performance measures for which quarterly data had been provided previously but are now listed as explanatory with no target or quarterly data, or are now only reported annually. It is concerning that national, standardized programs of this size and importance are not maintaining consistent baseline reporting on core measures including individuals receiving diabetes testing and numbers of emergency room, well-child and pre-natal care visits. The U.S. District Court in Las Cruces heard the special master's report in the Debra Hatten-Gonzales lawsuit against HSD regarding problems with enrollment in SNAP and Medicaid programs. The special master's report indicated HSD made progress in meeting requirements of the consent decree, but problems still remain including changing the managers in charge of oversight and operation of the programs. Participation rates for families meeting temporary assistance for needy families work requirements declined in the second quarter of FY18 and the Income Support Division reports it increased monitoring of the New Mexico Works service provider. The Child Support Enforcement Division (CSED) reports a reduction in the percent of cases with support orders and cites vacancy rates and IT system limitations as some of the contributing factors.

Behavioral Health *(no second quarter report card)*

At the time of this report, LFC had not received the Behavioral Health Services Division (BHSD) performance report for the second 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 16)*

To reduce teen and unplanned pregnancies, the department was appropriated $250 thousand for FY19 to purchase long-acting reversible contraceptive devices and improve same day access, and to improve provider training. 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. While progress was made in recent years, New Mexico still has one of the highest teen birth rates in the nation.

The alcohol-related death rate in New Mexico is trending upward, increasing 34 percent between 2010 and 2016. Since 1981, New Mexico's alcohol-related death rate ranked 1st, 2nd, or 3rd in the U.S, nearly double the national rate for two decades. The negative consequences of excessive alcohol use are costly and lead to diseases and other negative outcomes costing New Mexico $2.2 billion in 2010.

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.

Aging and Long-Term Services *(page 20)*

Recognizing that the state’s system for providing services to older and incapacitated adults may be inadequate, the department is conducting an internal review which will lead to an updated state plan on aging, review of performance measures and data collection, and actions for improvement. Additionally, in December the department began an effort to end its contract with the North Central New Mexico Economic Development District, the statewide area agency on aging (AAA). Since then, the department reversed course, started working on an implementation plan to improve accountability, and will likely reduce the scope of the contract in FY19, if feasible.

Children, Youth and Families *(page 22)*

Statewide, families are struggling with significant risk factors such as poor economic conditions and high substance abuse rates. Providing children additional supports to reduce risk factors and stabilize families remains a key priority for the state. Both quarter one and quarter two performance reporting indicate significant improvement for foster care placement stability above previous years’ performance. The Protective Services program reported an average 10 percent increase for children in custody over 12 months with no more than two placements. However, the Early Childhood Services program continues to report that some childcare providers have yet to fully transition to the state’s third generation tiered quality rating and improvement system (TQRIS), named Focus, resulting in below target performance for licensed care providers participating in high quality programs.

Public Safety *(NMCD, page 25; DPS, page 27; Public Safety Dashboard, page 28)*

The Department of Public Safety (DPS) continues to meet targets for commercial motor vehicle inspections and citations and is cracking down on drug trafficking, taking 6,000 pounds of methamphetamine, cocaine, heroin, and marijuana out of communities. Recognizing DPS’ work on drug trafficking, the Drug Enforcement Administration recognized the department for exceptional drug interdiction performance. DPS has also made progress testing sexual assault evidence kits – 638 kits have been tested of the 1,130 kits received. To further the department’s work, the Department of Justice awarded DPS a $2 million grant to fund processing, tracking, and reporting of the remaining sexual assault evidence kits in DPS's jurisdiction. Finally, the Legislature authorized in 2016 $7.5 million for a new Crime Lab and Evidence Center in Santa Fe to replace the cramped, out-of-code facility currently being used. DPS has issued a request for proposals for the evidence center with architectural contracts expected to be in place by this summer. The agency plans to request additional funding for a storage component for the lab in the 2019 session.

The New Mexico Corrections Department (NMCD) is meeting targets for contacts with high risk offenders in the community and recidivism rates for women graduating from the Recovery Center; however, vacancy rates among security staff and probation and parole officers, high caseloads among probation and parole officers, and prevalence of inmate-on-inmate violence in prison all raise red flags. NMCD states low staffing patterns exacerbate these issues; however, increased drug abuse in prison could be a factor and more data is needed to understand its affects. LFC staff are concerned about data quality in some instances. It is critical that the department maintain a strong monitoring and action plan to aid in validating data.

LFC staff produced a criminal justice dashboard focusing on crime, incarceration, prosecution, and recidivism in Bernalillo County to help address acute issues faced in the Albuquerque area. According to the Albuquerque Police Department (APD), serious crimes decreased 18 percent to 3,642 year-over-year in January (January 2018 as compared to January 2017). APD traffic stops doubled to 4,874 and total jail bookings increased 8 percent year-over-year to 2,283. Since the November 2016 constitutional bail reform, the number of inmates detained in jail unable to pay bond fell from 410 to 68 year-over-year in January while the number of inmates detained on preventative detention increased from 14 to 181. The number of new felony cases opened in district court in January fell 6 percent year-over-year to 573, though the percent of all new felony cases that the DA has found probable cause on increased. The number of vacant attorney positions increased from 6 to 19 and the total number of felonies prosecuted to a plea or conviction decreased 25 percent to 158.

Public Education *(page 29)*

The Public Education Department (PED) set the FY18 final unit value at $4,084.26, a $30.71, or 0.8 percent, increase from the preliminary unit value. This increase will distribute an additional $19 million to public schools, but leave an estimated $11 million on the table for a potential adjustment at the end of the fiscal year.

New Mexico's four-year, high school graduation rate for the 2015-2016 school year was 71 percent, the second lowest rate in the nation. For the 2016-2017 school year, the graduation rate remained flat. To reach the national four-year graduation rate of 84 percent, the state will need to graduate an additional 3,456 high school students.

PED is meeting most targets for auditing funding formula components and processing budget adjustments and reimbursements. Additionally, more funding is available for prekindergarten and K-3 Plus programs in FY19.

Higher Education *(page 32)*

The Higher Education Department (HED) tracks annual composite financial index (CFI) scores used by the Higher Learning Commission to determine the fiscal health of each college and university. Six institutions, most of which are community colleges, demonstrate an average CFI score indicating good overall financial health. CFI scores at two institutions –Western New Mexico University, and Central New Mexico Community College – dipped to levels requiring the institutions to provide additional documentation in previous years; however, both institutions significantly improved in the most recent fiscal year. Clovis Community College has consistently maintained the highest CFI score in the state over the last five years and continues to demonstrate sound fiscal practice.

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

The Legislature increased funding for the Oil Conservation Division (OCD) by $3 million to ensure the oil reclamation fund is used for its intended purpose of plugging abandoned wells. The additional funding will pay for salaries previously paid from the reclamation fund. OCD typically plugs 30 wells per year but, following the legislative session, the agency announced plans to plug 60 wells during 2018. While this represents a significant increase in plugging, the State Land Commissioner estimates there are 600 inactive oil wells on state trust lands.

While the New Mexico Environment Department has been providing quarterly reporting data timely, the department remains oriented toward output-based performance measures and should consider expanding quarterly reporting measures to include public health and safety issues.

The Office of the State Engineer continues to struggle in processing water rights applications and abstracting transactions largely due to a high vacancy rate; the OSE has vacancy rates over 20 percent across all programs.

Economic Development and Tourism *(EDD, page 39; Tourism, page 41)*

The Economic Development Department's (EDD) performance results for the second quarter decreased in significant areas such as jobs created due to department efforts and jobs created using of Local Economic Development Act Funds. The New Mexico Partnership, which is EDD's largest contract of $1 million, still has not recorded any job growth due to their efforts for the 2018 fiscal year.

The Tourism Department has already met several annual targets. By the end of the first quarter, 76 percent of the Department's operating budget was appropriated for advertising and marketing. The leisure and hospitality industry continued to see substantial growth in employment the second quarter, reporting a 3.8 percent change in New Mexico.

Workforce Solutions Department *(page 43)*

Poor economic conditions remain significant, resulting in one of the highest unemployment rates in the nation coupled with low wages for those who are employed. Wait times for those seeking unemployment insurance (UI) benefits spiked during the second quarter and veterans services continued to miss targeted performance. The UI trust fund balance declined during second quarter as a result of more benefit payouts than contribution revenue. However, healthy trust fund balances overall absorbed benefit payouts.

General Government *(GSD, page 46; SPO, page 49; DOT, page 51)*

Due to statute of limitations and a six month non-disclosure rule, only one-third of payments from the public liability fund were disclosed in the Risk Management Division's (RMD) annual report to the Legislature. The Legislature put these restrictions in place to prevent unscrupulous persons using the data to bring similar claims, according to RMD. For the Facilities Management Division, most new office leases meet space standards but some lease renewals do not because of special programmatic needs or refusal by some occupying agencies to consider other options. For State Purchasing, agency buying is not always well planned adding to cost and performance issues and contract administration could be improved.

State agencies are experiencing growing numbers of vacant positions and delays in filling positions. Part of these delays and vacancies may be attributable to the human resources (HR) consolidation led by SPO which has resulted in growing vacancies in HR positions across the state and delays in personnel actions.

Despite aggressive recruitment and targeted salary increases for positions including highway maintenance workers and engineering technicians, NMDOT vacancy rates continue to increase; in the second quarter of FY18, the department reported a 16 percent vacancy rate, up from 12 percent in FY15. NMDOT reported 94 percent of projects were put out for bid on schedule and 86 percent of projects were completed on time in the second quarter. The average cost-over-bid amount was 1.4 percent.

Information Technology Projects *(page 55)*

The estimated cost for 12 key projects included in the IT status report is over $280 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. Laws 2018 appropriated additional funding for several on-going key projects to complete implementation. The ONGARD replacement project rating for the State Land Office (SLO) improved by securing additional funding for FY19 and identifying two viable approaches moving forward. However, SLO's lack of progress in planning and recent staff departures leaving fewer subject matter experts are still of concern. The Public Employees Retirement Association (PERA) Retirement Information Online (RIO) enhancement project has a red rating for risk due to the lack of resources dedicated to crucial project activities. 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).

Investments *(page 61)*

In calendar year 2017, the aggregate value of the state's combined investment holdings for the pension and permanent funds grew by nearly $5 billion, or 10.8 percent, to end the quarter at $50.9 billion. One-year returns ranged from 13.9 percent to 15.1 percent. ERB and the permanent funds outperformed their long-term targets for the one-, three-, and five-year periods; and PERA outperformed its long-term target for the one- and five-year periods. When compared with peer funds greater than $1 billion on a net-of-fee basis, ERB's and the permanent funds' investment returns ranked above the median for the 10-year period. ERB's fund ranked above the median for the three-year period, and the LGPF ranked above the median for the five-year period. SIC's funds ranked below the median for the quarter, the year, and the three-year periods. PERA's investment returns ranked in the lowest quartile for all but the five-year period, which was near the median.

Courts and Justice *(page 67)*

In the second ever quarter of unified reporting for the justice system in New Mexico, workload trends continued to fall despite rising crime rates in New Mexico. The decrease in cases entering the justice system suggests a worsening disconnect in crime and policing, a greater concentration of crimes committed by fewer people, and/or seasonal trends. For the district attorneys, case referrals fell especially in the 2nd Judicial District. The Public Defender Department continued to report data reliability issues facing contract attorneys around the state which resulted in skewed data for the second quarter. The Administrative Office of the Courts has made considerable progress in lowering the average cost per juror in the first two quarters of FY18, exceeding the target for the first time since FY14. So far this year, jury costs have been reduced by a third from the average of the past five years and fallen by nearly half from a high in FY17. Gains in efficiency have resulted from a new jury management system and legislation restricting mileage reimbursements.

The new criminal justice dashboard focusing on crime in Bernalillo County will include a significant contribution of information from the courts, public defenders, and district attorneys to demonstrate how cases are proceeding through the system.

Update on governor vetoes from the 2018 Legislative, Second Session

On March,7 2018 the governor signed the House Appropriations and Finance Committee Substitute which included vetoed language for performance measures the Legislature enacted to increase transparency and improve accountability for how key agencies are carrying out their missions and managing increased resources. The vetoed performance measures included all performance measures for the 14 district attorneys, which leaves no reporting requirements for how well caseloads are managed; a measure related to timely review of audit reports by the State Auditor; measures related to personal income tax filings, delinquent property sales, and income expected from resolving tax protests for the Taxation and Revenue Department; and all performance measures for the State Personnel Office which included time to fill positions, vacancy rates, and average mid-point salary ranges for classified staff.

Elements of Good Performance Measures	**Agency Quarterly Reports**	**Elements of Key Agency Reports**	**Elements of LFC Performance Report Card**
Ideal performance measures should be • ***Useful:*** Provide valuable and meaningful information to the agency and policymakers • ***Results-Oriented:*** Focus on outcomes • ***Clear:*** Communicate in a plain and simple manner to all stakeholders (employees, policymakers, and the general public) • ***Responsive:*** Reflect changes in performance levels • ***Valid:*** Capture the intended data and information • ***Reliable:*** Provide reasonably accurate and consistent information over time • ***Economical:*** Collect and maintain data in a cost-effective manner • ***Accessible:*** Provide regular results information to all stakeholders • ***Comparable:*** Allow direct comparison of performance at different points in time • ***Benchmarked:*** Use best practice standards • ***Relevant:*** Assess the core function of the program or significant budget expenditures	Each quarterly report should include the following standard items • Agency mission statement • Summary of key strategic plan initiatives • Program description, purpose and budget by source of funds • How the program links to key agency initiatives, objectives, and key performance measures • Action plan describing responsibilities and associated due dates	Key Measure reporting should include • Key performance measure statement • Data source to measure key measure results • Four years of historical data (if available) • Current quarter data (both qualitative and quantitative) • Graphic display of data as appropriate • Explanation for measures 10 percent or more below target • Proposed corrective action plan for performance failing to meet target • Action plan status • Corrective action plan for action plan items not completed	Each quarterly Report Card should include the following standard items • Key events or activities that affected the agency in the previous quarter • Status of key agency initiatives • National benchmarks for key measures, when possible • Explanation for any area(s) of underperformance • Agency action plans to improve results Analyst may include: • Measures or data reported by another reputable entity when agency data is inadequate

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

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

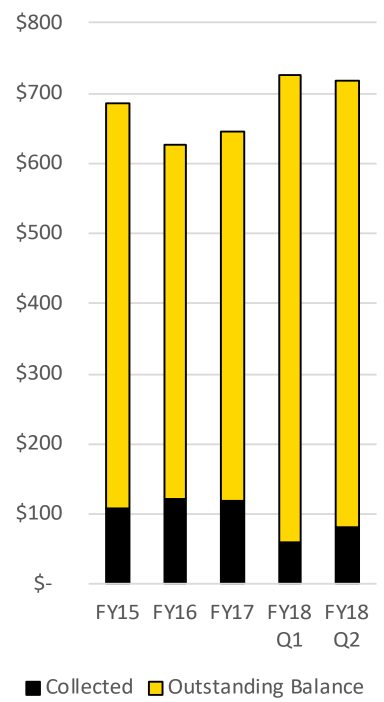
ACTION PLAN

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

TRD Administration		
Position	Acting	Vacant
Cabinet Secretary	X	
General Counsel	X	
Tax Policy Director		X
Chief Economist		X
MVD Director	X	
Audit and Compliance Director		X
Tax Fraud Investigations Director	X	
ASD Director	X	

Source: TRD Org. Chart

Collection of Outstanding Balances (in millions)



Source: TRD and LFC files

Taxation and Revenue Department

There are notable concerns about the agency, including the experience and qualifications of leadership staff as well as a lack of data and poor data quality. Data challenges include an inability to consistently report credits and exemptions and explain changes in unreconciled receipts. In addition, some local government entities have questioned TRD's ability to correctly assess property taxes and distribute gross receipt taxes, threatening to pursue litigation.

Current performance measures do not provide a full picture of TRD services nor the challenges facing the department. The Legislature approved more than a dozen new performance measures and targets as a part of the 2018 GAA to improve accountability; however the governor vetoed all new performance measures.

Despite these concerns, TRD recently made efforts to address LFC staff information requests. TRD and LFC economists worked together to create a gross receipts tax (GRT) database to improve revenue tracking, forecasting, and other analysis of GRT revenues. The agency is working to provide LFC with monthly updates to keep the database current and accurate over time.

Tax Administration

The Tax Administration Program is on track to meet its annual performance targets. New measures adopted by the Legislature will improve revenue tracking and collection oversight. New measures include tracking the number of returns flagged as questionable, returns processed and stopped, and collection of outstanding balances from two-years prior. The program collected $80.8 million, or 11.3 percent, of the $716.8 million collectible-outstanding balance in the second quarter. Additionally, the program collected $15.3 million, or 46 percent, of $33.3 million in collectible audit assessments

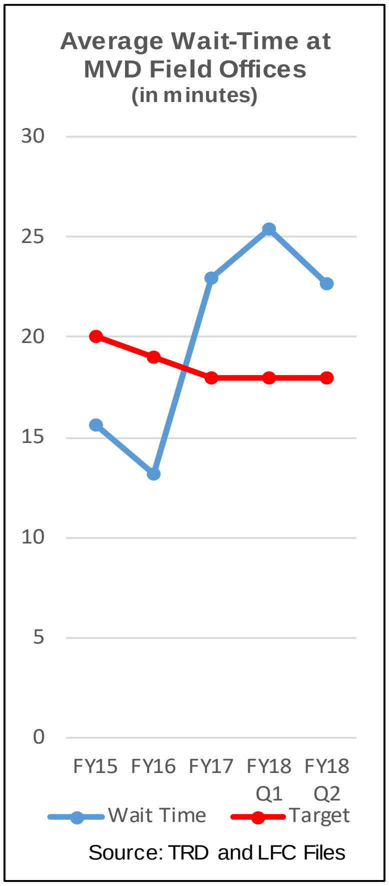
Tax Administration			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $29.8 million		FTE: 495.8							
1	Collections as a percent of collectible outstanding balances from the end of the prior fiscal year		19%	18%	18%	8%	11.3%		G
2	Collections as a percent of collectible audit assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year		43%	58%	60%	33%	46%		G
Program Rating			Y	Y					G

Compliance Enforcement

The number of tax investigations referred to prosecutors annually is typically fewer than 10, causing significant year-over-year changes in this measure.

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

*Measure reported annually



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 Section 7-38-62 NMSA 1978. The agency noted there were a few late reporting counties in the first quarter, which are now accurately reflected in the second quarter report. The agency appears to be on track to meet its annual performance target.

Property Tax Budget: $3.8 million	FTE: 39	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
4	Delinquent property tax collected and distributed to counties, in millions	$11.6	$11.5	$11	$3.7	$2.4		G
Program Rating		G	G					G

Motor Vehicle

Of the nearly 70 MVD field offices, 38 are equipped with "q-matic" systems, measuring wait-times for all transaction types. The MVD program served 401 thousand customers in the second quarter, and while performance improved from the first quarter, service times were 4:40 slower than the 18-minute target. MVD did outperform its target for call center wait times, answering 65.6 thousand calls with an average wait time of 3:39. The Legislature adopted a new performance measure to track unexpected MVD system interruptions.

Motor Vehicle Budget: $26.7 million	FTE: 340	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
5	Registered vehicles with liability insurance	92%	90%	93%	91%	90%		Y
6	Average wait time in "q-matic" equipped offices, in minutes	13:08	22:56	18:00	25:24	22:40		Y
7	Average call center wait time to reach an agent, in minutes	6:07	4:33	<6:00	4:11	3:39		G
Program Rating		G	Y					Y

Last year, a TRD employee pled guilty to felony charges for reducing taxpayer liability in exchange for cash payments. LFC staff recently sent a letter to TRD requesting information regarding policies, processes, and internal controls changed by the agency to prevent future incidents of this nature.

Program Support

Though the department is on track to meet its performance target for the number of tax protest cases resolved, TRD has provided limited tax protest data to the LFC since first requested in July, 2017. The agency provided the LFC with number of cases and total assessments and refunds; however, this information does not adequately contribute to revenue forecasts. The LFC requested the number of tax protests cases by tax program and associated dollar amounts. To address the lack of information, the Legislature approved a new measure to capture the amount of general fund revenue pending from unresolved tax protest cases.

Program Support Budget: $19.6 million	FTE: 182	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
8	Tax protest cases resolved	1897	1524	1400	433	345		G
9*	Internal audit recommendations implemented	93%	91%	90%	N/A	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 recent special master's report indicated HSD has made progress in meeting requirements of the consent decree, but problems still remain including changing the managers in charge of oversight and operation of the 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.

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). 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.

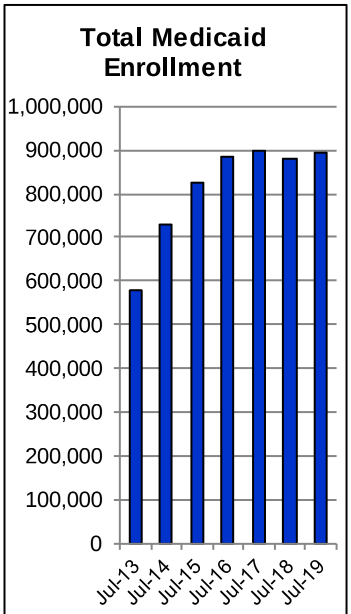
However, the department will only report annual data on seven baseline measures including individuals with diabetes who were tested during the year, emergency room visits per one thousand member months, justice-involved individuals determined eligible for Medicaid prior to release, numbers of well child 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.

MCOs provide incentives for patients to access prenatal care through the Centennial Care Member Rewards program which HSD reports has a 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.

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.



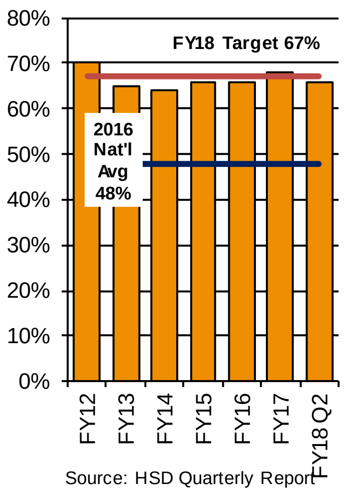
Source: HSD January 2018 Medicaid Projection

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. HSD included home visiting in its Centennial Care 2.0 Medicaid waiver application.

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

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

Medicaid Children Receiving Annual Dental Visit



Source: HSD Quarterly Report

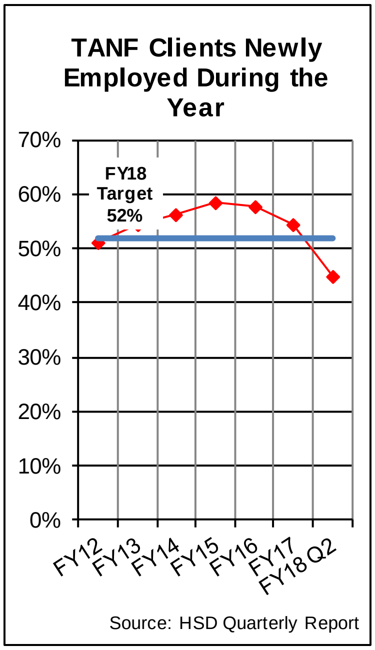
Home and Community Based Services were opened up to any Medicaid member who met a nursing facility level of care (NFLOC) in 2014 and this allowed for more members to receive assistance in their homes or community. In the last four years, more than 80 percent of the total Medicaid members with a NFLOC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

Medical Assistance		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $5,178,887.1	FTE: 184.5							
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%	66%		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 categorized as non-emergent care	NEW	NEW	500	478	454		G
5	Hospital readmissions for children ages two to seventeen within thirty days of discharge	8%	7%	6%	6%	5%		G
6	Hospital readmissions for adults eighteen and over, within thirty days of discharge	13%	10%	<10%	10%	6%		G
7*	Justice-involved individuals determined eligible for Medicaid prior to release	NEW	NEW	N/A	No Report			
8	Rate of short-term complication admissions for Medicaid managed care members with diabetes, per one hundred thousand member months	NEW	NEW	350	150	160		G
9	Medicaid managed care members enrolled in a patient centered medical home and health homes, in thousands	NEW	NEW	215	346	333		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%	86%		G
14	Medicaid members that received hepatitis C treatment	NEW	NEW	1,200	Annual			
Program Rating		R	Y					Y

*Explanatory measure are provided for information purposes and do not have a target.
**Final calendar year 2017 data audited by National Committee for Quality Assurance (NCQA) using administrative claims data and medical records.

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

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



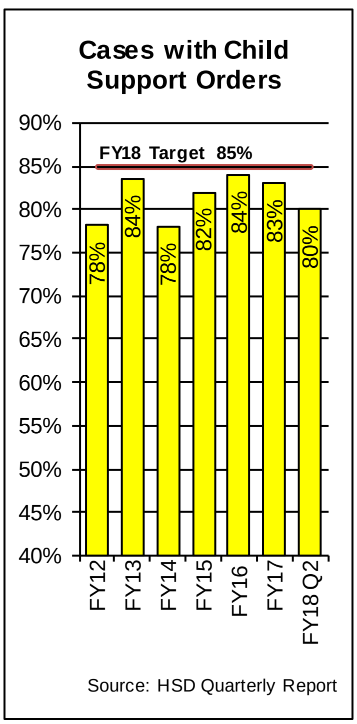
The table below provides per capita (per member per month) data for FY15 through FY17 on costs for various services provided under the Medicaid program.

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 families meeting temporary assistance for needy families (TANF) work requirements declined in the second quarter of FY18. ISD reports it increased its meeting frequency and monitoring of the New Mexico Works service provider who is training its employees on working with individuals with multiple barriers to employment and has implemented re-engagement teams to follow-up with clients with daily phone calls, letters and home and site visits.

In November 2016, a federal judge appointed a special master to provide objective assistance to the department to come into compliance with court orders for eligibility determination of SNAP and Medicaid benefits, and the percent of expedited SNAP cases appears to be improving.



Income Support Budget: $984,567.1	FTE: 1,075	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
15	Temporary assistance for needy families two-parent recipients meeting federally required work requirements	63%	55%	62%	57%	58%		R
16	Temporary assistance for needy families recipients (all families) meeting federally-required work requirements	54%	52%	52%	52%	45%		R
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%	98%		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 and implement national best practices to increase performance, but no data was reported so the success of the pilot is indeterminate. The division reports a decline in the percent of cases with support orders and reports vacancy rates and IT system limitations are contributing factors.

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.

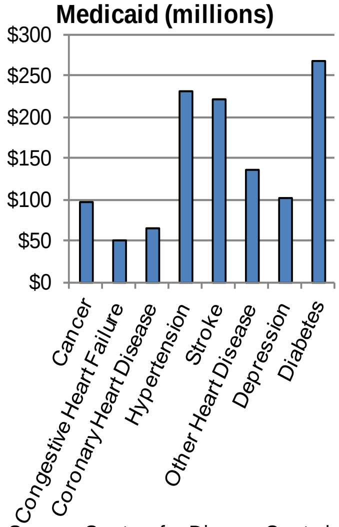
Child Support Enforcement		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $30,471.8	FTE: 383							
20	Child support cases having support arrears due, for which arrears are collected	62%	61%	67%	Annual			
21*	Total child support enforcement collections, in millions	$141	$140	N/A	No Data	No Data		R
22	Current child support owed that is collected	56%	56%	62%	55%	56%		R
24	Cases with support orders	84%	83%	85%	81%	80%		R
Program Rating		G	R					R

* Explanatory measure are provided for information purposes and do 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

The department switched to reporting performance through a new online system. 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 new system includes functions allowing the department to provide action plans, data history, best practices, and strategy and other states use the system.

	New Mexico Health Indicators	FY15	FY16	US 2016
1	Drug overdose death rate per 100,000 population	25	25	20
2	Births to teens aged 15-19 per 1,000 females aged 15-19	34	29	22
3	Alcohol-related death rate per 100,000 population*	66	66	32
4	Falls-related death rate per 100,000 adults aged 65 years or older*	104	92	58
5	Heart disease and stroke death rate per 100,000 population**	188	196	
6	Suicide rate per 100,000 population*	23	22	13.5
7	Pneumonia and Influenza death rate per 100,000 population	13	14	15
8	Diabetes hospitalization rate per 1,000 people with diagnosed diabetes**	184	155	
9	Percent of third grade children who are considered obese**	19%	19%	
10	Percent of adults who are considered obese	29%	28%	30%
11	Percent of adolescents who smoke	No Data	11%	11%
12	Percent of adults who smoke	17%	17%	17%

*Indicates areas of greatest concern.
** Indicates national measures lagging behind state data.

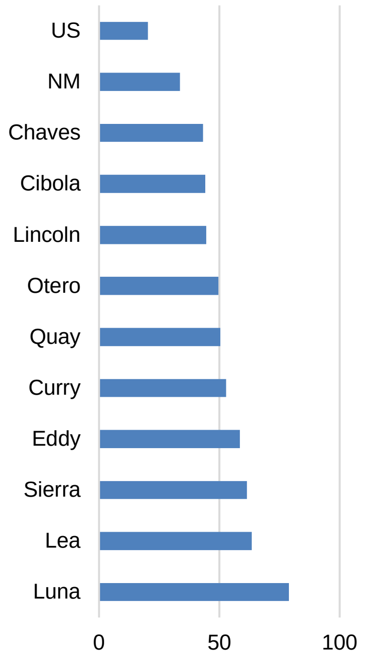
Source: DOH

Health Outcomes

Both Public Health and the Epidemiology and Response Programs have a direct impact on overall health outcomes. Children's health outcomes in New Mexico – including poor results on teen pregnancy, low birth weight, immunizations, and poverty – are not evenly distributed and are largely determined by socio-economic status and geography. According to New Mexico Health Care Workforce Committee analysis, Union County has no obstetric and gynecological physician – the closest is in Colfax County – and no certified nurse midwifes or licensed midwifes – absent in the three neighboring counties and Mora County to the southwest. Only four primary care doctors practice in Union County. It is no surprise that several of the counties in this area of the state have poor birth outcomes.

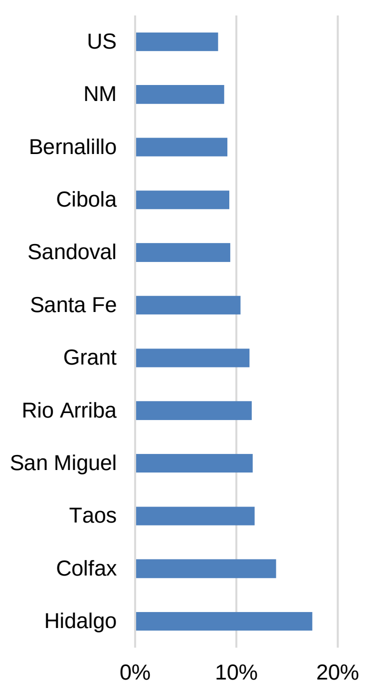
A 2015 LFC evaluation on teen births found that children born to teen moms cost taxpayers $84 million annually due to costs to Medicaid associated with their births, increased reliance on public assistance, and poor educational outcomes. Furthermore, teens are more likely to have pre-term babies, which 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. For FY19, the department was appropriated $250 thousand to purchase long-acting reversible contraceptive devices to improve same day access and to improve provider training.

Births to Teens Ages 15-19 per 1,000 Girls, 2014-2016



Source: NM IBIS

Low Birthweight Babies, by County 2014-2016



Source: NM IBIS

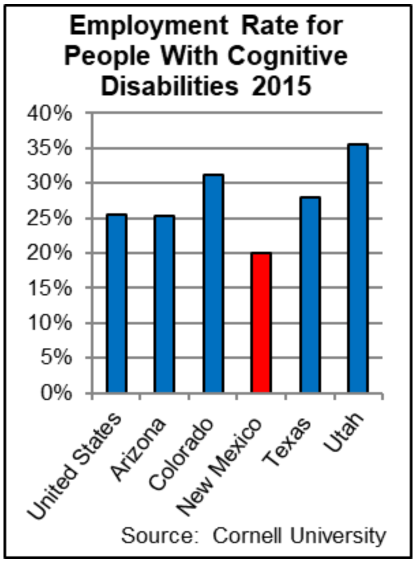
Public Health Budget: $181,331.1 FTE: 822		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Participants in the National Diabetes Prevention Program referred by a health care provider through the agency-sponsored referral system	New	70%	25%	70%	0%		G
2	Children in Healthy Kids, Healthy Communities with increased opportunities for healthy eating in public elementary schools	97%	89%	70%	89%	Annual		G
4	High school youth trained in the Evolvement youth engagement program to implement tobacco projects in their school/community	329	356	350	0	208		G
5	QUIT NOW enrollees who successfully quit using tobacco at 7-month follow-up	32%	32%	33%	29%	27%		Y
6	New Mexico adult cigarette smokers who access NMDOH cessation services	2.4%	2.8%	2.5%	0.7%	1.4%		Y
7	Teens who successfully complete a Teen Outreach Program (TOP) class	510	365	448	No Data	73		Y
8	Female clients ages 15-19 seen in NMDOH public health office who are provided most or moderately effective contraceptives	65%	66%	66%	60%	65%		Y
9	Preschoolers (19-35 months) fully immunized	68.5%	No Data	75%		Annual		
10	Total number of visits to School Based Health Centers (thousands)	48.2	50.3	48.0	0	24.0		G
Program Rating		Y	G					G

Substance Misuse

The alcohol-related death rate in New Mexico is trending upward, increasing 34 percent between 2010 and 2016. Since 1981, New Mexico's alcohol-related death rate ranked 1st, 2nd, or 3rd in the U.S, nearly double the national rate for two decades. The negative consequences of excessive alcohol use are costly and lead to a long list of diseases and other negative outcomes costing New Mexico $2.2 billion in 2010. The Surgeon General's national prevention strategy calls for support for state, tribal, and local implementation and enforcement of alcohol control policies and emphasizing the identification of alcohol abuse disorder with brief intervention, referral and treatment.

In 2016, New Mexico ranked 12th for drug overdose 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. 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."

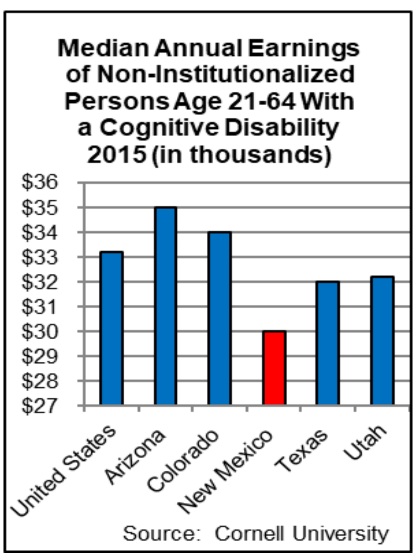
Epidemiology and Response		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $28,188.7	FTE: 188							
11	Retail pharmacies that dispense naloxone	23%	34%	55%	40%	60%		G
12	Community members trained in evidence-based suicide prevention practices	30	52	100	0	0		R
Program Rating		Y	Y					Y



Health Facilities

The department's FY17 reversions included $3.3 million from the Facilities Management Program, primarily due to a 24 percent vacancy rate for direct-care positions. Uncompetitive salaries hinder recruitment and retention and there are nearly 200 vacancies at the Behavioral Health Institute in Las Vegas. The General Appropriations Act of 2018 included a $720 thousand appropriation to provide employees classified as nurses, nurse technicians, mid-level providers, home health aids, social workers, counselors and therapists an average 2.5 percent salary increase in addition to the blanket 2 percent salary increase for all state workers. In October, the department adjusted psych-tech salaries by up to 10 percent.

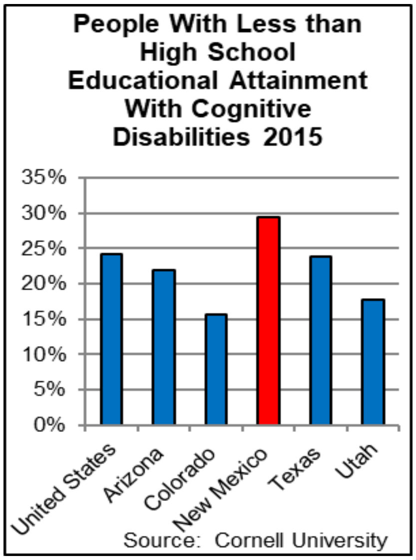
Office of Facilities Management		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $124,072.3	FTE: 1,808							
13	Turquoise Lodge Hospital Detox Occupancy Rate	72%	85%	85%	88%	86%		G
14	Long-term care patients experiencing one or more falls with major injury	Not Reported	Not Reported	3%	1.7%	2.5%		G
15	Eligible third-party revenue collected at all agency facilities	94%	93%	93%	85%	85%		R
16	Vacancy rate for direct care positions	New	24%	10%	25%	24%		R
17	Operational beds occupied	Not Reported	87%	90%	83%	81%		R
Program Rating		Y	Y					Y



Services for People with Developmental Disabilities

Positively impacting people with developmental disabilities requires more than counting Developmental Disabilities (DD) Medicaid waiver wait lists. 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 the 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.

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 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.



FY17 DD Waiver Employment Type, Wages, and Hours

1. Self-Employment	20
2. Individual Employment	524
3. Group Employment	249
4. Facility-Based Work	123
Total	**916**
Average Work Week Hours	14.02
Average Hourly Wage	$6.78

1. Self-owned enterprise.
2. Full or part-time employment.
3. A small group of individuals, no more than one staff member to six.
4. In settings such as sheltered workshops and little contact with other workers without disabilities.

Source: Department of Health

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	N/A	4,574	4,608		
19*	Individuals on the developmental disabilities waiver waiting list	6,526	6,775	N/A	6,529	6,479		
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%	80%		R
21	Adults receiving community inclusion services through the DD Waiver who receive employment services	38%	36%	34%	37%	30%		G
Program Rating		Y	Y					Y

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

Health Facility Oversight

Reports of poor conditions and weakening performance at many nursing facilities in New Mexico continue to challenge the Health Certification, Licensing, and Oversight division to improve performance at these facilities through its regulatory authority. Improving performance at many of these facilities will ensure New Mexico's vulnerable populations remain protected – especially now that many facilities received FY19 Medicaid reimbursement rate increases and the department received additional funding to improve oversight. 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 provide civil and monetary penalty funds to educate and improve outreach and improve data tracking. For measures 22 through 25 the department collected this data on a quarterly basis last year but will no longer do so this year. Some of this data is collected for the federal Centers for Medicare and Medicaid Services.

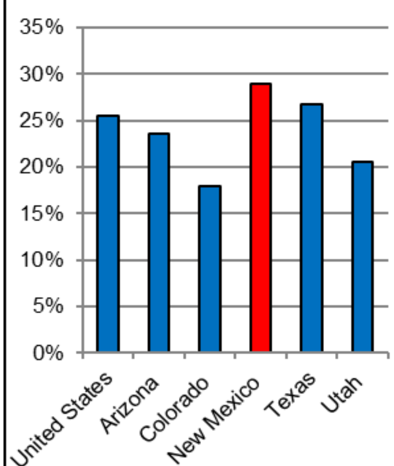
Health Certification Licensing and Oversight Budget: $12,047.5 FTE: 172		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
22	New Mexico's nursing home population who have received or who have been screened for influenza immunizations	91%	85%	90%	Annual			
23	New Mexico's nursing home population who have received or who have been screened for pneumococcal immunizations	83%	71%	90%	Annual			
24	Abuse Rate for Developmental Disability Waiver and Mi Via Waiver clients	10%	7%	8%	5%	No Data		Y
25	Re-Abuse rate (within 12 months- same person) for Developmental Disability Waiver and Mi Via Waiver clients	14%	18%	9%	Annual			
Program Rating		Y	Y					Y

Aging and Long-Term Services Department

ACTION PLAN

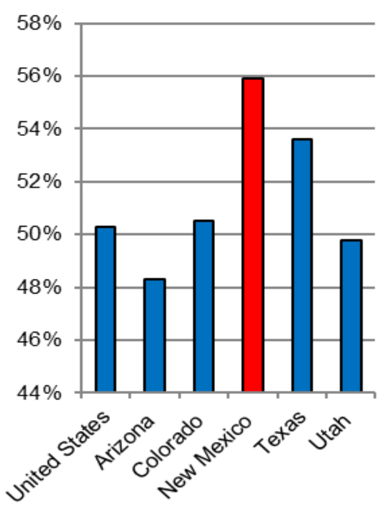
Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

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



Source: Centers for Disease Control and Prevention

Disability Prevalence 75 Years of Age and Older 2015



Source: Kaiser Family Foundation

By 2030 New Mexico will be the fourth oldest state in the nation and the state's system for providing services to older and incapacitated adults may be inadequate. Recognizing this, the department began working to conduct an internal review which will lead to an updated state plan on aging, a review of current performance measures and data collection, and actions for improvement. Additionally, in December the department began an effort to end its contract with the North Central New Mexico Economic Development District (NCNMEDD), the statewide area agency on aging (AAA). Since then, the department announced an agreement with NCNMEDD to keep the contract in place through the end of the contract term but will closely monitor the district to ensure accountability.

Aging Network

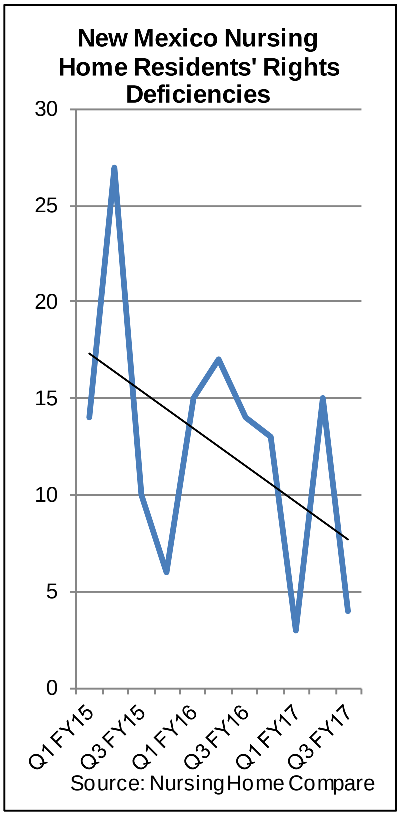
Over the next few months the department is also expected to move contract oversight of the Navajo and Indian AAAs, along with $3.5 million in general fund revenue, from the Aging Network to Program Support in the Office of Indian and Elder Affairs. The contract oversight function was located in the Aging Network. However, this arrangement is counter to state statute and federal funding mandates because AAAs and state units on aging are required to remain separate.

Aside from this, the department's review of the Aging Network may lead to a reassessment of the state's six planning and service areas and four AAAs. One possibility would be to reduce the number of planning and service areas in the Aging Network. Seven other rural states have a "single planning state area" and the state could move to a similar model. Currently, one AAA serves all non-metro non-Native American regions of the state, encompassing almost all of rural New Mexico servicing three planning and service areas (PSA). According to federal officials, this arrangement is unique nationally. The base of operations for the non-metro AAA is 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 Budget: $39,236.8	FTE: 1	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Older New Mexicans whose food insecurity is alleviated by meals received through the aging network	94%	123%	90%	77%	93%		G
2	Hours of caregiver support provided (cumulative)	429,612	397,598	400,000	93,065	85,867		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 second 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		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $3,872.8	FTE: 53.5							
3	Ombudsman complaints resolved within sixty days	100%	90%	95%	80.2%	86%		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%	72%		Y
5	Calls to the aging and disability resource center that are answered by a live operator	72%	85%	85%	78%	66%		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. Since FY14, the number of substantiated allegations of all types of abuse was cut in half and it is unlikely actual abuse was reduced this dramatically during the same period. The department has not adequately explained this difference.

Substantiated Allegations by Type

Type	FY13	FY14	FY15	FY16	FY17
Abuse	184	201	132	165	82
Neglect	267	289	182	108	109
Self-Neglect	393	444	1,061	949	730
Exploitation	1,013	1,185	212	141	161
Sexual Abuse	7	8	-	-	1
Total	**1,864**	**2,127**	**1,587**	**1,363**	1,083

Source: Adult Protective Services

Average Annual Investigations Per Case Worker

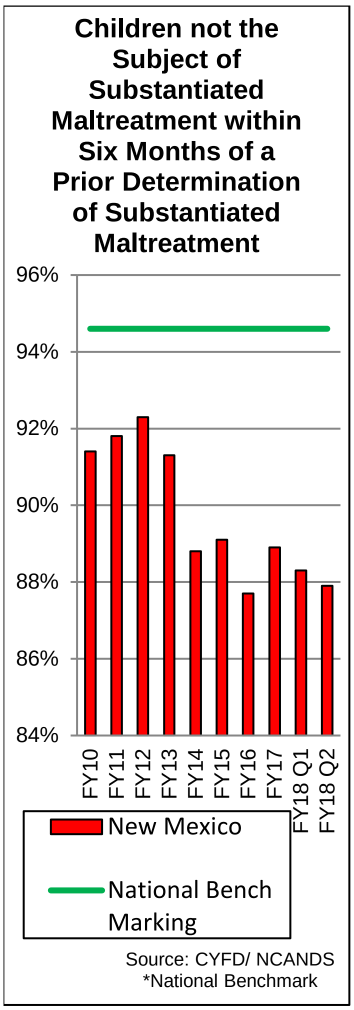
Region	FY15	FY16	FY17
Metro	122	108	105
Northeast	76	83	98
Northwest	85	125	102
Southeast	71	76	76
Southwest	95	109	107
Statewide	**94**	**99**	**99**

Source: Adult Protective Services

Adult Protective Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $13,023.9	FTE: 133							
6	Adult protective services investigations of abuse, neglect or exploitation	6,315	6,233	6,100	1,656	1,603		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%	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	957		G
Program Rating		Y	Y					Y

ACTION PLAN

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



Children, Youth and Families Department

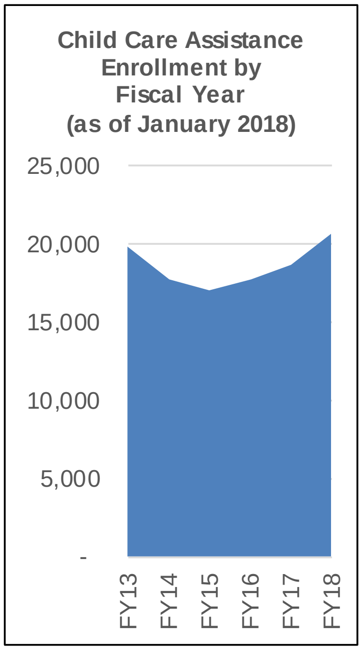
The Children, Youth and Families Department (CYFD) reported stable performance with the previous quarter. Statewide, families are struggling with significant risk factors such as poor economic conditions and high substance abuse rates. Providing children additional supports to reduce risk factors and stabilize families remains a key priority for the state. With this in mind, in 2018 the Legislature significantly increased appropriations to provide more early childhood services, reduce protective service caseloads, increase protective service worker wages, and provide more care and support for children in the custody of CYFD. In total for FY19, CYFD will receive an additional $28.4 million, or 11.4 percent, above the FY18 operating budget. An additional $34 million was appropriated across several state agencies, including CYFD, the Public Education Department (PED), and the Department of Health (DOH), for early childhood programs such as childcare assistance, prekindergarten, home visiting and the Family, Infant, and Toddler program (FIT).

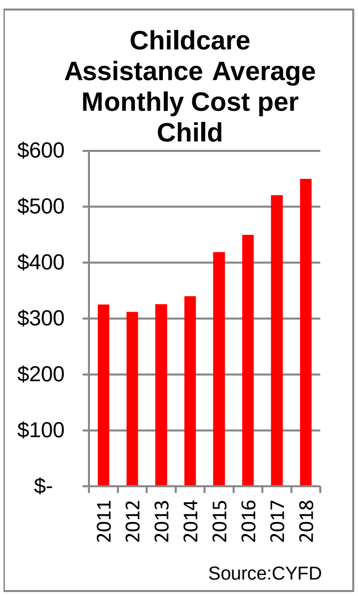
Protective Services

Both quarter one and quarter two performance reporting indicate significant improvement for foster care placement stability above previous years' performance. The Protective Services program reported an average 10 percent increase for children in custody over 12 months with no more than two placements. Reducing the number of placements is important to provide children in custody of the agency stable, consistent, and safe care. Previously, the agency reported targeted efforts to recruit more foster families, promote placement with relatives, and increase foster care resources as focused strategies to improve performance.

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%	87.9%		R
2	Children who are not the subject of substantiated maltreatment while in foster care	99.8%	99.9%	99.8%	99.9%	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%	57.8%		Y
4	Children in foster care for 12 months with no more than two placements	70.5%	72.9%	75.0%	81.8%	82.0%		G
5	Children adopted within 24 months from entry into foster care	23.3%	24.6%	33.0%	20.4%	20.1%		R
6*	Children in foster care who have at least one monthly visit with their caseworker	95.6%	94.8%	N/A	95.3%	94.1%		
7	Turnover rate for protective services workers	29.7%	25.0%	20.0%	10.0%	16.5%		G
8*	Children subject to repeat maltreatment within 12 months	NA	14.7%	N/A	15.2%	15.6%		
9*	Permanency within 12 months of entry	NA	30.6%	N/A	30.1%	30.6%		
Program Rating		Y	R	R				Y

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





Early Childhood Services

The Early Childhood Services Program (ECS) continues to report some childcare providers have yet to fully transition to the state's third generation tiered quality rating and improvement system (TQRIS), named Focus, resulting in below target performance for licensed care providers participating in high quality programs. The agency reported some rural communities in particular have not transitioned due to a lack of resources and challenges with sustainability. In FY19, ECS will receive an additional $25 million from the general fund and TANF, and a total of $134.2 million for the childcare assistance program. In addition, the newest childcare block grant funding framework could significantly increase discretionary funds allocated to the state, helping with projected increased costs in FY20 to provide childcare assistance. The childcare assistance program represents a significant investment of public resources, making the program the largest early childhood service administered by the state. With this in mind, providers must complete the transition to the newest TQRIS and the state should continue to focus on providing high quality services to children in order to support accountable investment of public resources.

Early Childhood Services Budget: $236,849.1 FTE: 181.5		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
10	Children receiving subsidy in high quality programs	New	New	45.0%	56.3%	57.1%		G
11	Licensed child care providers participating in high quality programs	New	New	39.0%	34.1%	34.6%		Y
12	Parents who demonstrate progress in practicing positive parent-child interactions	43.8%	44.0%	45.0%	44.6%	44.7%		G
13	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%	0.4%	0.6%		G
14*	Families receiving home visiting services who have one or more protective services substantiated abuse or neglect referrals	New	New	N/A	0.6%	1.0%		
15	Families at risk for domestic violence who have a safety plan in place	48.7%	41.8%	50.0%	40.8%	38.1%		Y
Program Rating		G	Y					G

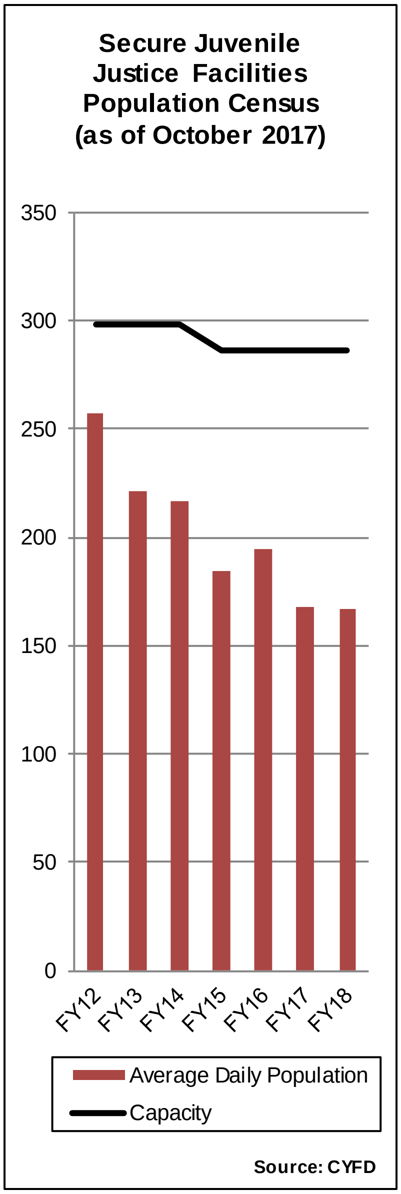
*Measure is explanatory, for information purposes only; does not have a target.

Juvenile Justice Services

The Juvenile Justice Services Program (JJS) continued to report elevated violence in committed juvenile facilities, stating 24 juveniles were involved in physical assaults. The agency noted, "Though we far exceed our target for this measure, it should be noted that FY17 experienced a 2 percent decline in the volume of physical assault incidents when compared to FY16 and represents the first decline in numbers since FY13." In addition, other performance measures dedicated to monitoring violence in juvenile centers such as incidents requiring use of force resulting in injury and client-to-staff battery incidents reported improved performance indicating a reduction in violence.

Juvenile Justice Services Budget: $75,445 FTE: 943.3		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
16	Clients who successfully complete formal probation	85.4%	82.7%	84.0%	86.7%	86.7%		G
17	Clients re-adjudicated within two years of previous adjudication	5.5%	6.0%	5.5%	5.0%	5.1%		G
18	Clients recommitted to a CYFD facility within two years of discharge from facilities	9.5%	6.9%	8.0%	2.8%	2.8%		G
19*	JJS facility clients age 18 and older who enter adult corrections within two years after discharge from a JJS facility	13.1%	11.0%	N/A	3.3%	6.3%		
20	Incidents in JJS facilities requiring use of force resulting in injury	1.6%	1.7%	1.5%	1.6%	1.3%		G
21	Physical assaults in juvenile justice facilities	448	398	<275	105	183		R
22	Client-to-staff battery incidents	147	143	<120	31	52		G
23	Substantiated complaints by clients of abuse or neglect in juvenile justice facilities	2.9%	9.5%	7.5%	17.0%	6.7%		G
24	Clients successfully completing term of supervised release	66.4%	52.5%	70.0%	62.2%	56.2%		Y
25	Turnover rate for youth care specialists	18.3%	20.6%	15.0%	7.7%	18.2%		Y
Program Rating		R	R					Y

*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 second quarter of FY18.

Behavioral Health Services Budget: $16,867 FTE: 33.0		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
26	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			
27	Infants served by infant mental health programs that have not had re-referrals to Protective Services Division	New	90%	80%	100%	100%		G
Program Rating		Y	Y					G

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
New Mexico Corrections Department
Second Quarter, Fiscal Year 2018

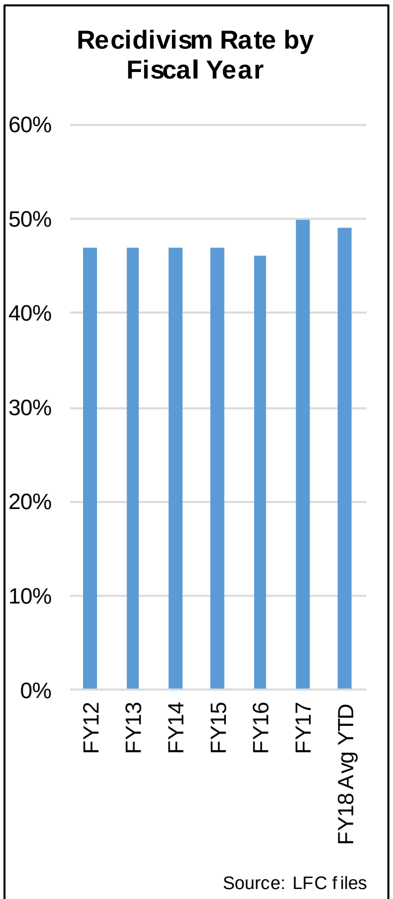
New Mexico Corrections Department

To reduce vacancy rates and turnover, in FY19 the department will receive funding for a 6.5 percent pay increase for public correctional and probation and parole officers. The department's overall FY19 budget increased 1 percent, including $1.5 million for private prison guard pay increases and $794 thousand to reduce vacancy rates. The department should monitor overtime once the pay increase is implemented; vacancy, turnover, and overtime rates should begin to fall over time as a result.

According to the data submitted, the New Mexico Corrections Department (NMCD) performed well on measures of recidivism of residential drug abuse program graduates, recording no recidivists in the second quarter. Probation and parole officers' contact rates with high-risk offenders was reported as 99 percent despite high vacancy rates among probation and parole officers. The LFC does have some concerns over data quality. It is critical that the department maintain a strong monitoring and action plan to aid in validating data.

ACTION PLAN

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



Inmate Management and Control

Inmate-on-inmate assaults are on track to surpass prior year actuals with 19 assaults through the second quarter. The department explains assault patterns are difficult to predict but that low staffing may contribute to the situation. NMCD plans to better scrutinize inmate mail, share information among prisons, improve inmate classifications, and conduct more unplanned cell searches. Illicit drugs could also contribute to the violence. 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 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 received a FY19 special appropriation of $880 thousand to purchase eight additional machines. Scanners are already in use at prisons in Springer, Santa Fe, and Los Lunas.

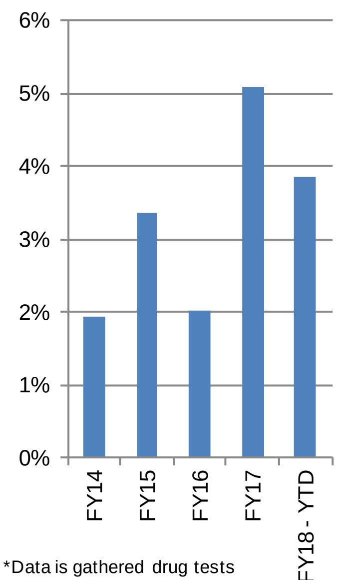
Federal statistics show New Mexico's violent crime rate per 100 thousand people grew 4 percent between 2015 and 2016, making the state the second most violent in the nation, only behind Alaska. New Mexico ranked third in 2015 and fourth in 2014.

Inmate Management and Control Budget: $271,831.1 FTE: 1,837		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Inmate-on-inmate assaults with serious injury	21	15	10	9	10		R
2	Inmate-on-staff assaults with serious injury	9	6	4	2	2		R
3	Prisoners reincarcerated within thirty-six months	46%	50%	40%	50%	48%		R
4*	Participating inmates who have completed adult basic education	52%	62%	N/A	56%	67%		
5	Release eligible female inmates still incarcerated past their scheduled release date	9%	8%	5%	9%	9%		Y
6	Release eligible male inmates still incarcerated past their scheduled release date	9%	9%	5%	9%	9%		Y
7*	Residential drug abuse program graduates reincarcerated within thirty-six months of release	New	No report	N/A	10%	20%		
Program Rating		G	Y					Y

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

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 often contain a mix of intensities.

Positive Random Monthly Drug Tests*



*Data is gathered drug tests given randomly to 10 percent of the inmate population monthly.

Source: Corrections Department

Community Offender Management

Last year, standard caseloads reached a new high, as probation and parole officers carried an average of 113 cases, well above the target of 100. The trend is continuing this fiscal year. 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. Despite efforts, probation and parole officer turnover increased in the second quarter from 17 percent to 21 percent.

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%	99%		G
9	Average standard caseload per probation and parole officer	109	113	100	113	113		R
10	Male offenders who graduated from the men's recovery center and are reincarcerated within thirty-six months	18%	25%	20%	14%	35%		R
11	Female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	New	New	20%	17%	21%		G
12	Absconders apprehended	31%	28%	30%	29%	28%		Y
Program Rating		Y	Y					G

Program Support

NMCD 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. The General Appropriation Act includes funding for the past due radio fees totaling $8.6 million for FY16 through FY18.

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%	21%		R
14	Vacancy rate of correctional officers in public facilities	New	New	15%	22%	20%		R
Program Rating		N/A	N/A					R

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

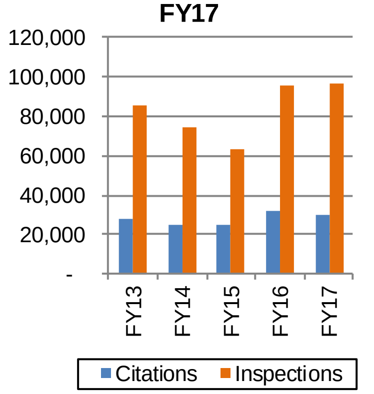
PERFORMANCE REPORT CARD
Department of Public Safety
Second Quarter, Fiscal Year 2018

ACTION PLAN

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

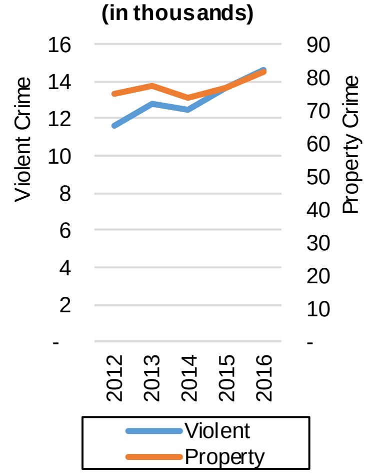
DPS will graduate new officers at the end of March and has already made tentative assignments to the cadets; the majority are assigned to District 7 (Espanola and Taos) and District 9 (Clovis, Santa Rosa, and Tucumcari).

DPS Commercial Motor Vehicle Citations and Inspections FY13-FY17



Source: Department of Public Safety

New Mexico Crime History (in thousands)



Source: Federal Bureau of Investigations

Department of Public Safety

The Department of Public Safety (DPS) achieved the majority of its performance measures in FY17, despite the rash of crime in the state. Staff recruitment and retention remains the agency's foremost priority; however, steep training costs and time are needed to onboard forensic scientists and police officers, many of whom leave for better pay elsewhere.

Law Enforcement

DPS continues efforts to check the state's climbing crime rates. The number of drug-related investigations conducted by narcotics agents at DPS increased since the start of the fiscal year, with 463 investigations conducted in the first two quarters of FY18. In FY17, 556 drug-related investigations were conducted.

In February 2018, DPS was recognized by the Drug Enforcement Administration for exceptional drug interdiction performance. From October 2016 through September 2017, the New Mexico State Police High Intensity Drug Trafficking Areas Initiative (HIDTA) generated 424 felony arrests and seized over 6,000 pounds of methamphetamine, cocaine, heroin, and marijuana. The number of traffic safety enforcement projects fell this quarter as Department of Transportation funding for traffic safety projects was depleted during this quarter.

Law Enforcement	Budget: $118,368.9	FTE: 1,067.7	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Data-driven traffic-related enforcement projects held		New	New	1,700	500	82		Y
2	Driving-while-intoxicated saturation patrols conducted		New	New	975	1,131	379		G
3	Commercial motor vehicle safety inspections conducted		New	New	70,000	25,435	18,750		G
4	Driving-while-intoxicated arrests		New	2,931	2,250	621	611		G
Program Rating			G	G					G

Statewide Law Enforcement Support

DPS met or surpassed targets for forensic firearm/toolmark, latent print, chemistry, and biology/DNA cases. The department notes two latent print scientists are in training until mid-winter 2019, while another just completed training, slowing case completion rates. DPS had greater than 100 percent case completion rates because scientists completed backlogged cases in addition to cases received this quarter. Additionally, DPS received a $2 million federal grant from the Department of Justice to fund processing, tracking, and reporting of the remaining sexual assault evidence kits in DPS' jurisdiction. Of the 1,130 kits received, 638 have been tested; 201 of these have DNA profiles eligible for entry in criminal databases.

Statewide Law Enforcement Support	Budget: $19,554.8	FTE: 1,275.7	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
5	Forensic firearm/toolmark cases completed		New	New	90%	90%	160%		G
6	Forensic latent fingerprint cases completed		New	New	90%	77%	162%		G
7	Forensic chemistry cases completed		New	New	90%	108%	88%		G
8	Forensic biology and DNA cases completed		New	New	65%	116%	145%		G
Program Rating			Y	Y					G

New Mexico Legislative Finance Committee

Albuquerque Area Serious Crime – Pilot Report January 2018

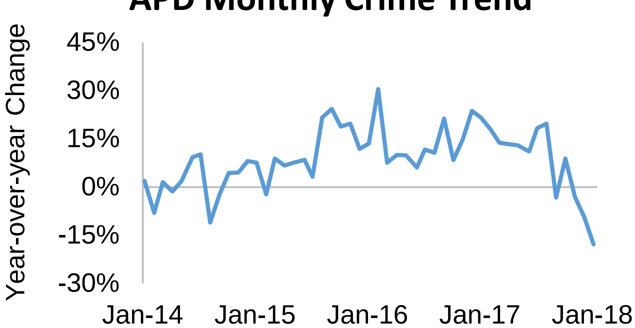
Report Date: March 22

		Year-over-year
3,642	Crimes ↓	-18%
2,283	Arrests ↑	+8%
573	Cases ↓	-6%
158	Sentences ↓	-6%

Sources: APD, FBI, MDC, UNM-ISR
Second District Court, Metro Court

- Crimes are aggravated assault, burglary, homicide, rape, auto theft, robbery, larceny reported to APD; Arrests are all MDC jail bookings; Cases are all new felony cases opened; Sentences are all convictions and pleas on felony cases.
- Numbers are from multiple non-uniform sources and subject to change.

APD Monthly Crime Trend



-27% 878 Auto Thefts ↓

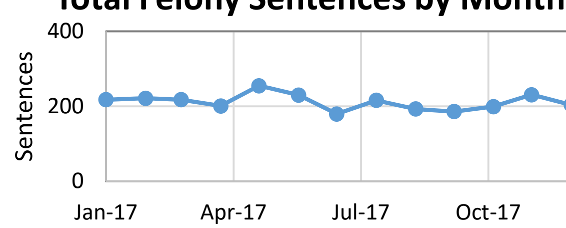
+95% 4,874 Traffic Stops ↑

All percent changes are year-over-year. Data do not imply causality in any way and should not be used as such.

MDC Inmate Holds Jan17-18

Detention Motion	Unpaid Bond
14 ↑ 181 Inmates	410 ↓ 68 inmates

Total Felony Sentences by Month



+13 19 Attorney Vacancies ↑

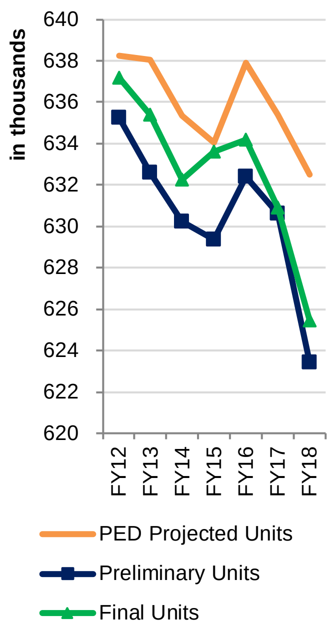
+21% 46% of Felonies Prosecuted† ↑

†Percent of all new felony cases prosecuted through proving probable cause

ACTION PLANS

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

PED, Preliminary, and Final Program Unit Projections



MORE RIGOROUS INTERVENTIONS

New Mexico's ESSA plan provides the following options for chronically failing schools:

- **Closure:** Close the school and enroll students elsewhere.
- **Restart:** Close the school and reopen it under a charter school operator selected through a state or local review process.
- **Choice:** Provide students options for charter, magnet, private, online, or home schooling.
- **Restructure:** Significantly redesign the school's instructional schedule, staff, curriculum, and learning models.

Public Education Department

Funding Formula

According to the Public Education Department (PED), the state experienced an average decline of about 2,330 students in FY17. As such, the public school funding formula generated only 625.5 thousand program units for the FY18 program cost, approximately 7,021 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. As a result, nearly $29.9 million of the FY18 state equalization guarantee (SEG) was not budgeted for distribution, but remained available to support an increase in the FY18 unit value.

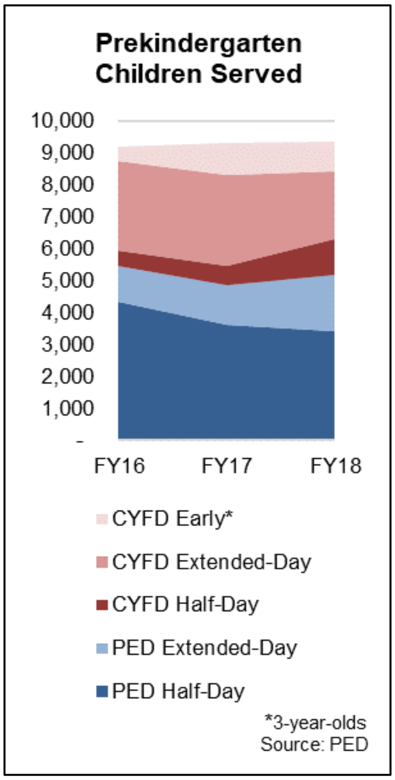
On January 31, 2018, PED Secretary Christopher Ruszkowski set the FY18 final unit value at $4,084.26. Based on the final FY18 unit value, the SEG distribution is currently estimated to be $2.491 billion (net of $58.9 million from federal credits received as of January 2018), leaving an estimated $10.7 million of the SEG undistributed. This estimate of undistributed SEG does not include $5 million of other state funds authorized from drivers' license fees. It should be noted these values may change from adjustments to program units and federal credits as PED audits and certifies components in FY18.

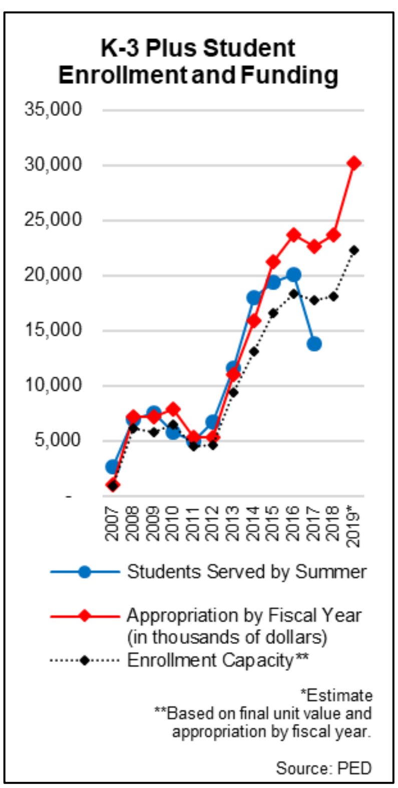
During the 2018 legislative session, the Legislature included language in House Bill 2 allowing PED to reset the FY18 unit value and increase the SEG distribution up to $10 million. This language was complemented with a $5 million nonrecurring appropriation to partially restore the $40.8 million swept from school cash balances as a result of solvency actions taken in FY17; however, the governor vetoed this appropriation. If PED increases the unit value at the end of FY18, the incremental revenue will end up in school cash balances and provide additional funding for public school budgets at the beginning of FY19.

School Turnaround

PED has identified four elementary schools for "more rigorous interventions," the lowest classification of school performance under the state's federal Every Student Succeeds Act (ESSA) plan for school improvement. Hawthorne, Whittier, and Los Padillas elementary schools in Albuquerque and Dulce Elementary School in Dulce received this designation for chronically earning an F grade over the past five or six years. Under New Mexico's ESSA plan, these four schools can choose between closure, serious restructuring of programming, alternative schooling, or conversion to a charter school.

The three Albuquerque schools have chosen to restructure their programs and plan to implement early childhood programs for three- and four-year-olds, implement English and Spanish dual language programs, extend each school day by an hour, extend the school year by 10 days, and increase professional development for teachers and administrators.





Department Operations

Data reported by PED in the second quarter showed improvements in several operational performance metrics. The department conducted eight 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, which the department has increased from historic levels. For the second quarter, PED is meeting FY18 targets for processing school district budget adjustment requests and reimbursements.

PED's second quarter report included new performance measures for FY18, such as the number of teachers and administrators participating in PED-led professional development trainings and percent of PED special programs appropriations awarded by September 30, annually. Approximately 6,069 educators participated in trainings and 94.3 percent of PED special programs appropriations were awarded, with the remaining 5.7 percent comprised of uncommitted contractual services.

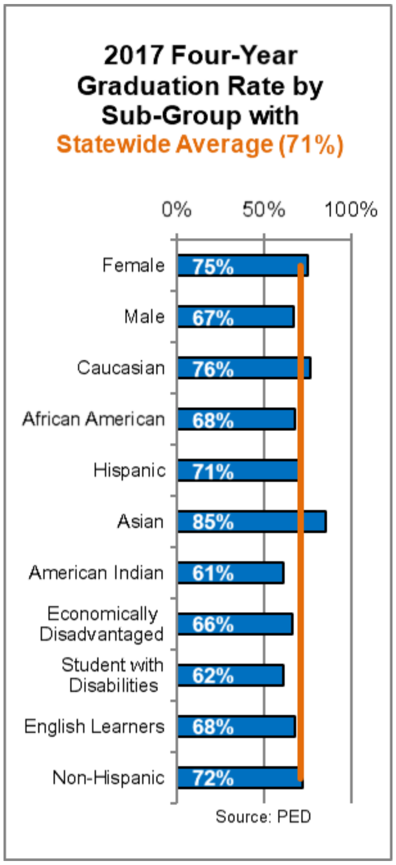
Public Education Dept. Budget: $11,065.3	FTE: 240.8	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Days to process reimbursements	34	18	24	37	20		G
2	Annual data validation audits of funding formula components	2	21	20	4	8		G
3	Days to process school budget adjustment requests	11.2	8.4	10	7.1	7.5		G
4*	Eligible 4-year-old children served in state-funded prekindergarten	8,761	8,572	N/A	8,427	8,418		Y
5*	Eligible children served in K-3 Plus programs**	20,093	13,778	N/A	13,778	N/A		Y
6*	PED special program appropriations awarded by September 30	New	New	N/A	79.5%	94.3%		
Program Rating		Y	Y					G

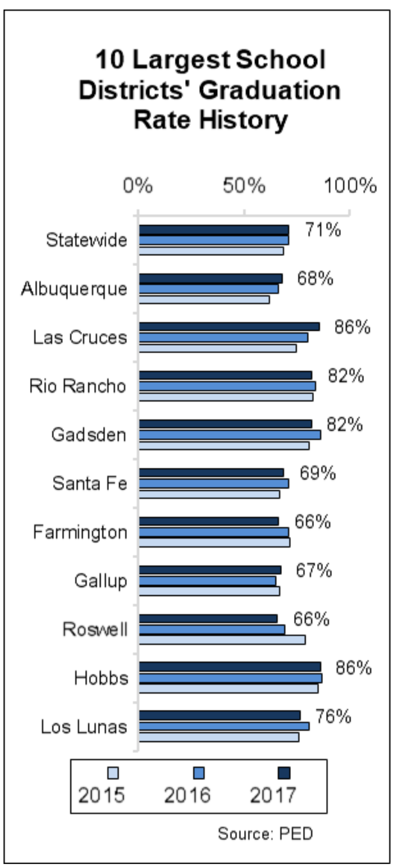
*Explanatory measures are for informational purposes and do not have established targets.
**Figures represent participation by summer program, not fiscal year. Q1 figures are from Summer 2017 enrollment.

Early Childhood Education

According to PED, 60 local education agencies (LEA) and 248 teachers participated in school-based prekindergarten programs in FY18. Nineteen requests for new prekindergarten programs were made in FY18, bringing the total funding request to $31.8 million. The FY18 operating budget includes $21 million in general fund and $3.5 million in TANF appropriations for PED prekindergarten programs. House Bill 2 from the 2018 legislative session increased the general fund appropriation to $29 million, bringing total funding to $32.5 million, an $8 million, or 33 percent, increase in overall funding for the program. PED notes the new funding level will be sufficient to cover requests for new prekindergarten programs that are ready to open.

PED reported 13.8 thousand students enrolled in summer 2017 K-3 Plus programs, a decline of 6,315 students (31 percent) from the previous summer enrollment of 20.1 thousand students. PED cited a lack of carryover funding for June 2017



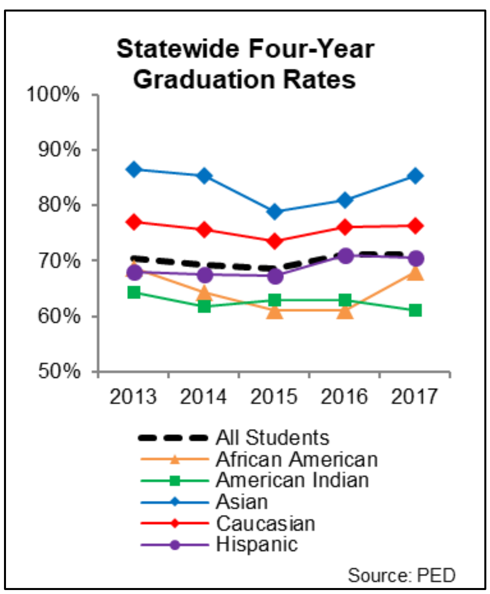


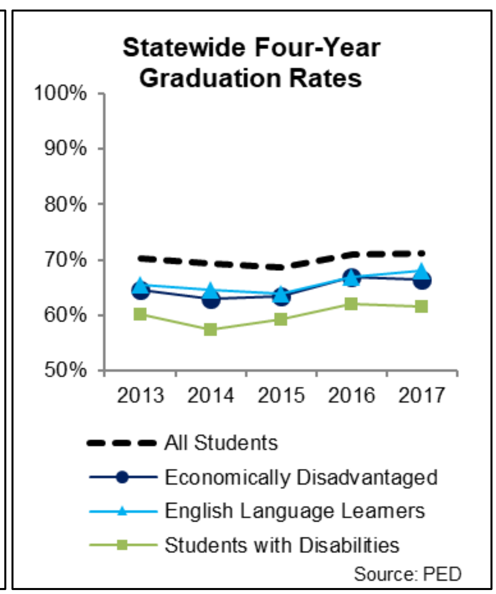
programs, which resulted in decreased funding for programs and consequently less participation. Based on final unit values and K-3 Plus appropriations, growth in K-3 Plus student enrollment exceeded growth in the appropriation's capacity to serve actual enrollment prior to summer 2017. PED had previously funded slots using carryover funding to cover the extra enrollment, but fund balances were depleted in FY17, reducing available funding for June 2017 programs.

The department reduced funding allocated to summer 2017 K-3 Plus programs and withheld $10.2 million of the FY18 appropriation to support summer 2018 programs. Additionally, House Bill 2 from the 2018 legislative session increased the FY19 general fund appropriation to $30.2 million, a $6.5 million, or 27 percent, increase from FY18 funding levels. As such, funding is available to expand the K-3 Plus program beyond historical enrollment figures.

Graduation Rates

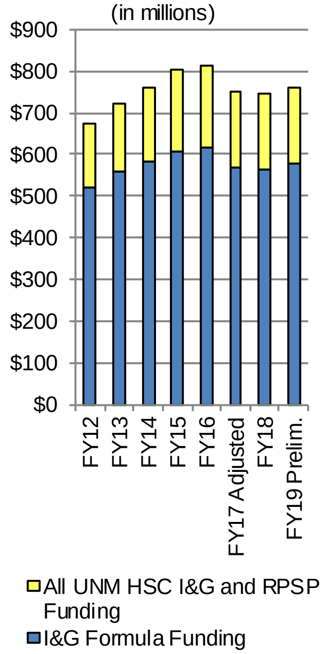
The national graduation rate rose again to a record high of 84.1 percent for the 2015-2016 school year, nearly a percentage point from 83.2 percent in the previous year. The U.S. Department of Education notes all minority groups saw a rise in graduation rates in the 2015-2016 school year. During that same period, New Mexico's graduation rate improved to 71 percent in the 2015-2016 school year, up 2 percent from 68.6 in the previous year. For the 2016-2017 school year, New Mexico's graduation rate remains flat at 71 percent. PED included a new subgroup for "Non-Hispanic" students in the graduation rate, which was slightly higher than the statewide average in the 2016-2017 school year.





For the 2015-2016 school year, New Mexico's overall four-year graduation rate is ranked second to last in the nation, surpassing only the District of Columbia. Notably, New Mexico ranks better for graduation rates of students with disabilities (31st) and English learners (22nd); however, the state ranked near the bottom for all other reported subgroups. To reach the latest national average four-year graduation rate of 84.1 percent, New Mexico would need to graduate an additional 3,456 high school students.

I&G Funding as Part of Total Institutional Funding
(in millions)



Source: DFA General Fund Summaries, LFC Files

Core Ratios Calculated in CFI:

Primary Reserve Ratio – Indicates how long an institution could function with its expendable reserves without relying on additional net assets generated by operations. (Financial Sufficiency & Flexibility)

Net Operating Revenues Ratio – Indicates whether total operating activities resulted in a surplus or deficit therefore indicating whether an institution is living within available resources. (Operating Results)

Return on Net Assets Ratio – Determines whether an institution is financially better off than in previous years by measuring total economic return. (Asset Return and Performance)

Viability Ratio – Measures the availability of expendable net assets to cover debt should an institution need to settle its obligations as of the balance sheet date. (Debt Management)

Higher Education Institutions

Higher education institutions report completion and retention data in the fall and spring each year in time for inclusion in the first and third quarter reports, respectively. For other report cards throughout the year, LFC staff assemble key performance indicators to illustrate the current status and trends within higher education. For the second quarter performance report card, staff compile composite financial index (CFI) scores from the Higher Education Department (HED) to illustrate financial indicators throughout the higher education system. Scores for branch campus community colleges are incorporated into their main campus counterpart. Scores rely on audited financial information and tend to be delayed by a fiscal year or more, but the scores provide a picture of fiscal health important to accreditation decisions.

According to HED, institutions accredited through the Higher Learning Commission (HLC) are required to submit annual data worksheets based upon audited financial statements that include a CFI score, which is a combination of four core financial ratios benchmarked to the short- and long-term fiscal health of institutions. According to HED, performance of the CFI score is evaluated on a scale of -4 to 10. The rubric and actions taken by HLC for the scores is explained in greater detail in the sidebar on page 2, but a score of 3 is considered to be the threshold for institutional financial health. A score below 1 requires additional action by the institution.

Research Institutions. New Mexico Institute of Mining and Technology (NM Tech) is the only research institution to maintain a CFI above the 3 threshold necessary to be considered in good financial health over the last five years. The University of New Mexico (UNM) has improved its CFI since FY12 and FY13, while New Mexico State University (NMSU) dipped near a score that would require additional information to be submitted to HLC. However, NMSU's FY16 CFI has rebounded slightly.

Composite Financial Index
Research Universities

Institution	FY12	FY 13	FY14	FY15	FY16	Average
NM Tech	4.8	5.2	7.2	7	5.2	**5.9**
UNM	1.5	1.7	2.2	3.3	2.9	**2.3**
NMSU	1.7	2.1	2.5	1.1	1.8	**1.8**

Source: HED

Comprehensive Institutions. CFI scores at New Mexico's comprehensive institutions demonstrate significant variance, with some institutions dipping to a score of 0.0. According to New Mexico Highlands University (NMHU), the university received a letter of concern from HLC because its CFI was below a 1 over a two-year period. NMHU responded to HLC and reports it is working with the commission to ensure its CFI improves, including efforts to increase cash balances. NMHU's CFI score has subsequently improved for FY16 as the university works with HLC to come off of its accreditation probation status.

CFI Score Rubric

Performance of the composite financial index score is evaluated on a scale of -4 to 10:

- A score from 1.1 to 10.0 requires no Higher Learning Commission follow up.
- A CFI score of 3 is considered to be the threshold for institutional financial health.
- A score from 0 to 1 requires institution to submit additional financial documentation to HLC.
- A score from -4 to -0.1 requires an HLC financial review in which the institution submits additional financial documents including audited financials, budgets, governing board meeting minutes, interim financial statements, and core financial ratios.

Accreditation Status at Two New Mexico Institutions

Luna Community College, which is currently under a "show-cause" order by the Higher Learning Commission (HLC), submitted a report intending to provide evidence the college addressed issues leading to accreditation scrutiny in early February 2018. HLC peer reviewers will visit the college no later than March 2018, and the HLC Board of Trustees will determine whether the college has demonstrated compliance with accreditation criteria in June 2018.

New Mexico Highlands University, under probation by HLC, will also learn whether its probation status will be lifted at the June 2018 HLC meeting.

Composite Financial Index
Comprehensive Institutions

Institution	FY12	FY 13	FY14	FY 15	FY 16	Average
ENMU	2	2.7	4.4	3.9	2.5	**3.1**
WNMU	3.1	1.4	0.8	0.9	3.0	**1.8**
NNMC	2.2	2.8	4.2	1.2	4.3	**2.8**
NMHU	0	0.9	0.5	1.8	2.4	**1.1**

Source: HED

Community Colleges**.** Clovis Community College (CCC) has consistently maintained the highest CFI in the state, while Luna Community College (LCC) demonstrated the most significant year-over-year increase in CFI between FY15 and FY16. LCC has faced several adverse issues over the last two fiscal years leading to advanced fiscal monitoring, accreditation risks, and potential criminal investigations; however, the college has also maintained high fund balances, which amount to 33 percent of its annual expenditures. LCC had the highest proportion of fund balance among independent community colleges in FY17.

Composite Financial Index
Community Colleges

Institution	FY12	FY 13	FY14	FY 15	FY 16	Average
CCC	8.7	8.1	8.4	8.2	8.2	**8.3**
NMJC	5.4	5.6	5.9	5.9	4.4	**5.4**
MCC	4.4	5.8	5.7	4.4	3.4	**4.7**
LCC	0.9	3.5	3.4	3.3	7.4	**4.1**
SFCC	2.7	2.3	0.8	2.4	3.3	**2.3**
CNM	2.8	2.2	1.2	0.9	2.0	**1.8**
SJC	0.4	1.2	4.1	3.1	1.8	**2.1**

Source: HED

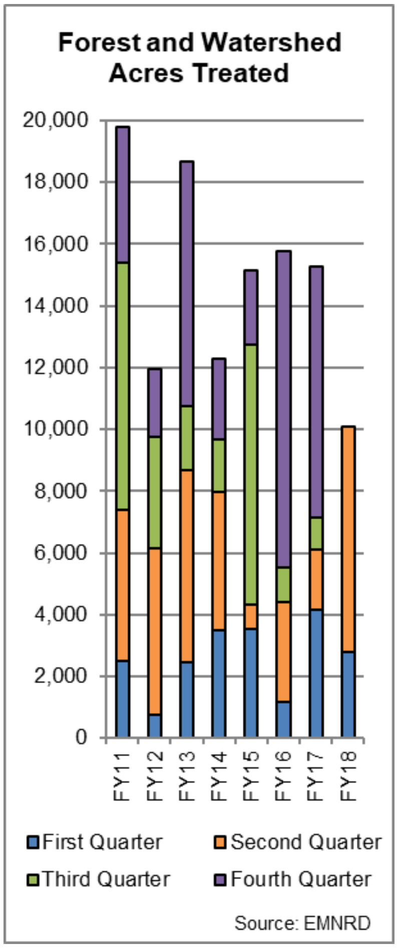
Although other financial factors impact an institution's ability to deliver instruction and graduate students, monitoring an institution's CFI helps to understand an institution's risk of losing accreditation or being placed on probation by an accrediting body.

Energy, Minerals and Natural Resources Department

ACTION PLAN

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

The conclusion of the 2018 legislative session left the agency in a significantly stronger position to regulate the oil and gas industry and improve environmental health and public safety as the result of an additional $3 million being appropriated to ensure solvency of the oil and gas reclamation fund. The agency also made significant progress in key areas including number of forest acres treated and number of abandoned oil wells plugged.



Healthy Forests

The number of firefighters trained is generally lower in the first two quarters with the majority of trainings occurring in the third quarter; in FY17, over 1,000 firefighters were trained in the third quarter. The number of acres treated increased significantly from the first to second quarter as warm weather and lack of snow allowed contractors to work beyond their typical seasons. Additionally, the active fire season in western states resulted in limited contractor availability to treat New Mexico forests in the first quarter, and the slowing of firefighting activity in the second quarter increased contractor availability.

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	52		Y
2	Acres treated in New Mexico's forest and watersheds.	15,142	15,291	15,800	2,796	7,296		G
Program Rating		Y	Y					Y

State Parks

State park visitation fell significantly in the second quarter but was stable relative to the second quarter of FY17. Park visitation typically peaks in the warmer months of the first and fourth quarters of the fiscal year and falls in the colder months. While visitation fell, the amount of revenue per visitor was significantly higher than FY17, which allows parks to fund needs such as hiring additional temporary workers; given FY17 visitation of 4.93 million, the difference in revenue generation from 88 cents to 97 cents per visitor is approximately $444 thousand annually.

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	0.66		G
4*	Self-generated revenue per visitor	$0.81	$0.88	N/A	$0.97	$0.97		G
5*	Interpretive programs available to park visitors	1,312	1,053	N/A	359	145		G
Program Rating		Y	Y					G

* Explanatory measures are provided for informational purposes and do not have a target. The ratings indicate an improvement from prior year performance.

Mine Reclamation

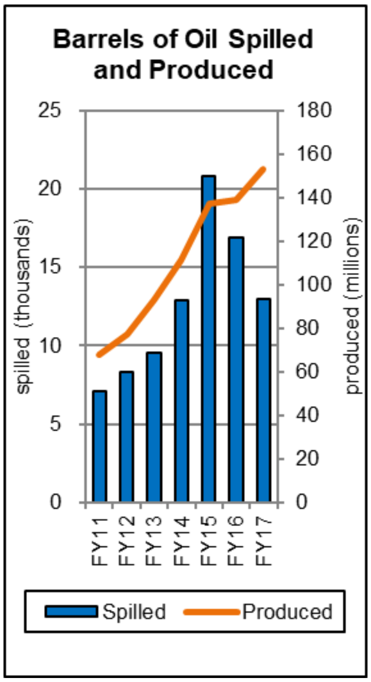
Out of the 98 mines in the state, only one hard rock mine, the Asarco Deming mill, does not have adequate financial assurance. The Deming site is currently under application with a new owner, and the agency is working with the new owner to provide adequate financial assurance.

The enactment of Senate Bill 189 allows OCD to require financial assurance of up to $250 thousand for blanket coverage, up from the current limit of $50 thousand. Increasing the amount of assurance required will provide a further incentive for oil and gas producers to ensure all wells are properly plugged and provide OCD additional financial resources should producers fail to plug abandoned wells.

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%	99%		G
Program Rating		Y	Y					G

Oil and Gas Conservation

The Oil Conservation Division (OCD) continued a high pace of field inspections in the second quarter of FY18 and is on track to meet the target. The division reports 394 permits were approved in the second quarter with 217 permits in Hobbs, 164 in Artesia, and 12 in Aztec. No wells were plugged in the first quarter as wet weather limited access to wells. OCD plugged 12 wells in the second quarter and is on pace to meet the target. Performance on this measure may improve as a result of the Legislature increasing general fund appropriations for EMNRD by $3 million to offset use of the reclamation fund. EMNRD anticipates plugging 60 wells in calendar year 2018. The State Land Office estimates there are 600 unplugged, abandoned wells on state trust lands



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	8,694		G
8	Application to drill permits approved within 10 business days	85%	96%	84%	99%	100%		G
9	Abandoned oil and gas wells properly plugged	36	33	32	0	12		G
10*	Violations issued	912	2,279	N/A	519	483		
Program Rating		Y	G					G

*Explanatory measures are provided for informational purposes and do not have a target.

An additional $3 million was added to the budget of the oil conservation division (OCD) during the 2018 legislative session to improve solvency of the oil reclamation fund which is used to plug abandoned oil wells. The additional funding will ensure fund stability and allow additional well plugging; EMNRD intends to plug 60 additional wells in FY18.

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**	**$ 4,754.6**	**$ 4,560.5**
Conservation Taxes	$ 4,815.1	$ 2,704.4	$ 1,656.6	$ 1,900.0	$ 2,000.0	$ 1,900.0
Other	$ 1,448.0	$ 508.2	$ 224.1			
OCD personnel	$ (3,426.4)	$ (4,276.5)	$ (2,979.9)	$ (3,261.8)	$ (145.7)	$ (145.7)
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)	$ (284.0)	$ (284.0)
Other			$ (1,439.4)	$ 2,000.0		
Ending Balance	**$ 11,517.0**	**$ 10,110.4**	**$ 5,774.7**	**$ 4,754.6**	**$ 4,560.5**	**$ 4,430.8**

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

New Mexico Environment Department

ACTION PLAN

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

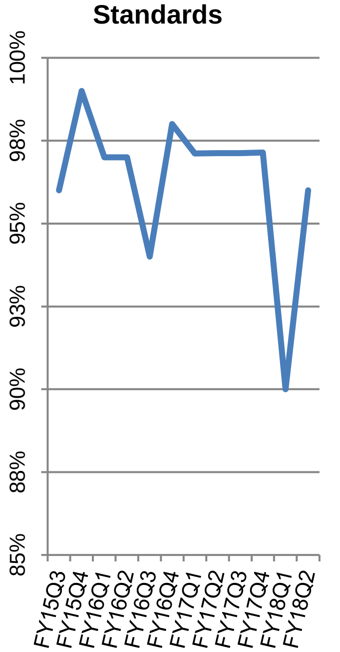
Performance measures for the New Mexico Environment Department (NMED) remain heavily oriented toward output-based activities, such as number of facilities inspected in FY18, and a number of measures are classified as explanatory, meaning they do not have a target level. While NMED continues to provide 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 an increase in the portion of the population receiving water meeting health-based standards from the previous quarter as two large systems in Las Cruces and Artesia returned to compliance. Las Cruces received a violation for failing to correct a significant deficiency within the required time-frame and Artesia received a violation due to E. coli contamination in the distribution system.

During the first quarter of FY18 over $43 million was offered from the clean water state and the rural infrastructure revolving loan funds, and $8.36 million was declined. NMED awarded loans totaling $12.4 million in the second quarter and anticipates making additional loans in the third and fourth quarters.

Percent of New Mexicans Receiving Water That Meets Health Based Standards



Source: NMED

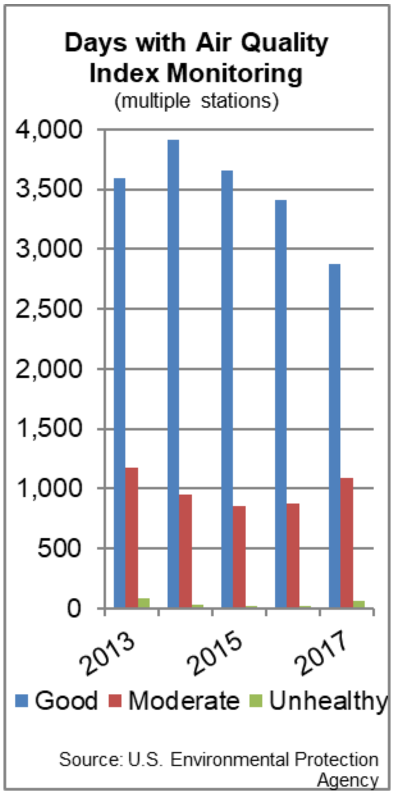
Water Protection			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $28,624.9		FTE: 188.5							
1	Groundwater discharge permitted facilities inspected		65%	66%	65%	14%	14%		Y
2*	Permitted facilities where monitoring results demonstrate compliance with groundwater standards		63%	71%	N/A	58%	58%		Y
3*	Population served by community water systems that receive drinking water meeting health-based standards		98%	97%	N/A	90%	96%		
4*	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	$12.4		Y
Program Rating			Y	Y					Y

*Explanatory measures are provided for informational purposes and do not have a target. The ratings indicate a decline from prior year performance.

Resource Protection

NMED reports that 24 out of 25 permitted landfills are monitoring groundwater quality as required, and 18 of 19 solid and hazardous waste facilities inspected 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%	88%		G
6*	Landfills compliant with groundwater sampling and reporting requirements		100%	97%	N/A	96%	100%		G



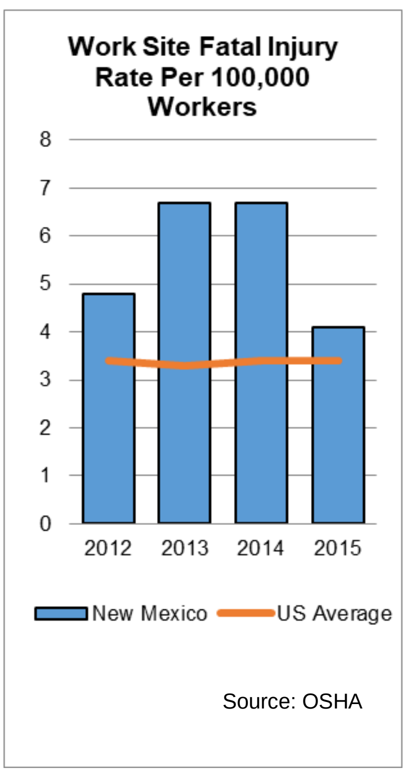
7	Active solid waste facility and infectious waste generator inspections showing compliance	93%	98%	93%	100%	95%		G
Program Rating		Y	Y					G

* Explanatory measures are provided for informational purposes and do not have a target.

Environmental Protection

The program reports all of the 967 food establishment violations issued were corrected within the timeframe specified in the second 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 second 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%	100%		G
9	Facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	100%	100%	100%	100%	100%		G
10	Serious worker health and safety violations corrected within the timeframes designated	96%	95%	98%	93%	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

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

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. Transactions abstracted into the agency's database increased in the second quarter and OSE anticipates continued increases in transactions abstracted as the Red River surface abstract project proceeds.

	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	29		R
2	Unprotested and unaggrieved water right applications backlogged	422	416	N/A	389	388		
3	Transactions abstracted into the water administration technical engineering resource system database	18,287	14,566	23,000	2,201	3,420		R
	Program Rating	Y	R					R

Texas v. New Mexico Appropriations

Year	New Mexico	Texas
2013		
2014	$ 6,500,000	$ 5,000,000
2015	$ 4,000,000	
2016	$ 3,000,000	$ 5,000,000
2017	$ 2,000,000	
2018	$ 5,000,000	$ 500,000
Total	$ 20,500,000	$ 10,500,000

Source: LFC Files

Litigation and Adjudication

The completion of the Aamodt settlement in FY17 reduced the need to make offers to defendants. 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	56		R
5	Water rights that have judicial determinations	63%	66%	70%	66%	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	137.9		G
7	Delivery credit on the Rio Grande Compact, in thousand acre-feet	0.4	-20.3	>0	-20.3	-20.3		R
	Program Rating	G	G					Y

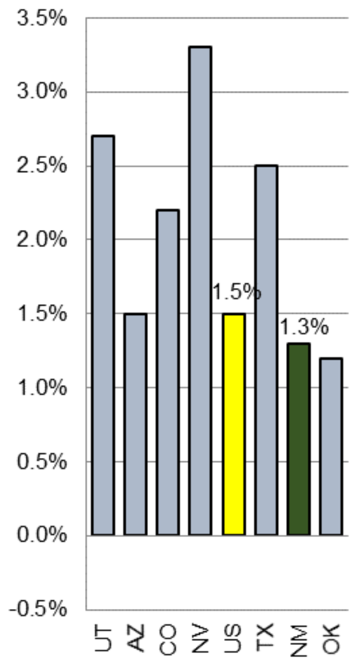
Economic Development Department

ACTION PLAN

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

New Mexico's total nonfarm employment, comparing December 2017 with December 2016, grew by 10,800 jobs, representing a 1.3 percent increase. The Economic Development Department's (EDD) performance results for the second quarter decreased in significant areas such as jobs created due to department efforts and jobs created through use of Local Economic Development Act Funds. The New Mexico Partnership, which is EDD's largest contract of $1 million, still has not recorded any job growth due to their efforts for the FY18 fiscal year.

December 2017 Year-over-Year Job Growth by State



Source: Workforce Solutions Department

Economic Development

The Economic Development Division awarded three companies $925 thousand in LEDA funds in the second quarter, contributing to 100 jobs created. Of the three companies awarded LEDA funds, one was located in a rural area. These companies include Descartes Labs in Santa Fe County, UbiQD in Los Alamos County, and PreCheck Inc. in Otero County. The private funds matched for these LEDA projects totaled $5 million. Descartes Labs and UbiQD are successful technology transfers from Los Alamos National Laboratory.

Economic Development		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 6,128.9	FTE: 25							
1	Jobs created due to Economic Development Department efforts	4,140	1,729	4,500	630	331		Y
2	Rural jobs created	641	775	1,600	350	193		G
3	Jobs created through business relocations facilitated by the New Mexico Partnership	222	115	2,250	0	0		R
4	Potential recruitment opportunities generated by partnership marketing and sales activities	NEW	NEW	84	18	8		Y
5	Workers trained by the job training incentive program	2,238	2,009	1,850	672	299		G
6	Private sector dollars leveraged by each dollar through Local Economic Development act	16:8	21:1	12:1	95:1	5:1		G
7	Jobs created through the use of Local Economic Development act funds	2,426	530	2,200	436	100		Y
8	Private sector investment in MainStreet districts (in millions)	$22.17	$28.40	$11	$34	$7.11		G
Program Rating		Y	Y					Y

Nationally, New Mexico currently ranks 49th for employment rate, 46th for labor force participation and 43rd for job growth.

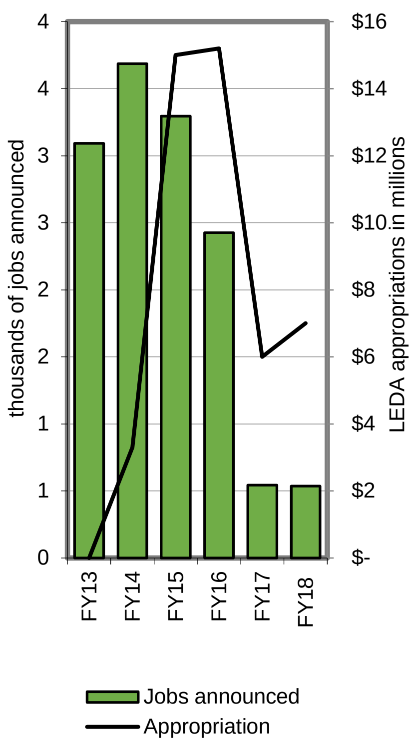
Source: U.S. News and World Reports

Seventeen businesses were approved for Job Training Incentive Program funding in the first quarter, totaling 299 workers trained. Of those jobs, 174 were approved companies in rural areas including Corrales, Aztec, Navajo Nation, Portales, Alamogordo, and Clovis, at an average wage of $18.28 per hour. During the second

LEDA Fund Balance as of January 30, 2018:

- $37 million

LEDA Funding and EDD Jobs Announced



Sources: EDD, LFC files

quarter, 55 percent of JTIP allocations went to rural projects. The Film Crew Advancement Program, one of the two JTIP for Film and Multimedia programs, was approved to train 26 crew members at an average wage of $22.02 per hour.

The New Mexico MainStreet program had another successful quarter. Local MainStreet programs reported $7 million in private sector reinvestment. Projects included 61 private buildings, 42 new businesses and business expansions, and the creation of 156 net new jobs. The largest private investment was seen in the Zuni Pueblo, with $5.6 million in private building rehabilitations, mainly for the Zuni Christian Mission School project. Other MainStreet districts with improvements in the second quarter include Las Vegas, Clayton, Grants, and Tucumari

New Mexico Film Office

The film office reports direct spend by the film industry into the New Mexico economy of $42.5 million for the second quarter. Productions that took place in the second quarter include The Brave, Tremors, Willenberger, and Big Kill. Locally produced productions include Meow Wolf: an Autobiography, Arctik, Frequent Caller, Tumbleweed, Prisoner of Mind, A Good Reason, and the documentary series America Out of the Vault. 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 resident's wage for up to 1,040 hours. Five companies qualified for FCAP with 26 New Mexican participants, at an average wage of $22.02 per hour.

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	$42.5		Y
10	Number of film and media worker days	260,307	448,304	230,000	57,104	46,061		G
Program Rating		G	G					G

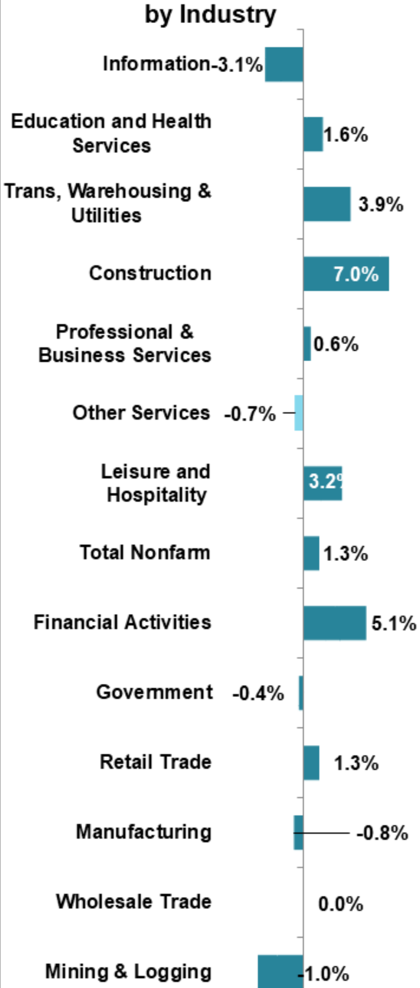
Tourism Department

ACTION PLAN

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

The Tourism Department has already met several of its annual targets, but continues to not report on key measures, receiving red ratings in the Tourism Development program and the Marketing and Promotion program. The leisure and hospitality industry registered an increase of 3,100 jobs, or 3.2 percent, when comparing December 2017 with December 2016.

December 2017 Year-over-Year Job Growth by Industry



Source: Workforce Solutions Department

New Mexico Magazine

The New Mexico Magazine is on track to meet its annual target, with $76 thousand in advertising revenue collected during the second quarter. The strong revenue collection in FY18 thus far has already surpassed actual revenue of both FY16 and FY17.

New Mexico Magazine		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 3,179.3	FTE: 14.0							
1	Advertising revenue per issue, in thousands	$53	$69	$72	$102	$76		G
Program Rating		Y	Y					G

Program Support and Tourism Development Program

By the first quarter, 76% of the department's operating budget was appropriated for advertising and marketing. The Tourism Development program has a target of $2.2 million in combined advertising being spent on communities and entities using the Tourism Department's New Mexico True Campaign. However, the data is measured annually, and for the second quarter in a row the department cannot provide data on the amount spent until the end of the year.

Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 1,074.1	FTE: 11.0							
2	Operating budget spent on advertising	NEW	78%	70%	76%	76%		G
Program Rating		Y	Y					G

Tourism Development		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 2,262.6	FTE: 5.0							
3	Combined advertising spending of communities and entities using the tourism department's current approved brand, in thousands	NEW	$2,000	$2,200	TBD	TBD		R
Program Rating		Y	Y					G

Marketing and Promotion Program

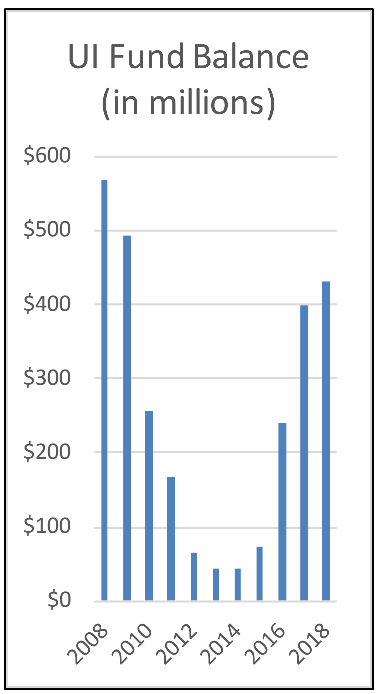
The leisure and hospitality industry continued to see substantial growth in employment during the second quarter, with the department reporting a 3.8 percent change in New Mexico, while the Workforce Solutions Department reported a 3.2 percent gain. The number of referrals from the NewMexico.org website doubled in the second quarter. The two measures in red are reported annually at the end of the calendar year, resulting in no data being provided for the second quarter.

Marketing and Promotion Budget: 10,539.2	FTE: 24.0	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
4	Percent change in New Mexico leisure and hospitality employment	NEW	NEW	3%	3.0%	3.8%		G
5	Dollar amount spent per visit per day	NEW	$79.2	$78	TBD	TBD		R
6	New Mexico's domestic overnight visitor market share	NEW	1.12%	1.1%	TBD	TBD		R
7	Referrals from newmexico.org to partner websites	NEW	NEW	160,000	29,223	47,374		
Program Rating		Y	Y					Y

IMPROVEMENT PLAN

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

Unemployment Insurance Trust Fund FY18 Quarter 2 Results (in millions)	
Total Contribution Revenue Received	$ 34.2
Total Benefit Payout	$ 35.5



Workforce Solutions Department

In New Mexico, poor economic conditions remain significant, resulting in one of the highest unemployment rates in the nation coupled with low wages for those who are employed. Wait times for those seeking unemployment insurance (UI) benefits spiked during the second quarter and veterans services continued to miss targeted performance. The UI trust fund balance declined during second quarter as a result of more benefit payouts than contribution revenue. However, healthy trust fund balances overall absorbed benefit payouts.

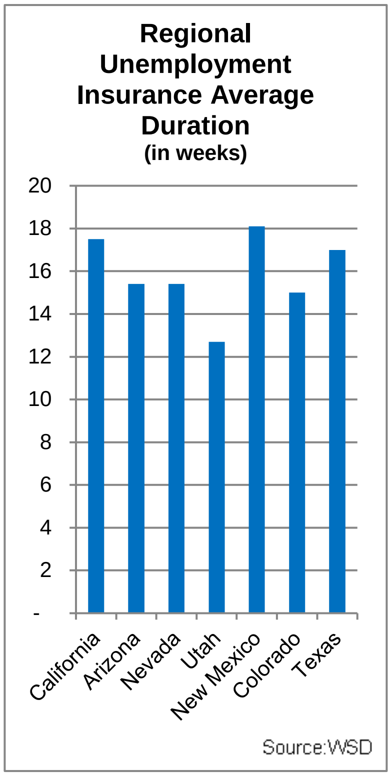
Unemployment Insurance

Wait times to file a new unemployment insurance claim or certify an existing claim surged in the second quarter. The agency noted a cyclical increase for wait times during the second quarter of each fiscal year. This is mostly attributable to seasonal employment and wait times are expected to decline in the third quarter. The agency is meeting other administrative performance targets regarding timely payment and claim accuracy once a claim is filed.

Unemployment Insurance Budget: $9,722.2	FTE: 181.6	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	91%	89%	80%	95%	93%		G
2	Accuracy rate of claimant separation determinations	93%	93%	85%	97%	95%		G
3	Average wait time to speak to a customer service agent in unemployment insurance operation center to file a new unemployment insurance claim	20 min	18 min	15 min	6 min	17 min		R
4	Average wait time to speak to a customer service agent in unemployment insurance operation center to file a weekly certification	15 min	15 min	15 min	4 min	16 min		R
5	First payments made within fourteen days after the waiting week	92%	91%	90%	92%	94%		G
Program Rating		Y	Y					G

Employment Services

The Employment Services Program is still struggling to provide services to disabled veterans. The agency reported a concerted outreach effort to connect with employers and federal contractors for recently separated veterans. In addition, the average six-month earnings of veterans after receiving services declined nearly 11 percent between the first and second quarters. In previous fiscal years, the agency consistently reported veteran’s six-month earnings around $17 thousand, however those earnings significantly dropped to $15 thousand during the second quarter. Both the struggle to provide services to veterans and the decline is wages is concerning.



Employment Services Budget: $13,641.8		FTE: 150	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
6	Average six-month earnings of persons entering employment after receiving Wagner Peyser employment services		$13,748	$13,624	$13,500	$13,641	$16,704		G
7	Individuals receiving Wagner Peyser employment services		91,704	82,499	120,000	79,728	68,183		Y
8	Unemployed individuals employed after receiving Wagner Peyser employment services		57%	55%	55%	55%	47%		R
9	Individuals that have received Wagner Peyser employment services retaining employment after six months		80%	78%	75%	79%	78%		G
10	Recently separated veterans retaining employment after six months		73%	72%	70%	73%	71%		G
11	Disabled veterans entering employment after receiving workforce development services		46%	37%	45%	40%	41%		Y
12	Average six-month earnings of persons entering employment after receiving veterans' services		$17,429	$17,148	$16,000	$17,091	$15,249		R
Program Rating			G	Y					Y

Program Support

Program Support met a majority of performance targets during the second quarter. Previously the agency reported struggles with providing services to youth. Strategies to improve performance and engage youth included each of the local workforce development boards having a youth provider conducting outreach for specific targeted populations. In addition, each provider has now received training and guidance on eligibility requirements.

Program Support Budget: $22,848.5		FTE: 99	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
13	Youth receiving Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce boards		856	770	1,400	805	818		Y
14	Youth that enter employment or are enrolled in post-secondary education and/or advanced training after receiving Workforce Innovation and Opportunity Act services		59%	57%	59%	63%	63%		G

15	Adults and dislocated workers receiving Workforce Innovation and Opportunity Act services	2,805	3,013	2,700	2,576	256		G
16	Individuals that receive Workforce Innovation and Opportunity Act services that retain employment	90%	86%	89%	89%	89%		G
Program Rating		G	Y					G

Labor Relations

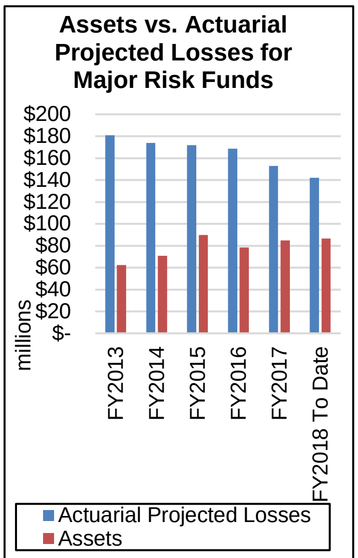
The Labor Relations program improved performance for investigating and resolving wage claims and the number of days to issue a determination for discrimination charges. These measures missed targeted performance during the first quarter and were noted as a concern. The agency filled vacancies in investigator positions to improve performance. The program also continued to report increases in the number of apprentices registered and in training, exceeding the targeted performance level.

Labor Relations		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $3,987.0	FTE: 31.4							
17	Wage claims investigated and resolved within ninety days	93%	93%	91%	79%	100%		G
18	Average number of days to investigate and issue a determination of a charge of discrimination	203	193	180	193	159		G
19	Apprentices registered and in training	1,281	2,126	1,320	1,530	1,644		G
20	Compliance reviews and quality assessments on registered apprenticeship programs	6	6	6	0	2		G
Program Rating		Y	Y					G

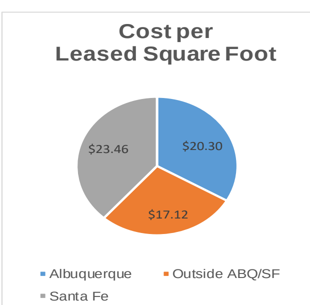
ACTION PLAN

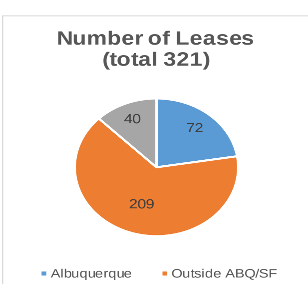
Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	Yes

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



Source: GSD and LFC files





General Services Department

Due to statute of limitations and a six month non-disclosure rule, only one-third of payments from the public liability fund were disclosed in the Risk Management Division's (RMD) annual report to the Legislature. The Legislature put these restrictions in place to prevent unscrupulous persons using the data to bring similar claims, according to RMD. For the Facilities Management Division, most of new office leases meet space standards but some lease renewals do not because of special programmatic needs or refusal by some occupying agencies to consider other options. For the State Purchasing Division, agency buying is not always well planned adding to cost and performance issues, and contract administration could be improved.

Risk Management

The risk funds have sufficient funding in total to cover about half of projected losses, despite transfers totaling about $30 million to the general fund for solvency. In the second quarter, the program conducted four alternative dispute resolution trainings and 14 of the top 25 loss-producing entitites had staff in attendance. These events are designed to find creative solutions to events to avoid costly litigation. This fiscal year, the program added coverage that will pay for the immediate mitigation of property losses that were the result of delaying mainteneance due to inadequate funding to prevent costly future losses. For the public liability fund, legislation that requires loss payments to be disclosed on the Sunshine Portal could be helpful because statutory disclosure restrictions in place do not aid transparency.

Risk Management		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $95,081.3	FTE: 57							
1	Projected financial position of the public property fund	340%	468%	50%	642%	675%		G
2	Projected financial position of the workers' comp fund	37%	43%	50%	57%	58%		G
3	Projected financial position of the public liability fund	32%	46%	50%	44%	44%		Y
4	Loss prevention training events (cumulative)	5	12	12	9	13		G
Program Rating		Y	Y					G

Group Health Benefits

Over the past several years, the program's medical cost trend has hovered around 8 percent to 9 percent, higher than the industry average of 6 percent to 7 percent. Understanding this is not sustainable, the program along with the other IBAC agencies, have been pursuing greater emphasis on care management and opportunities to incentivize healthcare consumers to make less costly decisions, especially as it applies to chronic illness and specialty drug use. When compared to national trends, premiums are not significantly different and deductibles are lower.

Group Health Benefits		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $373,196.0	FTE: 0							
5	Prescriptions filled with generic drugs	85%	87%	90%	89%	86%		G

6	Percent change in premium	- 3%	- 3%	4%	Annual			
7	Change in per member healthcare costs (in millions)	$323	$338	<$361	$306	$336		G
Program Rating		Y	Y					G

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	$1,500,000
2017	$4,000,000
2016	$2,000,000
2015	$ -
2014	$4,500,000
2013	$500,000

Source: LFC Files

Facilities Management

In the second quarter, only two-thirds of planned and unplanned repair and maintenance requirements were completed timely which over the long-term contributes to higher costs. This was partly due to less funding to address a growing deferred maintenance backlog. For capital project management, one-quarter exceeded budget due to unforeseen circumstances or changes in scope. Half of new leases in Q2 met standards for space per full-time employee. The ones that did not were special use leases in Ruidoso and Santa Clara for CYFD and ALTSD.

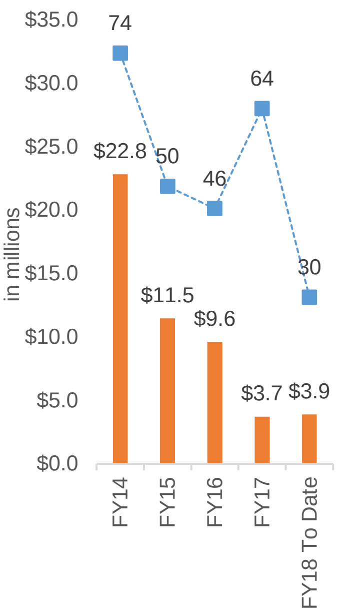
Facilities Management			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $13,283.3		FTE: 139							
8	Work orders completed on time		NEW	63%	75%	62%	64%		R
9	Capital projects on schedule		94%	95%	90%	97%	96%		G
10	Capital projects on budget		94%	76%	95%	100%	76%		Y
11	New office leases meeting space standard		NEW	19%	90%	50%	50%		Y
Program Rating			Y	Y					Y

Gross Square Footage per FTE

Department	Leased Space	State-owned Space	Total Space Occupied (GSF)	Total FTE	Total GSF Per FTE (target 215)
Aging and Long-Term Services Department	36,545	32,403	68,948	181	382
Department of Environment	116,432	67,822	184,254	668	276
Department of Health	200,994	1,230,263	1,431,257	2,251	636
Department of Public Safety	39,617	408,408	448,025	1,200	373
Division of Vocational Rehabilitation	136,638	5,088	141,726	291	487
Energy, Minerals and Natural Resources Department	6,884	77,723	84,607	317	267
Human Services Department	734,969	115,720	850,689	1,923	442
Public Education Department	13,407	61,613	75,020	323	232
Regulation and Licensing Department	20,017	58,473	78,490	190	412
Office of the State Engineer	63,251	89,967	153,218	299	512
Taxation and Revenue Department	207,968	171,526	379,494	1,128	336
Workforce Solutions Department	27,492	153,858	181,350	579	313
Total (all agencies under GSD purview)				**17,227**	**438**

Source: CBPC, GSD and LFC files (FY16)

Emergency Procurements



Source: GSD Contracts Database

State Purchasing

The program reports 14 of 64 procurements were "best value" sourced. This is a tool used when it is difficult to define the features of a good or service or when the upfront price does not reflect the longer-term costs, as happens with many IT projects. Because most agencies now have certified procurement officers on staff – the New Mexico Finance Authority, State Fair Commission and Department of Veterans Services the exceptions, the program reports only one agency had a violation in the second quarter serious enough to require additional staff training.

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%	22%		G
13	Agencies with certified procurement officers	NEW	NEW	90%	95%	98%		Y
14	Procurement violators receiving training	NEW	68%	90%	95%	100%		G
Program Rating		Y	Y					G

Transportation Services

The average vehicle operational costs per mile consistently outperforms 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. In the absence of GPS tools, manual mileage logs are being used. For FY20, the program should consider building GPS costs into vehicle leasing rates.

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%	60%	61%		R
Program Rating		Y	G					Y

State Printing

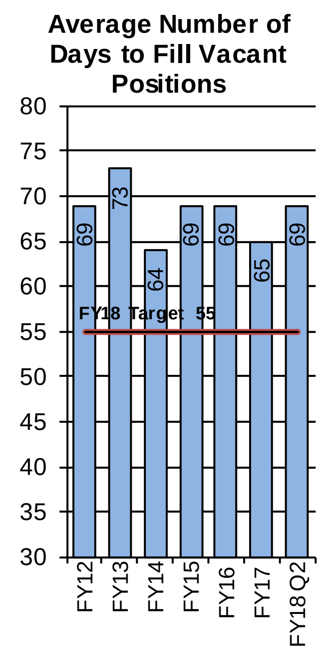
At $150 thousand in revenue generated per employee, FY18 revenues remain strong despite a shorter 30 day legislative session due to continued sales and marketing efforts, slightly less than industry averages of $160,000 per employee.

State Printing		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $1,160.0	FTE: 10							
17	Revenue per employee	$181	$236k	$175k	$184k	$150k		G
18	Sales growth in revenue	9%	26%	8%	8%	40%		G
Program Rating		G	G					G

Personnel Board

ACTION PLAN

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



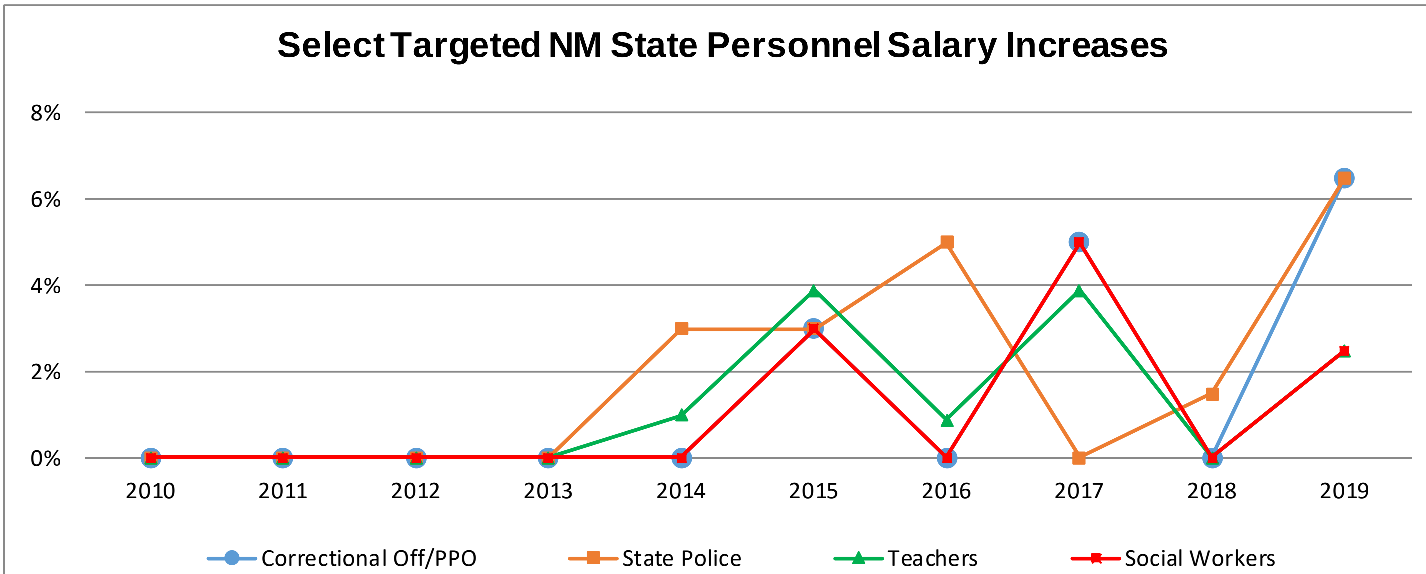
Source: SPO

The State Personnel Office (SPO) is consolidating executive agencies' human resource (HR) functions citing goals of increasing efficiency and cost effectiveness. The executive introduced two bills during the 2018 legislative session to codify its HR consolidation, but the Legislature did not support the initiative and only provided limited budget increase authority for SPO's HR consolidation. However, in January 2018, the Board of Finance cited rarely used authority to approve temporary transfers of executive agencies' funds and FTE to SPO for the consolidation. SPO reported implementation of the HR consolidation 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.

There are concerns that agencies' ability to hire personnel has been impaired by the consolidation initiative because agencies delayed filling growing numbers of vacant HR positions in anticipation of consolidation. In its second quarter report SPO notes the number of days to fill positions has increased over FY17 with the Division of Vocational Rehabilitation filling positions in an average of 144 days, and the Energy, Minerals and Natural Resources Department filling positions in an average of 118 days.

SPO has had limited success in addressing market-to-pay plan disparities, and to date has only implemented 18 percent of its occupation-based compensation system begun in 2012 by updating three of eleven classifications for corrections, information technology and engineering and architects.

To prevent the state's compensation structure from falling further behind the market, the Legislature in 2018 funded targeted and across-the-board cost-of-living salary adjustments for state employees to maintain competitiveness in the labor market.



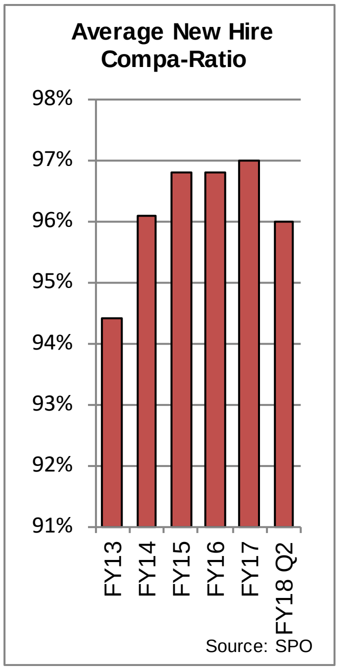
Source: LFC Files

PERFORMANCE REPORT CARD
Personnel Board
Second Quarter, Fiscal Year 2018

SPO Occupation-Based Classification Structure

1. Corrections 7%
2. Information Technology 4%
3. Engineering/Architects 7%
4. General Administration 29%
5. Healthcare 9%
6. Legal 4%
7. Protective Services 2%
8. Science/Technology 4%
9. Social Services 18%
10. Trades/Labor 7%
11. Management 9%

Source: SPO



Turnover Rate by Position	
Position	**Turnover**
Correctional Officers	17%
DOH Nurses	17%
Miner's Hospital Nurses	45%
Public Safety Dispatchers	17%
Child Protective Services	25%
State Police	8%

Source: SPO

SPO reports over one-third of state employees are currently in alternative pay bands and estimates 15 percent of the workforce may be misclassified. Failure to adopt a statewide compensation plan has resulted in a proliferation of agencies implementing ad hoc out-of-cycle pay adjustments.

Additionally, salary compaction has reduced the gap between the salaries of new employees and more tenured employees. 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 96 percent from FY11 to FY18. Over this same period, the average state employee compa-ratio decreased from 102 percent to 101 percent. Compaction can lead to low morale and higher turnover as employees seek salary increases by moving between agencies.

SPO notes given the high cost of turnover, the state needs to examine factors that affect employee retention and talent acquisition, particularly for highly competitive occupations. Turnover is attributable to many factors such as non-adjustment of salary plans, retirement, separations, transfers, and promotions. The average turnover rate through the second quarter of FY18 was 8.4 percent compared with 9 percent closing FY17. The average quarterly turnover rate for those voluntarily separating from state service was 3.5 percent and 0.5 percent for employees involuntarily separating from the classified service. The Department of Health had the highest number of employee separations with 129 employees leaving and the Children, Youth and Families Department was next with 95 employees leaving in the second quarter.

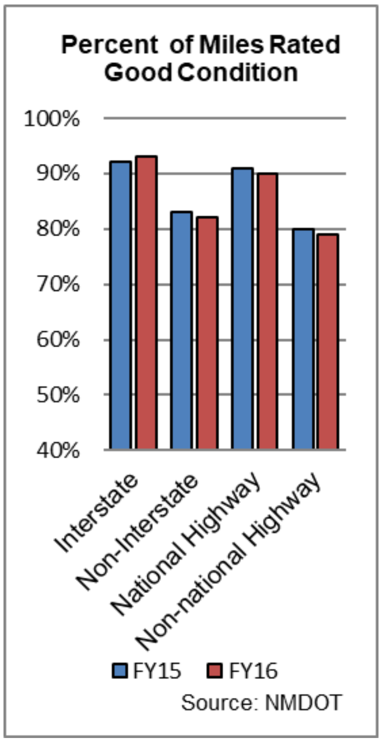
State Personnel Office		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $4,082.1	FTE: 47							
1	Classified service vacancy rate	15%	18%	13%	19%	19%		R
2	Average days to fill a position from the date of posting	69	65	55	67	69		R
3	Average state classified employee compa-ratio	102%	101%	≥95%	101%	101%		G
4	Average state classified employee new-hire compa-ratio	97%	97%	91%	95%	96%		Y
5	New employees who successfully complete their probationary period	70%	65%	75%	61%	66%		R
6	Classified employees voluntarily leaving state service	15%	15%	15%	4%	3.5%		G
7	Classified employees involuntarily leaving state service	2%	2%	5%	0.5%	0.5%		G
8*	State employee average overtime usage per month	16.2 hours	16.2 hours	N/A	15.3 hours	15.2 hours		
9*	State employees receiving overtime	17%	17%	N/A	18%	17%		
Program Rating		R	R					Y

*Explanatory measure are provided for informational purposes and do not have a target.

Department of Transportation

ACTION PLAN

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



At the end of the second quarter, the New Mexico Department of Transportation (NMDOT) reports 98 total traffic fatalities, 29 percent of the target level. Traffic fatalities, including alcohol-related and unbelted fatalities, are tracking closely with second 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 resulted in a project cost over bid amount to 1.4 percent.

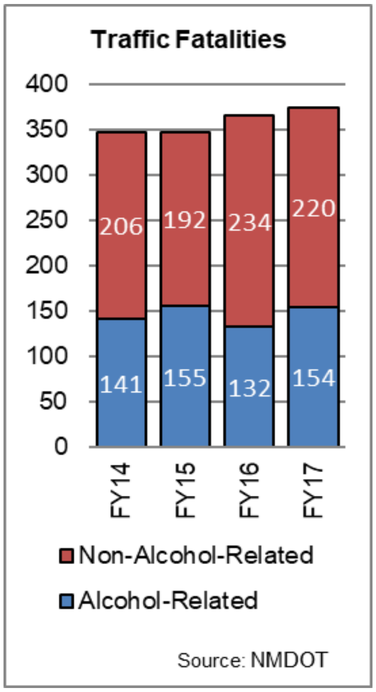
Project Design and Construction		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $536,056.7	FTE: 366							
1	Projects completed according to schedule	89%	94%	>88%	83%	86%		Y
2	Projects put out for bid as scheduled	51%	65%	>67%	75%	94%		G
3	Final cost-over-bid amount on highway construction projects	3.5%	-1.0%	<3%	-1.0%	1.4%		G
Program Rating		Y	G					G

Transportation and Highway Operations

NMDOT reports that the condition of interstate highways improved from FY15 to FY16, the most recent reporting periods. However, conditions of National Highway System (NHS) and non-National Highway System (non-NHS) roadways deteriorated over the same time period. 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							

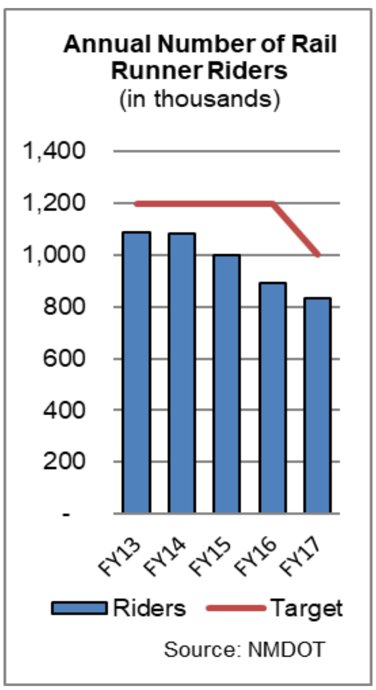
4	Statewide pavement miles preserved	2,457	3,668	>2,600	1,233	858		G
5	Bridges in fair condition or better, based on deck area	95%	95.5%	>88%	95.5%	95.5%		G
Program Rating		Y	G					G



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. Traffic and pedestrian fatalities are higher than the trend necessary to meet targets but are consistent with FY17 data. Public transit ridership continues to be down as more people use personal vehicles. The current low price of gasoline and diesel are rendering these transit services less competitive relative to driving. NMDOT reports Rail Runner performance but does not operate the passenger rail service.

Modal		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $64,378.3	FTE: 73							
6	Traffic fatalities	355	383	<340	91	98		Y
7	Alcohol related traffic fatalities	132	163	<135	24	30		G
8	Non-alcohol related traffic fatalities	223	220	<220	67	68		R
9	Occupants not wearing seatbelts in traffic fatalities	133	132	<133	28	32		G
10	Pedestrian fatalities	72	69	<72	20	25		R
11	Riders on park and ride, in thousands	264.2	247.1	>275.0	62.5	56.7		R
12	Riders on rail runner, in millions	0.89	0.84	N/A	0.21	0.20		
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 25 injuries occurring in the second 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%	16%		R
14	Employee injuries	89	78	<90	20	25		Y
15	Employee injuries occurring in work zones	32	34	<35	9	9		Y
Program Rating		G	G					Y

New Mexico Department of Transportation

Top Unfunded Major Investment Projects

Project Description	Estimated Project Cost	Funds Programmed	Remaining Funds Needed
District 1			
Nogal Canyon Bridge Replacement	$ 28,000,000	$ -	$ 28,000,000
US 70 Roadway Capacity increase to 6-lane (MP 149 - 150.5)	$ 30,000,000	$ -	$ 30,000,000
I-25 Roadway Capacity increase to 6-lane (MP 3 - MP 6)	$ 30,000,000	$ -	$ 30,000,000
I-25 Roadway Capacity increase to 6-lane (MP 0 - MP 1)	$ 10,000,000	$ -	$ 10,000,000
US 180 Deming to Bayard capacity increase	$ 60,000,000	$ -	$ 60,000,000
Total	**$ 70,000,000**	$ -	**$ 70,000,000**
District 2			
US 82, Enhanced 2-Lane (Passing Lanes, Shoulder Widening, Intersection Improvements), (MP 110 to MP 171, length 61.0 miles), CN 2101771	$ 63,500,000	$ -	$ 63,500,000
US 285, Shoulder Widening & Recon, Stateline to Loving, (MP 0.0 to MP 20.0, legnth 20.0 miles)	$ 45,000,000	$ 20,000,000	$ 25,000,000
US 54, Roadway Reconstruction, (MP 146 to 163, length 17.0 miles) Project will be constructed in 3 Phases (FY2020, FY2021, FY2022)	$ 36,000,000	$ 22,000,000	$ 14,000,000
NM 8, Eunice North to JCT US 62 West of Hobbs	$ 13,390,000	$ -	$ 13,390,000
US 380, Capitan to Hondo, MP 85 - 92	$ 8,500,000	$ -	$ 8,500,000
Total	**$ 151,718,000**	**$ 42,000,000**	**$ 205,390,000**
District 3			
I-25/Montgomery Interchange Reconstruction	$ 50,000,000	$ 45,500,000	$ 4,500,000
I-25, Roadway Rehabilitation, Widening & Addition of Auxillary Lanes, Comanche Interchange to Jefferson Interchange	$ 15,000,000	$ -	$ 15,000,000
I-25/Jefferson Interchange Reconstruction	$ 50,000,000	$ -	$ 50,000,000
NM 45, I-25 (Coors Overpass) to Rio Bravo, MP 3 - 8.5	$ 21,300,000	$ -	$ 21,300,000
NM 45, Rio Bravo to Old Coors, MP 8.5 - 11.5	$ 23,400,000	$ -	$ 23,400,000
Total	**$ 159,700,000**	**$ 45,500,000**	**$ 114,200,000**
District 4			
US 54, Pavement Rehabiliation w/spot reconstruction, shoulder widening and structure rehabiliation, Tucumcari to Texas State Line (MP 303.2 to 355.4, length 52.2) Roadway rehabilation is currently funded from MP 303.2 to 306.1 between FY2018 - FY2023. Remaining Corridor (29.3 miles) remains unfunded	$ 135,000,000	$ 18,500,000	$ 116,500,000
US 64/87, Pavement Rehabilitation w/spot reconstruction of two lanes not addressed by the GRIP Projects, Raton to Clayton, (MP 349.5 to MP 430.0, length 80.5 miles)	$ 121,000,000	$ 10,000,000	$ 111,000,000
NM 434, MP 19.66 to MP 25.5 (19.66 Miles East of JCt. NM518 in Mora - East) . Remaining Corridor will be constructed in 2 Phases. (1st Project, MP 17.24 to MP 19.66 is under construction).	$ 21,000,000	$ 14,000,000	$ 7,000,000
US 64, MP 271.2 to MP 285 (Taos/Colfax County Line to Eagle Nest). Corridor will be constructed in 2 to 3 phases.	$ 35,000,000	$ -	$ 35,000,000
Total	**$ 312,000,000**	**$ 42,500,000**	**$ 269,500,000**

District 5			
US 64, Roadway Recontruction (Capacity, Safety & Access Control), Farmington to Bloomfield Corridor Phases IV and V, (MP 54.0 to MP 58.0, length 4.0 miles)	$ 31,500,000	$ 29,751,338	$ 1,748,662
US 64, Truss Bridge Replacement @ MP 22.1, Near Shiprock	$ 26,500,000	$ -	$ 26,500,000
NM 68, Roadway Reconstruction and Intersection Realignment, La Posta Road to Camino Del Paseo Pueblo, Taos,	$ 11,000,000	$ 7,000,000	$ 4,000,000
NM 68, Roadway Reconstruction (subgrade stabilization, access management, multi-modal enhancement), Espanola to Velarde, (MP 3.8 to MP 13.8, 10 miles). Project will be constructed in 2 Phases (FY 2018/2019, FY 2020)	$ 27,000,000	$ 20,577,432	$ 6,422,568
US 64, Rio Arriba County Line-East to US 84, MP 87 - 107	$ 22,900,000	$ -	$ 22,900,000
Total	**$ 118,900,000**	**$ 57,328,770**	**$ 61,571,230**
District 6			
NM 118, Roadway Reconstruction, East of Gallup (MP 28 to 37, length 9.0 miles)	$ 16,000,000	$ -	$ 16,000,000
Carbon Coal Road/ US 491 Intersection Improvements	$ 3,200,000	$ -	$ 3,200,000
Allison Corridor (Phase 2 thru 5)	$ 41,000,000	$ -	$ 41,000,000
Total	**$ 60,200,000**	$ -	**$ 60,200,000**
Grand Total	**$ 872,518,000**	**$ 187,328,770**	**$ 780,861,230**

Project Status Legend

	Project is on track; scope, budget, schedule and deliverables are being managed appropriately.
	Project has potential risk to scope, cost, schedule, or deliverables; independent verification and validation (IV&V) has identified one or more areas of concern needing improvement.
	There are significant issues limiting the success of the project; high risks to scope, cost, schedule or deliverables identified; management attention and corrective action needed.

Agency	**333**	**Taxation and Revenue Department**					
Project Name	**ONGARD Replacement - Severance Tax**						
Project Description	Replacement of the oil and natural gas administration and revenue database (ONGARD) system. Replacement will be delivered in two separate systems; TRD Severance Tax and State Land Office (SLO) Royalty Administration and Revenue Processing System (RAPS)						
Project Phase	Implementation		**Estimated Implementation Date:**		6/30/2018		
			Estimated Total Cost (2) (in thousands):		$11,000.0		
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$11,000.0	$0.0	$11,000.0	$8,124.5	$2,875.5	73.9%	
FY18 Rating	**Q1**	**Q2**	**Q3**	**Q4**	**Status**		
Budget					Agency was granted reauthorization of $5 million appropriated in Laws 2016 to prepare for interfacing with SLO RAPS project.		
Schedule					Project is tracking on schedule, roll-out into GenTax production mid-March, followed by a stabilization period.		
Risk					Resource issues continue; delay in contract approval for IV&V is of concern; data exchange MOU is not finalized.		
Overall					System testing is 100 percent complete, industry testing is 85 percent complete and training is 40 percent complete. EMNRD interfaces tested successfully; separate interface with SLO has been agreed to.		
(1) Includes $6 million appropriation for stabilization of ONGARD, of which $1.9 million is allocated to the severance tax project.							
(2) Total estimated costs include $4.1 million for ONGARD stabilization and modernization and $6.9 million for the severance tax project.							

Agency	**539**	**State Land Office**					
Project Name	**ONGARD Replacement - Royalty Administration and Revenue Processing System (RAPS)**						
Project Description	Replacement of the oil and natural gas administration and revenue database (ONGARD) system. Replacement will be delivered in two separate systems; TRD Severance Tax and SLO RAPS						
Project Phase	Planning		**Estimated Implementation Date:**		TBD		
			Estimated Total Cost (in thousands):		$10,000.0		
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$5,000.0	$0.0	$5,000.0	$188.9	$4,811.1	3.8%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget					Agency requested and was granted reauthorization of $5 million appropriated in Laws 2016 through FY19; SLO has selected two viable approaches.		
Schedule					While the agency has identified two potential vendors there is continued lack of progress in planning; SLO has not scheduled project certification for release of funds for initiation and planning.		
Risk					Data exchange MOU has not been finalized; critical staff departures, including the CIO, leave limited subject matter experts; change in administration may impact the project.		
Overall					While there has been some improvement, on-going delays are impeding the schedule.		
(1) Laws 2018 appropriated an additional $5 million available for expenditure through FY10; the appropriation is from state lands maintenance fund.							

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	**361**	**Department of Information Technology**					
Project Name	**SHARE Software Upgrade**						
Project Description	Upgrade the SHARE system to version 9.2 for Human Capital Management (HCM) and Financials (FIN) with goals to increase standardization of the system and improve key business processes.						
Project Phase	Implementation	**Estimated Implementation Date:**		10/12/2017			
		Estimated Total Cost (in thousands):		$15,000.0; Revised $19,764.4			
	State (1)	**Federal**	**Total Available Funding** (2)	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$5,000.0	$0.0	$19,764.4	$19,764.4	$0.0	100.0%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Yellow	Green			It remains unclear why the estimated project costs increased from $15 million to $19.8 million or 32 percent.		
Schedule	Green	Green			Upgrade was implemented successfully on schedule and successfully transitioned to operations.		
Risk	Yellow	Green			While the upgrade was successful, status of the SHARE Business Continuity Disaster Recovery Plan was unknown. LFC requested a copy from DoIT and DoIT provided it on March 16, 2018.		
Overall	Yellow	Green			A reconciliation of project funding and expenditures is needed to ensure proper use of funds and accuracy of project costs. Project close-out and lessons learned are pending the April project certification committee meeting.		

(1) Laws 2013 appropriated $5 million; additional appropriation of $2.9 million is from the SHARE equipment replacement fund.
(2) Total available funding increase includes $11.8 million from SHARE equipment replacement fund, through the BAR process.

Agency	**594**	**State Treasurer**					
Project Name	**SHARE Integrated Treasury Solution**						
Project Description	Implement the SHARE treasury management module to provide the functionality needed to streamline the cash management and investment management processes by eliminating manual booking of investments into the SHARE general ledger. Implementation will improve accuracy, timeliness and data integrity.						
Project Phase	Implementation	**Estimated Implementation Date:**		12/31/2017; revised 3/31/2018			
		Estimated Total Cost (in thousands):		$1,950.0			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$1,950.0		$1,950.0	$894.5	$1,055.50	45.9%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Green	Green			Available funding is reauthorized through FY18.		
Schedule	Yellow	Yellow			While cash management successfully moved to production as scheduled, the project is behind due to delays in approval and execution of contracts, including the independent verification and validation (IV&V) contract.		
Risk	Yellow	Yellow			Configuration of deal management is not complete nor has STO staff used this portion of SHARE.		
Overall	Yellow	Yellow			The project team is behind on documentation impacting the overall project schedule and progress. The current IV&V report indicates STO needs to ensure written documentation and knowledge transfer is complete.		

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	**361**	**Department of Information Technology**						
Project Name	**DoIT Statewide Infrastructure Replacement & Enhancement (SWIRE)**							
Project Description	Plan, design, purchase and implement infrastructure for public safety communications statewide for improved communication equipment affecting emergency responders.							
Project Phase	Implementation		**Estimated Implementation Date:**		6/30/2018; revised 6/30/2021			
			Estimated Total Cost (in thousands):		$14,200.0			
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$14,200.0	$0.0	$14,200.0	$11,916.3	$2,283.7	83.9%		
FY18 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget	Green	Green			Laws 2016 appropriated additional $5 million for phase III.			
Schedule	Yellow	Yellow			Overall phase II is 99 percent complete, however the project is behind schedule with estimated completion during FY18.			
Risk	Green	Green			Constraints include weather and available resources, external and internal.			
Overall	Green	Green			Initiated phase III; DPS new 700 MHz land mobile radio units and initial phase of Corrections subscriber units replacements			

(1) Amount does not reflect Laws 2018 appropriation of $10 million to continue the replacement of public safety radio equipment and infrastructure. An updated project management plan is needed.

Agency	**366**	**Public Employees Retirement Association (PERA)**						
Project Name	**Retirement Information Online (RIO) Enhancement**							
Project Description	Update current PERA system to include implementing business process improvements, user interface enhancements, data integrity and remediation, and customer relationship management (CRM) software and workflow system.							
Project Phase	Implementation		**Estimated Implementation Date:**		6/30/2018			
			Estimated Total Cost (in thousands):		$4,200.0			
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$4,200.0	$0.0	$4,200.0	$1,192.5	$3,007.5	28.4%		
FY18 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget	Green	Green			While project budget is adequate and on track, Laws 2018 granted agency a reauthorization of $4.2 million funding through FY19 due to project delays.			
Schedule	Red	Yellow			CRM vendor deliverables are behind schedule and its project manager moved to another project, impacting overall project schedule; PERA recognizes project timeline is likely to extend into FY19.			
Risk	Red	Red			IV&V reported a lack of resources dedicated to data cleansing as a high risk. Data cleansing is an integral part of project.			
Overall	Yellow	Yellow			The project is demonstrating improved project management practices, including weekly status meetings and workflow meetings for requirements gathering.			

(1) Amount does not reflect Laws 2018 other state funds $3 million appropriation to upgrade RIO hardware and software infrastructure.

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	**630**	**Human Services Department**					
Project Name	**Child Support Enforcement System Replacement (CSESR)**						
Project Description	Replace the existing system which is over 20 years old, with a flexible, user-friendly solution to enhance the department's ability to meet federal performance measures. The current system maintains 59 thousand active cases with over $132 million in annually distributed child support payments.						
Project Phase	Planning		**Estimated Implementation Date:**		TBD		
			Estimated Total Cost:		TBD		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$3,927.3	$1,023.7	$4,951.0	$2,654.9	$1,272.4	67.6%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Yellow	Green			Current remaining funding is sufficient to complete planning activities.		
Schedule	Yellow	Yellow			Office of Child Support Enforcement (OCSE) required HSD to revise and resubmit the CSESR feasibility study which has delayed other work.		
Risk	Yellow	Yellow			HSD did not submit a FY19 C2 funding request, pending revisions of the feasibility study. Progress on the revised feasibility study continues to be limited.		
Overall	Yellow	Yellow			Project work plan and schedule has been updated with milestones to align and leverage the HHS 2020 initiative.		

Agency	**630**	**Human Services Department**					
Project Name	**Medicaid Management Information System Replacement (MMISR)**						
Project Description	Replace current Medicaid management information system and supporting application to align with Centers for Medicare and Medicaid Services (CMS) requirements, including Medicaid Information Technology Architecture (MITA).						
Project Phase	Planning		**Estimated Implementation Date:**		11/30/2019		
			Estimated Total Cost (in thousands)**:**		$175,762.0		
	State	**Federal**	**Total Available Funding** (1)	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$3,820.0	$33,580.0	$37,400.0	$24,514.8	$12,885.20	65.5%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Green	Green			The project is currently operating under $20.1 million carryover funding from Laws 2016 appropriation. Laws 2019 granted a reauthorization through FY19.		
Schedule	Yellow	Red			HSD submitted the System Integrator contract to DoIT for review on November 15, 2017, and it is yet to be finalized for contract award. IV&V reported the project continues to experience delays issuing RFP and contract approvals due to DoIT's undefined procurement and contracting review processes. While HSD is adjusting the project schedule, maintaining the procurement schedule is critical.		
Risk	Red	Red			The current IV&V report indicates highest level of risk is the continued procurement delays, and without mitigation, a complete stop of project progress may result. Additionally, incomplete project resource estimating may adversely impact schedule, cost and quality of the project. HSD is mitigating the risk by hiring HSD staff and contractors to support the project.		
Overall	Yellow	Red			In addition to the risk mentioned above, the current IV&V report indicates there is a lack of standards and repeatable project management processes. The inability to apply a consistent methodology increases risk that critical tasks, dependencies and resources may not be identified and planned accordingly.		
(1) Total available funding does not include an additional $67.7 million appropriated in Laws 2018; $6.8 million general fund and $60.9 million federal.							

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	**685**	**Department of Health**					
Project Name	**Women, Infants, and Children (WIC) System Replacement Project**						
Project Description:	Replace a 14-year-old legacy system with the WIC regional solution that includes Texas, Louisiana, New Mexico and two independent tribal organizations. The regional model will meet USDA Food and Nutrition Service (FNS) requirements for Management Information Systems (MIS) and Electronic Benefits Transfer (EBT) delivery for WIC benefits.						
Project Phase	Implementation	**Estimated Implementation Date:**			11/30/2018		
		Estimated Total Cost (in thousands)**:**			$7,004.9		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$0.0	$7,004.9	$7,004.9	$1,837.3	$5,167.60	26.2%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Green	Green			The implementation advanced planning document (IAPD-U) annual summary was submitted to FNS; the program addressed FNS questions in the New Mexico response.		
Schedule	Yellow	Green			Texas pilot phase in progress, New Mexico anticipates a go decision for its pilot during third quarter.		
Risk	Yellow	Yellow			The MIS vendor design has incomplete detailed business rules that may result in business requirement mistakes.		
Overall	Yellow	Green			MIS user acceptance testing and EBT data conversion testing is complete. IV&V vendor recommends New Mexico establish a protocol for communicating with the vendor and the state's help desk.		

Agency	**690**	**Children, Youth and Families Department**					
Project Name	**Enterprise Provider Information Constituents Services (EPICS)**						
Project Description:	Multi-phase/multi-year project to consolidate CYFD's legacy system (FACTS) and 25+ stand-alone systems into one enterprise wide web application. EPICS scope consists primarily of the Early Childhood Services program.						
Project Phase:	Implementation	**Estimated Implementation Date:**			3/31/2018; Revised 6/30/2018		
		Estimated Total Cost (in thousands)**:**			$19,827.3		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$10,636.8	$9,190.5	$19,827.3	$17,746.1	$2,081.20	89.5%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Yellow	Yellow			Through a change request project funding is allocated to web services framework and related web-based, self-service functionality.		
Schedule	Yellow	Red			The "Am I Eligible" phase II is four weeks behind due to staffing turnover and competing development priorities. Increased project workload is also causing delays. CYFD is adjusting the schedule through the change management process.		
Risk	Red	Red			Key agency staff and contractor turnover continue to be the highest risk to the project, including the applications development supervisor and EPICS project manager who resigned effective 12/31/17; CYFD's IT division current vacancy rate is 37 percent. Reports are also at risk due to scope increase.		
Overall	Yellow	Red			Although CYFD is monitoring resources and reallocating staff as needed, on-going turnover is of concern. The current IV&V report indicates requirements are not always well defined, understood, and documented.		

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	**770**	**Corrections Department**					
Project Name	**Offender Management System Replacement**						
Project Description:	Replace 15-year old client server offender management system with a commercial-off-the-shelf (COTS) web-based solution. The COTS solution has 17 modules associated with CD requirements.						
Project Phase:	Implementation		**Estimated Implementation Date:**		6/30/2019; revised		
			Estimated Total Cost (in thousands)**:**		$11,600.0		
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$7,800.0		$7,800.0	$2,188.9	$5,611.10	28.1%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget					Current project funding is adequate for 16 of the 17 modules; anticipated FY19 funding for the 17th module is pending.		
Schedule					Gap analysis sessions are ongoing with 62 percent complete with remaining scheduled through the end of March. Data conversion and mapping have been initiated.		
Risk					Inability to fill vacant IT positions continues to be a high risk; Corrections IT Division currently has a 29 percent vacancy rate; agency is using a staff augmentation vendor to mitigate risk during the implementation phase; agency is in the process of filling two approved positions.		
Overall					The project continues to progress well, with no major issues with scope, schedule or budget.		

(1) Amount does not include Laws 2018 appropriation of $2.3 million.

Agency	**780**	**Department of Public Safety**					
Project Name	**Computer Automated Dispatch (CAD)**						
Project Description:	Replace 10-year old CAD system. CAD is used to dispatch 911 calls to officers, map the call location in the dispatch center, provide automatic vehicle location of officers in the field, and provide the National Crime Information Center with access to data.						
Project Phase:	Implementation		**Estimated Implementation Date:**		9/27/2017		
			Estimated Total Cost (in thousands)**:**		$3,988.8		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$4,150.0		$4,150.0	$3,720.5	$429.50	89.7%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget					Additional GIS work is needed due to issues identified with software, and Valencia and Luna implementation need to be included in the budget. However, DPS intends to use any remaining funding for the planning phase of the Records Management System project. Funding expires end of FY18.		
Schedule					System go-live delayed implementation for Valencia and Luna county continued; however, Luna anticipates go-live in February and Valencia has not set a date; up-to-date information is not available as of this writing.		
Risk					Although Valencia's implementation date is yet to be determined, DPS continues to update the mapping system for Valencia county data.		
Overall					The system continues to be stable; project close-out will be scheduled after Valencia and Luna county go live.		

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone (505) 986-4550 • Fax: (505) 986-4545

David Abbey
Director

March 20, 2017

LFC INVESTMENT REPORT FOR THE QUARTER ENDING DECEMBER 31, 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 December 31, 2017.

INVESTMENT PERFORMANCE HIGHLIGHTS

- In calendar year 2017, the aggregate value of the state's combined investment holdings for the pension and permanent funds grew by nearly $5 billion, or 10.8 percent, to end the quarter at $50.9 billion. ERB and PERA's fund balances grew 10.2 percent and 8.9 percent, respectively, and the aggregate value of the permanent funds managed by SIC grew 12.6 percent.
- One-year returns ranged from 13.9 percent to 15.1 percent. ERB and the permanent funds outperformed their long-term targets for the one-, three-, and five-year periods; and PERA outperformed its long-term target for the one- and five-year periods.
- When compared with peer funds greater than $1 billion on a net-of-fee basis, ERB's and the permanent funds' investment returns ranked above the median for the 10-year period. ERB's fund ranked above the median for the three-year period, and the LGPF ranked above the median for the five-year period. SIC's funds ranked below the median for the quarter, the year, and the three-year periods. PERA's investment returns ranked in the lowest quartile for all but the five-year period, which was near the median.

PERFORMANCE VS. INTERNAL BENCHMARKS

The table below provides the funds' investment returns for the quarter and one-, three-, five-, and 10-year periods ending December 31, 2017 compared with 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, and ERB and the permanent funds also generated returns above the long-term targets for the three-year period. The long-term return targets are 7.25 percent (PERA), 7.25 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF).

Returns as of December 31, 2017 (Net of Fees)[1]

	PERA		ERB		LGPF		STPF	
Returns (%)	**Fund**	**Policy Index**	**Fund**	**Policy Index**	**Fund**	**Policy Index**	**Fund**	**Policy Index**
Quarter	3.2	3.0	3.3	3.3	3.5	3.5	3.1	3.5
1-Year	13.9	13.2	13.9	14.1	15.1	13.9	14.0	14.0
3-Year	6.5	7.2	7.8	7.5	7.3	7.2	7.2	7.3
5-Year	8.3	8.3	8.5	8.0	8.9	8.9	8.6	8.9
10-Year	4.6	5.3	5.9	5.2	5.5	5.2	4.8	5.1

FUND ASSET VALUES

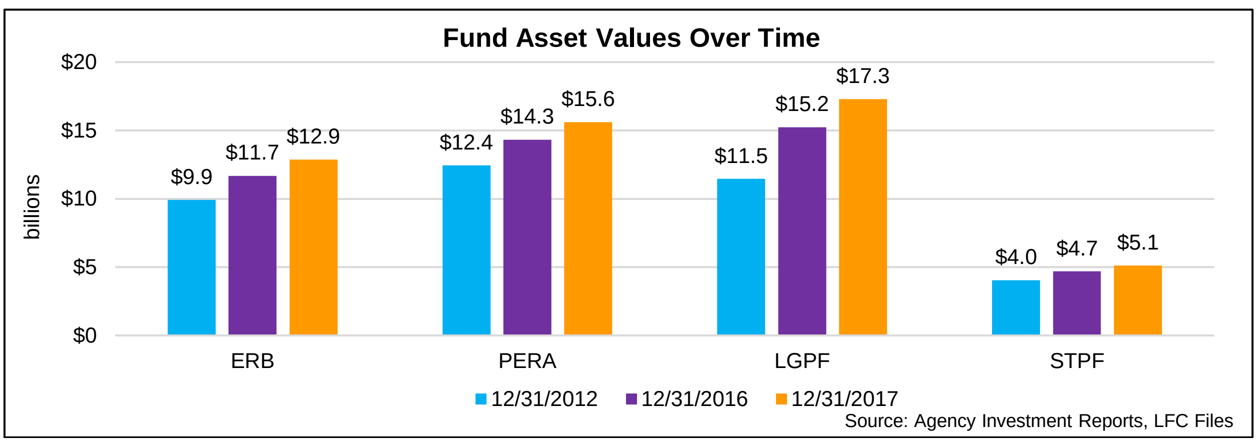
Fund balances grew over the last year, as shown in the table below.

Current Asset Values* (millions)
For One-Year Period Ending December 31, 2017

	ERB	PERA	LGPF	STPF	TOTAL
Current Asset Value	**$12,873.7**	**$15,597.5**	**$17,298.2**	**$5,124.3**	**$50,893.7**
Annual Change					
Ending Asset Value (12/31/2016)	$11,683.0	$14,322.4	$15,224.7	$4,687.3	$45,917.4
Value Change – Year Over Year	$1,190.7	$1,275.1	$2,073.6	$437.0	$4,976.3
% Change – Year Over Year	10.2%	8.9%	13.6%	9.3%	10.8%

*Net of Fees

The aggregate value of all four of the state's investment funds grew by nearly $5 billion, or 10.8 percent, in the last year and grew by $13.1 billion, or 34.5 percent, over the last five years. The land grant permanent fund, which is the largest of the four funds, added over $2 billion to the fund balance in CY17. Both ERB and PERA added over $1 billion to their fund balances in the last year, and the STPF added $437 million. All amounts displayed in the table above are net-of-fees and represent annual growth in fund balances less any distributions.

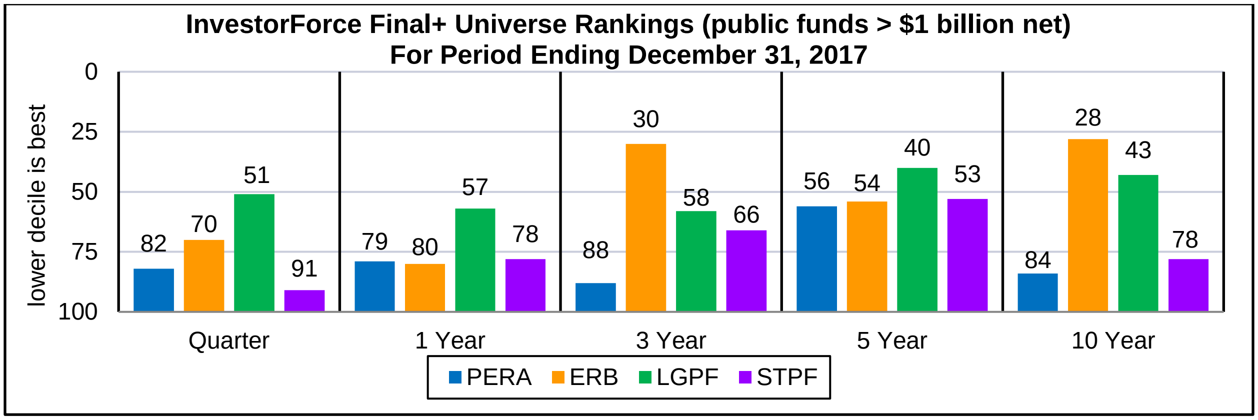


[1] When considering the performance of the state's investment funds, it is important to keep in mind the different investment goals, which influence the funds' risk-to-return choices, particularly in making asset allocation decisions that drive long-term fund returns. The pension funds operate under 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.

Each of the funds showed significant growth in the last five years, with the LGPF adding \$5.8 billion to its fund balance, ERB adding nearly \$3 billion, PERA adding \$3.2 billion, and the STPF adding \$1.1 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.

PERFORMANCE RELATIVE TO PEERS

Using the InvestorForce Final+ Universe, the state's investment fund returns are evaluated on a net-of-fee basis alongside approximately 60 public funds, each with more than \$1 billion in assets.[2] The following figure shows net-of-fee total return rankings 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.



With CY17 net-of-fee returns ranging from 13.9 percent to 15.1 percent, New Mexico's investment funds each performed below the median (50^{th} percentile) for the one-year period (the median CY17 return was 15.5 percent), although the LGPF returns were near the median in the 51^{st} percentile. According to the investment agencies, below-median performance in CY17 was to be expected considering the strong stock market performance this year and the funds' lower-than-median equity exposure. Funds with higher equity exposure will rank higher during stock market rallies but risk significant losses in the event of a market crash. In diversifying away from heavy stock market exposure, the state's investment funds will give up potential returns in bull markets in favor of additional stability in moderate or negative return markets.

The ERB fund performed above the median for the three-year period, and the LGPF performed above the median for the five-year period. Notably, when compared on a net-of-fee basis, both

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[2] In prior LFC quarterly investment reports, New Mexico's investment funds were evaluated using the Wilshire Trust Universe Comparison Services (TUCS). However, in recognizing agency concerns over lack of return reporting standards for the TUCS universe (e.g., some funds report net-of-fees, some report gross-of-fees, and others report some variation of the two), LFC staff worked with the investment agencies to begin comparing all investment returns on a net-of-fee basis. The InvestorForce Final+ Universe offers net-of-fee peer comparisons and the most observations in the quarterly sample. Going forward, LFC quarterly reports will rely on InvestorForce rankings for peer universe comparisons.

ERB's fund and the LGPF ranked above the 50th percentile for the 10-year period, which captures the effects of the Great Recession. The PERA fund returns ranked in the lowest quartile for all periods except the five-year period, which was near median.

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 December 31, 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	20.6%	19.0%	6.7%	26.0%	26%	24.7%	26%
International Equity	15.1%	14.0%	6.8%	20.8%	18%	21.2%	18%
Global Equity*	-	-	24.7%	-	-	-	-
Fixed Income	7.8%	6.0%	19.9%	24.5%	28%	24.0%	27%
Emerging Market Debt	1.7%	2.0%	3.5%	-	-	-	-
Alternatives							
Private Equity**	11.8%	13.0%	5.2%	9.8%	9%	10.5%	10%
Real Estate	6.2%	7.0%	6.5%	8.6%	9%	8.5%	9%
Real Assets	6.4%	8.0%	13.8%	9.6%	9%	9.5%	9%
Absolute Return	-	-	0.2%	2.5%	0%	2.6%	1%
Hedged Equity	-	-	0.3%	-	-	-	-
ETI***	-	-	-	-	-	0.8%	-
Opportunistic Credit	18.1%	18.0%	11.1%	-	-	-	-
Global Asset Allocation	4.9%	4.0%	-	-	-	-	-
Risk Parity	5.3%	3.0%	-	-	-	-	-
Cash Equivalents	2.2%	1.0%	1.4%	0.7%	1%	0.9%	

*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.

**SIC's interim target for private equity investments is 9 percent, with a long-term target of 12 percent. The STPF private equity portfolio also includes the New Mexico Private Equity Investment Program (NMPEIP), which are allowed to achieve differential rate, or "below-market" returns, but are expected to induce job and industry creation for the state.

***Economically targeted investments – by statute, up to 1 percent of the STPF is granted to the Small Business Investment Corporation (SBIC) to encourage NM business expansion and job creation.

ASSET CLASS PERFORMANCE

The state's investments in U.S. equities returned over 20 percent in CY17, and international equities returned about 30 percent, demonstrating last year's bull market. Each of the funds' public equity returns outperformed their benchmarks. Additionally, PERA's fund and the permanent funds' private equity investments returned about 17 percent last year, and ERB's private equity investments returned about 13 percent. Real estate, fixed income, and most real assets also posted solid gains for each of the investment funds in the last year.

PERA and SIC expressed concern that the forward-looking investment environment will be challenging and low return. SIC's investment consultant RVK indicated returns on stocks will likely be limited to about 7 percent in the long-run, compared with a historical annual return of about 9 percent to 11 percent, and bonds are expected to provide about half of their historical yield. Given future low-return expectations, SIC plans to lower its weightings in stocks and continue to diversify its investments by employing strategies such as seeking income-producing investments over capital-gain producing investments where practical. Similarly, PERA's 2018 Annual Strategic Letter indicates potential for the next 10-year median nominal return on equities to be a modest 5 percent. The letter states PERA's current strategic asset allocation, with current long-term asset return and risk assumptions, would fall short of their long-term investment targets, producing a 6.5 percent absolute return over the long run. Since the timing of any market correction remains uncertain, PERA's goal is to set a strategic asset allocation portfolio that will meet the agency's actuarial required return of 7.25 percent (7.75 percent after 2025) over the long term (10+ years) by incorporating more complex active management strategies and private assets into the portfolio. In 2018, PERA plans to recommend a strategic asset allocation policy that increases expected return via risk balancing efficiencies and to begin implementing active management initiatives to produce long-run excess return over the asset allocation.

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, using the five-year period as a proxy for the portfolios' risk profiles over the course of a full market cycle.[3] The table below reports funds' standard deviation, Sharpe Ratio, and beta for the five-year period ending December 31, 2017.

Risk Metrics*, Five Years Ending 12/31/17

	ERB	PERA	LGPF	STPF
Standard deviation	4.6	5.8	4.2	4.2
Sharpe Ratio	1.8	1.4	2.0	2.0
Beta	0.9	1.1	1.0	1.0

*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. In the last year, PERA has consistently reported a higher standard deviation than the other funds and cited its transition to new policy targets as part of the issue, as the fund was previously overweight in global equity and risk mitigation. As of yearend, PERA now has a fully aligned asset allocation as compared with strategic targets. 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 fund reported 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 each of the funds was around 1, indicating the portfolios generally tracked with their policy indices.

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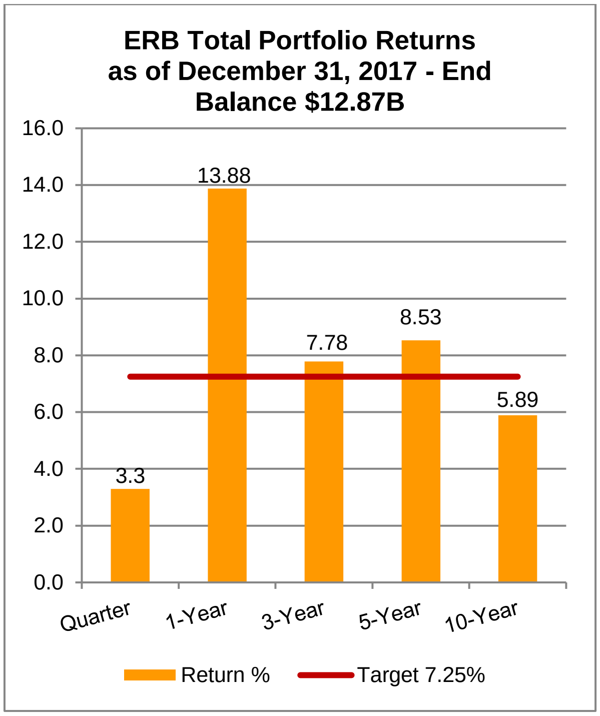
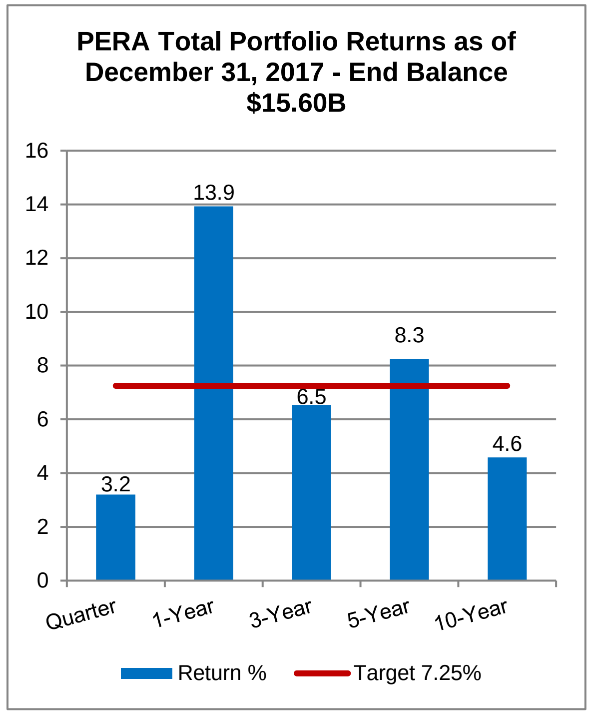
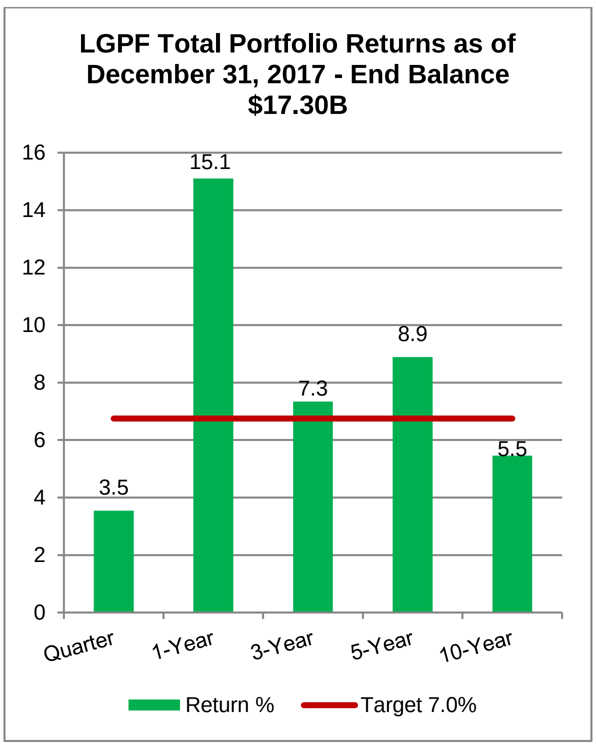
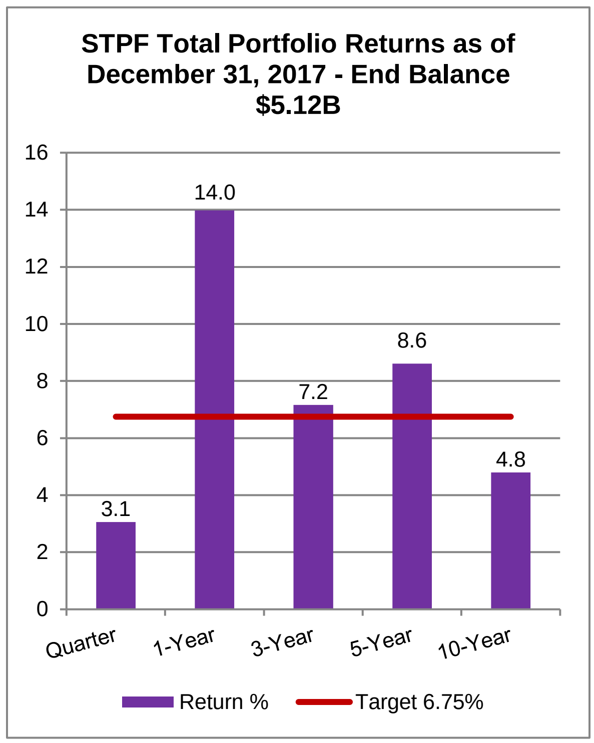
[3] A full market cycle is a peak-to-peak period typically containing a price decline of at least 20 percent over at least a two-month period from the previous market peak, followed by a rebound that establishes a new, higher peak.
[4] An example of a risk free return is a 5-year treasury bond.
[5] Beta = 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









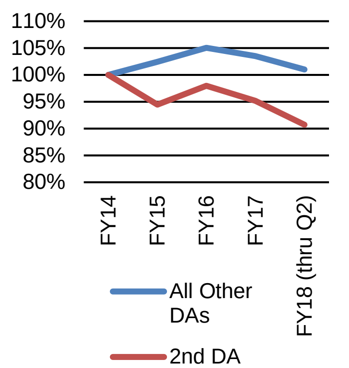
PERFORMANCE REPORT CARD
Courts and Justice
Second Quarter, Fiscal Year 2018

New Mexico Legislative Finance Committee

ACTION PLAN

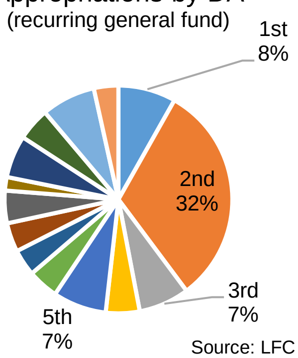
Submitted by agencies?	No
Timeline assigned?	No
Responsibility assigned?	No

All Cases Referred to District Attorneys (Annualized, indexed FY14)



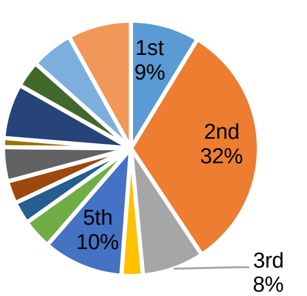
Source: AODA

FY19 HB2 Appropriations by DA
(recurring general fund)



Source: LFC

FY18 Case Referral Share of All DA's
(incoming workload)



Source: AODA

Courts and Justice

In the second ever quarter of reporting for all justice partners, workload trends appear to be falling despite rising crime rates in New Mexico. The continuing decrease in cases entering the justice system suggests a worsening disconnect in crime and policing, a greater concentration of crimes committed by fewer people, and/or seasonal trends. Cases are the direct drivers of workloads and costs in the justice system.

District Attorneys

Despite rising reported crime rates in New Mexico, cases referred to the district attorneys have fallen, especially in the 2nd Judicial District. For the first and second quarters, falling case referrals suggest either a lull in crimes committed, fewer suspects being caught by police, and/or a greater concentration of crimes committed by fewer people. Seasonal trends suggest that case referrals are expected to rise in the second half of FY18. Should current trends continue, case referrals would be on pace to be the lowest since data collection began in FY14. Since case referrals are not directly tied to performance, the LFC recommends including the conviction rate and the success rate of pretrial detention motions.

In the 2018 legislative session, the Legislature increased funding for all district attorneys by 7.8 percent despite falling case referrals so that offices could fill vacancies, replace fund balance use, and strengthen case prosecutions.

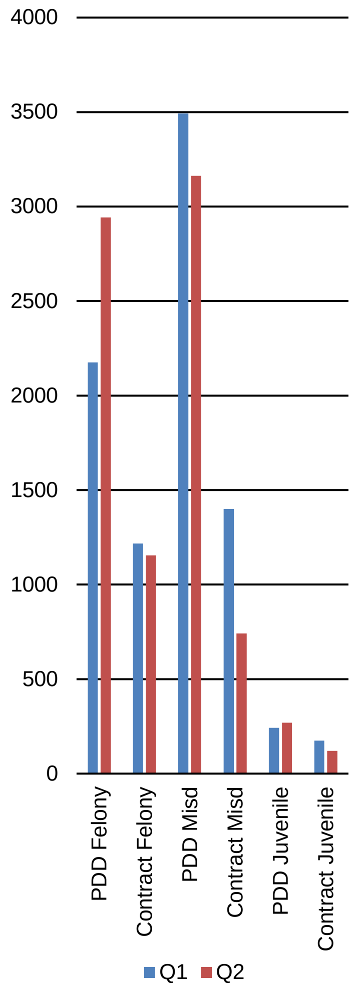
All District Attorneys		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $66,421.9	FTE: 954							
1*	Cases Referred for Screening	76,989	75,523	N/A	18,628	17,733		
	1st District	7,609	6,874	N/A	1,650	1,516		
	2nd District	25,087	24,376	N/A	5,952	5,667		
	3rd District	5,716	5,760	N/A	1,538	1,312		
	4th District	1,927	2,181	N/A	492	489		
	5th District	7,617	7,794	N/A	1,859	1,829		
	6th District	2,928	2,879	N/A	690	691		
	7th District	1,882	1,955	N/A	512	515		
	8th District	2,186	2,152	N/A	510	529		
	9th District	3,451	3,451	N/A	842	732		
	10th District	1,023	914	N/A	246	173		
	11th District Div. I	4,498	4,592	N/A	1,298	1,223		
	11th District Div. II	2,494	2,562	N/A	599	620		
	12th District	4,635	4,089	N/A	918	1,034		
	13th District	5,936	5,944	N/A	1,522	1,403		
2	Cases Referred Added to Caseloads per Attorney	325	315	280	78	70		G
	1st District	287	255	70	67	57		G
	2nd District	236	264	70	62	57		G
	3rd District	272	349	70	88	67		G
	4th District	203	312	70	70	61		G
	5th District	412	346	70	79	81		R
	6th District	325	318	70	86	69		G
	7th District	198	206	70	54	54		G
	8th District	273	358	70	79	75		Y
	9th District	406	363	70	99	69		G
	10th District	682	366	70	98	69		G
	11th District Div. I	281	328	70	81	87		R
	11th District Div. II	333	394	70	100	83		R
	12th District	4441	315	70	77	86		R
	13th District	195	233	70	56	58		G
Program Rating		R	Y					Y

*Measure 1 is an explanatory measure and is provided for informational purposes without targets

Public Defender Department

The Public Defender Department attributes seasonal trends to the decline in case assignments and openings over the holiday season, and expects cases to increase in the new year. When a significant number of inactive cases were closed by contract attorneys during the second quarter, performance outcomes were not fully reported which impacted data for those attorneys. There is not a uniform procedure or requirement to ensure that contract cases are closed out and reported regularly, but the Public Defender Department is exploring solutions to ensure complete reporting by both in-house and contract attorneys.

FY18 Q1 & Q2 Public Defender Department Opened Cases



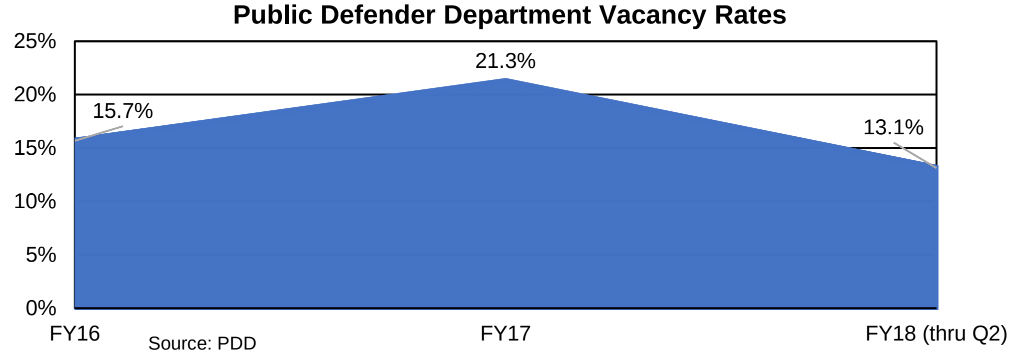
Source: PDD

The Public Defender Department (PDD) attributes notable impacts in caseloads to reductions in the vacancy rate. During FY17, the PDD held an average 21.3 percent vacancy rate which has fallen by 7.2 percent in the first two quarters of FY18. Decreased vacancy rates reduce caseloads and allows attorneys to dedicate more time per case. It is likely that a reduced vacancy rate contributes to improved performance.

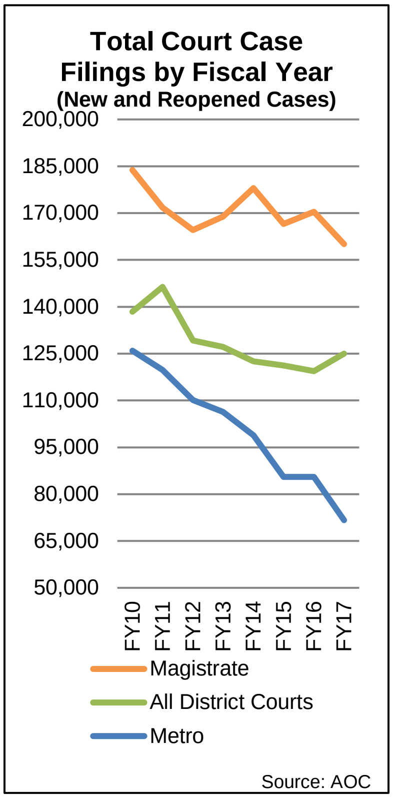
Public Defender Department Budget: $48,849.7 FTE: 439		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Felony, misdemeanor, and juvenile cases resulting in a reduction of original formally filed charges	NEW	NEW	70%	60%	61%		Y
	In-house attorneys	NEW	83%	N/A	78%	86%		
	Contract attorneys	NEW	NEW	N/A	42%	36%		
2	Felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment	NEW	NEW	5000	2,607	4,281		G
	In-house attorneys	NEW	NEW	N/A	2,287	3,759		
	Contract attorneys	NEW	NEW	N/A	320	522		
3*	Cases assigned to contract attorneys	NEW	TBD	N/A	31%	32%		
4	Average cases assigned to in-house attorneys, yearly	NEW	312	330	80	72		G
5*	Average time to disposition for felonies, in days	NEW	NEW	N/A	289	261		
	In-house attorneys	NEW	169	N/A	330	242		
	Contract attorneys	NEW	256	N/A	247	281		
6*	Cases opened by the Public Defender Department	NEW	NEW	N/A	8,702	8,390		
	In-house attorneys	NEW	NEW	N/A	5,910	6,374		
	Contract attorneys	NEW	NEW	N/A	2,792	2,016		
Program Rating			Y					Y

*Measures 3, 5, and 6 are explanatory measures and are provided for informational purposes without targets.

Public Defender Department Vacancy Rates



Source: PDD



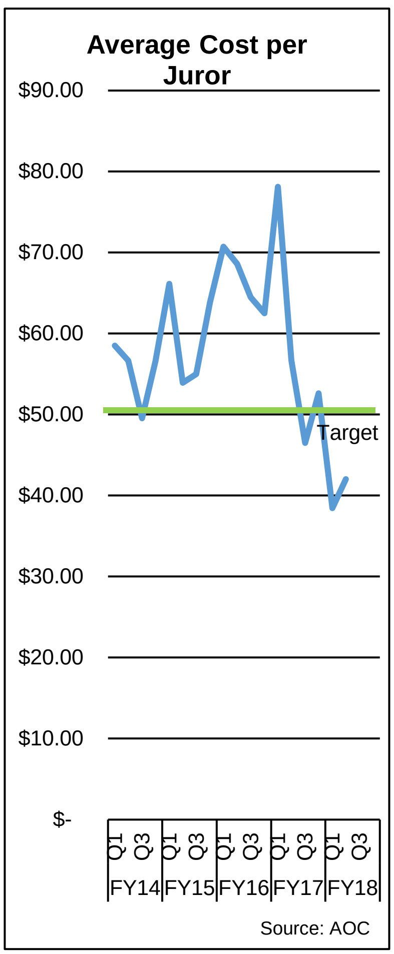
Courts

Special Court Services

In FY18, the Courts implemented many new quarterly measures, specifically in special court services to better measure the efforts of drug courts. These measures have been implemented in a semiannual format for the current year, while data collection and reporting methods are improved and difficulties in quarterly reporting are resolved. For the first half of the year, drug courts experienced a continuing trend of lower graduation rates and higher recidivism, although still significantly lower than the FY18 first and second quarter average recidivism rate of 49 percent for those incarcerated in a state prison.

Special Court Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $12,183.1	FTE: 6.5							
1*	Cases to which CASA volunteers are assigned	NEW	1,019	N/A	662	764		
2	Monthly supervised child visitations and exchanges conducted	1,399	1,102	1,000	1,113	1,133		G
3	Recidivism rate for drug court participants	14%	16%	12%	-	18%		Y
4	Recidivism rate for DWI court participants	NEW	6%	12%	-	7%		G
5*	Graduation rate for drug court participants	NEW	59%	N/A	-	53%		
6*	Graduation rate for DWI court participants	NEW	71%	N/A	-	74%		
7*	Cost per client per day for all drug court participants	NEW	$23.3	N/A	-	$22.5		
Program Rating		G	G					G

Note: Measures 3-7 are semiannual.

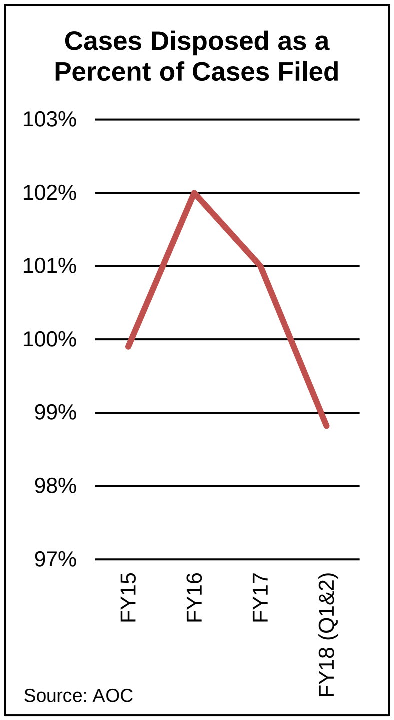


Administration

This year, the Administrative Office of the Courts implemented a new jury management tool which has provided a noticeable improvement in average juror costs, which remained below the target. Jury trials are cost-intensive for all members of the justice system, and are indicative of prosecution patterns across the state. In the second quarter, the number of jury trials fell, consistent with falling case referrals to district attorneys and public defender cases opened.

Administrative Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $13,169.1	FTE: 49.8							
8	Average Cost Per Juror	$67.44	$59.72	$50.00	$38.5	$42.0		G
9*	Number of Jury Trials	NEW	NEW	N/A	219	183		
	District	NEW	NEW	N/A	162	133		
	Magistrate	NEW	NEW	N/A	35	38		
	Metropolitan	NEW	NEW	N/A	22	12		
10*	Average Interpreter Cost per Session	NEW	$152.5	N/A	$130.8	$142.9		
Program Rating		Y	Y					G

New Mexico is the only state in the country which pays jurors by the hour. Further cost savings per juror are being realized due to the passage of House Bill 385 during the 2017 regular legislative session which limited reimbursements for travel to jurors for distances exceeding forty miles.



Statewide Judiciary Automation

Complications with the Odyssey case management system and the associated increased workload caused times per service call to more than double in FY17. The statewide automation program is making efficiency gains as the program grows more familiar with the system and improves training to reduce call times over FY17, but the second quarter represents a setback in these gains.

Statewide Judiciary Automation		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $8,837.0	FTE: 53.5							
11	Average time to resolve calls for assistance, in hours	16.2	79.6	10	65.2	90.0		R
Program Rating		Y	Y					R

Magistrate Court

Magistrate courts have seen a decline in total court case filings, similar to that experienced by district and metro courts. The percentage of cases disposed was added as a quarterly measure for FY18, but has not been reported for the first quarter. Semiannual data demonstrates that magistrate courts are on track to meet their target in FY18.

Magistrate Court		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $31,333.6	FTE: 343.5							
12	Number of Jury Trials for Magistrate Courts	NEW	NEW	N/A	35	38		
13	Cases Disposed as a percent of Cases Filed	102%	101%	100%	-	99%		Y
Program Rating								Y

*Measures 1, 5-7, 9-10, and 12 are explanatory measures and are provided for informational purposes without targets.
Note: Measure 13 is a semiannual measure.