



# LFC Newsletter

A publication of the Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman  
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## From the Chairwoman Collaboration

All aspects of state government operations involve money in some way. Much of the committee staff's work involves critical assessments of state agency performance and public services because whether an agency is providing a service in an effective, efficient way is what good budgeting is all about. Those sometimes controversial staff reports often lead to very public discussions.

Less likely to be discussed are the committee's budget hearings. For about half the interim between legislative sessions, committee members work diligently drafting the committee's budget recommendation. The work can be mundane, with a dive into the minutia of FTE, contract spending, balances in specialty funds, and so on. As a result, our budget discussions generally don't get the same kind of news media attention as our staff's analysis and evaluation.

Indeed, it's unlikely anyone outside of the committee knows of the committee's topic-specific budget workgroups or its collaboration with other interim legislative committees. Yet, the committee's effort to build a strong consensus and collaborate broadly with other legislators is helping the committee develop a budget that will better serve New Mexicans.

For the last few months, subgroups of LFC members—each focused on such issues as health, criminal justice, or transportation—have been sifting through proposed initiatives for those policy areas and winnowing down the many ideas brought to the committee's attention to those most likely to provide the most benefit to New Mexicans. They've been building spending scenarios for initiatives that are not just a hodge-podge of ideas, but a plan.

At the same time, the chairs of many other interim legislative committees have appeared before LFC to present their priorities for the upcoming legislative session. While the work of LFC and other committees often overlaps, other interim committees, such as the Legislative Education Study Committee or the criminal justice committee, can spend more time on each issue. Their work complements our budget work, even if LFC must be more cognizant of the financial bottom line.

This year, perhaps more than ever before, LFC is committed to building a budget that is more collaborative and more insightful. It might not be our most exciting work, but it's our most important.

**Representative Patty Lundstrom**  
Chairwoman

## Medicaid Enrollees Face Healthcare Access Limits

Ensuring healthcare is accessible to the nearly half of all New Mexicans on Medicaid could help improve New Mexico's many poor health conditions, but enrollees are not using more services even as enrollment and spending on the program have jumped, an LFC evaluation finds.

In *Program Evaluation: Medicaid Network Utilization and Adequacy*, scheduled to be heard by the committee at 9 a.m. December 13, staff report Medicaid enrollment increased by 16 percent and costs increased by 56 percent between FY19 and FY23, in large part because public health emergency rules in place because of the Covid-19 pandemic prohibit the state from disenrolling clients until the emergency is lifted.

At the same time, per-patient use of certain Medicaid physical care services declined or remained flat, trends that might reflect pandemic-related curtailments in access to in-person services.

Use of behavioral health inpatient and pharmacy services have also dropped, although other behavioral health use has increased, with services from behavioral health practitioners doubling.

However, staff note, the state's Med-

icaid managed care network, which serves 83 percent of the 966 thousand total Medicaid clients, does not ensure patients have access to timely care when they need it, with LFC "secret shoppers" able to schedule an appointment in only 13 percent of nearly 500 calls made to providers. One in six calls to primary care providers and one in 10 to behavior health providers resulted in an appointment. In half of all calls, LFC staff did not reach a provider at all because of a wrong number or other issue, and 19 percent of primary care providers and 16 percent of behavioral health providers reached were not accepting new patients.

New Mexico generally has too few medical providers, with all but parts of Bernalillo, Los Alamos and Doña Ana counties designated as shortage areas by federal regulators. The report suggests access to care for all New Mexicans could be improved by enlarging the healthcare workforce. Access specifically for Medicaid patients could be improved by strengthening the state's contracts with managed care organizations and increasing Medicaid payment rates to the same level as those for Medicare, with targeted additional increases for certain services.

## Agency Internal Controls Inconsistent

Unprecedented levels of state and federal funding available to state agencies make internal controls more important than ever but issues LFC evaluators found in a review more than 15 years ago continue to challenge agency efforts, LFC analysis indicates.

The Legislature should consider adopting statute to address inconsistencies in internal audit functions across state agencies, which vary widely in scope, structure, and effectiveness, staff concludes in *Spotlight: Review of Internal Audit Functions*, scheduled to be presented to the committee at 11:30 a.m. December 13.

At least 10 state agencies have some form of internal audit function, costing over \$4.8 million annually, the report says. However, state statute is silent on whether or not state agencies should have internal audit functions, meaning none of the agencies with these internal audit functions are guided by law.

Previous LFC reports have found, in addition to a lack of statutory guardrails, some internal inspectors and auditors lack independence, do not coordinate their work with other agencies, and sometimes do not have a positive return on investment.

Efforts to address these findings legislatively have been unsuccessful. A proposal that would have required independent inspectors general at select state agencies and a different proposal that would have created a central state inspector general office with authority over all branches of New Mexico government both died.

While state agencies with internal audit functions are making progress in following best practices, the lack of statutory controls or a central office means practices can vary with administrations, the report notes, and state lawmakers should continue to pursue legislation.

# NM Ranks Second in Oil Production per Capita

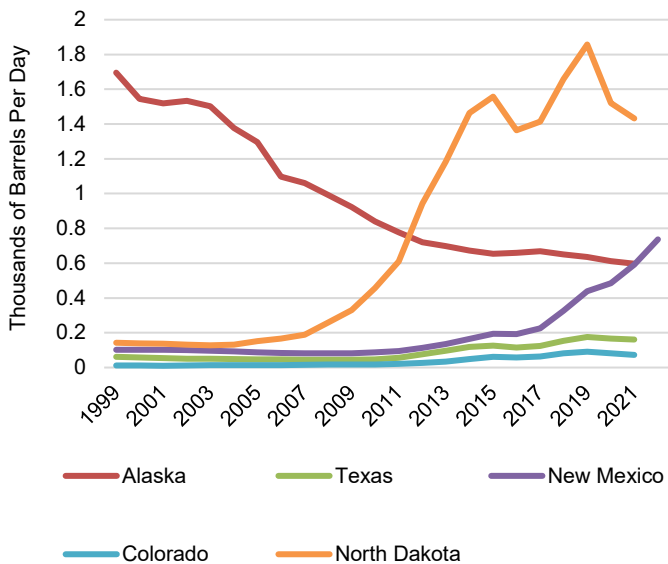
New Mexico now ranks second only to North Dakota for highest oil production per resident and has surpassed Alaska, Colorado, and Texas, LFC figures show.

New Mexico oil production has increased from 700 thousand barrels per day in 2018 to 1.7 million barrels per day. Coupled with its low population, the high per-capita oil production makes New Mexico the second-richest state for per person tax revenue stemming from oil and gas industries.

Texas produces greater volumes of oil than New Mexico, but Texas' oil production per capita falls behind the production and tax revenue experienced in New Mexico due to a larger total population.

New Mexico production, driven by activity in the Permian Basin, is expected to continue to grow, although revenues from oil production continue to be volatile, fueling a boom-and-bust budget cycle.

**Oil Production per Resident  
Top Five Oil-Producing States**



Source: EIA, Census Bureau

## On the Table

### Reversions Set Record

State agencies returned more revenue to the general fund than ever before following FY22, reverting \$310.4 million, or almost \$220 million more than in FY21. About \$82.7 million of the total was due to agencies using federal pandemic relief funds in place of general fund appropriations, including \$23.5 million from the Children, Youth and Families Department, and \$62 million was the result of higher-than-usual federal matching funds for Medicaid and federal pandemic-related disaster relief in the Health Department.

### Tax Collections Exceed Forecast

Preliminary Taxation and Revenue Department figures for gross receipts, corporate income, and personal income revenue show September collections tracking \$310.6 million over the August forecast. Gross receipts tax strength is being powered by booming collections in Eddy and Lea counties.

### Roswell Gets Biggest MainStreet Award

The Economic Development Department awarded \$10 million in 2022 capital appropriations to the MainStreet program to 14 projects. Half of the awards will go toward "great blocks" projects to improve core two to three block commercial districts. The beneficiaries: Alamogordo (\$1.9 million), the Barelmas neighborhood in Albuquerque (\$1.9 million), Belen (\$40 thousand), Carlsbad (\$350 thousand), Farmington, (\$40 thousand) Gallup (\$600 thousand), Grants (\$120 thousand), Harding County (\$120 thousand), Las Cruces (\$900 thousand), Las Vegas (\$1.2 million), Lovington (\$350 thousand), Roswell (\$2.1 million), the South Valley of Albuquerque (\$250 thousand), and Zuni Pueblo (\$120 thousand).

### Veterans' Home Cleared for Fed Payments

The New Mexico Veterans' Home hospital was cleared of its 31 federal tags and is now back in full compliance with federal regulators. Poor healthcare at the facility prompted the Centers for Medicare and Medicaid Services to notify the long-term care facility in Truth or Consequences that all federal payments would stop unless conditions improved. The Health Department reports the removal of the tags means the hospital will be able to receive federal revenues and admit new patients.

### Health Emergency Could Last Longer

Inaction by the U.S. Department of Health and Human Services (HHS) suggests the public health emergency, which has allowed the state to expand Medicaid, could be extended beyond its scheduled expiration in early January. The agency pledged to provide 60 days' notice before ending the public health emergency but did not issue a notice in late November as expected, a sign HHS could be planning on extending the emergency into another quarter. Under the emergency order, the federal government provides states with a higher matching rate. The Human Services Department's November 1 projection indicated the Medicaid program would finish FY23 with a \$22 million surplus. An extension of the emergency would increase this FY23 surplus by approximately \$40 million.

### Transitions

LFC public education analyst Sunny Liu was selected as a National Conference of State Legislatures Education Finance Fellow and attended a kickoff conference in New Orleans. Janelle Taylor-Garcia has left the LFC Program Evaluation Unit to join the policy and legislative affairs unit of the Public Education Department.



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