



LFC Newsletter

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Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

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From the Chairwoman Big Picture, Big Vision

The role of the Legislative Finance Committee is more than balancing the state's revenue and spending columns, although that is certainly a challenging job and has been particularly onerous the last few years.

A responsible, balanced budget is, in fact, the committee's primary responsibility, but it would be impossible without developing a very broad view of state services and public policy. Committee members and staff are acutely aware that even a small change in policy or economic conditions can affect hundreds of New Mexicans. The state's financial decisions affect every service the state provides and ripple through every community. Every child in every public school, every criminal and every victim of crime, every driver on the road, every resident and visitor who drinks our water or breathes our air, every business owner and every customer, every one of the 2.1 million New Mexicans is affected.

Over the years, the committee and its staff have earned a reputation for providing reliable, credible, in-depth information on public policy and the management of state government. The LFC body of publications has become the go-to source for understanding the how and why of what does and doesn't work in New Mexico government – from the policy analysis in hearing briefs and the budget recommendation to agency report cards to performance evaluations to one-page “explainers” to tracking reports on capital outlay, investment returns, and revenue.

We need to take it further.

New Mexico needs a long-term plan for financial stability that includes a vision of what we want our state to be, now and in the future. We need to reform our tax system so that it is broad-based, fair, clear, and adequate, and, yes, that means we need new sources of revenue. In addition, because New Mexico is a state with immense need and limited revenues, we need to make sure every taxpayer cent is spent on the programs that deliver the greatest results.

As the first new committee chair in a dozen years, I hope to bring to this effort my skills as a certified economic developer, the knowledge I gained through earning a master's in public administration from New Mexico State University, and my broad experience in economic development, including as the founding executive director of the Greater Gallup Economic Development Corporation.

The committee members and the staff have the expertise and commitment to develop this long-term plan. It's time to take the lead and do it.

*Representative Patricia Lundstrom
Chairwoman*

Of Note: Representative Lundstrom is the first woman to chair the Legislative Finance Committee in its 60-year history.

Domestic Violence Impacts Children's Mental Health Needs

One in four New Mexicans has been exposed to domestic violence, an experience that can contribute to childhood trauma that is expensive and difficult to treat, LFC staff concludes in separate reports on family social issues.

In *Domestic Violence Programs for Victims and Batterers*, a program evaluation scheduled to be presented to the committee at 11:30 a.m. June 6, program evaluators report almost one-quarter of New Mexicans have experienced domestic violence and 48,000 New Mexicans have been arrested on domestic violence charges since 2008.

The separate multiagency report *Results First: Children's Behavioral Health*, scheduled for a hearing at 10:30 a.m. June 7, notes a child is present for about one-third of domestic violence incidents in New Mexico and exposure to “adverse childhood experiences,” such as domestic violence, increases the risk a child will suffer from physical and mental health issues.

In New Mexico, 14 percent of children have experienced three or more adverse events, compared with 11 percent nationally, and 86 percent of children in juvenile justice facilities have experienced four or more, according to the report, a collaborative effort of the LFC and the Human Services and Children,

Youth and Families departments.

Conditions related to childhood trauma – including PTSD, adjustment disorder, and oppositional defiant disorder – are among the most expensive to treat, the report says.

Treating patients with these acute conditions costs an average of \$60,000 a year, with the majority of patients treated in residential settings even though certain community-based services have demonstrated they are more effective.

The state needs to develop better data and focus resources on the most effective programs, the report concludes.

The report on domestic violence notes the impact of domestic violence is felt throughout the community in the form of higher healthcare costs and crime and its contributions to intergenerational patterns of violence.

It notes no fewer than 17 different state and local organizations respond to domestic violence and CYFD administers \$12 million a year on programs, but the programs are not well-coordinated and the state has not assessed which efforts are most effective.

The evaluation recommends the Legislature create a pilot project to implement and evaluate a comprehensive, coordinated community approach.

Economic Forecast Stable But At Risk

The stability of the revenue forecast before and after the regular legislative session indicates the economy has pulled out of its free-fall, but actions on the federal level and the always volatile energy sector put that forecast at risk, LFC economists say.

The “Economic Outlook” in the *Post-Session Review*, revised for special session action and scheduled for release when the committee meets on June 6, says factors that could throw the forecast off, and mean actual revenues could be higher or lower, include the repeal of the Affordable Care Act, a rebound in energy-sector investment, national employment growth, and rising price inflation.

While the national economy is projected to grow at a slow-to-moderate pace, New Mexico continues to lag

behind the nation in hours worked per week and in weekly earnings.

However, despite sluggish growth in the first half of the fiscal year, international commitments to cut production put upward pressure on prices, and New Mexico is on track to meet or exceed its FY17 forecasted oil price of \$43 per barrel and natural gas price of \$3.15 per thousand cubic feet.

Although revenue forecasts have stabilized, no significant new revenue sources were enacted during the special session and recurring state revenues continue to fall short of spending.

Spending levels in FY18 will be covered with one-time funds from bond proceeds and cash balances, and reserves are projected to be less than half a percent of recurring spending at the end of FY18.

More Prevention Needed in Child Mental Health Care

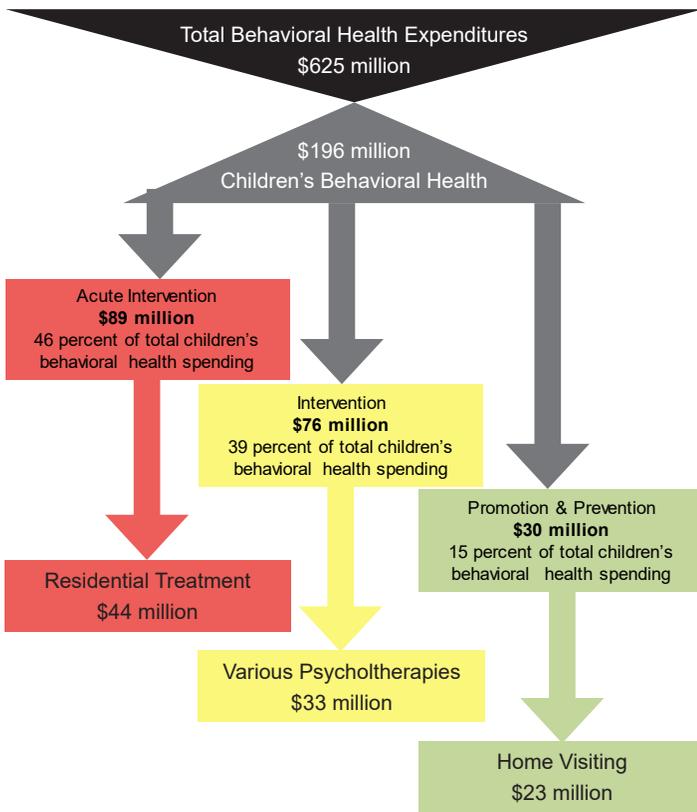
Almost half of the state's children's behavioral health spending in 2015 was spent on acute residential treatment without evidence it's effective, a collaborative study of the system concludes. It recommends investing in prevention and community-based interventions that are known to work.

Results First: Children's Behavioral Health, a collaborative report by the LFC Performance Evaluation Unit and the state Human Services and Children, Youth and Families departments being released next week, says New Mexico spent about \$200 million in 2015 on children's mental health care through Medicaid and CYFD and 46 percent of that was spent on acute institutional care for 190 children.

Because of limited data, the study could not determine if that care is effective. However, the study found the state is not prioritizing prevention and intervention methods that are known to be effective and could reduce the need for costly residential acute care.

"Ensuring the behavioral health system is effectively meeting the needs of the state's children requires increased data collection, ... implementation of additional evidence-based practices at the community level, and effective monitoring and evaluation of programs," the study concludes.

Behavioral Spending Distribution FY16



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On the Table

County Cuts Deep

Rio Arriba County plans to cut spending by one-fifth for FY18 and will no longer support the county fair, Española library, county libraries, Senior Olympics, and other programs. The \$15.6 million budget plan submitted to the state assumes 24 furlough days for every county employee and a 1 percent increase in employee insurance costs.

Schools Get Loans

The New Mexico Finance Authority has approved 15 new loans totaling \$25 million. The largest loans were school improvement loans of \$6.9 million for the Gallup-McKinley County School District, \$4.5 million for the Belen Consolidated School District, and \$3 million for the Truth or Consequences Municipal School District. The board also approved the Colonias Board recommendations for loans from the colonias infrastructure fund totaling \$4.7 million.

CYFD Shifts Money To Cover Enrollment

The Children, Youth and Families Department wants to move \$5.6 million into the childcare assistance program, which has seen a 6 percent increase in enrollment since implementing a federally mandated certification process that extends how long a family is eligible to 12 months before the parent must recertify for the subsidy.

Defender Shifts to Contract Attorneys

A leap in the vacancy rate at the Public Defender Department from 13 percent to 20 percent has prompted the agency to ask to move \$1.76 million from personnel costs to contractual services to cover the cost of contract attorneys.

HSD Overpaid Hospitals

A reconciliation of the 2015 payments made to hospitals through the Safety Net Care Pool shows some hospitals overestimated their needs for state help to cover patients' unpaid bills and will repay the state almost \$20 million. About \$18 million of that will go to hospitals that underestimated their uncompensated care costs.

Transitions

David Archuleta, a former LFC analyst, has been named director of the Retiree Health Care Authority.

Alejandra Rebolledo is now the acting director of Early Childhood Services at the Children, Youth and Families Department. The previous director, Steve Hendrix, retired.

Linda Lyle, superintendent of the New Mexico School for the Blind and Visually Impaired, is retiring June 30. Lyle began working at the school in 1995 and has served as superintendent since 2008.

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