

# STATE OF NEW MEXICO

REPORT OF THE LEGISLATIVE FINANCE COMMITTEE  
TO THE FIFTY-SECOND LEGISLATURE  
SECOND SESSION

JANUARY 2016  
FOR FISCAL YEAR 2017

VOLUME I



LEGISLATING FOR RESULTS:  
POLICY AND PERFORMANCE ANALYSIS

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*State of New Mexico*  
**LEGISLATIVE FINANCE**  
**COMMITTEE**

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**Representative Luciano “Lucky” Varela**



Honorable Members  
Fifty-Second Legislature, Second Session  
State Capitol  
Santa Fe, New Mexico 87501

Dear Fellow Legislators:

Pursuant to Section 2-5-4 NMSA 1978, the fiscal year 2017 budget recommendation of the Legislative Finance Committee is provided to you. The committee recommendation for recurring appropriations from the general fund is \$6.47 billion, \$230.7 million more than the FY16 operating budget for a 3.7 percent increase in spending. However, \$77.6 million of that amount, intended for compensation increases, is contingent on the state generating as much general fund revenue as projected, a caution reflecting the significant risk to the revenue forecast posed by depressed oil and natural gas prices. Proposed new spending is essentially flat with projected “new money” of \$232 million, leaving general fund reserves at \$427.4 million, or 6.6 percent of proposed appropriations. With the expected release of most of the \$101.7 million set aside to address a contingent liability in the FY14 general fund audit, the reserves would reach a prudent 8 percent, a sensible approach in this economic climate.

With the end of 2015 peppered with bad economic news, the committee was forced to make hard budget decisions and focused new spending on Medicaid, education, early childhood investments, public health, workforce development and economic growth, public safety, and the protection of New Mexico’s most vulnerable with an emphasis on programs with proven success.

Recommended new recurring spending for early childhood programs is \$21.4 million, a 9 percent increase over FY16. The increase includes additional funding for early literacy programs, prekindergarten, the K-3 Plus extended school year program, childcare assistance, and home visits to families with infants.

General fund spending on higher education and public schools totals \$3.7 billion in the committee’s recommendation, a 3.2 percent increase over FY16. The \$2.8 billion spending plan for public schools, a 3.7 percent increase, includes funding to adjust the salary structure and targeted compensation increases contingent on general fund revenues meeting projections and higher starting salaries for new teachers. The committee’s recommendation for higher education includes healthcare education initiatives aimed at closing the gap in the supply of medical providers.

General fund support for the departments of Public Safety and Corrections would increase 3.6 percent in the committee’s recommendation for a total of \$420 million. For Corrections, the committee recommendation

includes funds for hepatitis C treatment and medical and private prison cost inflation. The proposal for both agencies prioritizes safe staffing levels, higher pay, and strategic spending.

I would like to thank the membership of the Legislative Finance Committee for their hard work on behalf of the people of New Mexico and the LFC staff for its thoughtfulness and diligence on this very difficult task. Together, we have prepared a responsible budget that prioritizes cost-effective spending that provides the most benefit to New Mexicans.

Sincerely,

A handwritten signature in black ink, appearing to read "John Arthur Smith". The signature is fluid and cursive, with a large initial "J" and a long, sweeping underline.

Senator John Arthur Smith  
Chairman

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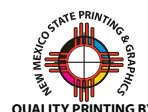
## VOLUME I LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

JANUARY 2016  
FOR  
FISCAL YEAR 2017

SENATOR  
JOHN ARTHUR SMITH  
CHAIRMAN

REPRESENTATIVE  
JIMMIE C. HALL  
VICE CHAIRMAN

DAVID ABBEY  
DIRECTOR





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# Recommendations & Highlights

**B**udget development this year was conducted in an environment of uncertainty. Although FY15 revenue came in stronger than expected, the assumptions used to project state income for FY16 and FY17 have been challenging, with the prices of oil and natural gas particularly difficult to forecast. As a result, the committee took a cautious approach, limiting growth to high-priority areas, setting aside some funds, and allowing some spending to occur only if revenue materializes.

## Budget Development and Priorities

**Budget Development.** In August 2015, the consensus revenue team from the Department of Finance and Administration (DFA), Tax and Revenue Department (TRD), and LFC projected “new money” – FY17 projected recurring revenue less FY16 recurring appropriations – to be \$293 million, an increase of 4.7 percent. The consensus team revised their outlook in December, reducing the revenue growth projection to \$232 million, or approximately 3.7 percent, over FY16 appropriations. Given the lower revenue projection and notable downside risk, the committee recommends spending \$6.47 billion – \$230.7 million, or 3.7 percent, more than FY16 operating levels – and leaving a projected \$427.4 million, or 6.6 percent, in reserve. The committee made \$77.6 million for compensation increases in the recommendation contingent on general fund revenues achieving projected levels and on maintaining adequate reserves. The committee also noted it expects a contingent liability in the FY14 general fund audit of \$101.7 million to be mostly reversed when the FY15 audit is released, which would bring the general fund reserve levels up to about 8 percent.

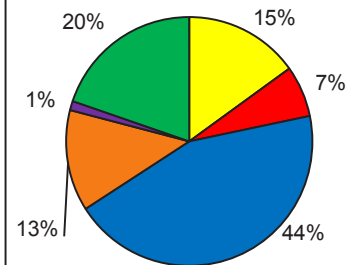
**Priorities.** The Legislative Finance Committee (LFC) adopted a balanced budget that prioritizes increases for education, early childhood investments, public health, workforce development and economic growth, public safety, and the protection of vulnerable citizens. Targeted investments are recommended to address growth in the Medicaid program, increased incarceration costs, uncompetitive salary structures that result in high vacancies and employee turnover, replacement of nonrecurring revenues in the budget, and efforts to improve public and higher educational outcomes.

LFC recommends larger-than-average increases for district attorney offices; the Public Defender; the State Engineer; and the departments of Tourism, Economic Development, Corrections, Public Safety, Environment, and Children, Youth and Families. Nearly \$78.8 million, or 34 percent, of the \$232 million of “new money” is allocated to the Medicaid program to address growth in enrollment and utilization and to replace federal funds.

## Recommendation

The committee’s spending recommendation is balanced with December revenue projections; however, the committee noted the price of oil continued

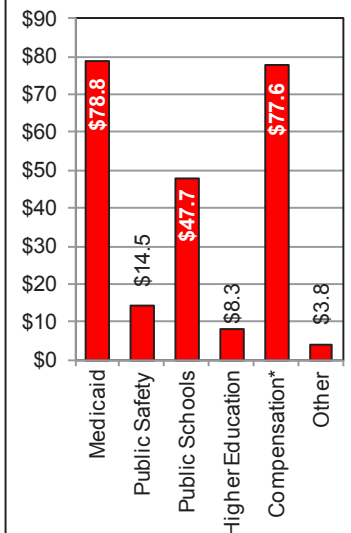
**FY17 Recurring  
General Fund  
Appropriation  
Recommendation:  
\$6.47 billion**



Medicaid: \$970.5 million
Public Safety: \$432.6 million
Public Schools: \$2,854 million
Higher Education: \$856.8 million
Compensation: \$77.6 million
Other: \$1,274.5 million

Source: LFC Files

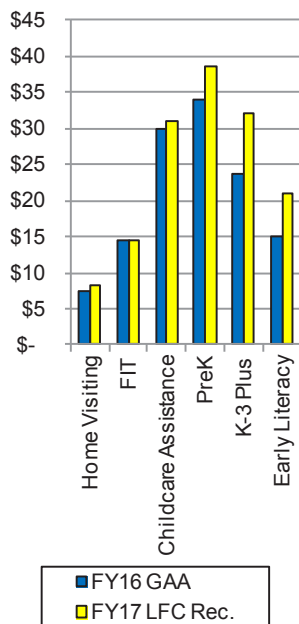
**FY17 General Fund  
Expenditure  
Increases:  
\$230.7 million**



\*Contingent appropriation  
Source: LFC Files, GAA

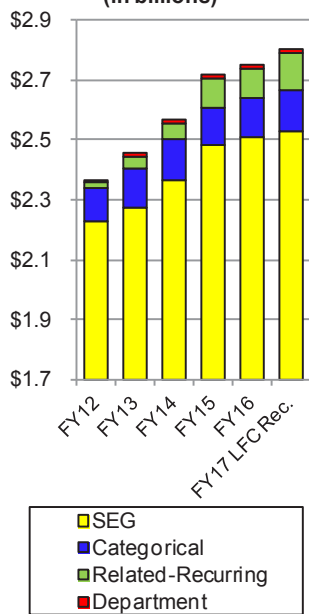
# Recommendations & Highlights

**Early Childhood Programs, General Fund Revenues**  
(in millions)



Source: LFC Files

**Public Education Funding History**  
(in billions)



Source: LFC Files

to fall and recommends \$77.6 million for compensation increases as a contingent appropriation. The total general fund increase is \$230.7 million.

**Early Childhood.** The LFC recommendation increases recurring funding for early childhood initiatives by \$20.5 million, a 5 percent increase over FY16 recurring appropriations. The increased funding includes \$14.5 million for early literacy programs and the K-3 Plus extended school year program, \$4.5 million for prekindergarten, \$1.2 million for home visits to families with infants, \$1 million for childcare assistance, and \$150 thousand to support provider training and education advancement.

**Education.** Continuing the trend of prioritizing investment in education, the committee recommends a total of \$3.7 billion in general fund appropriations for FY17, a \$115.5 million, or 3.2 percent, increase over FY16 appropriations.

**Public Education.** The committee recommends \$2.8 billion in general fund support for public education, an increase of \$47.7 million, or 1.7 percent, over FY16 appropriations. The program cost recommendation, which totals \$2.53 billion, is an increase of \$21.5 million, or 0.9 percent, over the FY16 appropriation and includes funding for projected unit changes in FY17 and an increase in the minimum salaries for level one teachers from \$34 thousand to \$35 thousand. Additionally, the LFC compensation recommendation includes \$54.2 million for a targeted salary increase for teachers and administrators meeting annual competencies, including teachers serving as mentors, supports for training, preparation, recruitment and retention, and a cost-of-living increase for all public school employees. However, the appropriation is to DFA for disbursement contingent on achievement of consensus revenue estimates and adequate general fund reserves.

The committee recommends \$137.2 million for categorical public school support, a \$6.4 million increase over FY16 appropriations. LFC recommends making two separate transportation allocations – one for school districts and one for charter schools. Lastly, the committee recommends an increase of \$19.7 million, or 19.5 percent, for related, recurring initiatives – “below-the-line” funding appropriated to the department instead of through the funding formula – to be targeted to early childhood education, teacher quality, and school improvement. The committee’s focus continues to be on early childhood education programs that demonstrate improved outcomes for students, including prekindergarten, early literacy, and the K-3 Plus extended school year program.

**Higher Education.** The committee recommends a total of \$856.8 million in general fund support for higher education, an increase of \$8.3 million, or 1 percent, over FY16 appropriations. The increase includes \$6.1 million for instruction and general purposes through a performance-based funding formula and additional support for agencies administratively attached to higher education institutions, including \$100 thousand more for the Office of the Medical Investigator and \$250 thousand more for the Agricultural Experiment Station. The committee’s recommendation targets healthcare



# Recommendations & Highlights

workforce initiatives to fill provider gaps by increasing nurse training and medical residency funding by nearly \$1.4 million.

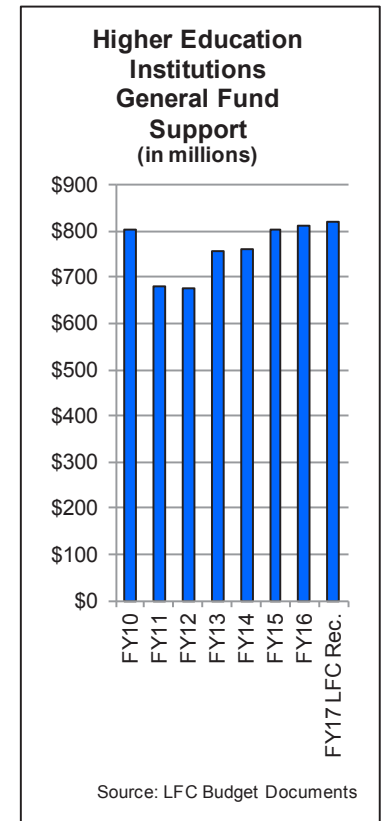
**Health.** The committee recommendation for the Department of Health totals \$557.2 million, a small general fund decrease but overall 0.9 percent increase that prioritizes public health and maximizes the use of all funding sources. LFC recommends increasing the use of patient revenue from Medicaid and other sources, adding about 80 developmental disabilities waiver slots, and funding many of the department's filled positions. With a 25 percent turnover rate and elevated vacancy rates, the LFC recommendation in a separate compensation package includes targeted salary increases for nurses and other direct care staff.

**Public Safety.** The committee recommends \$483 million in total funding for the New Mexico Corrections Department (NMCD) and the Department of Public Safety. The general fund support for the two agencies of \$420 million is a 3.6 percent increase over FY16. For NMCD, the committee recommends \$2.4 million for hepatitis C and medical inflation costs, \$871 thousand for private prison inflation costs, and \$500 thousand for transitional living services to be leveraged with Medicaid dollars. The LFC compensation recommendation includes funding to provide salary increases for dispatchers, forensic scientists, state police officers and correctional, probation, and parole officers. The recommendation for both agencies prioritizes safe staffing levels, higher pay, and effective strategic management.

**Transportation.** The New Mexico Department of Transportation (NMDOT), funded primarily by the state road fund and federal funding, anticipates FY17 state road fund revenue to increase by \$8.1 million, or 2.1 percent, over FY16 levels. In general, the majority of the state road fund (SRF) is used for highway maintenance while Federal Highway Administration (FHWA) revenue is used to fund construction-related expenses.

NMDOT estimates the annual shortfall in maintenance funding to be \$105 million while the construction shortfall is \$362 million. LFC recommends increasing the use of SRF fund balances by \$16 million to provide an additional \$10 million for construction and \$6 million for maintenance, more than NMDOT requested. The LFC recommendation would result in 0.1 percent growth relative to the FY16 operating budget. During the budget development process, Congress passed a new federal transportation funding bill that increases highway funding. While the FY17 budget recommendation for NMDOT does not reflect the increased funding, the additional FHWA revenue will be accounted for during the 2016 legislative session.

**Economic Development.** The LFC recommendation for the Economic Development Department (EDD) includes a total of \$7.5 million for the Job Training Incentive Program (JTIP), matching the near-record level of the FY16 appropriation. EDD continues to fall well below rural job creation targets, and the recommendation includes language clarifying that at least one-third of the JTIP appropriation must be spent for training in rural areas. The committee recommendation also recognizes the significant improvements the Legislature has made to taxes and incentives for businesses and includes





# Recommendations & Highlights

\$1.6 million for the Economic Development Partnership to market those improvements and the state to businesses.

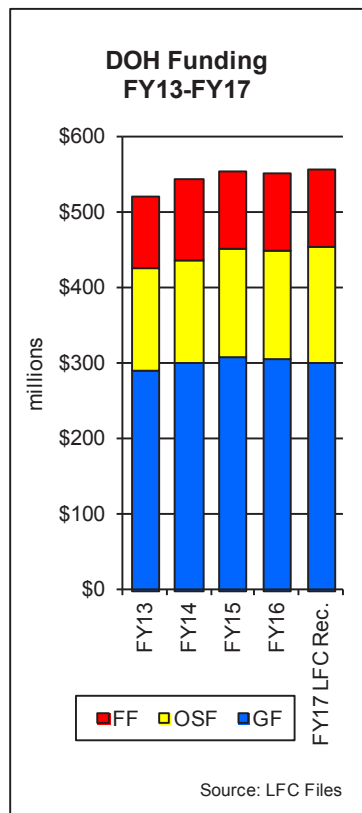
The committee recommendation also provides \$180 thousand for business incubators, shown to have one of the lowest costs per job created among economic development programs. Finally, the recommendation increases funding for tourism advertising by \$1.2 million to a total of \$10.4 million, recognizing the impact of the leisure and hospitality industry on job growth and gross receipts tax revenues.

**Compensation.** The LFC recommendation includes \$77.6 million from the general fund for compensation to improve employee recruitment and retention in legislative, judicial, and executive agencies, as well as public and higher education institutions. To accomplish this, LFC recommends a salary structure adjustment to keep the salary plan from falling further behind market rates and targeted increases for employees in fields facing the most significant recruitment and retention problems. The recommendation includes contingency language to ensure additional compensation is only provided if the revenue estimates for FY17 are equal to or greater than \$6.47 billion and reserves are equal to 8 percent. LFC intends the full Legislature to revisit the funding allocation and percentage compensation increases for legislative, judicial, and executive agencies and educational institutions.

Specifically, the LFC recommendation includes \$23.4 million from the general fund for a salary structure adjustment for legislative, judicial, executive, and higher education employees. The recommendation includes funding for targeted increases for nurses, judges, court clerks, district attorneys, social workers, and public safety occupations, including state police, correctional officers, and probation and parole officers, as well as dispatchers and forensic scientists. During the August 2105 LFC hearing, the State Personnel Office (SPO) identified occupations within public safety, health care, and social work as being most in need of salary increases. SPO did not assess the needs of positions within the judiciary because they fall outside of the state pay plan. However, New Mexico judge pay is ranked 50<sup>th</sup> in the country, and court clerks have a turnover rate of 32 percent, more than double the state average of 14 percent.

The LFC recommendation also includes \$54.2 million from the general fund for public schools for salary increases for all teachers and school administrators who meet annual competencies, and for training, preparation, recruitment and retention, as well as a cost-of-living adjustment for all public school employees.

**Deficiency, Special, and Supplemental Appropriations.** State agencies requested \$323.7 million for special, supplemental, and deficiency appropriations for FY17, including \$196.8 million from the general fund and \$126.9 million of other revenues. Seventy-seven special appropriation requests totaled \$113.6 million, including \$101.7 million from the general fund and \$12 million from other revenues. Thirty-two requests for supplemental appropriations totaled \$209.1 million, including \$94.1 million from the general fund and \$114.9 million from other revenues. Six deficiency appropriations requests totaled \$1 million, all from the general fund. Finally,



# Recommendations & Highlights

there were eight requests to extend the time to spend previous special appropriations and federal grants.

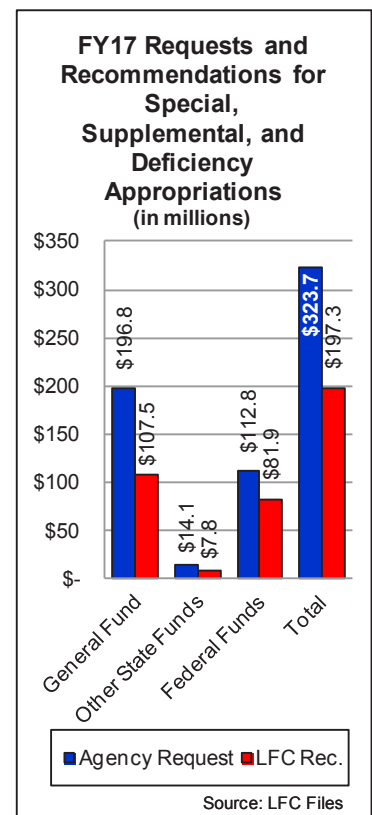
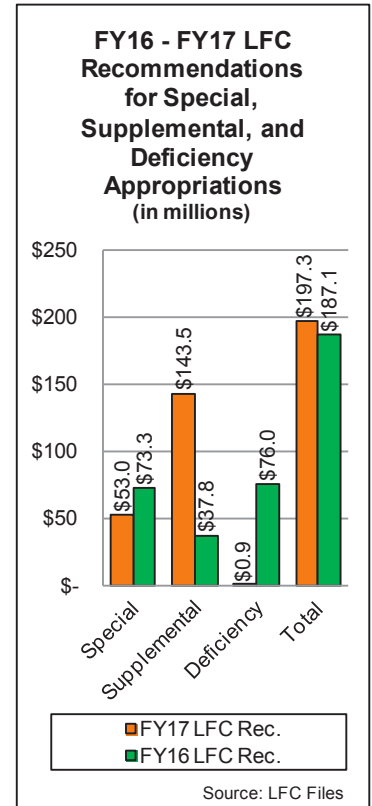
LFC recommends \$197.3 million for nonrecurring special, supplemental, and deficiency appropriations, including \$107.5 million from the general fund and \$89.8 million from other revenues. A significant portion of the funding, \$114.3 million, is to supplement a projected shortfall for Medicaid expenses, including \$33 million from the general fund. Special appropriations are just \$53 million, or 26.9 percent of the overall funding recommendation. Recommended appropriations include \$5 million from the general fund for the Job Training Incentive Program (JTIP); \$3.9 million from the general fund for the Department of Public Safety to address departmental priorities; \$5.5 million for the Department of Health to comply with a settlement agreement, including \$4 million from the general fund; and \$2 million from the general fund to support school districts experiencing shortfalls.

**Information Technology.** The LFC recommendation for IT funding totals \$71.4 million for 19 projects. Funding sources include \$24 million from the general fund, \$19 million from other state funds, and \$28.4 million in federal funds. The recommendation prioritizes ongoing projects and well-prepared and well-managed system requests that demonstrated strong positive returns on investment for each agency and New Mexico. Projects determined to be non-critical or ill-prepared or that reasonably could be delayed were not recommended.

**Capital Outlay and Infrastructure.** Capital outlay requests from state and local entities in 2016 totaled \$1.8 billion, far more than the \$485.4 million available. As lawmakers seek an equitable distribution of the limited capital funds among state-owned and local capital needs, they must be attentive to the \$1 billion for over 2,800 state and local projects that remains outstanding.

State agencies, higher education institutions, and special and tribal schools requested \$647.6 million for capital projects; \$288.4 million from severance tax bond (STB) capacity, \$331.1 million from general obligation bond (GOB) capacity, and \$28.1 million from other state funds. The LFC staff “framework” for state entities addresses the most critical projects impacting public health and safety, preservation of state facilities, and completion of projects in progress. The proposed funding for consideration by the full Legislature includes \$61.2 million from STB capacity, \$186.6 million from GOB capacity, and \$28.1 million from “other state funds.”

The \$1.2 billion requested by eligible local entities reflects only the top five priorities listed in the Infrastructure Capital Improvement Plans. The most critical needs requested by local entities are for water, transportation, quality of life (libraries, parks, senior centers, community and cultural centers, etc.), environment (utilities, landfills, clean energy, solid waste, etc.), and public safety. The priorities range in the millions of dollars, placing legislators in the position of funding only a small portion of the amount needed to complete even a phase of a project and resulting in increased strain on the administrative resources of local governments.



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New Mexico's heavy reliance on oil and gas revenues was made evident in the most recent revenue estimating cycle with sliding oil prices driving down the initial revenue estimate. With revenue forecasts for severance taxes and royalties both down, projected "new money" was reduced by \$61.7 million to a new estimate of \$232 million in December from \$293 million in August. During the 2016 session, many economic uncertainties loom large for the state's outlook. Budget developers will be challenged to prioritize spending while maintaining reserves at a level adequate to soften the impact of volatile economic markets.

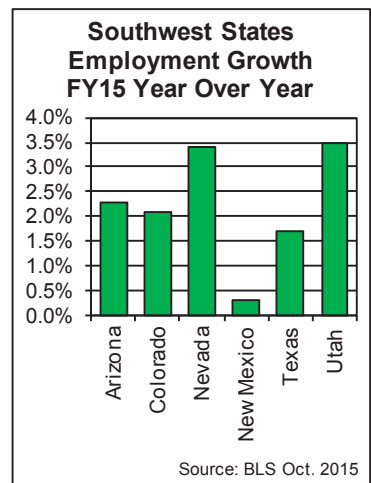
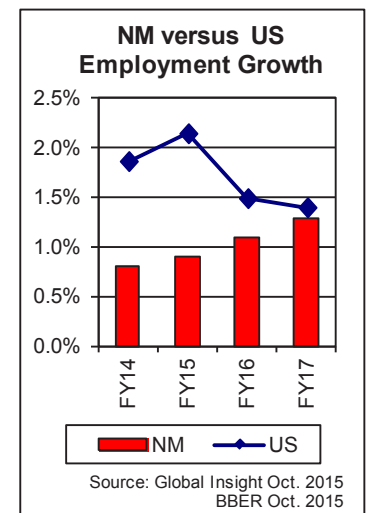
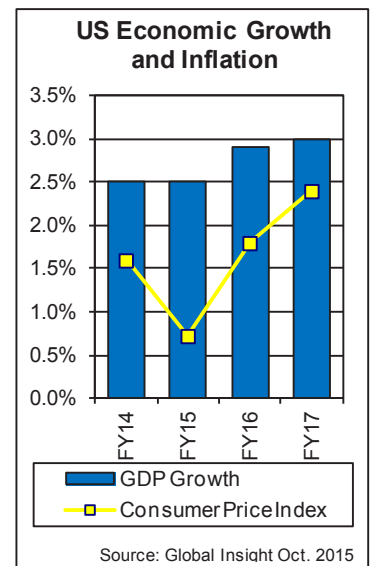
## ECONOMIC FORECAST

**U.S. Economy.** Since the low point in 2009 during the Great Recession, real gross domestic product (GDP) in the United States has grown by an average rate of 2.4 percent. This growth falls short of the more robust expansions seen after the two previous recessions in 2001 and 1990-91. The continued low oil prices, down nearly 60 percent since last year, are expected to push GDP growth by up to 0.5 percent as consumers benefit from lower gasoline prices, contributing to higher consumer spending and paying down personal debt. Signaling the strength of the economy, the Federal Reserve raised interest rates 0.25 percent at the end of 2015.

The national employment picture continues to expand at a much faster pace than it has in New Mexico which has fallen well behind neighboring states. Nationally, in October 2015, job gains were 150 thousand, or 0.5 percent, and the unemployment rate fell to 5.0 percent, from 5.7 percent a year ago.

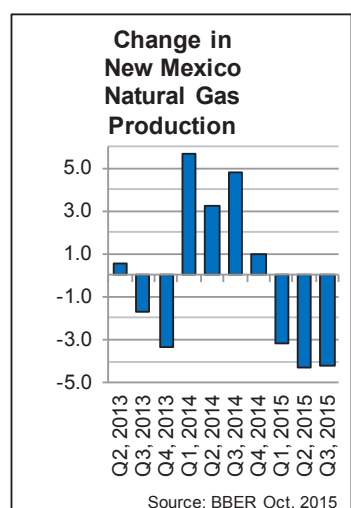
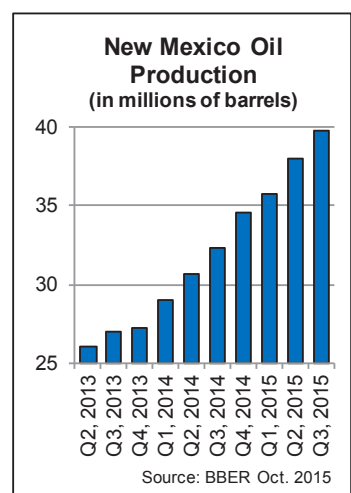
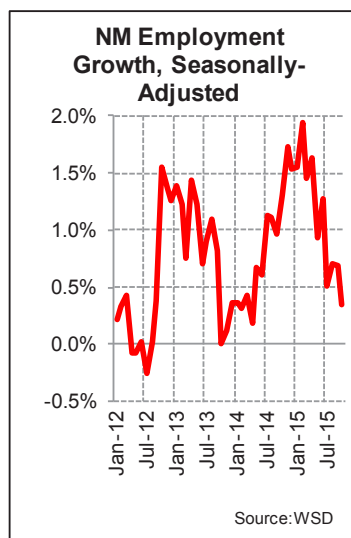
**New Mexico Economy.** Post-recession economic recovery in New Mexico has continued to lag compared with the rest of the country. Over the last few years, employment growth in New Mexico was relatively flat and continues to remain 3 percent below the pre-recession peak. New Mexico took nine years to regain employment levels last seen in 2006, approximately two years longer than the rest of the United States; however, recent reports indicate job growth has begun to slide to lower levels. Year-over-year growth was 0.4 percent in August, 0.9 percent in September, and 0.3 percent in October, well below forecast. Earlier evidence of New Mexico job growth was overly optimistic and the contraction of the state's economy, notably in manufacturing and mining sectors, hinders the move toward positive growth.

A persistently weak labor market combined with slow growth of household income is hurting the state's economy. Forecasters anticipate employment growth to be 1.4 percent through FY17 when it is expected to return to pre-recession levels and wage and salary disbursements, a critical driver of gross receipts taxes, to grow 4.6 percent in FY16 and thereafter.





# Economic Forecast



**Energy Markets.** The year continued to see broad volatility in the oil market as pricing crashed by 60 percent from \$104 per barrel (bbl) in July 2014 to \$63 a year later. As late as August, the West Texas intermediate (WTI) oil price sank below \$40 per bbl, signifying record supplies of refined petroleum products. Through autumn, oil prices remained steady, with oil trading below \$50/bbl but in December WTI prices spiraled below \$35/bbl. The U.S. Energy Information Administration (EIA) reports the United States reached levels of oil in storage not seen in nearly 80 years which is expected to keep prices low through the end of 2016.

Globally, the broad economic slowdown in China has caused the demand for commodities to drop dramatically and exacerbated further losses. The price drop and production declines have contributed to reduced investment and a pull-back in industry operational spending. While most oil producing basins began to slow production at the end of 2015, the Eagle Ford and the Permian continued to produce at consistently high levels not seen previously.

WTI oil prices averaged above \$60/bbl in FY15 but are projected to remain lower throughout the forecast period. Prices are expected to average around \$44/bbl in FY16 and \$49/bbl in FY17 before recovering to between \$56/bbl and \$60/bbl in FY18 through FY20.

Oil volumes increased by an unprecedented 25 percent in FY15, more than double the level that prevailed over the last 30 years, primarily due to new drilling technology in the Permian basin. The forecast assumes positive yet slowing production growth of 6 percent in FY16 and 3 percent in FY17.

New Mexico crude oil generally has been priced lower than standard WTI by a differential of \$5/bbl. According to well operators around the state, infrastructure advances and well services improvements have narrowed the differential to about \$2/bbl to \$2.50/bbl. As a rule of thumb, each additional \$1/bbl change in price sustained over one year is equivalent to a \$10 million change in general fund revenue.

Natural gas prices averaged \$3.78 per thousand cubic feet (mcf) in FY15 and are estimated to average \$2.90/mcf in FY16 and \$3.20/mcf in FY17. New Mexico natural gas prices continue to lag below Henry Hub (Louisiana) prices due to the decline in the natural gas liquids premium (which trends with oil prices). Like oil, near record natural gas inventories are pushing prices down resulting in more than a 40 percent drop in drilling activity nationally over the last year. Yet, nationally, record gas production and consumption levels have been achieved for the fifth consecutive year. Natural gas inventories were 18 percent higher than a year ago and ended the month of October with the third highest month level on record. However, in New Mexico, natural gas volumes fell by 0.2 percent in FY15. They are expected to increase slightly during FY16 at 1.3 percent, then decline at rates between 1.8 percent and 2.6 percent over the forecast period.

The natural gas liquids premium above the dry gas price has evaporated and is expected to remain at, or below, zero. The premium is attributable to transportation costs. It is not expected to recover during the next couple of

# Economic Forecast

years. Each 10 cent change in natural gas price is equivalent to a \$7 million to \$8 million change in general fund revenue.

**Revenue Forecast.** The December 2015 consensus revenue estimate projects FY17 revenue million at \$6.47 billion, representing 4.9 percent growth over the \$6.17 billion projected for FY16. “New money” in FY17, defined as FY17 projected recurring revenue less FY16 recurring appropriations, is projected to be \$231.7 million, or 3.7 percent of FY16 appropriations.

The gross receipts tax (GRT) forecast was bolstered by strong receipts for FY15. Strength came from the health care and transportation and warehousing sectors. These employment gains offset a portion of the oil, gas and mining job losses, attributed to the prolonged drop in oil prices. GRT revenue is estimated to grow 4 percent in FY16 and 7.9 percent in FY17. The federal budget deal is expected to add approximately 1 percent to FY17 GRT revenue.

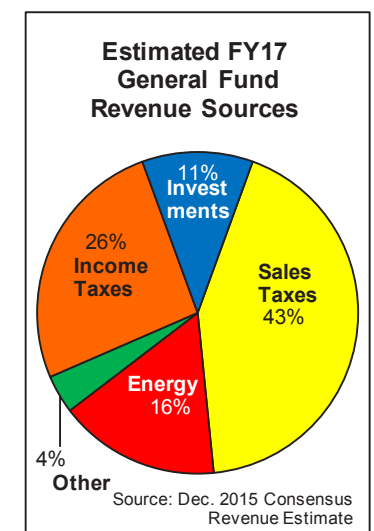
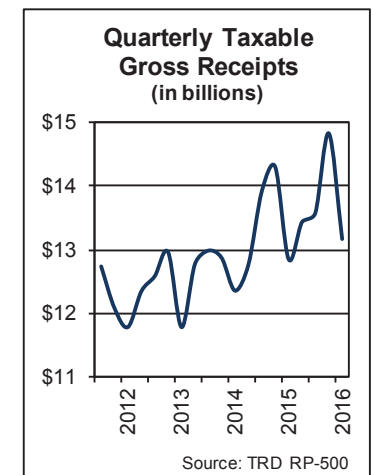
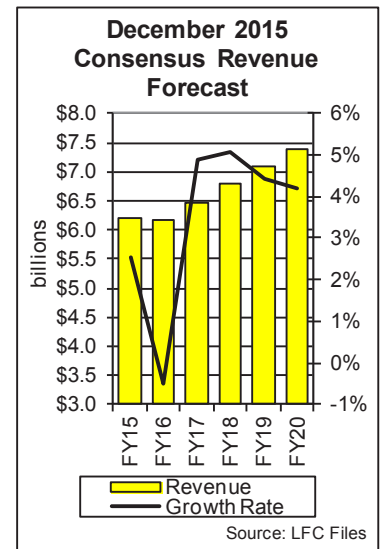
FY15 saw growth in personal income tax (PIT) revenue from tourism and professional services, and this is expected to continue in FY16 and FY17. PIT revenue is expected to grow 4.6 percent in FY16 and 4 percent in FY17, which indicates some upside risk.

Corporate income tax (CIT) receipts were revised down to reflect weak oil and gas prices, larger net operating loss reports, and lower corporate profits. Over the past few years, CIT has been volatile as the economy in New Mexico has struggled to recover from the great recession. CIT revenues, net of all credits, are estimated to decline 14.4 percent in FY16 and remain flat in FY17. A scheduled tax rate reduction in FY17 is expected to reduce CIT payments approximately \$30 million.

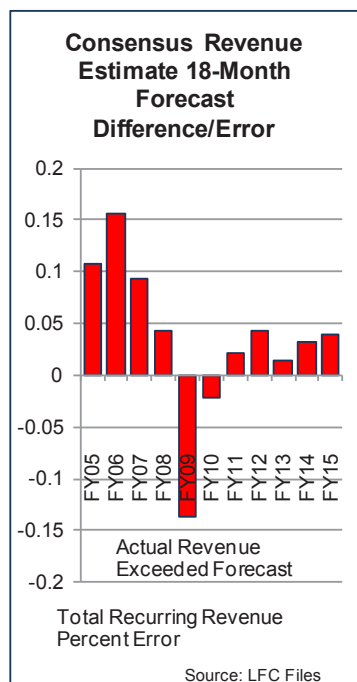
The decline in oil prices strongly impacted a reduction in the federal mineral leasing (FML) revenue estimate for FY16 onward. Oil drilling on federal lands has expanded by nearly 60 percent over the last two years; the combination of drilling and pricing activities in the oil and gas sector results in a forecasted 22.2 percent reduction for FML in FY16 and 3.5 percent in FY17. Persistently low petroleum prices resulted in a projected 23.3 percent reduction in severance tax revenues estimated for FY15 and a 22.4 percent decline in FY16 before recovering in later years. The distribution from the Land Grant Permanent Fund (LGPF) to beneficiaries will decrease from 5.5 percent of the fund’s market value in FY16 to 5 percent in FY17.

Compensating tax revenue is generated in large part by oil and gas equipment. In the first three months of FY16, revenue from the compensating tax decreased \$17.1 million or 62 percent over the same period of the prior year. The forecast is a 9 percent decline in FY16 and flat in FY17 due to the continuing weakness in purchases and capital expenditures in the mining sector.

The fiscal impacts of the Affordable Care Act (ACA) were a strong factor for insurance premium tax revenues. The forecast anticipates an increase of



# Economic Forecast



insurance tax revenue by 25.5 percent in FY16 and 16.5 percent in FY17. The enrollment take-up rate of Medicaid and the ACA insurance exchange remains uncertain. Over the last year, the rate at which members of the New Mexico Medical Insurance Pool transition to Medicaid or the exchange has been slower than expected. The NMMIP board recently voted to take coordinated action to move members out of the pool over a three-year period beginning in calendar year 2017. The delayed wind-down of the pool membership results in higher than anticipated NMMIP credits, a cost to the general fund.

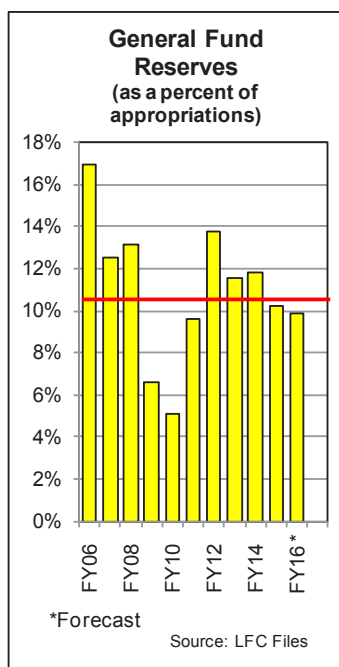
**Risks to the Forecast.** The greatest risk to the forecast is energy market variability. Although oil prices have trended down for over a year, it is unclear whether the prices have reached a floor. Depressed oil prices are reflected in the overall weakness of revenues during the last year. If market prices do not recover as expected, general fund revenue may be \$100 million or more lower than projected in FY16 and FY17.

The global demand for crude oil has not kept pace with supply levels. The broad imbalance will delay price recovery. Because about 20 percent of the state's general fund revenue comes from severance taxes, royalties, and indirectly from sales and income taxes, pricing volatility causes large revenue shocks. The continued improvements in shale drilling technologies and higher fracturing pressures may sustain output despite less drilling with fewer drilling rigs than in prior years.

Gross receipts continue to be an area of concern; the first quarter of FY16 resulted in a loss in year-to-year revenue. The decline is in part due to the substantial drop in oil and gas prices and a drop in wages and salaries attributed to layoffs in the mining industry. Other sectors around the state have not grown at a pace strong enough to pick up where mining declined.

The settlement of high-wage job tax credit applications, combined with the potential for increases in the cost of other tax credits, is a risk to state revenues. In recent years, several tax expenditures for economic development have had a larger fiscal impact than initially estimated, contributing to revenue estimating error. In some cases, the revenue impacts have significantly exceeded initial estimates, requiring changes in statute to curb the impact.

**General Fund Reserves.** The general fund financial summary in Table 4 shows unaudited actual FY15 revenues fell short of appropriations by \$41 million, resulting in a drawdown of general fund reserves to \$611.7 million, or 9.9 percent of recurring appropriations. Considering expected spending in FY16 estimated FY16-ending reserves are \$391.5 million, or 6.3 percent. LFC heard testimony during the 2015 interim that a contingent liability in the FY14 general fund audit would be mostly reversed in the FY15 audit. Reversing the contingent liability would raise the FY16 and FY17 reserve levels to about 8 percent. Due in part to New Mexico's reliance on volatile energy-related revenues, LFC considers reserve balances of 8 percent to 10 percent to be favorable.





For more than a decade, the trend in New Mexico taxation policy has been to leave personal and corporate taxes mostly alone and focus on piecemeal changes to the gross receipts tax and a tax environment favorable to business development. However, this dissection of a critical source of state income – with exemptions, deductions and credits eating into net gross receipts tax revenue – has necessarily meant raising the rate overall, narrowing the base and placing a greater burden on those left paying the tax. For years, tax experts have advised state policymakers that New Mexico needs a tax structure overhaul built on a broad base and focused on adequacy, fairness and clarity. Absent the political environment in which to tackle that task, policymakers should seek greater transparency and more effective administration.

## Trends in New Mexico Taxation

Although the personal and corporate income tax rates have changed in significant ways in the last decade, the 2003 enactment of the food and medical exemptions from gross receipts tax inspired additional exemptions, credits, and deductions. These provisions have contributed to the narrowing of the tax base, in conflict with the tax policy of efficiency. To maintain steady revenue balances and in the wake of the Great Recession, the statewide GRT rate increased 1/8 percent to 5.125 percent. Combined with local options, the GRT rate is as high as 8.94 percent in some municipalities. Contributing to the increase in local rates was a 2013 amendment to the food and medical exemptions law that allowed local governments to raise the GRT rate by ¾ percent to compensate for the phase-out of “hold-harmless” payments the state initially made to local governments to compensate for the loss of GRT revenue. The gross receipts tax, as it currently stands, is in need of reform, and an in-depth study of the tax that generates recommendations for reform is warranted. To date, this effort has been slow to get underway.

**Pyramiding.** The increase in GRT rates has also exacerbated the effect of pyramiding, which remains an issue in some industries. Pyramiding occurs when the GRT is applied to business-to-business purchases of supplies, raw materials, and equipment, creating an extra layer of taxation at each stage of production. The New Mexico Tax Research Institute (NMTRI) estimates effective GRT could reach 17 percent in certain sectors, such as manufacturing and research and development, a significant disincentive to businesses considering expanding or locating in New Mexico. Legislation enacted in 2012 to address tax pyramiding in the manufacturing and construction sectors was onerous to administer and more open-ended than intended, doubling its estimated fiscal impact and requiring legislation to reduce the revenue losses. The manufacturing deduction allows firms to

### LFC TAX POLICY PRINCIPLES:

**Adequacy:**

Revenue should be adequate to fund needed government services.

**Efficiency:**

Tax base should be as broad as possible and avoid excess reliance on one tax.

**Equity:**

Different taxpayers should be treated fairly.

**Simplicity:**

Collection should be simple and easily understood.

**Accountability:**

Preferences should be easy to monitor and evaluate.

### Selected GRT Rates for NM Cities and Counties (as of January 2016)

Highest Rates	
Española (Santa Fe County)	8.94%
Taos Ski Valley	8.69%
Española (Rio Arriba County)	8.56%
Raton	8.52%
Sunland Park	8.44%
Ruidoso	8.44%
Logan	8.38%
Lowest Rates	
Taos County	7.13%
Santa Fe County	7.00%
Sierra County	6.94%
Valencia County	6.88%
Luna County	6.88%
San Miguel County	6.83%
Torrance County	6.75%
McKinley County	6.75%
Dona Ana County	6.75%

Source: TRD



# Revenues & Tax Policy

## Jurisdictions That Have Enacted the 3/8% "Hold-Harmless" GRT

Municipality	Enacted
Corrales	January 2014
Española*	July 2014
Fort Sumner	January 2016
Jemez Springs	January 2016
Las Cruces	July 2014
Lovington	January 2014
Reserve	July 2015
Springer	January 2016
Sunland Park	July 2015

County	Enacted
Chavez	July 2015
Cibola	July 2014
De Baca	January 2016
Dona Ana	July 2015
Grant	January 2015
Harding	January 2015
Luna	July 2015
Mora	January 2016
Roosevelt	July 2015
Sierra	January 2015
Valencia	January 2015

\* Rio Arriba and Santa Fe County

Source: TRD

## High Wage Jobs Tax Credit Claims (in millions)

FY13	\$21.4
FY14	\$48.8
FY15	\$15.0
FY16 (estimated)	\$70.0

Source: LFC files

deduct tangible property consumed in manufacturing. The construction-service and equipment-leasing deductions apply to sales to a construction business for a taxable construction project. Future anti-pyramiding legislation should be thoughtfully constructed to limit uncertainty.

**Effective Tax Policy and Job Growth.** The key to retaining companies and recruiting new companies to New Mexico is to achieve a competitive tax structure and then compete on a job-ready workforce. Any unusual taxes or disparately high tax rates create a disincentive for companies to stay in or move to a location. If a state's tax structure falls within a reasonable range, as compared with peer states, businesses will base their location decisions on other factors, such as labor, real estate, infrastructure, and transportation from suppliers and to the markets. In some cases, particularly if the decision-maker will be relocating, quality of life can also play a significant role.

New Mexico's tax structure includes incentives aimed at attracting specific industries, such as film, and aims to reward high-wage job creation. Generally, New Mexico's tax structure falls in line with peer states; however, the gross receipts tax is a notable exception and its very existence is a concern for companies considering relocating or expanding to the state. If the rate were lower, this would help assuage the concerns, but as GRT carve-outs have increased over the years, the rate has necessarily increased.

**Costs.** Over the last couple of years, several economic development tax expenditures had larger fiscal impacts than initially estimated, in some cases requiring statutory changes to curb the impact. Following its expansion in 2001, the statute governing the high wage jobs tax credit (HWJTC) was amended in 2013 to tighten eligibility requirements for both employers and employees; however, protests could result in additional HWJTC claims, pushing the cost of the credit back up. Also in 2013, legislators tightened qualifying standards for the manufacturing tax credit because businesses were claiming the credit in unexpected ways. In addition, the \$50 million film tax credit cap was reached, which will also have an impact on revenue estimates.

**Recent Changes.** On income taxes, most changes over the last decade have benefited business activity: a cut in the top corporate income tax (CIT) rate and single-sales apportionment for some corporations in 2013, an extension of the CIT net operating loss carry-forward provision in 2014, and in 2015, the creation of special treatment under CIT for corporate headquarters located in the state by allowing "sales only" apportionment. Also in 2015, the "angel" investment credit was reinstated and expanded, the gross receipts deduction for trade-support companies that first locate in a border zone was restored, the technology jobs tax credit was expanded, and a GRT deduction for receipts from certain research, direct energy and satellite-related services was created.

## Other Tax Policy Issues

**Fuel Tax and Motor Vehicle Excise.** The tax rate charged on gasoline was last changed in 1995, when it was decreased by 3 cents to 17 cents per gallon. The tax on special fuels, such as diesel, has not been increased since 2003, when it was increased by 3 cents to 18 cents per gallon. This is a unit

# Revenues & Tax Policy

tax not indexed to inflation, and relatively constant levels of fuel purchases and increases in vehicle fuel efficiency have contributed to an erosion of the purchasing power of fuel tax revenue. The major benefactor of fuel taxes has been the road fund (see infrastructure discussion); however, local governments receive a portion of revenue as well, used for local road maintenance. The reduced purchasing power of fuel taxes is constraining local governments' ability to build and maintain their road infrastructures.

**Internet and Taxation.** Federal efforts to regulate state taxing authority for in-state activities could affect state revenues. The Marketplace Equity Act and Marketplace Fairness Act would grant states authority to impose taxes on remote Internet retailers who compete with local retailers but do not have to collect and remit sales or gross receipts taxes to a purchaser's home state. It is unclear whether these bills will pass or how their specific provisions would affect New Mexico. The imposition of New Mexico tax on remote sellers could generate new revenue for the state, although the impact is limited because major online retailers are already collecting and remitting sales tax.

Additional Internet-related tax policy changes at the federal level include the extension of the Internet Tax Freedom Act (ITFA), which imposed a moratorium on new state and local taxes on monthly Internet access fees while preserving (grandfathering) existing Internet access taxes. The Center on Budget and Policy Priorities argues Congress should lift the ban and let states decide whether they will impose their sales and telecommunications taxes on Internet access charges. Making the ITFA permanent and stripping the grandfather clause could result in revenue reductions in New Mexico.

**Electronic Cigarettes.** Several states have begun to examine the market for e-cigarettes to develop a tax structure similar to traditional tobacco products. The consumption base for tobacco taxes is being eroded by the increased market share of electronic cigarettes, not subject to an excise tax in New Mexico. The use of e-cigarettes has grown amid unclear federal regulation and limited research about the health effects. A tax on e-cigarettes equivalent to the tax rate on traditional tobacco products would restore this revenue source and minimize preferential treatment by taxing all tobacco products equally. However, opponents of such a tax cite e-cigarettes' potential as a smoking cessation tool and argue a tax would discourage its use in favor of traditional tobacco products.

## Local Government Revenues

**Distributions to Local Governments.** Perhaps the most significant of several tax policies affecting local government is that of adjustments to tax revenue distributions to local governments. For instance, if a taxpayer initially paid a tax in the wrong jurisdiction and amends the tax return to report the proper jurisdiction, the Taxation and Revenue Department (TRD) adjusts distributions to the affected local governments to reflect the corrected return. This could be done by reducing distributions to one local government and increasing distributions to another. However, in some cases, this can result in a zero distribution to a local government, impeding its ability to operate. Legislation enacted in 2015 resolved the issue by allowing adjustments to

**Revenue Impacts of Selected Tax Law Changes and Tax Expenditures**  
(in millions)

Tax Law Change / Tax Expenditure	FY16	FY17	Year
CIT Rate Reduction and Optional Single-Sales Apportioning (CIT)	(63.3)	(93.8)	2013
Mandatory Combined Reporting (CIT)	5.8	4.2	2013
High-Wage Jobs Tax Credit	(70.0)	(20.0)	2004
Manuf. Deduction (GRT)	(20.0)	(27.2)	2012
Construction Deduction (GRT)	(15.6)	(13.0)	2012
Film Production Tax Credit (CIT)	(50.0)	(50.0)	2002
Locomotive Fuel Tax Exemption (Comp)	(3.0)	(3.1)	2011
<b>Total</b>	<b>(216.1)</b>	<b>(202.9)</b>	

Source: LFC files and Consensus Revenue Estimating Group

### States with E-Cigarette Taxes

**North Carolina:** An excise tax is levied on vapor products at the rate of 5 cents per fluid milliliter of consumable product. All invoices for vapor products issued by manufacturers must state the amount of consumable product in milliliters.

**Minnesota:** E-cigarettes and liquid capsules are considered tobacco products and are subject to the tobacco tax, which is currently 95 percent of the wholesale cost of any product containing or derived from tobacco. Retailers are required to purchase the tax-paid product. Consumers who purchase from someone who has not paid the tobacco tax must pay a tobacco consumer use tax.

# Revenues & Tax Policy

**State Gasoline  
Tax Rates**  
(in cents per gallon)

Arizona	19
California	48.7
Colorado	22
Oklahoma	17
Nevada	33.1
<b>New Mexico</b>	17
Texas	20
Utah	24.5

Source: The Tax Foundation

**Food and Medical Hold  
Harmless Distributions to  
Local Governments**  
(in millions)

FY	Food	Medical	Total
2009	\$93.4	\$27.5	\$120.9
2010	\$97.1	\$30.3	\$127.4
2011	\$99.1	\$31.7	\$130.8
2012	\$103.2	\$34.6	\$137.8
2013	\$104.5	\$34.7	\$139.2
2014	\$108.0	\$32.9	\$140.9
2015	\$107.8	\$31.3	\$139.1

Source: TRD

distributions to the local governments and allowing the state to recover the amount reimbursed to the taxpayer on the local government's behalf. The bill included provisions that protect local governments from fiscally catastrophic adjustments, including allowing the secretary of TRD to waive recovery of amounts greater than 50 percent of the average distribution to the local government. The estimated impact on the general fund ranges from \$500 thousand to \$1.5 million.

**Food and Medical Deductions.** Legislation in 2013 reduced the corporate income tax rate and created a 15-year phase-out of the hold-harmless distribution to municipalities and counties to offset food and medical GRT deductions. The length of the phase-out gives local governments time to reprioritize budgets to manage the reduction in revenue. In addition, current law authorizes local option GRT rates to restore lost revenue. An alternative to raising the GRT rate would be to restore food and medical services to the gross receipts tax base, if not statewide, then at the local level. This would eliminate the need for the hold-harmless payments while broadening the GRT base and potentially enabling a rate reduction. The restoration to the tax base of certain health care services is supported by the implementation of the Affordable Care Act, which potentially expands healthcare coverage to over 250 thousand uninsured adults, diminishing the need to lower healthcare costs through tax policy. An increase in the working families' tax credit could offset additional tax burden on low-income taxpayers, although fraudulent claims for this credit are a concern.

**Property Taxes.** Generally, legislative sessions have seen few changes to property tax law. Effective in 2001, the state enacted the "3 percent cap" on growth of residential property value for tax purposes. The cap was suspended when a residential property changed hands, moving the valuation to market value as of the time of the transfer. In June 2014, the state Supreme Court validated this provision and dismissed the claims of primarily Bernalillo County taxpayers to have the cap apply when properties changed hands. Unusually, at least six property-tax-related bills were enacted in the 2015 regular legislative session. Four changed various administrative provisions, including allowing a disabled veteran to transfer a property tax exemption from one property to another within the same property tax year. The fifth resolved a problem with the impact of drought on agricultural property use.

## Tax Gap

With little likelihood policymakers will enact new taxes, the potential to raise revenue rests with strong enforcement of existing law. During the 2013 interim, TRD estimated the tax gap in New Mexico, the difference between what is owed and what is collected, to be \$573 million collectively for personal income tax, CIT, and GRT. Less collection and enforcement efforts, which net an estimated 30 percent of the gross tax gap, the net tax gap is approximately \$400 million.



Recognizing that investing in early childhood can have significant impact on a child's future social and cognitive health and economic well-being, the Legislature has increased spending on early childhood programs by more than \$100 million over the last five years. While New Mexico continues to rank low nationally on child well-being measures, an indication that gaps in service still exist, additional investment must be strategically implemented and carefully monitored, with incremental funding going to those programs that are most effective and to those systems with the capacity to take the new money and turn it quickly into services.

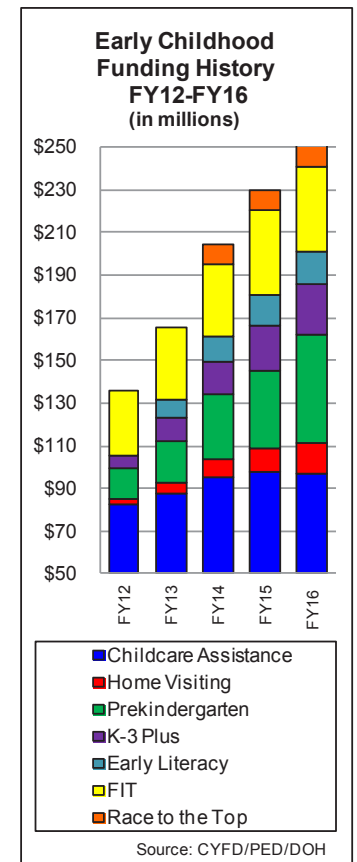
Numerous studies indicate that poverty, and the stresses that come with it, can affect brain growth and development and lead to learning, social, and behavioral delays and an increased risk of illness. Spending on early childhood programs pays off in the long-run in lower costs for education supports, juvenile rehabilitations, law enforcement, and public assistance. To improve the lives of New Mexico children and long-term outcomes for the state, the Legislature remains committed to continued investment in early care, development, and education programs to improve the experiences of children and strengthen families and communities.

**Targeting At-Risk Families.** Families have become increasingly diverse and complex in recent decades. According to the Census Bureau, one out of five children in the United States lives with at least one foreign-born parent, the share of children living with two biological married parents has declined, and families are experiencing more fluidity in living arrangements and employment. In addition, New Mexico has an increasingly high percentage of children living in poverty. The growing complexity of families and persistence of poverty leads policymakers to focus on programming that supports the developmental needs of children in conjunction with stabilizing families.

**Support for Families.** Early care and education programs provide support and stability for families. A child's family environment plays an important role in shaping the child's well-being because it is the site of daily activities and provides social and economic experiences. Childcare assistance provides low-income working families a safe and affordable place for the child while parents work or go to school and can enhance a child's healthy cognitive, emotional, social, and physical development. The Children, Youth and Families Department (CYFD) is piloting a childcare assistance program for

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# Early Childhood

**Early Childhood Investment Zones**

County	Investment Zone Rank	Population Age 0-4*
Quay	1	<1%
Luna	2	1%
Sierra	3	<1%
Rio Arriba	4	2%
McKinley	5	4%
Torrance	6	<1%
Gaudalupe	7	<1%
Harding	8	<1%
Colfax	9	<1%
Cibola	10	1%
Lea	11	4%
<b>Total</b>		<b>15%</b>

\*2010 Census

Source: LFC and CYFD

Investment zones prioritize funding for at-risk communities, based on aggregated socio-economical risk indicators, and communities with the greatest capacity for creating a continuum of high-quality early learning programs. LFC estimates the number of children ages 0-4 living in investment zones is close to 22 thousand.

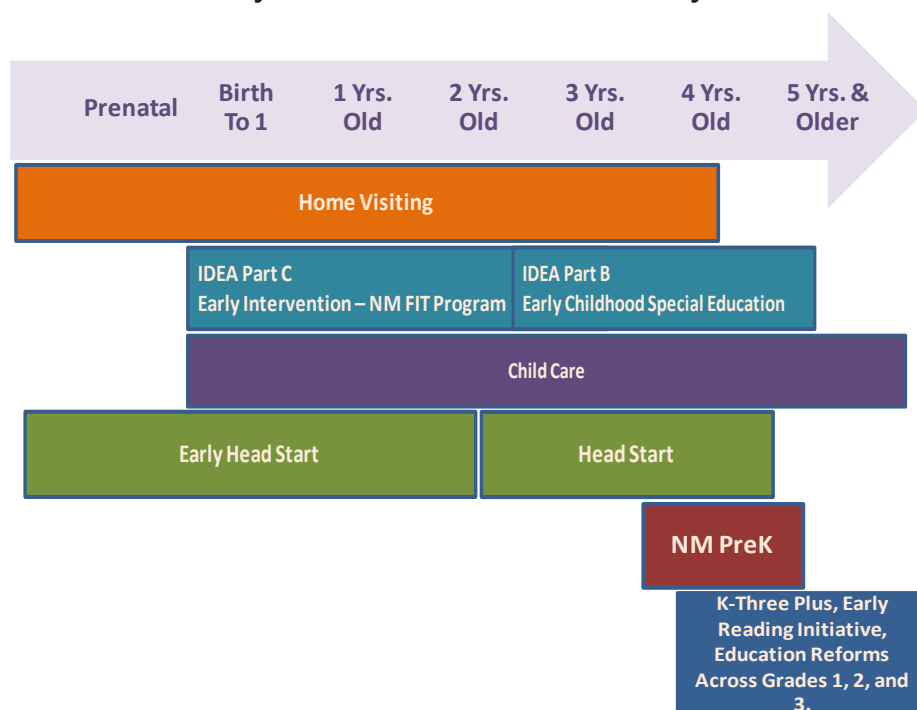
**Early Childhood Programs Cost-Benefit Ratios**



Source: New Mexico Results First

families with a referral but no evidence of maltreatment in an effort to provide stabilizing services for families in crisis. Additionally, home-visiting programs, which provide home visits to families with young children by paraprofessionals, address maternal and child health issues, support positive parenting practices, and provide referral services and access to additional supportive services.

## New Mexico's Early Childhood Care and Education System



Source: UNM Center for Education Policy Research

**Early Childhood Brain Development.** Research indicates the most rapid period of brain development occurs in the first few years of life. During this time, the basic architecture of a child's brain starts to form, with ongoing implications into adulthood. This means the earliest years may present the most significant opportunity to remediate. Brain development is slowed for children when exposed to less stimulating emotional and physical environments, leading to cognitive and social delays. Additionally, research also shows later interventions may be less successful. As a result, programs that identify and support children and families most at-risk for experiencing highly stressful environments can reduce or avoid the need for more costly and less effective remediation and support programs later.

## Early Childhood Programs, Quality, and Cost-Effectiveness.

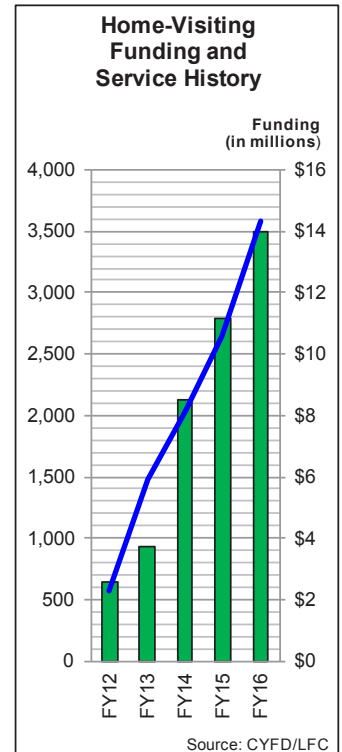
Strategic investments, along with careful attention to implementation and performance monitoring, could improve the social and cognitive skills of children, with benefits extending throughout a child's life. National return on investment studies of early childhood programs show returns as high as seven dollars for every one dollar invested. By investing in early childhood programs, taxpayers may save more over time through decreased juvenile

# Early Childhood

delinquency, criminal activity, and educational remediation. However, not all early childhood education and development programming is shown to improve child well-being and provide such significant returns.

A recent evaluation of Tennessee prekindergarten programs showed gains in math, language, and reading but those gains did not last through kindergarten. This is in stark contrast to the results of other public prekindergarten programs, such as Boston and New Jersey, which have closed between 20 percent and 30 percent of the educational achievement gap between low-income students and the national average. Researchers believe the key differences to obtaining lasting outcomes in public programs is strategic development of evidence-based programming, careful and attentive implementation, and continued performance monitoring -- in other words, high-quality services.

High-quality programs require significant investment. Inputs such as well-educated, experienced teachers, small group sizes, and one-on-one coaching are costly but predictive of long-term outcome gains. With this in mind, several early childhood programs received significant provider rate increases to invest in quality inputs. Childcare assistance providers received an average 26 percent rate increase in FY15. In FY16 the home-visiting program also increased provider rates more than 12 percent for high-risk and rural families. The Legislature should expect these investments in quality services will improve outcomes. However, the rising cost of services means fewer families can be served.



## A Closer Look: Early Childhood Services Gap Analysis

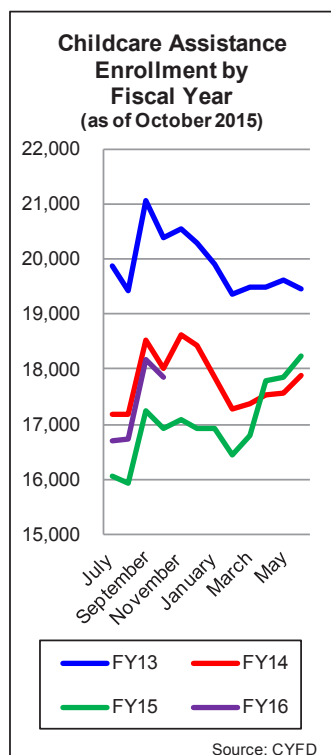
Despite significant, targeted investments by the Legislature in the state's early childhood programs, New Mexico remains behind most of the nation in many indicators of child well-being. LFC's *Early Childhood Services Accountability Report Card, Gap Analysis and Spending Plan* (January 2015) examined four key state early childhood programs (home visiting, prekindergarten, child care, and K-3 Plus) for needs and gaps in services, current accountability data, barriers to program expansion, and potential funding options.

While home visiting has achieved successes in some high-risk communities, developing community relationships and infrastructure continues to be a barrier to expansion. The majority of at-risk clients remain unserved, and the state lacks sufficient information about whether the program is reaching the targeted population.

In contrast, New Mexico is close to providing sufficient funding to ensure all low-income 4-year-olds receive some service when childcare assistance, prekindergarten, and Head Start are considered. However, programs remain fragmented and the quality of service is still a concern. Additionally, while the K-3 Plus extended school year program is now operated in most eligible elementary schools, the majority of eligible students in these schools do not participate.

To close service gaps and continue improving early childhood outcomes, targeted interventions are needed. New Mexico should target expanded home services to at-risk, low-income families in high-need communities, develop new performance measures for prekindergarten and child care services, and prioritize funding K-3 Plus on a school-wide or district-wide basis.

# Early Childhood



**Service Gaps and Investment Growth.** While New Mexico continues to show leadership in increased investment in early care and education, large numbers of children are still in need of services. For example, LFC estimates current home-visiting funding supports only 8 percent of low-income, first-time families. However, The National Academy of Science cautions against scaling up programs before they have been optimized for specific delivery settings and before capacity has been built.

**Home Visiting.** The Legislature has prioritized funding for early intervention home-visiting services since FY12. Home visiting is an intensive parent education program shown to effectively reduce child abuse and improve health. This voluntary program provides family support and basic parenting skills critical to improving childhood outcomes during pregnancy and through the first few years of a child's life. Home visiting also assists health professionals in identifying mothers with postpartum depression and connects them with behavioral health resources. Research shows early family support programs, such as home visiting, are an effective system of early intervention for at-risk families.

In FY16, LFC estimated over 3,000 families would receive state-funded home-visiting services, and an estimated 7,000 eligible families would go without. Policymakers should consider continued investment in this evidence-based model while keeping in mind responsible program growth recommendations.

**Childcare Assistance.** Administered by the Children, Youth, and Families Department (CYFD), the Childcare Assistance Program in New Mexico serves about 18 thousand children up to age 13 at a cost of \$97 million annually. The program subsidizes the cost of child care for families with incomes at or below 200 percent of the federal poverty level (FPL), or about \$48.5 thousand annually for a family of four. As of November 2013, all participating families at 150 percent of the FPL receive automatic assistance.

Historically, child care has been viewed as a welfare support program, allowing low-income parents to work. However, since 2004, LFC evaluations have emphasized high-quality programs improve outcomes and recommended shifting funding toward more costly initiatives.

In 2014, the federal Child Care and Development Block Grant (CCDBG) Act was reauthorized. CCDBG is the federal authority and funding source for childcare assistance. The reauthorization made significant changes by defining health and safety requirements for childcare providers, outlining family-friendly eligibility policies, and requiring parents and the general public to have transparent information about available childcare services. New Mexico receives close to \$36.1 million from CCDBG annually.

Highlights of CCDBG reauthorization requirements include criminal background checks for all childcare staff, certification that providers are complying with child abuse reporting requirements, pre-licensure and annual unannounced inspections of licensed providers, qualifications and training for licensing inspectors, and standard child-to-provider ratios.



# Early Childhood

The most costly requirement of the reauthorization is a new 12-month eligibility period versus the current six months. Extending the recertification process may result in increased enrollment and expenditures. CYFD requested \$1 million from the general fund. However, these amounts may not be sufficient.

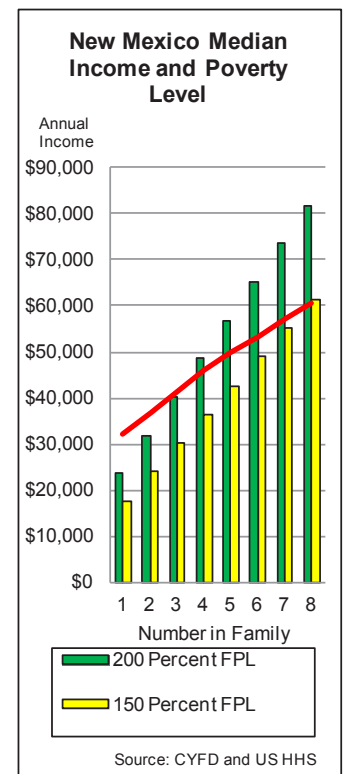
***Tiered Quality Rating and Improvement System.*** Focus is New Mexico's third-generation TQRIS. The purpose of improving quality in child care is to improve the health and well-being of children and promote school success. Currently, childcare providers may volunteer to participate in the Focus pilot, and 250 providers are participating statewide. The essential elements of Focus include observational child assessment, curriculum planning and support, family engagement strategies, health and safety practices, comprehensive program assessment and continuous improvement, and early childhood educator workforce qualifications support. These essential elements are predictive indicators of high-quality early childhood programs and practices. Elements of Focus include reduced teacher-to-child ratios, increased director and teacher qualifications, and child health and developmental screenings.

***Temporary Assistance for Needy Families.*** Due to decreasing caseloads and lower overall spending in FY15, projections for TANF FY17 carryover will be significant, an estimated \$46 million. In FY16, CYFD received \$48.6 million of TANF funds from the Human Services Department (HSD) for early childhood programs, such as childcare assistance, home visiting, and prekindergarten.

**Prekindergarten.** A recent LFC evaluation found prekindergarten (prek) had a significant impact on math and reading proficiency for low income 4-year-olds. In FY16, LFC projects CYFD and the Public Education Department (PED) will provide over 10 thousand children with prek services, that include over 2 thousand slots for extended-day services. Prior to FY15, prek programs were only two and a half hours long each day. To increase student achievement, services were extended to allow for longer hours. CYFD reported provider and community interest was so great the agency reallocated funding for extended-day prek in FY15. An additional \$5.5 million was appropriated in FY16 for a total operating budget of \$13.9 million.

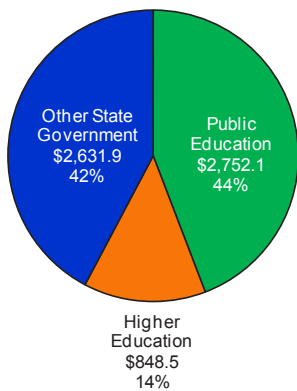
***Early Prekindergarten.*** LFC analysis indicates the capacity to serve the majority of low-income 4-year-olds statewide is near saturation when considering childcare assistance, Head Start, and prek. However, few services are available for 3-year-olds. Nationally, policymakers are extending prek services to allow participation for 3- and 4-year-olds, and research indicates this further promotes proficiency in math and reading by third grade. Considering this, in FY16 \$3.3 million was appropriated to pilot prek for 3-year-olds. Early prek proved exceedingly popular statewide and CYFD requested an additional \$1 million from the general fund in FY17 to expand services.

CCDBG is available to families at or below 85 percent of the state median income. Above that, the general fund pays for childcare up to 200 percent of the federal poverty level.



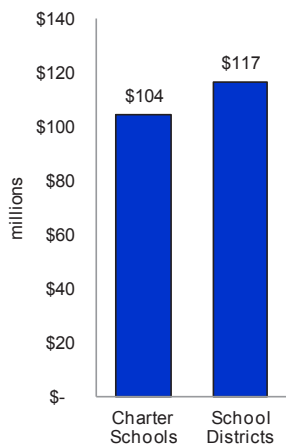


**FY16 General Fund Appropriations**  
(in millions)



Source: LFC Files

**Change in Formula Funding FY08 to FY16\***



\*FY16 preliminary

Source: PED and LFC Files

New Mexico directs over half of general fund revenues to education-related programs each year – from pre-kindergarten to post-graduate, as well as adult education, workforce training, and literacy support – yet some individual program goals and outcomes remain unaligned, requiring the state to shore up attainment gaps with supplementary services. Requirements to obtain a high school diploma remain inconsistent with the expectations of a college freshman, leading to required remediation. Meanwhile, students in kindergarten programs enter the public school system with a varying degree of preparedness, calling for extensive interventions. This is the result of a fragmented education system in which a seamless transition from grade to grade is disrupted by a lack of coordination between governmental agencies. Moving forward, each piece of the student pipeline must cooperate with the next to ensure student outcomes align. Further, available funding must target collaborative efforts that leverage proven strategies to generate a well-informed, productive citizenry.

## Public Education

The state allocates 44 percent of general fund revenues to public education programs. Funding allocated through the formula, which represents both the bulk of state spending on public schools and the way school districts and charter schools get most of their money, increased \$240 million between FY08 and FY16, from \$2.33 billion to \$2.57 billion. Given the large investment in public schools, some policymakers expect to see significant improvements in student learning. However, improvements have been modest. Formula funding and Public Education Department (PED) distribution of dollars do not always target resources at students at risk of academic failure. Going forward, calculated decisions must be made at the state and local level to focus spending on practices and programs proven to increase student achievement to ensure the state is getting the best return on its investment. Particular attention should be paid to how resources are allocated to serve the state's economically disadvantaged students, the most likely to perform poorly, if the achievement gap is to be narrowed.

Almost half of the \$240 million in new dollars spent through the public school funding formula since FY08 has gone to support charter schools. The number of approved charter schools increased from 64 in FY08 to 99 in FY16. Charter schools serve 23 thousand students, while school districts educate 309 thousand students. In FY15, charter schools received \$8,663 per student while school districts received \$7,597 per student. Despite the growth in the number of charter schools and the increased funding they receive, student in

these schools, public schools operated independently, do not perform significantly better than public schools operated by school districts.

In addition to formula funding, a smaller amount of funding is allocated by PED for department-supported initiatives. PED staff contends these dollars are better targeted to produce results, though the department makes limited data available to assess this claim. Additionally, school leaders continue to voice concerns about the administrative burden placed on them to apply for individual grant programs.

**Learning Gaps.** One of the state's most significant challenges is addressing the achievement gap – the disparity in performance between groups of students defined by gender, race, language, or socioeconomic status. Generally, minority students and economically disadvantaged students fare more poorly than their peers due to a number of factors, including parents' education levels, access to high-quality early childhood care and education, distribution of public education funding through the funding formula and categorical grant programs, allocation of funding within school districts, peer influences, educators' expectations, and curriculum and teacher quality. When not adequately addressed, the achievement gap persists well into high school, postsecondary education, and the workforce.

**Closing the Achievement Gap.** Research shows educating at-risk students requires additional resources, though studies vary on the costs. States differ on the funding allocated for at-risk students but, recognizing the significant impact risk factors have on academic achievement, provide up to 50 percent more funding for at-risk students. New Mexico only allocates an additional 10 percent per at-risk student through the funding formula, though there are many other state-funded grant programs that target at-risk students at all levels, including early intervention programs offered at prekindergarten through the early elementary levels and programs that help at-risk middle and high school students prepare for college.

Early identification of at-risk students and implementation of appropriate education strategies are essential. Educators must ensure young students master basic skills, like reading and math. Extended-day or extended-school year programs, increased time on task, high-quality early childhood care and education programs, and targeted interventions for students falling behind will help close the achievement gap. More strategic management decisions at the district and school level to ensure the basic characteristics of high-performing schools exist in all schools will likely result in significant improvement in student outcomes. Additionally, the Legislature may want to consider further increasing the at-risk index in the funding formula to support school district and charter school efforts.

**Early Childhood Education.** An increasing percentage of New Mexico children grow up in poverty every year, signaling the need for a continuum of high-quality, evidence-based early learning programs from birth to age 5 to prepare children for school and then from ages 5 to 8 as they learn to read. Early experiences influence learning; quality early care and education programs result in both immediate and long-term benefits. Prioritized investments in early childhood programs are producing positive outcomes for

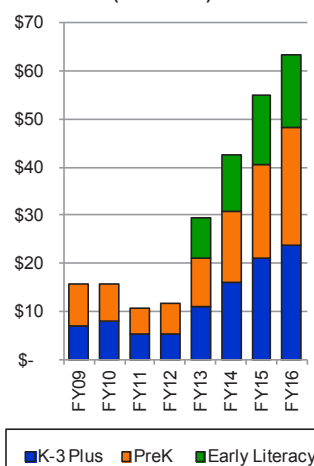
For more info:

**Public Education  
Report Card  
Page 90**

## **Eight Characteristics of High-Performing Schools**

1. High expectations and standards;
2. High levels of collaboration and communication;
3. Strategic assignment of principal and staff;
4. Focused professional development;
5. Regular and targeted parent and community involvement;
6. Caring staff dedicated to diversity and equity;
7. Curriculum, instruction, and assessment aligned with core standards; and
8. Data-driven focus and frequent monitoring of student achievement.

**K-3 Plus, PED  
Prekindergarten, and  
Early Literacy Funding  
(in millions)**



Source: LFC Files

Beginning in FY16, kindergarteners will be evaluated with the kindergarten assessment on the following six developmental domains: physical development, health, and well-being; literacy; numeracy; scientific conceptual understanding; self, family, and community; and approaches to learning.

Mastery of reading by third grade is a critical milestone in a student's academic career, as students shift from learning to read to reading to learn. Early reading proficiency is well-established as a strong predictor of high school graduation and future earning potential. Identifying struggling readers before the third grade is critical to academic success.

participants, especially where high-quality instructional time is significantly increased; however, the need still outweighs available funding, resulting in limited improvements in statewide student achievement data.

**School Readiness.** Children from low-income homes and children not proficient in English often start school behind and must learn more than a year's worth of information each school year to catch up to their more affluent English-speaking peers. Many New Mexico students come from low-income households or are English-language learners or both. The state invests heavily in early care and learning programs intended to ensure school readiness and foundational early literacy skills, including paraprofessional home visits to families with young children, prekindergarten, special education prekindergarten, PED's keystone early literacy initiative New Mexico Reads to Lead, and K-3 Plus – an extended school year program. However, little is known about the readiness of kindergarten students; the standards-based assessment administered in the third grade currently provides the earliest snapshot of student performance.

PED developed a kindergarten assessment (KOT) to gather information about what children know and can do within the first weeks of school. Information gathered from the KOT will give teachers a well-rounded view of the whole child, allowing teachers to better meet student's individual needs. Access to assessment results earlier in the year will allow elementary schools to design targeted educational programs that close the achievement gap earlier.

## A Closer Look: Elementary Schools Case Study

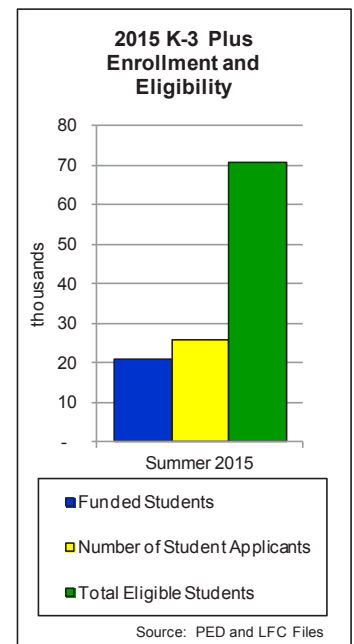
Statewide student performance remains disappointing and does not meet performance targets. LFC's evaluation *Performance and Improvement Trends: A Case Study of Elementary Schools in New Mexico* (fall 2014) examined why some elementary school children fare worse than others, resulting in a large achievement gap. In FY14, the majority of elementary students in New Mexico did not make a full year of academic growth in reading or math, though schools consistently implementing best practices achieved better results. High-performing schools demonstrated eight common characteristics, such as high expectations and standards and strategically used financial resources, including grants for prekindergarten and K-3 Plus. Student mobility and chronic absenteeism presented challenges for schools statewide. High-performing schools employed effective leaders and a better mix of beginning and veteran teachers. Struggling schools had a disproportionate number of teachers with lower teacher licensing exam results, a predictor of effectiveness. Additionally, turn-around efforts of chronically low-performing schools are inconsistent, costly, and results are mixed. To reduce the achievement gap, the report recommends increasing formula funding for at-risk students and expanding intervention programs, such as prekindergarten and K-3 Plus. The state needs a new approach to ensure more effective teachers and leaders are teaching at high-poverty schools. Additionally, the report recommended the Public Education Department ensure, through the budget review process, school districts are taking action to develop school leadership and using available funding in effective ways at underperforming schools.

**Evidence-Based Investments.** The state has invested heavily in two evidence-based programs in public schools – half-day prekindergarten funded through PED and the Children, Youth and Families Department and K-3 Plus. Since FY07, the state has invested almost \$210 million in these two programs that target low-income students and communities and are having positive effects on student performance. Funding has also been appropriated for early literacy intervention, including reading coaches, new instructional materials, and other interventions intended to improve early literacy skills. Results from



the early literacy intervention appropriation remain mixed and concerns persist that distributions have not been targeted to low-performing schools or at-risk students. Any early childhood education strategy must be supported by strong curriculum, identify and target students who need services the most, and provide teachers with more focused training and support.

**Third-Grade Retention.** Despite targeted early childhood investments, statewide third-grade reading proficiency rates averaged 25 percent in FY15 – this is the number of students receiving a score of four or five on the new standards-based assessment developed by the Partnership for Assessment of Readiness for College and Careers (PARCC). PARCC scores cannot be directly compared with the New Mexico Standards-Based Assessment (NMSBA) scores from the previous year, but third-grade reading proficiency is consistently low. Even though many third-grade students are unable to read on grade level, they are promoted to the fourth grade. The executive supports a mandatory retention policy for certain third-grade students unable to read on grade level; however, research shows negative effects of both promoting unprepared third graders to fourth grade and holding students back to repeat a grade without the appropriate interventions. Focus should be on early identification of struggling readers and providing immediate access to targeted, coordinated intervention strategies to prohibit the need for retention. Additionally, core reading programs should be reviewed to ensure they are evidence-based and effectively serving students.

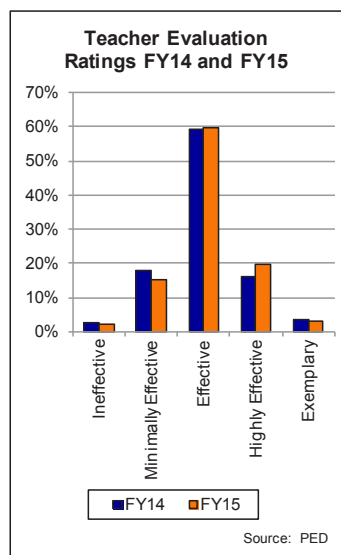


## A Closer Look: Performance, Programming & Cost of Middle Schools

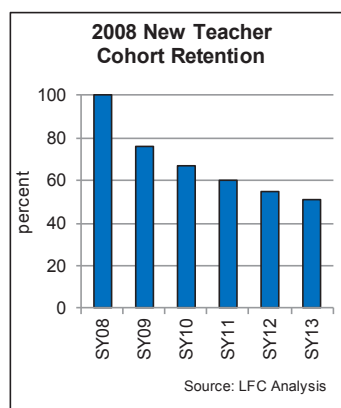
Student achievement in eighth grade has a greater impact on college and career readiness (CCR) than performance in any other grade, including high school. The LFC's *Performance, Programming, and Cost of Middle Schools in New Mexico (summer 2015)* analyzed factors that affect student performance. Middle school students account for 22 percent of the overall enrollment and 50 percent of students taking statewide assessments. Student performance in middle school grades 6-8 has remained relatively flat for the past decade. Grade configurations vary widely, with the traditional 6-8 configuration at only 35 percent of school with these grades. Schools face increased challenges with high mobility and absenteeism in middle school grades, with both negatively impacting performance. The evaluation found middle schools struggling to implement new common core state standards, lack data-driven and differentiated instruction, and inconsistent implementation of interventions. Programming and curriculum, such as career and technical education and after school supports, needed to improve engagement of students at this age are generally not offered or not at scale. Contrary to best practice, college and career readiness starts too late in eighth grade. The report recommends the Legislature consider requiring sixth and seventh grade students complete a next step plan to expose and target a student's possible postsecondary interests and set the classes the student will complete in middle school in order to be on track for high school. PED should reinforce implementation of school site best practices through the budget process, technical assistance, and instructional audits, and targeted turnaround initiatives already in place.

**Teacher and School Leader Quality.** Research clearly demonstrates teacher quality impacts student learning. Research conducted by Dr. Eric Hanushek, Paul and Jean Hanna Senior Fellow at the Hoover Institution of Stanford University, shows, "The students of an ineffective teacher learn an average of half a year's worth of material in one school year, while the students of a very good teacher learn 1.5 year's worth – a difference of a year's worth of learning in a single year." Additionally, having a top-quartile teacher rather than a bottom-quartile teacher four years in a row could be





New Mexico's college of education (COE) deans and directors have been working with PED to develop a performance report for each COE that will track the performance of graduates in their first three years of teaching. COEs are concerned that existing educator competencies – those that programs are required to ensure their graduates know on graduation – are not aligned to the competencies included in the new evaluation system. COEs requested PED update existing educator competencies to eliminate this inconsistency.



enough to close the achievement gap. While New Mexico has made significant progress evaluating teacher performance, other policy levers should continue to be addressed, including teacher and school leader preparation programs, effective recruitment and retention strategies, teacher and school leader placement, and compensation to achieve the highest quality education workforce.

**Annual Teacher Evaluation.** To identify struggling teachers and recognize top performers, PED implemented a new evaluation system in FY14 based 50 percent on student growth as measured through assessments, 25 percent on multiple observations, and 25 percent on other district-adopted measures. The system classifies teachers as exemplary, highly effective, effective, minimally effective, or ineffective. Results from the second year of the new teacher evaluation system show almost 83 percent of teachers evaluated received a rating of effective or higher, an increase of 4 percentage points from FY14 results.

While most stakeholders agree the old evaluation system was ineffective because it lacked detail, the new system remains controversial. Critics note significant technical glitches and data inaccuracies that lead to inaccurate results; however, many recognize the current evaluation process has promise, in particular noting the feedback educators are receiving from the required observations. PED worked to address many stakeholder concerns about special education teachers, new teachers, and instructors who teach subjects or grades that are not tested. A major point of contention continues to be the use and weight of student test scores. Concerns exist that decreases in test scores in FY15 from administration of the new PARCC assessment will negatively affect FY16 evaluations.

**College of Education Preparation Programs.** Teacher and school leader preparation programs are important contributors to the quality of classroom instruction and school leadership. Recent studies raise concerns about college of education (COE) programs, including low entrance and exit standards, inadequate focus on early literacy and other program weaknesses, and limited quality student teaching opportunities. While each New Mexico COE is able to set entrance requirements, PED has adopted a more rigorous beginning teacher assessment – the NES Teacher Assessment. Additionally, PED's NMPrep and NMLead initiatives focus on creating new, high-quality teacher and school leader preparation programs. In addition to statewide initiatives, individual COEs are reforming their programs with an eye toward producing stronger teacher candidates. By more closely overseeing quality on the front end, PED can reduce the burden of dealing with ineffective educators after they are already in the classroom.

**Educator Recruitment and Retention.** School districts and charter schools continue to face challenges filling vacant teaching positions. As of October 2015, 60 school districts reported 300 teacher vacancies, down from 600 several months prior. Difficulty exists generally finding teachers to fill vacancies and, in some instances, finding appropriately trained teachers to fill vacancies. Teachers are being placed in subjects and grades they are not qualified to teach; however the highly qualified teacher waiver PED just received requires these teachers to be provided professional development and

maintain an evaluation rating of effective or higher to continue to teach in these positions. PED reports more teaching licenses have been issued than in previous years, seemingly incongruous with teacher shortages reported by school districts. However, it is unclear if PED is licensing more individuals than previous years or is issuing multiple licenses to an individual. Compounding reported teacher shortages, higher beginning salaries are being offered in some neighboring states; however, pay comparisons among states is difficult.

**Compensation.** Current policy discussions have focused on the need to increase pay to attract and retain the best teachers while also ensuring large investments in the three-tiered licensure system are improving student performance. Starting salaries are generally too low to be competitive with neighboring states. (Though the state's benefits package is relatively rich, benefits are not portable and do not provide immediate financial benefits.) In addition, the training and experience index in the public education funding formula is not aligned to the three-tiered licensure system, movement through the licensure system is too loosely linked to improved student outcomes, and both beginning and veteran teachers are prematurely leaving the profession.

Except for modest increases to the statutory salary of a beginning teacher over the past two years, minimum salaries established in statute have not been changed since implementation more than a decade ago. Each school district and charter school establishes their own salary schedule, resulting in variation across the state. PED reports the average returning teacher salary budgeted in FY16 was \$47,552, an increase of 1.4 percent over the average returning teacher salary paid in FY15. The National Education Association (NEA) indicates New Mexico ranked 43rd nationally in FY14 in terms of the average salary of public school teachers (including first-year teachers), an increase from 47th in FY13. During the initial years of implementation of the three-tiered licensure system, the change in average teacher salary in New Mexico ranked relatively high when compared with other states nationally; however, the state's ranking has dropped over the past several years.

In addition to funding included in the General Appropriations Act of 2015 to increase minimum salaries of level one teachers, \$9 million was appropriated to PED and has been earmarked to continue the incentive pay pilot in FY16. Criticism surrounding pay increases based on education and experience, factors LFC research suggests are not closely tied to teacher quality, led PED to implement an incentive pay pilot tied to student achievement. School districts and charter schools receiving pilot funding during FY15 were able to design unique incentive pay plans, though each recipient was required to use the new evaluation system to identify individuals for financial awards. Incentive pay structures are controversial and have mixed results, depending on implementation. In 2014, PED indicated the pilot would provide local data that would allow policymakers to evaluate the success of incentive pay structures. To date, PED has not made pilot data available for analysis and it is unclear how student performance is being impacted by the pilot program. However, it does not appear that performance pay is being used to influence the state's best teachers to work with the state's most at-risk students.

The General Appropriations Act of 2015 increased the minimum salary for a level one teacher from \$30 thousand in statute to \$34 thousand for FY16. Without additional action, the level one minimum salary will return to \$30 thousand in FY17.

Comparing educator salaries within the state and across states is difficult because of differences in pay structures. Contracts differ from location to location – different number of instructional days, non-instructional days, hours per day, etc. Also, pay reported may or may not include bonuses, stipends, supplemental pay, retirement benefits, or fringe benefits. Additionally, comparisons do not take into consideration cost-of-living differences throughout the state. Several nationally known sources compare salaries but do not control for variables among locations.

Regulations enacted by PED require each teacher wishing to advance their license to submit a professional development dossier (PDD); PED is prohibited from waiving the PDD requirement. During FY15, however, PED allowed teachers to bypass the PDD if they achieved an evaluation rating of effective or higher, earned a minimum of 50 percent of the points available to them in the student achievement portion, and met all other statutory requirements. It is unclear what authority PED is relying on to allow teachers to bypass the PDD process. PED is encouraged to review regulations and make necessary changes through the regulatory process.



As the Legislature addresses educator pay, it is important to note increased pay alone does not necessarily lead to improved student outcomes. The Legislature should continue to link pay to effective practices, including annual evaluations and licensure advancement that will improve student outcomes.

**Accountability.** As expected by PED, math and English proficiency scores on the new PARCC assessment in FY15 were significantly lower than FY14 results. For FY15, proficiency results are less than half the reported proficiency rates of FY14 for fourth and eighth grade math and English, demonstrating room for improvement. Fiscal year 2015 results establish new baseline data for comparisons in future years. New Mexico students are benchmarked against a number of other states that administered the PARCC assessment. As of November 2015, it was unclear how New Mexico measured up against other PARCC states; each of these states has its own release date for test results.

## PARCC Assessment

PARCC assessments replaced the New Mexico Standards-Based Assessment (NMSBA) in math and English in FY15. PARCC is a more challenging battery of assessments designed to test more complex skills, like critical thinking, persuasive writing, and problem-solving. Students in third through 11<sup>th</sup> grade took the PARCC assessments in FY15. Additionally, PARCC is aligned to state content standards adopted in 2010 while the NMSBA was aligned to content standards adopted prior to 2010, making results on the two tests difficult to compare. While FY15 results were delayed well into FY16 as the consortium of participating states worked to establish proficiency cut scores, results in subsequent years should be released around June or July annually. PARCC has five performance levels with one representing a student with the greatest need and five representing a student who demonstrates advanced performance. PARCC considers scores of four and five to be proficient and demonstrate a student is “on track to be college- and career-ready.” PARCC will be used in New Mexico as the “state graduation examination”; PED has established that a score of three or higher on PARCC will satisfy the “state graduation examination” for FY16 and FY17, despite the fact that a score of three is not considered proficient. In FY18, a student will have to score a four or five on PARCC to satisfy the “state graduation examination” or prove competency through approved alternative means.

License Level	Minimum Salary for FY16
<b>Teachers</b>	
Level One	\$34,000
Level Two	\$40,000
Level Three A	\$50,000
<b>Administrators</b>	
ES Princ.	\$60,000
Ast. ES Princ.	\$55,000
MS Princ.	\$70,000
Ast. MS Princ.	\$57,500
HS Princ.	\$96,000
Ast. HS Princ.	\$62,500

Source: LFC Files

**School Grades.** The state’s school grading formula is used for both state and federal accountability purposes to gauge how schools are performing annually. The system gives schools a letter grade between A and F based largely on student performance on standards-based and other assessments, with small values awarded for student surveys, attendance, student and parent engagement, and other factors. For FY15, because of administration of the new PARCC assessment, release of school grades has been delayed well into FY16. It is unclear how the declines in PARCC proficiency scores will affect FY15 school grades.

**College and Career Readiness.** Many high school students fail to graduate, and a high percentage of those who do graduate are not prepared to enter college or the workforce. High school exit expectations must be aligned with the postsecondary institution entrance expectations and employers’ expectations. History has shown that aligning high school curricula to standards does not always ensure high school exit standards are aligned to post-graduation expectations resulting in the need for remediation.

**Graduation Rate.** The four-year cohort high school graduation rate for 2014 declined 1 percentage point to 69.3 percent. This means three in 10 students who start high school do not graduate in four years. All subgroups,



except migrant students, showed declines; African American students showed the largest decline at 4.4 percentage points followed by students with disabilities at 2.7 percentage points and Native Americans at 2.6 percentage points. Students must demonstrate subject matter competency in five subject areas on the NMSBA and PARCC assessments or through an alternative portfolio to graduate.

Dropping out of high school is related to multiple factors, including individual, family, school, and community influences. Schools must ensure early identification of students at risk of dropping out and implement effective, evidence-based practices and programs to keep students engaged and on track to graduate. PED is developing an early warning system to collect student data and provide information to schools to implement practices that address student risk factors to improve the likelihood of success.

## Chronic Absenteeism

A growing body of research demonstrates chronic absence from school – for any reason, excused or unexcused – is a primary cause of low academic achievement and a powerful predictor of which students will eventually drop out of school. Chronic absenteeism is particularly prevalent among low-income students, students of color, students with disabilities, students who are highly mobile, and youth involved in the juvenile justice system. Several federal agencies released a joint report, *Every Student, Every Day: A Community Toolkit To Address and Eliminate Chronic Absenteeism*, which recommends prioritizing development of early warning prevention and intervention systems, developing a positive message for youth and families as well as implementing supportive engagement strategies, launching local initiatives to raise public awareness about the causes and effects of chronic absenteeism, and regularly communicating that chronic absenteeism is a problem that affects the community, not just chronically absent students and their families.

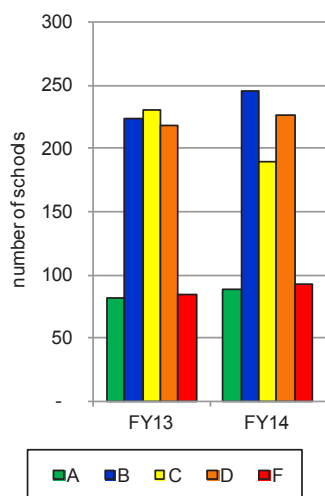
**College Remediation.** Forty-eight percent of New Mexico high school students graduating in 2012 and enrolling in New Mexico colleges the following fall required remedial courses. This is a decrease from the prior year's rate of 52 percent; however, rates still remain higher than FY11. Research indicates students who require remedial courses in college are less likely to complete a degree or certificate program.

Implementation of the new common core state standards should help identify students who are not college- or career-ready early in their high school career; however, basic high school programming for math and English must be improved, and high school and college curricula should be better aligned.

**High-Quality High School Programs.** In addition to offering pathways intended to prepare students for college, high school programs should consider adequately preparing students for skilled jobs. To achieve the dual mission of preparing students for both careers and college, schools should consider aligning curricula with identified workforce needs and the general education college core and establishing clear academic pathways.

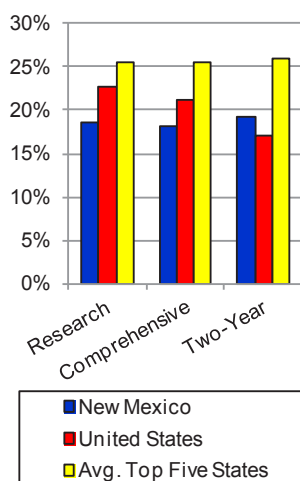
New Mexico continues to invest in early college high school (ECHS) and workforce readiness initiatives, which allow enrolled students to graduate with a high school diploma and an associate's degree or industry credential without incurring postsecondary debt. Graduates are able to enter the workforce or apply credits to a bachelor's degree. Additionally, many high schools, in collaboration with institutions of higher education, continue to

**School Grade History  
FY13 and FY14**



Source: PED

**College Completion -  
Recent High School  
Graduates:  
Undergraduate Awards  
Per 100 Full-Time  
Equivalent Students**



Source: NCES, IPEDS 2011-2012 Completions

offer dual credit courses. Moreover, the state receives federal funds for career technical education (CTE) programs. According to the Southern Regional Education Board, a nonprofit, nonpartisan education organization, high-quality CTE programs should align secondary education to specific postsecondary education and training opportunities, which in turn are informed by an industry advisory committee and linked to regional or national labor market opportunities. Additionally, CTE programs should be supported by a robust career development process that begins in middle school and continues throughout secondary education and is aligned to community needs.

**Elementary and Secondary Education Act.** The federal *Elementary and Secondary Education Act* (ESEA), first passed in 1965 and reauthorized in 2001 under the *No Child Left Behind Act* (NCLB), is the primary federal funding source for public education and generally addresses discrepancies in funding and academic outcomes between advantaged and disadvantaged students. Pursuant to the act, content standards, assessments, and school accountability provisions were introduced in 1994. Each subsequent version has introduced new programs, and ESEA now provides about \$25 billion in education funds annually.

Reauthorization of the ESEA in December 2015, re-titled *Every Student Succeeds Act* (ESSA), provides states wider discretion in setting performance goals, determining accountability standards for schools and districts, and intervening in low-performing schools. States are allowed to set their own goals that address proficiency on tests and graduation rates with the expectation that achievement gaps will closed.

States will still be required to test all students in third through eighth grade and at least once in high school in reading and math. Tests still have to be included in state's accountability systems; however, states must incorporate other factors related to students' opportunity to learn. The ESSA also maintains the 95 percent participation rate and continues to allow for alternative assessments for students with disabilities. States will be allowed to use locally developed, evidence-based interventions in schools in the bottom 5 percent of performance, schools where less than two-thirds of the students graduate, and schools where subgroups of students are struggling. The school improvement grant program has been eliminated – it prescribed turnaround strategies for failing schools – though the bill includes resources for turnarounds.

Federal authority is significantly curtailed in the bill; the federal government has no role whatsoever in teacher evaluation and limits the authority of the U.S. Secretary of Education, especially when it comes to decisions on testing, standards, and school turnaround. Additionally, a number of programs have been combined into a single block grant program.

Provisions of the bill begin with the 2017-2018 school year and are authorized for a four year period. Provisions of ESSA will apply to any competitive federal grants beginning October 1, 2016 and formula grants, such as Title I grants, federal funds to improve academic achievement of disadvantaged students, on July 1, 2016.

## Higher Education

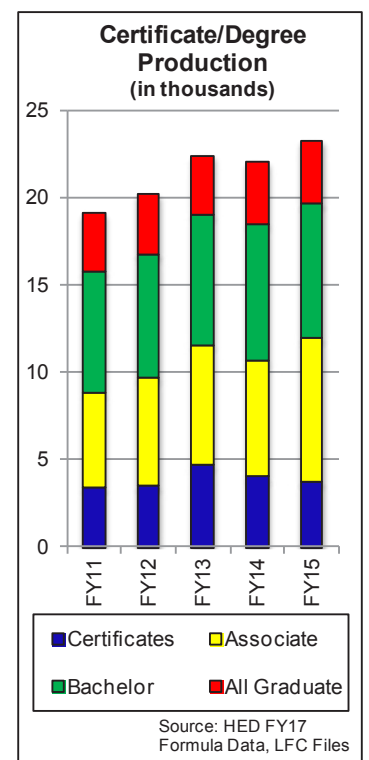
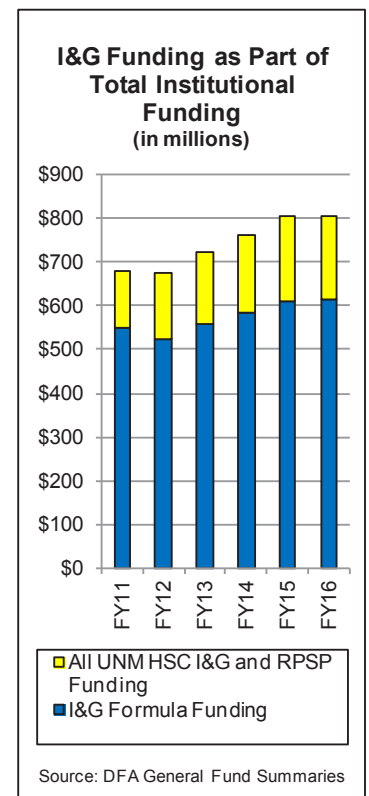
To better leverage state support for higher education, New Mexico, along with other states, has sought to implement a higher education instruction and general (I&G) funding formula that rewards performance and outcomes rather than enrollment and campus footprint. However, the formula used for FY16 contained a “stop-loss” function that prevents institutions, specifically those that fail to improve performance, from losing more than 1 percent of I&G funding. Meanwhile, proposed changes and adjustments to the formula during the 2015 interim focused on institutional needs rather than student outcomes and success. As potential changes to the formula were discussed during the 2015 interim, larger institutions were quick to highlight reductions in funding during the recession that have yet to be recovered, while smaller institutions called attention to dwindling budgets that could lead them to close their doors. Instead of focusing on individual institutional challenges, New Mexico colleges and universities must capitalize on this transition period in higher education funding to build stronger partnerships that focus on improved student outcomes. This holds especially true for those institutions at risk of losing significant portions of their I&G allocation due to lack of performance.

**Focus on Results.** Although methods vary, 32 states have implemented higher education funding formulas that, at least in part, reward colleges and universities for improving student persistence, degree completion, or other outcomes. Another five states are currently transitioning to some type of performance-based funding mechanism. New Mexico joined this effort in FY13, and since then a portion of general fund appropriations has been based on an institution’s performance and student success.

A performance-based I&G funding formula is a step in the right direction, but New Mexico should consider steps toward aligning all fiscal components of higher education with improved outcomes, including research and public service projects, student aid, and capital projects funding. To ensure alignment of these components, the state may wish to consider establishing a statewide attainment goal so all institutions and stakeholders know what New Mexico expects to gain from its investment in higher education.

New Mexico’s I&G funding formula focuses on key, shared outcome measures: (1) total certificate and degree awards; (2) awards earned in science, technology, engineering mathematics, and health (STEMH) fields; and (3) awards earned by financially at-risk students. However, recognizing the different missions and populations served by higher education institutions, mission-specific measures have also been added to the formula. For research institutions, mission measures reward grants and contracts from federal and private sources. For all other institutions, mission measures reward the number of students who reach milestones of 30 and 60 credit hours as well as dual credit enrollment. Finally, the current I&G formula also provides funding based on completion of student credit hours.

Previous versions of the formula awarded funding based on growth in student credit hours and facility footprint, among other factors. As the state





## Undergraduate Awards Per 100 FTE

	NM	US
Research	19.3	22.8
Comprehensive	17.6	21.9
Two-Year	33.7	23.9

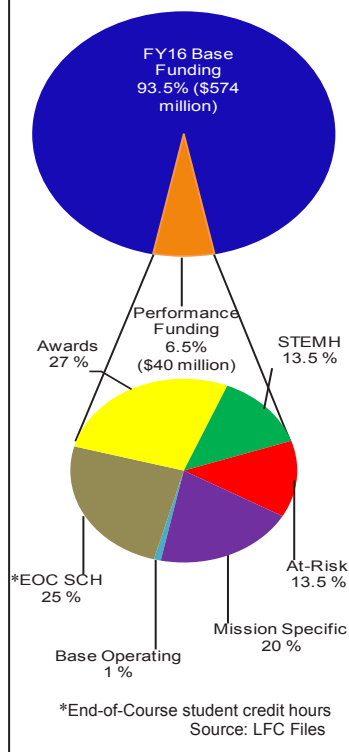
Source: NCES, IPEDS Completions, Financial & Enrollment Surveys (2012-2013)

## Undergraduates and Total Funding per FTE All I&G Revenues, 2012-2013 (in thousands)

	NM	US
Research	\$15.3	\$18.2
Comprehensive	\$11.5	\$10.9
Two-Year	\$7.2	\$6.8

Source: NCES, IPEDS Completions, Financial & Enrollment Surveys

## Distribution of I&G Funding FY16



transitioned to a performance-based formula, funding allocated under the previous version of the funding formula continued as the “base” appropriation, with a portion of the base reduced and then used to incentivize performance. This base reduction, in addition to “new money,” amounted to about \$40 million out of \$615 million in FY16 I&G appropriations.

To ease the transition to the new formula, two measures were put in place that helped to mitigate disruptive changes in funding: (1) a hold-harmless mechanism for institutions that improve performance over time but lose funding year over year and (2) a stop-loss measure that prevents institutions not performing at a sufficient rate from losing more than 1 percent of I&G funding. Regarding the stop-loss measure, higher education stakeholders have questioned whether New Mexico truly has a performance-based funding formula if institutions are only subject to losing 1 percent of I&G funding when they fail to improve outcomes.

During the 2015 interim, institutions asserted several equity issues exist in the FY16 performance-based formula. Specifically, several colleges reported that smaller institutions were at a disadvantage and would need to increase outcomes at a greater rate than larger institutions in order to receive more funding through the performance-based formula. In response, LFC staff produced a scenario in which all colleges and universities improve performance at the same rate, the results of which were run through the performance formula. Although the expected result of this scenario would be institutions gain funding at a similar rate as performance improvement, the scenario instead showed wide variance in the amount of funding compared with the number of awards. This indicates it costs some colleges and universities more to graduate students than others. Conversely, an alternative explanation offered by several postsecondary stakeholders suggested some institutions are more efficient at graduating students with less I&G funding.

Nonetheless, the disparity in institutional funding and the number of degrees produced under the scenario became magnified as more money was reduced from the base appropriation and applied to performance, despite equal improvement among all institutions. As a result of these findings, LFC staff suggests limiting the reduction in the base appropriation to prevent inequities in funding. The state should also consider an equity adjustment for those institutions that (1) show improvement over time and (2) have high cost structures.

**Workforce Needs.** Despite significant investment in higher education, degree attainment among the nation’s young adults (ages 25-34) lags behind many other developed nations, including South Korea, Japan, and the United Kingdom. About 60 percent of young adults in South Korea have a postsecondary degree, compared with 44 percent in the United States and only 34 percent in New Mexico. Efforts to improve the number of degree-holding U.S. citizens in recent years have incorporated methods for improving college access for low-income and first-generation students. These efforts are well-intentioned, but evidence suggests colleges and universities must also provide academic supports for students throughout their college years to improve completion rates. Current graduation rates indicate significant potential for

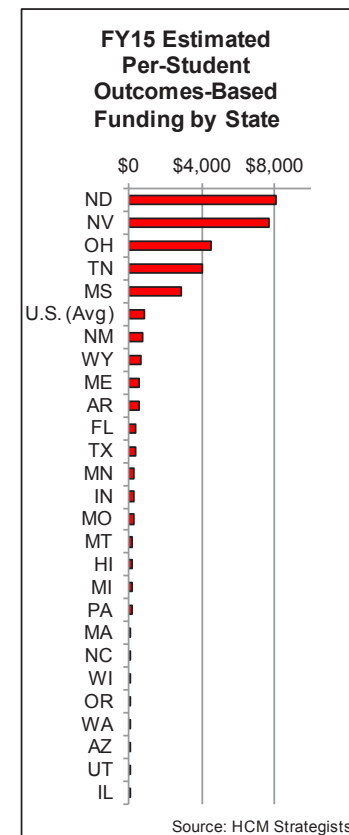
improvement. The national six-year graduation rate for students at public baccalaureate-granting institutions in 2013 was 57.6 percent; New Mexico's graduation rate was 41.7 percent. Community college completion is much lower – 19.4 percent of community college students graduate in three years in the United States, 13 percent for New Mexico's community college students. By strengthening supports that help students complete their degree programs, institutions can get the most out of investments already made in currently enrolled students.

To help increase attainment rates in a strategic way, at least 30 states have implemented a statewide attainment goal to improve the percent of state residents who have a postsecondary credential. As an example, Tennessee's "Drive to 55" initiative seeks to increase the number of residents with a postsecondary degree to 55 percent by 2025. To achieve this goal, Tennessee has incorporated three initiatives that: (1) provide tuition-free community college with additional mentoring programs, (2) encourage students to return to college to complete their degree program, and (3) provide incentives to encourage collaboration between higher education and industry to fill skills gaps across the state.

As New Mexico ventures into results-oriented fiscal policy, the state should consider setting an attainment goal that incorporates workforce needs, challenges institutions to improve the number of students they graduate, and aims to close gaps in attainment for underrepresented populations. This will allow institutions to benchmark performance each year against a statewide standard and will set the tone as higher education stakeholders come together to discuss the I&G funding formula each year.

**Research and Public Service Projects.** The state spends a minimum of \$130 million in general fund revenues on state agencies and research and public service projects administered by colleges and universities. As part of a program's or project's annual budget request, an institution submits a narrative describing goals and objectives, annual performance targets, and prior-year performance results. However, once a program or project receives funding, HED provides little oversight of whether funded programs address state priorities and use cost-effective and evidence-based methods. Because many of these programs and projects have received multiple years of support, the department has a sufficient record and reason to scrutinize whether present funding is based on proposed outcome measures and the program performance is consistent with industry standards or benchmarks.

HED's last review of research and public service projects, which looked at 25 percent of the projects, was in 2003. For a variety of reasons, HED has not completed any recent reviews. LFC last completed an evaluation of select research and public service projects in January 2008. While a number of the LFC's recommendations have become common practice, a thorough review of research and public service projects and their alignment with state priorities is needed. Some of these programs and projects serve statewide constituencies; many serve specific communities and do so successfully. A review and analysis of existing efforts could lead to improved coordination, an expansion or scaling-up of services to help more communities, or a revision or termination of programs that fail to provide sufficient services in a



## State Agencies Affiliated with Higher Education Institutions

- N.M. Department of Agriculture
- Agriculture Experiment Station
- Cooperative Extension Service
- Bureau of Geology and Natural Resources
- Bureau of Mine Safety
- Children's Hospital
- Tingley Hospital
- Office of Medical Investigator
- Poison and Drug Information Center

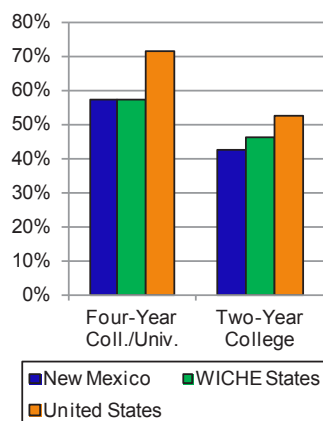
# Education

## Public Higher Education Net Tuition Revenue per FTE

	FY09	FY14	5 Year % Change
U.S.	\$4,560	\$5,777	26.7%
NM	\$2,074	\$3,760	81.3%

Source: SHEEO, SHEEF FY14

## Net Cost of College Attendance as Percent of Family Income, Lowest Income Quintile\* (2012-2013)



\*First-time, full-time undergraduates  
Source: NCHEMS, NCSL (Oct. 2015)

cost-effective manner. Further, although many research and public service projects report performance measures showing their progress in advancing the state's interests, many such projects report measures that lack substantive value. A review of these measures may prove helpful in prioritizing existing research and public service projects when funding sources are limited.

**Boosting Educational Attainment with Financial Aid.** In addition to funding institutions directly, the state provides students and professionals with financial aid in the form of grants, scholarships, and loans. Low tuition policies and the Legislative Lottery Tuition Scholarship Program provide recent high school graduates with broad access to state institutions but do not address other barriers to college completion. Scholarship and loan repayment programs support New Mexico residents seeking high-demand professional credentials, such as dentistry, various healthcare professions, and teachers. Both funding students in school and recruiting and retaining licensed professionals with financial aid incentives can boost the state's educational levels.

**Appropriations, Tuition, and Financial Aid.** While low tuition rates and significant state appropriations improve access to a postsecondary education, this approach is inadequate, particularly for low-income and first generation students.

New Mexico provides four-year institutions with an average of 53 percent of total I&G revenues – for two-year institutions the amount is closer to 47 percent – and, along with local support, significantly reduces dependence on tuition revenue. However, this tuition burden is not experienced equally by students because of tuition and financial aid policies and a student's resources. For example, for students in the lowest 20 percent of income, the net cost of attending college (tuition, fees, books, room and board) ranges from 43 percent to 52 percent of the student's household income; for students in the median income quintile, the net cost is 10 percent to 14 percent of household income.

## Legislative Lottery Scholarship Program

The Legislative Lottery Tuition Scholarship Act was enacted in 2014 to significantly change the state's primary financial aid scholarship program. Generally, starting in FY15, freshmen and sophomore students are eligible to receive tuition scholarships for seven semesters and must complete 15 credit hours per semester to maintain scholarship eligibility. More senior students can receive the scholarship for up to eight semesters. All students must maintain a 2.5 grade point average. Even after adding nearly \$50 million from the general fund and other revenues to the lottery tuition fund in recent years, scholarships will not cover the full cost of tuition. Instead, a scholarship will be the average tuition level at each institution, reduced by a percentage to maintain total fund solvency. Additional revenues will be added to the fund through FY17 to maintain relatively high scholarship levels for students. It is uncertain how reductions in enrollment will affect the strained lottery tuition fund. Additionally, the fall 2016 semester will be the last in which the program pays for the eighth semester for some students, resulting in some savings for the program.

Institutions do not charge the same amount of tuition and fees to all students. Published tuition rates vary, by program, resident status, and level of study. These rates are further affected by institutional financial aid policies that provide awards to students who bring specific talents, skills, or experiences to the institution. For example, public institutions charge higher tuition rates for nonresident students but use tuition revenues from these students to



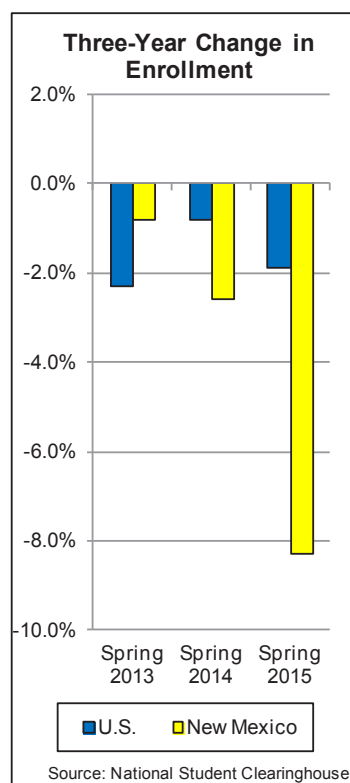
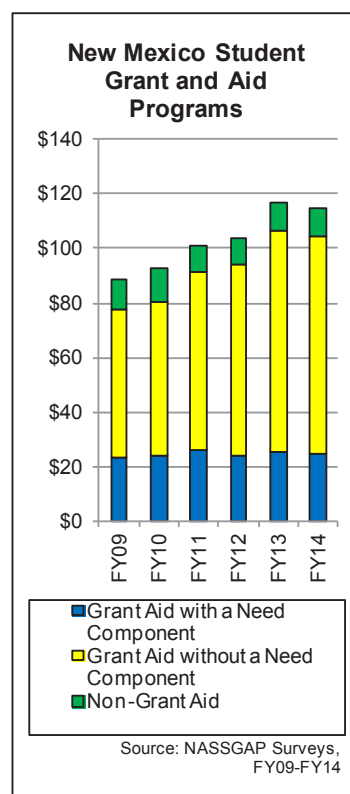
underwrite institutional scholarships and grants for others – particularly students who demonstrate high academic success (and low financial need). While it is difficult to compare tuition rates charged to individual students given the varying institutional aid awarded, these rates are lower than an institution's published rate.

As public institutions, colleges should reveal more to policymakers, as well as the public, about how much they charge which students and how much they award in institutional aid to reduce the cost of attendance for certain students. This information is critical to determine the correct balance between funding students and institutions directly and increasing the state's education attainment rate.

**State Financial Aid Programs.** The state supports about 25 financial aid programs administered by HED. The Legislative Lottery Scholarship Program (LLSP) is the largest in terms of awards granted annually and has the largest individual scholarship amount. But the state funds many other need-based programs, totaling an average \$25 million in annual general fund support. These programs target veterans, firefighters, health professionals, teachers, and others. In addition, other statutory tuition waiver or scholarship programs administered by institutions exist for foster children, athletes, and undocumented students. National experts have called on states to collapse multiple, small, need-based and specialty aid programs into one or two programs to eliminate confusion for student applicants and make the aid process more transparent.

While the LLSP has received great attention and review by the Legislature and executive, other programs have not. HED submits annual reports on state program totals but the state's financial aid or institution-administered waiver programs have not been sufficiently reviewed in recent years. In FY12 and prior years, the I&G funding formula accounted for institutional aid programs, but recent formula changes do not calculate these aid costs. A review of state and institutional aid programs would provide a benchmark for considering program revisions and alignment with state educational goals.

**Enrollment Trends.** The most recently available data indicate New Mexico institutions are experiencing enrollment declines that outpace any other state. Enrollments among New Mexico institutions during the spring 2015 semester were down 8.3 percent compared with spring 2014, while nationwide enrollments declined 1.9 percent. Although this reduction in the number of students attending New Mexico institutions may have short-term positive effects, such as temporary relief to the lottery tuition fund, declining enrollment translates to a loss of tuition and fee revenue, requiring institutions to retool programs and make adjustments to current resources. For example, the University of New Mexico experienced an estimated reduction of \$1.9 million in tuition and fee revenue due to a 2 percent drop in fall 2015 enrollment. Several universities are responding to the loss of revenue by leaving vacant positions unfilled. Although the National Center for Education Statistics anticipates long-term enrollment trends will pick up over the next eight years, institutions should proceed cautiously as they plan new degree offerings, propose expansions to existing facilities, or consider additional programs.

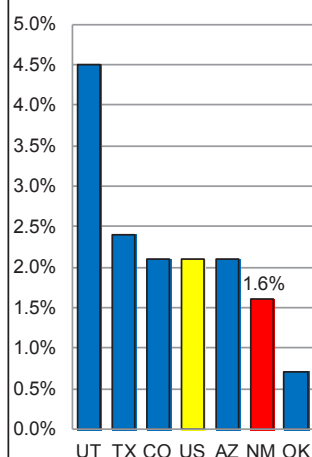


# Economic Development & Workforce Training

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FY15 Over-the-Year  
Job Growth by State



Source: WSD

New Mexico, on a per capita basis, is funding the LEDA closing fund by 15 times as much as Texas. Unfortunately, EDD reported fewer jobs were created in FY15 than in FY14 despite spending about twice as much in LEDA funds.

New Mexico has significantly expanded funding for economic development, attempting to grow the economy and add jobs at a faster rate, but there is no comprehensive plan to guide these investments, and many programs do not report outcomes to demonstrate effectiveness. The gaps in reporting and accountability prevent the state from determining whether funding for many economic development programs is well spent or not. In the meantime, the state's economy continues to lag neighboring states and the national average for job creation, and the state has not yet reached pre-recession employment levels.

## Efforts To Boost Job Growth

The Legislature provided a “full toolbox” of incentives for economic development over the last few years to make New Mexico a more financially attractive location for business, passing a significant tax reduction bill in 2013, adding a suite of incentives in 2015, and significantly increasing funding for Local Economic Development Act (LEDA) projects in 2014 and 2015. LEDA can be used to help existing local businesses expand, but it is traditionally used as a “closing fund” to recruit businesses, and New Mexico's fund is now one of the largest in the western United States, eclipsing the closing fund in Arizona and matching the fund in Texas.

However, the state's job growth rate remains relatively low, and the Economic Development Department (EDD) assisted in the creation of fewer jobs in FY15 than in FY14 despite the enhanced tax climate and spending more than twice as much in LEDA funds. This raises concerns the department might have given LEDA funding to companies that would have located in the state regardless of the incentive, or that the increased funding led to larger awards for similar projects. Irrespective of these possible issues, it appears closing-fund dollars, tax rates, and incentives are not the only bottleneck slowing job growth. Nevertheless, it is likely many businesses and some site selection companies remain unaware of the lucrative changes to the state's taxes and incentives. The Legislature appropriated an additional \$250 thousand to the Economic Development Partnership, which markets the state and recruits businesses, to advertise the state's development potential. Given the significant investment in the LEDA closing fund, it might be useful to provide additional funding to advertise the state. Economic development advertising should use the Tourism Department's “New Mexico True” brand so all state advertising is coordinated under a single brand image.

**Many Issues.** Low tax rates and lucrative tax incentives alone are not enough to achieve long-term business growth. Additionally, there is little or no correlation between the states experiencing the greatest job growth and the state's tax rates. For example, California and Texas consistently rank in the top 10 states for job growth, and two cities within each state often rank in the top five for growth, yet the states are polar opposites in terms of effective tax

# Economic Development & Workforce Training

rates. In a variety of surveys, business executives almost invariably list skilled labor, available real estate, and infrastructure (including high-quality educational infrastructure) as the most important assets when choosing a business location. Often, a state's lack of comprehensive planning to improve these structural assets contributes to poor job growth.

A continuing issue with New Mexico's economic development efforts is the search for a silver bullet – a single program or incentive that will cure the state's economic ills. This ignores the multitude of long-term, structural challenges New Mexico faces, including high school dropout rates, lack of infrastructure and available buildings for businesses, regulatory concerns, and a skilled workforce.

## Export Growth and Manufacturing

New Mexico continues to shed manufacturing jobs despite significant growth in exports. Goods exports grew 42 percent in 2012, fell by 9 percent in 2013, and grew 41 percent in 2014, reaching a record \$3.8 billion. Las Cruces and Farmington ranked first and second in the country for cities with the greatest export growth, and Santa Fe ranked fifth. Exports to Mexico represent the largest share of total exports and continue to increase, growing 33 percent in 2013 and 93 percent in 2014. The U.S. Department of Commerce estimates New Mexico's exports support nearly 17 thousand U.S. jobs. However, the state struggles to maintain its manufacturing workforce, losing jobs in the sector during the last three years. This could indicate many of the products are manufactured in other states and simply consolidated or warehoused in New Mexico before leaving the country. The loss of jobs has not yet been stemmed by the changes made by the 2013 tax package, which resulted in Ernst and Young declaring New Mexico "best in the West" for manufacturing from a taxation standpoint.

## Coordination and Evidence-Based Funding

Based on LFC analysis dating to 2009, New Mexico suffers from economic development program fragmentation and duplication and still lacks a comprehensive strategic plan. Additionally, the state has no overall economic development branding strategy as it does for tourism. Texas and other states are using branding strategies to market their areas as business friendly and often target specific industry sectors. Without a clear focus or brand, New Mexico's scattershot approach fails to leverage state and local efforts to recruit business. EDD and the Economic Development Partnership should adopt the Tourism Department's strategic brand and use the agency's coordination with local partners as a model for economic development.

**Effective Use of State Dollars.** Many of the state's economic development programs do not report outcomes demonstrating cost effectiveness, making it difficult to prioritize funding. Additionally, without a statewide strategy, it is difficult for policymakers to effectively invest in economic development. Funding should be prioritized to those select programs shown to be the most cost-effective, such as business incubators, or that address skill gaps and other structural deficiencies, such as Integrated Basic Education and Skills Training (I-BEST) and apprenticeship training programs. Programs that provide long-term enhancement of New Mexico's assets, including infrastructure and education, should be funded before programs that act as short-term stopgaps and that cost the state significantly more in the long run. Additionally, efforts to improve job creation often focus on business recruitment efforts, one of the three levers of economic development, but this can leave the other two levers, business creation and business expansion, without programs or funding.

Accountability remains a concern for LEDA awards. EDD posts award amounts and company names on its website but does not list jobs announced or private investment levels. In addition, the department does not report jobs actually created.

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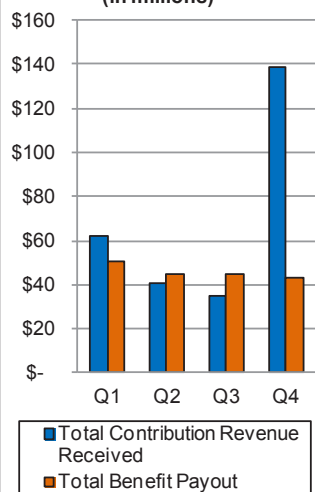
# Economic Development & Workforce Training

## 2014 New Mexico Unemployment Insurance Benefit Highlights

2014		National Ranking
Exhaustion Rate	43.3%	11th Highest in the Nation
Average Duration	19.1 weeks	5th Highest in the Nation
Average Weekly Benefit Amount	\$306.52	25th in the Nation

Source: WSD

## FY15 UI Trust Fund Performance by Quarter (in millions)



Source: WSD

**Cost Per Job.** LFC is analyzing available data to determine cost-effectiveness for many programs. (See “Cost Per Job” in the LFC Volume III for rankings.) Many tax incentives are “stackable,” and companies often receive assistance from a variety of programs to create jobs, resulting in a total cost per job higher than any one line item. Reporting and data quality issues regarding jobs created add to the difficulty in precisely estimating the cost per job. Accurately measuring this would necessitate legislation requiring companies using any of New Mexico’s existing tax incentives or discretionary funding to publicly disclose employment data, although a law passed in 2010 requires such disclosure for new economic development incentives.

## Creating an Effective Workforce

The state’s workforce training and development programs face increasing pressure to produce and retrain employees for current and prospective job opportunities, especially in light of underemployment and regional unemployment levels. New Mexico’s programs are mostly funded with federal and private sector revenues, with limited support from the state. More importantly, the workforce training and development programs, no matter the funding source, are not grounded in a statewide plan, not well-coordinated, and not comprehensive in addressing population or local economic needs.

**Career and Training.** Lagging high school graduation rates in New Mexico produce significant drains on the state’s economy. According to the U.S. Census, more than 220 thousand adults in New Mexico lack a high school diploma or equivalent. National research suggests adults without a high school credential are more likely to live in poverty and rely on public assistance. An LFC evaluation found that increasing the number of students who graduate annually by 2,600 would result in an estimated \$700 million in net benefits to taxpayers, society, and these students over their lifetimes. Additionally, to improve economic outcomes, the state should focus on implementing targeted, evidence-based dropout prevention strategies.

Investing in research-based training and basic education proficiency is essential to improving job opportunities; however, adult education efforts also need to be coordinated with the state’s workforce system to enhance their potential impact. With this in mind, federal workforce development funding has shifted to support state needs. The Workforce Innovation and Opportunity Act (WIOA), signed into law in July 2014, is designed to help job seekers access employment, education, training, and support services to succeed in the labor market and to match employers with the skilled workers they need to compete in the global economy. WIOA is the first congressional reform in 15 years of the public workforce system. Highlights of WIOA include strategic alignment of workforce development programs, regional collaboration, promoting work-based training, and investment in services for disconnected youth.

**Unemployment.** New Mexico’s unemployment rate, 6.4 percent at the end of FY15, exceeded the national average of 6.2 percent, indicating New Mexico is either still struggling to recover from the recession or is in a new

# Economic Development & Workforce Training

normal of low growth. Additionally, when people stop seeking employment, they technically exit the workforce and are no longer counted in the unemployment rate, resulting in an artificially low number. If these people stay in the state, they continue to draw on social services, costing the state significant resources.

**Unemployment Insurance.** In 2015, New Mexico implemented a new employer contribution structure with tax rates that vary by employer and are primarily dependent on the employer's experience rating and the overall fiscal condition of the UI trust fund. This new computation structure was a result of significant stakeholder input and discussion; however, some employers experienced substantial UI tax increases due to their individual experience rating. It is important to note an employer's contribution rate can be lowered relatively quickly because benefit charges are based on the previous three years of experience. Therefore, as employers engage in practices to reduce benefit charges, in conjunction with trust fund reserves growing, the UI system will stabilize and contribution rates may decline.

**Unemployment Insurance Benefits.** When an employee becomes unemployed, the individual is eligible to file a UI claim with the Workforce Solutions Department (WSD). To be eligible for benefits the claimant must meet monetary and non monetary requirements such as earning sufficient wages during a base period of time, and being able, available, and actively searching for work. The base wage period is 12 months, during which an average wage determination is used to calculate benefits. Benefits are available for up to 26 weeks and are equal to 53.5 percent of the average weekly wage of the claimant's base period.

The analysis of regional minimum, maximum, and average benefits indicates that New Mexico is in general alignment with surrounding states. However, the duration of benefits is significantly above average, resulting in longer durations of unemployment and larger draws from the fund. The eligibility of 26 weeks is federally mandated and therefore not adjustable; however best practice in other states has focused on reducing the duration of benefits by implementing programs to re-employ workers quicker. As a secondary benefit, reducing duration would also reduce benefit charges to employers and, therefore, possibly reduce the employer contribution rate.

**State Unemployment Insurance Tax.** UI is financed by a quarterly tax on employers. An employer's tax will vary based on their experience rating benefit ratio - the amount of claims filed during the previous three years, divided by the employer's average taxable payroll. After an employer's experience rating is determined, a reserve factor is added to establish the final contribution rate. The reserve factor is based on the solvency of the unemployment trust fund, between 0.5 percent and 4.0 percent.

**Unemployment Trust Fund.** Prior to the Great Recession, New Mexico maintained the second healthiest UI trust fund in the nation. However, as of the third quarter of FY15, New Mexico's fund balance was down to \$64.3 million from a high of \$557 million in 2008.

**Unemployment Insurance  
Comparison of Surrounding  
States Weekly  
Benefit Amounts**

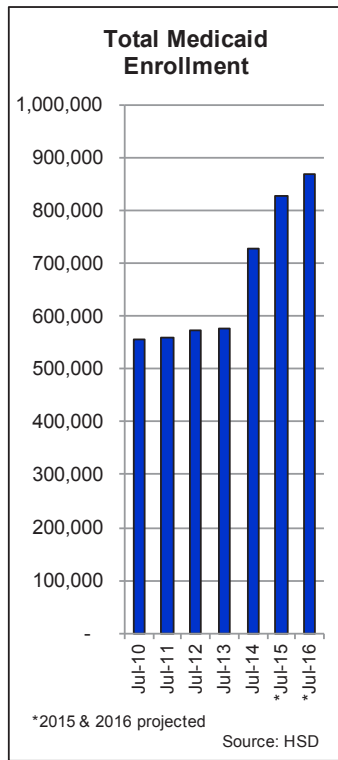
State	Weekly Benefit Amount	
	Min.	Max.
Arizona	\$126	\$240
California	\$40	\$450
Colorado	\$25	\$532
Kansas	\$118	\$474
Nevada	\$16	\$412
New Mexico	\$77	\$412
Oklahoma	\$16	\$490
Texas	\$64	\$465
Utah	\$26	\$496
Wyoming	\$34	\$475
Average	\$54	\$445

Source: WSD

**Unemployment Insurance  
Comparison of  
Surrounding States  
Average Weekly Benefit  
Amounts and Duration**

State	Average Weekly Benefit	Average Duration in Weeks
Arizona	\$224	16.0
California	\$303	18.1
Colorado	\$374	14.9
Kansas	\$358	13.6
Nevada	\$318	16.1
New Mexico	\$307	19.1
Oklahoma	\$324	16.6
Texas	\$360	15.9
Utah	\$352	13.2
Wyoming	\$360	14.6
Average	\$328	15.8

Source: WSD



**Centennial Care.** HSD received federal approval for a Section 1115 Medicaid waiver to implement Centennial Care beginning January 1, 2014. Key elements of the waiver include (1) consolidate the state's 12 waivers (except developmental disabilities) into a single waiver to reduce administrative complexity; (2) promote integrated care and improve case management; (3) integrate physical and behavioral health care (provided by fewer managed care organizations); and; (4) payment reform targeted toward paying for improved patient outcomes. The new waiver also included rewards for wellness and for certain emergency room related co-pays.

Centennial Care Contractors providing physical, behavioral, and long-term services:

- Blue Cross Blue Shield
- Presbyterian
- Molina
- United Health Care

Improving the overall health of New Mexicans remains an elusive goal. While the 2010 passage of the federal Affordable Care Act expanded Medicaid coverage and made health insurance more affordable for thousands of New Mexicans, declining federal support in 2017 will place additional financial pressure on a system already struggling to provide adequate primary and behavioral health care to its citizens. The lack of transparent data and inconsistent leadership, such as from the state's Behavioral Health Collaborative, further impede the state's ability to understand the effectiveness of the current millions dedicated to health care in the state. Despite the challenges, with vigilant evaluation of spending priorities and allocation of limited resources to initiatives proven to work, the state can mitigate the crisis situation of its current health care system.

## Health Care for Low Income Families

By the beginning of FY17, an estimated 250 thousand newly eligible New Mexicans will receive health care under Medicaid and another 44 thousand will obtain insurance coverage through the NM Health Exchange (NMHIX). This expansion of insured New Mexicans under the Affordable Care Act (ACA) is reducing the cost of uncompensated care for the health care providers – and the state's obligation to reimburse them – and is improving the health of the most vulnerable. Yet, increased coverage comes at increased costs, particularly as federal support begins to decline in January 2017. If the state is to control costs and still make headway improving the state's poor health statistics, it must diligently assess the ongoing implementation of Centennial Care, New Mexico's Medicaid reorganization that became effective January 1, 2014, concurrent with ACA.

In its June 2015 review of the first year of Medicaid under Centennial Care, LFC program evaluators found three emerging themes: growing costs of Medicaid, the state's general inability to determine trends in the amount and quality of care enrollees are receiving, and the need for additional control and transparency regarding the state's Medicaid budget.

**Improved Access to Care.** At the end of 2013, the U.S. uninsured rate for adults aged 18 and older was 14.5 percent and New Mexico ranked 5th highest in the country with 18.6 percent of New Mexicans uninsured. In January 2014, ACA and Medicaid expansion took effect and health insurance options for New Mexicans increased considerably. By the end of 2014, the national uninsured rate was 11.7 percent and



New Mexico's rate had dropped to 14.5 percent, improving the state's ranking to 8th highest in the country (and 2nd highest among the Medicaid expansion states). Further, in January 2015, the New York Times reported the number of Americans experiencing financial distress from medical bills started to decline after nearly a decade of increasing. This could indicate the ACA not only provides uninsured people with health insurance but also improves their financial security, a major goal of the law. Nevertheless, despite overall improved access to health care, experts in the field note ongoing challenges to access, particularly with respect to primary health care in New Mexico's rural populations.

**Medicaid Expansion.** Under the Affordable Care Act (ACA), states have the option to expand Medicaid to include all persons with incomes up to 138 percent of the federal poverty level, or about \$1,814 per month for a single person (based on 2015 levels). A year ago, the Human Services Department estimated approximately 215,721 individuals would enroll in Medicaid by the end of FY16 but now estimates as many as 249,484 will enroll and that enrollment will grow to nearly 261,585 by the end of FY17.

The federal government covered 100 percent of the cost for these newly eligible adults in calendar years 2014, 2015, and 2016. However, beginning January 1, 2017, the federal match drops to 95 percent, with an estimated \$41 million impact to the state's general fund in fiscal year 2017. Federal support will continue to decrease until reaching 90 percent for calendar 2020 and beyond.

To address the uncertainty of covering a large new Medicaid population, most states, including New Mexico, included risk-sharing arrangements in their managed-care contracts. Under a risk corridor, managed-care organizations (MCOs) return payments to states and the federal government if average benefits per enrollee fall below a certain level and receive additional payments if costs exceed a certain level. Early evidence indicates the newly expanded population may cost less than first expected. Settlement of the risk corridor agreements will be completed later in 2015; however, the federal Centers for Medicare and Medicaid Services reports a greater likelihood funds will be returned to the states and the federal government. Further, enrollment of the newly eligible population is anticipated to eventually flatten somewhat as the majority of eligible persons take advantage of the new benefit.

Nevertheless, even if the expanded population is not as expensive as once thought, declining federal support combined with greater-than-expected enrollment will soon result in significant impacts on state resources. The state can only hope to meet the increasing demand and turn around the dismal healthcare outcomes for its low income and fragile populations if it can successfully leverage every federal dollar and direct scarce state resource toward efficient initiatives proven to bend cost curves and bring incremental but measurable improvement.

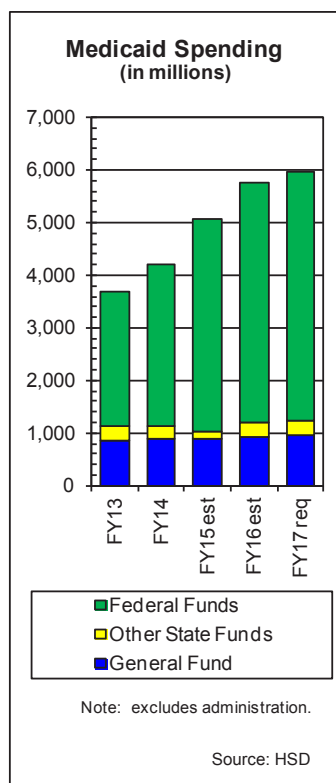
**Centennial Care.** With New Mexico's reorganization of Medicaid administration under Centennial Care, the number of managed-care

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Many states, including New Mexico, are realizing savings and revenue gains from Medicaid expansion. An October 2015 report from the University of New Mexico Bureau of Business and Economic Research concluded, although the state will pick up an increasing portion of the costs of expansion (a full 10 percent by 2020), "The program is basically paying for itself."

However, while some states identified over \$300 million in savings generated by Medicaid expansion and others include projected savings into their agency budgets, New Mexico has not done as well with respect to quantifying the positive impacts of Medicaid expansion.



organizations (MCOs) was reduced from seven to four. The four Centennial Care providers are Blue Cross Blue Shield of New Mexico, Molina Healthcare of New Mexico, Presbyterian Health Plan, and United Healthcare, which were competitively procured. Behavioral health services covered by Medicaid were “carved in” to Centennial Care to promote integration of physical and behavioral health. Behavioral health services outside of Medicaid, supported by state general fund and other federal funds, are still provided through the single state entity, OptumHealth, or contracted directly by agencies.

### ***LFC Evaluation Sheds Light on First Year of Centennial Care.***

In its evaluation, the LFC examined cost management components and goals of Centennial Care, including an assessment of baseline spending prior to implementation, the rate setting process for the Medicaid managed care program, and oversight of managed care organization fiscal requirements for Centennial Care, including examination of administrative costs.

**Cost-Containment.** While managed care systems are becoming the new normal for healthcare delivery because they tend to help assure access, improve quality, and achieve budget certainty, an initial concern of an LFC evaluation of Centennial Care was that certain cost-containment measures were scaled back or delayed, while direct care costs escalated past trends and benchmarks. Further, expected savings resulting from more clients accessing Medicaid and depending less on state resources were not as readily quantified in New Mexico compared with what evaluators noticed in other states.

The evaluation raised concerns about the HSD decision to roll back a number of payment and service delivery reforms that linked provider payments to good client outcomes during the Centennial Care rollout. LFC recommended HSD strengthen contract requirements for MCOs to incorporate payment and delivery reforms, but HSD indicated it would allow MCOs to pilot a number of diverse payment strategies, with the expectation it would capture a “wide swath of data” and be able to leverage the most effective models across providers.

Other cost related findings in the evaluation focused on HSD ensuring MCOs are paid appropriate rates for particular groups (“cohorts”) based on health risk factors and that MCOs spend appropriate sums on clinical services and quality improvement versus administration, marketing, and profits. Further, to increase confidence in the many critical programmatic decisions the department is responsible for, HSD will need to be more transparent and open with data and policy evaluation to ensure state lawmakers can objectively assess how Centennial Care is performing.

The LFC evaluation also found more detailed information and reporting is needed to leverage Medicaid savings and increase the Legislature’s ability to budget at a detailed level. Detailed assumptions behind actuarial analyses (the basis for the largest expenditure projections) are poorly understood and proposed and ongoing policy initiatives are rarely accompanied with detailed business cases, which would include

timelines, expected return on investment, expected outcomes, and closely linked performance targets to assess program performance. Equally, the agency generally resists reporting on efficiency performance measures that would reveal cost per person or how accurately or efficiently it performs its own work, such as managing managed care organization contracts.

**New Mexico's Health Insurance Exchange.** As part of its effort to increase coverage and improve the collective health and well-being of New Mexicans, a state-based marketplace for buying health insurance under the 2010 federal Affordable Care Act called the New Mexico Health Insurance Exchange (NMHIX) was established. Although NMHIX helped accelerate Medicaid expansion, enrollment in the exchange remains below estimates. The latest estimate is 44 thousand out of an estimated pool of 180 thousand qualifying residents, including roughly 150 thousand eligible for subsidies, have enrolled. New Mexico is the only state-based exchange that did not initially implement its own marketplace and remains on the federal platform, HealthCare.gov. NMHIX did implement a small business marketplace, enrolling 877 people as of March 2015 at a high cost of \$21 thousand per person. In an October 2015 evaluation, LFC recommended changes to improve business processes, transparency, and outcomes that included enhanced website content, comprehensive procurement procedures, increased interaction with stakeholders, revised IT oversight, and revised performance measures tied to enrollment. The report concluded that, with an estimated cost \$15 million a year to operate, the state may need to restructure the NMHIX to reduce overhead if enrollment remains low.

**Safety Net Care Pool.** The Centennial Care waiver replaced the Sole Community Provider (SCP) fund with the safety net care pool (SNCP), a state and federal payment program administered by HSD, with county funds supporting the state share of Medicaid expenditures. In 2014, updates to the Indigent Hospital and County Health Care Act created mandatory county contributions to the SNCP equivalent to a 1/12th of a cent gross receipts tax (Bernalillo and Sandoval counties are exempt). SNCP uncompensated care reimbursements to hospitals are capped at a maximum of \$68.9 million per year for the five years of the Centennial Care waiver and are allocated according to hospital size.

SNCP is divided into two pools. The uncompensated care pool receives 92 percent of SNCP funding, or a total of \$344 million over the five years of the waiver. As noted, these funds are used to reimburse the 28 safety net qualified hospitals for actual uncompensated care costs. The hospital improvement incentive (HQII) portion of the pool receives 8 percent of SNCP funding, or a total of \$29.4 million over the five years of the waiver. The HQII pool is intended to incentivize healthcare improvements at safety net hospitals along 25 improvement measures. Distributions will begin with a total of \$2.8 million in the second year of the waiver and rise to \$12 million by the fifth year, calendar year 2018. In CY16, allocations will be based on meeting minimum state performance levels for those measures; CY17 and CY18 allocations will be based on hospitals meeting or exceeding improvement targets.

#### **Uninsured New Mexicans:**

1999\* 24%  
2006\* 22.7%  
2012\* 21.4%  
2013\*\* (Baseline) 20.2%  
2014\*\* 15.3%  
2015 (June 30)\*\* 13.1%

\*Source: U.S. Census Bureau

\*\*Source: Gallup-Healthways Well-Being Index

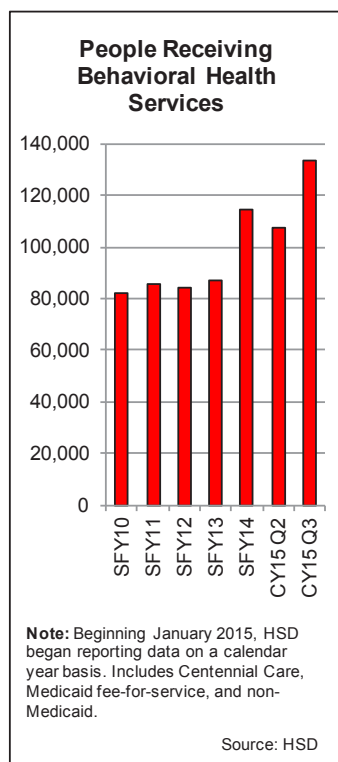
For more information about uncompensated care costs in New Mexico, view the LFC October 27, 2015 Health Notes *Uncompensated Care in New Mexico After the Affordable Care Act*.

**House Memorial 33 (2015)** requested the LFC and the Department of Health study the effects of the Patient Protection and Affordable Care Act on uncompensated care and other healthcare costs in New Mexico hospitals.



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**Medical Insurance Pool.** The New Mexico Medical Insurance Pool (NMMIP) was established in 1987 to provide access to health insurance to people denied health insurance coverage and considered uninsurable. The pool is funded through assessments on health insurance providers; the providers subsequently receive tax credits that reduce transfers from premium tax revenues to the general fund. As a result of the ACA and Medicaid expansion, the number of people remaining in the pool has fallen dramatically, and the pool may no longer be necessary. However, the NMMIP board recently voted to add a one-year delay to its plan to transition members out of the pool, after which it will transition a third of members who have other insurance options out of the pool each year over three years, starting in 2017.

LFC staff estimate the board's revised timeframe would reduce general fund transfers by \$80 million over four years compared with transfers if the pool were discontinued in 2016. This cost estimate assumes all members transitioned out of the pool move to insurance available through the exchange, but it is possible some members might end up on Medicaid, which would increase the costs to the state. In addition, about 1,000 pool members without viable insurance options could remain in the pool. If the pool were to move out all members with other insurance options in 2016 but remain open indefinitely for these members without other options, most of whom are either on dialysis or are undocumented immigrants, general fund transfers over four years would be reduced by \$32 million compared with moving out all members in 2016. However, proponents of the plan to delay moving members out of the pool until 2017 report moving members in 2016 could cause significant disruption to the exchange market, particularly in light of the decision by Blue Cross and Blue Shield to no longer participate in the exchange.

## Behavioral Health

In 2015, New Mexico began to see improvements in behavioral health such as more people with access to care, stabilization of provider transitions, and new strategic planning efforts for the Behavioral Health Collaborative. Still, New Mexico continues to lead the nation in alcohol-related death rates and is among the worst states for drug overdose deaths, suicide, and serious mental illness, despite a more than \$500 million investment in behavioral health services in FY15.

**Fragmentation and Poor Data.** The Behavioral Health Providers' Association notes fragmentation in New Mexico's system, lack of consistent, valid and reliable data, and limited information regarding outcomes of treatment all contribute to New Mexico's poor behavioral health statistics and complicate efforts to improve the system, despite ongoing efforts and broad support to do so. In short, even with increasing numbers of people served as reported by HSD, outcomes and reported consumer experience continue to demonstrate a behavioral health system not working as it should.

**Provider Audits and Transitions.** Throughout 2015, HSD worked with community leaders to rebuild capacity in affected areas following the closure and replacement of 12 New Mexico behavioral health providers in 2013. According to the Attorney General’s Office (NMG), three of the 15 New Mexico behavioral health provider investigations resulting from the 2013 audits have been completed. In the last legislative session, NMG received a \$1.8 million special appropriation for the investigations and a contractor has been hired to complete the remaining audits by the end of calendar year 2015.

**Behavioral Health Collaborative.** The 17-member Behavioral Health Purchasing Collaborative is responsible for coordinating New Mexico’s statewide behavioral health system. Yet, continued interest on behalf of statutorily identified members is unclear; the collaborative has not met consistently each quarter as required by statute and has lacked a quorum when it did meet, preventing it from taking action on agenda items.

Nevertheless, in FY15 the collaborative kicked off strategic planning efforts centered on finance, workforce, and regulatory environment as a focus over the next two years. Workgroups identified key areas, such as incentivizing provider payments for health outcomes, “untangling” the regulatory environment to promote access and flexibility, and finding ways to expand and retain behavioral health providers. In the next fiscal year, workgroups will develop action plans, including timelines and expected outcomes, for the identified goals.

## Healthcare Access

With the Affordable Care Act (ACA) and changing public health needs – decreased uninsured rates, potential for improved access to healthcare, reduced pressure on state funded safety-net healthcare services – strategies to promote public health in New Mexico require revamping. Rethinking the way services are provided and paid for and the populations served has the potential to improve care, reduce costs, and improve population health.

Certain services and policies, originating prior to ACA, are geared toward populations that gained access to care after Medicaid expansion or through the New Mexico Health Exchange. For example, the Department of Health (DOH) contracts with rural and primary health clinics (RPHC) and federally qualified health clinics (FQHC) for primary care, school-based health centers, and other services in underserved areas of the state. Many services are provided to individuals who are either on, or are eligible for, Medicaid or subsidized insurance under ACA; but, the services are primarily funded with general fund and tobacco settlement revenue.

New Mexico FQHCs increased Medicaid patients and charges while reducing uninsured billings, calling into question the need to continue funding clinics, at current levels, through public health contracts. According to the New Mexico Primary Care Association, the improved

New Mexico has the second highest drug overdose rate in the nation.

Rio Arriba County has the highest overdose rate in the state; Bernalillo County has the highest number of deaths by overdose.

New Mexico’s alcohol-related death rate is more than twice the national rate.

**FQHC Payor and Patient Mix**  
(millions)

	FY 13	FY 14	Change
Medicaid Billed Charges	\$60.6	\$95.6	↑ 57.70%
Uninsured/ Self Pay Billed Charges	\$56.0	\$46.3	↓ 17.30%
Medicaid Patients	26%	38%	↑ 11.70%
Uninsured Patients	42%	31%	↓ 11.20%

Sources HRSA, NMPCA

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A recent national survey conducted by the Kaiser Family Foundation of newly insured individuals under 400 percent of the federal poverty level found that insurance facilitates access to health care, indicating that adults who gained coverage in 2014 are

- more likely to be linked to regular care,
- less likely to postpone care when they need it, and
- more likely to use preventive services than those who remained uninsured.

But, newly insured adults

- continue to seek services from community clinics and health centers,
- face some access barriers compared with adults insured before 2014,
- are not as settled into regular care as their previously insured counterparts,
- have difficulty finding a provider,
- have problems navigating the health system and health insurance networks,
- have misunderstandings about how to use coverage and when to seek care, and
- have concerns about out-of-pocket costs.

financial picture of FQHCs allowed the centers to offer staff salary increases and build capacity around the state. Additionally, with improved billing it may be possible to reduce reliance on the general fund and other state funds and shift costs to other payers. Shifting strategies toward reaching groups not covered by the ACA or who have difficulty navigating the complexities of the healthcare system would help to ensure limited state resources are effectively used.

**Chemical Dependency Units.** Recently, DOH began piloting a new chemical dependency model that may increase access to care and reduce reliance on the general fund. Historically, chemical dependency units were unable to bill Medicaid, but with structural changes allowing chemical dependency units to attain a new license, the units may soon be able to bill Medicaid. Additionally, the department opened an intensive outpatient program (IOP) with 16 slots and will soon add an additional 16 slots. IOP is covered under Medicaid and may create an avenue by which the state can bill Medicaid for chemical dependency unit treatment if patients are not amenable to outpatient treatment. If successful, the model should be copied at the other two chemical dependency units.

**Healthcare Workforce.** Access to care is directly affected by the state's healthcare workforce and is one of the primary challenges to effectively implementing healthcare reform. Ten counties in New Mexico have shortages of primary care providers, certified nurse practitioners, and clinical nurse specialists (CNP/CNS). Seven counties have a surplus of physicians compared with national averages, according to the New Mexico Healthcare Workforce Committee. The remaining counties are considered to have "mild shortages" or be lacking one to 10 providers. Strategies to improve healthcare workforce include increasing the number of residencies in rural areas, increasing the use of tele-health (such as project ECHO), and increasing educational capacity.

In New Mexico the ratio of psychiatrists to the population is 1 to 2,970 in urban areas and 1 to 21,276 in rural areas according to the University of New Mexico Department of Psychiatry. Additionally, 29 New Mexico counties are considered mental health shortage areas. Psychiatric emergency services via tele-health, direct tele-behavioral health services, and child psychiatry assessments and consultation are all strategies that could be developed to help respond to state behavioral healthcare workforce needs.

**Vaccine Purchasing Act.** During the 2015 legislative session, the Vaccine Purchasing Act, was authorized requiring health insurers and group health plans to reimburse the state for the costs of vaccines purchased by the state for insured children. Under the act, DOH is required to bill each plan for the immunization costs of insured children. In the past, DOH provided no-cost vaccinations to most children in the state and most health insurers and plans participated in the program.



In the first quarter of FY16 the department billed insurers and plans about \$5 million and expects to bill for about \$20 million by the end of the fiscal year. Additionally, the department submitted a budget adjustment request to increase amounts in the vaccine purchasing fund by \$4 million. Implementation of the act has been prompt, but according to a letter sent from the Legislative Health and Human Services Committee to the department, insurers and plans are complaining that bills are arriving without explanation as to why the entity is being billed and that the bills often contain erroneous calculations of the amount for vaccines.

## A Closer Look: Teen Pregnancy

With 2,980 adolescents giving birth in 2013, New Mexico's teen birth rate is consistently the highest in the nation and costs taxpayers \$84 million annually. The LFC's *Effective Practices to Reduce Teen Pregnancy, Including the Use of School-Based Health Centers* (Spring 2015) analyzed teen pregnancy trends and characteristics in New Mexico, reviewed teen pregnancy prevention efforts, and identified evidence-based teen pregnancy prevention strategies. Statistically, children born to teens are more likely than children born to older parents to live in poverty, enter school academically behind their peers, experience maltreatment, and become incarcerated.

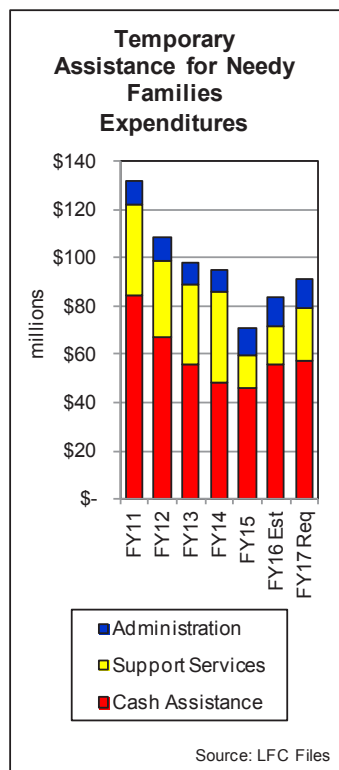
Children born to teens account for 11 percent of all births in New Mexico. Teen parents share common at-risk characteristics and are more likely to live in a specific region, be an older teen, and already have a child. School districts report they are not implementing the state's health education standards and overall efforts across agencies are not coordinated or targeted.

Existing interventions and funds may be leveraged to increase access to the most effective forms of clinical pregnancy prevention methods. Coordinated and comprehensive prevention efforts found in other states, including training and technical assistance, accelerate declines in births to teens.

New Mexico should develop a comprehensive and coordinated teen pregnancy prevention strategy, provide training and technical assistance to providers, and implement best practices related to the most effective clinical prevention methods. The Legislature should continue prioritizing investments in the programs that improve outcomes for teen parents and their children.

## Income and Food Security

Under the Temporary Assistance for Needy Families (TANF) program, states receive a federal block grant to provide cash assistance and work support programs to low-income families. The TANF caseload saw significant increases during the economic recession, peaking at 21,514 cases (54,802 recipients) in December 2010, an increase of 57 percent. However, since the beginning of 2011 the number of cases has dropped, and for FY16 is projected to be 13,000, down 0.3 percent from FY15. The decline is partly due to the implementation of a 15 percent benefit reduction in benefits in FY11 (as well as changes in eligibility criteria including stricter job search requirements), the ease of obtaining Supplemental Nutritional Assistance program (SNAP—formally food stamp) benefits, and the increase in clients with Social Security disability coverage impacted program participation. Effective August 1, 2015, the department implemented a 7.5 percent increase in the cash benefit amount which may have a modest impact on enrollment.



Growth in federal SNAP expenditures has increased from \$675 million in FY15 to a projected \$682 million FY17. SNAP cases more than doubled since the beginning of the recession with an April 2010 increase of the SNAP gross income test from 130 percent to 165 percent of the federal poverty level (FPL) contributing to about 10 percent of the increase.

In FY15 HSD proposed work requirement changes for SNAP (food stamp) recipients. The first is federally mandated and requires healthy adults without children to work 20 hours per week or otherwise limits benefits to 3 months in a 3-year period. A second and more controversial change not federally mandated requires healthy adults age 16 - 59 with children 6 years or older to participate in employment and training (E&T). While there are exemptions (not working more than 30 hours/week, not in a drug/alcoholic rehab program, not in a county, tribe, or pueblo with a high unemployment rate, etc.) advocates argue HSD lacks the capacity to provide assistance and oversight to expand E&T to some 63 thousand additional recipients.

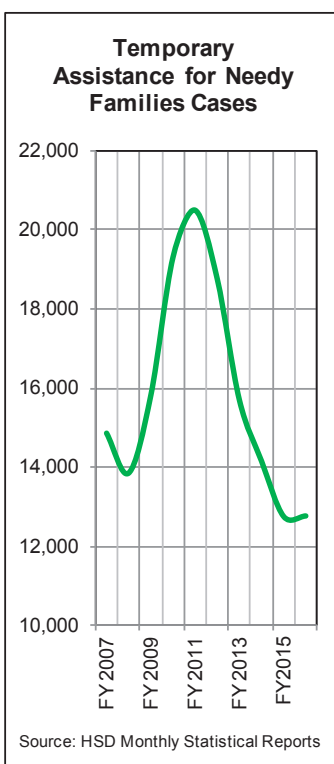
## Protecting Vulnerable Populations

The health of a community is not only related to the physical health of individuals but also the treatment of populations at risk of abuse or neglect. New Mexico's efforts to protect those populations have produced mixed results.

**Child Abuse and Neglect.** Over 2,600 New Mexico children are in the care of the Children, Youth and Families Department's (CYFD) Protective Services Division, responsible for investigating reports of child abuse and neglect, protecting children at risk, and overseeing adoption and foster care. Currently, the average monthly caseload is 20.1 for permanency planners and 11.3 for investigators. The Child Welfare League of America recommends 12 to 15 cases for a permanency planner and 12 for investigators. Adding to system stress, the cost of foster care and support is increasing due in particular to specialized foster care and maintenance costs. High caseloads and increasing severity of maltreatment has led to staff burnout and turnover.

Neglect and abuse affect a child's emotional, physiological and behavioral health. In FY15, the agency continued to report an increase in the number of children subjected to repeat maltreatment. An LFC evaluation found 36 percent of children who are the victim of a substantiated case of maltreatment will be abused or neglected again before they are 18. The report found CYFD dedicated little resources for preventive services

**Juvenile Justice.** Juvenile Justice Services, which provides prevention, intervention, and aftercare services for delinquent youth, has five juvenile justice facilities that can house up to 286 committed youths. However, secure juvenile facilities on average maintained 85 empty beds in FY15, which may be a result of increasing front-end services, such as those provided by juvenile justice advisory committees (JJACs). JJACs advocates for the prevention of delinquency,



alternatives to secure detention, improvement of the juvenile justice system, and the development of a continuum of graduated sanctions for juveniles in local communities. In FY14, JJAC worked with 21 continuum sites to serve almost 8,000 youth. The Juvenile Community Corrections (JJC) program is an alternative treatment for youth on probation or supervised release.

**Child Health.** Using 2013 data, the Annie E. Casey Foundation, in its annual *Kids Count Data Book* ranked New Mexico 48th for children's health. New Mexico's family and community rankings were partially based on teen birth rates, currently at 43 per 1,000. The teen birth rate has decreased significantly since 2009 for girls 15 to 17 years of age from 36 to 22 per 1,000. According to the foundation, teenage childbearing can have long-term negative effects for both the mother and the newborn. Teens are at higher risk of bearing low-birthweight babies and the babies are more likely to be born into families with limited educational backgrounds and economic resources.

Other health ranking indicators include the percent of low-birth weight babies, children without health insurance, children who abuse alcohol, and child and teen deaths. In New Mexico, 8.9 percent of babies were low-birthweight babies and have a high probability of experiencing developmental problems, and disabilities and are at greater risk of dying within the first year of life. Nine percent of children lacked health insurance and are more likely to receive treatment after a condition has worsened, putting them at greater risk of hospitalization.

**Developmental Disabilities Medicaid Waiver Status.** In FY15, the waiver program for individuals with developmental disabilities (DD waiver) received \$1 million to implement provider rate increases. The increases were not implemented at the beginning of the fiscal year but occurred in the October-November time period when changes were approved on New Mexico's Medicaid waiver application. Compensating providers, the department made the rate increases retroactive to the beginning of the fiscal year. According to the department, federal Medicaid authorities disapproved of the retroactive rate increases and will require the state to refund \$2.2 million for the retroactive portion of the increases. The Developmental Disabilities Waiver Program made progress covering more people reducing the waiting list and reducing the cost per client.

JJC uses the Casey Life Skills Assessment to evaluate youth in areas such as

- permanency,
- daily living,
- self-care,
- relationships,
- communication,
- housing,
- money management,
- work, and,
- career and education planning.

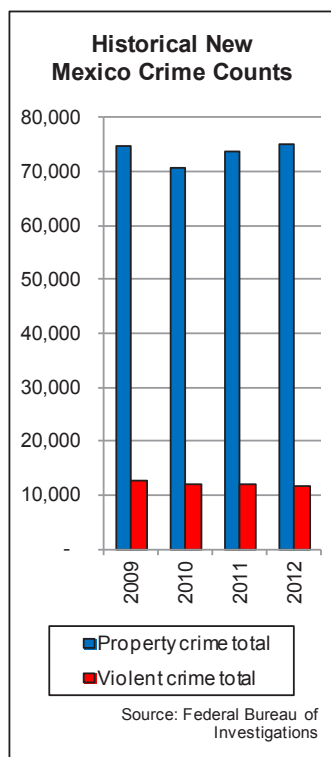
Public school staff, families, juvenile probation officers, the client, and other stakeholders are engaged to support youth in these key domain areas. In FY13, JJC provided services for 1,075 youth statewide.



# Public Safety and Justice

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Crime rates are dropping nationally, but crime rates in New Mexico, along with incarceration rates, are on the rise, despite general fund spending on public safety and the judiciary increasing 4 percent each of the last four years. Together, the public safety and judicial agencies represent almost 10 percent of the state's general fund expenditures. While these agency budgets make up a significant portion of all state spending, perhaps more significant are the indirect costs of crime – broken families, damages to victims, loss of employment, and other social consequences that impact New Mexico's quality of life and the very real price taxpayers must pay to address these human and community needs. Given the state's limited dollars and the high price of failing to protect the public, it is critical that the state spend its criminal justice dollars on evidence-based programs proven to make communities safer.

## Public Safety

The 2013 New Mexico violent crime rate was 597 per 100 thousand residents, 162 percent of the national average, according to the latest FBI data available. Within the mountain region, only Nevada had a comparable rate (161 percent of the national average). The 2013 data ranked New Mexico as the second most dangerous state and the leader in aggravated assault. Over the last decade, national and regional violent crime rates fell and total crime rates in the region fell 15 percent.

Between 2012 and 2013, New Mexico was the only state in the region and one of only three in the nation to see an increase in both violent crime and property rates. While violent crime rates fell 2 percent in the region, violent crime in New Mexico rose by 7 percent. Similarly, property crime rose 3 percent in New Mexico in 2013 while the regional rate dropped 4 percent. Nationally, only Louisiana and North Dakota experienced growth in both categories, although growth in those states was significantly lower than New Mexico.

**Recruitment, Retention, and Pay.** For many years, much of the discussion about public safety spending has been focused on noncompetitive officer salaries and their impact on hiring qualified staff. In response to those concerns, the Department of Public Safety (DPS) merged the Motor Transportation Division, the Special Investigations Division, and the New Mexico State Police Division into one program effective July 1, 2015. The consolidation was intended to alleviate fragmented operations, difficulties in sharing information and communications, silos in officer skills, limited career opportunities, and lack of equitable pay.

# Public Safety and Justice

In the 2013 interim, the department presented a three-phase, \$10 million plan to overhaul the salary structure, with the goal of paying officers toward the top among the New Mexico public safety market. DPS received \$6.2 million in the last two legislative sessions to implement the new pay plan, and the department requested \$4 million to implement the final phase in FY17. Phase one brought pay parity within the officer ranks while phase two of the plan moved starting officer pay from 11<sup>th</sup> to sixth in the state among public safety agencies in the state. Phase three should bring starting pay into the top three in the market.

**Data Systems and Data Sharing.** DPS is the central hub of criminal justice information in the state, serving local, county, state, tribal, federal, and international law enforcement agencies. DPS conducts crime and traffic enforcement projects to address crime, traffic, and community policing concerns. DPS also uses a “smart” roadside system to track commercial vehicles within the state and ensure their safe operation. Nationally, for every four vehicles inspected, one vehicle is out of compliance. In FY17, DPS will begin measuring their rates against the national rate to better gauge enforcement effectiveness and more effectively patrol hotspots.

The department should be able to communicate with agencies around the state but some law enforcement data systems are incompatible. A centralized database of criminal information would enable law enforcement and judicial agencies to more effectively protect citizens. The department is working to implement a new computer-aided dispatch program and a centralized criminal justice database to streamline communication with public safety entities statewide.

## Corrections

Over the past 10 years, the New Mexico Corrections Department (NMCD) prison population has grown by 600 inmates, or 8 percent. The general fund budget has increased \$50 million, or 20 percent, during this period, not including an additional total of \$7 million appropriated to cover projected shortfalls in FY15 and FY16.

General fund appropriations for correctional departments in the surrounding states have increased an average of 2 percent per year over the last three years, while NMCD’s budget has grown an average of 3 percent per year over the last three years. Some states’ average spending slowed over the last three years: Oklahoma increased funding 2 percent after three years of no, or negative, growth, with similar experiences in Texas and Wyoming.

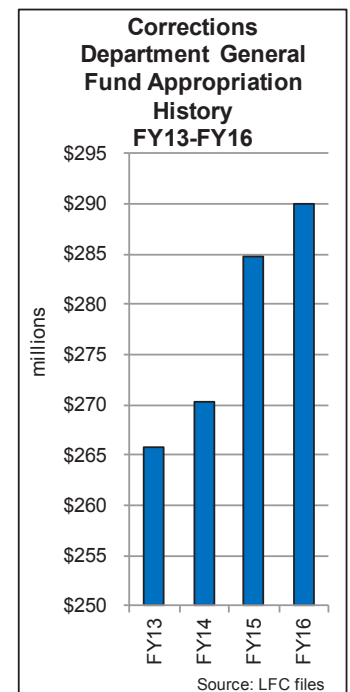
Year over year, prison populations grew in New Mexico, a trend reflected throughout the United States. The New Mexico male population is growing an average of 1 percent a year; however, the female population is growing an average of 5 percent a year -- in 2015 alone, the population of women grew 11 percent. Populations continue to rise for a number of reasons, but recidivism plays a large role. Of the 4,000 prisoners entering the system in FY14, 26 percent were for parole violations.

### Average Five-Year Officer Strength

	Average Number of NMSP Officers	Authorized Strength
FY13	508	567
FY14	508	567
FY15	492	567
<b>MERGER 7/1/2015</b>		
FY16 - Projected*	673	737
FY17 - Projected*	674	737

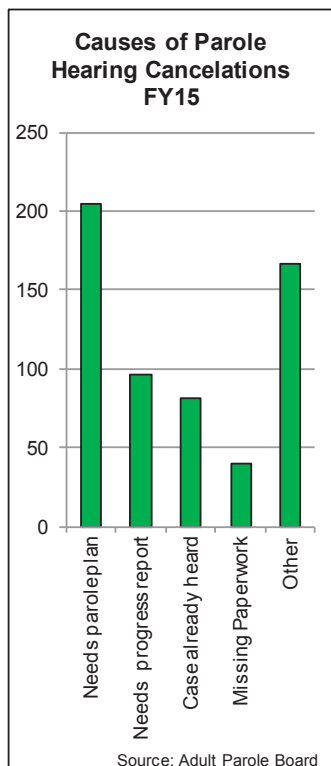
\*includes FTE merged into state police  
Source: Department of Public Safety

Previous LFC analysis expressed concern there would be little increase in statewide manpower as a result of the pay plan fixes. In response, the Legislature appropriated \$4 million for extra recruit schools and salary adjustments.



Recidivism reduction is an important component in slowing the growth of prison populations.

# Public Safety and Justice

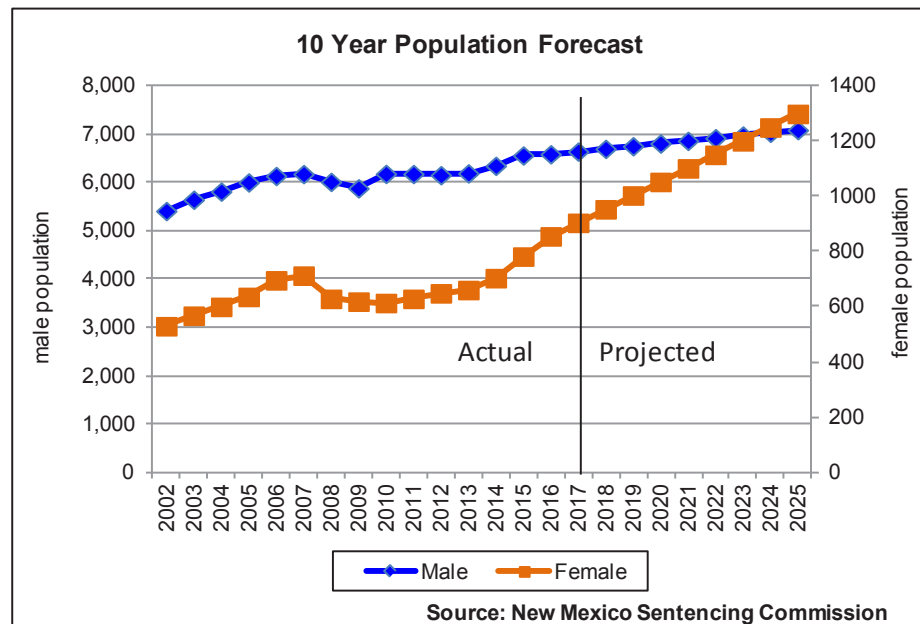


## Surrounding state incarceration rates per 100,000 residents:

1. Oklahoma: 715 (3.9M total pop.)
2. Texas: 636 (26.5M total pop.)
3. Arizona: 620 (6.6M total pop.)
4. Nevada: 468 (2.8M total pop.)
5. Wyoming: 396 (580T total pop.)
6. Colorado: 387 (5.3M total pop.)
7. New Mexico: 328 (2M total pop.)
8. Utah: 244 (2.9M total pop.)

For more info:

Corrections Department  
Report Card  
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Although prison populations are quickly rising, New Mexico incarcerates a smaller share of the population than many others in the mountain region. Wyoming has the smallest prisoner population but the fifth highest incarceration rate in the mountain region, 396 prisoners for every 100 thousand residents. Oklahoma incarcerates over 700 inmates per 100 thousand residents while Utah incarcerates only 244 per 100 thousand residents.

**Recidivism.** New Mexico has the highest recidivism rate of the surrounding states, although there could be some variance due to some states publishing older rates or applying different assumptions or different calculation methodologies.

LFC has identified a number of cost-effective recidivism reduction programs, many of which need to be funded consistently and reassessed periodically. Drug courts keep offenders out of prison and with their families and connect them to available services. Residential drug abuse treatment programs (RDAP) have been implemented, but there is little information about their effectiveness at this time.

LFC studies indicate educational programs in prison are a highly cost-effective way to reduce recidivism. For every \$600 spent per inmate, the state sees a 12 percent reduction in recidivism over the first six years from release. Providing health resources for released inmates also slows recidivism. In FY15, NMCD assisted 65 percent of release-eligible-inmates submit a Yes-NM application, which determines qualifications for Medicaid assistance on release.

**Parole and Release Eligible Inmates.** In 2012, LFC estimated anywhere from 200 to 300 inmates eligible for release were spending their parole terms in prison. Release-eligible-inmates (REI) cost the state an



# Public Safety and Justice

estimated \$10.3 million in FY14. The leading causes for REIs staying in prison include a lack of community resources for parolees, administrative issues causing parole hearings to be canceled, and inmates not participating in the parole process. Additionally, some REIs, once their sentences have run out, are released without community supervision – posing a public safety risk. In 2012, New Mexico was 14th in the nation for “maxing out” inmate sentences or releasing inmates straight into the community without supervision, according to a report from the Pew Charitable Trusts.

The Adult Parole Board (APB) experienced a 9 percent reduction in cancelled parole hearings in FY15. NMCD started keeping better records and directed APB to provide parole hearing lists each month to ensure the facilities are following internal deadlines and release schedules.

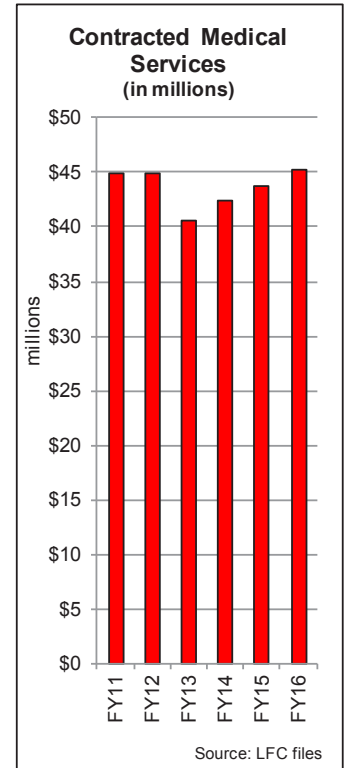
**Health Care.** The department could save significantly on inmate medical services with improved management of its contractors. In FY16, medical service contracts total 14 percent of the total budget. NMCD entered into a contract with Corizon Health Incorporated in FY11 and decreased spending by \$4 million in FY13, after which costs have climbed every year. This contract expires in May 2016. Negotiating performance benchmarks that penalize Corizon for failing to reach performance targets could help to contain costs, and bonuses could help achieve hard-to-complete prison needs, such as nurse staffing at the prisons.

NMCD has realized savings of almost \$580 thousand in healthcare costs by billing for Medicaid reimbursement for inmate inpatient stays longer than 24 hours. With Medicaid expansion, NMCD could realize general fund savings between \$2.9 million and \$6.6 million from inmate hospital admissions and between \$1 million and \$4.4 million in general fund savings for correctional community services.

## Public Defender Department

Adequate representation for the accused is critical to the fairness of the judicial system. It is, in fact, a constitutional right protected by the Sixth Amendment. Nevertheless, while the consequences of incompetent counsel are substantial, public defender offices often struggle for sufficient funding. To increase the quality of representation, the Public Defender Commission (PDC) supports an \$85 hourly rate; however, the Law Offices of the Public Defender (LOPD) has repeatedly stated it cannot fiscally support the rate because of other budget priorities. This discrepancy between the policy goals of PDC and LOPD, which make up the Public Defender Department (PDD), has caused operations to continue without a concrete strategy, leaving PDD unable to fill vacancies, compensate contract counsel adequately, or pay staff attorneys appropriately. Both PDC and LOPD are committed to bettering indigent defense, but without cost projections for either stance, it is difficult to form a coherent policy.

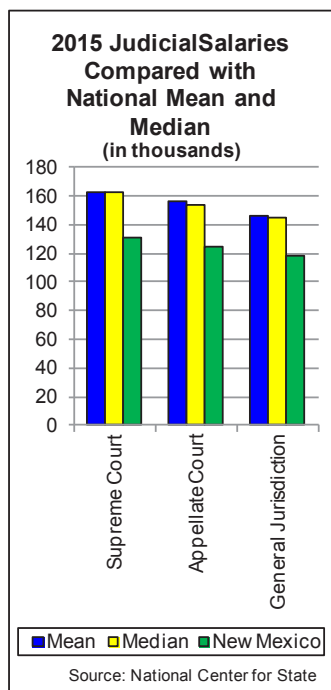
In FY15, the Public Defender Department (PDD) contracted counsel in 23.8 thousand cases at a total cost of \$9.1 million statewide. In Bernalillo County 3,700 cases, 15 percent of the statewide total, were contracted out at a cost of



NMCD successfully guided about 65 percent of inmates through pre-release Medicaid enrollment applications in the last three quarters of FY15.

NMCD requested an additional \$2.4 million to treat inmates with hepatitis C, an example of inmate healthcare growth. Twelve weeks of treatment cost \$90 thousand per inmate. The department is working towards drug pricing agreements to defray costs.

# Public Safety and Justice



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\$1.7 million. In a move that should have reduced the need for contract attorneys and indirectly addressed the issue of contract compensation, the Legislature funded 30 additional positions for FY16. However, PDD continues to maintain a high vacancy rate and has 36.5 funded vacant positions. The Legislature also increased funding for contract attorneys by 20 percent in FY16.

More than half of the vacancies are support positions that, if filled, would allow attorneys to focus on caseload instead of administrative tasks. To reduce costs, PDD should either open an alternate defender office to take conflict cases that otherwise would be contracted, or open satellite offices in rural counties where contract counsel is difficult to find and, thus, expensive.

## Courts

The National Center for State Courts ranks New Mexico's Supreme Court justice salaries second lowest in the country, 48<sup>th</sup> out of 51 among the states and the District of Columbia. Low judge salaries result in difficulty for the judiciary to acquire experienced, qualified lawyers from successful private law firms due to reluctance to move to a position with less pay, regardless of prestige. This causes the appointment and election of young judges with narrow experience.

**Case Management.** The implementation of the Odyssey case management system was cited in the *State of the Judiciary* as one of the AOC's main accomplishments; however, the impact of the system on staff workload and efficiency varies. AOC states the duties of court clerks has changed with the case management system, requiring a higher level of competency and computer proficiency from employees. While the courts have not requested any additional court clerks since the implementation, AOC states court clerks are overworked and underpaid, with a statewide turnover rate of 32 percent in FY15.

AOC's next IT initiatives are electronic filing for criminal cases and self-filing for *pro se* litigants at kiosks and eventually online. Additionally, the Odyssey system requires consistent upgrades to continue functioning properly, as well as to expand into other data sharing capacities and reduce staff workload. The courts currently operate using Odyssey V.13 and will need to upgrade to Odyssey V.16 by FY17.

Falling energy-related revenues and other volatile economic factors negatively impact the capacity available for funding state and local infrastructure needs. Investments in infrastructure for roads, water systems, prisons, hospitals, and other public safety facilities continue to be one of the many fiscal challenges facing policymakers. As in past years, capital outlay requests from state and local entities in 2016 are far greater than available funding, \$1.8 billion in requests compared with \$485.4 million in capacity from all sources.

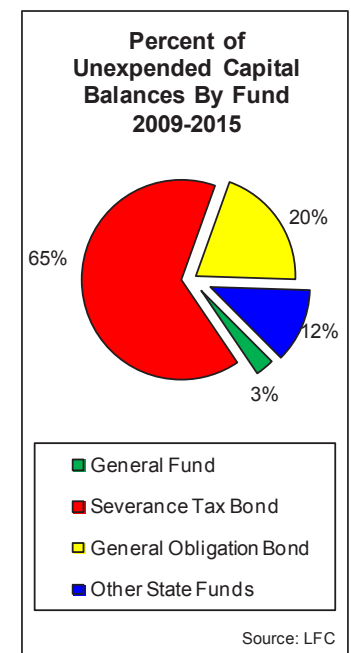
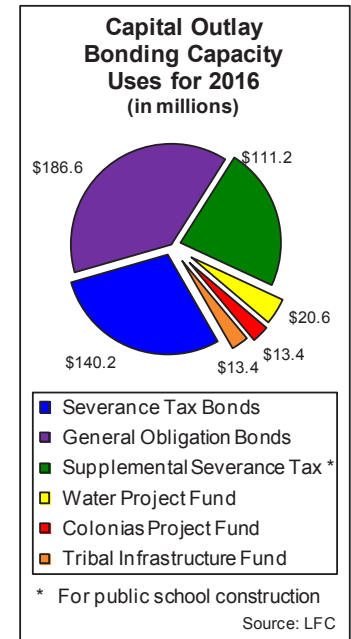
As lawmakers seek an equitable distribution of capital funds among state-owned and local capital needs, they must be attentive to the millions of dollars appropriated in previous years that remain unexpended. As reported to the Legislative Finance Committee, more than \$242 million appropriated for 1,778 local projects from 2012 through 2015 remains unexpended.

Over several administrations, there has been much talk and failed legislation intended to improve the capital process. *Think New Mexico*, a nonpartisan organization known for educating the public and policymakers about serious issues facing New Mexico, will propose capital outlay reform legislation in 2016. The goal of *Think New Mexico* is to develop a “transparent, merit-based system for funding the state’s public infrastructure” while still maintaining legislative authority may be the solution toward an equitable and accountable distribution of New Mexico’s limited dollars.

## Capital Outlay

**2016 Capital Funding Outlook.** As detailed in *Volume III*, net senior severance tax bond (STB) capacity is \$140.2 million. Earmarked funds for water infrastructure, colonias, and tribal infrastructure total \$47.4 million, 33.8 percent of the total of net STB capacity. Laws 2015, Chapter 63, (House Bill 236) amended the Severance Tax Bonding Act to increase the amount of revenue transferred to the severance tax permanent fund. To hold beneficiaries of earmarked severance tax bonds harmless, in FY16 the tribal infrastructure and colonias percentage of STB increased from 5 percent to 6.5 percent of senior severance tax bond capacity. In fiscal year 2017 and subsequent years, 5.5 percent will be earmarked for both funds. The allocations of earmarked funds in 2015 totaling \$62 million are listed on the LFC website.

The supplemental sponge issuance dedicated for public school construction is expected to be about \$111.2 million, significantly reduced from previous estimates due to the application of Chapter 63. The final capacity estimates will be released in January 2016. General obligation bond (GOB) capacity is \$186.6 million, or approximately 0.33 percent of net taxable value of property. Authorizing no more than the stated capacity maintains a flat mill





# Public Infrastructure

## Senior Severance Tax Bonds Earmarked Funds 2012 - 2015 (in millions)

Fund	Projects Awarded	Amount	Balance
Water	110	\$101.0	\$87.4
Colonias	142	\$51.4	\$41.8
Tribal	108	\$40.1	\$36.2
<b>Total</b>	<b>360</b>	<b>\$192.5</b>	<b>\$165.4</b>

Source: Capital Projects Monitoring System

## Status of Projects Greater than \$1 Million

<b>G</b>	Project on schedule	146
<b>Y</b>	Behind schedule or little activity	63
<b>R</b>	No activity or bonds not sold	20
<b>Total Active Projects</b>		<b>229</b>
<b>Other report information:</b>		
<b>B</b>	Appropriation expended or project complete	20
<b>X</b>	Additional funds needed	4

Source: LFC

## Office of State Auditor Awards to Small Communities for Audits

- 60 awards granted to 30 entities in 16 counties in FY15
- 61 awards granted to 33 entities in 16 counties in FY16
- \$160 thousand requested by OSA in FY17 to help small political subdivisions fulfill financial reporting requirements.

levy. Consensus revenue estimates indicate no nonrecurring general fund monies will be available for capital outlay in 2016.

**Unexpended Funds.** The Legislature appropriated or authorized more than \$1.5 billion between 2009 and 2015 for 3,583 capital projects. As of September 2015, approximately \$1 billion from all funding sources for 2,845 projects remains outstanding, including \$87.4 million earmarked for water, \$41.8 million for colonias, and \$36.2 million for tribal infrastructure funds. Of the total amount unexpended, 3 percent was appropriated from the general fund. As of September 2015, balances for projects costing \$1 million or greater total more than \$784.8 million for 229 projects, approximately 78 percent of all unexpended balances.

## 2009-2015 Capital Outlay All Fund Sources "Outstanding" Projects Only (in millions)

Year	Number of Projects	Amount Appropriated	Amount Expended	Amount Unexpended	Percent Expended for Year
2009	1	\$10.0	\$8.8	\$1.2	88%
2010	0	\$0.0	\$0.0	\$0.0	100%
2011	31	\$41.7	\$28.6	\$13.1	69%
2012	232	\$176.9	\$115.5	\$61.4	66%
2013	491	\$214.7	\$72.7	\$142.0	34%
2014	934	\$454.6	\$46.1	\$408.5	10%
2015	1,156	\$378.7	\$0.3	\$378.4	0%
<b>Total</b>	<b>2,845</b>	<b>\$1,276.6</b>	<b>\$272.0</b>	<b>\$1,004.6</b>	

Note: Data includes projects for water, colonias and tribal earmarked funds.

Source: Capital Projects Monitoring System

**Authorized but Unissued Bonds.** Severance tax bonds authorized in 2014 and 2015 totaling \$18.6 million for 102 projects remain unissued (\$7.3 million in 2014 and \$11.3 million in 2015). As of September 29, 2015, 33 projects in 15 counties in the amount of \$1.7 million do not comply with audit requirements in accordance with Executive Order 2013-006, which requires grantees to have timely annual audits and must have remedied material weaknesses and significant deficiencies. The Legislature appropriated \$160 thousand to the Office of the State Auditor (OSA) in FY16 to assist small political subdivisions with meeting financial reporting requirements.

**State Debt.** According to 2013 data from the U.S. Census Survey of Government Finance, the combined state and local debt per-capita for New Mexico was \$7,828. The per-capita average for all states was higher at \$9,531, indicating New Mexico has not over-leveraged its residents relative to other states.

In New Mexico, state government accounted for 44.3 percent of the total amount of outstanding long-term state and local government debt, while local governments accounted for 55.4 percent. Nationally, state governments account for 38.5 percent of the debt, with local governments accounting for 61.5 percent.

**Funding Requests.** State agencies, higher education institutions, special and tribal schools requested \$647.6 million for capital projects: \$288.4 million from STB capacity, \$331.1 million from general obligation bond (GOB) capacity, and \$28.1 million from other state funds. The LFC staff “framework” for consideration by the full Legislature is based on criteria indicated in the sidebar, as well as site visits (16 during the interim), review of infrastructure capital improvement plans, monthly meetings with major departments, and testimony at hearings held in the interim.

The following summaries reflect the most critical projects impacting public health and safety and ongoing projects requiring additional funds to complete. Other requests, including authorization to expend money for capital from “other state funds,” and LFC staff-proposed dollars for capital from all state funding sources are summarized in *Volume III*.

**Aging and Long-Term Services Department.** ALTSD received capital outlay requests totaling \$40.5 million for senior centers statewide. ALTSD and area agencies on aging rated and recommended \$24.6 million for 119 projects statewide by applying criteria and allocating points to prioritize projects in five categories: code compliance, meals and other equipment, renovations, vehicles and construction and major additions statewide. The major requests are for senior center construction projects in Rio Rancho (\$11.9 million), Taos (\$1.2 million), Albuquerque (\$913 thousand), Tijeras (\$806 thousand), and Mora County (\$550 thousand). The LFC staff framework proposes nearly \$24.1 million for projects with a useful life expectancy of 10 years or more.

**Higher Education Institutions and Special Schools.** The Higher Education Department (HED) held hearings in Santa Fe, Albuquerque, Socorro, Las Cruces, and Roswell. All secondary institutions, the three special schools, Dine College, the Institute of American Indian Arts, Navajo Technical College, and Southwestern Indian Polytechnic Institute presented requests totaling \$253.2 million for infrastructure projects statewide. With significant consensus, the staff of LFC, HED, and Department of Finance and Administration developed a framework for the most critical infrastructure needs impacting the health and safety of the students, faculty, and the general public.

**New Mexico School for the Deaf.** NMSD requested \$2.4 million for renovations to Delgado Hall. The renovations include abatement of hazardous materials and to address code violations.

**New Mexico School for the Blind and Visually Impaired.** NMSBVI requested nearly \$825 thousand for renovations to Garrett Dormitory. Due to a decrease in allocations from the public school capital outlay fund to complete deficiencies, the school used funds budgeted for specialized equipment.

Institutions, especially those contributing matching funds to the projects, are encouraged to proceed with the plan and design phase to allow construction

## Criteria and Assigned Points for Prioritizing Senior Citizen Projects (100 Points Possible)

- Completeness of application (5 points)
- Compliance with Executive Order 2013-06 (10 points)
- Infrastructure Capital Improvement Plan (10 points)
- Description & need (20 points)
- Planning (10 points)
- Feasibility, readiness to proceed & timeline (25 points)
- Cost benefit (5 points)
- Asset management (15 points)

## Criteria for Prioritizing Higher Education Needs

- Student, faculty, and public safety
- Project completion
- Funding from other sources
- Project readiness
- Facility condition index
- Full-time student enrollment trends
- Programmatic use of building
- Energy-efficiency standards
- Space utilization for Instructional & General needs

## Funding Criteria for Critical Investments in State Assets

- Project will eliminate potential or actual health and safety hazards and liability issues.
- Project will address backlog of “deferred” maintenance and prevent deterioration of state-owned assets, including projects of cultural or historical significance.
- Project is necessary to comply with state or federal licensing, certification, or regulatory requirements.
- Request is included in state five-year capital improvement plan for projects ready to commence or require additional funding for completion.
- Investment provides future operating cost-savings with a reasonable expected rate of return.
- Project provides direct services to students, staff, or the general public.



# Public Infrastructure

NMSU- Main



Williams Hall



Williams Hall

NMSU -Gallup

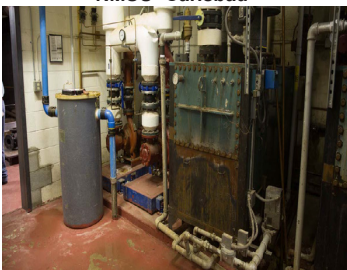


McClure Hall Before



McClure Hall After

NMSU -Carlsbad



Old Boilers- NMSU Carlsbad

and renovations to move forward as soon as the voters approve the bonds in November 2016. The LFC staff framework proposes more than \$133.5 million in spending for 33 projects.

**Library General Obligation Bond Request.** The New Mexico Library Association (NMLA) requested \$17.5 million on behalf of public libraries, public school libraries, academic libraries, and tribal public libraries. Public libraries, public school libraries, and tribal libraries will allocate funds based on population and full-time-equivalent student enrollment. New Mexico colleges and universities will continue to use funds toward electronic resources (academic journals, electronic reference books, electronic books, educational films, etc.) to provide resources to students regardless of institution or course work, particularly in rural areas. The LFC recommends \$3 million for public school libraries, \$3 million for public libraries, \$3.5 million for academic libraries, and \$500 thousand for tribal libraries.

**Public Education Department.** PED requested \$14.5 million to replace aged and high mileage school buses and \$2.5 million for construction or renovation of prekindergarten classrooms. PED owns and operates approximately 900 school buses statewide. In accordance with Section 22-8-27, NMSA 1978, buses are required to be replaced every 12 years. The LFC staff framework proposes \$3 million for school buses and \$2 million for prekindergarten classroom construction.

**Children, Youth and Families Department.** CYFD requested nearly \$3.6 million for improvements to the Youth Diagnostic and Development Center (YDDC) in Albuquerque, to the John Paul Taylor Juvenile Center in Las Cruces, Eagle Nest Reintegration Center, and Henry Perea Child Advocacy Center in Valencia County. CYFD's priority request is to purchase furniture, fixtures, and equipment for a proposed new site for child protective services currently under review by the General Services Department (GSD). The framework includes a portion of the requested funding for the furniture and equipment. The LFC staff framework proposes \$2.3 million for improvements at the YDDC campus, the John Paul Taylor Juvenile Center, and the Eagle Nest, and Henry Perea facilities.

**New Mexico Corrections Department.** NMCD requested nearly \$41 million for security upgrades, improvements to heating, ventilation and air conditioning (HVAC), and other infrastructure improvements at correctional facilities statewide. The department operates six public prison campuses totaling 2.5 million square feet, ranging in age from 33 to 70 years old, housing over 7,000 inmates, and exceeding their 30-year life span. NMCD recently reported more than \$300 million is needed over the next five years to address the backlog of deficiencies at the facilities and described current facility conditions as similar to those that led to the 1980 riot. The Legislature should seriously consider the department's request to fund master planning and a facility condition assessment to determine short- and long-term prison needs and to examine the merits of building a new facility versus investing more state money into the current poorly designed and aged prisons. The LFC staff framework proposes \$4 million for mechanical upgrades, \$4 million for security upgrades, and \$1.5 million for renovations and repairs.



# Public Infrastructure

**Cultural Affairs Department.** The department requested \$21.6 million to preserve and renovate museums and monuments statewide, including exhibit upgrades, equipment, storage expansion, and replacement of high-mileage bookmobiles. The department is responsible for 191 buildings with over 1.3 million square feet valued at \$650 million and the buildings contain irreplaceable art and artifacts valued at more than \$300 million. The LFC staff framework proposes \$5 million to address major life, health, and safety repairs at museums, monuments, and historic sites statewide.

**Department of Health.** DOH requested \$26 million to address patient health and safety issues impacted by aged infrastructure and a backlog of repairs and to complete the final phase of constructing, furnishing, and equipping the Meadows long-term care facility in Las Vegas. DOH facilities have been cited for code violations by the Joint Commission (an independent, not-for-profit accreditation organization), the state Fire Marshal, and the state Health Facility Licensing and Certification Bureau. The LFC staff framework proposes nearly \$9.2 million to complete construction, furnishing, and equipping of the Meadows long-term care nursing facility and to address patient health and safety and deficiency issues at state-owned health facilities statewide, including \$150 thousand for specialized equipment for the state Scientific Laboratory Division.

**Department of Public Safety.** DPS requested over \$6 million to purchase easements and to plan, design, and construct the Texico port of entry. The existing port is a public safety hazard and is inadequate for truck entrances. The department also requested funds to plan and design a new evidence center and crime lab in Santa Fe. The evidence and records are currently housed in five different facilities, and the crime laboratory is at a crisis point with a lack of space and at high risk for cross-contamination. DPS also requested funds to plan and design a state police complex in Albuquerque, and to complete the renovations and expansion of the Roswell district office. The LFC staff framework proposes \$10.4 million for the Texico Port of Entry; for renovations to state police district offices statewide; and to plan, design, and construct the evidence center and crime laboratory in Santa Fe.

**General Services Department.** The Facilities Management Division (FMD) of GSD is responsible for the repairs and maintenance of 6.8 million square feet of space throughout the state. The FMD requested over \$22.5 million to address major renovations and repairs at facilities statewide, including demolition. A new statewide facility assessment is in the final stages and will provide a facility condition index (FCI) for each building under FMD jurisdiction, including identifying the immediate deficiencies impacting the security and safety of the staff and public.

The initial GSD request included \$20 million to purchase and renovate an existing facility in Albuquerque to relocate CYFD Child Protective Services currently housed in a substandard facility. GSD will take a different approach and will issue a request for proposals, for a long-term lease for a building that will adequately meet CYFD needs to consolidate services for the children under their care.

New Mexico Corrections Dept



Obsolete Security Monitors



Waterlines

Cultural Affairs Department



Center for Contemporary Art Before



Center for Contemporary Art After

Cultural Affairs Department



Lincoln National Monument

# Public Infrastructure

Department of Health



NMBHI Aged Infrastructure



NMBHI Ponderosa



NM Veterans' Home Pool Tunnel Piping

Bernalillo Metro Court



Unfinished 4<sup>th</sup> floor



Unfinished 4<sup>th</sup> floor

The LFC staff framework proposes \$4 million to preserve and restore facilities statewide, including demolition of structures deemed unsafe and unusable, as well as asbestos remediation. Additional funds requested by FMD for facilities under its jurisdiction are proposed but listed under individual agencies.

**Capitol Buildings Planning Commission.** The Capitol Buildings Planning Commission (CBPC), in partnership with GSD, continued to work with state agencies and the courts to implement the *State Master Plan* for Santa Fe, Albuquerque, Las Cruces, and Los Lunas metropolitan areas. The five-year master plan implementation strategy recommends constructing new facilities in a cost-effective manner, phasing in projects over several years, redirecting lease revenue to fund capital costs, minimizing multiple moves, and relocating agencies from leased space to state-owned space. During the interim, the consultants provided CBPC with an update of office space standards for New Mexico. The consultant recommended the following allocation method:

- Establish maximum square foot allocations for primary office space,
- Provide guidance on the number and type of occupants to accommodate present and future requirements,
- Continue to encourage “open office” space layout concepts,
- Encourage private office space only when functionally required,
- Adopt a consistent method to identify, measure and assign space for both owned and leased space,
- Provide user-friendly planning forms.

The consultants met with representatives from GSD, DFA, DOT, and LFC to further discuss the proposed state space standard of 215 square foot of “primary office” space per full time equivalency. DFA reported the consensus was to not pursue statewide implementation of the standards by rule or statute. DFA reported a new standard could create an entitlement issue and the cost of complying with the proposed space standard is unknown. In addition, DFA suggested any state space standard should apply to all branches of government, not just the executive branch. Finally, SHARE currently does not have the capacity to capture the numbers but is close to tying actual employees to a particular space.

The decision was for GSD to proceed with implementing the space standards under its current authority without a new rule. GSD will only apply the standards to buildings under Facilities Management Division’s jurisdiction and to new construction, new leases and major renovations. The standards will not be applied retroactively to agencies already occupying space. GSD reported using the new standards on a trial basis of 215 square feet per full-time-equivalent employee and the standard appears to be working well.

**Local Government and Tribal Entity Requests.** According to the Infrastructure Capital Improvement Plan (ICIP) compiled by the Local Government Division of DFA, local, tribal, and other political subdivisions submitted nearly \$3 billion of infrastructure needs. The top five priorities total \$1.2 billion for five major categories: water, transportation, quality of



# Public Infrastructure

life (libraries, parks, senior centers, community and cultural centers, etc.), environment (utilities, landfills, clean energy, solid waste, etc.), and public safety. A listing of the top five priorities for all governmental entities participating in ICIP is available through LFC or the Local Government Division.

The top priorities range in the millions of dollars, placing legislators in the position of funding only a small portion of the amount needed to complete even a phase of a project. According to concerns expressed at the Mayor's Summit in Albuquerque and the New Mexico Association Board of Directors, the piece-meal funding of local projects is increasing the strain of administrative resources on local governments.

**New Local Project Tracking.** In June 2015, staff of the LFC began developing a report to track state funds appropriated between \$300 thousand and \$1 million for local capital projects. The data for the report is derived from the Capital Project Monitoring System (CPMS) operated and maintained by the Department of Finance and Administration. LFC staff introduced the new tracking system at the recently held Mayor's Summit, the Association of Counties Board of Directors meeting, and to the New Mexico Municipal League Association. LFC staff, with the assistance of the Capital Outlay Bureau of DFA, emphasized the most important steps needed to address inadequacies of the report are as follows:

- Update CPMS monthly as is required in the grant agreements executed between the state and the local entity,
- Comply with the governor's executive order requiring updated audits,
- Delay certification of readiness to the Board of Finance for the bond sale if the project is not ready to proceed. All grantees have two years to certify for a bond sale before the authorization is voided.

LFC staff anticipates data entry into CPMS by state and local entities will improve for future quarterly reports.

## Transportation Infrastructure

New Mexico's statewide transportation infrastructure network, 30 thousand lane miles of interstate corridors and U.S. and state highways, is maintained by the New Mexico Department of Transportation (NMDOT). Construction needs of the transportation network have increased as routine maintenance has been deferred and expenses have increased. At the same time, road fund revenue growth is not keeping pace with inflation, and debt service payments require a sizeable share of revenue.

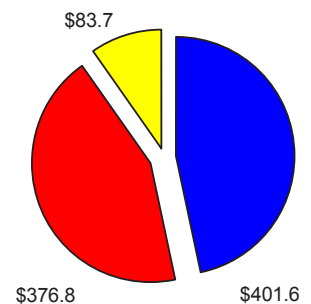
**Overview of the State Road Fund.** The state road fund is composed of revenues from gasoline tax, special fuel (diesel) tax, weight-distance tax on commercial trucking, vehicle registration fees, and other fee and permit assessments. In FY15, the road fund realized revenues of \$397 million, an increase of 4.1 percent attributable to strength in gasoline, special fuels, and weight-distance tax receipts. Despite the strong growth, FY15 road fund

**Local FY17 Requests  
Top 5 Priorities by Category**  
(estimated project costs)

Category	Requested Amount
Water	\$416,174,708
Transportation	\$376,446,156
Quality of Life	\$247,145,420
Environment	\$52,584,532
Public Safety	\$47,251,596
Economic Development	\$33,858,337
Housing	\$13,164,010
Health	\$28,262,000
Public Education	\$2,816,305
Other Education	\$1,930,000
<b>Total</b>	<b>\$1,219,633,064</b>

Source: DFA-Local Government Division

**FY16 NMDOT  
Revenue by Source**  
(in millions)

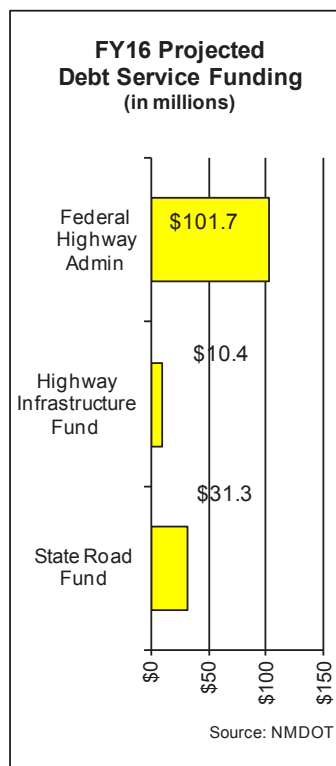


■ State Revenues  
■ Federal  
■ Other

Source: NMDOT



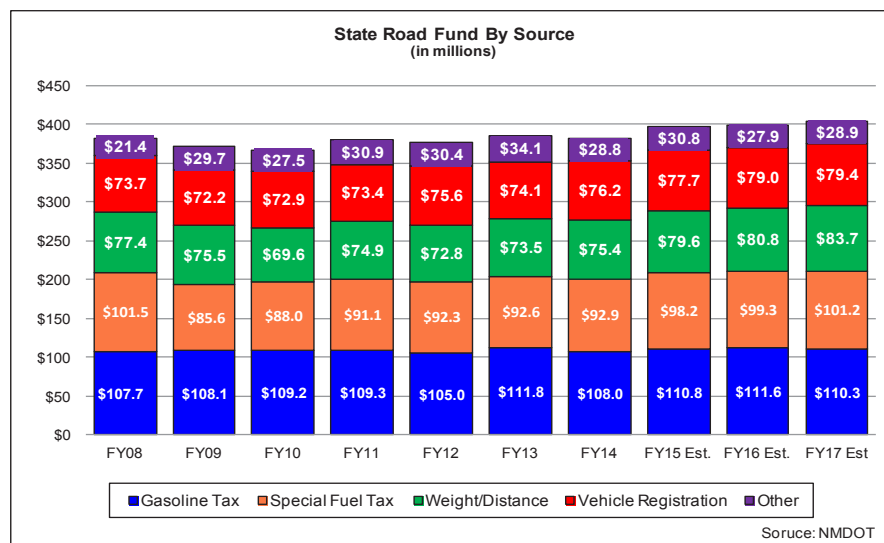
# Public Infrastructure



revenues remain 0.4 percent below their FY07 peak, meanwhile U.S. inflation reduced purchasing power by 14.2 percent over this same period. NMDOT estimates road fund growth of 2.1 percent between FY16 and FY17. The road fund revenue forecast for FY17 anticipates total revenue of \$403.4 million, an increase of 1.3 percent since FY07.

Near-flat road fund revenues over the last decade is related to a plateau in gasoline tax revenue brought on by gains in passenger vehicle efficiency, fewer vehicle-miles traveled per-capita, and slow population growth. New Mexico has the lowest gasoline tax in the southwest region at 17 cents per gallon. The tax was last changed in 1995 when it was decreased by 3 cents per gallon. Because the unit tax is not indexed to inflation, the purchasing power of the fuel tax revenue has eroded over time.

Special fuels tax and weight-distance tax revenues are driven by national consumer demand and tend to be closely related to the state of the U.S. economy; strengthening consumer demand leads to increased consumer spending and increased freight movement. While strength in the weight-distance revenue is encouraging, it is highly sensitive to changes in national economic conditions. NMDOT noted the slowing growth rate of special fuels tax revenue is primarily due to increasing efficiency in heavy trucks.



Between FY07 and FY15, the purchasing power of the road fund decreased by 14.5 percent. The decrease was driven by a real reduction of revenue collected over that time period and inflation in construction-related costs totaling 14.2 percent.

**Debt Constraints and Outlook.** Declining revenues are further constrained by the significant, long-term debt obligations associated with the Governor Richardson's Investment Partnership projects. The total outstanding principal on transportation infrastructure debt is currently \$1.44 billion. In FY16, NMDOT will pay \$141 million in debt service. When the effects of debt service are accounted for, road fund purchasing power for operations, road maintenance and construction decreased 32 percent since 1999.

# Public Infrastructure

To decrease debt obligations, NMDOT refinanced previously issued bonds to take advantage of current low interest rates. NMDOT credits several debt restructurings with saving \$78.6 million since 2010. At this point, NMDOT does not anticipate further savings from restructuring in the coming fiscal years.

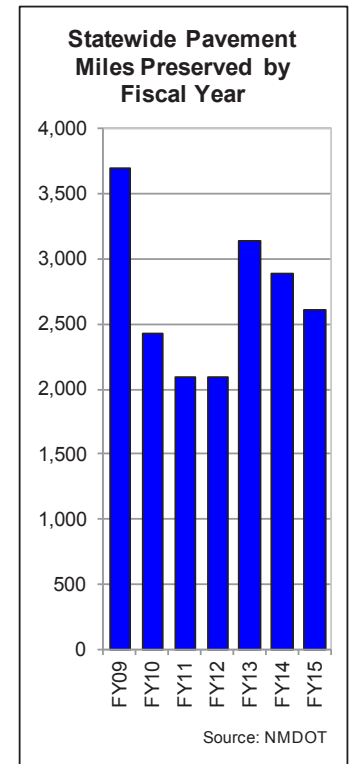
**New Mexico's Transportation Needs.** NMDOT conducts annual road condition assessments of all system-wide lane miles. The assessment uses state-of-the-art imaging equipment to determine roadway conditions throughout the state. The results show New Mexico roadways are in significantly worse condition than previously thought: in FY12, 84.5 percent of non-interstate lane miles were reported in good or fair condition; In FY14, the assessment showed only 68 percent were in good or fair condition.

NMDOT's asset condition estimate shows that, at current funding levels, New Mexico roadways will continue to deteriorate while the current overall pavement condition rating (PCR) of New Mexico roads is fair, given the current annual budget of \$120 million for pavement preservation, NMDOT estimates average PCR will decline to poor in 10 years. The average maintenance cost per lane mile increases dramatically as conditions deteriorate: \$12 thousand to \$36 thousand for roads in fair condition; up to \$280 thousand for roads in poor condition; and up to \$1.5 million for roads in very poor condition that require reconstruction.

The NMDOT 10-year condition analysis shows 5.1 percent of bridges are structurally deficient. Given the continuation of bridge funding at \$93 million per year, 1.4 percent of bridges will be structurally deficient in 10 years. However, NMDOT analysis suggests bridge funding could be reduced by \$18 million while still improving overall bridge condition. Achieving balance in bridge and road funding is critical to keeping the system in the best condition possible given the resources available.

**State Highway Maintenance Program.** NMDOT estimates total system-wide maintenance needs to be \$273.1 million in FY16. The current \$166.1 million maintenance budget for FY16 leaves a maintenance gap of \$107 million. The maintenance gap estimate represents the per-year cost of implementing a regular maintenance schedule for roads statewide based on current road conditions.

**Construction Needs.** NMDOT estimates the FY16 need for construction to be \$591.3 million. The largest need is for roadway reconstruction and rehabilitation, estimated at \$452.6 million. In addition to roadway construction, an additional \$125 million is needed to replace and repair bridges across the state. The current funding available for new construction is \$229 million leaving a gap of \$362.3 million for FY16. In FY15, NMDOT provided a list of \$640.5 million in unfunded road projects across the state the department considers high-priority but which are currently not funded through the State Transportation Improvement Plan.



**Selected Motor Vehicle Sales Tax Rates**

State	Tax Rate	Notes
Arizona	5.60%	Plus up to 3% in local rates.
Colorado	7.62% (Denver)	State tax of 2.9% plus local rates.
New Mexico	3.00%	
Oklahoma	3.25%	
Texas	6.25%	
Utah	6.85% (SLC)	State tax of 4.7% plus local rates.

Source: NMDOT

# Public Infrastructure

**State Gasoline  
Tax Rates**  
(in cents per gallon)

Arizona	19
California	48.7
Colorado	22
Oklahoma	17
Nevada	33.1
<b>New Mexico</b>	17
Texas	20
Utah	24.5

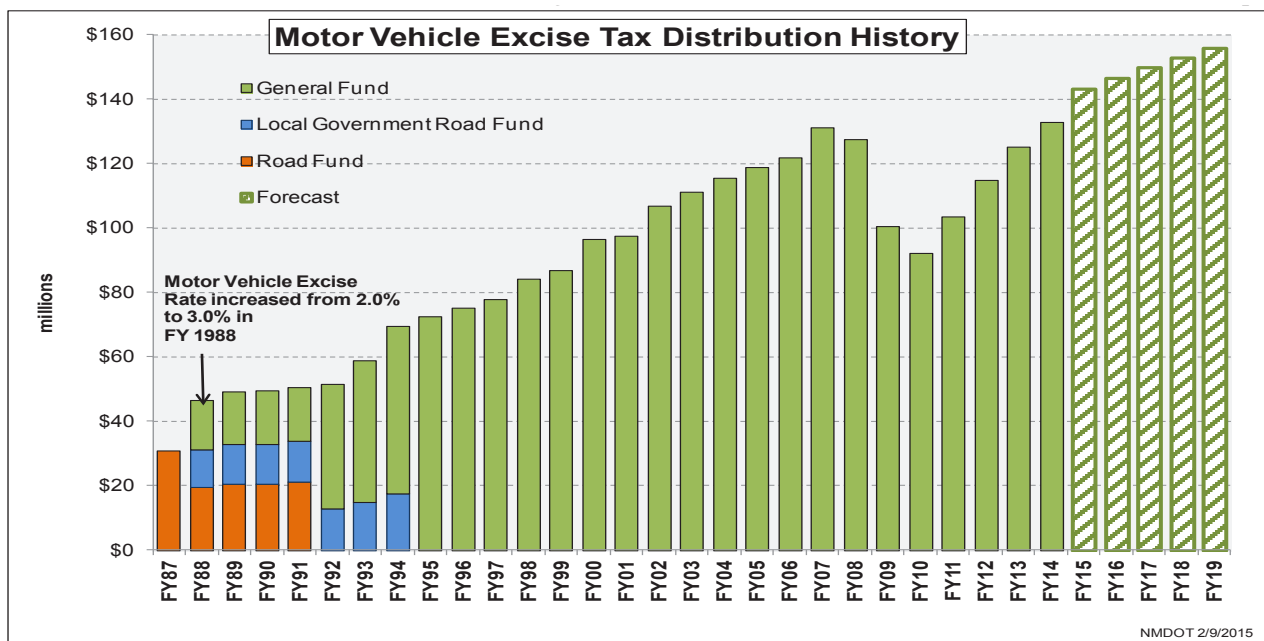
Source: The Tax Foundation

**State Transportation Improvement Plan (STIP).** NMDOT's construction funding is distributed through the STIP process. The STIP is a four-year, federally mandated, multi-modal transportation plan created through consultation among NMDOT officials, engineers, local and regional governments, metropolitan and regional planning organizations (MPOs and RPOs), other state agencies, and the public. Once stakeholders statewide have identified the highest priority projects in the state, NMDOT works with the Federal Highway Administration (FHWA) to determine which projects should be funded and what the state funding match will be. All of the projects which receive funding are then placed into the STIP.

The FY16 STIP contains a total of 124 NMDOT lead projects at a total cost of \$260.9 million, comprising \$225.1 million in federal funds and \$35.8 million from the state road fund.

**Legislative Options for Increasing Revenues.** The Legislature has a number of options to increase state road fund revenues, including stricter enforcement of existing rules, tax code changes and increases, and authorizing existing bonding capacity for road construction and maintenance. To prevent further deterioration of New Mexico's transportation network, some or all of these options should be pursued.

**Fuel Tax Increase.** Many states have addressed the loss of purchasing power from gas tax revenue by increasing the tax and adding other mechanisms to index taxes to inflation. Utah recently converted a unit tax on fuel to a percentage-based, or ad valorem, tax of 12 percent on gasoline and diesel fuel. The tax set a minimum "floor" price per gallon of \$2.45 and a maximum "ceiling" price of \$3.33 per gallon. The Utah tax model will allow the effective gas tax rate to fluctuate between 29.4 cents and 40 cents per gallon.





**Motor Vehicle Excise Tax.** As of the August revenue estimate, New Mexico anticipated receiving \$143 million in FY15 from a 3 percent excise tax on motor vehicle sales in the state. New Mexico's motor vehicle excise tax is significantly lower than surrounding states. Increasing the tax by 1 percent would raise approximately \$44 million and leave New Mexico's tax rate 2.25 percent below Texas, 1.6 percent below Arizona, and 3.62 percent below Denver, Colorado.

**Passenger Rail.** The transportation revenue subcommittee held a hearing on the feasibility of selling the Rail Runner commuter rail service that operates between Belen and Santa Fe. The presentation concluded that, given \$475 million in bonds outstanding and annual operating budget of \$27 million with fare revenue of \$3.1 million, it is unlikely the Rail Runner can be sold.

## Water Infrastructure

Water was the primary focus of the 2014 capital outlay bill, with \$86.2 million appropriated for 200 storage, delivery, and treatment projects. Due to \$2.3 million of the funding being dedicated to two fund transfers and bonds not being sold for nine projects totaling \$486 thousand, \$83.4 million of these appropriations is available for 189 projects. As of October 2015, nearly three-fifths of the funding was dedicated to projects that were inactive, meaning not a single penny had been drawn from the state's appropriation. Additionally, \$74.8 million, or 90 percent, was unspent. Only 10 of the 189 projects were complete. New Mexico continues to face significant water infrastructure issues, with an estimated \$1 billion in needs statewide.

The Energy, Minerals and Natural Resources Department (EMNRD) received \$6.2 million for watershed restoration and had made the most progress in spending funds by taking a proactive approach, setting up grant agreements, and working with other partners before the money was received. While EMNRD is overseeing just 7 percent of the funding, the agency accounted for 23 percent of spending through October 2015.

**Summary of 2014 Water Projects, by Oversight Agency**

	Amount	Balance
DFA	\$504.0	\$504.0
EMNRD	\$6,200.0	\$4,186.1
OSE	\$21,903.0	\$20,296.1
IAD	\$442.7	\$442.7
NMED	\$53,221.7	\$48,431.0
Dept. of Ag.	\$1,160.0	\$971.6
<b>Total</b>	<b>\$83,431.5</b>	<b>\$74,831.5</b>

Source: LFC Files

**Funding for Inactive 2014 Water Projects, by Agency**

Agency	Amount
NMED	\$40,411.1
OSE	\$7,830.0
DFA	\$504.0
IAD	\$442.7
Dept. of Ag.	\$125.0
<b>Total</b>	<b>\$49,312.8</b>

Source: LFC Files

### Water Trust Board Update

In addition to the funding appropriated in the 2014 capital outlay bill – and in accordance with § 7-27-10.1(B) NMSA 1978, which allocates ten percent of annual severance tax bonding capacity to the Water Project Fund – \$33 million was made available for 22 water projects through the Water Trust Board (WTB). This funding is tracked in the Legislative Finance Committee's quarterly capital outlay report, and \$27.5 million of 2014 funding is unspent. The Water Project Fund received \$32.4 million to be awarded through WTB in 2015.

In response to concerns about the current award process – where WTB requests the passage of a bill that lists essentially all applicants, regardless of qualifications or likelihood of final approval – usurping the Legislature's appropriating authority, WTB changed its application and project review timeline beginning with the 2016 cycle. According to NMFA staff, a refined list will be available to the Legislature in January 2016, and the process could further change to conform to the interim New Mexico Finance Authority Oversight Committee's request to see a refined list during the interim.

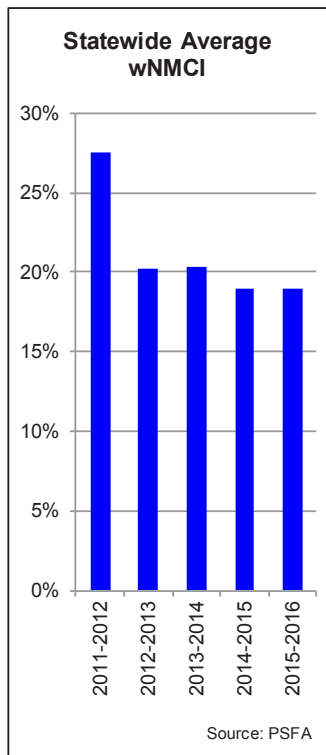
The New Mexico Environment Department (NMED) oversaw the four largest completed projects, totaling \$745 thousand, including constructing a water storage tank in Belen and making improvements to the water systems in Agua

# Public Infrastructure

**PSCOC Award Allocations**  
FY15 to FY17 (est.)  
(in thousands)

	FY15	FY16 est.	FY17 est.
PSCOC Projects	\$198.2	\$184.8	\$107.3
Lease Assistance	\$14.6	\$15.0	\$14.6
<b>Total</b>	<b>\$212.8</b>	<b>\$199.8</b>	<b>\$121.9</b>

Source: PSFA



Fria, Ruidoso, and Cedar Crest. Projects overseen by NMED received 64 percent of the appropriations and accounted for 56 percent of expenditures.

## Public Schools

Through the Public School Capital Outlay Council (PSCOC), the state has made significant progress ensuring children are taught in adequately sized, well-lit, safe, and attractive buildings. The facility condition index (FCI) improved from 66.7 percent in FY05 to 36.2 percent in FY15. However, the FCI increased slightly by 0.7 percent from FY14 to FY15. The FCI reflects a ratio of the cost of repair and improvement against the value of the facility so that a lower number reflects a building in better condition. The average weighted New Mexico condition index (wNMCI), the measure used by the state to determine if school facilities meet the educational needs of students, improved from 40.5 percent in FY05 to 19 percent in FY15. The state uses the wNMCI to rank every facility in terms of relative need, from greatest to least. With the drastic improvement in the condition of public school facilities, focus has shifted to funding improvements that will extend the useful life of facilities and ensure effective maintenance. Laws 2015, Chapter 93, (Senate Bill 128) granted PSCOC authority to allocate up to \$15 million from the public school capital outlay fund for building systems needs in existing public schools. While the percent of school districts with poor maintenance improved slightly from FY14 to FY15, the Public School Facility Authority estimates 77 percent of public schools are getting less than the standard life expectancy from existing building systems.

Gallup McKinley County Schools (GMCS) reopened the Zuni lawsuit in 2014 and filed an amended complaint in 2015 including PSCOC as a defendant. Because of the district's low bonding capacity and high capital needs, GMCS is concerned it is unable to build facilities with above adequacy items, such as extension of utilities to the school construction site, teacherages, additional building security features, auxiliary gyms, and additional athletic fields.

In addition to school construction, the Legislature established the broadband deficiency correction program (BDCP) during the 2014 legislative session to address education technology needs over the next five years. Preliminary data indicates 41 schools lack access to fiber optics infrastructure and 92 percent of schools need wireless network upgrades. The Federal Communications Commission's (FCC) schools and libraries universal service support program, commonly known as the E-rate program, helps schools and libraries obtain affordable broadband. The E-rate program will cover up to 90 percent of the cost of installing fiber optics. The E-rate program will also match up 85 percent of the cost for internal equipment, such as wired and wireless network equipment, but funding is capped to \$150 per student over five year. However, several implementation issues exist including how future requests from school districts for E-rate funding will align and be coordinated, the timeline for implementation, prioritization of projects, budget constraints, and the role of public and private entities.

## Information Technology

While New Mexico has implemented fundamental elements of good IT infrastructure and governance, critical components still need improvement to ensure the millions in annual state IT expenditures are wisely spent. The responsibilities of the state chief information officer, the Project Certification Committee that certifies funding in approved phases for large IT projects, and the IT Commission (ITC) must be better defined and policies and processes strengthened to improve state IT strategic planning and project oversight.

**Information Technology Commission.** In FY14, the ITC began meeting quarterly as required by statute; however, the last meeting was over a year ago, in October 2014. Consequently, critical work, such as developing a statewide IT plan and revisiting outdated statutes and rules, remain unaddressed. Further, the commission chair resigned during the hiatus and has yet to be replaced. In a November 2015 presentation before the legislative Science, Technology, and Telecommunications Committee (STTC), the Department of Information Technology (DoIT) secretary submitted a proposal to replace the ITC with an IT Advisory Board that would develop a three-year IT strategic plan and propose new rules. However, STTC chose not to act on the proposal and instead asked DoIT to spend additional time on improving the ITC.

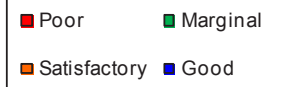
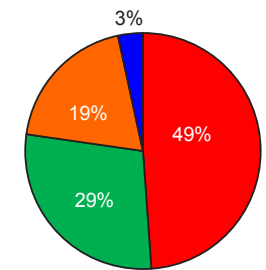
**Department of Information Technology.** DoIT continues to provide a “top 10” report card for the state’s most costly IT projects; however, the department could do more to increase transparency of state IT projects as other states and the federal government have done. LFC staff long recommended the agency formalize standards and processes, verify agency-reported data when appropriate and develop a more formal and automated IT project “dashboard” to provide better tracking and improve managing project status and funding information. Existing methods to track agency project status, develop reports, and assess agency compliance with standards and Project Certification Committee requests is not sufficient and has allowed some projects to “fly under the radar.”

Although state agencies are increasingly purchasing cloud-based solutions, the state does not have a cloud computing policy. LFC staff recommends DoIT develop a cloud computing policy and provide it to the ITC for review and approval, and that the General Services Department (GSD) and DoIT develop state policy for agencies to purchase IT cloud-based solutions.

**IT Evaluations.** Throughout the fiscal year, LFC Program Evaluation staff review IT projects for functionality, efficiency and effectiveness. Among its findings, staff found the need to modernize the IT system that tracks oil and gas activity; continued weakness in the management of the statewide financial and personnel IT system; and security issues in the IT system for the health insurance exchange.

**ONGARD.** The Legislature appropriated \$6 million in 2012 to the Taxation and Revenue Department (TRD) to stabilize and begin modernizing the Oil and Natural Gas Administration and Revenue Database (ONGARD). The

**District Average  
Facility Maintenance  
Assessment Report  
Scores  
2011-Present**



Source: PSFA

**FY17 State Agency  
IT Requests  
(in thousands)**

Agency	Agency Request
AOC	\$903.3
TRD	\$16,273.7
DFA	\$3,074.0
GSD	\$2,410.2
DoIT	\$2,500.0
PERA	\$4,200.0
SPO	\$1,500.0
DCA	\$700.0
HSD	\$32,000.0
WSD	\$637.3
DOH	\$10,434.9
CYFD	\$10,117.5
NMCD	\$12,500.0
DPS	\$3,108.2
<b>Total</b>	<b>\$100,359.1</b>

Note: Some agency requests are for multiple projects and amounts shown include all funding sources.

Source: LFC



# Public Infrastructure

Information technology statutes and rules have not been updated to reflect and guide current infrastructure and practices.

The Department of Information Technology and General Services Department have not issued procurement guidance for purchasing cloud-based solutions.

Although the ONGARD system has served the state well over the past 20 years, it needs to be modernized.

As early as 2009, GSD reported the full implementation of the SHARE eProcurement module could not be accomplished until SHARE has been upgraded.

ONGARD stabilization effort was completed on time and on budget and yielded the most detailed ONGARD system documentation in many years. In addition, the stabilization project successfully improved ONGARD by updating it to run on currently supported hardware and software. Last year, the ONGARD service center initiated a business process analysis to determine the extent of the limitations and additional needs of the current system and influence the design of a replacement system. Once the comprehensive business process analysis is complete, it will be possible to evaluate the costs, risks, and feasibility of each option compared with maintaining the existing, outdated system. The gathering of requirements, business processes, and reporting and data needs is critical to determining the new technology platform for the ONGARD system.

**E-Procurement.** LFC also evaluated the General Services Department's (GSD) State Purchasing Division and the status of procurement automation. GSD has undertaken initiatives to automate some procurement processes with minimal success. After spending nearly \$1 million on the e-Procurement module in SHARE, it is not currently functioning, though GSD has made some process improvements. GSD implemented a web-based electronic bid system, improving vendor registration, automating the bid process from start to finish, and ensuring process standardization. The state has made sizeable investments in various SHARE modules, including those supporting the procurement process, without a clear plan for deploying the resources. LFC staff recommends DoIT develop a comprehensive implementation plan for the SHARE modules the state owns.

**NMHIX.** As part of the evaluation of the New Mexico Health Insurance Exchange (NMHIX), a marketplace for health insurance created by the state in response to the federal Affordable Care Act, LFC staff determined the exchange spent \$48 million for the IT systems. The IT investment did not result in full implementation of the individual exchange, and implementing the small business exchange was expensive, given the number of enrollees. New Mexico is the only state-based exchange that did not initially implement its own marketplace and remains on the federal platform, HealthCare.gov. Three other states have moved or are considering moving to the federally supported model due to IT issues and financial problems. NMHIX implemented its small business marketplace, enrolling 877 people as of March 2015 at a high cost of \$21 thousand per person. LFC determined NMHIX information security processes needs improvement to ensure systems security and compliance with federal requirements and industry best practices.

Managing New Mexico's natural resources requires a balance between protecting the environment for future generations and maximizing the economic benefits natural resources provide. After oil production surged in recent years, leading to increased economic activity and state revenues, the price of oil fell dramatically in the second half of 2014 and industry activity slowed considerably. The uptick in production corresponded with a disproportionately large increase in the volume of oil spilled in FY15, highlighting concerns about water quality and other environmental impacts. While most of the state saw heavy precipitation and drought relief in 2014 and 2015, New Mexico continues to face long-term water scarcity.

## Water Management

Despite above-average precipitation during the first 10 months of the “water year” – from October 2014 to July 2015 – two-fifths of the state was still in drought or abnormally dry, affecting nearly two-thirds of New Mexicans, as recently as October 2015. Water administrators continue to plan for times of shortage, and an update to the state water plan is expected by 2017.

**Priority Administration.** Adjudication, the legal process to establish who owns the water and how much and with what priority date, continues at a glacial pace. The Office of the State Engineer (OSE) spent \$18.4 million from FY12 to FY15 to adjudicate 5,341 acres, a cost of approximately \$3,450 per acre. Based on the rate of progress from FY12 to FY15, completing ongoing adjudications will take 113 years and an additional \$549 million if the agency's approach to the process and funding levels do not change.

Recent court decisions emphasize the Legislature's crucial role in crafting water policy, notably the state Supreme Court decision affirming OSE's statutory authority to enforce priority administration in unadjudicated areas through active water resource management (AWRM). OSE is developing basin-specific rules to implement AWRM and expects to finalize some of these rules by the end of 2015. The agency could attempt to enforce priorities under provisions of the framework AWRM rules, but either approach would likely invite legal challenge.

**Native American Water Rights Settlements.** Water rights belonging to tribes, nations, and pueblos are difficult to adjudicate and often are negotiated through settlements. A 2015 capital outlay appropriation and the Interstate Stream Commission's (ISC) decision to apply that funding to the Taos settlement fulfilled the state's obligation in that case. Still, federal funding required for the court to begin finalizing the settlement is not fully appropriated. New Mexico's remaining share of settlements with the Navajo Nation and the Nambe, Pojoaque, and Tesuque pueblos total \$60.8 million.

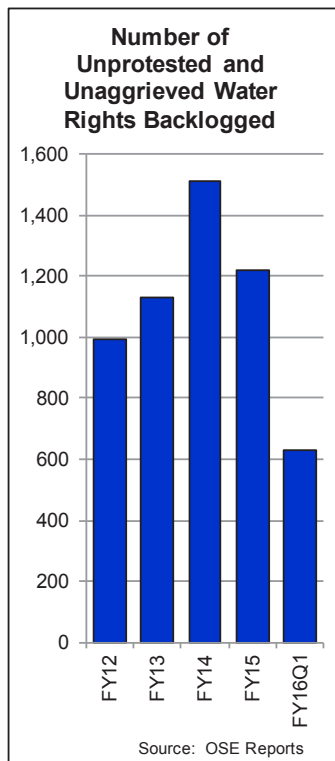
Given the status of adjudications, it is unclear if the state is prepared to implement constitutionally required priority administration in times of shortage. Moreover, strict priority administration of water rights, even in fully adjudicated basins, has the potential to cause hundreds of millions of dollars in economic damage as junior users face the possibility of being cut off completely. The Office of the State Engineer is exploring a new approach to adjudications along with alternative water management strategies, such as water leasing and shortage-sharing agreements.

### Adjudication Progress by Basin October 2015

NORTHERN NEW MEXICO ADJUDICATIONS	
Stream System	% Acres Adjudicated
San Juan	13%
Jemez	100%
Red River	100%
Zuni	0%
Rio San Jose	0%
Rio Chama	99%
Taos/Hondo	100%
Santa Cruz/Truchas	100%
Nambe/Pojoaque/Tesuque	100%
Santa Fe	74%
<b>Subtotals</b>	<b>61%</b>
SOUTHERN NEW MEXICO ADJUDICATIONS	
Stream System	% Acres Adjudicated
Nutt Hockett	100%
Rincon Valley	79%
Northern Mesilla	19%
Southern Mesilla	19%
Outlying Areas	33%
<b>Lower Rio Grande Subtotals</b>	<b>40%</b>
Animas Underground	0%
<b>Subtotals</b>	<b>34%</b>
PECOS ADJUDICATION	
Stream System	% Acres Adjudicated
Cow Creek	0%
Gallinas	95%
Upper Pecos (Ground Water)	96%
Upper Pecos (Surface Water)	undetermined
Pecos Supplemental/Misc.	23%
Hondo Basin	100%
Fort Sumner Irrigation District	0%
Fort Sumner (Ground Water)	100%
Pecos Valley Aretesian Conservancy District	96%
River Pumps	100%
Carlsbad Underground	3%
Carlsbad Irrigation District	100%
Penasco	undetermined
<b>Subtotals</b>	<b>87%</b>
<b>Active Grand Totals</b>	<b>65%</b>

Source: Office of the State Engineer

# Natural Resources



For fiscal years 2014 through 2016, the New Mexico Legislature appropriated a total of \$10.5 million to OSE and the Attorney General's Office for specialized attorneys and technical experts for interstate stream litigation. In comparison, Texas appropriated \$10 million – \$5 million for both the 2014-2015 and 2016-17 bienniums – for investigations and legal expenses resulting from this litigation. These figures work out to \$3.5 million annually for New Mexico versus \$2.5 annually for Texas.

For more info:

Office of the State  
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**Planning and Litigation.** Statute requires a review of the state water plan every five years to address long-term water planning and budgeting while maintaining short-term adaptability to address contingencies. The most recent review was performed in 2013. As the state water plan must integrate 16 regional water plans in a manner consistent with statewide priorities, ISC released a Regional Water Planning Handbook to provide consistency and accountability in updating regional water plans. In the summer of 2015, ISC staff and consultants worked with regional steering committees to facilitate and finalize draft plans. Finalized regional plans are expected in late 2016 with an updated state water plan anticipated in 2017.

High oil and gas exploration and production in recent years, ongoing adjudications, and litigation regarding inter-basin transfers continue to challenge New Mexico's water managers and policymakers. Still, with budget increases in FY15 and FY16 to address the water rights application backlog, which was the result of increased demand in recent years, the agency accomplished the state engineer's goal of cutting the backlog in half by the end of 2015; from a peak of 1,532 in August 2014 to 631 as of September 2015. Beyond intrastate management decisions, New Mexico's interstate compact obligations are ever present and a feasibility study of a diversion project to be funded under the Arizona Water Settlement Act (AWSA) loom.

**Interstate Compacts.** Texas filed suit against New Mexico in the U.S. Supreme Court in January 2013, claiming widespread groundwater pumping in the lower Rio Grande Valley south of Elephant Butte Reservoir reduced deliveries at the New Mexico-Texas border in violation of the Rio Grande Compact. The federal government intervened in March 2014, arguing New Mexico's Lower Rio Grande water users must have permission from the U.S. Bureau of Reclamation (BOR) to pump groundwater south of Elephant Butte. A special master was appointed and heard arguments on New Mexico's motion to dismiss in August 2015, but the motion will likely be denied.

**Gila River Diversion.** Under the AWSA, enacted by Congress in 2004 to resolve water use disputes among Arizona, New Mexico, and Native American communities, New Mexico has the option to use \$66 million in federal funds to meet water supply demands in Catron, Luna, Hidalgo, and Grant counties. The law also allows up to 14 thousand additional acre-feet of water from the Gila and San Francisco rivers to be used in New Mexico but requires compensation to downstream users across the state line for the delivery costs of an equal amount of Central Arizona Project water. The federal Department of the Interior approved moving forward with feasibility studies in November 2015. While New Mexico is eligible to receive between \$34 million and \$62 million in additional funding for a diversion project, BOR has expressed uncertainty about the full availability of this funding.

In accordance with the federal law, ISC designated the New Mexico Central Arizona Project (CAP) Entity, representing 13 political subdivisions, to negotiate and finalize the New Mexico unit agreement with BOR. Estimates on the cost of the project range up to \$1 billion. With the state not committed to funding the project and the federal funds insufficient to cover this cost, BOR required the CAP Entity to agree to secure funding commitments for



any excess costs before construction can start. With additional agreements still to be negotiated and required federal studies yet to begin, potential construction is years away.

**Water Quality.** New Mexico, through the Environment Department (NMED) and OSE and along with many other states, is challenging a recently released federal rule that requires a federal permit to pollute certain waterways which were previously unprotected. Two federal courts have stopped implementation of the rule pending resolution of the legal challenges. The rule's impact in New Mexico could be extensive because a large portion of the state's surface waterways are naturally ephemeral or intermittent and were not covered by prior federal clean water regulations.

**Gold King Mine Spill.** An August 2015 breach at the Gold King Mine in Colorado, caused by federal contractors, contaminated the Animas and San Juan rivers with millions of gallons of wastewater carrying heavy metals. Emergency funds totaling \$1.25 million were allocated to NMED and the Department of Homeland Security and Emergency Management for response and monitoring efforts. NMED and other partners are developing a long-term monitoring plan to identify the impacts of the spill and to generate the data needed to assess potential risks.

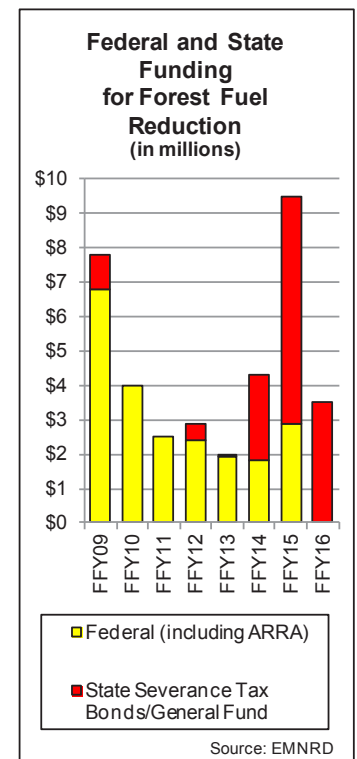
## Fires, Forests, and Watershed Health

In recent years, severe forest fires led to evacuations, structural damage, increased public health costs, and negatively impacted tourism. Additionally, post-fire flooding impacted the quality of watersheds, highlighting the need to secure clean water supplies for New Mexicans. Wildfires damage soil, making affected areas more prone to erosion and evaporation and carrying sediment and ash into rivers and streams, damaging water quality, clogging treatment plants, and negatively impacting fishing and recreational activities.

While drought conditions contributing to the risk of fire are beyond anyone's control, the threat of forest fires highlights the importance of hazardous fuel reduction across private and public land. House Bill 38 (2015), passed nearly unanimously by the Legislature, proposed to establish an advisory board representing a variety of stakeholders to adopt best management practices and prioritize forest and watershed project funding. The governor vetoed the bill and \$2.5 million in appropriations contingent on its enactment. State forestry officials will treat and restore 7,700 acres with \$6.2 million in capital outlay funding from the 2014 legislative session. Still, New Mexico's efforts continue to fall well short of the acreage experts estimate should be treated annually to thin overgrown forests so they are more resilient to fire, drought, insects, and disease.

## Energy Development

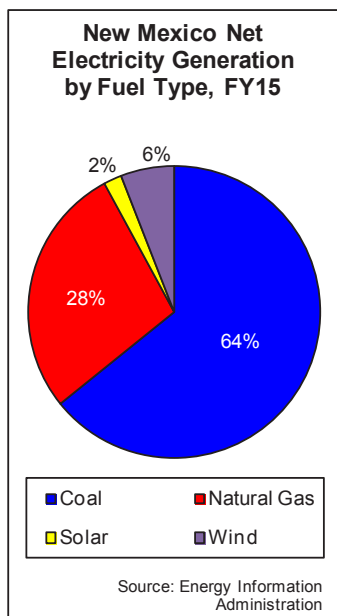
**Renewable Energy.** New Mexico could reap economic benefits from its renewable energy potential as demand increases with other states needing to import more electricity to meet renewable portfolio standards. Transmission



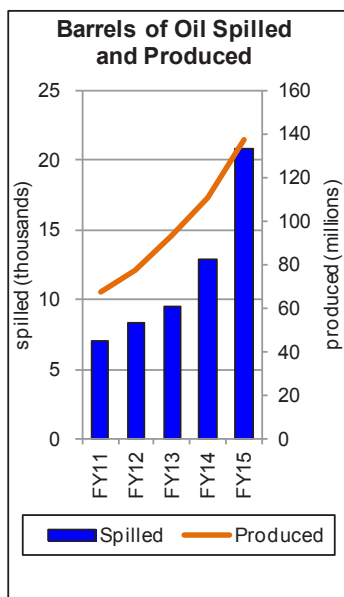
For more info:

Energy, Minerals and  
Natural Resources  
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# Natural Resources



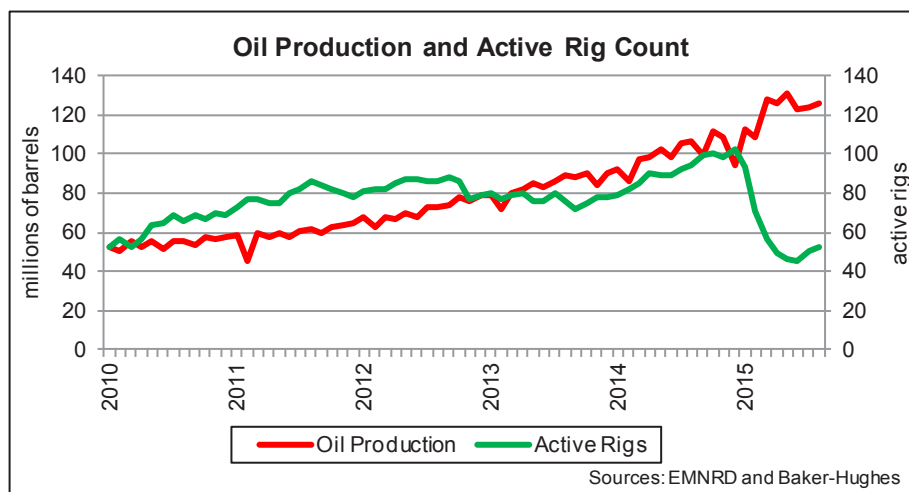
New Mexico's own Renewable Portfolio Standards require that 20 percent of all electricity sold by investor-owned electric utilities, and 10 percent sold by cooperatives, come from renewable energy resources by 2020. Just 8 percent of the state's total electricity production came from such sources in FY15.



capacity, bottlenecks, and long interconnection paths limit the viability of exporting renewable energy because it is generated far from major load centers and export markets. While upgrading New Mexico's existing grid offers substantial economic development opportunities, it also presents environmental challenges and right-of-way issues on federal and tribal lands.

The Renewable Energy Transmission Authority (RETA) board voted to cease operations this past summer due to the governor's veto of a \$200 thousand special appropriation to support the authority's operations in FY16. However, the authority has since secured a commitment for funding from one of its project partners, Clean Line Energy. While project partners had previously declined to assist RETA, the acquisition of rights of way through tribal land on the Western Spirit line significantly improved the likelihood of project completion, prompting Clean Line to fund RETA's operations.

**Oil Production and Regulation.** Despite the dramatic decline in the price of oil which began last summer, the active rig count peaked in December 2014 and New Mexico saw record levels of production in FY15. While operators reacted to reduced prices by lowering the number of active rigs, improved technology may contribute to continued production gains.



**Oil and Gas Spills.** Despite a significant increase in Oil Conservation Division (OCD) inspections, the number and volume of oil spills increased dramatically in FY15. While oil production grew by 21 percent, the volume of oil spilled increased by 61 percent. This disproportionate increase could be attributed to an inability to monitor the industry as it quickly expanded, reduced effectiveness of inspections, or increased reporting of spills due to a greater level of oversight by OCD.

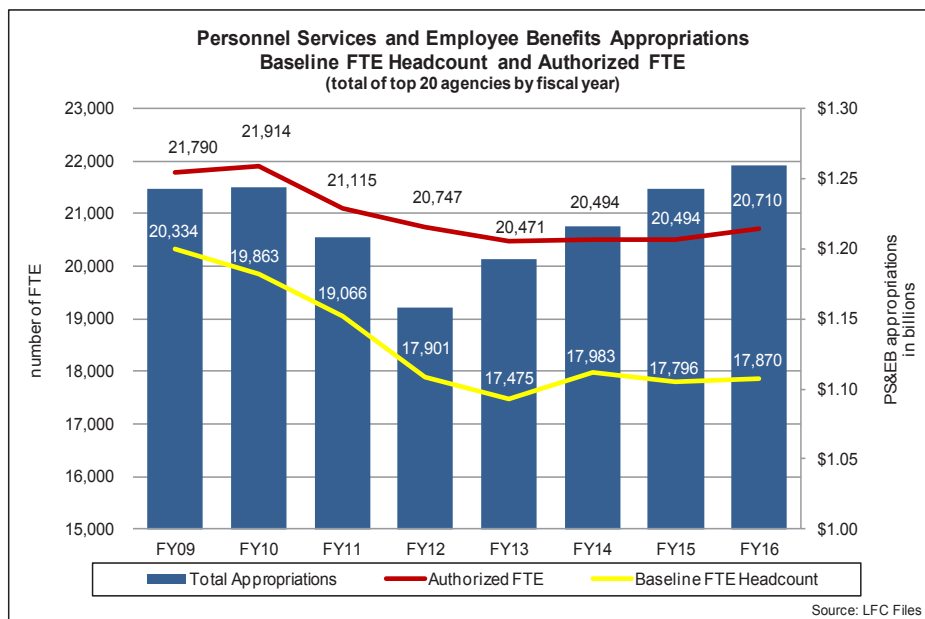
Spills of natural gas and wastewater from oil and gas production also continued an upward trend in FY15. In fall 2014, researchers reported the highest concentration of methane gas was found in the Four Corners region. While the satellite observations behind the report were not detailed enough to reveal the actual sources of the methane, likely candidates include venting from oil and gas activities, coal mines, and natural gas seeps.

The state's current compensation approach is inefficient in recruiting and retaining in the most critical services areas, including corrections, health care, and child protective services. The current benefit-rich compensation packages are costly to the state but fail to attract high-quality employees to the most critical jobs. The state's compensation approach should be re-examined to provide the incentives necessary to ensure consistent delivery of essential services.

## Cost and Composition

In FY16, appropriations to the personal services and employee benefits category (PS&EB) totaled \$1.66 billion, making PS&EB one of the largest expenses in the budget. As of October 1, 2015, 22,669 employees were in state service.

In the four years following the 2008 recession, agencies maintained high vacancy rates and state employment remains about 3,000 below peak levels even as PS&EB budgets have increased. The resulting surplus PS&EB funding has been used to cover contracting, operational expenses, General Services Department risk rates and health insurance increases, and the costs of the AFSCME union settlement with minimal or no additional Legislative appropriations.



**Compensation Components.** Salary, the largest component of the state's total compensation package, accounts for \$43.6 thousand, or 57.4 percent, of average total compensation while benefits account for \$29.7 thousand, or 42.6 percent. New Mexico's total compensation package is benefit-rich when

**Total Compensation Comparison**  
Private Sector Versus State Government

	Salary	Benefit
Pvt. Sector	70%	30%
Colorado	68%	32%
Texas	66%	34%
Nevada	65%	35%
Arizona	62%	38%
Oklahoma	60%	40%
Kansas	59%	41%
New Mexico	57%	43%
Utah	56%	44%
Wyoming	55%	45%

Source: SPO

When compared with both public and private sectors, New Mexico contributes significantly more toward the cost of employee medical and retirement benefits.



# Government Administration

**Components of Total Compensation**

Avg. Salary	\$ 43,576
<b>Benefits</b>	
FICA/Medicare	\$ 3,334
PERA	\$ 7,404
Retiree Health	\$ 872
Paid Leave	\$ 6,369
Insurance	\$ 11,674
<b>Total Benefits</b>	<b>\$ 29,652</b>
<b>Total</b>	<b>\$ 73,228</b>

Source: SPO

compared with the private sector, which provides 70 percent of total compensation in salary and 30 percent in benefits.

**Compensation Component Comparison**

Component	Private Industry	State and Local Gov't	State of New Mexico
<b>Wages and Salary</b>	<b>70%</b>	<b>64.5%</b>	<b>57.4%</b>
<b>Benefits</b>	<b>30%</b>	<b>36.0%</b>	<b>42.6%</b>
Paid Leave	7%	7.3%	8.1%
Special Pay	3%	0.8%	0.2%
Insurance	8%	12.0%	20.1%
Health	8%	11.7%	18.9%
Retirement/Savings	4%	9.9%	9.8%
Defined Benefit	2%	9.0%	9.8%
Defined Contribution	2%	0.8%	0.0%
Legally Required	8%	5.9%	4.4%

Source: SPO

For the past several years, SPO noted in its annual report the components of state compensation are unbalanced relative to other state and local governments. New Mexico's challenge in compensation is to provide the most effective combination of salary and benefits for recruitment and retention of high-quality employees. However, the executive has not presented a comprehensive compensation plan to the Legislature for several years.

**Turnover Rate by Position**

Position	Turnover
Correctional Officers	14%
DOH Nurses	25%
Miner's Hospital Nurses	25%
Public Safety Dispatchers	26%
Child Protective Services	29%
Court Clerks	32%

Source: SPO

**Limits of Total Compensation Approach.** Total compensation accounts for all employee costs to employers, but does not provide a mechanism to evaluate the perceived benefits to the employee. Because employee value benefits subjectively based on their individual circumstances, the employer cost and the employee perception of total compensation may be very different. For example, younger workers likely value health insurance and retirement benefits less than their older counterparts, though both pay similar amounts for the benefits. Lack of employee choice in pension and medical insurance options may result in employees receiving a benefit they value less than the cost of providing that benefit.

**Compensation Adequacy.** The recession had a profound effect on agency personnel policy; during the recession, no salary increases were appropriated by the Legislature and agencies severely restricted or stopped providing employee salary increases altogether. The stagnation of wages resulted in compaction in the pay system as new employees were hired at salary levels at or close to those of incumbent employees. Pay freezes had the greatest effect on high-demand fields, such as health care, information technology and public safety; the combination of high market demand and stagnant state wages resulted in salaries falling behind market rates. The state-to-market pay disparity is hindering the state's ability to recruit and retain qualified employees in the highest demand and most difficult to fill occupations.

# Government Administration

The size of the state-to-market pay gap differs significantly between job fields, or occupational groups, but also between jobs in the same occupational group. For example, in IT job classifications, New Mexico pays database administrators 10 percent over the market but pays IT applications developers between 2 percent and 11 percent below the market.

**Targeted Increases.** In a 2015 report to LFC, SPO identified correctional officers, IT, healthcare, social service, and public safety workers as difficult to recruit and retain due to salaries below market levels.

**FY16 Salary Comparison**  
**State of NM Versus NM and National Average**

Job Title	National Median Annual Salary	NM Median Annual Salary	State of NM Median Salary FY16
Registered Nurses	\$ 66,640	\$ 64,650	\$ 58,688
LPN/LVN	\$ 42,490	\$ 46,300	\$ 35,613
Social Workers (CYFD)	\$ 42,120	\$ 38,210	\$ 43,890
Corrections officers	\$ 39,780	\$ -	\$ 35,674
probation/parole	\$ 49,060	\$ 35,310	\$ 41,606

Source: LFC Files

**Turnover.** Employee retention is critical to addressing the overall vacancy rate in state government and ensuring consistent delivery of services. Data collected by SPO shows most of the targeted job families have turnover rates over 20 percent while the statewide average turnover rate was 14 percent.

**Overtime and Other Costs.** High turnover rates drive up vacancy rates and increase the workload of existing staff. In FY15, the state of New Mexico paid overtime costs of \$41.2 million, of which \$30.3 million, or 75 percent, was directed to positions in corrections, IT, health care, public safety, and social services. In addition, SPO reports that state-employed nurses received average pay of \$28.50 per hour but, due to a shortage of nurses, the Department of Health is currently paying staffing firms over \$50 per hour for nursing services. The cost of increasing salaries for state employees will be partially offset by savings in overtime and contractual service payments.

## Compensation Adjustment

In 2013, SPO completed an analysis comparing state of New Mexico pay in 152 benchmark job classifications with an eight state comparator market. The analysis found that New Mexico lags the market by 9.8 percent on average. Additionally, the analysis found that, while New Mexico is generally behind the comparator market, the gap is not uniform, suggesting the state must take a multi-faceted approach to addressing compensation.

**Targeted Increases.** Salary increases targeted to job classifications that are furthest behind the market and that face the most significant recruitment and

The governor vetoed \$1.1 million for a 3 percent salary increase for nurses and related staff contained in the 2015 General Appropriations Act but voiced support for a targeted increase approach in the veto message.

**FY17 1 Percent Compensation Cost**  
**(in thousands)**

Branch	General Fund Share	General Fund Cost
Legislative	100%	\$ 112.0
Judicial	92%	\$ 2,026.2
Executive	50%	\$ 6,238.5
Higher Ed.	58%	\$ 7,097.2
Public Schools	89%	\$ 19,624.9
<b>Total</b>		<b>\$ 35,098.8</b>

Source: LFC files

**Legislative Salary Increase History**

	CPI	State of NM
FY12	3.2%	0.0%
FY13	2.1%	0.0%
FY14	1.5%	1.0%
FY15	1.6%	3.0%
FY16		0.0%

Source: LFC files

# Government Administration

Because pension plan consultants project weaker investment earnings over the next 7 to 10 years, the state should limit the time a retiree can participate in a return-to-work program; consider legislation to prevent wage spiking before retirement; eliminate pension benefit cost-of-living adjustments until at least age 65; evaluate hybrid pension plan options; and restructure retiree health care.

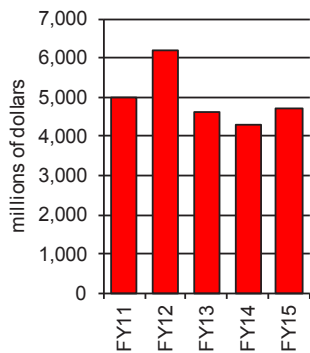
**Investment Return Assumptions**

NMPERA	7.75%
NMERB	7.75%
NMSIC	7.00%
CalPERS	7.50%
NY State Teachers	7.50%
National Average	7.68%

Source: LFC

Pension plans are taking a more conservative approach toward return assumptions because of weak market performance. More than two-thirds of state systems have lowered return assumptions since 2008. The average of 7.68 percent is the lowest since 1989. The peak was 8.1 percent in 2001.

**PERA Change In Unfunded Actuarial Accrued Liability**



Source: LFC files and PERA

retention issues are necessary to begin to close the state-to-market pay gap. This approach will be most successful if it is coordinated with the executive and includes an across-the-board salary structure adjustment. Even without executive leadership, the Legislature can provide increases to specific job classifications as it did during the 2015 session when \$1.1 million was provided for pay increases for nurses and related staff.

**Salary Structure Adjustments.** The Legislature provided funding for salary structure adjustments in two of the past three fiscal years. The use of modest structure adjustments keeps the pay plan from falling further behind the market but is an inefficient way to address insufficient compensation. Because structure adjustments do not address inequities in pay disparity or pay compaction, they are best used in conjunction with targeted increases.

**Other State Approaches.** LFC staff worked with state legislative staff from Texas, Utah, Wyoming, Arizona, Oklahoma, Nevada, and Colorado to determine what actions those states have taken on compensation increases over the past five fiscal years (FY12-FY16). Of the seven states surveyed, all reported providing salary increases over that time period. All states used an across-the-board increase in conjunction with a targeted or merit-based increase. For example, the state of Texas in FY16 provided all executive employees a 2.5 percent increase and included an additional 8 percent increase for correctional officers, 2 percent for registered and licensed vocational nurses in the highest turnover areas of the state, and base increases to selected agencies to provide targeted and/or merit-based, salary increases to agency staff.

## Benefits

**Pensions.** Currently, 80 thousand retirees receive a monthly pension benefit from the state, an increase of 5 percent from the prior year, totaling \$2 billion in benefit payments in FY15. One hundred thousand more are counting on those benefits when they retire over the next 30 years. However, the state's workforce is more fortunate than most New Mexico workers. According to the National Institute on Retirement Security, New Mexico is one of the 12 weakest states in terms of financial security for its seniors.

**Post-Pension Reform.** Despite increasing contributions and reducing benefits the past two years, the state's two pension systems, the Public Employees Retirement Association (PERA) and Educational Retirement Board (ERB), report increases in both liabilities and the time needed to pay off those liabilities, in part because of lower than expected market returns for FY15. While the state's pension systems are considered secure using actuarial methods, their combined unfunded liability – the gap between assets and the obligation to retirees paid off over time – grew by \$700 hundred million, to \$11.3 billion for FY15. But the state's actual debt could be much higher if the two pension systems do not achieve investment earnings of 7.75 percent in at least six of the next 10 years, which may be challenging given the weakened economy. Lowering the assumption by 1 percent, to 6.75 percent, could add another \$4 billion or more to these amortized liabilities and possibly require even more changes, including looking at different ways to deliver benefits.



# Government Administration

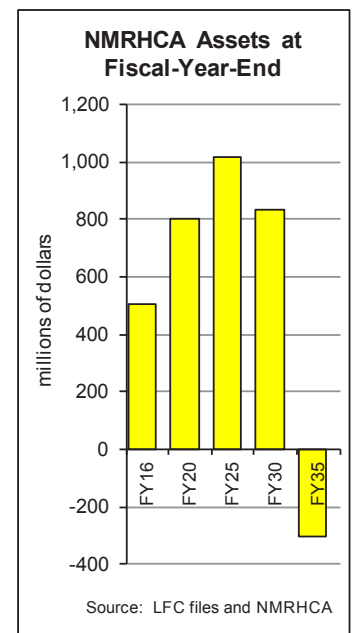
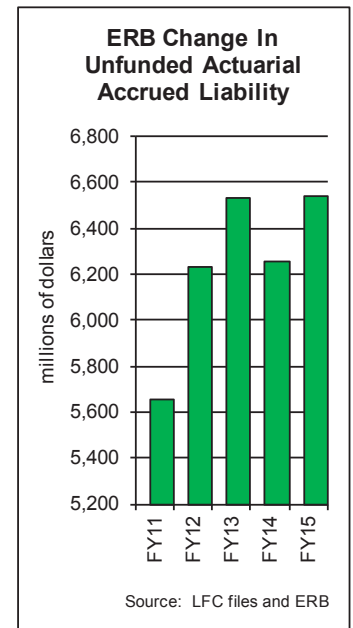
**Reducing Expenses.** With the state's two pension systems on a path to sustainability, assuming they achieve their earnings assumption most years, PERA and ERB could consolidate in administration, customer service, and investments and save money through certain joint operations. Consolidation in administration could include a unified call center, for example. The two investment divisions also overlap significantly. The programs have access to the same indexes, markets and consultants, whether active or passive investments, and could leverage scale in manager fee negotiations. In addition, their risk and asset allocation strategies are more similar than different. The State Investment Council is less suitable for merging operations because it does not have the same liquidity needs as PERA and ERB who must continue to make benefit payments even in years with poor returns.

**Hybrid Pension Plans.** The persistence of defined-benefit (DB) pension systems for public employees continues to pressure state budgets. According to some industry reports, defined-contribution (DC) plans can produce the same level of asset accumulation as DB plans over time. The transition from DB plans to hybrid pension plans coincides with a workforce that has become more mobile, preferring retirement savings employees can take with them from job to job. DB systems work the best where employees stay with one employer. The Legislature should consider a memorial to study hybrid pension plan options that contribute to secure, broad-based pension coverage.

Most pension systems for education, including New Mexico's, favor the minority who work in a single system for their entire work life, at the expense of the majority who leave the system earlier in their careers. According to some industry reports, nearly all teachers are enrolled in plans that base retirement income on a percentage of average salary the last few years of employment and half of all teachers exit their school systems before their pensions vest. Younger teachers might be better off if pensions were based on a fixed percentage of annual salary, instead of being so heavily back-loaded.

**Retiree Health Benefits.** According to some industry reports, only one quarter of large employers still offer retiree health benefit plans. Among these large employers, nearly all offer health benefits to early retirees. However, some employers are exploring new ways of delivering retiree health benefits, including using a defined contribution approach, with or without the use of privatized or public exchanges established by the Affordable Care Act.

**Health Benefit Eligibility.** The agencies of the Interagency Benefits Advisory Committee (IBAC) have different criteria regarding an employee's eligibility to qualify for health benefits. Albuquerque Public Schools (APS), for instance, requires a 30 hour work week to qualify for healthcare benefits which matches the employer mandate for the Affordable Care Act. The General Services Department (GSD) has a 20 hour minimum for state employees. The New Mexico Public Schools Insurance Authority (NMPSIA), which covers all but Albuquerque Public School employees, also has a 20 hour minimum but will allow 15 hours if requested by a school board. Requiring a part-time employee to work 30 hours a week to qualify for benefits may allow more employees to be covered by Medicaid, where the benefits are better, or receive premium assistance on the healthcare exchange.



# Government Administration

## The top 10 cost-management strategies executed in 2014:

- Medical and dependent audits
- No coverage for working spouses and additional tiers to address multiple dependents
- Value-based contracts with providers including the use of high performance networks
- Reference-based pricing (plan sets pricing for procedures with varying prices such as knee and hip replacements)
- Bundled payments (payments for multiple or similar services are under one episode of care)
- Reduced emergency room visits with incentives
- Negative payment adjustments for unnecessary hospital readmissions and hospital-acquired conditions
- Changes in how specialty drug charges are administered
- Worksite clinics, tele-health
- Health literacy programs

**Design.** In the past year, the IBAC employee plans increased premiums less than the industry trend of 4 percent. Premium costs across the IBAC agencies are close to the national median which is \$6,251 for single coverage, with the employee paying almost 20 percent, and \$17,545 for family coverage, with the employee paying almost 30 percent. Under NMPSIA and APS plans, employees pay a higher percentage of the premium than the national median. For all IBAC plans, workers pay the same percentage for single and family coverage which is becoming less common. The IBAC agencies continue to be interested in employee wellness, although to differing degrees. The IBAC agencies have also analyzed benefits to see if they would be subject to the high-cost plan tax when it takes effect in 2018, with the NM Retiree Health Care Authority (NMRHCA) positioning itself to make changes if necessary.

**Cost-Sharing.** The average worker in New Mexico earns \$7,500 less than the national median – the average government worker even less because of costly post-employment benefits – yet faces cost-sharing on health benefits close to the national median. In addition, because of differences in approaches to benefit design, premiums vary. For instance, the average teacher pays a higher premium but has lower out-of-pocket costs at the service level. The average state employee, on the other hand, pays a lower premium but has higher out-of-pocket costs. Compared with the national median, most out-of-pocket costs are comparable across IBAC plans, except for deductibles and out-of-pocket maximums. According to a recent Kaiser employer benefits survey, the average deductible is now \$1,300 and maximum out-of-pocket between \$1,500 and \$6,000; most IBAC plans are well below those averages.

**Financing.** This fall, IBAC will seek new bids for contracts to provide medical, dental, and vision benefits to approximately 192 thousand members. From FY12 to FY15, per-member costs among the IBAC agencies increased from 4 percent for retirees to 30 percent for educators under the APS plans. The predominant method of payment under the current contracts is fee-for-service, which pays providers for each service regardless of outcomes. In this next purchasing round, covering fiscal years 2017 to 2021, IBAC will put more emphasis on health plans and delivery systems that can offer value-based reimbursement strategies. How this will play out depends on how competitive the provider marketplace is in the different geographic areas.

## Improving the Delivery of Healthcare Benefits in New Mexico

IBAC should consolidate under one authority; which would allow direct contracting with high-value delivery systems. The authority could offer hospitals and physician groups patient volume. In return, the groups could agree to reach targets for cost, quality and patient satisfaction. In addition, the state should require all public and private payers to participate in an all payer claims database (APCD). To date, 12 states have legislatively-mandated APCDs, and 5 states have voluntary APCD submissions from payers, which are intended to help healthcare purchasers, practitioners, and consumers make informed decisions.

One of the most important responsibilities of a state investment program is the fiduciary obligation to safeguard the fund for future generations. A carefully crafted, diversified portfolio balances risk and return. The use of alternative investments can increase potential returns, but comes with risks that necessitate an increase in due diligence and risk analysis. New Mexico's investment agencies – the Educational Retirement Board (ERB), Public Employees Retirement Association (PERA) and State Investment Council (SIC) – have recently implemented investment policy changes to diversify their portfolios through an increase in alternative investments and, in turn, have increased their use of expensive active managers. While fund performance has potential, long-term returns have disappointed, performing below their targets and below similar public funds.

## Performance Overview

Returns on the state's four investment funds, the two pension funds and the land grant and severance tax permanent funds invested by SIC, were below expectations with low percentage gains for most of FY15. While impacted by broad market volatility, aggregate fund value increased minimally by \$500 million, or 1.1 percent, representing the net effect of contributions, distributions, and investments returns for the one-year period ending June 30, 2015.

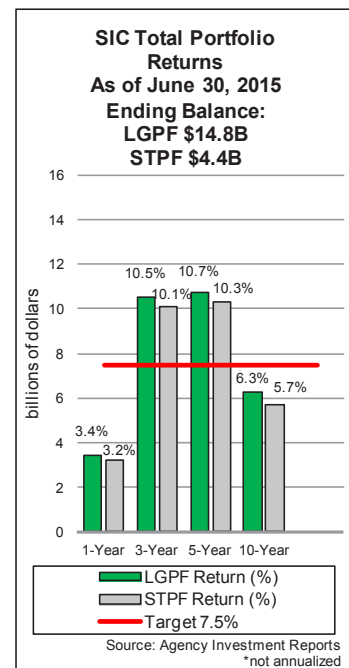
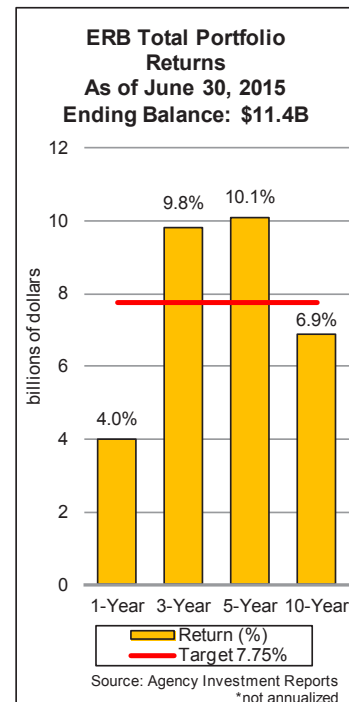
**Asset Values for Fiscal Year Ended June 30, 2015**  
(in billions)

Annual	ERB	PERA	LGPF	STPF	Total
Asset Values	\$ 11.4	\$ 14.5	\$ 14.8	\$ 4.5	\$ 45.2
Value Change	\$ 0.1	\$ (0.1)	\$ 0.6	\$ (0.1)	\$ 0.5
Percent Change	0.9%	-0.7%	4.2%	2.2%	1.1%

Source: Investment Agency Reports

**Short- and Long-Term Returns.** The one-, three-, and five-year returns for the investment agencies' portfolios challenged their respective annual targets, 7.5 percent for SIC and 7.75 percent for ERB and PERA. Ten-year returns fell short of long-term targets because they reflect investment performance during the years of the global financial crisis and subsequent recovery. Also, long-term returns were penalized by policy restrictions that, at the time, did not permit investment in potentially more profitable but riskier alternative investment classes.

Differences in the performance of the three investment agencies can be explained by how the returns generated by these agencies differed from that of

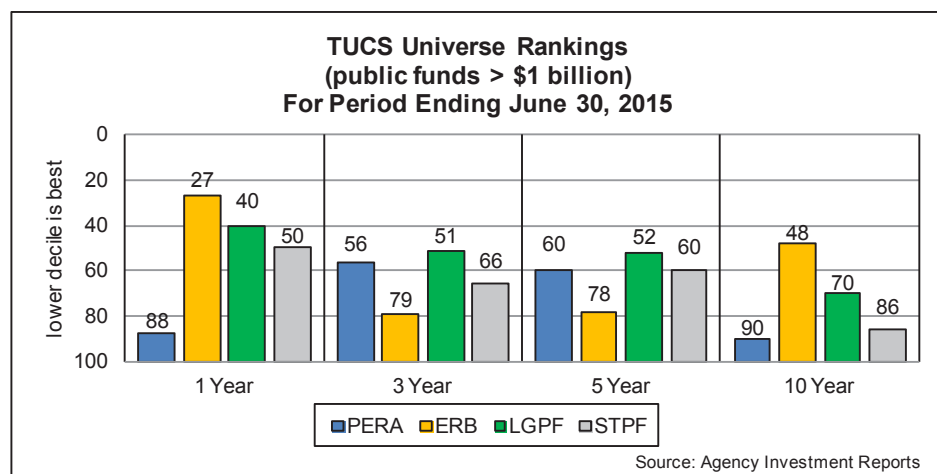
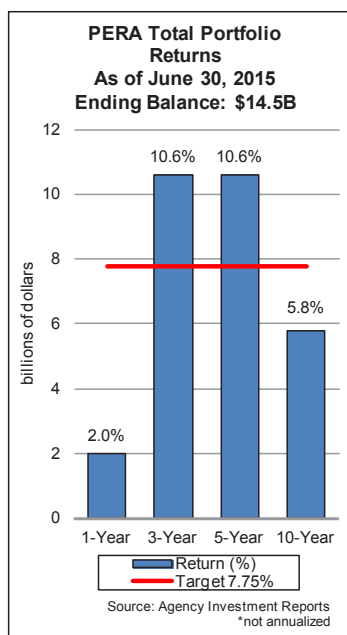




# Investments Report

the typical institutional investment fund, the role of a strategic asset allocation in an investment program and how management and consultants added or subtracted value.

**Peer Comparisons.** The funds' performances are mixed when compared with similar public funds. All of the funds, except the PERA fund, outperformed the median of the peer funds in the one-year period while none of the New Mexico investment funds did better than the median in the three-, five- and ten-year periods.



To compare the three investment plans on a similar basis, analysts use the Wilshire Trust Universe Comparison Service (TUCS), a national benchmark service for the performance and allocation of institutional assets that includes comparison with approximately 77 public funds with more than \$1 billion in assets. Over the course of the one fiscal year, the ERB fund outperformed and ranked high in the second quartile, exceeding the ranking of the LGPF and STPF, which ended in the 40th and 50th percentile respectively, while the PERA fund struggled, ending the year in the 88th percentile. Over the three-, five, and ten-year periods, all but one of New Mexico investment funds' rankings among peer funds fell below the median; the ERB fund was in the 48<sup>th</sup> percentile on the 10-year ranking. On the three-year and five-year rankings, the LGPF was the best performer among New Mexico funds, with returns that put it in the 51<sup>st</sup> percentile for the three-year returns and in the 52<sup>nd</sup> percentile for the five-year returns.

Staff from all three investment agencies acknowledges their respective performance rankings over the time periods reviewed are impacted by policy limitations of their asset allocations and by extreme economic conditions due to the recession. Since the market downturn of 2008, SIC, ERB, and PERA have broadly diversified and rebalanced their portfolio holdings through investments in alternative assets, such as real assets, real estate, and private equity, as well as sought to increase the overall liquidity of the portfolios through investments in shorter term, higher liquid investments. As the agencies adjusted their investment policies to permit increasingly diversified portfolios, the volatility of equity markets had a stronger impact on their returns, which is reflected in the short-term performance rankings. If the investment agencies continue to meet

# Investments Report

or exceed their annual return targets in the short- and mid-terms, the long-term (10 years and greater) performance rankings should improve over time.

**Management Fees.** For FY15, ERB reported paying fees equal to 73 basis points, or 0.73 percent, of its fund value, the highest proportion among the investment agencies.

**FY15 Investment Portfolio Fees**

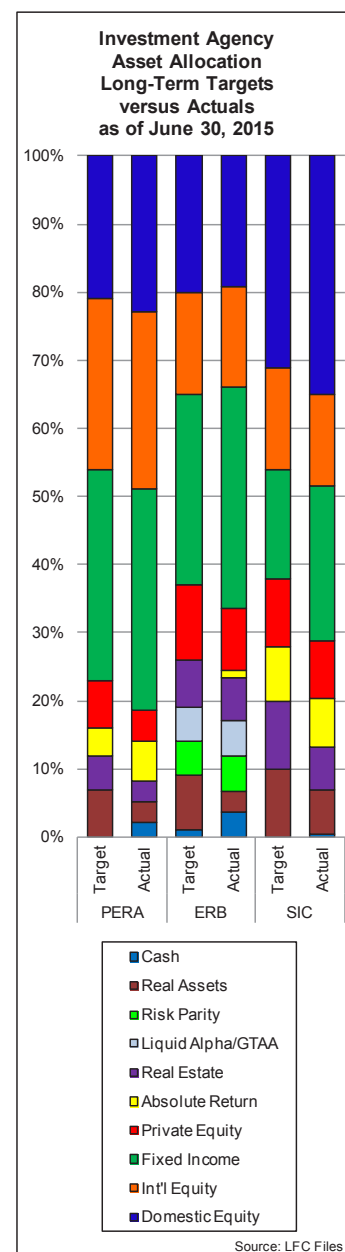
	Management Fees	Performance Fees	Total Fees	Annual Cost (in basis points)
ERB	\$ 99,904,034	\$ 28,818,863	\$128,722,897	73
PERA	\$ 65,470,351	\$ 33,571,215	\$ 99,041,566	42
SIC	\$119,052,445	\$ 34,104,695	\$153,157,140	57

Source: Investment Agency Reports

This may be attributed, in large part, to the portfolio's sizable allocation increase to opportunistic credit investments. This is an alternative investment category with a risk profile higher than traditional investments, although lower in risk than private equity various and other alternative investments. Because of the need for greater diligence, higher risk assets generally cost more to manage. The opportunistic credit investments have performed well for the ERB portfolio. PERA and SIC have little to no investments in this asset class.

PERA presented the lowest dollar amount and proportion of fees paid by the three investment agencies for investments during the fiscal year, with \$99 million spent for management and performance, an amount equal to 42 basis points, or 0.42 percent of the fund value. PERA has actively pursued lowering their management fees. The majority of management fees were attributed to the alternative investments allocation, with hedge funds accounting for nearly 40 percent of all fees.

SIC paid a large portion of its fees in fiscal year 2015 for investments in hedge funds and credit and structured finance. As fees tend to be driven by strategic asset allocation and risk profile, SIC exhibits a broadly diversified investment program for which performance becomes a larger cost. SIC spent both the largest proportion on fees and the highest dollar amount, although the significantly larger funds it manages explains much of the higher cost.



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# PERFORMANCE REPORTS

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# Accountability in Government

In recent years, tight budgets posed significant challenges for agencies; some used performance data to prioritize efforts and allocate limited resources. The 2017 budget year provides an opportunity to strategically address some long-standing challenges for the state; however, to make the most of the opportunity, agencies need to more effectively use performance indicators and tools, such as cost-benefit analysis, to ensure limited resources are used to cut ineffective programs and bolster effective ones.

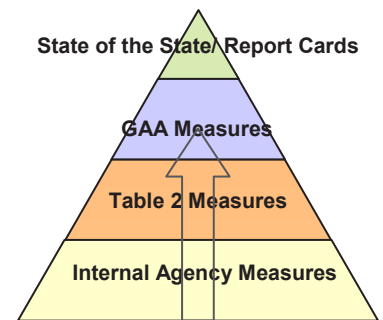
The Accountability in Government Act (AGA) traded budget flexibility for information about how state agencies economically, efficiently, and effectively carry out their responsibilities and provide services. Prior to the AGA, agency appropriations were tightly controlled by the Legislature with attention paid to individual budget line items and incremental spending of salaries, office supplies, travel, etc. After the AGA, the focus switched to results as measured by performance (inputs, outputs, outcomes, etc).

**Report Cards.** To facilitate reviews of agency performance, LFC developed a dashboard report, a report card, to add emphasis and clarity to the reporting process and focus budget discussion on evidence-based initiatives and programming. Criteria for rating performance were established with consideration for improvement or decline in performance and deference to economic conditions, austerity measures, etc. In general, green ratings indicate performance achievement; red ratings are not necessarily a sign of failure but do indicate a problem in the agency's performance or the validity of the measure. Yellow ratings highlight a narrowly missed target, significantly improved or a slightly lower level of performance. Performance criteria and elements of good performance measures are reviewed on the following pages. While the report cards are generally good tools, there is room for improvement – in reporting results, measuring the right things, benchmarking to national and state data, developing corrective action plans, and making a stronger connection to agency budgets.

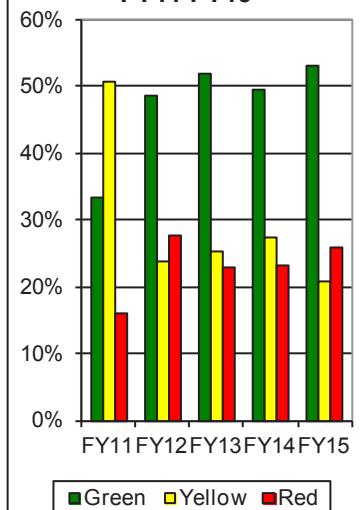
**FY15 Performance and Future Outlook.** Fiscal year 2015 report cards showed a decrease in yellow ratings, a slight increase in green ratings and red ratings as agencies continue to struggle implementing evidence-based investments and strategies. Some outcome measures indicate a need to address items such as poor year-over-year job growth, reading proficiency in schools, Medicaid measures to assess quality of care and efficiency, behavioral health services, child maltreatment cases, and recidivism rate of inmates. Performance results continue to miss targets due to high staff vacancy rates that continue to negatively impact agencies, including problems with recruitment and retention. For FY17, agencies requested substantial funding increases; however, relatively few requests were based on results or tied to higher performance levels.

In accordance with the provisions of the AGA, the ability of LFC and its staff to improve measures is limited, as fundamental authority over performance reporting resides in the executive. The Department of Finance and Administration (DFA) approves new measures and deletes others, and LFC's role is that of consultation.

## Performance Measure Hierarchy



## Report Card Program Rating Performance Summary FY11-FY15



Source: LFC Files



PERFORMANCE REPORT CARD CRITERIA  
LEGISLATIVE FINANCE COMMITTEE

<p><b>Process</b></p> <ul style="list-style-type: none"> <li>• Data is reliable.</li> <li>• Data collection method is transparent.</li> <li>• Measure gauges the core function of the program or relates to significant budget expenditures.</li> <li>• Performance measure is tied to agency strategic and mission objectives.</li> <li>• Performance measure is an indicator of progress in meeting annual performance target, if applicable.</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Agency met, or is on track to meet, annual target.</li> <li>• Action plan is in place to improve performance.</li> </ul> <p><b>Management</b></p> <ul style="list-style-type: none"> <li>• Agency management staff use performance data for internal evaluations.</li> </ul>	<p><b>Process</b></p> <ul style="list-style-type: none"> <li>• Data is questionable.</li> <li>• Data collection method is unclear.</li> <li>• Measure does not gauge the core function of the program or does not relate to significant budget expenditures.</li> <li>• Performance measure is not closely tied to strategic and mission objectives.</li> <li>• Performance measure is a questionable indicator of progress in meeting annual performance target, if applicable.</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Agency is behind target or is behind in meeting annual target.</li> <li>• A clear and achievable action plan is in place to reach goal.</li> </ul> <p><b>Management</b></p> <ul style="list-style-type: none"> <li>• Agency management staff does not use performance data for internal evaluations.</li> </ul>	<p><b>Process</b></p> <ul style="list-style-type: none"> <li>• Data is unreliable.</li> <li>• Data collection method is not provided.</li> <li>• Measure does not gauge the core function of the program or does not relate to significant budget expenditures.</li> <li>• Performance measure is not related to strategic and mission objectives.</li> <li>• Performance measure is a poor indicator of progress in meeting annual performance target, if applicable.</li> <li>• Agency failed to report on performance measure and data should be available.</li> </ul> <p><b>Progress</b></p> <ul style="list-style-type: none"> <li>• Agency failed, or is likely to fail, to meet annual target.</li> <li>• No action plan is in place for improvement.</li> </ul> <p><b>Management</b></p> <ul style="list-style-type: none"> <li>• Agency management staff does not use performance data for internal evaluations.</li> </ul>

ACCOUNTABILITY IN GOVERNMENT  
Performance Measure Guidelines

Elements of Good Performance Measures	Agency Quarterly Reports	Elements of Key Agency Reports
<p>Ideal performance measures should be</p> <ul style="list-style-type: none"> <li>• <b><u>Useful:</u></b> Provide valuable and meaningful information to the agency and policymakers</li> <li>• <b><u>Results-Oriented:</u></b> Focus on outcomes</li> <li>• <b><u>Clear:</u></b> Communicate in a plain and simple manner to all stakeholders (employees, policymakers, and the general public)</li> <li>• <b><u>Responsive:</u></b> Reflect changes in performance levels</li> <li>• <b><u>Valid:</u></b> Capture the intended data and information</li> <li>• <b><u>Reliable:</u></b> Provide reasonably accurate and consistent information over time</li> <li>• <b><u>Economical:</u></b> Collect and maintain data in a cost-effective manner</li> <li>• <b><u>Accessible:</u></b> Provide regular results information to all stakeholders</li> <li>• <b><u>Comparable:</u></b> Allow direct comparison of performance at different points in time</li> <li>• <b><u>Benchmarked:</u></b> Use best practice standards</li> <li>• <b><u>Relevant:</u></b> Assess the core function of the program or significant budget expenditures</li> </ul>	<p>Each quarterly report should include the following standard items</p> <ul style="list-style-type: none"> <li>• Agency mission statement</li> <li>• Summary of key strategic plan initiatives</li> <li>• Program description, purpose and budget by source of funds</li> <li>• How the program links to key agency initiatives, objectives, and key performance measures</li> <li>• Action plan describing responsibilities and associated due dates</li> </ul>	<p>Key Measure reporting should include</p> <ul style="list-style-type: none"> <li>• Key performance measure statement</li> <li>• Data source to measure key measure results</li> <li>• Four years of historical data (if available)</li> <li>• Current quarter data (both qualitative and quantitative)</li> <li>• Graphic display of data as appropriate</li> <li>• Explanation for measures 10 percent or more below target</li> <li>• Proposed corrective action plan for performance failing to meet target</li> <li>• Action plan status</li> <li>• Corrective action plan for action plan items not completed</li> </ul>

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# Children, Youth & Families

Performance in FY15 for key intervention programs like Protective Services and Juvenile Justice Services fell short of targets and, for some measures was worse than in FY14 because the mission of these programs is to intervene when a family is in or on the verge of crisis, weak performance can cascade into long-term social and economic costs for the state. However, early prevention services provided by the Early Childhood Services program met most performance targets for childcare assistance and prekindergarten (pre-k).

**Juvenile Justice.** LFC staff identified performance concerns early in FY15. The program continued on a downward performance trend. Juveniles in secure facilities experienced increased incidents of both use of force by staff and youth-on-youth violence. Additionally while 7 percent of youth transitioned into an adult correctional facility in FY14; this rate rose to almost 12 percent in FY15. These performance measures are considered key indicators of the secure juvenile service system. Despite implementing an action plan of best-practice policies to de-escalate incidents and avoid injuries in FY14, high turnover rates for youth care specialists may be contributing to the performance decline. In FY15, turnover increased to 22 percent, an increase of 8 percent. The agency reported it is currently evaluating several recruitment and retention strategies to stabilize the workforce.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities	9.0%	9.7%	9.0%	7.6%	G
Percent of incidents in juvenile justice facilities requiring use of force resulting in injury	1.8%	2.2%	1.5%	1.6%	Y
Percent of juvenile justice facility clients age eighteen and older who enter adult correction within two years after discharge from a juvenile justice facility	n/a	7.1%	6.0%	11.9%	R
Percent of clients re-adjudicated within two years of previous adjudication	5.8%	6.0%	5.8%	6.4%	R
Number of client-on-client physical assaults in juvenile justice facilities	n/a	270	<260	286	R
Percent of clients who successfully complete formal probation	92.1%	81.8%	70%	83.2%	G

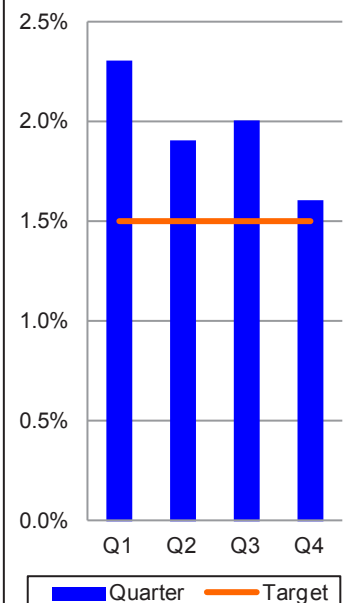
## KEY ISSUES

The Children, Youth and Families Department fell short of its targets including those for the use of force in juvenile justice facilities and children subjected to repeat maltreatment. Performance in the Juvenile Justice Services (JJS) Program continues to slide and caseworker turnover rates are still high. JJS is implementing performance-based-standards and is collecting and analyzing data to develop reforms. Additionally, employee retention opportunities are under evaluation.

## AGENCY IMPROVEMENT PLANS

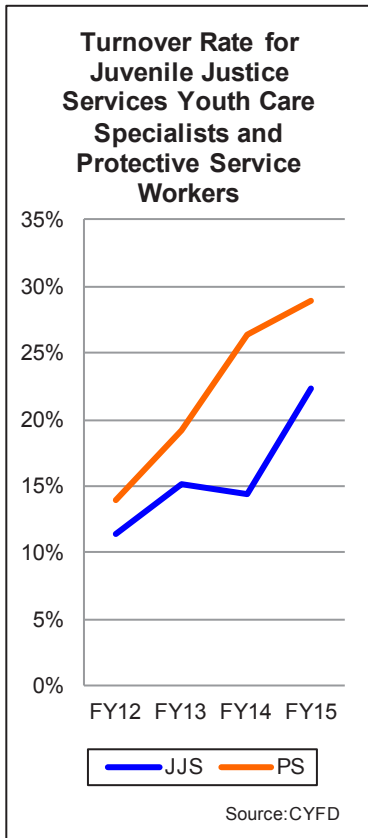
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned by agency?	Yes

**Percent of Incidents in Juvenile Justice Facilities Requiring Use of Force Resulting in Injury**



Source: CYFD

# Children, Youth & Families



High child welfare frontline worker turnover has significant financial costs and negative outcomes for children. Additionally, research indicates high turnover rates may be linked to organizational factors, such as climate, culture, and direct supervisor satisfaction.

Turnover rate for youth care specialists

15.2% 14.4% 15.0% 22.4%

**R**

Program Rating

**Y**

**Protective Services.** One of the most worrisome performance results is the percent of children subjected to substantiated repeat maltreatment. Continued encounters of adverse childhood experiences affect a child's emotional, physiological, behavioral health, and socioeconomic disparities. To improve the outcomes for children and families who come into contact with Protective Services, the Legislature increased funding by \$2.2 million for the care support of children in custody, \$2.2 million to pilot prevention and intervention services at family support and child advocacy centers statewide, \$700 thousand for supportive housing to stabilize families, and \$2.2 million and an additional 45 FTE to reduce caseloads. In New Mexico, average caseloads were significantly higher than the national average, resulting in high staff burnout and turnover. The national caseload average for child protective services investigators is 69 annually; however, CYFD investigators average 89 investigations per worker annually. It will take significant effort to fill new and currently vacant FTE to reduce caseloads, and the agency recently reported over 30 individuals have been hired as a result of the Rapid Hire program.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	91.3%	88.8%	93.0%	89.1%	<b>R</b>
Percent of children who are not the subject of substantiated maltreatment while in foster care	99.7%	99.9%	99.7%	99.8%	<b>G</b>
Percent of children reunified with their natural families in less than twelve months of entry into care	62.4%	59.4%	65.0%	64.1%	<b>Y</b>
Percent of children in foster care for twelve months with no more than two placements	76.6%	76.8%	80.0%	73.8%	<b>R</b>
Percent of children adopted within twenty-four months from entry into foster care	31.3%	31.8%	32.0%	32.1%	<b>G</b>
Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan	92.3%	92.0%	93.0%	95.0%	<b>G</b>
Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services	87.7%	87.0%	90.0%	90.8%	<b>G</b>

# Children, Youth & Families

Turnover rate for protective service workers 19.2% 26.4% 25.5% 29.0% **R**

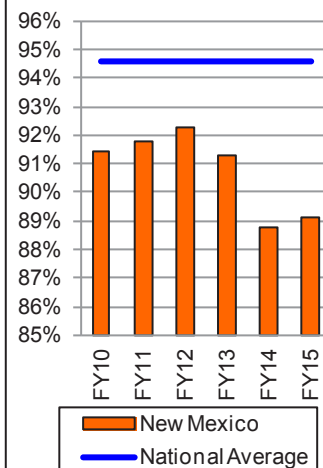
Program Rating **Y**

**Early Childhood Services.** The goal of increasing childcare quality is to improve the health and well-being of children, including school success. Research indicates evidence-based quality early care and development improves outcomes for children and reinforces the need for continued investment. To achieve this, CYFD is transitioning from a workforce support system to a care-oriented system focused on early development and education. The Early Childhood Services program exceeded targets for performance measures focused on quality early learning programs. In particular the percent of children showing measurable progress on the readiness for kindergarten tool is very promising. Additional performance measures regarding the third-generation tiered quality rating and improvement system, Focus, will begin FY16. The agency has agreed to additional measures in FY17 and will continue focusing on incrementally adding outcome-based performance measures to ensure continued quality improvement and transparency.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of children receiving state subsidy in Stars/Aim High programs level three through five or with national accreditation	39.5%	41.4%	35.0%	48.1%	<b>G</b>
Percent of licensed child care providers participating in Stars/Aim High programs levels three through five or with national accreditation	32.3%	31.6%	30.0%	33.3%	<b>G</b>
Percent of children in state-funded prekindergarten showing measurable progress on the preschool readiness for kindergarten tool	n/a	90.2%	92.0%	94.2%	<b>G</b>
Percent of mothers participating in home visiting identified as having symptoms of postpartum depression and referred to services and receiving services	36.7%	30.2%	35.0%	31.0%	<b>Y</b>

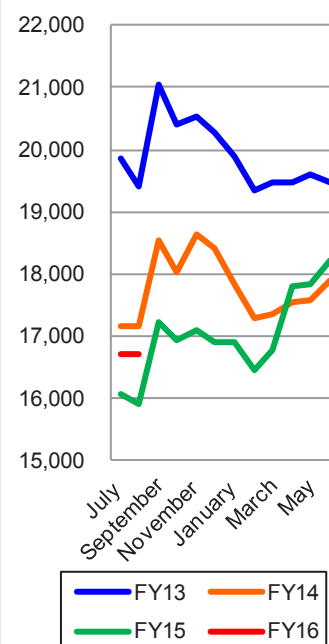
Program Rating **G**

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



\*National Average 94.6%  
Source: CYFD/NCANDS

## Childcare Assistance Enrollment by Fiscal Year (as of August 2015)



Source: CYFD



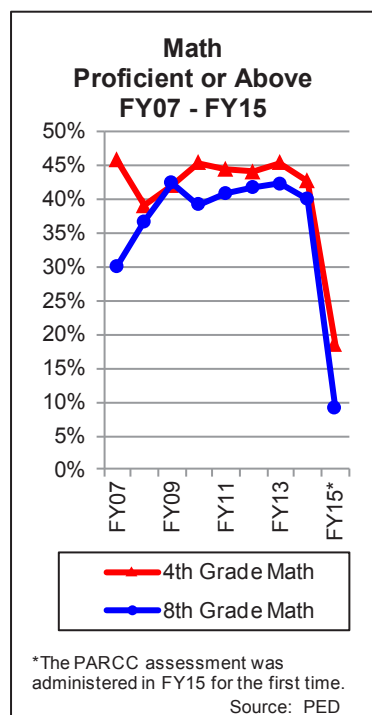
# Public Education

## KEY ISSUES

Although late, the news about the results of new standards-based assessments during the 2014-2015 school year were unsurprising: Student proficiency scores slipped, a reflection of increased rigor in the new tests, and fell short of performance targets. While the Public Education Department (PED) met many FY15 targets, performance in many areas lags FY14 and data quality continues to be a concern. Incremental progress is being made; however, neither the department, school districts, nor charter schools appear to have a plan to significantly improve student outcomes.

## AGENCY IMPROVEMENT PLANS

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



Although a delay in the reporting on student testing results meant many performance measures were still up in the air at the end of the fiscal year, assessment results were finally reported in October 2015. As expected, results declined from FY14 levels; however, FY15 is not easily compared with previous years because the new test is aligned with new content standards. Graduation rates are down, particularly for African-American, Native American, low-income, and disabled students and the number of New Mexico high school graduates needing remedial education in college remains high. Some programs targeting students at risk of failing due to their level of income, English skill, or other factor appear to be helping close the achievement gap, though the department does not report performance related to many of these initiatives.

**Student Performance.** As expected, FY15 student proficiency rates declined from FY14, the result, according to PED, of the implementation of new standards-based assessments developed by the Partnership for Assessment of Readiness for College and Careers (PARCC) that reflect the national common core content standards. New Mexico student performance is benchmarked against students from 10 other states – Arkansas, Colorado, Illinois, Louisiana, Maryland, Massachusetts, Mississippi, New Jersey, Ohio, and Rhode Island – and the District of Columbia. As of November 2015, New Mexico's performance could not be compared with these states. The percentage of third, fourth, and eighth grade students reading on grade level are 24.9 percent, 23.7 percent, and 22.8 percent respectively, while the percentage of third, fourth, and eighth grade students doing math on grade level are 25.2 percent, 18.5 percent, and 9.1 percent. These results are significantly below FY14 results.

**High School Graduates.** The statewide four-year cohort graduation rate declined 1 percentage point in FY14 to 69.3 percent, short of the 75 percent target. The FY14 graduation rate for African-Americans, Native Americans, economically disadvantaged students, and students with disabilities decreased more than the statewide average; however, the graduation rate for Hispanic students declined 0.3 percentage points, less than a third of the statewide decrease. The number of students needing remedial courses at New Mexico institutions of higher education continues to be higher than desired, indicating high schools are graduating students ill-equipped for college. School districts and charter schools should continue to work to identify students at risk of dropping out earlier and create high school programs that keep students engaged and effectively prepared for college or the workforce.

**School Performance.** School grades are based largely on student performance on the PARCC assessment. As of November 2015, it was unclear how school grades would be affected by the declines in performance on the PARCC assessment and if the department would be issuing FY15 school grades.

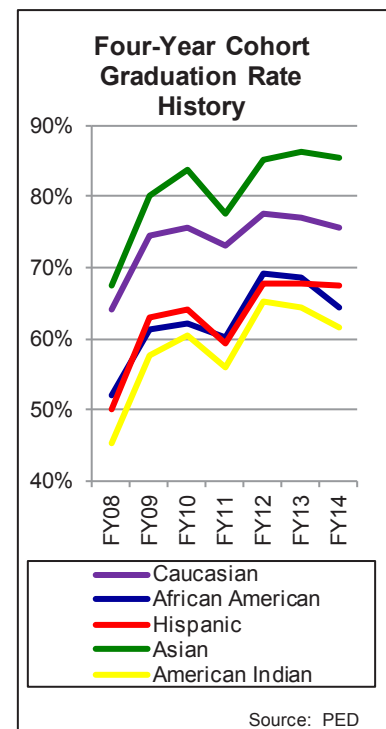
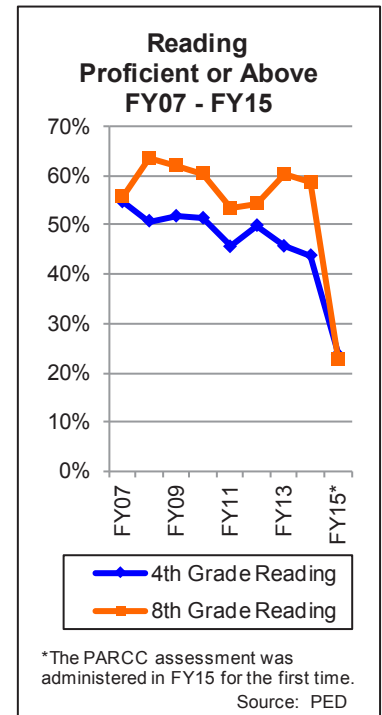
**Teacher Evaluations.** Fiscal year 2015 marks the second year of implementation of the state's new teacher and school leader evaluation

system. The use of student test scores to evaluate teacher performance continues to be controversial and concern exists about the accuracy of data used to calculate teacher effectiveness. Results from FY15 show 73.8 percent of teachers were rated effective, highly effective, or exemplary, a decrease of 4.4 percentage points from FY14. Changes to the evaluation system in FY15 included reducing the use of student achievement data for teachers with less than three years of student achievement data. For the second year in a row, the student achievement measure identified more teachers at both the highest and lowest performance levels, while the observation measure identified more teachers in the middle performance levels. Despite concerns, the evaluation system provides meaningful data that will allow policymakers to address and improve school personnel policies concerning professional development, promotion, compensation, and tenure.

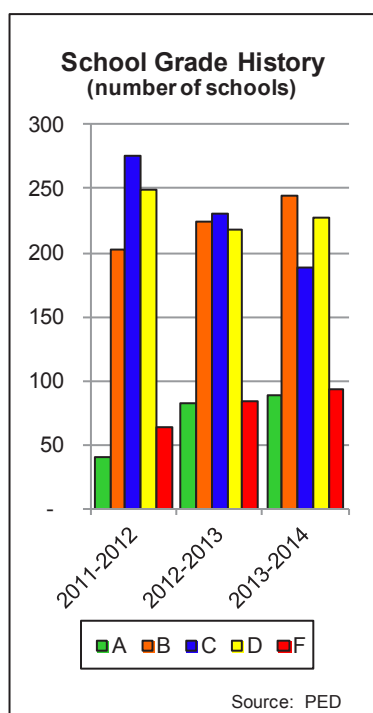
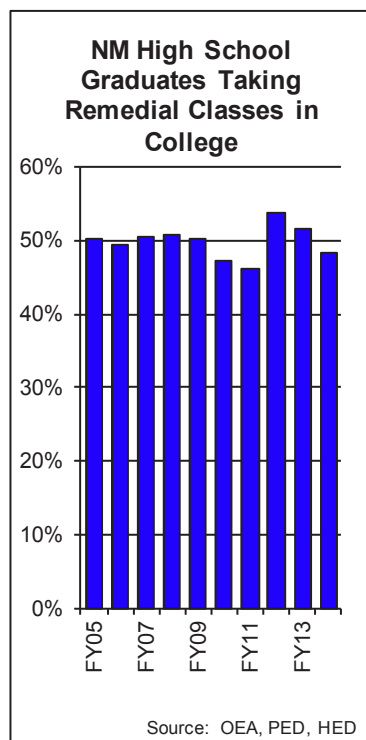
Performance measures for public school support provide a snapshot of student performance when data is available, generally after the end of the school year. Little or no consistent student performance data is available for policymakers through the year, despite widespread use of short-cycle assessments. Ideally, statewide short-cycle assessment data should be collected and reported at least three times a year. Additional benefits of intermediate reporting of student academic performance include providing teachers the data necessary to inform instructional practices throughout the year and assisting PED in determining how to better support schools.

As noted above, student proficiency results reported below are significantly below FY15 results because of the administration of a new test in FY15. Over time, results are expected to improve.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of fourth-grade students who achieve proficiency or above on standards-based assessments in reading	45.7%	43.8%	52.0%	23.7%	R
Percent of eighth-grade students who achieve proficiency or above on standards-based assessments in reading	60.2%	58.7%	63.0%	22.8%	R
Percent of fourth-grade students who achieve proficiency or above on standards-based assessments in mathematics	45.4%	42.7%	50.0%	18.5%	R
Percent of eighth-grade students who achieve proficiency or above on standards-based assessments in mathematics	42.2%	40.0%	50.0%	9.1%	R



# Public Education



Percent of recent New Mexico high school graduates who take remedial courses in higher education at two-year and four-year schools

51.5% 48.4% <40.0% N/A N/A

Current four-year cohort graduation rate using shared accountability

70.3% 69.3% 75.0% N/A N/A

Program Rating **R**

**Department Operations.** PED provides program and fiscal oversight of public schools to ensure accountability for almost half of the state budget. PED reports many FY15 performance targets were met, though performance in some areas lagged FY14 levels and the quality of the data continues to be a concern. For example, the average processing time for direct grant and federal budget adjustment requests increased in FY15 but is below the targeted number of days.

**Unit Value.** PED set the initial FY15 unit value within 0.5 percent of the final unit value, well within the 2 percent target. However, the department reverted more than \$15 million in state equalization guarantee distribution funding. For the past few years, PED has set the final unit value with conservative estimates of federal impact aid, payments made to districts to compensate for the loss of property tax revenue and other issues associated with federal activity within the district. This conservative approach led to large year-end reversions.

**Department Initiatives.** PED continues to advance initiatives aimed at improving student outcomes, including a school grading system, common core state standards, the new PARCC assessment, a teacher and school leader evaluation system, targeted interventions for low-performing schools, a new graduation initiative, an early warning system, an alternative compensation pilot, and an early literacy intervention program. Rapid implementation of high-profile initiatives continues to prove challenging and few performance measures exist for department initiatives.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of teachers passing all strands of professional dossiers on the first submittal	84.0%	79.5%	80.0%	76.0%	Y
Number of data validation audits of funding formula components annually	20	0	35	13	Y
Number of elementary schools participating in the state-funded elementary school breakfast after the bell program	159	181	Explanatory	226	G
Number of eligible children served in state-funded prekindergarten	5,068	6,808	Explanatory	8,604	G

Program Rating **Y**



Over the last four years, the Higher Education Department (HED) and the state's colleges and universities focused intensely on improving the higher education instruction and general (I&G) funding formula. In turn, institutions concentrated on ways to improve student performance and did so during challenging times when enrollments grew significantly during the recession and more students lacked sufficient preparation for completing college-level work. Efforts to improve certificate and degree production have paid off in terms of overall degrees awarded; however, the wide variation among institutions in retention and completion rates indicates the need for more specific and more frequently reported data that better defines performance gaps. This will allow institutions to deploy strategies to improve performance more quickly and provide stakeholders with a more accurate representation of the higher education landscape.

**Student Retention.** Generally, student retention has improved or remained level among most institutions. An important measure for institutions, student retention is a strong indicator of student completion rates and predictor of student loan default rates. New Mexico has one of the lowest levels of student debt in the nation but also the highest default rate. New Mexico institutions, with their various missions and student populations, face differing challenges and levels of success in student retention efforts. Statistically significant declines in overall enrollment are frequently reflected in lower retention rates for first-year students.

**Research Universities.** Nearly half of four-year institutions exceeded prior-year levels for fall-to-fall retention of students in the 2014 cohort. Research institutions report mixed results in fall-to-fall retention rates. Of the three research institutions, one experienced a decline in retention, one remained flat, and one experienced a slight improvement.

Measure: First-Time, Full-Time (FT/FT) Student Fall-to-Fall Retention	Fall 2012 to Fall 2013 Actual	Fall 2013 to Fall 2014 Actual	Fall 2014 to Fall 2015 Target	Fall 2014 to Fall 2015 Actual	Rating
New Mexico Institute of Mining and Technology (NM Tech)	76.6%	78.8%	77.0%	75.1%	Y
New Mexico State University (NMSU)	74.0%	74.0%	74.0%	74.0%	G
University of New Mexico (UNM)	77.7%	79.1%	79.2%	79.5%	G
Program Rating					G

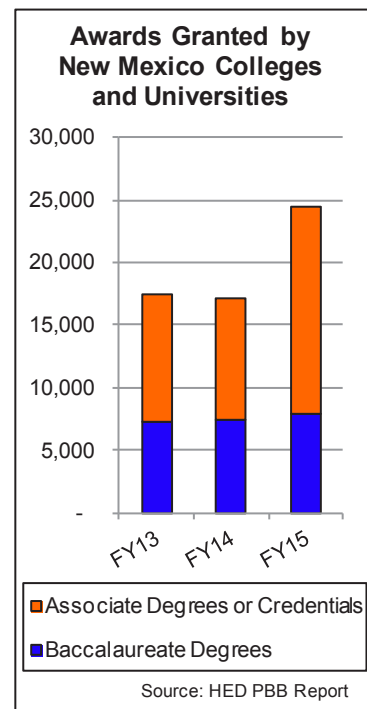
**Comprehensive Institutions.** Comprehensive colleges and universities continue to struggle with retention. These institutions have broader admissions policies and frequently serve an older student population that requires more remediation and pre-college academic preparation. Similar to research universities, comprehensive institutions employ various techniques and programs to improve student engagement on

## KEY ISSUES

The Higher Education Department and the state's 25 colleges and universities reported mixed results on student retention and program completion. Institutions serving traditional-age students maintained or slightly improved their performance. Many institutions serving adult, generally part-time students achieved less success at retaining and graduating students. While institutions have strategic plans and policies to improve student performance, the department does not yet have a statewide plan to increase the number of New Mexicans with postsecondary credentials and degrees or close the achievement gaps for particular students.

## AGENCY IMPROVEMENT PLANS

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



# Higher Education

## Retention and Student Loan Default Rates

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

New Mexico's student loan default rates for the FY12 three-year cohort are the highest in the nation at 20 percent, well above the average of 11.4 percent across all states and territories.

## Institutional Student Loan Three-Year Default Rate by Institutional Type (FY12)

	0 - 10%	11 - 20%	21 - 30%+
Research	1	2	0
Comprehensive	0	3	1
Two-Year	0	2	6

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

## Institutional Strategies to Improve Student Performance






The majority of institutions are

- Making tutoring available on request
- Referring students for additional writing or math help and
- Using data systems to "trigger" faculty and advisor intervention based on student performance.
















Many institutions are

- Using student learning and living cohorts based on academic year or academic program;
- Providing summer academic "boot camps" to better prepare first-year students and eliminate remedial work;
- Contacting students for early registration for the following semester;
- Reviewing program credit requirements to ensure students can graduate on time;
- Publishing clear academic pathways or degree maps for students, faculty, and advisors; and
- Contacting students near graduation to identify and eliminate barriers to completion.

campus and in the classroom, structure clear academic pathways, and provide necessary instructional aids to complement classroom instruction.

First-Time, Full-Time (FT/FT) Student Fall-to-Fall Retention	Fall 2012 to Fall 2013 Actual	Fall 2013 to Fall 2014 Actual	Fall 2014 to Fall 2015 Target	Fall 2014 to Fall 2015 Actual	Rating
Eastern New Mexico University (ENMU)	58.1%	59.3%	64.0%	58.1%	
New Mexico Highlands University (NMHU)	47.2%	48.4%	53.0%	52.4%	
Northern New Mexico College (NNMC)	55.0%	39.0%	66.5%	54.0%	
Western New Mexico University (WNMU)	52.3%	56.8%	53.0%	51.5%	
Program Rating					

**Community Colleges.** Two-year institutions also continue to struggle to retain students, attributable to stronger regional economies and students' lack of college readiness. Colleges have implemented programs to improve initial course placement, require academic counseling, and jump-start college preparedness – from academic boot camps to subject-specific labs and tutorials to teach writing, studying, and time-management skills.

First-Time, Full-Time (FT/FT) Student Fall-to-Spring Retention	Fall 2012 to Spring 2013 Actual	Fall 2013 to Spring 2014 Actual	Fall 2014 to Spring 2015 Target	Fall 2014 to Spring 2015 Actual	Rating
ENMU–Roswell	74.2%	74.2%	76.2%	74.2%	
ENMU–Ruidoso	74.0%	65.8%	68.0%	55.8%	
NMSU–Alamogordo	75.2%	70.6%	79.8%	72.0%	
NMSU–Carlsbad	66.2%	68.2%	70.0%	71.2%	
NMSU – Dona Ana	77.8%	79.3%	81.0%	79.2%	
NMSU–Grants	76.9%	63.5%	78.0%	67.2%	
UNM–Gallup	83.5%	80.4%	84.0%	81.8%	
UNM–Los Alamos	79.6%	74.0%	79.5%	80.0%	
UNM–Taos	79.6%	71.3%	80.0%	74.4%	
UNM–Valencia	81.4%	78.0%	80.0%	77.6%	
Central New Mexico Clovis CC	81.7%	80.4%	83.0%	82.2%	
Luna CC	70.8%	71.6%	74.0%	83.1%	
Mesalands CC	61.8%	67.5%	70.0%	58.3%	
Mesalands CC	51.4%	52.7%	70.0%	73.9%	
NM Junior College	87.1%	79.7%	80.0%	83.2%	

# Higher Education

San Juan College	82.5%	74.6%	83.0%	82.7%	<b>G</b>
Santa Fe CC	78.8%	78.3%	79.0%	77.9%	<b>R</b>
<b>Program Rating</b>					<b>Y</b>

**Program Completion and Graduation.** Many colleges and universities are experiencing higher program completion than in prior years due to peak enrollments in recent years and institutional efforts. With the state's increased allocation of general fund appropriations based on student outcomes, most institutions report increasing certificate and degree totals. Notably, this improvement is not reflected in the Accountability in Government Act (AGA) measure, which reports completion rates (versus numbers) for a small portion of the students attending institutions – first-time, full-time students (FT/FT), excluding transfer students and students who stopped-out of college and returned.

Six-Year Completion Rates for First-Time, Full-Time Degree-Seeking Students	Fall 2007 to Summer 2013 Actual	Fall 2008 to Summer 2014 Actual	Fall 2009 to Summer 2015 Target	Fall 2009 to Summer 2015 Actual	Rating
NM Tech	44.2%	45.1%	48.0%	49.0%	<b>G</b>
NMSU	43.0%	46.0%	47.0%	42.0%	<b>R</b>
UNM	48.2%	47.6%	48.0%	49.0%	<b>G</b>
ENMU	28.4%	27.1%	30.0%	31.8%	<b>G</b>
NMHU	18.4%	17.2%	20.0%	17.9%	<b>Y</b>
NNMC	50.0%	52.0%	25.0%	16.0%	<b>R</b>
WNMU	22.7%	20.9%	23.0%	25.0%	<b>G</b>
<b>Program Rating</b>					<b>Y</b>

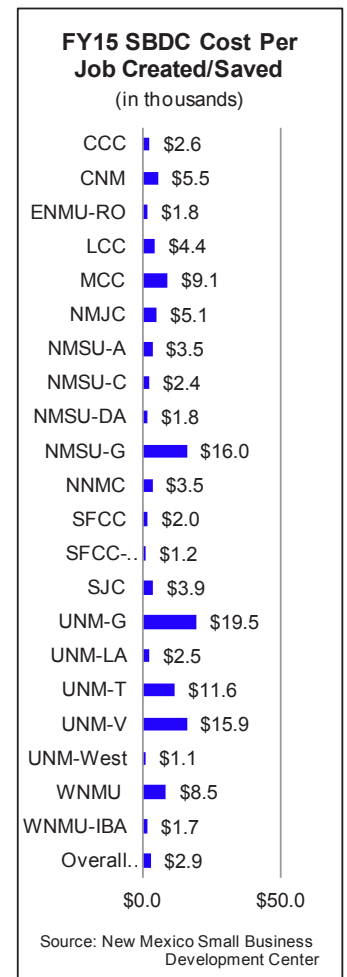
**Community Colleges.** Two-year institutions have implemented several programs to help students complete certificate and degree programs in recent years, partially in response to the performance-based I&G funding formula. Although some of these efforts include improved advising and academic supports, other efforts are more administrative in nature, such as removing requirements for students to submit an application for their degree.

Three-Year Completion Rates for First-Time, Full-Time Degree-Seeking Students	Fall 2009 to Spring 2012 Actual	Fall 2010 to Spring 2013 Actual	Fall 2011 to Spring 2014 Target	Fall 2011 to Spring 2014 Actual	Rating
ENMU–Roswell	21.2%	23.3%	17.0%	23.6%	<b>G</b>
ENMU–Ruidoso	13.5%	18.9%	20.0%	16.3%	<b>R</b>
NMSU–Alamogordo	9.9%	8.2%	14.0%	11.0%	<b>Y</b>
NMSU–Carlsbad	9.4%	3.5%	10.0%	3.9%	<b>R</b>
NMSU–Dona Ana	13.6%	12.7%	15.0%	11.2%	<b>R</b>
NMSU–Grants	16.1%	18.3%	22.0%	9.3%	<b>R</b>

## Small Business Development Center

Santa Fe Community College hosts the Small Business Development Center (SBDC), which receives \$4.4 million in general fund support each year to provide confidential consultation for current and future business owners in the areas of business expansion, financing, marketing, and procurement, among other services. In addition to a procurement assistance program and an international business accelerator, SBDC oversees 20 service locations housed in higher education institutions throughout the state.

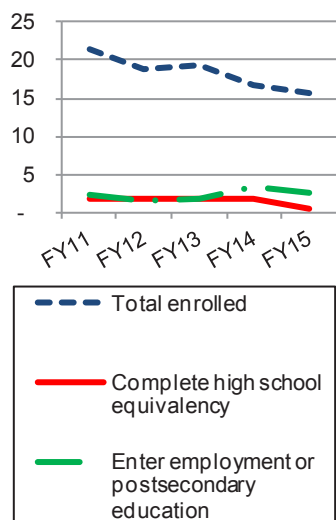
SBDC leverages about \$1.1 million in grants from the U.S. Small Business Administration and the U.S. Defense Logistics Agency each year. As a condition of these federal grants, SBDC must track certified data indicating the number of jobs created or saved in addition to associated costs.





# Higher Education

**Adult Basic Education,  
Student Participation  
and Completion  
(in thousands)**



## High School Equivalency Test Changes

New Mexico's high school equivalency test changed in 2014. The initial vendor of the test, GED Testing Service, overhauled the exam, resulting in

- Generally higher test-taker fees
- Requirements to take the test on a computer and
- A reportedly more difficult test.

The overhaul also meant that students who had previously taken one or more units but had not completed the entire battery of GED tests would have to start over and retake all units. New Mexico added another vendor at the beginning of 2015, Education Testing Service, to the list of accepted tests to obtain a high school equivalency credential. These changes may have resulted in lower high school equivalency credential attainment.

UNM-Gallup	5.5%	6.1%	10.0%	8.6%	Y
UNM-Los Alamos	44.9%	57.6%	60.0%	47.4%	R
UNM-Taos	23.6%	4.2%	20.0%	10.9%	R
UNM-Valencia	10.4%	7.6%	10.0%	9.7%	G
Central New Mexico	10.4%	9.7%	11.0%	13.1%	G
Clovis CC	10.2%	7.5%	14.0%	12.0%	Y
Luna CC	16.9%	19.9%	20.0%	16.9%	R
Mesalands CC	53.5%	25.6%	45.0%	39.6%	Y
NM Junior College	12.8%	13.4%	33.0%	16.6%	Y
San Juan College	15.2%	12.6%	15.0%	13.8%	Y
Santa Fe CC	10.1%	8.6%	11.0%	10.1%	Y
Program Rating					Y

**Higher Education Department (HED).** The department reports on statewide student performance, including those in adult education programs. For the second year in a row, the department reported a decrease in the number of enrolled adults in elementary and secondary education programs. The adult education program also experienced a substantial decline in the number of students who earn a high school equivalency credential, which may be partially attributable to a nationwide overhaul of high school equivalency tests.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of adult education students obtaining employment	1,065	2,021	1,500	1,530	G
Number of adult education students who enter into postsecondary education or training	871	1,299	1,200	947	R
Number of students who earn the high school equivalency credential	1,854	1,733	2,000	594	R
Program Rating					Y

The department revised its performance measures for FY17 to report the percent, rather than number, of eligible adult education students who earn the high school equivalency credential. HED suggests this change will be more meaningful in showing how adult education programs are preparing students, particularly because students enter adult education programs with a widely varying degree of readiness.

# Economic Development Department

New Mexico continues to lag behind neighboring states and the national average for job growth, but the gap narrowed significantly during FY15 compared with prior years. The Economic Development Department (EDD) reported fewer jobs created through department efforts for FY15 than in FY14 despite New Mexico experiencing much greater overall job growth in FY15 and the department spending about twice as much in Local Economic Development Act (LEDA) funds, which increased from \$3.3 million in FY14 to nearly \$7 million in FY15. The FY15 job creation results are only a slight increase from FY13, a year in which EDD received no LEDA funds, and approximately half the new jobs were back office and technical support jobs.

While job creation numbers are lower than would be expected with the economic turnaround and increased LEDA funds, EDD significantly improved data quality in FY15, eliminating the prior issue of inadvertently double-counting select jobs. The agency also voluntarily disqualified projects that appear less likely to create jobs in the immediate future than when announced earlier in the year.

**Economic Development Program.** The NM Economic Development Partnership reported the lowest number of jobs created in a decade, unexpected given the organization's strong performance in FY14. Many of the business recruitment projects the NM Partnership handles take many months or more than a year from inception to announcement, but the results are again at odds with the level of LEDA funding the Legislature provided in FY15 given that LEDA is often cited as a key business recruitment tool. However, the NM Partnership remains a moderately cost-effective job creation program on a cost-per-job basis. The Legislature appropriated an additional \$250 thousand for the NM Partnership for FY16 to market the state, and LFC encourages the organization to work with the Tourism Department to improve its advertising campaign.

The Job Training Incentive Program (JTIP) trained more workers than in any year since FY08; however, the average wage for trainees fell 12 percent below the annual target. Additionally, statute requires at least one-third of JTIP appropriations be spent in rural areas, but data supplied by EDD indicates less than one-third of awards was spent in rural communities in each of the last three years, resulting in a yellow rating for JTIP. However, JTIP exceeded its annual target of assisting eight rural companies, providing training for new employees at 13 rural companies in FY15.

The Economic Development Program as a whole struggled with rural job creation, reaching just 52 percent of the annual target and less than half the number of jobs created in FY13 and FY14.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Total number of jobs created due to economic development department efforts	3,093	3,686	3,000	3,294	<span style="background-color: green; color: white; border-radius: 50%; padding: 2px;">G</span>

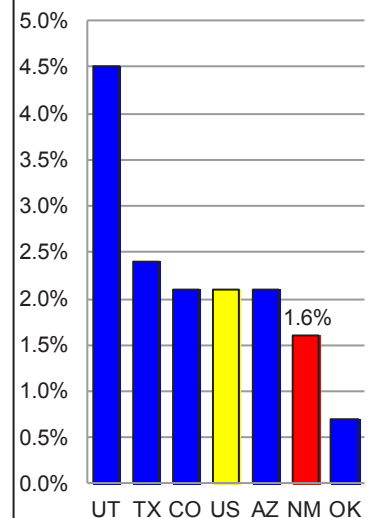
## KEY ISSUES

The Economic Development Department fell short of achieving several performance targets, including number of jobs created by the NM Economic Development Partnership and average wages for jobs funded through the Job Training Incentive Program. The agency does not have a plan to close the gap.

## AGENCY IMPROVEMENT PLANS

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

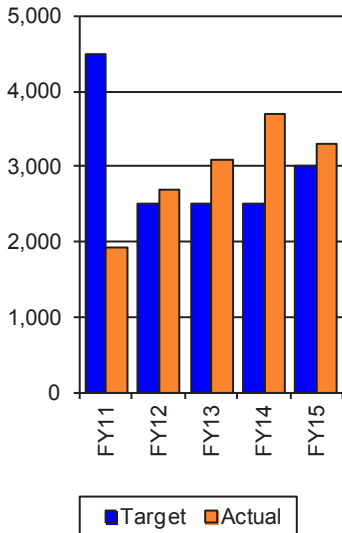
**FY15 Over-the-Year  
Job Growth by State**



Source: Workforce Solutions  
Department

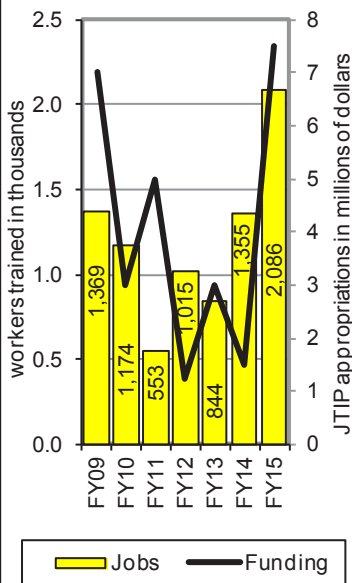
# Economic Development Department

**Jobs Created Due to Department Efforts**



Source: EDD

**JTIP Trained Workers**



Source: EDD

Total number of rural jobs created	1,440	1,562	1,400	726	<b>R</b>
Number of jobs created through business relocations and competitive expansions facilitated by the economic development partnership	244	1,624	1,500	222	<b>R</b>
Number of workers trained by the job training incentive program	844	1,355	1,000	2,086	<b>Y</b>
Average hourly wage of jobs funded through the job training incentive program	\$18.46	\$17.32	\$20.00	\$17.67	<b>Y</b>
Percent of employees whose wages were subsidized by the job training incentive program still employed in New Mexico after one year	new	85%	80%	89%	<b>G</b>
Dollars of private sector investment in mainstreet districts (in millions)	new	new	\$15	\$8	<b>Y</b>
Number of building rehabilitations completed in mainstreet districts	new	new	150	196	<b>G</b>
Number of business advocacy cases solved	58	67	50	72	<b>G</b>
Number of businesses provided technical assistance resulting in a funding package and job creation	new	5	5	2	<b>R</b>
<b>Program Rating</b>					<b>Y</b>

**Film Program.** The film industry picked up significant momentum during FY15, and all measures hit record or near-record highs. The Film Office reports New Mexico is now viewed by the industry as one of the most competitive states for recruiting television series after the Legislature added an additional 5 percent rebate in 2013. In addition to numerous smaller projects, crews filmed five television series and the principal photography for 25 major films during the year.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of film and media worker days	216,461	189,782	200,000	298,398	<b>G</b>
Direct spending by film and media industry productions, in millions	new	\$162	\$225	\$286	<b>G</b>
Number of film and media projects made in New Mexico	53	61	60	79	<b>G</b>
<b>Program Rating</b>					<b>G</b>



# Tourism Department

The number of leisure and hospitality jobs increased 3.1 percent in FY15, nearly twice the statewide job growth rate of 1.6 percent, but the sector is no longer the lead industry in New Mexico for job creation. Visitation revenues also continued to increase substantially compared with the prior year.

**Marketing and Promotion Program.** The agency's new return on investment (ROI) study shows a return of 7-to-1 based on advertising expenditures in five key markets and local and state taxes generated by visits impacted by the ads. This represents a significant increase from the 2012 ROI study that showed a return of 3-to-1. This is partly due to New Mexico's improved national ranking for overnight visitation from 36<sup>th</sup> in 2012 to 33<sup>rd</sup> in 2013 and 32<sup>nd</sup> in 2014, which resulted in higher visitor expenditures. The ROI study also showed the ad campaign had a significant positive impact on the state's economic development image.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent increase in gross receipts tax revenue for accommodations receipts	0.9%	6.4%	2.5%	5.6%	G
Number of new jobs created in the leisure and hospitality industry year-over-year	3,700	1,500	800	2,900	G
Dollars spent per overnight primary visitor per day	\$74.91	\$76.82	\$75.00	\$78.15	G
New Mexico's domestic overnight visitor market share	1.0%	1.1%	1.1%	1.1%	G
Percent of visitors who choose New Mexico as their primary destination	71%	70%	71%	70%	Y
Program Rating					G

**New Mexico Magazine Program.** *New Mexico Magazine* suffered from poor advertising revenues early in FY15, but the agency hired new regional advertising sales representatives and a new publisher, and the year ended with better results in most categories than during the prior two years. The new publisher is gathering more data and proposed new performance measures for FY17 to better gauge the program's success.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Circulation rate	91,197	89,556	95,000	92,148	Y
Advertising revenue per issue, in thousands	\$68	\$57	\$72	\$65	R
Number of visits to nm magazine.com and newmexico.org, in thousands	715	1,040	565	1,189	G
Program Rating					Y

## KEY ISSUES

The tourism industry remains a strong performer, and the Tourism Department met or exceeded nearly all performance measures. The agency missed two targets for the *New Mexico Magazine* Program but hired a new publisher and reported plans to improve performance.

## AGENCY IMPROVEMENT PLANS

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

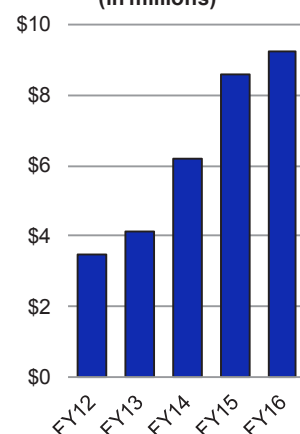
## Tourism Department FY16 Funding by Division

	FY16 Budget (in thousands)	FTE
Marketing and Promotion	\$11,027.7	34.5
Tourism Development	\$2,060.5	6
New Mexico Magazine	\$3,363.2	14
Program Support	\$1,548.9	14
Total	\$18,000.3	68.5

Source: Tourism Operating Budget

The proportion of the Tourism Department general fund budget spent on advertising and promotion increased from an average of 28 percent between FY07 and FY11 to 69 percent in FY16.

## Tourism Advertising and Promotion Spending (in millions)



Source: Tourism Department

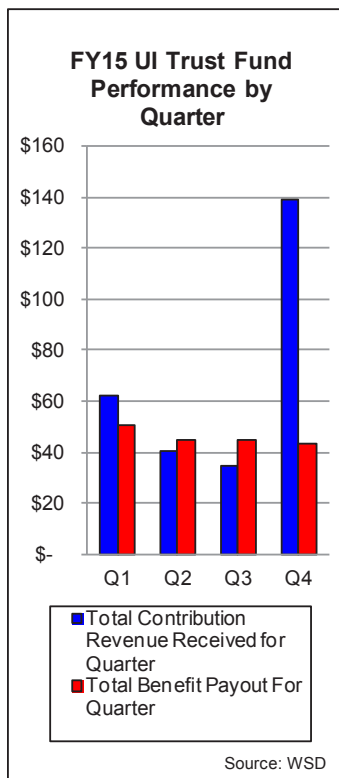
# Workforce Solutions Department

## KEY ISSUES

The Workforce Solutions Department made marked improvements on key indicator performance measures but continued to fall short on the average transaction wait time for the call center and percent of human rights cases that receive probable cause determinations, and resolved within one year.

## AGENCY IMPROVEMENT PLANS

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



The Workforce Solutions Department (WSD) continued to improve performance but struggled to meet the target for reaching an agent in the call-center. Safety-net services provided by WSD help unemployed or underemployed citizens more successfully engage in the labor market. The agency reported continued gains in key indicators, including participation in advanced education or training and employment gains.

**Workforce Transition Services.** Call-center transaction times decreased 20 percent to 35 minutes from FY14 levels. Additionally, the agency reported call center times consisted of hold time of 15 minutes and almost 18 minutes speaking to an agent. In FY16, WSD will begin reporting transaction times for filing a new unemployment insurance (UI) claim and weekly certification. These measurements will provide performance reporting for the two most common transactions at the call center.

As of the fourth quarter, the unemployment insurance trust fund, had a balance of \$159 million, quarterly revenues of \$138 million, and benefits pay outs of \$43.5. On average, the fourth quarter of each fiscal year had few benefit payouts than the first quarter.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of youth participants who entered employment or are enrolled in postsecondary education or advanced training after receiving Workforce Investment Act services.	57%	56%	57%	61%	G
Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	66%	79%	75%	95%	G
Percent of individuals who received Wagner-Peyser employment services retaining employment after six months	new	75%	70%	80%	G
Average time to complete transaction with the unemployment insurance call center, in minutes.	36	44	15	35	Y
Number of adults and dislocated workers receiving Workforce Investment Act services	2,603	2,193	2,600 (Rolling)	3,023	G
Program Rating					Y

# Workforce Solutions Department

**FY15 UI Trust Fund Balance Performance by Quarter**  
(in thousands)

	Q1	Q2	Q3	Q4
Beginning of Quarter	\$ 66,310.3	\$ 78,115.6	\$ 74,172.5	\$ 64,310.8
End of Quarter	\$ 78,115.6	\$ 74,172.5	\$ 64,310.8	\$ 159,651.6
Total Contribution Revenue Received for Quarter	\$62,453.70	\$40,605.60	\$34,789.70	\$138,850.10
Total Benefit Payout For Quarter	\$50,648.30	\$44,548.70	\$44,648.40	\$ 43,509.40

Source: WSD

**Business Services.** The department continued to meet or exceed the target for customer satisfaction and contacts made by field office personnel with New Mexico businesses. A key focus for WSD is to develop the state workforce to meet the needs of businesses and provide business services and continued outreach efforts.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15A Actual	Rating
Percent of employers sampled reporting customer satisfaction	98%	99%	99%	99%	G
Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services or provide actual services	110,069	126,296	75,000	118,102	G

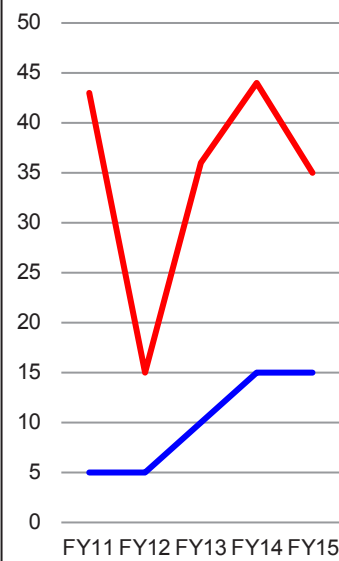
Program Rating **G**

**Labor Relations.** The Labor Relations Division enforces the New Mexico Human Rights Act. While the bureau exceeded the target for wage claims resolved within 90 days, the program continued to struggle to meet the number of probable cause determinations resolved during the year but saw a marked improvement from the FY14 level.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of wage claims investigated and resolved within ninety days	91%	91%	91%	93%	G
Percent of human rights cases that receive probable cause determinations that are resolved within one year	new	69%	90%	89%	Y
Percent of targeted public works inspections completed	new	100%	90%	100%	G

Program Rating **G**

**Average Call Center Transaction Time**  
(in minutes)



Source: WSD

**2014 NM UI Benefit Highlights**

2014		National Ranking
Exhaustion Rate	43.3%	11th Highest in the Nation
Average Duration	19.1 weeks	5th Highest in the Nation
Average Weekly Benefit Amount	\$306.52	25th Among States

Source: WSD



# Human Services Department

## KEY ISSUES

The Human Services Department reports performance measures are difficult to track on a quarterly basis because information is based on encounter data and providers have up to 120 days to submit data to the department. In many instances, a reconciliation of FY16 data will be available in the first quarter of 2017, often allowing for an upward revision of the performance result.

## AGENCY IMPROVEMENT PLANS

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

## New Outcome-Oriented FY17 Performance Measures for Medicaid

A measure to assess implementation of Senate Bill 42, a bill from 2015 legislative session intended to ensure Medicaid enrollment for eligible jail-involved persons: "Number of incarcerated individuals who are enrolled in Medicaid and in an incarcerated facility contracted with Human Services Department"

A measure to assess the extent to which Centennial Care and care coordination are helping to reduce incidence of chronic disease such as diabetes: "Rate of short-term complication admissions for Medicaid managed-care members with diabetes"

The end of fiscal year 2015 marks the first 18 months since implementation of Centennial Care and Medicaid expansion. To date, about 220 thousand newly eligible adults are covered by Medicaid, with a total of over 800 thousand, or nearly 40 percent of New Mexicans, participating in the program. Yet, the increased coverage comes at a cost of over a billion dollars in state funds each year, an amount that is expected to grow as federal support decreases beginning in calendar year 2017. Consequently, advocates and legislators alike are eager for answers regarding cost and performance. While reporting lag times and other issues prohibited complete analysis, a Legislative Finance Committee (LFC) evaluation found, among other issues, that the state is paying more per person than prior to Centennial Care partially due to the delayed implementation of planned cost-saving measures. Expanded services, improved care coordination, and pay-for-performance initiatives should, in time, result in better health outcomes.

Currently, lag times and other claim data issues result in some performance measure outcomes being up to an entire quarter behind. To address this, the department indicated it intends to revisit all of FY15 performance data by gathering information directly from the managed-care organizations (MCOs) instead of from its Medicaid management information system (MMIS). (For example, MCOs have up to 120 days to report claims, and multiple services "bundled" under a single payment can result in skewed data within the MMIS.) Consequently, an updated FY15 report card is likely to be issued later in FY16.

With 40 percent of New Mexicans relying on Medicaid for health care and the state spending nearly \$1 billion of its general fund budget on the program, more information regarding quality of care and cost-effectiveness is needed. In FY13, the department began adding performance measures targeting quality outcomes and focusing less on enrollment; for FY17 the agency agreed to more such measures.

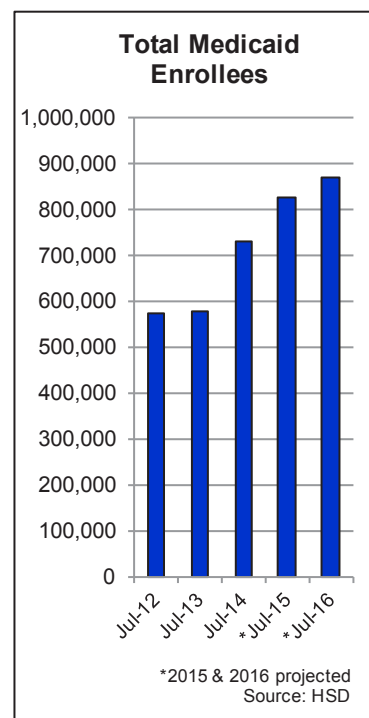
Consistent with previous years, the department had mixed performance results at the end of fiscal year 2015. The Child Support Enforcement Program reports exceeding most targets, with total collections of a record \$140 million for the year. Hospital readmissions and emergency department visits have also improved (decreased) from FY14; however, at 41, the rate of emergency room visits per 1,000 Medicaid member months has already exceeded the calendar year (CY) 2015 target of 40 for the year. End-of-year measures for well-child visits are well below CY15 targets, although HSD expects to see these measures improve when it reevaluates performance with data directly from MCOs. Work participation rates for Temporary Assistance for Needy Families (TANF) clients are also below targets even as caseloads near historic lows.

**Medical Assistance Program.** Year-end measures for well-child visits and dental visits are well below targets and previous years' levels. More encouraging, hospital readmissions and emergency room visits decreased from CY14 levels and continue to meet targets. The percentage of adults with diabetes who had an HbA1c test (a measure

# Human Services Department

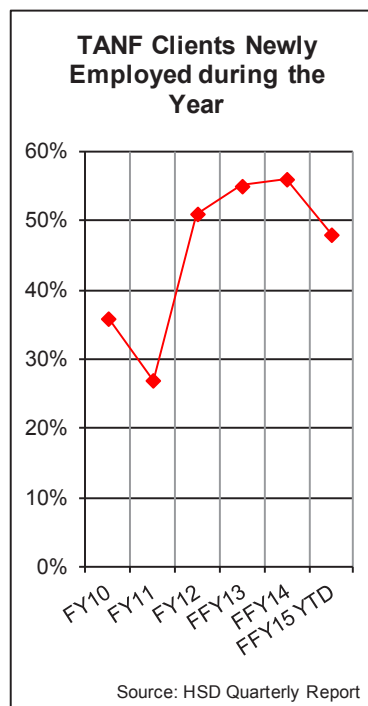
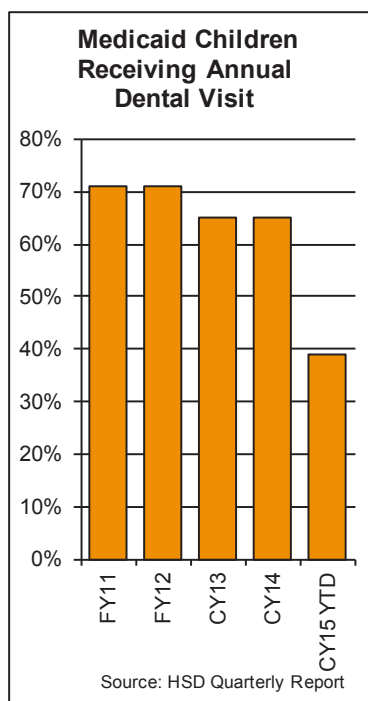
of average blood sugar) was also very low, as was the percent of newborns whose mothers received prenatal care. On the consumer side, as part of the Centennial Rewards program, patients earn points for healthy activities, such as signing up for prenatal care and renewing prescriptions to control diabetes.

Measure	CY13 Actual	CY14 Actual	CY15 Target	CY15 YTD	Rating
Percent of infants in Medicaid managed care who had six or more well-child visits with a primary care physician during the first fifteen months	63%	52%	70%	44%	Y
Percent of children and youth in Medicaid managed care who had one or more well-child visits with a primary care physician during the year	92%	75%	92%	56%	Y
Percent of children ages two to twenty-one enrolled in Medicaid managed care who had at least one dental visit during the year	65%	65%	70%	39%	Y
Percent of children in Medicaid managed care with persistent asthmas appropriately prescribed medication	92%	65%	94%	52%	Y
Percent of hospital readmissions for children ages two to seventeen within thirty days of discharge	8%	7%	10%	6%	G
Percent of hospital readmissions for adults eighteen years and over, within thirty days of discharge	13%	11%	10%	8%	G
Rate of emergency room visits per one thousand Medicaid member months	39	42	40	41	R
Percent of 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	84%	63%	86%	51%	R
Percent of newborns whose mothers received a prenatal care visit in the first trimester or within forty-two days of enrollment in a managed care organization	86%	13%	85%	20%	R
Number of individuals who transition from nursing facilities placement to community-based services	168	187	150	n/a	
Program Rating					Y



HSD now reports Medicaid performance measures by calendar year because this is how Healthcare Effectiveness Data and Information Set (HEDIS) measures are reported to the National Committee for Quality Assurance.

# Human Services Department



HSD now reports Income Support Program measures by federal fiscal year because this is how the information is reported to the state's federal partners.

**Income Support Program.** Clients who obtained and retained employment after receiving services from workforce contractor SL Start, as well as the number of clients meeting federally required work participation rates in the Temporary Assistance for Needy Families (TANF) program, declined over the year. In its June 2015 Monthly Statistical Report (MSR) HSD reported the TANF average monthly caseload was 12,754 in June 2015, a decrease of 7.7 percent from June 2014 - and an all-time low since 2007 based on LFC staff analysis of data. The program reached a high of about 21,500 cases in October 2011.

HSD reports data on TANF recipient compliance with federally mandated work requirements on a federal fiscal year (FFY) basis, which begins in October. Federal base standards of 50 percent for all families and 90 percent for two-parent families are adjusted for each state by caseload. For New Mexico in FFY 2012, the standard was 33.9 percent for all families, which the state met; however, the 2012 standard of 73.9 percent for two-parent families was not met (20 of 27 applicable states did not meet the standard). TANF workforce participation rates are typically low nationally; for example, all families and two-parent national rates were 34.4 percent and 33.9 percent, respectively for FFY 2012, the most recent data available.

The department notes typical reasons for noncompliance include the client did not complete or update required work participation agreements and individual responsibility plans or did not complete assigned work hours. Finally, department performance in enrolling children in the Supplemental Nutrition Assistance Program (SNAP) exceeded the target of 88 percent. The SNAP caseload in June 2015 was 232,130, a 16.4 percent increase from a year ago.

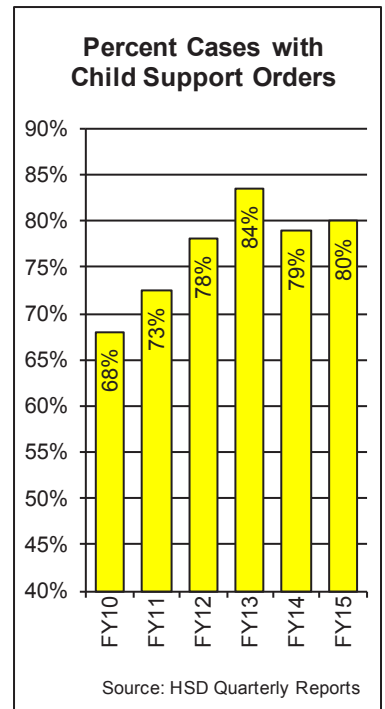
Measure	FFY13 Actual	FFY14 Actual	FFY15 Target	FFY15 YTD	Rating
Percent of temporary assistance for needy families clients who obtain a job during the federal fiscal year	55%	56%	50%	48%	Y
Percent of temporary assistance for needy families two-parent recipients meeting federally required work requirements	72%	30%	60%	27%	R
Percent of temporary assistance for needy families recipients (all families) meeting federally required work requirements	48%	32%	50%	34%	R
Percent of children eligible for supplemental nutritional assistance program participating in the program at one hundred thirty percent of poverty level	85%	84%	88%	90%	G
Program Rating					Y



# Human Services Department

**Child Support Enforcement Program.** Child support enforcement collections, acknowledged paternity, and cases with support orders all exceeded targeted levels. The percent of child support collected, while below the target, improved slightly from the FY14 level to 56.8 percent. The program is continuing the bench warrant amnesty and sweep project, outreach to new obligors, and efforts to obtain modified support orders.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of children with paternity acknowledged or adjudicated	102.7%	101.2%	90%	102%	<b>G</b>
Total child support enforcement collections, in millions	\$132	\$137	\$135	\$140	<b>G</b>
Percent of child support owed that is collected	55.8%	56.3%	60.0%	56.8%	<b>Y</b>
Percent of cases with support orders	83.5%	79%	80%	82.5%	<b>G</b>
<b>Program Rating</b>					<b>G</b>



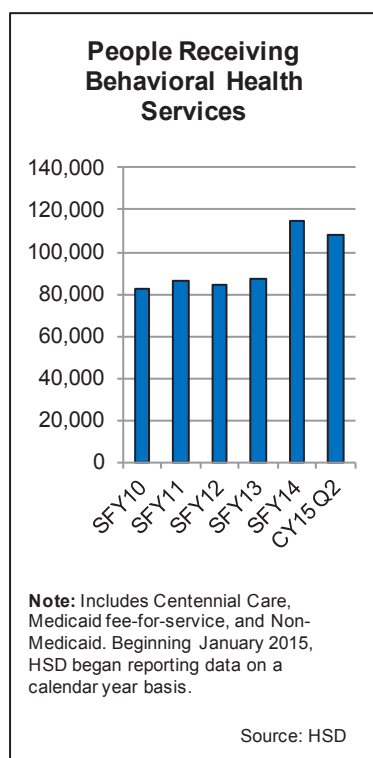
# Behavioral Health Collaborative

## KEY ISSUES

The Behavioral Health Collaborative continues to lack a strategic plan and a true sense of purpose and direction; it has not consistently met quarterly as required by statute and has lacked a quorum when it did meet, preventing it from taking action on agenda items. Over the next fiscal year workgroups are expected to develop action plans, including timelines and expected outcomes, for identified goals.

## AGENCY IMPROVEMENT PLANS

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



In FY15 HSD began reporting on the percent of members reporting satisfaction with behavioral health services. HSD reports 84 percent for FY15.

As fiscal year 2015 came to a close, New Mexicans began to see some tentative improvements in the landscape of behavioral health, such as increasing numbers of individuals receiving care, stabilization of provider transitions, and new strategic planning efforts for the Behavioral Health Collaborative. Additionally, the Department of Health (DOH) received a \$2 million innovation grant award from the Centers for Medicare and Medicaid Services to better integrate public, primary, and behavioral health care in New Mexico. Working with the Human Services Department (HSD), DOH conducted two summits on improving healthcare integration, improving outcomes, and reducing costs.

Nevertheless, New Mexico continues to lead the nation in alcohol-related deaths rates and is among the worst states for drug overdose deaths, suicide, and serious mental illness. It is estimated more than 100 thousand New Mexican adults need, but are not receiving, treatment for behavioral health issues. Consequently, despite investing more than \$500 million for behavioral health services in FY15, serious challenges remain. Yet the lack of sufficient performance and expenditure data and little in the way of collaborative strategic planning make it difficult for lawmakers to know if current expenditures on behavioral health are targeted in the most cost effective manner at the best possible outcomes.

Performance measures indicating the percent of individuals receiving follow-up services after discharge from inpatient facilities show critical after-care services need to be improved. Further, while the Substance Abuse and Mental Health Services Administration (SAMHSA) reports many New Mexico performance results are similar to national averages (such as past-year serious mental illness among adults), the state ranks higher for past-month illicit drug use among adolescents (12.4 percent in New Mexico versus 9.2 percent nationally).

**Behavioral Health Collaborative.** The 17-member Behavioral Health Purchasing Collaborative is charged with coordinating a statewide behavioral health system. Although the responsibilities of the collaborative are defined in New Mexico law, the recent history of the entity appears to demonstrate waning interest on behalf of statutorily identified members; the collaborative has not consistently met quarterly as required by statute and has lacked a quorum when it did meet, preventing it from taking action on agenda items.

Nevertheless, in FY15 the collaborative kicked off strategic planning efforts centered on finance, workforce, and regulatory environment as a focus over the next two years. Workgroups identified key areas, such as incentivizing provider payments for health outcomes, “untangling” the regulatory environment to promote access and flexibility, and finding ways to expand and retain behavioral health providers (the last cited as likely the most serious obstacle to getting behavioral health services to the vulnerable populations who need it). In the next fiscal year, workgroups will develop action plans, including timelines and expected outcomes, for the identified goals. Leadership has noted

# Behavioral Health Collaborative

now is not the time for a major restructuring; rather, the state needs to build critical infrastructure to fill current and critical care gaps.

**Behavioral Health Provider Audits.** Finally, HSD has been working with community leaders to rebuild capacity in affected areas following the closure and replacement of 12 New Mexico behavioral health providers in 2013. According to the Attorney General's Office (NMAG), three of the 15 New Mexico behavioral health provider investigations resulting from the 2013 audits have been completed. In the last legislative session, the NMAG received a \$1.8 million special appropriation for the investigations and a contractor has been hired to complete the remaining audits by the end of calendar year 2015.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of adults diagnosed with major depression who received continuous treatment with an antidepressant medication	new	new	34%	26%	<span>R</span>
Percent of individuals discharged from inpatient facilities who receive follow-up services at seven days	40%	26%	45%	29.8%	<span>R</span>
Percent of individuals discharged from inpatient facilities who receive follow-up services at thirty days	59%	52.3%	65%	45.6%	<span>R</span>
Percent of readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	7%	4%	8%	7%	<span>G</span>
Program Rating					<span>R</span>

In FY15 HSD was awarded an \$8 million, five-year Substance Abuse and Mental Health Services Administration grant to address underage drinking and youth prescription drug abuse; a \$5.4 million, three-year housing grant to increase capacity and provide evidence-based treatment services, peer support, and permanent supportive housing. It is also implementing a \$1.5 million, three-year suicide prevention grant.

## The New Mexico Department of Health reports:

- New Mexico's total alcohol-related death rate has ranked 1st, 2nd, or 3rd in the U.S. since 1981 and was 1st 1997 through 2010, the most recent year for which data is available.
- In 2011, New Mexico had the second highest total drug overdose death rate in the nation according to the most recent data available. Rio Arriba and Mora counties had by far the highest drug overdose death rate at 67.7 and 61 deaths per 100 thousand, respectively.
- Suicide is a serious and persistent public health problem in New Mexico. From 1981 to 2010, New Mexico's suicide rate was consistently been among the highest in the nation, at 1.5 to 1.9 times the U.S. rate. New Mexico has ranked among the top five states for all but two of those years.



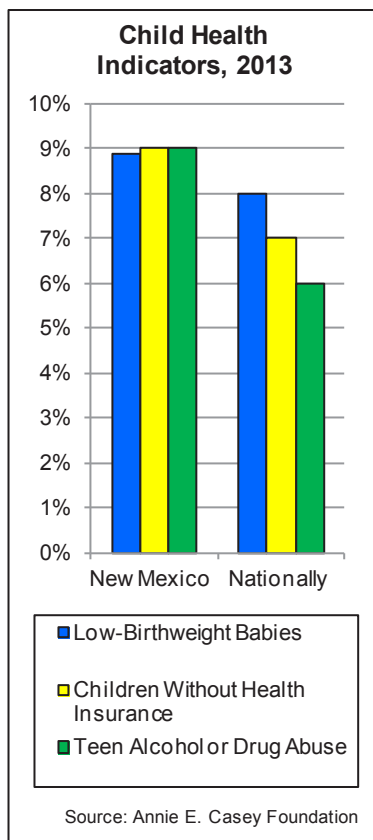
# Department of Health

## KEY ISSUES

Fiscal Year 2015 key measures for the Department of Health were inadequate and the number of key measures will more than double in FY16. While the majority of changes to the department's FY16 key measures are welcome, the Facilities Management Program proposed to reduce the number of quarterly performance measures to just one.

## AGENCY IMPROVEMENT PLANS

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



With a changing healthcare landscape – the Affordable Care Act, Centennial Care – it is crucial to measure health performance and spending across the state, ensuring federal Medicaid dollars are fully utilized, and state resources are invested in a strategic way. The Department of Health's (DOH) quarterly performance measures lacked meaningful data to track the department's and the state's performance on lessening the effects of diabetes, obesity, substance misuse, and other health maladies. Addressing this, the department, in cooperation with LFC staff, will expand performance reporting in FY16 and more than double the number of key measures reported.

**Public Health Program.** The Public Health Program is responsible for developing policies to protect the health and welfare of the people of New Mexico and does this through early-intervention programs and increasing access to healthcare services. In FY13, New Mexico ranked 14th in the nation for per capita public health spending and implemented public health interventions, such as reducing rates of tobacco usage through the Quit Now initiative and no-cost medications, reducing obesity by encouraging healthy eating, and preventing and tracking infectious disease outbreaks. Few of these activities are tracked quarterly and proposed measures for the FY16 quarterly reports will improve this.

New Mexico continues to rank near the bottom of states for child health, according to the Annie E. Casey Foundation. Key department child and teen public health interventions include reducing teen births through low-or no-cost birth control and education, reducing adolescent health issues by providing comprehensive well-child exams at school-based health centers, and increasing the percentage of children immunized through partnerships with local school districts. For FY16 the department proposed expanding child health reporting and added two teen pregnancy related measures, one obesity measure, and one breast feeding measure, and will again report the percentage of preschoolers fully immunized.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of students using school-based health centers who receive a comprehensive well exam	34.5%	34.2%	35.0%	34.2%	G
Percent of quit now enrollees who successfully quit using tobacco at seven month follow-up	33%	32%	33%	31%	Y
Program Rating					G

**Epidemiology and Response Program.** In March 2015, the Epidemiology and Response Program launched an upgraded version of its indicator-based information system increasing the program's ability to provide health information in an easily accessible way statewide. Improved measures for this program, such as reporting the number of emergency response exercises and trainings conducted quarterly, would help policymakers understand whether New Mexico

# Department of Health

is adequately prepared to respond to public health emergencies. For FY16, the program proposed adding five key measures to improve reporting on stroke, heart attack occurrence, emergency preparedness, and Nalaxone (opiate overdose reversal drug) distribution.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Rate of infant pertussis cases to total pertussis cases of all ages	1:13	1:16	1:15	1:18	<b>G</b>
Percent of vital records front counter customers who are satisfied with the service they received	new	new	85%	98%	<b>G</b>
Program Rating					<b>G</b>

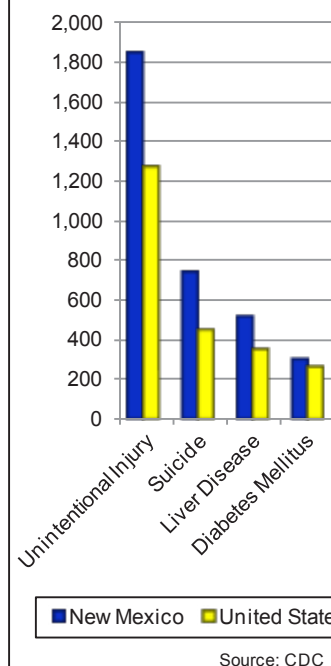
**Laboratory Services Program.** The program changed the number of days to complete sampling work from 10 to 15 days for DWI cases reported to law enforcement, and the target now appears too low. The Legislature fully funded this program's personal costs as its staff requires time off for training or testifying at court proceedings, impacting laboratory testing time.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of blood alcohol tests from driving-while-intoxicated cases that are completed and reported to law enforcement within fifteen business days	new	new	90%	92%	<b>G</b>
Percent of office of medical investigator cause of death toxicology cases that are completed and reported to the office of medical investigator within sixty business days	new	67%	90%	99%	<b>G</b>
Program Rating					<b>G</b>

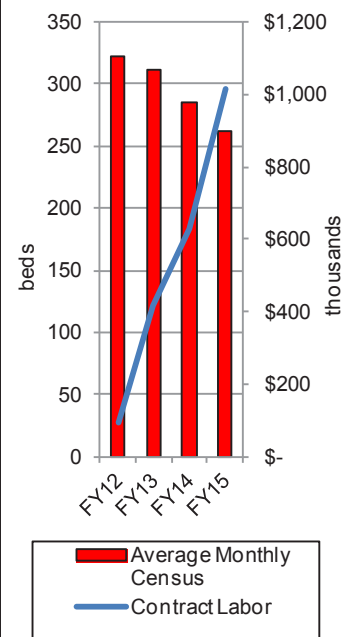
**Facilities Management Program.** For performance in any hospital system, it is important to monitor not only patient outcomes – reduced substance misuse, lower risk of injury – but also important to monitor how well the system manages resources to provide the highest quality of care. While workloads at the New Mexico Behavioral Health Institute are steadily in decline and FTE counts are stable, the institute's reliance on contract labor skyrocketed between FY12 and FY15. Additionally, the department may not be adapting to funding changes as a result of the Affordable Care Act and continues to experience a high level of uncompensated care in the facilities.

While the majority of changes to the department's key measures are positive, the Facilities Management Program proposed to reduce the number of quarterly performance measures to just one. Given the program's \$138.3 million budget, more than a quarter of the department's budget, one performance measure is inadequate. The program reported measures indicating that the facilities are doing

**Years of Potential Life Lost per 100,000 in 2013**



**New Mexico Behavioral Health Institute**



# Department of Health

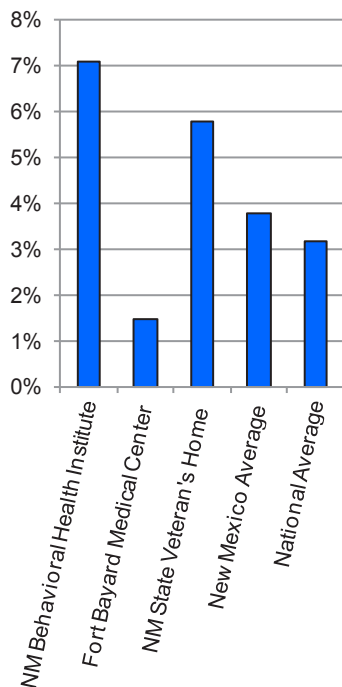
## State-Run Nursing Home Ratings\*

	Behavioral Health Institute	Fort Bayard Medical Center	State Veteran's Home
Overall Rating	3	4	3
Health Inspection	2	3	2
Staffing	5	5	4
Quality	2	2	2

\* Rating out of five stars

Source: CMS Nursing Home Compare

## Percent of Long-Stay Residents Experiencing One or More Falls with Major Injury



Source: CMS Nursing Home Compare

well; however, CMS rated New Mexico's three state-run nursing homes poorly for health inspection and quality measures.

Furthermore, the department reports an average of 0.2 percent of long-term care patients experiencing one or more falls with injury; however, CMS reports an injury fall rate at the New Mexico Behavioral Health Institute of 7.1 percent, at Fort Bayard Medical Center 1.5 percent, and at New Mexico State Veteran's Home 5.8 percent. The state average is 3.8 percent, while the national average is 3.2 percent.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of staffed beds filled at all agency facilities	86%	81%	90%	93%	G
Percent of uncompensated care at all agency facilities	new	new	25%	37%	R
Percent of long-term care patients experiencing one or more falls with injury	new	new	3.3%	0.2%	G
Program Rating					Y

**Developmental Disabilities Support Program.** The program recently reached a settlement in the lawsuit where the department was accused of unjustifiably denying services to patients in the Medicaid waiver program for the developmentally disabled (DD waiver) by inappropriately using a new evaluation method known as the supports intensity scale. The settlement will add a second level of review to the evaluation process already in place and require a clinical review with more interventions on planning teams.

Despite a nearly 70 percent increase in general fund appropriations, the DD waiver waiting list has grown nearly 18 percent since FY11, resulting in a yellow rating.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination	83%	75%	95%	91%	Y
Percent of adults receiving developmental disabilities day services who are engaged in community-integrated employment	30%	27%	35%	28%	R
Number of individuals on the developmental disabilities waiver receiving services	3,829	4,403	4,500	4,610	G
Number of individuals on the developmental disabilities waiver waiting list	6,248	6,133	6,100	6,365	R

Program Rating

Y



# Aging & Long-Term Services Department

Two recent LFC program evaluations recommended the department improve performance measures to reflect the prevalence of adult abuse and capacity to meet the needs of an aging population. One of the evaluations stated that performance outcomes are not tracked and data is not used for strategic planning purposes. Without data-driven strategic planning, the ability to design a system capable of meeting the needs of baby boomers and the rapidly increasing number of seniors over 80 who are frail and mobility-impaired, is lost. The other evaluation suggested that, while incidents of elder abuse and neglect are increasing, it is difficult to assess the effectiveness of New Mexico's Adult Protective Services in preventing future abuse and neglect due to a lack of data and performance monitoring.

To get a better understanding of how well nursing homes are doing in New Mexico, LFC identified relevant nursing home performance data collected by the state and the federal Centers for Medicare and Medicaid Services (CMS). New Mexico ranks 32nd nationally in the average fine paid per federally certified bed. Fines are imposed on nursing homes when a serious deficiency is cited or if nursing homes fail to correct deficiencies for a long period of time. Additionally, the state ranked 45th nationally for the average total nursing home health deficiencies score based on federally mandated inspections.

**Consumer and Elder Rights Program.** Ninety-eight percent of ombudsmen complaints were resolved within 60 days. Volunteer ombudsmen contributed 2,313 hours of service in the fourth quarter. There was a 13.3 percent increase in calls to the Aging and Disability Resource Center, compared with the same quarter in FY14, which contributed to fewer calls answered by a live operator. Of the 10 thousand calls received, 3,150 callers left a voice message and their calls were returned within the same day.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of ombudsman complaints resolved within sixty days	98%	99%	90%	98%	G
Percent of people accessing the aging and disability resource center who indicated their health improved, social services improved their quality of life, or both.	new	new	40%	45%	G
Percent of calls to the aging and disability resource center that are answered by a live operator	78%	87%	85%	70%	R
Program Rating					G

**Aging Network Program.** Current performance measures reported by the program reflect the volume of services provided, but strategic planning and capacity are not clearly tied to these measures. Tracking service outcomes and reporting them as performance measures would give a better idea of the Aging Network's capacity and its adequacy in meeting the needs of New Mexico's senior population.

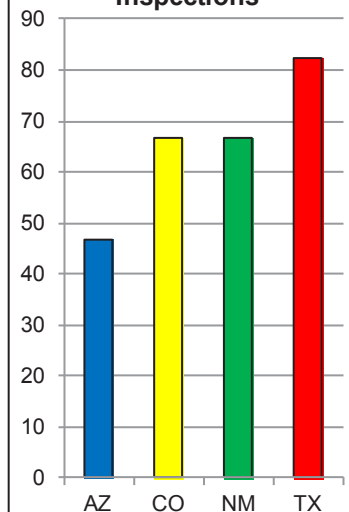
## KEY ISSUES

While the Aging and Long-Term Services Department met most performance targets, the department could improve performance monitoring to align with strategic planning and to better monitor outcomes for New Mexico's aging population.

## AGENCY IMPROVEMENT PLANS

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

**Average Nursing Home Health Deficiencies in Federally Mandated Inspections**

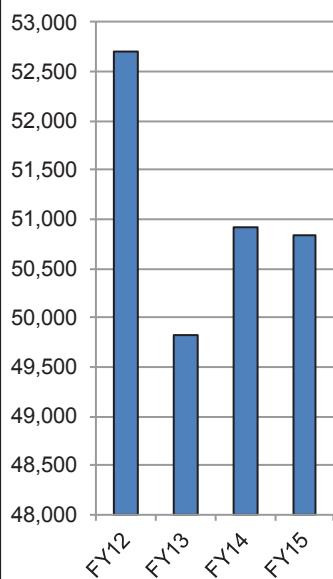


\*Score based on number of health deficiencies discovered

Source: CMS Nursing Home Compare

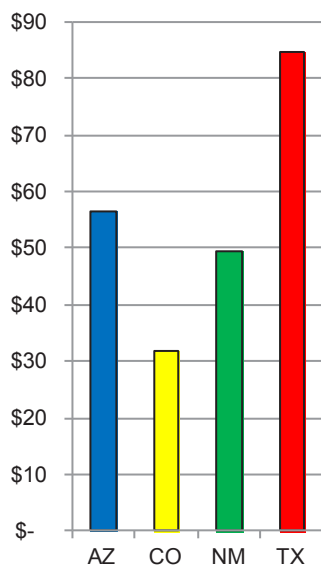
# Aging & Long Term Services Department

**Number of Individuals Served Food Through the Aging Network**



Source: ALTSD

**Average Fine per Federally Certified Bed in NM and Surrounding States**



Source: CMS Nursing Home Compare

New Mexico ranks 34th worst in the nation for seniors with food insecurity, with 13.1 percent, or an estimated 63,780 seniors, unable to consistently access food adequate food. This represents a significant improvement from a 2010 study ranking New Mexico second worst in the nation, with 21.1 percent of seniors age 60 and over experiencing food insecurity, but there remains much to be done. In the fourth quarter, 28 thousand people were served 950 thousand meals by agencies that included the Indian Area Agency on Aging and the Navajo Area Agency on Aging. The Legislature increased funding for Aging Network services by \$1.6 million in FY13, \$1.3 million in FY14, and \$1.6 million for FY15.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network	60%	61%	62%	80%	G
Number of hours of respite care provided	379,838	379,097	375,000	392,872	G
Program Rating					G

**Adult Protective Services Program.** As noted in an LFC evaluation of the Adult Protective Services (APS), the program's performance measures do not necessarily reflect the actual prevalence of adult maltreatment. The performance measure on investigation volume does not illustrate need and does not measure the incidence of substantiated maltreatment cases. Additionally, APS does not report on repeat maltreatment, hampering the ability to determine the effectiveness of interventions. The APS data system allows for limited analysis of repeat maltreatment, but current reports do not provide this information on an aggregate basis.

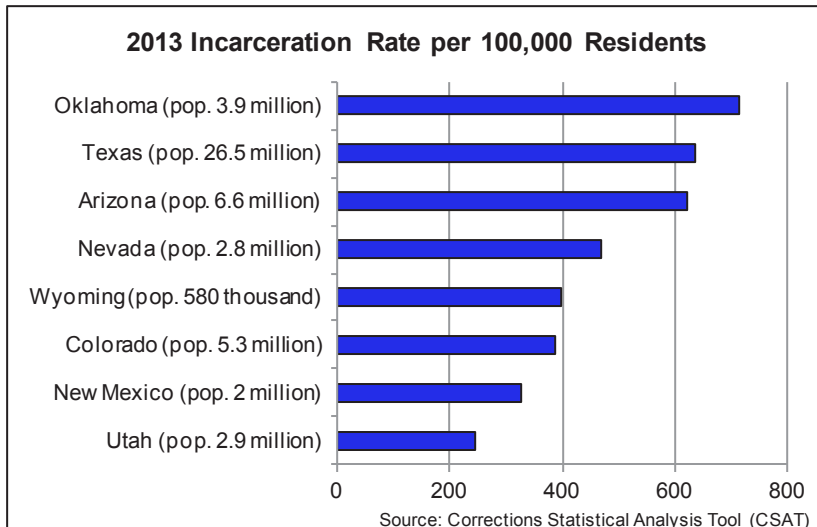
The number of APS investigations is on track to meet the year-end target, with higher numbers of investigations related to public outreach and greater public awareness of the need to report suspected cases of adult and elder abuse. ALTSD reports there are no national benchmark measures comparable with the last measure.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of adult protective services investigations of abuse, neglect or exploitation	6,092	6,665	6,000	5,931	G
Percent of emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed time frames	97.5%	98.3%	98.0%	98.5%	G
Program Rating					G

# New Mexico Corrections Department

New Mexico has a low incarceration rate compared with surrounding states but high rates of violent crime and and recidivism and a growing prison population, growth that led to a \$7 million special appropriation for FY15 and 3.8 percent general fund increase for FY16. While the department missed the FY15 targets for recidivism among sex offenders and all offenders, department performance on those measures did improve over FY14 and the department reached its targets for recidivism that resulted from technical parole violations. The department fared better on measures of prison violence, hitting the targets for both inmate-on-inmate assault and inmate-on-staff assaults.

**Inmate Management and Control.** A recent study by the New Mexico Sentencing Commission suggests female prison population growth is driven by the length of stay more than new admissions. Female rates of violent crime have grown over time, likely leading to longer sentences. Adding to the growing population, a study by the New Mexico Statistical Analysis Center calculates that 67 percent of females recidivated within four years of release. The department should enhance educational programming to reduce recidivism and continue efforts to expand transitional living facilities statewide.



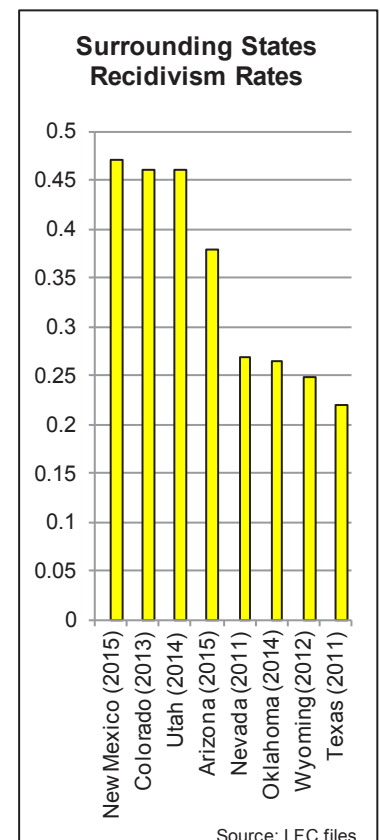
The leading causes of inmates serving time in prison rather than on parole are a lack of community resources for parolees, administrative issues causing parole hearings to be canceled, and inmates not participating in the parole process. NMCD is working to reduce inmate refusal to participate in the parole process by implementing disciplinary measures, including a loss of accrued good time. In addition to the high cost of release-eligible inmates, an additional negative consequence is the release of inmates without the community supervision required of parolees, a public safety risk. The Legislature in 2015 added \$500 thousand for a transitional living pilot program and \$400 thousand to expand transitional living services for women. The funding should reduce the number of inmates and improve recidivism rates in future years.

## KEY ISSUES

The New Mexico Corrections Department fell short on some performance targets; including overall recidivism, timely releases, sex offender recidivism, and parole officer caseloads. However, the department does have a plan to close these gaps, such as providing evidence-based recidivism reduction programming. The department achieved measures for inmate and staff safety, as well as absconder apprehension target levels.

## AGENCY IMPROVEMENT PLANS

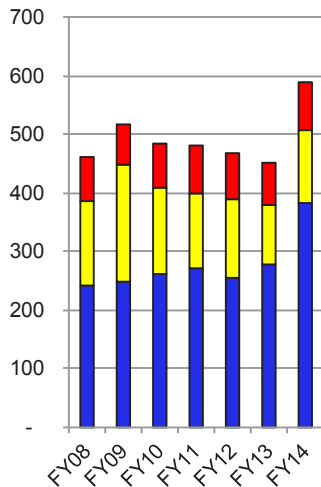
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned by agency?	Yes





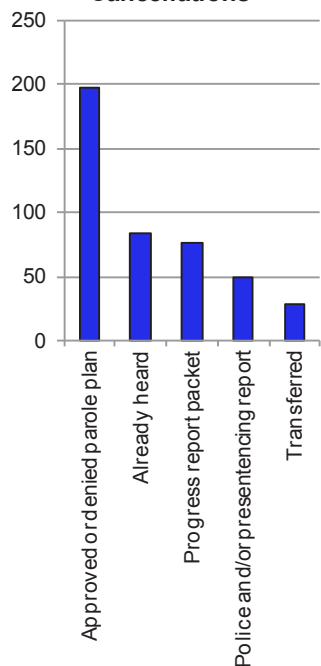
# New Mexico Corrections Department

**FY08-FY14 Female Admissions by Type**



Source: New Mexico Sentencing Commission

**Top Causes of FY15 Parole Hearing Cancellations**



Source: Adult Parole Board

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Thirty-six month recidivism rate	47%	47%	44%	47%	R
Number of inmate-on-inmate assaults with serious injury	21	9	15	12	G
Number of inmate-on-staff assaults with serious injury	5	5	4	2	G
Percent of inmates testing positive for drug use or refusing to be tested in random monthly drug tests	2.2%	2.0%	≤2.0%	2.6%	R
Percent of female offenders successfully released in accordance with their scheduled release dates	77%	78%	90%	87%	Y
Percent of male offenders successfully released in accordance with their scheduled release dates	81%	78%	90%	90%	G
Percent of sex offenders re-incarcerated within thirty-six months	28%	41%	25%	35%	R
Recidivism rate of offenders due to new charges or pending charges	24%	26%	20%	23%	Y
Recidivism rate of offenders due to technical parole violations	new	22%	20%	17%	G
Program Rating					Y

**Community Offender Management.** While probation and parole officer caseloads are down, they still exceeded the target. However, the department maintained turnover rates well below targeted levels for probation and parole officers as well as correctional officers in public facilities. A 6 percent salary increase, as well as a focus on the timely promotion of officers, contributed to the decrease. The percent of inmates testing positive for drug use, or refusing the tests, increased over the year. The department noticed an increase in the use of suboxone, a drug prohibited in the prison system. The department increased use of intelligence information and is studying visiting policies to prevent illicit substances from entering the facilities.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Average standard caseload per probation and parole officer	108	105	90	99	R
Percent of absconders apprehended	13%	12%	26%	28%	G
Program Rating					Y

# Department of Public Safety

The Department of Public Safety (DPS) merged its law enforcement programs into one for FY16 to equalize compensation among state police, motor transportation, and special investigations officers and improve efficiency. This should help improve performance on motor transportation measures, which, with a focus on commercial trucking, have arguably taken a back seat to measures addressing drunken driving, violent crime, traffic safety, and other issues with strong public interest. However, while the law enforcement programs mostly met performance targets for FY15, the department fell short on most forensic science measures, despite a \$170 thousand budget increase specifically to clear the labs backlogs.

**Law Enforcement Program.** DPS struggles to recruit and retain officers, with vacancy rates reaching 17 percent in recent years. Manpower should increase over the next two years as a result of consolidation and a new pay plan. The Legislature appropriated \$3 million in FY15 and \$3.2 million in FY16 to implement the first two phases of the officer salary plan. Increased manpower should improve measures in the program, especially the number of DWI arrests. For the first six months of FY15, 70 fatalities in the state involved alcohol, the same number as the first half of 2014 when alcohol involved fatalities totaled 165 for the year.

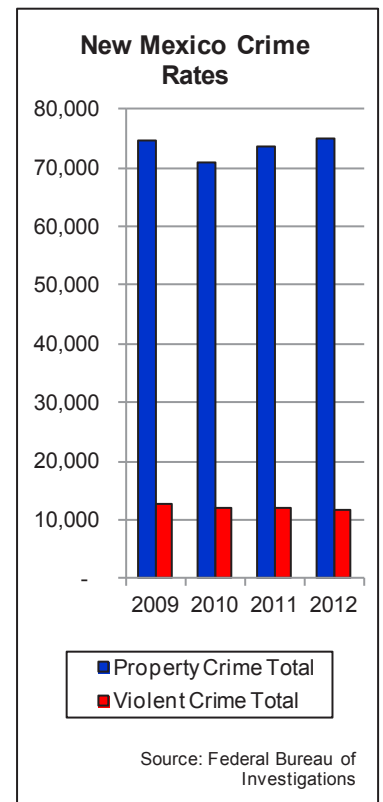
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of DWI arrests per patrol officer	8	8	12	9	Y
Number of DWI checkpoints and saturation patrols conducted	1,117	915	1,175	1,051	Y
Number of traffic-related enforcement projects held	1,209	1,692	1,250	2,542	G
Number of criminal cases investigated per full-time-equivalent position assigned to patrol and investigations	55	58	60	57	Y
Number of drug-related investigations conducted by commissioned personnel per full-time-equivalent position assigned to investigations	4.6	6.3	8.0	25.7	G
Number of data-driven crime and traffic initiatives conducted	New	1,868	500	1,499	G

## KEY ISSUES

The Department of Public Safety struggled to meet targets for laboratory case backlogs and the number of commercial motor vehicle inspections and citations issued. However, New Mexico leads the nation as the first state to deploy the Smart Roadside Inspection System which should increase commercial vehicle safety and generate more in revenues for the state.

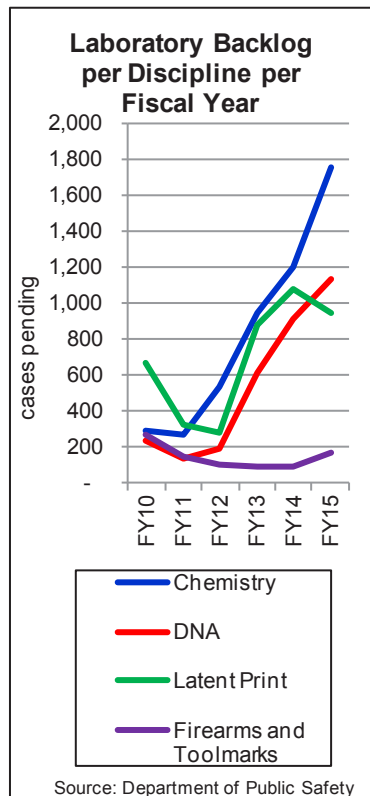
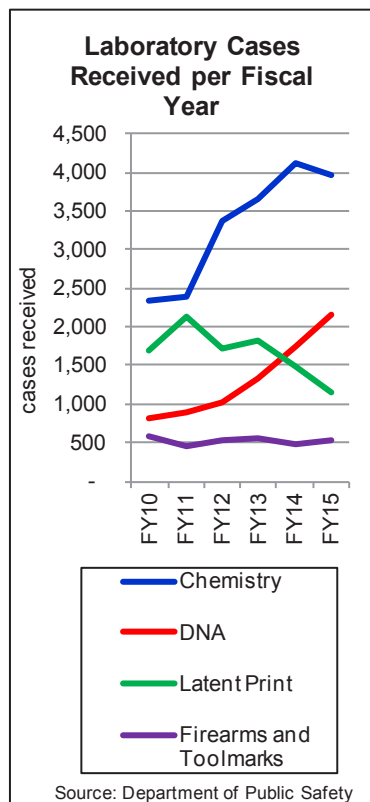
## AGENCY IMPROVEMENT PLANS

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



Among neighboring states in 2013, the most recent year of crime statistics available, New Mexico had the highest rate of violent crime, 162 percent of the national average, and led the nation in rates of aggravated assault.

# Department of Public Safety



Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties

95 360 150 270

G

Program Rating

G

**Motor Transportation Program.** DPS merged the Motor Transportation Division, Special Investigations Division, and the New Mexico State Police Division into one program effective July 1, 2015. The consolidation was intended to eliminate fragmented operations, difficulties in communications, redundancy, limited career opportunities, and lack of equitable pay. The consolidation and the recruitment of qualified transportation inspectors should help increase the number of commercial carrier inspections and citations issued.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of commercial motor vehicle inspections	86,013	73,988	90,000	63,769	R
Number of commercial motor vehicle citations issued	27,617	25,188	30,000	25,366	R
Number of noncommercial motor vehicle citations issued	14,294	13,159	14,000	15,316	G

Program Rating

Y

**Statewide Law Enforcement Support.** The department faces a critical backlog in forensic cases. For FY16, the department received a \$170 thousand increase in the base operating budget to clear the backlog of cases. The laboratories currently have 11 vacancies, an increase from six at the end of FY14, according to the department's performance reports.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of all forensic cases completed per filled full-time-equivalent position within thirty working days	61%	39%	56%	15%	R
Percent of DNA cases completed per filled full-time-equivalent position within thirty working days	38%	35%	40%	21%	R
Percent of forensic latent fingerprint cases completed per filled full-time-equivalent position within thirty working days	74%	13%	60%	9%	R
Percent of forensic firearm and toolmark cases completed per filled full-time-equivalent position within thirty working days	42%	46%	40%	49%	G
Percent of forensic chemistry cases completed per filled full-time-equivalent position within thirty working days	67%	49%	85%	10%	R

Program Rating

R



# Administrative Office of the Courts

Despite continuing issues with juror costs, the Administrative office of the Courts (AOC) exceeded most targets. The office completed implementation of the electronic case management system in all courts except the Court of Appeals, and the number of children assigned to the Court Appointed Special Advocates program (CASA) volunteers increased from 1,795 in FY14 to 1,855 in FY15. However, the Magistrate Court bench warrant revenue was slightly below that in FY14 and FY13, and the AOC used \$51.2 thousand of FY16 funds to pay for FY15 interpreters, witnesses, and jurors.

**Administrative Support.** The average cost per juror increased for the fourth consecutive year to \$59.85, exceeding the target level of \$50.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Average cost per juror	\$51.93	\$55.40	\$50.00	\$59.85	Y
Program Rating					Y

**Magistrate Court Program.** Magistrate courts disposed of 105.3 percent of cases filed in the fourth quarter, for a total clearance rate of 101.9 percent in FY15. This marks the fourth consecutive year magistrate courts cleared more than 100 percent of cases.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Bench warrant revenue collected annually, in millions	\$3.3	\$3.3	\$3.1	\$3.27	G
Percent of cases disposed as a percent of cases filed	100%	100%	95%	100%	G
Program Rating					G

**Special Court Services.** In FY15, the CASA program increased the number of supervised child visitations and exchanges and the number of children assigned to CASA volunteers. The drug court intent-to-treat recidivism rate, which tracks all program participants over the last three years, remained roughly the same, dropping by only 0.09 percent from FY14.

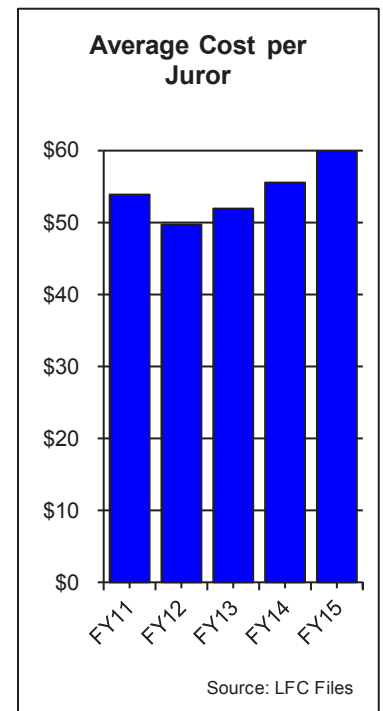
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of cases to which court-appointed special advocates volunteers are assigned	862	1,024	1,000	1,010	G
Recidivism rate for drug court participants statewide	new	21.5%	N/A	21.4%	N/A
Program Rating					G

## KEY ISSUES

The Administrative Office of the Courts continues to struggle to contain costs in the jury and witness fund, with the average cost per juror continuing to increase. Drug court programs continue to perform well, with participants experiencing a 21 percent recidivism rate, well below the 47 percent rate reported by corrections.

## AGENCY IMPROVEMENT PLANS

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



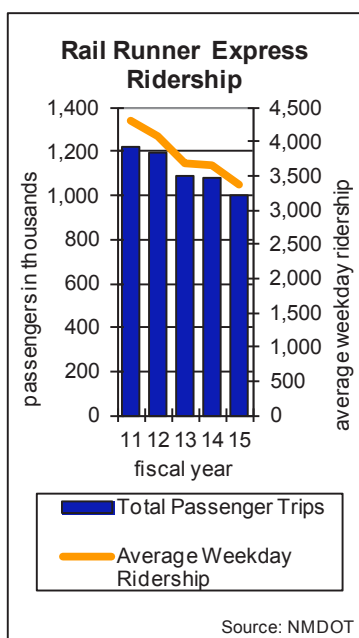
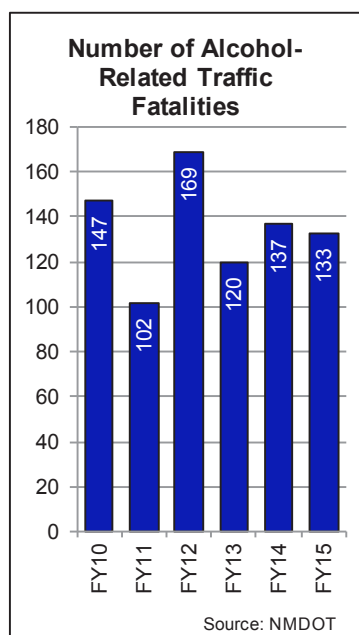
The number of paid jurors decreased from 65,726 in FY14 to 59,876 in FY15.

In FY15, the Special Court Services Program provided an average 1,396 supervised child visitations and exchanges per month, exceeding its target of 1,000 and its FY14 monthly average of 1,016.

# Department of Transportation

## KEY ISSUES

The Department of Transportation continues to struggle to maintain New Mexico's transportation infrastructure within the current budget. The department continues to meet targets for pavement preservation but without additional funding it will likely fall behind.



Performance results for the New Mexico Department of Transportation (NMDOT) are mixed. The total number of traffic fatalities – including alcohol-related – decreased slightly. With the exception of the number of statewide miles preserved, measures for road and highway conditions are not available for FY15. The department placed an emphasis on the final cost-over-bid amounts on contracts and made significant progress in this area, and though there was an increase from FY14 to FY15, NMDOT remained under the target level. The number of riders on Park and Ride and Rail Runner declined as the Rail Runner continues to underperform. NMDOT made considerable progress in lowering vacancy rates and has the lowest vacancy rate since FY08.

**Programs and Infrastructure.** The number of traffic and alcohol-related fatalities decreased slightly from FY14 and remains significantly below the FY12 peak as a result of high-visibility law enforcement operations. The percent of bridges in fair condition or better is far above the FY15 target and NMDOT anticipates conditions to continue to improve given the current level of funding. The percent of projects let, or made available for bid, as scheduled experienced a significant decrease. The percent of airport runways in satisfactory or better condition remains below FY13 levels, but modest year-over-year progress is reported. The annual number of Rail Runner riders continues to decline and is at its lowest level since NMDOT began tracking ridership in FY10.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of traffic fatalities	304	343	≤345	331	G
Number of alcohol-related fatalities	120	137	≤130	133	Y
Number of non-alcohol-related fatalities	184	206	≤215	198	G
Percent of bridges in fair condition or better, based on deck area	93%	94%	≥75%	95%	G
Percent of airport runways in satisfactory or better condition	66%	50%	≥60%	53%	Y
Number of pedestrian fatalities	54	58	≤45	60	R
Ride quality index for new construction	4.2	4.2	≥4.0	4.2	G
Percent of final cost-over-bid amount on highway construction projects	3.5%	1.0%	≤3.0%	2.0%	G
Percent of projects in production let as scheduled	63%	70%	≥70%	50%	R

# Department of Transportation

Annual number of riders on park and ride	312,320	315,738	≥300,000	291,892	Y
Annual number of riders on the rail runner, in millions	1.2	1.1	≥1.2	1.0	R
Program Rating					Y

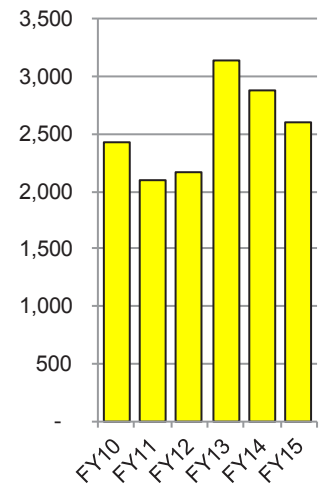
**Transportation and Highway Operations.** Performance results are difficult to ascertain because data on critical measures related to road and highway conditions are assessed on an annual basis and FY15 data will not be available until June, 2016. FY14 condition assessments show deterioration in the condition of non-interstate roads statewide. Without a significant increase in funding, it is likely that roads will continue to deteriorate.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of non-interstate lane miles rated good	70%	68%	≥85%	n/a	
Percent of interstate lane miles rated good	94%	93%	≥95%	n/a	
Number of combined systemwide miles in deficient condition	8,128	6,652	≤3,500	n/a	
Number of statewide pavement miles preserved	3,139	2,889	≥2,750	2,611	Y
Amount of litter collected from department roads, in tons	6,825	6,201	≥11,000	6,484	R
Customer satisfaction at rest areas	99%	99%	≥98%	99%	G
Program Rating					Y

**Business Support.** Although NMDOT did not meet the target vacancy rate, the agency has the lowest vacancy rate since the beginning of the recession in FY08.

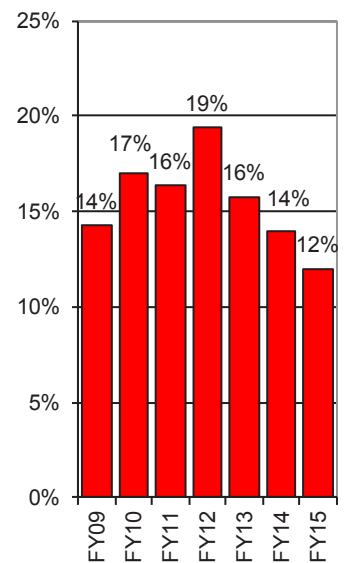
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Vacancy rate in all programs	16%	14%	≤11%	12%	G
Number of employee injuries occurring in work zones	19	28	≤50	27	G
Number of employee injuries	81	106	≤90	95	Y
Program Rating					G

**Number of Pavement Miles Preserved Statewide**



Source: NMDOT

**NMDOT Vacancy Rate**



Source: NMDOT



# Department of Information Technology

## KEY ISSUES

The department would benefit from a better understanding of the quality and cost-effectiveness of the services it provides. For example, a broad satisfaction survey submitted to its client agencies would allow the department to learn the degree to which the department is meeting state agency needs.

## AGENCY IMPROVEMENT PLANS

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

**DoIT FY14 Funding by Division**  
 (in thousands)

Program	Budget	FTE
Enterprise Svc	\$51,940.70	168
Compliance and Proj Mgt	\$860.00	7
Prog Sup	\$3,293.60	35
Equip Replace	\$5,824.90	n/a
<b>Total</b>	<b>\$61,919.20</b>	<b>210</b>

Source: FY14 DoIT Operating Budget

Note: The Compliance and Project Management Program is the only program funded with general fund revenues.

The Department of Information Technology (DoIT) made substantial progress with respect to answering help desk calls by priority. However, the department fared poorly regarding a new measure that tracks the percent of staff (for the Enterprise Services Program only) who receive at least 24 hours of training in their respective technology field. LFC staff recommends the measure also apply to employees within the Compliance and Project Management Program; these 7 FTE are responsible for the oversight of the hundreds of millions in annual state IT investments.






Slow progress continues on the department's efforts to upgrade the state's SHARE accounting system as well as working with the Department of Finance and Administration to improve SHARE business practices. While DoIT has not provided a timeline for the upgrade, the department anticipates at least another 15 months will be required.

Finally, the chair of the state's Information Technology Commission resigned at the end of the year and a replacement has yet to be announced. In the chair's resignation letter, he noted a number of high priority issues the ITC has yet to address, including that ITC legislation is outdated and that the body has yet to adequately determine how it can best "add value."

**Compliance and Project Management.** At the end of FY15, there were 74 department-certified IT projects at an estimated cost of \$242 million. While the program has no measures to capture the quality or cost-effectiveness of the services it provides, it continues to release a quarterly "green-yellow-red" performance report for state IT projects with the largest budgets.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number and appropriated budget of executive agency certified projects reviewed monthly for compliance and oversight requirements	64 \$340M	84 \$407M	n/a	74 \$242M	informative
Program Rating					n/a

**Enterprise Services.** The program met performance targets for mainframe availability and the SHARE financials system. The program made substantial progress over the past two years with respect to answering help desk calls by priority, meeting or exceeding all priority targets.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Service Desk Calls by Priority:					
Priority 1 (8 hours)	64%	71%	90%	100%	
Priority 2 (24 hours)	37%	54%	90%	90%	
Priority 3 (40 hours)	51%	92%	90%	93%	
Priority 4 (80 hours)	83%	100%	90%	100%	
Priority 5 (160 hours)	100%	100%	90%	100%	

# Department of Information Technology

Queue-time to reach a customer service representative at the DoIT help desk, in seconds	12	9	<19	9	<b>G</b>
Percent of mainframe uptime affecting user access or batch scheduling	100%	99.8%	99.9%	99.9%	<b>G</b>
Percent of scheduled uptime the statewide human resources management reporting (SHARE financials) is available during business hours	99.6%	99.3%	99.9%	99.9%	<b>G</b>
Percent of staff who receive a minimum of 24 hours of training in their specific technology field (annual)	new	new	60%	13%	<b>R</b>
<b>Program Rating</b>					<b>Y</b>

**Program Support.** Collection of accounts receivables is cyclical, with collections typically increasing in the third and fourth quarters of the year. For the second year, collections within 60 days of the invoice due date exceeded the FY15 target of 75 percent and dollar amount of receivables over sixty days remained low.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of accounts receivable dollars collected within sixty days of the invoice due date	45%	83%	75%	81%	<b>G</b>
Dollar amount of account receivables over sixty says, in millions	\$7.1	\$5	\$7.5	\$4.2	<b>G</b>
<b>Program Rating</b>					<b>G</b>

In the 2015 legislative session DoIT received \$400 thousand for implementation of the state's one-stop business portal, designed to provide a free, user-friendly, searchable and public website to allow businesses to simplify their online transactions with state agencies.

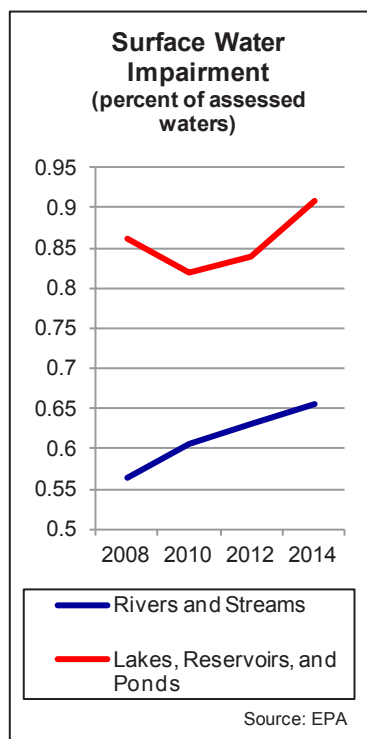
# Department of Environment

## KEY ISSUES

In 2013, the most recent year for which data is available, New Mexico again ranked worse than average for workplace fatalities with 6.7 per 100 thousand workers – double the national rate of 3.3. Although fatality rates are affected by a state's major industries, New Mexico's occupational fatality rate for mining and oil and gas extraction was more than three times higher than the rate in Texas and nearly five times the rate in Oklahoma. Nearly two-thirds, or 64 percent, of 2013 workplace fatalities in New Mexico were attributed to transportation incidents, compared with 59 percent for Oklahoma and 43 percent for Texas. NMED does not have jurisdiction over road or traffic conditions but can call on employers to take steps to improve safety. While the agency does not have a written corrective action plan, the Occupational Health and Safety Bureau annually reviews the industries and activities with the highest rates of injury and death to inform policy and operations.

## AGENCY IMPROVEMENT PLANS

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



The Department of Environment is meeting inspection and permitting targets; however, most of the measures for FY15 were process-oriented rather than indicators of environmental protection and health. Executive and legislative staff worked to improve the measures beginning in FY17 by removing many of the output measures and revising others to focus on the effectiveness of the agency's inspection and compliance efforts. The agency may begin reporting on some of the revised measures in FY16.

**Environmental Health.** Inspection results and the number of public water systems not in compliance with standards would be more valuable measures than the percent of systems surveyed or inspected. The percent of New Mexicans served by water systems meeting such standards increased during FY15 but fell slightly short of the performance target. While the agency continued to meet the target for correcting food-related violations in 2014, New Mexico's foodborne illness rate increased, albeit slightly, for the first time in the past five years.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of public water systems surveyed to ensure compliance with drinking water regulations	95%	93%	96%	97%	G
Percent population served by community water systems that meet all applicable health-based standards	n/a	95%	100%	99%	Y
Percent of high-risk food-related violations corrected within the timeframes noted on the inspection report	92%	99%	100%	100%	G
Program Rating					G

**Resource Protection.** Although measures track whether permitted facilities are complying with groundwater standards, the program's performance results do little to indicate whether pollution is prevented or water quality is improving. Additional results-oriented measures, like the percentage of surface waters impaired, should be adopted.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards	71%	70%	72%	66%	Y
Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements of the petroleum storage tanks regulations	60%	83%	70%	77%	G
Program Rating					Y

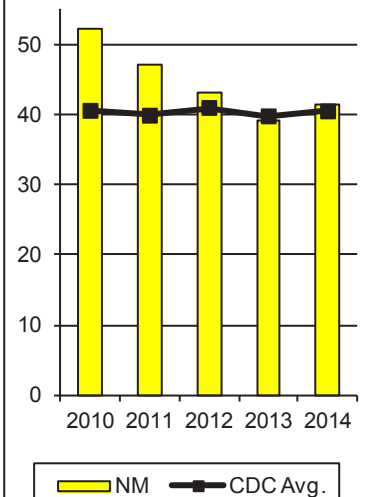


# Department of Environment

**Environmental Protection.** New Mexico continues to have higher than average workplace fatality and injury rates. In four out of the past six years for which data is available, New Mexico had higher rates of private sector occupational injuries and illnesses than the national average. The program's measures are among the more meaningful in the department because they provide information concerning improved worker safety and compliance with environmental regulations.

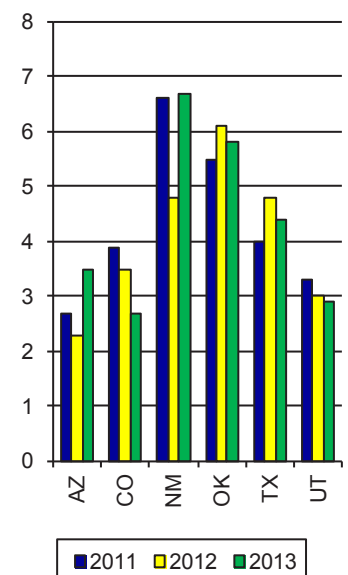
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of permitted active solid waste facilities and infectious waste generators inspected that were found to be in compliance with the New Mexico solid waste rules	82%	87%	85%	100%	G
Percent of radiation-producing machine inspections completed within the timeframes identified in the radiation control bureau policies	99%	98%	100%	95%	Y
Percent of landfills compliant with groundwater sampling and reporting requirements	100%	96%	100%	95%	Y
Percent of serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections	93%	96%	95%	98%	G
Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation	94%	96%	95%	98%	G
Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	97%	100%	100%	100%	G
Program Rating					Y

**Incidence of Foodborne Illness**  
(per 100,000 population)



Source: Centers for Disease Control (CDC)

**Work Related Death Rates**  
(per 100,000 workers)



Source: U.S. Department of Labor

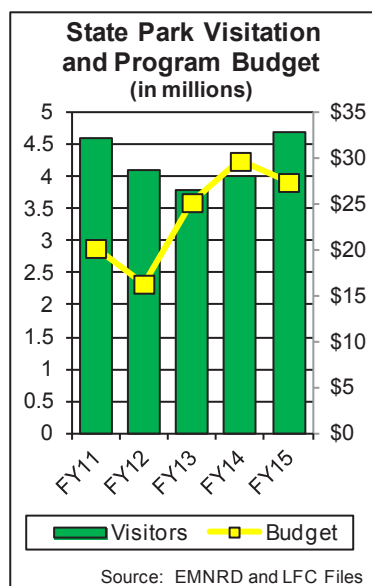
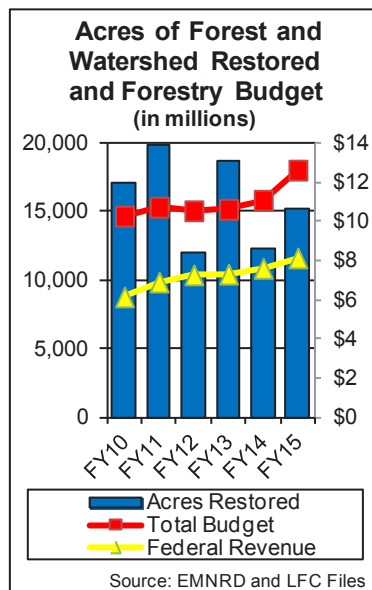
# Energy, Minerals & Natural Resources Department

## KEY ISSUES

As shown in the charts below, the number and volume of oil spills increased dramatically in FY15. While oil production also rose, the increases were disproportionate. Production grew by 21 percent but the number and volume of spills increased by 43 percent and 61 percent, respectively.

## AGENCY IMPROVEMENT PLANS

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



The Energy, Minerals and Natural Resources Department (EMNRD) missed many key performance targets in FY15. Other data sources, like the growing number and volume of oil and gas spills, indicate reduced success in the agency's regulatory efforts.

**Healthy Forests.** Although the program's forest thinning and watershed restoration efforts improved in FY15, the number of acres treated fell well short of the performance target. Although EMNRD's direct federal revenue increased from FY10 to FY15, the agency cites a 29 percent decrease in federal funding for state fire assistance during that period and expiration of American Recovery and Reinvestment Act funding as causes of the decline in acres treated and requested future performance targets consider this reduction in resources. The Legislature appropriated \$9.1 million for wildfire mitigation and watershed restoration in FY14 and FY15, and the program has worked to quickly put this funding to use.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of nonfederal wild land firefighters provided technical fire training appropriate to their incident command system	1,687	2,074	1,700	1,625	Y
Number of at-risk communities or local fire departments provided funding for wildland firefighting equipment or training.	89	133	90	112	G
Number of acres restored in New Mexico's forests and watersheds	18,669	12,277	20,000	15,142	R
Program Rating					Y

**State Parks.** Revenue per visitor fell by 9 percent, but overall revenue from visitors increased by \$860 thousand due to the highest level of visitation in the past decade. The agency points to the increased popularity of annual day use and camping passes as a possible cause of both the increased overall visitation and the reduced revenue per visitor.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of visitors to state parks, in millions	3.8	4.0	3.8	4.7	G
Self-generated revenue per visitor	\$0.97	\$0.96	\$0.97	\$0.87	R
Number of interpretive programs available to park visitors	2,566	2,358	2,500	1,780	R
Number of people who complete a certified New Mexico boating safety education course	772	712	775	753	Y
Program Rating					Y

# Energy, Minerals & Natural Resources Department

**Mine Reclamation.** The program continued to meet inspection requirements and only one of 90 permitted mines did not have adequate financial assurance. EMNRD reports the mine without financial assurance is under application with a new owner and awaiting the conclusion of bankruptcy proceedings.

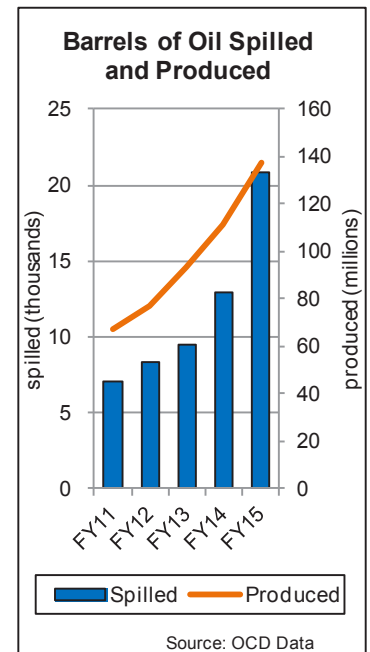
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	100%	99%	100%	99%	Y
Percent of required inspections conducted per year to ensure mining is being conducted in compliance with approved permits and regulations.	100%	100%	100%	100%	G
<b>Program Rating</b>					<b>G</b>

**Oil and Gas Conservation.** Oil, natural gas, and produced water spills continued an upward trend in FY15, even with a large increase in the number of inspections performed. This may indicate an ineffectiveness of the inspection efforts or, as the agency suggests, the increase in inspections causing more spills to be reported. The agency failed to meet the target for plugging abandoned oil and gas wells. Although there was a shortage of wells with plugging orders for most of FY15, it is the agency's responsibility to obtain such orders for abandoned wells. Over 200 plugging orders were issued in May 2015.

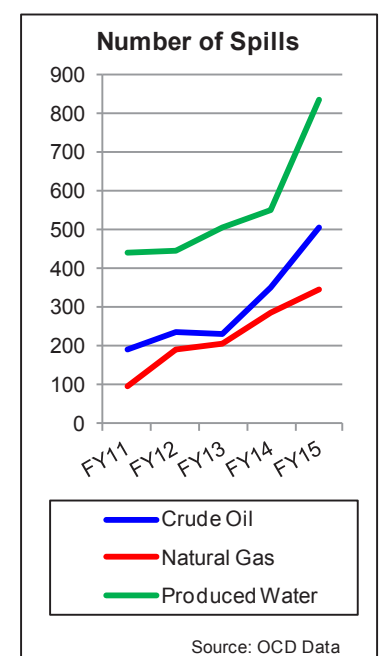
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of inspections of oil and gas wells and associated facilities	37,707	38,920	37,500	47,593	G
Number of abandoned oil and gas wells properly plugged using reclamation fund monies	57	32	50	31	R
<b>Program Rating</b>					<b>Y</b>

**Renewable Energy and Energy Efficiency.** The program fell short of important targets in FY15, including application review timeliness and energy use reduction, which the agency attributes to reduced funding for efficiency improvements. To improve application reviews, the program made changes to the review process and hired temporary staff to help meet future goals.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of applications for clean energy tax credits reviewed within thirty days of receipt	99%	99%	90%	75%	R
Percent reduction in energy use in public facilities upgraded by clean energy projects	16%	11%	16%	14%	Y
<b>Program Rating</b>					<b>Y</b>



EMNRD identified two possible causes of the increase in oil spills. First, new drilling and production technology causes a higher volume of oil and associated waste to be present at the surface than in previous years, leading to a higher number of accidental discharges. Second, much of the aging infrastructure in New Mexico's oil fields, such as pipelines, storage tanks, and production facilities, is more susceptible to leaks and spills.





# Office of the State Engineer

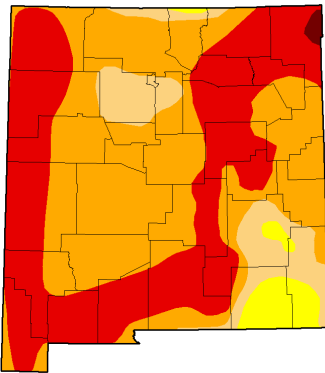
## KEY ISSUES

With many basins still unadjudicated and the agency working to finalize basin specific rules to implement active water resource management (AWRM), it is unclear if OSE is prepared, or has the authority, to enforce priority administration in times of shortage, as required by the New Mexico Constitution. The agency is working with the courts and legislators to identify and evaluate new approaches to accelerate the pace of this process through the interim Water and Natural Resources Committee's adjudication working group.

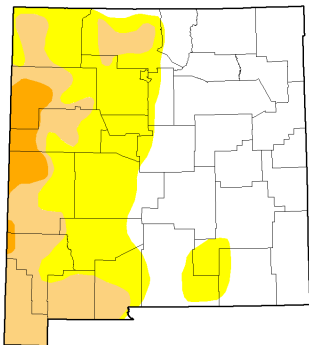
## AGENCY IMPROVEMENT PLANS

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

**Drought Conditions**  
 July 1, 2014



June 30, 2015



Source: U.S. Drought Monitor

Above average precipitation resulted in 21.5 percent of the state experiencing drought at the end of FY15, down from 96 percent at the end of FY14, and increased reservoir levels statewide. The Legislature increased the Office of the State Engineer's (OSE) operating budget by 17 percent for FY15, including \$1.2 million to address the water rights application backlog and \$600 thousand for hydrographic survey staff to ease bottlenecks in adjudications. During FY15, the agency made progress on the goal of cutting the application backlog in half by the end of 2015. However, adjudication progress remains slow and existing measures only consider active adjudications and do not fully capture the status of all water rights claims in the state.

**Water Resource Allocation.** Continuing a trend from FY14, the program increased the number of water rights applications processed monthly which contributed to a reduction in the application backlog for the first time since FY10. The program again met the annual target for dam inspections, but three out of five New Mexico dams have poor or unsatisfactory safety ratings.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of unprotested and unaggrieved water right applications backlogged	1,332	1,513	650	1,219	Y
Average number of unprotested new and pending applications processed per month	32	76	65	108	G
Number of transactions abstracted annually into the water administration technical engineering resources system database	22,331	18,888	23,000	22,792	Y
Number of dams inspected per year	93	116	100	101	G
Program Rating					Y

## **Interstate Stream Compact Compliance and Water Development.**

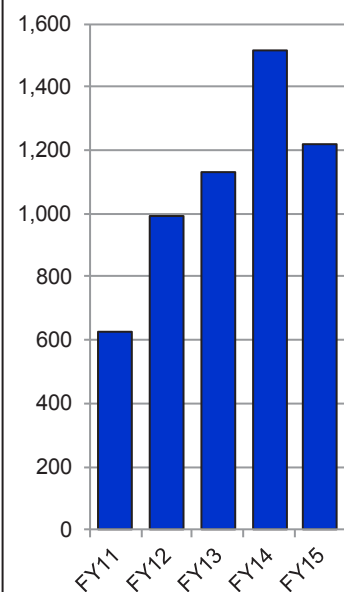
The program is meeting its delivery requirements under the Pecos River compact and litigation with Texas on the Rio Grande compact is ongoing. The U.S. Supreme Court's special master heard oral arguments on New Mexico's motion to dismiss in August 2015 and a ruling is expected in the coming months.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Cumulative state-line delivery credit (Pecos river compact), thousand acre-feet	100.1	102.0	≥0	95.7	G
Rio Grande compact accumulated delivery credit, thousand acre-feet	80.0	62.4	≥0	0	G
Program Rating					G

**Litigation and Adjudication.** Although the program obtained judicial determinations for a higher percentage of water rights cases in FY15 than in any of the past 10 fiscal years, adjudication continues at a glacial pace and the existing performance measure does not consider adjudications not yet begun. Without full adjudication and the lack of basin specific AWRM rules, OSE's legal basis and ability to quickly respond to requests to enforce priority administration during times of shortage is uncertain. Currently, 12 adjudications are pending in New Mexico. Six are in state court and six are in federal court. Most adjudications started more than 30 years ago and, at the current pace, OSE may be decades away from adjudicating all water rights. The state engineer directed staff to analyze and evaluate alternative approaches to the adjudication process in FY16. Despite the budget increase for FY15, high vacancy rates persist and the program notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with the private sector. The program relies on contractual services to augment the work of its staff attorneys, primarily to provide specialized expertise in Native American water rights law.

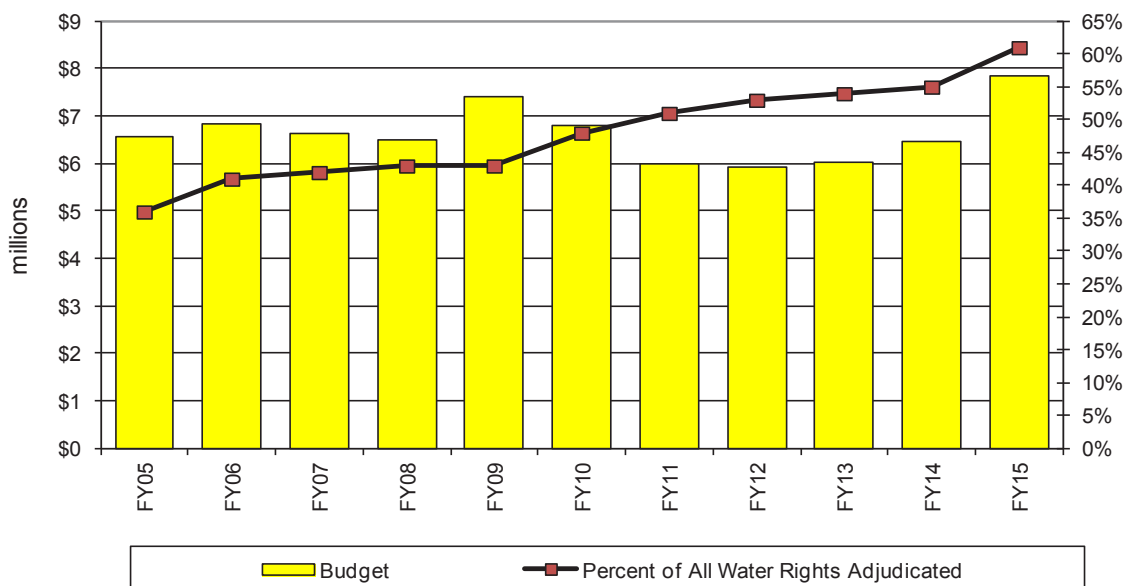
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of offers to defendants in adjudications	640	540	600	594	Y
Percent of all water rights that have judicial determinations	53%	55%	54%	61%	G
Program Rating					Y

**Number of Unprotested and Unaggrieved Water Rights Backlogged**



Source: OSE Reports

**Litigation and Adjudication Budget and Percent of All Water Rights with Judicial Determinations**



Source: OSE

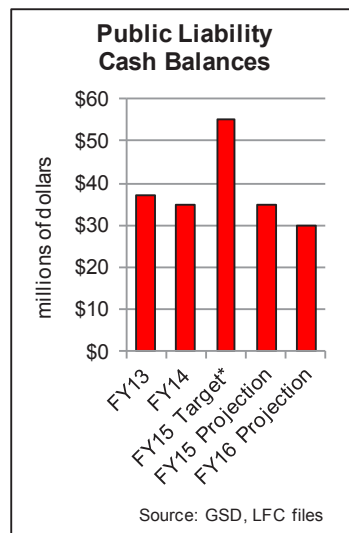
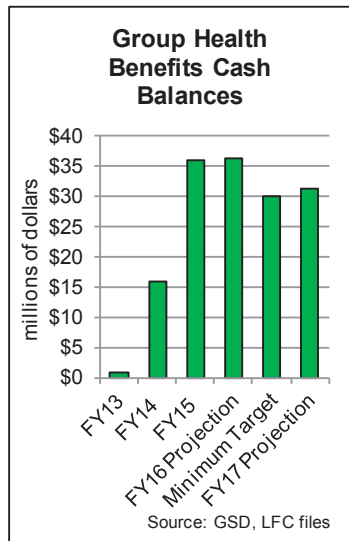
# General Services Department

## KEY ISSUES

GSD fell short on several measures for FY15, including cash balances in the public liability fund, change in health premium compared with industry trend, and success implementing a lower space standard for agencies occupying state-owned and leased space. GSD is working on closing these gaps with more accurate rates for risk coverage, benefit changes that include more primary care and behavioral healthcare options, and governor support to work with agencies to reduce the state's footprint to reflect a smaller workforce.

## AGENCY IMPROVEMENT PLANS

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



For the General Services Department (GSD), rising risk insurance rates due to claims experience, employee healthcare benefit costs, and less than optimal space utilization continue to challenge the agency.

**Risk Management.** The upward trend in frequency and severity of medical malpractice, whistleblower, and civil rights tort claims continues to diminish cash balances for the Public Liability Program. For the Public Property Program, weather contributed to an overall increase in costs from damages to buildings and vehicles. For the Workers' Compensation Program, the number of claims decreased, but overall costs increased due to medical and other cost trends.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Financial position of the public property fund	91%	250%	50%	274%	G
Financial position of the workers' compensation fund	25%	18%	30%	28%	Y
Financial position of the public liability fund	38%	22%	50%	22%	R
Payments from the public liability fund, in millions	\$34.5	\$32.8	\$31.2	\$34.8	R
Program Rating					Y

**Employee Group Health Benefits.** Despite lower trends in per member health costs, premiums increased above industry trend in two out of three years and employee out-of-pocket costs also increased. This is challenging considering limited compensation increases. The program is expanding primary and behavioral healthcare options for employees and dependents with an Employee Assistance Program, Worksite Wellness Program, and a healthcare clinic to reduce costly visits to specialists, emergency rooms, and urgent care centers.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Monthly per-member claims costs	\$328	\$292	\$350	\$297	G
Percent change in premium	0%	15%	≤ 7%	10%	R
Claims costs for the top three diagnoses, in millions	\$68.8	\$54.8	\$53.2	\$57.6	R
Number of member primary care visits	new	21,218	22,279	23,715	G
Program Rating					Y

**Facilities Management.** Despite a smaller workforce, the size of the state's footprint increased and average space per employee is still above the primary office space standard of 215 square feet per FTE. After early successes in FY13, savings from renegotiating expiring leases in exchange for longer terms slowed. However, the number of active leases grew to 424 from 400, as have lease costs, which now average \$17.06 per square foot as compared with \$16.70 in FY14.



# General Services Department

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
State office space available	new	102,052	96,949	71,471	G
Leased square feet, in millions	2.6	2.8	2.7	2.9	R
Lease costs, in millions	\$44.3	\$47.1	\$44.7	\$49.4	R
Capital projects on schedule within budget	93%	88%	92%	90%	G
Program Rating					Y

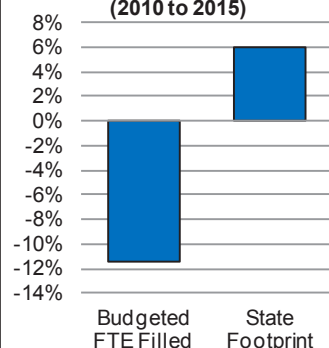
**Transportation Services.** Short-term motor pool use reflects higher usage compared with the prior two fiscal years because of efforts to remove underutilized long-term leased vehicles from agencies, more relaxed in-state travel policies, and less employee personal vehicle use.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Short-term vehicle use	64%	92%	75%	94%	G
Vehicles accumulating one thousand miles per month	41%	30%	75%	32%	R
State vehicles beyond five years in service	52%	54%	20%	47%	R
Revenue from surplus property, in thousands	\$532.0	\$1,032.0	\$1,083.6	\$682.0	Y
Program Rating					Y

**Procurement Services.** Procurement violations appear to be decreasing with new training and certification requirements for chief procurement officers. The measure for sole-source procurements reflects an online portal that allows data from local public bodies and state agencies to be reported. As a result, the numbers have increased.

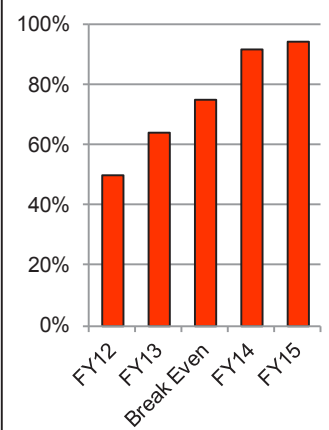
Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Employees trained on Procurement Code compliance and methods	754	689	723	1,005	G
Procurement Code violations	21	31	29	21	G
Sole-source procurements	132	236	229	231	Y
Awards to businesses with New Mexico preference	new	11	12	14	G
Program Rating					G

**Change in Budgeted Filled Positions and State Footprint (2010 to 2015)**



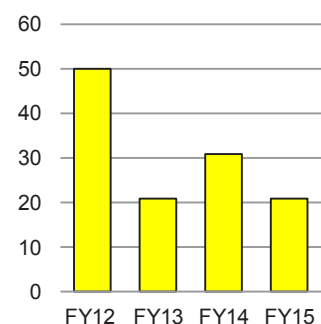
Source: CBPC, GSD and LFC files

**Short Term Vehicle Use**



Source: GSD, LFC files

**Number of Procurement Code Violations (by executive agencies)**



Source: GSD, LFC files

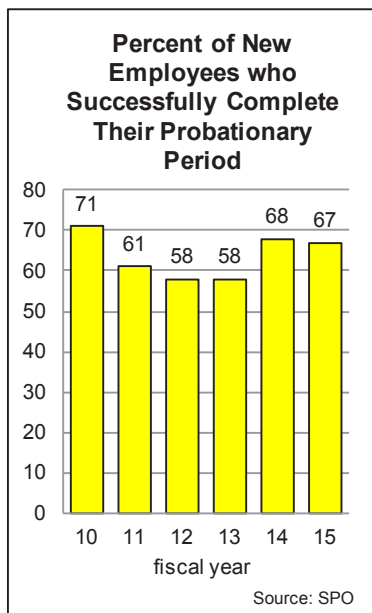
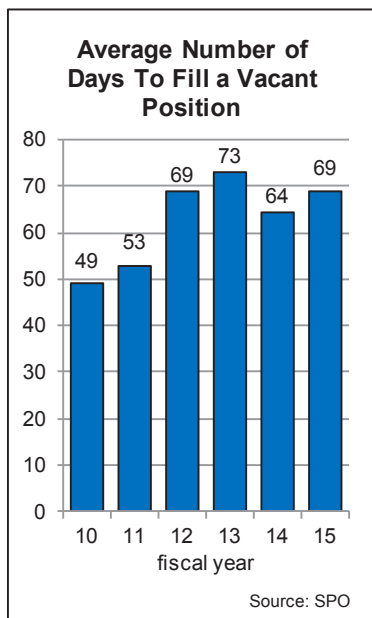
# State Personnel Board

## KEY ISSUES

The State Personnel Board did not meet the targets for average number of days to fill vacant positions and percent of new employees successfully completing their probation period. The department did not submit an improvement plan.

## AGENCY IMPROVEMENT PLANS

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



A revised salary and classification structure based on occupational groups has been developed to remedy long-standing problems related to recruitment, reward, and retention. The new occupationally based structure will allow the State Personnel Office (SPO) to better align state salaries to market rates for specific occupations. SPO has not yet provided an estimated cost for matching state employee salaries to market rates. SPO is working with agencies and applicants to improve hiring rates by providing one-on-one application assistance, as well as participating in job fairs to recruit hard-to-fill jobs in specific state agencies. SPO continues to pursue “shared service” agreements with state agencies having fewer than 100 employees, designed to establish more effective human resource capabilities and functions.

**Human Resource Management.** The average number of days to fill a vacant position increased slightly, but it is important to note the majority of the delay, 43 days, comes between the referral of the candidate list from SPO to the agency and the agency issuing a job offer. The percent of new employees who successfully complete their probationary period seems to have stabilized at nearly 70 percent. Compa-ratios (actual salary divided by the midpoint of the salary range) that exceed the targeted level, particularly for new hires, suggest current pay plan salaries lag market rates and are insufficient to recruit, reward, and retain state employees. The dramatic reduction in percent of completed employee performance appraisals suggests managers do not complete the reviews unless connected to a compensation increase. This calls into question the usefulness of the reviews as a management tool.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Statewide classified service vacancy rate	15%	15%	10%	13%	Y
Average number of days to fill a vacant position	73	64	45	69	R
Percent of new employees who successfully complete their probationary period	58%	68%	75%	67%	R
Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year	93%	99%	95%	56%	R
Average new hire compa-ratio	94.4%	96.1%	91%	96.8%	R
Percent of turnover of employees leaving state service	8%	6.1%	18%	9.6%	G
Overall Program Rating					R

# Taxation & Revenue Department

As the state faces lower than expected revenues resulting from dramatically decreased oil prices, collecting revenue effectively and efficiently to decrease the tax gap (the difference between what is owed to the state and what is collected) is increasingly important. Despite heavy turnover, the Taxation and Revenue Department (TRD) met or exceeded most performance targets. However, the department's audit assessment collections in FY15 were below target and lower than in previous years.

**Tax Administration Program.** Of the FY15 unpaid tax audit assessments of \$56.1 million, \$13.7 million is less than 90 days old, \$9 million is in protest, and \$6.7 million has been abated or is in bankruptcy, leaving a collectible balance of \$26.5 million, of which \$15.5 million, or 59 percent, was collected. Collections of outstanding balances from FY14 were \$106.7 million, or 15.5 percent of collectable outstanding balances. The percent of electronically filed tax returns continued its upward trend and is now over 90 percent. The option for e-filing exists for both personal income tax and the combined reporting tax system.

Beginning in FY16, TRD agreed to provide quarterly audit data to LFC detailing the number and type of audits conducted, the cost of those audits, and the return on investment on average for each sector of audits (i.e. corporate and personal).

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Collections as a percent of collectable outstanding balances from the end of the prior fiscal year	17.6%	18.0%	18.0%	15.5%	R
Collections as a percent of collectable audit assessments generated in the current fiscal year	66%	61%	65%	59%	R
Percent of electronically filed personal income tax and combined reporting system returns	85%	90%	90%	92%	G
Program Rating					Y

**Compliance Enforcement Program.** A total of nine tax compliance cases were assigned to program agents in FY15. Of these, seven investigations were referred for criminal prosecution during the year. This is a marked improvement from FY14, when the program referred four out of 13 investigations for criminal prosecution.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Number of tax investigations referred to prosecutors as a percent of total investigations	67%	33%	50%	78%	G
Program Rating					G

## KEY ISSUES

The Taxation and Revenue Department continues to meet most performance targets and outperform targets for MVD wait times. The agency missed the percentage targets for audit assessment collections in FY15. However, TRD has increased total assessments and collected increased dollar amounts.

## AGENCY IMPROVEMENT PLANS

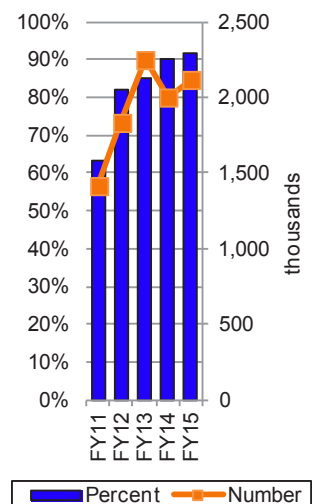
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned by agency?	No

**TRD FY15 Funding by Division**  
(in millions)

Program	Budget	FTE
Tax Administration	\$31.5	504
Motor Vehicle Division	\$27.8	348
Property Tax	\$3.4	39
Compliance Enforcement	\$2.3	28
Program Support	\$22.4	190
Total	\$87.4	1109

Source: TRD FY15 Operating Budget

**Electronically Filed Tax Returns**

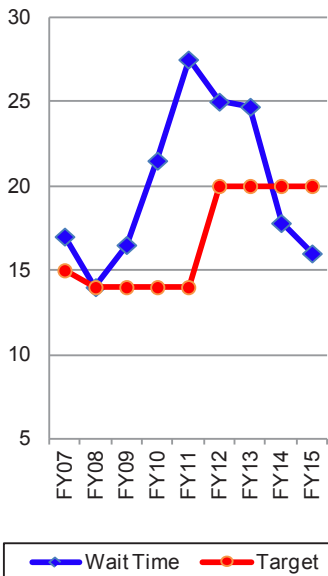


Source: TRD and LFC Files



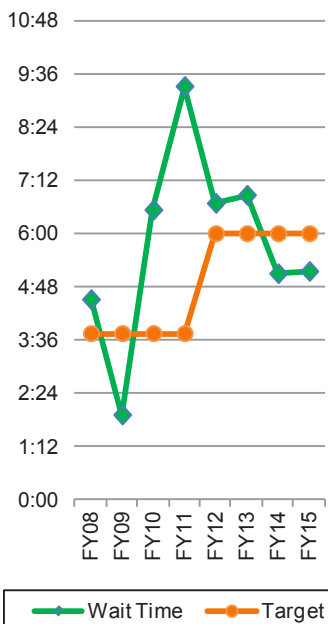
# Taxation and Revenue Department

**Average Customer Wait Times at MVD Field Offices (in minutes)**



Source: TRD and LFC Files

**MVD Call Center Wait Times (in minutes)**



Source: TRD and LFC Files

**Motor Vehicle Program.** In late FY15, the Motor Vehicle Division successfully launched the driver component of the division's new IT system, Tapestry (the motor vehicle component will be launched in September 2016). Field office and call center wait times increased in the wake of implementation, as expected. However, field office and call center wait times remained significantly below target and below historical waits. The percent of insured vehicles held steady at 91 percent, which, although it misses the target, exceeds national averages.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of registered vehicles with liability insurance	91.0%	91.0%	92.0%	91.0%	Y
Average wait time in q-matic-equipped offices, in minutes	24:42	17:48	20:00	16:00	G
Average call center wait time to reach an agent, in minutes	6:52	5:06	6:00	5:09	G
<b>Program Rating</b>					<b>G</b>

**Property Tax Program.** Delinquent property tax collections declined in FY15 relative to FY13 and FY14 but remain above the new \$10 million target (previously \$7 million). Lower collections resulted from the Property Tax Division's focus on the collection of 10-year delinquencies to prevent unrecoverable losses in revenue. This strategy is at odds with maximizing returns and resolving the highest amount of accounts in the immediate term but should increase collections overall over time.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Amount of delinquent property tax collected and distributed to counties, in millions	\$12.4	\$13.5	\$10.0	\$10.4	G
<b>Program Rating</b>					<b>G</b>

**Program Support.** In FY15, only seven of 4,300 DWI cases were rescinded due to errors by the Motor Vehicle Division and Hearings Bureau and hearings officers. Performance in this area has consistently improved over the past several years. With the creation of the Administrative Hearings Office, administratively attached to the Department of Finance and Administration, this function will no longer be within TRD.

Measure	FY13 Actual	FY14 Actual	FY15 Target	FY15 Actual	Rating
Percent of DWI drivers license revocations rescinded due to failure to hold hearings within ninety days	0.5%	0.3%	<0.5%	0.2%	G
<b>Program Rating</b>					<b>G</b>

## GENERAL FUND AGENCY RECOMMENDATION SUMMARY

TABLE 1

Business Unit	Description	FY16 Operating Budget	FY17 Agency Request	FY17 LFC Recomm.	\$ Over FY16 Oper.	Percent Change
<b>Legislative</b>						
111	LEGISLATIVE COUNCIL SERVICE	6,078.2	6,078.2	6,078.2	0.0	0.0%
112	LEGISLATIVE FINANCE COMMITTEE	4,350.3	4,448.2	4,448.2	97.9	2.3%
114	SENATE CHIEF CLERK	1,213.9	1,213.9	1,213.9	0.0	0.0%
115	HOUSE CHIEF CLERK	1,178.8	1,178.8	1,178.8	0.0	0.0%
117	LEGISLATIVE EDUCATION STUDY COMMITTEE	1,308.9	1,344.5	1,344.5	35.6	2.7%
119	LEGISLATIVE BUILDING SERVICES	4,332.2	4,379.9	4,379.9	47.7	1.1%
131	LEGISLATURE	2,128.6	2,247.5	2,247.5	118.9	5.6%
<b>Total Legislative</b>		20,590.9	20,891.0	20,891.0	300.1	1.5%
<b>Judicial</b>						
205	SUPREME COURT LAW LIBRARY	1,568.1	1,621.2	1,587.1	19.0	1.2%
208	NEW MEXICO COMPILATION COMMISSION	0.0	0.0	0.0	0.0	0.0%
210	JUDICIAL STANDARDS COMMISSION	857.3	899.2	858.8	1.5	0.2%
215	COURT OF APPEALS	5,934.1	6,334.0	5,959.2	25.1	0.4%
216	SUPREME COURT	3,353.0	3,659.5	3,421.1	68.1	2.0%
218	ADMINISTRATIVE OFFICE OF THE COURTS	49,422.4	55,393.3	51,733.5	2,311.1	4.7%
219	SUPREME COURT BUILDING COMMISSION	977.0	1,062.6	977.4	0.4	0.0%
231	FIRST JUDICIAL DISTRICT COURT	7,109.2	7,548.9	7,158.3	49.1	0.7%
232	SECOND JUDICIAL DISTRICT COURT	23,347.3	25,296.6	23,482.3	135.0	0.6%
233	THIRD JUDICIAL DISTRICT COURT	6,614.5	7,161.3	6,728.2	113.7	1.7%
234	FOURTH JUDICIAL DISTRICT COURT	2,365.9	2,491.1	2,390.9	25.0	1.1%
235	FIFTH JUDICIAL DISTRICT COURT	6,701.8	7,406.0	6,751.8	50.0	0.7%
236	SIXTH JUDICIAL DISTRICT COURT	3,325.8	3,511.7	3,353.1	27.3	0.8%
237	SEVENTH JUDICIAL DISTRICT COURT	2,401.3	2,618.7	2,437.1	35.8	1.5%
238	EIGHTH JUDICIAL DISTRICT COURT	3,052.7	3,246.5	3,067.7	15.0	0.5%
239	NINTH JUDICIAL DISTRICT COURT	3,462.3	3,725.2	3,494.4	32.1	0.9%
240	TENTH JUDICIAL DISTRICT COURT	931.1	990.1	945.7	14.6	1.6%
241	ELEVENTH JUDICIAL DISTRICT COURT	6,535.8	7,002.5	6,598.4	62.6	1.0%
242	TWELFTH JUDICIAL DISTRICT COURT	3,458.4	3,693.1	3,498.4	40.0	1.2%
243	THIRTEENTH JUDICIAL DISTRICT COURT	7,206.9	7,817.7	7,257.7	50.8	0.7%
244	BERNALILLO COUNTY METROPOLITAN COURT	23,842.5	25,489.7	24,042.5	200.0	0.8%
251	FIRST JUDICIAL DISTRICT ATTORNEY	5,316.5	5,550.7	5,482.6	166.1	3.1%
252	SECOND JUDICIAL DISTRICT ATTORNEY	18,522.7	18,954.6	18,863.8	341.1	1.8%
253	THIRD JUDICIAL DISTRICT ATTORNEY	4,776.9	5,054.7	4,896.7	119.8	2.5%
254	FOURTH JUDICIAL DISTRICT ATTORNEY	3,170.7	3,310.7	3,207.7	37.0	1.2%
255	FIFTH JUDICIAL DISTRICT ATTORNEY	4,934.6	5,180.2	5,078.9	144.3	2.9%
256	SIXTH JUDICIAL DISTRICT ATTORNEY	2,839.8	3,021.8	2,893.4	53.6	1.9%
257	SEVENTH JUDICIAL DISTRICT ATTORNEY	2,521.5	2,532.3	2,537.3	15.8	0.6%
258	EIGHTH JUDICIAL DISTRICT ATTORNEY	2,692.5	2,749.7	2,746.8	54.3	2.0%
259	NINTH JUDICIAL DISTRICT ATTORNEY	2,899.0	3,141.6	2,971.1	72.1	2.5%
260	TENTH JUDICIAL DISTRICT ATTORNEY	1,258.8	1,424.1	1,283.9	25.1	2.0%
261	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I	3,629.4	4,777.1	3,898.5	269.1	7.4%
262	TWELFTH JUDICIAL DISTRICT ATTORNEY	2,836.6	3,464.3	3,000.4	163.8	5.8%
263	THIRTEENTH JUDICIAL DISTRICT ATTORNEY	5,095.2	5,359.7	5,176.4	81.2	1.6%
264	ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEYS	2,241.6	2,920.4	2,270.1	28.5	1.3%
265	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION II	2,226.4	2,456.6	2,289.0	62.6	2.8%
280	PUBLIC DEFENDER DEPARTMENT	48,138.4	91,909.8	50,556.3	2,417.9	5.0%
<b>Total Judicial</b>		275,568.0	338,777.2	282,896.5	7,328.5	2.7%

TABLE 1

## GENERAL FUND AGENCY RECOMMENDATION SUMMARY

Business Unit	Description	FY16 Operating Budget	FY17 Agency Request	FY17 LFC Recomm.	\$ Over FY16 Oper.	Percent Change
<b>General Control</b>						
305	ATTORNEY GENERAL	9,868.8	11,722.4	9,868.8	0.0	0.0%
308	STATE AUDITOR	2,965.6	3,365.9	3,035.0	69.4	2.3%
333	TAXATION AND REVENUE DEPARTMENT	56,724.8	57,724.8	56,976.5	251.7	0.4%
337	STATE INVESTMENT COUNCIL	0.0	0.0	0.0	0.0	0.0%
340	ADMINISTRATIVE HEARING OFFICE	1,554.8	1,826.6	1,576.0	21.2	1.4%
341	DEPARTMENT OF FINANCE AND ADMINISTRATION	26,642.0	27,058.8	26,351.8	-290.2	-1.1%
342	PUBLIC SCHOOL INSURANCE AUTHORITY	0.0	0.0	0.0	0.0	0.0%
343	RETIREE HEALTH CARE AUTHORITY	0.0	0.0	0.0	0.0	0.0%
350	GENERAL SERVICES DEPARTMENT	14,222.7	15,741.0	14,422.7	200.0	1.4%
352	EDUCATIONAL RETIREMENT BOARD	0.0	0.0	0.0	0.0	0.0%
354	NEW MEXICO SENTENCING COMMISSION	578.2	578.2	578.2	0.0	0.0%
356	GOVERNOR	3,594.6	3,594.6	3,594.6	0.0	0.0%
360	LIEUTENANT GOVERNOR	586.9	586.9	586.9	0.0	0.0%
361	DEPARTMENT OF INFORMATION TECHNOLOGY	975.4	1,475.9	1,021.1	45.7	4.7%
366	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION	0.0	77.3	0.0	0.0	0.0%
369	STATE COMMISSION OF PUBLIC RECORDS	2,791.7	2,791.7	2,729.7	-62.0	-2.2%
370	SECRETARY OF STATE	7,230.4	11,096.9	7,454.6	224.2	3.1%
378	PERSONNEL BOARD	4,341.1	4,552.3	4,335.4	-5.7	-0.1%
379	PUBLIC EMPLOYEE LABOR RELATIONS BOARD	231.0	238.9	235.5	4.5	1.9%
394	STATE TREASURER	3,779.4	3,779.4	3,779.4	0.0	0.0%
<b>Total General Control</b>		136,087.4	146,211.6	136,546.2	458.8	0.3%
<b>Commerce and Industry</b>						
404	BOARD OF EXAMINERS FOR ARCHITECTS	0.0	0.0	0.0	0.0	0.0%
417	BORDER AUTHORITY	330.1	353.8	330.1	0.0	0.0%
418	TOURISM DEPARTMENT	13,576.8	18,276.8	14,426.8	850.0	6.3%
419	ECONOMIC DEVELOPMENT DEPARTMENT	9,494.9	11,494.9	10,097.7	602.8	6.3%
420	REGULATION AND LICENSING DEPARTMENT	13,456.7	13,956.7	13,526.2	69.5	0.5%
430	PUBLIC REGULATION COMMISSION	7,840.2	8,765.0	7,428.7	-411.5	-5.2%
440	OFFICE OF SUPERINTENDENT OF INSURANCE	0.0	0.0	0.0	0.0	0.0%
446	MEDICAL BOARD	0.0	0.0	0.0	0.0	0.0%
449	BOARD OF NURSING	0.0	0.0	0.0	0.0	0.0%
460	NEW MEXICO STATE FAIR	0.0	0.0	0.0	0.0	0.0%
464	STATE BOARD OF LICENSURE FOR ENGINEERS & LAND SU	0.0	0.0	0.0	0.0	0.0%
465	GAMING CONTROL BOARD	5,800.2	5,967.3	5,685.3	-114.9	-2.0%
469	STATE RACING COMMISSION	2,427.3	3,266.4	2,184.6	-242.7	-10.0%
479	BOARD OF VETERINARY MEDICINE	0.0	0.0	0.0	0.0	0.0%
490	CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION	123.2	210.0	123.2	0.0	0.0%
491	OFFICE OF MILITARY BASE PLANNING AND SUPPORT	200.5	200.5	200.5	0.0	0.0%
495	SPACEPORT AUTHORITY	462.5	2,812.8	612.5	150.0	32.4%
<b>Total Commerce and Industry</b>		53,712.4	65,304.2	54,615.6	903.2	1.7%
<b>Agriculture, Energy and Natural Resources</b>						
505	CULTURAL AFFAIRS DEPARTMENT	30,688.1	32,263.1	31,088.1	400.0	1.3%
508	NEW MEXICO LIVESTOCK BOARD	1,395.8	1,395.8	941.0	-454.8	-32.6%
516	DEPARTMENT OF GAME AND FISH	0.0	0.0	0.0	0.0	0.0%
521	ENERGY, MINERALS AND NATURAL RESOURCES DEPARTM	19,988.2	21,138.2	20,368.0	379.8	1.9%
522	YOUTH CONSERVATION CORPS	0.0	0.0	0.0	0.0	0.0%
538	INTERTRIBAL CEREMONIAL OFFICE	104.8	104.7	75.0	-29.8	-28.4%



## GENERAL FUND AGENCY RECOMMENDATION SUMMARY

## Higher Education

TABLE 1

## GENERAL FUND AGENCY RECOMMENDATION SUMMARY

Business Unit	Description	FY16 Operating Budget	FY17 Agency Request	FY17 LFC Recomm.	\$ Over FY16 Oper.	Percent Change
950	HIGHER EDUCATION DEPARTMENT	36,332.9	42,489.1	37,649.6	1,316.7	3.6%
952	UNIVERSITY OF NEW MEXICO	318,029.9	320,713.0	321,085.0	3,055.1	1.0%
954	NEW MEXICO STATE UNIVERSITY	208,267.5	208,669.4	209,137.9	870.4	0.4%
956	NEW MEXICO HIGHLANDS UNIVERSITY	31,751.6	31,802.7	32,108.4	356.8	1.1%
958	WESTERN NEW MEXICO UNIVERSITY	20,681.0	20,899.2	20,978.9	297.9	1.4%
960	EASTERN NEW MEXICO UNIVERSITY	46,956.4	46,890.6	47,136.9	180.5	0.4%
962	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	38,761.8	39,069.2	38,962.5	200.7	0.5%
964	NORTHERN NEW MEXICO COLLEGE	11,542.0	11,395.1	11,579.3	37.3	0.3%
966	SANTA FE COMMUNITY COLLEGE	14,908.3	15,033.7	15,019.7	111.4	0.7%
968	CENTRAL NEW MEXICO COMMUNITY COLLEGE	57,143.3	58,965.1	58,813.3	1,670.0	2.9%
970	LUNA COMMUNITY COLLEGE	8,780.8	8,474.4	8,567.5	-213.3	-2.4%
972	MESALANDS COMMUNITY COLLEGE	4,567.1	4,492.7	4,523.6	-43.5	-1.0%
974	NEW MEXICO JUNIOR COLLEGE	6,613.0	6,641.2	6,666.7	53.7	0.8%
976	SAN JUAN COLLEGE	25,220.3	25,271.9	25,418.5	198.2	0.8%
977	CLOVIS COMMUNITY COLLEGE	10,242.6	10,298.2	10,308.3	65.7	0.6%
978	NEW MEXICO MILITARY INSTITUTE	3,028.8	3,014.7	3,028.8	0.0	0.0%
979	NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMP	1,391.5	1,541.5	1,541.5	150.0	10.8%
980	NEW MEXICO SCHOOL FOR THE DEAF	4,290.9	4,290.9	4,290.9	0.0	0.0%
<b>Total Higher Education</b>		848,509.7	859,952.6	856,817.3	8,307.6	1.0%
<b>Public School Support</b>						
993	PUBLIC SCHOOL SUPPORT	2,639,121.2	2,717,223.9	2,667,056.7	27,935.5	1.1%
<b>Total Public School Support</b>		2,639,121.2	2,717,223.9	2,667,056.7	27,935.5	1.1%
<b>Contingent Compensation</b>						
990	CONTINGENT COMPENSATION					
	PUBLIC SCHOOLS			54,218.6	54,218.6	
	EXECUTIVE, LEGISLATIVE, JUDICIAL			23,380.1	23,380.1	
<b>Total Contingent Compensation</b>				77,598.7	77,598.7	
<b>Grand Total</b>		6,235,334.3	6,606,288.0	6,466,086.4	230,752.1	3.7%

TABLE 2

## U.S. AND NEW MEXICO ECONOMIC INDICATORS

December 2015 Consensus Forecast

	FY2015	FY2016	FY2017	FY2018
<b><i>NATIONAL ECONOMIC INDICATORS</i></b>				
US Real GDP Growth (annual avg, % yoy) <sup>1</sup>				
IHS Global Insight	2.7	2.6	2.9	2.6
Moody's Analytics <sup>2</sup>	2.7	2.5	3.1	2.9
US Inflation Rate (CPI-U, annual avg, % yoy) <sup>3</sup>				
IHS Global Insight	0.7	0.5	2.3	2.6
Moody's Analytics <sup>2</sup>	0.7	1.1	2.4	2.9
Federal Funds Rate (%)				
IHS Global Insight	0.11	0.39	1.41	2.41
Moody's Analytics <sup>2</sup>	0.11	0.33	1.25	3.10
<b><i>NEW MEXICO LABOR MARKET AND INCOME DATA</i></b>				
NM Non-Agricultural Employment Growth	1.3	0.9	1.4	1.5
NM Nominal Personal Income Growth (%) <sup>4</sup>	5.1	4.1	4.8	5.4
NM Private Wages & Salaries Growth (%)	4.0	3.3	5.2	5.2
<b><i>CRUDE OIL AND NATURAL GAS OUTLOOK</i></b>				
NM Oil Price (\$/barrel)	\$60.67	\$44.00	\$49.00	\$56.00
NM Taxable Oil Volumes (million barrels)	141.4	150.0	155.0	158.0
NM Gas Price (\$ per thousand cubic feet) <sup>5</sup>	\$3.78	\$2.90	\$3.20	\$3.40
NM Taxable Gas Volumes (billion cubic feet)	1,185	1,200	1,170	1,140

<sup>1</sup> Real GDP is BEA chained 2009 dollars, billions, annual rate<sup>2</sup> For National Indicators, DFA used Moody's Analytics forecasting service in the revenue estimating process.<sup>3</sup> CPI is all urban BLS, 1982-84=1.00 base.<sup>4</sup> Personal Income growth rates are for the calendar year in which each fiscal year begins.<sup>5</sup> The gas prices are estimated using a formula of NYMEX and Global Insight Future prices as well as a liquid premium based on oil prices.

Sources: October 2015 IHS Global Insight, BBER: FOR-UNM, October 2015



**TABLE 3****GENERAL FUND CONSENSUS REVENUE ESTIMATE****December 2015**

(Millions of Dollars)

	<b>FY15</b>		<b>FY16</b>		<b>FY17</b>		<b>FY18</b>	
	Unaudited Actual	% Change from FY14	Forecast	% Change from FY15	Forecast	% Change from FY16	Forecast	% Change from FY17
Gross Receipts Tax	2,095.2	5.2%	2,178.0	4.0%	2,336.7	7.3%	2,421.3	3.6%
Compensating Tax	71.8	-8.3%	65.5	-8.8%	65.4	-0.2%	66.4	1.5%
<b>TOTAL GENERAL SALES</b>	<b>2,167.0</b>	<b>4.7%</b>	<b>2,243.5</b>	<b>3.5%</b>	<b>2,402.1</b>	<b>7.1%</b>	<b>2,487.7</b>	<b>3.6%</b>
Tobacco Taxes	82.3	4.9%	82.4	0.1%	81.4	-1.2%	80.4	-1.2%
Liquor Excise	26.3	-0.4%	6.7	-74.5%	6.9	3.0%	26.1	278.3%
Insurance Taxes	149.9	30.2%	188.0	25.5%	219.1	16.5%	231.8	5.8%
Fire Protection Fund Reversion	15.2	-5.8%	13.7	-9.6%	12.4	-9.5%	11.2	-9.7%
Motor Vehicle Excise	138.7	4.1%	147.0	6.0%	152.0	3.4%	157.0	3.3%
Gaming Excise	70.4	6.0%	70.1	-0.4%	70.1	0.0%	70.3	0.3%
Leased Vehicle Surcharge	5.2	0.6%	5.2	-0.7%	5.2	0.0%	5.2	0.0%
Other	0.5	-83.5%	3.2	544.2%	2.1	-34.8%	2.1	0.0%
<b>TOTAL SELECTIVE SALES</b>	<b>488.5</b>	<b>10.0%</b>	<b>516.3</b>	<b>5.7%</b>	<b>549.2</b>	<b>6.4%</b>	<b>584.1</b>	<b>6.4%</b>
Personal Income Tax	1,339.7	6.8%	1,401.0	4.6%	1,455.0	3.9%	1,522.0	4.6%
Corporate Income Tax	254.5	29.3%	218.0	-14.3%	217.0	-0.5%	205.0	-5.5%
<b>TOTAL INCOME TAXES</b>	<b>1,594.2</b>	<b>9.8%</b>	<b>1,619.0</b>	<b>1.6%</b>	<b>1,672.0</b>	<b>3.3%</b>	<b>1,727.0</b>	<b>3.3%</b>
Oil and Gas School Tax	375.4	-25.0%	283.7	-24.4%	315.3	11.1%	362.2	14.9%
Oil Conservation Tax	20.1	-26.3%	15.1	-24.8%	16.7	10.6%	19.2	15.0%
Resources Excise Tax	13.3	2.5%	13.0	-2.6%	13.0	0.0%	13.0	0.0%
Natural Gas Processors Tax	18.6	14.8%	19.7	5.9%	15.0	-23.9%	14.8	-1.3%
<b>TOTAL SEVERANCE TAXES</b>	<b>427.5</b>	<b>-23.3%</b>	<b>331.5</b>	<b>-22.4%</b>	<b>360.0</b>	<b>8.6%</b>	<b>409.2</b>	<b>13.7%</b>
LICENSE FEES	55.9	8.1%	54.5	-2.5%	55.5	1.8%	56.6	2.0%
LGPF Interest	502.8	11.9%	553.2	10.0%	548.1	-0.9%	601.9	9.8%
STO Interest	17.0	-10.4%	23.4	37.5%	52.6	124.8%	60.3	14.6%
STPF Interest	182.7	7.2%	193.5	5.9%	203.4	5.1%	216.5	6.4%
<b>TOTAL INTEREST</b>	<b>702.5</b>	<b>10.0%</b>	<b>770.1</b>	<b>9.6%</b>	<b>804.1</b>	<b>4.4%</b>	<b>878.7</b>	<b>9.3%</b>
Federal Mineral Leasing	542.2	-4.9%	421.7	-22.2%	407.1	-3.5%	430.0	5.6%
State Land Office	42.2	-11.0%	37.6	-11.0%	41.2	9.6%	43.7	6.1%
<b>TOTAL RENTS &amp; ROYALTIES</b>	<b>584.4</b>	<b>-5.3%</b>	<b>459.3</b>	<b>-21.4%</b>	<b>448.3</b>	<b>-2.4%</b>	<b>473.7</b>	<b>5.7%</b>
TRIBAL REVENUE SHARING	67.2	-0.6%	64.3	-4.3%	65.8	2.3%	67.8	3.0%
MISCELLANEOUS RECEIPTS	56.2	24.7%	56.5	0.6%	59.4	5.1%	60.3	1.7%
REVERSIONS	51.5	-46.7%	50.0	-2.8%	50.0	0.0%	50.0	0.0%
<b>TOTAL RECURRING</b>	<b>6,194.7</b>	<b>2.6%</b>	<b>6,165.0</b>	<b>-0.5%</b>	<b>6,466.4</b>	<b>4.9%</b>	<b>6,795.1</b>	<b>5.1%</b>
TOTAL NON-RECURRING	41.2	na	5.5	-86.7%	-	na	-	na
<b>GRAND TOTAL</b>	<b>6,235.9</b>	<b>3.2%</b>	<b>6,170.5</b>	<b>-1.0%</b>	<b>6,466.4</b>	<b>4.8%</b>	<b>6,795.1</b>	<b>5.1%</b>

TABLE 4

**GENERAL FUND FINANCIAL SUMMARY**  
**December 2015 Consensus Revenue Estimate**  
(Dollars in Millions)

	<b>Preliminary FY2015</b>	<b>Estimated FY2016</b>	<b>Estimated FY2017</b>
<b>APPROPRIATION ACCOUNT</b>			
<b>REVENUE</b>			
Recurring Revenue			
August 2015 Consensus Forecast	\$ 6,226.8	\$ 6,247.7	\$ 6,528.0
December 2015 Consensus Revenue Update	\$ (32.1)	\$ (82.7)	\$ (61.7)
Total Recurring Revenue	\$ 6,194.7	\$ 6,165.0	\$ 6,466.3
Nonrecurring Revenue			
August 2015 Consensus Forecast	\$ 24.6	\$ 5.5	\$ -
December 2015 Consensus Revenue Update	\$ 16.6	\$ -	\$ -
Total Non-Recurring Revenue	\$ 41.2	\$ 5.5	\$ -
<b>TOTAL REVENUE</b>	<b>\$ 6,235.9</b>	<b>\$ 6,170.5</b>	<b>\$ 6,466.3</b>
<b>APPROPRIATIONS</b>			
Recurring Appropriations			
General Appropriation	\$ 6,151.2	\$ 6,235.4	\$ 6,388.5
2015 Audit*	\$ 0.4		
2015 Legislative Session Costs - Feed Bill **	\$ 10.1	\$ -	
2016 Legislative Session Costs Feed Bill **	\$ -	\$ 5.9	
Compensation - Contingency Legislation ***			\$ 77.6
Total Recurring Appropriations	\$ 6,161.7	\$ 6,241.3	\$ 6,466.1
Nonrecurring Appropriations			
Prior Year Appropriations	\$ 13.4		
2014 Audit Adjustment	\$ 3.0		
2015 Audit Adjustment	\$ (0.8)		
2015 Supplementals, Specials & IT Appropriations	\$ 95.2	\$ 1.0	
2015 Special Session - Supplementals & Capital Outlay	\$ 4.3	\$ 30.0	
2016 Supplementals, Specials & IT Appropriations		\$ 107.5	
Total Nonrecurring Appropriations	\$ 115.1	\$ 138.5	\$ -
<b>TOTAL APPROPRIATIONS</b>	<b>\$ 6,276.8</b>	<b>\$ 6,379.8</b>	<b>\$ 6,466.1</b>
Transfer to (from) Reserves	\$ (40.9)	\$ (209.3)	\$ 0.2
<b>GENERAL FUND RESERVES</b>			
Beginning Balances	\$ 637.9	\$ 611.7	\$ 391.5
Transfers from (to) Appropriations Account	(40.9)	(209.3)	0.2
Revenue and Reversions	64.9	73.2	54.2
Appropriations, expenditures and transfers out	(50.3)	(84.1)	(40.5)
<b>Ending Balances</b>	<b>\$ 611.7</b>	<b>\$ 391.5</b>	<b>\$ 405.4</b>
<i>Reserves as a Percent of Recurring Appropriations</i>	<i>9.9%</i>	<i>6.3%</i>	<i>6.3%</i>

\*The FY14 general fund audit showed a total contingent liability of \$101.7 million. LFC analysis indicates that most of this liability will be reversed in the FY15 audit.

\*\*Legislative session expenses treated as recurring appropriation.

\*\*\*Compensation appropriation to DFA for disbursement to agencies and is contingent on consensus revenues achieving the targets and adequate general fund reserve level.

TABLE 4

**GENERAL FUND FINANCIAL SUMMARY (Continued)**  
**RESERVE DETAIL**  
**(Dollars in Millions)**

	<b>Preliminary FY2015</b>	<b>Estimated FY2016</b>	<b>Estimated FY2017</b>
<b>OPERATING RESERVE</b>			
Beginning balance	\$ 274.5	\$ 218.1	\$ (13.2)
BOF Emergency Fund and reversions	(0.5)	(2.0)	
<i>Transfer to ACF*</i>	(15.0)	(20.0)	
Transfers from (to) appropriation account	(40.9)	(209.3)	0.2
Ending balance	\$ 218.1	\$ (13.2)	\$ (13.0)
<b>APPROPRIATION CONTINGENCY FUND</b>			
Beginning balance	\$ 18.4	\$ 28.5	\$ 26.5
Disaster allotments	(12.5)	(22.0)	(22.0)
<i>Transfer from Oper Reserve to ACF (2015 &amp; 2016 GAA)</i>	15.0	20.0	-
Revenue and reversions	7.7	-	-
Ending Balance	\$ 28.5	\$ 26.5	\$ 4.5
<b>Education Lock Box</b>			
Beginning balance	\$ 3.0	\$ 0.0	\$ -
Appropriations (2014 GAA, Section 5)	(3.0)	-	-
Transfers in (out)	-	-	-
Ending balance	\$ 0.0	\$ 0.0	\$ -
Total of Appropriation Contingency Fund	\$ 28.5	\$ 26.5	\$ 26.5
<b>STATE SUPPORT FUND</b>			
Beginning balance	\$ 1.0	\$ 1.0	\$ 1.0
Revenues	\$ -	\$ -	\$ -
Appropriations	\$ -	\$ -	\$ -
Ending balance	\$ 1.0	\$ 1.0	\$ 1.0
<b>TOBACCO PERMANENT FUND</b>			
Beginning balance	\$ 193.5	\$ 216.5	\$ 229.6
Transfers in	35.0	37.0	37.0
Appropriation to tobacco settlement program fund	(19.3)	(20.8)	(18.5)
Gains/Losses	7.2	16.2	17.2
Additional transfers to Program Fund	-	(19.3)	
Ending balance	\$ 216.5	\$ 229.6	\$ 265.3
<b>TAX STABILIZATION RESERVE</b>			
Beginning balance	\$ 147.5	\$ 147.5	\$ 147.5
Transfers in	-	-	-
Transfers out	-	-	-
Ending balance	\$ 147.5	\$ 147.5	\$ 147.5
<b>GENERAL FUND ENDING BALANCES</b>	<b>\$ 611.7</b>	<b>\$ 391.5</b>	<b>\$ 405.4</b>
<i>Percent of Recurring Appropriations</i>	<i>9.9%</i>	<i>6.3%</i>	<i>6.3%</i>



**2016 Legislative Session Special, Supplemental, and Deficiency Appropriations**  
(in thousands of dollars)

Agency Code	Agency	Language	Agency Request			LFC Recommendation		
			General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
SPECIAL APPROPRIATIONS:								
1	215	Court of Appeals						
		For IT equipment.	\$38.0	\$0.0	\$38.0	\$0.0	\$0.0	\$0.0
2	218	Administrative Office of the Courts						
		To replace furniture and equipment in district courts.	\$1,419.4	\$0.0	\$1,419.4	\$900.0	\$0.0	\$900.0
3	218	Administrative Office of the Courts						
		To replace furniture and equipment for magistrate courts.	\$750.0	\$0.0	\$750.0	\$0.0	\$0.0	\$0.0
4	218	Administrative Office of the Courts						
		For IT equipment statewide.	\$452.0	\$0.0	\$452.0	\$0.0	\$0.0	\$0.0
5	218	Administrative Office of the Courts						
		For vehicles.	\$150.0	\$0.0	\$150.0	\$0.0	\$0.0	\$0.0
6	218	Administrative Office of the Courts						
		For judges pro-tempore.	\$75.0	\$0.0	\$75.0	\$0.0	\$0.0	\$0.0
7	218	Administrative Office of the Courts						
		For Odyssey upgrades.		\$326.0	\$326.0	\$0.0	\$0.0	\$0.0
8	218	Administrative Office of the Courts						
		To upgrade video arraignment systems from analogue to digital in 15 courts and 5 detention centers.		\$257.7	\$257.7	\$0.0	\$0.0	\$0.0
9	218	Administrative Office of the Courts						
		To replace current reconciliation, cash receipt, and suspense management system.		\$220.0	\$220.0	\$0.0	\$0.0	\$0.0
10	218	Administrative Office of the Courts						
		For reconfiguration of jury management system.		\$100.0	\$100.0	\$0.0	\$0.0	\$0.0
11	219	Supreme Court Building Commission						
		For an engineering grounds study.	\$20.0	\$0.0	\$20.0	\$0.0	\$0.0	\$0.0
12	252	Second Judicial District Attorney						
		To fund eight additional attorneys and eight additional paralegal staff.	\$1,249.0	\$0.0	\$1,249.0	\$0.0	\$0.0	\$0.0
13	264	Administrative Office of the District Attorneys	Language Request			Recommend		
14	264	Administrative Office of the District Attorneys	Language Request			Recommend		
15	264	Administrative Office of the District Attorneys	\$360.0	\$0.0	\$360.0	\$110.0	\$0.0	\$110.0

TABLE 5

**2016 Legislative Session Special, Supplemental, and Deficiency Appropriations**  
(in thousands of dollars)

	Agency Code	Agency	Language	Agency Request			LFC Recommendation		
				General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
16	305	Attorney General	To defend the Rio Grande compact. The appropriation is from the consumer settlement fund.		\$3,000.0	\$3,000.0		\$500.0	\$500.0
17	305	Attorney General	For relocation of the Albuquerque office to a different facility.		\$660.0	\$660.0		\$0.0	\$0.0
18	305	Attorney General	To provide pre-foreclosure services to homeowners. The appropriation is from the mortgage settlement fund awarded to the attorney general's office to provide housing counseling, litigation and foreclosure mediation for homeowners facing foreclosure.		\$600.0	\$600.0		\$600.0	\$600.0
19	305	Attorney General	To purchase a mobile digital forensic laboratory vehicle for the internet crimes against children unit.		\$209.0	\$209.0		\$0.0	\$0.0
20	333	Taxation and Revenue Department	For operating costs associated with an anti-fraud and identity theft software program.	\$300.0	\$0.0	\$300.0	\$0.0	\$0.0	\$0.0
21	340	Administrative Hearing Office	For moving expenses and for secure video conferencing equipment purchase.	\$15.0	\$0.0	\$15.0	\$15.0	\$0.0	\$15.0
22	341	Department of Finance and Administration	For payment card industry and data security standards compliance program.	\$1,000.0	\$0.0	\$1,000.0	\$1,000.0	\$0.0	\$1,000.0
23	341	Department of Finance and Administration	For post go-live Hyperion support and configuration needs through June 30, 2017.	\$500.0	\$0.0	\$500.0	\$200.0	\$0.0	\$200.0
24	341	Department of Finance and Administration	For oversight of the Affordable Housing Act and regional housing authorities by the New Mexico Mortgage Finance Authority.		\$0.0	\$0.0	\$150.0	\$0.0	\$150.0
25	350	General Services Department	The period of time for expending the one million four hundred thousand dollars (\$1,400,000) appropriated from the public buildings repair fund to the property control division of the General Services Department in Subsection 23 of Section 5 of Chapter 227 of Laws 2013 and extended pursuant to Subsection 27 of Section 5 of Chapter 63 of Laws 2014 and extended pursuant to subsection 17 of Section 5 of Chapter 101 of Laws of 2015 to conduct facility condition assessments of all state facilities under the jurisdiction of the property control division of the General Services Department is reappropriated to the Facilities Management Program of the General Services Department for the same purpose and is extended through fiscal year 2017.	Language Request			Do Not Recommend		
26	350	General Services Department	The period of time for expending the one million two hundred thousand dollars (\$1,200,000) appropriated from the public buildings repair fund to the Facilities Management Program of the General Services Department in Subsection 18 of Section 5 of chapter 101 of Laws of 2015 to develop and administer master planning guidelines and provide pre-implementation and training to executive agencies, to provide assessment of space and tenant assignments in buildings owned by the Facilities Management Program and to provide assessment and valuation of land managed by the Facilities Management Program is reappropriated to the Facilities Management Program of the General Services Department for the same purpose and is extended through fiscal year 2017.	Language Request			Recommend		
27	350	General Services Department	To purchase one backhoe for the Facilities Management Division.	\$85.0	\$0.0	\$85.0	\$0.0	\$0.0	\$0.0
28	370	Secretary of State	For expenses related to the 2016 general election.	\$1,164.9	\$0.0	\$1,164.9	\$750.0	\$0.0	\$750.0
29	370	Secretary of State	To implement military and overseas voters electronic application and ballot tracking system.	\$90.0	\$0.0	\$90.0	\$90.0	\$0.0	\$90.0
30	394	State Treasurer's Office	For funding associated with newly assigned statutory duties under Laws 2015, Chapter 152 related to changes in the Forfeiture Act.	\$2,500.0	\$0.0	\$2,500.0	\$500.0	\$0.0	\$500.0
31	417	Border Authority	For the second phase of the railroad study conducted at Santa Teresa.	\$2,000.0	\$0.0	\$2,000.0	\$0.0	\$0.0	\$0.0

TABLE 5

**2016 Legislative Session Special, Supplemental, and Deficiency Appropriations**  
(in thousands of dollars)

	Agency Code	Agency	Language	Agency Request			LFC Recommendation		
				General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
32	417	Border Authority	For the extension of northbound hours of operation for commercial traffic for an additional four hours Monday through Friday at the Santa Teresa port of entry in New Mexico for one year.	\$350.0	\$0.0	\$350.0	\$200.0	\$0.0	\$200.0
33	419	Economic Development Department	To the development training fund for the Job Training Incentive Program.	\$7,000.0	\$0.0	\$7,000.0	\$5,000.0	\$0.0	\$5,000.0
34	419	Economic Development Department	For expenses associated with performing third party due diligence on Local Economic Development Act projects and post award auditing.	\$50.0	\$0.0	\$50.0	\$50.0	\$0.0	\$50.0
35	419	Economic Development Department	To contract for the research and development of a statewide accountability and metrics system to identify data collection and reporting requirements for legislation in the 2017 legislative session to determine the effectiveness and efficiency of economic development programs.	\$0.0	\$0.0	\$0.0	\$150.0	\$0.0	\$150.0
36	419	Economic Development Department	For the New Mexico economic development corporation to advertise the state to businesses using the Tourism Department's advertising brand.	\$0.0	\$0.0	\$0.0	\$250.0	\$0.0	\$250.0
37	420	Regulation and Licensing Department	For training for Financial Institutions Division examination staff on new financial regulatory requirements stemming from the Dodd-Frank Wall Street Reform and Consumer Protection Act. The appropriation is from the state financial regulation fund.		\$65.0	\$65.0		\$14.0	\$14.0
38	440	Office of Superintendent of Insurance	For enhancements to the current insurance division electronic application licensing system and work associated with transitioning from the current system to the National Association of Insurance Commissioners state based system.		\$150.0	\$150.0		\$0.0	\$0.0
39	465	Gaming Control Board	The period of time for expending the two hundred thousand dollars (\$200,000) appropriated from the general fund in Subsection 14 of Section 5 of Chapter 19 of Laws 2012 and extended pursuant to Subsection 32 of Section 5 of Chapter 227 of Laws 2013 and Subsection 40 of Section 5 of Chapter 63 of Laws 2014 and Subsection 28 of Section 5 of Chapter 101 of Laws 2015 for arbitration and litigation expenses related to tribal gaming is extended through fiscal year 2017.					Recommend	
40	465	Gaming Control Board	For arbitration and litigation expenses related to tribal gaming.	\$200.0	\$0.0	\$200.0	\$128.4	\$0.0	\$128.4
41	505	Cultural Affairs Department	The period of time for expending the three hundred thousand dollars (\$300,000) appropriated from the general fund in Subsection 31 of Section 5 of Chapter 101 of Laws 2015 for renovation and upgrades of exhibits at the Museum of Indian Arts and Culture contingent on a private match of at least three hundred thousand dollars (\$300,000) is extended through fiscal year 2017.					Recommend	
42	505	Cultural Affairs Department	The period of time for expending the one hundred fifty thousand dollars (\$150,000) appropriated from the general fund in Subsection 30 of Section 5 of Chapter 101 of Laws 2015 for educational programs and maintenance at the Los Luceros property is extended through fiscal year 2017. Any remaining balance of the appropriation shall transfer to the New Mexico State University Board of Regents agricultural experiment station pursuant to an agreement with the Cultural Affairs Department for the operations of the Los Luceros property.					Recommend	
43	505	Cultural Affairs Department	For expenditure in fiscal year 2017 for additional staff to provide education, marketing, and outreach services in the Museums and Historic Sites and Archaeology programs.	\$665.0	\$0.0	\$665.0	\$0.0	\$0.0	\$0.0
44	505	Cultural Affairs Department	For marketing museums and historic sites.	\$150.0	\$0.0	\$150.0	\$0.0	\$0.0	\$0.0
45	505	Cultural Affairs Department	For expenditure in fiscal year 2017 for an economic development arts initiative.	\$150.0	\$0.0	\$150.0	\$0.0	\$0.0	\$0.0



TABLE 5

**2016 Legislative Session Special, Supplemental, and Deficiency Appropriations**  
(in thousands of dollars)

	Agency Code	Agency	Language	Agency Request			LFC Recommendation		
				General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
46	521	Energy, Minerals and Natural Resources Department	To establish a competitive grant program with state colleges and universities to pursue innovative uses of produced, brackish, and alternative water resources.	\$500.0	\$0.0	\$500.0	\$0.0	\$0.0	\$0.0
47	539	Commissioner of Public Lands	For natural resource restoration and remediation of state trust lands. The appropriation is from the state lands maintenance fund.		\$2,000.0	\$2,000.0		\$500.0	\$500.0
48	539	Commissioner of Public Lands	To complete historical back file conversion. The appropriation is from the state lands maintenance fund.		\$1,100.0	\$1,100.0		\$1,100.0	\$1,100.0
49	550	Office of the State Engineer	To continue water litigation under interstate compacts.	\$3,000.0	\$0.0	\$3,000.0	\$0.0	\$500.0	\$500.0
50	550	Office of the State Engineer	For statewide groundwater sustainability studies.	\$2,000.0	\$0.0	\$2,000.0	\$0.0	\$0.0	\$0.0
51	609	Indian Affairs Department	To support the annual state tribal summit.	\$25.0	\$0.0	\$25.0	\$0.0	\$0.0	\$0.0
52	630	Human Services Department	Any unexpended balances in the income support program of the Human Services Department remaining at the end of fiscal year 2016 from reimbursements received from the Social Security Administration to support the General Assistance Program shall not revert and may be expended by the Human Services Department in fiscal year 2017 for payments in the General Assistance Program.	Language Request			Recommend		
53	630	Human Services Department	To hire and train 10 additional FTE within the Behavioral Health Services Division to take over the administrative services function currently provided by Optum Health.	\$408.6	\$0.0	\$408.6	\$408.6	\$0.0	\$408.6
54	632	Workers' Compensation Administration	To update an analysis of the state workers' compensation system. The other state funds appropriation is from the workers' compensation administration fund.		\$250.0	\$250.0		\$250.0	\$250.0
55	647	Developmental Disabilities Planning Council	To replace the agency's 2007 bus used to assist its clients with transportation needs.	\$65.0	\$0.0	\$65.0	\$65.0	\$0.0	\$65.0
56	665	Department of Health	Any unexpended balances in the Health Certification, Licensing and Oversight Division of the Department of Health remaining at the end of fiscal year 2016 from appropriations made from other state funds for the support of primary health care services related to the rural primary health care act remaining at the end of fiscal year 2016 shall not revert and shall be expended in future fiscal years to fund temporary management of failing facilities and health facility receivership.	Language Request			Do Not Recommend		
57	665	Department of Health	Any unexpended balances in the Medical Cannabis Program of the Department of Health remaining at the end of fiscal year 2016 from appropriations made from other state funds shall not revert and shall be expended in fiscal year 2017 for the Medical Cannabis Program.	Language Request			Do Not Recommend		
58	665	Department of Health	Any unexpended balances in the Public Health Program of the Department of Health in the contractual services category from appropriations made from the county-supported Medicaid fund for the support of primary health care services related to the rural primary health care act remaining at the end of fiscal year 2016 shall not revert and shall be expended in fiscal year 2017 to support the primary health care services in the Public Health Program.	Language Request			Do Not Recommend		
59	665	Department of Health	Any unexpended balances in the Public Health Program of the Department of Health remaining at the end of fiscal year 2016 from appropriations made from other state funds for the children's medical services for the support of children with special health care needs and complex medical conditions shall not revert and shall be expended in fiscal year 2017 for maintenance of the infrastructure to provide comprehensive services to children with special health care needs per HRSA federal requirements Social Security Act, Title V 45 CFR 75-307.	Language Request			Do Not Recommend		

**2016 Legislative Session Special, Supplemental, and Deficiency Appropriations**  
(in thousands of dollars)

	Agency Code	Agency	Language	Agency Request			LFC Recommendation		
				General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
60	665	Department of Health	Any unexpended balances in the Developmental Disabilities Support Program of the Department of Health in the other financing uses category remaining at the end of the fiscal year 2016 from appropriations made from the general fund shall not revert to the general fund and shall be expended in fiscal year 2017 to support the Developmental Disabilities Medicaid Waiver Program in the Developmental Disabilities Support Program of the Department of Health.	Language Request			Do Not Recommend		
61	665	Department of Health	Any unexpended balances in the Public Health Program of the Department of Health remaining at the end of fiscal year 2016 from appropriations made from other state funds for the Title X Family Planning Program for the support of family planning and related preventive health services for teens, women, and men shall not revert and shall be expended in fiscal year 2017 for program services per the Department of Health and Human Services Grants Policy Statement, Section II, Page 60. Program income must be used as provided in the notice of award.	Language Request			Do Not Recommend		
62	665	Department of Health	To comply with all terms and timelines of the Waldrop Settlement Agreement approved and filed in federal court in May 2015 for the Developmental Disabilities Waiver Program in fiscal year 2017.	\$3,955.7	\$1,550.0	\$5,505.7	\$3,955.7	\$1,550.0	\$5,505.7
63	665	Department of Health	To expand sexual violence prevention and therapeutic services in the Injury and Behavioral Health Epidemiology program in fiscal year 2016 and fiscal year 2017.	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0	\$0.0
64	665	Department of Health	To comply with all terms of the Developmental Disabilities Waiver Program Jackson Disengagement Order from the federal court in May 2015 for the state defendants in fiscal year 2017.	\$790.0	\$950.0	\$1,740.0	\$0.0	\$0.0	\$0.0
65	690	Children, Youth and Families Department	Any unexpended balances in the Protective Services Program, Early Childhood Services Program, and the Juvenile Justice Services Program of the Children, Youth and Families Department remaining at the end of fiscal year 2016 from appropriations made from the general fund shall not revert.	Language Request			Recommend		
66	690	Children, Youth and Families Department	To partially fund relocating costs to the Child Wellness Center in Bernalillo County.	\$5,000.0	\$0.0	\$5,000.0	\$0.0	\$0.0	\$0.0
67	690	Children, Youth and Families Department	To replace IT equipment.	\$1,000.0	\$0.0	\$1,000.0	\$500.0	\$0.0	\$500.0
68	690	Children, Youth and Families Department	For IT licenses, system maintenance, and software so statewide public safety entities can access the Children, Youth and Families Department IT systems.	\$500.0	\$0.0	\$500.0	\$250.0	\$0.0	\$250.0
69	770	New Mexico Corrections Department	To address deferred maintenance at corrections facilities statewide. The appropriation is from the land grant permanent fund.		\$500.0	\$500.0		\$500.0	\$500.0
70	790	Department of Public Safety	For vehicle replacement in the Law Enforcement Program.	\$4,023.9	\$0.0	\$4,023.9	\$2,152.5	\$0.0	\$2,152.5
71	790	Department of Public Safety	For funding to recruit and train experienced law enforcement officers in the Law Enforcement Program.	\$576.0	\$0.0	\$576.0	\$0.0	\$0.0	\$0.0
72	790	Department of Public Safety	Funding to implement an automated paperless document management and training records system in support of all law enforcement officers in the state for the law enforcement academy.	\$432.8	\$0.0	\$432.8	\$0.0	\$0.0	\$0.0
73	790	Department of Public Safety	For latent print contractors to clear backlogged cases.	\$315.0	\$0.0	\$315.0	\$315.0	\$0.0	\$315.0
74	790	Department of Public Safety	To replace aging law enforcement breath testing instruments deployed statewide.	\$301.9	\$0.0	\$301.9	\$301.9	\$0.0	\$301.9

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	Agency Code	Agency	Language	Agency Request			LFC Recommendation		
				General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
75	790	Department of Public Safety	For the processing of backlogged rape kits at the department.	\$0.0	\$0.0	\$0.0	\$600.0	\$0.0	\$600.0
76	790	Department of Public Safety	For a criminal justice clearinghouse.	\$0.0	\$0.0	\$0.0	\$500.0	\$0.0	\$500.0
77	805	Department of Transportation	The period of time for expending up to four hundred million dollars (\$400,000,000) of other state funds and federal funds appropriated to the Project Design and Construction Program of the Department of Transportation pertaining to prior fiscal years is extended through fiscal year 2017.	Language Request			Recommend		
78	805	Department of Transportation	The period of time for expending up to eighty million dollars (\$80,000,000) of other state funds and federal funds appropriated to the Transportation and Highway Operations Program of the Department of Transportation pertaining to prior fiscal years is extended through fiscal year 2017.	Language Request			Recommend		
79	805	Department of Transportation	The period of time for expending up to eighty million dollars (\$80,000,000) of other state funds and federal funds appropriated to the Modal Program of the Department of Transportation pertaining to prior fiscal years is extended through fiscal year 2017.	Language Request			Recommend		
80	924	Public Education Department	For emergency support to school districts experiencing shortfalls. All requirements for distribution shall be in accordance with Section 22-8-30 NMSA 1978.	\$4,000.0	\$0.0	\$4,000.0	\$2,000.0	\$0.0	\$2,000.0
81	924	Public Education Department	For expenditures associated with legal fees related to funding formula lawsuits.	\$2,000.0	\$0.0	\$2,000.0	\$1,200.0	\$0.0	\$1,200.0
82	950	Higher Education Department	To replenish the college affordability endowment fund.	\$6,000.0	\$0.0	\$6,000.0	\$0.0	\$0.0	\$0.0
83	950	Higher Education Department	To the lottery tuition fund to allow the Higher Education Department to pay a higher uniform percentage of tuition through the Legislative Lottery Tuition Scholarship program.	\$0.0	\$0.0	\$0.0	\$1,500.0	\$0.0	\$1,500.0
84	958	Western New Mexico University	For a post-traumatic stress disorder treatment program for veterans.	\$0.0	\$0.0	\$0.0	\$200.0	\$0.0	\$200.0
85	0	Computer Systems Enhancement Fund	For transfer to the computer systems enhancement fund for system replacements or enhancements. [Department of Information Technology recommendation in place of agency request]	\$45,044.9	\$0.0	\$45,044.9	\$24,053.1	\$0.0	\$24,053.1
<b>SPECIAL APPROPRIATIONS TOTAL</b>				<b>\$101,672.1</b>	<b>\$11,937.7</b>	<b>\$113,609.8</b>	<b>\$47,495.2</b>	<b>\$5,514.0</b>	<b>\$53,009.2</b>

<b>SUPPLEMENTAL AND DEFICIENCY APPROPRIATIONS:</b>									
86	218	Administrative Office of the Courts	For juror and interpreter costs in fiscal year 2016.	\$571.8	\$0.0	\$571.8	\$571.8	\$0.0	\$571.8
87	218	Administrative Office of the Courts	For the magistrate court to offset diminishing warrant enforcement fund balance.	\$500.0	\$0.0	\$500.0	\$500.0	\$0.0	\$500.0
88	218	Administrative Office of the Courts	For a projected shortfall in court appointed attorney fund in fiscal year 2016.	\$394.5	\$0.0	\$394.5	\$394.5	\$0.0	\$394.5
89	333	Taxation and Revenue Department	To purchase an anti-fraud and identity theft software program and for the operating costs associated with the software program.	\$700.0	\$0.0	\$700.0	\$0.0	\$0.0	\$0.0
90	340	Administrative Hearing Office	For a projected shortfall in the personal services and employee benefits category in fiscal year 2016 and for a contract hearing officer to conduct tax hearings.	\$80.0	\$0.0	\$80.0	\$67.0	\$0.0	\$67.0



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**2016 Legislative Session Special, Supplemental, and Deficiency Appropriations**  
(in thousands of dollars)

			Agency Request			LFC Recommendation		
Agency Code	Agency	Language	General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
91	General Services Department	For operating expenses related to maintenance and emergency repairs of state-owned facilities in Santa Fe under the jurisdiction of the Facilities Management Division of the General Services Department.	\$1,086.9	\$0.0	\$1,086.9	\$500.0	\$500.0	\$1,000.0
92	Department of Information Technology	To cover a projected shortfall in the enterprise services program fund for critical voice, data, and public safety infrastructure services incurred in fiscal year 2016.	\$6,642.0	\$0.0	\$6,642.0	\$2,000.0	\$0.0	\$2,000.0
93	Secretary of State	To supplement public election fund balance to disburse to candidates pursuant to Section 1-19A-10 NMSA 1978.	\$1,250.0	\$0.0	\$1,250.0	\$0.0	\$0.0	\$0.0
94	Secretary of State	For expenses related to the 2016 primary election.	\$574.0	\$0.0	\$574.0	\$200.0	\$0.0	\$200.0
95	State Treasurer's Office	To fund planning and design of a system that would allow the agency to determine and track each agency's interest in the state general fund investment pool.	\$300.0	\$0.0	\$300.0	\$0.0	\$0.0	\$0.0
96	Regulation and Licensing Department	For a projected shortfall in the personal services and employee benefits category for the Construction Industries and Manufactured Housing Program in fiscal year 2016.	\$150.0	\$0.0	\$150.0	\$150.0	\$0.0	\$150.0
97	Cultural Affairs Department	For a projected shortfall in the personal services and employee benefits category in the Museums and Historic Sites and Program Support programs in fiscal year 2016.	\$1,000.0	\$0.0	\$1,000.0	\$200.0	\$800.0	\$1,000.0
98	Energy, Minerals and Natural Resources Department	For a projected shortfall in state matching funds in the Healthy Forests Program in fiscal year 2016.	\$250.0	\$0.0	\$250.0	\$0.0	\$0.0	\$0.0
99	Office of African American Affairs	For moving expenses	\$15.0	\$0.0	\$15.0	\$15.0	\$0.0	\$15.0
100	Martin Luther King Jr. Commission	For a projected shortfall in fiscal year 2016 due to accounting errors.	\$99.3	\$0.0	\$99.3	\$50.0	\$0.0	\$50.0
101	Martin Luther King Jr. Commission	For additional programming implemented by the commission.	\$50.0	\$0.0	\$50.0	\$0.0	\$0.0	\$0.0
102	Human Services Department	To cover Medicaid expenses from fiscal years 2014 and 2015 and a projected shortfall in fiscal year 2016.	\$47,218.0	\$112,141.0	\$159,359.0	\$33,000.0	\$81,305.5	\$114,305.5
103	Department of Health	To comply with all terms and timelines of the Waldrop settlement agreement approved and filed in federal court in May 2015 for the Developmental Disabilities Waiver Program in fiscal year 2016.	\$6,379.9	\$1,033.6	\$7,413.5	\$6,379.9	\$1,033.6	\$7,413.5
104	Department of Health	For a projected shortfall in the personal services and employee benefits category in the Facilities Management Program in fiscal year 2016.	\$3,650.0	\$0.0	\$3,650.0	\$3,650.0	\$0.0	\$3,650.0
105	Department of Health	For a projected shortfall in the Vaccination Purchasing Act immunization initiative in fiscal year 2016.	\$3,000.0	\$0.0	\$3,000.0	\$0.0	\$0.0	\$0.0
106	Department of Health	To comply with all terms of the Developmental Disabilities Waiver Program Jackson Disengagement Order from the federal court in May 2015 for the state defendants in fiscal year 2016.	\$1,439.3	\$1,115.2	\$2,554.5	\$0.0	\$0.0	\$0.0
107	Department of Health	For trauma system funding.	\$1,000.0	\$0.0	\$1,000.0	\$0.0	\$0.0	\$0.0
108	Department of Health	For a projected shortfall in the personal services and employee benefits category in the Vital Records and Health Statistics program in fiscal year 2016.	\$500.0	\$0.0	\$500.0	\$0.0	\$0.0	\$0.0
109	Department of Health	For increased General Services Department and Department of Information Technology costs incurred in fiscal year 2016.	\$455.2	\$0.0	\$455.2	\$0.0	\$0.0	\$0.0
110	Children, Youth and Families Department	For the care and support of children in custody.	\$892.9	\$644.2	\$1,537.1	\$892.9	\$644.2	\$1,537.1
111	Children, Youth and Families Department	For a projected shortfall in the personal services and employee benefits category in fiscal year 2016.	\$400.0	\$0.0	\$400.0	\$400.0	\$0.0	\$400.0

TABLE 5

**2016 Legislative Session Special, Supplemental, and Deficiency Appropriations**  
(in thousands of dollars)

	Agency Code	Agency	Language	Agency Request			LFC Recommendation		
				General Fund	Other Funds/ Federal Funds	Total	General Fund	Other Funds/ Federal Funds	Total
112	770	New Mexico Corrections Department	For inmate growth and the treatment of hepatitis C.	\$15,000.0	\$0.0	\$15,000.0	\$10,000.0	\$0.0	\$10,000.0
113	790	Department of Public Safety	To provide operational support for the state forensic laboratories and for the increasing cost of forensic casework in excess of the fiscal year 2016 budget.	\$110.0	\$0.0	\$110.0	\$110.0	\$0.0	\$110.0
114	790	Department of Public Safety	To fund an average eleven percent pay increase for law enforcement dispatchers for the last quarter of fiscal year 2016.	\$100.1	\$0.0	\$100.1	\$0.0	\$0.0	\$0.0
115	790	Department of Public Safety	For funding associated with the temporary relocation of the New Mexico State Police district office in Espanola.	\$95.0	\$0.0	\$95.0	\$95.0	\$0.0	\$95.0
116	790	Department of Public Safety	To fund an average twelve percent pay increase for forensic scientists for the last quarter of fiscal year 2016.	\$87.8	\$0.0	\$87.8	\$0.0	\$0.0	\$0.0
117	950	Higher Education Department	For the High Skills program.	\$150.0	\$0.0	\$150.0	\$0.0	\$0.0	\$0.0
118	215	Court of Appeals	For a shortfall in the other costs category in fiscal year 2015 resulting in the inability to pay utility bills.	\$4.4	\$0.0	\$4.4	\$4.4	\$0.0	\$4.4
119	218	Administrative Office of the Courts	For juror and interpreter costs incurred in fiscal year 2015.	\$574.1	\$0.0	\$574.1	\$574.1	\$0.0	\$574.1
120	218	Administrative Office of the Courts	For risk management and IT costs incurred in fiscal year 2015.	\$107.6	\$0.0	\$107.6	\$107.6	\$0.0	\$107.6
121	243	Thirteenth Judicial District Court	To offset a prior year fund balance deficit.	\$50.0	\$0.0	\$50.0	\$50.0	\$0.0	\$50.0
122	350	General Services Department	To eliminate historical losses prior to fiscal year 2013 in the State Printing and Graphics Services Program.	\$278.9	\$0.0	\$278.9	\$140.0	\$0.0	\$140.0
123	379	Public Employee Labor Relations Board	For a shortfall in the personal services and employee benefits category incurred in fiscal year 2015.	\$1.4	\$0.0	\$1.4	\$1.4	\$0.0	\$1.4
<b>SUPPLEMENTAL AND DEFICIENCY APPROPRIATIONS TOTAL</b>				<b>\$95,158.1</b>	<b>\$114,934.0</b>	<b>\$210,092.1</b>	<b>\$60,053.6</b>	<b>\$84,283.3</b>	<b>\$144,336.9</b>
<b>SPECIAL, SUPPLEMENTAL, AND DEFICIENCY APPROPRIATIONS TOTAL</b>				<b>\$196,830.2</b>	<b>\$126,871.7</b>	<b>\$323,701.9</b>	<b>\$107,548.8</b>	<b>\$89,797.3</b>	<b>\$197,346.1</b>

TABLE 6

FY17 IT Funding Requests  
(in thousands)

		Information Technology System Replacement/Enhancements		Agency Request				LFC Recommendation			
Item	Code	Agency	Brief System Description	GF	OSF	FF	Total	GF	OSF	FF	Total
1	218	Administrative Office of the Courts	Odyssey Operating System Upgrade	\$325.8			\$325.8	\$325.8			\$325.8
2	218	Administrative Office of the Courts	Video Network Operations Center	\$257.5			\$257.5				\$0.0
3	218	Administrative Office of the Courts	Reconciliation, Cash Receipt & Suspense (RCS) System replacement	\$220.0			\$220.0				\$0.0
4	218	Administrative Office of the Courts	Juror System Cash Remediation Project	\$100.0			\$100.0	\$100.0			\$100.0
5	333	Taxation and Revenue Department	ONGARD Replacement Project	\$8,000.0	\$4,000.0		\$12,000.0	\$8,000.0	\$4,000.0		\$12,000.0
6	333	Taxation and Revenue Department	Motor Vehicle Division System Tapestry		\$1,973.7		\$1,973.7		\$1,973.7		\$1,973.7
7	333	Taxation and Revenue Department	TRD - DFA Cash Remediation Phase II - GenTax Update	\$300.0			\$300.0	\$300.0			\$300.0
8	333	Taxation and Revenue Department	Property Tax Division (PTD) Business Modernization		\$2,000.0		\$2,000.0		\$2,000.0		\$2,000.0
9	341	Dept. of Finance and Administration	Capital Planning and Project Management	\$3,074.0			\$3,074.0	\$300.0			\$300.0
10	350	General Services Department	Capital Assets Management and Planning System (CAMPSS) Phase II		\$1,960.2		\$1,960.2		\$1,960.0		\$1,960.0
11	350	General Services Department	GSD/SHARE Asset Management Module		\$450.0		\$450.0		\$0.0		\$0.0
12	361	Dept. of Information Technology	One-Stop Business Portal	\$2,500.0			\$2,500.0				\$0.0
13	366	Public Employees Retirement Assoc.	Retirement Information Online Functionality Upgrade		\$4,200.0		\$4,200.0		\$4,200.0		\$4,200.0
14	378	State Personnel Office	Personnel Record Digitization and Modernization Project								
15	505	Department of Cultural Affairs	Standardized Ticketing System	\$400.0			\$400.0	\$0.0			\$0.0
16	505	Department of Cultural Affairs	New Mexico Cultural Resource Information System Enhancements	\$300.0			\$300.0	\$300.0			\$300.0
17	630	Human Services Department	Medicaid Management Information System (MMIS) Replacement	\$3,200.0		\$28,800.0	\$32,000.0	\$2,800.0		\$28,000.0	\$30,800.0
18	631	Workforce Solutions Department	TIWA and SIMMS Storage Upgrade	\$500.0			\$500.0	\$0.0			\$0.0
19	631	Workforce Solutions Department	Internship Portal	\$137.3			\$137.3	\$137.3			\$137.3
20	665	Department of Health	Network Infrastructure Upgrade	\$1,000.0			\$1,000.0	\$1,000.0			\$1,000.0
21	665	Department of Health	Vital Records Birth and Death Records Imaging and Electronic Document Management	\$4,010.0			\$4,010.0	\$400.0			\$400.0
22	665	Department of Health	Laboratory Information Management Systems Upgrade	\$380.0			\$380.0	\$0.0			\$0.0
23	665	Department of Health	Facilities Licensing and Reporting Application Replacement	\$490.0			\$490.0	\$0.0			\$0.0
24	665	Department of Health	Billing and Electronic Health Record Replacement	\$2,419.5			\$2,419.5	\$0.0			\$0.0
25	665	Department of Health	Division of Health Improvement (DHI) Secure Public File Sharing System	\$495.4			\$495.4	\$0.0			\$0.0
26	665	Department of Health	DHI Imaging Plan and Document Management System	\$1,240.0			\$1,240.0	\$0.0			\$0.0
27	665	Department of Health	Developmental Disabilities Support Division Client Management System Implementation	\$40.0		\$360.0	\$400.0	\$40.0		\$360.0	\$400.0
28	690	Children, Youth and Families Dept.	Enterprise Provider Information Constituent Services (EPICS) Project	\$10,117.5			\$10,117.5	\$4,000.0			\$4,000.0
29	770	Corrections Department	Offender Management System Replacement Project	\$12,500.0			\$12,500.0	\$4,600.0	\$4,900.0		\$9,500.0
30	790	Department of Public Safety	Records Management System (RMS)	\$2,500.0			\$2,500.0	\$1,250.0			\$1,250.0
31	790	Department of Public Safety	Criminal History Clearinghouse	\$175.4			\$175.4	\$0.0			\$0.0
32	790	Department of Public Safety	Law Enforcement Academy Automated Document and Training Management System	\$432.8			\$432.8	\$0.0			\$0.0
			<b>TOTAL</b>	<b>\$56,615.2</b>	<b>\$14,583.9</b>	<b>\$29,160.0</b>	<b>\$100,359.1</b>	<b>\$24,053.1</b>	<b>\$19,033.7</b>	<b>\$28,360.0</b>	<b>\$71,446.8</b>



TABLE 6

FY17 IT Funding Requests  
(in thousands)

Agency Requests for Extensions of Previous Appropriations			
Code	Agency	Agency Request	LFC Recommendation
333	Taxation and Revenue Department	The period of time for expending the twelve million eight hundred ninety-seven thousand one hundred dollars (\$12,897,100) from the computer systems enhancement fund contained in Subsection 2 of Section 7 of Chapter 1 of Laws 2014 to implement the motor vehicle division system modernization project is extended through fiscal year 2018. Eight million six thousand eight hundred dollars (\$8,006,800) of the other state funds appropriation is from cash balances.	Recommend
350	General Services Department	The period of time for expending the one million five hundred thousand dollars (\$1,500,000) appropriation from the workers' compensation retention fund, the public property reserve fund and the public liability fund contained in Subsection 7 of Section 7 of Chapter 63 of Laws of 2014 to implement the risk management information system is extended through fiscal year 2017.	Recommend
440	Office of Superintendent of Insurance	Paperless, Web-based Insurance System. The period of time for expending one million two hundred fifty thousand dollars (\$1,250,000) from the computer systems enhancement fund in Subsection 13 of Section 7 of Chapter 227 of Laws 2013 as extended in Subsection 17 of Section 7 of Chapter 101 of Laws 2015 to migrate the insurance system and processes to a paperless, web-based environment is extended through fiscal year 2018. The appropriation is from the insurance operations fund.	Recommend



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