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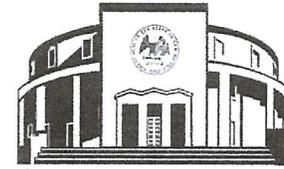
Review and Update of 2016 Appropriations

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Legislative Finance Committee

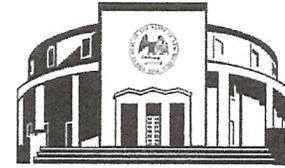
Presentation to the
Legislative Health and Human Services Committee – May 2016

Overview



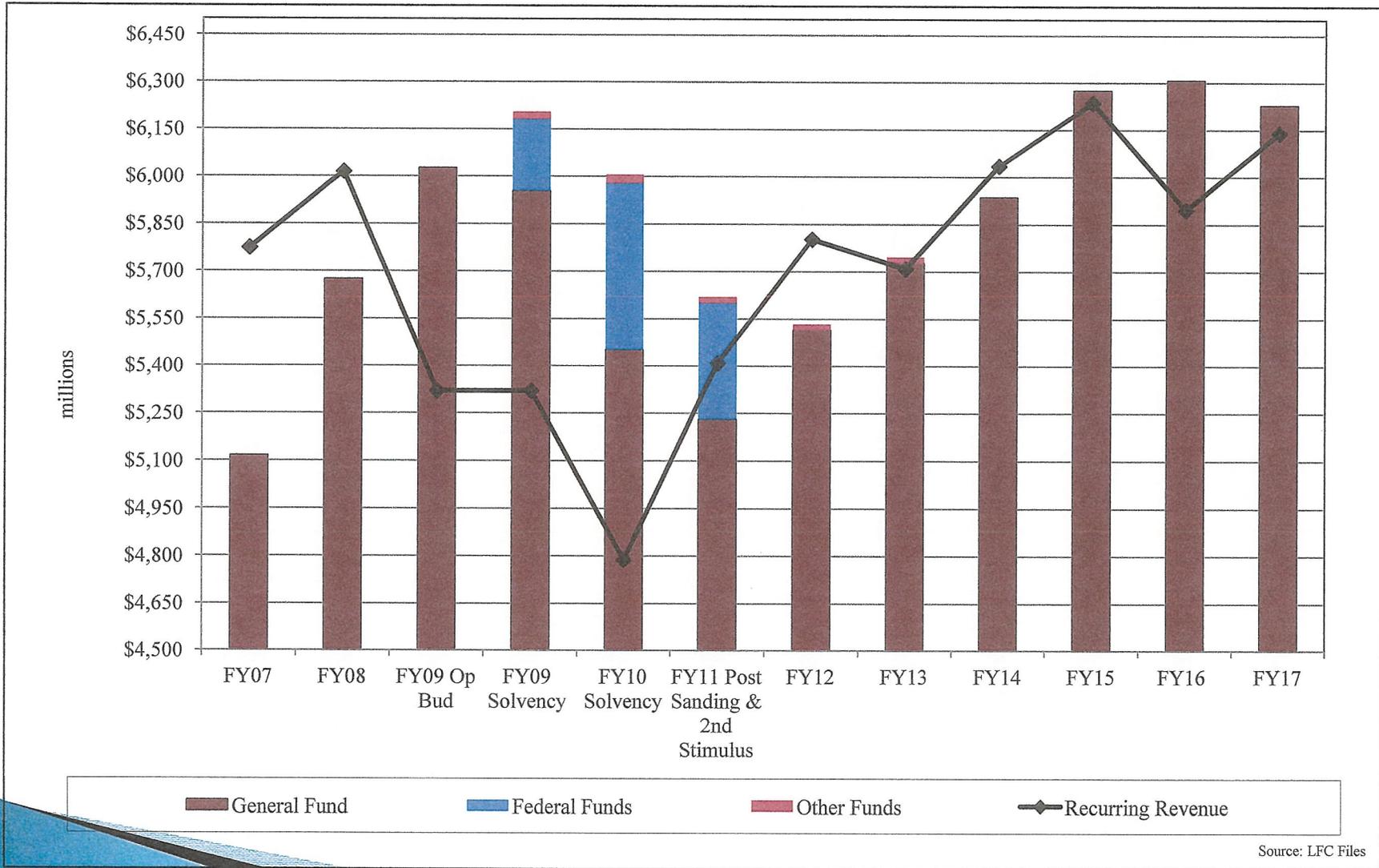
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- ▶ Post–Session Recap
 - Falling Revenue Projections
 - General Fund Outlook
- ▶ Health and Human Service Appropriations
 - Human Services Department (HSD)
 - Department of Health (DOH)
 - Children, Youth and Families Department (CYFD)
- ▶ Conclusion

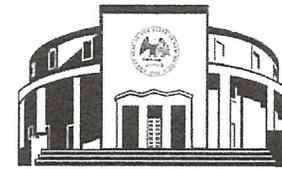


- ▶ Crashing revenue estimates resulted in a series of downward appropriation adjustments prior to, and throughout the 2016 legislative session; however, the General Appropriation Act ultimately passed with broad-based support.
- ▶ The balanced FY17 budget spends \$6.228 billion from the general fund, down \$7.2 million, or -0.1 percent, from FY16.
- ▶ Reserves are projected at 5.6 percent at the end of FY16 and 5.5 percent at the end of FY17, far below 10 percent considered ideal as a cushion against economic volatility and to maintain bond ratings.
- ▶ Capital outlay appropriations total \$400.9 million.

General Fund and Temporary Funds

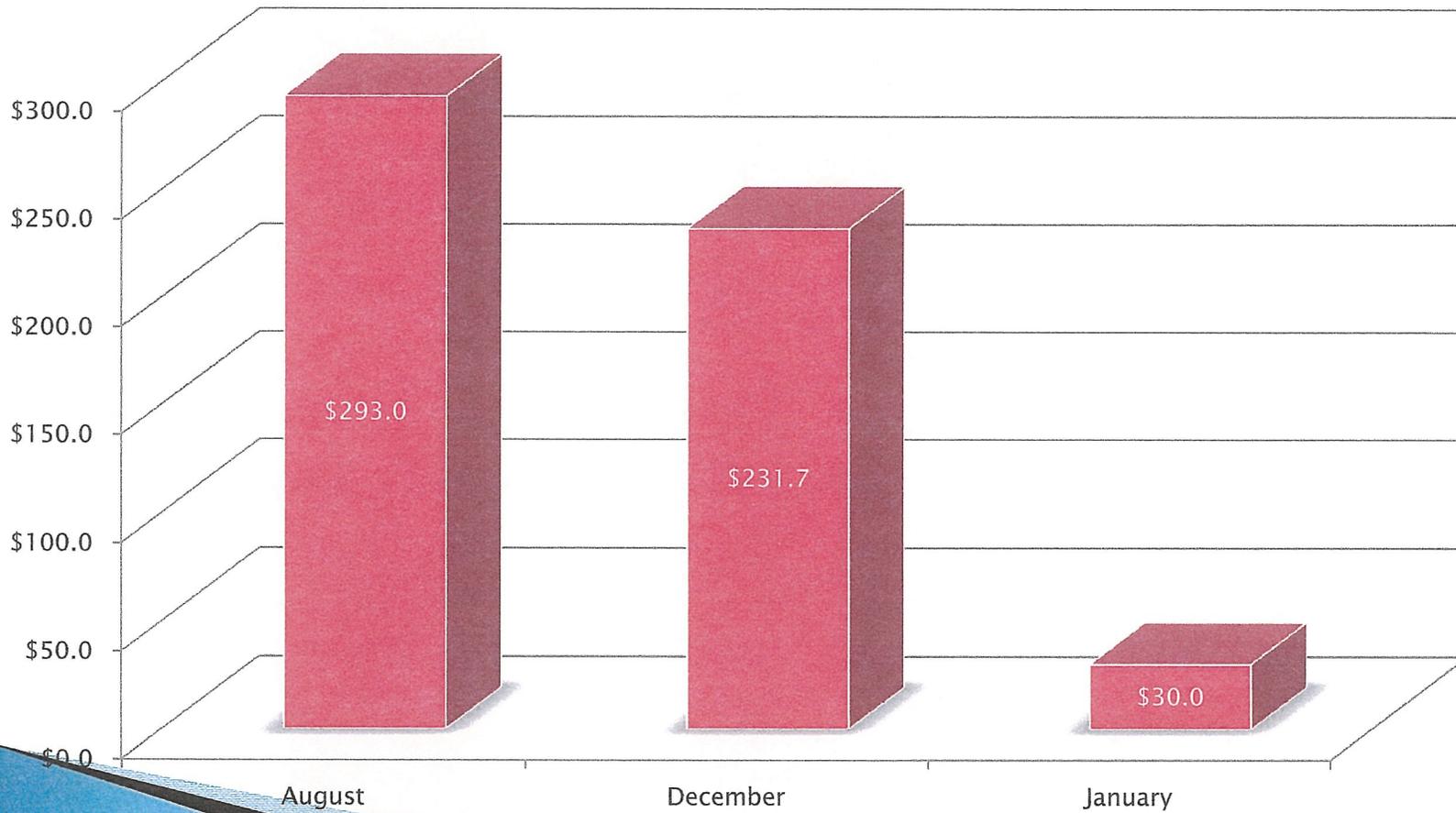


Falling Revenue Projections

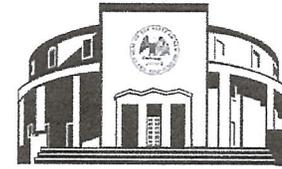


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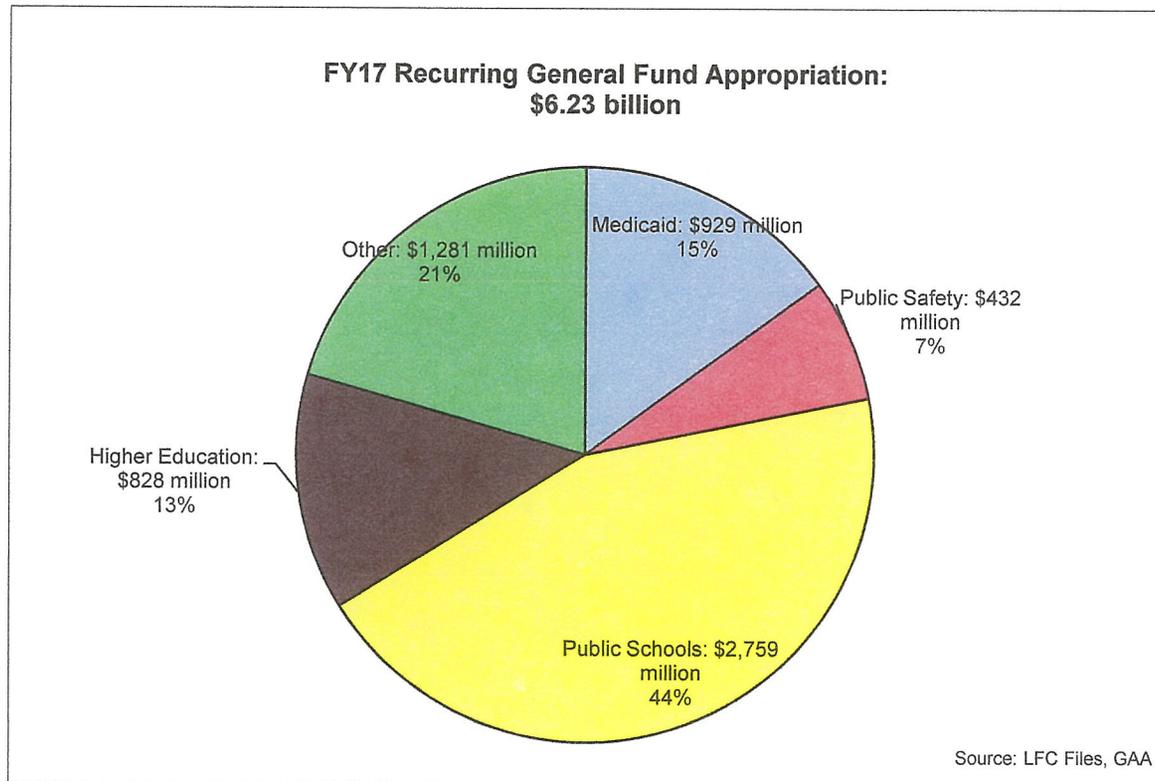
Revenue Estimates of "New Money" for FY17 Appropriations
(in millions)



General Fund Approps.



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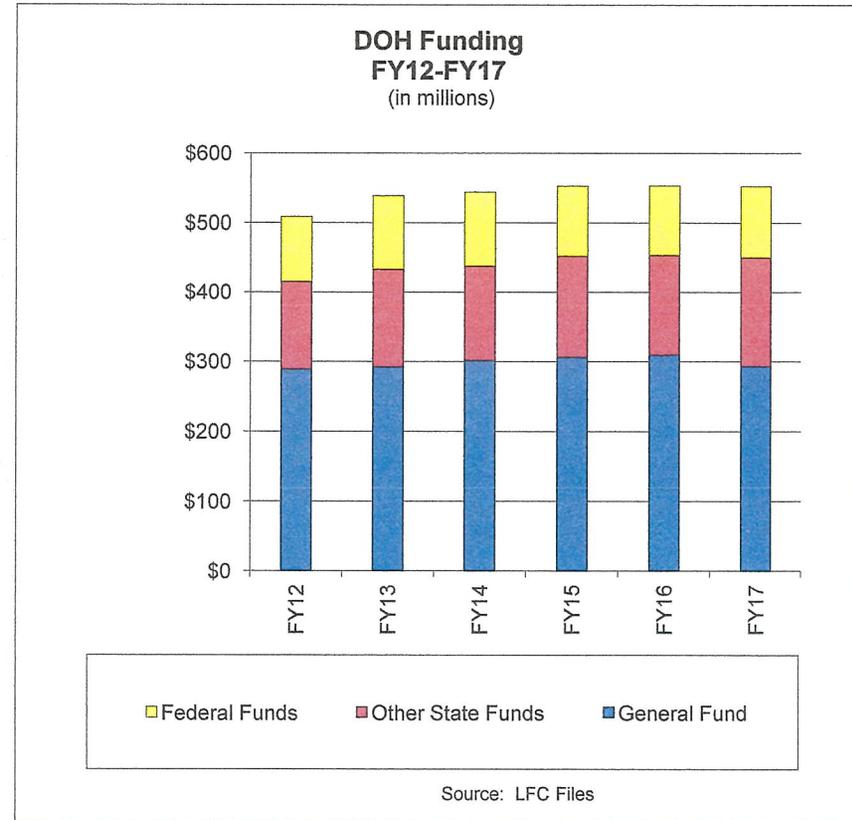
FY15 - FY19 General Fund Recurring Appropriation Outlook

(in millions of dollars)

	GAA FY15	GAA FY16	Outlook FY17	Outlook FY18	Outlook FY19
Total Recurring Revenue	\$6,114.7	\$6,242.2	\$6,530.2	\$6,808.9	\$7,087.2
Yr/Yr percent change	1.8%	2.1%	4.6%	4.3%	4.1%
Recurring Appropriations:					
Public Education ¹	\$2,715.3	\$2,752.1	\$2,834.7	\$2,919.7	\$3,007.3
Higher Education ¹	\$ 838.6	\$ 848.1	\$ 873.6	\$ 899.8	\$ 926.8
Public Safety ²	\$ 393.9	\$ 418.8	\$ 427.1	\$ 435.7	\$ 444.4
Medicaid Base Spending ³	\$ 904.6	\$ 893.1	\$ 994.0	\$1,035.9	\$1,079.3
Medicaid Expansion Spending ⁴			\$ 39.4	\$ 94.0	\$ 119.1
Other Health & Human Services ¹	\$ 118.8	\$ 171.6	\$ 176.7	\$ 182.0	\$ 187.5
All Other Government ²	\$1,180.0	\$1,148.5	\$1,171.4	\$1,194.9	\$1,218.8
Subtotal of Recurring Appropriations	\$6,151.2	\$6,235.3	\$6,516.9	\$6,762.0	\$6,983.1
Yr/Yr percent change	4.3%	1.4%	4.5%	3.8%	3.3%
Subtotal of Adjustment Scenario:	\$ -	\$ -	\$ 28.0	\$ 50.5	\$ 50.5
Total Recurring Approp. + Adjustment Scenario	\$6,151.2	\$6,235.3	\$6,544.9	\$6,812.5	\$7,033.6
Yr/Yr percent change	4.3%	1.4%	5.0%	4.1%	3.2%
Surplus/(Deficit)	\$ (36.5)	\$ 6.9	\$ (14.6)	\$ (3.6)	\$ 53.6

DOH FY17 Overall Flat Budget

- ▶ Increased patient revenue
- ▶ Improved RPHC finances
- ▶ GSD rate reductions
- ▶ Across-the-board GF reductions

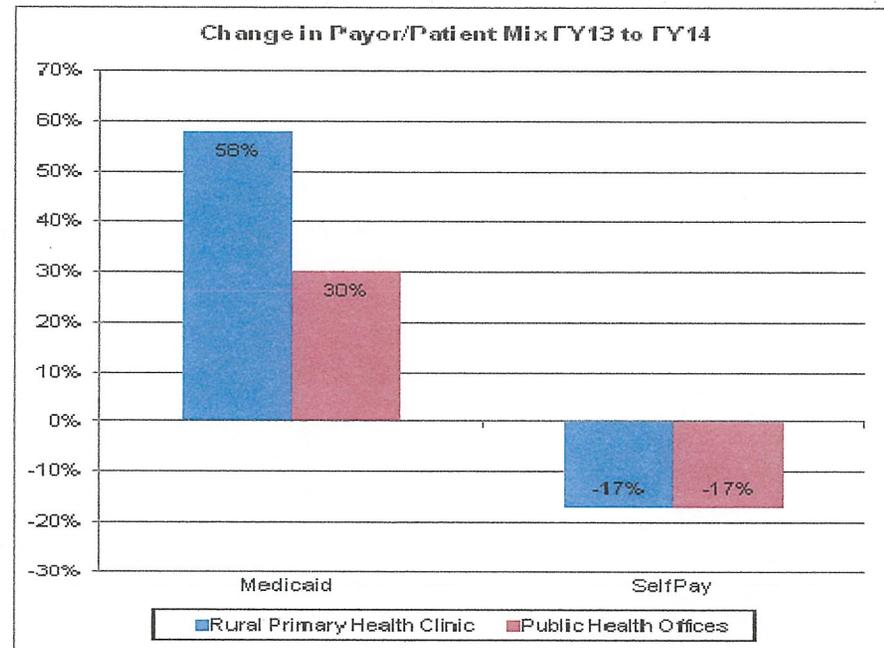


Facilities were a priority

8.3 Percent Growth in OSF

ACA and Medicaid Expansion Improved Financing of...

- ▶ Rural Primary Health (\$1.6 million)
- ▶ Public Health (\$2.5 million)
- ▶ School-Based Health (\$300 thousand)
- ▶ Facilities (\$2.5 million)



Replaced general fund
w/ \$6.9 million in
patient revenue

ACA is changing the
Payor/Patient mix

Services for People with Developmental Disabilities

- ▶ Added About 40 DD Waiver Slots in FY17
- ▶ Improved Federal FMAP
- ▶ Non-Reverting Language
- ▶ No Statewide GF Reduction
- ▶ \$6.8 million for Jackson Lawsuit Disengagement and Waldrop Settlement

Despite GF Reduction, Continued Increasing Developmental Disability Waiver Slots

DD General Fund Appropriation versus Waiting List



Source: LFC Files

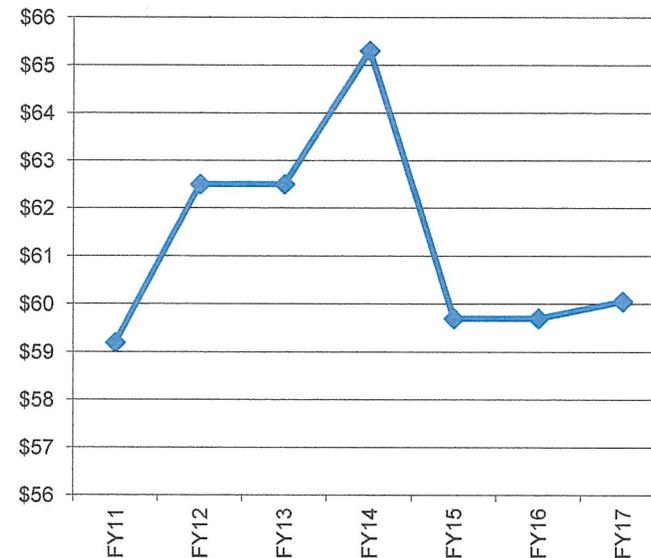
The Waiting List Remains

DOH Facilities

- ▶ Only DOH Program with an FY17 GF increase
- ▶ \$5.8 Million Vacancy Rate Reduction
- ▶ \$1.9 million for Direct Care Contracts
- ▶ \$2.5 million Increase in Patient Revenue
- ▶ \$1.4 Million FY16 Supplemental for Personnel

Improved Nurse Hiring Reduced Need for Contract Staff

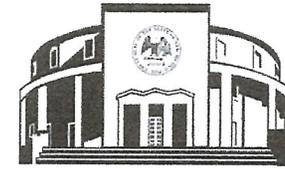
General Fund Appropriations for Department of Health Facilities
(in millions)



Source: LFC Files

No FY16 Department Wide Shortfall Expected

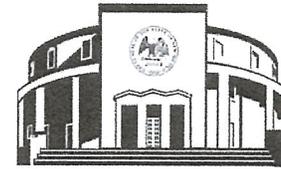
Human Services Department



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- ▶ This month HSD reported a \$38.9 million reduction in state fund need for FY17, reducing the projected shortfall to \$24.5 million due to initial cost containment and a moratorium on a federally-required insurer's tax.
- ▶ Ongoing FY17 risks include IGT, new federal requirements such as mental health and substance use disorder parity, managed care rules and access to care standards.

Human Services Department

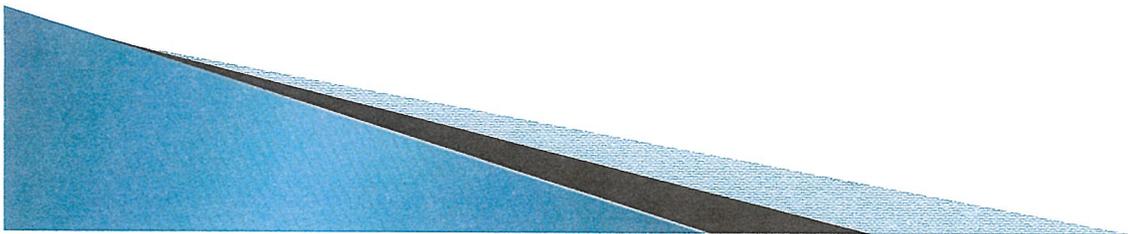


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- ▶ FY18 pressures: HSD estimates \$60 million to \$80 million in new general fund above FY17 levels due to reduced federal support for Expansion population, reinstatement of federal insurer's tax, enrollment, and price and utilization increases.
- ▶ Second MAC Subcommittee is tasked with identifying additional savings in benefits, eligibility verification and cost-sharing as well as long-term strategies of payment reform, health home expansion, and ongoing efforts to reduce non-emergent use of ERs, and leverage Medicaid.

Enacted Health Related legislation includes:

- ▶ Chapter 18 (Senate Bill 1) adds lifesaving skills training to health education curriculum.
- ▶ Chapter 34 (House Bill 270) requires civil redress to be sought in the state in which that care was provided.
- ▶ Chapter 40 (House Bill 61) ends means testing for individuals with developmental disabilities' savings accounts.

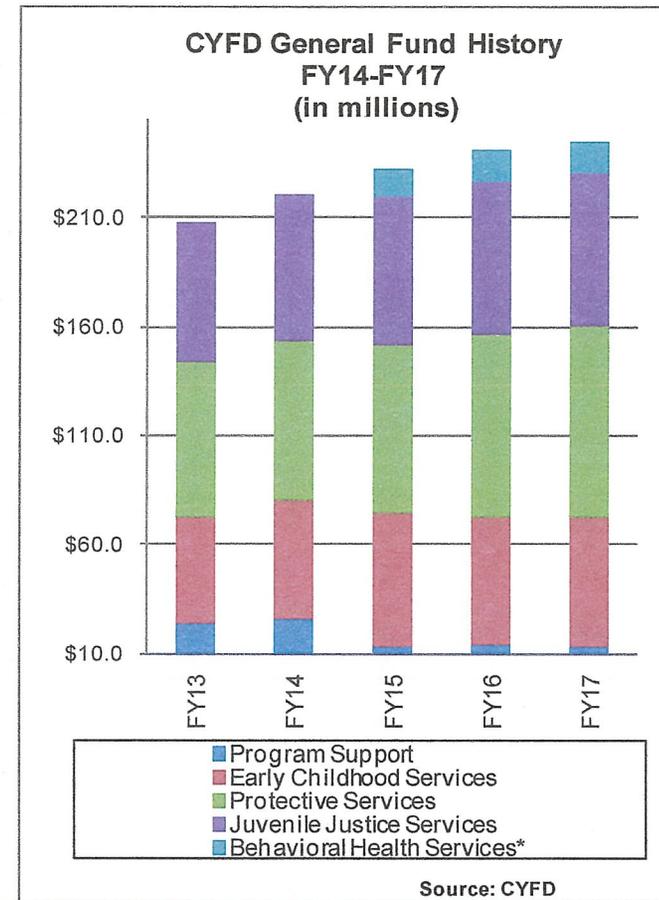


Enacted Health Related legislation continued...

- ▶ Chapter 46 (Senate Bill 263) requires practitioners check the prescription monitoring program prior to prescribing an Opioid.
- ▶ Chapter 45 (Senate Bill 262) provides legal immunity from administration of Opioid antagonists.
- ▶ Chapter 54 (House Bill 28) clarifies placement of abused or neglected children.
- ▶ Chapter 64 (Senate Bill 176) allows background checks for emergency placement of a child.

Children, Youth and Families Department

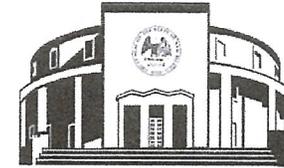
- ▶ \$4.5 million total general fund increase in FY17, or 2 percent
- ▶ Majority of general fund increases for the Protective Services and Early Childhood Services programs



FY17 Increases

General Fund

Early Childhood & Child Welfare



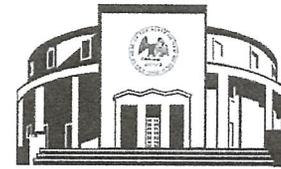
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- ▶ Why is early childhood development and child welfare so important?
- ▶ The most rapid period of brain development occurs in the first few years of life
 - Early experiences influence the developing brain;
 - Stable, caring relationships are essential for healthy development;
 - Chronic stress can be toxic to developing brains;
 - Significant early adversity can lead to lifelong economic and health problems;
 - Early intervention can prevent the consequences of early adversity.

Protective Services and Juvenile Justice Services

- ▶ The Legislature continued to focus on expanding services for at-risk children including additional funding for juveniles and children in the protective services system.
 - FY17 increases include:
 - \$900 thousand general fund to replace declining fund balances for the juvenile justice system.
 - An additional \$1.7 million for the care and support of children in protective services custody.
 - An additional \$1.3 million and 22 FTE for protective services caseworkers.

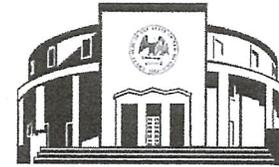
Early Childhood Programs



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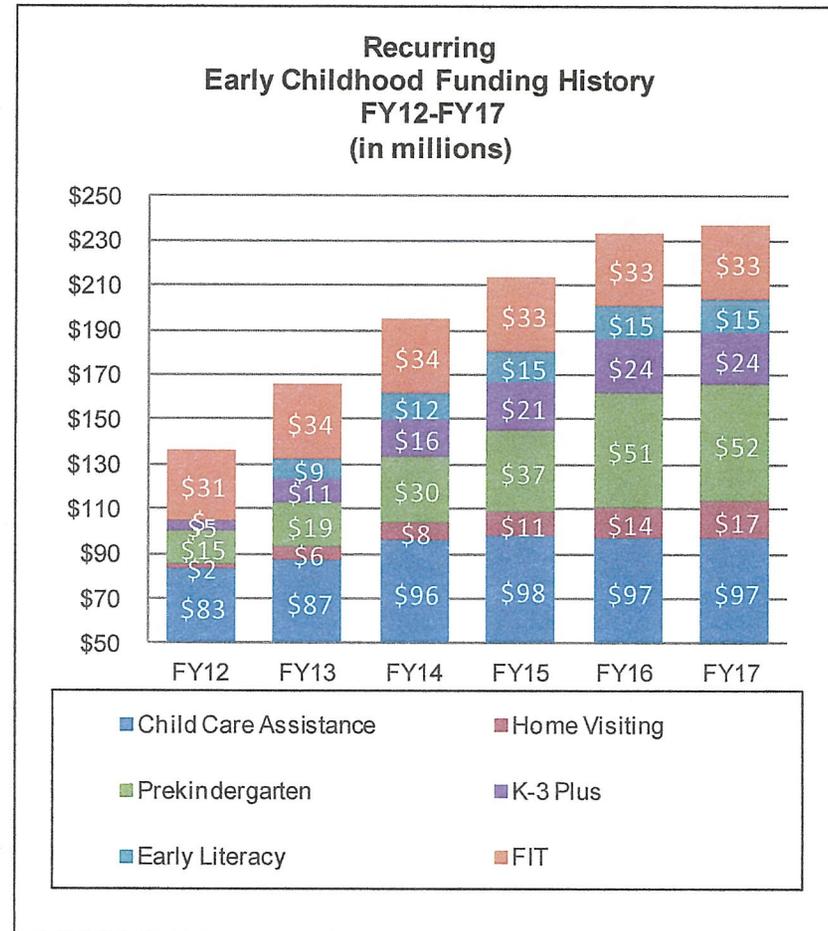
- ▶ The Legislature faced many difficult funding decisions due to declining revenues during the 2016 legislative session. However, the early childhood care and education system remained a priority and received an additional \$1.7 million for fiscal year 2017.
 - An additional \$250 thousand from the general fund and \$500 thousand from TANF for prekindergarten.
 - An additional \$400 thousand from the general fund and \$500 thousand from TANF for home visiting.
 - An additional \$50 thousand from the general fund for provider education and professional development.

Total Early Childhood Budget



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- ▶ The total FY17 recurring early childhood programs budget is \$238 million.
- ▶ The Legislature has increased spending on early childhood programs by more than \$100 million incrementally over the last five years in a strategic targeting of in-need communities and system building.



Early Childhood Capacity

Early Childhood Programs: FY16 and FY17 Enrollment and Estimated Funding Needed for Statewide Programs									
1	Criteria For Services	Home Visiting	Family, Infant, Toddler (FIT)	Childcare Assistance	Head Start/ Early Head Start (EHS)	Prekindergarten		Kindergarten Three Plus	
		Priority eligibility for first time expectant mothers; first time parents of infants and toddlers zero to three; first time caregivers of infants and toddlers zero to three; adoptive parents of infants and toddlers zero to three, and teen parents.	Birth to children age three with or at risk for developmental delays and disabilities based on comprehensive multidisciplinary evaluation.	6 week to 12 year olds children whose families are at or below 200 percent of the federal poverty level that are working and/or in school.	Head Start/EHS is free for children birth to five years of age whose family income meets the federal poverty guidelines. The poverty guidelines are determined by the federal government each fiscal year.	Basic (Half-Day)	Extended (Full-Day)	Public elementary schools with 80 percent or more of the enrolled students eligible for free or reduced-fee lunch or elementary schools receiving a D or F school grade at time of application.	
2									
3	FY16 Appropriation								3
4	FY16 Appropriation	\$ 15,700,000	\$ 33,851,800	\$ 96,600,000	\$ 65,840,575	\$ 23,995,111	\$ 27,583,686	\$ 25,102,355	4
5	Estimated Number of Clients Awarded Slots in FY16	4,130	13,842	18,721	7,652	5,851	3,543	19,383	5
6	LFC Estimated Average Cost Per Client FY16	\$ 3,801	\$ 2,446	\$ 5,160	\$ 8,604	\$ 4,101	\$ 7,786	\$ 1,295	6
7	FY17 Appropriation								7
8	FY17 Appropriation	\$ 16,600,000	\$ 32,896,800	\$ 96,607,000	Programs are funded with federal revenue only and amount is currently unknown.	\$ 23,560,000	\$ 28,350,000	\$ 23,700,000	8
9	Estimated Number of Clients to be Served FY17	4,367	14,500	18,000	N/A	5,745	3,641	18,137	9
10	LFC Estimated Average Cost Per Client FY17	\$ 3,801	\$ 2,269	\$ 5,400	N/A	\$ 4,101	\$ 7,786	\$ 1,307	10
11	Remaining Statewide Need								11
12	LFC Estimate of Total Eligible Clients Statewide	10,800	14,500	29,000	N/A	12,278	12,278	70,343	12
13	LFC Estimate of Need After FY17 Based on FY17 LFC Recommendation (line 12- line 10)	6,433	0	11,000	N/A	3,187	6,059	52,206	13
14	Estimated Funding Needed to Serve Clients After FY17	\$ 24,450,800	\$ 657,936	\$ 59,400,000	N/A	\$ 13,069,587	\$ 20,614,900	\$ 68,219,049	14

Source: Children, Youth and Families Department; Public Education Department; Department of Health, and LFC Files