**Accountability in Government**
**Selected Performance Highlights**
**3rd Quarter, Fiscal Year 2014**

Pursuant to the Accountability in Government Act (AGA), quarterly reports are required of key agencies including performance measures and results approved by the Department of Finance and Administration (DFA), and other measures the agencies consider important to operations. Each quarter, LFC analysts review agency performance reports and develop report cards for select measures.

Overview: Three-quarters through FY14, agency performance results are mixed with many agencies missing targeted levels. Of particular note are declining caseloads in support programs such as the Temporary Assistance for Needy Families Program (TANF), the Supplemental Nutrition Assistance Program (SNAP), the Women, Infants, and Children Program (WIC), and the child care subsidy program. The associated agencies have not been able to provide an explanation for the declining caseloads while the state still suffers from high unemployment, slow income growth, poverty, and high food insecurity rates. This performance report now also includes a quarterly investment report.

Performance of note, by major area, in the third quarter is as follows:

## Education (pg. 8-13)

- PED improved its vacancy rate significantly in the past several months to approximately 12 percent. In November 2013, the department reported approximately 50 funded vacant positions. PED modestly increased FTE during the third quarter; however, it currently has 217 vacancies, significantly more than the department had in July 2012.

- All research institutions and some two-year colleges improved retention rates over targeted rates and many others improved over prior-year rates. Colleges and universities implemented programs to improve student fall 2013 to fall 2014 retention rates, but most of the programmatic changes resulting from the state's funding formula revision will be reported in FY15, with the 2013 student cohort.

## Human Services, Behavioral Health, and Medicaid (pg. 14-15)

- TANF and SNAP caseloads continued to decline in the third quarter. Although HSD cannot fully account for the falling caseload, it generally attributes decreases to monthly benefit allotments, increased eligibility for Social Security, and more stringent eligibility enforcement. A U.S. district court judge recently ordered HSD to process backlogged cases immediately.

- HSD reported it must defer reporting for the Behavioral Health Collaborative until the fourth quarter due to transitioning to the Centennial Care program and the timing of the reporting cycle for claims and services.

**Health (pg. 16-18)**

- The number of developmental disabilities (DD) Medicaid waiver clients has grown by over 400 as the Legislature increased funding for DD waiver services by 9.4 percent from FY12 to FY14. However, the department continues to revert millions of unspent dollars even as the number of people on the waiting list for DD waiver services continues to grow and now stands at over 6,000. DOH reports reverting funds is due to the inability to add people on to the waiver quickly enough for them to expend a full year's budget for services, waiver clients' expenses have declined somewhat following the implementation of the support intensity scale (SIS) needs assessment tool and new DD waiver service rates and packages.

- DOH reports the occupancy rate for staffed beds was 66 percent in the third quarter of FY14. However, the average occupancy rate for all licensed beds was less than 59 percent at the end of the third quarter. Measuring the facilities' occupancy rate per licensed bed is a better indication of the state's overall return on investment, particularly as the Legislature continues to appropriate sufficient funding to fill positions within the facilities and increase the occupancy rates.

**Aging and Long Term Services (pg. 19)**

- 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, but the numbers of consumers and meals being served are decreasing each fiscal year. The Legislature has annually expressed its intent that funding increases for the Aging Network be used for meals, but in FY14 the governor vetoed the language. For the third quarter, the agency reported budget increases in FY13 and FY14 were used for transportation, fuel, caregiver support, senior centers and offsetting rising food prices. Given New Mexico is one of the states with the most food insecurity, food provision should be a priority.

**Children, Youth and Families (pg. 20-21)**

- The Children, Youth and Families Department (CYFD) struggled to meet performance measures in the Protective Services program, particularly of concern is 11 percent of children who have been subjected to substantiated maltreatment experience a recurrence within six months. The 2012 national recurrence average was 7 percent.

- In New Mexico, 25 percent of victims of maltreatment are aged 0-4, and are at the greatest risk of adverse childhood experiences.

- In FY14, child care assistance was appropriated $95.6 million from all sources to serve an estimated 22,000 children; however, as of April 2014 only 17,535 children were enrolled resulting in a significant TANF carryover.

- CYFD is in the process of implementing a number of initiatives to enhance and support the quality of care for children in early childhood programs including amending the current child care assistance and licensing regulations and increasing infant and toddler monthly reimbursement rates for licensed child care.

**Public Safety (pg. 22-25)**

- The Department of Public Safety (DPS) increased traffic enforcement operations resulting in fewer alcohol-related traffic fatalities, suggesting that the department's operations have a positive impact on traffic safety.

- The Motor Transportation Division of DPS was below target on commercial motor vehicle inspections and citations due to continued elevated vacancy rates.

- Due to vacancies in the fingerprinting unit, the department fell behind on processing fingerprint cases but began hiring contractors to assist with backlogs.

- While the New Mexico Corrections Department (NMCD) kept inmate-on-inmate assaults and inmate-on-staff assaults to a minimum, the department had one fatality related to gang violence at Southern New Mexico Correctional Facility in Las Cruces.

- Even though the Legislature emphasized reducing recidivism rates, all NMCD recidivism-related measures are not meeting FY14 targets and should remain an area of concern. In the future, if recidivism rates do not decrease the inmate population will grow and incarceration expenses will increase.

**Transportation (pg. 26-27)**

- The department continues to make progress on the number of traffic and alcohol-related, and non-alcohol-related fatalities – all of which are tracking far below FY14 targets and potentially FY13 results. The department attributes this improvement to high-visibility law enforcement operations and more intensive DWI enforcement programs.

- The percent of airport runways in satisfactory or better condition stands at 50 percent – 10 percent below FY14 targets. According to the department, the results have been negatively impacted by new testing methods instituted by the department, and are not indicative of the overall safety of airport runways.

- Critical measures for the percent of interstate and non-interstate miles rated good and the number of systemwide miles in deficient condition are still not available from the department. The lack of timely data prevents an adequate assessment of transportation infrastructure funding shortfalls and its relationship to the condition of highways, roads, and bridges in New Mexico.

- NMDOT’s vacancy rate remains high but continues to decline as a result of intensive recruitment and retention actions.

- The annual number of riders on the Rail Runner increased slightly in the third quarter but is still tracking far below the FY14 target.

**Natural Resources (pg. 28-38)**

- Although the number of acres in the state treated for overgrowth increased in the third quarter to 9,672 acres, estimates are that 50 thousand to 100 thousand acres should be treated per year to proactively thin overgrown forests so they are more resilient to fire, drought, insects and disease. In FY15 appropriations more than doubled, including $6.2 million for watershed restoration, $400 thousand for hazardous fuels mitigation, and $1.3 million in federal funds for these projects.

- Adjudication of water rights continues at a glacial pace. LFC staff, with cooperation from AOC staff, developed a quarterly progress report on adjudications containing goals, budgets and FTE, as well as quantitative and qualitative progress metrics. For the Lower Rio Grande adjudication, which began in 1996, 45 percent of the total number of subfile orders have been filed to date. A subfile is a water claim or collection of water claims within a specific hydrographic survey area which is/are associated with the same person(s) or entity.

- The Office of the State Engineer ramped up hiring, but water rights application backlogs continue to increase. The agency continues to struggle to manage water users' high demand for services attributable to the ongoing drought and high oil and gas activity in the Permian Basin.

- New Mexico is ranked 44th nationally in workplace fatalities, as of 2011. Four out of the five years for which data is available, New Mexico has higher rates of private sector occupational injuries and illnesses than the national average.

**Economic Development and Tourism (pg. 39-41)**

- The Economic Development Department reported 1,939 new jobs for the first three quarters of FY14; however, employment indicators show negative growth overall for the state. According to data from the Workforce Solutions Department, New Mexico shed 1,000 jobs from March 2013 to March 2014.

- The leisure and hospitality industry fell from the greatest employment gains in the first quarter of FY14 to fourth place in the third quarter. Due to some uncertainty in the precision of the latest jobs data, it is not clear if tourism continues to be a leading sector in New Mexico's economy.

**Workforce Solutions (pg. 42-43)**

- The Workforce Solutions Department (WSD) reduced the average wait time to complete a transaction with the unemployment insurance (UI) call center by 31 minutes, or 45 percent.

**General Government (pg. 44-51)**

- DoIT successfully transferred the state's SHARE system to new hardware (called "replatforming,") and indicated it would release an updated plan for upgrading the antiquated SHARE software in the next few months.

- Motor Vehicle Division (MVD) field office and call center wait times continue to track better than agency targets. Wait times in field offices were just over 18 minutes and call center wait times were just under four minutes—performance that compares favorably to some of the best MVD offices in other states.

- The State Personnel Office reports the average number of days to fill a position improved again in the third quarter to 76 days, however this is still nearly double the FY14 target and above FY12 and FY13 actuals.

- State employee average overtime per month and the percent of employees receiving overtime is tracking above the FY14 target at 16 hours and 18 percent respectively. This is a concern because, as SPO states in their *2013 Classified Service Compensation Report*, there is a correlation between vacancy rates and overtime hours worked.

- Projected payments from the public liability fund increased, with civil rights, including employment claims, and professional liability, including medical malpractice and law enforcement claims, having worrisome trends.

- The Group Benefits Program is promoting wellness checkups during work hours and giving a $25 gift card as a financial incentive to employees to identify health cost trends earlier.

- Out of 152 third quarter projects for the Facilities Management Division, 16 were off schedule due to poor planning and weak project management.

- Largely because of efforts to remove underutilized vehicles from agencies, the percent of short-term vehicles in use is higher than last year at this time.

- After a year of declining numbers, procurement violations are on the rise again and most reflect inadequate procurement staff training and oversight.

**Courts (pg. 52)**

- The Administrative Office of the Courts completed implementation of the Odyssey Case Management System (CMS) in the Metropolitan Court in Bernalillo County. The AOC has now implemented the CMS in all courts except for the Court of Appeals and the Supreme Court.

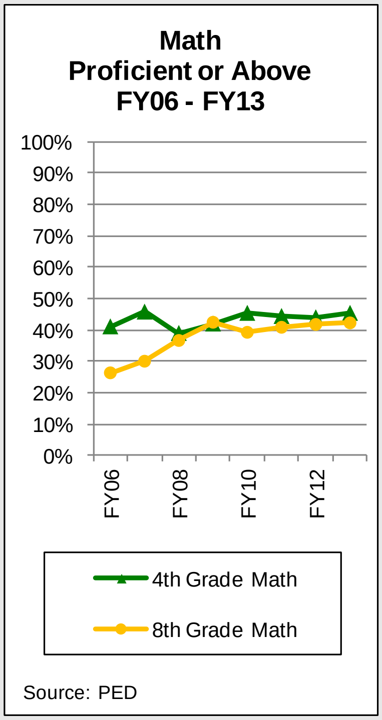
**IT Projects (pg. 53-56)**

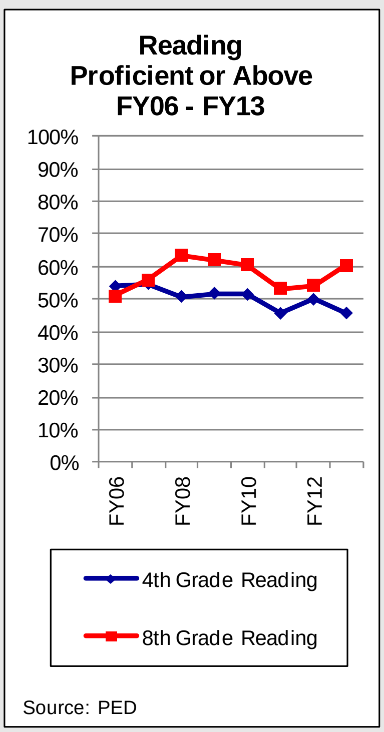
- DFA reports it largely completed Phase I of a project to improve business processes related to the statewide human resource, accounting and management reporting (SHARE) system. Phase I focused on cash control processing. Phase II is now underway and includes implementing leading business processes and controls for payment processing and general ledger processing, which will position the state for future software releases of SHARE. DFA identified $54 thousand in its FY14 operating budget for the initial phase of this project, but has yet to secure full project funding. Resolving historical cash reconciliation variances is not within the Phase II project scope.

**Investments (pg. 57- 65)**

- For the quarter ending March 31, 2014, Public Employees Retirement Association (PERA) earned 1.87 percent, Educational Retirement Board (ERB) earned 2.3 percent, and State Investment Council (SIC) earned 2.01 percent through the Land Grant Permanent Fund (LGPF) and 1.98 percent through the Severance Tax Permanent Fund (STPF). Given the annual target returns are 7.5 to 7.75 percent, in the 5-year period PERA earned an annualized rate of return of 14.83 percent, ERB earned 15.0 percent, and SIC earned 13.15 percent through the LGPF, and 12.5 percent though the STPF. Long-term annualized returns reflect lesser investment performance for all investment agencies because they are a function of adverse economic conditions during recessionary years and asset allocations that did not include alternative investments. Ending balances for the quarter are $14.2 billion for PERA, $10.9 billion for ERB, and $18 billion for SIC ($13.7 billion for LGPF and $4.3 billion for STPF).

# Performance Report Card
# Public Education
# Third Quarter, Fiscal Year 2014




**Department Operations.** It appears operations at the Public Education Department are improving, as indicated by decreased audit findings in the department's FY13 audit and a decreased vacancy rate. However, there are still areas that could improve. The department established a plan in FY13 to resume auditing local education agencies for funding formula components and program compliance annually to ensure funding is claimed appropriately. PED resumed auditing in the first two quarters of FY13; however, to date, the department has only completed one audit of charter school membership since the second quarter of FY13. PED should continue to work to address school district concerns about the quality of technical assistance and PED guidance.

Many divisions are understaffed and the department has struggled to fill vacant positions. Additionally, high turnover continues to present challenges. Appropriations for employee salaries and benefits increased in FY13 and FY14; however, the department has struggled to increase the number of FTE significantly during that period of time. In November 2013, PED indicated approximately 35 vacant positions were in various stages of recruitment. At the end of the third quarter, the organizational listing report (TOOL) indicated PED had 204 FTE, despite the agency having funding for approximately 50 additional FTE. However, the June TOOL indicates 217 FTE are filled. This will likely result in improved technical assistance and oversight during the fourth quarter and into the future.

PED needs to continue to improve the accuracy of data reported in their quarterly reports.

*Reported Student Outcome Data*. Limited student outcome data is available during the third quarter. Much of that information, including student results on the Standards-Based Assessment and school grades will be reported in the next few weeks. Policymakers are eagerly awaiting this data to assess school and student performance over the last year.

**FY13 Audits.** PED's FY13 audit was recently released with an unmodified opinion, noting 164 findings. The department's audit includes all state-chartered charter schools – 51 for FY13 – as component units. The audit did not identify any deficiencies in internal controls considered to be material weaknesses for either financial reporting or compliance at the department; however, the audit did identify a number of deficiencies in internal controls considered to be significant deficiencies including in several major federal awards programs. The audit noted 14 findings directly attributable to the department, eight of which are repeat findings dating back to 2010. PED resolved eight findings noted in the FY12 audit and received two fewer new findings than in FY12, indicating improved oversight over financial functions in FY13.

The remaining findings are attributable to state-chartered charter schools and the Division of Vocational Rehabilitation. PED's FY12 and FY13 audits noted ongoing issues regarding oversight of and communications with charter schools. The number of findings directly attributable to state-chartered charter schools decreased from FY12 to FY13; however there is still room for improvement.

Lake Arthur submitted their FY13 audit in April 2014 receiving a qualified opinion noting 10 findings, seven of which were considered to be material weaknesses – three repeat and four new – the remaining three findings were considered to be significant deficiencies. Lake Arthur resolved five of the prior year findings.

Truth or Consequences submitted their FY13 audit in February 2014. The audit notes 16 findings, many of which are considered to be material weakness or significant deficiencies over internal controls.

The maintenance of effort (MOE) requirement under Part B of the federal Individuals with Disabilities Education Act (IDEA-B), 34 CFR §300.163(a), states "a state must not reduce the amount of state financial support for special education and related services for children with disabilities, or otherwise made available because of the excess costs of educating those children, below the amount of that support for the preceding fiscal year."

If New Mexico does not prevail in its request for a waiver in FY11, the state could face a reduction of up to $35.2 million in federal IDEA-B funding.

PED's management response to certain deficiencies indicates the department has increased the number of accounting staff assigned to its Audit and Accounting Bureau and is committed to continuing to improve financial operations and financial oversight of school districts.

Of the 89 school districts, Des Moines, Gadsden, Jal, Lake Arthur, Las Vegas City, Mountainair, Socorro, and Truth or Consequences did not meet the November deadline for filing their FY13 audit. As of June 3, 2014 Des Moines and Las Vegas City Schools still have not submitted their FY13 audits. Des Moines submitted their FY11 audit in May 2014 and it is still in review. This is the second audit submission in six months. Las Vegas City School's FY12 audit, submitted in December 2013, received multiple opinions. The audit notes several material weaknesses and significant deficiencies over internal controls and compliance. The department has not submitted their audit on time since 2006.

**Federal Special Education Maintenance of Effort.** The first in a series of administrative hearings on the state's federal special education MOE waiver request was held in March. The hearing focused on whether or not a federal provision allows the state to reset the base year lower than any previous base year under certain circumstances. PED's argument relied on a provision that allows a state, when the state's IDEA-B grant exceeds the amount awarded the previous fiscal year, to reduce the level of *expenditures* for educating special education students made from state sources by not more than 50 percent of the amount of excess if certain requirements are met. However, the hearing officer disagreed and denied the state's request to reset the base year as FY10 for calculating the FY11 shortfall. It is unclear if the hearing officer's determination is final; however, it appears likely that an administrative hearing on the merits of the waiver request is the next step. PED will be required to show that financial hardship existed in FY11, including moving forward with the state's arguments to reduce the shortfall for reduced special education workload and the retirement swap. Additionally, the USDE noted another waiver provision in IDEA if a state provides "clear and convincing evidence that all children with disabilities have available to them a free and appropriate public education (FAPE)." PED should also consider moving forward with a FAPE waiver request, as was noted in the LFC's August 2013 Special Education evaluation.

Prior to the hearing, PED was hesitant to distribute the $10 million appropriated to the newly created supplemental special education maintenance of effort distribution during the 2013 legislative session for FY14. If the USDE found in favor of the PED's argument to reset the base, distribution of the $10 million may not have been needed. However, given the recent USDE decision, LFC staff estimates the department needs to distribute the entire $10 million in FY14 to ensure the state meets its MOE requirement. Additionally, PED will likely need to make a modest transfer of the SEG to the supplemental distribution to meet MOE in FY14.

**Performance Report Card**
**HIGHER EDUCATION:**
**Colleges and Universities, Health Sciences Center, & Higher Education Department**
**Third Quarter, Fiscal Year 2014**

## COLLEGES AND UNIVERSITIES

**Performance Overview**: New Mexico's colleges and universities report one performance measure quarterly, reporting all other measures annually and some with multi-year data. This report tallies fall 2012 to fall 2013 progress for a limited number of students – who are first-time, full-time, degree-seeking freshmen, the majority being recent high school graduates. The report excludes retention data for part-time students, transfer students, or those who are not degree-seeking. For most institutions, particularly two-year colleges, this latter group comprises the majority of enrolled students.

Importantly, retention rates have improved at research institutions and many community colleges. All institutions have implemented programs to improve fall-to-spring and fall-to-fall retention rates and have become more focused on student retention since the state began allocating an amount of general fund appropriations based on improved student performance and program completion. As highlighted in 2013 interim LFC hearings, the May 2014 interim LFC hearing, and third quarter FY14 performance reports, institutions have continued efforts to improve academic counseling, design clearer degree pathways, and formalize intervention practices to reach students mid-semester who experience difficulties and need tutoring, encouragement, or counseling. Most of the four-year institutions have implemented "living and learning communities," which establish freshmen cohorts that live together in residence facilities and receive similar academic and other supports. To impact retention, institutions are also reviewing admissions criteria, student financial aid and retention data to remove hurdles and improve student performance. Many community colleges have focused on campus-wide student retention and revising remedial education delivery. Most colleges have implemented or are considering implementing online programs to deliver student academic counseling and student support services.

### Universities' Performance:

| | **Measure**: First-time, full-time, degree-seeking freshmen from initial fall to fall semester | FY12 Actual (Fall 2010 to Fall 2011) | FY13 Actual (Fall 2011 to Fall 2012) | FY14 Target (Fall 2012 to Fall 2013) | FY14 Actual (Fall 2012 to Fall 2013) | Rating |
|---|---|---|---|---|---|---|
| 1 | New Mexico Institute of Mining and Technology | 70.5% | 74.4% | 72% | 76.6% | G |
| 2 | New Mexico State University | 71% | 72% | 72% | 74.2% | G |
| 3 | University of New Mexico | 74.1% | 76.6% | 77.8% | 77.7% | G |
| 4 | Eastern New Mexico University | 63.9% | 62.5% | 64.5% | 58.1% | Y |
| 5 | New Mexico Highlands University | 50.6% | 55.3% | 53% | 47.2% | Y |
| 6 | Northern New Mexico College | 54% | 61% | 66.5% | 55% | Y |
| 7 | Western New Mexico University | 50.4% | 55.1% | 53% | 52.3% | Y |
| **Program Rating** | | G | G | | | G |

Comments: For the state's research institutions (#1-3), first-time, full-time, degree-seeking enrollment declined or remained and fall-to-spring retention remained relatively flat, while fall-to-fall retention rates have moderately improved. Research institutions continue to better align coursework and credits for community college transfers, helping students complete programs faster. Both UNM and NMSU have changed tuition policies to encourage students to take 15 credit hours per semester. UNM also reduced the total number of credits needed to graduate, a practice recommended by the national non-profit Complete College America. These policies are designed to affect timelier program completion, particularly for the population measured here.

New Mexico's comprehensive institutions (#4-7) have less-selective admissions criteria, with WNMU and NNMC having open enrollment policies. For the years reported, first-time, full-time, degree-seeking enrollment declined or remained flat, though total student enrollment has increased. Fall-to-fall retention at comprehensive institutions declined over the past year, this in spite of program changes and other initiatives in the past few years to improve retention. The 2014 cohort of students will provide the first assessment of program changes on student retention. ENMU is revising its freshman seminar to encourage students to align college degrees with career aspirations and expectations. This effort is in addition to prior year expansions of student support services. NNMC, recognizing the need for individualized student support may be contributing to low retention rates, is implementing their EXITO project, investing in standardized surveys, and development and expansion of a student advisement initiative. NMHU experienced a dramatic drop in the FY12 student cohort reported here, affecting the retention rate. The university has made changes to its admissions policy, graduation requirements, and academic advising to address retention and program completion rates.

## Community Colleges' Performance:

| | **Measure**: First-time, full-time, degree-seeking freshmen from initial fall to following fall semester | FY12 Actual (Fall 2010 to Fall 2011) | FY13 Actual (Fall 2011 to Fall 2012) | FY14 Target (Fall 2012 to Fall 2013) | FY14 Actual (Fall 2012 to Fall 2013) | Rating |
|---|---|---|---|---|---|---|
| 1 | Eastern New Mexico University – Roswell | 48.3% | 60.5% | 52.5% | 60.4% | G |
| 2 | Eastern New Mexico University – Ruidoso | 46% | 43.8% | 43% | 32.9% | R |
| 3 | New Mexico State University – Alamogordo | 50% | 58.7% | 59.5% | 59.1% | G |
| 4 | New Mexico State University – Carlsbad | 48.5% | 45% | 47% | 47.6% | G |
| 5 | New Mexico State University – Dona Ana | 63.1% | 60.6% | 64.8% | 59.2% | Y |
| 6 | New Mexico State University – Grants | 50% | 47.8% | 54% | 50.9% | Y |
| 7 | University of New Mexico – Gallup | 60.5% | 66.3% | 57.5% | 60.5% | G |
| 8 | University of New Mexico – Los Alamos | 60.6% | 54.4% | 57% | 57.4% | G |
| 9 | University of New Mexico – Taos | 49.6% | 48.4% | 49.5% | 48.1% | Y |
| 10 | University of New Mexico – Valencia | 59.9% | 60.6% | 55% | 55.3% | Y |
| 11 | Central New Mexico Community College | 56.8% | 58.9% | 59% | 60.2% | G |
| 12 | Clovis Community College | 40.9% | 44.1% | 50% | 52.2% | G |
| 13 | Luna Community College | 27.4% | 34.6% | 53.3% | 44.9% | G |
| 14 | Mesalands Community College | 63.0% | 62.3% | 63.1% | 48.6% | Y |
| 15 | New Mexico Junior College | 42.9% | 62.6% | 50% | 58.9% | Y |
| 16 | San Juan College | 57% | 53.6% | 58% | 55.7% | Y |
| 17 | Santa Fe Community College | 56.9% | 52.3% | 59.5% | 58.7% | G |
| **Program Rating** | | Y | Y | | | Y |

Comments: As "open enrollment" institutions, community colleges struggle with student retention. Challenges to retention include: 1) a lack of preparedness to complete college-level work; 2) improving employment opportunities for those without postsecondary credentials; 3) the difficulty in navigating and completing academic and financial aid processes, and; 4) competing, non-academic pressures on students, such as employment or family obligations.

In order to improve long-term retention rates, two-year institutions continue to develop and implement retention strategies. For example, ENMU-Ruidoso, piloted new retention software, “Back on Track”, in August 2013 which will be fully implemented in the 2014-2015 school year (and affecting the 2014 student cohort for this measure). Some institutions have begun to register students in the current semester to encourage their return, and UNM-Los Alamos employed an early-alert system to identify students who struggle academically, and will contact non-returning students to educate them on financial aid and tutoring options to encourage their re-enrollment. The Higher Learning Commission, the regional accreditor for all colleges and universities in the southwest, sponsors an Academy on Persistence and Completion, which NMSU-Carlsbad is a participant, and focuses on data analysis of returning and nonreturning students to determine components needed to improve student retention. A number of institutions have experienced drops in retention, to which they attribute varying causes. Mesalands Community College, along with changes in faculty and leadership, changed the way retention is measured to no longer include employees taking classes or workforce education classes. Two-year institutions also attribute the growing economy and workforce opportunities to decline in enrollment.

## UNIVERSITY OF NEW MEXICO HEALTH SCIENCES CENTER

**Performance Overview**: In addition to annual performance measures based on undergraduate and graduate student completion and success on national licensing and other examinations, the University of New Mexico Health Sciences Center reports quarterly measures related to the University of New Mexico Hospital (UNM Hospital) and the Poison and Drug Information Center.

| **UNM Health Sciences Center** | Budget: $560,117.4 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Total number of UNM Hospital Clinic visits (cumulative) | 432,817 | 455,437 | 454,728 | 129,564 | 261,433 | 383,615 | G |
| 2 | Total number of UNM Hospital inpatient discharges (cumulative)* | 27,685 | 27,095 | 28,405 | 6,865 | 13,652 | 20,250 | G |
| 3 | UNM Hospital inpatient readmission rate | 4% | 4% | 4% | 3.5% | 4.2% | 4.3% | Y |
| 4 | Percent of human poisoning exposures treated safely at home after contacting the Poison and Drug Information Center* | 67% | 67% | 72% | 67% | 66% | 66% | R |
| **Program Rating** | | G | G | | | | | Y |

Comments: Both the target and the reported total number of UNM Hospital (UNMH) Clinic visits was adjusted to include the newly established urgent adult care clinic, located within UNMH. The adult care clinic was established to provide the appropriate level of care to patients who come to UNMH emergency room but do not require emergency care. In addition, visits to the primary and specialty care clinics were down in the third quarter and visits to the urgent care clinic were higher than projected.

According to a triage measure of treating exposures at home and not urgent clinics or emergency rooms, the Poison and Drug Information Center’s (PDIC’s) performance slipped during the last few fiscal years but leveled out around 66 percent. New Mexico’s slightly declining home treatment rates mirror the national trends, which have declined 2.5 percent since 2007. While receiving fewer calls in total, more of these calls have come from hospitals, where the center provides a valuable resource to emergency and other health care professionals, may be a result of broadly available and positive professional education, and an increase in hospitals treating children with medication-related exposures. Given national trends of PDIC call usage and broad access to other public sources of information, there may be better ways to measure PDIC usage and effectiveness than treatments at home.

* Denotes House Bill 2 measure

**Performance Report Card**
**HIGHER EDUCATION:**
**Colleges and Universities, Health Sciences Center, & Higher Education Department**
**Third Quarter, Fiscal Year 2014**

## HIGHER EDUCATION DEPARTMENT

**Performance Overview**: The Higher Education Department (HED) reports mostly annual performance measures reflecting student retention, completion, and employment at institutions, with a few quarterly measures relating to department operations. The department maintained staffing in the capital projects area and continued timely processing of capital requests and disbursements by institutions. The department's financial aid division reports annual data, and the measures are not included in this quarter's report.

| | **Policy Development and Institutional Financial Oversight** — Budget: $23,460.6 — FTE: 51.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Number of adult basic education students who pass the general education diploma (cumulative measure) | 1,800 | 1,854 | 2,000 | 300 | 1,450 | 1,462 | Y |
| 2 | Number of adult basic education students obtaining employment (cumulative measure) | 678 | 1,065 | 1,000 | xx | 612 | 643 | Y |
| 3 | Percent of properly-completed infrastructure draws released to the state board of finance within 30 days of receipt from the institutions | n/a | 100% | 100% | 100% | 100% | 100% | G |
| | **Program Rating** | G | G | | | | | Y |

Comments: Because of changes to the high school equivalency diploma, a much higher than normal number of students took the high school equivalency in December 2013, before rule changes took place. Due to the high number of students taking the exam early in FY14, HED anticipates low exam levels in the fourth quarter.

**Performance Report Card**
**Human Services Department**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: Over the past few years, the Human Services Department (HSD) moved to more quality-oriented measures which target outcomes instead of output measures such as Medicaid enrollment. HSD implemented reporting on a more robust set of Medicaid measures including prenatal care and emergency room visits; however, results tend to lag in Medical Assistance and Income Support due to reporting delays.

TANF and SNAP caseloads continued to decline in the third quarter. HSD cannot fully account for the declines, but generally attributes the decreases to reduced monthly benefit allotments, increased eligibility for Social Security, and more stringent eligibility enforcement. A US district court judge recently ordered HSD to process backlogged cases immediately.

| | **Medical Assistance Program** Budget: $4,064,717.0 FTE: 189.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | 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* (cumulative) | 66% | 66% | 72% | 56% | 56% | 50% | Y |
| 2 | Percent of children and youth in Medicaid managed care who had one or more well-child visits with a primary care physician during the measurement year* (cumulative) | 86% | 91% | 92% | 68% | 78% | 74% | Y |
| 3 | Percent of children two to twenty-one years of age enrolled in Medicaid managed care who had at least one dental visit during the measurement year* (cumulative) | 73% | 70% | 72% | 29% | 48% | 48% | Y |
| 4 | Percent of children in managed care with persistent asthma who were appropriately prescribed medication* | new | 89% | 95% | 64% | 67% | 66% | Y |
| 5 | Percent hospital readmissions for children ages two to seventeen within thirty days of discharge | new | 6% | 8% | 8% | 7% | 6% | G |
| 6 | Percent hospital readmissions for adults eighteen and over, within thirty days of discharge* | new | 7% | 10% | 15% | 13% | 8% | G |
| 7 | Number of emergency room visits per one thousand Medicaid member months* | new | 39 | 45 | 40 | 38 | 26 | G |
| 8 | Percent of individuals in Medicaid managed care ages eighteen through seventy-five years of age with diabetes (type 1 or type 2) who had a HbA1c test during the measurement year | new | 84% | 86% | 39% | 58% | 41% | Y |
| 9 | Percent of newborns with Medicaid coverage whose mothers received a prenatal care visit in the first trimester or within 42 days of enrollment in the managed care organization | new | 86% | 85% | 26% | 25% | 23% | Y |
| | **Program Rating** | Y | Y | | | | | Y |

Comments: The lag time for processing Medicaid claims makes it difficult to draw conclusions based on initial data. For FY13, HSD essentially met targets for the first three measures above for youth primary care and dental visits, so improvement is expected each quarter during FY14. Outcomes for the new health outcome measures are mixed, although emergency room visits are well below the target. Outcomes on certain key measures can be compared to other states that report federal fiscal year 2012 outcomes on key federal core performance measures. For example, New Mexico's performance for well child visits of 91 percent in FY13, slightly exceeded the 90 percent average for other states, and for infant well child visits New Mexico's 66 percent in FY13, exceeded the national average of 60 percent. For dental visits, New Mexico's 70 percent was much higher than the 43 percent for other states. For pre-natal care, New Mexico reported 86 percent of mothers received a prenatal visit within 42 days of enrollment, higher than the 78 percent reported by other states.

| | **Medicaid Behavioral Health Program** Budget: $306,072.0 FTE: 0 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 10 | Percent of readmission to the same level of care or higher for children or youth discharged from residential treatment centers and inpatient care* | 7% | 7% | 10% | 8% | 6% | n/a | G |
| 11 | Individuals served annually in substance abuse and/or mental health programs administered through the collaborative statewide entity contract* (cumulative) | 84,559 | 84,559 | 85,000 | 33,349 | 52,457 | n/a | G |
| | **Program Rating** | G | G | | | | | Y |

# Performance Report Card
# Human Services Department
# Third Quarter, Fiscal Year 2014

Comments: The majority of behavioral health measures are reported separately in the Behavioral Health Collaborative report card. Performance in the two measures reported under Medicaid Behavioral Health has been steady, but there have been major disruptions in the provider network following HSD action to replace 12 providers. These providers had reimbursements suspended due to credible allegations of fraud forwarded by HSD to the Attorney General (AG) for investigation and eventually closed their doors. However, as of May 2014, the AG did not find credible evidence of fraud in its investigation of two providers, although there were billing errors. New providers from Arizona have been rebuilding capacity and optimizing services, but the behavioral health network remains in transition.

| **Income Support** | Budget: $916,759.6 FTE: 1,135 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 12 | Percent of TANF clients who obtain a job during the fiscal year * | 51% | 49% | 50% | Annual | | | |
| 13 | Percent of TANF two-parent recipients meeting federally-required work requirements* | 49% | 57% | 60% | 50% | 36% | 46% | Y |
| 14 | Percent of TANF recipients (all families) meeting federally-required work requirements* | 42% | 53% | 50% | 48% | 38% | 44% | Y |
| 15 | Percent of children eligible for Supplemental Nutritional Assistance Program participating in the program at 130% of poverty level* | 82% | 80% | 88% | 88% | 82% | 84% | Y |
| **Program Rating** | | Y | Y | | | | | Y |

Comments: HSD reported TANF and SNAP caseloads continued to decline in the third quarter. TANF cases in April fell to 13,351, down 8.1 percent from same month the previous year, and down more than 36 percent from the December 2010 peak of over 21,000. The projected FY15 TANF carry-forward is $59 million. The SNAP caseload in April was 190,517, down 4.4 percent from a year ago. The department cannot fully account for the declines, but generally attributes them to decreases in maximum monthly benefit allotments (and other program changes in 2011), increased eligibility for SSI disability or social security benefits, and more stringent enforcement of eligibility. Following a recent lawsuit, a US district judge ordered HSD to cease disqualifying benefit applicants for any reason other than a failure to meet asset, income, or residency requirements, and to cease the process of terminating benefits through its IT system ASPEN, which was designed to disqualify new and renewing applications after 30 days if a caseworker had not reviewed the case.

| **Child Support Enforcement** | Budget: $33,538.2 FTE: 383 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 16 | Total child support enforcement collections, in millions* | $130.0 | $132.0 | $135.0 | $31.7 | $30.5 | $37.6 | G |
| 17 | Percent of child support owed that is collected* | 57% | 56% | 60% | 56% | 56% | 56% | Y |
| 18 | Percent of cases with support orders* | 78% | 84% | 80% | 84% | 80% | 78% | Y |
| **Program Rating** | | G | G | | | | | Y |

Comments: The Child Support Enforcement Division is a consistently strong performer. However, while division staff is aggressively attempting to collect outstanding child support, it struggled to collect the percent of child support owed.

| **Program Support** | Budget: $52,174.7 FTE: 258 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 19 | Percent of federal grant reimbursements completed that minimize the use of state cash reserves in accordance with established cash management plans* | 81% | 84% | 100% | 95% | 95% | 95% | Y |
| **Program Rating** | | Y | Y | | | | | Y |

Comments: Performance is generally good for Program Support; much effort has been put into improving reconciliation of Medicaid billing processes and cash balances.

* Denotes House Bill 2 measure

# Performance Report Card
# Department of Health
# Third Quarter, Fiscal Year 2014

**Performance Overview**: The Department of Health (DOH) continues to report on too few performance measures to determine how effectively its meeting strategic and mission objectives in a cost-efficient way. The agency should include more meaningful measures benchmarked to other states, including measures focused on health outcomes and efficiency measures denoting average cost per client for the Public Health, Developmental Disabilities Support, and Facilities Management Programs. The budgets for the Epidemiology and Response, Laboratory Services, and Health Certification, Licensing and Oversight total $50.5 million, but these three programs only report on four performance measures. For FY15, LFC staff recommended and the agency agreed to reinstate the department's prior measures the governor vetoed in FY13: substantiating cases of abuse, neglect, and exploitation in state facilities; and conducting compliance surveys of the state's private adult residential care and daycare facilities; however, this did not occur. The department instead submitted 30 measures, only five of which were baseline measures tracked from the previous fiscal year with only four of these measures part of the 10 measures tracked in the General Appropriation Act.

The LFC program evaluation, *New Mexico's Children: Risk Factors Impacting Health and Social Development*, serves as a model for important health performance measurement including population-based indicators given the Department of Health's mission is to positively affect population health. The Department of Health maintains that population and performance accountability are two separate performance measurement types and has omitted population health outcome measures. The LFC remains committed to tracking and reporting population health performance measures similar to overall state performance data collected and reported on by other state agencies (see box at bottom of chart).

| | **Public Health Program** Budget: $186,881.3 FTE: 920 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Percent of preschoolers (nineteen to thirty-five months) fully immunized* | 69.8% | 71.6% | 90.0% | Annual | | | n/a |
| 2 | Number of births prevented among teens ages fifteen to seventeen receiving family planning services in agency-funded clinics* | new | 552 | 850 | 448 | 401 | 308 | G |
| 3 | Percent of Quit NOW enrollees who successfully quit using tobacco at seven month follow-up | 33% | 33% | 40% | 31% | 34% | 32% | Y |
| | **Program Rating** | R | R | | | | | Y |

Comments: Given Public Health is a $186.9 million program, having only three performance measures is inadequate. The program should consider adding outcome measures for teen pregnancies, low birth weight babies, childhood obesity, adult immunizations, suicide, and substance abuse to align with its strategic plan. In FY12, the Public Health Program saw improvement in its infectious disease program dealing with HIV/AIDS and sexually transmitted diseases, but saw reductions in the numbers of people served by the Women, Infants and Children (WIC) Program. Inclusion of performance measures for these programs is also recommended. Regarding measure 2, DOH's New Mexico Indicator-Based Information System (IBIS) does not provide teen pregnancy or birth rates by quarter, so measure 2 provides only a limited indication of the actual impact on teen pregnancies and births. Among the states, New Mexico had the highest teen pregnancy rate in 2010 with 80 pregnancies per 1,000 women, followed by Mississippi, Texas, Arkansas, Louisiana and Oklahoma.

| | **Epidemiology and Response Program** Budget: $24,206.6 FTE: 166 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 4 | Number of naloxone prescriptions provided in conjunction with prescription opioids | new | baseline | 1,000 | 28 | 52 | 97 | R |
| 5 | Percent of emergency department and intensive care unit licensed staff at developing and existing trauma centers who have received training in traumatic injury care | new | 60% | 75% | 68% | 68% | 79% | G |
| | **Program Rating** | G | N/A | | | | | Y |

# Performance Report Card
# Department of Health
# Third Quarter, Fiscal Year 2014

Comments: The department did not report performance measures in FY13 for the Epidemiology and Response Program. Previously, the program reported on two performance measures (number of health emergency exercises and number of designated trauma centers), and for FY14 added two new measures. Measure 4 is associated with a reduction in overdose deaths. Inclusion of a program measure to gauge the readiness and capacity of the public health care system in New Mexico would be desirable.

| | **Laboratory Services Program** Budget: $12,582.3 FTE: 133 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 6 | Percent of blood alcohol tests from driving-while-intoxicated cases that are analyzed and reported within ten business days* | 44.6% | 88.9% | 95.0% | 90.6% | 90.6% | 91.6% | Y |
| | **Program Rating** | Y | G | | | | | Y |

Comments: The Laboratory Services Program reports its staff requires time for training or testifying at court proceedings around the state, impacting laboratory testing time and, at times, impacting performance. Therefore, in FY13 through FY15 the Legislature provided full funding for personal services and employee benefits to assist with improved performance.

| | **Facilities Management Program** Budget: $139,082.5 FTE: 2,119 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 7 | Percent of billed third-party revenues collected at all facilities* | 59.8% | 56.6% | 90.0% | 79.7% | 89.7% | 83.3% | Y |
| 8 | Total dollar amount, in millions, of uncompensated care at all agency facilities* | $35 | $43 | $37 | $10 | $12 | $11 | G |
| 9 | Percent of operational capacity (staffed) beds filled at all facilities* | 87% | 86% | 100% | 83% | 66% | 65.8% | R |
| | **Program Rating** | R | R | | | | | Y |

Comments: The state health facilities continue to provide no data on patient health outcomes and too little data on hospitals' quality, efficiency, and financial performance. The department reports the occupancy rate for staffed beds was 66 percent; however, the average occupancy rate for all licensed beds was less than 59 percent at the end of the third quarter. Measuring the facilities' occupancy rate per licensed bed is a better indication of the state's overall return on investment, particularly as the Legislature continues to appropriate sufficient funding to fill positions within the facilities and increase the occupancy rates. Also, facilities' collection of third-party revenues reflects a different methodology of reporting from FY11 to FY13 compared to FY14, but did not change its procedures to collect billed third-party revenues, so no comparative baseline data is currently available for this measure.

| | **Developmental Disabilities Support Program** Budget: $149,748.1 FTE: 169 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 10 | Percent of adults receiving developmental disabilities day services who are engaged in community-integrated employment* | 36% | 30% | 38% | 30% | 27% | 27% | R |
| 11 | Percent of developmental disabilities waiver applicants who have a service plan in place within ninety days of income and clinical eligibility determination* | 98.3% | 84.0% | 100.0% | 88.0% | 78.0% | 74% | R |
| 12 | Number of individuals on the developmental disabilities waiver waiting list* | 5,911 | 6,248 | 6,330 | 6,292 | 6,236 | 6,223 | G |
| 13 | Number of individuals on the developmental disabilities waiver receiving services* | 3,888 | 3,829 | 4,000 | 3,752 | 4,193 | 4,299 | G |
| | **Program Rating** | Y | R | | | | | Y |

Comments: The number of developmental disabilities waiver clients is showing improvement as the Legislature increased funding for DD waiver services by 9.4 percent from FY12 to FY14. For the first and second quarters of FY14, the department reported there were "no targets, only informational" data for measures 12 and 13; however, the Legislature included annual targets within the General Appropriation Act as indicated above, and the agency adopted these targets for the third quarter. Of concern is the FY12 to FY14 downward performance trend for community-integrated employment and timely completion of service plans.

# Performance Report Card
# Department of Health
# Third Quarter, Fiscal Year 2014

| **Health Certification, Licensing and Oversight Program** | Budget: $13,675.0 | FTE: 144 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 14 | Percent of developmental disabilities, medically fragile, behavioral health, and family, infant, and toddler providers receiving a survey by the quality management bureau* | | 71% | 100% | 100% | 78% | 81% | 78% | R |
| **Program Rating** | | | Y | Y | | | | | R |

Comments: DOH reports results for the percent of quality management bureau surveys and compliance surveys negatively impacted by staff vacancies. However, in FY13 through FY15 the Legislature provided full funding for personal services and employee benefits to assist with improved performance. The agency's action plan indicates priority is given to statutorily-required investigations and serious complaints.

| **Medical Cannabis Program** | Budget: $780.0 | FTE: 7 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| **Program Rating** | | | n/a | n/a | | | | | n/a |

Comments: The Medical Cannabis Program was created in FY13, but DOH did not identify performance measures for FY13 or FY14. A performance measure regarding timeliness of processing patient applications will be added for FY15. Currently, the program has 23 licensed nonprofit producers growing and distributing medical cannabis, 3,316 personal production licenses, and 9,333 active patients.

**Improving Outcome Measures:** In 2013, LFC staff provided a comprehensive list of performance measures and epidemiological data to DOH. The department should consider adding this data as it compiles its new and improved performance measures for FY15 and FY16.

New Mexico Population Health Performance Outcome Data:

- New Mexico has the highest teen pregnancy rate in the country. Two-thirds (68 percent) of teen-aged mothers and over half (55 percent) of mothers 20-24 years old had unintended pregnancies, as did 51 percent of rural mothers.
- New Mexico has a low birth weight rate of 8.9 percent compared to the national rate of 8.3 percent.
- New Mexico has a child obesity rate of 11.7 percent compared to 14.9 percent nationally.
- For influenza, New Mexico adults have an immunization rate of 70 percent compared to the national rate of 69 percent.
- New Mexico ranks fifth in the country with a suicide rate of 19.2 per 100,000 persons compared to the national rate of 10.5 per 100,000 persons.
- New Mexico's alcohol-attributable death rate is the worst in the country and its drug overdose death rate is the second highest in the nation.

*Denotes House Bill 2 measure

## Performance Report Card
## Aging and Long-Term Services Department
## Third Quarter, Fiscal Year 2014

**Performance Overview**: The Aging and Long-Term Services Department (ALTSD) continues to improve the quality of outcome measures to better quantify program results. The agency's measures previously focused on numbers served rather than results and outcomes. An improvement in the report is the inclusion of a section on historical and national benchmark data. Some targets need to be adjusted upwards based on historical experience. The LFC program evaluation, *Aging and Long-Term Services Department (ALTSD): Resource Allocation, Cost, Availability and Effectiveness of the Aging Network*, recommends ALTSD work with local governmental entities to determine the feasibility of a minimum threshold for local contributions through cash or in-kind donations; review formulas from other states to evaluate if there are opportunities to improve New Mexico's intrastate funding formula for federal funds and the disbursement of state general fund allocations to better target resources; and track and report service outcomes to give a better idea of the aging network's capacity and adequacy in meeting the needs of the senior population.

| | **Consumer and Elder Rights Program** Budget: $3,518.5 FTE: 47.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Percent of ombudsman complaints resolved within 60 days | 98.6% | 98.2% | 90.0% | 99.0% | 99.7% | 99.3% | G |
| 2 | Percent of people accessing aging and disability resource center in need of two or more daily living services who are satisfied with the information, referral and assistance received | 40% | 44% | 40% | 41% | 44% | 42% | G |
| 3 | Percent of calls to the aging and disability resource center that are answered by a live operator | 79.3% | 77.6% | 90.0% | 83.0% | 85.0% | 88.0% | Y |
| | **Program Rating** | Y | G | | | | | G |

Comments: The aging and disability resource center reports its vacancy rate affects performance in answering calls with a live operator. Based on historical call volume data, the department estimates 2 additional FTE are needed to achieve every 5 percent improvement in calls answered by a live operator. The program's funding request for personnel was almost entirely funded by the Legislature.

| | **Aging Network Program** Budget: $37,559.1 FTE: 1.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 4 | Percent of older New Mexicans whose food insecurity is alleviated by meals received through the aging network* | 63% | 60% | 60% | 35% | 41% | 37% | R |
| 5 | Number of hours of respite care provided | 358,981 | 379,838 | 370,000 | 95,455 | 88,792 | 95,091 | Y |
| | **Program Rating** | G | G | | | | | Y |

Comments: For measure 4, in FY13 the department began using a benchmark from the 2010 study of senior hunger by the Meals on Wheels Research Foundation, Inc. based on the U.S. Department of Agriculture's definition of food insecurity. This study reported 21.2 percent (83,187) of New Mexican seniors, ages 60 and over, were estimated to have food insecurity, which ranks second in the nation. 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, but the number of consumers and meals being served are decreasing each fiscal year. The department reports with the rising cost of food and fuel, annual budget increases have maintained current service levels but have not increased services or food security for seniors. The Legislature expressed intent for funding increases to be used for meals, but the governor vetoed language that the money be used to expand the home-delivered meals program.

| | **Adult Protective Services Program** Budget: $13,168.7 FTE: 132 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 6 | Number of adults receiving adult protective services investigations of abuse, neglect, or exploitation* | 5,824 | 6,092 | 6,000 | 1,700 | 1,503 | 1,759 | G |
| 7 | 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* | n/a | 98.4% | 95.0% | 98.0% | 97.3% | 100% | G |
| | **Program Rating** | Y | G | | | | | G |

Comments: There are no national benchmark measures comparable with measure 7, which used to track the percent of adult protective services investigations requiring an emergency or priority response within 24 hours or less.

* Denotes House Bill 2 measure

**Performance Report Card**
**Children, Youth and Families Department**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: The Children, Youth and Families Department (CYFD) struggled to meet performance measures in the Protective Services Program. Of concern in FY14, 11 percent of children who have been subjected to substantiated maltreatment experience a recurrence within six months, compared with the national average of 7 percent in 2012. Research indicates maltreatment of children, including neglect and abuse, can result in negative developmental consequences. In New Mexico, 25 percent of the victims of maltreatment are ages 0-4, and are at the greatest risk of adverse childhood experiences. A recent Legislative Finance Committee (LFC) evaluation reported New Mexico could obtain favorable outcomes, such as a reduction of cases of maltreatment and out-of-home placement through preventative evidence-based programs. A few programs highlighted in the LFC report which achieve favorable outcomes include Alternative Response (also called Family Assessment Response or Differential Response), Healthy Families America, and Safecare. The agency should consider increasing proven early prevention programs to reduce the recurrence of maltreatment.

In addition, the caseload for child care assistance has decreased in FY14. Child care assistance is available to families with children up to the age of 13 and an income below 150 percent of the federal poverty level (FPL). In FY14, the Legislature appropriated $95.6 million from all sources for child care assistance to serve an estimated 22,000 children; however, as of April 2014, only 17,535 children were participating, resulting in significant projected carryover. The agency attributed the decline in caseload to a requirement established in FY13 for families to register with the Child Support Enforcement program. As discussed below, the Early Childhood Services Program will be implementing a number of initiatives to address funding and enhance the quality of care of the child care assistance program.

| **Juvenile Justice Facilities** | Budget: $72,357.5 | FTE: 942.3 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Percent of clients who complete formal probation* | | 90.7% | 92.1% | 92.0% | 93.2% | 93.7% | 92.5% | G |
| 2 | Percent of incidents in juvenile justice services facilities requiring use of force resulting in injury* | | 1.4% | 1.8% | 1.5% | 2.7% | 2.6% | 2.7% | R |
| 3 | Percent of clients recommitted to a children, youth and families department facility within two years of discharge from facilities* | | 12.4% | 9.0% | 10.0% | 15.3% | 10.7% | 11.2% | Y |
| 4 | Percent of juvenile justice division facility clients age eighteen and older who enter adult corrections within two years after discharge from a juvenile justice facility* | | new | baseline | 8.0% | 8.2% | 9.6% | 9.8% | R |
| 5 | Number of physical assaults in juvenile justice facilities* | | new | baseline | <260 | 48 | 92 | 168 | Y |
| 6 | Percent of clients re-adjudicated within two years of previous adjudication | | 6.6% | 5.8% | 6.0% | 5.7% | 5.0% | 5.5% | G |
| **Program Rating** | | | Y | G | | | | | Y |

Comments: The Juvenile Justice Services (JJS) program reported an increased number of incidents in facilities requiring use of force resulting in injury and physical assaults during the third quarter of FY14. The agency has reported action plan items to effectively de-escalate incidents and behaviors to avoid injuries that result from the use of force, including researching best practice policies in other states. Additionally, the agency stated that current data collection methods are antiquated and require redundant documentation for each client involved in a single incident which makes tracking of incidents and use of force difficult. The department is developing a new incident reporting system in EPICS which will support incident reporting by FY16. The number of youth entering adult facilities continued to miss target performance during the third quarter. The agency reported that due to a two-year system-wide implementation process, the first Cambiar cohort will not be included in performance outcomes until the end of FY14.

| **Protective Services** | Budget: $126,417.7 | FTE: 851.8 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 7 | Percent of adult victims or survivors receiving domestic violence services who have an individualized safety plan* | | 92.8% | 92.3% | 93.0% | 91.5% | 92.1% | 92.1% | Y |
| 8 | Percent of children who are not the subject of substantiated maltreatment within six months if a prior determination of substantiated maltreatment* | | 92.3% | 91.3% | 93.0% | 89.3% | 88.6% | 88.6% | R |
| 9 | Percent of children who are not the subject of substantiated maltreatment while in foster care* | | 99.5% | 99.7% | 99.7% | 99.8% | 99.8% | 99.9% | G |

## Performance Report Card
## Children, Youth and Families Department
## Third Quarter, Fiscal Year 2014

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 10 | Percent of children reunified with their natural families in less than 12 months of entry into care | 67.3% | 62.4% | 65.0% | 61.5% | 60.5% | 59.1% | R |
| 11 | Percent of children in foster care for 12 months with no more than two placements | 79.3% | 76.6% | 82.0% | 74.4% | 73.7% | 76.8% | Y |
| 12 | Percent of children adopted within 24 months from entry into foster care | 35.2% | 31.3% | 26.8% | 34.8% | 33.2% | 33.6% | G |
| 13 | Percent of adult victims or survivors receiving domestic violence services who are made aware of other available community services | 89.0% | 87.7% | 90.0% | 86.2% | 88.8% | 86.2% | R |
| **Program Rating** | | Y | Y | | | | | Y |

Comments: Overall, in FY15, PS will receive an additional $6 million from all sources, or an increase of 4.7 percent, to provide improved services to at-risk children and families. The continued decrease in the number of children reunified with their natural families in less than 12 months remains a concern. The agency reported that until a few years ago, PS used a state-based calculation approach for their measure which included reunification for all children in foster care. Under that approach, PS was able to meet the annual strategic plan target. However, in 2011 CYFD adopted the federal calculation approach which excludes children reunified in less than eight days. Approximately 40 percent of children entering foster care in New Mexico are reunified in less than eight days. The level of effort required for PS to meet the safety needs of children in the foster care system for fewer than eight days is therefore, not represented in the federal measure, which the agency believes is contributing to lower performance reporting. Additionally, this performance outcome must be balanced to ensure children are only reunified to families in which the environment is safe and the child will not be subjected to recurring abuse, neglect, or maltreatment.

| **Early Childhood Services** | Budget: $175,737.8 FTE: 151.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 14 | Percent of children receiving subsidy in Stars/Aim High programs level three through five or with national accreditation* | new | 39.5% | 25.0% | 40.2% | 40.8% | 41.5% | G |
| 15 | Percent of licensed childcare providers participating in Stars/Aim High programs levels three through five or with national accreditation* | new | 32.3% | 25.0% | 31.7% | 31.5% | 31.6% | G |
| 16 | Percent of mothers participating in home visiting who are identified as having symptoms of postpartum depression who were referred to services then received services* | 44.5% | 36.7% | 25.0% | 55.2% | 37.2% | 35.8% | G |
| **Program Rating** | | Y | Y | | | | | G |

Comments: Early Childhood Services (ECS) exceeded FY14 targets for the third quarter. The program is in the process of implementing a number of initiatives to enhance and support the quality of care for children in early childhood programs. Letters have been prepared and mailed to child care providers to amend the current child care assistance and licensing regulations and increase infant and toddler monthly reimbursement rates for licensed child care; modify part time 1, part time 2 and part time 3 “units of service”; change the “national accreditation status” definition to identify current CYFD-approved accrediting bodies; add a 2+ star level; increase differential rates paid to FOCUS providers for 2+, 3, 4, and 5-star quality level achievement; and add language explaining the transition from AIM HIGH to the new Tiered Quality Rating Improvement System (TQRIS) called FOCUS. Additionally, the performance measures for ECS should be expanded to better measure performance outcomes of the many early childhood development programs, which encompass a division budget of $176 million annually. For example, the PEW Charitable Trusts is developing key initiatives which could supplement home visiting outcomes performance measures.

| **Program Support** | Budget: $32,161.9 FTE: 201.0 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 17 | Turnover rate for youth care specialists* | 33.2% | 15.2% | 25.0% | 3.8% | 1.0% | 5.7% | G |
| 18 | Turnover rate for protective services workers* | 20.4% | 19.2% | 25.0% | 6.8% | 6.0% | 6.0% | G |
| **Program Rating** | | Y | Y | | | | | G |

Comments: The continued support to recruit, train, and retain positions providing direct services is essential to improving services for children, one of New Mexico’s most vulnerable populations.

* Denotes House Bill 2 measure

**Performance Report Card**
**Department of Public Safety**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: The department cited high vacancies as causal factors for FY14 targets not met. To address performance related to manpower issues, the department, in consultation with the LFC, proposed a $10.8 million revised salary structure plan to be implemented over three years. For FY15, LFC recommended, and the Legislature appropriated, $3 million to implement the first phase of the plan. Salary changes are intended to increase salary competitiveness within the local market, increase separation between ranks, and address the problem of poor recruitment and retention. The first phase of the pay plan will eliminate salary disparities between Motor Transportation Police and State Police and will increase all commissioned officer salaries by an average of 8 percent. The Legislature appropriated additional funding for a 3 percent salary increase, the goal being to improve poor performance related to retention issues among the department's civilian employees.

| | **Law Enforcement Program** Budget: $88,831.9 FTE: 783.2 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Number of driving-while-intoxicated arrests per patrol officer* (cumulative) | 8.1 | 7.7 | 12.0 | 1.9 | 3.5 | 5.8 | G |
| 2 | Number of driving-while-intoxicated checkpoints and saturation patrols conducted (cumulative) | 724 | 1,117 | 750 | 247 | 318 | 709 | G |
| 3 | Number of traffic related enforcement projects held (cumulative) | 849 | 1,209 | 850 | 683 | 756 | 1,175 | G |
| 4 | Number of criminal investigations conducted by commissioned personnel per FTE assigned to patrol and investigations* (cumulative) | 56 | 55 | 60 | 14 | 27.6 | 42.5 | Y |
| 5 | Number of drug-related investigations conducted by commissioned personnel per FTE assigned to investigations | 16.5 | 4.6 | 20.0 | 1.1 | 2.5 | 4.4 | R |
| 6 | Number of licensed alcohol premises inspections conducted per agent assigned to alcohol enforcement duties* (cumulative) | 102.6 | 95.5 | 288.0 | 24.5 | 148.5 | 264.8 | G |
| 7 | Number of minor compliance operations per agent assigned to alcohol enforcement duties (cumulative) | 15.3 | 9.0 | 16.0 | 3.1 | 4.2 | 8.5 | R |
| | **Program Rating** | G | Y | | | | | Y |

Comments: In the third quarter, alcohol-related traffic fatalities were down, and the number of DWI arrests also declined, and may be due to increased saturation patrols and enforcement projects. The number of injury traffic accidents and traffic fatalities remained flat, suggesting the increase in enforcement projects and saturation patrols may positively impact traffic safety. The number of criminal and drug-related investigations conducted per FTE are in decline, and the State Police should focus on these investigations for the remainder of the year. The number of licensed alcohol premises inspections increased sharply and have the potential to positively impact alcohol-related crime. Conversely, minor compliance operations are below target; however, the Special Investigations Division has increased emphasis on these operations and is expected to increase operations in the fourth quarter. This target is significant as it measures whether alcohol establishments serve to minors.

| | **Motor Transportation Program (MTP)** Budget: $26,101.2 FTE: 272.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 8 | Number of commercial motor vehicle inspections* (cumulative) | 87,682 | 86,013 | 90,000 | 20,031 | 39,868 | 56,361 | R |
| 9 | Number of commercial motor vehicle citations issued* (cumulative) | 27,684 | 27,617 | 30,000 | 5,178 | 11,253 | 18,085 | R |
| 10 | Number of non-commercial motor vehicle citations issued (cumulative) | 11,226 | 14,294 | 11,500 | 4,766 | 7,119 | 9,284 | G |
| 11 | Number of motor carrier safety trainings completed (cumulative) | 25 | 51 | 32 | 19 | 30 | 39 | G |
| | **Program Rating** | G | Y | | | | | Y |

Comments: Contrary to recommendations in a recent LFC evaluation and the program's mission, performance was below FY14 target levels for commercial motor vehicles but above target levels for non-commercial vehicles. To avoid further mission drift, the program should maintain its focus on commercial motor vehicle inspections and citations which play a vital role in keeping the motoring public safe and ensure commercial carriers are in compliance with state regulations and taxes. Like the Law Enforcement Program, adequate compensation is essential to maintaining the ranks of uniformed officers within MTD.

**Performance Report Card**
**Department of Public Safety**
**Third Quarter, Fiscal Year 2014**

| **Statewide Law Enforcement Support** | Budget: $16,992.5 | FTE: 142 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 12 | Percent of all forensic cases completed per filled FTE within thirty working days | | 63% | 61% | 56% | 57% | 45% | 42% | R |
| 13 | Percent of DNA cases completed per filled FTE within thirty working days | | 63% | 38% | 40% | 40% | 45% | 43% | G |
| 14 | Percent of forensic latent fingerprint cases completed per filled FTE within thirty working days | | 24% | 74% | 60% | 23% | 16% | 14% | R |
| 15 | Percent of forensic firearm and tool-mark cases completed per filled FTE within thirty working days | | 55% | 41% | 40% | 69% | 49% | 43% | G |
| 16 | Percent of forensic chemistry cases completed per filled FTE within thirty working days | | 86% | 67% | 85% | 72% | 57% | 52% | R |
| **Program Rating** | | | | | | | | | Y |

Comments: The Statewide Law Enforcement Support Program did not meet several FY14 targets citing a continuance of elevated vacancy rates among key forensic analyst positions. Due to vacancies in the fingerprinting unit the department has fallen behind completing fingerprint cases. The department has begun hiring contractors to assist with backlogs.

| **Program Support** | Budget: $9,574.8 | FTE: 60 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 17 | Number of working days between disbursement of federal funds from federal treasury to expenditure of such funds | | 0 | 0 | 10 | 0 | 0 | 0 | G |
| 18 | Number of working days between expenditure of federal funds and request for reimbursement from federal treasury | | 10 | 10 | 10 | 10 | 10 | 10 | G |
| **Program Rating** | | | G | G | | | | | G |

Comments: Program Support met its performance targets and is performing as expected.

* Denotes House Bill 2 measure

# Performance Report Card
# Corrections Department
# Third Quarter, Fiscal Year 2014

**Performance Overview**: To address elevated vacancy rates for FY15, the Legislature provided a 3 percent salary increase for all state employees and appropriated an additional $2.7 million to provide another 3 percent salary increase for correctional and probation and parole officers. All recidivism-related measures were below FY14 targets and should remain an area of concern. In the future, if recidivism rates do not decrease the state will continue growing the inmate population, incarceration expenses will continue to increase, and negatively affect public safety. A partial explanation for the population increases is the proactive probation supervision initiatives in communities and the arrest of large numbers of parole violators. For FY15, the Legislature appropriated $3 million to begin reducing the rate of recidivism and to reduce exponential growth in the inmate population. For the remainder of the year, the department should continue to balance public safety with resource constraints by focusing on offenders that pose the greatest risks to the community.

| | **Inmate Management and Control** Budget: $241,764.8 FTE: 1,870 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Percent of prisoners re-incarcerated within 36 months* | 47% | 47% | 44% | 48% | 48% | 48% | R |
| 2 | Number of inmate-on-inmate assaults with serious injury (cumulative)* | 21 | 16 | 18 | 4 | 5 | 7 | G |
| 3 | Number of inmate-on-staff assaults with serious injury (cumulative)* | 1 | 5 | 4 | 2 | 3 | 3 | G |
| 4 | Percent of inmates testing positive for drug use or refusing to be tested in random monthly drug tests* | 1.7% | 2.2% | <=2% | 1.8% | 1.8% | 2.1% | Y |
| 5 | Percent of female offenders successfully released in accordance with their scheduled release dates* | 78% | 77% | 90% | 68% | 63% | 66% | R |
| 6 | Percent of male offenders successfully released in accordance with their scheduled release dates* | 82% | 81% | 90% | 83% | 78% | 82% | R |
| 7 | Percent of sex offenders re-incarcerated within thirty-six months | 36% | 28% | 30% | 39% | 37% | 41.5% | R |
| 8 | Recidivism rate of the success for offenders after release program by thirty-six months* | 37% | 28% | 32% | 34% | 36% | 34% | Y |
| 9 | Recidivism rate of offenders due to new charges or pending charges | 23% | 24% | 23% | 26.5% | 26% | 24% | Y |
| 10 | Recidivism rate of offenders due to technical parole violations* | | | 20% | 20% | 21% | 23% | Y |
| | **Program Rating** | Y | Y | | | | | Y |

Comments: The department's performance on inmate violence is tracking below FY14 target levels. New Mexico Sentencing Commission data shows over the past several years, admissions and releases from prison decreased while the prison population increased with the FY14 total inmate population increasing at a rate of 2.6 percent and outpacing projections. A partial explanation for this is untimely inmate releases. To increase the percentage of inmates released on-time the department should increase community-based resources for parolees and decrease administrative errors leading to parole hearing scratches. Additionally, all recidivism-related outcomes are above target, adding to the overall inmate population increase. Also, the percent of sex-offenders recidivating was 13.5 percent above the FY13 rate and is a cause for concern, especially if the rate remains elevated for the rest of the year. Surges in the inmate population will cause costs to rise dramatically. If the department continues focusing on community offender apprehension, it should focus on those that pose the greatest risk to the community.

| | **Community Offender Management** Budget: $33,218.5 FTE: 392 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 11 | Average standard caseload per probation and parole officer | 114 | 108 | 95 | 106 | 103 | 105 | R |
| | **Program Rating** | R | R | | | | | R |

Comments: Average standard caseloads exceed targeted levels, but the Legislature appropriated funding for an average 6 percent salary increase which should help reduce the 20 percent vacancy rate among probation and parole officers. Eventually, if recruitment and retention-related issues are managed effectively, the department should make some progress making caseloads more manageable for parole officers. With the expansion of Medicaid eligibility in FY14, the COM program should leverage Medicaid to ensure parolees receive adequate services when released. Funding should also be reprioritized to focus on high-risk offenders.

| **Program Support** | Budget: $14,274.5 | FTE: 155 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 12 | Percent turnover of probation and parole officers | | 13.4% | 14.7% | 12.0% | 3.3% | 2.8% | 2.8% | G |
| 13 | Percent turnover of correctional officers in public facilities | | 10.6% | 8.1% | 11.0% | 3.5% | 3.1% | 2.8% | G |
| **Program Rating** | | | G | G | | | | | G |

Comments: Program support is performing well and should continue maintaining low turnover rates.

* Denotes House Bill 2 measure

**Performance Report Card**
**Department of Transportation**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: The Department of Transportation (NMDOT) is facing continued problems with declining state road fund revenues, forcing it to complete required construction and maintenance projects with limited resources. However, NMDOT is, by and large, meeting its FY14 performance targets. In the Programs and Infrastructure Program in particular, the department continues to make progress on the number of traffic fatalities, alcohol-related fatalities, and non-alcohol-related fatalities – all of which are tracking far below FY14 targets and potentially FY13 actuals. The number of contracts in production let as scheduled increased, primarily as a result of department leadership on the issue. On the other hand, the number of pedestrian fatalities increased and the number of pavement preservation miles preserved dropped seasonally. The department believes the results will improve in the fourth quarter. Vacancy rates continue to decline.

| | **Programs and Infrastructure** Budget: $573,285.8 FTE: 397 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Number of traffic fatalities | 395 | 304 | ≤345 | 96 | 79 | 71 | G |
| 2 | Number of alcohol-related traffic fatalities | 169 | 120 | ≤130 | 43 | 26 | 25 | G |
| 3 | Number of non-alcohol-related traffic fatalities | 226 | 184 | ≤215 | 53 | 53 | 46 | G |
| 4 | Number of occupants not wearing seatbelts in motor vehicle fatalities* | 169 | 114 | ≤150 | 47 | 35 | 30 | G |
| 5 | Percent of projects in production let as scheduled* | 65% | 63% | ≥70% | 22% | 80% | 92% | G |
| 6 | Percent of airport runways in satisfactory or better condition | 64% | 66% | ≥60% | 66% | 50% | 50% | R |
| 7 | Number of pedestrian fatalities | 57 | 54 | ≤43 | 13 | 14 | 14 | Y |
| 8 | Ride quality index for new construction* | 4.1 | 4.2 | ≥4.0 | 4.1 | 4.2 | 4.1 | G |
| 9 | Percent of bridges in fair condition or better (based on deck area) | baseline | baseline | 75% | 93.8% | 94.1% | 94.1% | G |
| 10 | Percent of final cost-over-bid amount on highway construction projects | 3.0% | 3.5% | ≤3.0% | 0.0% | 4.0% | 3.0% | G |
| 11 | Annual number of riders on park and ride* (cumulative) | 310,128 | 312,320 | ≥275,000 | 82,507 | 158,184 | 236,485 | G |
| 12 | Annual number of riders on the rail runner, in millions* | 1.2 | 1.1 | ≥1.3 | 301,551 | 252,095 | 258,484 | R |
| | **Program Rating** | R | Y | | | | | G |

Comments: NMDOT remains on track to meet FY14 targets related to traffic fatalities, with alcohol-related fatalities showing continued improvement. The department attributes this improvement to high-visibility law enforcement operations and more intensive DWI enforcement programs. The number of pedestrian fatalities remains flat with the previous quarter but tracking above the FY14 target; the department will initiate analysis on the issue. The improvement in contract letting results from department leadership making the issue a priority. The results for percent of cost-over-bid amount on highway construction projects decreased significantly – also a result of department leadership on the issue – and is now in line with the FY14 target and below FY13 actuals. According to the department, the results for the measure for percent of airport runways in satisfactory or better condition has been negatively impacted by new testing methods instituted by the department, and are not indicative of the overall safety of airport runways. The annual number of riders on the Rail Runner increased slightly in the third quarter but is still tracking far below the FY14 target.

| | **Transportation and Highway Operations** Budget: $242,668.0 FTE: 1,838.7 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 13 | Percent of non-interstate miles rated good* | 84.5% | n/a | ≥85.0% | | Annual | | |
| 14 | Percent of interstate miles rated good* | 96.8% | n/a | ≥97.0% | | Annual | | |
| 15 | Number of combined systemwide miles in deficient condition | 3,644 | n/a | ≤3,500 | | Annual | | |

# Performance Report Card
# Department of Transportation
# Third Quarter, Fiscal Year 2014

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 16 | Number of statewide pavement preservation lane miles* | 2,169 | 3,139 | ≥2,500 | 1,011 | 799 | 72 | Y |
| 17 | Amount of litter collected from department roads, in tons* | 9,001 | 6,825 | ≥14,000 | 1,705 | 1,206 | 1,450 | R |
| 18 | Customer satisfaction levels at rest areas* | 99% | 99% | ≥98% | 99% | 99% | 99% | G |
| 19 | Maintenance expenditures per lane mile of combined systemwide miles | $2,684 | $1,731 | n/a | Annual | | | |
| **Program Rating** | | R | R | | | | | Y |

Comments: Performance measures 13, 14, and 15 are not available quarterly given current department data collection procedures. The results for measures 16 – which decreased significantly through the winter months – and 17 are expected to increase with warmer weather.

| **Program Support** | Budget: $48,606 FTE: 251.8 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 20 | Vacancy rate in all programs* | 19.4% | 15.8% | ≤11.0% | 14.9% | 14% | 13.6% | R |
| 21 | Number of employee injuries* | 90 | 81 | ≤95 | 35 | 21 | 35 | R |
| 22 | Number of working days between expenditure of federal funds and request for reimbursement from federal treasury | 6 days | 7 days | ≤10 days | 7 days | 7 days | 7 days | G |
| 23 | Number of employee injuries occurring in work zones | baseline | 19 | ≤50 | 5 | 6 | 7 | G |
| 24 | Percent of invoices paid within thirty days | 97% | 86% | ≥95% | 90% | 87% | 86% | Y |
| **Program Rating** | | Y | Y | | | | | Y |

Comments: NMDOT's vacancy rate remains high but continues to decline as a result of intensive recruitment and retention actions. The results for number of employee injuries increased substantially in the third quarter and are tracking to exceed the FY14 target and have already exceeded FY13 actuals. According to the department, there is no identified reason for the increase, but in cooperation with Risk Management Division, they are exploring a correlation between new hires and increased maintenance activity on roads and highways. The number of employee injuries in workzones also increased but is still tracking below FY14 targets.

* Denotes House Bill 2 measure

## Performance Report Card
## Energy, Minerals And Natural Resources Department
## Third Quarter, Fiscal Year 2014

**Performance Overview**: The agency is on pace to meet FY14 targets in most divisions with the exception of State Parks due to challenges related to inclement weather including drought, fire, floods, high fuel prices, low water levels and lake closures throughout the state. Despite increased production of oil and gas – a critical source of employment and income for New Mexico-and high vacancy rates in the Oil and Gas Conservation Program, the program is on track to reaching its FY14 inspection targets.

| **Healthy Forests Program** | Budget: $14,048.0 | FTE: 68 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 1 | Number of non-federal wildland firefighters provided professional and technical incident command system training* | | 1,474 | 1,687 | 600 | 27 | 261 | 1,737 | G |
| 2 | Number of acres treated in New Mexico's forest and watersheds* (cumulative) | | 11,971 | 18,669 | 8,000 | 3,487 | 4,484 | 1,701 | G |
| 3 | Number of at-risk communities or local fire departments provided funding for wildland firefighting equipment or training | | new | 89 | 60 | 2 | 70 | 53 | G |
| **Program Rating** | | | G | G | | | | | G |

Comments: State Forestry is on track to perform well on all of its measures. The majority of training takes place over the winter and spring months prior to fire season when fire activity is lowest. The program assists local fire departments with equipment purchases throughout the winter months to spend federal allocations.

Between federal fiscal years 2011 and 2013, federal funding decreased 20.5 percent for state fire assistance. The U.S. Forest Service notified the agency that federal funding levels are expected to continue to decrease in the future. Although the number of acres treated in the state increased significantly, it is not sufficient – experts suggest 50 thousand to 100 thousand acres should be treated per year to proactively thin overgrown forests so they are more resilient to fire, drought, insects and disease. In FY14, year-to-date actual expenditures for thinning projects are $3.7 million from federal and severance tax bond funding; whereas, in FY15 appropriations to the agency are more than doubled from FY14 levels, including $6.2 million for watershed restoration, $400 thousand for hazardous fuels mitigation and $1.3 million in federal funds for these projects.

The 2014 General Appropriation Act included over $900 thousand in general fund for 12 positions to establish firefighting crews comprised of armed forces veterans. The initiative enables the agency to train and hire more New Mexicans to fight fires within the state during peak fire season.

| **State Parks Program** | Budget: $29,718.9 | FTE: 263 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 4 | Number of visitors to state parks* | | 4,101,098 | 3,785,332 | 4,000,000 | 1,575,754 | 469,989 | 378,230 | R |
| 5 | Self-generated revenue per visitor, in dollars* (cumulative) | | $1.05 | $0.97 | $1.05 | $0.84 | $0.87 | $0.94 | R |
| 6 | Miles added to state parks trails and the Rio Grande Trail | | 31.11 | 8.2 | 10 | 7 | 0 | 0 | Y |
| 7 | Number of persons that complete a certified New Mexico boating safety education course | | 625 | 772 | 800 | 250 | 53 | 71 | Y |
| 8 | Number of interpretive programs available to park visitors | | 3,962 | 2,566 | 2,800 | 568 | 404 | 340 | R |
| **Program Rating** | | | G | Y | | | | | Y |

Comments: State park visitation and self-generated revenue per visitor do not appear to be on pace to meet the annual targets because the program is facing challenges related to inclement weather including drought, fire, floods, high fuel prices, low water levels and lake closures throughout the state. The program should look for new ways of creating revenue opportunities and seek operating cost efficiencies.

| **Mine Reclamation Program** | Budget: $8,262.7 | FTE: 32 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 9 | Percent of permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation | | 100% | 100% | 100% | 99% | 99% | 98% | G |

# Performance Report Card
# Energy, Minerals And Natural Resources Department
# Third Quarter, Fiscal Year 2014

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 10 | Percent of required inspections conducted per year to ensure mining is being conducted in compliance with approved permits and regulations | 100% | 100% | 100% | Annual | | | |
| **Program Rating** | | G | G | | | | | G |
| Comments: All permitted mines must have financial assurance posted to cover the cost of reclamation, including coal and uranium mines. Ninety-six out of 98 mines are permitted with adequate financial assurance and approved reclamation plans. In the second quarter, the program determined the Eagle Mesa Mine was inadequately covered with financial assurance. The Eagle Mesa is a humate operation that expanded beyond the 10 acre limit and was issued a notice of violation since their financial assurance was inadequate for the amount of acreage disturbed. The department expects Eagle Mesa to be in compliance by the end of the fourth quarter. In the third quarter, the program determined the Asarco Deming Mill was inadequately covered with financial assurance, but the department expects the mill to be in compliance by the end of the fourth quarter. | | | | | | | | |
| **Oil and Gas Conservation Program** | Budget: $9,343.3 FTE: 61 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
| 11 | Number of inspections of oil and gas wells and associated facilities* | 35,147 | 37,707 | 30,000 | 8,933 | 7,922 | 8,302 | G |
| 12 | Number of abandoned oil and gas wells properly plugged using Reclamation Fund monies | new | 57 | 25 | 10 | 16 | 6 | Y |
| **Program Rating** | | G | G | | | | | G |
| Comments: The program appears to be performing its inspection responsibilities, despite the continued heavy workload for inspectors. However, the agency noted, it may not sustain the same level of inspections as reported in FY13 due to problems with recruitment and retention primarily stemming from competition with the private oil and gas sector in New Mexico. This has contributed to a vacancy rate of 18 percent. High exploration, drilling, and production activity in the Permian Basin demonstrate the need to enhance the level of service. The program is currently working with a group of contractors to properly plug a significant number of wells resulting from the business failure of the former Xeric Oil and Gas Corp. There are 45 such wells located southwest of Hobbs, 32 of which were plugged in the first three quarters of FY14. | | | | | | | | |

* Denotes House Bill 2 measure

**Performance Report Card**
**Office of the State Engineer**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: Ongoing drought continues to strain the limited water supply. The department attributes the backlogs in water rights applications to both the high number of applications submitted due to continued drought conditions and the number of vacancies. The department's average vacancy rate was 12 percent at the end of the third quarter of FY14, down from an average 15 percent in FY13, 18 percent in FY12 and 22 percent in FY11.

| **Water Resource Allocation Program** | Budget: $13,180.2 FTE: 167 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Number of unprotested and unaggrieved water right applications backlogged* | 991 | 1,332 | 650 | 1,400 | 1,393 | 1,453 | R |
| 2 | Average number of unprotested new and pending applications processed per month* | 46.2 | 32.3 | 65 | 56 | 40 | 64 | G |
| 3 | Number of dams inspected per year and notices delivered to owners notifying of potential problems* (cumulative) | 64 | 93 | 100 | 15 | 42 | 86 | G |
| 4 | Number of transactions abstracted annually into the water administration technical engineering resource system database* | 24,678 | 22,331 | 23,000 | 4,870 | 3,584 | 5,125 | R |
| 5 | Percent readiness to perform active water resource management within lower San Juan river basin | 98% | 98% | 100% | 98% | 98% | 98% | Y |
| 6 | Percent readiness to perform active water resource management within lower Pecos river basin | 85% | 85% | 85% | 85% | 85% | 85% | G |
| 7 | Percent readiness to perform active water resource management within lower Rio Grande river basin | 85% | 85% | 85% | 85% | 90% | 90% | G |
| **Program Rating** | | R | R | | | | | Y |

Comments: The program ramped up hiring, but the high number of water right applications submitted due to the continued drought conditions, the on-going lower Rio Grande adjudication, and pending Texas v. New Mexico litigation persists and the program is not on track to meet FY14 targets for that measure. The Dam Safety Bureau hired key positions in FY13, and now the program is on pace to meet FY14 dam inspection targets. In November 2012, the state Supreme Court upheld the Legislature delegated lawful authority to the State Engineer to promulgate active water resource management (AWRM) rules during water supply shortages such as expediting water leasing, permitting, monitoring and metering diversions. The program completed a draft of AWRM rules and regulations for the San Juan Basin, but they need to be promulgated.

The 2014 General Appropriation Act included $1.8 million to address the water rights application backlog, dam inspections and new initiatives including AWRM; administration of the distribution of water for both the Taos settlement, signed in December 2012, and the Aamodt settlement, signed in March 2013; administration of the distribution of water from Colorado for the Animas-La Plata project; metering orders for the Pecos Valley and Mimbres River, issued in 2013; changes in domestic well permits based on the Bounds Decision, issued by the Supreme Court in July 2013.

| **Interstate Stream Compact Compliance and Water Development Program** | Budget: $13,305.4 FTE: 49 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 8 | Cumulative state-line delivery credit (Pecos river compact)* | 100K AF | 102K AF | 0 | Annual | | | G |
| 9 | Rio Grande compact accumulated delivery credit* | 80K AF | 3K AF | 0 | Annual | | | G |
| **Program Rating** | | G | G | | | | | G |

Comments: These two measures are reported on a calendar year basis after the data has been approved by the respective compact commission. As such, the information for FY14 is not yet available. The agency's preliminary calculations indicate the state will maintain a large cumulative state-line delivery credit for the Pecos river compact, likely on the order of 93,000 acre-feet. The agency reported a preliminary estimate of 62,400 acre-feet in accrued credit for the Rio Grande river compact. However, drought conditions in the Rio Grande watershed persist and the agency anticipates very low volumes of water will enter middle Rio Grande reservoirs during the Spring 2014 snow-melt runoff. As a direct result, farmers in the lower Rio Grande will once again have very little surface water allotted in Spring and Summer 2014 and water shortages are likely on the Rio Chama and middle Rio Grande by early July if significant rains do not occur.

| **Litigation and Adjudication Program** | Budget: $6,451.8 | FTE: 68 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 10 | Number of offers to defendants in adjudications* (cumulative) | | 640 | 501 | 600 | 197 | 304 | 375 | Y |
| 11 | Percent of all water rights that have judicial determinations* | | 53% | 54% | 54% | 55% | 55% | 55% | Y |
| **Program Rating** | | | R | R | | | | | Y |

Comments: Without full adjudication, the state lacks a legal basis for enforcing water rights during times of drought. Currently, twelve adjudications are pending in New Mexico. Six are in state court and six are in federal court. Most adjudication started 30 to 60 years ago and the Litigation and Adjudication Program may be decades away from adjudicating all water rights in New Mexico. Attached is a summary of the Rio Grande and San Juan River adjudications.

Judicial determinations of water rights increased from 34 percent to 54 percent over the past ten years, while the Litigation and Adjudication Program budget for those ten years totaled $63.8 million. However, the percent of water rights that have judicial determinations only reflects the water rights in active and completed adjudications and does not include the Middle Rio Grande and the Canadian River adjudications that have yet to be initiated.

The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector engineering and law firms. The program relies on contractual services to augment its staff attorneys, to advance the state's active adjudications.

The agency informed the Legislature the bottleneck in the adjudication process stems from slow progress on hydrographic surveys. Accordingly, the Legislature included a $600 thousand recurring appropriation in the 2014 General Appropriations Act for hydrographic survey staff to expedite adjudications. This appropriation was contingent on the agency submitting quarterly reports to the Department of Finance and Administration and the Legislative Finance Committee on the progress of water adjudications. However, the governor vetoed the contingency language requiring regular reporting on the progress of adjudications.

LFC staff, with cooperation from AOC staff, developed a quarterly progress report on adjudications containing goals, budget and FTE resources, as well as quantitative and qualitative progress metrics. See attached for the pilot progress report for the Lower Rio Grande and San Juan adjudications. At the end of the third quarter, 45 percent of the total number of subfile orders have been filed in the lower Rio Grande adjudication, whereas 89 percent of the subfile orders have been filed in the La Plata section of the San Juan River basin adjudication. A subfile is a water claim or collection of water claims within a specific hydrographic survey area which is/are associated with the same person(s) or entity.

* Denotes House Bill 2 measure

**Performance Report Card**
**Office of the State Engineer**
**Third Quarter, Fiscal Year 2014**

**LOWER RIO GRANDE ADJUDICATION**
**QUARTERLY PROGRESS REPORT**

## I. GOALS

**Goal: Complete Adjudication**
*The Lower Rio Grande adjudication began in 1996. Pending in State court.

**Intermediate Goals - Target Completion Date**
1. Enter subfile orders for all water rights - OSE declined to provide target completion date
2. Conduct Inter Se (objections) - OSE declined to provide target completion date
3. Enter Partial Final Decree - OSE declined to provide target completion date

## II. PROGRESS METRICS

| **Hydrographic Survey: Identification of water rights** | **FY13** | **FY14 3rd Quarter** | **Target** |
|---|---|---|---|
| Total number of subfiles filed with court: 12,930 | | | |
| Adjudication packets served | 235 | 138 | TBD |
| Objections raised by defendants | 21 | 33 | TBD |
| Objections resolved without court mediation or litigation | 28 | 19 | TBD |
| Consent Orders and Defaults | 219 | 150 | TBD |
| **Adjudication of Disputed Subfiles** | **FY13** | **FY14 3rd Quarter** | **Target** |
| Mediation referrals | 2 | 2 | TBD |
| Subfiles referred to trial | 2 | 1 | TBD |
| **Total number of proposed orders mailed to claimants to date: 8,900**<br>**Percent completed- subfiles with orders entered to date: 45% (5,787 of 13,907)** | | | |
| ***Inter Se*** | **FY13** | **FY14 3rd Quarter** | **Target** |
| Document review/preparation | Not commenced | N/A | TBD |
| Dispute Resolution | Not commenced | N/A | TBD |

| **Major Court Activity** | **FY13** | **FY14 3rd Quarter** | **Target** |
|---|---|---|---|
| Hearings conducted by court | 7 | 3 | TBD |
| Motions/Briefs reviewed by court | 235 | 139 | TBD |
| Opinions and orders entered by court (includes consent orders) | 299 | 162 | TBD |

**Performance Report Card**
**Office of the State Engineer**
**Third Quarter, Fiscal Year 2014**

## III. BUDGET, FTE

| Office of the State Engineer- Litigation and Adjudication Program | | |
|---|---|---|
| | **FY14 Budget** | **FTE or Contractors** |
| **Personal Services and Employee Benefits** | $4,680,000 | 68 |
| **Contractual Services** | $1,435,800 | 4.4 |
| **Other Costs** | $335,000 | |
| **Total FY14** | **$6,450,800** | **72.4** |

| Administrative Office of the Courts - Water Rights/Adjudication | | |
|---|---|---|
| | **FY14 Budget** | **FTE or Contractors** |
| **Statewide Adjudication PSEB + Expenses**<br>-Statewide adjudication judge and AOC staff attorney | $100,700 | 1 |
| **District Water Clerks** | | |
| Lower Rio Grande Adjudication | $102,420 | 2 |
| San Juan Adjudication | $85,520 | 1 |
| Pecos Adjudication | $63,560 | 1 |
| **Contractual Services** | | |
| Special Masters | $143,800 | .7 |
| Court Data Managers | $130,000 | 1 |
| Water Rights Mediators (Statewide) | $35,000 | .2 |
| Water Judges *pro tempore* | $10,000 | .05 |
| **Total FY14** | **$671,000** | **6.95** |

## IV. QUALITATIVE DISCUSSION

| **Basin-wide Issues including Federal Claims** | **Progress** |
|---|---|
| Elephant Butte Irrigation District Assessed Acreage | Order entered November 2009 |
| Stream System Issue 101: Irrigation water requirements for pecans and all crops | **Complete**: Final Judgment entered August 2011 |
| Stream System Issue 102: EBID groundwater claim | **Complete**: Subfile order entered October 2010 |
| Stream System Issue 103: Domestic wells: priority date and amount | Order designating issue entered December 2009; no current activity |
| Stream System Issue 104: US' Interests in the Rio Grande Project<br>1) Sources of water for the US' Rio Grande Project<br>2) Amount of water<br>3) Priority date | 1) **Complete**: Order filed August 2012<br>2) **Complete**: Order entered February 2014<br>3) **Scheduling Order:** entered March 13, 2014. Pretrial activities in progress |
| Stream System Issue 105: Claims of the Estate of Nathan Boyd | **Complete**: Order entered February 2012. Appeal pending before Court of Appeals. |
| Resolution of Objectives | **Working Session:** April 2014<br>**Status Conference:** May 2014<br>**Working Session:** July 2014 |

**Performance Report Card**
**Office of the State Engineer**
**Third Quarter, Fiscal Year 2014**

**OSE AND AOC ADJUDICATION QUARTERLY PROGRESS REPORT**
**San Juan River Basin Adjudication**

## I. GOAL

**Goal: Complete Adjudication**
*The San Juan River Basin adjudication began in 1975. Pending in State court.

**Intermediate Goals - Target Completion Date: Month/Year**

1. Enter subfile orders for all non-Indian water rights – OSE declined to provide target completion date
2. Enter subfile orders for all Indian clains– OSE declined to provide target completion date
3. Conduct Inter Se (objections) - OSE declined to provide target completion date
4. Enter Partial Final Decree - OSE declined to provide target completion date

## II. PROGRESS METRICS:
**La Plata Section of the San Juan River Basin Adjudication**

| **Hydrographic Survey: Identification of water rights** | **FY13** | **FY14 3rd Quarter** | **Target** |
|---|---|---|---|
| Total number of Non-Indian subfiles filed with the Court: 556 | | | |
| Adjudication packets served | 5 | 40 | TBD |
| Objections | 0 | 0 | TBD |
| Objections resolved without court mediation or litigation | 2 | 0 | TBD |
| Consent Orders and Defaults | 4 | 9 | TBD |
| **Adjudication of Disputed Subfiles** | **FY13** | **FY14 3rd Quarter** | **Target** |
| Mediation referrals | 0 | 0 | TBD |
| Subfiles referred to trial | 0 | 0 | TBD |
| **Total number of proposed orders mailed to claimants to date: 615**<br>**Percentage complete - subfiles with orders entered to date: 89% (495 of 556)** | | | |
| ***Inter Se*** | **Completed To Date** | **FY14 3rd Quarter** | **Target** |
| Document review/preparation | Not commenced | n/a | TBD |
| Dispute Resolution | Not commenced | n/a | TBD |

| **Major Court Activity** | **FY13** | **FY14 3rd Quarter** | **Target** |
|---|---|---|---|
| Hearings conducted by court | 13 | 2 | TBD |
| Motions/Briefs reviewed by court | 185 | 34 | TBD |
| Opinions and orders entered by court (includes consent orders) | 48 | 25 | TBD |

**Performance Report Card**
**Office of the State Engineer**
**Third Quarter, Fiscal Year 2014**

## III. BUDGET, FTE

| Office of the State Engineer- Litigation and Adjudication Program | | |
|---|---|---|
| | **FY14 Budget** | **FTE or Contractors** |
| **Personal Services and Employee Benefits** | $4,680,000 | 68 |
| **Contractual Services** | $1,435,800 | 4.4 |
| **Other Costs** | $335,000 | |
| **Total FY14** | **$6,450,800** | **72.4** |

| Administrative Office of the Courts - Water Rights/Adjudication | | |
|---|---|---|
| | **FY14 Budget** | **FTE or Contractors** |
| **Statewide Adjudication PSEB + Expenses**<br>-Statewide adjudication judge and AOC staff attorney | $100,700 | 1 |
| **District Water Clerks** | | |
| Lower Rio Grande Adjudication | $102,420 | 2 |
| San Juan Adjudication | $85,520 | 1 |
| Pecos Adjudication | $63,560 | 1 |
| **Contractual Services** | | |
| Special Masters | $143,800 | .7 |
| Court Data Managers | $130,000 | 1 |
| Water Rights Mediators (Statewide) | $35,000 | .2 |
| Water Judges *pro tempore* | $10,000 | .05 |
| **Total FY14** | **$671,000** | **6.95** |

## IV. QUALITATIVE DISCUSSION

| **Basin-wide Issues** | **Progress** |
|---|---|
| **Stream System Issue 1**: Measurement of amounts of water and rates of flow | **Complete**: Final Judgment entered July 2007 |
| **Stream System Issue 2**: Determination of priority dates | **Complete**: Order entered October 2007 |
| **Stream System Issue 3**: Rights unquantified in the Echo Ditch Decree | **Complete**: Order entered October 2007 |
| Water rights settlements with San Juan Water Commission, La Plata Conservancy District, Aztec and Bloomfield | **Complete**: Negotiated in 2013 |
| Adjudication of BHP Navajo Coal water rights | **Complete** |
| **Indian Water Rights Claims** | **Progress** |
| Navajo Nation Water Rights Settlement Agreement-State of New Mexico, the U.S., and the Navajo Nation | Executed in December 2013 |
| Partial Final Judgment and Decree on Jicarilla Apache Nation's water rights | Entered 1999 |
| Court conducted Expedited inter se proceeding on Navajo Nation's water rights with over 12, 000 claimants | Entry of 2 Partial Final Judgments and Decrees, November, 2013 |
| Notices of Appeal | Filed 2013 in NM Court of Appeals |
| Petition for Writ to New Mexico Supreme Court | Filed May 2014 |

**Performance Report Card**
**Office of the State Engineer**
**Third Quarter, Fiscal Year 2014**

## ADJUDICATION QUARTERLY PROGRESS REPORT GLOSSARY

**Claimant**: Individual asserting a water right or an individual identified by a hydrographic survey as the owner of a water right

**Hydrographic Survey**: technical examination of a geographic area of an adjudication to locate, quantify, and date all existing water rights.

***Inter se***: proceeding that typically occurs at the end of an adjudication to permit claimants to challenge the rights of other claimants

- **Expedited *inter se***: proceeding conducted before the end of the adjudication to resolve a water rights claim that involves, the claimant, the case plaintiff (usually the State of New Mexico), and all other claimants (for example the proceeding to resolve the water rights of the Navajo Nation)

**Mediation**: an intervention in a dispute in which a neutral third party assists the parties to the dispute in the effort to reach agreement. In the adjudications, participation in mediation is voluntarily.

**Stream system issue**: any issue that, when resolved, could directly affect a large number of water rights claimants (for example, the irrigation requirements of crops)

**Subfile**: a water claim or collection of water claims within a specific hydrographic survey area which is/are associated with the same person(s) or entity.

**Water rights adjudication**: legal proceeding to determine the existence and scope of all water rights, including the ownership, amount, and priority, for a given drainage basin.

**Performance Report Card**
**Department of Environment**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: The Department of Environment is fulfilling inspection and permitting functions. Most of the department's measures are process-oriented, rather than providing indicators of environmental protection. The measures should be revised to include outcome-oriented measures, such as the number of days ambient air quality standards are violated, to help legislators formulate policies and practices to ensure air and water are cleaner for New Mexicans. The agency reported the performance monitoring plan had not been updated, but will by summer.

| | **Field Operations and Infrastructure** Budget: $17,835.4 FTE: 193 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Percent of the population served by community water systems that receive drinking water that meets all applicable health-based drinking water standards | new | new | 91% | 92% | 96.2% | 86% | Y |
| 2 | Percent of public water systems surveys conducted to ensure compliance with drinking water regulations* | 89% | 95% | 92% | 99% | 98% | 92.8% | G |
| 3 | Percent of public drinking water systems inspected within one week of confirmation of system problems that might acutely impact public health* | 100% | 100% | 100% | 100% | 100% | 100% | G |
| 4 | Percent of large quantity hazardous waste generators inspected* (cumulative) | 20% | 24% | 20% | 2.8% | 4.2% | 12.5% | R |
| 5 | Total number of new projects funded and dollar amount of new loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in thousands | 9/ $8,180 | 10/ $9,870 | TBD | 2/ $28,136 | 3/ $3,219 | 0/0 | Y |
| 6 | Percent of high-risk food-related violations corrected within the timeframes noted on the inspection report issued to permitted commercial food establishments* | 83% | 92% | 100% | 99% | 98.9% | 99.7% | Y |
| 7 | Percent of annual permitted food establishments inspected within timeframe due | new | new | 100% | 99% | 99.8% | 100% | G |
| | **Program Rating** | Y | Y | | | | | Y |

Comments: The program identified 257 water systems that could be vulnerable if their only source of water is impaired or cannot produce adequate quantities. Although it is important the program inspect and survey public water systems, the results of those inspections and the number of water systems whose water tests exceeded standards are also of interest. In the third quarter, no new loan/grant agreements were executed in the clean water state revolving fund (CWSRF) nor in the Rural Infrastructure Revolving Loan Program (RIP), although there are several projects under review.

| | **Resource Protection Program** Budget: $27,032.1 FTE: 229.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 8 | Percent of groundwater discharge permitted facilities receiving annual field inspections and compliance evaluations* | 46% | 52% | 50% | 15% | 23% | 20% | G |
| 9 | Percent of permitted facilities where monitoring results demonstrate compliance with groundwater standards* | 71% | 71% | 71% | 70% | 70% | 70% | Y |
| 10 | Percent of underground storage tank facilities in significant operational compliance with release prevention and release detection requirements of the petroleum storage tanks regulations* | 69% | 60% | 70% | Annual | | | |
| | **Program Rating** | Y | Y | | | | | Y |

Comments: 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. Measures, such as the number of New Mexico's surface waters that are impaired, should be adopted.

| | **Environmental Protection Program** Budget: $15,265.2 FTE: 161 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 11 | Percent of permitted active solid waste facilities and infectious waste generators inspected that were found to be in substantial compliance with the New Mexico solid waste rules* | 85% | 82% | 86% | 88% | 91% | 86% | G |

# Performance Report Card
# Department of Environment
# Third Quarter, Fiscal Year 2014

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 12 | Percent of radiation-producing machine inspections completed within the timeframes identified in radiation control bureau policies* | 88% | 99% | 88% | 97% | 100% | 97% | G |
| 13 | Percent of landfills compliant with groundwater sampling and reporting requirements | 95% | 100% | 75% | 100% | 92% | 96% | G |
| 14 | Percent of facilities taking corrective action to mitigate air quality violations discovered as a result of inspections | 100% | 97% | 100% | 100% | 100% | 100% | G |
| 15 | Percent of serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections | 94% | 93% | 95% | 97% | 87.2% | 95.6% | G |
| 16 | Percent of referrals alleging serious hazards responded to via an on-site inspection or investigation (letter or phone call to employer) within ten working days | 93% | 94% | 95% | 95% | 98.1% | 97.1% | G |
| **Program Rating** | | Y | Y | | | | | G |

Comments: As of 2011, New Mexico ranked 44th nationally in workplace fatalities. For four out of the five years for which data is available, New Mexico has 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 solid waste facility compliance with environmental regulations. Nevertheless, additional outcome measures of interest should be adopted including the number of air quality violations, the number of workplace injuries statewide, compared with other states, or if employees are suffering fewer health and safety incidents.

* Denotes House Bill 2 measure

# Performance Report Card
# Economic Development Department
# Third Quarter, Fiscal Year 2014

**Performance Overview**: The Economic Development Department (EDD) announced 795 new jobs in the third quarter of FY14, continuing a significant increase from the first quarter and placing the department on track to slightly exceed the annual target. However, the state economy continues to lag regionally and nationally, shedding 1,000 jobs from March 2013 to March 2014. New Mexico was the only state in the region to lose jobs.

To address the ongoing need for increased job creation performance, the Legislature appropriated $15 million in the 2014 legislative session for EDD to use as a "closing fund" under the Local Economic Development Act (LEDA) to win business projects and create jobs. The agency expended $3.3 million of LEDA funds allocated to it for FY14 to 10 projects across the state, creating a total of 543 new jobs.

The retail trade and financial services sectors added 2,100 jobs and 1,900 jobs and grew by 2.3 percent and 5.8 percent, respectively, from March 2013 to March 2014. The leisure and hospitality industry grew by 1.7 percent, adding 1,500 jobs. Government and manufacturing represented the largest losses, shedding 2,800 jobs and 1,900 jobs, respectively.

| | **Economic Development Program** Budget: $3,876.9 FTE: 23 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Total number of jobs created due to economic development department efforts * | 2,684 | 3,093 | 2,500 | 318 | 826 | 795 | G |
| 2 | Number of rural jobs created * | 1,542 | 1,440 | 1,250 | 178 | 281 | 248 | Y |
| 3 | Number of jobs created through business relocations facilitated by the economic development partnership * | 657 | 244 | 1,700 | 20 | 270 | 124 | Y |
| 4 | Number of jobs created by the mainstreet program * | 592 | 529 | 600 | 184 | 156 | 172 | G |
| 5 | Percent of employees whose wages were subsidized by the job training incentive program still employed by the company after one year | 72% | 72% | 60% | Annual | | | |
| 6 | Number of workers trained by the job training incentive program * | 1,015 | 844 | 1,000 | 64 | 82 | 693 | G |
| 7 | Average wage of jobs funded through the job training incentive program | new | $18.46 | $20.00 | $22.24 | $23.04 | $17.04 | Y |
| 8 | Number of existing exporters assisted in entering new markets | new | new | 10 | 4 | 3 | 2 | G |
| 9 | Number of business advocacy cases opened/solved | new | 75/58 | 100/45 | 22/17 | 25/14 | 21/22 | G |
| 10 | Number of businesses provided technical assistance resulting in a funding package and job creation | new | new | 5 | 0 | 2 | 3 | G |
| | **Program Rating** | Y | G | | | | | G |

Comments: The Economic Development Partnership reached just 24 percent of its annual jobs target by the end of the third quarter, but the organization managed to create jobs at a cost to the state of $1.7 thousand per job during the first three quarters -- a reduction in cost compared to FY13 and a greater return on investment than most other state-funded job creation programs.

The Job Training Incentive Program (JTIP) provided funding to train 693 workers, placing the program at 84 percent of the annual goal. Although the job numbers are much higher for the third quarter, the average post-training wage decreased from FY13 levels, the first two quarters of FY14 levels, and the FY14 target. EDD recently hired a JTIP marketing manager to promote the program and assist with administrative functions; further, the JTIP application, review, and feedback process is now available entirely online.

EDD staff assisted in the planning and implementation of New Mexico's annual economic development summit, held this year on April 1-3, 2014 in Hobbs. Staff members presented at the summit on such topics as financing mechanisms and downtown revitalization. To assist with revitalization efforts, the Public Service Company of New Mexico (PNM) provided $122 thousand in grants to eight MainStreet communities. During the third quarter, MainStreet added Lordsburg as its seventh MainStreet "frontier community."

# Performance Report Card
# Economic Development Department
# Third Quarter, Fiscal Year 2014

| **Film Program** | | Budget: $757.1 | FTE: 8 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|---|
| 11 | Number of media industry worker days * | | | 143,046 | 216,461 | 150,000 | 65,780 | 25,230 | 44,728 | G |
| 12 | Direct spending by film industry productions, in millions * | | | new | new | $225 | $33 | $26 | $52 | R |
| 13 | Number of films and media projects principally photographed in New Mexico | | | 57 | 53 | 60 | 12 | 17 | 14 | Y |
| **Program Rating** | | | | G | G | | | | | Y |

Comments: The Film Program is on track to exceed the annual target for media industry worker days, but the number of films and media projects in New Mexico remains low compared to previous years. However, EDD now counts only projects that use the film credit rather than all projects, contributing to the lower numbers. The local industry maintains the lower numbers are primarily due to the $50 million cap instituted for the film production tax credit. However, legislation passed in 2013 providing an additional incentive for television productions increased New Mexico's ability to compete for such projects, and two major new series began preparation for filming in the third quarter.

The Legislature addressed the tax credit cap issue during the 2013 legislative session by allowing a rollover from one fiscal year to the next of any unused funds up to $50 million. These amounts will not count toward a subsequent year's annual limitation. The reported numbers for direct spending by film industry productions are far below the annual target; however, this measure is new, and the target might need to be adjusted as the department gathers this data.

* Denotes House Bill 2 measure

**Performance Report Card**
**Tourism Department**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: The leisure and hospitality industry is growing but is no longer leading New Mexico's job growth, adding 1,500 jobs from March 2013 to March 2014 -- a growth rate of 1.7 percent. However, year-over-year growth rates were substantially affected by the Workforce Solutions Department's (WSD) employment benchmark revision. As a result, the leisure and hospitality employment numbers now show substantially greater increases in FY13, thereby reducing the year-over-year growth for the third quarter in FY14 and retroactively changing the second quarter's growth of 1,400 jobs to a loss of 33 jobs. The Tourism Department asked WSD to analyze the specific impact of the benchmark revision to the leisure and hospitality industry, and the results should be available in the fourth quarter.

The Tourism Department is not a key agency and is not required to report quarterly on performance measures. However, LFC staff recommends making the Tourism Department a key agency for reporting purposes. Due to the tourism industry's impact on job growth, the Legislature appropriated nearly $2 million in additional funding for tourism advertising for FY14 and an additional $2.5 million for FY15.

| | **Marketing and Promotion Program** Budget: $7,811.5 FTE: 36.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Percent increase in gross receipts tax revenue for accommodations receipts | n/a | 0.9% | 2.0% | n/a | n/a | n/a | |
| 2 | Number of new jobs created in the leisure and hospitality industry year-over-year | n/a | 3,700 | 800 | 2,267 | -33 | 1,500 | G |
| 3 | Dollars spent per overnight primary visitor per day | $63.50 | $74.91 | $63.00 | Annual | | | |
| 4 | New Mexico's domestic overnight visitor market share | 1.0% | 1.0% | 1.1% | Annual | | | |
| 5 | Percent of visitors who choose New Mexico as their primary destination | 72% | 71% | 70% | Annual | | | |
| 6 | Number of unique digital visitor guide visits | n/a | n/a | 120,000 | 50,585 | 34,441 | 32,222 | G |
| | **Program Rating** | n/a | G | | | | | G |

Comments: The department is using the additional advertising funds appropriated for FY14 to expand marketing efforts farther into Texas to include Dallas and Houston and also begin advertising in Chicago. Last year's return on investment study showed ads in Colorado and Arizona produced the greatest returns, so the department will continue the campaign in those states.

The agency began a regional ad campaign for fairs, festivals, and events, which will run from January to June 2014. It promotes 68 events on 55 radio stations in Phoenix, Tucson, Colorado Springs, Pueblo, El Paso, Midland/Odessa, Amarillo, Albuquerque, Santa Fe, Las Cruces, Oklahoma City, Fort Bliss, Holloman Air Force Base, and White Sands. In all, over 7,500 radio ads will run in these markets.

The Taxation and Revenue Department has not published leisure and hospitality specific gross receipts tax revenue data since FY13.

| | **New Mexico Magazine Program** Budget: $3,405.1 FTE: 14 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 7 | Circulation rate* | 94,221 | 91,197 | 95,000 | Annual | | | |
| 8 | Advertising revenue per issue, in thousands* | $65 | $68 | $80 | $65 | $65 | $68 | Y |
| 9 | Number of qualifying website visits to nmmagazine.com and newmexico.org, in thousands | n/a | 715 | 565 | 277 | 204 | 235 | G |
| | **Program Rating** | n/a | G | | | | | G |

Comments: *New Mexico Magazine* was named the best state/regional magazine for 2013 by the Western Publishing Association, marking this the second year in a row the magazine has received the award. *New Mexico Magazine* is the oldest state magazine in the United States, founded in 1923, and is the third-largest state-owned publication with a circulation of 90 thousand and more than 240 thousand readers. Advertising revenue per issue remains low, but program revenues exceeded expenditures in FY12 and FY13 after losing money for several years.

* Denotes House Bill 2 measure

**Performance Report Card**
**Workforce Solutions Department**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: As a general observation, the Workforce Solutions Department (WSD) improved performance outcomes during the third quarter of FY14, including a reduction of 31 minutes, or 45 percent, in the average wait time to complete a transaction with the unemployment insurance (UI) call center but is still below the FY14 target. The agency and the Legislative Finance Committee (LFC) are collaborating to refine performance measure reporting to more accurately track program outcomes for both unemployment services and workforce development. The LFC and WSD expect to present several new performance measures for FY16 such as the number of businesses or governmental entities using Work Keys. There is also a significant need for additional reporting on the solvency of the unemployment insurance trust fund. Due to the Great Recession many state UI funds, including New Mexico's, were in danger of becoming insolvent. During this time period states went into debt by $47 billion nationwide to pay unemployment benefits. As of April 2014, the New Mexico fund balance was down to $33.9 million from $556.8 million in March 2008 and prior to the recent recession. The agency has agreed to submit quarterly reports on the UI trust fund, including fund balance, quarterly revenues, and benefits paid out.

| | **Workforce Transition Services** Budget: $25,184.6 FTE: 331 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Percent of eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim* | 72% | 70% | 75% | 55% | 76% | 90% | G |
| 2 | Percent of youth that entered employment or are enrolled in post-secondary education and/or advanced training after receiving workforce investment act services* | 57% | 57% | 57% | 56% | 55% | 53% | Y |
| 3 | Number of adults and dislocated workers receiving workforce investment act services (rolling quarter) | 2,206 | 2,603 | 3,500 | 2,287 | 2,318 | 2,300 | Y |
| 4 | Average time to complete a transaction with the unemployment insurance call center, in minutes* | 15 min | 36 min | 10 min | 44 min | 68 min | 37 min | Y |
| 5 | Percent of recently separated veterans entering employment | 45% | 45% | 60% | 52% | 48% | 46% | R |
| 6 | Percent of disabled veterans entering employment after receiving workforce development services | 39% | 39% | 45% | 47% | 44% | 39% | Y |
| 7 | Total number of individuals receiving Wagner-Peyser employment services | new | baseline | 150,000/37,500 (annual/qtr) | 125,699 | 125,985 | 118,797 | G |
| 8 | Percent of unemployed individuals employed after receiving Wagner-Peyser employment services | new | baseline | 51% | 55% | 53% | 53% | G |
| 9 | Percent of individuals that have received Wagner-Peyser employment services retaining employment after six months* | new | baseline | 70% | 78% | 76% | 73% | G |
| 10 | Average six-month earnings of persons entering employment after receiving Wagner-Peyser employment services | new | baseline | $12,500 | $13,447 | $13,251 | $13,011 | G |
| 11 | Percent of recently separated veterans retaining employment after six month | new | baseline | 65% | 77% | 72% | 67% | G |
| 12 | Average six-month earnings of persons entering employment after receiving veterans' services | new | baseline | $16,000 | $17,195 | $16,745 | $15,605 | Y |
| 13 | Percent of all first payments made within fourteen days after the waiting week | new | baseline | 85% | 71% | 82% | 89% | G |
| | **Program Rating** | Y | Y | | | | | Y |

Comments: The percentage of recently separated veterans entering employment and disabled veterans entering employment after receiving workforce development services continued to decline during the third quarter. The agency reported recently-separated veterans continue to face a very competitive labor market affecting their ability to re-enter the workforce. Most of the recently separated veterans have registered in the New Mexico Workforce Connection (VOSS) program, but many have decided to use their "GI Bill" education benefits to pursue higher education degrees instead of workforce training. Additionally, the average six-month earnings of persons entering employment after receiving veterans' services has consecutively declined over three quarters in FY14. The agency reported that New Mexico has not added high-demand high-wage jobs as a result of a weak economy and veterans who are reentering the labor force are finding only service sector jobs that pay entry-level wages.

| **Labor Relations** | Budget: $4,874.5 | FTE: 36 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 14 | Percent of wage claims investigated and resolved within ninety days* | | 89% | 91% | 90% | 91% | 88% | 83% | Y |
| 15 | Number of discrimination claims investigated | | 597 | 589 | 500/125 (annual/qtr) | 79 | 166 | 132 | G |
| 16 | Percent of human rights cases that receive probable cause determinations that are resolved within one year | | new | baseline | 90% | 36% | 47% | 68% | Y |
| 17 | Percentage of targeted public works inspections completed* | | new | baseline | 90% | 100% | 100% | 100% | G |
| **Program Rating** | | | Y | Y | | | | | Y |

Comments: The percent of wage claims investigated and resolved within 90 days continued in a downward trend. The Labor Relations Division received almost triple the normal wage claims during the third quarter from the Las Cruces office due to a specific business closure. However, the agency stated the cases will be completed by the fourth quarter. The percentage of cases receiving probable cause determinations within one year continued to increase in the third quarter of FY14. This performance measure is a rolling percentage figure which increases cumulatively each quarter, and the agency projects it will meet the target by the fourth quarter. The division investigated more discrimination claims in the second and third quarters than in the first quarter.

| **Workforce Technology** | Budget: $10,671.7 | FTE: 39 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 18 | The percentage the unemployment framework for automated claims and tax services applications are available during scheduled uptime | | 100% | 100% | 100% | 99% | 100% | 100% | G |
| 19 | Response time from system outage to restoration of service on unemployment framework for automated claims and tax services in minutes | | new | 13 min | 20 min | 4 min | 10 min | 0 min | G |
| **Program Rating** | | | G | Y | | | | | G |

Comments: During the third quarter, the Workforce Technology program did not encounter any new or significant UI Tax & Claims system outages. During the second quarter of FY14 the program responded to a significant increase in claims and applications traffic as a result of the federal government shutdown and the pending end of the EUC program but was remedied by the end of the third quarter.

| **Business Services** | Budget: $9,723.1 | FTE: 32.0 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 20 | Percent of employers sampled reporting customer satisfaction | | 99% | 98% | 99% | 98% | 99% | 99% | G |
| 21 | Number of days to publish bureau of labor statistics provided seasonally adjusted business employment dynamics data quarterly at the state level upon receipt from the bureau of labor statistics | | 4 days | 5 days | 4 days | 2 days | 1 day | 2 days | G |
| 22 | Number of personal contacts made by field office personnel with New Mexico businesses to inform them of available services or provide actual services* | | 54,858 | 110,069 | 50,000/12,500 (annual/qtr) | 34,054 | 30,809 | 34,695 | G |
| **Program Rating** | | | G | G | | | | | G |

Comments: The Business Services program met or exceeded all FY14 performance targets. Additional performance measures for the program are necessary to better illustrate the services provided to New Mexico businesses. For example, the agency could report on the number of businesses which are using Work Keys to assess soft and cognitive employee skills. This tool also provides access to "up-skilling" services and allows businesses to select and develop employees based on job skills which better match organizational needs. Licensing for Work Keys is currently funded by federal funds and has unlimited use capability.

* Denotes House Bill 2 Measure

**Performance Report Card**
**Department of Information Technology**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: The Department of Information Technology (DoIT) has found it difficult to recruit members and achieve a quorum for the state's Information Technology Commission (ITC), which is responsible for providing oversight for the state's IT initiatives. However, in the second quarter the ITC elected officers and in the third quarter assigned subcommittees to reexamine the role of the commission and revamp the statewide IT strategic plan. DoIT successfully transferred the state's SHARE system to new hardware (called "replatforming,") and indicated it would release an updated plan for upgrading the antiquated SHARE software in the next few months. Finally, the department reported the SHARE financial system was down 7 hours in the third quarter due to an unplanned outage in February 2014.

| **Compliance and Project Management** | Budget: $855.8 FTE: 7 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Monthly number and budget of approved information technology professional services contracts and amendments | new | 99/ $236M | Explanatory | 53/ $246M | 56/ $34M | 48/ $50M | |
| 2 | Number and appropriated budget of executive agency certified projects reviewed monthly for oversight requirements | new | 64/ $340M | Explanatory | 65/ $344M | 67/ $370M | 80/ $404M | |
| **Program Rating** | | | | | | | | |

Comments: For FY14, staff is reporting on output measures only. Measure 1 refers to all DoIT certified projects as well as review of quarterly information technology status reports provided by agencies. The program continues to report status information on the state's 10 largest information technology projects.

| **Enterprise Services** | Budget: $51,940.7 FTE: 168 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 3 | Queue-time to reach a customer service representative at the DoIT help desk, in seconds* | 14 | 12 | <19 | 8 | 9 | 6 | G |
| 4 | Service desk calls resolved by priority: | | | | | | | |
| | Priority 1 (8 hours) | New | 64% | 90% | 78% | 78% | 75% | Y |
| | Priority 2 (24 hours) | New | 37% | 90% | 56% | 49% | 43% | R |
| | Priority 3 (40 hours) | New | 51% | 90% | 69% | 85% | 73% | Y |
| | Priority 4 (80 hours) | New | 83% | 90% | 67% | 100% | 40% | R |
| | Priority 5 (160 hours) | New | 100% | 90% | 100% | 100% | 100% | G |
| 5 | Percent of mainframe uptime affecting user access or batch scheduling * | 100% | 100% | 99.9% | 99.4% | 99.9% | 99.9% | G |
| 6 | Percent of scheduled uptime the statewide human capital management suite of the statewide human resource, accounting and management reporting (SHARE) system is available during business hours | 98.9% | 99.6% | 99.9% | 100% | 99.8% | 99.0% | Y |
| 7 | Percent of scheduled uptime the financial suite of the statewide human resource, accounting and management reporting (SHARE) system is available during business hours | 98.9% | 99.6% | 99.9% | 100% | 99.8% | 97.6% | Y |
| **Program Rating** | | G | Y | | | | | Y |

Comments: The department implemented a new help desk tracking application to monitor customer service. DoIT reported the SHARE human capital management system was down five hours for the replatforming project; the SHARE financials system was down the same five hours for replatforming, and an additional 7 hours for an unplanned outage at the end of February 2014.

| **Program Support** | Budget: $3,293.6 FTE: 35 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 8 | Percent of audit corrective action plan commitments completed on schedule* | 50% | n/a | 95% | Annual | | | |

# Performance Report Card
# Department of Information Technology
# Third Quarter, Fiscal Year 2014

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| 9 | Percent of mainframe services meeting federal standards for cost recovery* | | n/a | 100% | Annual | | | |
| 10 | Percent of voice, data and radio services meeting federal standards for cost recovery | | n/a | 100% | Annual | | | |
| 11 | Percent of accounts receivable dollars collected within sixty days of the invoice due date | 81% | 45% | 75% | 66% | 90% | 95% | G |
| 12 | Dollar amount of receivables over 60 days, in millions | $7.2 | $7.1 | $7.5 | $5.9 | $7.0 | $8.2 | G |
| **Program Rating** | | G | Y | | | | | G |

Comments: Measure 8 above refers to the percent of audit corrective action plan commitments completed on schedule per the prior year financial audit. In FY12 the department received a qualified opinion and identified six findings, including the lack of adequate capital asset management, the inability to reconcile accounts receivable, unbilled receivables for telephone usage, budget overspending in other finance uses categories, and the lack of a finalized business continuity and disaster recovery plan.

FY14 results will indicate corrective actions per the FY13 audit completed December 2013. DoIT's FY13 audit was "unmodified" and contained no material weaknesses; however, the department is still in need of improved SHARE controls such as an IT security policy and a finalized departmental business continuity disaster recovery plan.

* Denotes House Bill 2 measure

# Performance Report Card
# Taxation and Revenue Department
# Third Quarter, Fiscal Year 2014

**Performance Overview**: Motor Vehicle Division (MVD) field office and call center wait times continue to track better than agency targets. Wait times in field offices were just over 18 minutes and call center wait times were just under four minutes. In February 2014, the department executed an agreement with a vendor for the new MVD driver and vehicle information technology system and began the planning phase for the project. The system is estimated to cost $16 million in state general fund revenue and be completed in FY16. Finally, collections of audit assessments and delinquent property taxes are on target to meet goals for the fiscal year.

| **Tax Administration** | Budget: $31,188.9 FTE: 507 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Collections as a percent of collectable audit assessments generated in the current fiscal year * (cumulative) | 64.2% | 66.0% | 55.0% | 5.5% | 33.7% | 53.4% | G |
| 2 | Collections as a percent of collectable outstanding balances from end of the prior fiscal year* (cumulative) | 18.4% | 17.6% | 18.0% | 9.5% | 12.6% | 14.9% | G |
| 3 | Percent of electronically-filed personal income tax and combined reporting system returns * | 82.1% | 84.9% | 85.0% | 82.0% | 84.0% | 88.8% | G |
| **Program Rating** | | G | G | | | | | G |

Comments: Assessments through the third quarter totaled $26.6 million, of which $4.2 million is less than 90 days old, $13.4 million is in protest, and $1 million has been abated or is in bankruptcy. This leaves a collectable balance of $8 million. Collections were $4.3 million at the end of the third quarter resulting in collections at 53.4 percent of collectable audit assessments. The program continues to exceed targets for electronically-filed tax returns.

| **Motor Vehicle** | Budget: $26,730.7 FTE: 348 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 4 | Average call center wait time to reach an agent, in minutes* | 6:41 | 6:52 | 6:00 | 8:52 | 4:44 | 3:56 | G |
| 5 | Percent of registered vehicles with liability insurance* | 91.8% | 90.9% | 92% | 90% | 90.8% | 91.0% | Y |
| 6 | Average wait time in q-matic equipped offices, in minutes* | 25:06 | 24:42 | 20:00 | 23:23 | 15:41 | 18:08 | G |
| **Program Rating** | | Y | Y | | | | | G |

Comments: The department notes process improvements implemented over the past year are paying off, resulting in improved customer service. Additionally, the department maintained lower vacancy rates which typically results in a positive impact on wait times. The program recently implemented a centrally-controlled q-matic system that ensures consistent use of the equipment and improves data reliability.

| **Property Tax** | Budget: $3,320.3 FTE: 41 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 7 | Percent of counties in compliance with sales ratio standard of eighty-five percent assessed value to market value * | 97% | 97% | 92% | Annual | | | |
| 8 | Amount of delinquent property tax collected and distributed to counties, in millions | $11.3 | $12.0 | $7.0 | $3.6 | $2.6 | $2.2 | G |
| **Program Rating** | | Y | G | | | | | |

Comments: Property taxes contribute approximately $1.5 billion of revenue to New Mexico's counties annually. After two and a half years of non-payment, delinquent property tax accounts are transferred to the Property Tax Division for collection pursuant to Section 7-38-62 NMSA 1978. In FY13, the program returned approximately $12 million in delinquent property tax obligations to New Mexico's counties, an all-time high. At the end of the third quarter the program collected $8.4 million.

| **Compliance Enforcement** | Budget: $2,192.4 FTE: 28 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 9 | Number of tax investigations referred to prosecutors as a percent of total investigations assigned during the year* | 15% | 66.7% | 40% | 50% | 25% | 33.3% | Y |
| 10 | Successful tax fraud prosecutions as a percent of total cases prosecuted | 100% | 100% | 100% | Annual | | | |
| **Program Rating** | | Y | Y | | | | | Y |

# Performance Report Card
# Taxation and Revenue Department
# Third Quarter, Fiscal Year 2014

Comments: This measure is cumulative for the year and at the end of the third quarter, six cases were assigned to investigators and two were referred for prosecution. In the fourth quarter the program will have to perform better than average to meet the FY14 cumulative target of 40 percent.

| **Program Support** | Budget: $20,715.0 | FTE: 187 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|---|
| 11 | Percent of driving-while-intoxicated drivers license revocations rescinded due to failure to hold hearings in ninety days* (cumulative) | | .20% | 0.5% | <1.0% | 0.4% | 0.4% | 0.3% | G |
| **Program Rating** | | | G | G | | | | | G |

Comments: A total of 3,642 implied cases were scheduled for the first three quarters. Of these, 12 cases were rescinded due to department error. The program is on track to meet its annual target.

* Denotes House Bill 2 measure

# Performance Report Card
# State Personnel Board
# Third Quarter, Fiscal Year 2014

**Performance Overview**: Performance results for the State Personnel Office (SPO) indicate the statewide classified service vacancy rate improved significantly from FY12 and FY13 levels, but is above the FY14 targeted level. The result for average number of days to fill a position improved slightly from the first and second quarters, but is still nearly double the FY14 target and above FY12 and FY13 actuals. Results for average state classified employee compa-ratio and new-hire compa-ratio are now reported by SPO on a year-to-date basis, so while it can be accurately said they are not meeting FY14 targets, it is difficult to ascertain if progress is being made quarterly. The results for the measure on employees leaving the state workforce are tracking below the FY14 target and FY13 actuals. State employee average overtime per month and the percent of employees receiving overtime is tracking above the FY14 target and is a concern because, as SPO states in their *2013 Classified Service Compensation Report*, there is a correlation between vacancy rates and overtime hours worked.

| **Program** | Budget: $4,519.5 FTE: 53 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Statewide classified service vacancy rate* | 19.7% | 16.8% | 12.0% | 14.3% | 15.3% | 12.7% | Y |
| 2 | Average number of days to fill a vacant position from the date of posting* | 69 | 73 | 40 | 81 | 78 | 76 | R |
| 3 | Average state classified employee compa-ratio* | new | 99.5% | 95% | 99% | 99% | 99% | Y |
| 4 | Average state classified employee new-hire compa-ratio | new | 94% | 91% | 95.6% | 95.6% | 95.7% | R |
| 5 | Percent of eligible employees with a completed performance appraisal on record at the close of the fiscal year | 58% | 93% | 99% | Annual | | | |
| 6 | Percent of departments or agencies with over ninety percent of personnel evaluations completed | new | 95% | 95% | Annual | | | |
| 7 | Percent of new employees who successfully complete their probationary period* | 58% | 58% | 85% | Annual | | | |
| 8 | Percent of turnover for employees leaving state service* | new | 8% | 18% | 17% | 13.5% | 6.1% | G |
| 9 | State employee average overtime usage per month and percent of employees receiving overtime | new | 16 hours/ 16% | 12 hours/ 12% | 17 hours/ 13% | 16 hours/ 18% | 16 hours/ 18% | Y |
| 10 | Number of rule-compliance audit reviews performed during the fiscal year | 5 | 8 | 5 | Annual | | | |
| 11 | Percent of rule-compliance audit exceptions corrected within six months of discovery | 100% | 100% | 100% | Annual | | | |
| 12 | Ratio of disciplinary actions to number appealed to state personnel board* | new | 5:1 | 5:1 | n/a | n/a | n/a | |
| **Program Rating** | | Y | R | | | | | Y |

Comments: It would be useful if all data collected by SPO was available on a quarterly basis as it would assist the Legislature in its evaluation of personnel policy and practice trends in the state. In cooperation with LFC and DFA staff, new measures should be developed that ensure relevance, reliability, accessibility, efficiency, and comparability and can be accurately benchmarked to best practices in other states. Further, the agency performance report should include specific corrective action plans for all measures, including: 1) details on the causal and contributing factors leading to performance issues for a particular measure; 2) targeted corrective actions to address problems in the results, and; 3) resources needed and a projected timeline for accomplishing the corrective action.

As a general update on the state of personnel policy in the state:

- SPO recently recommended, and the State Personnel Board approved, salary structures for six occupation groups and a timeline for the completion of eight other occupation groups. However, the cost is unknown.
- Estimated AFSCME/CWA remediation plan settlement costs total $33.7 million; after consideration of agency

reversions and vacancy savings, the estimated deficit to the state for all agencies and all funds totals $3.6 million.

- According to the May 2014 Baseline Report, state employee levels dropped by 348 employees, or 1.5 percent to 22,239, from 22,587 in July 2013.

- According to the LFC Funded/Unfunded Vacancy Report, the amount of funded vacant FTE in state agencies from all sources is projected at $108 million.

- The state remains at an impasse with unions on a new collective bargaining agreement.

* Denotes House Bill 2 measure

# Performance Report Card
# General Services Department
# Third Quarter, Fiscal Year 2014

**Performance Overview**: Sharply rising risk and employee benefits costs continue to impact the agency. Although Risk Management improved its risk allocation methods, the Group Benefits Committee has not met and provided oversight for health benefit changes for FY14 and beyond. In addition, measures are inadequate for a program that pays $350 million in health claims, or 75 percent, of the program's total expenditures. For Facilities Management, some capital projects experience cost overruns and schedule delays, due to incremental funding, change orders and procurements that delay progress. Finally, State Printing needs to diversify its customer base.

| | **Risk Management Program** Budget: $98,089.4 FTE: 59 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Projected financial position of the public property fund* | 154% | 91% | 50% | 206% | 128% | 313% | Y |
| 2 | Projected financial position of the public liability fund* | 23% | 38% | 50% | 33% | 13% | 28% | R |
| 3 | Projected financial position of the workers' compensation fund* | 28% | 25% | 30% | 28% | 15% | 21% | Y |
| 4 | Employees trained on loss control and prevention | | new | 500 | 1,074 | 0 | 164 | G |
| | **Program Rating** | R | Y | | | | | Y |

Comments: Most of the risk fund targets reflect efforts to maintain asset balances no less than 50 percent of actuarial projected losses, excluding attorney fees and other settlement costs. The financial position of the funds as a whole has improved from prior years; however, there are still not sufficient assets in some funds to pay all claims against the state if called upon. Projected payments from the public liability fund have increased 35 percent from FY13, with civil rights, including employment claims, and professional liability, including medical malpractice and law enforcement claims, which is a worrisome trend. Legal counsel dollars spent and unemployment claims challenged will be reported in the fourth quarter.

| | **Employee Group Health Benefits** Budget: $346,636.8 FTE: 0 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 5 | Prescriptions filled with generic drugs | 83% | 84% | 80% | 86% | 84% | 83% | G |
| 6 | Eligible state employees purchasing state health insurance | 96% | 94% | 90% | 94% | 87% | 92% | G |
| | **Program Rating** | Y | Y | | | | | Y |

Comments: Despite rising premiums and out-of-pocket costs, 18,615 employees were enrolled in coverage which was an increase from the second quarter. More likely, this reflects improvement in data collection and reporting from hiring a third party administrator. To help keep health care coverage affordable, the program is promoting a high deductible health plan and wellness checkups with real-time labs during work hours to identify health trends earlier. Measures to track premium changes over time and claims costs based on diagnoses will be reported in the fourth quarter.

| | **Facilities Management** Budget: $11,914.7 FTE: 156.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 8 | Natural gas consumption for state-owned buildings (cumulative) | new | 39,625 MMBtu | 38,436 MMBtu | 813 MMBtu | 9,710 MMBtu | 29,457 MMBtu | G |
| 9 | Electricity consumption for state-owned buildings (cumulative) | new | 21,930,273 kWh | 21,272,365 kWh | 6,753,045 kWh | 12,014,605 kWh | 17,321,457 kWh | G |
| 10 | Facilities Management capital projects on schedule and within approved budget* | 95% | 93% | 92% | 89% | 96% | 87% | Y |
| 11 | Lease costs (cumulative) * | $45,500.0 | $44,300.0 | $42,085.0 | $44,300.0 | $43,766.0 | $42,759.4 | Y |
| 12 | Leased space (cumulative) | new | 2,936,988 | 2,790,139 | 2,936,988 | 2,932,361 | 2,924,453 | Y |
| 13 | Repair work orders completed on time | | new | 80% | 77% | 62% | 69% | Y |
| | **Program Rating** | G | Y | | | | | Y |

# Performance Report Card
# General Services Department
# Third Quarter, Fiscal Year 2014

Comments: Utility cost increases are slowing due to efficiencies installed under the federal stimulus program and improvements in building maintenance. Out of 152 third quarter projects for FY14, 22 projects were off schedule including three with funding issues, two with unforeseen conditions, and one due to weather conditions. However, 16 were due, to large extent, from poor planning on the part of the state and weak project management. The program is working to find the right balance between leased and state-owned space and FTE per usable square foot.

| **Transportation Services Program** | Budget: $10,729.3 FTE: 34 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 14 | State vehicle fleet beyond five-years* | new | 52% | 20% | 52% | 59% | 54% | R |
| 15 | Short-term vehicle use | 45% | 47% | 49% | 72% | 50% | 73% | G |
| 16 | Vehicle lease revenues to expenses | 97% | 76% | 90% | 92% | 108% | 98% | G |
| 17 | Vehicles accumulating 1,000 miles per month | new | 41% | 46% | 35% | 30% | 25% | R |
| 18 | Revenue generated thru Surplus Property | $620.0 | $535.3 | $551.4 | $266.7 | $359.4 | $269.4 | G |
| **Program Rating** | | Y | G | | | | | Y |

Comments: Out of 1,988 fleet vehicles, half are older than five years and only a quarter accumulated more than 1,000 miles per month. However, the percent of short-term vehicle use in the first three quarters of FY14 reflects more short-term vehicle use when compared with FY13 and FY12. This is because of efforts to remove underutilized agency vehicles, more relaxed in-state travel policies and hopefully less personal vehicle use. The number of older vehicles will decline once new vehicles are received, replacing older model years. This should reduce expenses by having fewer older vehicles to maintain and operate.

| **Procurement Services Program** | Budget: $2,293.3 FTE: 28 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 19 | Government employees trained on Procurement Code compliance and methods (cumulative) | 636 | 754 | 600 | 106 | 231 | 357 | Y |
| 20 | Procurement code violations (cumulative) | 50 | 21 | 20 | 4 | 22 | 27 | Y |
| 21 | Small businesses assisted (cumulative) | 327 | 1,361 | 325 | 317 | 317 | 432 | G |
| 22 | Awards to companies with a NM preference out of total contracts awarded (cumulative) | | 100 of 538 | 105 | 2 of 46 | 11 of 103 | 11 of 132 | R |
| 23 | Sole source procurements (cumulative) | 45 | 132 | 119 | 45 | 78 | 141 | R |
| **Program Rating** | | G | G | | | | | Y |

Comments: The number of procurement violations in FY13 declined significantly from FY12 but is on the rise for FY14, mostly due to an invalid purchase order or contract and often reflect inadequate training and oversight. Measure 23 reflects the creation of a new online portal to track sole source and emergency procurements. Prior to that, state agencies were not required to disclose sole source procurements which are often propriety, a health or safety threat, or an emergency. The number of small businesses assisted includes those that registered using the online vendor registration portal.

| **State Printing Program** | Budget: $1,711.6 FTE: 17 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 24 | Revenue generated* (cumulative) | $1,146.4 | $1,565.2 | $1,721.7 | $150.1 | $409.0 | $1,003.2 | Y |
| 25 | Sales growth in revenue compared with two fiscal years prior (similar legislative session) | 22% | 1% | 10% | 20% | 14% | 27% | G |
| **Program Rating** | | Y | Y | | | | | Y |

Comments: Despite vacancies, the program projects an increase in revenue when compared with similar quarters in FY12.

* Denotes House Bill 2 measure

**Performance Report Card**
**Administrative Office of the Courts**
**Third Quarter, Fiscal Year 2014**

**Performance Overview**: The Administrative Office of the Courts continues to experience cost overruns in the jury and witness fund. The Judicial Automation Program concluded the implementation of an electronic case management system in district and magistrate courts. Implementation of the new system will likely result in efficiency gains in those courts. The Magistrate Court Program has been forced to maintain vacancies but has not seen significant service interruptions.

| | **Administrative Services Program** Budget: $11,268.8 FTE: 41.8 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 1 | Average cost per juror* | $49.76 | $51.93 | $50.00 | $58.92 | $56.67 | $49.55 | G |
| | **Program Rating** | G | Y | | | | | Y |

Comments: The main driver of costs in the jury and witness fund is interpreter costs. AOC is trying to come into compliance with federal Title VI, which requires courts to make interpreters available to parties involved in criminal and civil litigation. Interpreter costs rose from 17.6 percent of jury and witness fund expenditures in FY02 to 36 percent in FY13. Despite reducing juror pay, fund expenditures continue to increase. Since FY08, the AOC only reached the cost per juror target in FY09 and FY12. While juror payments were made timely through the third quarter, the AOC projected that without the award of emergency funding in FY14, juror payments may be suspended in the fourth quarter. In May 2014, the Board of Finance approved a $464 thousand grant to the AOC to cover the entirety of the projected FY14 deficit in the jury and witness fund.

| | **Judicial Automation Program** Budget: $9,070.0 FTE: 51.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 2 | Average time to resolve automation calls for assistance, in hours* | 8.6 | 16.7 | 10.0 | 12.3 | 13.8 | 4.5 | G |
| | **Program Rating** | G | Y | | | | | Y |

Comments: The Judicial Information Division (JID) implemented the Odyssey case management system (CMS) in Metropolitan Court (Metro Court) in Bernalillo County in March 2014. The Metro Court has the highest volume of cases and the level of customization required made it the most complex of the implementations to date. JID has now completed implementation in all courts except the Court of Appeals and Supreme Court. The dramatic decrease in time to resolve calls for assistance between the second and third quarter is likely related to a 47 percent increase in calls for assistance over this period; as the call volume increased, the nature of the assistance required became less complex. JID management is working to understand the reasons behind the increase in call volume.

| | **Magistrate Court Program** Budget: $29,086.7 FTE: 342 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 3 | Bench warrant revenue collected annually, in millions* | $3.08 | $3.30 | $3.10 | $0.78 | $0.76 | $0.85 | G |
| 4 | Percent of cases disposed as a percent of cases filed* | 101.7% | 101.1% | 95.0% | Annual | | | |
| | **Program Rating** | G | G | | | | | G |

Comments: The warrant enforcement program within magistrate courts is on track to meet the target for bench warrant revenue collected annually. AOC reported an FY14 warrant enforcement fund balance of $2.3 million. Much of this funding will been used to pay for lease costs in magistrate courts statewide. AOC provides data for measure 4 on an annual basis.

| | **Special Court Services Program** Budget: $9,353.7 FTE: 4.5 | FY12 Actual | FY13 Actual | FY14 Target | Q1 | Q2 | Q3 | Rating |
|---|---|---|---|---|---|---|---|---|
| 5 | Number of monthly supervised child visitations and exchanges conducted* | 1,258 | 1,022 | 1,000 | 998 | 978 | 989 | Y |
| 6 | Number of children to whom court-appointed special advocates (CASA) volunteers are assigned* | n/a | 1,553 | 1,200 | 1,356 | 146 | 117 | G |
| | **Program Rating** | G | G | | | | | G |

Comments: AOC requested a change in measure 6 to reflect children served rather than cases to which a CASA volunteer is appointed because a single case may have multiple children but a CASA volunteer may serve only one child in a case. The first quarter total for measure 6 is high because it counts ongoing cases and cases initiated in the first quarter. The decrease between the second and third quarters may be attributable to staff transitions in the 3rd and 13th judicial districts. The AOC anticipates the number of children served by CASA volunteers will increase in the fourth quarter.

* Denotes House Bill 2 measure

# New Mexico IT Projects by Agency - FY14 Q3 Status Report*

| Agency | Project description | Total State Appropriations | Total Federal | Est. Total Cost | Spent to Date | Project Stage | Est. End Date | Milestone(s) achieved last quarter | Milestone goal(s) for next quarter | Project status | Budget | Schedule | Functionality |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 333 TRD | **MVD Driver Reengineering:** Replace the MVD Driver and Vehicle Systems with an integrated system. | $16,000,000 | $0 | $48,406,385 | $4,460,993 | Implement | 9/5/2016 | Final contract award with FAST Enterprises including IV&V and project management. All hardware and software has been ordered and development and test environments are in place. | "Definition" tasks, including determining how RFP requirements will be met by the Tapestry system and how NM MVD business rules will be incorporated into the software package. | Estimated completion date for the driver component is 05/29/15; the vehicle component completion date is 09/05/16. During the final planning stage, MVD moved the schedule out by a few months and increased the budget forecast slightly (less than $600 thousand) to accommodate more full-time staff to the project. "Spent to date" for the new system is reset from the cancelled HP contract (May 2011); some of the $4 million invested in the failed Milagro project can be leveraged for the new project. Approximately $16.3 million in previous general fund appropriations is available for the new project. Vendor is on site and initial IV&V reports shows a "green" status for the project. | | | |
| 333 TRD | **GenTax Upgrade:** 1) Upgrade GenTax V6 to V9 2) Replace Refunds/TOP V5 module with core Refunds/TOP V9 module 3) Provide TRD with a Business Credit Module 4) Pilot a stand-alone version of the data warehouse programs into the GenTax Data Warehouse 5) Improved reporting | $6,230,000 | $0 | $6,230,000 | $4,866,635 | Implement | 6/30/2014 | Business credit manager module implemented. | Service release 1.1 of the business credit manager (service releases contain a collection of updates, fixes and enhancements). | Project is within scope, schedule and budget. TRD reported $5.8 million in increased revenue collections since it began the upgrade. In 2012, the Legislature appropriated $6 million in general fund. In 2013, the Legislature appropriated an additional $1 million to purchase “enhanced maintenance” for the system, which includes 4 dedicated contractors to support system upgrades and increased functionality such as improved fraud detection. The department states the total annual cost of the enhanced maintenance for GenTax is $2.75 million, which has been incorporated into the FY15 operating budget (and not reflected in the $6.2 million implementation appropriations). | | | |
| 333 TRD | **ONGARD** Mainframe Modernization: Full business process analysis and upgrade of oil and natural gas administration and revenue database system to the American Petroleum Institute (API) standard (expand current well number by four digits and add additional processing logic for horizontal drilling) | $6,100,000 | $0 | $4,000,000 | $1,700,000 | Initiation | 1/1/2015 | Release of RFP for ONGARD upgrade; initial evaluation of early vendor list. | Evaluation of vendor bids. | Stabilization of ONGARD largely completed; the system can run on DoIT's newly-upgraded mainframe. The IV&V vendor noted the management team did an excellent job of releasing the RFP, working with the vendor on the function point analysis (FPA - removing unused lines of code) and coordinating with the printing solution vendor. Since the first FPA (2008), the number of lines of code has been reduced from over 5 million to about 3 million through analysis of unused screens and processes. | | | |
| 361 DoIT | **SIRCITS:** (Statewide Integrated Radio Communication Internet Transport System) -- Two Part Project: 1) Complete Analog to Digital Microwave (DMW) conversion statewide to provide Middle Mile Broadband service, and; 2) Design and Build a Public Safety 700Mhz LTE Last Mile Service in Abq and Santa Fe. | $17,000,003 | $38,699,997 | $55,700,000 | $46,366,671 | Implement | 9/30/2014 | Completed design and construction at 27 sites. Antenna, waveguides, and routers/radios installed in more than 60 sites; over 1,300 miles have been put into production service. Memorandum of understanding with Customs Border Protection ongoing. | Construction at remaining two sites (weather permitting) and final equipment purchases. Begin design of the LTE system including RFP development. | The independent verification & validation (IV&V) contractor maintained the overall status at "yellow" because the project lacks an updated project schedule. The IV&V contractor noted that without the project schedule it is impossible to determine whether the project is on schedule or not; nevertheless, the contractor noted the project continues to make progress. Construction on Coyote and Eureka sites and the antenna installation on Tesuque Peak have been delayed until spring due to weather. The team updated the project completion schedule from July 2013 to September 2015. | | | |

| Agency | Project description | Total State Appropriations | Total Federal | Est. Total Cost | Spent to Date | Project Stage | Est. End Date | Milestone(s) achieved last quarter | Milestone goal(s) for next quarter | Project status | Budget | Schedule | Functionality |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 361 DoIT | **NM State Broadband Initiative:** The New Mexico Broadband Program (NMBBP) is mapping and planning broadband availability within NM. Includes planning, capacity building, and technical assistance elements. Project will implement strategic planning initiatives to determine the underserved populations and facilitate broadband adoption. | $1,332,544 | $4,762,287 | $6,094,831 | $3,457,520 | Implement | 1/13/2015 | Data gathering, processing and uploading of broadband availability to the National Telecommunications and Information Administration. | The NMBBP is staging a broadband gap analysis with associated digital literacy education of state senior centers and pueblo adult care centers. | The project is within scope, schedule and budget. NMBBP is working toward regional implementation plan pilots that will include the Northwest NM Council of Governments (Town of Milan). NMBBP has also contracted for help to develop a statewide strategic broadband plan which is to be presented to the Legislature in October 2014. | | | |
| 361 DoIT | **SHARE Replatform (hardware upgrade):** | $3,050,000 | $0 | $3,050,000 | $2,175,158 | Closeout | 3/15/2014 | Project closeout. | Production monitoring and closeout. | DoIT reported in April 2014 that it successfully replatformed SHARE on upgraded hardware and that the system is now stabilized, enabling long term application planning on the new platform. DoIT reports improved online and offline process run times and improved user experience and that it also created an on-premise SHARE disaster recovery environment with real-time data replication and failover capability. This project began in 2008 and suffered delays resulting in purchased equipment that was never used. DoIT reports over $3 million in IT, severance tax bonds, and operating budget certified to this project. | | | |
| 361 DoIT | **SHARE Software Upgrade:** | $5,000,000 | $0 | $0 | Unknown | Planning | TBA | Contractor (Oracle) completed *SHARE Financials Upgrade Project Upgrade Delta Analysis* report (needs assessment) July 2013 | Revised implementation plan. | With the completion of the SHARE replatform project (above), DoIT estimates it will have a revised plan to update SHARE software within a few months. In February 2013, the DoIT made a special request for funding to stabilize and upgrade SHARE; the appropriation was contingent on monthly written status reports and IV&V reports to the DFA, although to date none of the appropriation appears to have been used. Delay of this upgrade impacts other state IT systems, such as the HSD ASPEN project, which requires the completed upgrade for some necessary program interfaces. | | | |
| 341 DFA | **SHARE Cash Remediation Phase I:** Correct business processes and improper configuration of the original SHARE system which prevented timely and accurate cash reconciliation. An end goal for the DFA on this project is an audited Comprehensive Annual Financial Reports (CAFR) | $654,086 | $0 | $654,086 | $654,086 | Closeout | 2/1/2013 | Close-out of Deloitte contract to correct business processes, reconfigure SHARE and train end users. | Close out. | A significant amount of progress has been made toward identifying and correcting the problem that the general ledger cash account balances do not match balances in the state's cash accounts at the bank. Work in Phase I centered primarily on issues related to cash control processing, including restructuring bank accounts, improving agency business practices and implementing internal controls. DFA can now reconcile agency accounts on monthly, go-forward basis. | | | |
| 341 DFA | **SHARE Cash Remediation Phase II:** Fine-tune business processes related to disbursement activity (accounting approvals, staledating, etc.), automation of banking interfaces, reduced reliance on manual data keying and improved controls of General Ledger activity. | $54,000 | $0 | $4, 500,000 | $54,000 | Initiation | 6/1/2015 | | | During Cash Remediation Phase I, DFA identified additional deficiencies in business processes, system configuration and security. Phase II will implement leading business processes and controls for payment processing and general ledger processing, which DFA states will position the state for future software releases of SHARE. DFA identified $54 thousand in its FY14 operating budget for the initiation phase of this project but has yet to secure full funding for the project. | | | |

| Agency | Project description | Total State Appropriations | Total Federal | Est. Total Cost | Spent to Date | Project Stage | Est. End Date | Milestone(s) achieved last quarter | Milestone goal(s) for next quarter | Project status | Budget | Schedule | Functionality |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 341 DFA | **SHARE: Unreconciled Historical Balances:** Assess and address the $101 million dollar contingent liability against the state's general fund reserve due to the historical problem that state general ledger balances have not matched cash balances at the bank. | $1,000,000 | $0 | $1,000,000 | $0 | Initiation | TBA | Contract negotiations with Deloitte | Sign contract; Development of project roadmap | DFA was appropriated a $1 million special appropriation in 2014 for a review and reconciliation of bank versus book transactions from the implementation of SHARE (2009) through January 31, 2013. A $1 million contract to research past items has been in negotiation and is expected to be finalized June 2014. The contractor's first deliverable is a roadmap for the project to include estimated timelines, milestones, and cost detail. The state's unaudited FY12 CAFR reported the contingent liability against the state's general fund reserve at an additional $31million, bringing the total to $101million. | | | |
| 630 HSD | **ISD2 Replacement (ASPEN):** Replace Income Support Division (ISD), Integrated Service Delivery (ISD2) Systems into one integrated system: 1) Calculation Engine (ISD2) 2) Client Tracking System (CTS) 3) Claims System -- Refunds and Intercepts 4) Incorporate Health Care Reform | $18,497,513 | $96,389,438 | $118,760,357 | $86,544,667 | Closeout | 2/1/2014 | Wave 4 roll out ("clean-up"). | Decommission the previous ISD2 Legacy system. | Recent problems with delays of benefit approval within the Income Support Division appear to be more related to business processes surrounding the implementation of Medicaid expansion rather than to the implementation of ASPEN; however, a district court judge has ordered HSD to cease the process of terminating benefits through the ASPEN system, which is designed to disqualify new and renewing applications after 30 days if a caseworker has not reviewed the case. | | | |
| 630 HSD | **ASPEN – State Based Marketplace (SBM):** Enhance ASPEN to accommodate the transition from the federally facilitated marketplace (FFM) to a state based marketplace to be implemented by the New Mexico Health Insurance Alliance. | $0 | $17,967,936 | $15,102,121 | $0 | Implement | 10/1/2014 | Requirements and design completed in April 2014. Deloitte set up environments to begin developing interface. | Begin development: includes quality assurance testing and user acceptance testing development. | Project is within scope, schedule, and budget. HSD & NMHIX are working with the Center for Medicare & Medicaid Services (CMS) on requirement to interface with both FFM and SBM for the October to December 2014 period. | | | |
| 630 HSD | **MMIS Enhancements Project:** Design, develop and implement 11 subsystem enhancements to the NM Medicaid Management Information System (MMIS). The MMIS ("OmniCaid") is owned by HSD and hosted by the state fiscal agent Xerox State Healthcare. | $1,446,038 | $12,031,188 | $13,477,226 | $12,017,024 | Implement | 10/31/2014 | Web portal upgrade. | International statistical classification of diseases and related health problems - 10th edition (ICD-10) remediation. | The IV&V vendor noted the project lacks a "central repository" in which all Centennial Care requirements are documented, maintained and traced through each phase of the development cycle. Consequently, IV&V cannot not fully determine if all phase 3 requirements were tested adequately. IV&V requests improved documentation, including a "traceability matrix" for future developments. The trend for the project remains "static" because business team resources continue to struggle to review and approve documentation in a timely manner. Xerox continues to work ahead "at risk" to meet implementation deadlines. This is a documented risk that has been accepted by the project management team. | | | |
| 631 DWS | **UI Tax:** Implementation of a new UI System that will replace the Tax, Claims, and Program Integrity applications. | $0 | $48,902,806 | $48,884,811 | $48,255,473 | Closeout | 12/31/2013 | 2013 sequestration cuts implemented | Close out. | The DWS system went live January 7, 2013, and was largely successful although not without issues, including long call center wait times and delays in UI claims determinations. Performance of the new system is tracked by federal metrics for benefit timeliness and quality. Federal funding amounts are estimates; the WSD continued to receive funding for ongoing system enhancements beyond original project estimates. DoIT reports the project made substantial progress including much-needed reconciliation of the project's past spending records. | | | |

| Agency | Project description | Total State Appropriations | Total Federal | Est. Total Cost | Spent to Date | Project Stage | Est. End Date | Milestone(s) achieved last quarter | Milestone goal(s) for next quarter | Project status | Budget | Schedule | Functionality |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 690 CYFD | **EPICS** is a multi-phase/multi year project to consolidate CYFD's legacy system (FACTS) and 25+ stand-alone systems into one enterprise-wide web application. The system will support program efforts to build a rapid response to federal, state and local requirements. A comprehensive view of clients and providers will increase productivity, direct client care and client safety. | $4,826,700 | $5,680,067 | $10,506,767 | $3,958,011 | Implement | 6/30/2017 | Phase 3A Race to the Top | Phase 2 (Client Management) and Phase 3 (Service Management) are ongoing. | In June 2013, the team was compelled to remove the planned automated SHARE interface from phase I of the project due to ongoing delays with efforts to update the state's SHARE system; CYFD has since implemented a contingency plan for manual reporting to the Department of Finance and Administration (DFA). The IV&V vendor reports the project is progressing and is currently within budget and on time. | | | |

Source: DoIT IT project status reports, agency status reports, project certification committee documents, IV&V reports, and LFC analysis.

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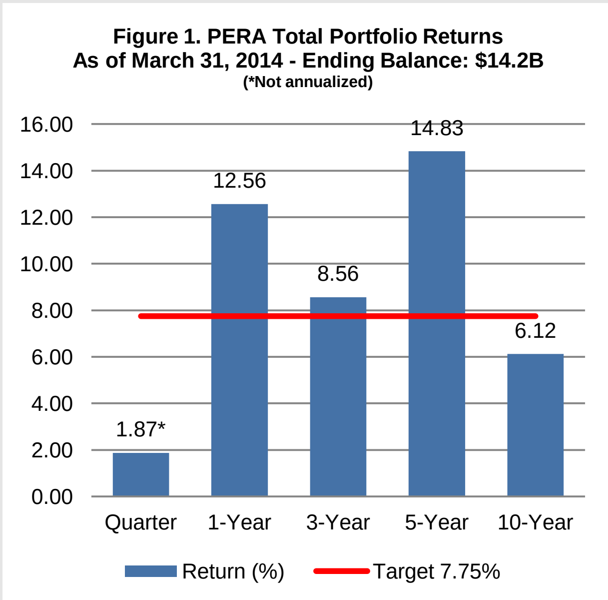
## LFC INVESTMENT REPORT FOR THE QUARTER ENDING MARCH 31, 2014

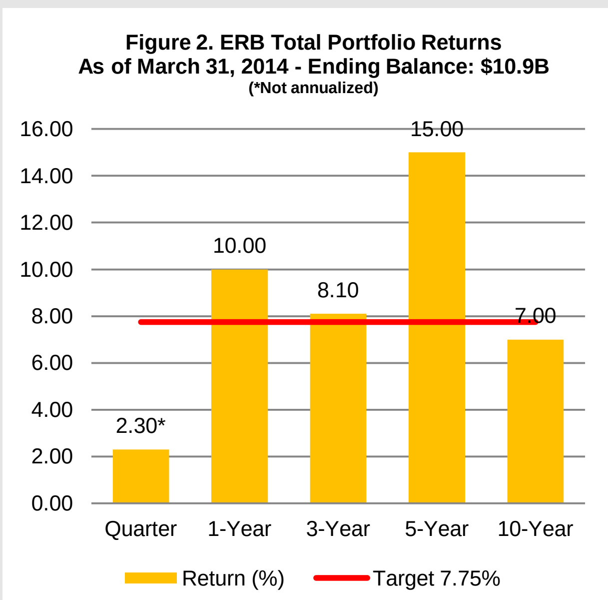
This report details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC). It explains how the returns generated by these agencies differed from that of the archetypical fund and how their management and consultants added or subtracted value. Because long-term performance is an important metric, this report includes fund returns and comparative rankings for the one, three, five, and ten-year periods and attribution analysis for the quarter, one, and three-year periods.

**Market Environment**

- The U.S. stock market, represented by the Wilshire 5000 Total Market Index, rose 2.04 percent in the first quarter of 2014, surpassing the 1.81 percent return of the Standard & Poor's 500 Index and marking the seventh consecutive quarter of positive performance for U.S. equities;
- Public-market real estate stocks showed gains in the first quarter despite the harsh winter weather with lower interest rates providing support. The Wilshire U.S. Real Estate Securities Index returned 9.99 percent over the quarter, the strongest performers of the broad stock sectors as well as real assets in general; and
- The bellwether ten-year U.S. Treasury interest rate dropped from 3.04 percent to 2.67 percent from December 21, 2013 to March 31, 2014. Bonds in that maturity settled at 2.73 percent as of March 31, 2014. Yield on two-year U.S. Treasuries rose 6 basis points to 0.44 percent, while the thirty-year U.S. Treasury yield fell 40 basis points to 3.56 percent.

**Returns and Ending Balances**. Figures 1 through 3 show the respective investment agencies' returns for the quarter and the one, three, five, and ten-year periods ending March, 31 2014. The annual target returns for the three investment agencies are 7.5 to 7.75 percent. Although the agencies' returns for the quarter fall below the target, the one, three, and five-year returns exceed it. Ten-year returns reflect lesser investment performance because they are a function of adverse economic conditions and asset allocations that did not include alternative investments given policy restrictions imposed at the time.



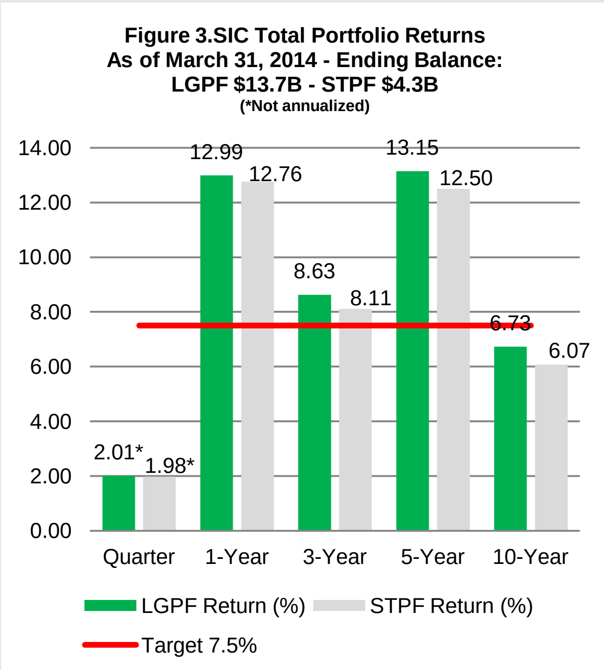




PERA’s investment policy establishes the fund's primary objective is to prudently invest assets in order to meet statutory obligations to its members. The fund's assets are managed to reflect its unique liabilities and funding resources, incorporating accepted investment theory, prudent levels of risk and reliable, empirical evidence. Specifically, PERA’s board has adopted the following principles:

- Strategic asset allocation is the most significant factor influencing long-term investment;
- Risk is unavoidable;
- Diversification both by and within asset classes is the Fund's primary risk control element;
- The fund's liabilities are long term and the investment strategy must therefore be long-term in nature; and
- Sufficient liquidity will be maintained to meet anticipated cash flow requirements.

ERB’s investment philosophy and techniques are based upon a set of widely accepted investment models. The investment philosophy is summarized as follows:

- Develop and maintain strategic asset allocation targets and ranges that optimally attain objectives of return and risk;
- When appropriate, ERB seeks to profit from capital market inefficiencies and market dislocations that may occur periodically;
- Investment positions take trading costs into consideration;
- Monitoring of investments and asset managers is a good administrative practice;
- Performance measurement and attribution analysis are essential in assessing effectiveness of investment strategies; and
- Rebalancing of the fund’s assets is necessary for attainment of investment objectives.



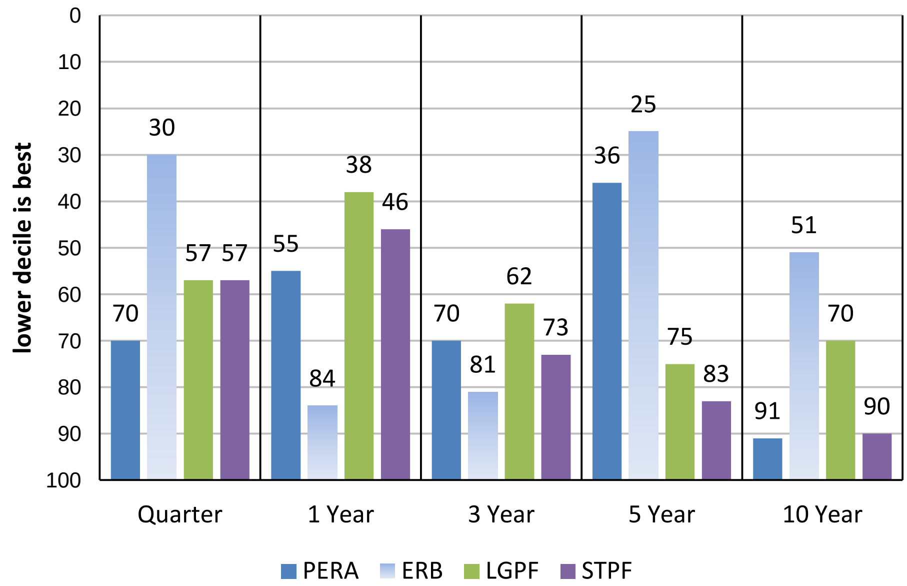

SIC invests the Severance Tax Permanent Fund (STPF) and the Land Grant Permanent Fund (LGPF), and its investment goals are to preserve the permanent endowment funds and to provide future benefits by growing the funds at a rate at least equal to inflation. SIC seeks to manage the funds to ensure that future generations receive the same or greater benefits as current beneficiaries, while maximizing current distributions through time to provide current revenue sources to the state's general fund. Total return, which includes realized and unrealized gains, plus income, less expenses, is the primary goal of the funds. In order to meet the investment objective, the SIC has adopted the following principles:

- Strategic asset allocation is a fiduciary duty and allocation across asset classes is the most important determinant of return variability and long-term total return;
- Risk is an unavoidable component of investing;
- Diversification by asset class and within asset classes is a primary risk control element;
- To preserve the purchasing power of the corpus and to provide benefits, the funds should have a long-term strategic asset allocation; and
- Sufficient liquidity will be maintained to meet the anticipated cash flow requirements of the funds.

The returns and balances of the STPF and LGPF are shown separately in Figure 3. A portion of the STPF is invested in economically targeted investments (ETIs) that typically perform below-market because the investments are not targeted solely at delivering returns. SIC, as authorized by the Legislature, can justify an ETI's reduced level of expected financial return, with the expected economic development benefits that the investment is expected to deliver. The LGPF does not have ETIs in its portfolio and so is a better gauge of SIC's performance. The difference in return between the two is a rough approximation of the opportunity cost of these initiatives.

**Peer Total Return Rankings**. Figure 4 shows peer total return rankings for the agencies' large funds for the quarter, one, three, five, and ten-year periods. A lower rank (1st is best) denotes better performance when compared to other public funds. These comparisons are made using the Wilshire Trust Universe Comparison Service (TUCS), a benchmark for the performance and allocation of institutional assets that includes approximately 75 public funds with more than $1 billion in assets.

**Figure 4 - TUCS Universe Rankings as of March 31, 2014**
**(public funds > $1 billion)**




Staff from all three investment agencies notes their respective performance rankings in the long-term are affected by limitations of their asset allocations at the time and by adverse economic conditions during the recession. That means before the agencies changed their investment policies toward diversified portfolios (through the use of alternative assets), the volatility of equity markets during the last 10 years had a larger effect on their returns.

Investment agencies have expressed concerns about the reliability and usefulness of TUCS rankings because of uncertainty related to the reporting requirements of public funds included in the universe. Further, staff notes some of the funds may be reporting returns gross-of-fees rather than net.

**Attribution Analysis.** There are three basic ways that a fund's returns can differ from the average: the policy, allocation, and manager effects.

***Policy Effect.*** A fund can have a long-term policy allocation (known as the "policy index") target that has a more or less aggressive proportion of risky assets such as stocks. For instance, if risky domestic assets such as U.S. stocks (equities) performed well, an index that has more domestic equities should outperform the average. Measured in isolation, such a change in performance is known as the "policy effect," and it is an essential responsibility of the fund's trustees.

The most appropriate measurement of a policy allocation benchmark is a comparison to a defined peer group. Figure 5 shows the funds' policy effect as measured by comparing the funds' policy indices to the TUCS median fund actual return to allow uniformity and consistency across the three funds. The TUCS median return is gross of the allocation and manager effects, and the measure is therefore a rough estimate of the policy effect. (The investment agencies' policy target allocations are included in Figure 8, on page 9 of this report.)

**Figure 5 - Quarterly, One-Year, 3-Year Policy Effect (%) For Period Ending 3/31/14**


PERA's policy index returned 0.07 percent less than the median fund in the quarter, 1.64 and 1.51 percent less during the one and three-year periods. PERA's Chief Investment Officer, Jonathan Grabel, recently announced that as part of a new asset allocation framework recently approved by their board, PERA will increase their alternatives exposure target (including private equity, hedge funds, real assets and real estate) from 20 to 23 percent.

The SIC's LGPF investment policy calls for a 37 percent allocation toward domestic equities, and a 15 percent allocation toward non-U.S. equities. The SIC's policy index performed 5 basis points below the median fund in the quarter, and 53 basis points above the median fund during the year. The policy produced 40 basis points below the median fund in the three-year term.

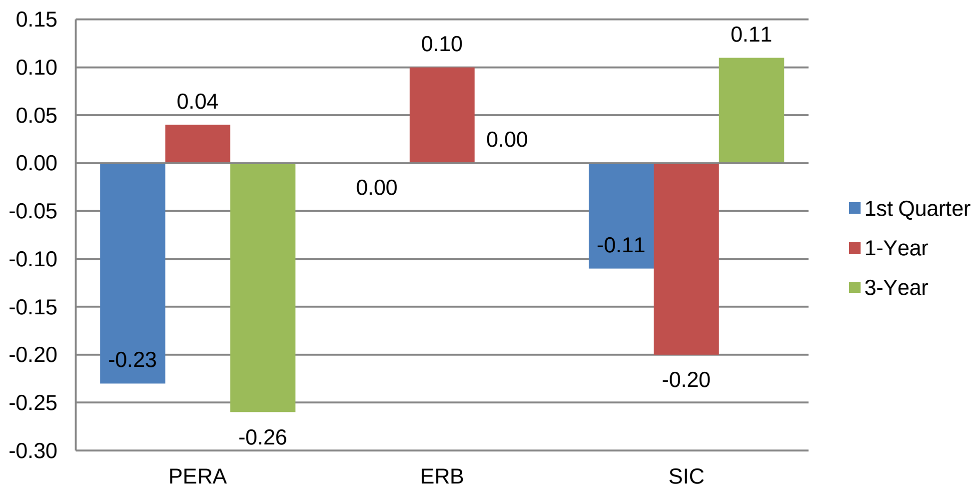
ERB's quarterly policy index performed 13 basis points above the TUCS median fund performance. ERB notes the large effect for the one-year period is mainly due to the agency's lower policy weight in equities in general and particularly, in domestic equities, which performed well during the last 12 months, with the Russell 3000 and S&P returning 22.6 percent and 21.9 percent, respectively.

***Allocation Effect.*** The second way that a fund's return can be affected is by deviation from asset allocations called for by policy. As a matter of practice, investment officers are constantly confronted with allocation decisions when transitioning or rebalancing portfolio managers or asset classes.

Asset prices and values can vary in the short run, causing the allocation toward an asset class to drift from its long term target. Almost all rebalancing policies contain some flexibility for staff or the chief investment officer to operate within set boundaries. The three funds constantly see contributions coming in and distributions going out. Further, cash is being generated in some portions of the portfolio, and called or used in others, which can also cause asset allocations to deviate from policy. The investment officer may have the option of letting money sit in cash or incurring the cost of temporarily covering the allocation through the futures market or some other avenue, depending on policy authority. Rebalancing authority afforded the chief investment officer is dictated by investment policy, resulting in differing degrees of authority delegated by each fund.

The difference between the funds' temporary and long-term allocation is known as the "allocation effect" and is interpreted as investment return added or lost. Figure 6 shows the allocation effect graphically for the quarter, one-year, three-year, and five-year periods.

**Figure 6 - Quarterly, One-Year, and 3-Year Allocation Effect (%)**




PERA's return lost 23 basis points during the quarter due to an underweight in total fixed income and international equities. As PERA's allocation continues the transition from equity to a higher proportion of alternative assets, this underweight should decrease. In the one-year period, PERA gained 4 basis points due to underweight in liquid Alpha and real assets and overweight in absolute return and international equity.

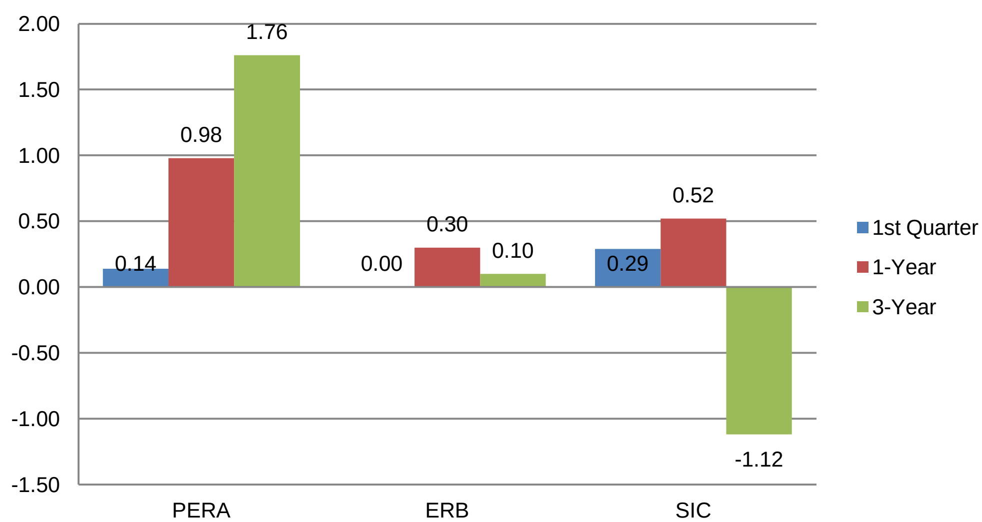
Like in the last quarter of 2013, ERB's first quarter of 2014 allocation effect was zero while their one-year results shows a positive 10 basis points. This resulted from value gained by deviation from allocation targets in U.S. equities and opportunistic credit, offset by a reduction in value due to an underweight in the private equity allocation.

During the quarter, SIC's return was 11 basis points below the median because of underweight to non-U.S. equity, private equity, real return and to real estate, which offset value lost due to overweight in private equity and fixed income. The one-year allocation effect for the SIC was -20 basis points. Value added by underweight to real estate, to real return, and to non-U.S. equity couldn't offset lost value from overweight to fixed income, U.S. equity, and cash equivalent assets. SIC notes that fund managers seek to minimize the magnitude of the allocation effect as deviations from policy do not tend to occur intentionally in an effort to increase returns. According to SIC, an over allocation to fixed income and cash equivalents hindered the portfolio, but overall asset allocation helped performance due to an overweight to US equity and underweight to non-US equity, real return, real estate, and private equity.

***Manager Effect.*** The third way that value can be added or subtracted from a fund is through the use of active management. For instance, a fund can buy a security such as the institutional version of the Standard & Poor's Depository Receipts (SPDRS) commonly used by retail investors. These securities are composed of a relatively fixed basket of securities that track the S&P 500 index. Alternatively, the fund can employ a manager who will trade individual securities given his perspective of individual stocks. This is known as "active" investing. The difference between the return of the index and the portfolio of the active manager is known as the "manager effect."

Figure 7 shows manager effects for all three agencies during the quarter, one-year, and three-year periods. PERA's managers contributed to a quarterly manager effect of 14 basis points. The 98 basis points manager effect in the 1-year period was realized through allocation in domestic equities and absolute return. ERB's manager effect in the quarter was zero. The 1-year period remains unchanged from the previous quarter with 30 basis points because of offsetting gains in opportunistic credit and losses in global tactical asset allocation (GTAA). SIC's quarterly manager effect[1] show a gain of 29 basis points and their one-year period is 52 basis points. Value added in U.S. equity, fixed income, absolute return, and private equity assets did not offset value lost in non-U.S. equity and real estate for SIC.

**Figure 7 - Quarterly, One-Year, and 3-Year Manager Effect (%)**




**<u>Passive vs. Active Total Portfolio Investment Management.</u>** ERB, PERA, and SIC must make several decisions when implementing their respective investment policies. For instance, the policy must call for an asset allocation that appropriately diversifies the portfolio and balances risk and return. Agencies need to make decisions on how to implement the allocation, including whether to use an active manager or passively invest in an index.

Chief investment officers consider using active managers or investing in an index in an effort to maximize risk-adjusted net returns. In doing so, they use the concept of "Alpha" to measure the risk-adjusted returns of actively-managed investments. Alpha is the return in excess of the compensation for the risk borne and is derived from manager skill. The objective when deciding to engage in active management should be to generate enough Alpha to more than pay for the active management fees it costs to obtain. The active and passive distribution of all three investment agencies is described below using data as of March 31, 2014:

[1] The SIC notes that its net-of-fees performance analysis is based upon an estimate of SIC's investment performance developed by RVK.

- Of PERA's approximately $7.9 billion in public equities, $3.8 billion (48 percent) is actively managed. However, this amount will change in the near future because PERA's investment policy was recently adjusted to reduce its equity allocation in favor of fixed income. Further, about $2.4 billion (95 percent) of PERA's alternative asset allocation is actively managed;

- Of ERB's approximately $4.1 billion in public equities, $1.6 billion (39 percent) are actively managed; in contrast, of the $3 billion invested in alternatives, $2.3 billion (76 percent) are actively managed. Further, ERB actively manages its entire $3.8 billion portfolio allocated in fixed income assets; and

- Of SIC's approximately $19 billion in assets between the LGPF and STPF, $15 billion (77 percent) is actively managed and of the $9.5 billion allocated to public equities, $5.1 billion (54 percent) is also invested by active managers. Further, SIC actively manages its entire investment allocation in the fixed income and alternative asset classes.

**Figure 8 - Investment Agency Policy Allocations**