

Legislative Finance Committee
April 10 – 11, 2014
State Capitol Room 307
Santa Fe, NM 87501

Thursday April 10, 2014

The following members and designees were present on Thursday, April 10, 2014: Chairman Luciano “Lucky” Varela; Vice Chairman John Arthur Smith; Representatives Henry “Kiki” Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, James P. White, and William “Bill” J. Gray; and Senators Carlos R. Cisneros, William F. Burt, Carroll H. Leavell, Howie C. Morales, George K. Muñoz, Stuart Ingle, and Mary Kay Papen. Guest legislators: Representatives Donald E. Bratton and Patricia A. Lundstrom.

Program Evaluation: State Personnel Office NEOGOV System. Brenda Fresquez, program evaluator, Legislative Finance Committee, presented the LFC program evaluation report titled, *State Personnel Office – Status and Functionality of NEOGOV and Impact to Hiring*. The State Personnel Office (SPO), as the state’s central human resource office, plays a critical role in the state’s recruiting and hiring process. This evaluation assessed the status and functionality of NEOGOV and identified specific points within the hiring process that potentially delay agencies’ hiring abilities.

Executive Summary. NEOGOV is used across the public sector by more than 1,000 entities, including 20 other states, it was inexpensive to acquire, with no costly upgrades. SPO implemented NEOGOV in November 2011 during FY12 to replace the recruitment tool in SHARE to make the application process easier and faster for applicants and make employment lists more meaningful for agencies. NEOGOV’s functionality facilitates SPO’s ability to comply with the Personal Act including certification of ranked employment lists. While NEOGOV automated many recruiting and hiring processes, state agencies continue to be challenged to timely fill positions with qualified staff. It appears there are inefficiencies due to static business processes and not necessarily NEOGOV.

Key Findings.

- NEOGOVS offers many advantages to users, as well as SPO.
 - The state’s applicant pool and the number of positions filled significantly increased.
 - NEOGOV capability to produce standard reports allows SPO and executive agencies to track the timeliness of the hiring process.
- SPO lacked sufficient documented business requirements prior to purchasing NEOGOV.
- SPO did not document how the previous system was out of compliance or perform a gap analysis. Instead, SPO indicated the NEOGOV’s business process review form served that purpose.
- SPO did not update its operating procedures to match the efficiencies gained with NEOGOV. The system is designed to streamline the recruitment process and reduce the time to hire by publishing job openings and accepting applications on-line. However, the approval process for all recruitment and hiring requests in place prior to the implementation of NEOGOV remained for 17 months after it was implemented.

- Since implementing NEOGOV software, New Mexico's time to hire increased from 69 days in FY12 to 78 days in FY14.
 - SPO's FY14 second quarter workforce report indicated the time to interview and process a hire (53 days out of 78 days) is the most significant portion of the hiring process.
 - In November 2013 State Personnel Board meeting minutes, the director reported the number of days to fill a position is elevated due to jobs not being closed out in the system.
 - Without access to NEOGOV data and reports, LFC staff could not verify SPO's analysis and reporting.
 - SPO's process for providing referred list to agencies limits the effectiveness of the NEOGOV system and the agency's ability to hire on a timely basis. SPO only allows the top 15 candidates to be referred to hiring managers. When an agency requests a list of 15 additional candidates, they must complete a request form and provide detailed information justifying the need. SPO reviews the justification and determines whether an additional list is warranted.
 - The LFC could not verify how often agencies request a list of additional candidates, if SPO is approving or denying the requests, or the length of SPO's turnaround time.
- SPO does not appear to have a formal mechanism to obtain agency and applicant feedback on the use of NEOGOV. Agency feedback to LFC, although limited, indicated the system is labor intensive and sometimes burdensome.
- The NEOGOV service level agreement with SPO limits the warranty, providing services on an "as is" basis and customer's use of services is at its own risk.
- Applicant who use NEOGOV cannot always tell if their application is accurate or complete. Applicants must attach the documents each time they apply. The system does not easily indicate how to upload the available documents, making it difficult to determine if the proper documents are attached. NEOGOV may not be user friendly and intuitive to all users. Fonts are small and extremely light, making reading difficult.
- The application process is cumbersome and because of administrative technicalities potentially qualified candidates are not considered, leaving agencies with an incomplete qualified applicant pool.
 - SPO no longer allows resumes to document work experience. All work experience must be included in the work experience section of the application.
 - Potentially qualified applicants are denied consideration for not attaching transcripts when a degree is required.
 - Transcripts may be uploaded after the application is submitted but must be included before the job posting closes.
 - SPO's automated notification letters now include a statement that allows the applicant to request a review of the determination within five business days. However, the notification states the applicant cannot amend or modify its application after the advertisement has closed. The notification also indicates SPO is available to review future applications, upload transcripts and provide other assistance in the application process.
- NEOGOVS functionality is not automated when assigning preference points.

- Statute allows up to 10 preference points to provide additional credit for being a New Mexico resident for up to five years.
- When applying the New Mexico resident preference points, HR analysts must apply a filter and manually enter the number of points. This becomes tedious and time consuming when agencies have a large volume of applicants to process.

The LFC presented the following key recommendations. The State Personnel Office should

- Review requirements for all stakeholders, document the requirements and create a requirements traceability matrix. A requirements traceability matrix may be used to determine if the current project requirements are being met.
- Conduct a formal survey for NEOGOV system users including state human resources staff as well as applicants.
- Work with a NEOGOV consultant on reviewing the implementation process and additional functionality the system offers.
- Determine if NEOGOV has the functionality to create a system link in the education section when there is a requirement for a degree and indicate whether or not the transcripts are attached.
- Automate the New Mexico residency preference points assignment.
- Provide standard reports on the hiring process to LFC with quarterly report card.

Eugene Moser, director, State Personnel Office (SPO), provided the agency's response. Mr. Moser talked about a January 2001 LFC report that studied hiring practices, ranking applicants based on qualifications, assessing qualifications and verifying transcripts. He said SPO had discussions with the National Association of State Personnel Executives (NASPE) and learned many states are using the NEOGOV system because it automates the process. He said SPO has reduced staff from more than 20 people responsible for processing applications through the system to 10. He noted the high volume of applications received by SPO from 123 thousand in FY09 to 206 thousand in FY13; he attributes the rise in applications to the online application process, stating applicants worldwide are accessing the site. Mr. Moser addressed the LFC finding that states the process is cumbersome, stating the system is more open and user friendly. He said an applicant can apply for a position online and the application is saved in the system allowing the applicant to apply for multiple positions.

Justin Najaka, compensation and classification director, SPO, noted the agency agrees the report gives an accurate overview of NEOGOV and how it is a solid system. He said NEOGOV has won numerous awards and is recognized as an industry leader by organizations such as Deloitte, Gartner and *Inc. Magazine*. Mr. Najaka said SPO did not fully implement until November 1, 2011. During the implementation phase, SPO worked extensively with NEOGOV to configure the system and bring it into compliance by re-establishing minimum qualifications with the job descriptions.

Mr. Najaka discussed why SPO chose to change from PeopleSoft talent acquisition module and talked about the areas SPO was out of compliance with the State Personnel Act. He said the act was created to establish a system of personnel administration based solely on qualification and ability, to manage state affairs. Section 10-9-13 NMSA 1978 requires the board rules to provide for the establishment of employment lists for the certification of the highest standing candidates

to the prospective employers to be followed in hiring from the lists. The board rules also support section 10-9-15 of the act, which requires lists to include names of ranked candidates who have applied and have met the minimum qualifications. Mr. Najaka said that the PeopleSoft system did not meet these needs. He said minimum qualifications were removed in 2001 and with that applicants were not accurately or quantifiably ranked due to the elimination of minimum qualifications. As a result agencies received a complete list of all applicants including those who were not qualified. Agencies could potentially receive a list of 200 applications and all of the supporting documents totaling 500 or more pages. Using PeopleSoft, there was no systematic requirement to verify educational requirements and veteran's preference points were provided prior to the final score rather than over and above as required by law 10-9-13.2 NMSA1978.

Mr. Najaka stated NEOGOV is a proven comprehensive public sector solution used by many states and is web-based, easy to implement, user friendly and affordable. He said there were no software, hardware or upgrade costs as it is a subscribed service. The annual subscription cost is \$50 thousand dollars a year. He went on to discuss working with the SHARE staff at the Department of Information Technology (DoIT) in 2011 and were advised it would cost between \$500 thousand and \$3 million and take up to two years to implement the functionality bringing the system up to the level NEOGOV provided immediately at a fraction of the cost. He said SPO was not aware DoIT approval was needed prior to subscribing to the NEOGOV service. However, once SPO became aware of the requirement the paperwork was submitted and the office received approval from the secretary of DoIT in a few days time.

Andrea Rivera Smith, Career Services Division director, SPO, spoke about improvement in processing time. She said the audit provides data from FY12 thru FY14, she noted the FY12 data is divided between PeopleSoft and NEOGOV and is not an accurate comparison. The implementation of NEOGOV occurred in the second month of the second quarter of FY12. The data from FY13 and the first two quarters of FY14 indicate the days to fill has remained consistent as documented in the State Personnel Office FY14 2nd quarter workforce report. The NEOGOV statistics referenced in the report were from all employers, public and private, on average and are estimated averages from a company marketing perspective as customers moved from a cumbersome and perhaps manual process to using NEOGOV. She said based on the states estimate's of pre-PeopleSoft data (134 days) as compared with the FY14 average of 78 days, there has been a 41.8 percent reduction to 56 days in the time to fill using similar formulas with similar criteria.

Mr. Najaka provided detailed responses to the audit recommendations. He said SPO is working with DoIT and NEOGOV to identify what factors need to be included in a traceability matrix. In response the recommendation to create a formal survey for NEOGOV users, SPO will develop an online survey instrument using Survey Monkey and make it available online. To review the implementation process SPO has an ongoing relationship with the original integrator and can review additional functionality with NEOGOV technical and functional support staff; however, there is no need to review the installation process as it was completed almost three years ago and was reviewed prior to the go-live date. In response to the recommendation for a security assessment, SPO and DoIT will not have a third party do a security assessment but will work with NEOGOV to get documentation on its third-party assessment. He said SPO will work with DoIT staff to develop and implement a contingency plan and will work with NEOGOV to obtain

documentation on its disaster recovery plan. In response to the recommendation to provide standard reports to the LFC, he stated data is already provided in a quarterly workforce report provided to the governor, State Personnel Board, state departments and the LFC throughout the year.

In response to the recommendation to require transcripts, Ms. Rivera Smith said NEOGOV does allow the user to create a “job template” that would stop users if they did not attach their transcripts; however, for the majority of positions advertised this template is not used due to the equivalency language provided in the minimum qualifications. She said SPO will contact NEOGOV regarding automating the application of preference points after a list has been ranked.

Retta Ward, secretary-designate, New Mexico Department of Health (DOH); Theresa Padilla, human resources director, NMDOH; Ed Burckle, secretary, General Services Department; Tom Church, secretary, Department of Transportation; and Mike Unthank, superintendent, Regulation and Licensing Department; testified to some challenges upon implementation of NEOGOV. However, in working with SPO, challenges were overcome and these agencies are generally happy with the NEOGOV system. Secretary Burckle expressed the need to speed up the process from certifying a candidate list to hiring a person. Secretary Church stated days to fill a position in his agency went from 129 days to 59 and reduced his vacancy rate from 23 percent to 13 percent. Superintendent Unthank said NEOGOV’s online process is user-friendly.

Secretary Moser made closing remarks stating the audit compares New Mexico with the state of Washington without pointing out significant differences in its utilization and Washington’s statutory obligations. He said the process is decentralized in Washington without statutory obligations. Each agency can use NEOGOV how they see fit. Some agencies use NEOGOV only for advertising and not to generate lists, some require transcripts while others do not, etc.

Charles Sallee, deputy director, LFC, clarified the scope of the project, which was to look at the software itself and its functionality. He said LFC did not assess whether or not agencies and SPO were using the software or business practices to hire the best-qualified candidates.

Senator Cisneros asked Mr. Moser to address the number of vacancies that exist across state government. Mr. Moser said it was due to two separate issues: one is budgetary and the other has to do with the system. He said the NEOGOV system does work, but the decision to fill a vacancy or not rests with the agency. In a number of cases related to the budget, budget availability has grown in the last few years and the data in the quarterly reports shows a dramatic increase in the number of positions filled. Senator Cisneros expressed concern with the high number of unfilled FTE, to which Mr. Moser responded that there was a significant movement to remove FTE out of General Appropriation Act because the numbers were distorting the vacancy rate. He said as the economy changes, agencies will start budgeting positions at midpoint rather than at entry level. The vacancy rate was artificially high because positions budgeted at entry level are actually hiring at midpoint or higher, meaning an agency cannot fill all positions. Senator Cisneros pointed out fund reversions, stating it is not a matter of budgetary constraint it is something else. He also expressed concern with the timeline in filling vacancies, stating three months is too long. Mr. Moser cited issues with the pay structure, stating when applicants look at the posted salary range, many look elsewhere because the starting pay is too low. Senator Cisneros asked if there

was a way for the system to notify applicants of their rank or provide feedback as to why they were not hired. Ms. Rivera Smith stated every applicant who applies gets an email with contact information and has an option to contact SPO, who will review the application and provide feedback.

Representative Larrañaga asked how NEOGOV is helping agencies hire difficult-to-fill positions. Mr. Moser said SPO is looking into different ways to include additions to base pay or differentials but that is not currently on the advertisement. He said SPO is working with agencies to attend job fairs or recruit at universities. Mr. Najaka added each job posting provides a minimum and maximum range listed at the top of each advertisement. Representative Larranaga asked if SPO is seeing a rise in the number of qualified applicants. Mr. Moser said in talking with agency heads, supervisors and employees, he receives reports of more qualified employees being hired. Ms. Rivera Smith stated the system allows for an opportunity for hiring managers to work with human resources to customize advertisements, so if the agency is looking for a specific skill, the advertisement can reflect that requirement.

Representative Larrañaga asked for clarification regarding the attachment of resumes to the application. Ms. Fresquez stated the NEOGOV system allows for the upload of the resume but it is not used as an evaluation tool. Instead the applicant is required to enter all their work experience into the application. Ms. Rivera Smith said for consistencies sake the applicant is required to fill out the work experience section of the application. SPO does not look at attached resumes because SPO provides ranked lists to employers and candidates receive points based on their responses.

Representative Larrañaga asked where SPO was regarding a request from LFC for a report on hiring times for key agencies. Mr. Moser said the information is available on quarterly reports. Representative Larrañaga asked for clarification if the information LFC is asking for can be found on the last quarterly report. Mr. Moser said it is provided but not with the detail being sought. Representative Larrañaga asked if there was an issue providing that information on a timely basis to which Mr. Moser said no, it isn't a problem.

Senator Munoz asked for clarification on vacancy rates and why they are set so high. David Abbey, director, LFC, said the budget documents have estimates for both the current fiscal year and the recommendation for next fiscal year. Agencies should take positions they don't need off the books. For example, the General Services Department has a 26 percent vacancy rate but it might have more positions on the TOOL listing of state employees than needed. Through the budget process, legislators need to be clear about trying to right-size the.

Miscellaneous Business

Action Items

Approval of January 2014 Meeting Minutes – Senator Cisneros moved to approve the January 2014 meeting minutes, seconded by Representative Saavedra. The motion carried.

Approval of 2014 Calendar and Committee Travel – Senator Cisneros moved to approve the 2014 calendar and committee travel subject to changes, seconded by Senator Leavell. The motion carried.

Information Items

Director Abbey highlighted the March cash balance report, stating the federal government is delaying reimbursing New Mexico for the expansion of Medicaid. He said the state plan has yet to be approved by the federal government. He said members will see large negatives in cash balances for Human Services Department in coming months. New Mexico will be reimbursed but will not get compensated for interest.

Corrections Department FY14 Budget Shortfall, Prison Population Growth Update and LFC Program Evaluation Status Report on Capital Outlay at Public Prisons. Gregg Marcantel, secretary, New Mexico Corrections Department (NMCD), briefed the committee on an FY14 budget shortfall. NMCD projected a need of \$5.4 million but requested \$2.3 million to work on being efficient and responsible to taxpayers. Aurora Sanchez, deputy secretary, NMCD, said it was not prudent for the department to request \$5.4 million and only requested \$2.3 million for inmate population growth, recognizing that the department would have to do everything possible to make up the difference. When the LFC recommendation came out, it was \$2.6 million below the requested amount. Ms. Sanchez said the department brought its budget shortfall concerns to House Appropriations and Senate Finance committees. The Senate Finance Committee restored \$900 thousand into the inmate management program but the budget remained \$1.4 million below the agency request and \$4.5 million below actual need. This reduction impacted competitiveness for salaries.

Secretary Marcantel gave reasons and background for high vacancy rates in the department, citing a 40 percent vacancy rate. He said moving forward the department still has low and non-competitive salaries for staff in these facilities. He discussed \$230 million in deferred maintenance as well as an increasing female population with no gender-specific services available. He cited a lack of inmate programming to reduce recidivism and also a decentralized records system that was not a good public safety practice. Secretary Marcantel said the department created a research and analysis unit to hold the corrections system accountable and added a recidivism reduction unit. There has been a reclassification and realignment of the positions and salaries in the prisons and facilities and a rise in staffing levels. Accountability has changed by updating the code of ethics and updating a computer tracking systems on misconduct.

Deputy Secretary Sanchez went over partnerships to reduce recidivism by ensuring current inmates have the necessary means to return to their communities. Private prisons are being held accountable and are more compliant with the rules and regulations. The department has also implemented an internal audit system to target high-risk, high-cost areas. The department is also focusing on a request for a proposal for operation of the women's facility and limiting spending unless it affects health, safety or the security of staff and inmates. Secretary Marcantel spoke about population projections and how they affect the budget request. He said population growth from 2012 to now is 221 inmates. Joe Booker, deputy secretary, NMCD, spoke about releasing eligible inmates and the challenges during their transition into communities.

Representative Varela asked about releasing eligible inmates and their accommodations. Secretary Marcantel explained that waiting lists are developed because of the limited amount of

halfway houses in the area. He said the department is looking at the female population and seeing the expansion of that population. NMCD is also looking for state property to develop and partner with a vendor to create a state-sponsored halfway house and take the savings of doing so to develop more halfway houses and build that investment. Deputy Secretary Sanchez explained there are no halfway houses in rural areas and it is difficult to find program providers. Another complication is that some providers in Albuquerque would rather take a federal parolee because the federal government pays.

Betty Fleishman, executive director, New Mexico Women's Justice Project, expressed concern with the request for proposal of an increase in women's beds to 850. She said historically if a jail has the space, it is likely to fill up. Secretary Marcantel added the intent is to reduce the prison population, not to grow the population. When there is an overcrowding of population in the facilities, especially for women, there is a shift in where they are to be placed and those women do not get the gender-specific programming they need.

Representative Varela asked if the opening of a new facility in Otero County contributed to the shortfall. Secretary Marcantel said that was not the cause, it is the lack of funding in the past that caused the shortfall.

Senator Cisneros asked two questions: When did the department realized it was facing a shortfall and is the increase in inmates due to recidivism or new crimes being committed. Deputy Secretary Sanchez said the department realized it had a shortfall in January 2013 when managers saw the LFC recommendation that went to the House Appropriations and Finance Committee. Senator Cisneros pointed out the actual need for inmate population growth based on the sentencing commission projections was \$5.4 million and NMCD only requested \$2.3 million. Deputy Secretary Sanchez said they needed \$2.3 million and could do things internally to absorb the rest. Senator Cisneros asked if the department asked for a supplemental during the session. Deputy Secretary Sanchez said they did request a supplemental and were asked to pull it back. Senator Cisneros asked who made that request to which Deputy Secretary Sanchez said it was done at the department level. Deputy Secretary Sanchez said if the Legislature would not have appropriated \$5.4 million even if the department had asked. Senator Cisneros asked if the executive recommendation was equal to the LFC recommendation. Deputy Secretary Sanchez said the executive recommendation was \$2.3 million.

Senator Smith asked if there was an increase in prison population nationally. Secretary Marcantel said population growth for men is relatively stable but not for women. Across the nation some states are experiencing similar issues but it is unclear if it is a national issue. He said over the last few years the department has changed its approach in dealing with the rising population in women. In the past, the department was dealing with women from a male-dominated approach. A focus on the gender difference could result in different outcomes.

Agency 2nd Quarter Performance Report Cards. Maria Griego, program evaluator, LFC, and Mary McCoy, senior fiscal analyst, LFC, gave the committee an overview of the second quarter performance report cards. Halfway through FY14, agency performance results are mixed. In the case of agencies dependent on staff to provide direct services, such as in the departments of

Corrections, Health, and Children, Youth, and Families, results were impacted by high vacancies. The performance review now also includes a quarterly investment report.

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

Education

- The format for report cards for both the Public Education Department (PED) and Higher Education Department (HED) were revised to focus on the departments' efforts and programming. Because these departments generally report annual, not mid-year, results from school districts and higher education institutions, this new format highlights the department's responsibilities more clearly.
- PED continues to struggle to provide adequate technical assistance and oversight to school districts and charter schools statewide, in part because of high vacancy and turnover rates. The most current organizational listing report (TOOL) indicates PED is operating with 204 FTE despite the agency having funding for approximately 50 additional FTE.

Human Services, Behavioral Health, and Medicaid

- The Human Services Department reported 66 percent of infants received at least six well child visits during the first 15 years of life, higher than the national average of 60 percent.
- The Behavioral Health Collaborative reported 72 percent of people receiving drug treatment and 73 percent of people receiving alcohol treatment showed improvement, but these results are lower than the performance targets of 80 percent and 90 percent, respectively.

Health

- The Department of Health indicated the number of individuals on the developmentally disabled (DD) Medicaid waiver program increased by 441 individuals from the first quarter and increased by 364 individuals from FY13. Currently, 4,193 individuals are reported as receiving DD waiver services, while 6,236 remain on the wait list. After further research, analysts found national benchmark data to provide more robust analysis for this department.
- New Mexico ranks fifth in the country with a suicide rate of 19.2 per 100 thousand persons compared to the national rate of 10.5 per 100 thousand persons.

Aging and Long-Term Services

- The 2010 study of senior hunger by the Meals on Wheels Research Foundation, Inc. reports 83,187, or 21.2 percent, of New Mexican seniors, ages 60 and over, are estimated to have food insecurity, which ranks second in the nation. ALTSD reports the rising cost of food and fuel resulted in flat service levels even though the annual budget has increased. The Legislature increased funding for meals and Aging Network services by \$1.6 million in FY13, \$1.3 million in FY14, and \$1.6 million for FY15 and should expect to see some increase in the number of consumers and meals served.

Children, Youth and Families

- Youth recidivism increased 1.4 percent in the second quarter.

- In FY15, the Protective Services program will receive significant additional resources for the care and support of children in custody, foster parents, and retention and recruitment pay increases for frontline direct service employees.

Transportation

- With 77 traffic fatalities reported in the second quarter, the Department of Transportation remains on track to meet FY14 targets related to traffic fatalities, even with the slight increase in non-alcohol fatalities reported in the second quarter.
- With a total of 44 in the first half of FY14, alcohol-related fatalities remain far lower than reported in previous fiscal years. The department attributes this improvement to high-visibility law enforcement operations and more intensive DWI enforcement programs.

Natural Resources

- Although the number of acres in the state treated for overgrowth increased in the second quarter to 4,484 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.

Economic Development and Tourism

- New Mexico now has the lowest effective tax rate for manufacturers in a nine-state western region, according to an updated tax competitiveness study by the New Mexico Tax Research Institute and Ernst & Young. The state's average effective tax rate for manufacturers dropped from 8.1 percent in a 2011 study to 3.3 percent in the updated study after applying tax credits -- well below the average of 6.3 percent for the remaining eight states. Yet, the state is lagging the region in job growth.

Workforce Solutions

- The average time to complete a transaction with the unemployment insurance call center increased to 68 minutes in the second quarter. The call center was significantly impacted during the second quarter by the federal government shutdown, seasonal agricultural workers, and the pending end of the Emergency Unemployment Compensation (EUC) program.

General Government

- The State Personnel Office reports it takes an average of 78 days to fill a position, nearly double the FY14 target and above FY12 and FY13 actuals.
- The statewide classified service vacancy rate of 15.3 percent declined significantly from FY12 and FY13 actual rates but remains above FY14 targets. State classified service employment levels are up slightly compared with the previous fiscal year.
- The Taxation and Revenue Department signed a contract with FAST Enterprises to implement its new computer system for managing driver and vehicle services records. The TRD project will be completed by the end of FY16 at a cost of \$16 million in general fund revenue and \$24.4 million in TRD fund balances and fee revenue.

- Tax collections, including delinquent property tax collections, are on target to meet goals for the fiscal year.

Cindy Martinez, analyst, Department of Finance and Administration, discussed collaboration between LFC and DFA to develop training and resources for agencies regarding performance measures. Ms. Martinez highlighted agencies stating HSD reports well-child visits for children and youth were at 91 percent for FY13 up from 86 percent in FY12. This exceeds the 90 percent average other states are reporting. Well-child visits for infants are currently at 66 percent for FY12 and exceed the national average in FY13. She noted the annual target for Aging and Long-Term Services number of hours of respite care in FY14 is at 370 thousand hours, which is expected to be met or exceeded by year end. Ms. Martinez noted the Department of Public Safety is doing well with DWI arrests per patrol officer as well as licensed alcohol premises inspections. She also noted the number of noncommercial motor vehicle citations issued as well as the number of motor carrier safety trainings completed are on schedule and should exceed FY14 targets. Ms. Martinez noted the Department of Transportation's vacancy rate of 19.4 percent in FY12 has dropped to 14 percent in FY13. State personnel reports retirements continue to significantly impact vacancy rates and the time it takes to fill positions.

Representative Leavell asked if there is a waiting list for the Meals on Wheels program. Ruby Ann Esquibel, principal analyst, LFC, stated analysts and evaluators have done site visits at senior centers and found issues with senior hunger and are looking at the price of food going up next year due to droughts in western states. Senator Smith asked for information regarding local community financial participation, stating there are some communities that can assist with funding but choose not to.

Representative Larranaga asked about school districts that have not submitted required audits and the fact that the public education department (PED) has not exercised the authority to withhold funding. Rachel Gudgel, analyst, LFC stated small school districts in particular have a difficult time completing audits and PED has the authority to withhold state equalization guarantee (SEG) dollars if districts are not meeting audit requirements.

Post-Session Fiscal Report. David Lucero, deputy director, LFC, briefed the committee on the purpose and use of the Post-Session Fiscal Report, which provides a summary of legislation enacted during the last legislative session and provides detail behind the \$6.2 billion general fund budget. The report provides a fiscal overview of what happened during and leading into the session as well as revenue estimates and the process used in developing the budget. It provides information for funding sources behind budget recommendations as well as revenue forecasts, any vetoes or actions by the governor as well as gives detail of what was appropriated for capital outlay projects.

Senator Morales asked for an update regarding the state's maintenance of effort on special education funding. Rachel Gudgel, analyst, LFC, said the state filed a waiver request for FY11 that was preliminarily denied. There was a hearing at the U.S. Department of Education discussing whether or not New Mexico could count federal stimulus funds in those years toward the MOE for the state support calculation. A decision will be made before May. Senator Morales asked what the plan if the state does not get the results the state is hoping for. Ms. Gudgel said it

depends on how the U.S. Department of Education assesses the state. They may choose to reduce the state's federal allocation of a single year or may be a single reduction in the base; some think it will be a single-year reduction. David Abbey, director, LFC, pointed out, if there is an adverse decision there is some conversation about appealing the decision in federal district court.

Friday April 11, 2014

The following members and designees were present on Friday, April 11, 2014: Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Henry "Kiki" Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, James P. White, and William "Bill" J. Gray; and Senators Carlos R. Cisneros, William F. Burt, Carroll H. Leavell, Howie C. Morales, Stuart Ingle, and Mary Kay Papen. Guest Legislators: Representative Donald E. Bratton

LFC Results First Brief: Evidence-Based Options to Improve Child Outcomes and Reduce Child Abuse and Neglect.

Charles Sallee, deputy director, LFC, stated each year the Children, Youth and Families Department (CYFD) receives approximately 30 thousand referrals of alleged child maltreatment. The department determines annually approximately 6,500 of those are victims of maltreatment, whether it is physical neglect, abuse or sexual abuse. About 300 of those children will be re-victimized within six months. About 2,600 of those children annually have issues within their families that are so severe the state removes them and puts them into foster care at least temporarily. For about 300 children a year, the department finds other adoptive safe homes for them. Mr. Sallee said approximately 15 children die of child abuse and neglect in New Mexico a year. The evaluation will examine the cost of child maltreatment, examine the current situation of child welfare system performance in New Mexico, and examine what works to reduce poor outcomes for children and families based on the best research available. Mr. Sallee reviewed costs associated with child maltreatment, stating \$900 thousand is spent on prevention services, \$11.3 million on intake and investigation, \$7.4 million on intervention services, \$36.3 million on foster care services, and \$30.5 million on adoption services. Protective services administrative overhead includes administrative staff, training, travel, rent and other capital costs for a total of \$27 million, bringing the grand total to \$113 million. A single case of child maltreatment resulting in adoption costs \$107 thousand. A foster care placement costs approximately \$21 thousand per year, compared with \$3,700 for in-home services. The majority of spending focuses on children once they have been taken into foster care. Most of spending is in adoption and foster care, partly because of federal policy. The federal response has historically been foster care and the financial apparatus makes much greater resources available from the federal government to house children in foster care and to provide adoption subsidies than it does to provide community-based in-home services.

The main federal funding stream the state receives for foster care is called Title IV-E, a federal entitlement program that includes a state match of about 30 percent of the cost for eligible children. The state is increasing spending state general fund money on foster care services because of archaic eligibility requirements that date back to welfare reform. The state is increasingly bearing a larger share of the foster care costs. The other major federal funding stream to the state is called Title IV-B, a program promoting safe and stable families that provides states flexibility to provide early intervention services, intensive family preservation services, and in-home safety services to keep the family preserved in a safe situation.

Mr. Sallee reviewed how children come into the system and discussed risk factors children face. New Mexico tends to have a higher degree of risk factors, such as a higher percentage of children in poverty. Low-income families do not maltreat their children because they are low-income but because the resources and strain that exist in families are at a higher level and much more concentrated in our state than other states. Mr. Sallee spoke about adverse childhood experiences that can impact overall life outcomes, stating New Mexico ranks the highest among all states on children with a drug-abusing caregiver in the child welfare system. He spoke about an increase in the number of allegations of maltreatment, with the largest increase in the area of neglect. He also discussed the uptick in length of time to reach disposition, with an increase from 69.8 days in 2010 to 86.4 days in 2012. About half of the children who are maltreated are under the age of 5 with about a quarter being infants to 3 years old.

About half of the children referred to CYFD were re-referred to CYFD and, in some cases, more than 20 times. Of 11,993 children from 2004, 6,432 were re-referred by 2012. Research indicates that prevention and intervention services can reduce re-referral. Mr. Sallee discussed the number of repeat victims within six months. In 2010, 228 children were repeat victims within six months. That number rose to 359 in the second quarter of 2014. He said New Mexico does not have a very robust front-end services system. The law is very clear about making the child's safety the highest priority but it is also very clear that the first choice is to provide in-home to try to preserve the family unit. He went on to discuss the number of child maltreatment fatalities, stating approximately 15 to 19 occur annually. Mr. Sallee talked about out-of-home services and the uptick in the number of children in foster care.

Jon Courtney, program evaluator, LFC, discussed what works and what can be done to better protect children and improve and strengthen families. LFC is working with a new tool that supports evidence-based policymaking and budgeting and is also partnering with Pew-MacArthur Results First initiative. This approach allows committee staff to assess cost-benefits using the best research and New Mexico data. Mr. Courtney outlined the five steps of the Results First process. Research shows that investing in families before it is necessary to remove children is a safer and more cost-effective approach. He went on to discuss the ranking and total benefit-to-cost ration by program. Results indicate New Mexico has potential favorable outcomes for many programs, including Alternative Response, Safecare, Nurse Family Partnerships and Triple P (all levels).

Alternative Response may also be called a family assessment response or differential response. It provides an alternative to traditional investigation. If there are no imminent concerns about a child's safety, an assessment can be conducted with a goal of engaging a family to determine strengths and needs and plan for the future. Research indicates the program should reduce maltreatment for low-income families by 11 percent and should reduce recurrence of maltreatment by 9 percent. New Mexico ran a pilot of alternative response in New Mexico from 2005- 2007. Results showed that families who accepted services had almost half as many repeat reports, had a lower rate of repeat maltreatment, and had fewer children removed and placed in foster care.

Safecare is aimed at reducing risk for children who already have been reported. It can be thought of as a type of home-visiting program that focuses on parenting skills and health and safety

skills. Currently no Safecare programs are being run in New Mexico, although research indicates it would give favorable outcomes including reducing maltreatment for low-income families by 12 percent and should reduce recurrence of maltreatment by 10 percent.

Nurse Family Partnership provides intensive visitation by nurses during a woman's pregnancy and the first two years after birth. It is targeted to high-risk low-income families and is intended to promote the child's development and provide support and instructive parenting skills to parents. Research indicates the program should reduce maltreatment for low-income families by 26 percent and should reduce recurrence of maltreatment by 22 percent. Mr. Courtney noted only about 50 families per year are served with this program.

Triple P (all programs) positive parenting program is a universal prevention program that aims to increase the skills and confidence of parents to prevent the development of serious behavioral and emotional problems in their children. Triple P has five levels of intensity; only one is run in New Mexico (level 4). Triple P (all levels) should reduce maltreatment for low-income families by 19 percent and should reduce recurrence of maltreatment by 16 percent.

Mr. Sallee spoke about financing what works for front-end services. The child welfare system benefits from the state increasing investments in home visiting. The state can strategically place and expand home visiting in pockets of the state as a child abuse prevention or early intervention strategy. Research suggests home-visiting programs are an effective tool for reducing the likelihood of child abuse and neglect. He discussed leveraging federal funds, such as Medicaid, to help with this expansion and also strategically reallocating state resources. He said reductions in out-of-home placements will free up resources for reinvestment. In summary, child maltreatment is costly and results in poor outcomes for children. Child maltreatment and recurrence of maltreatment is increasing in New Mexico and taxpayers and families would benefit from the state increasing investments in highly effective evidence-based programs.

Yolanda Deines, secretary, Children, Youth and Families Department, made some clarifications around the department's mandate versus what they are being asked to do. She said the mandate is to intervene to ensure the protection of children in the state. It is difficult to find dollars for prevention when you cannot measure prevention effectively, but the Results First method could prove helpful with this challenge. Secretary Deines referred to the percentage of children ages birth to 17 years with adverse childhood experiences. She said this is the group of children we are targeting with the complex trauma approach. Complex trauma has lasting impacts on child development, even at the prenatal level. She pointed out adverse child experiences (ACEs) is at the foundation of assessing and intervening on childhood trauma.

Secretary Deines pointed out increased public awareness has lead to increased reports, investigations, and substantiations. CYFD determines if children need to be removed or can be helped with services; however, there is nothing in the law to mandate services without removal from the home. Secretary Deines referenced the Omaree Varela case as a good example. She mentioned House Bill 298, that would induce families to accept services. Secretary Deines asked for legislative support to change the Children's Code to assist in intervention service purveyance.

Secretary Deines commented on the amount of time to complete an investigation and ensure the child is safe, as well as on current staff caseload. She stated the child is not referred to CYFD in many child fatalities cases. She emphasized importance of reporting. Next she discussed multiple foster home placements and stated it is due to increased need for additional care. She commented on the helpfulness of home-visiting programs and how CYFD would like to "lace" programs together with Race to the Top public education and early childhood programs to track children through all these interactions and provide better outcomes, as opposed to piecemeal measurement.

Representative Bratton asked about the alternative response pilot program conducted from 2005 to 2007. He noted positive outcomes from voluntary participants in the program and asked why the program was not expanded. He also asked about the correlation between abuse cases and teen pregnancy/single mothers. Mr. Courtney discussed an evaluation of child protective services conducted in 2001 highlighting issues of participation and a lack of services and support in communities. Mr. Sallee stated the pilot was conducted in Albuquerque and the department did not think they could expand it beyond that area. He said it is still unclear why it was not implemented in other areas but will require statutory changes in terms of how they are able to roll out an alternative response program. Mr. Sallee stated LFC has not conducted analysis regarding the correlation of abuse and teen pregnancy but we can go back to 2004 and there is data on profile of the abuse perpetrator. Secretary Deines commented on carving out behavioral health services to increase availability of services in rural and frontier areas.

Representative Sandoval asked after how many referrals would a child be removed from the home and how do you determine that keeping the child in the home is no longer an option. Secretary Deines stated there are legal guidelines that must be followed and law enforcement must take custody or a court order is required to remove the child if there is clear evidence of imminent danger, it is not based on number of referrals. Representative Sandoval asked for the secretary's opinion regarding keeping families together. She said she believes the state should do everything it can to keep families together, but the state lacks services to help families better care for children. She said there can be many signs of trouble without being evident to a court that the child needs to be removed. Representative Sandoval asked about the CYFD caseload status. Secretary Deines responded that every newly hired cohort is followed by the loss of case workers. They are looking at retention strategies and pay scales as well as hiring a head hunter through New Mexico State University to review retention issues. She said the FY15 budget allowed for the hiring of 10 new investigators and the agency is rolling out family intervention centers. Responding to Representative Sandoval, the secretary replied each investigator has an average of 36.

Representative White suggested taking this issue to the Courts and Corrections Committee to address issues that may be stalling the bill, regarding mandatory intervention services. He commented on use of national data and the unique profile of New Mexico, asking the LFC to work with the department on getting first-hand insight into what works here.

Senator Smith asked about the mechanics of referrals and where they come from. Secretary Deines stated she would run data and get back with him. She said many come from schools, medical providers for smaller children and from community members. She said the department

has two days to respond to a referral and start an investigation. Investigations are to be completed in 45 days, but a 30-day extension is allowed. Senator Smith asked about different types of home visitation and confidentiality issues around sharing information between the education system and CYFD. Secretary Deines confirmed there are issues with confidentiality; the department is looking at ways to share data, especially with the education system. CYFD does internally track information from referrals to look at patterns or issues. However, communication between PED and CYFD is not in place due to confidentiality issues. Senator Smith asked if other states share data and information. Mr. Sallee commented when education issues, such as absenteeism or truancy, occur, this can be referred to a school social worker for follow-up. If abuse or neglect is suspected, it is required to be referred to the child welfare entity. He stated the at-risk funding goal is to focus on early intervention.

Senator Leavell asked about the average duration of foster care before adoption or being returned to the home. Secretary Deines stated she doesn't have specific data; however, the department attempts to seek permanency within 24 months. If reunification is not a viable option, then termination of parental rights may be pursued. She said many children age in the system and go in and out of foster care numerous times.

Representative Tripp asked about nurse family partnership and the benefit to the taxpayer. Mr. Courtney said benefits are measured across various factors, including school readiness. The benefit is measured as the reduction of bad outcomes and increase of good outcomes over a lifetime. Mr. Sallee advised some of these savings occur over extended periods of time, such as reduction in criminal activity and associated incarceration. Representative Tripp asked if investing in these programs would result in net new money in the department's budget. Mr. Sallee said this would require work in the department. Representative Tripp asked about the importance of program fidelity. Mr. Courtney said it depends on the program and used the corrections industries and drug treatment in prisons as examples.

Interim Workplans for Analysts and Evaluators. David Lucero, deputy director, LFC, stated analysts will be working in teams on work plans, as well as with the program evaluators and other legislative staff, including Legislative Education Study Committee staff, Council Service, and other interim committees. The education work group consists of Rachel Gudgel, Tracy Hartzler and Katie Chavez. They will be working with the staff at LESC on several joint hearing topics for August, including classroom size and load, teacher salary structure, and licensure advancement. Accountability of the funding formula, above-the-line and below-the-line funding, developing higher education funding formula, and monitoring student outcomes. They will also monitor the Legislative Lottery Scholarship changes as well as the implementation of the new healthcare workforce initiatives recently passed this session.

The health and human services team is comprised of Greg Geisler, Ruby Ann Esquibel, and Kelly Klundt, who will work together with LFC performance evaluators and LCS staff on a range of issues, including substance abuse, behavioral health service gaps, inpatient versus outpatient treatment, and improve outcomes for New Mexicans and the opportunity to reprioritize funding based on what works. Mr. Geisler will be monitoring the expansion of Medicaid program, tobacco funding, and Temporary Assistance for Needy Families caseloads and services. Ms. Klundt will continue to monitor the safety of children in protective services,

with emphasis on casework, retention, and early childhood development initiatives as well as monitoring the increased funding levels that occurred to help reduce caseloads. Ms. Esquibel will work with the health team on an initiative with the criminal justice team on jail diversion and wrap-around services to reduce recidivism rates focused on leveraging Medicaid funding and other third party payers for substance abuse and behavioral health treatment.

In the workforce development arena, a team was put together to develop and analyze the workforce development efforts across several agencies. This team is comprised of Jon Clark, Kelly Klundt, Greg Geisler, Tracy Hartzler, and Maria Griego, who will work together to identify outcomes, processes and opportunities to improve coordination, reduce overlap, and prioritize funding in the TANF program, local workforce boards and the WIA program, and higher education institutions.

Economic development analyst Jon Clark will continue to monitor the economic development initiatives, improve coordination with other economic development entities including the Main Street and Incubator programs, funding for LEDA, JTIP and the Tourism Department as well as work with other legislative entities including the Jobs Council and the Economic and Rural Development Committee.

Eric Chenier will continue to monitor issues with the Corrections Department and will place emphasis on the capital outlay of the department and the shortfall of the funding to the department. In the DPS program he will monitor staff vacancies, additional compensation and funding that was provided in Motor Transportation reorganization.

Randy Soderquist will monitor road projects and road funding revenues. Regarding the State Personnel Office, he will monitor the salary structure reforms and efforts to fill statewide agency vacancies. In the Cultural Affairs Department, he will monitor capital outlay needs.

Mary McCoy will monitor capital outlay, along with the capital Linda Kehoe and Sonya Snyder, the recent funding increase for water projects as well as water rights and compact litigation and oil and gas permitting.

Linda Kehoe and Sonya Snyder will be working with evaluator Jonas Armstrong to monitor critical capital outlay needs as well as provide a one-page dashboard report for each of the large agencies that will report during the interim.

Christine Boerner will continue to monitor the Information Technology Commission oversight, new funding for education technology and SHARE upgrades.

The general government analysts, Rick Martinez, Anne Hanika-Ortiz and Connor Jorgensen, will provide oversight on a number of agencies. Mr. Martinez will compile and present boards and commissions scheduled to sunset. Sixteen boards will be reviewed by an LFC sunset subcommittee this interim. Mr. Jorgensen will be work to align funding with workload data in district attorney offices, on the team evaluating prison diversion program but from a judiciary perspective including drug courts and re-entry programs. Ms. Hanika-Ortiz will evaluate the capital outlay needs of state-owned facilities including deferred maintenance, the amount and

utilization of leased and state-owned office space, the General Services Department's Risk Management Division, the Public Employee Retirement Association, Retire Health Care Authority, and Public School Insurance Authority rates and solvency efforts. Additionally Ms. Hanika-Ortiz will monitor GSD's state purchasing for compliance with Senate Bill 9, which authorized the one stop business portal act, and e-procurement.

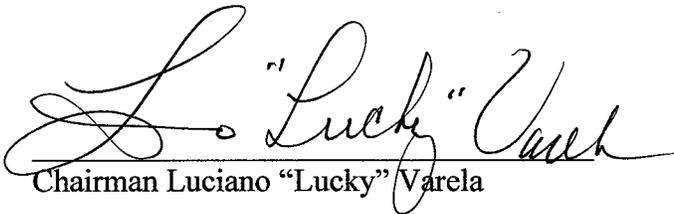
Economists Peter van Moorsel and Hector Dorbecker will continue to work on ways to improve the revenue-estimating process with other economists at the Department of Transportation, Taxation and Revenue Department, and Department of Finance and Administration, as well as monitoring the cash balance with the State Treasurer.

Charles Sallee, deputy director, LFC, presented workplans for program evaluators. He said evaluators are finishing up the capital outlay review of the Corrections Department, taking a look at the public prisons. The report will be completed in May and will likely be presented to the committee in June. He indicated staff are also finishing up the evaluation on the aging network as well as an evaluation of some local school districts located along the Interstate 40 corridor in eastern New Mexico.

Evaluators are working on a project examining county financed health care, including the local DWI grant distribution, as well as following up on the indigent care spending. Jonas Armstrong, program evaluator, LFC, will be working with Linda Kehoe, principal analyst, LFC, conducting capital outlay reviews of selected projects. Some education-related projects are focused on high school graduation rates and preventing high school dropouts. Another new project will focus on identifying schools that are beating the odds and getting positive outcomes as well as the schools who are not getting those outcomes. Staff will diagnose what is working and what is not working and examine how that relates to policy and funding decisions made at the Legislature. Mr. Sallee welcomed any changes or additions from the committee to the work plan.

Representative Larranaga suggested examining funding for the Department of Transportation. He also suggested an evaluation be conducted to examine teacher and school leader preparation, performance, pay for teachers and class size.

With no further business, the meeting adjourned at 11:44 a.m.


Chairman Luciano "Lucky" Varela


Vice Chairman John Arthur Smith