

**Legislative Finance Committee  
Meeting Minutes  
State Capitol Room 322  
Santa Fe, NM 87501  
May 11 - 13, 2015**

**Monday, May 11**

The following members and designees were present on Monday, May 11, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, William F. Burt, Mary Kay Papen, George K. Munoz, Carroll H. Leavell, Stuart Ingle, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano “Lucky” Varela, Nick L. Salazar, Paul C. Bandy, Conrad James, George Dodge, and Patricia A. Lundstrom. Guest legislators: Senator John M. Sapien and Representative Rick Little.

**Program Evaluation: Public School Use of Additional Compensation on Recruitment, Retention, and Performance.** Yann Lussiez, Ph.D., and Madelyn Serna Marmol, Ph.D., both program evaluators, presented the report *Public School Use of Additional Compensation on Recruitment, Retention, and Performance*. With almost half of all new teachers leaving the profession within the first five years, recruitment and retention of high quality teachers is a priority in New Mexico schools. Quality teaching is the most influential school factor affecting student academic success and New Mexico, along with states and school districts across the country, increasingly recognizes the need to adopt different strategies and incentives to improve teaching quality. Investing resources effectively to address the reasons for teacher attrition increases the likelihood a highly effective teacher will improve student achievement and stay in the field.

In 2003, New Mexico enacted a three-tiered teacher licensing system designed to increase the recruitment and retention of quality teachers and improve student achievement. Movement up a level resulted in pay increases of \$10 thousand. Previous evaluations of the three-tiered system confirmed the system decreased widespread teacher shortages, reduced unqualified teachers, and improved teacher pay, but pay increases were not aligned with increased student achievement.

LFC staff has conducted five major evaluations reports since 2006 on the impact of teacher preparation programs, the three-tiered licensure system, recruitment and retention, and student achievement. This evaluation, continuing this body of work, assessed how districts and charter schools used additional compensation and the effectiveness of these strategies on teacher recruitment, retention, and performance.

Overall, school districts and charter schools spend millions on additional compensation and supplemental pay annually, but the impact on recruitment and retention is unclear because these funds are not strategically used. Without major revisions, New Mexico’s teacher compensation system risks becoming ineffective and may hamper efforts to improve student outcomes. Currently, New Mexico salaries are not competitive with surrounding states or nationally, and public schools indicate increasing difficulties in recruiting teachers. In addition, the current misalignment of the three-tiered system and the training and experience (T&E) index exacerbates pay issues for public schools and misses an opportunity for strategic use of pay increases and

additional compensation. National and local attempts to address teacher recruitment and retention have begun to implement experimental and often controversial incentive pay programs.

This evaluation recommends creating a workgroup, which could include legislators and staff, and other school stakeholders, to gain consensus to update New Mexico's system to attract, prepare, compensate, and evaluate public school teachers. In addition, public school funding formula needs to be modified to align the T&E index to the three-tiered licensure system, adding an adjustment factor for teachers meeting minimum competencies at high-poverty schools. Finally, PED should collaborate with LFC staff to assess the effectiveness of public school practices using incentive pay and additional compensation throughout the budget review process.

In response to the LFC report, Matt Pahl, policy director for the Public Education Department (PED), said the department believes significant changes must be made to teacher compensation to ensure effective teachers. Referring to the examples of compensation systems in the report, Mr. Pahl said the Denver Public Schools ProComp incentive pay structure provides robust financial incentives for student growth and compensates teachers working in hard-to-staff areas. PED has requested funding for school districts with teacher shortages to implement recruitment and retention programs. Mr. Pahl said that while the report states that research on performance pay is varied, the most recent research finds the practice can have positive, limited effects on certain teacher groups. Mr. Pahl concluded PED's response, stating the LFC report has given the department areas to explore for an effective compensation system.

In response to Representative Varela, Mr. Pahl said information suggests that the many retirements may result in fewer level III teachers and more level II teachers in the system. Language in the general appropriation act of 2015 increases the salary of level I teachers only. Regarding salaries and benefits in other states, Mr. Lussiez said Proposition 301 in Arizona gives school districts funding that targets their individual needs.

In response to Representative Hall regarding the funding formula, Charles Sallee, deputy director of program evaluation for LFC, said the T&E index historically costs close to \$200 million.

In response to Representative Larranaga, Mr. Pahl said over 99 percent of teachers in New Mexico have the appropriate certification for the content area they teach. However, national research shows that a substantial number of teachers find it difficult when asked to teach in an area that, while in same realm, is outside their base knowledge. Stipends for the state's science technology engineering and math (STEM) initiative helps find the right teachers who can teach in those content areas and provide training for those who don't.

In response to Representative Larranaga on what can be done to improve teaching, Mr. Sallee talked about creating market incentives and suggested either reallocating existing dollars or adding new dollars toward T&E. School districts are required to provide mentoring programs.

In response to Senator Sapien, Mr. Pahl discussed the pay for performance pilot (PPP) modeled after Texas' District Awards for Teacher Excellence (D.A.T.E) program. Mr. Pahl said the pilot does not mirror the Texas program but is similar in that it is state-run and two-thirds of the awards must go to individuals and one-third to groups.

In response to Senator Sapien's question regarding teachers being allowed to advance their license to the next level without completing a professional development dossier, Mr. Pahl said PED believes the action adheres to the current rule. Senator Sapien said the action should greatly concern the Legislature. Senator Munoz requested a letter from PED explaining how the department will go about advancing teachers to the next level without completing a dossier.

Representative Lundstrom asked how the Legislature should modify the T&E index to become more effective. Mr. Pahl suggested aligning teacher pay with the T&E index.

In response to Representative Bandy, Mr. Pahl said PED is exploring targeted funding opportunities that would address other reasons why teachers are leaving the profession. For example, funding may go towards putting social workers in middle schools to work with students with behavioral problems.

**Information Technology Evaluation: Status of the Oil and Natural Gas Administration and Revenue Database.** Brenda Fresquez, program evaluator, presented an IT evaluation titled *Status of the Oil and Natural Gas Administration and Revenue Database (ONGARD)*. Taxes and royalties related to the extraction of oil and natural gas are a major source of revenue for New Mexico. ONGARD collects about 30 percent of all state revenues. In FY14, ONGARD collected \$2 billion: \$1.2 billion tax revenue and \$820 thousand in royalties. The ONGARD system was developed between 1990 and 1992 as a mainframe application written in COBOL. ONGARD has served the state well over the past 20 years. A business process analysis, initiated in December 2014, will determine the extent of the limitations and additional needs of the current system and influence the design of a replacement system.

The objective of this evaluation was to assess the current status of ONGARD, adequacy of the business continuity and disaster recovery plan, and feasibility of the agency's proposed plan to rebuild or replace the ONGARD system, including the impact of maintenance and operations of the existing system. In 2012, the Legislature appropriated \$6 million to the Taxation and Revenue Department (TRD) to stabilize and begin modernizing ONGARD. The stabilization project was successfully completed on time and under budget and provided the most detailed documentation on the ONGARD system. In addition, the stabilization project successfully improved ONGARD by removing millions of lines of unnecessary code, including upgrading the code base to Enterprise COBOL and updating it to run on currently supported hardware and software. With the improvements made during the stabilization project and further improvements planned, remaining funds from the 2012 appropriation should provide the ONGARD Service Center the ability to keep the system operational for the duration of the modernization project. However, to continue the modernization effort, TRD requested \$11 million for FY16 and anticipates a need for another \$22 million to upgrade or replace ONGARD over the next three years. The ONGARD Service Center expects to issue the request for proposals for the redesign and modification of ONGARD by February 2016. Based on evaluation results, the ONGARD Service Center should develop a comprehensive disaster recovery plan. The current plan lacks detail and policy is needed to be in line with best practices.

In conclusion, once the comprehensive business process analysis is complete and design proposals are submitted in response to the request for proposals, it will be possible to evaluate

the costs, risks, and feasibility of each option compared to the costs and risks associated with continuing to maintain the existing, outdated system. Therefore, it is premature to recommend additional funding for the modernization project in FY16.

Demesia Padilla, secretary of the Taxation and Revenue Department (TRD), said the department will be working with CAaNES to address the disaster recovery plan deficiencies mentioned in the report. Ms. Padilla reported the data in the ONGARD system has been successfully stabilized and ready for modernization. Secretary Padilla stated the responses to the request for information will provide a basis for the FY17 IT budget request.

Referring to his presentation, Richard Preston, assistant commissioner of the State Land Office (SLO), said the system is a complex, monolithic program that is difficult to work with. Mr. Preston talked about the difficulty in maintaining and operating the system. COBOL contractors are hard to find and expensive to hire. Mr. Preston proposed that ONGARD be replaced with the State TruSted Agreements and Revenue System (STARS). Lessons learned in other states that have modified their systems will be taken into account as decisions are made.

In response to Representative Hall, Mr. Preston said ONGARD will still be in operation while the new system is being constructed. Once completed, the new system will go through a testing period.

In response to Representative Ingle, Secretary Padilla said a good estimate of how much a new software package will cost will not be known until the request for information (RFI) process is complete.

In response to Senator Cisneros regarding the existing disaster recovery plan, Secretary Darryl Ackley, Department of Information Technology said the plan needs to be better defined.

**Report on Outstanding Capital Outlay Appropriations and Projects Greater than \$1 Million.** Sonya Snyder, analyst for the Legislative Finance Committee, presented the March 15, 2015, quarterly report. Approximately \$788.2 million from all funding sources for 2,146 projects remains outstanding. The total includes \$125.8 million earmarked fund balances for water, colonias, and tribal infrastructure projects and \$167 million for general obligation bond issues approved in November 2014. Since the December 2014 quarterly report, 156 projects closed with approximately \$80.1 million expended or reverted. The outstanding percentage by funding source is

- Less than 1 percent for general fund,
- Fifty-nine percent for severance tax bonds,
- Thirty percent for general obligation bonds, and
- Ten percent for other state funds.

Nearly 50 percent of the outstanding projects are new projects appropriated in 2014. LFC staff tracks \$1 million or greater projects totaling \$1.1 billion for 221 projects. Balances to date total \$628.6 million, or 79.8 percent of all unexpended funds. Since December 2014, 5 appropriations totaling \$34.6 million were fully expended. The next quarterly report will be completed June 15, 2015.

Linda Kehoe, analyst for LFC, reported on at-risk projects that have minimal or no activity. Those projects include

- The chemistry building at the University of New Mexico,
- Flood damage improvements for Lincoln and Otero county,
- Demolition of the old Ft. Bayard Medical Center,
- The east Aztec arterial route,
- The tissue digester project,
- The Mora county complex, and
- Improvements to the Santa Cruz Water Association water system.

Ms. Kehoe highlighted major projects, including an approved contract to construct the Alzheimer and Skilled Nursing units at the New Mexico Veterans' Home in Truth or Consequences and the 2015 reauthorization of \$6 million in severance tax bonds for the Los Lunas Substance Abuse Center. LFC staff will be developing a method to report on the outstanding balances by county and provide a status of select local projects within a certain dollar range. Ms. Kehoe discussed issues concerning transportation funding. The recent Waste Isolation Pilot Plant (WIPP) settlement may potentially provide a source of funding for projects. Despite a request made by LFC staff, the Department of Transportation declined to provide information on project funding until the department and the Department of Energy agree on projects and funds are released. LFC staff reviewed the State Transportation Improvement Plan (STIP) and identified the WIPP route projects funded in FY15 and FY17. There are 35 projects with a total state cost of \$17.8 million. Eighteen of those projects, with a state cost of \$7.4 million, are scheduled for FY16 and FY17.

Regarding unexpended balances, Senator Cisneros said the Revenue Stabilization and Tax Policy Committee will be inviting LFC staff to report to the committee on what the status and viability is of projects and the potential to expend the money in the short term. Senator Cisneros requested a copy of the engineering study done on the Mora County complex. Ms. Kehoe said \$2 million remains in the balance for the complex.

In response to Senator Cisneros, Connor Jorgensen, LFC analyst, said the WIPP settlement agreement includes \$34 million for undesignated WIPP routes and \$12 million for WIPP routes in Los Alamos County. Priority one is to repair and repave a designated 13 mile stretch of road between U.S. 62/180 and the WIPP site.

In response to Senator Burt, Ms. Kehoe said an appropriation that addresses the drainage issue in Otero and Lincoln counties has been reauthorized under the capital outlay bill.

In response to Representative Salazar regarding projects in native communities, Ms. Kehoe said better coordination between the respective agencies is helping to move projects along quicker.

### **Tuesday, May 12**

The following members and designees were present on Tuesday, May 12, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Morales, George K. Munoz, Carroll H. Leavell, Stuart Ingle, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano "Lucky" Varela, Nick L. Salazar, Paul C. Bandy,

Conrad James, Jim R. Trujillo, and Stephanie Garcia Richard. Guest legislators: Senator William F. Burt and Senator Mary Kay Papen.

**Program Evaluation: Adult Protective Services Spending, Investigation Management and Client Outcomes.** Brian Hoffmeister and Pamela Galbraith, both program evaluators, presented a program evaluation titled *Adult Protective Services Spending, Investigation Management and Client Outcomes.* New Mexico is rapidly aging and is expected to rank fourth in the nation in the percentage of its population age 65 or over by 2030. About 42 percent of New Mexicans aged 65 or older have a disability, making them particularly vulnerable to maltreatment. As the population ages, the demand for adult protective services will likely continue to grow.

The evaluation reviewed New Mexico's APS program, including recent trends in investigations, regional staffing allocations, and caseloads, its use and reporting of data, and its oversight of contracted adult home and day care providers and client outcomes. The APS system has been experiencing growth in reports, investigations, and substantiations of adult abuse, neglect, and exploitation since FY12. However, little information exists on the extent of APS's impact on preventing future maltreatment. Staff caseloads are also rising and may not be optimally geographically distributed. APS has identified allegation investigation as the key service in APS programs, allowing contracted providers to assume significant oversight in the financial and operational management of other services. The evaluation found the policies and regulations governing the system are not in sync with actual practice and communication between APS and providers inhibits work efficiencies.

The evaluation concluded that despite financing contracted, in-home services, APS does not have sufficient information about client outcomes to justify spending or validate the impact of services. Although APS collects a large amount of data in the intake and investigation process, it does not report as much to the public as other states, and lacks comprehensive information about client outcomes and the effectiveness of its outreach efforts. Additionally, there is room to improve efficiencies at APS's field offices and call center.

Gino Rinaldi, secretary of the Aging and Long-Term Services Department (ALTSD), said the report has given the department an opportunity to look at its processes and the effectiveness of those processes. Secretary Rinaldi updated the committee on department activity including its efforts to advance data collection. Regarding partnerships with higher education entities, ALTSD may have an opportunity to work collaboratively on research with NMSU on a study of adult day care in New Mexico. Secretary Rinaldi read to the committee a report of an elder abuse case that is typical to ALTSD.

In response to Senator Leavell, Secretary Rinaldi said a funding formula is used to determine appropriate distribution of dollars to senior citizen centers for meals.

In response to Senator Morales, Secretary Rinaldi said the department is working with Harmony on creating an advanced reporting system which will be more effective in identifying victims that may already be in another system such as aging network.

In response to Senator Morales, Secretary Rinaldi said the work load at its Socorro field office does not require a full time employee.

Senator Smith commented that while data reporting is critical, field work is equally important.

Referring to the ALTSD website, Senator Burt expressed concern over the lack of representation in rural communities. Secretary Rinaldi explained that the centralized call center and non-publication of field office contact information is for the protection of its employees Secretary Rinaldi assured that the field offices are working with its communities.

In response to Representative Varela, Secretary Rinaldi said the current vacancy rate for Adult Protective Services is 16 percent. ALTSD is working on improving its retention rate and its process for hiring.

In response to Representative Varela, Mr. Abbey said third quarter agency report cards for FY15 were released April 30.

**Department of Health, Office of Facilities Management Evaluation Report Update.** Leonard Tapia, chief financial officer for the Department of Health (DOH), began the presentation discussing the department's FY15 projected deficiency of \$5.8 million. A graph in the presentation showed the reversion trend by fiscal year with \$27 million reverted in FY13. General fund monies received for Facilities Management in FY15 and FY16 is the lowest in a five years. Jeremy Averella, chief facilities officer for DOH, provided an operational review for each of its facilities. Except for Fort Bayard Medical Center, every facility has a projected deficit attributed to increase GSD and DoIT rates, salary increases, reduction in general fund and other revenues, cost of litigation, IT infrastructure and enterprise maintenance, and general inflation. Mr. Averella discussed revenue opportunities such as increasing the number of high level Care Nursing Facility residents, implementing intensive outpatient services, and improving coding and documentation. Vacancy rates are the lowest in DOH history with at 12 percent for DOH and 13 percent for Facilities, a 30 percent improvement from 2014.

Kathy Stevenson, director of the Developmental Disabilities Support Division for DOH, reported on the rate increases for the Family Infant Toddler (FIT) program and the Developmental Disabilities Waiver (DD Waiver) program. DOH is working with provider associations and advisory committees to maximize funding received; however, only 40 percent can be matched for the FIT program and DOH will be using a formula to allocate funding appropriately. The rate increases for the FIT program will be in place by July 1, 2015. DOH has not yet received approval from Centers for Medicaid Services (CMS) to amend the rates for the DD Waiver program. Without approval, DOH could be faced with covering the cost of the Medicaid services.

In response to Representative Hall regarding the projected deficit, Mr. McGrath said DOH had requested a supplemental appropriation of \$6.4 million for FY15 and a similar base increase for FY16. Mr. McGrath is confident the agency's budget will break even for FY16. Mr. McGrath said DOH is working hard to address the deficiency issues particularly at the Veterans' Hospital and the Behavioral Health Institute. Representative Varela expressed concern over the lack of

enforcement of statutory provisions. David Abbey, director, LFC, said section F of the 2014 General Appropriation Act states the State Budget Division shall monitor revenue received by agencies for sources other than the general fund and shall reduce the operating budget of any agency whose revenue is not meeting projections. It further states the State Budget Division shall notify the LFC of any operating budget reduced pursuant to this section.

In response to Senator Beffort, Mr. McGrath said the high cost of contracted nursing is also attributed to the per diem that is covered. Senator Beffort suggested the secretary of the Higher Education Department create a task force with DOH and inventory the number of nursing programs offered in the state. Senator Beffort said that by knowing the number of nursing programs offered around the state and comparing the needs, legislators could create a budget that would address deficiencies in some of the nursing programs.

In response to Senator Morales, Ms. Stevenson said there is an agreement for FY15 to have the rate increases retroactive if or when the amendment is approved by CMS.

In response to Senator Morales, Mr. Averella said the average cost for a resident receiving low-level care is \$300 per day compared with an average of \$500 a day for a resident receiving high-level care. Senator Morales said he hopes that the cost-containment does not affect high-quality care.

**Update on Behavioral Health Services for Medicaid Clients.** Brent Earnest, secretary of the Human Services Department, began his presentation discussing Centennial Care. In 2014, 160,582 individuals received behavioral health services from all funds as compared with the last year pre-Centennial when 87,373 persons were served. Secretary Earnest said the Medicaid reforms, which focused very intently on care coordination and the integration of behavioral health, physical health and long-term services under one managed care contract, has driven higher utilization and access to services across the state. HSD has experienced an increase in all demographics being served, including those who were not eligible under Medicaid expansion and those being paid for through Medicaid and non-Medicaid funds. Expenditures for behavioral health (BH) services total \$269 million. In 2014, HSD received overall positive responses from consumer satisfaction surveys. Survey data shows New Mexico exceeds in several areas compared with the U.S. average. Mr. Earnest discussed new legislation that improves a service gap in the BH system. House Bill 212 provides the Department of Health new licensing authority for crisis stabilization units (CSUs). CSUs provide services to individuals in behavioral health crisis and whose needs cannot be accommodated safely in residential service settings. Dona Ana County has completed construction of a CSU. House Bill 2 provides \$2.25 million from the general fund for Medicaid and non-Medicaid support of crisis stabilization services. Other legislation mentioned involved investment zone funding and facilitating Medicaid enrollment with correctional facilities. Mr. Earnest talked about the BH Collaborative strategic initiatives to strengthen the BH system. The initiatives will focus on regulatory environment, finance, and workforce. Mr. Earnest concluded his presentation updating the committee on transitions occurring in the southern part of the state.

Wayne Lindstrom, director and chief executive officer for the BH Services Division and BH Collaborative, provided additional detail on the collaborative's strategic initiatives. To develop

the strategic plan, BH stakeholders will be surveyed and a retreat will take place. Upon completion, the strategic plan will be presented to the BH Collaborative for endorsement.

Senator Morales said he would like to see data showing the rates in incarceration and hospitalization for individuals in the BH system.

In response to Senator Morales regarding dollars and capital left behind from the transitions, Mr. Earnest said, with the exception of La Frontera, there were not any capital purchases through those contracts. HSD is working with La Frontera to ensure remaining computer equipment is compensated for. In response to Senator Papen, Mr. Earnest said through the managed care organizations new providers may receive funding for start-up needs; however, HSD would not be assisting organizations with start-up costs.

In response to Senator Papen, Mr. Lindstrom said he is not committed to a particular type of payment methodology and will look at alternatives to fee-for-service financing.

Senator Garcia-Richards expressed concern for the population that experienced two transitions while receiving care. Mr. Earnest talked about improving oversight and working with providers in a technical assistance capacity. Mr. Earnest said it's important to have a system that providers can understand and use properly to prevent a similar situation that occurred after the last audit.

In response to Senator Beffort, Vanessa Hawker, senior strategic advisor for the University of New Mexico (UNM) Health Sciences Center, briefly talked about the UNM Care program which provides care to Bernalillo County residents who may not otherwise have access to care.

In response to Senator Burt, Mr. Earnest said Presbyterian Medical Services will soon be providing services in Lincoln and Otero counties. Both the state and agencies involved with behavioral health set the standards that providers must meet.

In response to Representative Varela, Mr. Earnest said OptumHealth now serves as an administrative services organization for non-Medicaid services.

In response to Senator Munoz, Mr. Earnest discussed the \$4.2 million settlement with Presbyterian Medical Services (PMS) and Youth Development, Inc. (YDI). Mr. Earnest said after settling, PMS continued to provide services and is now working closely with its communities to move forward in a positive direction.

In response to Representative Bandy, Mr. Earnest said HSD quarterly reports provide data on re-admission rates at the different levels of care and performance indicators. The agency might add additional matrix that could be more meaningful to policy makers.

In response to Senator Munoz, Mr. Earnest said the \$73 million appropriation resolved the long-standing negative balance. HSD is working with the Department of Finance and Administration on integrating its third-party system with SHARE.

Susan Flores, commissioner for Otero County, briefly addressed the committee. The community of Otero County is concerned for the loss of its counseling center. Mr. Earnest said PMS may be expanding into Otero County. Mr. Earnest suggested HSD staff visit with the community to work through the issues.

**Interim Work Plans for Analysts and Evaluators.** Charles Sallee, deputy director of the Program Evaluation Unit, presented the 2015 proposed program evaluation work plan. Projects in progress are

- Centennial Care Baseline Costs and Rate Setting,
- Review of Cost, Performance and Programming at New Mexico Middle Schools,
- Health Exchange Operations, Performance and IT Systems,
- Opportunities to Repurpose State/Local Healthcare Spending to Leverage Federal Medicaid Funding, and
- Evaluation of Selected Charter Schools.

A report on improving on-time degree completion is a next priority for the program evaluation unit. Mr. Sallee talked about the current priorities for progress reports. A progress report gives a status of the problems identified in previous evaluation and the agency's progress in implementing recommendations made by LFC staff. Outstanding issues may be considered by legislators during the budget process, as well as any statutory recommendations made by LFC staff. Subjects currently on the progress report priority list include instructional materials, college readiness, and public employee healthcare plans. Projects designated under parking lot are potential projects that have not yet been prioritized. Potential projects mentioned were a review of testing in public schools and a review of the science, technology, engineering, and mathematics (STEM) initiative. New to the work plans, Mr. Sallee discussed a new product called Health Notes, which are briefs intended to improve understanding of healthcare finance, policy, and performance in New Mexico. Mr. Sallee presented the first health notes, an addendum to the 2012 evaluation titled *Adequacy of New Mexico's Healthcare Systems Workforce*.

In response to Representative Hall's and Representative Larrañaga's comments regarding a better coordination of work plans, Mr. Abbey talked about having a leadership meeting with Legislative Education Study Committee (LESC) leadership on the development and progress of LESL's work plans in conjunction with LFC's work plans.

David Lucero, deputy director for LFC, presented the analyst work plans, which identify primary and secondary issues as well as goals and objectives. Beginning with the education team, teacher pay and pay structures in surrounding states will be researched. Analysts will be reporting their research on the activity reports and will develop a table for Volume 3 of the budget recommendation. Senator Beffort suggested the per capita income of other states also be included in the research. Other issues that will be looked at include teacher graduation rates and the funding formula. The analyst for higher education will be looking at Research and Public Service Project Expenditures (RPSPs). Mr. Lucero said as the work plans progress, the education team will identify areas in which they can collaborate with LESL. New to the work plan, the education team will be looking into ways to expedite capital outlay projects. Referring to item 9,

Representative James suggested universities' responses to changes in the legislative lottery scholarship be included. Mr. Lucero then discussed the work plans for the health and human services team, which include several items involving behavioral health. The team will be investigating how to leverage federal funds in the Medicaid program. Referring to item 3 of analyst Eric Chenier's work plans, Chairman Smith requested information by county on the DD waiver waiting list. Due to the deterioration in performance outcomes in Juvenile Justice Services, analyst Kelly Klundt will be looking at the Missouri model and its implementation in comparison with the Cambiar model. For economic development, analyst Jon Clark will be tracking and reporting on the Local Economic Development Act (LEDA) and the Job Training Incentive Program (JTIP) expenditures. Because the Spaceport faces a potential budget shortfall in FY16, Mr. Clark will be reporting on the efforts to minimize the shortfall. Other work plan items mentioned relevant to economic development include the Los Luceros property transfer and the challenges that the Cultural Affairs Department faces due to the lack of capital outlay appropriated to them. For public safety, the work plans include looking at increased prison costs and examining the salaries in the Corrections Department and the Department of Public Safety. Connor Jorgensen, analyst for the Department of Transportation (DOT), will be looking at how the department prioritizes projects in the STIP program. For the natural resources block, analyst Jonas Armstrong will be monitoring the 2014 capital outlay appropriations for the water projects. In light of recent legislation, Mr. Armstrong will also be monitoring the forest and watershed restoration and identifying funding streams. Linda Kehoe and Sonya Snyder, analysts for capital outlay, will continue to provide the committee quarterly reports on capital outlay and give a staff scenario in the fall. For the judiciary work plans, the Public Defender's budget and revenues will be monitored. A matrix will be developed of drug court programs and expenditures. For general government, the work plans involve the SHARE upgrade, the cash balance reconciliation initiative, the comprehensive annual financial report (CAFR) implementation, and the tax gap at the Taxation and Revenue Department (TRD). Mr. Lucero concluded his presentation discussing the economists work plans which include looking at the tax expenditure report recently released by TRD.

In response to Representative Varela, Mr. Sallee said the State Auditor has already changed in the audit rule the deadline of when audits are due. Mr. Sallee said the State Auditor's rationale to change the rule was to facilitate an on time CAFR. Mr. Sallee said the State Auditor's office indicated that there have not been any complaints from state agencies.

**General Fund Revenue Update.** Peter van Moorsel, chief economist for the Legislative Finance Committee (LFC), presented the general fund revenue tracking report. The latest revenue report from the Department of Finance and Administration (DFA), which reported on accruals through December 2014, shows a significant increase in general fund revenue collections. Total revenue came in at \$117.3 million higher than the same month a year ago. Personal income tax revenue largely contributed to the increase. The revenue report also showed federal mineral leasing royalties and mineral production taxes, together, were \$15.6 million below December 2013. The decrease is reflective of lower oil prices. Referring to appendix 1 of his presentation, Mr. van Moorsel discussed the information provided in the table, which contained data from DFA, other sources, and monthly spreadsheets. Mr. van Moorsel said \$136 million is the strength that is being tracked for total revenues through December. Regarding oil and gas, preliminary January 2015 oil prices averaged \$42.70 per barrel, down \$46.00 from the January 2014 average of

\$89.08. Mr. van Moorsel said the futures strip is currently showing a reasonable oil forecast. For natural gas, there is some differential between the consensus forecast price and where the futures strip currently stands. Mr. van Moorsel compared February and April economic indicators from forecasting services Global Insight (for national indicators) and the UNM Bureau of Business and Economic Research (for state indicators). The FY15 forecast for US GDP growth is slightly weaker, while recent positive state-level employment data supports an upward revision in employment growth (increased to 1.3 percent), personal income growth (increased to 4.6 percent, and total and private wage and salary growth (each increased by 0.1 percent).

In response to Senator Beffort, Director Abbey said, because of increased employment growth in the last 10- months, a modest growth in wages and salaries for the current fiscal year is plausible. Health care and tourism is largely driving employment growth.

Representative Varela expressed concern for the salaries of the new jobs being created in comparison to the type of high paying job salaries that were lost.

### **Wednesday, May 13**

The following members and designees were present on Wednesday, May 13, 2015: Chairman John Arthur Smith; Vice Chairman Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Morales, George K. Munoz, Carroll H. Leavell, Stuart Ingle, and Pete Campos; and Representatives Larry A. Larrañaga, Luciano “Lucky” Varela, Nick L. Salazar, Paul C. Bandy, Conrad James, George Dodge, and Patricia A. Lundstrom. Guest legislators: Senator William F. Burt and Senator Mary Kay Papen.

**Program Evaluation: Effective Practices To Reduce Teen Pregnancy.** Rachel Mercer-Smith and Yann Lussiez, both program evaluators, presented a program evaluation titled *Effective Practices to Reduce Teen Pregnancy, Including the Use of School-Based Health Centers*. New Mexico’s teen birth rate is consistently the highest or near highest in the nation, though the state’s teen birth rate has declined over the last decade. In 2013, adolescents gave birth to 2,980 children in New Mexico. Statistically, these children are more likely to live in poverty, enter school behind their peers, experience maltreatment, and become incarcerated than children born to older parents. Long-term, these children will cost taxpayers \$84 million due to costs to Medicaid associated with their births, increased reliance on public assistance, and poor educational outcomes. Previous evaluations have highlighted efforts in the state to improve outcomes for children through interventions in early childhood and the state’s public education system. The Legislature has responded by making significant investments in these interventions, including home visiting, child care assistance, prekindergarten, and the extended school year program K-3 Plus. However, children born into poverty continue to experience negative outcomes, and teen births are associated with poverty. Children born to teen parents account for 11 percent of all births in New Mexico and are at risk of not completing school, among other negative outcomes. The study aimed to build on existing evaluations by identifying and analyzing teen birth characteristics and trends in New Mexico, reviewing teen pregnancy prevention efforts in the state, and identifying evidence-based approaches to reduce risky adolescent behaviors. Analysis suggests teen births are concentrated in certain areas of risk, including geographic regions, older teen populations, and among teens who have already become parents. As a result, evidence-based interventions targeted to these teens and geographic regions

could produce significant population-level improvements. Not all school districts report implementing the state's health education standards. The Department of Health is supporting evidence-based education programs. Overall, however, efforts are not coordinated across agencies or always targeted to populations exhibiting the greatest risk. Additionally, the evaluation found existing interventions and funds may be leveraged to increase access to the most effective forms of clinical pregnancy prevention methods. Opportunities to provide training and technical assistance to providers may increase access to the most effective forms of teen pregnancy prevention among high-risk populations. Examples in other states suggest coordinated and comprehensive prevention efforts can accelerate declines in births to teens, and New Mexico may look to these states for effective policy options. Report recommendations include developing a comprehensive and coordinated teen pregnancy prevention strategy, providing training and technical assistance to providers, and implementing best practices related to the most effective clinical prevention methods. Additionally, the report recommends the Legislature continue to prioritize investments in the programs that improve outcomes for teen parents and their children.

Mark Williams, director of the Public Health Division of the Department of Health (DOH), said the agency supports the report's conclusions and key recommendations. In the effort to delay parenthood, Mr. Williams said organizations need to have a uniform, systematic way to implement their strategic plan to ensure successful execution. DOH staff is currently writing a grant to increase the enrollment in Medicaid. Referring to a donation made by Susan Buffett to the Colorado initiative, Mr. Williams said New Mexico may have opportunities to receive non-traditional sources of funding as well. Mr. Williams talked about the agency's strategic plan and its intention to move toward population based indicators.

In response to Senator Cisneros regarding confidentiality with school-based health centers, Ms. Mercer-Smith said if a teen has private insurance, parents may be informed of services received after getting a statement of benefits from the insurance company. In contrast, a statement of benefits is not sent to parents when Medicaid is billed. Yolanda Cordova, director of Office of School and Adolescent Health, said state law prohibits school-based health centers and such from billing private insurance companies for confidential services received by teens. Ms. Cordova said her office is working with the New Mexico Alliance for School-Based Health Care on ways to bill private insurance companies and still keep confidentiality.

In response to Representative Lundstrom, Mr. Williams said the strategic plan will be implemented using a management approach called increasing interoperability. The proven concept consists of template based annual plans with short term deliverables and a mechanism to engage and track the various agencies involved as they work together. Senator Cisneros suggested the Office of Superintendent of Insurance be involved.

In response to Representative Varela, Susan Lovett, program manager of the Health Family Planning Program, said DOH does not provide prenatal care.

Senator Beffort expressed concern for the lack of after-school programs in middle schools. Ms. Mercer-Smith said DOH is operating several youth engagement and positive youth programs including the TOP program.

In response to Representative James, Ms. Mercer-Smith said the report mentions several evidence based programs that have also been shown to work on delaying sexual activity in teens.

In response to Senator Morales, Ms. Cordova said there are currently 53 school-based health centers. Those that are federally qualified receive an enhanced Medicaid rate.

In response to Senator Smith, Mr. Williams said DOH recognizes the need to address the teen pregnancy issues at the border.

**Program Evaluation: State Purchasing Division and the Status of Procurement Automation.** Brenda Fresquez, program evaluator, presented a program evaluation titled *State Purchasing Division and the Status of Procurement Automation*. More than \$5 billion of the state's \$11.4 billion annual budget is spent buying goods and services. The State Purchasing Division (SPD) of the General Services Department (GSD) administers the Procurement Code, which provides for fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and safeguards for maintaining a procurement system of quality and integrity. The evaluation objectives were to assess the status of key findings and recommendations of the Legislative Finance Committee's 2008 program evaluation of Procurement Division effectiveness, assess the status of procurement automation, and evaluate the process for establishing price agreements, including information technology.

The Legislature has made a number of statutory changes to the Procurement Code in response to recommendations from the 2008 program evaluation and from the Procurement Reform Taskforce initiatives. In 2013, the Legislature made changes to the Procurement Code by adding procedures for sole source and emergency procurements, including publishing certain information about these procurements on GSD's website. Although publishing emergency procurements improves transparency, LFC staff identified some instances where emergency procurements appear to be a result of agencies not adequately preparing to go through the competitive procurement process for existing services. Failure of an agency to properly plan ahead should not provide the basis for an emergency procurement. Since 2008, GSD has undertaken initiatives to automate some procurement processes with minimal success. After spending nearly \$1 million, the eProcurement module in the Statewide Human Resources, Accounting, and Management Reporting (SHARE) system does not function, though GSD has made some process improvements. GSD implemented an electronic bid web-based system, improving vendor registration, automating the bid process from start to finish, ensuring process standardization. Although GSD establishes statewide price agreements for commodities or services agencies commonly use in volume, the process does not encourage agencies to use the most competitive option. Because prices in the agreements are established for an extended period of time and GSD requires agencies to use existing agreements, agencies do not have the opportunity to pursue competition or potentially more cost-effective vendors. In addition, state agencies are increasingly purchasing cloud-based solutions and the state does not have a cloud computing policy. The Department of Information Technology (DoIT) and GSD have not issued procurement guidance for cloud-based solutions. Based on the evaluation results, the report included a series of recommendations to improve the procurement process. These include requiring agencies to furnish usage reports to the state purchasing agent and developing policy for purchasing IT cloud-based solutions.

Ed Burckle, secretary of the General Services Department, said the SPD has made substantial improvements since 2009. The agency is concerned about the number of sole source contracts and emergency procurements. With the change in law in 2013, less than 2 percent of any sole source posted for 30 days is challenged by a vendor indicating most are legitimate. The majority of information technology sole source contracts are because of proprietary data. Secretary Burckle pointed out GSD has no control over the declaring of emergency procurements. Secretary Burckle updated the committee on the paperless procurement system. Requests for Proposals are now sent out and received electronically.

In response to Senator Cisneros, Ms. Fresquez referenced a report by Gartner Inc. that indicated that cloud solution costs, which may initially appear lower than traditional solutions, may be offset by hidden costs and risks. Ms. Fresquez said more research needs to be done, such as gathering information from other states that have already set a cloud computing policy, such as Delaware. From Secretary Burckle's standpoint, GSD would want to ensure such contracts are sound, with cyber securities built in. Maria Sanchez, general counsel from DoIT, said the agency needs to cover its security bases before venturing into the cloud. Ms. Sanchez said creating a policy to govern a cloud computing system is at the top of DoIT's priority list.

In response to Representative Larranaga, Secretary Burckle said the procurement reform task force meets quarterly to discuss common procurement issues across the state. Secretary Ackley is a voting member of the task force. Currently, the task force's information technology initiatives include standardizing commodity codes and automating the professional services contracts process. Secretary Burckle said the task force will consider placing some of the issues discussed on its agenda for FY16.

In response to Representative Larranaga, Secretary Burckle said when the \$100.00 registration fee was eliminated in 2012, the number of vendors more than doubled. There are over 3,700 vendors currently registered.

In response to Representative Varela, New Mexico is the first state in the United States that now requires chief purchasing official certification for all involved in public procurement at the state, county, and municipal level.

Representative Varela requested LFC staff look into the procedures to ensure compliance with encumbrance statute.

### **Miscellaneous Business**

#### **Action Items.**

*Approval of LFC Minutes – May 2015.* Senator Cisneros moved to adopt May's meeting minutes, seconded by Representative Larranaga. The motion carried.

*Approval of the 2015 LFC Calendar.* Senator Cisneros moved to adopt the 2015 LFC calendar, seconded by Representative Hall. The motion carried.

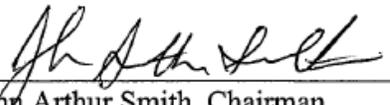
*Approval of Contracts.* Senator Cisneros moved to adopt the contracts, seconded by Senator Beffort. The motion carried.

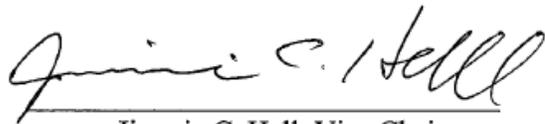
**Information Items**

**Review of Monthly Financial Reports**

David Abbey, director, LFC, briefed the committee on information items highlighting the recently released LFC Post-Session Review.

With no further business, the meeting adjourned at 11:32 p.m.

  
\_\_\_\_\_  
John Arthur Smith, Chairman

  
\_\_\_\_\_  
Jimmie C. Hall, Vice Chairman