

**Legislative Finance Committee
Meeting Minutes
State Capitol Room 307
Santa Fe, NM 87501
September 24, 25, 26, 2014**

Wednesday, September 24

The following members and designees were present on Wednesday, September 24, 2014: Chairman Luciano “Lucky” Varela; Vice Chairman John Arthur Smith; Representatives Patricia A. Lundstrom, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, James P. White, and Sharon Clahchischilliage; Senators Carlos R. Cisneros, Sue Wilson Beffort, Carroll H. Leavell, Howie C. Morales, George K. Muñoz, Steven P. Neville, and Pete Campos. Guest legislators: Senator Mary Kay Papan; Representatives Ernest H. Chavez and Elizabeth “Liz” Thomson.

LFC Results First Report – Evidence-Based Programs to Improve Adult Behavioral Health. Jon Courtney, program evaluator, LFC, and Pam Galbraith, program evaluator, LFC, presented a research report titled *Evidence-Based Behavioral Health Programs to Improve Outcomes For Adults*. New Mexico continues to lead the nation in damaging substance abuse and mental health (behavioral health) outcomes despite four transformations of the behavioral health system in the past 20 years and substantial financial investments, including over half a billion dollars in FY15. For adults, New Mexico leads the nation in alcohol-death rates and is ranked among the worst in the nation in drug overdose death rates, suicide rates, and serious mental illness rates. These persistent challenges in behavioral health outcomes, along with gaps in services, have substantial consequences in costs to consumers and taxpayers including increased criminal activity, increased use of the health care system, property loss, decreased labor market earnings, and preventable deaths.

Research provides evidence that many behavioral health services and programs are effective, and that many have benefits that will outweigh the costs of implementation. Some expensive and effective programs, though likely not cost-beneficial under today’s system of helping people with serious mental illness, should still be considered for funding. However, the state does not have a comprehensive grasp on how it spends the estimated \$209 million on adult behavioral health; whether it is funding effective services, whether services are located in high need areas, or whether services are producing expected results. This report estimates the state only spends 11 percent of its limited funding on proven and effective programs for adults, even though past studies have recommended greater spending on these services. Further complicating efforts to improve outcomes, the state has implemented multiple large scale changes to how it organizes oversight and finances behavioral health since the late 1990s.

While the expansion of Medicaid to more New Mexicans, particularly childless adults, holds great promise for combating behavioral health problems, the state needs to spend its resources more strategically.

Chairman Varela asked for clarification regarding the separation of behavioral health from physical health. Ms. Galbraith said in 2005 there was a needs-and-gaps analysis performed. She said there was concern that behavioral health was not receiving a fair share of the funding and

they recommended they separate from physical health with one managing entity. Chairman Varela asked about the connection between mental and physical health, to which Ms. Galbraith said often patients with mental health issues end up with chronic illness. The reintegration under Centennial Care provides a more coordinated system of care.

Senator Beffort asked about screening, brief intervention, and referral to treatment (SBIRT), to which Ms. Galbraith said SBIRT was a federally funded grant. However, New Mexico did not have a sustainability plan for continuing the SBIRT program after funding expired in 2008. She said the state intends to make SBIRT a Medicaid eligible service. Senator Beffort asked about investment zones, to which Mr. Courtney, program evaluator, LFC highlighted the use of DOH data to identify high risk and high needs areas of the state. Maria Griego, program evaluator, LFC, commented on what is covered through LDWI and potential jurisdictional and priority conflicts with schools and school districts for substance abuse prevention programming.

Mr. Courtney confirmed for Representative Lundstrom that most of the data is from metro areas as opposed to rural areas. Representative Lundstrom asked if a chart also included alcohol, and Mr. Courtney responded no. Representative suggested working with LFC staff on investment zones for counties such as McKinley, Rio Arriba, San Juan and mentioned that the McKinley facility (Rehoboth) is having dire financial distress and a behavioral health provider in San Juan is at risk due to funding. Senator Neville noted this was due to Senate Bill 268.

Representative Larrañaga asked about prescription writing issues. Ms. Galbraith responded that the state has made significant progress in this area. Representative Larrañaga expressed concern this is not being monitored as it should. Ms. Galbraith said the Medical Board is heavily involved in this. Representative Larrañaga asked about funding for juveniles versus adult behavioral health funding, to which Ms. Galbraith said the largest proportion of spending is for 15-17 year old inpatient facility treatment. Representative Larrañaga also expressed concern about 89 percent of spending that does not identify services. Mr. Courtney responded it is due to lack of detail in the data.

Senator Papen asked HSD if growth in patients being served is adults or juveniles and whether this data is going to LFC. Brent Earnest, deputy director, HSD, responded that this data will be available shortly in the HSD budget presentation. Senator Papen asked services are more in a group versus an individual setting. Senator Papen asked about the status of La Frontera and asked about the results of improved service provider access. Mr. Earnest said those numbers are not available today. However, the impact from Medicaid expansion will be seen in years to come, but in this report, HSD is looking at FY15 spending against FY13 results. Senator Papen asked about ensuring that providers are functional. Mr. Earnest said HSD is very focused on quality, the need to shore up the behavioral health provider network, and certain areas in particular. Senator Papen asked about staffing ratios, to which Mr. Earnest could only reference anecdotal and articles stating there is no data here to analyze. Senator Papen expressed concerned about spending funds wisely and is concerned about the state's inability to move forward on behavioral health. Senator Papen suggested LFC look at four states referenced in the report to see what they are doing differently. Senator Papen suggested HSD examine the 2002 gaps analysis in addressing how we spend for behavioral health. Mr. Earnest spoke about the continuum of services, which also includes a public health component. Senator Papen asked

about a plan to examine where behavioral health is going. Mr. Earnest stated he felt they have taken good first steps but over the next year will look at a policy review to identify gaps in services and areas to target as well as statewide perspectives.

Representative Thomson asked if LFC has conducted a results first report for children's behavioral health. Mr. Courtney responded not yet however the capability exists and we plan to report on all areas eventually. Representative Thomson asked whether new billing systems will allow for more specificity in identifying therapies. Mr. Earnest said greater data requirements create additional administrative burden for providers and must balance this against providing services. Representative Thomson stated not knowing what services are offered is not sufficient and asked if the Metro Detention Center (MDC) received state money. Ms. Griego commented that MDC receives funding through Bernalillo County via the local DWI program for their jail-based treatment program.

Representative Sandoval asked about mental health parity. Mr. Earnest commented on mental health parity being met because the state covers services at the same level as physical health. However, access to behavioral health care may not be the same. Ms. Galbraith gave example of Sandoval County memoranda of understanding, including beds for behavioral health. Representative Sandoval asked about what happens when inmates are released to which Ms. Galbraith said HSD is working to make MDC a Medicaid service provider. She also commented on issues with enrolling in Medicaid on release from custody. She advised on enrollment prior to release for continuity of care. Representative Sandoval asked about services in schools through school-based clinics. Mr. Earnest commented on some involvement with school-based clinics and working on care continuity. Representative Sandoval asked how many school-based clinics are in the state and what agency they are funded through. Mr. Earnest said DOH funds clinics, but there is also Medicaid funding for these clinics. Representative Sandoval asked about impact of Medicaid expansion, to which Mr. Earnest said there has been some growth but not as much as anticipated, so HSD is asking for funding to be restored for BHSD.

Senator Smith referred committee to Behavioral Health Collaborative report card and commented on little improvement in behavioral health in New Mexico. He said there is a push for more funding, but we can't account for money already in the system. He asked if the other 46 states not performing well have any better handle on behavioral health and what challenges New Mexico faces. Mr. Courtney commented that states are performing to varying degrees and that New Mexico's challenges are all the system changes it has had in the last 20 years, in essence starting over four times. Senator Smith asked how New Mexico can take all the pieces of this system and put them back together. Mr. Earnest said the silo-ed structure of the past was a problem. He feels Medicaid expansion, Centennial Care and care coordination are all positive steps. Mr. Courtney commented that the state needs to fund what works, which can be hard to do. The state needs to redirect funding away from programs where the results are not successful.

Senator Smith commented the state should be getting better results with the amount of money being spent, not just serving more people. This is a repeat issue.

Representative Clahchichillage asked about DOH data and who provides services in the San Juan County West area identified as high-alcohol-death-rate location. Mr. Courtney explained how this data was split out. She then asked who DOH works with to obtain data. Ms. Galbraith

commented that deaths are reported to DOH. The Epidemiology Division does surveys to obtain data as well and gets information from the Office of the Medical Investigator. Epidemiology has access to a wealth of data.

Responding to Representative Tripp, Mr. Courtney said most of the data comes from drug and mental health courts. Ms. Galbraith noted billing codes are often generic and evaluators cannot identify what therapies were provided. She said claims data does not include outcomes. Representative Tripp asked about evidence-based practices. Mr. Courtney commented on databases used to identify evidence-based practices and the model. Mr. Earnest commented again that the state does not get to a level of specificity to know therapy or service type. He also commented that behavioral health is more difficult to measure outcomes as it is not as targeted as physical health interventions.

Senator Cisneros asked if the majority of treatment is outpatient, and if treatment is not working, does this mean outpatient treatment doesn't work. Mr. Earnest advised no, that outpatient is considered a strong practice. Senator Cisneros asked about this versus inpatient treatment and asked about benefit of inpatient isolation versus outpatient. Mr. Earnest commented on importance of community-based treatment as continuity of care. Mr. Courtney commented that it depends on the diagnosis, some are effectively treated through outpatient care. Senator Cisneros asked about a chart in the report and if it was alcohol specific, to which Mr. Courtney said yes, and advised that the evaluators could perform same analysis including drug and suicide.

Chairman Varela asked the LFC to examine states mentioned in report and look at what policymakers can adapt for New Mexico.

Medicaid and TANF: Preview of FY16 Appropriation Request. Sidonie Squier, secretary, Human Services Department (HSD), said more people are receiving services since the implementation of Centennial Care and are both Medicaid and non-Medicaid recipients. She discussed care coordination as the centerpiece of Centennial Care with patients receiving the right amount of care at the right time in the most cost-effective manner. She said HSD's recipients are now being assisted by caseworkers using the new ASPEN information technology (IT) system.

Ms. Squier outlined the HSD FY16 budget request of \$6.57 billion, a 13 percent increase over FY15, of which \$5.27 billion are federal funds. She said HSD is asking for a general fund increase of \$41.5 million, or 4.1 percent. She detailed HSD general fund budget changes, including Medicaid spending, which has increased due to significant enrollment growth. She said HSD has managed to maintain relatively flat general fund spending, with the addition of federal funds, sound management and program innovations. She said total Medicaid program spending in FY16 is projected to be almost \$5.45 billion, \$928.9 million from the general fund, or a \$37.9 million increase from FY15. She said major changes from FY15 include \$35 million for enrollment increases, a \$13 million reduction due to higher federal matching rates for the regular program and the Children's Health Insurance Program (CHIP), and \$15 million for utilization and medical price inflation. Ms. Squire discussed medical assistance administration increases, stating the FY16 budget request for the administration of the Medicaid program is \$80.9 million, \$3.2 million higher than FY15 or an increase of \$2.4 million from the general fund.

Ms. Squier gave an update of the Centennial Care program, stating the roll-out has been successful. She discussed four Centennial Care managed care organizations (MCO's), participating in care coordination programs so New Mexicans get the care they need when they need it. She discussed the Centennial Rewards program, which provides additional benefits to members making healthy decisions. She discussed payment reform and performance initiatives that will drive improvements in the delivery of healthcare.

Ms. Squier discussed behavioral health spending, stating HSD projected a savings in the FY15 budget due to the expansion of Medicaid. However, half of those savings did not materialize. She said the department is seeking to restore approximately \$1 million of general fund appropriation that was requested but not received. She said in total FY16 base budget for behavioral health is \$57.8 million, with \$39.5 million from the general fund. She provided a behavioral health services utilization update, highlighting a 31 percent increase in the number of people accessing services for a total of 114,314 served, 25,095 of which are non-Medicaid and 89,219 which are enrolled in Medicaid. Ms. Squier outlined behavioral health priorities, including the integration of behavioral and physical health services, increasing recruitment and retention of behavioral health professionals, regulatory reviews and clarification and increasing community crisis response systems.

Ms. Squier outlined the Income Support Division (ISD) FY16 budget request of \$896.3 million, mostly federal funds for the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance to Needy Families (TANF) programs. The request for the general fund is \$44.5 million, reduced \$1.3 million from FY15. She said ISD supports 36 field offices across the state and promotes efficiency by developing systems such as centralized scanning to reduce paperwork and enable access to recipients' files by caseworkers statewide. She said the recurring budget request for FY16 TANF programs is \$122.2 million including work and support services, cash benefits and administration. Next she discussed the history and rule changes within the SNAP program; she also explained that it provides assistance for the purchase of food to eligible low-income residents. In conclusion, Ms. Squier outlined goals for HSD, including the continued management of the Medicaid expansion, the support and improvement of the behavioral health network, and the expanded focus on helping TANF recipients overcome barriers and return to work.

Senator Smith discussed workforce shortages and barriers in getting professionals licensed in the state. Ms. Squier gave examples of professionals who have had difficulty attaining licensure and said she would work in conjunction with the Governor's Office and board members to determine why these barriers exist.

Senator Neville asked for an update regarding the sole community provider program, to which Mr. Earnest said HSD is continuing conversations with counties to determine distributions. Senator Neville asked what San Juan County's distribution will be, to which Mr. Earnest said it is approximately \$10.5 million that the hospital will receive, down from prior years. He said estimates ranged from \$7 million to \$14 million during the last session. Senator Neville said San Juan County has some of the more aggressive programs for substance abuse and said it would be devastating to the county if they did not continue.

Representative Thomson asked about the request to increase spending on behavioral health. Mr. Earnest said they are asking for a 16.4 percent increase in total behavioral health spending in FY16. Representative Thomson asked how much is targeting evidence-based behavioral health services, to which Mr. Earnest said there are a range of evidence-based practices being used across agencies and communities. He said the report identified 11 percent of spending but some are unknown because HSD does not have the detailed level to determine the exact percentage. Representative Thomson asked what services need increases. Ms. Squire listed veteran services, transitional living services, and crisis centers. Mr. Earnest added needs are across the board and access across the system to behavioral services. Representative Thomson asked about transitional living services and who those services target to which Mr. Earnest said there are a range of providers across the state provide transitional living services and funds are needed to maintain and expand services in some parts of the state. Representative Thomson asked how HSD will notify people of services available. Mr. Earnest said there has been initial outreach and also success is seen when services are connected to core service agencies. Representative Thomson asked about outcomes and how they will determine if the funds are making a difference. Mr. Earnest said there are a range of metrics tracked across the system. Representative Thomson discussed SNAP programs and asked why HSD has not requested a waiver from the federal government. Ms. Squier said the department had the waiver in place over the past several years but is requesting to remove it because it will allow people to get out into the communities and into positions where they gain basic skills to give themselves a help up. She said the current system is a voluntary employment and training program. Representative asked if some applicants will be given exemptions because of the lack of opportunity in some areas, to which Ms. Squier said yes. Representative Thomson suggested specific language and criteria be drafted to avoid legal issues. Ms. Squier said the department will consider her suggestion. Representative Thomas restated her question as to why HSD did not apply for the waiver from the federal government for SNAP benefits. Vida Sanchez, deputy director, HSD, said the department is eligible for the statewide waiver this year, however, it not projected to be eligible for the waiver ongoing. She said that will allow HSD to phase in mandatory requirements throughout the state. Representative Thomas expressed concern with HSD not applying for the waiver.

Senator Beffort asked about performance standards that are well under benchmarks, highlighting the percentage of individuals in Medicaid manage care with diabetes. Mr. Earnest said there are two important considerations: One is this does not show a measure that does demonstrate on a comparable basis the actual service use. He said the department typically meets or exceeds these measures. He said secondly the current data does not get updated as quickly is represented in these measures. Senator Beffort also expressed concern with the percentage of children not receiving well-child visits during the first 15 months. Mr. Earnest said it is understated in this analysis. Senator Beffort spoke about TANF and federal work requirements that could include or expand community services. Ms. Squier said states are allowed to include or expand community service to satisfy federal requirements.

Representative Lundstrom expressed concern with the inability to track the states investments and requested information regarding what populations are served and how they correlate to job growth and availability of employment.

Tax Policy and New Mexico Trends. Richard Anklam, president and executive director, New Mexico Tax Research Institute, discussed principles of good tax policy, including adequacy, efficiency, equity, simplicity, comprehensiveness and accountability. He said recession spurs state tax reform efforts and economic conditions improving and state revenues rising provide the financial opportunity for more states to spend more or tax less.

Mr. Anklam discussed trends in state taxation, including the passage in Missouri and Oklahoma of personal income tax rate reductions contingent on each state meeting future revenue growth targets. Indiana enacted legislation that phases down the corporate income and financial institutions tax rates. New York enacted several tax changes including a 20 percent property tax credit for manufacturers. Arizona added a sales tax exemption for manufacturers' electricity purchases. California is considering a proposal to increase and make permanent the motion picture tax credit. Michigan is considering bills that would reduce the income tax and reinstate a variety of credits, exemptions and deductions that were repealed in 2011. Nevada voters will decide on a ballot measure that would create a new business tax at a rate of 2 percent of the taxable margin for business with more than \$1 million in total revenue. Alaska lowered oil and gas production taxes. Virginia adopted a wide-range of changes to sales tax, gas tax, and some local taxes and fees to address how state transportation is funded. New Mexico made changes to the corporate income tax, reducing the rate over five years moving to combined reporting requirements and a single sales factor apportionment formula for certain corporations.

Mr. Anklam said the Internet Tax Freedom Act (ITFA) was extended through December 11 but that law and the Marketplace Fairness Act (MFA) face an uncertain future in what is likely to be a contentious lame-duck session after the midterm congressional elections. He said some think ITFA and MFA will be tied together; some proponents want the ITFA to become permanent. He said that proposal would strip the grandfather clause that states like New Mexico enjoy, further narrowing the tax base and placing upward pressure on rates. Mr. Anklam reviewed significant changes to personal and corporate income taxes in New Mexico, stating they are relatively infrequent. He highlighted an exception, explaining that gross receipts tax (GRT) changes have passed every year for over a decade. He said consumption-base erosion is particularly expensive and troublesome because, as the tax base erodes, the rates go up, exacerbating the problem of pyramiding. Finally, he added that a gross receipts tax impose a very low rate on a very broad base.

Mr. Anklam concluded by saying the GRT is trending toward broken. As a sales tax, the GRT is over-broad and as a true GRT it is too narrow and the rate is too high with no single focus. He outlined possible solutions and recommendations, including trying not to increase rates, targeting no exemptions at consumer purchases, focusing sales tax reform on final sales while excluding intermediate sales, and expanding the anti-pyramiding deductions. He discussed tax reform, trends in New Mexico, stating the last successful large-scale reform was in the 1960s. Smaller targeted efforts have been more successful and conversations are ongoing with Legislative Council Service to begin preliminary steps to study the tax base.

Senator Beffort asked how he recommends putting money into the road fund, to which Mr. Anklam discussed what other states have done, such as Wyoming raising gasoline taxes. Senator Beffort asked what his thoughts are on taxing at the rack, to which Mr. Anklam said there is no

perfect way to tax fuels but likes taxing at the rack because it more closely tracks what the federal government does and is cleaner, simpler system than the current system.

Senator Cisneros asked if there is a hybrid between the Harper/McCamley and the Sharer/Taylor proposals, to which Mr. Anklam said yes. The Harper/McCamley bill proposed pulling some of the business to business tax out of the GRT to make it look more like a normal sales tax and the hard part was finding the offsets because that narrows the base. The Sharer/Taylor proposal went in the other direction and broadened the base but questions remained about whether the rate would be low enough to maintain sufficient revenue. He said some states have both; typically they replace the corporate income tax with a business activity tax and also have a stand-alone sales tax. Senator Cisneros asked where the executive is on this issue, to which Tom Clifford, secretary, Department of Finance and Administration, said they have been discussing ideas internally. Mr. Anklam said the state can do an incremental approach. However, it is difficult to maintain the discipline to have a plan you execute over time.

Representative Larrañaga said the only way the state is going to be competitive is with tax exemptions and credits. Mr. Anklam agreed, stating our current structure is an impediment to attracting outside business as well as growing business from within. Representative Larrañaga suggested a comprehensive study of tax policy.

Senator Smith said if tax reform is accomplished it will take cooperation between the executive and the legislative branch. He commented on the fact that New Mexico is one of the few states that funds education at the state level with no assistance at the local level. He discussed the volatility of oil prices and expressed the need for good information before making tax policy decisions.

New Mexico Corrections Department (770): Preview of FY16 Appropriation Request.

Gregg Marcantel, secretary, New Mexico Corrections Department (NMCD), introduced members of his staff. Jerry Roark, director, Adult Prison Division, NMCD, discussed the department's changing philosophy in preparing inmates to reenter society, comparing key differences then and now. He said the goal in the past was segregation-driven, quiet prisons, which resulted in a 47 percent recidivism rate. He said the goal now is to prepare inmates for release. Mr. Roark discussed the department's commitment to evidence based programming, highlighting the requirement of all inmates to earn a GED prior to release. He noted the gang member problem, stating in the past they were placed in segregation regardless of conduct and had limited programming or job opportunities. Mr. Roark said the department has implemented a "restoration to population" program (RPP), which gives gang members a way out and also provides job opportunities such as barber shop, hobby craft, and maintenance. Mr. Roark said inmates were being released from maximum security to communities and few received programming. Now, the Adult Prisons Division has a pre-release unit that focuses on congregate movement and developing social skills for maximum security inmates, including education, anger management, congregate recreation, and religious congregate services.

Rose Bobchak, acting director, Probation and Parole, NMCD, briefed the committee on where the division was and listed goals for the future. She discussed vacancy rates, programming, and technology and detailed how it has changed over the years. Ms. Bobchak discussed the Men's

Recovery Academy, highlighting 66 percent graduation rate in 2011 to 92 percent graduation rate in 2014. The Women's Recovery Program graduation rate was 92 percent in 2011 and 94 percent in 2014. She said before they have adopted a continuum of care model from prison to the community for substance abuse treatment. In closing, she discussed transitional living centers throughout the state and the initiation of the first state-run transitional gender-specific pilot program, slated to open in the first half of the new year.

Anna Martinez, acting director, Corrections Industries, NMCD, provided a snapshot of inmate work and activities in the Corrections Industries program.. She said they currently run 39 programs in 10 facilities and have built strong partnerships with the divisions within their department, including recidivism reduction and education, adult prisons, and probation and parole. She discussed several programs and listed new programs for the future. In closing, Ms. Martinez said as they move forward with their mission inmates will learn, facilities will flourish and our neighborhoods will be safer.

Mark Myers, acting deputy secretary for administration, gave an overview of the NMCD budget highlighting an increase to the base budget for population growth, a medical contract and other costs for care and support. Next he discussed the FY16 expansion increase highlighting an increase to the Security Threat Intelligence Unit (STIU) and an expansion to the Recidivism Reduction Initiative. He said the total FY16 budget request is \$296 million. In closing, Mr. Myers said over the next three years the goal is to reduce recidivism by 10 percent through meaningful programming.

Maggie Hart Stebbins, Bernalillo County Commissioner, District 3, discussed the need for services for the mentally ill and addicted residents of our state. She said it is important to address the financial impact on the criminal justice system. She said local governments lack the resources and infrastructure to appropriately respond to those in crisis. She said the tragic and costly results include shootings, homelessness, suicide, overdose death, and emergency rooms filled to capacity. Often patients are turned away and end up on the streets or in jail, which contributes to an over-burdened judicial system and overcrowded jails. Ms. Stebbins said more than 50 percent of their male inmates and more than 60 percent of female inmates have been diagnosed with a mental illness or a co-occurring disorder. MDC's related costs now consume more than \$110 million; this does not include funding that Bernalillo County provides to district court, Metro Court or to the district attorney for pretrial service, pro tem judges and extra staff to expedite cases. She said MDC is the largest provider of behavioral health services in the state with none of it being eligible for reimbursement by Medicaid or any other state or federal program. In closing, Ms. Stebbins said Bernalillo County is eager to partner with the state to find solutions to rebuild a safety net in our communities.

KC Quirk, executive director, Crossroads for Women, briefed the committee on services provided by Crossroads for Women to formerly incarcerated, homeless women with substance abuse and mental health disorders. Kay Monaco, board of directors, Crossroads for Women, discussed community corrections and programs that work to keep people out of prisons. She said the state needs gender-specific programming for women because it is the fastest growing prison population in the state. Senator Beffort commented on the behavioral health contracts, to which

Ms. Quirk said in 2010/2011 the NM Behavioral Health Collaborative informed Crossroads that it was no longer eligible to bill Medicaid for specific behavior health services even though the population served requires intensive specialized support services and is not being effectively served elsewhere.

Chairman Varela expressed thanks to Ms. Bobchak for assisting him in getting an individual placed closer to home and commented on the positive changes made by the Corrections Department. He asked how many inmates are participating in industries, to which Ms. Martinez said 240 inmates working in programs. Chairman Varela asked if they started an arts program recently, to which Mr. Marcantel said yes.

Senator Leavell asked about staffing levels at the Lea County Corrections Department, to which Mr. Marcantel said he will get back specific numbers but in general the staffing levels have gone up. Senator Leavell asked about programming, to which Ms. Martinez said they are currently hosting a hobby craft fair and are scheduled to open two new programs. She said they are also starting four hoop houses and working with the community to open a machine shop. They are also discussing the possibility of a tilapia farm program. Mr. Marcantel noted his vision of developing sustainability projects, such as the machine shop to make parts instead of having to purchase them.

Representative Larrañaga asked for more information regarding transitional living centers. Ms. Bobchak said they are located in communities and are a step down from a residential treatment program. They have an in-house advisor who ensures they are in a structured environment and are staying sober. Representative Larrañaga referenced a report that said there are approximately 300 inmates eligible for parole daily. He said there is a lack of resources for parolees and some are released without supervision posing a public safety risk. Mr. Marcantel said the number today is 212. He said release-eligible inmates have continued to be a problem and can pose a public safety risk. He said it is a major concern and is why the department started the STOP program in Otero County. Representative Larrañaga asked for assurance that there are no parole hearings being canceled because of a lack of outside programming. Mr. Marcantel said he is doing everything he can because it is not good public safety policy. Mr. Roark commented on instances where the inmates eligible for release have severed all relationships with family and some inmates prefer to spend their parole term in prison. Representative Larrañaga asked if in-house parole was an option, to which Ms. Bobchak said the department needs to make sure there is an appropriate placement for them, however, there are not enough slots.

Senator McSorley said one of the biggest problems with getting inmates out on probation and parole is records unavailable at the time of their hearing. The people responsible for preparing those prisoner records are private industry providers and it is not in their best interest to get people out on parole because they are being paid. Senator McSorley asked if there was anything in the contracts penalizing private prisons for not preparing those reports. Mr. Marcantel replied he has records of financial penalties. Senator McSorley asked how much the penalty is, to which Mr. Marcantel said he did not have the numbers but will provide them and that every request for proposal (RFP) requires vendors to measure performance. Senator McSorley asked if the department charges the private prisons 100 percent for each day the inmate is still in prison and Mr. Marcantel said he did not know. Senator McSorley stated prisoners who are legitimately

available for parole are not able to leave on parole because private prison contractors do not provide the right forms. Senator McSorley commended the department's efforts in aiming to reduce recidivism but pointed out that reaching that goal will only get us to where the rest of the country is currently. He asked about the savings to the state if the department reaches a 37 percent recidivism rate.

Senator McSorley said there was \$3 million that was supposed to go into community corrections programming that was vetoed and the point was to get people out of prison through increased community corrections, negating the need for corrections funding. Mr. Marcantel said he understands philosophically what he is saying and the budget reflects that. Senator McSorley expressed concern with the fact that prisoners are taken out of public prisons and put into private prisons at a higher cost. Senator McSorley asked if he would be committed to getting gender-specific Medicaid reimbursement for female inmates, to which Mr. Marcantel said he is committed to gender-specific programming. Senator McSorley asked if the corrections department would propose legislation to allow gender specific programs to receive Medicaid reimbursements.

Strategic Plan for State Buildings. Ed Burckle, secretary, General Services Department (GSD), gave a presentation outlining a three-year transformation plan. First he discussed concerns within the department, including a \$400 million backlog in deferred maintenance in 2009, the lack of a master or centralized database of state assets, no substantial funding source for statewide facility maintenance and construction, annual capital outlay that is sporadic and woefully inadequate, and statewide facility maintenance that is reactive and relies on a corrective maintenance mode.

George Morgan, director, Facilities Management Division (FMD), GSD, outlined goals for the department including an integrated facilities management system for total lifecycle planning and getting to a total asset management stewardship for all the states assets under their jurisdiction. The main focus areas are facilities and asset optimization, capital renewal backlogs, budget justification, risk mitigation and information silos. He identified a number of data management silos from a project delivery prospective and the identification of assets.

Mr. Burckle discussed master planning, stating the Capital Building Planning Commission's (CBPC) purpose is to master plan for the state. Over the last several years they have put together a master plan for Albuquerque, Santa Fe, and Las Cruces with a goal of expanding the plan statewide, examining holdings elsewhere. He said in the last meeting they revalidated all of the planning assumptions and all decisions made in 2009 were revalidated so there should be no change in the overall master planning for Santa Fe public facilities.

Mr. Morgan outlined an end result with everything under one roof with centralized control and de-centralized execution. Next Mr. Morgan reviewed first steps for FY14, including the development of Microsoft project schedules for all active capital projects, the development of a matrix to track procurement and contracts, the development of a new project administrator role, and the new declaration of emergency procedures limited to mitigation. Mr. Morgan outlined plans for FY15, including awarding a contract for a facility condition assessment and working with the CBPC on master planning. Next he discussed building the foundation for FY16, highlighting the key goal to move FMD into the twenty-first century from a technology

perspective. He then discussed implementation if FY17, stating they key is capital outlay management, including programming, planning, design, estimates, full project cost and construction analysis. In conclusion, Mr. Morgan outlined a path forward highlighting the need for a sustainable funding source and the goal of full asset management sustainability.

Senator Cisneros asked what percentage would be adequate to fulfill the needs for now and into the future. Mr. Burckle said they cannot determine a dollar figure until the facilities assessment is complete over the next six months. He said that will lead to a facility condition index that the state can use to prioritize maintained needs. He suggested legislation to carve out a percentage of capital outlay without defining how much is needed. He said through the ICIP request the administration consistently asks for \$10 million every year for statewide repair dollars and would be happy to get that \$10 million if the agency were able to legislatively determine a sustainable funding source going forward.

Senator Smith asked if GSD oversees 750 state-owned facilities, to which Mr. Morgan said yes. Senator Smith asked if that included any judicial branch facilities, to which Mr. Morgan said 750 only includes facilities in GSD's jurisdiction. Mr. Burckle added the operations and management for all facilities outside of Santa Fe are paid for with direct appropriations to those agencies; something that could work in the future if GSD would have centralized control and planning. Senator Smith discussed agency reversions and said it is a shame agencies do not use those funds for maintenance. Senator Smith expressed concern with the fact that rural areas have to use their capital outlay funds to build facilities and those in urban areas use state money and also have capital outlay funds to use for other projects. He also discussed some privately owned and state-leased facilities that people in high places own and expressed the need for greater transparency. Mr. Burckle said he understands the need to get a better handle on lease cost versus the cost of ownership. He said one thing GSD has just implemented is the GSD team leasing concept, an interdepartmental group of people to examine leases and determine where the state can reduce costs. He said they are also working to establish new space standards and have the commitment from the administration to enforce those standards. He said he is sure they can reduce the amount of square footage on leased facilities.

Thursday, September 25, 2014

The following members and designees were present on Thursday, September 25, 2014: Vice Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Patricia A. Lundstrom, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, James P. White, and Sharon Clahchischilliage; Senators Carlos R. Cisneros, Sue Wilson Beffort, Carroll H. Leavell, Howie C. Morales, George K. Muñoz, and Steven P. Neville. Guest legislators: Senators Mary Kay Papen and Clemente Sanchez; Representatives Ernest H. Chavez, Elizabeth "Liz" Thomson, and Tomás E. Salazar.

Program Evaluation: Cost-Effective Options for Increasing High School Graduation and Improving Adult Education. Rachel Mercer-Smith, program evaluator, LFC, and Nathan Eckberg, program evaluator, LFC, presented a research report titled *Cost-Effective Options for Increasing High School Graduation and Improving Adult Education*. Lagging high school graduation rates in New Mexico produce significant drains on the state's economy. National research suggests adults without a high school credential are more likely to live in poverty,

become incarcerated at some point in their lives, rely on public assistance, and cost taxpayers \$200 thousand over their lifetimes. In New Mexico, adults without a high school credential earn an annual median income of \$17 thousand, compared with high school graduates who earn an annual median income of \$25 thousand. More than 50 percent of the adults incarcerated in New Mexico lack a high school credential. Though the state's four-year graduation has increased since FY08, New Mexico's dropout rate has increased as well. Each ninth grade class loses roughly 7,700 students who fail to graduate in four years, and in FY13 nearly 7,200 students dropped out of the state's public school system.

This evaluation assessed various efforts to increase the number of adults in New Mexico with a high school credential, including dropout prevention and recovery efforts and adult basic education programs. Additionally, the evaluation analyzes resource allocation and costs associated with various dropout prevention and recovery efforts.

Increasing the number of students who graduate annually by 2,600 would result in an estimated \$700 million in net benefits to tax payers, society, and these students over their lifetimes. Evidence-based strategies, including alternative education programs, case management, mentoring and counseling, and vocational training, increase the likelihood that at-risk students will graduate. Evaluation findings suggest promising initiatives are being implemented inconsistently across the state or not at all. Efforts are not targeted in schools and school districts where dropouts tend to be concentrated. Additionally, the evaluation found the state is spending millions on adults over age 22 in the public school system who never earn a high school credential and tend to be enrolled for far less than a complete school year.

Finally, this evaluation concluded a significant need for adult basic education services exists in New Mexico, but resources are stretched thin and not targeted. Increased investments in adult basic education are warranted if used to improve outcomes for adults by focusing on quality and providing more intensive and targeted services.

Recommendations include implementing evidence-based dropout prevention strategies in a systematic and organized way in areas with the greatest number of dropouts. Additionally, the state should modify statute to move dropout recovery efforts for adults from public schools to the adult basic education system. Any increases in adult basic education funding should be used for performance funding and targeted improvements instead of simply providing the same level of services to more adults.

Leighann Lenti, deputy secretary, Public Education Department (PED), reported the department generally agreed with the findings and recommendations of the evaluation and noted the state has experienced significant improvements in four-year cohort graduation rates, particularly among minority groups. Ms. Lenti also reported PED is developing an early warning system to identify dropouts, which should be completed in December 2014. The department expressed concern about the LFC recommendation to require school districts to develop dropout plans, given current information reporting requirements. The department also expressed concern about shifting funds generated by adult students from the state equalization guarantee (SEG) to the adult basic education system.

Glenn Walters, deputy secretary, Higher Education Department (HED), noted lagging adult basic education outcomes are associated with reductions in general fund appropriations. Mr. Walters also reported HED spent \$300 thousand in FY14 to provide professional development for adult basic education instructors and questions the LFC recommendation to provide more professional development.

Chairman Varela asked questions about collaboration among the state's education system and workforce system. He also noted that members of the business community have expressed the need for additional soft-skill development in the workforce.

Senator Cisneros asked about the Results First cost-benefit analysis included in the report and questioned whether the analysis assumes adults will go on to college. He then expressed concern about a lack of high-wage jobs in New Mexico. Senator Cisneros commented on the number of dropouts associated with charter schools and asked if evaluators explored the reasons these schools produce large numbers of dropouts. Evaluators said his questions were beyond the scope of the evaluation.

Senator Smith commented on the fact that additional money has been invested in education but results appear to be the same. Senator Smith asked about the process involved in closing a low-performing charter school. Ms. Lenti responded that she would need to gather this information from PED.

Senator Beffort asked whether the 180-day count reported for the purpose of administering the SEG is an aggregate count for the year. Evaluators responded it is not. Senator Beffort stated that the 180th assumes K-12 students, not adults, are enrolled and expressed concern about funding the influx of adults. Senator Beffort asked whether charter schools serving adults may become adult basic education providers. Frances Bannowsky, Adult Basic Education Division director, HED, responded that they may respond to the adult basic education RFP process.

Representative Tripp asked whether charter schools serving adults specifically identify this population in their charters. Ms. Lenti responded that several do. Greta Roskum, director, Gordon Bernell Charter School, also responded that the charter school aims to serve incarcerated adults and produces outcomes beyond graduation rates, including credit recovery. Representative Tripp asked for clarification regarding the Compulsory School Attendance Law. Evaluators explained that the law only applies to unexcused, not excused, absences. Representative Tripp asked whether the multi-generation models recommended by evaluators must take place in a single building. Evaluators responded that several models exist nationally. Representative Tripp asked whether there is a limit to how long students may be enrolled in ninth grade. Evaluators responded that ninth grade enrollment is determined by the number of credits a student has earned.

Senator Morales noted that graduation data should be interpreted with caution. Senator Morales stated that a student might be enrolled in Gordon Bernell Charter School, transfer to a new school, and be counted as a dropout. Senator Morales mentioned that districts need a financial incentive to provide vocational programs.

Senator Munoz asked for clarification about the difference between an alternative school and a charter school. He noted he disagrees with the LFC recommendation to modify the Mandatory School Attendance Law because it might negatively affect students who participate in athletics. Senator Munoz asked whether the early warning system would duplicate existing data collected by school districts, including the Power School system. Ms. Lenti reported that the data system will provide new information and is intended to be used by district personnel, instead of parents.

Representative Lundstrom questioned how modifications to the public school funding formula would affect equalization. David Abbey, director, LFC, responded the question may be researched by staff, who may request an attorney general opinion. Representative Lundstrom noted that charter schools serving adult students should become adult basic education providers.

Higher Education Funding Formula Update. Jose Garcia, secretary, Higher Education Department (HED), highlighted three statewide metrics measuring performance in the higher education instruction and general expenditure (I&G) funding formula: total certificates and degrees (awards) awarded; awards earned in science, technology, engineering, mathematics, and health-related (STEMH) fields; and awards earned by financially at-risk students. He reported that awards production for academic year 2013-2014 is up 4.1 percent over the prior academic year. Similarly, STEMH awards are up 4.9 percent and at-risk awards are up 3.7 percent over the same period.

Referring to his materials, the secretary noted the Lumina Foundation's national target that, by 2025, the United States should have 60 percent of the total population with an associate's degrees or better to be economically competitive globally. While making progress, approximately 36 percent of the state's population has an associate's degree or higher. Secretary Garcia said the discussion around the funding formula that began three years ago motivated some institutions to begin designing systems to improve their performance.

After the 2014 legislative session, the secretary began the annual funding formula review process by creating a steering committee of key leaders within higher education. The steering committee supported a draft formula to be presented to the LFC and has recommended a cyclical review of formula components in future years. The steering committee's draft represents a compromise between the approaches applied by both the Legislature and HED over the last few years.

David LePre, director, Council of University Presidents, discussed the development of the formula, a model to distribute state appropriations based on performance measures. The steering committee agreed to maintain the current division of state appropriations between research, comprehensive, and two-year institutions, and the resulting proposal reflects these portions and does not move much money from one sector to the other. Currently, research institutions receive 55 percent of I&G formula funding, comprehensive institutions and two-year institutions receive approximately 14 percent and 31 percent, respectively. The proposal provides a foundation and an outline for future work for the steering committee to further study and develop a richer and fair formula over time.

Directing the LFC's attention to his handout materials and a flow chart outlining how the formula would work, Mr. LePre described how the proposal (1) identifies the percentage of

outcomes funding as part of total I&G formula funding and (2) distributes both a part of the prior-year I&G funding base and any new money available in FY16 and future years based on statewide and other outcomes measures. The distribution of outcomes-based funding would flow through end of course student credit hours, the statewide measures (total certificates and degrees, STEMH and at-risk awards), and mission-specific measures. When outcomes dollars are processed through these measures, they are added to a protected prior-year base funding amount to create the FY16 I&G formula funding amount for each institution.

Katherine Ulibarri, vice president of finance, Central New Mexico Community College, walked LFC through individual components of the proposed formula. To apply the formula, she noted that DFA and LFC must (1) decide a percentage of the total I&G funding appropriation should be attributed to outcomes and (2) whether new money is available for I&G funding. She discussed base operating cost adjustments, how end of course student credit hours are valued under this proposal. She also outlined how certificates and degrees awarded and mission sensitive measures were valued for each institutional sector. Lastly, Ms. Ulibarri reported that the steering committee continues to develop a few formula components, including a stop/loss provision for institutions that demonstrate improved performance but the formula does not recognize this improvement with additional funding. In addition, the formula component that reduces the state's I&G formula appropriation based on other state and local government funding an institution receives (called, institutional share) has not been finalized and applied to the proposed I&G formula.

Steve McCleery, president of New Mexico Junior College, listed members of the "best practices" subcommittee and outlined the subcommittee's assignments and work product. This subcommittee tried to ascertain the most used or most common guiding principles to develop performance- or outcome-based higher education funding formulas. The subcommittee identified the following principles common in state outcome-based funding formulas the formula should include respected stakeholders, align with state goals, be evaluated regularly, be phased-in over time, account for mission differentiation among institutions, account for institutional differences, should include enough money to reach state goals, include a stop-loss provision, provide unambiguous and quantifiable metrics, and should be chronicled in a higher education planning document. Next he outlined findings and gave a summary of their work based on the literature review. He concluded by reporting that New Mexico appears to be embracing the same performance/outcomes funding formula trends that are utilized by other states. With more time, additional evidence will be available on whether these statewide efforts to improve student performance will have been successful and whether best practices can be identified

Dan Lopez, president, New Mexico Institute of Technology and Mining, expressed his support of the proposed funding formula, noting that the concept in its totality is about as good as it can get at first cut. He said he endorses the process and said it was an open and collaborative. In closing, he outlined problems with other possible approaches stating they were too disruptive.

Becky Rowley, executive vice president, Clovis Community College, expressed her overall support of the process but expressed concerns from the community college sector. She said this model is labeled performance based funding and when you look at allocations you will notice a couple of schools that had increases in course enrollment and completion and in certificates

awarded but still experience a decrease in funding. Recognizing the steering committee is headed in a good direction, there appears to be more analysis done and possible revisions to better connect performance with funding.

John Madden, president, Eastern New Mexico University-Roswell, listed three issues that the steering committee needs to address: the application of an institutional share credit, whether a change from the formula used by the Legislature for FY15 should be changed, and whether the formula considers economies of scale. He recognized that larger institutions tend to gain, while smaller institutions may improve performance but don't gain funding in a proportionate way.

Garcia recognized that the proposal fails to address those institutions that are doing outstanding jobs, but have limited opportunities to grow and gain funding based on the formula components. He reported that the steering committee will continue to develop outcome measures or another solution that better recognizes productive institutions. In closing, President Garcia said the proposal represents a compromise that does not address all concerns but that is fair to use for FY16.

Representative White asked whether productivity gains reflect or discount for increased enrollments. He also asked the department to explain how enrollments could decline while award production could increase. Department staff noted that the lagging academic year reporting and graduating student cohorts account for the discrepancy between declining current enrollments but high awards (representing peak enrollments of the 2009 and 2010 student cohorts).

A number of LFC members asked the department about the types of certificates and degrees recognized under the formula. Senator Papen asked whether commercial driver's license (CDL) programs were recognized under the formula; President Garcia noted that they are not but the steering committee will consider the list of certificates and awards to be included next year. Other members expressed concern that certificates taking less than a year of coursework (like CDL programs), were not recognized under the formula but were critically valuable to regional economies.

Members commented on the complexity of the proposed I&G formula. Others noted that annual changes to the formula make it difficult for institutional leaders to plan and perform accordingly. Representative Tripp noted that a productivity measure of some sort could help address concerns with highly-productive institutions that do not or cannot grow substantially.

Capital Outlay. Linda Kehoe, principal analyst, LFC, presented the capital outlay quarterly update and \$1 million or greater update. Debbie Romero, bureau chief, Capital Outlay Bureau, Department of Finance and Administration (DFA), and Ms. Kehoe provided an overview of the state agency and local capital outlay requests that have been submitted to DFA to date for consideration in the 2015 session. Ms. Romero also briefed the committee on a water planning group that has been working on a process for the last couple of months for the purpose of improving the planning, funding, and accountability for water systems statewide. Ms. Kehoe reported that as of September 2014, approximately \$636.4 million from all funding sources for 1,862 projects remains outstanding, excluding \$167 million waiting for voter approval and

earmarked funds. While the outstanding balances do not include earmarked funds, staff does track the allocations, expenditures and balances. Since the June 2014 quarterly report, 232 projects closed and approximately \$83.1 million was expended or reverted. Ms. Kehoe directed the committee to the \$1 million or greater report and indicated, to avoid agency duplication per DFA's request, LFC staff will retrieve data from the capital project monitoring system. However, technical issues require clean up for the next \$1 million or greater report. Ms. Kehoe highlighted some of the larger projects the Legislature has authorized with little or no progress. Ms. Kehoe then reported on the capacity forecast for capital funding in 2015. Ms. Romero then reported on higher education, tribal and special school requests, local entity requests, and provided the goals of the "water planning group." Ms. Romero stated institutions have infrastructure needs totaling approximately \$449 million for new construction, major renovation and other infrastructure needs. The amount requested for FY16 is approximately \$178.3 million, of which \$3.9 million is for special schools. She said \$138.8 million in general obligation bonds (GOB) awaits voter approval in November. She said in a non-GOB capacity year, focus is placed on the most critical health and safety issues impacting students, faculty and the public. Ms. Romero reviewed the Infrastructure Capital Improvement Plan (ICIP) summary stating local entities will request more than \$1 billion in infrastructure needs for FY16. In reporting on the executive water planning group, Ms. Romero stated the New Mexico Environment Department (NMED) is leading the water infrastructure team in developing a plan to address critical water system needs statewide, including how best to use all water funding sources and a plan to provide technical assistance to small systems. She listed three goals of the planning team: development of a report on statewide needs, development of an annual budget for water projects, and development of a simple process for implementation of asset management. In closing, Ms. Romero said that New Mexico First held a town hall on water planning, development and use and is expected to advance their recommendations to the Legislature over the next two years.

Representative Sandoval asked about general obligation bonds (GOB) for libraries and why it takes so long to close out bonds. Ms. Kehoe said the bill itself does not contain a reversion date. She said librarians spread their money over several years to be able to purchase updated books and other media products on the market. Representative Sandoval asked about the status of other entities that get GOB funds. Ms. Kehoe stated the senior citizen projects have been slow in proceeding with projects due to audit compliance issues.

Senator Cisneros asked for an estimate of the deferred maintenance program for roads. Ms. Kehoe said they are not allowed to use severance tax money for maintenance and generally have to use general fund money, but she noted maintenance of roads does entail renovation. She added if you look at deficiencies at higher education institutions you are looking at a figure in the billions and that does not include deferred maintenance for transportation purposes. Senator Cisneros asked when they can expect to have an idea of the state water infrastructure needs. Secretary Ryan Flynn, New Mexico Environment Department, said the goal is to provide a report with a snapshot of infrastructure needs for review by legislators in 2015, but emphasized the planning team was not creating a priority list but intend to provide such information as the amount of money available, total costs for water infrastructure as well as other detailed information.

Friday, September 26, 2014

The following members and designees were present on Friday, September 26, 2014: Vice Chairman Luciano “Lucky” Varela; Vice Chairman John Arthur Smith; Representatives Patricia A. Lundstrom, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, and James P. White; Senators Carlos R. Cisneros, Sue Wilson Beffort, Carroll H. Leavell, Howie C. Morales, Michael Padilla, and Steven P. Neville. Guest legislators: Representatives Ernest H. Chavez and Elizabeth “Liz” Thomson

Children, Youth, and Families Department (690) Preview of FY16 Appropriation Request.

Jennifer Padgett, deputy secretary, Children, Youth, and Families Department (CYFD), introduced members of her staff and gave an overview of the department’s organizational structure. She noted behavioral health services is a standalone division within CYFD effective this fiscal year. Next Ms. Padgett reviewed the department’s FY16 budget request, stating the budget request includes proposed program changes that reflect the challenges faced by the department. She said the general fund base request is approximately \$240 million, a 3 percent increase over the FY15 operating budget. The total budget request is \$447.3 million, which is a 1.8 percent increase over FY15 operating budget. She said CYFD has included an overall vacancy factor of 10.55 percent. She said they continue to implement multiple strategies to recruit and retain qualified and capable employees, particularly in Juvenile Justice and Protective Services, where they must adhere to specific qualification and background checks for those employees who work directly with children. Next she detailed base increases totaling \$7.1 million.

Ms. Padgett said the early childhood services request is an overall decrease of \$1.2 million as compared to the FY15 operating budget with a 14 percent vacancy factor. The request in general fund reflects an overall decrease of \$690 thousand for the transfer of the Infant Mental Health Program and one FTE to Behavioral Health Services. An increase in transfer revenues of \$485 thousand is associated with the Federal Race to the Top Grant from the Public Education Department. The base increase for protective services is \$6.2 million with a vacancy factor of 10.4 percent. She said the general fund request for protective services is \$4.1 million higher than the FY15 operating budget. The increase includes \$3 million for additional care and support, \$1 million for overtime, \$150 thousand for Domestic Violence and transfers to program support for DoIT circuits and human capital management fees. She said protective services continue to see a rise in care and support costs for foster and adoptive children. In FY14, protective services experienced an increase of 326 children in care as compared to the previous fiscal year.

Next Ms. Padgett outlined the base increases for Juvenile Justice Services (JJS) stating the FY16 budget request is \$1.8 million over the FY15 operating budget. The general fund for JJS has increased by \$2.3 million which includes \$1.6 million to reduce the vacancy factor to 9.8 percent from the current budgeted rate of 12.9 percent. She said \$500 thousand is for overtime expenditures and transfers. She said the additional funding in personal services and benefits will allow JJS to continuously recruit new employees, manage overtime cost, provide full coverage within facilities and field offices and meet the challenges of the high turnover rate for youth care specialists. Next Ms. Padgett reviewed base increases for Behavioral Health Services, she said the base budget request reflects an overall increase in general fund of \$1.3 million with a requested vacancy factor of 9.6 percent. The increase represents a transfer from the Early Childhood Services for the Infant Mental Health Program in the amount of \$685 thousand; \$58

thousand to increase rates for safe house interviews and \$790 thousand to increase the rates for shelter care. Ms. Padgett outlined the base increases for the program support services highlighting an overall increase in general fund of \$91 thousand. The increase represents transfers from other programs for one position, human capital management fees and DoIT circuit charges. She said presenting a zero growth budget in general fund with a requested vacancy factor of 12.13 percent is going to be very difficult for program support to keep up with the existing workloads as the ability to fill positions if going to be hindered.

Next Ms. Padgett outlined the proposed program change requests of \$10 million. The expansion request for early childhood services has no fiscal impact as they propose to convert seven early childhood services unauthorized term positions to perm. The expansion requests for protective services include; \$5 million to create 93 FTE, \$1.2 million to establish 7 additional Child Advocacy Pilot Sites, \$1 million to establish 5 Family Support Services sites, \$500 thousand to provide one additional day of respite care to foster parents, \$700 thousand for support for keeping families together, and there is no fiscal impact to converting six protective authorized term positions to term. The expansion requests for JJS includes \$800 thousand to open a 12-bed reintegration center. The expansion requests for Behavioral Health Services includes no fiscal impact to convert two behavioral health services authorized term positions to perm. The expansion requests for Program Support Services include \$536 thousand to create seven positions to support Information Technology Services (ITS), \$120 thousand to create two positions in Employee Services, \$136 thousand to create two positions to support the Families in Need of Court-Ordered Services initiative, and \$118 thousand to create two trainer positions to assist with training of CYFD staff.

Kelly Klundt, fiscal analyst, LFC, highlighted the growing personal services and employee benefits appropriation compared with the flat FTE over the last few years. She said it is important to note this when looking at the expansion request for the agency regarding the 93 FTE for the protective services division. Ms. Klundt noted the secure juvenile justice facilities population census verses the capacity, stating CYFD maintained access to 85 beds in secure facilities in FY15. She also noted Protective Services saw an increase in the number of children who saw substantiated maltreatments; the national average is 94.6 percent with CYFD close to 88 percent. Next Ms. Klundt highlighted CYFD's FY16 budget request expansion of 93 FTE including 24 for protective services and 31 for permanency planner caseworkers. She said LFC conducted analysis of caseload and best practices, noting if the agency did receive the FTE they would be closer to best practices on caseloads for permanency planners and investigators however there is concern regarding the agency's ability to hire 93 FTE. Next Ms. Klundt said the early childhood services division did not request any additional increase and noted during FY15 there was a surplus of funds due to decreased caseload for childcare assistance. She said the agency has reinvested some of those funds into quality measures including increasing provider rate reimbursements and establishing monthly differentials and training.

Chairman Varela expressed concern with the number of vacancies and the additional FTE , noting the high reversions from the department. Chairman Varela asked the agency to develop a hiring plan by the end of the year.

Senator Morales asked about the proposed seven additional children advocacy pilot sites, to which Jared Roundsville, deputy secretary for protective services, CYFD, said the Children Advocacy Center is a co-located office where law enforcement officers, protective services workers, victim advocates, and others work together in the same location to minimize the trauma to children and ensure the investigative process is collaborative. He said Albuquerque was the only Children Advocacy Center in New Mexico that was nearly fully co-located. He said their first initiative was to create the first rural Children Advocacy Center in Valencia County, now open. He noted their desire to open nine co-located centers across the state.

Representative Tripp asked about undocumented residents from Mexico, to which Mr. Roundsville said CYFD has some cases and they work with the Mexican government to work those cases jointly. He said there are currently 10 out of 22 hundred children in foster care currently that are undocumented. Representative Trip asked about Children Advocacy Centers and how different units are funded, to which Mr. Roundsville said each entity is responsible for hiring, funding and staffing at each center.

Representative Thomson asked how they determine low numbers in foster. Mr. Roundsville said to the department compares its data to national averages. He said this year there has been an explosion of investigations and filings for custody that were never reported before. Representative Thomson said CYFD expects the numbers in child care to go up because the eligibility has been increased but the request is lower. Steve Hendricks, director, early childhood services, CYFD, said they are requesting fewer dollars because they transferred the infant mental health program and the budget for that program to behavioral health. Representative Thomson said the department has not applied for the federal childhood development grant and asked if there is a plan to do so to which Ms. Padgett said at this point they are currently vetting that and have not made a decision. Representative Thomson asked when the deadline for that application is to which Ms. Padgett said October 15, 2014. Representative Thomson asked why the department would not want to leverage state dollars with federal dollars, to which Ms. Padgett said a decision has not been made. Representative Thomson said it is her understanding the governor does not support the use of the land grant permanent fund for early childhood and says early childhood education can be funded with general fund monies; she asked how much that will cost. Mr. Hendricks said the projections to determine cost have not been done.

Representative Larrañaga pointed out expansions in CYFD programs, with \$10.9 million funded through the general fund. He asked if the expansions are eligible for federal funding, to which Mr. Roundsville said federal reimbursement has been captured in the projections for Protective Services. Representative Larrañaga asked how CYFD is involved in the Race to the Top Early Learning Challenge grant. Mr. Hendricks said Race to the Top is a federal grant for improving early childhood education.

Senator Smith discussed responsible budgeting and pointed out the Legislature has increased the early childhood budget by 70 percent or \$33 million to \$35 million a year. He said for this to be done right, it also falls on the administration of programs and the Legislature looks to CYFD to spend funds in an efficient and effective way. Senator Smith discussed a letter to Secretary Skandera and Secretary Deines expressing concern with New Mexico not being among the 32 states who submitted intends to apply for a portion of \$250 million in federal preschool

development and expansion grant funding. Senator Smith said he wants to make certain we do not miss any potential resource out there that falls under the category of early childhood development. **Senator Smith moved to send the letter of concern, seconded by Representative Varela. The motion carried.**

Chairman Varela asked about the status of the Children's Cabinet, to which Ms. Padgett said it is active and they have submitted their annual report September 1, 2014. Chairman Varela asked if the meetings were open. Ms. Padgett said it is not subject to the open meetings act but if anyone wanted to participate they would not be excluded. She said it is an advisory body and they do not make policy decisions that would subject it to the open meetings act. Chairman Varela said contract money was provided to individual firms to develop recommendations for the cabinet and expressed concern that no recommendations have come out of those contracts. Chairman Varela asked if CYFD has an inspector general to which Ms. Padgett said Mr. Phil Salazar is the inspector general. Chairman Varela asked what the reporting status is of the inspector general. Mr. Salazar said he reports to the general counsel of the department and also answers to the secretary, deputy secretary, and the chief of staff. Chairman Varela asked what the vacancy rate for program support is, to which Ms. Padgett said the office of the secretaries vacancy rate is 7 percent and administrative services is at 14 percent. Chairman Varela asked staff to identify the definition of inspector general compared with the Transportation, Human Services and the Health departments.

Christina Ford, All Faiths Receiving Home, gave an overview of services provided. She said All Faiths is a nonprofit behavioral health center providing services to children and youth. She said they run the largest safe house or forensic interview program in the state with a network of eight safe houses conducting 2,500 interviews with sexually abused traumatized children a year. She shared a cost analysis of providing interviews, stating it costs \$600 to provide an interview from start to finish and stated she will work with CYFD to come to a rate that both sides can support.

Senator Padilla expressed his support for this service and said valuable facts are collected in these interviews and help avoid future abuse. He said the rates for these interviews have not been changed since 1989 and advocated for a rate increase. Chairman Varela asked if anyone is going to introduce legislation regarding reporting requirements for the neglect and abuse of children and elderly to which Senator Padilla said yes.

Miscellaneous Business

Action Items

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

Information Items

David Abbey, director, LFC, briefed the committee on information items highlighting FTE levels as flat and stated the LFC budget is in good condition with nothing new in the program evaluation report.

Restructuring of Job Classes and Pay Plan. Justin Najaka, interim director, State Personnel Office (SPO), discussed the restructuring of the classified service compensation and

classification system. He provided an overview of how the department got to where it is today and where it is going in the future. He said in 2001 SPO implemented a program called NMHR 2001 which was a reform of the compensation and classification system which has had virtually no maintenance since. At that time SPO created 840 classifications and five generic manager levels. SPO also established a standard three levels within each occupational group. He said they removed minimum qualifications, supervisory classifications and used supervisory pay allowance. In the end there were 16 pay bands, four market adjusted pay bands, five generic manager levels that were in a separate pay system and 100 pay opportunities for these managers. This resulted in a ridged non-manager system that was too generic and a simplified manager system that was a nightmare to administer. He said in 2005 manager positions were merged into the non-manager system, which is what exists today, we have all classifications in one pay line going from pay band 25 to pay band 99. He said at that time there was a decision not to adjust the salary structure in accordance with market movement instead widened the width of the pay band to 78 percent wide while the industry standard was less than 50 percent.

Mr. Najaka said one of the goals in the new pay system is to narrow the pay structures and bring them down to a more manageable width. He discussed adjustments to the pay structure including 1.75 percent in 2007, 1 percent in 2013 and 1.5 percent in 2014. He said these were the first steps to narrow the structure which is now at 74 percent wide. Next Mr. Najaka discussed the general base salary structure stating most jobs fit however, in some instances there are external market pressures that drive a higher salary resulting in the development of an alternative pay band. He said alternative pay bands were intended to be temporary assignments and noted many alternative pay band assignments have been in place since 2001. Currently, almost one-third of classifications are assigned to an alternative pay band. This indicates the salary structure is behind the market which affects agencies ability to attract, retain, motivate, engage and reward employees. Next he discussed average pay compared to 8 surrounding states. He said New Mexico rates fifth in average base salary and fourth in total compensation; however, there are some pay discrepancies.

Mr. Najaka reviewed efforts to restructure and revitalize the classification and compensation system. He said SPO hired a consultant with the Hay Group in 2012 to establish a framework with an objective to capture all the work performed in state government. The framework resulted in the development of 16 occupational groups that contain 121 job families, several class series and multiple levels of work which feed into the compensation system. He gave several examples of how the framework functions as well as how pay lines and associated pay bands work. In closing, Mr. Najaka said the system they developed is similar to others used by several states and noted SPO's partnership with agencies to establish a system that fits the agency needs.

Representative Thomson asked what sources the department uses to determine average pay. Mr. Najaka said they participate in a group called the National Compensation Association of State Governments which provides examples of pay for jobs that are like in size, function and funding source. He said they also use data from the Department of Workforce Solutions as well as purchasing external surveys to make comparisons. Representative Thomson asked if they also examine public sector jobs to which Mr. Najaka said the Workforce Solutions data encompasses both public and private sector.

Senator Leavell expressed concern with the time it takes to fill a position. Mr. Najaka said many positions are union covered requiring a mandatory 14 day posting period. He said the next step is to refer employees by issuing an employment list to the hiring managers noting that many agencies conduct their own referrals. He said the average was nine days to issue a hiring list; next it is up to the agencies hiring managers to contact potential employees, conduct interviews, contact references etc. He said that time from a SPO referral to the time the agency concludes interview and makes an offer is, on average, 41.2 days and noted improvements can be made in this area.

FY14 Performance Report on Key Agencies and DFA Approval of FY16 Performance Measures. Jon Clark, senior fiscal analyst, LFC, presented a report on key agencies and performance measures. He said the annual report represents the culmination of the quarterly performance reporting process for FY14. Overall, cooperation between the LFC and DFA analysts on the accountability in government performance reporting process is good. LFC continues to work with DFA and the agencies on identifying a core set of outcome measures instead of changing measures every few years, but rallying agencies to develop meaningful action plans to address measures with poor results continues to be a challenge. LFC is increasing efforts to provide benchmark data comparing New Mexico results to those of neighboring states or national averages. This performance report now also includes a quarterly investment report.

Performance of note in 2014 by major area:

Human Services and Medicaid - Given approximately one in three New Mexicans rely on the state's Medicaid program and one in three dollars in state spending is for Medicaid, the Human Services Department (HSD) should provide more information regarding quality of care and efficiency. For example, the department reports on few measures that gauge healthcare outcomes for clients receiving services, including only seven for measures that assess behavioral health. The department has no measures to assess cost-effectiveness, such as average cost per client.

Hospital readmissions and emergency department visits have improved (decreased) from FY13 and largely met FY14 targets.

End-of-year measures for well-child visits are below FY14 targets and fiscal years 2012 and 2013; however, numbers are preliminary and HSD will have more complete information beginning in FY15.

The Child Support Enforcement Program exceeded most targets, with total collections a record \$137 million for the year.

Work participation rates for Temporary Assistance for Needy Families (TANF) clients are also below targets and past-year performance; however, they are still largely better than low national averages.

Behavioral Health - New Mexico will invest over \$500 million in behavioral health in FY15, yet the state continues to lead the nation in damaging substance abuse and mental health outcomes.

For adults, New Mexico leads the nation in alcohol death rates and is ranked among the worst states for drug overdose death rates, suicide rates, and serious mental illness rates. It is estimated more than 100 thousand New Mexican adults need, but are not receiving, treatment for behavioral health issues.

A forthcoming LFC performance evaluation finds an incomplete picture of behavioral health services offered in New Mexico. The system cannot currently account for which services and programs are evidence-based or where these programs are offered. An updated gap analysis would allow resources to be prioritized in an evidence-based way to improve outcomes and allow targeting of services to high-risk, high-need areas.

Health - The Department of Health (DOH) worked to improve the state's childhood immunization rate, and New Mexico now ranks above the national average -- 17th in the country. However, the state is ranked at the bottom nationally for teen pregnancy rates.

The developmental disabilities (DD) Medicaid waiver program waiting list decreased by 115 people and added 574 people to the program, an increase of 15 percent. The program will still revert \$6.7 million to the general fund due to the ramp up time needed for newly allocated individuals to fully utilize all services for which they are eligible.

The Facilities Management Program had an average rate of occupancy per licensed bed of 64 percent, with a rate of 81 percent for operationally filled staffed beds. This decreased occupancy rate reduced revenues and increased uncompensated care. Poor collection rates for billed and collected third-party payments including funds from Medicaid managed care organizations is a concern.

Aging and Long Term Services - In FY14, 101 thousand people received Aging Network community services, up 12 percent from 90 thousand in FY13. An additional 11 thousand people received services such as meals, senior employment, respite care, volunteer services, and Alzheimer's disease and caregiver support.

Children, Youth and Families - The continued increase in incidents requiring use of force and resulting in injury from prior years at Juvenile Justice Facilities is concerning. The Children, Youth and Families Department (CYFD) reported an action plan to implement best-practice policies to de-escalate incidents and behaviors to avoid injuries resulting from the use of force.

Of concern is the increased trend in the number of substantiated maltreatment cases. Repeat maltreatment is the canary in the coal mine for a child welfare system. The repeat maltreatment rate missed the FY14 target and increased from 8.7 percent in FY13 to 11.2 percent in FY14. The national average is 5.4 percent. An LFC evaluation found 36 percent of children who are victims of substantiated cases of maltreatment will be abused or neglected again before adulthood.

For FY16, the agency and LFC are proposing additional performance measures for the Early Childhood Services Division (ECS). The department will report on additional home visiting measures such as the percentage of infants on schedule to be fully immunized by age two and the

percentage of parents who show progress in practicing positive parent-child interactions. Additionally, the agency will include measures for FOCUS, such as the percentage of children and licensed childcare providers participating in FOCUS levels three thru five.

Public Safety - The Department of Public Safety (DPS) has not been able to boost law enforcement staffing due to an outdated and uncompetitive pay structure. Manpower for both the Motor Transportation Division and the State Police is well below New Mexico Sentencing Commission Staffing Study recommended levels but should improve with recent salary increases.

New Mexico Corrections Department (NMCD) prisons continue to be safe with reduced inmate-on-inmate violence and inmate-on-staff violence remaining flat.

The overall recidivism rate remains above 40 percent and contributes to a growing inmate population. The department should strategically invest in programs proven to reduce recidivism.

Inmates continue to not be released on-time with roughly 290 inmates continuing to serve time in a prison facility rather than being supervised on less expensive parole. Inmates serving their time in prison, rather than on parole, cost the state an estimated \$10.3 million in FY14. The leading causes of this are a lack of community resources for parolees, administrative issues causing parole hearings to be canceled, and inmates not participating in the parole process.

Transportation - The number of traffic fatalities and alcohol-related fatalities increased in FY14, the latter a particular concern given earlier progress on the measure as a result of high-visibility law enforcement operations.

The number of statewide preservation miles preserved – a key indicator for New Mexico Department of Transportation (NMDOT) performance – is above FY14 targets but below FY13 results. Significantly, the number of lane miles in deficient condition more than doubled between FY12 and FY13. FY14 data is not available.

Ridership on the Rail Runner continues to decline and remains below target levels and below FY12 and FY13 results.

Natural Resources - Forest thinning and watershed restoration by the Energy, Minerals and Natural Resources Department (EMNRD) declined 34 percent in FY14 to 12 thousand acres. Experts estimate 50 thousand to 100 thousand acres should be treated annually to proactively thin overgrown forests so they are more resilient to fire, drought, insects, and disease.

State park visitation increased in FY14, and EMNRD met the target of 4 million visitors, but visitation was down 500 thousand from FY10 and FY11. EMNRD did not meet the target for average revenue per visitor, which decreased in both FY13 and FY14 after peaking in FY12.

With a target to cut the water rights application backlog by more than half, the Office of the State Engineer (OSE) saw this figure increase by 13 percent in FY14. OSE attributes the growing

backlog to a high demand for services due to the drought, high oil and gas activity, ongoing adjudications, and the pending *Texas v. New Mexico* litigation.

OSE's offers to defendants in adjudications continues to decline, missing the FY14 target by 10 percent. The agency notes difficulty in recruiting and retaining engineers and attorneys at salaries competitive with private sector employers.

OSE reports New Mexico is meeting delivery requirements under the Pecos River and Rio Grande compacts. The state has a credit of 102 thousand acre-feet on the Pecos River Compact and 62 thousand acre-feet credit on the Rio Grande Compact, according to OSE estimates. The Bureau of Reclamation's unilateral release of credit water from the Elephant Butte Reservoir is the subject of ongoing litigation.

Economic Development - New Mexico's poor year-over-year job growth of 0.3 percent lagged behind neighboring states and the national average of 1.9 percent during FY14. Despite this weak growth, the Economic Development Department (EDD) surpassed its job creation target; however, the number of jobs reported is marred by data quality, reporting issues, and the ongoing concern of EDD reporting announced jobs versus jobs filled.

Workforce Solutions - Transaction times remain an issue for the Workforce Solutions Department (WSD), increasing to an average of 44 minutes. 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, all of which contributed to increased average call times.

As of the fourth quarter, WSD started reporting on the solvency of the unemployment insurance trust fund including fund balance, quarterly revenues, and benefits paid out. As of March 2014, New Mexico's trust fund was down to \$49 million from \$557 million in March 2008.

General Government - Motor Vehicle Department wait times decreased dramatically in FY14, exceeding targets and demonstrating strong customer service. Field office wait times averaged 17:48 minutes in FY14, with a notable fourth quarter performance of 13:48 minutes. Call center wait times averaged 5:06 minutes in FY14, also showing an impressive fourth quarter performance of 2:42 minutes.

The General Services Department (GSD) increased employer and employee medical premiums by 11 percent for FY14 and 6 percent for FY15 after holding premiums flat for several years. The industry trend for medical premium increases is 4 percent.

Risk Management's risk fund reserve ratios are declining despite premium increases and a five-year rate plan to increase reserves to actuarially sound levels. Additionally, the financial position of GSD's public liability fund is 22 percent, less than half of the FY14 target.

The Facilities Management Division (FMD) struggles to manage space utilization under an outdated state space standard and has made little progress adjusting to fewer public employees.

In addition, the agency reports the number of capital projects on schedule has declined; however, the decreases reflect better reporting.

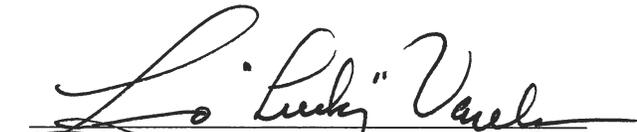
The number of procurement violations for agencies under State Purchasing is on the rise and emanates from the same sources which reflects inadequate oversight.

Investments - Final FY14 figures for the land grant and severance tax permanent funds and two pension funds show investment returns for the one-, three-, and five-year periods exceeded the long-term target of 7.5 percent and 7.75 percent respectively. Ten-year returns fell short of targets due to the recession and partly because past investment policies made the portfolios sensitive to market volatility.

However, the funds' performances were mixed when compared with other similar public funds with market values greater than \$1 billion. All but the severance tax permanent fund outperformed the median of the peer funds in the five-year period, but none did better than the median in the one-, three-, and 10-year periods.

Staff at the investment agencies note their long-term performance rankings are affected by rules guiding asset allocation – the distribution of types of investment – in place at the time, as well as the recession. The State Investment Council, which invests the permanent funds, the Educational Retirement Board, and the Public Employee Retirement Association have since diversified their portfolios through investment in alternative assets, like hedge funds and private equity.

With no further business, the meeting adjourned at 12:23 p.m.


Chairman Luciano "Lucky" Varela


Vice Chairman John Arthur Smith

Representative Luciano "Lucky" Varela
Chairman

Representative William "Bill" J. Gray
Representative Larry A. Larrañaga
Representative Henry "Kiki" Saavedra
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State of New Mexico
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David Abbey
Director



Senator John Arthur Smith
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Senator Carlos R. Cisneros
Senator Carroll H. Leavell
Senator Howie C. Morales
Senator George K. Munoz
Senator Steven P. Neville

September 25, 2014

MEMORANDUM

TO: Legislative Finance Committee

FROM: Subcommittee A

Senator Carlos R. Cisneros, Chair *CRC*
Representative Edward C. Sandoval, Vice-Chair
Representative William "Bill" J. Gray
Senator Carroll H. Leavell
Senator George K. Munoz
Senator Steven P. Neville
Representative James P. White

Representative Luciano "Lucky" Varela, Ex-officio
Senator John Arthur Smith, Ex-officio

SUBJECT: Subcommittee A Report

- (205) **Supreme Court Law Library.** Michael Polson presented the budget request of the law library, which included full funding for all positions as well as an increase in contractual services for the maintenance of a contract supporting a legal research database. There were no questions asked.
- (208) **NM Compilation Commission.** Brenda Castello, director, presented the budget request of the Compilation Commission. The request does not include any money from the general fund because all program revenues come from product sales and a transfer to the commission from the Legislative Council Service. Ms. Costello stated that, while the commission currently has a \$1.2 million fund balance, much of that balance may be depleted by FY18 resulting in the commission request including general fund.
- (210) **Judicial Standards Commission.** Randall Roybal, executive director of the Judicial Standards Commission, presented a budget request that provided full funding for all

current positions as well as additional funding for training for commissioners. Mr. Roybal stated the commission received a record number of complaints in FY14. Senator Munoz asked if the commission was responsible for providing legal representation to judges under investigation. Mr. Roybal stated that it is not.

- (215) **Court of Appeals.** Chief Judge Kennedy presented the request of the Court of Appeals, which was flat and contained no category adjustments. The judge explained that the court was able to fund many court facility maintenance contracts through vacancy savings. Judge Kennedy also introduced Judge Michael Vigil, who will succeed Judge Kennedy as chief beginning in January, 2015.
- (216) **Supreme Court.** Chief Justice Barbara Vigil presented a summary of the overall budget request, which included a \$14 million increase. Following her presentation, Joey Moya, chief clerk, stated the request of the Supreme Court includes funding for judicial travel, which is often paid by the justices out of their own pocket. There were no questions from members.
- (219) **Supreme Court Building Commission.** The request of the Building Commission included sufficient funding to fill all positions as well as an additional amount to provide for shift differential pay, a payment in excess of a normal hourly rate paid to individuals working outside of the normal 8 am-5 pm, Monday through Friday, schedule. Representative Varela asked what the hourly pay including shift differential would be. Mr. Moya did not know but will follow up with Representative Varela.
- (354) **New Mexico Sentencing Commission.** Tony Ortiz, director, was in attendance and discussed the commission's flat budget request, the New Mexico Results First Initiative, the 15 reports the commission provides each year, the Motor Transportation Staffing Study, and population forecasting.
- (603) **Office of African American Affairs.** Yvette Bell, executive director, requested \$825.6 thousand from the general fund, an increase of \$16.5 thousand, or 2 percent, over the FY15 appropriation. The request included funding for increased Department of Information Technology (DoIT) and General Services Department (GSD) rates. The agency has full funding for 7 FTE, two of which are currently vacant. Director Bell reported the agency is currently working to fill both vacant FTE and provided an overview of the agency's annual report. Representative Valera asked if the agency's employees were classified or exempt and Director Bell stated a majority of Office of African American Affairs (OAAA) employees were classified. Representative Sandoval asked if the Office of African American Affairs and the Martin Luther King, Jr. Commission (MLK Commission) were in the same location. Director Bell stated the OAAA and the MLK Commission were currently at different locations.
- (605) **Martin Luther King, Jr. Commission.** Kimberly Green, executive director, presented the request for a \$474.8 thousand appropriation from the general fund, an increase of \$138 thousand, or 41 percent over the FY15 appropriation, for an additional receptionist and to lease new office space and overhead costs. Three FTE are currently authorized

and the agency is fully staffed. In FY15, the agency received an additional \$122 thousand, or 57 percent, over the FY14 appropriation for a new financial specialist and property lease costs. Director Green provided an overview of the agency's annual report. Representative Varela asked if the agency received the compensation increase in FY15 and Director Green stated the agency did not because Governor Martinez vetoed language providing a compensation increase for exempt employees. Senator Cisneros requested Director David Abbey to review future language for compensation increases for exempt employees. Representative Sandoval asked if the Martin Luther King, Jr. Commission (MLK Commission) could consolidate office space at the African American Performing Arts Center (AAPAC). Director Green stated the agency would look into the possibility of the AAPAC office space.

- (760) **Parole Board.** Sherry Stephens, executive director, was in attendance and the committee voted to accept the committee report.

- (765) **Juvenile Public Safety Advisory Board.** Heidi Alvarez-Wynn, executive director, and Reagan Smetak, Children, Youth and Families Department (CYFD) budget director, were in attendance to represent the board. The board requested a flat budget of \$15 thousand as compared with FY15 appropriations. Director Alvarez-Wynn shared the board's mission and stated the board has two members serving out of seven authorized and is currently recruiting more members. Senator Munoz asked if the board's functions could be consolidated into the CYFD. Director Alvarez-Wynn stated she believed it was important for the board to remain separate from the agency to maintain community involvement and objectivity. Representative Sandoval asked how the board functions with only two members and the director stated the board members function well but recruiting additional members is important.

- (780) **Crime Victims Reparation Commission.** Frank Zubia, director, was in attendance and discussed the reasons for the commission's requested 47 percent general fund increase. The director explained that there has been an increase in medical inflation and that costs to the commission have increased since the Indian Health Service has been designated as the payer of last resort. Representative Munoz voiced his concern that medical air-flights can be expensive from rural areas serving Native Americans.

Representative Luciano "Lucky" Varela
Chairman

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Senator George K. Munoz
Senator Steven P. Neville

September 25, 2014

MEMORANDUM

TO: Legislative Finance Committee

FROM: Subcommittee B

Representative Nick L. Salazar, Chair
Senator Howie C. Morales, Vice-Chair
Senator Sue Wilson Beffort
Senator Pete Campos
Representative Larry A. Larrañaga
Representative Henry "Kiki" Saavedra
Representative Don L. Tripp

A handwritten signature in black ink, appearing to be "J. S.", written over the list of names.

Representative Luciano "Lucky" Varela, Ex-officio
Senator John Arthur Smith, Ex-officio

SUBJECT: Subcommittee B Report

- (356) **Governor.** Robyn Romero, chief financial officer, presented the FY16 appropriation request, which was flat with the FY15 operating budget. LFC staff told the subcommittee, although the agency has fewer staff funded through the operating budget than the previous administration, a number of staff assigned to the Governor's Office are funded in other agency operating budgets. The subcommittee heard the request included \$80 thousand for the governor's contingency fund; a report is available to members on request.
- (360) **Lieutenant Governor.** Robyn Romero, chief financial officer, presented the FY16 appropriation request, which was flat over the FY15 operating budget. LFC staff told the subcommittee that although the agency has fewer staff than the previous administration, the agency was able to meet performance target levels for constituent services. Representative Tripp asked if the Lieutenant Governor also has a contingency fund. Ms. Romero replied no.

- (379) **Public Employees Labor Relations Board.** Mr. Thomas Griego, director, presented the budget request of the Public Employee Labor Relations Board (PELRB). The request included additional funding for personal services and employee benefits as well as additional funding for election monitoring and board member training. Senator Beffort asked why PELRB had not attached itself administratively to another agency. Mr. Griego responded the board could not find an agency to attach to, and in response to this, he hired an administrative assistant with budget experience.
- (385) **Mortgage Finance Authority.** Director Jay Czar provided an overview to the committee stating MFA is not a state agency and it does not receive an annual recurring appropriation for operations. Instead, the state mandates MFA to generate its own funding to carry out its duties. Mr. Czar reported MFA will request a recurring appropriation in 2015 to support the oversight of the regional housing authorities and the Affordable Housing Act (\$0.5 million) and the weatherization program NM EnergySmart (\$2 million). MFA will also request nonrecurring appropriations to the housing trust fund (\$5 million), and the emergency home repair program to supplement declining rehabilitation funding (\$2 million).
- (404) **Board of Examiners for Architects.** Director Wren Propp provided an overview of the board and its FY16 budget request of \$378.9 thousand, an increase of \$16 thousand, or 4.4 percent, over the FY15 operating budget. Representative Tripp asked what types of commercial building plans require an architect. Director Propp responded that plans for a commercial building with occupancy of over 50 people, or a cost of more than \$400 thousand, require an architect.
- (446) **Medical Board.** Director Lynn Hart reported the budget request for FY16 is \$1.8 million, a decrease from the FY15 operating budget. Representative Larrañaga asked what the board is doing to combat prescription drug abuse. Director Hart explained the board uses the prescription monitoring report compiled by the Board of Pharmacy to track prescriptions physicians are writing. Physicians overprescribing can have their license revoked. The director also commented that the board is working to expand continuing education for physicians on the Pain Relief Act and overprescribing. Senator Morales asked for clarification on how the board accesses and uses the prescription monitoring report. Director Hart responded that the board is considered an enforcement agency and therefore has access to prescription lists under the Health Information Insurance Portability and Accountability Act. Representative Tripp asked about the percentage of the population that suffers from chronic pain. Director Hart reported nearly 50 percent.
- (449) **Board of Nursing.** Interim Director Nicole Casados reported the budget request for FY16 is \$2.4 million, a 3.1 percent decrease from the FY15 operating budget. Senator Beffort questioned how the nursing excellence fund provides support to nursing schools and how the Advanced Practitioners Registered Nurses (APRN) Consensus Model would attract more nurses to the state. Interim Director Casados replied \$5 from every licensing renewal fee goes into the nursing excellence fund and the board grants money to nursing schools to provide scholarships and other nursing student support. With the APRN

Consensus Model, advanced practice nurses would receive a compact license enabling them to practice in every state participating in the model.

- (464) **State Board of Registration for Professional Engineers and Surveyors.** Perry Valdez, interim director, Paul Brasher, chair, and Lynn Thurow, vice chair, represented the board. Mr. Valdez provided an overview of the FY16 request of \$886 thousand, an increase of 11.4 percent, over the FY15 operating budget. In FY16, the board wants to relocate from the Toney Anaya building and requested funding for the move. Representative Larrañaga said he supports the move and asked about the difficulties with applicants who graduated from nonaccredited institutions. Mr. Valdez explained the board receives applications from foreign students who attend nonaccredited institutions. The board now requires applicants have experience in the United States and are proficient in English. Rola Idriss, member and an engineering professor at New Mexico State University, reviews the transcripts of applicants from non-accredited institutions to determine if they meet educational requirements. Representative Tripp questioned if a shortage of surveyors exists and what the educational requirements are for surveyors. Vice Chairman Lynn Thurow responded there is not a shortage of surveyors and demand for surveyors is cyclical. The educational requirement for surveyors is a four- year degree in surveying or a civil engineering degree with additional surveying courses.
- (479) **Board of Veterinary Medicine.** Director Frances Sowers reported the budget request for FY16 is \$333 thousand, flat with the FY15 operating budget. Representative Larrañaga asked how many students were participating in the Western Interstate Commission for Higher Education (WICHE) program that allows veterinary medicine students to attend out-of-state institutions and pay in-state tuition rates. Director Sowers stated 12 students are participating. Many students do not participate because they do not want to practice in a rural community after they graduate, a requirement of WICHE.
- (662) **Miners' Hospital.** Chief Executive Officer Shawn Lerch provided an update highlighting that one quarter of the hospital's funding is from the miners' trust operating fund, two audit findings are resolved, the management is meeting with the State Personnel Office to implement a salary plan to recruit nurses and doctors, and the hospital's black lung program is a nationally recognized model. Representative Larranaga asked if the hospital is budgeting its entire fund balance and how much was the projected revenue in the miners' trust fund. Mr. Lerch indicated the entire fund balance was budgeted and both the fund balance and trust fund amounts were validated. Other questions regarded the refinancing of bonds to build a new primary care and behavioral health clinic, and if the facility receives sole community provider funds. Mr. Lerch responded the bond refinance saved \$1.4 million to complete construction on the clinic, and the facility receives about \$500 thousand dollars from the sole community provider fund.
- (930) **Regional Educational Cooperatives.** Eileen Marrujo-Gallegos, director of operations at the Public Education Department (PED), Maria Jaramillo, executive director of REC#5 and REC president, and David Willden, executive director of REC#8, were in attendance. There was no official request for REC funding; it will be submitted on November 30 when PED submits the public school support request. RECs are authorized by PED to

provide education-related services to member school districts and state-supported educational institutions. LFC staff noted an error in the staff brief due to erroneous information received from PED and requested permission to correct the table. Ms. Marrujo-Gallegos read a statement reporting the benefits RECs provide to students, school districts, the state, and PED. Ms. Marrujo-Gallegos also stated the table provided to LFC was a technical error.

Senator Beffort asked Director Jaramillo about the role and importance of RECs. Director Jaramillo stated over the past year RECs have discussed a possible expansion of RECs with stakeholders. Senator Beffort stated she was going to recommend an expansion of funding for RECs, including funding for collaboration with the Higher Education Department as well as for early childhood education supports. She recommended RECs be discussed again in a full LFC committee hearing and encouraged House members to support increases for RECs during the legislative session. Representative Tripp and Representative Larranaga stated their support and asked to include a discussion of RECs at a future LFC hearing. Director Jaramillo stated the proposal put forth by RECs was for expansion of their current scope. The budget was tabled and no further action was taken.