Legislative Finance Committee
September 25, 26, 27, 2013
Santa Fe Community College and State Capitol Room 307
Santa Fe, NM 87501

Wednesday, September 25, 2013
The following members and designees were present on Wednesday, September 25, 2013: Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Henry "Kiki" Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, James P. White, and Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Howie C. Morales, Steven Neville, Carroll H. Leavell, George K. Muñoz, and Pete Campos. Guest Legislators: Senators Mary Kay Papen, John M. Sapien and Linda M. Lopez.

Welcome Remarks. Anna "Cha" Guzman, president, Santa Fe Community College, said the college has increased its graduation rate by 45 percent in academic year 2012. President Guzman directed the committee's attention to a set of charts that indicated a 65 percent productive grade rate (equates to a grade "C" or better) in academic year 2011-2012 increased to 72 percent in academic year 2012-2013. She spoke about "gate keeper courses," classes like algebra, history, and government required of all students. Those classes show a productive grade rate increase of 73 percent in academic year 2011-2012 to 75 percent in academic year 2012-2013. She discussed the importance of retaining students and has instituted a rule that students could not drop a class without talking to an advisor. Since the rules were implemented, the college has seen increased retention rates and increased enrollment in dual-credit classes. Dual-credit class enrollment has doubled, with the college offering classes at Santa Fe High School, Capital High School and the Santa Fe Indian School. The goal is to get high school students to graduate with 24 hours of college credit. She spoke about increased degree completion, citing in academic year 2011-2012 there were 487 graduates which increased to 707 in academic year 2012-2013. Santa Fe Community College has also shown a 10 percent increase in degree-seeking students, including a 2 percent increase in Hispanic males. SFCC has also increased the dollar volume of contract training for business, government and industry from $764,291 in academic year 2011-2012 to $993,797 in academic year 2012-2013. She compared the academic year by race and ethnicity, stating the college needs to improve the Native American population, now only 4 percent. She stated the college will be hiring a coordinator to work with Native Americans, including an initiative to offer college courses in pueblos next year. She spoke about tuition rates at SFCC, highlighting its affordability stating rates had not gone up last year but may need to in the coming year.

Chairman Varela asked if dual enrollment and classes are available at St. Michaels High School or other private schools in the area. President Guzman said St. Michaels in particular offers advanced placement classes. However, there are times when advanced placement courses aren't accepted by universities. On the other hand, dual-credit courses are always accepted at universities because they are college-level courses. President Guzman said she would work closely with private schools.

Chairman Varela asked if the Institute of American Indian Arts (IAIA) is part of the expanded learning center. President Guzman said the higher education center being built on Siringo Road and Yucca will include the University of New Mexico, New Mexico State University, Highlands University, and the Institute of American Indian Arts. Universities will not compete for students but will offer bachelors and masters degrees to increase the level of education offered in Santa Fe. Chairman Varela asked to what extent SFCC is working with vocational training in public schools. President Guzman said in the past five years SFCC has zeroed in on workforce and working hard to understand where the future needs are and preparing for the need. She said SFCC offers welding classes, engineering classes, and culinary arts. A state of the art healthcare education center with a simulation center has been so successful that the hospital is sending doctors for continuing education classes to use the facilities.

Representative Saavedra asked if universities work together to talk about transfers from one college to another. President Guzman said community colleges work with the universities to establish which courses will be accepted. She said the Legislature may be interested in determining what core programs need to be accepted by all universities statewide.

Senator Neville spoke about the problem of credits transferring to other universities but not counting toward a degree. He asked why there isn't a defined English or math course that meets the criteria in all universities. President Guzman said the universities must work with community colleges to establish articulation agreements. She suggested the Legislature incentivize that relationship for the good of the students and the wealth of the state.

Representative White asked President Guzman to speak about how they have improved enrollment and student retention. President Guzman spoke about the need for intrusive advising, which includes a course required of freshman called strategies for succeeding in college. Representative White expressed concern regarding the pressure put on colleges to increase the number of students who complete courses and get their degrees. He asked if it is easier to get through these courses to improve completion rates and how the quality of education is maintained and protected. President Guzman said support systems for students include supplemental instruction, the strategies for succeeding in college course, as well as mandatory tutoring should a student fall below a certain level. Representative White talked about the importance of graduates entering the workforce. He asked if she had any data to share regarding how many students were placed in jobs as well as the types of companies looking to hire graduates in the area. President Guzman said she would send him that information and spoke about the relationship with local laboratories in job placement.

Representative Tripp asked if students attaining 15 credit hours in their first year is the benchmark used to measure student success. President Guzman said research has found is after students take 15 hours it is more likely for the student to graduate than before that 15-hour benchmark.

Senator Cisneros spoke about SFCC's degree in sign language and asked if it would it attract students to that profession if it were offered as an accredited course at the secondary level. President Guzman said SFCC does not have a large student enrollment in sign language but the students enrolled graduate at very high rates. Senator Cisneros asked President Guzman to speak about her desire to target Native American students. He said historically institutions with good recruitment policies and strategies typically do not have the follow-up retention strategy to retain these students. President Guzman said they will hire a coordinator for Native American recruitment and develop special programs for those students to feel valued and to retain them.

Senator Beffort said it is important universities work with community colleges on text books and curriculum. President Guzman agreed, saying it is important that colleges work together to offer core courses of the same standard so they are easily transferred. She pointed out that as a community college there are some courses that are appropriate for work force degrees. And it is important to begin to define learning outcomes and stick to them through standards.

Representative Salazar asked if dual-credit students pay tuition, President Guzman said no they do not have to pay. Representative Salazar asked how the college manages financially offering free courses. President Guzman said part of the funding is from the state and part from the public schools. The teachers participating have to have the same qualifications SFCC teachers have. She said over 60 percent of students who participate in dual-credit courses will attend SFCC, so recruitment costs are reduced.

Senator Smith asked about the enrollment of freshman out of high school attending full time. President Guzman said 482 full-time students continued to the next year. Senator Smith asked about remediation courses and developmental courses and their success rates. President Guzman referred the committee to a chart that outlined students who went to SFCC underprepared and were given developmental course. Senator Smith asked what the typical number of remedial courses are required for graduates coming out of the public school system. President Guzman said usually about 75 percent to 80 percent of new students require developmental courses. Of those, about 60 percent need math courses. She explained four math courses are developmental. If the student's score places them in the lowest course, there is a very low probability that they will ever get to college level. Senator Smith asked if she had discussions with the public education superintendents in the area to address this issue. President Guzman said she is working with Joel Boyd, Santa Fe Public School superintendent. Senator Smith expressed concern and disappointment, stating the Legislature has encouraged continuous networking between the state Public Education Department and higher education but still gets reports of problems.

Program Evaluation: Effectiveness of Early Childhood Programs, including Head Start and Child Care Assistance, on School Readiness and Literacy. LFC program evaluators Jon Courtney and Rachel Mercer-Smith reported since FY12, the Legislature has increased early childhood funding by 44 percent to improve New Mexico's poor educational outcomes. The research is clear; early reading proficiency is a strong predictor of future educational and employment success, and experiences from birth to age five are critical for developing a strong foundation for future learning, behavior, and health. Many New Mexico children enter school far behind their peers. One quarter of children entering kindergarten are unable to read one letter, and more than 80 percent of children from low-income families are behind on the first day of school.

This program evaluation focused on the two largest early childhood programs in New Mexico, including an assessment of their impact on educational outcomes of low-income children. The childcare assistance program administered by the Children, Youth and Families Department (CYFD) annually serves about 20 thousand children up to age 13 at a cost of $95 million in childcare assistance. The federally administered Head Start program serves roughly 8,000 children at a cost of $61 million, with $43 million focused on preschool services for 6,500 children.

Through these two programs and prekindergarten (PreK), New Mexico has made extraordinary efforts to close the "opportunity gap" for children in poverty by providing access to preschool. In FY12, these three programs spent around $100 million to serve 13 thousand 4-year-olds, or 60 percent to 70 percent of low-income children. For FY14, appropriations for PreK will fund an additional 4,000 students, an 85 percent increase since FY12.

Unfortunately, neither child care nor Head Start is producing better academic outcomes. Rather than continuing with this fragmented system, the state should create an integrated PreK program, applying the same program standards across all publicly funded early education initiatives.

Since 2004, Legislative Finance Committee evaluations have noted mission confusion for child care and whether the program should emphasize welfare support or school readiness. CYFD quality initiatives boost per-child spending, resulting in fewer children being served. Given the lack of difference in student academic performance in the star rating system, future rate and cost increases should be tied to strategies to improve performance.

Similarly, a lack of Head Start cooperation and coordination results in inefficient resource allocation and potentially hinders school readiness. Although Head Start is the largest public preschool program in New Mexico, many agencies have little collaboration with childcare providers, school districts, or PreK sites. New Mexico would benefit if the state were responsible for overseeing these funds.

Finally, weak program integrity efforts at CYFD threaten effective allocation of resources and potentially endanger children. Examples include potential fraud and registered childcare providers sharing addresses with registered sex offenders.

Evaluators found that despite significant investments, childcare assistance for low income children fails to improve school readiness and early literacy. In FY13, CYFD spent $85.7 million to administer and subsidize the cost of child care for roughly 20 thousand children per month. The department has $95 million to spend on child care assistance in FY14. CYFD has spent millions on efforts to increase care quality to improve child outcomes through the state's quality rating system (QRIS). Yet, evaluators found that childcare shows no lasting impact of early literacy among participants.

Evaluators also reported that while CYFD's proposed quality initiatives reflect positive improvements, significant obstacles will likely prevent the desired impact of significantly improved school readiness among most childcare participants. Barriers include data that suggests most children receiving childcare do not attend four- or five-star centers, and most children do not participate in childcare very long, hampering quality. A lack of kindergarten readiness expectations and uniform assessment hampers the state's ability to align early childhood expectations with the K-12 system. The report recommends using some of the state's childcare assistance funding to enroll more students in New Mexico PreK, which produces lasting benefits on student achievement.

Evaluators noted that many Head Start agencies also receive other large grants and contracts from the state. The state lacks information on how Head Start impacts school readiness, and most providers refused to provide the LFC with participant data. However, Head Start program measures show New Mexico falling behind on certain federal evaluation metrics.

The report noted that New Mexico also needs to better target resources to children who need them most to improve access to early childhood services and recommending providing parents with printed information about quality and improving access to provider deficiencies online. The report also recommended looking to other states for models of braiding funds and stacking early childhood services.

Finally, the report noted that current childcare program integrity threatens the effective allocation of resources and potentially endangers children. The LFC reported that CYFD inspector general FTE have been reduced, evaluators found examples of potential fraud that go unreported, and instances of registered sex offenders residing within childcare provider locations. The report recommended that CYFD should develop a program integrity unit within the Office of the Inspector General and initiated program integrity activities recommended by the federal Office of Child Care.

Senator Beffort asked about the methodology used to determine the impact of different star levels on test scores and why short exposure to child care is detrimental. The agency response -- presented by Secretary Yolanda Beruman-Deines, Early Childhood Services Division Director Diana Gonzalez, and Deputy Early Childhood Services Division Director Dan Haggard -- noted the report does not highlight cost-containment measures the department has taken, including requiring families to register for child support to accurately report all income, ending payments to multiple providers for the same child, and no longer paying full-time rates for part-time care. The childcare assistance program currently serves families earning below 125 percent of the federal poverty level (FPL) and the department is currently pulling families earning up to 150 percent FPL off the waiting list. The department noted that the full extent of the waiting list is unknown and dates back to 2010. CYFD responded to the program integrity section of the report, suggesting the state reports a 4.5 percent payment error rate ($2.5 million) to the federal government. CYFD stated that they do not have the personnel resources to do on-site attendance audits as is recommended in the report.

Chairman Varela asked what resources the department needs to conduct such audits. The CYFD officials responded that they are not adequately resourced, and Chairman Varela asked LFC staff to look into this. The department only cross references the sex offender registry at the time of application and does not currently spot check the sex offender registry but reported plans to develop a system to continue sex offender registry checks.

The CYFD officials reported that the main purpose of childcare assistance is to provide parents with income support to allow parents to remain in the workforce and asserted that improving academic achievement was not a main purpose of the program. Department managers do not believe they can require educational outcomes from childcare providers. However, the department recognizes the program has evolved to improve quality over time.

The CYFD officials next spoke about difficulties attracting, preparing, and retaining an early childhood workforce because of low wages within the industry. Earning ability in child care and difficulties it presents to gain higher education without programs such as TEACH. They mentioned the new quality reporting and improvement system (QRIS) FOCUS, and explained that without a tipping point in quality, programs cannot be expected to produce benefits resulting from quality.

Chairman Varela made comments on the importance of improving child development, which cannot be separated from childcare programs. He stated that department was building a case to not increase funding of child care. Head Start is also a publicly funded program and should be held accountable for program performance. The chairman asked Director David Abbey to reach out to the congressional delegation and requested increased accountability for Head Start and grant administration at the state level. Secretary Deines responded the department hopes to implement PreK standards within child care.

Senator Beffort noted the state has no jurisdiction over Head Start but felt shining a light on Head Start through this evaluation was positive. She wants to see fewer registered homes and more licensed care and asked for clarification about CYFD's jurisdiction over registered homes. The department managers responded that $800 thousand was appropriated last year for registered home oversight because the department was concerned about the health and safety of children in over 4,000 registered homes. Beginning in October 2013, CYFD will conduct semi-annual registered home visits.

Senator Neville asked questions about the childcare budget and number of children served monthly. The department reported the budget is $93 million and the number of children served changes monthly but is typically between 18 thousand and 20 thousand. Senator Neville expressed concern the state is not getting education from child care and asked for clarification on whether benefit is being attained. The managers commented that educational development is key, but the childcare workforce is not trained adequately to take advantage of all educational opportunities. The department staff noted the federal government's focus is for child care to take on a greater educational role. Senator Neville asked why we are not seeing greater academic achievement from five-star centers. Senator Neville commented that realistically a one-point difference may be statistically significant but doesn't mean the child knows more math. LFC program evaluator Jon Courtney clarified that one point could significantly impact the number of children demonstrating proficiency and PreK is also associated with a decreased need for special education and reduction in student retention.

Mr. Courtney commented the Early Child Care and Education Act aligned education and child care and federal rules are moving toward an education focus and not just a program to provide care for working parents. Mr. Courtney noted these missions could be in conflict.

Senator Morales asked about a lack of data provided by Head Start programs. Mr. Courtney reported that three Head Start agencies provided data and spoke to reasons why other agencies did not participate. Mr. Courtney mentioned LFC only sought participation data, noting the state does not know which children participate in Head Start. Responding to Senator Morales, Mr. Courtney advised that there is federal data about Head Start program inputs that reflect poor performance. Senator Morales asked about a lack of internal controls, fraud, and waste and abuse issues. Mr. Courtney spoke about the annual CCDF plan submitted by CYFD to the federal Office of Child Care, which includes a program integrity plan. Mr. Courtney also referenced Government Accountability Office standards for program integrity in the evaluation report. Senator Morales asked if there was any difference between this and TANF and Medicaid dollars and how they must be overseen. He mentioned concerns about program integrity in light of behavioral health audits. Secretary Deines commented that the department has reduced improper payments to 4 percent.

Senator Sapien said that he appreciates the criticisms in the report but expressed concern that LFC looked at only two years of data. He advised others reports look at 10 years of data. Senator Sapien asked about market rates and subsidies being adequate. Program evaluator Rachel Mercer-Smith responded that this came from the 2013 CYFD Market Rate report and referred to sections of the report which note that in some instances CYFD exceed market rates and in other cases CYFD pays less than market rates. CYFD clarified that market rate is based on two-star rate and increased rates must have smaller class ratios, which incur additional costs. Senator Sapien asked if reimbursement rates are below market rates in general. LFC evaluators reported that rates are below market rate sometimes but not always. CYFD stated that rates are too low. Senator Sapien mentioned that he has heard that many child care centers closed during the recession and asked if this is true. CYFD commented that some centers have closed while others have opened. Senator Sapien asked what steps are being taken to look for areas of child care need in the state. CYFD stated that some communities lack capacity. Senator Sapien asked where data on SBA scores came from and how LFC staff was able to follow students for seven years without a unique STAR ID. Dr. Courtney commented that the LFC received complete datasets for child care participation from CYFD and PED, PreK data from UNM and PED and SBA and student demographic data from PED. The LFC was able to create a unique identifier and then track students. Senator Sapien referenced other studies which suggest a lasting impact of early childhood programs and asked what New Mexico is missing and where the state should go in the future. Dr. Courtney referred to positive impacts of PreK and reiterated that the LFC does not recommend taking funds away from child care but instead creating new models, such as Educare, and braiding funds. Senator Sapien asked about decoupling students who went though child care versus no child care in the data analysis. Dr. Courtney answered that researchers expected to see better outcomes among students who received stacked services but noted that this was not the case. Senator Sapien asked about the cost per student for the Educare system observed in Atlanta at NCSL. Director David Abbey answered $15 thousand per student. Senator Sapien commented on losing child care workforce going into K-12 system for greater earning potential and noted that parents may choose to provide early childhood care at home. He also voiced his support for working with the congressional delegation to move Head Start grant awards under state administration.

The committee heard comments from a panel of early childhood experts, including Leah Austin of the Annie Casey Foundation. She described the integrated Educare system in Atlanta. Ms. Katherine Freeman of United Way of Santa Fe described efforts to develop an early childhood pilot program. Larry Langley, chairman of the New Mexico Early Learning Advisory Council, introduced himself to members of the committee and described efforts to bring key early childhood stakeholders together.

Representative Trujillo asked about how Educare is funded. Ms. Austin reported the program is funded through Head Start, Georgia PreK, child care assistance, and private foundations.

Representative Larrañaga noted the importance of building partnerships among businesses, non-profits, and the state. He also mentioned the importance of accountability measures and expressed disappointment the childcare program has not improved educational outcomes.

Representative Tripp asked how many kids are served by Educare and how the program tracks outcomes. Ms. Austin reported that Educare maintains a data-sharing agreement with the Atlanta Public School district.

Senator Beffort expressed interest in leveraging business and non-profit resources to increase child care provider wages.

Senator Smith expressed concern that rural communities will not benefit from efforts to improve quality.

Chairman Varela noted that the state needs reduce poverty in New Mexico through job creation and resources to help families move out of poverty.

SHARE Update. Darryl Ackley, secretary, Department of Information Technology (DoIT), said SHARE was an "off-the-shelf" system but has been extensively customized, not always for the best. SHARE is implemented as two separate applications, human capital management and financials. The secretary noted SHARE will always be in a state of upgrade, perhaps as often as every 16 months. While there is currently a modern storage platform for the system, the hardware (server) it runs on is aging.

The secretary reviewed accomplishments to date, which included consolidation of DFA and DoIT technical staff to the Simm's building, implementation of certain SHARE, and a "delta analysis" for the SHARE upgrade recently completed by a contractor.

The presentation then turned to some ongoing issues and he described DoIT's overwhelming caseload of special projects, the diversion of resources to cash reconciliation, and other systemic problems, such as a static vision of implementation costs and limited oversight for SHARE. Regarding the lack of progress on the hardware upgrade, the secretary noted the first "tiger team" worked from June 2013 to July 2013 and determined the data actually ran slower on the new hardware than on the old. The team determined that some of the new hardware originally purchased in 2009 would not work for the new upgrade. DoIT initiated SHARE stabilization as opposed to upgrade since any upgrade is dependent on successful stabilization. The secretary stated DoIT has embarked a new phase of assessment and planning.

State Controller Ricky Bejarano spoke briefly about business applications and noted the state will soon put out an RFP for a comprehensive annual financial report (CAFR) and that DFA intends to seek an audited CAFR this year; New Mexico is the only state currently without an audited CAFR. Regarding cash reconciliation, Mr. Bejarano noted the first monthly reconciliation for cash since SHARE was implemented occurred this past July 2013. The DFA is concerned about agencies wanting to implement systems incompatible with SHARE and requiring manual entries to maintain the general ledger component. Additionally, the State Treasurer's Deal Management SHARE module is on hold due to the state's inability to upgrade SHARE software. Finally, he commented on the need for training and certification for those working in SHARE, which has not existed previously. He said the State Personnel Office director is working to implement this education component.

State Treasurer Lewis reiterated the SHARE Deal Management module cannot operate without an upgrade or other contingency plans. He stated he recently returned from meeting with the Federal Security and Exchange Commission (SEC), and the SEC is considering potential rules and regulations around state CAFRs; the SEC wants timelier reporting of state CAFRs. The SEC noted other federal oversight entities, such as GASB, are also concerned about this.

Chairman Varela expressed a lack of optimism about SHARE and then asked about the status of the IT Commission (ITC). The answer was that ITC members met without a quorum and could not elect officers and that phone polling members for the vote was an option not pursued after all. The chairman asked the LFC director if LFC staff planned to recommend any appropriations for IT. Chairman Varela then advised to put IT recommendations on hold for now. Chairman Varela asked if the $5 million appropriated for SHARE has been released for use, and the answer was no. The chairman then asked if the ITC would review a request to spend the $5 million before this occurred and Secretary Ackley responded that the PCC would authorize release of funds through the DFA.

Chairman Varela commented on the former SHARE director' upgrade plan and that it seemed strong; he asked what happened to that plan. Secretary Ackley responded that there are elements of the plan that may still be feasible, but with stabilization issues, upgrade is not feasible at this time. Chairman Varela asked for clarification that the current plan is for maintenance of the existing system and not upgrading. Mr. Ackley reiterated yes, stating they are remediating although some things can be done in parallel. The chairman asked what the total cost of SHARE is to date, and the answer was that there are $55 million to $60 million in SHARE contracts to date, although Bejarano advised that the total may be higher with Department of Transportation functions, funded separately. He added that approximately 90 percent to 95 percent of payroll and cash remediation projects were to undo issues that had occurred since implementation, such as specialized configurations that shouldn't have happened. Chairman Varela asked about the CAFR being able to be audited by the State Auditor. State Controller Bejarano answered that this was the goal; up to now they had been coasting with CAFR "reviews" as opposed to true audits. The CAFR was supposed to be audited since 2003, and it hasn't occurred. Mr. Bejarano stated the first attempt at an audited CAFR may result in some findings but that would be helpful in the long run. Chairman Varela asked if we have cash control in New Mexico at DFA and when it would be possible to see a full report for all cash accounts under the State Treasury Office's control. Mr. Bejarano remarked that the first cash reconciliation finally occurred for the month of July 2013; however, historical data from the inception of SHARE still needs to be resolved. Finally, the controller reported the Cash Control Bureau at DFA has three people and one vacancy. The vacant position will require a CPA licensure. He stated that for the first time this year they have a group at DFA that mirrors what occurs at the State Treasurer Office.

Senator Cisneros asked about the historical variance spread of $70 million to $460 million and what the status of that is. Mr. Bejarano advised that this was a rough estimate and that their current estimate is $101.7 million—derived from audited balances and summed up variances compared with SHARE. Mr. Bejarano explained that reconciling historical data will show whether one fund owes another, whether federal funds we handled correctly, etc. Senator Cisneros remarked the LFC is a budget committee and needs good information to go forward. Senator Cisneros remarked the committee needs to address this, not wait and see. LFC Director Abbey advised that reserves were reported at $570 million, or 10.1 percent of recurring appropriations; reserves might be reduced to 9.5 percent as a result of the increased liability estimate. Senator Cisneros asked about remains of the supercomputer and the answer was that the higher education institutions have access to them and that some servers could be used toward SHARE stabilization. Mr. Bejarano also noted that the state essentially purchased a potential $50 million system for $20 million and got what it paid for. Mr. Bejarano continued by remarking that in general statutes related to IT oversight are convoluted. The panel was asked about SHARE training and the State Personnel Office director commented that there is now training and certification for new employees, with review every two years. Previously, SHARE training was delayed for six months to a year after employees were hired and by that time employees had already learned from a peer or by trial and error; there was no consistency.

Senator Muñoz asked how long will it take for historical variances to be resolved. Mr. Bejarano responded that an RFP would be required and that it could take as many as two years to address, it would be millions of transactions over seven years. The state used six different accounting methodologies over the years since SHARE was implemented and so there is no one easy way to locate and correct historical un-reconciled balances. Senator Muñoz asked the DoIT secretary about the individuals selected to assist with stabilization of SHARE. The secretary responded by listing the individuals and their area of expertise, such as mainframe, SHARE applications, services and operations, and technical re-platform. Senator Muñoz asked why cash accounting is not centralized and controller Bejarano advised that the Financial Control Act requires this, but it was not strictly followed previously. The senator asked if the DFA can veto IT projects that do not line up with SHARE. Mr. Clifford responded that they know the agency IT systems are needed and they want to work with agencies to ensure SHARE compatibility. Senator Muñoz mentioned language for IT appropriations that new systems could state they must be compatible with SHARE.

Finally, Chairman Varela indicated that he wants the state auditor to review the SHARE issue and assess whether the state has adequate resources in the DFA; he indicated that he wants to strengthen the DFA, especially regarding cash. The state auditor should come back and report its findings to the LFC. Mr. Clifford stated he would be happy to come back before the committee to discuss what's happening at DFA in more detail.

<u>Department of Health Preview of FY15 Appropriation Request.</u> Department of Health Secretary Retta Ward presented the department's vision, mission, and organizational chart. The secretary discussed the department is hoping to join Washington and Oklahoma in having a nationally accredited public health program, and she hopes that in the next year the remainder of the department's facilities will complete their accreditation. Secretary Ward also discussed the success to date of the Healthy Kids, Healthy Communities program. Leonard Tapia, the new chief financial officer and Administrative Services Division director, discussed the department's FY15 budget request indicating the department is asking for a decrease of $1.25 million in the Developmental Disabilities (DD) Medicaid waiver program, while asking for a $5.1 million increase for the Family, Infant, Toddler (FIT) program, in addition to supplemental appropriation of $4 million for the FIT program, and $4 million to disengage from the Jackson lawsuit. Jane Peacock, director of the Public Health Program, indicated that New Mexico's teen birth rate has improved, although it is still the third worst rate in the country. She also discussed the success of the Women, Infant and Children (WIC) program in reducing children's obesity rates in New Mexico, and the success of the Narcan distribution program in reducing drug overdose deaths. Michael Landen, director of the Epidemiology and Response Program, discussed the decline in the state's injury death rate and the increase in the state's trauma centers. He also discussed the increase in prescription drug overdoses. Dave Mills, director of the Scientific Laboratory Division, talked about the program's success in decreasing the backlog of driving-while-intoxicated (DWI) testing by 20 percent and improving overall the laboratory's testing completion rates. He also indicated with climate changes, New Mexico is seeing new diseases requiring testing, including the introduction of cases of dengue fever into the state. Mike Gutierrez, administrator of Turquoise Lodge, indicated the new adolescent treatment unit was open and had an average daily census of 10 patients. The hospital serves 60 percent of patients for alcohol treatment and 40 percent for other substances, using a medical detoxification model, with a 65 percent program completion rate for the adults, compared with a national completion rate of 59 percent. Turquoise Lodge is negotiating with the single statewide entity for behavioral health, OptumHealth, to provide $2 million to support the hospital's adolescent treatment program. Troy Jones, director of the Behavioral Health Institute, discussed the service levels of the hospital, the new facilities, and the good results from recent accreditation surveys. Chairman Varela asked about the community mental health center in Pecos, and Dr. Jones replied the hospital also had similar programs Mora and Santa Rosa that provided 24/7 mental health crisis services on an outpatient basis. Janie Davies, acting director of the New Mexico Rehabilitation Center, indicated the hospital has been successful in hiring an additional physical therapist so will be able to increase the relatively low number of individuals served at the medical rehabilitation unit. Gayle Nash, nursing director for the department, presented on the status of the Sequoyah Adolescent Treatment Center. She indicated a new administrator has been hired for the facility, and that the use of restraints has been lessened for the boys receiving behavioral health treatment at the facility. Lori Montgomery, director of the State Veterans' Home, indicated the hospital served 122 veterans, with 40 percent receiving Medicaid funding. She was questioned about the purpose of income diversity trusts and responded these were necessary for certain Medicaid patients to meet the income eligibility requirements and were capped at a certain dollar amount. Ms. Montgomery indicated they are waiting for a letter from the federal Veterans' Administration issuing final approval of the funding for the construction of the Alzheimer's/skilled nursing unit at the facility. Jeremy Averella, director of the Fort Bayard Medical Center, indicated the hospital's long-term care unit received a five-star rating from the

Centers for Medicare and Medicaid Services. The facility is funded with 81 percent Medicaid funds, has 16 percent uncompensated care, and increased reimbursement rates by 7 percent for skilled nursing. Jon Hellebust, director of the Los Lunas Community Program, indicated the program is funded with 50 percent Medicaid funds and leases 23 houses to serve developmentally disabled clients in community settings. Cathy Stevenson, director of the Developmental Disabilities (DD) Services Division, indicated 3,500 supports intensity scale (SIS) assessments for DD waiver clients' plan and budget developmental were completed. She indicated the Legislature provided funding to reduce division vacancies by 50 percent; the program is funded totally with general fund revenue and has 400 provider agreements. She indicated the $2.6 million supplemental appropriation the division received for Jackson lawsuit disengagement will be expended by December, and so the department is requesting an additional $4 million. Ms. Stevenson reported the FIT program is requesting a FY15 increase of $5.1 million due to the completion of ARRA funding and a decrease in federal matching funds. Gayle Nash, acting director of the Division of Health Improvement, indicated the divisions staffing has increased, allowing them to complete more of their required surveys. Brad McGrath, chief deputy secretary, indicated the Medical Cannabis Program was serving 9,000 people, with the most common diagnosis being post-traumatic stress disorder. Michael Brown gave a status report on the department's capital projects. Leonard Tapia testified the Affordable Care Act would have little effect on the Department of Health's revenues. He reported 75 percent of public health care has no payer source. Brad McGrath indicated the department has more than 500 vacancies it hopes to fill, but probably will be unable to fill due to attrition, hiring times, and other factors. He reported the department has a 14 percent funded vacancy rate with a goal to lower this to 10 percent.

Senator Cisneros asked why the department reverted $14 million, including $2.8 million from the DD waiver program and suggested it provide services in lieu of reverting funds back to the general fund. Senator Cisneros questioned the department's high vacancy rate of 18 percent and was told the department has recruitment and retention problems. Senator Cisneros asked why medical cannabis sales are excluded from gross receipts taxation and maybe this exemption should be reversed in the law.

Representative Sandoval asked the department to provide a written explanation as to why it is annually reverting funds instead of providing services to DD waiver clients and to explain in this written document the high level overall of the department's annual reversions.

Representative Tripp questioned the hospitals' use of income diversion trusts and was told these accounts are allowable up to a certain amount for clients to meet the Medicaid income eligibility requirements.

Senator Muñoz questioned the reversion of $2 million in general fund revenue at the facilities, and the correlation to their receivables and vacancy rates. He asked if McKinley County had a designated trauma center and was told they did, but some patients still elect to be transferred to emergency medical care in Phoenix.

Senator Papen indicated the department needed to be more proactive in allocating people off the DD waiver waiting list to serve more clients and eliminate reversions to the general fund. Senator Papen asked if the division needed more staff to do a more efficient job and was told they had filled most of their staff vacancies.

Senator Morales asked the vacancy rates at Fort Bayard Medical Center and was told they had a vacancy rate of 13 percent, with 200 licensed beds and 130 staffed beds. The Behavioral Health Institute indicated it had a vacancy rate of 17 percent, primarily with vacant psychiatrists and psychiatrist technicians, and 326 licensed beds and 280 staffed beds. Senator Morales asked the department to provide staff data on the daily staffing ratio at the facilities of frontline service providers, and also provide information on the amount of time it takes from the time a job is posted to the time it is filled.

FY13 Performance Report on Key Agencies and DFA Approval of FY15 Performance Measures. Senior Fiscal Analyst Christine Boerner opened by stating that this annual report represents the culmination of the quarterly performance reporting process for FY13. Each quarter, LFC analysts review key agency quarterly performance reports and develop report cards for select agency performance measures. LFC continues to work with DFA and the agencies on identifying a core set of outcome measures instead of changing measures every few years; however, rallying agencies to develop meaningful action plans to address measures with poor results continues to be a challenge.

Ms. Boerner provided the following highlights for selected agencies:

Public education student performance continues to be mixed. In FY13, reading proficiency for fourth graders decreased; however, reading proficiency for eighth graders and math proficiency for fourth and eighth graders showed modest gains.

The Human Services Department (HSD) started reporting on quality-of-care measures in FY13. For the year, HSD reported 89 percent of children receiving the appropriate medication for asthma treatment, slightly less than the target of 92 percent.

The HSD's Child Support Enforcement Division continues strong performance with $132 million in child support collections for FY13, slightly higher than FY12.

Regarding the Department of Health, the number of performance measures in the Public Health Program was reduced from ten in FY12 to two in FY13. Given that Public Health is a $188.7 million program, having only two performance measures is wholly inadequate to ensure transparency and accountability. The department's performance suffers due to high vacancies.

Additionally, for a third year the DOH Facilities Management Program did not meet its target for collected third party payer revenue and failed to report on requested performance measures for per client costs and other nationally comparable outcome measures.

Finally, the number of developmental disabilities (DD) Medicaid waiver clients receiving services consistently remains below targeted levels despite increased funding for the last three years.

Regarding the Children, Youth, and Families Department, the percent of children subjected to substantiated maltreatment increased in FY13 and the percent of children who returned to their natural families decreased for the year. Continued efforts to reduce employee turnover will assist in balancing heavy case loads among youth care specialists and timely assessment of child safety.

In the Workforce Solutions Department, only 64 percent of eligible unemployment insurance claims were issued a determination within 21ne days from the date of claim, well below the target of 80 percent. High call volumes required resources to be redirected from adjudication of unemployment claims to the call center.

Although assault measures were below targets for the Department of Corrections, violence remains a concern to maintain prison safety. The number of inmate-on-inmate assaults was below target with a total of 16 in FY13. The number of inmate-on-staff assaults with serious injury was below target but increased from one in FY12 to five in FY13.

Further, while overall recidivism decreased, individual results were mixed. Recidivism rates for offenders with new or pending charges increased from 22.7 percent in FY12 to 24.3 percent in FY13.

Finally, the caseload for probation and parole officers (PPO) was 108 for FY13, significantly above the nationally recognized best practice of 65 offenders for every officer and well above the target of 95 per officer. The department is expected to increase PPO salaries to address recruitment and retention and reduce caseloads.

An increased police presence across law enforcement agencies may be having a positive impact on traffic fatalities. The number of alcohol-related fatalities decreased by 29 percent, and the total number of traffic fatalities decreased by 23 percent.

High vacancies and heavy workloads are straining the Office of the State Engineer's Water Resource Allocation program's ability to serve water users statewide, resulting in a sizeable water rights application backlog, up 34 percent from FY12.

Further, adjudication of water rights continues at a glacial pace. Judicial determinations of water rights increased from 34 percent to 54 percent over the past ten years, while the program's budget for those ten years totals $63.8 million.

Due to time constraints, Ms. Boerner stopped her presentation here but pointed out to members that in the back of their packet they could find the IT project report card, which now includes Department of Information Technology and Department of Finance and Administration SHARE Cash Reconciliation and SHARE system upgrade projects. Additionally, a link to the full set of highlights (including those Ms. Boerner skipped in her presentation) and the FY13 final report cards are all on the LFC web page.

Thursday, September 26, 2013
The following members and designees were present on Thursday, September 26, 2013: Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Henry "Kiki" Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, James P. White, and Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Mary Kay Papen, Howie C. Morales, Steven Neville, Carroll H. Leavell, George K. Muñoz, and Pete Campos.

Program Evaluation: Review of New Mexico's Motor Transportation Police Mission and Organization. Jack Evans, LFC program evaluator, introduced the report with information about oversight and enforcement of laws relating to commercial motor vehicles, stating it is critical to the maintenance of safe transportation and commerce on New Mexico's highways. The New Mexico Motor Transportation Police (MTD), a division of the Department of Public Safety (DPS), plays a key role in keeping New Mexico's highways safe, in protecting the state's infrastructure investment, and in the interdiction of illegal contraband. This evaluation examines the agencies proper location within state government, the adequacy of its resources, and its missions in safety, revenue enforcement, and interdiction.

Since its creation in 1935, MTD has moved from one organization to another over eight times. Both from organizational and financial perspectives however, it appears the agency is correctly placed within DPS and should not be moved. DPS is planning an internal re-organization that would combine its law enforcement operations, a move that mirrors the organization of state police and commercial motor vehicle functions in neighboring states.

MTD is plagued by staffing shortages and vacancies that seriously hamper its ability to carry out its missions. Recruitment and retention challenges exacerbate this problem. Not only does the agency have too few officers for its patrol mission, but its ports are understaffed, provide insufficient coverage of the state, and in several cases, are in disrepair. A significant reason for MTD's staff shortages is its noncompetitive position with respect to other New Mexico law enforcement agencies as well as the private sector. MTD commissioned officer salaries are ranked 12th among the state's 13 largest law enforcement agencies. MTD's civilian transportation inspectors are often paid less than comparable safety positions in the private sector. As a result, MTD has difficulty recruiting and retaining qualified personnel.

New Mexico is one of four states that employ a weight-distance tax to fund part of its transportation infrastructure. An inadequate MTD presence reduces its ability to enforce this revenue obligation though its ports and patrol operations. An initial, upper-level estimate of foregone revenue associated with evasion of the WDT ranges from 27 percent to 44 percent, or $27 million to $56 million annually.

Similarly, MTD's safety mission is significantly challenged by staff shortages. Both commissioned officers and civilian transportation inspectors provide a vital function in ensuring that commercial vehicles operate safely in New Mexico. Again, a greater MTD presence will help reduce accidents and unsafe commercial operations.

Finally, MTD inspections are responsible for interdicting significant quantities of illegal drugs and cash as well as screening commercial traffic for potentially dangerous materials. This mission is also diminished by a reduced MTD presence.

Gorden Eden, secretary, Department of Public Safety, gave an overview of the DPS response to the LFC's evaluation of MTD. He touched on points addressed in his response to the report. He was generally in agreement with the study and its recommendations and described in more detail the DPS re-organization plan for FY15. He was joined in his initial remarks by Deputy Secretary and State Police Chief Pete Kassetas.

Chairman Varela asked how Homeland Security is involved. Secretary Eden said federal funding is decreasing for DPS; the Department of Homeland Security provided equipment, but after three years, the state is responsible for the maintenance of the equipment, which is expensive.

Senator Leavell questioned the timeliness of reorganization. Secretary Eden said the department is trying to make statutory changes to put appropriate staff under the state police plan. Senator Leavell asked what the agency's vacancy rate is. Secretary Eden said state police is between 10 percent and 12 percent, Motor Transportation Department at 25 percent, and unfunded positions account for 50 percent. Senator Leavell asked if the new pay plan will have an impact on the vacancy rate. Secretary Eden said absolutely. If you look at statewide data, there are multiple pay plans for public safety officers, even at the city and county level. The duties and responsibilities will not change under the current section of law the change will affect compensation. Senator Leavell asked if drug inspection is currently a function of DPS. Secretary Eden said the department gets small grants to pay for drug inspection.

Senator Leavell asked if the department asked for funding and expert assistance from the U.S. Department of Energy and Waste Isolation Pilot Project. Secretary Eden said there had been no direct conversation but there are partnerships with the two national labs for a safety plan so this suggestion will be pursued.

Representative Larrañaga expressed gratitude to LFC for looking at this issue and asked if MTD receives money from the DOT and how the reorganization operation will occur. Secretary Eden explained that to continue the mission and make everything work together, MTD has to remain a separate entity because of its critical role. He said funding streams for the agency also mean it should remain separate. He said New Mexico's fees being charged are very low compared with other states. The fee structures need to be looked at and brought up to date. Representative Larrañaga asked if the state could charge for escort service and how much that would generate. Secretary Eden other states generate a significant amount of revenue from escort charges. Representative Larrañaga asked about remote equipment and getting MTD up-to-date equipment would make the officers' jobs easier and prevent vehicles from getting away with not paying. The secretary said $250 thousand for each piece of equipment would be a welcomed direction. Representative Larrañaga asked if it is time to do away with the weight-distance tax. Secretary Eden said it is difficult to administer. He said New Mexico would have to significantly increase revenue to become a revenue neutral state. During the recession, it was one of the only stable forms of revenue.

Representative Tripp asked about unmanned readers and how other states perform MTD functions. Secretary Eden said other states have similar divisions that include commissioned officers. Responding to Representative Tripp, Secretary Eden said hiring is set by state statute and the Law Enforcement Academy board. DPS follows same guidelines, with additional processes-polygraph and extensive background check. The disadvantage comes with differences in personnel rules. SPO salary range creates confusion.

Chairman Varela cited page 11 of the report that recognizes the major issues have been salary-driven. Secretary Eden said MTD received a 4 percent increase while all staff only received the 1 percent. Chairman Varela asked what the governor's recommendation for State Police is for FY15. Secretary Eden said the base budget request has been submitted. Chairman Varela asked if he thought the executive would support salary parity. He expressed his concern for the support staff and their raises and funding key staff. He asked how much has been moved out of PSEB. Secretary Eden he can answer those questions at the budget hearing. Chairman Varela spoke about the need to get TRD aligned with DOT and DPS. He said the administration is not prepared to support increases and asked LFC staff to look at salaries, hiring, and what the executive recommends for salaries increases. Make sure that SPO is not delaying non-personnel transactions and they come up with a comprehensive package for the legislative session.

Capital Outlay – Status of 2014 Requests, $1M or Greater Project Status Report, and September Quarterly Update. Linda Kehoe, principal analyst, presented an overview of the 2014 capital outlay requests to date. Sonya Snyder, fiscal/capital outlay analyst, presented the September quarterly update of outstanding capital funds. Ms. Kehoe said severance tax bonding capacity is $186 million and general obligation bond capacity is $165 million at a flat mil levy, for a total of $351 million available for capital outlay allocations. The "earmarked" supplemental STB totals $232 million. She reported STB capacity is $37 million less than last year and to date, requests are estimated to total nearly $2 billion for state agencies and local political subdivisions.

Ms. Kehoe reported state agency infrastructure capital improvement plans (ICIP) are statutorily due to the Department of Finance and Administration (DFA) by July 1 of each year, but for unknown reasons, DFA was unable to provide LFC staff with the agency's dollar requests and project descriptions. DFA did provide amounts requested by the General Services Department, Department of Health, Corrections Department, Department of Public Safety, and the Children, Youth, and Families Department. To date, these five major agencies are requesting approximately $121 million for "completion" of projects and to address critical health and safety issues. Ms. Kehoe reported the backlog of deficiencies has increased and last year LFC staff reported the infrastructure needs for these agencies totaled over $138 million, and in 2013 less than $40 million was allocated. Ms. Kehoe highlighted projects requiring "completion" or "continuation" of a phase. The New Mexico Department of Transportation did not submit an ICIP request due to a decline in state road fund revenues.

Ms. Kehoe reported local entities will request more than $1 billion for projects. Generally, the top requests are for roads, water and wastewater projects, and public safety facilities. Approximately 98 percent of political subdivisions will participate in the ICIP program and will be available by October 1. LFC staff will work with DFA to provide legislators with the top three local priorities by mid-December.

Ms. Kehoe informed the committee that staff of the LFC and DFA attended higher education capital outlay hearings in August. Nearly $300 million for new buildings and for major renovations and infrastructure is being requested by the secondary education institutions and the special schools. The committee was referred to "Attachment B" containing a list of 2014 requests.

Ms. Kehoe closed by stating today's presentation is a "preliminary" overview and the dollar amounts could increase or decrease following the executive hearings scheduled for October 16-18. LFC staff will develop the "framework" of proposed funding for the requested projects and present to the committee in December. She stressed that given the limited GOB capacity, staff will apply the committee criteria and concentrate on replacing or renovating facilities endangering the health and safety of students, the faculty, and the public; projects requiring completion; and the institutions ability to leverage other funding sources for the projects.

Ms. Snyder then presented the quarterly update as of September 15, 2013. Ms. Snyder said the data was derived from updates provided by state agencies in the Capital Projects Monitoring System and on the *$1 Million or Greater* report.

Ms. Snyder reported approximately $597.9 million for 1,454 projects remains outstanding, including 2013 projects; since the June 2013 quarterly report, 135 projects closed and approximately $36.6 million was expended or reverted; currently, 211 projects totaling approximately $45.6 million are scheduled to revert June 30, 2014; the majority of outstanding projects are STB (66 percent) and GOB (24 percent), GF projects account for less than 1 percent, and the remaining outstanding balances are from other state funds; about 57 percent of outstanding projects are new projects appropriated in 2013.

Ms. Snyder reported of the $597.9 million outstanding, LFC staff tracks 203 projects totaling $476.3 million, 80 percent of all unexpended funds, and since the June 2013 report, 21 projects closed; from the 2012 outstanding "local" projects, 105 projects totaling $17.8 million revealed no activity, approximately 57 percent, in addition, over 67 percent of the projects reauthorized in 2012 reveal no expenditures. It will be another year before it can be determined if 2013 "local" projects are stalled.

Of the $52.8 million allocated from the 2012 earmarked supplemental STB, 93 projects are in progess. An additional $66.5 million was earmarked and allocated in 2013 and 91 projects awarded. Ms. Snyder stated some grant agreements may be pending due to issues with the governor's Executive Order 2013-006. In closing, Ms. Snyder indicated page two of "Attachment D" provides a list of major projects that closed this quarter and brief descriptions of projects demonstrating little or no progress.

Senator Cisneros asked what authority the State Police chief had to place a hold on the Espanola district office. He also expressed concern that if NMDOT is not asking for funds, how they will deal with issues relating to the $5 million in damages from recent rains. Lastly, he questioned the $1.5 million for river restoration being requested by the governor. He indicated capital outlay may not be the appropriate mechanism for funding these types of projects because it's not clearly defined how money will be used, and STB funds cannot be used for operational expenses. Ms. Kehoe responded that Senator Cisneros's concerns are valid and added the governor has another initiative that includes funding for veterans cemeteries.

Senator Leavell stated he met with the governor and Secretary Hale from Veterans Affairs and it was his understanding that 90 percent of the funding for veterans cemeteries would come from the federal government. Ms. Kehoe stated LFC staff also met with Secretary Hale and it was her understanding that the percentage from the federal government would be 30 percent.

Other questions pertained to the governor's executive order (EO), compliance with audits, and how the overall process is being conducted. Representative Sandoval asked if LFC staff or if anyone is tracking the "ineligible" projects and helping entities with audits. He asked if just certain projects are being held-up from the same entity, and will the EO affect GOB allocations. Ms. Kehoe responded that the New Mexico Finance Authority (NMFA) is helping entities because many do not have funds to conduct audits, and entities grants and loans are on hold from NMFA. Ms. Kehoe also stated that the executive would need to work out details for the GOB and identify which projects would be affected by the EO prior to going out to the voters. Ms. Snyder clarified that if an entity is noncompliant with the EO; all their projects are on hold.

Senator Morales expressed concern of who is reviewing the audits and making the determination if an entity meets compliance. The process is not defined and those making the decisions do not have the expertise. Ms. Kehoe stated that staff at the agency level is responsible for reviewing audits and other requirements of the EO. She did state there could be issues with agencies having limited staff or agencies not having the expertise and knowledge to review audits. The process is confusing to grantees and does need to be better defined.

Responding to Senator Muñoz, Ms. Kehoe replied funds could be transferred if another entity wanted to act as the fiscal agent for the funds, and that language in the bill addressing compliance with audits may help.

Chairman Varela directed staff to have the State Auditor and the Attorney General present at the December hearing. Chairman Varela would like the State Auditor to provide answers on what is being done to assist entities with audits, why there are problems with smaller entities being in compliance, and how they are responding to the issues. He also suggested discussing the possibility of special funding to help entities with audits. Lastly, Chairman Varela asked about the process for funding tribal schools in the GOB, and asked about the Santa Fe Indian School (SFIS), in particular. Ms. Kehoe stated the tribal secondary institutions are included in the hearing process conducted by the Higher Education Department. The SFIS is not included because they are K-12 and they do not have any mechanism for requesting capital outlay. Chairman Varela asked if SFIS could be brought in for a hearing to find out their capital outlay needs. Ms. Kehoe suggested including them as part of the executive hearings.

<u>Mortgage Finance Authority Overview: FY14 and FY15.</u> Jay Czar, executive director, Mortgage Finance Authority, noted that in the affordable housing area MFA provided more than $65 million in financing for the new construction and acquisition/rehabilitation of 985 affordable rental homes, including 371 units already in the pipeline. MFA funded $2.3 million in loans for new construction and acquisition/rehabilitation/resale of 83 affordable for-sale homes, including 10 Habitat for Humanity homes and 12 homes on tribal lands. Also, MFA provided funding for the rehabilitation and energy efficiency improvement of more than 1,400 owner-occupied homes. In terms of assisting homeowners and renters, using tax-exempt single family mortgage bonds, MFA provided loans in excess of $106 million to 911 homebuyers to acquire their first homes, and MFA provided more than $3.4 million in down payment assistance loans and grants. Also, MFA processed more than $26 million in project-based Section 8 rental assistance payments for 5,297 apartments occupied by low-income households throughout New Mexico.

Gina Hickman, deputy director for finance and administration, provided an overview of MFA's 2013 funding sources. Total funding of $470 million included $336 million from bond issues, $98.5 million for federal housing programs, $22.8 million from internal fund balances and $13 million from other sources. In reviewing revenues from 2008 projected out to 2015, Ms. Hickman noted that revenues over the period had declined slightly, mostly due to less administrative fees coming from lower amounts of housing funding. She noted that MFA was looking at serving its own loans to save money in the future. In response to a question from Chairman Varela about reserves Ms. Hickman noted the MFA general fund represented fund balances that the board allocated for MFA programs.

Ms. Hickman reviewed MFA's administrative expenses, noting they represent 81 percent of total expenditures. Within administrative expenses, compensation is 65 percent of the budget and other operative expenses, primarily contracts, is 15 percent. In response to a question from Chairman Varela on pay increases, Ms. Hickman noted that current staffing level is 69 and that they are receiving a 3 percent raise, the first raise in five years. Looking at the MFA's profit margin, Ms. Hickman explained that it has experienced a lot of interest rate volatility on investments since 2008, which has contributed to lower profits, in addition to higher costs of issuance and lower administrative fee income.

Joseph Montoya, deputy director of programs, presented a funding history for MFA. He noted that federal stimulus funding ended in FY11 and there has been a downward trend in federal funding. Funding support from the state legislature has also been inconsistent, with no energy smart funding after FY09. Mr. Montoya stated that funding reductions in the weatherization area are a major concern given the demand for these services. The future of federal funding remains uncertain, especially with federal HOME funding being reduced by 56 percent since 2010. Next, Mr. Montoya provided an update on regional housing authorities (RHAs), noting that there are strong authorities in the eastern and western half of the state but it has been a struggle to establish a northern RHA. Mr. Montoya noted these regional organizations are important as many smaller local housing authorities are closing due to lower federal funding.

Next, Mr. Montoya reviewed the MFA's 2014 legislative priorities, which include $250 thousand for regional housing authority oversight, $200 thousand for Affordable Housing Act Oversight, $5 million in funding for the NM Housing Trust fund, $1 million for the NM Energy

Smart program and amendments to the municipal housing and affordable housing tax credit statutes. Mr. Montoya noted that MFA provides training, technical assistance, and audits the RHAs. No fraud, waste or abuse has occurred with MFA oversight but MFA needs recurring funding to support the responsibility. For the affordable housing act oversight, Mr. Montoya stated that In addition to oversight, MFA provides technical assistance for housing plans and ordinances required by the AHA. The MFA is requesting that $200 thousand in funding be provided and for it to be recurring and that responsibility be transferred to DFA if funding is not provided.

Looking at the $5 million request for the housing trust fund, Mr. Montoya noted that it was created by State Legislature in 2005 with initial appropriation of $10 million and additional appropriations have been received totaling $8.2 million. The fund has supported construction or rehabilitation of over 1,700 homes to date and that every state dollar leverages up to $15 through other sources, loan repayments and interest income. In discussing the NM energy smart appropriation request of $1 million, Mr. Montoya noted that MFA weatherizes approximately 1,000 homes per year. However, New Mexico has not reinstated separate funding for the program since federal stimulus funds became available. This, in addition to federal cuts of 35 percent since 2011, has resulted in steep declines in production. State weatherization funding is leveraged four to one with the Department of Energy Weatherization Assistance Program and Low Income Home Energy Assistance Program.

The MFA is seeking three legislative amendments. The amendment to the Affordable Housing Act lifts the long-term affordability restriction if a donated property is foreclosed upon so that the property can be resold and adds a penalty provision to ensure the Affordable Housing Act can be enforced. The proposed municipal housing law amendment allows housing authorities to act separately, not as agents of the local government and adds flexibility on number of Board members. Finally, the amendment to the Affordable Housing Act eliminates conflict with act by removing local and tribal governments from eligibility for State Affordable Tax Credit.

Next, Hank Hughes of the New Mexico Coalition to End Homeless provided an overview of homeless issues. He noted that the Housing First model is a popular approach for helping the homeless. Housing First is a strategy based on the fact that if someone has safe housing, which is affordable to them, it becomes much easier for them to tackle the other issues in their lives including substance abuse, mental illness, physical health issues, lack of employment, education etc. With Housing First, there are no pre-conditions to placing a homeless person into supportive housing. Housing First was pioneered to help homeless people with disabilities including substance use related disabilities.

In terms of numbers of homeless, Mr. Hughes noted that a January 2013 survey on January 28, 2013 found 2,819 homeless in New Mexico, which he thought was low because not all homeless can be tracked down on one day. He noted that 15 percent of that group had no shelter. Although only 9 percent of those counted were veterans; 24 percent of veterans were unsheltered. Mr. Hughes noted that the number of beds in supportive housing had steadily increased from under 500 in 2003 to more than 1,500 in 2012.

Mr. Hughes provided an update on options to address homeless veterans. He noted there is a federal goal to end veteran homelessness by 2015. There have been steady increases in supportive housing programs for veterans and their families. The federal Housing and Urban Development program reports a 17 percent decrease in veteran homelessness since 2009. Veterans Administration programs are exempt from sequestration and our New Mexico Department of Veterans Services helps veterans get their benefits. Mr. Hughes reviewed the number of supportive housing units for veterans, noting that it has increased by 95 in 2013 for a grand total of 360 units. He also noted that organizations in New Mexico have received $1.9 million in awards to assist veteran families living in or transitioning to permanent housing. Total state and local funding for homes services totals a little over $11 million in 2013. The coalition and MFA are supporting a funding request of $1 million for supportive housing services to be administered by MFA.

In the question and answer period, Mr. Czar noted that only about 15 percent of Low-Income Home Energy Assistance (LIHEAP) funds are allowed to be used on weatherization. Representative Sandoval noted the state gets better value from weatherization compared with using Low Income Home Energy Assistance (LIHEAP) funds to pay utility bills. In response to questions about homeless veterans and their families, Mr. Hughes noted that lot of single veterans do not have families but there are a lot of different family types dealing with homelessness. Representative Sandoval asked about the impact of MFA spending federal stimulus funding and Mr. Czar responded that $95 million was received but it had to be spent by September 30, 2012. There was a jump in employment due to stimulus funding statewide but it did not last. Mr. Czar noted that the MFA took their time ramping up to be efficient in how the funding was spent. Representative Sandoval asked about the type of contractual services that MFA has and Mr. Czar noted that investment banking, bond attorneys, investment advisors, and legal services were typical MFA contracts.

Senator Cisneros asked at the retirement plan for MFA employees. Ms. Hickman noted that employees can contribute up to 11 percent of their salary and 5 percent is matched by the MFA. Senator Cisneros asked about a match for the $1 million request for the homeless; Mr. Hughes noted it would meet the 25 percent match requirement for federal funds. Senator Cisneros asked if $1 million was enough to meet the needs; Mr. Hughes noted that it would not totally meet the need but the amount was determined based on the ability to spend efficiently. Representative Larrañaga asked whether sequestration would impact federal housing funds. Mr. Czar said that it is a significant impact, in particular because HOME funds have already been reduced. Mr. Czar said in response to uncertain federal funding MFA is looking at being more efficient in particular by perhaps servicing their own loans. In response to a question of the impact of tighter banking regulations on lending, Ms. Hickman noted that the MFA already was conservative in its lending policies, so tighter banking regulations have not had a large impact on MFA. Mr. Czar noted that even with reduced federal support, regulations have grown tighter over time.

Chairman Varela asked about MFA investing at the State Investment Council (SIC). Ms. Hickman responded that about $20 million is invested with SIC, 80 percent in core bonds and 20 percent in equity. The investment allocation is determined by the MFA board. The annual cost of investing with the SIC is about $30 thousand to $40 thousand a year. Ms. Hickman noted that MFA was satisfied with their investment performance, although it seems that returns on the equity side are now better than in bonds. Ms. Hickman added the MFA selects the allocation but not the bond or equity funds. Mr. Abbey added he believed the investment cost with SIC was less than a tenth of a percent and that cost is better than that of a private sector investment company.

Chairman Varela asked about home much rehabilitation can be done with a reduced federal home funding level of $4 million, noting that weatherization does not work that well if the rest of the house if not maintained with rehabilitation dollars. Mr. Czar noted that MFA only has limited federal dollars for rehabilitation. In terms of using NM housing trust fund dollars for rehabilitation, Mr. Montoya noted it is a revolving fund that does not make grants, but loans. Loans are just not popular for lower income clients that need home rehabilitation services. Average interest rates from loans from the housing trust fund are 3 to 4 percent and the balance in the trust fund is about $10 million.

Chairman Varela asked about why a northern regional housing authority has not been established. Mr. Montoya noted that MFA has not received state funding support which is needed to help establish the authority. However, Mr. Montoya noted that a meeting is planned in Santa Fe about establishing a regional housing authority, perhaps by consolidating the Taos housing authority, followed by the Grants and Rio Arriba. However, MFA has no funding to help pay for the administrative systems needed.

Chairman Varela noted that NM ranks low in poverty indicators and that the state needs to work better to utilize its resources to reduce poverty.

Friday, September 27, 2013
The following members and designees were present on Friday, September 27, 2013: Chairman Luciano "Lucky" Varela; Vice Chairman John Arthur Smith; Representatives Henry "Kiki" Saavedra, Larry A. Larrañaga, Don L. Tripp, Edward C. Sandoval, Nick L. Salazar, James P. White, and Jimmie C. Hall; Senators Carlos R. Cisneros, Sue Wilson Beffort, Mary Kay Papen, Howie C. Morales, Steven Neville, Carroll H. Leavell, and Pete Campos.

Miscellaneous Business
Action Items
Approval of August 2013 Meeting Minutes – **Senator Cisneros moved to approve the August 2013 meeting minutes, seconded by Representative Tripp. The motion carried.**

Approval of Contracts –
Director Abbey recommended contracts for Gary Chabot and Cathy Fernandez. **Senator Cisneros moved to approve the contract, seconded by Representative Salazar. The motion carried.**

Information Items
Director Abbey briefed the committee on contents of information items and noted the absence of the FTE report stating he has had discussions with Mr. Moser, director of State Personnel Department, who is getting the data together. Chairman Varela expressed concern in getting cooperation from SPO and stated the possible need to write a letter to the governor to address

concerns. Director Abbey discussed upcoming LFC program evaluation report status. Representative Saavedra asked Director Abbey to explain the report on College Readiness and the impact of high school preparation on finances and resource allocation at institutions of higher education and student success. Director Abbey stated the project will be led by Michael Weinberg and is intended to understand the problem of the high level of remediation of graduates. High schools are not necessarily doing what we expect for them to get students ready for college, consequently colleges have to spend allot of time on remediation efforts. Representative Saavedra asked Director Abbey to explain an upcoming evaluation titled, cost-effectiveness of cambiar and update on juvenile justice front-end services and impact on facility needs. Charles Sallee, LFC deputy director, explained the evaluation would examine community based juvenile justice services to see how effective they are at reducing the need for reentry as well as examine the cambiar model and programs within facilities to see if they help to reduce recidivism. Director Abbey reviewed the monthly bar report to which Chairman Varela asked if staff is keeping track of money moving out of personal services. Director Abbey assured the chairman that it has been tracked and staff will provide a regular monthly which will single out reporting of transfers out of personal services

Children, Youth, and Families Department Preview of FY15 Budget Request. The Children, Youth, and Families Department (CYFD) Secretary Yolanda Deines and Deputy Secretary Jennifer Padgett began with a general overview of the agency FY15 budget request. The department's FY15 base budget request includes $232 million from the general fund, reflecting a 5.27 percent increase over the FY14 operating budget. The request is $414 million, reflecting a 1.94 percent increase over the FY14 operating budget. The agency requests funding 2,146.6 FTE with an overall vacancy rate of 8.61 percent. The FY15 budget request includes the following base budget increases from the general fund: $214.6 thousand revenue replacement from loss of federal funds in Protective Services due to sequestration, $160 thousand revenue replacement for Title XIX for Licensed and Skilled professional staff within the Behavioral Health Services Division, $629.9 thousand for the Juvenile Justice division's Lincoln Pine Youth Center to cover full year operations, $220 thousand to replace 31 vehicles and add 10 vehicles to the CYFD fleet, $1.6 million to offset increases for GSD rates, $75 thousand to fund additional contract needs within Program Support, $1.4 million for care and support in the Protective Services (PS) division, $1 million for foster parent rate increase in PS, and $6.3 million to increase child care provider rates in Early Childhood Services (ECS).

Representative Saavedra asked for a clarification from the department regarding the request for a provider rate increase for infant care. The department states the increase was to address a need for higher subsidy rates to allow infants to be accepted by more providers. The CYFD budget expansion request includes $100 thousand for the CYFD training and professional academy. The secretary stated more staff development was needed to improve retention. Additionally, the agency requested $659.7 thousand for 15 new investigator positions due to increased caseloads, and $350 thousand for the domestic violence capacity building project, and the conversion of 13 unauthorized positions and 6 authorized term positions to authorized perm positions.

The secretary updated the committee about ECS stating in early September, letters for 754 children were mailed to families between 125.0 percent and 150 percent of the Federal Poverty Level (FPL), and 2,644 children were mailed earlier this month to families between 150.01

percent and 200 percent of the FPL to update the waiting list. From these letters the agency will remove the families between 125 percent and 150 percent of FPL from the waiting list and is then considering opening enrollment to families between 125.01 percent and 150 percent.

Senator Morales asked why the agency did not request any additional general fund dollars to replace funding the agency received in FY13 from the tobacco fund for home visiting. Secretary Deines responded that the funding was a one-time allocation and if the agency were to request the replacement that other program request would have to cut.

Chairman Varela requested the agency update the child care assistance waitlist to have better information regarding the ability of current agency funding to reach 150 percent of the FPL.

Representative Salazar asked how long can children been on the waiting list. The department responded that children from the ages 0 to 5 are eligible.

Secretary Deines then updated the committee on Protective Services (PS). So far in 2013 approximately 2,000 children have been served by the division. The committee was also advised that vacancies continue to be an issue for PS and the department and the State Personnel Office (SPO) were evaluating turnover to develop recruitment strategies.

Senator Morales inquired about agency vacancies based on region and data regarding the time length of job posting versus the start date of new hires. A list of vacancies by region was provided by LFC staff; Secretary Deines stated she would provide the time data at the CYFD December hearing.

Chairman Varela asked for an analysis of funded versus unfunded FTE in the agency. The department stated they would provide the report in the CYFD December hearing.

Senator Morales then asked what the proposal from the department was regarding improvement to child well-being. The department stated that programs and initiatives already exist in the agency to address child well-being, such as behavioral health services and childcare assistance. Senator Morales then requested the agency talk about its programs that address child food insecurities. Secretary Deines invited the director of ECS, Diana Martinez, to speak. Ms. Martinez stated the CYFD manages an after school food services program and that the state is second in the nation to providing nutritious food which is 100 percent federally funded.

Representative White asked why the agency is requesting new FTE when there are many vacancies. Secretary Deines stated that once all vacancies are filled that the department would also need additional FTE to handle the current caseload, and added the agency is working with SPO to increase recruitment.

Secretary Deines then updated the committee regarding Juvenile Justice Services (JJS). The department presented that implementation of the Cambiar New Mexico model was completed through final training for all juvenile probation and supervised release staff. The committee was also told that the agency's newest JJS center, Lincoln Pines Youth Center, is targeted to open in October, 2013 and the department is updating its facilities master plan. Representative Saavedra asked about the age range of the populace served by Lincoln Pines Youth Center. Deputy Secretary Padgett stated the ages range from 14 to 17 years. Representative Saavedra then asked the agency to explain what teaching credentials were required by the agency to teach at JJS facilities and what higher education facilities were producing the program's teachers. Deputy Secretary Padgett answered that all JJS teachers meet the credentials set by the Public Education Department and the teachers were from a wide range of higher educational institutions.

Responding to Representative Larrañaga, department managers answered that they encouraged family participation by moving release hearings to locations closer to families. Behavioral Health Services was particularly involved in assisting families to finding resources to meet their needs. Representative Tripp asked if JJS was also following a national trend of increased female youth commitment. Secretary Deines said that the division was seeing this trend in the JJS population but does not have any data to answer why.

The CYFD ended the presentation with showing the committee actuals regarding department measures. Chairman Varela asked why there was no data regarding measures in ECS. Secretary Deines stated the measures were new and that old data collected by the department does not support new measures. Chairman Varela requested the department present comparable data for prior fiscal years. Secretary Deines invited the Director of ECS, Diana Martinez, to respond. Director Martinez answered that providers did not report data to the department which could be used for comparable data.

Representative White thanked the department for their hard work, and asked if the agency was looking into the 16 factors the Anne E. Casey Foundation used to rank child well-being. Secretary Deines answered that the agency is looking at the factors but the CYFD needs to tailor these factors in accordance with state needs for both rural and urban areas. Representative White requested the agency show specifically how it plans to address child well-being through initiatives and targeting. Secretary Deines responded that the agency would address specific program efforts for child well-being at the December hearing.

Senator Morales asked the department to clarify surplus funds in ECS for childcare assistance. The Secretary stated that the trend was abnormal, but the agency believes it is due to cost saving measures implemented in FY13.

Representative Hall asked the agency if there are any specific program initiatives targeting assistance for autistic children and their families. The CYFD answered that the department is not specifically targeting initiatives for autistic children, but that they receive many services through the normal service delivery of the agency.

Medicaid and TANF: Preview of FY15 Appropriation Request. Sidonie Squier, secretary, Human Services Department, greeted the committee and apologized for an e-mail she sent the week prior to the hearing, which said that hunger was not an issue in New Mexico. She stated she agreed that there are hungry children in New Mexico and none of them should go without access to food or be malnourished. She stated her e-mail was poorly worded and child nutrition is a particular focus for her. The secretary noted that FY15 would be a year of implementation for the department with major initiatives, including the ASPEN IT project for the Income

Support Division (one of the largest state government IT projects in history) and the Centennial Care Medicaid program. She noted the mission of the department is to reduce the impact of poverty on people living in New Mexico by providing support services that help families break the cycle of dependency on public assistance. HSD administers services to more than 800 thousand low-income individuals in areas, including Medicaid Assistance (Medicaid), income support, child support enforcement, and behavioral health services.

Secretary Squier stated that the FY15 budget request was $5.83 billion, which represented a 7.3 percent increase but reduced general fund need. The general fund request of $1.018 billion represents a decrease of $18.6 million, or 1.8 percent over FY14. It represents 18 percent of the budget. Federal funds make up 78 percent of the budget request, and the request for federal funds was $4.56 billion, an increase of $438 million or 10.6 percent over FY14. The request contains $251.5 million in other state funds and other revenue. In reviewing a 10-year history of changes in the general fund budget, the secretary noted that excluding the federal stimulus funding period, FY15 would represent the first time in the last 10 years that HSD's general fund budget could be lower than the prior year.

In reviewing the Medicaid program, the secretary noted that HSD is projecting a lower general fund budget for FY15 in Medicaid, consistent with the trends over the last few years. She added that since 2011, HSD has managed the Medicaid program without the need for significant increases in general fund spending, while maintaining services and provider rates. Total Medicaid Program spending in FY15 is projected to be $4.67 billion with $895.3 million from the general fund, $22.5 million less than FY14.

New revenue from drug rebates of $18.2 million reduces the general fund need. Also a higher federal matching rate (FMAP) results in $8 million of general fund savings. In the enrollment area, the secretary noted that enrollment growth due to Medicaid expansion for low-income adults will take enrollment to 710 thousand by the end of FY15.

Centennial Care is New Mexico's new Medicaid program of integrated care that will be implemented January 1, 2014. CMS approved the state's waiver request in July, and HSD is working with the four Centennial Care managed care organizations to ensure readiness. Open enrollment for Centennial Care begins October 15 and the HSD has scheduled some 200 meetings across the state to inform people about Centennial Care and new coverage options including Medicaid expansion.

In the behavioral health area, Secretary Squier noted that behavioral health services would no longer be provided using a separate contractor but would be integrated into Centennial Care starting in 2014. She believed that Centennial Care represented an opportunity to improve behavioral services and expand oversight of the behavioral health network. Because many adults currently receiving behavioral health services funded by general fund will become Medicaid eligible in 2014, the department projects $15.3 million in general fund savings in FY14. The department is proposing to reallocate $12.1 million of these savings for quality and compliance initiatives ($4.6 million), maintaining transitional living services and access to the crisis line ($3.5 million), and to enhance non-Medicaid Services ($4 million). In total, funding for behavioral health services at HSD would grow by 18 percent -- from $390 million to $461 million.

Next the secretary provided an overview of the Integrated Eligibility System project, or ASPEN. The ASPEN system will manage benefits for over 800 thousand recipients who receive supplemental nutritional assistance (SNAP), Medicaid, and cash assistance benefits. The secretary reported that HSD has been working on the project for over two years and plans to be fully implemented statewide by the end of January 2014. The secretary pointed out that currently the ASPEN project is on time and on budget. Secretary Squier noted that the ASPEN system provides greater functionality than the previous legacy systems used by HSD for eligibility determination. However, the greater functionality will necessarily result in increased IT costs for maintenance and operations. To support ASPEN maintenance and operations the HSD is requesting an additional $4.9 million from the general fund. Components of the request include $727 thousand for 20 FTE, six of which are new positions for IT support in Las Cruces, Roswell and Albuquerque. The other 14 have been funded by the IT project budget. The request also includes $3 million for contract maintenance and operations and for the agency's Microsoft enterprise agreement and $1.2 million to cover additional costs for ASPEN hardware, maintenance costs, increased DoIT rates, and increased costs for network connectivity for field offices. Secretary Squier concluded that it is critical to maintain the ASPEN system appropriately to ensure that it can be used for years to come.

Temporary Assistance for Needy Families (TANF) is requesting $112 million in federal funds. The annual TANF block grant is $110.6 million, so HSD proposes to use some TANF carry-over balances. Major components of the request include: $59.1 million for cash assistance, $27.3 million for childcare services through CYFD, $14.1 million for work support services, including full funding for FY14 initiatives including $600 thousand more ($2 million total) for Career Links and $750 thousand more ($1.7 million total) for ICARE – substance abuse prevention and employment services.

Senator Papen asked why children's enrollment in Medicaid has been flat. Secretary Squier responded the department has not sought to limited enrollment but believes that natural enrollment given the population may have peaked. In addition, many parents do not enroll their children into the program until they are actually sick. Senator Papen asked about the future of behavioral health contract manager OptumHealth. Secretary Squier stated HSD is planning to grant OptumHealth a six-month extension but will issue a new RFP in November for a contractor to manage non-Medicaid funded behavioral health services starting on July 1, 2014. Senator Papen asked if HSD has received notice of any lawsuits coming out of the behavioral health audit-related payment suspensions for 15 providers; HSD General Counsel Raymond Mensack said that he was unaware of any claims yet but that the state Risk Management Division usually would handle with outside legal counsel.

Senator Papen noted that the state ranked last is a recent Kid's Count report and asked what HSD could do to help; the secretary stated that HSD wants to serve all children eligible for HSD programs and are emphasizing outcomes for children in the Centennial Care Medicaid program.

Senator Cisneros asked if there were any compatibility issues with ASPEN and the state accounting system (SHARE). HSD Chief Information Officer Sean Pearson stated that the department has worked on standardizing business processes and interfaces and there were not issues with SHARE.

Senator Morales asked what the HSD was doing about hunger. Secretary Squier mentioned that HSD served many New Mexicans through the SNAP program (food stamps), school food commodity programs, and food bank support. She also added that the ASPEN system will provide an eligibility determination for all HSD programs. Next Senator Morales asked about how the state could justify requesting less general fund in FY15 when changes in the Sole Community Provider (SCP) program have caused hospitals to lay off or furlough staff. Deputy Secretary Brent Earnest replied that the match for the SCP program came from the counties and were not a general fund issue but that the HSD was trying to work on solutions to some of the issues with changes in the SCP program. Senator Morales noted it was important to have a stable health care network in communities in order to attract and retain businesses. Senator Morales asked if the state's reprogramming of $17 million in general fund for Medicaid match into contractual support for Arizona-based providers replacing certain New Mexico providers meant the state was losing $51 million in potential Medicaid funding. Deputy Secretary Earnest stated that was not the case because the state had to spend the money to earn the match and that these were surplus funds. Senator Morales replied that he felt the state did not need to take this approach and that we were shortchanging our citizens. Deputy Secretary Earnest said he did not agree with the senator's statement.

In response to a question about behavioral health services, Secretary Squier stated that about 130 thousand adults were expected to sign up for Medicaid under expanded eligibility in 2014 and they could access behavioral health services. Medicaid Director Julie Weinberg noted that Medicaid does not cover in-patient drug rehabilitation for adults. Representative Larrañaga asked about how much impact the HSD was having on employment. Secretary Squier stated that the HSD was having success with getting TANF clients employed but always aims to improve the employment numbers. In response to a question on Medicaid enrollment, Secretary Squier noted that the state could receive a 75 percent federal match for eligibility staff which was designed to encourage states to look at adding staff in this area to improve enrollment.

Senator Beffort noted that she was excited that the department was undertaking Medicaid outreach and asked the secretary to notify legislators when outreach meetings occurred in their districts. In response to a question from the Senator about 340-B drug pricing, Medical Assistance Director Julie Weinberg noted that the state tries to utilize 340-B pricing when available but that there are not manufacturer rebates on these products. The state is projecting additional revenue for FY15 from rebates on drugs purchased outside of the 340-B process.

Representative White asked if there would be enough providers out there to cover the new adult enrollees given low Medicaid reimbursement rates. Secretary Squier responded that the department has not planned any additional rate reductions and is also concerned about the lack of providers.

Senator Morales asked how many clients would be enrolled by HSD at Medicaid outreach meetings. Secretary Squier responded that clients could enroll for Medicaid starting October 1st using the Yes NM on-line portal, by phone, or at an income support field office.

With no further business, the meeting adjourned at 11:31a.m.

Chairman Luciano "Lucky" Varela

Vice Chairman John Arthur Smith