



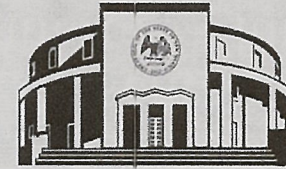
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Review and Update of 2017 Appropriations

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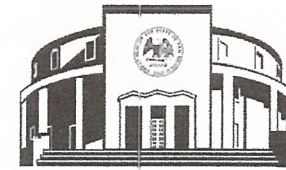
Presentation to the
Legislative Health and Human Services Committee - June 2017

Overview



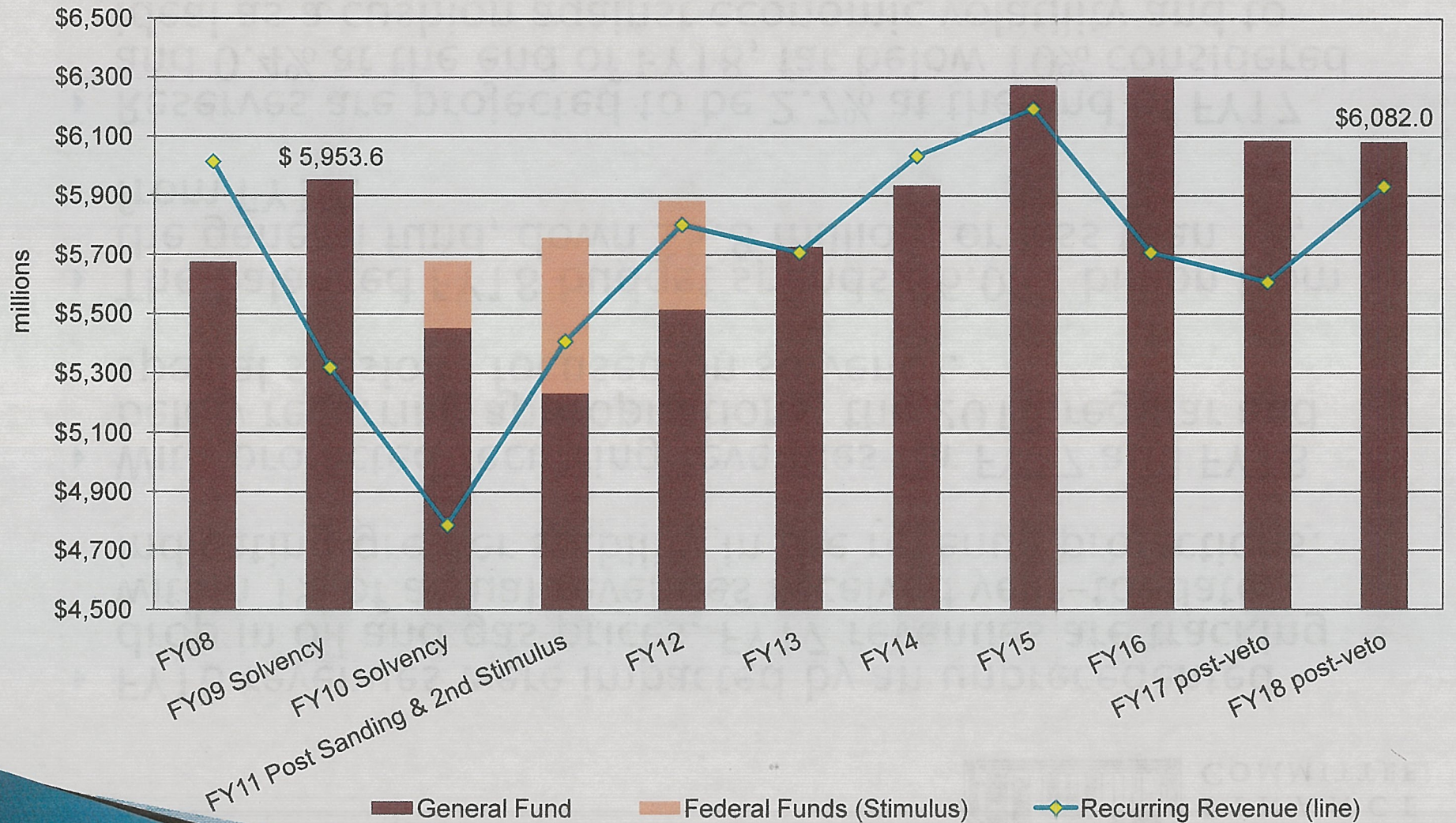
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- ▶ Post-Session Recap
 - General Fund Outlook
 - Stabilizing Revenue Projections
- ▶ Health and Human Services (HHS) Appropriations
 - Human Services Department (HSD)
 - Department of Health (DOH)
 - Children, Youth and Families Department (CYFD)
- ▶ HHS Report Cards
- ▶ Early Childhood and Child Welfare Update



- ▶ FY16 revenues were impacted by an unprecedented drop in oil and gas prices. FY17 revenues are tracking within 1% of actual revenues received year-to-date, indicating greater stability in the revenue projections.
- ▶ With projected recurring revenues for FY17 and FY18 below recurring appropriations, the 2017 regular and special sessions focused on solvency.
- ▶ The balanced FY18 budget spends \$6.082 billion from the general fund, down \$5.8 million, or less than 1%, from FY17.
- ▶ Reserves are projected to be 2.7% at the end of FY17 and 0.4% at the end of FY18, far below 10% considered ideal as a cushion against economic volatility and to maintain bond ratings.

General Fund and Temporary Funds



Source: LFC Files

FY17 – FY21 General Fund Recurring Appropriation Outlook

(in millions of dollars)

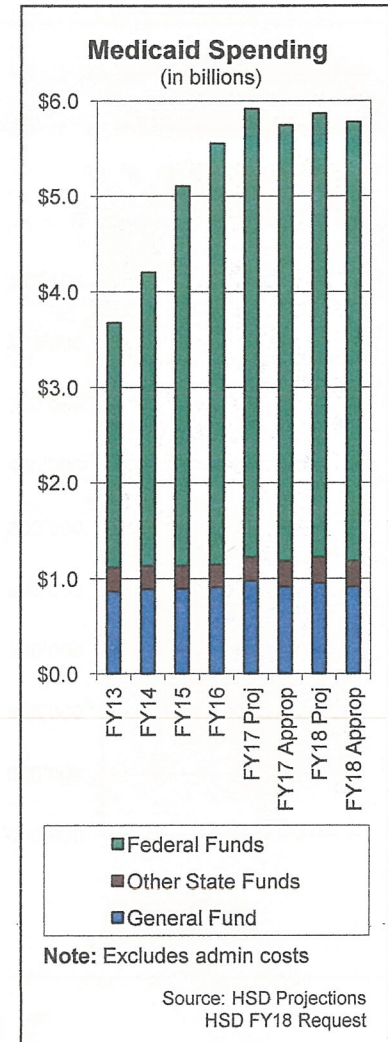
	GAA FY17	GAA FY18	Outlook FY19	Outlook FY20	Outlook FY21
Total Recurring Revenue	\$ 5,607.8	\$ 5,931.8	\$ 6,142.4	\$ 6,382.7	\$ 6,630.3
Yr/Yr percent change	-9.5%	5.8%	3.6%	3.9%	3.9%
Recurring Appropriations:					
Public Education ¹	\$ 2,580.2	\$ 2,585.7	\$ 2,663.3	\$ 2,743.2	\$ 2,825.5
Higher Education ¹	\$ 786.9	\$ 779.3	\$ 823.3	\$ 848.0	\$ 873.5
Public Safety ²	\$ 426.4	\$ 428.2	\$ 435.7	\$ 443.3	\$ 451.1
Medicaid Base Spending ³	\$ 898.4	\$ 902.7	\$ 929.6	\$ 997.4	\$ 1,047.6
Medicaid Expansion Spending ⁴	\$ 40.3	\$ 93.1	\$ 114.5	\$ 152.9	\$ 184.2
Other Health & Human Services ¹	\$ 713.2	\$ 655.5	\$ 675.1	\$ 695.4	\$ 695.4
All Other Government ²	\$ 636.3	\$ 637.4	\$ 661.3	\$ 662.1	\$ 686.7
Subtotal of Recurring Appropriations	\$ 6,081.6	\$ 6,082.0	\$ 6,302.8	\$ 6,542.2	\$ 6,764.0
Yr/Yr percent change	4.3%	1.4%	4.5%	3.8%	3.3%
Subtotal of Adjustment Scenario:	\$ -	\$ -	\$ 8.0	\$ 23.0	\$ 23.0
Total Recurring Approp. + Adj. Scenario	\$ 6,081.6	\$ 6,082.0	\$ 6,310.8	\$ 6,565.2	\$ 6,787.0
Yr/Yr percent change	-0.9%	0.0%	3.8%	4.0%	3.4%
Surplus/(Deficit)	\$ (473.8)	\$ (150.2)	\$ (168.4)	\$ (182.5)	\$ (156.7)

Human Services Department

- General fund appropriations were just over \$1 billion across all programs, an increase of \$600 thousand, or less than 0.1%, over FY17.
- For FY18, TANF appropriations for cash assistance and support services (including cash assistance, support services, and transfers to other agencies) will decrease by \$2.3 million from FY17 due to case load.
- TANF appropriations maintain FY17 funding levels for transfers to CYFD for prekindergarten services and home-visiting services for families with newborns and infants.
- Vetoes included \$241.9 thousand from the general fund for the administration of the Navajo and Zuni TANF programs.

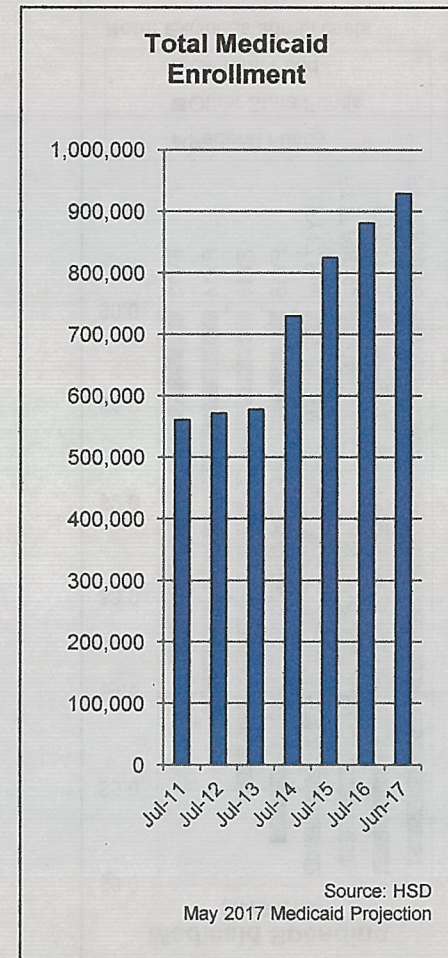
Medicaid Funding

- ▶ The FY18 general fund appropriation for the Medicaid program totaled \$915.1 million, or 0.2%, above FY17, including \$14.2 million for Medicaid administration, down 5% from FY17.
 - May 2017 Medicaid projections indicate a surplus of \$11 million for FY17, \$6.1 million higher than the previous projection.
 - May 2017 projections show an FY18 general fund need of \$947.5 million resulting in a projected shortfall of \$31.9 million.
 - Variables in the projection include IHS cost savings, copayments, tax assumptions.
 - Medicaid budget includes \$29.3 million from tobacco settlement program funds, a \$2 million increase, and \$16.8 million in DSH settlement funds.
 - FY17 and FY18 expenditures are impacted by lower medical inflation, copays, provider rate cuts, savings in Hepatitis C treatment, and higher federal match rates.



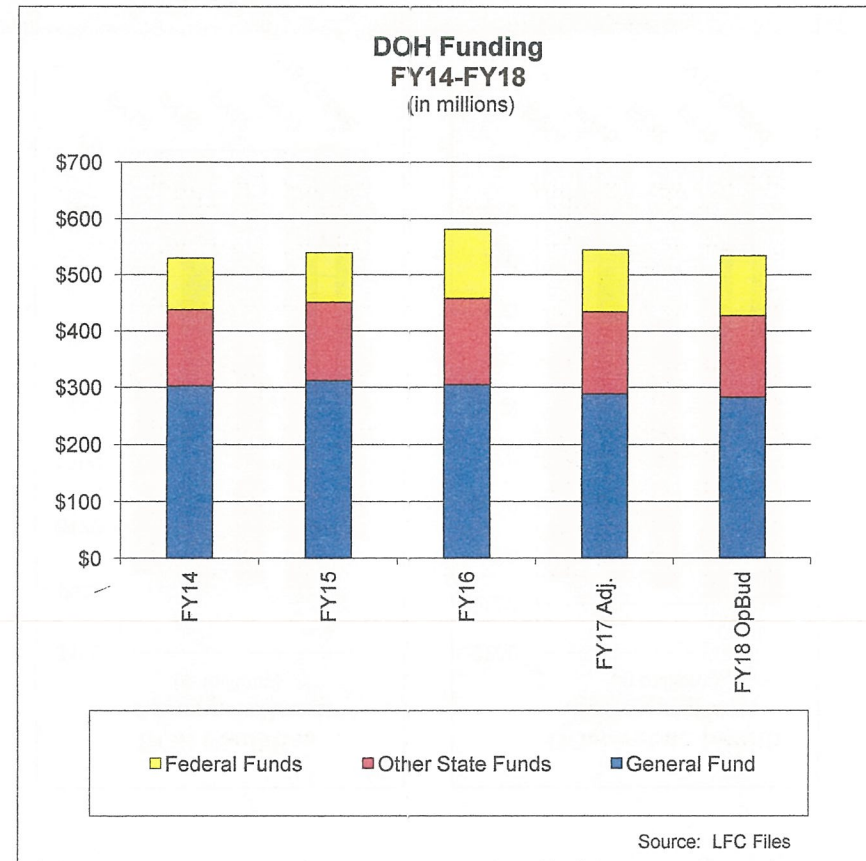
Medicaid Enrollment

- ▶ Enrollment is the main cost driver in Medicaid.
- ▶ Total projected enrollment for June 2017 is 929,030.
- ▶ Enrollment is growing due to Medicaid expansion, family planning, and uninsured population migration from HIX and retroactive enrollment changes.
- ▶ Federal support for the expansion population dropped from 100% to 95% beginning January 1, 2017 and will reach 90% in 2020.
- ▶ Similar to other states, New Mexico experienced “woodwork” enrollment increases in base Medicaid populations.
- ▶ “Woodwork” effect as clients already eligible under stricter pre-ACA income limits with lower FMAP of just above 70%, came “out of the woodwork” to apply for benefits after the expansion.



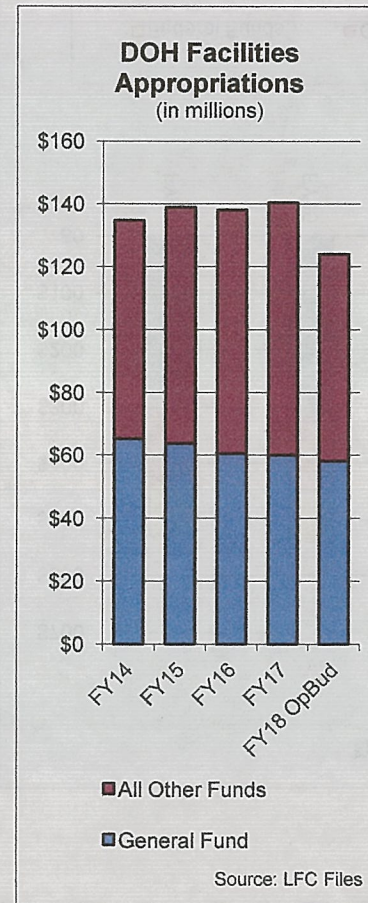
Department of Health

- ▶ DOH Received:
 - A nearly Flat FY18 budget
 - A \$5.1 million, or a 1.8% general fund reduction
 - A \$1.2 million special appropriation for Jackson Lawsuit Disengagement and Waldrop Settlement
 - A \$375 thousand FY17 supplemental appropriation for a projected Facilities Program shortfall



DOH Facilities and Public Health

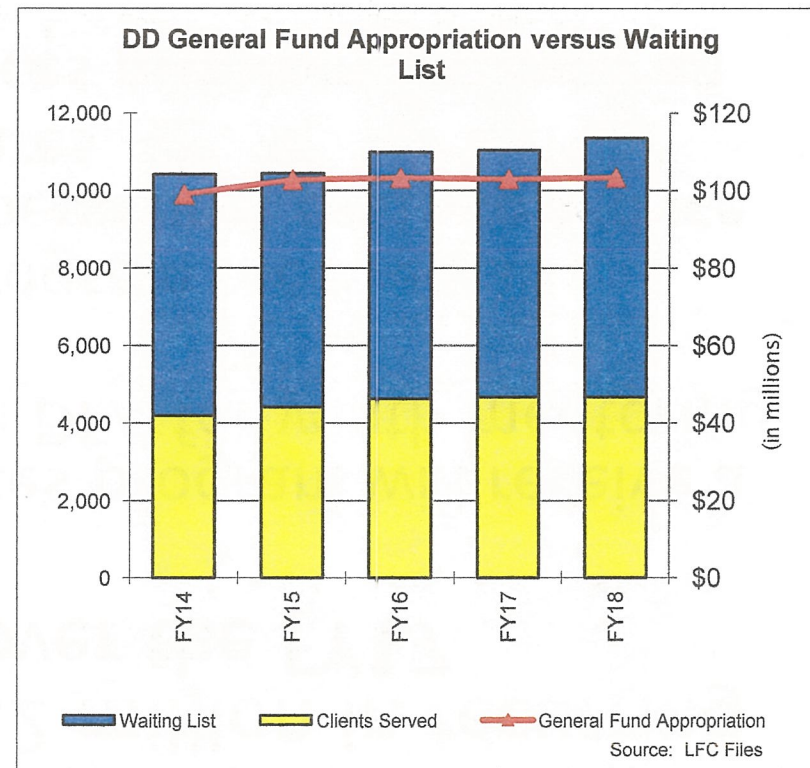
- ▶ Facilities Program received:
 - A \$2.3 million FY18 vacancy savings reduction,
 - A \$1 million FY18 direct-care contract staff increase, and
 - Transferred the State Veterans' Home to Department of Veterans' Services
- ▶ Public Health Received:
 - A \$1.1 million general fund Rural and Primary Health Clinic (RPHC) reduction,
 - A \$2.9 million county supported Medicaid fund balance reduction for RPHCs, and
 - Increased patient revenue from vaccines and ACA



DOH Developmental Disabilities

▶ The Developmental Disabilities Support Division received:

- Nonreverting Language
- Reduction for Jackson and Waldrop lawsuit related administrative savings
- Improved federal medical assistance percentage resulting in \$1.1 million general fund savings



Children, Youth and Families

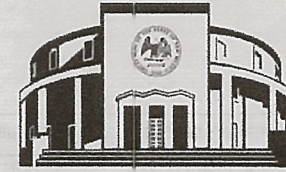
- CYFD will receive \$249.2 million in recurring general fund, up 1.7% over the FY17 operating budget
 - The Juvenile Justice Services program will receive a \$2.8 million transfer from DFA for youth mentoring services.
 - The Protective Services program received an additional \$1 million for personnel costs to reduce caseloads and turnover rates.
 - The Early Childhood Services program received an additional \$1.5 million for home-visiting and childcare assistance services, during the 2016 special legislative session.

Early Childhood Capacity & Funding

	Home Visiting	Family, Infant, Toddler (FIT) Program	Childcare Assistance	Head Start/ Early Head Start (EHS)	Prekindergarten		Kindergarten Three Plus
					Basic (Half-Day)	Extended (Full-Day)	
Criteria For Services	Priority eligibility for first time expectant mothers; first time parents of infants and toddlers zero to three; first time caregivers of infants and toddlers zero to three; adoptive parents of infants and toddlers zero to three, and teen parents.	Birth to children age three with or at risk for developmental delays and disabilities based on comprehensive multidisciplinary evaluation.	6 week to 12 year olds children whose families are at or below 200 percent of the federal poverty level that are working and/or in school.	Head Start/EHS is free for children birth to five years of age whose family income meets the federal poverty guidelines. The poverty guidelines are determined by the federal government each fiscal year.	Communities with Title I public schools (40 percent students eligible for free or reduced-fee lunch), priority where a minimum of 66 percent of the children served live within the attendance zone of a Title I school.		Public elementary schools with 80 percent or more of the enrolled students eligible for free or reduced-fee lunch or elementary schools receiving a D or F school grade at time of application.
FY17 Appropriation							
FY17 Appropriation	\$ 17,500,000	\$ 43,700,000	\$ 100,200,000	\$ 65,840,575	\$ 19,660,000	\$ 32,450,000	\$ 23,700,000
Estimated Number of Clients Awarded Slots in FY17	4,604	14,921	18,433	7,652	5,745	3,641	18,155
LFC Estimated Average Cost Per Client FY17	\$ 3,801	\$ 2,929	\$ 5,436	\$ 8,604	\$ 4,101	\$ 7,786	\$ 1,305
FY18 LFC Recommendation							
FY18 Appropriation	\$ 18,300,000	\$ 43,700,000	\$ 100,200,000	Programs are funded with federal revenue only and amount is currently unknown.	\$ 19,660,000	\$ 33,650,000	\$ 23,700,000
Estimated Number of Clients to be Served FY18	4,815	14,921	18,433	N/A	4,794	4,322	17,993
LFC Estimated Average Cost Per Client FY18	\$ 3,801	\$ 2,929	\$ 5,436	N/A	\$ 4,101	\$ 7,786	\$ 1,317
Remaining Statewide Need							
LFC Estimate of Total Eligible Clients Statewide	10,800	14,921	29,000	N/A	12,278	12,278	70,343
LFC Estimate of Need After FY18 Based on FY18 LFC Recommendation (line 12- line 10)	5,985	0	10,567	N/A	3,457	5,854	52,350
Estimated Funding Needed to Serve Clients After FY18	\$ 22,750,800	\$ -	\$ 57,444,000	N/A	\$ 14,177,956	\$ 20,614,900	\$ 68,952,457

Source: Children, Youth and Families Department; Public Education Department; Department of Health, and LFC Files

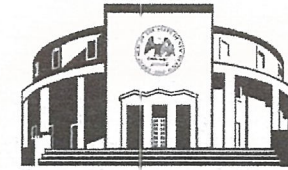
Early Childhood & Child Welfare



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- ▶ Why is early childhood development so important?
- ▶ The most rapid period of brain development occurs in the first few years of life
 - Early experiences influence the developing brain;
 - Stable, caring relationships are essential for healthy development;
 - Chronic stress can be toxic to developing brains;
 - Significant early adversity can lead to lifelong economic and health problems;
 - Early intervention can help prevent the consequences of early adversity.

What We Know



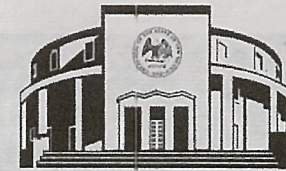
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- ▶ Medicaid pays for over 80% of births in New Mexico.
- ▶ NM Adverse Childhood Experiences (ACEs) are higher than national averages.
- ▶ 75% of young New Mexico children have at least one risk known to impact health, education, development and 23% of children are at moderate or high risk for developmental delays or behavior problems.
- ▶ 80% of kids at high poverty schools are behind peers on the first day of kindergarten and one in four cannot identify a single letter.
- ▶ Almost 50% of 3rd graders are not reading or performing in math at grade level.

Risk Factors

Education

In New Mexico

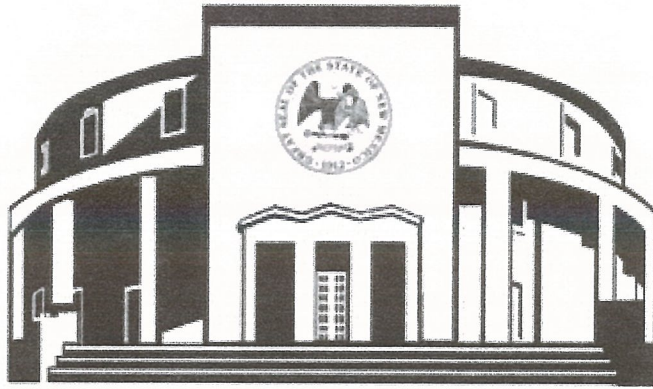


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- ▶ Maltreatment victimization rate has risen to 17.5 per 1,000 children (Ntl =9.2)
- ▶ 11.7% of children experience repeat maltreatment within six months of a previous substantiation
- ▶ Children in care of CYFD has risen around 6% above the previous fiscal year
- ▶ Infant mortality is 5.4 per 1,000
- ▶ 8.8% of babies are born with low birth weight, national average is 8%
- ▶ Immunization rate is 66%, down from 70% in 2013
- ▶ 64% of mothers have early access to parental care

Safety

Health



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Thank You
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