

## Performance Trends to Inform Budget Discussions

Performance trends for the third quarter of FY22 show a decline in participation in several state programs. Enrollment in higher education, caseloads in the criminal justice system, and utilization of Medicaid healthcare services are all down. This reduced workload, however, does not seem to have resulted in better performance generally, and the pandemic continues to impact the delivery of home visits to new families and many other health-related services.

In addition, a lack of consistent reporting, including the absence of statewide public school student test scores, continues to hinder assessments of some programs.

Among the findings in the quarterly report cards:

### Education

**Public Education Department, page XX.** Student math and reading scores improved between the beginning- and middle-of-year assessments this year, but math scores remain lower than the prior year. A change in the test prevents the state from measuring impacts of the pandemic; however, national trends suggest students lost learning across the board. Despite this unfinished learning, high school graduation rates remained relatively flat at 76.8 percent this year.

**Higher Education Institutions, page XX.** Enrollment in higher education institutions fell by 27 percent between 2011 and 2020, while staffing has fallen by 20 percent. Faculty-to-student ratios for New Mexico colleges and universities are roughly similar to national averages.

Many New Mexico students are ill-prepared for transition from high school to college. New Mexico students who perform in the bottom quartile of all New Mexico students have lower average ACT scores than the bottom quartile of students nationally. This indicates lower-performing students in New Mexico are further behind academically than low performers in the rest of the country and will likely require more support to succeed in higher education.

**Early Childhood Education and Care, page XX.** The Early Childhood Education and Care Department added several additional measures in FY22 for early

**LegisSTAT** is an innovative process wherein the Legislature holds ongoing, data-driven conversations with agencies to understand

1. Why certain performance trends are occurring,
2. What agencies' strategies are to address challenges, and
3. What agencies specific, near-term next steps are to address those challenges.

prevention and intervention programs, including for home visiting services to new families, a cornerstone program to improve long-term outcomes for children and families by providing in-home support, screening, and referrals. Many home-visiting programs continued virtual services during FY21 but are shifting to hybrid delivery models that include both in-home and virtual visits. Nationally, researchers and home visiting programs are studying the shifting delivery models to confirm quality and outcomes.

### Health

**Department of Health, page XX.** The Department of Health reported some improvements in performance on targets across the agency during the third quarter of FY22 but focus on managing the state's Covid-19 response also continues to result in declining performance for other department programs. As part of the state plan to eliminate the waiting list for the Developmental Disabilities and Mi Via Medicaid waivers, Developmental Disabilities Services Division has already begun allocations for clients. As of April 2022, an additional 250 individuals are moving into services.

**Aging and Long-Term Services, page XX.** The Aging and Long-Term Services Department continued to miss a significant portion of its targets during the third quarter of FY22 but showed some improvement in the Consumer and Elder Rights Program. The department's mission is to serve older

adults and adults with disabilities so they can remain active, age with dignity, be protected from abuse, neglect, and exploitation, and have equal access to healthcare.

**Human Services Department, page XX.** The Human Services Department's Medicaid Program enrolls almost 50 percent of New Mexicans and represents 40 percent of the state's general fund spending, but most of the performance measures for the Medicaid Program appear to be lagging behind the targeted trend, resulting in a red rating. A reported 7.6 percent of children received one or more well-child primary care visits in the third quarter, compared with 38 percent in the second quarter and a target of 88 percent.

Notably, utilization rates appear well below the projected levels on which the per-member per-month payments to the Medicaid managed care organizations were built, resulting in the Medical Assistance Division capturing financial recoupments from the MCOs. Network adequacy must be ensured to enable Medicaid clients to have access to services funded through the MCOs.

In a reflection of statewide employment, the Income Support Division's Temporary Assistance for Needy Families Program reported 0.8 percent out of a targeted 37 percent of TANF recipients were ineligible for cash assistance due to work-related income. Notably, TANF participants had federal work participation requirements waived and were eligible for certain unemployment benefits through 2021. ISD and the Child Support Enforcement Division both received red ratings for the quarter.

**Behavioral Health Collaborative, page XX.** Proper assessment of the performance of the Behavioral Health Collaborative continues to suffer from the lack of data from across agencies. Performance data across agencies would provide a comprehensive overview of the coordination of behavioral health services, a responsibility of the collaborative, and would allow a review of access to services and systemic outcomes. For example, the BHC report card does not include data on the Children, Youth and Families Department's \$20 million FY22 and FY23 special appropriation to expand the provider network for children's behavioral health and community child welfare services. Currently, the BHC report card primarily consists of data from the Behavioral Health Services Division (BHSD) of the Human Services

Department, representing only a portion of the state's behavioral health system and service dollars.

## Justice and Public Safety

**Children, Youth and Families Department, page XX.** Although reducing childhood abuse and neglect is the primary goal of the child welfare system, the repeat maltreatment of children who have a previous substantiated case of maltreatment dropped just 3 percentage points between FY17 and the end of the third quarter of FY22—from 17 percent to 14 percent—and remains well above the national benchmark of 9 percent. During the same period, preventive services expenditures grew from about \$900 thousand to \$10.3 million, a tenfold increase.

Physical assaults in Juvenile Justice Services facilities are significantly down, and the percent of Native American youth supervised in the community who are in an appropriate placement as required by the federal Indian Child Welfare Act and the *Kevin S.* settlement, was close to targeted levels for the first and second quarters. Third quarter data has not been provided yet.

**Courts and Justice, page XX.** All criminal justice partners saw a significant decrease in cases in FY20 due to the Covid-19 pandemic, and though advocates and agencies feared FY21 would bring a sharp increase in “backlogged” cases, jury trials and caseloads for public defenders and prosecution attorneys remained low throughout FY21 and three quarters of FY22.

Since the district attorneys and the Public Defender Department joined the Administrative Office of the Courts in a comprehensive report card format, the unequal reporting of data across the criminal justice system has become apparent. District attorneys lack critical performance measurements and have not provided action plans where outcomes are poor. PDD has improved dramatically in the quality and consistency of reporting for in-house attorneys but continues to struggle with contract attorney reporting and outcomes

**Department of Public Safety, page XX.** New Mexico State Police (NMSP) arrests continued to fall this quarter, but DWI arrests increased compared with the past several quarters. The Department of Public Safety experienced significant challenges in state police staffing this quarter, with a record number of

retirements driving NMSP's highest vacancy rate in over six years. Large pay raises planned for the coming fiscal year and retention payments may help improve manpower. The forensic laboratory's productivity remained relatively steady with the prior quarter.

**Corrections Department, page XX.** The Corrections Department saw further improvements in its overall recidivism rate this quarter, but ongoing issues in the agency's reporting on this and other key metrics preclude analyzing this improvement in the context of prior years. The state's prison population continued to decline but may be beginning to level off. Drug use among inmates is up significantly this year after three years of reduced drug use.

## Natural Resources

**Energy, Minerals, and Natural Resources, page XX.** The worst fire season in New Mexico history, coupled with declining reservoir levels, will likely keep state park visitation below-average throughout the summer.

**Office of the State Engineer, page XX.** The agency still maintains that a high vacancy rate in the Water Resources Allocation Program is hindering its ability to process water rights applications in a timely manner. So far in FY22, however, WRAP has initiated 79 hires and promotions out of its 179 authorized FTE.

**Environment Department, page XX.** The cash balance of the clean water state revolving fund continues to rise, most recently recorded at over \$182 million. The agency is working on a memo for LFC to explain the consistently high balances and efforts to increase utilization of the fund.

## Economic Development

**Economic Development and Tourism, page XX.** The Economic Development Department improved performance on nearly every measure in the third quarter of FY22, including rural job creation (which had lagged overall job creation since the pandemic), overall wages of jobs created, and film and media work hours. In contrast, the New Mexico Partnership (created as a mechanism to entice and entertain companies considering relocating to New Mexico) continues to perform poorly in FY22, attracting only 24 jobs to the state in 10 months.

## Workforce Solutions Department, page XX.

Almost every indicator of the labor force participation rate is lower in New Mexico than the rest of the United States, including by sex, educational attainment, disability, and age, according to the April 2022 Workforce Solutions Department *Labor Market Review*. The Employment Services Program, a keyplayer in addressing the participation rate, reported 12.6 thousand individuals received employment services in a Workforce Connections office, half the target of 25 thousand.

## General Government

**General Services Department, page XX.** Deficits continue to mount in the state group health benefits plan, with the department projecting the fund will end the fiscal year \$67 million in the red. Additionally, the net financial position of the states other risk management funds have decreases, though these programs still have sufficient cash to pay claims and expenses.

**State Personnel Office, page XX.** It takes nearly 10 weeks from the date of posting for state agencies to fill vacant positions and more than 20 percent of positions remain vacant. Additionally, the state continues to face retention issues, with just over half of new employees completing one year of service.

**Taxation and Revenue Department, page XX.** For the third quarter of FY22, the Taxation and Revenue Department (TRD) remained on track to meet the annual targets for tax investigations, resolved tax protest cases, and implementation of internal audit recommendations. The agency fell short on targets for percent of collectible outstanding balances, collecting only 12.3 percent from the end of the prior fiscal year. However, the agency began reporting collections of business taxes again this quarter. Motor Vehicle Department wait times continue to decrease.

**Investments, page XX.** Markets dropped in the third quarter of FY22, with state investments losing value. Market volatility has increased due to rising and sustained inflation, federal funds rate hikes, unpredictable oil prices, geopolitical turmoil in Europe, and the rise of the omicron Covid-19 variant. Despite a downturn in the quarter, returns remain above target in the medium- and long-run, bolstered by the previous quarter and sustained strength throughout the last several quarters. Generally, the state's risk-averse investments performed better than

peer funds in the near-term amid the increasing volatility. The state's funds tend to underperform or perform around the median in the long run, with the exception of the Educational Retirement Board fund (ERB), which consistently outperforms its peers. Some state investment portfolios will undergo an asset allocation and risk profile review later this year.

For the quarter ending March 2022, the value of New Mexico's combined investment holdings for the pensions and permanent funds shrunk by \$824.5 million, to an ending balance of \$66.3 billion. For the year, funds grew by \$6.5 billion, or 10.8 percent. Over the last five years, the state's combined investment holdings grew \$19 billion, or 40 percent. One-year returns remain strong, though substantially lower than the previous three quarters, ranging from 7.8 percent (severance tax permanent fund or STPF) to 14.8 percent (ERB). Average investment returns over the last 10 years ranged from 7.8 percent (STPF) to 8.9 percent (ERB).

### Infrastructure

**Department of Transportation, page XX.** The department continues to manage projects well but faces challenges from inflation and supply change issues. Although bid costs are rising, the department cost overruns remain minimal. However, more projects are falling behind schedule because competition for contractors and construction workers remains high. Additionally, traffic and pedestrian fatalities remain well above targets.

**Information Technology Projects, page XX.** Of the projects reviewed this quarter, five are considered low risk, seven are moderate risk, and only one is currently rated high risk. The statewide broadband

program continues to be rated high risk due to delays in spending and hiring permanent staff for the Office of Broadband Access and Expansion (OBAB), as well as a lack of overall planning for the program. However, a grant program will be awarded using OBAB funds by late summer 2022.

The Human Services Department's Medicaid management information system replacement and the Children, Youth and Families Department's child welfare information system replacement showed progress after receiving federal approvals for project planning and budget documentation but continue to be rated moderate risk due to large costs and expanded timelines. Other projects, such as the Corrections Department's offender management system, are approaching their end, so progress will be closely monitored to ensure projects meet intended functionality upon closeout.