Accountability in Government
Selected Performance Highlights
Third Quarter, Fiscal Year 2018

Pursuant to the Accountability in Government Act (AGA), quarterly reports are required of key agencies, including performance measures and targets approved by the Department of Finance and Administration (DFA) in consultation with LFC for the fiscal-year, and other measures agencies consider important to operations.

Each quarter, LFC analysts review agency performance reports and develop report cards for select measures. The measures are listed in tables in the body of the report cards, along with a green, yellow, or red rating that indicates how well the agency is progressing in meeting its performance targets. To add context to the report cards, and to fill gaps in some agency reporting, LFC staff continues efforts to provide benchmark data comparing New Mexico results to those of neighboring states or national averages; benchmark data can be found in the side bars of the report cards. LFC staff also review agency action plans to determine whether those plans are thorough and comprehensive enough to support improved performance over time.

Performance of note for the third quarter of FY18 by major area:

Taxation and Revenue Department *(page 9)*

Motor Vehicle Division (MVD) field office wait times have increased significantly since the implementation of REAL ID in 2016. However, MVD office wait times are improving and the department may reach its 18-minute target by the end of the fiscal year. The department failed to renew a contract for tracking call center wait times but stated they will have this contract renewed to provide performance data for the end of the fiscal year. Eight performance measures proposed during the 2018 session were vetoed by the Governor. LFC staff will work with the agency and DFA to implement fair measures to increase accountability.

Human Services and Medicaid *(page 11)*

Participation rates for families meeting temporary assistance for needy families (TANF) work requirements improved in the third quarter of FY18, but are still below the target. ISD reports it increased its monitoring of the New Mexico Works service provider contractor, SL Start. The Human Services Department (HSD) is in the process of procuring the next contractor for this program, but the procurement is not yet complete despite looming deadlines.

HSD denied all protests from managed care organizations (MCOs) that were not awarded contracts in the $4.6 billion Medicaid procurement process for Centennial Care 2.0. The companies protested to HSD that bidders were asked to submit cost proposals based on rates that were not actuarially sound or sustainable, that some insurers were given more points in the scoring process based on exhibits the state did not require them to submit, and that a consultant involved in the process, Mercer, had a conflict of interest involving Western Sky's parent company, Centene Corp. Beginning January 1, 2019, the Medicaid program will be administered by Blue Cross Blue Shield of New Mexico, Presbyterian Health Plan, and Western Sky Community Care. Molina and United have appealed HSD's decision in state district court.

HSD is currently implementing the $200 million Medicaid Management Information System Replacement (MMIS-R) information technology project to update the system and to align with the Centennial Care 2.0 Medicaid modernization initiative. However, HSD has said that MMIS-R is "untested and unproven" and presents many opportunities but also many challenges and threats. Another challenge is operating the department with limited upper management given that the former deputy secretary migrated to chief information officer and is heading up the MMIS-R project.

Behavioral Health

At the time of this report, LFC had not received the Behavioral Health Services Division (BHSD) performance report for the third quarter of FY18. This is a recurring issue with BHSD and detracts from LFC efforts to report agency outcomes and effectiveness in a timely manner. When the agency performance report has been received, the BHSD third quarter report card will be available on-line at https://www.nmlegis.gov/Entity/LFC/Performance Dashboard.

Department of Health *(page 15)*

State operated facilities may soon see significant general fund savings because Medicaid will start reimbursing institutions for mental disease with more than 16 beds for substance use disorders.

However, uncompetitive salaries hinder recruitment and retention, and the facilities are understaffed. The General Appropriations Act of 2018 included a $720 thousand appropriation to provide direct-care staff an average 2.5 percent salary increase in addition to the blanket 2 percent salary increase for all state workers. Additionally, the department will implement its own 2.5 percent in-pay band salary increases with additional temporary recruitment differentials.

Reports of poor conditions and weakening performance at many nursing facilities in New Mexico continue to challenge the Health Certification, Licensing, and Oversight division to improve performance at these facilities through its regulatory authority. Improving performance at many of these facilities will ensure New Mexico's vulnerable populations remain protected – especially now that many facilities received FY19 Medicaid reimbursement rate increases and the department received additional funding to improve oversight.

Aging and Long-Term Services *(page 19)*

The Aging and Long-Term Services Department conducted an evaluation in conjunction with outside audits, and as a result of problems identified in the evaluation and audits, the department notified the North Central New Mexico Economic Development District (NCNMEDD) and indicated it may remove NCNMEDD from administration of half the area agencies on aging in the state. NCNMEDD denied any wrongdoing and is working to correct any audit deficiences. The department has reconsidered and plans to retain its contract with NCNMEDD.

Children, Youth and Families *(page 21)*

An increasing number of families are coming into contact with programs of the Children, Youth and Families Department (CYFD), considering rising caseloads in the Protective Services Program and increased services in the Early Childhood Services Program (ECS). Repeat maltreatment remains nearly double the national benchmark and children entering the protective services system are outpacing those exiting. Early intervention to prevent families reaching the point of crisis has been shown in other states as a strategy to improve child protective services outcomes. ECS reported more childcare providers are moving into the highest levels of quality rating, however the program still fell slightly below performance targets. The agency continued to report that rural providers are struggling to move into the state's newest quality rating system, and no timeline for transition of providers remaining in the legacy system has been provided.

The Juvenile Justice Services Program (JJS) reported turnover rates of youth care specialists spiked during the third quarter, two percent above the turnover rate during the third quarter of FY17. The agency reported instances of use of force resulting in injury were lower than performance targets.

Public Safety *(NMCD, page 24; DPS, page 26; Public Safety Dashboard, page 28)*

The New Mexico Corrections Department (NMCD) is meeting targets for contacts with high risk offenders in the community and recidivism rates for women graduating from the Recovery Center, and vacancy rates among probation and parole officers are improving. However, inmate-on-inmate violence continues to be a concern and FY18 is on track be more violent than the last two years combined. Additionally, continually high three-year recidivism rates and release-eligible inmates are cause for concern. Illicit drug use remains an issue, with 4 percent of random monthly drug tests in the third quarter being positive.

To help crack down on violent offenses in New Mexico, the Department of Public Safety (DPS) has begun work to create a fully-automated Criminal Justice Clearinghouse in tandem with the district attorneys, district courts, public defenders, NMCD, and CYFD. However, supplemental funding and more interagency cooperation is needed to complete the project. In 2016, DPS received a $2 million federal grant from the Department of Justice to fund processing, tracking, and reporting of the remaining sexual assault evidence kits in DPS' jurisdiction.

LFC staff produced a criminal justice dashboard focusing on crime, incarceration, prosecution, and recidivism in Bernalillo County to help address acute issues faced in the Albuquerque area. According to the Albuquerque Police Department (APD), serious crimes decreased 15 percent to 3,299 year-over-year in April (April 2018 as compared to April 2017). The number of new felony cases opened in district court in April increased 3 percent year-over-year to 562 and the percent of all new felony cases the DA has found probable cause on have doubled. The number of vacant attorney positions remains flat although special appropriation funds have been available since February to help fill critical vacancies.

Courts and Justice *(page 29)*

In the third quarter of the new unified report for the justice system in New Mexico, the Public Defender continued to lead the way for quality reporting. The Public Defender Department provides thorough understanding of the department's performance with meaningful, comprehensive measures, while the courts and district attorneys have fallen behind. Staff continues to work with both the courts and the district attorneys to improve reporting and enhance understanding of agency work.

Trends in the third quarter exhibit falling cases entering the justice system, despite rising crime rates and increased funding. The decrease in cases entering the justice system suggests a worsening disconnect between crime and policing, a greater concentration of crimes committed by fewer people, and/or falling crime not yet reflected in FBI data.

The Administrative Office of the Courts has made considerable progress in lowering the average cost per juror in FY18, which has allowed the courts to pay the statutory rate for the first time since FY11. So far this year, average juror costs have been reduced by one-third from the average of the past five years and fallen by nearly half from a high in FY17. Gains in efficiency have resulted from a new jury management system funded by the Legislature in the 2015 legislative session and legislation restricting mileage reimbursements.

Public Education *(page 33)*

The Public Education Department (PED) announced expansions to the K-3 Plus and prekindergarten programs, boosting enrollment and participation in both programs to record highs. Additionally, the department is increasing awareness about advanced placement programs and has distributed $1 million for teacher recruitment initiatives to school districts and charter schools.

The General Appropriation Act of 2018 mandated minimum salary increases for level 1, 2, and 3 teachers as well as an additional 2.5 percent salary increase. Some school districts have reported difficulties in meeting the mandate while others indicate they will exceed the minimum requirements. Teacher protests around the nation have resulted in higher teacher pay and education funding, suggesting that teacher salary increases will be an ongoing issue in future years.

According to New Mexico State University, the number of teachers graduating from New Mexico colleges of education has declined in recent years. Given this trend, alternative and out-of-state teacher recruitment will likely increase as the number of teachers from in-state programs decreases. Additionally, PED is seeking comment on a new scorecard that will rate colleges of education on teacher preparation metrics and other related factors.

Higher Education *(page 37)*

New Mexico Institute of Mining and Technology has prioritized student retention of its freshman cohorts, showing impressive fall-to-spring retention of 93 percent of its 2017 freshman cohort. NMIMT believes student assimilation into the community and culture of the institution are key determinants of persistence. As such, the research university has employed project based learning communities for its first year full time students, requiring 60 percent to engage in a specific learning community.

Higher education institutions in New Mexico are trailing their peer institutions nationally for student retention. For this reporting period, only six of 24 institutions reported year-over-year improvement. Of the six institutions reporting improvement, two institutions were already substantially lower in performance compared to peers; however, the improvement is a positive indicator.

Natural Resources *(EMNRD, page 41; NMED, page 43; OSE, page 45)*

The Legislature increased funding for the Oil Conservation Division (OCD) by $3 million to ensure the oil reclamation fund is used for its intended purpose of plugging abandoned wells. The additional funding will pay for salaries the department has been paying from the reclamation fund. OCD typically plugs 30 wells per year but, following the legislative session, the agency announced plans to plug 60 wells during 2018. Despite this, the department only plugged 6 wells in the third quarter, half of the plugging accomplished in the second quarter.

The New Mexico Environment Department awarded loans totaling $9.2 million from the clean water state revolving loan fund, down from $12.4 million in the second quarter, for wastewater and storm water projects. The unobligated balance in the clean water state revolving loan fund is $85.4 million. Tasked with ensuring drinking water meets health-based standards, NMED reports 10 percent of New Mexicans do not receive water that meets current standards. Air quality across the state has been declining since 2014.

Approximately 60 percent of the State is in severe drought and 18 percent is in extreme drought. The Office of the State Engineer will likely need to spend more on dredging activities to ensure the maximum amount of water possible reaches downstream reservoirs. This will be particularly important given ongoing litigation with Texas. OSE reports a 7 thousand acre foot debit in delivery of Rio Grande compact water to Texas.

Economic Development and Tourism *(EDD, page 47; Tourism, page 49)*

The Economic Development Department's (EDD) performance results for the third quarter increased in significant areas such as jobs created due to department efforts and jobs created through use of Local Economic Development Act (LEDA) funds. The Economic Development Division awarded two companies a total of $1.4 million in LEDA funds in the third quarter: Meow Wolf in Santa Fe ($850 thousand), and Vitality Works in Bernalillo ($550 thousand). Cost per job for LEDA increased from $10.4 thousand per job in FY16, to $29.2 thousand in FY17, and is currently at an average of $6 thousand per job in FY18. Seventeen businesses were approved for Job Training Incentive Program (JTIP) funding in the third quarter, totaling 297 workers trained. As of April 2018, there is $44.4 million available in LEDA funds.

The tourism sector continues to lead the state's economic recovery. The leisure and hospitality industry saw substantial growth in employment during the third quarter, with the department reporting a 1.8 percent change in New Mexico, while the Workforce Solutions Department reported a 2 percent gain. Though the Tourism Department has already met several of its annual targets, it continues to not report quarterly on several key measures, receiving red ratings in the Tourism Development and the Marketing and Promotion programs.

Workforce Solutions Department *(page 51)*

Wait times for those seeking unemployment insurance (UI) benefits continued to rise during the third quarter. In addition, the UI trust fund balance declined for the second quarter in a row as a result of more benefit payouts than contribution revenue. Providing services to disabled veterans remains the lowest performance outcome for the Employment Services Program. The agency has consistently struggled to improve performance for veteran services for several years. Vacancies in the Labor Relations Program contributed to fewer wage claim investigations.

General Government *(GSD, page 54; SPO, page 57; DOT, page 59)*

The General Services Department's Facilities Management Division continues to struggle to complete work orders on time. However, the division has made progress in completing capital projects on budget. Despite high staff turnover, 97 percent of capital projects were completed on schedule. While 100 percent of new office leases in the third quarter met the 215 square foot per FTE space standard, square footage per FTE remains significantly higher than target levels.

The State Personnel Office reports the average number of days to fill vacant positions increased from 69 days in the second quarter to 81 days in the third quarter. The time to fill vacant positions varies dramatically by agency; PERA reported an average 27 days to fill, while it took DOH 97 days. The statewide vacancy rate remained persistently high at 19 percent.

Road conditions are deteriorating across the state. Department of Transportation data show 79 percent non-national highway system lane miles were in good condition, down from 80 percent in the prior year. Additionally, the number of lane miles in deficient condition increased 6.2 percent to 4.5 thousand. The deteriorating conditions come as department vacancy rates increased from 14 percent at the close of FY17 to 17 percent by the end of the third quarter. Rail Runner ridership continued to decline in the third quarter; ridership has not increased in any year since FY10. Fatalities declined from 98 in the third quarter to 71 in the second quarter.

Information Technology Projects *(page 62)*

The estimated cost for the 12 key projects included in the IT status report is over \$279 million, including \$175.6 million for HSD's Medicaid Management Information System replacement (MMISR) project (90/10 federal match). The multi-year phased project was expected to continue through 2019, however HSD is requesting CMS approval of a \$27.7 million increase in the MMISR budget, with project completion extended to 2021. The ONGARD replacement project rating for the State Land Office (SLO) improved with recent Project Certification Committee (PCC) approvals for the initiation and planning phases, moving the project forward. The Public Employees Retirement Association (PERA) Retirement Information Online (RIO) enhancement project has a red rating for schedule due to vendor deliverables continuing to be behind schedule. In addition, there are two projects with red ratings due to risk associated with large complex multi-year projects, HSD's MMISR project and CYFD's Enterprise Provider Information Constituent Services project (EPICS).

Investments *(page 68)*

In the last year, the aggregate value of the state's combined investment holdings for the pension and permanent funds grew by over \$3 billion, or 6.9 percent, to end the quarter at \$50.7 billion. However, returns for the quarter were less than 1 percent or negative. After considering distributions from the funds, the aggregate value of the state's combined investment holdings for the quarter declined by \$236.9 million.

One-year returns ranged from 9.1 percent to 10.8 percent, outperforming each of the funds' long-term targets. The Public Employees Retirement Association (PERA) fund and the land grant permanent fund (LGPF) outperformed their policy benchmarks for the one-year period, while the Educational Retirement Board (ERB) and the severance tax permanent fund underperformed their policy benchmarks over the last year. When compared with peer funds greater than \$1 billion on a net-of-fee basis, the ERB fund and the permanent funds' investment returns ranked above the median for the quarter, three-, five-, and 10-year periods. Only the LGPF performed above the 50th percentile for the year. PERA's investment returns were below the median for all periods reported.

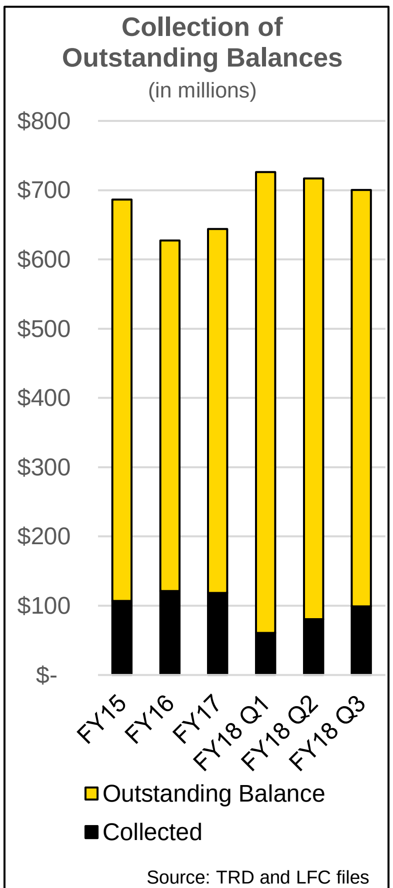
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Taxation and Revenue Department
Third Quarter, Fiscal Year 2018

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

Vetoed Performance Measures from 2018 Session	
1	Personal income tax returns flagged as questionable
2	Credit requests denied as a percent of total credit requests received
3	Personal income tax returns processed, in millions
4	Questionable personal income tax returns stopped
5	Collections as a percent of collectible outstanding balances aged less than twenty-four months
6	Delinquent property tax sales held
7	Turnover rate of tax fraud investigators
8	General fund revenue pending from unresolved tax protest cases, in millions



Taxation and Revenue Department

During a recent LFC meeting, the department, along with the Administrative Hearings Office, provided an overview of the tax protest hearing and resolution process. At the hearing, TRD provided LFC with information requested since July 2017, including the number of tax protests filed and resolved, types of protests, and dollar amounts. While the department provided some requested information, more is still outstanding. Many of the outstanding requests are outlined in Volume I of the *Report of the Legislative Finance Committee* (page 11). LFC staff will continue working with the department to gather protest and other information helpful for revenue forecasting.

Local government entities continue to question TRD's ability to correctly assess property taxes and distribute gross receipt taxes. The department may not be following statutory restrictions on revising distributions made to taxpayer amended filings.

The department's contract to track Motor Vehicle Division (MVD) call center wait times, a General Appropriation Act measure, expired in December. The department still lacks a contract to track this measure but reports it is working on securing a new vendor to provide information for the fourth quarter performance report.

Tax Administration

The Tax Administration Program is on track to meet its annual performance targets. Although all proposed new performance measures were vetoed this year, LFC staff will work with executive staff to improve measures moving forward. The program collected $18.4 million in the third quarter, bringing total collections to $99.2 million, or 14.2 percent, of the $700.5 million collectible-outstanding balance. Additionally, the program has collected $27.9 million, or 44.5 percent, of collectible audit assessments. Collectible audit assessments grew from $33.3 million in the second quarter to $62.7 million this quarter.

Tax Administration			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $29,844.0		FTE: 495.8							
1	Collections as a percent of collectible outstanding balances from the end of the prior fiscal year		19%	18%	18%	8%	11.3%	14.2%	G
2	Collections as a percent of collectible audit assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year		43%	58%	60%	33%	46%	44.5%	Y
Program Rating			Y	Y					G

Compliance Enforcement

The number of tax investigations referred to prosecutors annually is typically fewer than 10, causing significant year-over-year changes in this measure.

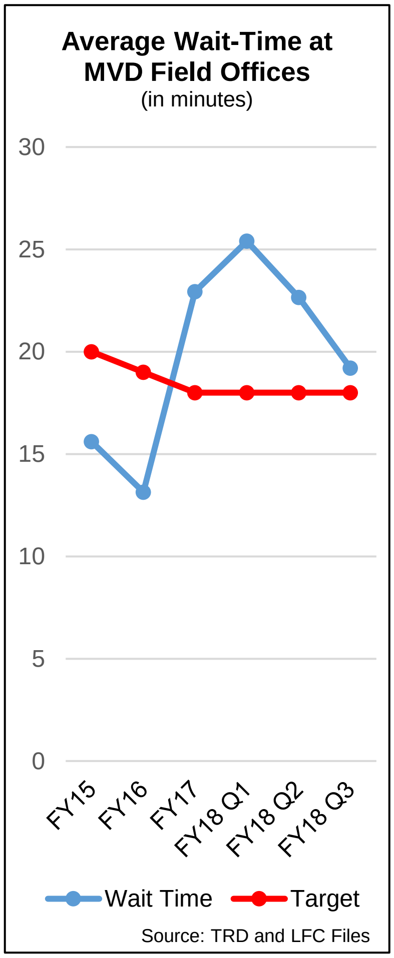
Compliance Enforcement			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $1,555.3		FTE: 21							
3*	Tax investigations referred to prosecutors as a percent of total investigations assigned during the year		88%	67%	85%		ANNUAL		

Property Tax

After two and a half years of non-payment, delinquent property tax accounts are transferred to the Property Tax Division for collection pursuant to Section 7-38-62 NMSA 1978. The agency noted there were a few late reporting counties in the second quarter, which are now accurately reflected in the third quarter report. The agency appears to be on track to meet its annual performance target.

Property Tax		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $3,796.6	FTE: 39							
4	Delinquent property tax collected and distributed to counties, in millions	$11.6	$11.5	$11	$3.7	$3.8	$2.2	G
Program Rating		G	G					G

Motor Vehicle



Of the nearly 70 MVD field offices, 38 are equipped with "q-matic" systems, measuring wait-times for all transaction types. The MVD program served 432.4 thousand customers in the third quarter, a significant improvement from the beginning of the fiscal year; however, service times were 1:12 slower than the 18-minute target. The contract to track MVD call center wait times expired last December resulting in no reported data for this quarter.

Motor Vehicle		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $26,665.8	FTE: 340							
5	Registered vehicles with liability insurance	92%	90%	93%	91%	90%	90%	Y
6	Average wait time in "q-matic" equipped offices, in minutes	13:08	22:56	18:00	25:24	22:40	19:12	Y
7	Average call center wait time to reach an agent, in minutes	6:07	4:33	<6:00	4:11	3:39	N/A	R
Program Rating		G	Y					Y

Program Support

The department is on track to meet its target for resolution of tax protest cases for the year, resolving 305 this quarter. The department is working to hire additional staff to fill the Legislature approved business tax credit bureau, which will produce tax policy recommendations based on analyses of tax credits, deductions, and exemptions.

Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $19,590.0	FTE: 182							
8	Tax protest cases resolved	1,897	1,524	1,400	433	345	305	G
9*	Internal audit recommendations implemented	93%	91%	90%		ANNUAL		
Program Rating		G	G					G

*Measure reported annually

Human Services Department

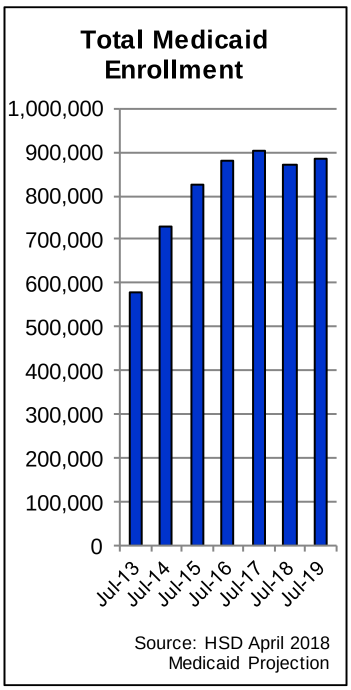
The Human Services Department (HSD) continues to see slowing enrollment growth in the Medicaid Program and declining enrollment in the Supplemental Nutrition Assistance Program (SNAP) and Temporary Assistance for Needy Families (TANF) Program associated with administrative clearing of backlogged applications, some of which were not eligible for benefits. Despite slowing enrollment, the Medicaid Program is projecting some cost increases associated with clients concentrating in higher cost cohorts. The Debra Hatten-Gonzales consent decree mandates HSD comply with state and federal requirements for client eligibility and enrollment, as well as the provisions pertaining to the administration of the SNAP and Medicaid programs. The recent special master's report indicated HSD has made progress, but problems still remain including changing the managers in charge of oversight and operation of the programs. HSD is currently implementing the $200 million Medicaid Management Information System Replacement (MMIS-R) information technology project to update the system and to align with the Centennial Care 2.0 Medicaid modernization initiative. However, HSD has said that MMIS-R is "untested and unproven" and presents many opportunities but also many challenges and threats. Another challenge is operating the department with limited upper management given that the former deputy secretary migrated to chief information officer and is heading up the MMIS-R project.

The department increased service requirements for managed care organizations (MCOs) in an effort to improve Medicaid outcomes; however, HSD did not report quarterly baseline data on the status of emergency room visits, well-child visits, prenatal care, and other performance measures citing it only has annual data.

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

HSD's quarterly performance report includes comments on each performance measure providing background and status information.



In FY18, the Medical Assistance Program was directed to pursue federal authority to establish a Medicaid-funded home-visiting program in collaboration with CYFD and DOH that will align home-visiting programs, avoid service duplication, and leverage general fund appropriations. HSD included home visiting in its Centennial Care 2.0 Medicaid waiver application.

Medical Assistance Division

For FY18, the program added three new measures, including the number of managed care members enrolled in a patient-centered medical home (PCMH), the rate of short-term complication admissions for Medicaid managed care members with diabetes, and Medicaid managed care members with a nursing facility level of care being served in the community.

However, the department will only report annual data on seven baseline measures including individuals with diabetes who were tested during the year, emergency room visits per one thousand member months, justice-involved individuals determined eligible for Medicaid prior to release, numbers of well child visits and prenatal care visits, and Medicaid members receiving hepatitis C treatment. These are important standard measures for Medicaid programs across the country and MCOs and HSD should report quarterly trend data. HSD incorporated well child visits and other measures into MCO contracts as "tracking measures" to ensure MCOs focus on improving well-child visit outcomes. However, HSD indicates quarterly MCO data could under-report outcomes so only uses annual audited data.

MCOs provide incentives for patients to access prenatal care through the Centennial Care Member Rewards program, which HSD reports has a 71 percent participation rate, in addition to incorporating quality improvement plans with a focus on the timeliness of prenatal care. HSD notes prenatal visit data is difficult to capture since the visits are often bundled with other pregnancy-related care when claims are submitted, although MCOs' contracts require them to report this data.

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Human Services Department
Third Quarter, Fiscal Year 2018

HSD denied all protests from MCOs that were not awarded contracts in the $4.6 billion Medicaid procurement process for Centennial Care 2.0. The companies protested to HSD that bidders were asked to submit cost proposals based on rates that were not actuarially sound or sustainable, that some insurers were given more points in the scoring process based on exhibits the state did not require them to submit, and that a consultant involved in the process, Mercer, had a conflict of interest involving Western Sky's parent company, Centene Corp. Beginning January 1, 2019, the Medicaid program will be administered by Blue Cross Blue Shield of New Mexico, Presbyterian Health Plan, and Western Sky Community Care. Molina and United have appealed HSD's decision in state district court.

The Centennial Care 2.0 Medicaid waiver under federal review proposes changes in Medicaid-funded behavioral health services including: funding for supportive housing; Screening, Brief Intervention and Referral to Treatment; funding for accredited adult residential treatment centers; funding for social detox services; expanding Medicaid health homes treating co-occurring serious mental illness and substance use disorders; and waiving the Institutions of Mental Diseases (IMD) exclusion prohibiting Medicaid reimbursement for private and state-run hospitals that provide inpatient psychiatric services.

The rate of return on investments for Medicaid program integrity recoveries was $10.14 for the third quarter, a slight decrease from the previous quarter's amount of $11.59. The average return on investments for Medicaid program recoveries was $3.36 in FY15, $7.84 for FY16, and $18.22 for FY17.

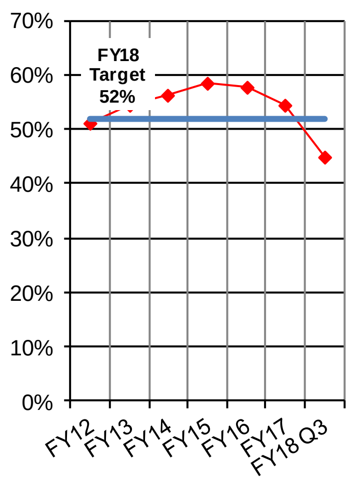
Medical Assistance		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $5,178,887.1	FTE: 184.5							
1	Children ages two to twenty-one enrolled in Medicaid managed care who had at least one dental visit during the measurement year	61%	68%	67%	65%	66%	66%	G
2	Individuals in Medicaid managed care ages eighteen through seventy-five with diabetes (type 1 or type 2) who had a HbA1c test during the measurement year**	58%	60%	86%	Annual			Y
3*	Emergency room visits per one thousand Medicaid member months	51	45	N/A	Annual			Y
4	Rate of per capita use per 1,000 members of emergency room categorized as non-emergent care	NEW	NEW	500	478	454	467	G
5	Hospital readmissions for children ages two to seventeen within thirty days of discharge	8%	7%	6%	6%	5%	5%	G
6	Hospital readmissions for adults eighteen and over, within thirty days of discharge	13%	10%	<10%	10%	6%	6^	G
7*	Justice-involved individuals determined eligible for Medicaid prior to release	NEW	NEW	N/A	No Data	No Data	No Data	R
8	Rate of short-term complication admissions for Medicaid managed care members with diabetes, per one hundred thousand member months	NEW	NEW	350	150	160	145	G
9	Medicaid managed care members enrolled in a patient centered medical home and health homes, in thousands	NEW	NEW	215	346	333	348	G
10*	Infants in Medicaid managed care who had six or more well-child visits with a primary care physician during the first fifteen months	43%	57%	N/A	Annual			R
11	Children and youth in Medicaid managed care who had one or more well-child visits with a primary care physician during the measurement year	89%	85%	92%	Annual			R
12	Newborns with Medicaid coverage whose mothers received a prenatal care visit in the first trimester or within forty-two days of enrollment in the managed care organization	71%	77%	85%	Annual			R
13	Medicaid managed care members with a nursing facility level of care being served in the community	NEW	NEW	70%	86%	86%	86%	G
14	Medicaid members that received hepatitis C treatment	NEW	NEW	1,200	Annual			Y
Program Rating		R	Y					Y

*Explanatory measures are provided for information purposes and do not have a target. Rating may be based on comparison with prior years or on failure to provide data.
**Final calendar year 2017 data audited by National Committee for Quality Assurance (NCQA) using administrative claims data and medical records.

The table below provides per member per month data for FY15 through FY17 on costs for various services provided under the Medicaid program as of April 2018.

Medicaid Service Categories	Per Capita Medical Costs (PMPM)			Percentage Change		
	2015	2016	2017	2016/2015	2017/2016	2017/2015
Acute Inpatient	$90.71	$92.39	$90.41	1.8%	-2.1%	-0.3%
Outpatient/Physician	$92.29	$92.94	$90.90	0.7%	-2.2%	-1.5%
Nursing Facility	$28.40	$26.68	$25.65	-6.0%	-3.8%	-9.6%
Community Benefit	$47.85	$47.38	$45.04	-0.9%	-4.9%	-5.8%
Other Services	$93.74	$94.71	$92.61	1.0%	-2.2%	-1.2%
Behavioral Health	$32.96	$32.68	$34.54	-0.8%	5.7%	4.7%
Pharmacy	$42.99	$47.80	$48.40	11.2%	1.3%	12.6%
Total	**$428.94**	**$434.58**	**$427.55**	**1.3%**	**-1.6%**	**-0.3%**

TANF Clients Newly Employed During the Year



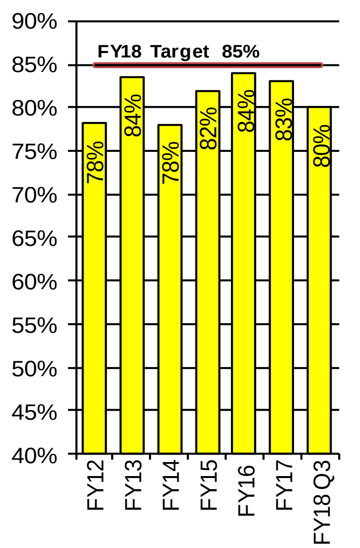
Source: HSD Quarterly Report

Income Support Division

Participation rates for families meeting temporary assistance for needy families (TANF) work requirements improved in the third quarter of FY18, but are still below the target. ISD reports it increased its monitoring of the New Mexico Works service provider contractor, SL Start. HSD is in the process of procuring the next contractor for this program, but the procurement is not yet complete despite looming deadlines.

In November 2016, a federal judge appointed a special master to monitor HSD's progress on compliance with court orders for eligibility determination of SNAP and Medicaid benefits. While HSD improved on timely completion of expedited SNAP cases, the special master notes progress is still needed in multiple areas.

Cases with Child Support Orders



Source: HSD Quarterly Report

Income Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $984,567.1	FTE: 1,075							
15	Temporary assistance for needy families two-parent recipients meeting federally required work requirements	63%	55%	62%	57%	58%	54%	R
16	Temporary assistance for needy families recipients (all families) meeting federally-required work requirements	54%	52%	52%	52%	45%	51%	R
17	Children eligible for supplemental nutrition assistance program participating in the program at one hundred thirty percent of poverty level	93%	92%	92%		Annual		Y
18	Temporary assistance for needy families clients who become newly employed during the fiscal year*	58%	55%	52%		Annual		Y
19	Expedited supplemental nutrition assistance program cases meeting federally-required timeline within seven days	98%	93%	98%	97%	98%	98%	G
Program Rating		G	Y					Y

*The most recent data available from the Department of Workforce Solutions was the first quarter of FY16.

Child Support Enforcement

The program is currently tracking behind FY18 targets. In FY17, the program did not meet targets. For FY18, HSD changed the collections measure to explanatory and so did not set a target for total child support enforcement collections, a critical measure of the program's success. HSD reports it is piloting a new business process model to provide more focused attention on collections and implement national best practices to increase performance, but no data was reported so the success of the pilot is indeterminate. The division reports a decline in the percent of cases with support orders and reports vacancy rates and IT system limitations are contributing factors.

In New Mexico, the total dollars collected in child support obligations for each dollar expended by the Child Support Enforcement Program are $3.26. This compares to the federal fiscal year 2016 national average of $5.22. The Child Support Enforcement Program reports it is working on improving its efficiency.

Child Support Enforcement		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $30,471.8	FTE: 383							
20	Child support cases having support arrears due, for which arrears are collected	62%	61%	67%	Annual			Y
21*	Total child support enforcement collections, in millions	$141	$140	N/A	No Data	No Data	No Data	R
22	Current child support owed that is collected	56%	56%	62%	55%	56%	57%	R
23	Cases with support orders	84%	83%	85%	81%	80%	80%	R
Program Rating		G	R					R

* Explanatory measure are provided for information purposes and do not have a target. Rating may be based on comparison with prior years or on failure to report data.

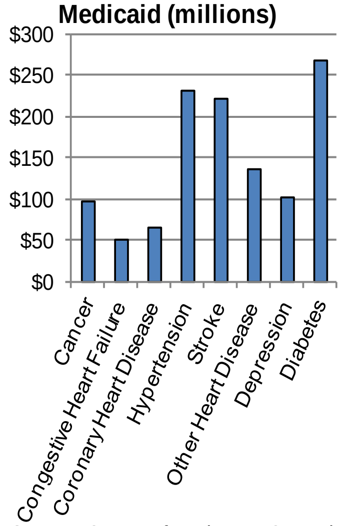
PERFORMANCE REPORT CARD
Department of Health
Third Quarter, Fiscal Year 2018

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	No

Vetoed Performance Measure from 2018 Session	
1	Percent of operational beds occupied.

New Mexico's Cost of Treating Preventable Chronic Disease in Medicaid (millions)



Source: Centers for Disease Control Chronic Disease Cost Calculator

New Mexico Child Health Indicator Rankings 2016	
Teen Pregnancies ages 15-19	4th Highest
Low Birthweight	12th Highest
Pertussis Cases	10th Highest
Child Immunizations	37th Highest
Children in Poverty	1st Highest

Source: Centers for Disease Control and America's Health Rankings

Department of Health

The department switched to reporting performance through a new online system. Many of the indicators the department reported are directly related to its strategic priorities to address obesity and diabetes prevalence, substance misuse, and teen pregnancy. Performance measures in most cases reflect the activities and initiatives the department engages in to affect the indicators. The new system includes functions allowing the department to provide action plans, data history, best practices, and strategy. Other states also use the system.

	New Mexico Health Indicators	FY15	FY16	US 2016
1	Drug overdose death rate per 100,000 population*	25	25	20
2	Births to teens aged 15-19 per 1,000 females aged 15-19	34	29	22
3	Alcohol-related death rate per 100,000 population*	66	66	32
4	Falls-related death rate per 100,000 adults aged 65 years or older*	104	92	58
5	Heart disease and stroke death rate per 100,000 population**	188	196	
6	Suicide rate per 100,000 population*	23	22	13.5
7	Pneumonia and Influenza death rate per 100,000 population	13	14	15
8	Diabetes hospitalization rate per 1,000 people with diagnosed diabetes**	184	155	
9	Third grade children who are considered obese**	19%	19%	
10	Adults who are considered obese	29%	28%	30%
11	Adolescents who smoke	No Data	11%	11%
12	Adults who smoke	17%	17%	17%

*Indicates areas of greatest concern.
** Indicates national measures lagging behind state data.

Source: DOH

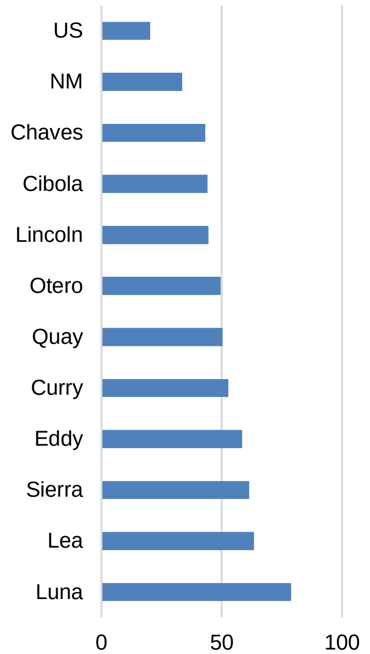
Health Outcomes

Both Public Health and the Epidemiology and Response Programs have a direct impact on overall health outcomes. Children's health outcomes in New Mexico – including poor results on teen pregnancy, low birth weight, immunizations, and poverty – are not evenly distributed and are largely determined by socio-economic status and geography. According to New Mexico Health Care Workforce Committee analysis, Union County has no obstetric and gynecological physician – the closest is in Colfax County – and no certified nurse midwives or licensed midwives – absent in the three neighboring counties and Mora County to the southwest. Only four primary care doctors practice in Union County. It is no surprise that rural New Mexico counties have poor health outcomes and higher rates of chronic disease.

A 2015 LFC evaluation on teen births found that children born to teen moms cost taxpayers $84 million annually due to costs to Medicaid associated with their births, increased reliance on public assistance, and poor educational outcomes. Furthermore, teens are more likely to have pre-term babies, which cost Medicaid an average of $20 thousand in medical care during the first year of life. While progress was made in recent years, New Mexico still has one of the highest teen birth rates in the nation. For FY19, the department was appropriated $250 thousand to purchase long-acting reversible contraceptive devices to improve same day access and to improve provider training.

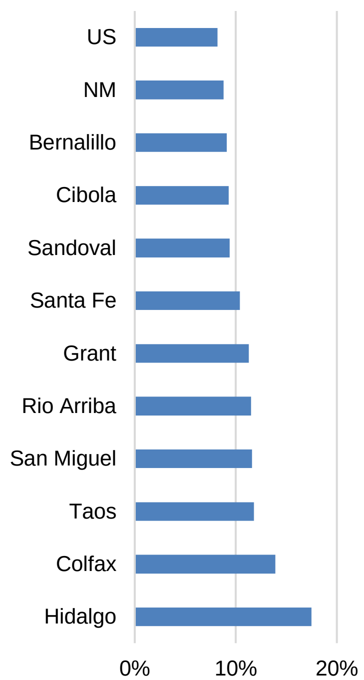
PERFORMANCE REPORT CARD
Department of Health
Third Quarter, Fiscal Year 2018

Births to Teens Ages 15-19 per 1,000 Girls, 2014-2016



Source: NM IBIS

Low Birthweight Babies, by County 2014-2016



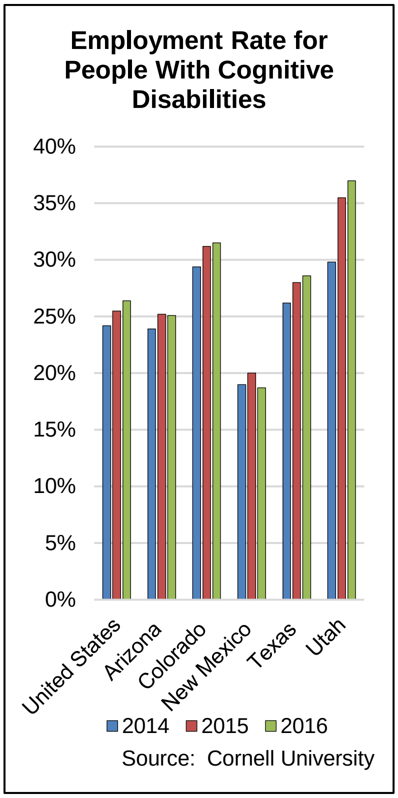
Source: NM IBIS

Public Health Budget: $181,331.1	FTE: 822	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Participants in the National Diabetes Prevention Program referred by a health care provider through the agency-sponsored referral system	New	70%	25%	70%	0%	0%	R
2	Children in Healthy Kids, Healthy Communities with increased opportunities for healthy eating in public elementary schools	97%	89%	70%	Annual			
3	High school youth trained in the Evolvement youth engagement program to implement tobacco projects in their school/community	329	356	350	0	208	220	G
4	QUIT NOW enrollees who successfully quit using tobacco at 7-month follow-up	32%	32%	33%	29%	27%	31%	Y
5	New Mexico adult cigarette smokers who access NMDOH cessation services	2.4%	2.8%	2.5%	0.7%	1.4%	1.9%	Y
6	Teens who successfully complete a Teen Outreach Program (TOP) class	510	365	448	N/A	73	41	R
7	Female clients ages 15-19 seen in NMDOH public health office who are provided most or moderately effective contraceptives	65%	66%	66%	60%	65%	53%	Y
8	Preschoolers (19-35 months) fully immunized	68.5%	No Data	75%	Annual			
9	Visits to School Based Health Centers (thousands)	48.2	50.3	48.0	0	24.0	43.6	G
Program Rating		Y	G					G

Substance Misuse

New Mexico has some of the poorest substance misuse and behavioral health outcomes in the country. For example, the alcohol-related death rate in New Mexico is trending upward, increasing 34 percent between 2010 and 2016. Since 1981 New Mexico's alcohol-related death rate has ranked 1st, 2nd, or 3rd in the U.S with rates nearly double the national rate for two decades. In 2017, "America's Health Rankings" ranked New Mexico fourth worst for drug deaths in the United States. The worst outcomes are concentrated in geographical regions of the state. For example, Rio Arriba and McKinley counties' alcohol related death rates are both about 4.5 times higher than the national rate.

There is considerable unmet need for substance use disorder (SUD) services and treatment. Statewide, in 2016 there were 1,456 alcohol related deaths, or about four deaths every day. Federal, state, and local entities offer services to treat behavioral health and substance use disorders including inpatient social and medical detoxification, Medicaid behavioral health, state-funded behavioral health investment zones, problem solving courts, services funded by local liquor excise taxes, and services funded by the local driving while intoxicated (DWI) grant fund. While most of these services are not under DOH, the department could do more to coordinate these efforts, assess impact, and address service gaps.

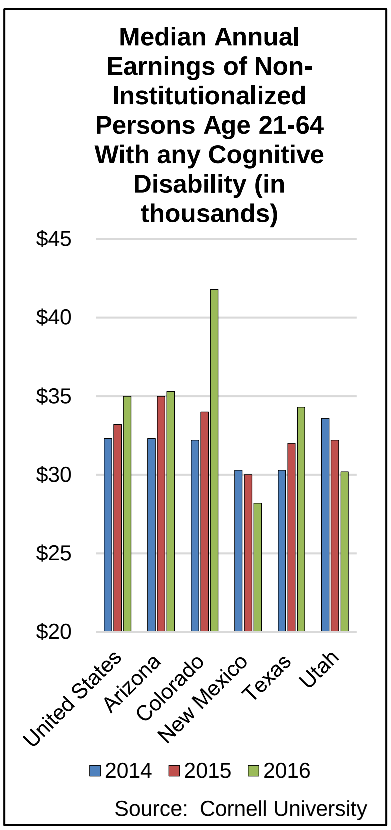


Epidemiology and Response		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $28,188.7	FTE: 188							
10	Retail pharmacies that dispense naloxone	23%	34%	55%	40%	60%	50%	G
11	Community members trained in evidence-based suicide prevention practices	30	52	100	0	758	0	G
Program Rating		Y	Y					Y

Health Facilities

State operated facilities may soon see significant general fund savings because Medicaid will start reimbursing institutions for mental disease with more than 16 beds for substance use disorders. As reported in last year's third quarter report card, the federal government is encouraging states to seek a Medicaid waiver for drug and alcohol treatment centers with more than 16 beds and the state may soon receive approval for the waiver through its pending Centennial Care 2.0 Medicaid waiver application. So far, the federal government approved 11 states' waiver applications and another 10 are pending.

Uncompetitive salaries hinder recruitment and retention and the facilities are understaffed. The General Appropriations Act of 2018 included a $720 thousand appropriation to provide direct-care staff an average 2.5 percent salary increase in addition to the blanket 2 percent salary increase for all state workers. Additionally, the department will implement its own 2.5 percent in-pay band salary increases with additional temporary recruitment differentials.



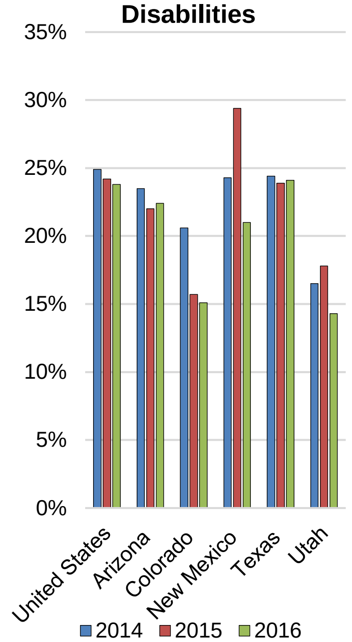
Office of Facilities Management		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $124,072.3	FTE: 1,808							
12	Turquoise Lodge Hospital detox occupancy rate	72%	85%	85%	88%	86%	86%	G
13	Long-term care patients experiencing one or more falls with major injury	Not Reported	Not Reported	3%	1.7%	2.5%	3.8%	R
14	Eligible third-party revenue collected at all agency facilities	94%	93%	93%	85%	85%	93%	G
15	Vacancy rate for direct care positions	New	24%	10%	25%	24%	24%	R
16	Operational beds occupied	Not Reported	87%	90%	83%	81%	81%	R
Program Rating		Y	Y					Y

Services for People with Developmental Disabilities

Positively impacting people with developmental disabilities requires more than counting Developmental Disabilities (DD) Medicaid waiver wait lists. Education, transitional supports, supported and customized employment, Medicaid, and Mi Via are all examples of services that could be better leveraged to improve the quality of life for people not on the DD Waiver. For example, the employment rate for people with cognitive disabilities in New Mexico is the seventh lowest in the country and 6 percent lower than the national average. Median annual incomes are also low for this population and this may be related to New Mexico's lower educational attainment.

Between 2016 and 2017, the average cost per client on the DD Waiver jumped 7 percent from $73.1 thousand to $78.4 thousand. The LFC, in a June 2010 evaluation, found the department lacked a reliable way to determine appropriate services for

People With Less than High School Educational Attainment With Cognitive Disabilities



Source: Cornell University

people on the DD Waiver. In response, the department began using the supports intensity scale (SIS) and successfully managed average per client costs for several years. However, recent litigation required the department to end the use of the SIS and switch to a new "outside review" process, which may be driving costs up.

Developmental Disabilities Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $159,443.8	FTE: 182							
17*	Individuals receiving developmental disabilities waiver services	4,660	4,574	N/A	4,574	4,608	4,614	
18*	Individuals on the developmental disabilities waiver waiting list	6,526	6,775	N/A	6,529	6,479	6,455	
19	Developmental disabilities waiver applicants who have a service plan in place within 90 days of income and clinical eligibility	54%	92%	95%	67%	80%	67%	R
20	Adults receiving community inclusion services through the DD Waiver who receive employment services	38%	36%	34%	37%	30%	29%	Y
Program Rating		Y	Y					Y

* Explanatory measure for information purposes only; does not have a target.

FY17 DD Waiver Employment Type, Wages, and Hours

1. Self-Employment	20
2. Individual Employment	524
3. Group Employment	249
4. Facility-Based Work	123
Total	**916**
Average Work Week Hours	14.02
Average Hourly Wage	$6.78

1. Self-owned enterprise.

2. Full or part-time employment.

3. A small group of individuals, no more than one staff member to six.

4. In settings such as sheltered workshops and little contact with other workers without disabilities.

Source: Department of Health

Health Facility Oversight

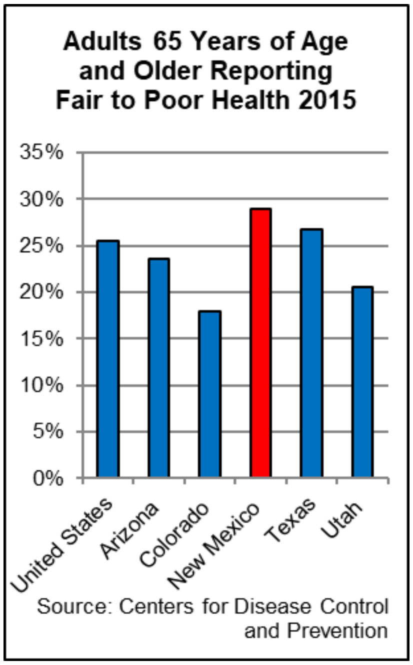
Reports of poor conditions and weakening performance at many nursing facilities in New Mexico continue to challenge the Health Certification, Licensing, and Oversight division to improve performance at these facilities through its regulatory authority. Many DOH facilities received FY19 Medicaid reimbursement rate increases and the department received additional funding to improve oversight; improving facility performance will ensure New Mexico's vulnerable populations remain protected. By decreasing the number of nursing home residents that get pneumonia, the number of hospital admission and treatment costs are reduced. The department's action plan to improve immunization rates in nursing homes is to provide civil and monetary penalty funds to educate and improve outreach and improve data tracking. For measures 21 and 22, the department collected this data on a quarterly basis last year but will no longer do so this year. Some of this data is collected for the federal Centers for Medicare and Medicaid Services.

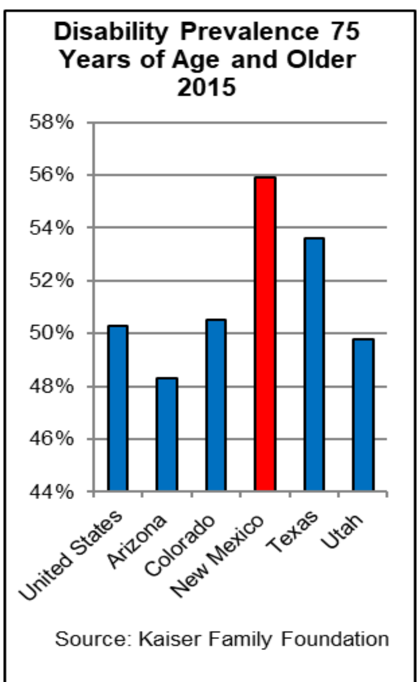
Health Certification Licensing and Oversight		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $12,047.5	FTE: 172							
21	Abuse Rate for Developmental Disability Waiver and Mi Via Waiver clients	10%	7%	8%	5%	5%	No Data	Y
22	Re-Abuse rate (within 12 months-same person) for Developmental Disability Waiver and Mi Via Waiver clients	14%	18%	9%	Annual			
Program Rating		Y	Y					Y

Aging and Long-Term Services Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes





By 2030 New Mexico is projected to have the fourth oldest population in the nation and the state's system for providing services to older and incapacitated adults may be inadequate. Recognizing this, the department began working to conduct an internal review which will lead to an updated state plan on aging, a review of current performance measures and data collection, and actions for improvement. Additionally, in response to a department conducted evaluation and outside audits, the department sent several letters to the North Central New Mexico Economic Development District (NCNMEDD) and indicated it may remove NCNMEDD from administration of half the area agencies on aging in the state. NCNMEDD has responded to these letters and denies any wrong doing. Since the responses were sent NCNMEDD reports the department is planning to renew the contract for the coming year. NCNMEDD also says they are working to correct any deficiencies in the audit.

Aging Network

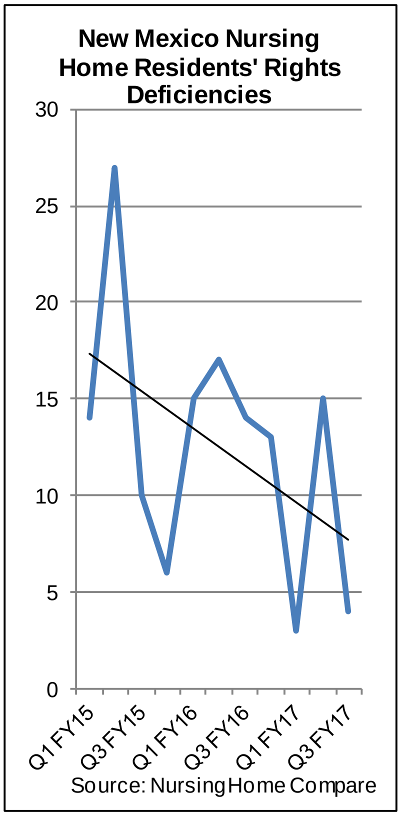
Over the next few months the department is planning to move contract oversight of the Navajo Nation area agency on aging, along with $3.5 million in general fund revenue, from the Aging Network to the Office of Indian Elder Affairs in the Office of Secretary, to consolidate it with the Indian area agencies on aging. The contract oversight function was located in the Aging Network. However, this arrangement is counter to state statute because AAAs and state units on aging are required to remain separate.

Aside from this, the department's review of the Aging Network may lead to a reassessment of the state's six planning and service areas and four AAAs. One possibility would be to reduce the number of planning and service areas in the Aging Network. Seven other rural states have a "single planning state area" and the state could move to a similar model. Currently, one AAA serves all non-metro non-Native American regions of the state, encompassing almost all of rural New Mexico's three planning and service areas (PSA). According to federal officials, this arrangement is unique nationally. However, the base of operations for the non-metro AAA is in Northern New Mexico and it is impossible to determine whether the needs of the 274 thousand older New Mexicans who live within the 120,189 square miles this AAA covers are being met. In the table below, the denominator on measure one may not be accurate, explaining the result.

Aging Network		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $39,236.8	FTE: 1							
1	Older New Mexicans whose food insecurity is alleviated by meals received through the aging network	94%	123%	90%	77%	93%	105%	Y
2	Hours of caregiver support provided (cumulative)	429,612	397,598	400,000	93,065	85,867	86,560	Y
Program Rating		G	G					Y

Consumer and Elder Rights

The Care Transitions Bureau offers transition assistance to connect individuals to programs and services to help residents in long-term care facilities transition back



into community-based settings. In the third quarter, 78 percent of residents receiving short-term transition assistance from a nursing facility remained in the community six months later. Safely returning residents to the community improves quality of life and likely reduces long-term services and support spending.

Consumer and Elder Rights Budget: $3,872.8 FTE: 53.5		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
3	Ombudsman complaints resolved within sixty days	100%	90%	95%	80.2%	86%	100%	G
4	Residents requesting short-term transition assistance from a nursing facility who remained in the community during the six month follow-up	86%	86%	85%	86%	72%	78%	Y
5	Calls to the aging and disability resource center that are answered by a live operator	72%	85%	85%	78%	66%	78%	R
Program Rating		Y	G					Y

Adult Protective Services

Current data and performance measures make it difficult to assess the effectiveness of the program in preventing maltreatment. The program also does not report on repeat maltreatment, hampering the state's ability to determine the effectiveness of interventions. The measure on timely investigations does not measure progress since the result is routinely in the 99 percent range, justifying a yellow rating for this measure. Since FY14, the number of substantiated allegations of all types of abuse was cut in half and it is unlikely actual abuse was reduced this dramatically during the same period. The department has not adequately explained this difference.

Average Annual Investigations Per Case Worker

Region	FY15	FY16	FY17
Metro	122	108	105
Northeast	76	83	98
Northwest	85	125	102
Southeast	71	76	76
Southwest	95	109	107
Statewide	**94**	**99**	**99**

Source: Adult Protective Services

Adult Protective Services Budget: $13,023.9 FTE: 133		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
6	Adult protective services investigations of abuse, neglect or exploitation	6,315	6,233	6,100	1,656	1,603	1,667	G
7	Emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed time frames	99%	99%	98%	99%	99%	100%	Y
8	Adults receiving in-home services or adult day services as a result of an investigation of abuse, neglect or exploitation	1,500	1,181	1,500	792	957	1,063	G
Program Rating		Y	Y					Y

Substantiated Allegations by Type

Type	FY13	FY14	FY15	FY16	FY17
Abuse	184	201	132	165	82
Neglect	267	289	182	108	109
Self-Neglect	393	444	1,061	949	730
Exploitation	1,013	1,185	212	141	161
Sexual Abuse	7	8	-	-	1
Total	**1,864**	**2,127**	**1,587**	**1,363**	**1,083**

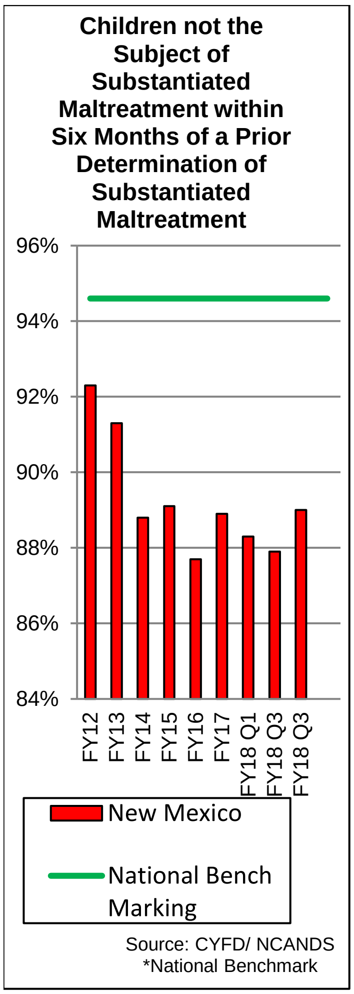
Source: Adult Protective Services

PERFORMANCE REPORT CARD
Children, Youth and Families Department
Third Quarter, Fiscal Year 2018

Children, Youth and Families Department

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No



An increasing number of families are coming into contact with programs of the Children, Youth and Families Department (CYFD), with rising caseloads in the Protective Services Program and increased services in the Early Childhood Services Program. Leveraging preventive services is essential for the state to improve long-term outcomes for children and families. Prevention and early interventions are key opportunities to reduce child maltreatment and support families before they reach crisis. Early childhood programs are one of the state's key prevention systems, but research also shows certain protective service models can also be effective for preventive. A 2014 LFC report found too few resources are spent on prevention in the Protective Services Program.

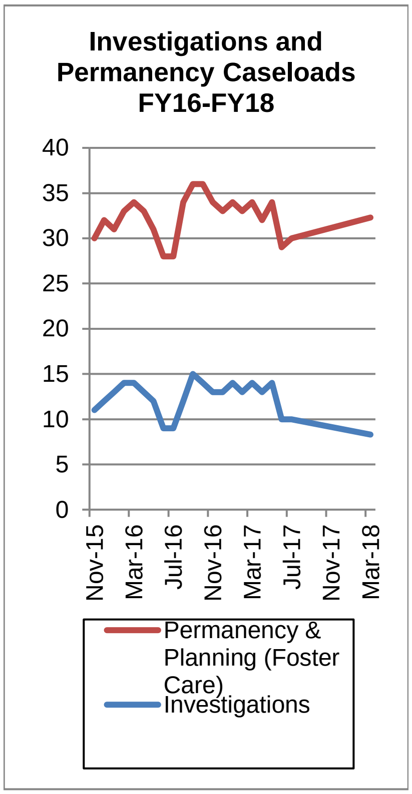
Protective Services

Third quarter performance reporting indicates the Protective Services Program FY18 outcomes will remain relatively stable with the previous fiscal year. While significant additional resources have been provided to the agency, increasingly low economic and social indicators are hindering efforts by the agency to reduce stress on the child welfare system. Repeat maltreatment remains nearly double the national benchmark and children entering the protective services system are outpacing those exiting. Early intervention to prevent families reaching the point of crisis has been shown in other states as a strategy to improve child protective services outcomes. The Differential Response model provides an alternative pathway for low-risk families in need of support services to stabilize. Previously, a pilot of this model was implemented by CYFD and showed promising outcomes in evaluation.

Protective Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $145,719.1	FTE: 927.8							
1	Children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	87.7%	88.9%	92.0%	88.3%	87.9%	89.0%	R
2	Children who are not the subject of substantiated maltreatment while in foster care	99.8%	99.9%	99.8%	99.9%	99.9%	99.8%	G
3	Children reunified with their natural families in less than 12 months of entry into care	60.4%	58.2%	65.0%	61.3%	57.8%	56.8%	R
4	Children in foster care for 12 months with no more than two placements	70.5%	72.9%	75.0%	81.8%	82.0%	76.3%	G
5	Children adopted within 24 months from entry into foster care	23.3%	24.6%	33.0%	20.4%	20.1%	29.3%	Y
6*	Children in foster care who have at least one monthly visit with their caseworker	95.6%	94.8%	N/A	95.3%	94.1%	94.3%	
7	Turnover rate for protective services workers	29.7%	25.0%	20.0%	10.0%	16.5%	21.5%	Y
8*	Children subject to repeat maltreatment within 12 months	NA	14.7%	N/A	15.2%	15.6%	15.0%	

9*	Permanency within 12 months of entry	NA	30.6%	N/A	30.1%	30.6%	29.3%	
Program Rating		Y	R	R				Y

*Measure is explanatory, for information purposes only; does not have a target.



Early Childhood Services

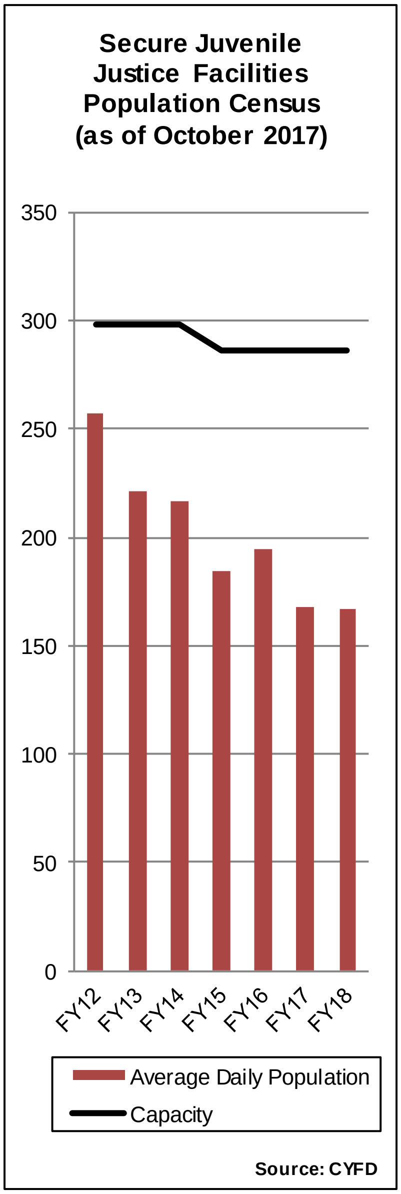
The Early Childhood Services Program (ECS) reported more childcare providers are moving into the highest levels of quality rating, but the program still fell slightly below performance targets. The agency continued to report rural providers are struggling to move into the state's newest quality rating system, and no timeline for transition of providers remaining in the legacy system has been provided. Home visiting performance measures, including demonstration of positive parenting practices and completion of safety plans, also fell below targets but remained stable or improved from the previous year's performance. ESC reported some concerns in provider data reporting and the need for further technical assistance and training.

Early Childhood Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $236,849.1	FTE: 181.5							
10	Children receiving subsidy in high quality programs	New	New	45.0%	56.3%	57.1%	60.0%	G
11	Licensed child care providers participating in high quality programs	New	New	39.0%	34.1%	34.6%	37.1%	Y
12	Parents who demonstrate progress in practicing positive parent-child interactions	43.8%	44.0%	45.0%	44.6%	44.2%	44.0%	Y
13	Children receiving state childcare subsidy, excluding child protective services childcare, that have one or more Protective Services-substantiated abuse or neglect referrals	New	1.2%	1.2%	0.4%	0.6%	1.0%	G
14*	Families receiving home visiting services who have one or more protective services substantiated abuse or neglect referrals	New	New	N/A	0.6%	1.0%	1.3%	
15	Families at risk for domestic violence who have a safety plan in place	48.7%	41.8%	50.0%	38.0%	43.0%	43.8%	Y
Program Rating		G	Y					G

***** Measure is explanatory, for information purposes only; does not have a target.

Juvenile Justice Services

Turnover rates of youth care specialists spiked during the third quarter, two percent above the turnover rate during the third quarter of FY17. The agency reported improvement on the measure for use of force resulting in injury, which was below target. During the third quarter, 310 facility incidents occurred and five resulted in injury. Of these injuries, 50 percent were from the Emotional Regulation Units with client classifications of impulsive, dis-regulated, and aggressive behavior.



Juvenile Justice Services Budget: $75,445 · FTE: 943.3		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
16	Clients who successfully complete formal probation	85.4%	82.7%	84.0%	86.7%	86.7%	85.7%	G
17	Clients re-adjudicated within two years of previous adjudication	5.5%	6.0%	5.5%	5.0%	5.1%	5.3%	G
18	Clients recommitted to a CYFD facility within two years of discharge from facilities	9.5%	6.9%	8.0%	2.8%	2.8%	3.1%	G
19*	JJS facility clients age 18 and older who enter adult corrections within two years after discharge from a JJS facility	13.1%	11.0%	NA	3.3%	6.3%	7.3%	
20	Incidents in JJS facilities requiring use of force resulting in injury	1.6%	1.7%	1.5%	1.6%	1.3%	1.4%	G
21	Physical assaults in juvenile justice facilities	448	398	<275	105	183	227	R
22	Client-to-staff battery incidents	147	143	<120	31	52	62	G
23	Substantiated complaints by clients of abuse or neglect in juvenile justice facilities	2.9%	9.5%	7.5%	17.0%	6.7%	10.5%	R
24	Clients successfully completing term of supervised release	66.4%	52.5%	70.0%	62.2%	56.2%	58.2%	R
25	Turnover rate for youth care specialists	18.3%	20.6%	15.0%	7.7%	18.2%	25.7%	R
Program Rating		R	R					Y

*Measure is explanatory, for information purposes only; does not have a target.

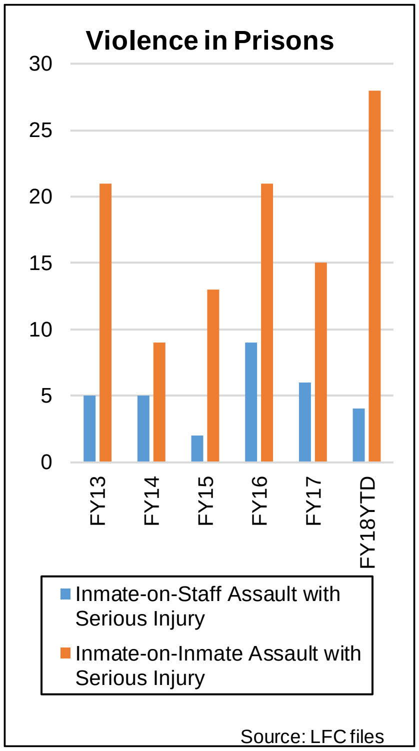
Behavioral Health Services

The Behavioral Health Services Program met performance targets for the third quarter of FY18.

Behavioral Health Services Budget: $16,867 · FTE: 33.0		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
26	Youth receiving community-based and juvenile detention center behavioral health services who perceive that they are doing better in school or work because of the behavioral health services they have received	82.2%	Not reported	80%	Reported Annually			
27	Infants served by infant mental health programs that have not had re-referrals to Protective Services Division	New	90%	80%	100%	100%	100%	G
Program Rating		Y	Y					G

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No



Year-to-date, the total population has grown 1 percent, or 43 inmates. In FY17, the total population fell 1 percent and in FY16 it grew 1 percent.

In addition to crowded women's facilities, an injunction was filed in federal court this May alleging overcrowding at the men's facility in Grants.

Improved facilities could help reduce the rate of violence within prisons and allow for better programming, reducing recidivism.

New Mexico Corrections Department

Space continues to be at a premium for the New Mexico Corrections Department (NMCD). Although the men's population has remained flat throughout the fiscal year, the women's population continues to grow, albeit more slowly than originally projected. The department's 2019 capital improvement plan includes a $1 million project to install modular units at the Springer Correctional for 72 additional women. The department is also planning another $1 million project at the Western facility in Grants to convert a warehouse, used for a Corrections Industries work program, into a housing unit capable of holding another 40 women. Already, Western houses women in spaces previously used for educational programs. The department does not have anywhere to house additional women, necessitating the piecemeal plan for modular units and a reduction in programming space. Crowded, understaffed prisons with more violent offenders and less space or opportunity for evidence-based programming – including treatment for drug abuse, and basic and higher education – all contribute to high rates of violence in prisons and recidivism.

Legislative and executive staff have discussed the potential for building a new prison to replace beds at old and inefficient facilities. A new facility close to an urban area would help shorten inmate transportation times, improve access to healthcare, provide access to a larger labor force, and eliminate the high maintenance cost of older facilities. To kick-start progress, the Legislature appropriated $200 thousand to NMCD to begin master planning a new prison to provide adequate space and programming needs for inmates as well as a safer environment for staff.

Inmate Management and Control

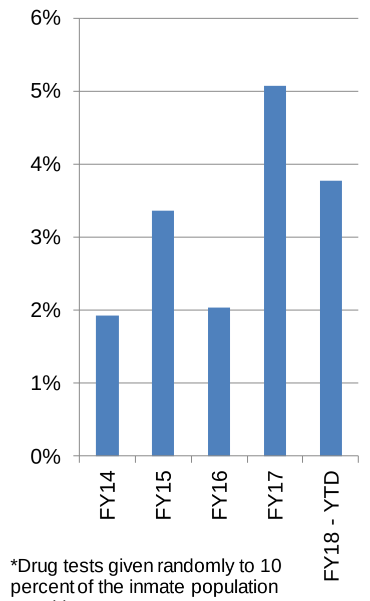
Year-to-date inmate-on-inmate assaults, totaling 28, are already higher than in the last two fiscal years and on track to be higher than the last two years combined. The increase in violence could be caused by fewer evidence-based programs and the need for better facilities for inmates. NMCD plans to better share information among prisons and improve inmate classifications. Drugs remain an issue, with 4 percent of random monthly drug tests in the third quarter being positive.

Inmate Management and Control Budget: $271,831.1 / FTE: 1,837		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Inmate-on-inmate assaults with serious injury	21	15	10	9	10	9	R
2	Inmate-on-staff assaults with serious injury	9	6	4	2	2	0	Y
3	Prisoners reincarcerated within thirty-six months	46%	50%	40%	50%	48%	47%	R
4*	Participating inmates who have completed adult basic education	52%	62%	N/A	56%	67%	75%	
5	Release eligible female inmates still incarcerated past their scheduled release date	9%	8%	5%	9%	9%	9%	R
6	Release eligible male inmates still incarcerated past their scheduled release date	9%	9%	5%	9%	9%	9%	R

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
New Mexico Corrections Department
Third Quarter, Fiscal Year 2018

Positive Random Monthly Drug Tests*



*Drug tests given randomly to 10 percent of the inmate population monthly.

Source: Corrections Department

Inmate Management and Control		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
7*	Residential drug abuse program graduates reincarcerated within thirty-six months of release	New	No report	N/A	10%	20%	20%	
Program Rating		G	Y					R

*Measures 4 and 7 are classified as explanatory, provided for informational purposes. The measures do not have a target.

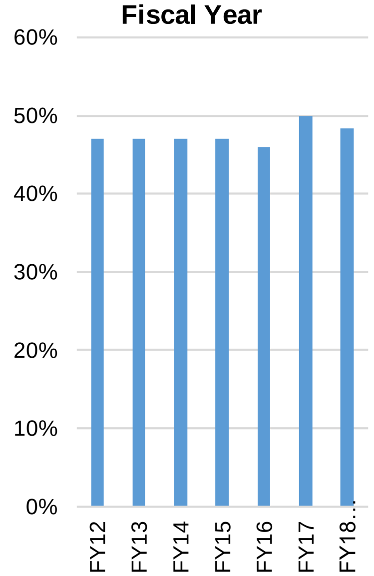
Community Offender Management

Last year, standard caseloads reached a new high, as probation and parole officers carried an average of 113 cases, well above the target of 100. The trend is continuing this fiscal year. The agency maintains an open recruitment agreement with the State Personnel Office, enabling efficient hiring that should help reduce caseloads. Notably, probation and parole officer vacancy rates fell in the third quarter from 21 percent to 15 percent.

Community Offender Management Budget: $33,216.8	FTE: 376	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
8	Contacts per month made with high risk offenders in the community	95%	96%	95%	99%	99%	99%	G
9	Average standard caseload per probation and parole officer	109	113	100	113	113	113	R
10	Male offenders who graduated from the men's recovery center and are reincarcerated within thirty-six months	18%	25%	20%	14%	35%	30%	R
11	Female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	New	New	20%	17%	21%	11%	G
12	Absconders apprehended	31%	28%	30%	29%	28%	31%	Y
Program Rating		Y	Y					G

Federal statistics show New Mexico's violent crime rate per 100 thousand people grew 4 percent between 2015 and 2016, making the state the second most violent in the nation, only behind Alaska. New Mexico ranked third in 2015 and fourth in 2014.

Recidivism Rate by Fiscal Year



Source: LFC files

Program Support

Vacancy rates among probation and parole officers improved greatly in the third quarter due to a legislatively-funded 8.5 percent pay increase for custody and probation and parole staff at the start of the new fiscal year. Correctional officer vacancy rates remain slightly above 20 percent. The department reports the promise of increases has improved employee morale; the department also expects raises will improve recruitment.

Program Support Budget: $12,568.3	FTE: 158	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
13	Vacancy rate of probation and parole officers	New	New	15%	17%	21%	15%	Y
14	Vacancy rate of correctional officers in public facilities	New	New	15%	22%	20%	21%	R
Program Rating		N/A	N/A					Y

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Department of Public Safety
Third Quarter, Fiscal Year 2018

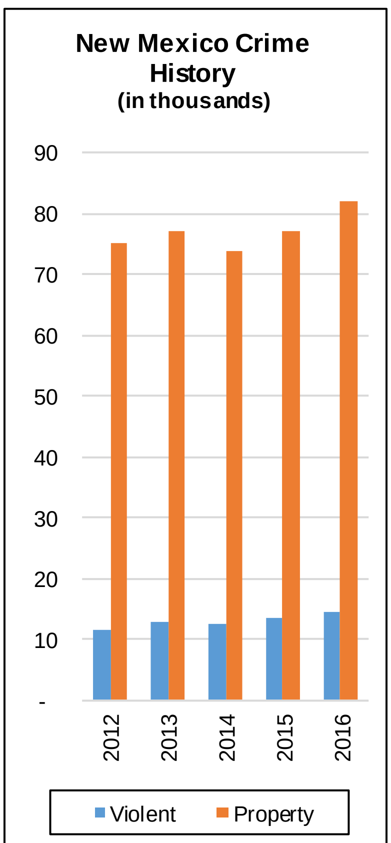
ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

Commercial Motor Vehicle Inspection Activity

Fiscal Year	Inspections Conducted	Number of Officers	Inspections per Officer
FY15	63,769	658	97
FY16	95,855	670	143
FY17	96,802	654	148
FY18 - YTD	66,604	646	103

Source: LFC files



Source: Federal Bureau of Investigations

Department of Public Safety

Federal statistics show New Mexico's violent crime rate per 100 thousand people grew 4 percent between 2015 and 2016, making the state the second most violent in the nation, only behind Alaska. New Mexico ranked third in 2015 and fourth in 2014. This quarter, the Department of Public Safety (DPS) has increased its targeted efforts in Bernalillo County by establishing an auto theft unit that works with the Albuquerque Police Department and the Bernalillo County Sheriff on targeted operations and intelligence sharing. Efficient use of shared data for strategies like hot spot policing and risk-assessments have been proven to reduce crime in cities and states around the country and is a focal point in the state's efforts to further mitigate violent crime.

DPS is attempting to improve data sharing and safety outcomes with the judiciary as well, in an effort create a fully-automated Criminal Justice Clearinghouse which will allow judges to quickly access comprehensive, real-time data from multiple agencies during arraignment and sentencing, including data from DPS, district attorneys, district courts, public defenders, the Corrections Department, and the Children, Youth and Families Department. However, supplemental funding and more interagency cooperation is needed to complete the project.

Law Enforcement

DPS continues efforts to check the state's climbing crime rates. To help, the executive and the Legislature collaborated to increase manpower through a targeted 8.5 percent pay increase to take effect in FY19. The number of drug-related investigations conducted by narcotics agents at DPS increased since the start of the fiscal year, with 635 investigations conducted through the third quarter. In FY17, the agency conducted 556 drug-related investigations.

Law Enforcement		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $118,368.9	FTE: 1,067.7							
1	Data-driven traffic-related enforcement projects held	New	New	1,700	500	82	955	G
2	Driving-while-intoxicated saturation patrols conducted	New	New	975	1,131	379	899	G
3	Commercial motor vehicle safety inspections conducted	95,855	96,802	70,000	25,435	18,750	22,419	G
4	Driving-while-intoxicated arrests	New	2,931	2,250	621	611	695	G
Program Rating		G	G					G

Statewide Law Enforcement Support

DPS met or surpassed targets for forensic firearm/toolmark, latent print, chemistry, and biology/DNA cases. The department notes that of the two latent print examiners in training in the third quarter, one trainee resigned while the other remains in training until winter 2019. DPS had greater than 100 percent case completion rates because scientists completed backlogged cases in addition to cases received this quarter.

Additionally, DPS has made notable progress clearing the backlog of sexual assault evidence kits in their jurisdiction and anticipates that it will have completed the entire project of over 1,400 kits by the end of the fourth quarter. As of the third quarter of FY18, DPS has tested all but a handful of the 1,400 kits.

In 2016, DPS received a $2 million federal grant from the Department of Justice to fund processing, tracking, and reporting of the remaining sexual assault evidence kits in DPS' jurisdiction.

Statewide Law Enforcement Support Budget: $19,554.8	FTE: 1,275.7	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
5	Forensic firearm/toolmark cases completed	New	New	90%	66%	132%	159%	G
6	Forensic latent fingerprint cases completed	New	New	90%	81%	144%	111%	G
7	Forensic chemistry cases completed	New	New	90%	107%	88%	105%	G
8	Forensic biology and DNA cases completed	New	New	65%	113%	144%	140%	G
Program Rating		Y	Y					G

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

Albuquerque Area Crime Report - April 2018

Report Date: June 4

Year-over-year

3,299	Crimes ↓	-15%
2,171	Arrests ↑	+3%
562	Cases ↑	+1%
205	Sentences ↑	+3%

+8

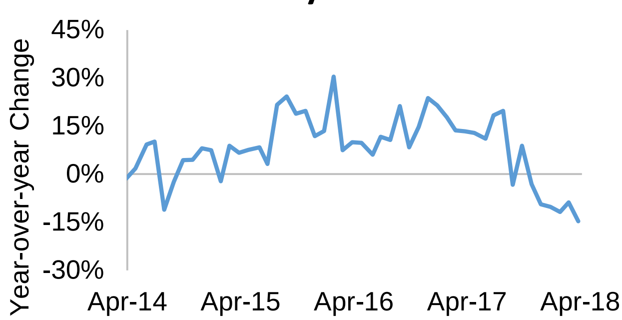
24 ytd ↑

Murders

Sources: APD, FBI, MDC, UNM-ISR
Second District Court, Metro Court

- Crimes are agg. assault, burglary, homicide, rape, auto theft, robbery, larceny reported to APD; Arrests are all MDC jail bookings; Cases are all new felony cases opened; Sentences are all convictions and pleas on felony cases.
- Numbers are from multiple non-uniform sources and subject to change.

APD Monthly Crime Trend



-9%

476 ↓

Auto Thefts

-38%

142 ↓

Robb-eries

All percent changes are year-over-year. Data do not imply causality in any way and should not be used as such.

DA has doubled felony prosecutions

+95%

312 ↓

Indict-ments

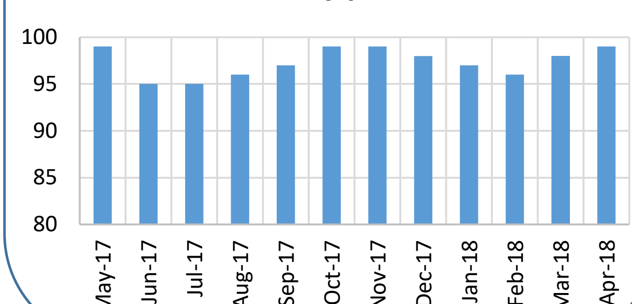
+123 %

58 ↓

Bind-overs

*Indictments and bindovers are cases successfully prosecuted through grand jury or preliminary hearing, respectively.

Filled attorney positions flat



ACTION PLAN

Submitted by agencies?	No
Timeline assigned?	No
Responsibility assigned?	No

Vetoed Performance Measures from 2018 Session	
1	Average attorney caseload
2	Number of cases referred for screening

Courts and Justice

During the third quarter, annualized workload trends appear lower than FY17. The continuing decrease in cases entering the justice system suggest improved outcomes such as lower crime, or worsening outcomes such as a disconnect in crime and policing and/or a greater concentration of crimes committed by fewer people. As cases referred decrease, caseloads also decrease, which should improve performance for the courts, district attorneys, and the Public Defender Department.

District Attorneys

During the 2018 legislative session, the Legislature appropriated special funding for district attorneys totaling $2.8 million, available during FY18 so offices could tackle rising crime by filling vacancies, replacing fund balance use, and strengthening case prosecutions. Additional funding is contributing to lower caseloads per attorney, which should lead to improved performance outcomes.

For the first three quarters, falling case referrals suggest either a lull in crimes committed, fewer suspects being caught by police, and/or a greater concentration of crimes committed by fewer people. Since case referrals are not directly tied to performance, district attorney offices, DFA, and LFC are considering new performance measures including conviction rates and success rates of pretrial detention motions.

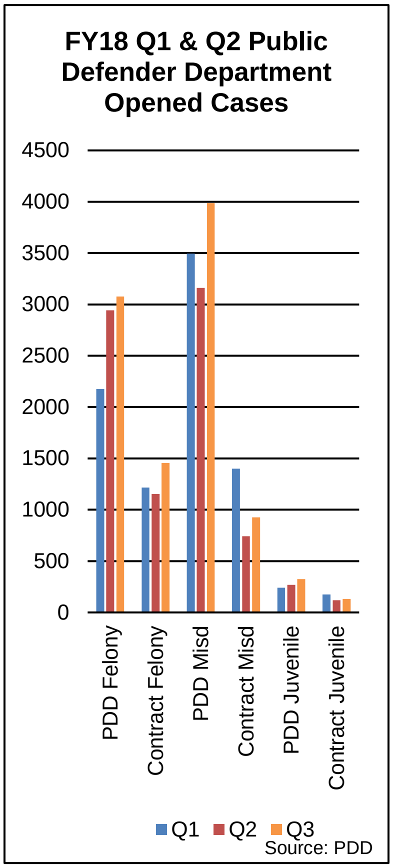
All District Attorneys			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Q4	Rating
Budget: $66,421.9		FTE: 954								
1*	Cases referred for screening		76,989	75,523	N/A	18,628	17,733	18,381		
	1st District		7,609	6,874	N/A	1,650	1,516	1,512		
	2nd District		25,087	24,376	N/A	5,952	5,667	5,885		
	3rd District		5,716	5,760	N/A	1,538	1,312	1,378		
	4th District		1,927	2,181	N/A	492	489	450		
	5th District		7,617	7,794	N/A	1,859	1,829	2,082		
	6th District		2,928	2,879	N/A	690	691	690		
	7th District		1,882	1,955	N/A	512	515	568		
	8th District		2,186	2,152	N/A	510	529	576		
	9th District		3,451	3,451	N/A	842	732	789		
	10th District		1,023	914	N/A	246	173	199		
	11th District Div. I		4,498	4,592	N/A	1,298	1,223	1,264		
	11th District Div. II		2,494	2,562	N/A	599	620	674		
	12th District		4,635	4,089	N/A	918	1,034	996		
	13th District		5,936	5,944	N/A	1,522	1,403	1,318		
2	Cases referred for screening, per attorney		325	315	280	78	70	75		Y
	1st District		287	255	70	67	57	57		G
	2nd District		236	264	70	62	57	61		G
	3rd District		272	349	70	88	67	84		Y
	4th District		203	312	70	70	61	64		G
	5th District		412	346	70	79	81	89		R
	6th District		325	318	70	86	69	69		G
	7th District		198	206	70	54	54	60		G
	8th District		273	358	70	79	75	82		Y
	9th District		406	363	70	99	69	75		Y
	10th District		682	366	70	98	69	80		Y
	11th District Div. I		281	328	70	81	87	84		Y
	11th District Div. II		333	394	70	100	83	90		R
	12th District		371	315	70	77	86	100		R
	13th District		195	233	70	56	58	57		G
Program Rating			R	Y						Y

*Measure 1 is an explanatory measure and is provided for informational purposes without targets

Public Defender Department

Reporting on reduction of sentences for the third quarter, the PDD demonstrated issues with data integrity as reported by contract attorneys and PDD offices in the First Judicial District, Carlsbad, and Aztec. This quarter, those three offices were excluded from the overall number of cases to avoid artificially increasing outcomes.

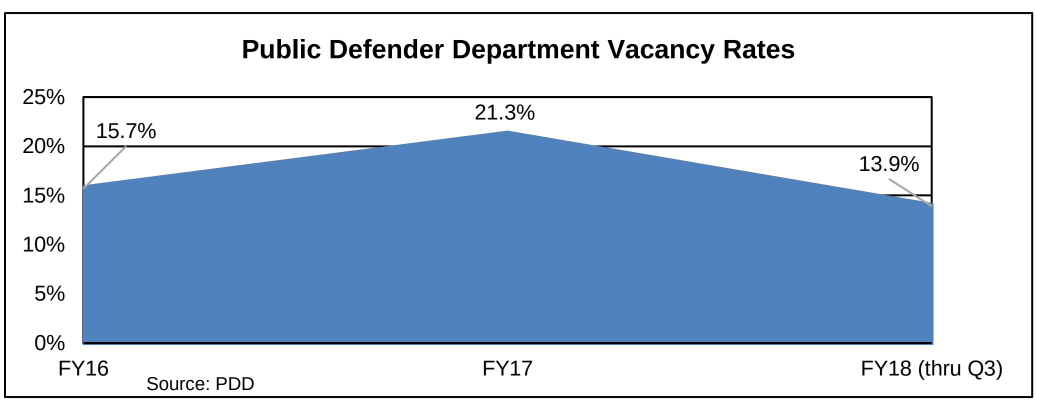
Effective April 1, the Public Defender Department changed its eligibility policy to include clients with incomes up to 200 percent of the federal poverty guidelines and will no longer offer reimbursement contracts to defendants who do not qualify. According to the department, nearly all defendants in the expanded income guidelines retained representation under a contract before the eligibility changes and therefore, the guideline changes are expected to increase representation of such clients by a negligible amount. The department expects the net effect of the policy to reduce total clients represented by a minor amount. During the third quarter, the department experienced a slight increase in case filings after the seasonal taper during the holidays in the second quarter.



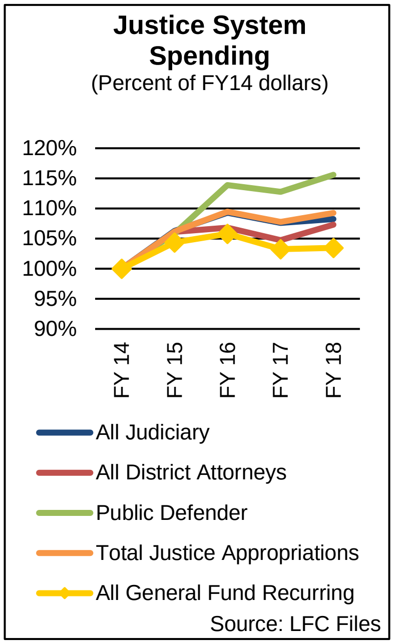
Public Defender Department		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $48,849.7	FTE: 439							
1	Felony, misdemeanor, and juvenile cases resulting in a reduction of original formally filed charges	NEW	NEW	70%	68%	73%	71%	G
	In-house attorneys	NEW	83%	N/A	78%	86%	80%	
	Contract attorneys	NEW	NEW	N/A	42%	36%	36%	
2	Felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment	NEW	NEW	5,000	2,607	4,281	2,323	G
	In-house attorneys	NEW	NEW	N/A	2,287	3,759	2,089	
	Contract attorneys	NEW	NEW	N/A	320	522	234	
3*	Cases assigned to contract attorneys	NEW	NEW	N/A	31%	32%	38%	
4	Cases assigned per in-house attorneys, yearly	NEW	312	330	80	72	78	G
5*	Average time to disposition for felonies, in days	NEW	NEW	N/A	289	261	270	
	In-house attorneys	NEW	169	N/A	330	242	207	
	Contract attorneys	NEW	256	N/A	247	281	332	
6*	Cases opened by the Public Defender Department	NEW	NEW	N/A	8,702	8,390	9,904	
	In-house attorneys	NEW	NEW	N/A	5,910	6,374	7,391	
	Contract attorneys	NEW	NEW	N/A	2,792	2,016	2,513	
Program Rating			Y					G

*Measures 3, 5, and 6 are explanatory measures and are provided for informational purposes without targets.

PDD attributes notable impacts in caseloads to reductions in the vacancy rate. During FY17, PDD held an average 21.3 percent vacancy rate which has fallen by 7.4 percent in the first two quarters of FY18. Decreased vacancy rates may reduce caseloads and allow attorneys to dedicate more time per case. It is likely that a reduced vacancy rate contributes to improved performance, although pretrial detention hearings continue to require attorney and staff to reallocate time previously spent working on pending cases.



PERFORMANCE REPORT CARD
Courts and Justice
Third Quarter, Fiscal Year 2018



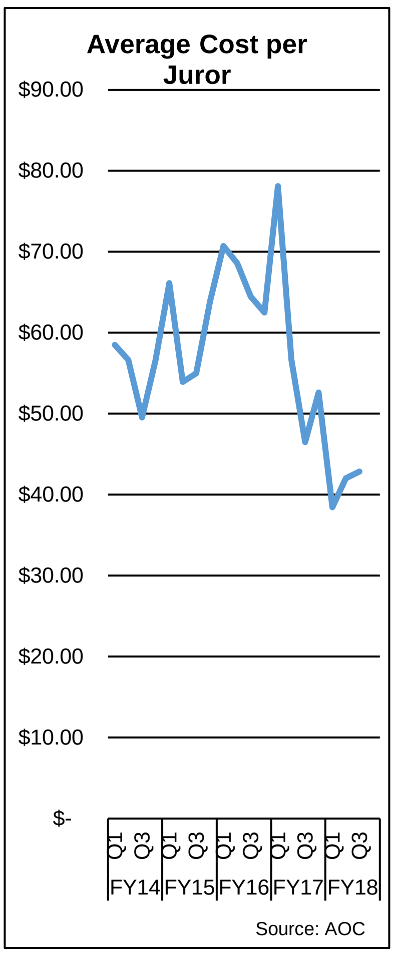
Courts

Special Court Services

Special court services are on pace to outperform target amounts for cases with Court Assigned Special Advocates and for monthly supervised child visitations. Drug court performance measures have been implemented in a semiannual format for the current year, while data collection and reporting methods are improved and difficulties in quarterly reporting are resolved. Drug court measures are semiannual and were not reported for the third quarter.

Special Court Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $12,183.1	FTE: 6.5							
1*	Cases to which CASA volunteers are assigned	NEW	1,019	N/A	662	764	674	
2	Monthly supervised child visitations and exchanges conducted	1,399	1,102	1,000	1,113	1,133	1,208	G
3	Recidivism rate for drug court participants	14%	16%	12%	-	18%	-	Y
4	Recidivism rate for DWI court participants	NEW	6%	12%	-	7%	-	G
5*	Graduation rate for drug court participants	NEW	59%	N/A	-	53%	-	
6*	Graduation rate for DWI court participants	NEW	71%	N/A	-	74%	-	
7*	Cost per client per day for all drug court participants	NEW	$23.3	N/A	-	$22.5	-	
Program Rating		G	G					G

Note: Measures 3-7 are semiannual.

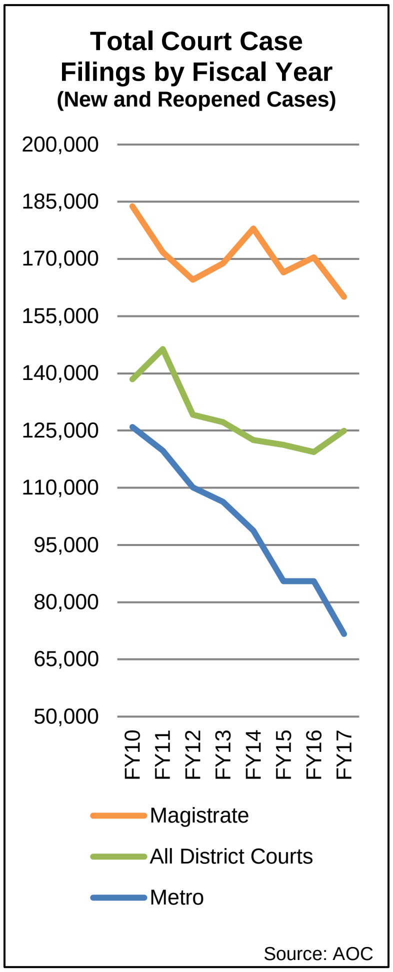


Administration

The new jury management tool, implemented by the Administrative Office of the Courts at the end of FY17, has continued to provide substantial improvements in average juror costs, which remain below the target. Further cost savings per juror have been realized due to the passage of House Bill 385 during the 2017 regular legislative session, which limited travel reimbursements to jurors for distances exceeding forty miles. Savings allowed for juror pay to be restored to the statutory requirement.

Jury trials are cost-intensive for all members of the justice system, and are indicative of prosecution patterns across the state. Finally, the number of jury trials rose as expected with the end of the holiday season as cases again move forward more quickly.

Administrative Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $13,169.1	FTE: 49.8							
8	Average cost per juror	$67.44	$59.72	$50.00	$38.50	$42.00	$42.90	G
9*	Jury trials	NEW	NEW	N/A	219	183	265	
	District	NEW	NEW	N/A	162	133	182	
	Magistrate	NEW	NEW	N/A	35	38	63	
	Metropolitan	NEW	NEW	N/A	22	12	20	
10*	Average interpreter cost per session	NEW	$152.5	N/A	$130.8	$142.9	$161.5	
Program Rating		Y	Y					G



Statewide Judiciary Automation

Complications with the Odyssey case management system and the associated increased workload caused times per service call to more than double in FY17. The new system incorporates all call types regardless of difficulty and measures time to resolve calls from several minutes to weeks. LFC and court administrators are exploring more appropriate performance measures for FY19.

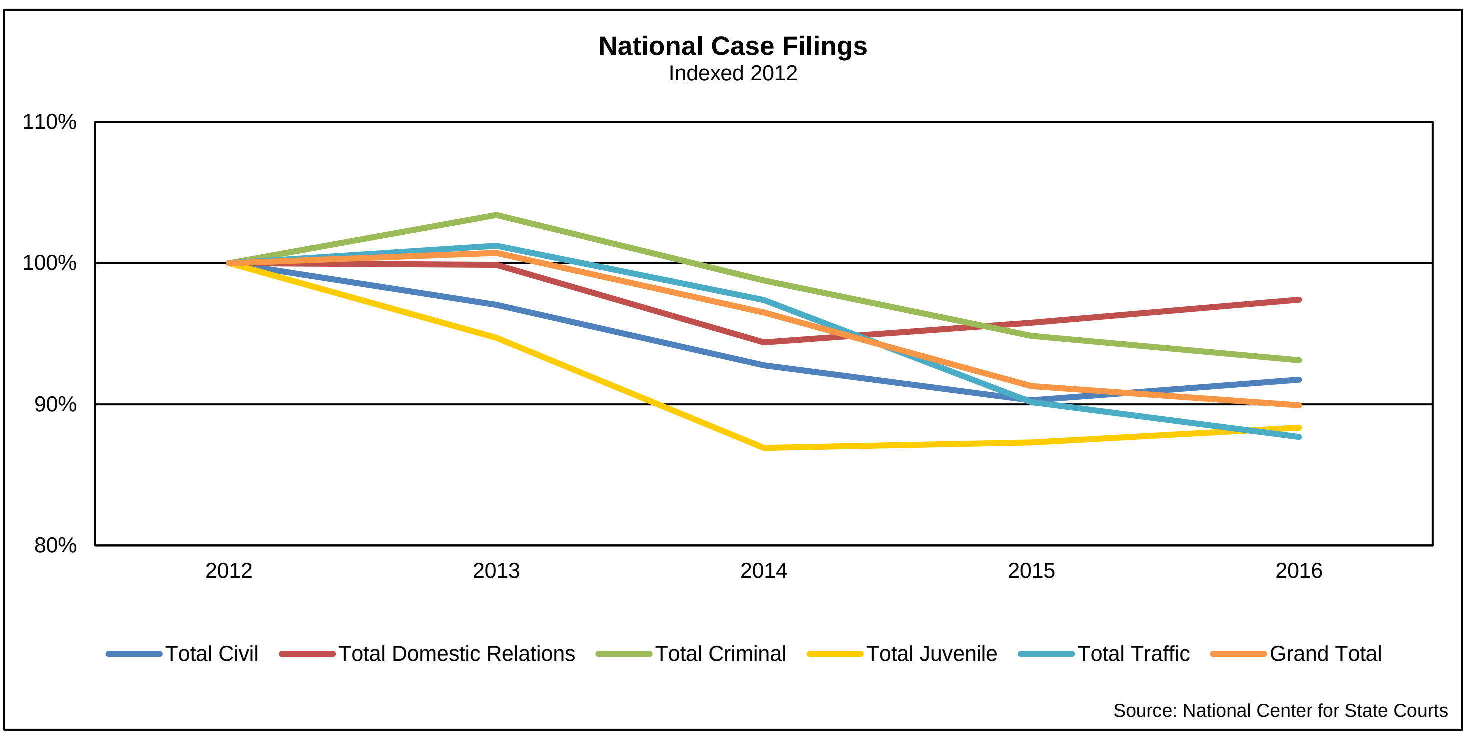
Statewide Judiciary Automation			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $8,837.0		FTE: 53.5							
11	Average time to resolve calls for assistance, in hours		16.2	79.6	10	65.2	90.0	82.7	R
Program Rating			Y	Y					R

Magistrate Court

Magistrate courts have experienced a decline in total court case filings, similar to that experienced by district and metropolitan courts. The decline in cases mirrors the national trend which is attributed to budget cuts and reductions in law-enforcement and prosecution resources, and a declining crime rate outside of New Mexico, according to the National Center for State Courts. Semiannual data demonstrates that magistrate courts are on track to meet their target in FY18.

Magistrate Court			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $31,333.6		FTE: 343.5							
12	Jury trials for magistrate courts		NEW	NEW	N/A	35	38	63	
13	Cases disposed as a percent of cases filed		102%	101%	100%	-	99%	-	Y
Program Rating									Y

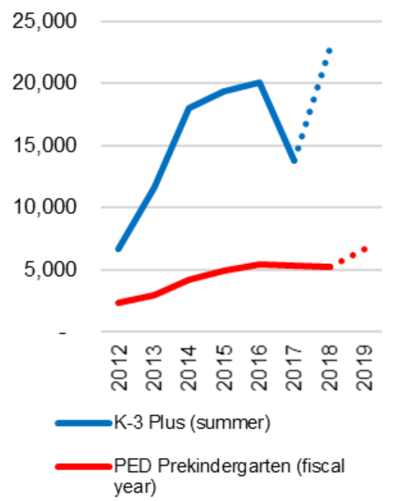
*Measures 1, 5-7, 9-10, and 12 are explanatory measures and are provided for informational purposes without targets.
Note: Measure 13 is a semiannual measure.



ACTION PLANS

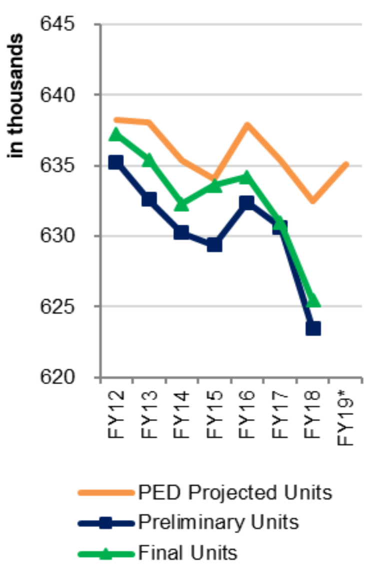
Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	Yes

PED Program Participation and Projected Enrollment



Source: PED

PED, Preliminary, and Final Program Unit Projections



*Additional program units will be generated in FY19 due to an increase in the at-risk index.

Source: PED and LFC Files

Public Education Department

Special Programs

K-3 Plus and Prekindergarten. The Public Education Department (PED) announced record high enrollment capacity for K-3 Plus and prekindergarten programs as a result of increased funding for FY19. The total number of students funded for summer 2018 K-3 Plus and extended K-5 Plus pilots will reach nearly 22.8 thousand students. Overall funding appropriated is estimated to be $28.8 million, with 26 school districts and charters piloting the K-5 Plus program. This record high enrollment is a significant increase from summer 2017 enrollment of 13.8 thousand students, when slots were reduced statewide. Over $33.6 million will be distributed to school-based prekindergarten programs statewide in FY19. The additional funding will allow for 1,500 more students and 11 more school districts to participate in the program. PED estimates 6,700 students in total will enroll in prekindergarten programs this fall.

Advanced Placement. In March, PED sent more than 2,000 custom letters to parents and families of 10th graders with high potential for success in advanced placement (AP) courses to increase AP access and success. The department notes over 10.5 thousand students took AP exams in 2017 and 4,707 students received waivers, which reduce the cost of the exam to $3. This group included approximately 70 percent of all sophomores. By 2020, PED aims to have 90 percent of sophomores taking AP tests.

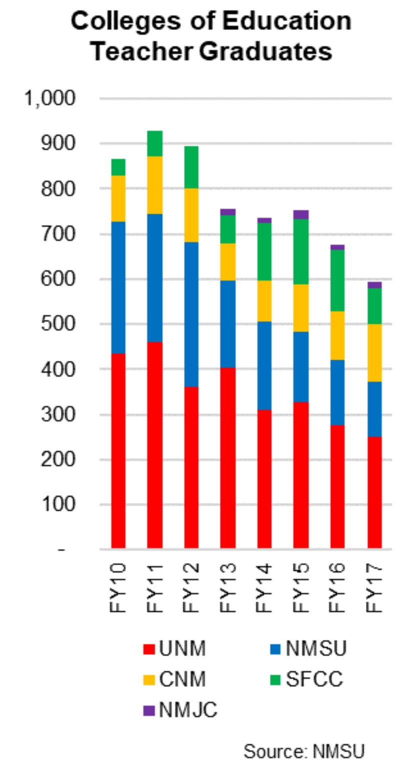
Hard-to-Staff Stipends. In May, PED distributed $1 million from hard-to-staff stipends to all school districts and charter schools to support teacher recruitment initiatives such as signing bonuses, travel costs, website upgrades, and advertisements. PED indicated the appropriation would be allocated based on each school's per-student state funding amount.

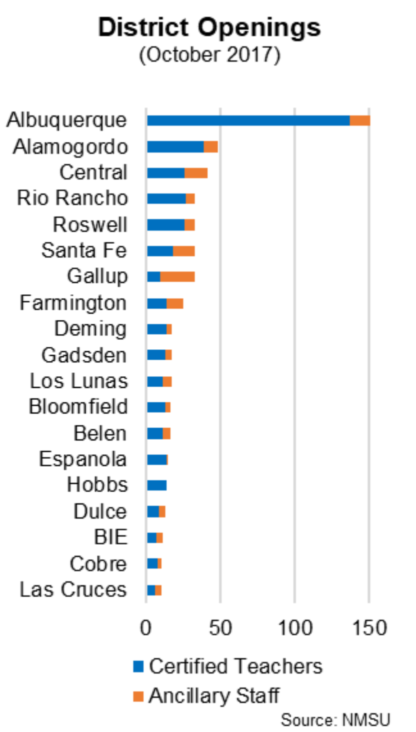
State Equalization Guarantee

PED set the FY19 preliminary unit value at $4,159.23, a $74.97 – or 1.84 percent – increase from the previous value. Due to uncertainties surrounding federal Impact Aid payments and other factors, PED has typically set the unit value cautiously, through conservative program unit projections. The department projects over 635 thousand units will be generated in FY19 due to adjustments to the at-risk index, new charter school openings, enrollment growth projections, estimated Impact Aid payments, and growth in ancillary special education services. However, it should be noted that PED has historically projected more initial units than final totals.

Higher initial program unit projections result in a lower unit value, which impacts school budgeting decisions at the beginning of the year and could lead to state equalization guarantee (SEG) reversions if estimates are too conservative. Likewise, lower unit projections result in a higher unit value, which could lead to over-allocation of SEG payments if estimates are too aggressive.

Some school districts noted the FY19 preliminary unit value would not be sufficient to cover the costs of implementing salary percentage increases and minimum salary level raises mandated in the General Appropriation Act of 2018; however, several





districts also reported higher percentage increases than the mandate in their budget proposals, suggesting the impacts differ by each district based on budgeting needs.

Reported FY19 Average School Personnel Compensation Increases			
School District	**Teachers**	**Other Personnel**	**Notes**
Albuquerque	3%	3%	Minimum salary raises included in percentage.
Las Cruces	2% - 4%	2% - 4%	Still negotiating with unions.
Rio Rancho	≥2.5%	≥2%	Still negotiating with unions.
Gadsden	5%	5%	Minimum salary raises included in percentage.
Santa Fe	2.5%	2.5%	Minimum salary raises separately implemented. District budgeted $500 thousand for additional compensation.
Gallup-McKinley	5%	5%	Administrators will receive 4% raises.
Farmington	3.5%	3.5%	Minimum salary raises separately implemented.
Hobbs	4.4%	4.4%	Minimum salary raises included in percentage.
Roswell	2.5%	2.5%	Minimum salary raises separately implemented. Still negotiating with unions.
Clovis	2.5%	2.5%	Minimum salary raises separately implemented.

Source: LFC interviews with school districts.

Teacher Workforce

According to New Mexico State University, the number of teachers graduating from New Mexico colleges of education has declined in recent years. Given this trend, alternative and out-of-state teacher recruitment will likely increase as the number of teachers from in-state programs decreases. The Workforce Solutions Department STAR Occupations database rates elementary, middle, and secondary teachers as 5-STAR occupations, or high-demand and top-wage jobs. However, teacher openings remain at many school districts each year.

STAR Rating	Position Title	Annual Openings	Annual Wage
5	Elementary School Teacher	440	$49,000
5	Middle School Teacher	180	$47,130
5	Secondary School Teacher	270	$49,200
5	Kindergarten Teacher	80	$44,850
3	K-Elem. Special Ed. Teachers	50	$48,320

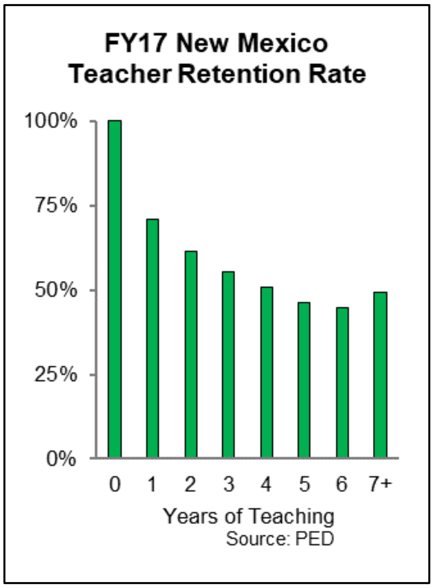
Source: WSD 2016 STAR Occupations

Teacher Protests. Teachers in Arizona, West Virginia, Oklahoma, Kentucky, Colorado, and North Carolina have staged mass protests to demand higher pay and more money for education this year. West Virginia gave 5 percent pay raises to teachers and North Carolina agreed to raise teacher salaries by at least 6.2 percent. Arizona promised to raise teacher salaries by 20 percent over the next three years. Colorado increased average per-pupil funding by $475, including $150 million to pay for the state's budget stabilization factor—a remaining obligation by the state to address inflation-adjusted school funding levels. Oklahoma provided $6,100 in salary increases, and the Kentucky Legislature overrode the governor's veto of a tax bill, enacting a $480 million tax increase to support additional funding for education.

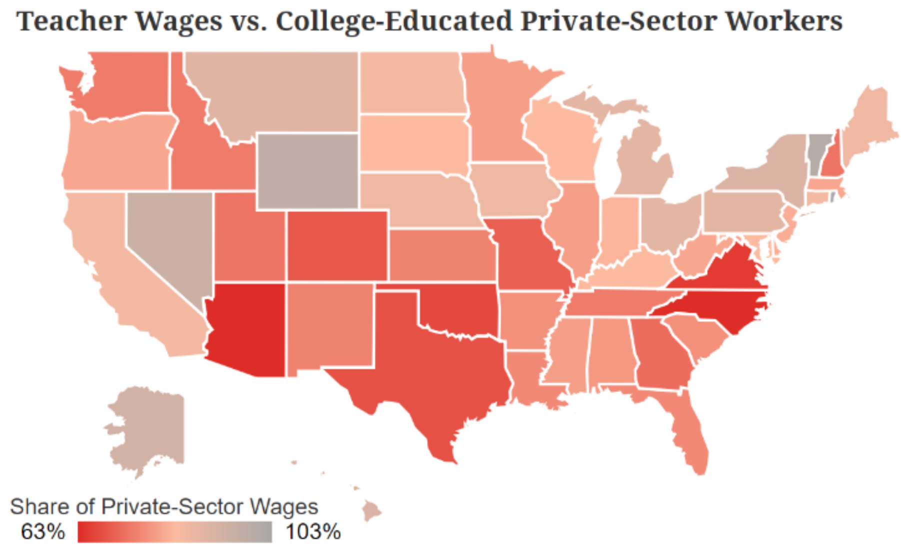
Average Real Teacher Salaries
(in thousands)

	1999-2000	2009-2010	2014-2015	2015-2016
US	$ 41.8	$ 55.2	$ 57.4	$ 58.1
NV	$ 39.4	$ 51.5	$ 56.7	$ 56.9
TX	$ 37.6	$ 48.3	$ 50.7	$ 51.8
CO	$ 38.2	$ 49.2	$ 49.8	$ 50.0
NM	**$ 32.6**	**$ 46.3**	**$ 46.6**	**$ 47.2**
UT	$ 34.9	$ 45.9	$ 45.8	$ 46.0
AZ	$ 36.9	$ 47.0	$ 45.4	$ 45.5
OK	$ 31.3	$ 47.7	$ 45.3	$ 44.9

Source: National Center for Education Statistics



FY19 PED Special Programs	Budgeted for Personnel
K-3 Plus	$515,000
Prekindergarten	$220,000
SUBTOTAL	**$735,000**
Early Reading Initiative	$104,000
NMTEACH Teacher Evaluation System	$75,000
Teachers Pursuing Excellence	$180,000
STEM Initiative	$15,000
Truancy and Dropout Prevention	$165,000
SUBTOTAL	**$539,000**
TOTAL	**$1,274,000**

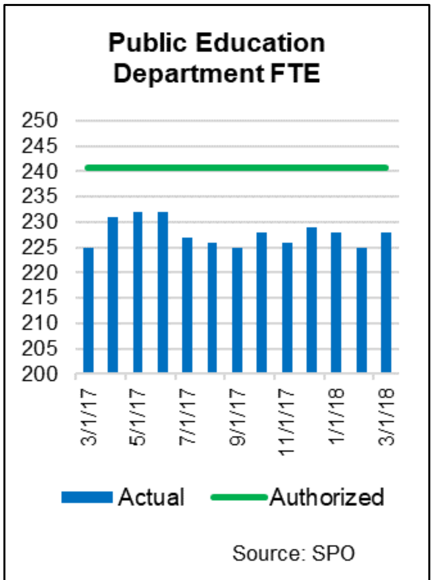


A *Governing* magazine analysis of pay gaps between teachers and college-educated, private-sector workers indicates that states with teacher protests also had large pay discrepancies between these two groups in 2016. According to the analysis, median wages for New Mexico elementary and secondary education employees were about 75 percent of their full-time, college-educated private-sector counterparts. Although this occupational pay gap was less severe than gaps in surrounding states in 2016, forthcoming increases to teacher wages in Arizona and Oklahoma suggests that teacher salary increases will be an ongoing issue for New Mexico in future years.

Proposed Rulemaking. In the third quarter, PED revealed new proposed rules and regulations for an educator preparation program (EPP) scorecard. A 2012 LFC evaluation recommended increased oversight of EPPs to improve teacher quality and suggested that PED consider student outcomes, teacher retention, and school grades in the EPP approval process. PED's proposed EPP scorecard will rate providers on an A to F grading scale based on program acceptance rates, diversity of candidate cohorts, licensure test results, hiring and retention rates in New Mexico, teacher evaluation scores, placement of teacher candidates in high-need areas, and stakeholder surveys. The new regulations would authorize PED to revoke approval for continued EPP operation if programs have a history of chronic F grades. EPPs have expressed concerns that some of the metrics (such as retaining teachers in the state) cannot be directly controlled. Currently, EPPs are providing feedback to the department on preliminary scorecard results.

Department Operations

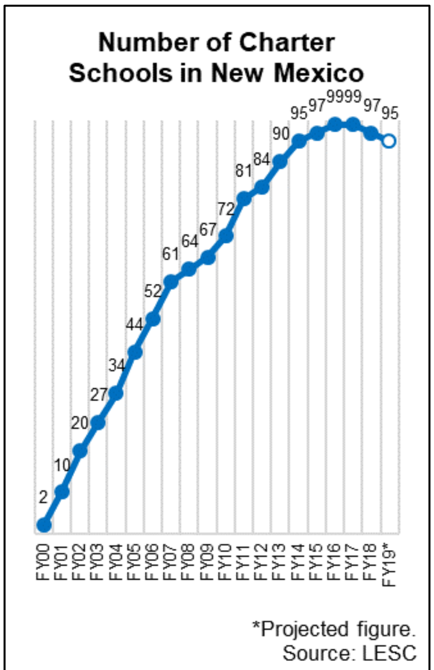
For FY19, PED budgeted approximately $1.3 million for department personnel costs from special program appropriations. The $1.3 million is in addition to PED's operating budget and did not appear in PED's FY19 operating budget request. Statutory provisions allow PED to budget some funds to cover administrative costs for prekindergarten and K-3 Plus appropriations; however, the use of other special program appropriations for administrative costs is not explicitly outlined in statute.



Third quarter PED operational performance is on track to meet targets for FY18. The department conducted 16 local education agency data validation audits of funding formula components and program compliance, an improvement from the previous quarter. PED is slightly over the FY18 target for processing school district budget adjustment requests and reimbursements, but is projected to meet overall target levels for the fiscal year. Additionally, the number of teachers and administrators participating in PED-led professional development trainings increased from 6,069 participants to 6,861 participants.

Public Education Dept. Budget: $11,065.3	FTE: 240.8	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Days to process reimbursements	34	18	24	37	20	18	G
2	Annual data validation audits of funding formula components	2	21	20	4	8	16	G
3	Days to process school budget adjustment requests	11.2	8.4	10	7.1	7.5	11	G
4*	Eligible 4-year-old children served in state-funded prekindergarten	8,761	8,572	N/A	8,427	8,418	8,418	Y
5*	Eligible children served in K-3 Plus programs**	20,093	13,778	N/A	13,778	N/A	N/A	
6*	PED special program appropriations awarded by September 30	New	New	N/A	79.5%	94.3%	95.4%	Y
Program Rating		Y	Y					G

*Explanatory measures are for informational purposes and do not have established targets. Ratings may be based on comparison with prior years or other benchmarks.
**Figures represent participation by summer program, not fiscal year. Q1 figures are from summer 2017 enrollment.



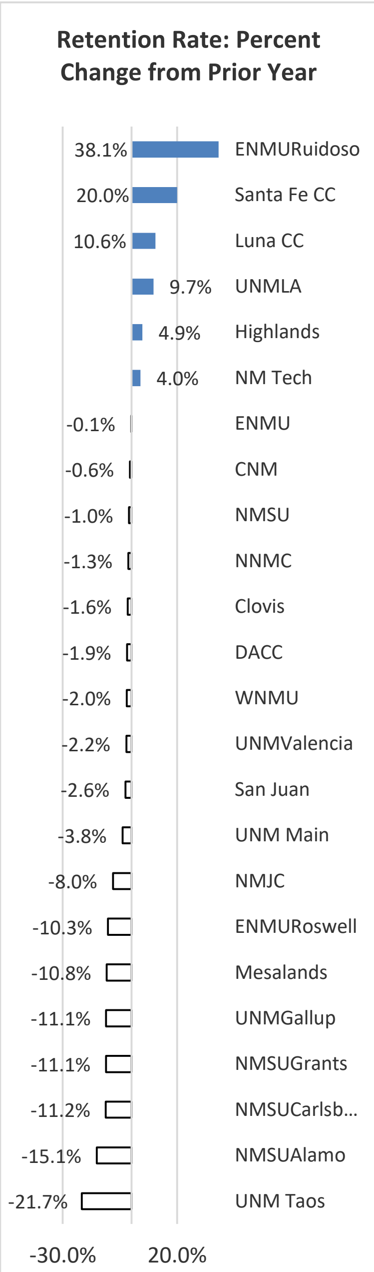
Charter Schools

Growth in the number of charter schools statewide has slowed in recent years. In FY18, the Public Education Commission (PEC) denied charter renewals for Anthony Charter School, Taos International School, and New Mexico Connections Academy. Additionally, Carinos de los Ninos Charter School chose to cease operations, and Academy of Trades and Technology was unable to renew its charter with Albuquerque Public Schools.

PEC approved new charters for Albuquerque Collegiate Charter School, Altura Preparatory School, and Hozho Academy, which are set to open in FY19. Furthermore, PED received $22.5 million from the U.S. Department of Education to grow and replicate high-quality charter schools over the next five years statewide. In FY18, Mission Achievement and Success charter school obtained approval from PEC to be replicated at another location in Albuquerque.

Higher Education Institutions

Generating a meaningful quarterly performance report for higher education institutions is a challenge, given the trimester academic calendar. For the spring data submissions, institutions provide one data point – retention rates[1]. Retention rates track the progress of students into their second semester (referred to as fall-to-spring) and third semester (referred to as fall-to-fall). Retention rates differentiate the students who are continuing on with their studies and the students who have made a decision to end or postpone their studies. The reported data is the student cohort at the start of each academic year (fall semester) and includes first-time, full-time students but does not include transfer students, or students who start in the spring semester, or part-time students.



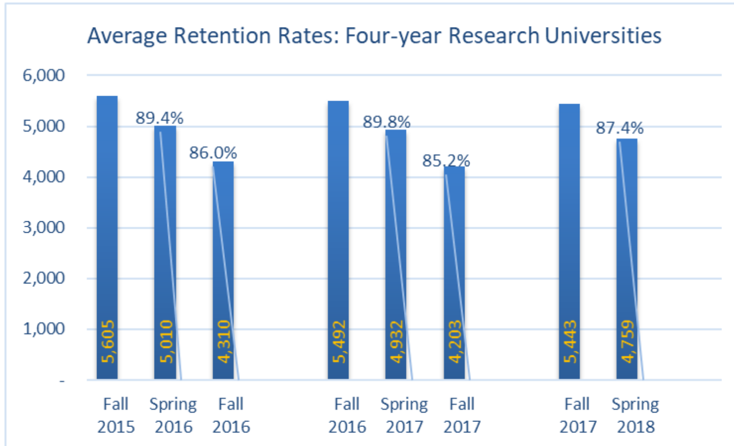
Retention data is an output, providing administrators with a snapshot of student persistence and a basis to investigate root causes on reasons students leave an institution. The cost to the state and institutions is tremendous due to lost opportunity, sunk costs, and foregone revenue. A focus on strategies for improving retention rates among all institutions is the desired outcome from this data. Several institutions have implemented strategies to improve student support and, by extension, retention rates. Two institutions collect data from departing students through an exit interview or survey. The importance of understanding why students leave institutions cannot be understated, and gathering the data directly from those students could be critical to improving retention rates. Several institutions report collaborations through the Higher Learning Commission programs on retention or through similar programs offered by private or not-for-profit organizations.

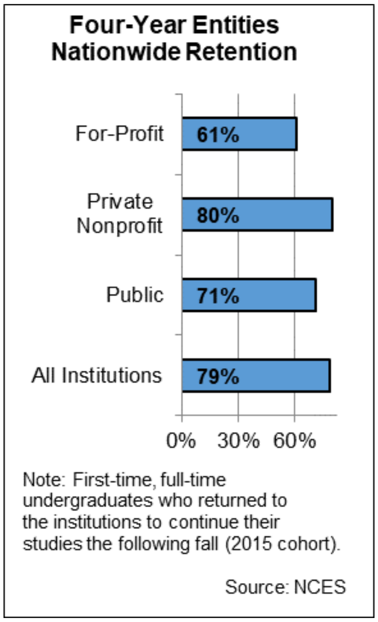
Four-Year Research Institutions

All research institutions have retention rates higher than the four-year comprehensive and two-year community colleges/branches. The New Mexico Institute of Mining and Technology (NMIMT) reported improved retention of students, compared to the prior years' performance highlighting the importance of project-based learning communities. In fact, NMIMT requires 60 percent of its freshmen students to participate in project-based learning communities. NMSU missed its FY17 target, posting performance similar to FY16 results. UNM reported the greatest decline among the four-year research institutions with a 3.8 percent decline in retention.

Measure: First-time, Full-Time Freshman Fall-to-Fall Retention	Fall 2014 to Spring 2015 Actual	Fall 2015 to Spring 2016 Actual	Fall 2016 to Spring 2017 Target	Fall 2016 to Spring 2017 Actual	Rating
New Mexico Institute of Mining & Tech	88.5%	89.7%	80.0%	93.3%	G
New Mexico State University	86.1%	87.5%	88.2%	86.6%	Y
University of New Mexico	91.4%	91.0%	91.0%	87.5%	Y
Program Rating	Y	Y			G

[1] The rates reported below vary between four-year institutions and two-year institutions. Four-year institutions report the fall-to-*spring* retention rates, whereas two-year institutions report fall-to-*fall* rates. LFC staff continue to work with institutions to find measures that can be reported on a quarterly basis that provide a snapshot of higher education performance in New Mexico.

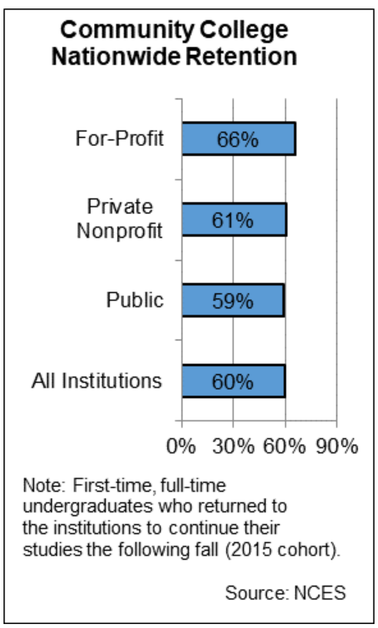


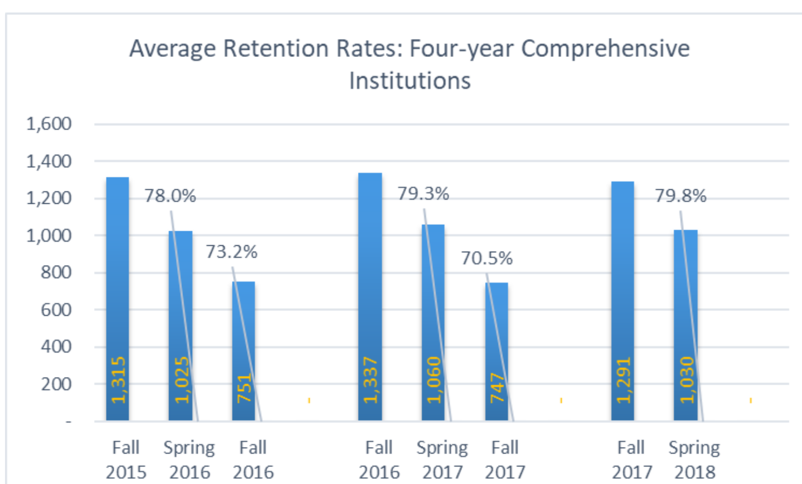


Four-Year Comprehensive Institutions

Four-year comprehensive institutions demonstrated mixed results. New Mexico Highlands University saw a marked improvement from the prior year. However, the remaining institutions reported lower retention rates. Each of the institutions in the category has implemented programs to focus on retention. The efforts will require time to track performance. Going forward, LFC will be evaluating the performance of these programs in relation to each other to determine effectiveness of approach.

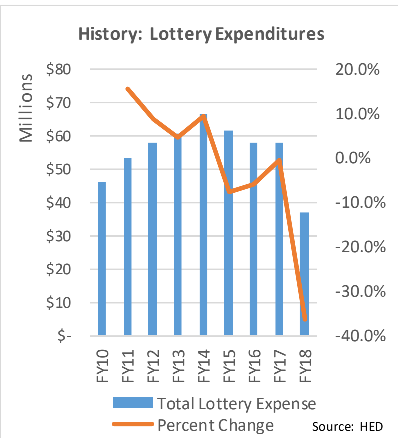
Measure: First-time, Full-Time Freshman Fall-to-Fall Retention	Fall 2015 to Spring 2016 Actual	Fall 2016 to Spring 2017 Actual	Fall 2017 to Spring 2018 Target	Fall 2017 to Spring 2018 Actual	Rating
Eastern NM University	79.4%	81.5%	84.0%	81.4%	Y
Western NM University	76.3%	81.8%	81.5%	80.2%	Y
NM Highlands University	74.8%	72.1%	75.0%	75.6%	G
Northern NM College	80.2%	78.0%	80.0%	77.0%	Y
Program Rating	Y	Y			Y

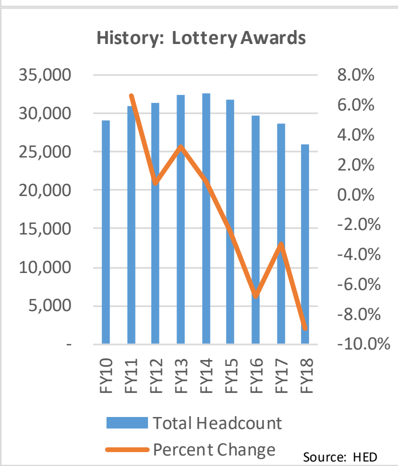


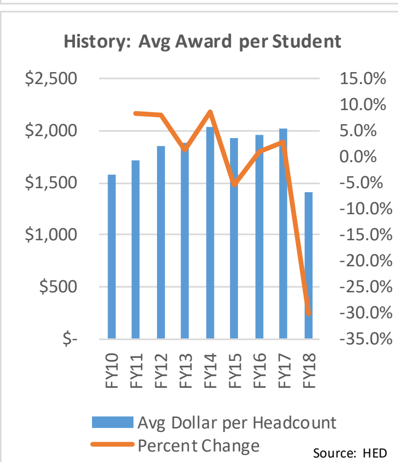


Legislative Lottery Tuition Scholarship Update

HED is required to determine a uniform percentage of tuition costs to calculate scholarships by June 1 of each year. For FY19, HED's set the amount at 78% of tuition: $2,294 for research institutions; $1,560 for comprehensives; and $581 for community colleges and branch campuses.







Community Colleges

Community colleges continue to experience significant variance in fall-to-fall retention rates, with only six colleges exceeding the most recently available public institution national community college retention rate of 60 percent. As with four-year institutions, community college targets for spring performance measures are not determined through consensus between DFA and LFC. Instead, retention targets are set solely by the institution. In addition, while four-year institutions report fall-to-spring retention rates each spring, two-year colleges report prior-year fall-to-fall retention rates in the spring.

Measure: First-time, Full-Time Freshman Fall-to-Fall Retention	Fall 2014 to Fall 2015 Actual	Fall 2015 to Fall 2016 Actual	Fall 2016 to Fall 2017 Target	Fall 2016 to Fall 2017 Actual	Rating
ENMU - Roswell	58.2%	55.9%	53.5%	50.1%	R
ENMU - Ruidoso	34.6%	29.7%	43.5%	41.0%	Y
NMSU - Alamogordo	50.3%	56.5%	55.0%	48.0%	R
NMSU - Carlsbad	54.6%	54.7%	47.0%	48.6%	R
NMSU - Dona Ana CC	64.5%	60.3%	64.8%	59.2%	Y
NMSU - Grants	53.1%	48.9%	52.0%	43.5%	R
UNM - Gallup	63.0%	59.4%	57.5%	52.8%	R
UNM - Los Alamos	54.5%	54.7%	58.0%	60.0%	G
UNM - Taos	57.8%	57.7%	49.5%	45.2%	R
UNM - Valencia	56.9%	62.3%	55.0%	60.9%	Y
Central NM Community College	59.9%	62.3%	63.0%	61.9%	G
Clovis Community College	62.1%	67.2%	75.0%	66.1%	Y
Luna Community College	28.3%	35.9%	50.0%	39.7%	Y
Mesalands Community College	61.6%	62.9%	60.0%	56.1%	R
New Mexico Junior College	52.4%	58.7%	65.0%	54.0%	R
San Juan College	60.6%	61.9%	60.7%	60.3%	Y
Santa Fe Community College	58.0%	53.0%	60.0%	63.6%	G
Program Rating	R	Y			R

A majority of community colleges remain below the national fall-to-fall retention rate. ENMU-Ruidoso reversed prior years' declining trend in retention with a notable increase, likely due to new administration, which has made student retention a primary focus area. Each of the NMSU branch colleges report a drop in retention rates, which is interesting given the performance of the main campus. NMSU Main has implemented a series of programs to address retention, which if applied in the branch campuses could boost retention. Local economic factors may be influencing branch campus retention rates in the current quarter, particularly in Carlsbad and Alamogordo.

Luna Community College in Las Vegas reported improvement in its retention rate from the prior year. However, the retention is noticeably lower than its peer institutions. Currently, Luna Community College is on notice by the Higher Learning Commission for potential revocation of its institution wide accreditation. The Higher Learning Commission will issue a decision on maintaining accreditation for LCC in June 2018.

Community colleges are impacted by local economic factors. When jobs are available, students leave colleges, and return when the jobs outlook worsen.

Higher Education Department

Policy Development and Institutional Financial Oversight

The Higher Education Department's (HED) adult education program had mixed results, with a minor reduction in the third quarter for adults obtaining the high school equivalency credential, and an improvement in adult education students obtaining employment. HED has previously noted these measures vary significantly from quarter to quarter due to the timing of high school equivalency test administration and adult education academic schedules.

Policy Development and Institutional Financial Oversight		FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $22,486.6	FTE: 49.0						
1	Eligible adult education students who earn the high school equivalency credential	82.1%	85.0%	75%	73.1%	72.5%	Y
2	Unemployed adult education students obtaining employment	40.1%	40.0%	14.5%	17.2%	17.9%	G
Program Rating		Y					G

Student Financial Aid

Students taking advantage of the loan-for-service programs are allotted a deferment period before they must report their employment activities. As a result, the department indicates the data reported for this measure is artificially low. In previous years, year-end results indicated significant improvement in the fourth quarter for loan-for-service graduates who meet the requirements of the program.

Student Financial Aid		FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $84,680.3	FTE: 0						
3	Students who receive state loan for service funding who provide service after graduation	95%	95%	66%	65%	65%*	Y
Program Rating		G					G

*This is an estimated percent as Financial Aid data won't get finalized until September 2018.

Energy, Minerals and Natural Resources Department

In the 2018 legislative session an additional $3 million was appropriated to ensure solvency of the oil and gas reclamation fund, supporting the department in regulating the oil and gas industry and improving environmental health and public safety. The agency continues to make progress in key areas including number of forest acres treated and number of abandoned oil wells plugged.

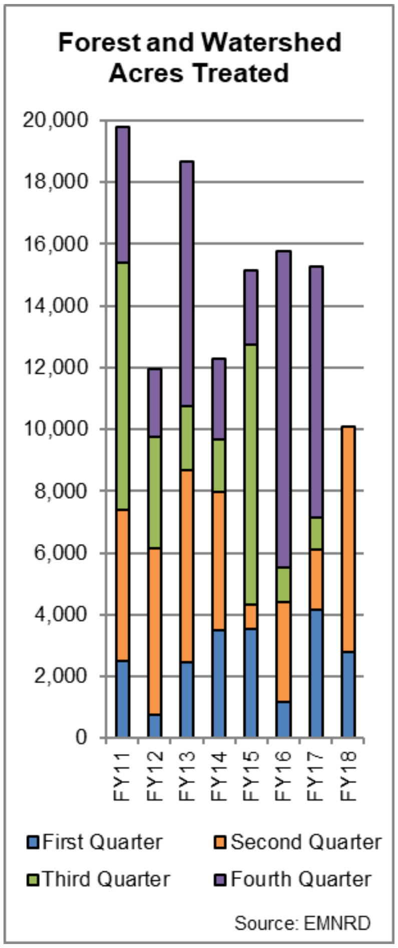
ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

Healthy Forests

The 2018 fire season has the potential to be very active due to severe drought, a dry winter and a dry spring. The State Forestry Division provided numerous trainings this past quarter in order to prepare staff for the upcoming fire season. The fourth quarter is expected to see a similar number of trainings with events scheduled in April and May 2018.

The third quarter is typically the slowest for project work, and the number of acres treated declined due to weather conditions and some forest closures due to the federal Migratory Bird Treaty Act which limits the hunting season of migratory game birds.



Healthy Forests Budget: $15,879.5 FTE: 78		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Nonfederal wildland firefighters provided professional and technical incident command system training.	1,625	1,362	1,650	47	52	614	Y
2	Acres treated in New Mexico's forest and watersheds.	15,142	15,291	15,800	2,796	7,296	1,483	G
Program Rating		Y	Y					Y

State Parks

State park visitation fell slightly in the third quarter. Park visitation typically peaks in the warmer months of the first and fourth quarters of the fiscal year and falls in the cooler months. The majority of visitations to State Parks occurs during the first (July, August, September) and fourth (April, May, June) quarters.

State Parks Budget: $28,852.2 FTE: 234.5		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
3*	Visitors to state parks, in millions	5.46	4.93	N/A	1.62	0.66	0.64	G
4*	Self-generated revenue per visitor	$0.81	$0.88	N/A	$0.97	$0.97	$0.83	Y
5*	Interpretive programs available to park visitors	1,312	1,053	N/A	359	145	157	G
Program Rating		Y	Y					G

* Measures three through five are explanatory measures provided for informational purposes, and do not have a target. The ratings indicate comparison to prior year performance.

Mine Reclamation

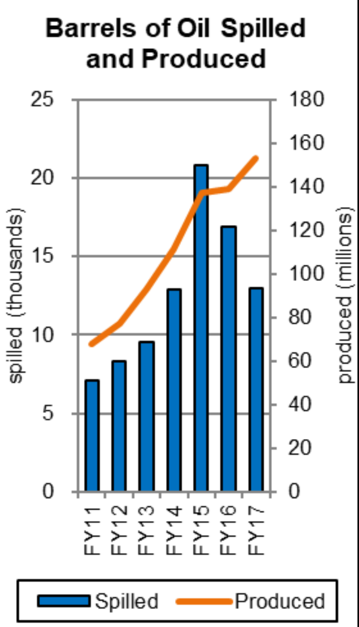
Of the 98 mines in the state, only one hard rock mine, the Asarco Deming mill, does not have adequate financial assurance which would limit the public cost of reclamation of an abandoned or dry well. The Deming-based mill is currently under application with a new owner, and the agency is working with the new owner to provide adequate financial assurance.

The enactment of Senate Bill 189 allows OCD to require financial assurance of up to $250 thousand for blanket coverage, up from the current limit of $50 thousand. Increasing the amount of assurance required will provide a further incentive for oil and gas producers to ensure all wells are properly plugged and provide OCD additional financial resources should producers fail to plug abandoned wells.

Mine Reclamation		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $8,078.5	FTE: 33							
6	Permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	96%	98%	100%	99%	99%	99%	G
Program Rating		Y	Y					G

Oil and Gas Conservation

The Oil Conservation Division (OCD) continued a high pace of field inspections in the third quarter of FY18 and is on track to meet the target. OCD plugged 12 wells in the second quarter and six wells in the third quarter. Performance on this measure may improve in the fourth quarter as a result of the Legislature increasing general fund appropriations for EMNRD by $3 million to offset use of the reclamation fund. EMNRD anticipates plugging 60 wells in calendar year 2018. The State Land Office estimates there are 600 unplugged abandoned wells on state trust lands



Oil and Gas Conservation		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $9,487.0	FTE: 66							
7	Inspections of oil and gas facilities	49,624	37,648	47,000	10,066	8,694	11,011	G
8	Application to drill permits approved within 10 business days	85%	96%	84%	99%	100%	100%	G
9	Abandoned oil and gas wells properly plugged	36	33	32	0	12	6	Y
10*	Violations issued	912	2,279	N/A	519	483	510	
Program Rating		Y	G					G

* Measure 10 is an explanatory measure provided for informational purposes, and does not have a target.

An additional $3 million was added to the budget of the OCD during the 2018 legislative session to improve solvency of the oil reclamation fund which is used to plug abandoned oil wells. The additional funding will ensure fund stability and allow additional well plugging. EMNRD intends to plug 60 additional wells in FY18.

Oil Reclamation Fund
(dollars in thousands)

	Actual			Projection		
	FY15	**FY16**	**FY17**	**FY18**	**FY19**	**FY20**
Beginning Balance	**$ 9,225.4**	**$ 11,517.0**	**$ 10,110.4**	**$ 5,774.7**	**$ 4,754.6**	**$ 4,560.5**
Conservation Taxes	$ 4,815.1	$ 2,704.4	$ 1,656.6	$ 1,900.0	$ 2,000.0	$ 1,900.0
Other	$ 1,448.0	$ 508.2	$ 224.1			
OCD personnel	$ (3,426.4)	$ (4,276.5)	$ (2,979.9)	$ (3,261.8)	$ (145.7)	$ (145.7)
OCD well-plugging	*	*	$ (1,049.5)	$ (1,015.0)	$ (1,663.0)	$ (1,500.0)
OCD other	$ (208.8)	$ (8.4)	$ (380.1)	$ (259.3)	$ (101.4)	$ (100.0)
Intra-agency transfer	$ (336.3)	$ (334.3)	$ (367.5)	$ (384.0)	$ (284.0)	$ (284.0)
Other			$ (1,439.4)	$ 2,000.0		
Ending Balance	**$ 11,517.0**	**$ 10,110.4**	**$ 5,774.7**	**$ 4,754.6**	**$ 4,560.5**	**$ 4,430.8**

*in FY15 and FY16, well plugging and personnel costs are combined under the personnel line iter

ACTION PLAN

Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	No

New Mexico Environment Department

Performance measures for the New Mexico Environment Department (NMED) remain heavily oriented toward output-based activities, such as number of facilities inspected in FY18, and a number of measures are classified as explanatory, meaning they do not have a target level. While NMED continues to provide quarterly reporting data timely, the department should consider expanding quarterly reporting measures to include safety issues such as air and water quality and occupational safety and improving the quarterly report.

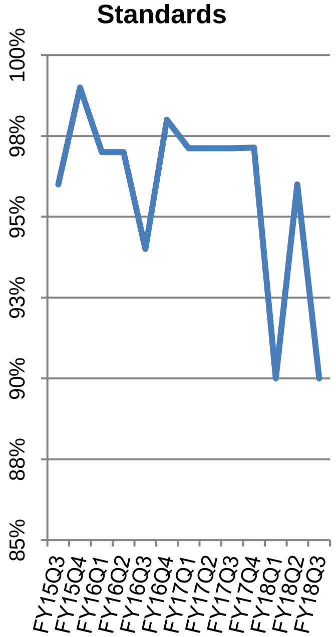
Water Protection

NMED reported a slight decrease in performance outcomes due to the completion of numerous sanitary surveys at the end of the calendar year and the processing of the associated significant deficiency violations identified as part of the sanitary survey inspections.

NMED has a responsibility to protect drinking water systems and customer's health by identifying and managing actual or potential sources of contamination to the drinking water supply. Preventing contamination is much less expensive and easier than cleaning up a contaminated source or finding a new source.

It is important to note that human-health based violations can be very short-lived and can be resolved quickly in many instances, so the populations are not exposed to harmful conditions for extended periods of time. However, some instances of human-health based violations can take very long periods of time to resolve due to the need to secure funding for treatment and apply and install equipment. The time to resolution is highly variable given the wide range of human-health based violation types in the drinking water program.

Percent of New Mexicans Receiving Water That Meets Health Based Standards



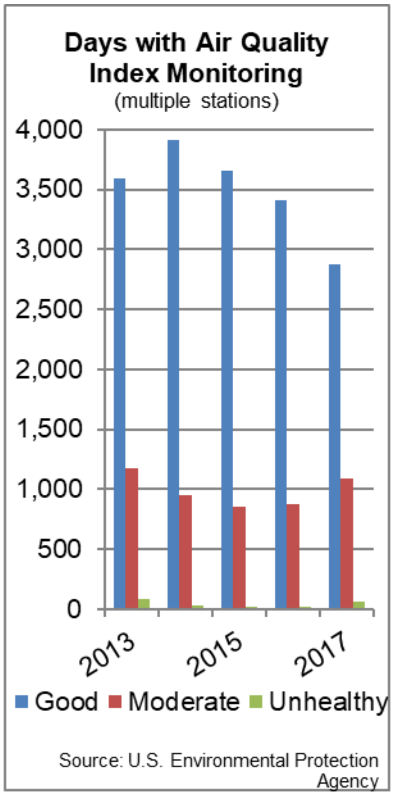
During the first quarter of FY18 over $43 million was offered from the clean water state and the rural infrastructure revolving loan funds, and $8.36 million was declined. NMED awarded loans totaling $9.2 million in the third quarter, a slight decline from the $12.4 million awarded in the second quarter. The unobligated balance in the Clean Water State Revolving Loan Fund is $85.4 million. NMED anticipates making additional loans in the fourth quarter.

Water Protection		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $28,624.9	FTE: 188.5							
1	Groundwater discharge permitted facilities inspected	65%	66%	65%	14%	14%	13%	Y
2*	Permitted facilities where monitoring results demonstrate compliance with groundwater standards	63%	71%	N/A	58%	58%	65%	Y
3*	Population served by community water systems that receive drinking water meeting health-based standards	98%	97%	N/A	90%	96%	90%	Y
4*	New grants/loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in millions	$30.7	$11.3	N/A	$0.0	$12.4	$9.2	Y
Program Rating		Y	Y					Y

* Measures 2, 3 and 4 are explanatory measures provided for informational purposes, and do not have a target. The ratings indicate comparison to prior year performance.

Resource Protection

NMED reports that 23 out of 25 permitted landfills are monitoring groundwater quality as required, and 20 of 22 solid and hazardous waste facilities inspections found operators in compliance with regulations. The agency reported a slight increase in petroleum storage tanks in compliance with regulations compared to the end of FY17.



Resource Protection		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $14,093.3	FTE: 136							
5	Underground storage tank facilities in compliance with release prevention and detection requirements	77%	87%	77%	88%	88%	87%	G
6*	Landfills compliant with groundwater sampling and reporting requirements	100%	97%	N/A	96%	100%	92%	G
7	Active solid waste facility and infectious waste generator inspections showing compliance	93%	98%	93%	100%	95%	91%	G
Program Rating		Y	Y					G

* Measure 6 is an explanatory measure provided for informational purposes and does not have a target. The rating indicates comparison to prior year performance.

Environmental Protection

The program reports all of the 1,037 food establishment violations issued were corrected within the timeframe specified in the third quarter and that all air quality violations are being addressed through corrective action. While the agency investigated or inspected all allegations of serious workplace hazards, the percent of violations corrected in the second quarter was slightly below the annual target and bounced back in the third quarter.

Environmental Protection		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $22,595.9	FTE: 236							
8	Food establishments inspected within timeframe due	100%	100%	100%	100%	100%	100%	G
9	Facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	100%	100%	100%	100%	100%	100%	G
10	Serious worker health and safety violations corrected within the timeframes designated	96%	95%	98%	93%	93%	98%	G
Program Rating		G	G					G

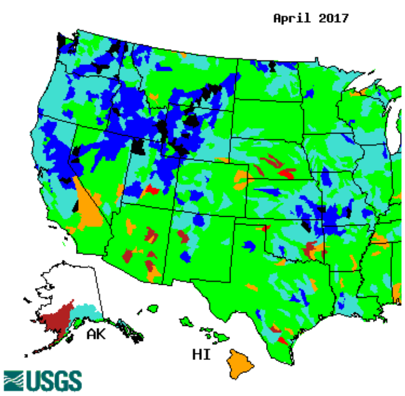
Office of the State Engineer

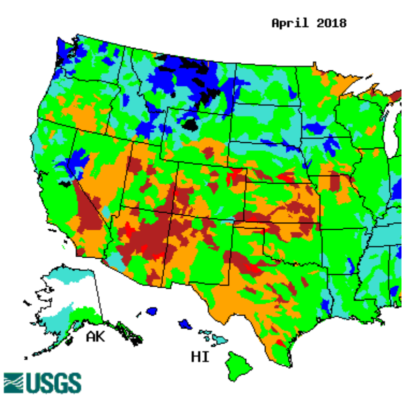
The Office of the State Engineer (OSE) is facing significant difficulties in meeting performance targets in FY18. While the agency drove down the backlog of unprotested water right applications in FY17, OSE is running significantly behind the target pace for abstracting transactions into the water administration technical engineering resource (WATER) database. The agency reports 33 vacancies in the Water Rights Division, which adversely affects the backlog of applications statewide. The agency as a whole has approximately 90 vacancies at this time.

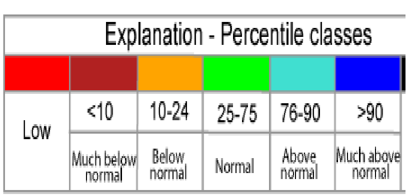
ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

Comparison of Streamflow Maps from April 2017 to April 2018 for the western United States.







Water Resource Allocation

The agency is well short of the annual target for the number of water right applications processed monthly. In addition to the number of vacancies, there has been a rise in the number of complaints of illegal water use and the need to divert staffing resources to investigate these complaints, resulting in a slight increase in the number of backlogged applications since the last quarter. The number of applications filed can change depending upon drought, settlements, and court orders.

The Water Rights Abstract Bureau is responsible for populating and maintaining the WATERs database. The WATERs database provides basin-wide geographic information system water right mapping to support water resource management and administration. The analysis and input of historical water right records into the system provides up-to-date information, which supports a more comprehensive review when addressing potential impacts of new applications. Staff is currently eight months into the Red River project and the number of transactions has increased from quarter two. The Red River Basin in New Mexico encompasses Union, Harding, and Colfax counties, most of Mora and Quay counties, and part of San Miguel County.

Water Resource Allocation		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $14,052.4	FTE: 182							
1	Unprotested new and pending applications processed monthly	37	36	85	40	29	29	R
2*	Unprotested and unaggrieved water right applications backlogged	422	416	N/A	389	388	418	
3	Transactions abstracted into the water administration technical engineering resource system database	18,287	14,566	23,000	2,201	3,420	4,668	R
Program Rating		Y	R					R

* Measure 2 is an explanatory measure provided for informational purposes, and does not have a target.

Litigation and Adjudication

The completion of the Aamodt settlement in FY17 reduced the need to make offers to defendants. The current measure for the percentage of water rights with judicial determinations does not provide a clear view of progress because it only reflects active adjudications.

Texas v. New Mexico Appropriations

Year	New Mexico	Texas
2013		
2014	$ 6,500,000	$ 5,000,000
2015	$ 4,000,000	
2016	$ 3,000,000	$ 5,000,000
2017	$ 2,000,000	
2018	$ 5,000,000	$ 500,000
Total	$ 20,500,000	$ 10,500,000

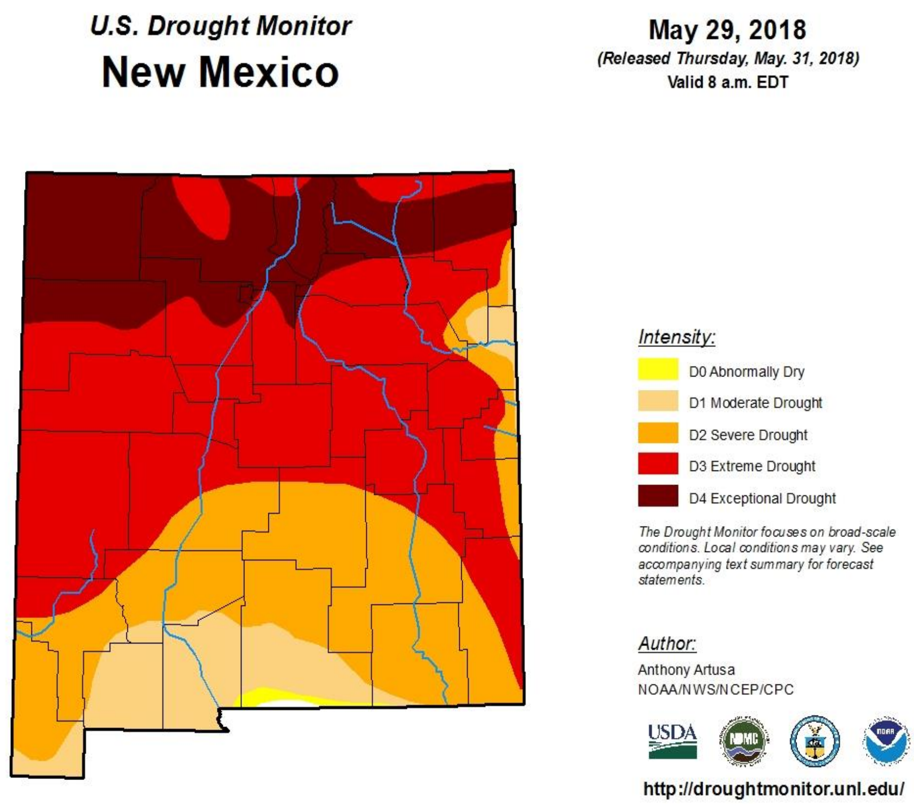
Source: LFC Files

Litigation and Adjudication Budget: $7,051.9 FTE: 66		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
4	Offers to defendants in adjudications	839	566	839	68	56	97	R
5	Water rights that have judicial determinations	63%	66%	70%	66%	66%	66%	Y
Program Rating		G	G					Y

Interstate Stream Compact Compliance

Agreement on New Mexico's Rio Grande Compact credit is the subject of ongoing litigation, while the state's Pecos River Compact cumulative credit continues to be positive. Approximately 50 percent of all flood inflows generated in New Mexico are

Interstate Stream and Compact Compliance Budget: $14,103.4 FTE: 46		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
6	Delivery credit on the Pecos River Compact, in thousand acre-feet	109.5	137.9	>0	137.9	137.9	137.9	G
7	Delivery credit on the Rio Grande Compact, in thousand acre-feet	0.4	-20.3	>0	-20.3	-20.3	-7	R
Program Rating		G	G					Y



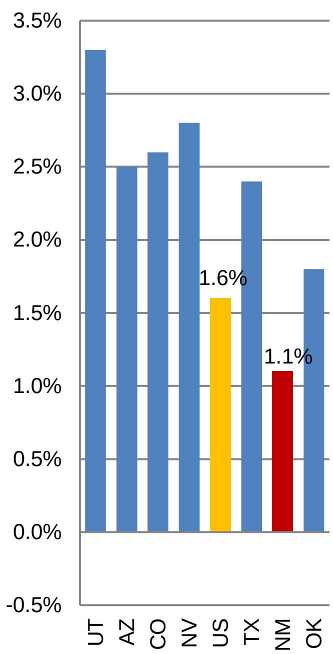
ACTION PLAN

Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	No

LEDA Balance:

As of April 2018, there is $44.4 million available in LEDA funds.

March 2018 Year-over-Year Job Growth by State



Source: Workforce Solutions Department

Economic Development Department

New Mexico added 8,900 total nonagricultural jobs between March 2017 and March 2018, an increase of 1.1 percent. The Economic Development Department's (EDD) performance results for the third quarter increased in significant areas such as jobs created due to department efforts and jobs created through use of Local Economic Development Act (LEDA) funds. The New Mexico Partnership, EDD's largest contract at $1 million, responsible for recruiting businesses and assisting New Mexico businesses with expansion, still has not recorded any job growth due to their efforts for the FY18 fiscal year.

Economic Development

The Economic Development Division awarded two companies a total of $1.4 million in LEDA funds in the third quarter, contributing to 330 jobs created. These companies include Meow Wolf in Santa Fe ($850 thousand), and Vitality Works in Bernalillo ($550 thousand). The private funds matched for these LEDA projects totaled $11 million. Cost per job for LEDA increased from $10.4 thousand per job in FY16, to $29.2 thousand in FY17, and is currently at an average of $6 thousand per job in FY18. The finance development team also held three webinars for business owners, organizations, and local governments. The webinar topics included LEDA Project Compliance, Opportunity Zones, and FUNDIT Webinar Series-Exploring Creative Financing Tools for Development Projects. These webinars had a total of 158 participants.

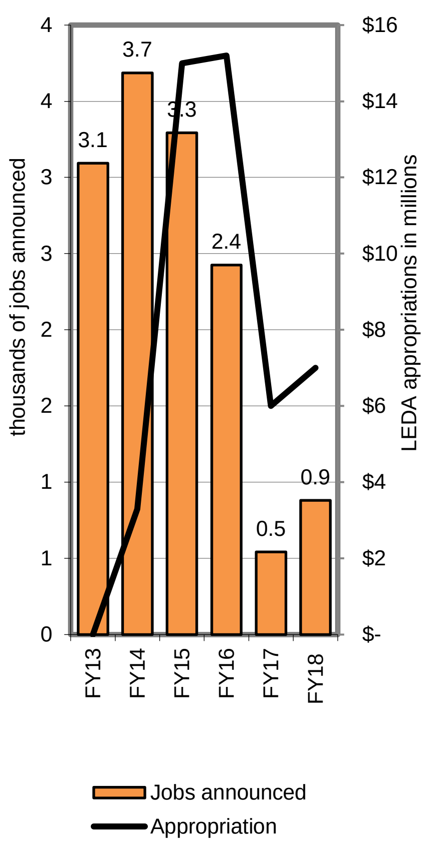
Economic Development		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: 6,128.9	FTE: 25							
1	Jobs created due to Economic Development Department efforts	4,140	1,729	4,500	630	331	993	Y
2	Rural jobs created	641	775	1,600	350	193	225	Y
3	Jobs created through business relocations facilitated by the New Mexico Partnership	222	115	2,250	0	0	0	R
4	Potential recruitment opportunities generated by partnership marketing and sales activities	NEW	NEW	84	18	8	10	Y
5	Workers trained by the job training incentive program	2,238	2,009	1,850	672	299	297	G
6	Private sector dollars leveraged by each dollar through Local Economic Development act	16:8	21:1	12:1	95:1	5:1	8:1	G
7	Jobs created through the use of Local Economic Development act funds	2,426	530	2,200	436	100	330	Y
8	Private sector investment in MainStreet districts (in millions)	$22.17	$28.40	$11	$34	$7.11	$7.50	G
Program Rating		Y	Y					Y

New Mexico seasonally adjusted unemployment rate dropped from 6.3 percent in March 2017 to 5.6 percent in March 2018.

Seventeen businesses were approved for Job Training Incentive Program (JTIP) funding in the third quarter, totaling 297 workers trained. Of those businesses, 12 were founded in New Mexico. Two-hundred fifty new jobs were approved at an average wage of $29.27 per hour. This included 29 jobs for three companies in rural areas including Loving, Bernalillo, and Santa Clara, at an average wage of $24.68 per hour. The Film Crew Advancement Program (FCAP), one of the two JTIP for Film and Multimedia programs, was approved to train 33 crew members at an average wage of $24.75 per hour. As of May 2018, there is $8.8 million available in JTIP funds.

The New Mexico MainStreet program had another successful quarter. Local MainStreet programs reported $7.5 million in private sector reinvestment. Projects included 48 private building renovations, 17 new businesses and three business expansions, and the creation of 106 net new jobs. The largest private investment was seen in Portales, with $4.3 million going towards the renovation of the long vacated Portales Inn. Other MainStreet projects included $550 thousand in Las Vegas for renovations of the Castaneda Hotel, and kitchen improvements to the Plaza Hotel. Ten MainStreet organizations (Albuquerque-Barelas, Carlsbad, Albuquerque-Downtown, Farmington, Gallup, Las Cruces, Las Vegas, Portales, Silver City, and Albuquerque-South Valley) brought in an additional $190 thousand in private sector grant dollars to their districts.

LEDA Funding and EDD Jobs Announced



Sources: EDD, LFC files

New Mexico Film Office

The film office reports direct spend by the film industry into the New Mexico economy of $56 million for the third quarter. Productions that took place in the third quarter include Better Call Saul, Roswell, Snatchers, Succession, Too Old to Die Young, Cosmo: Possible Worlds, Running with the Devil, and The Goldfinch.

FCAP is the division's priority program in training as it provides high-wage job opportunities with production companies where crew members can diversify and advance their skill sets. Productions that hire qualifying, local crew members, are reimbursed 50 percent of a qualifying resident's wage for up to 1,040 hours. Three companies qualified for FCAP with 33 New Mexican participants, at an average wage of $24.75 per hour.

Film Office		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $706.5	FTE: 8.0							
9	Direct spending by film industry productions, in millions	$387	$505	$260	$55	$42.5	$56	Y
10	Film and media worker days	260,307	448,304	230,000	57,104	46,061	65,349	G
Program Rating		G	G					G

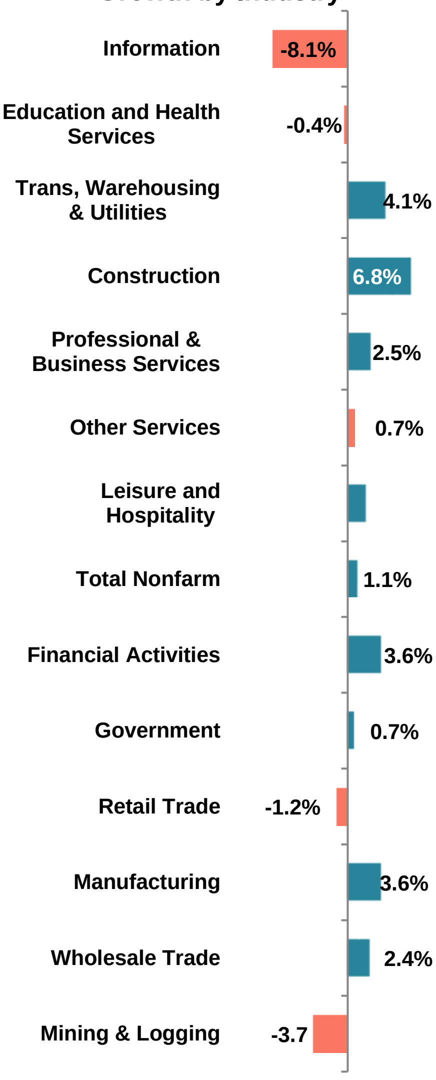
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Tourism Department
Third Quarter, Fiscal Year 2018

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

March 2018 Year-over-Year Job Growth by Industry



Tourism Department

The Tourism Department has already met several of its annual targets, but it continues to not report quarterly on several key measures, receiving red ratings in the Tourism Development and Marketing and Promotion programs. The leisure and hospitality industry registered an increase of 1,900 jobs, or 2 percent, when comparing March 2018 with March 2017.

Marketing and Promotion Program

The leisure and hospitality industry continued to see substantial growth in employment during the third quarter, with the department reporting a 1.8 percent change in New Mexico, while the Workforce Solutions Department reported a 2 percent gain. The number of referrals from the newmexico.org website continued to increase in the third quarter, reaching 58.6 thousand. The two measures in red are reported annually at the end of the calendar year, resulting in no data provided for the third quarter.

Marketing and Promotion			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $10,539.2		FTE: 24.0							
1	Percent change in New Mexico leisure and hospitality employment		NEW	NEW	3%	3.0%	3.8%	1.8%	G
2	Dollar amount spent per visit per day		NEW	$79.2	$78		Annual		R
3	New Mexico's domestic overnight visitor market share		NEW	1.12%	1.1%		Annual		R
4	Referrals from newmexico.org to partner websites		NEW	NEW	160,000	29,223	47,374	58,661	G
Program Rating			Y	Y					Y

New Mexico Magazine

The New Mexico Magazine is on track to meet its annual target, with $58 thousand in advertising revenue collected during the third quarter. The strong FY18 revenue collection to date has already surpassed actual revenue of both FY16 and FY17.

New Mexico Magazine			FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $3,179.3		FTE: 14.0							
5	Advertising revenue per issue, in thousands		$53	$69	$72	$102	$76	$58	G
Program Rating			Y	Y					G

Program Support and Tourism Development Program

By the first quarter, approximately $10.5 million, or 76 percent of the department's operating budget had been appropriated for advertising and marketing. The Tourism Development Program has a target of $2.2 million in combined advertising being spent on communities and entities using the Tourism Department's New Mexico True campaign. However, advertisement expenditures are measured annually, and for the third quarter in a row, the department cannot provide data on the amount spent until the end of the year. The Tourism Department should develop performance measures that can be reported quarterly in order to provide more detail on current initiatives. By only relying on annual performance measures, it is most challenging to understand the department's current progress.

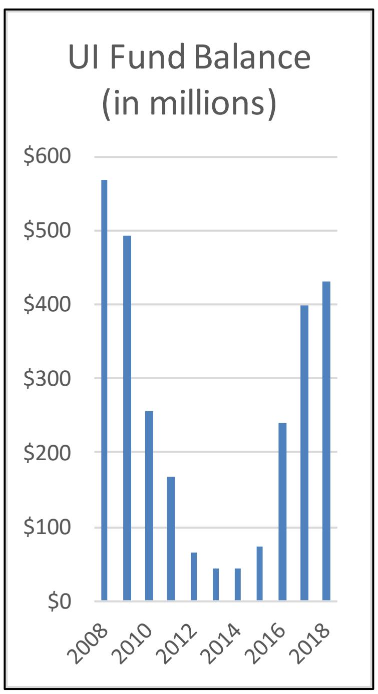
Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $1,074.1	FTE: 11.0							
6	Operating budget spent on advertising	NEW	78%	70%	76%	76%	76%	G
Program Rating		Y	Y					G

Tourism Development		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $2,262.6	FTE: 5.0							
7	Combined advertising spending of communities and entities using the Tourism Department's current approved brand, in thousands	NEW	$2,000	$2,200	Annual			R
Program Rating		Y	Y					G

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	Yes

Unemployment Insurance Trust Fund FY18 Quarter 3 Results (in millions)	
Total Contribution Revenue Received	$ 29.7
Total Benefit Payout	$ 39.2



Workforce Solutions Department

Wait times for those seeking unemployment insurance (UI) benefits continued to rise during the third quarter. In addition, the UI trust fund balance declined for the second quarter in a row as a result of more benefit payouts than contribution revenue. The agency believes this is cyclical in nature, noting the health of the trust fund is sufficient to absorb UI payouts. Vacancies in the Unemployment Insurance Program and Labor Relations Program contributed to missing some performance targets, according the Workforce Solutions Department.

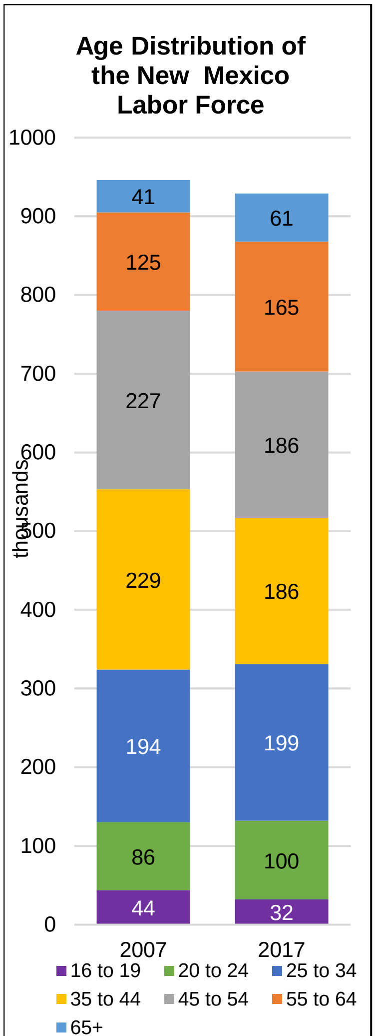
Unemployment Insurance

Wait times to file a new unemployment insurance claim or certify an existing claim continued to rise in the third quarter. Previously, the agency noted a cyclical increase for wait times during the second quarter of each fiscal year, and had expected wait times to decrease in the third quarter. However this did not occur, due to increased vacancies of customer service agents. Maintaining frontline staff is essential to ensure timely and effective services. The agency reports it will be conducting rapid hiring events to fill vacancies for customer service agents to improve performance in the final quarter of the fiscal year.

Unemployment Insurance	Budget: $9,722.2 FTE: 181.6	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	91%	89%	80%	95%	93%	97%	G
2	Accuracy rate of claimant separation determinations	93%	93%	85%	97%	95%	93%	G
3	Average wait time to speak to a customer service agent in unemployment insurance operation center to file a new unemployment insurance claim	20 min	18 min	15 min	6 min	17 min	27 min	R
4	Average wait time to speak to a customer service agent in unemployment insurance operation center to file a weekly certification	15 min	15 min	15 min	4 min	16 min	26 min	R
5	First payments made within fourteen days after the waiting week	92%	91%	90%	92%	94%	91%	G
Program Rating		Y	Y					Y

Employment Services

Providing services to disabled veterans remains the lowest performance outcome for the Employment Services Program. The agency has struggled to improve performance for veteran services for several years. In that time, the Employment Services Program has launched veteran services initiatives to increase community and business outreach and provide intensive case management, but performance has remained relatively unchanged. A recent study from the Rand Corporation suggested



Source: Workforce Solutions, BLS

while unemployment rates for veterans tend to be lower than the national average, unemployment rates among young veterans are higher than their civilian counterparts. New Mexico youth unemployment rates are also high, flagging concerns that young veterans may be at higher risk of long-term under employment.

Employment Services Budget: $13,641.8 FTE: 150		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
6	Average six-month earnings of persons entering employment after receiving Wagner Peyser employment services	$13,748	$13,624	$13,500	$13,641	$16,704	$14,202	G
7	Individuals receiving Wagner Peyser employment services	91,704	82,499	120,000	79,728	68,183	55,191	Y
8	Unemployed individuals employed after receiving Wagner Peyser employment services	57%	55%	55%	55%	47%	55%	G
9	Individuals that have received Wagner Peyser employment services retaining employment after six months	80%	78%	75%	79%	78%	79%	G
10	Recently separated veterans retaining employment after six months	73%	72%	70%	73%	71%	71%	G
11	Disabled veterans entering employment after receiving workforce development services	46%	37%	45%	40%	41%	40%	R
12	Average six-month earnings of persons entering employment after receiving veterans' services	$17,429	$17,148	$16,000	$17,091	$15,249	$16,292	G
Program Rating		G	Y					Y

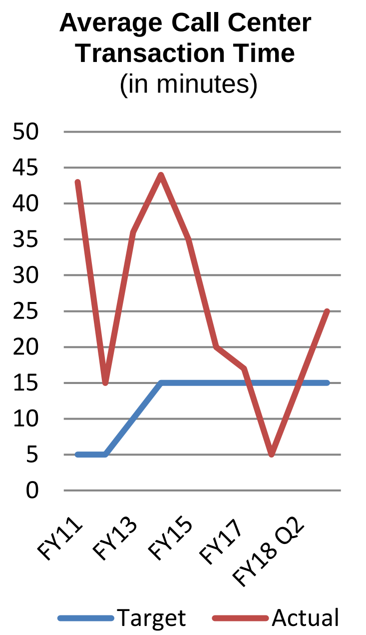
Youth services shifted focus from in-school youth to out-of-school youth under the Workforce Innovation and Opportunity Act (WIOA). Since this shift, the state has struggled to find and serve youth. Data sharing and referrals from school districts and local workforce providers to better connect youth may be necessary to boost performance.

Program Support

Program Support met a majority of performance targets during the third quarter. Providing youth services remains a high priority of the state to improve long-term economic outcomes. Despite high unemployment rates of youth, local boards have struggled to meet targeted performance. A recent LFC report found addressing job needs for the younger working population will have the greatest impact to the state's overall unemployment rate. However, low-paying jobs with little or no advancement opportunity or skill learning are not going to contribute significantly to lifetime earning capacity or create a skilled state workforce. Most importantly, the state should focus its efforts on providing education and training for young persons and assisting in the creation of jobs that afford young workers necessary skills and advancement opportunities for better paying positions in the future.

Program Support Budget: $22,848.5 FTE: 99		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
13	Youth receiving Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce boards	856	770	1,400	805	818	843	Y

14	Youth that enter employment or are enrolled in post-secondary education and/or advanced training after receiving Workforce Innovation and Opportunity Act services	59%	57%	59%	63%	63%	61%	G
15	Adults and dislocated workers receiving Workforce Innovation and Opportunity Act services	2,805	3,013	2,700	2,576	2,560	2,229	G
16	Individuals that receive Workforce Innovation and Opportunity Act services that retain employment	90%	86%	89%	89%	89%	90%	G
Program Rating		G	Y					G



Source: WSD

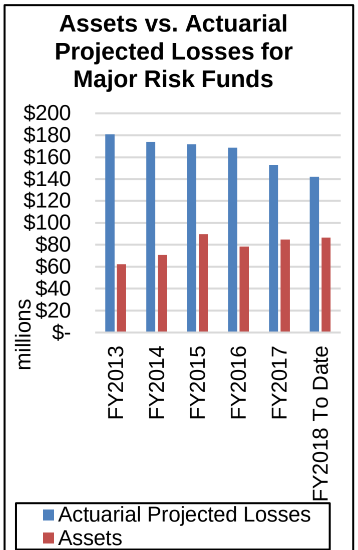
Labor Relations

The Labor Relations Program met a majority of its targets, but performance declined slightly in wage claim investigations. The agency reported vacancies affect performance for wage claims, as do changes to regulations and agency policies. The Labor Relations Program believes updated staff training on new regulations and policies will improve performance during the final quarter of FY18.

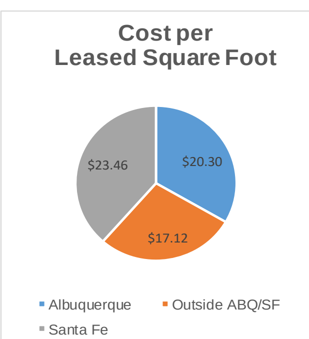
Labor Relations		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $3,987.0	FTE: 31.4							
17	Wage claims investigated and resolved within ninety days	93%	93%	91%	79%	100%	89%	Y
18	Average number of days to investigate and issue a determination of a charge of discrimination	203	193	180	193	159	186	G
19	Apprentices registered and in training	1,281	2,126	1,320	1,530	1,644	1,677	G
20	Compliance reviews and quality assessments on registered apprenticeship programs	6	6	6	0	2	3	G
Program Rating		Y	Y					G

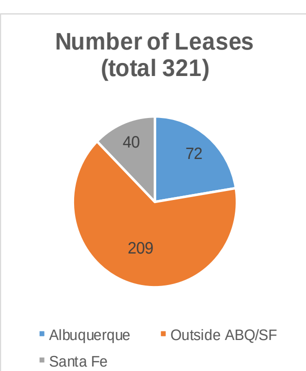
ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	Yes



Source: GSD and LFC files





General Services Department

Only one-third of payments from the public liability fund were disclosed in the Risk Management Division's (RMD) annual report to the Legislature, due to statute of limitations and a six month non-disclosure rule,. The Legislature put these restrictions in place to prevent unscrupulous persons from using the data to bring similar claims, according to RMD. The Facilities Management Division continues to struggle in completing work orders on time. However, the division made progress in completing capital projects on budget while continuing to complete projects as scheduled. For the State Purchasing Division, the agency is continuing work on an e-signature project to improve contract administration.

Risk Management

The risk funds have sufficient funding in total to cover about half of projected losses, despite transfers totaling about $30 million to the general fund for solvency. In the third quarter, the program conducted six alternative dispute resolution trainings and 10 of the top 25 loss-producing entitites had staff in attendance. These events are designed to find creative solutions to avoid costly litigation.

This fiscal year, the program added coverage that will pay for the immediate mitigation of property losses that were the result of delaying maintenance due to inadequate funding, to prevent costly future losses. For the public liability fund, legislation that requires loss payments to be disclosed on the Sunshine Portal could be helpful because statutory disclosure restrictions in place do not aid transparency.

Risk Management Budget: $95,081.3 FTE: 57		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Projected financial position of the public property fund	340%	468%	50%	642%	675%	661%	G
2	Projected financial position of the workers' comp fund	37%	43%	50%	57%	58%	54%	G
3	Projected financial position of the public liability fund	32%	46%	50%	44%	44%	44%	Y
4	Loss prevention training events (cumulative)	5	12	12	9	13	19	G
Program Rating		Y	Y					G

Group Health Benefits

Over the past several years, the program's medical cost trend has hovered around 8 percent to 9 percent, higher than the industry average of 6 percent to 7 percent. Understanding this is not sustainable, the program and the other IBAC agencies have been pursuing greater emphasis on care management and opportunities to incentivize healthcare consumers to make less costly decisions, especially as it applies to chronic illness and specialty drug use. When compared to national trends, premiums are not significantly different and deductibles are lower.

Group Health Benefits Budget: $373,196.0 FTE: 0		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
5	Prescriptions filled with generic drugs	85%	87%	90%	89%	86%	88%	G
6	Percent change in premium	- 3%	- 3%	4%		Annual		

7	Change in per member healthcare costs	$323	$338	<$361	$306	$336	$331	G
Program Rating		Y	Y					G

Appropriations to GSD to Address Immediate Building Deficiencies

(excludes an additional $7 million available annually for building repairs in Santa Fe subject to Board of Finance approval)

2018	$1,500,000
2017	$4,000,000
2016	$2,000,000
2015	$ -
2014	$4,500,000
2013	$500,000

Source: LFC Files

Facilities Management

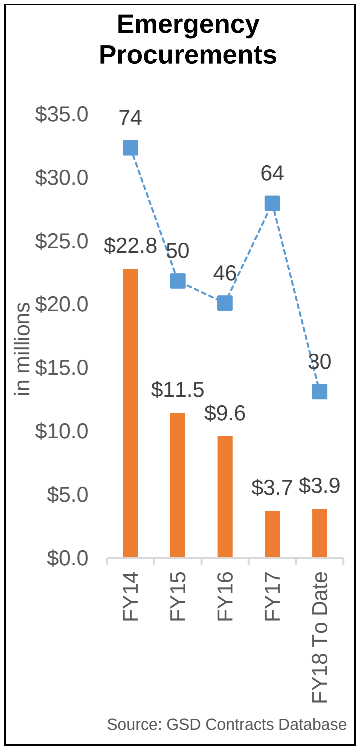
In the third quarter, less than two-thirds of planned and unplanned repair and maintenance requirements were completed within the 15 day time frame. Over the long-term, deferring maintenance contributes to higher costs of facility ownership. For capital project management, 202 of the 209 active capital projects managed by FMD are on schedule and 16, or one-fifth, of projects closed exceeded budget due to unforeseen circumstances or changes in scope. Of the two new leases initiated in the third quarter, both conformed to the 215 square foot per FTE space standard.

Facilities Management		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $13,283.3	FTE: 139							
8	Work orders completed on time	NEW	63%	75%	62%	64%	62%	R
9	Capital projects on schedule	94%	95%	90%	97%	96%	97%	G
10	Capital projects on budget	94%	76%	95%	100%	76%	81%	Y
11	New office leases meeting space standard	NEW	19%	90%	50%	50%	100%	G
Program Rating		Y	Y					Y

Gross Square Footage per FTE

Department	Leased Space	State-owned Space	Total Space Occupied (GSF)	Total FTE	Total GSF Per FTE (target 215)
Aging and Long-Term Services Department	36,545	32,403	68,948	181	382
Department of Environment	116,432	67,822	184,254	668	276
Department of Health	200,994	1,230,263	1,431,257	2,251	636
Department of Public Safety	39,617	408,408	448,025	1,200	373
Division of Vocational Rehabilitation	136,638	5,088	141,726	291	487
Energy, Minerals and Natural Resources Department	6,884	77,723	84,607	317	267
Human Services Department	734,969	115,720	850,689	1,923	442
Public Education Department	13,407	61,613	75,020	323	232
Regulation and Licensing Department	20,017	58,473	78,490	190	412
Office of the State Engineer	63,251	89,967	153,218	299	512
Taxation and Revenue Department	207,968	171,526	379,494	1,128	336
Workforce Solutions Department	27,492	153,858	181,350	579	313
Total (all agencies under GSD purview)				**17,227**	**438**

Source: CBPC, GSD and LFC files (FY16)



State Purchasing

The program reports 18 of 92 procurements were "best value" sourced. This is a tool used when it is difficult to define the features of a good or service or when the upfront price does not reflect the longer-term costs, as happens with many IT projects. Of the 122 executive branch agencies, only two, the Retiree Health Care Authority and the Veteran's Services Department, do not have certified procurement officers. There was one procurement code violation in the third quarter.

State Purchasing		FY16 Actual	FY17 Actual	FY17 Target	Q1	Q2	Q3	Rating
Budget: $2,263.9	FTE: 27							
12	Procurements using "best value" sourcing	NEW	23%	15%	22%	22%	20%	G
13	Agencies with certified procurement officers	NEW	NEW	90%	95%	98%	98%	G
14	Procurement violators receiving training	NEW	68%	90%	95%	100%	100%	G
Program Rating		Y	Y					G

Transportation Services

The average vehicle operational costs per mile consistently outperforms the industry standard. However, due to a transfer of its enterprise fund to the general fund for solvency purposes, the program had to cancel newly installed GPS vehicle monitoring, which the program reports has impacted the ability to collect and analyze data. In the absence of GPS tools, manual mileage logs are used. For FY20, the program should consider building GPS costs into vehicle leasing rates.

Transportation Services		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $12,023.1	FTE: 35							
15	Average vehicle operational costs per mile, as compared to industry standard	$0.47	$0.47	≤$0.59	Annual			N/A
16	Leased vehicles used 750 miles per month	35%	51%	80%	60%	61%	51%	R
Program Rating		Y	G					Y

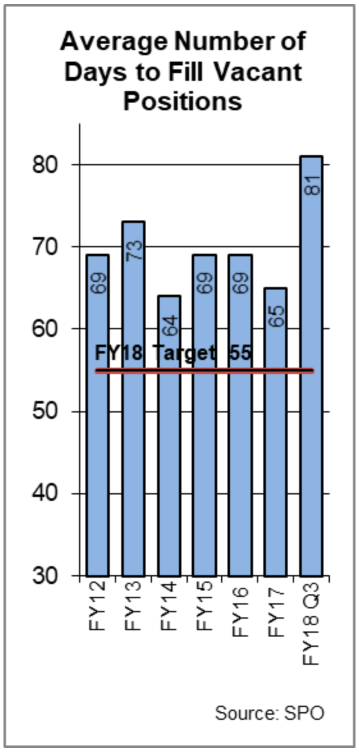
State Printing

At $328 thousand in revenue generated per employee, FY18 revenues remain strong despite a shorter 30 day legislative session during which less printing business is generated. The program continued sales and marketing efforts resulting in revenue generation that doubled industry averages of $160 thousand per employee.

State Printing		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $1,160.0	FTE: 10							
17	Revenue per employee, in thousands	$181	$236	$175	$184	$150	$328	G
18	Sales growth in revenue	9%	26%	8%	8%	40%	28%	G
Program Rating		G	G					G

ACTION PLAN

Submitted by agency?	No
Timeline assigned?	No
Responsibility assigned?	No



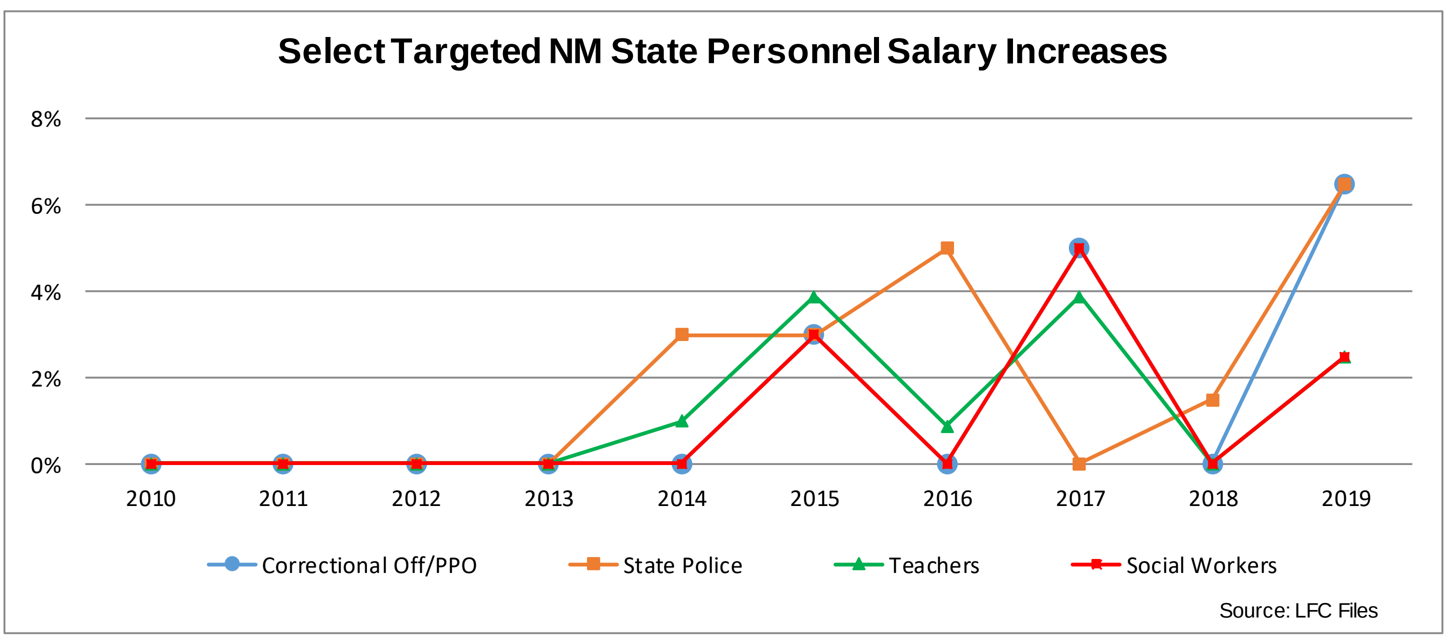
Personnel Board

The State Personnel Office (SPO) is consolidating executive agencies' human resource (HR) functions, citing goals of increasing efficiency and cost effectiveness. However, two bills that would have codified the consolidation failed to pass during the 2018 legislative session and the Legislature provided only limited budget increase authority for the consolidation. In January 2018, the Board of Finance cited rarely used authority to approve temporary transfers of executive agencies' funds and FTE to SPO for the consolidation. SPO reported implementation of the HR consolidation would be delayed until July 1, 2018, for multiple revenue agencies because of difficulties transferring personnel funding.

There are concerns that agencies' ability to hire personnel has been impaired by the consolidation initiative. SPO notes the number of days to fill positions increased from 65 in FY17 to 81 in the third quarter. Time to fill vacant positions varies dramatically by agency. For example, the Public Employees Retirement Association filled positions in an average of 27 days while the Department of Health took 97 days.

SPO has only implemented 18 percent of its occupation-based compensation system since work began in 2012. Only three of the 11 occupational groups have been completed: corrections, information technology, and engineering and architects. The failure to adopt a statewide compensation plan resulted in a proliferation of agencies implementing ad hoc out-of-cycle pay increases. SPO reports over one-third of state employees are currently in alternative pay bands and estimates 15 percent of the workforce may be misclassified.

To prevent the state's compensation structure from falling further behind the market, in 2018 the Legislature funded targeted and across-the-board cost-of-living salary adjustments for state employees to maintain competitiveness in the labor market.



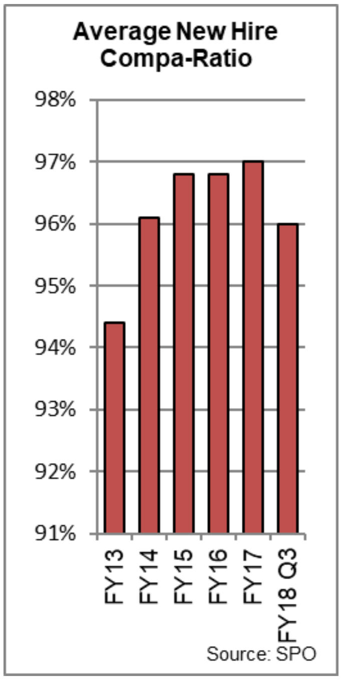
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Personnel Board
Third Quarter, Fiscal Year 2018

SPO Occupation-Based Classification Structure

Corrections 7%
Information Technology 4%
Engineering/Architects 7%
General Administration 29%
Healthcare 9%
Legal 4%
Protective Services 2%
Science/Technology 4%
Social Services 18%
Trades/Labor 7%
Management 9%

Source: SPO



Legislative salary increases kept state employee pay from falling further behind the market, but a narrowing gap between salaries of new employees and more tenured employees, or compaction, persists. Salary compaction is determined by compa-ratios, or salary divided by midpoint. New hire compa-ratios increased from 91 percent to 96 percent from FY11 to FY18. Over this same period, the average state employee compa-ratio decreased from 102 percent to 101 percent. Limiting compaction and maintaining a gap between new hire compa-ratios and average compa-ratios is important as it allows employees to move up in the pay structure over time providing reward for employee retention. Compaction often leads to low morale and higher turnover as employees seek salary increases by moving between agencies.

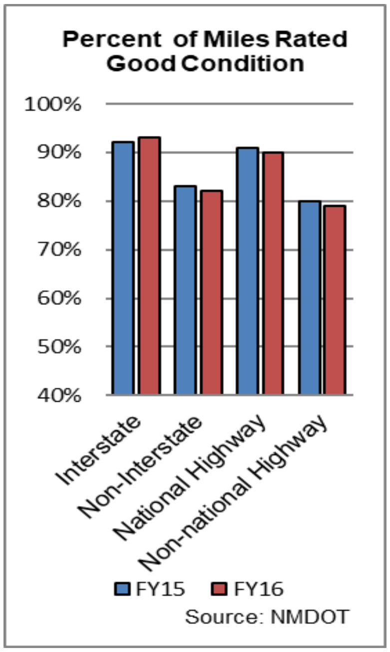
SPO notes, given the high cost of turnover, the state needs to examine factors that affect employee retention and talent acquisition, particularly for highly competitive occupations. Turnover is attributable to many factors such as non-adjustment of salary plans, retirement, separations, transfers, and promotions. The average turnover rate through the third quarter of FY18 was 8.8 percent compared with 9 percent closing FY17. The average quarterly turnover rate for those voluntarily separating from state service was 3.5 percent and 0.5 percent for employees involuntarily separating from the classified service.

State Personnel Office		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $4,082.1	FTE: 47							
1	Classified service vacancy rate	15%	18%	13%	19%	19%	19%	R
2	Average days to fill a position from the date of posting	69	65	55	67	69	81	R
3	Average state classified employee compa-ratio	102%	101%	≥95%	101%	101%	101%	G
4	Average state classified employee new-hire compa-ratio	97%	97%	91%	95%	96%	96%	R
5	New employees who successfully complete their probationary period	70%	65%	75%	61%	66%	63%	R
6	Classified employees voluntarily leaving state service	15%	15%	15%	4%	3.5%	3.2%	G
7	Classified employees involuntarily leaving state service	2%	2%	5%	0.5%	0.5%	0.5%	G
8*	State employee average overtime usage per month	16.2 hours	16.2 hours	N/A	15.3 hours	15.2 hours	14.6 hours	
9*	State employees receiving overtime	17%	17%	N/A	18%	17%	17%	
Program Rating		R	R					Y

*Measures 8 and 9 are explanatory measures provided for informational purposes and do not have targets.

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No



NMDOT 2018A Bond Transaction Status Update: On May 24, 2018 a preliminary official notice of bond sale was announced for the State Transportation Revenue Refunding Bonds (State Transportation Commission – Subordinate Lien) Series 2018A in the aggregate principal amount of $423.7 million on June 7, 2018. This restructuring is necessary to address the existing variable rate debt that is associated with (1) the Rail Runner; and (2) the financial "cliff" issue NMDOT has been faced with since 2004.

Department of Transportation

The New Mexico Department of Transportation (NMDOT) reports 75 total traffic fatalities as of the end of the third quarter, down 16.6 percent from third quarter FY17; this includes alcohol-related and unbelted fatalities. NMDOT continues to struggle to maintain the transportation system given strained resources. In FY16, the most recent year for which data is available, 79 percent of non-national highway system miles in the state transportation network were rated good, down from 80 percent in FY15. Miles in deficient condition increased 6.2 percent to 4.5 thousand.

Despite aggressive recruiting efforts, NMDOT experienced increased vacancy rates due to the transition of human resource functions to the State Personnel Office. At the end of the third quarter, NMDOT reports 416 vacancies, 17 percent of the total workforce, and a five percent increase since FY15.

The U.S. Department of Transportation (USDOT) ranks New Mexico 16th best out of 50 states in the percent of structurally deficient bridges in the system. Additionally, USDOT ranks New Mexico road conditions 17th in the nation.

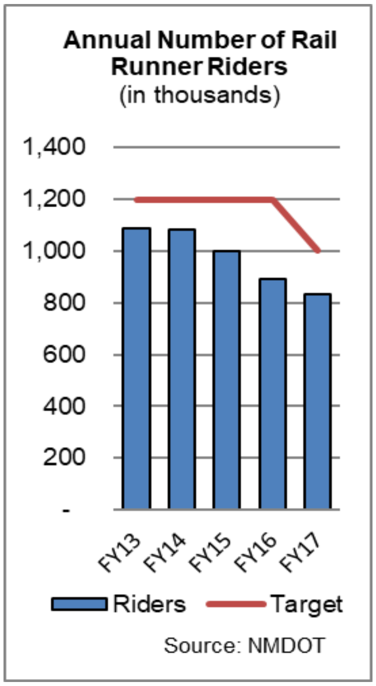
Programs and Infrastructure

The program's performance measures provide information to determine how well projects are managed, kept within budget, and on time. Maintaining costs at bid amount or lower allows NMDOT to obligate residual fund balances that go toward other construction projects. NMDOT continues to complete a majority of projects according to schedule, and has increased performance in putting projects out to bid. Estimating projects closer to expected expenditures, as well as good project management to maintain the original intent and scope, resulted in a negative 1 percent cost over bid for the third quarter.

Project Design and Construction Budget: $536,056.7 FTE: 366		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
1	Projects completed according to schedule	89%	94%	>88%	83%	86%	90%	G
2	Projects put out for bid as scheduled	51%	65%	>67%	75%	94%	90%	G
3	Final cost-over-bid amount on highway construction projects	3.5%	-1.0%	<3%	-1.0%	1.4%	-1.0%	G
Program Rating		Y	G					G

Transportation and Highway Operations

NMDOT reports the condition of interstate highways improved from FY15 to FY16, the most recent reporting period. However, conditions of National Highway System (NHS) and non-National Highway System (non-NHS) roadways deteriorated over the same time period. Reasons for deficient roadways vary from lack of funding, attention to other roads, and not applying the appropriate treatment to roads. The number of pavement preservation lane miles is dependent on the focus of maintenance crews, available budget, weather conditions, and other functions such as litter collection.



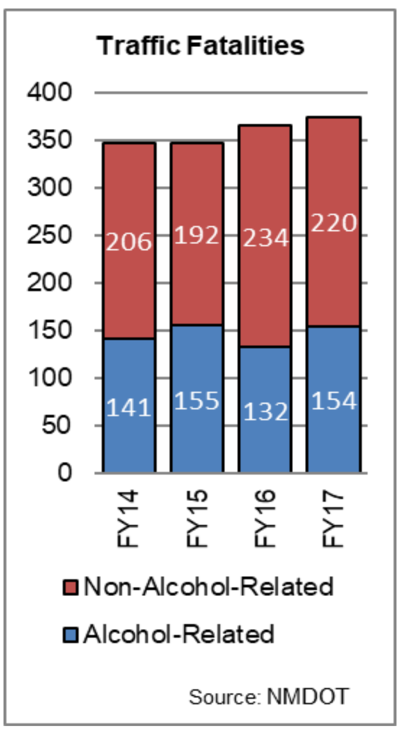
The choice between roadway preservation vs. roadway restoration is often decided upon the amount of available funds. In many instances, treatments typically applied as preservation in place of rehabilitation or reconstruction applications are due to lack of funds.

Highway Operations Budget: $233,749.9	FTE: 1,827.7	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
4	Statewide pavement miles preserved	2,457	3,668	>2,600	1,233	858	93	G
5	Bridges in fair condition or better, based on deck area	95%	95.5%	>88%	95.5%	95.5%	95.5%	G
Program Rating		Y	G					G

Modal Program

The Modal Program was created in FY17 to enhance safety and provide federal grants management and oversight of dedicated funding programs including traffic safety, aviation, transit, and rail. Traffic and pedestrian fatalities are higher than the trend necessary to meet targets but are consistent with FY17 data. Public transit ridership continues to be down as more people use personal vehicles. The current low price of gasoline and diesel are rendering these transit services less competitive relative to driving.

NMDOT reports Rail Runner performance but does not operate the passenger rail service.



Modal Budget: $64,378.3	FTE: 73	FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
6	Traffic fatalities	355	383	<340	91	98	75	G
7	Alcohol related traffic fatalities	132	163	<135	24	30	19	G
8	Non-alcohol related traffic fatalities	223	220	<220	67	68	56	Y
9	Occupants not wearing seatbelts in traffic fatalities	133	132	<133	28	32	31	G
10	Pedestrian fatalities	72	69	<72	20	25	24	R
11	Riders on park and ride, in thousands	264.2	247.1	>275.0	62.5	56.7	59.5	R
12*	Riders on Rail Runner, in millions	0.89	0.84	N/A	0.21	0.20	0.18	
Program Rating		R	Y					Y

* Measures three through five are explanatory measures provided for informational purposes, and do not have a target. The ratings indicate comparison to prior year performance.

Program Support

NMDOT has an increasing vacancy rate despite aggressive recruitment and targeted salary increases for positions including highway maintenance workers and engineering technicians. NMDOT notes details of the statewide human resources (HR) consolidation are still being worked out with the State Personnel Office and that four of the six transportation districts have one HR professional each. It is highly likely that the lack of HR staff is at least partially responsible for the increased vacancy rate. Of the 21 injuries occurring in the third quarter of FY18, ten occurred in a work zone.

PERFORMANCE REPORT CARD
Department of Transportation
Third Quarter, Fiscal Year 2018

The Department of Transportation Commission approved a loan application by the Rio Metro Regional Transit District (RMRTD) to the State Infrastructure Bank on May 17, 2018, for $11 million with 1.0 percent interest with a term of 18 years. Funds will go towards the implementation of mandates from the Rail Safety Improvement Act of 2008 for a positive train control (PTC) system by December 2020. Requirements for PTC include improving appropriate warnings or enforcements when a mandatory directive is issued associated with a highway-rail grade crossing.

Program Support		FY16 Actual	FY17 Actual	FY18 Target	Q1	Q2	Q3	Rating
Budget: $42,165.7	FTE: 236.8							
13	Vacancy rate in all programs	14%	14%	<10%	15%	16%	17%	R
14	Employee injuries	89	78	<90	20	25	21	Y
15	Employee injuries occurring in work zones	32	34	<35	9	9	10	Y
Program Rating		G	G					Y

Project Status Legend

Green	Project is on track; scope, budget, schedule, and deliverables are being managed appropriately.
Yellow	Project has potential risk to scope, cost, schedule, or deliverables; independent verification and validation (IV&V) and/or LFC staff has identified one or more areas of concern needing improvement.
Red	There are significant issues limiting the success of the project; high risks to scope, cost, schedule, or deliverables identified; management attention and corrective action needed.

Agency	**333**	**Taxation and Revenue Department**						
Project Name	**ONGARD Replacement - Severance Tax**							
Project Description	Replacement of the oil and natural gas administration and revenue database (ONGARD) system. Replacement will be delivered in two separate systems; TRD Severance Tax and State Land Office (SLO) Royalty Administration and Revenue Processing System (RAPS)							
Project Phase	Implementation		**Estimated Implementation Date:**		6/30/2018			
			Estimated Total Cost (2) (in thousands):		$11,000.0			
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$11,000.0	$0.0	$11,000.0	$8,126.6	$2,873.4	73.9%		
FY18 Rating	**Q1**	**Q2**	**Q3**	**Q4**	**Status**			
Budget	Green	Green	Green		Severance Tax project implemented within planned budget; outstanding invoices for implementation phase are pending. Laws 2018 reauthorizes the 2016 $5 million appropriation through FY19 to prepare for interfacing with SLO RAPS project.			
Schedule	Yellow	Green	Green		GenTax deployed Severance Tax into production 3/19/18 as scheduled, followed by a stabilization period and transition to operations. TRD anticipates project close-out end of June 2018.			
Risk	Yellow	Yellow	Yellow		While TRD has reported successful implementation and increases in revenue collections, LFC staff has concerns with the accuracy of the data for natural gas volumes and associated reported revenues.			
Overall	Yellow	Green	Green		Project successfully accomplished all planned activities within scope, schedule, and budget. The independent verification and validation (IV&V) vendor recommended TRD outline post-deployment training and testing and develop a post implementation survey to obtain feedback from the oil and gas industry on the new severance tax application and its use.			
(1) Includes $6 million appropriation for stabilization of ONGARD, of which $1.9 million is allocated to the severance tax project.								
(2) Total estimated costs include $4.1 million for ONGARD stabilization and modernization and $6.9 million for the severance tax project.								

Agency	**539**	**State Land Office**						
Project Name	**ONGARD Replacement - Royalty Administration and Revenue Processing System (RAPS)**							
Project Description	Replacement of the oil and natural gas administration and revenue database (ONGARD) system. Replacement will be delivered in two separate systems; TRD Severance Tax and SLO RAPS							
Project Phase	Initiation/Planning		**Estimated Implementation Date:**		TBD			
			Estimated Total Cost (in thousands):		$10,000.0			
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$10,000.0	$0.0	$10,000.0	$212.8	$9,787.2	2.1%		
FY18 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget	Red	Green	Green		SLO now has $10 million available for the project. SLO received certification of $274 thousand for the initiation phase.			
Schedule	Red	Red	Yellow		With project certification committee (PCC) approval of the initiation phase, SLO is on-track to continue the planning phase and is scheduled for the May PCC meeting.			
Risk	Red	Yellow	Yellow		Data exchange MOU has not been finalized; critical staff departures leave limited subject matter experts; change in administration may impact the project.			
Overall	Red	Yellow	Yellow		SLO will complete the royalty project in two phases; the IV&V contract is under legal review at SLO.			
(1) Laws 2018 appropriated an additional $5 million available for expenditure through FY20; the appropriation is from state lands maintenance fund.								

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	361	Department of Information Technology					
Project Name	SHARE Software Upgrade						
Project Description	Upgrade the SHARE system to version 9.2 for Human Capital Management (HCM) and Financials (FIN) with goals to increase standardization of the system and improve key business processes.						
Project Phase	Close-out	Estimated Implementation Date:		10/12/2017			
		Estimated Total Cost (in thousands):		$15,000.0; Revised $19,764.4			
	State (1)	Federal	Total Available Funding (2)	Spent to Date	Balance	% of Budget Expended	
In thousands	$5,000.0	$0.0	$19,764.4	$19,764.4	$0.0	100.0%	
FY18 Rating	Q1	Q2	Q3	Q4	Status		
Budget					It remains unclear why the estimated project costs increased from $15 million to $19.8 million, or 32 percent.		
Schedule					The PCC approved the project close-out certification. DoIT will have a standard schedule for SHARE updates to keep the system up-to-date.		
Risk					A reconciliation of project funding and expenditures is needed to ensure proper use of funds and accuracy of project costs.		
Overall					DoIT and DFA established a Continuous Improvement Governance Board to support and align agencies around enterprise decisions and multi-agency business processes.		
(1) Laws 2013 appropriated $5 million; additional appropriation of $2.9 million is from the SHARE equipment replacement fund.							
(2) Total available funding increase includes $11.8 million from SHARE equipment replacement fund, through the BAR process.							

Agency	594	State Treasurer					
Project Name	SHARE Integrated Treasury Solution						
Project Description	Implement the SHARE treasury management module to provide the functionality needed to streamline the cash management and investment management processes by eliminating manual booking of investments into the SHARE general ledger. Implementation will improve accuracy, timeliness and data integrity.						
Project Phase	Implementation	Estimated Implementation Date:		12/31/2017; revised 3/31/18, 4/30/18			
		Estimated Total Cost (in thousands):		$1,950.0			
	State	Federal	Total Available Funding	Spent to Date	Balance	% of Budget Expended	
In thousands	$1,950.0		$1,950.0	$975.9	$974.10	50.0%	
FY18 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Available funding is reauthorized through FY18.		
Schedule					Execution of contracts delayed schedule, with project shutdown during January and part of February with the estimated project completion extended by another month.		
Risk					Project delays are causing scheduling conflicts with acquisition of environments and data migration. STO recently provided LFC staff a project update, implementation was successfully completed 5/18/2018.		
Overall					The project team continues to be behind on documentation impacting the overall project schedule and progress. The current IV&V report indicates STO needs to ensure written documentation and knowledge transfer is complete.		

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	**361**	**Department of Information Technology**					
Project Name	**DoIT Statewide Infrastructure Replacement & Enhancement (SWIRE)**						
Project Description	Plan, design, purchase, and implement infrastructure for public safety communications statewide for improved communication equipment affecting emergency responders.						
Project Phase	Implementation		**Estimated Implementation Date:**		6/30/2018; revised 6/30/2021		
			Estimated Total Cost (in thousands):		$14,200.0		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$14,200.0	$0.0	$14,200.0	$12,080.6	$2,119.4	85.1%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Green	Green	Green		Laws 2018 appropriated additional $10 million to continue the replacement of public safety radio equipment and infrastructure.		
Schedule	Yellow	Yellow	Yellow		Overall project is 95 percent complete; phase I and II are in final stages and phase III has been initiated. An updated project management plan is needed.		
Risk	Green	Green	Green		Constraints include weather and available external and internal resources.		
Overall	Green	Green	Green		700 MHz land mobile radio units deployment initiated, site surveys for 700MHz trunking sites is complete and DPS Dist. 1 and Dist. 5 units have been equipped with dual banded 700-800 subscriber units.		

Agency	**366**	**Public Employees Retirement Association (PERA)**					
Project Name	**Retirement Information Online (RIO) Enhancement**						
Project Description	Update current PERA system to include implementing business process improvements, user interface enhancements, data integrity and remediation, and customer relationship management (CRM) software and workflow system.						
Project Phase	Implementation		**Estimated Implementation Date:**		6/30/2018; revised 11/15/18		
			Estimated Total Cost (in thousands):		$4,200.0		
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$4,200.0	$0.0	$4,200.0	$2,193.3	$2,006.7	52.2%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Green	Green	Green		Project budget is adequate and on track, Laws 2018 granted agency a reauthorization of $4.2 million funding through FY19 due to project delays.		
Schedule	Red	Yellow	Red		Although the project is progressing, CRM vendor deliverables continue to be behind schedule and its project manager moved to another project, impacting overall project schedule. Some business requirement documents are behind schedule for approval.		
Risk	Red	Red	Yellow		The IV&V vendor recommends the project manager clarify project status updates to indicate specific tasks that are slipping against milestone dates. Project team is actively monitoring risk associated with schedule slippage.		
Overall	Yellow	Yellow	Yellow		PERA is working on resolution of identified data issues; PERA currently anticipates overall project completion by November 2018.		
(1) Amount does not reflect Laws 2018 other state funds $3 million appropriation to upgrade RIO hardware and software infrastructure.							

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	630	Human Services Department					
Project Name	**Child Support Enforcement System Replacement (CSESR)**						
Project Description	Replace the existing system which is over 20 years old, with a flexible, user-friendly solution to enhance the department's ability to meet federal performance measures. The current system maintains 59 thousand active cases with over $132 million in annually distributed child support payments.						
Project Phase	Planning		**Estimated Implementation Date:**		TBD		
			Estimated Total Cost:		TBD		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$3,927.3	$1,023.6	$4,950.9	$2,656.9	$1,270.4	53.7%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Yellow	Green	Green		Current remaining funding is sufficient to complete planning activities and is available through the end of FY18.		
Schedule	Yellow	Yellow	Yellow		Office of Child Support Enforcement (OCSE) required HSD to revise and resubmit the CSESR feasibility study which has delayed other work. HSD is currently evaluating proposals for IT professional services to revise the feasibility study.		
Risk	Yellow	Yellow	Yellow		HSD did not submit a FY19 C2 funding request, pending revisions of the feasibility study. Progress on the revised feasibility study continues to be limited.		
Overall	Yellow	Yellow	Yellow		Project work plan has been updated and incorporated in the Master HHS 2020 and the project schedule includes milestones to align and leverage the HHS 2020 Enterprise.		

Agency	630	Human Services Department					
Project Name	**Medicaid Management Information System Replacement (MMISR)**						
Project Description	Replace current Medicaid management information system and supporting application to align with Centers for Medicare and Medicaid Services (CMS) requirements, including Medicaid Information Technology Architecture (MITA).						
Project Phase	Planning		**Estimated Implementation Date:**		11/30/2019		
			Estimated Total Cost (in thousands)**:**		$175,604.0		
	State	**Federal**	**Total Available Funding** (1)	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$15,421.9	$138,435.1	$153,857.0	$26,470.7	$127,386.30	17.2%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget	Green	Green	Green		HSD awarded the $45 million System Integrator contract to Turningpoint Global Solutions to design, develop, and implement multiple modules along with project management activities. HSD is requesting CMS approval of a $27.7 million, or 15 percent increase in the MMISR budget, with project completion extended to December 2021 instead of November 2019.		
Schedule	Yellow	Red	Red		IV&V continues to report the project is experiencing delays issuing RFP and contract approvals due to DoIT's undefined procurement and contracting review processes. HSD is in the process of sending CMS and DoIT the Data Services contract for review and approval. The Quality Assurance RFP was released mid-March, proposals are due May 16, 2018.		
Risk	Red	Red	Red		The current IV&V report indicates highest level of risk is the continued procurement delays, and without mitigation, a complete stop of project progress may result. Additionally, incomplete project resource estimating may adversely impact schedule, cost, and quality of the project. HSD is mitigating the risk by hiring HSD staff and contractors to support the project.		
Overall	Yellow	Red	Red		The current IV&V report indicates there is no end-to-end master schedule that allows the project team to validate the reality of the overall schedule, monitor progress, effectively manage resources, and ensure project objectives are met. A lack of standards and repeatable project management processes continue. The inability to apply a consistent methodology increases risk that critical tasks, dependencies and resources may not be identified and planned accordingly.		

(1) Total available funding includes an additional $67.7 million appropriated in Laws 2018; $6.8 million general fund and $60.9 million federal.

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	685	Department of Health					
Project Name	**Women, Infants, and Children (WIC) System Replacement Project**						
Project Description:	Replace a 14-year-old legacy system with the WIC regional solution that includes Texas, Louisiana, New Mexico and two independent tribal organizations (ITOs). The regional model will meet USDA Food and Nutrition Service (FNS) requirements for Management Information Systems (MIS) and Electronic Benefits Transfer (EBT) delivery for WIC benefits.						
Project Phase	Implementation		**Estimated Implementation Date:**		11/30/2018		
			Estimated Total Cost (in thousands):		$7,004.9		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$0.0	$7,004.9	$7,004.9	$3,624.2	$3,380.70	51.7%	

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget					The implementation advanced planning document (IAPD-U) annual summary was submitted to FNS; the program addressed FNS questions in the New Mexico response. DOH is awaiting FNS response and approval.
Schedule					Texas MIS pilot phase continues; phase III of New Mexico MIS pilot started and outcomes from the pilot are being worked collaboratively. Project milestones are on target.
Risk					IV&V vendor reported multiple MIS system outages and on-going concerns regarding system stability.
Overall					EBT vendor continues to work with MIS vendor on integration support of Texas pilot and continued support of New Mexico pilot. New Mexico and ITOs completed cutover for EBT's Food, Vendor, and Drop Ship modules.

Agency	690	Children, Youth and Families Department					
Project Name	**Enterprise Provider Information Constituents Services (EPICS)**						
Project Description:	Multi-phase/multi-year project to consolidate CYFD's legacy system (FACTS) and 25+ stand-alone systems into one enterprise-wide web application. EPICS scope consists primarily of the Early Childhood Services program.						
Project Phase:	Implementation		**Estimated Implementation Date:**		3/31/2018; Revised 6/30/2018		
			Estimated Total Cost (in thousands):		$19,827.3		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$10,636.8	$9,190.5	$19,827.3	$18,553.5	$1,273.80	93.6%	

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget					CYFD continues development of modules as funding allows.
Schedule					"Am I Eligible" phase II continues to be behind schedule due to staffing turnover and competing priorities.
Risk					Loss of key agency IT staff and contractor continue to be the highest risk to the project, The loss of staff is increasing project workload for remaining staff. Communication of updated project plans needs improvement. CYFD's IT division current vacancy rate is 37 percent.
Overall					The current IV&V report indicates standard processes for consistently documenting requirements still need to be developed. IV&V vendor recommends implementing a standard methodology for identifying, assessing, reporting, and monitoring risks for all subprojects and evaluating security of EPICS as a whole.

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

Agency	**770**	**Corrections Department**					
Project Name	**Offender Management System Replacement**						
Project Description:	Replace 15-year old client server offender management system with a commercial-off-the-shelf (COTS) web-based solution. The COTS solution has 17 modules associated with CD requirements.						
Project Phase:	Implementation	**Estimated Implementation Date:**		6/30/2019; revised			
		Estimated Total Cost (in thousands)**:**		$11,600.0			
	State (1)	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$10,100.0		$10,100.0	$2,527.1	$7,572.90	25.0%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget					Current project funding is adequate for 17 modules.		
Schedule					Gap analyses are complete. Data conversion and mapping have been initiated.		
Risk					Inability to fill vacant IT positions continues to be a high risk, in addition to potential lack of vendor resources; Corrections IT Division currently has 26 percent vacancy rate; agency is using a staff augmentation vendor to mitigate risk during the implementation phase and is in the process of hiring two individuals.		
Overall					The project continues to progress well, with no major issues with scope, schedule or budget.		
(1) Amount includes Laws 2018 appropriation of $2.3 million.							

Agency	**780**	**Department of Public Safety**					
Project Name	**Computer Automated Dispatch (CAD)**						
Project Description:	Replace 10-year old CAD system. CAD is used to dispatch 911 calls to officers, map the call location in the dispatch center, provide automatic vehicle location of officers in the field, and provide the National Crime Information Center with access to data.						
Project Phase:	Implementation	**Estimated Implementation Date:**		9/27/2017			
		Estimated Total Cost (in thousands)**:**		$3,988.8			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$4,150.0		$4,150.0	$3,884.7	$265.30	93.6%	
FY18 Rating	Q1	Q2	Q3	Q4	**Status**		
Budget					DPS will use remaining funding for the planning phase of the Records Management System (RMS) project. Funding expires end of FY18. The PCC approved certification of remaining funds for planning phase of the RMS project.		
Schedule					Luna county went live in February and Valencia county was scheduled for mid-April. Up-to-date information is not available as of this writing.		
Risk					DPS implemented mitigating strategy for statewide mapping; DPS is working to update the mapping system to include Valencia data.		
Overall					The system continues to be stable; project close-out will be scheduled after Valencia and Luna county go live.		

Source: DoIT IT project status reports, agency status reports, project certification documents, independent verification and validation reports, Sunshine Portal and LFC analysis.

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

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David Abbey
Director

May 30, 2018

LFC INVESTMENT REPORT FOR THE QUARTER ENDING MARCH 31, 2018

This report details the comparative investment performance of the three investment agencies: the Educational Retirement Board (ERB), the Public Employees Retirement Association (PERA), and the State Investment Council (SIC) which manages the land grant permanent fund (LGPF) and the severance tax permanent fund (STPF). This report derives agency performance and market environment information from the investment performance reports submitted by PERA, ERB, and SIC for the quarter ending March 31, 2018.

INVESTMENT PERFORMANCE HIGHLIGHTS

- In the last year, the aggregate value of the state's combined investment holdings for the pension and permanent funds grew by over $3 billion, or 6.9 percent, to end the quarter at $50.7 billion. However, returns for the quarter were less than 1 percent or negative. After considering distributions from the funds, the aggregate value of the state's combined investment holdings for the quarter declined by $236.9 million.
- One-year returns ranged from 9.1 percent to 10.8 percent, outperforming each of the funds' long-term targets. The PERA fund and the LGPF outperformed their policy benchmarks for the one-year period, while the ERB and the STPF underperformed their policy benchmarks over the last year.
- When compared with peer funds greater than $1 billion on a net-of-fee basis, the ERB fund and the permanent funds' investment returns ranked above the median for the quarter, three-, five-, and 10-year periods. Only the LGPF performed above the 50th percentile for the year. PERA's investment returns were below the median for all periods reported.

PERFORMANCE VS. INTERNAL BENCHMARKS

Returns as of March 31, 2018 (Net of Fees)

	PERA		ERB		LGPF		STPF	
Returns (%)	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index	Fund	Policy Index
Quarter	-0.2	-1.4	0.4	0.7	0.5	0.2	0.3	0.2
1-Year	9.1	7.3	9.7	10.4	10.8	9.8	9.9	10.0
3-Year	5.7	6.0	7.2	7.0	6.9	6.5	6.6	6.6
5-Year	7.1	7.0	7.8	7.3	7.9	7.9	7.7	7.9
10-Year	5.3	5.7	6.5	5.8	6.1	5.9	5.4	5.9

The table above provides the funds' investment returns for the quarter and one-, three-, five-, and 10-year periods ending March 31, 2018 compared with the funds' policy indices, which are a custom benchmark that show the returns that would have been generated if a passive investor consistently followed the agency's asset allocation targets according to their investment policy.

The state's investment funds each generated returns above their long-term targets for the one-year period. ERB and the permanent funds also generated returns above the long-term targets for the five-year period. The long-term return targets are 7.25 percent (PERA), 7.25 percent (ERB), 7 percent (LGPF), and 6.75 percent (STPF). The first quarter of 2018 was marked by low returns, with the ERB and permanent funds returning less than one percent, and the PERA fund losing $171.1 million, or 0.2 percent. Low returns were due in part to stock market losses, with the U.S. equity benchmark S&P 500 returning -0.8 percent and the international equity benchmark MSCI EAFE (Net) returning -1.5 percent for the quarter. Although stock performance faltered this quarter, domestic and international equities posted double-digits returns for each of the four funds over the one-year period.

Despite negative returns this quarter, PERA outperformed its policy benchmark for the quarter, one-, and five-year periods. The LGPF outperformed its policy index for all periods reported and posted double-digit returns for the one-year period. The ERB fund fell short of its policy index for the quarter and one-year periods; however, the fund beat its policy index for the 10-year period and generated the highest percentage return among the four investment funds for the 10-year period.

FUND ASSET VALUES

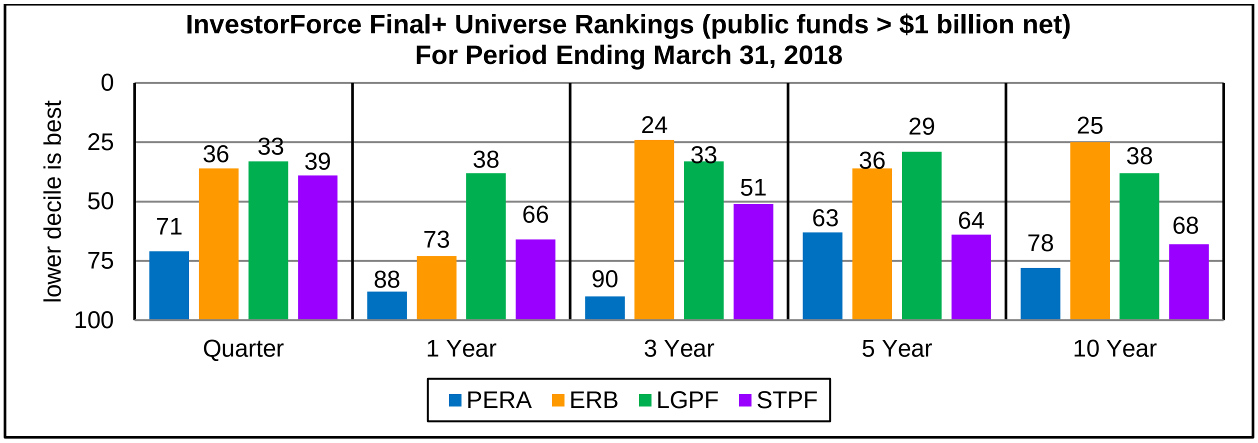
Fund balances grew over the last year, as shown in the table below. The aggregate value of all four of the state's investment funds grew by almost $3.3 billion, or 6.9 percent, in the last year. The land grant permanent fund, which is the largest of the four funds, added over $1.5 billion to the fund balance in CY17. Both ERB and PERA added just over $730 million to their fund balances in the last year, and the STPF added $260 million. All amounts displayed in the table above are net-of-fees and represent annual growth in fund balances less any distributions. In particular, pension fund balances tend to grow at a slower rate than the permanent funds, since distributions must be made to retirees regardless of fund performance, whereas permanent fund distributions are calculated as a percentage of the five-year average of the fund.

Current Asset Values ($millions, net-of-fees)
For One-Year Period Ending March 31, 2018

	ERB	PERA	LGPF	STPF	TOTAL
Current Asset Value	**$12,809.7**	**$15,402.4**	**$17,358.1**	**$5,806.5**	**$50,656.8**
Annual Change					
Ending Asset Value (03/31/2017)	$12,706.8	$14,668.1	$15,809.7	$4,826.3	$47,380.9
Value Change – Year Over Year	$732.9	$734.3	$1,548.4	$260.3	$3,276.0
% Change – Year Over Year	6.1%	5.0%	9.8%	5.4%	6.9%

PERFORMANCE RELATIVE TO PEERS

Using the InvestorForce Final+ Universe, the state's investment fund returns are evaluated on a net-of-fee basis alongside approximately 60 public funds, each with more than $1 billion in assets. The following figure shows net-of-fee total return rankings for the quarter, one-, three-, five-, and 10-year periods. A lower number (1 is best) denotes better performance when compared with other public funds within a comparable investment universe.



With net-of-fee returns in the last year ranging from 9.1 percent to 10.8 percent, New Mexico's pension funds and the STPF performed below the median (50th percentile) for the one-year period (the median one-year return was 10.4 percent), although the LGPF returned above the median in the 38th percentile. The ERB fund and the LGPF performed above the median for the quarter-, three-, five- and ten-year periods. The STPF performed above the 50th percentile for the quarter and near the median for the three-year period, but performed below the median for all other periods. The PERA fund returns ranked below the median for all periods reported.

Notably, return-based peer rankings do not account for funds differences in asset allocation and risk tolerance. For example, funds with higher equity exposure will rank higher during stock market rallies but risk significant losses in the event of a market crash. The agencies have each pursued diversifying strategies to mitigate risk, with the understanding that diversifying away from heavy stock market exposure means the funds give up potential returns (and potentially higher peer rankings) in bull markets in favor of additional stability in moderate or negative return markets.

To demonstrate this point, the LGPF ranked below the median for the one- and three-year periods at the end of calendar year 2017, which was marked by strong stock market performance. However, one quarter later and with a market environment of negative returns from stocks, the LGPF now ranks above the median for all periods reported. Despite negative stock market returns for the quarter, the strong equities market over the last year pushed the ERB and PERA funds below the median for one-year period. Additionally, PERA's poor performance relative to peers at least partially reflects its asset allocation – PERA not only has less exposure to public equities than its peers but also less exposure to private equities, which also posted double-digit returns in the last year.

RECENT UPDATES

During the first quarter of 2018, the PERA Board adopted an Active Risk Budget and Active Strategy Return Target for its active management strategies within the portfolio. Active risk budgeting is a method to balance risk tolerance with desired excess return. Through this framework, PERA will seek to minimize inadvertent risk while maximizing excess return per unit of intentional active risk. ERB and SIC did not report any significant changes to investment strategies in the last quarter.

ATTACHMENT 1 – INVESTMENT RETURNS