



LFC Newsletter

A publication of the

Legislative Finance Committee

Representative Patricia Lundstrom, Chairwoman

Senator John Arthur Smith, Vice Chairman

David Abbey, Director

Volume 18 Issue 1

July 2017

From the Chairwoman **Resilience**

The committee starts its summer travel schedule this month with a trip to northwest New Mexico, my neck of the woods.

Every year, the committee leaves the confines of Santa Fe for a few months to see first-hand what is happening throughout the state and bring attention and energy to resolving regional issues.

Few regions of the state are more deserving of that focus than the northwest. With the second largest uranium deposit in the United States, the nation's second largest natural gas field, and the world's largest coal-bed methane field, the area has been blessed with natural resources. But the blessing can seem more like a curse when the market takes a dive.

While the state is starting to climb back from the economic decline that started three years ago when the bottom dropped out of the oil market, the coal- and gas-supported communities of northwest New Mexico are still suffering. Given the trend away from the use of coal to generate electricity and the ever-cheaper production of natural gas that's suppressing prices, it's clear the region can't count on the immediate recovery of those industries to bring back the local economy. The area needs short- and long-term solutions that depend not only on mining and drilling but also on the many other resources the area has to offer.

An expected update to the state's energy plan could provide a foundation for rebuilding the energy economy; thoughtful and balanced regulation could help. But we can't stop there. We need a serious, multi-agency, public-private, bipartisan effort to bring the regional economy back.

Northwest New Mexico has a lot to offer: It's a key piece of the Four Corners geotourism region with a wealth of recreational and cultural resources, making it a draw for tourism and telecommuters. It has a top regional medical center and one of the best community colleges in the country. More than half the water that flows through the state flows through San Juan County, making it a prime location for a revived agricultural industry, and the Navajo Gallup Water Supply project will ensure a long-term supply. It has empty manufacturing facilities near Interstate 40 ripe for repurposing, and the beginnings of a major transportation hub with the Gallup Energy Logistics Park.

And, of course, it has extensive experience in the energy industry, and New Mexico is one of the most promising locations for wind and solar energy production.

Local economic developers are already looking for solutions, this committee meeting could bring the issue the attention it really needs.

Representative Patricia Lundstrom
Chairwoman

Corrections Struggles with Staffing, Health Costs, Facilities

The Corrections Department will likely close the books on FY17 with about \$1 million left over from a special appropriation for operating cost overruns, despite a shortage of correctional officers that is resulting in high overtime costs and contributing to dangerous prison environments, LFC staff reports.

The committee is scheduled to hear about the state of the New Mexico correctional system at 8 a.m. July 21 during a meeting at Western New Mexico Correctional Facility in Grants.

The department had projected an \$8.8 million shortfall for FY17 but managers say a hiring freeze and better purchasing practices allowed them to end the year with a smaller deficit.

The department expects to close FY17 with \$1 million of a \$6.3 million special appropriation approved in 2016 left over. Department managers say that money might be used to cover past-due payments to the Department of Information Technology for radios, certain union-driven payments to employees, and security equipment.

The department received another \$4 million special appropriation earlier this year for inmate population growth, hepatitis C treatment, and custodial staff overtime but has not used any of that money.

Because of ongoing issues with staffing, the department received \$4.5 million to improve officer pay in FY17, a budget year in which most agencies were cut, but the agency still has a 22 percent vacancy rate among officers.

The department is working on ideas to retain staff, including providing housing in rural areas and creating pay differentials for officers who work in remote locations. Almost half of the correctional officer positions at the prison in Springer, an hour northwest of Las Vegas and two hours from Santa Fe, are vacant.

The Legislature did not appropriate additional money for salaries for FY18, but the department received \$6.5 million more for inmate health care, a 12 percent increase over FY17.

Corrections staff say the department's new healthcare contractor, Centurion, is providing more and better services than previous contractors, especially for women inmates.

In addition to operational issues, the department is struggling with deteriorating physical facilities that the General Services Department reports would be cheaper to replace than repair.

Most state capital outlay for the past two years has been diverted to budget shortfalls.

Agencies Hit, Miss, Ignore Goals

Agency performance reports for the third quarter of FY17 show the typical mixed results, with the Human Services Department reporting a 92 percent decline in the backlog of food assistance applications but a 23 percent increase in late processing of Medicaid renewals.

The quarterly *Performance Dashboard*, "report cards" reflecting agency progress toward targets set in the state budget act, were presented to the committee in June and are available online at nmlegis.gov/Entity/LFC/Default/Agency_Report_Cards.

The latest report indicated solvency-related budget cuts are making it difficult for some agencies to meet the targets. In addition, changes in the reporting process might have created confusion over when and what to report, leading a few agencies to fail to report at all.

The state Accountability in Govern-

ment Act requires "key" state agencies to report quarterly on their performance, with the activities to be measured and the targets for performance included in the state budget. However, the process, including measures added to those in the budget bill, is usually set by the Department of Finance and Administration and Legislative Finance Committee through negotiation.

Over the last year, in response to complaints from the administration, reporting requirements have been cut back.

Among the findings in the third-quarter report card:

- The rate of abused and neglected children who experience additional mistreatment is double the U.S. average.
- Violent and property crime rates are growing faster than national rates.
- More students are staying enrolled at research universities.

Vital Records, Courts Feel Impact of REAL ID

The Motor Vehicle Division is not the only state agency feeling the impact of the extensive document requirements of the federal REAL ID law. The district courts and Vital Records and Health Statistics at the Health Department are also seeing an increase in workload as more New Mexicans ask for official copies of birth certificates and more petition the court to officially change their names.

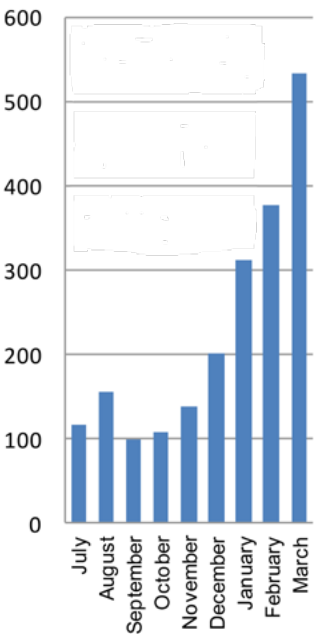
To qualify for REAL ID – the form of driver identification required for boarding airplanes and entering certain secure federal facilities – applicants must present numerous documents, all with matching names. The documents must include a social security card or other proof of identification number, a birth certificate, passport or other proof of identity, and two documents that prove residency.

Since the new ID rules were implemented in November, the average wait time in MVD offices, as reported by the agency, has increased from 13 minutes to 18 minutes.

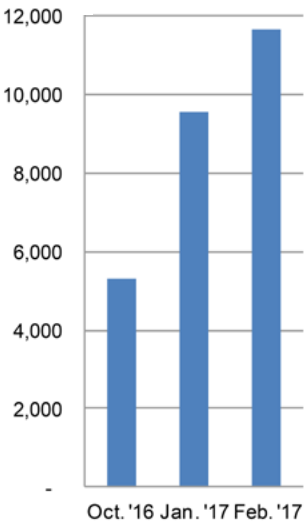
At the same time, the number of petitions for a name change filed in district courts increased from under 150 a month to more than 500; the courts closed nearly as many name-change petitions in the first nine months of FY17 than in FY15 and FY16 combined.

The number of birth certificate requests almost doubled between October 2016 and February 2017. Together, the two processed can take from two to five months to complete and cost more than \$200.

Name Change Petitions



Birth Certificates Issued



LFC Newsletter

Volume 18 Issue 1

Published monthly in the interim by the Legislative Finance Committee.

Staff Editor - Travis Dulany Writer, Editor - Helen Gaussoin

Questions, comments: 505-986-4550

www.nmlegis.gov/lfc

Please contact Adreena Lujan at adreena.lujan@nmlegis.gov if you would prefer to receive this newsletter electronically.

Legislative Finance Committee
325 Don Gaspar Street Ste101
Santa Fe NM 87501

On the Table

Personal Income Up

New Mexico personal income grew 1 percent on average during the first three months of 2017, compared with an average below a half percent for the last three months of 2016. The measure includes not only wages but business and investment earnings and other sources of income, as well as benefits provided by employers or the government. The strongest growth among the states was 1.3 percent.

NMSU Freezes Positions

An \$8 million budget gap at New Mexico State University, created by funding cuts, has prompted the school to freeze 50 faculty and 40 staff positions and lay off two employees. The university will also reduce the number of graduate teaching assistants and support for the Agricultural Experiment Station and Cooperative Extension Service.

Assistance Enrollment Up and Down

Enrollment in the program that subsidizes the cost of childcare for low-income families was 19,749 in May, up 399 slots from April at a cost of \$10 million for the month. The May 2017 enrollment was 9 percent higher than in May 2016. The Medicaid program served 902,860 people in May, a 4.6 percent increase from a year ago but a decrease of 0.3 percent from April 2017. The May caseload for Temporary Assistance for Needy Families, the cash assistance program, dropped by 6.6 percent from the same month a year ago to 11,226 families. The caseload is also slightly down – a half percent – from the caseload in April.

Federal Healthcare Action Could Cost \$40M

New Mexico would lose \$40 million over five years for immunizations and other prevention programs if the federal prevention fund is repealed under the congressional healthcare bills.

State OKs ‘Extraordinary’ Payouts

The Office of Superintendent of Insurance authorized almost \$150 million in “extraordinary dividends” for the stockholders of two health insurance companies that might owe the state for unpaid premium taxes. The office approved a total of \$124 million in extra payouts for Presbyterian Health Plan stockholders and \$20 million for Lovelace Health System stockholders. Both are part of an investigation into underpaid taxes, and the Attorney General is suing Presbyterian for tax evasion. The State Auditor has asked the superintendent to reject any additional requests for extraordinary dividends.

Transitions

Gino Rinaldi, former Aging and Long-Term Services Department secretary, is the new director of Santa Fe Senior Services Division.

Frank Crociata has resigned as the tax policy director at the Taxation and Revenue Department.