Accountability in Government
Selected Performance Highlights
Fourth Quarter, Fiscal Year 2017

Pursuant to the Accountability in Government Act (AGA), quarterly reports are required of key agencies, including performance measures and results approved by the Department of Finance and Administration (DFA) 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 report cards, along with a green, yellow, or red rating that indicates how well the agency has met its performance targets. To add context to the report cards, and to fill gaps in 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.

Some state agencies have developed alternative ways to present their own performance data. The Department of Health (DOH) website, for example, has a performance management and quality improvement page that includes performance results, its strategic plan, and a link to an interactive results scorecard: nmhealth.org/about/asd/opa/pip/

Following are highlights for the fourth quarter of fiscal year 2017 by agency:

Taxation and Revenue Department *(page 8)*

The Taxation and Revenue Department (TRD) slightly beat the target for collections of outstanding balances, collecting $118.6 million, or 18.4 percent of the collectable balance. Motor Vehicle Division (MVD) improved its call center wait times with an average wait time of 4:33 minutes, better than the 5 minute target. MVD field office wait time was 5 minutes over the target mostly due to REAL ID implementation. Of great concern, however, are significant tax processing and reconciliation issues that pose substantial uncertainty and risks to reporting General Fund condition.

Human Services and Medicaid *(page 10)*

The Human Services Department (HSD) continues to maintain relatively high vacancy rates, and this resource limitation may be impacting HSD's ability to meet performance targets including timely processing of eligibility applications and re-certifications. After years of successful outcomes, the Child Support Enforcement Division's (CSED) performance measures declined in most areas and the program is struggling to deliver timely child support services. CSED indicated this is due to staff recruitment and retention problems, and is adjusting its business and training processes to try to improve results. In the Medicaid program, the department pays managed care organizations (MCOs) to achieve certain outcomes, with several targets designated by the federal government; however, performance outcomes continue to lag below federal, state, and contract targets in many areas.

Behavioral Health *(page 14)*

The Human Services Department's Behavioral Health Services Division and Behavioral Health Collaborative have a mission to improve behavioral health outcomes in the state. With the expansion of Medicaid, the number of behavioral health clients and services increased for the past few years. However, in FY17, the numbers of people receiving behavioral health services declined from FY16 by 49,201 to 124,580 individuals. At the same time, most behavioral health performance outcomes remain below targets and national performance. New Mexico's behavioral health system must address its challenges of limited resources, dispersed rural communities, and access, infrastructure and capacity building. The federal Substance Abuse and Mental Health Services Administration estimates that for each dollar spent on behavioral health treatment, states save seven dollars in terms of reduced demand for emergency room services, inpatient facilities, incarceration and the criminal justice system, homeless services, and unemployment costs.

Health Department *(page 16)*

The Department of Health (DOH) is charged with preventing costly chronic disease and mitigating public health events. Although not included in DOH's performance measures, New Mexico continues to rank high in teen pregnancies and drug deaths. New Mexico ranks tenth highest among states in cases of pertussis and 37th lowest for children with current immunizations. On other key indicators, the state is 12th highest in low birth-weight, and is now first in the nation for children in poverty.

The department recently boosted its performance monitoring capabilities by investing in a performance management system. The new publicly available online system allows the department and the public to track strategic plan related outcomes and initiatives that influence important health indicators. The system also allows the department to provide action plans, data history, best practices, and strategies.

Aging and Long-Term Services *(page 20)*

Substantiated cases of adult abuse, neglect, and exploitation are on the decline; however, current data and performance measures make it difficult to assess the state's effectiveness at preventing future maltreatment. The program 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.

Children, Youth and Families *(page 22)*

The Children, Youth and Families Department struggles with increasing caseloads that are stressing the state's child welfare system. The Protective Services program did not meet a significant number of targets including caseworker turnover and repeat maltreatment rates, and caseloads rose nearly 5 percent from the previous year. In addition, the Early Childhood Services program reports a rising number of children entering the childcare assistance program, coupled with higher costs per child, resulting in significant strains on available resources. The Juvenile Justice Services program reports improved recidivism rates but continues to miss targeted performance levels for violence in the youth facilities and staff turnover.

Public Safety *(NMCD: page 25; DPS: page 27)*

Violence in state prisons continues to alarm – in FY15, inmate on inmate assaults occurred 13 times, in FY16 21 times, and in FY17 15 times. In FY15, inmate-on-staff assault was committed twice, nine times in FY16, and six times in FY17. The New Mexico Corrections Department attributes the violence to low staffing levels and reduced segregation practices. However, the increased prevalence of illicit drugs behind prison walls could also be a factor. The department reports a fourth quarter positive drug test rate of 5 percent among the 10 percent of the inmate population tested randomly each month. The rate was as high as 6.7 percent in the second quarter of this year. To help combat the rise in drugs, the department has bolstered intelligence-gathering practices, including working to install full-body scanners at all state-run prisons.

Rising crime rates are drawing greater attention all over New Mexico. Violent crime jumped 10 percent and property crime rose 4.5 percent between 2014 and 2015. Despite these challenges, the Department of Public Safety (DPS) appears to be keeping up with the number of crime scenes investigated rising 88 percent over FY16, and the number of criminal cases investigated rising 39 percent in the same time period. DPS personnel spent 262.4 thousand hours investigating criminal cases, a 48 percent increase over FY16. The department's scientists cleared 27 percent of laboratory cases received this quarter as measured by statutory performance measures but cleared an average 136 percent of all cases received this quarter.

Public Education *(page 29)*

Statewide proficiency rates on standardized assessments show marginal improvement, despite reductions to public school appropriations in FY17. About three-fourths of all students are still not proficient in English language arts or mathematics; however, graduation rates have increased to a record high of 71 percent. About half of New Mexico high school graduates who attend higher education institutions in-state must take remedial courses, suggesting that many students are not ready for college upon graduation. Habitual truancy rates have increased in elementary and middle school students but decreased in high schools. Children participating in the prekindergarten and kindergarten-three-plus programs continue to show improved outcomes, and low-income student participation in both programs closes the achievement gap by kindergarten entry.

Higher Education *(page 33)*

Higher education enrollment peaked in 2010 but is steadily declining. This may reflect stronger employment opportunities in the U.S. economy, tuition increases for New Mexico institutions, and reductions in the lottery contribution to tuition. The downward trend affects tuition revenue, need for capital projects, and instructional costs. Budgeted instruction and general (I&G) expenditures declined 6.4 percent between FY15 and FY18.

While most institutions maintain healthy fund balances necessary for conducting day-to-day business, financial indicators remain mixed at higher education institutions. Meanwhile, declines in enrollment are reflected in the reduced number of lottery scholarship awards, as well as declines in the number of students receiving federal Pell Grants and Direct Loans. Although academic data from the University of New Mexico Health Sciences Center will be reported in the FY18 first quarter report card, self-reported clinical indicators show the university's health system is meeting or exceeding university-set targets.

Natural Resources *(EMNRD: page 37; NMED: page 39; OSE: page 41)*

Of the $52.3 million of 2014 "year of water" capital outlay appropriations for local projects overseen by the New Mexico Environment Department (NMED), $15.7 million remains unspent. Seventy-one of the 120 projects overseen by NMED are complete, seven projects totaling $4.8 million are yet to begin spending, and 18 projects that received just over $1 million were de-authorized during the special legislative session in 2016.

For the first time since the early 1990's, the state fell short by 20 thousand acre feet from meeting Rio Grande Compact water delivery requirements, the Office of the State Engineer (OSE) reports. This debit will require New Mexico to hold water in upstream reservoirs. OSE's Interstate Stream Commission believes above-average snowmelt in the Chama watershed will allow New Mexico to meet its compact obligations in the next fiscal year and the Rio Grande Compact allows for a delivery debit up to 200 thousand acre-feet.

The Energy, Minerals and Natural Resources Department's Oil Conservation Division continued a high pace of field inspections in FY17, resulting in 2,700 violations issued, a threefold increase from FY16. Oil production increased by 10 percent to record levels, while the number of oil spills fell by 23 percent.

Economic Development and Tourism *(EDD: page 42; NMTD: page 44)*

New Mexico dropped to the second highest unemployment rate in the nation during this past fiscal year; however, job growth has moved to the one percent range in recent months.

The Economic Development Department's (EDD) performance results for FY17 are below target for a significant number of agency measures, including jobs created, rural jobs created, and jobs created due to use of Local Economic Development Act (LEDA) funds. Performance was strong in private sector dollars invested in MainStreet districts, and workers trained by the Job Training Incentive Program (JTIP). The department continued to see success in the film division. EDD awarded 14 companies $15.8 million in Local Economic Development (LEDA) funds in FY17, contributing to 530 jobs created. Of the 14 companies awarded LEDA funds, seven were located in rural areas.

The Tourism Department continues to see strong performance results and met or exceeded annual targets for two performance measures. The agency's performance measure, using U.S. Bureau of Labor Statistics data for average new jobs created in the leisure and hospitality industry, surpassed the annual target, reaching 2,278 jobs. YouTube views of the department's advertising videos reached an average of 402,000, continuing the trend of surpassing the annual target of 25,000.

Workforce Solutions Department *(page 45)*

Unemployment insurance trust fund balances have risen from about $50 million in 2014 to over $400 million in January 2017. This has allowed the department several rounds of reductions in unemployment insurance tax rates for employers. WSD reports the agency struggles to meet performance targets to provide unemployment or underemployed disabled veterans and youth with services.

General Government *(GSD: page 48; SPO: page 51; DOT: page 52)*

Costs of risk coverage, group health benefits, and workspace utilization are rising while agency budgets are flat.

For GSD in fiscal year 2017, the effect of "sweeps" from enterprise funds and reduced general fund appropriations contributed to missed targets for oversight of capital outlay projects, facilities management, and procurement actions. The department has lots of options to control spending for its enterprises. These include reforming whistle-blower statutes, modifying health benefits eligibility and contribution rates, controlling medical and pharmacy costs, and reducing leased space.

Again, the State Personnel Office (SPO) did not meet performance targets for statewide vacancy rates, compa-ratios, or overtime. This may be reflect the agency's focus on the human resources consolidation under implementation since January 2017. The average new hire receives 97 percent of the mid-point of salary range, with the likelihood that incumbent employees with more experience and tenure are paid less. SPO has not developed systemic solutions to address recruitment, retention, and pay inequity and imbalances compared with the regional market. Due to the lack of guidance, some departments have provided unilateral ad hoc salary increases to select personnel.

The Department of Transportation reports the condition of New Mexico's roadways continues to deteriorate. The number of lane miles in deficient condition increased by 16 percent, or 600 miles, between FY14 and FY16. The percent of non-interstate rated "good" fell from 83 percent to 82 percent from FY15 to FY16. While this decrease is slight, the cost to maintain the system increases dramatically as conditions deteriorate. For example, roads in good condition may cost up to $12 thousand per lane mile to maintain while roads in poor condition requiring reconstruction may cost up to $1.5 million.

Information Technology Projects *(page 56)*

The estimated cost for 11 projects included in the IT report is over $300 million, including $175.6 million for HSD's Medicaid Management Information System replacement project (90/10 match). The multi-year phased project is expected to continue through 2019. The ONGARD replacement project red rating is due to: State Land Office's slow progress in planning and cost uncertainty for the royalty administration and revenue processing system (RAPS); TRD's funding constraints; the uncertain future of the ONGARD Service Center (OSC); and the potential cost of the replacement project to the oil and gas industry. There are two projects with red ratings due to schedule delays, the Public Employees Retirement Association (PERA) Retirement Information Online (RIO) enhancement project, and the Department of Public Safety (DPS) Computer-aided Dispatch (CAD) project.

Investments *(page 62)*

Over the past fiscal year, the investment funds' total returns ranged from 11 percent to 13 percent and each agency outperformed their investment return assumption for the one- and five-year periods, which are 7.25 percent (ERB and PERA), 7 percent (LGPF) and 6.75 percent (STPF). However, despite double-digit investment performance, the pension funds' returns lagged the median return for U.S. pension funds which was not unexpected given market conditions and the funds' relatively conservative asset allocation. This relative underperformance, depending on how long it continues, coupled with retirees living longer and fewer active employees paying into the plan, will over time negatively impact pension system sustainability.

In terms of relative performance to peers, the permanent funds performed at or above the median for the quarter, one-, and three-year periods; however, fell below the 50th percentile for the five- and 10-year periods. The relatively strong performance in the quarter and one-year periods compared to the state's pension funds is likely due to a larger exposure to public equities, which performed exceptionally well this past fiscal year. About 45 percent of each of the permanent funds are invested in domestic and international equities while the pension funds have a smaller allocation.

ERB underperformed the median for all periods except the three year, and PERA underperformed the median for every period.

ERB and PERA are taking active steps to increase passive management, manage more assets internally, and reduce management fees. For SIC, however, there does not appear to be a similar approach to reduce fees. For instance, SIC's private equity managers continue to perform below par, with the private equity composite for LGPF missing its benchmark by over 3 percent, and for STPF by over 6 percent.

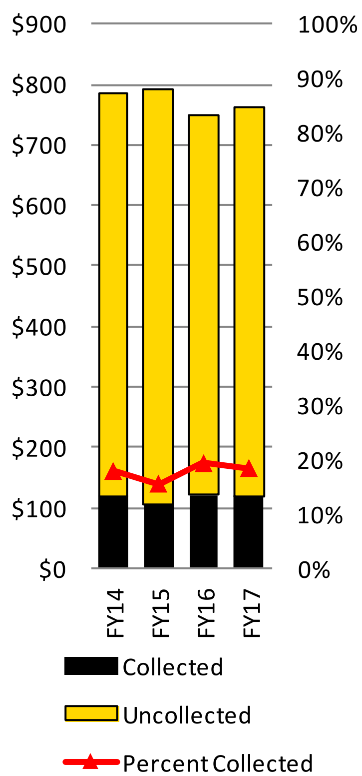
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Taxation and Revenue Department
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS

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

Collection of Outstanding Balances
(in millions)



Source: TRD and LFC Files

The Taxation and Revenue Department achieved many of its performance targets; however, for the second consecutive year, the department has struggled with a lack of data and data quality concerns. The data concerns were highlighted during the revenue estimating process and discussed at a Legislative Finance Committee hearing in Taos, New Mexico.

Data challenges include an inability to consistently report credits and exemptions and explain dramatic changes in un-reconciled receipts. Local government entities are also questioning the department's ability to distribute property and gross receipts taxes, some have threatened to pursue litigation.

Tax Administration. The program exceeded the target for collecting outstanding taxes owed, bringing in $118.6 million, or 18.4 percent, of the $644.1 million owed. The target collection rate of 18 percent has remained the same since FY14, when the measure was increased from 15 percent to its current 18 percent. The program fell short of its targeted level for the amount of tax returns filed electronically, achieving a rate of 86 percent. This measure will be reported as explanatory in FY18.

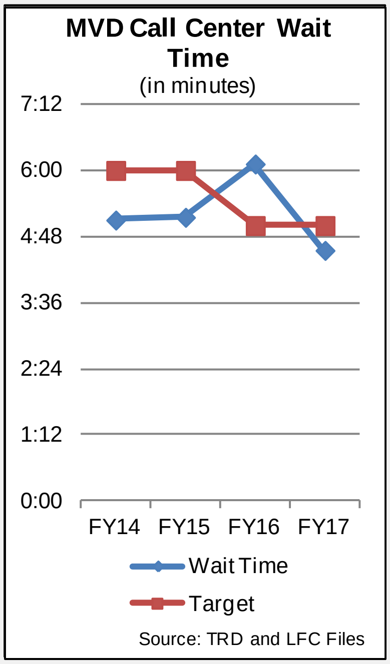
Budget: $30.5 million **FTE:** 504

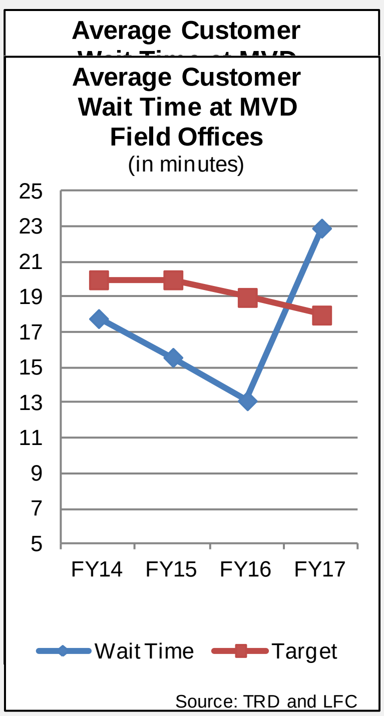
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Collections as a percent of collectable outstanding balances from the end of the prior fiscal year	15.5%	19.3%	18%	18.4%	G
Collections as a percent of collectible audit assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year	59%	43%	60%	58%	Y
Electronically filed personal income tax and combined reporting system returns	92%	85%	92%	86%	R
				Program Rating	Y

Compliance Enforcement. In the fourth quarter, four tax cases were assigned to program agents and one case was referred for prosecution. Overall, 12 cases were assigned to program agents and eight were referred to prosecutors during the year for an annual rate of 67 percent, exceeding the FY17 target.

Budget: $1.7 million **FTE:** 22

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year	78%	88%	50%	67%	G
				Program Rating	G





Property Tax. The Property Tax program exceeded its annual target, for the second year in a row, of delinquent property tax collected and distributed to counties. The program collected and returned $3.3 million during the fourth quarter, exceeding the annual target by $500 thousand. However, some municipal and county entities question the department's efforts and ability to tax centrally assessed property tax, mostly oil and gas assets. Consultants for the local governments have noted oil and gas property not on the tax rolls, under-reporting, and an out-of-date taxing system oriented to vertical instead of horizontal drilling.

Budget: $3.4 million **FTE:** 41

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Delinquent property tax collected and distributed to counties, in millions	$10.4	$11.6	$11	$11.5	G
				Program Rating	G

Motor Vehicle. The program made great strides in reducing its call center wait times; an improvement of 1:37, or 25.6 percent, from the FY16 average and 27 seconds below the FY17 target. However, the rollout of REAL ID significantly hampered performance for waiting times in state run field offices, where waiting times averaged nearly doubled from previous years to 23 minutes.

Budget: $27.3 million **FTE:** 346

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Registered vehicles with liability insurance	91%	92%	92%	90%	Y
Average call center wait time to reach an agent, in minutes	5:09	6:07	5:00	4:33	G
Average wait time in "q-matic" equipped offices, in minutes	15:36	13:14	18:00	22:56	R
				Program Rating	Y

Program Support. During the fourth quarter, Program Support resolved 366 protest cases, exceeding the quarterly target by 42 cases and the annual target by 224 cases. There were four audits conducted during the fourth quarter. In total, the audits generated 44 recommendations with 33 due this quarter and 30 of implemented. In total this fiscal year, 24 audits were conducted, generating 140 recommendations with 127 of them implemented.

Budget: $20.8 million **FTE:** 182

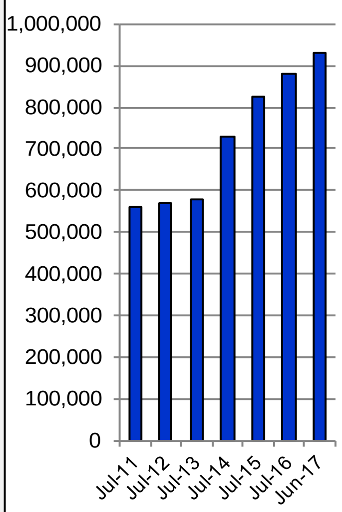
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Tax protest cases resolved	1,380	1,897	1,300	1,524	G
Internal audit recommendations implemented	83%	93%	90%	91%	G
				Program Rating	G

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Human Services Department
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned by agency?	Yes

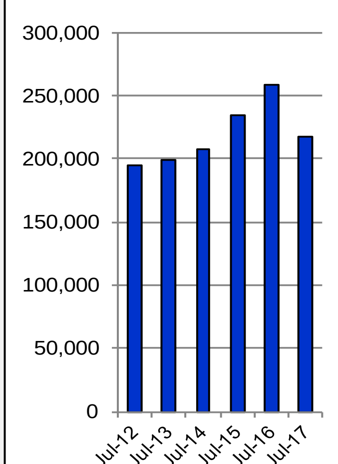
Total Medicaid Enrollment



Source: HSD
May 2017 Medicaid Projection

In FY18, the Medical Assistance Program is 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.

SNAP Caseload



Source: HSD

The Human Services Department (HSD) experienced several challenges in fiscal year 2017 including skepticism about the department's efforts to comply with court orders stemming from a long-standing lawsuit regarding delays in processing applications and renewals for the supplemental nutrition assistance program (SNAP) and Medicaid. The department was assigned a special master to assist the court in judging compliance with federal requirements. In June, the special master reported progress was made in reducing the number of backlogged SNAP renewal applications to a few hundred down from 38,000, but simultaneously pending Medicaid renewal applications grew to 45,000. The special master suggested management changes, adding staff although the field office vacancy rate is approximately 6 percent, providing more training, improving the call center, updating policies, notices and rules, and cooperating with the plaintiffs where possible. The special master's final report is due January 1, 2018, and the court will then rule on the case.

Other challenges included declining state revenues forcing solvency measures for the nearly $6 billion Medicaid program. The department adopted Medicaid cost-containment measures including provider rate reductions and the imposition of client co-pays. In FY17, HSD missed growing numbers of internal performance targets, although in some cases it met or exceeded national averages for a number of Medicaid performance measures.

The caseloads for SNAP and the Temporary Assistance for Needy Families program (TANF) declined from the previous year by 15 percent and 7 percent, respectively, but were not associated with commensurate income gains for the state's population. The caseload declines result in lost federal aid which in turn negatively impacts New Mexico's overall economy.

Medical Assistance Division. In its most recent Medicaid projection, HSD reported a $15.2 million surplus for FY17, and a projected shortfall of $22.6 million for FY18. Enrollment shifts, cost-containment, and increases in revenues, including intergovernmental transfers, offset slight increases elsewhere in the budget. Looking forward, ongoing risks include uncertainty in the federal environment regarding funding for the adult Medicaid expansion population and the Children's Health Insurance Program (CHIP).

Medicaid's performance for infants who had six or more well-child visits and newborns whose mothers received a prenatal care visit in the first trimester is quite low. HSD reports its contracts with managed care organizations (MCOs) require more focus on outcomes and corrective actions to improve performance. As an incentive, HSD raised reimbursement rates for early and periodic screening, diagnostic and treatment (EPSDT) screens by 5 percent.

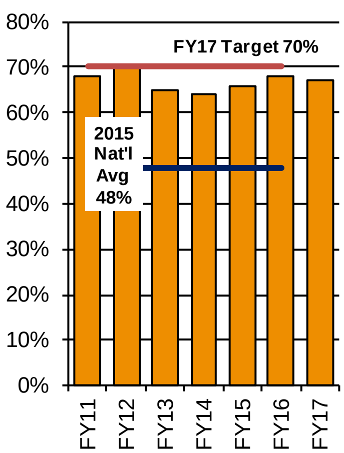
Regarding prenatal care, MCOs provide incentives for patients to access prenatal care through the Centennial Care Member Rewards program which HSD reports has a 72 percent participation rate, in addition to incorporating quality improvement plans with a focus on the timeliness of prenatal care. HSD notes prenatal visit data is more difficult to capture since the visits are often bundled with other pregnancy-related care when claims are submitted.

MCOs are implementing performance improvement projects to encourage members to receive at least one dental visit annually. Centennial Care Member Rewards incentivizes members who receive annual dental visits by awarding them points. Some MCOs also use preventative interventions such as targeting members with low utilization through mailings of a member newsletter and posting website articles.

New Mexico is among the worst states at testing children for lead poisoning. Nationwide, 64 percent of lead-poisoned children under the age of five are identified by testing; in New Mexico, that number is five percent.

HSD's HEDIS measures for 2015 show Molina screened 32 percent of Medicaid-eligible children for lead, Blue Cross Blue Shield screened 31 percent, United Healthcare screened 30 percent, and Presbyterian screened 28 percent.

Medicaid Children Receiving Annual Dental Visit



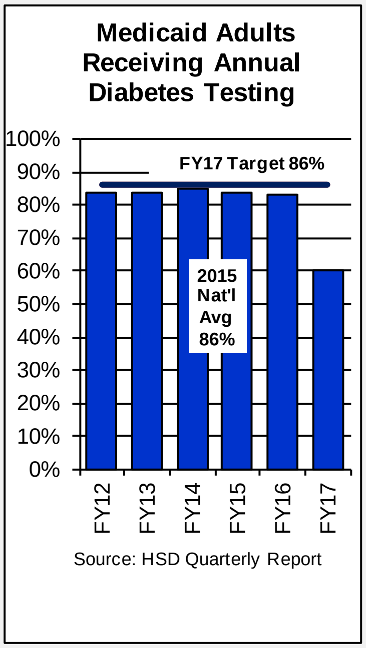
Source: HSD Quarterly Report

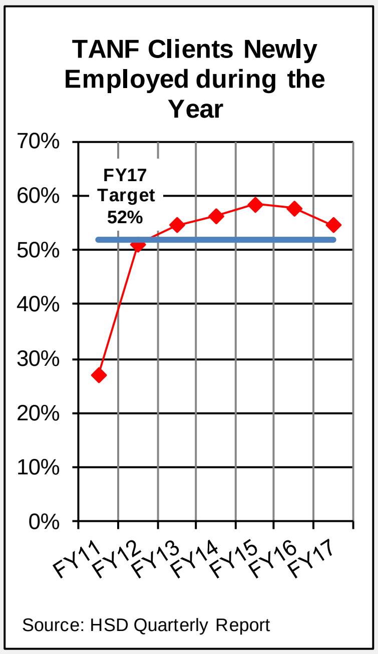
For childhood dental visits, while missing the FY17 target of 70 percent, New Mexico exceeded the national average of 48 percent by a significant 19 percent. In addition to health risk assessments associated with care coordination, managed care organizations (MCO) have implemented performance improvement projects to improve diabetes and asthma management and develop a prescribed plan focused on interventions.

Budget: $5,314,236.5 **FTE**:184.5

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17* Actual	Rating
Infants in Medicaid managed care who had six or more well-child visits with a primary care physician during the first fifteen months	52%	57%	68%	57%	R
Children and youth in Medicaid managed care who had one or more well-child visits with a primary care physician during the measurement year	86%	85%	92%	85%	Y
Children ages two to twenty-one enrolled in Medicaid managed care who had at least one dental visit during the measurement year	66%	68%	70%	67%	R
Individuals in managed care with persistent asthma appropriately prescribed medication	52%	54%	48%	54%	G
Hospital readmissions for children ages two to seventeen within thirty days of discharge	7%	7%	6%	7%	Y
Hospital readmissions for adults eighteen and over within thirty days of discharge	13%	12%	9%	10%	Y
Emergency room visits per one thousand Medicaid member months	49	48	39	45	R
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	84%	83%	86%	60%	R
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%	77%	R
Medicaid managed care long-term care recipients who receive services within ninety days of eligibility determination	98%	86%	95%	86%	R
				Program Rating	Y

*HSD uses a rolling average; the most recent unaudited data available includes the last two quarters of FY16 and the first two quarters of FY17.





Income Support Division. The program experienced a drop in timeliness of expedited SNAP and Medicaid cases meeting federal requirements as it processed pending applications and re-certifications per federal court orders. Participation rates for families meeting TANF work requirements were varied. The program increased monitoring of its New Mexico Works service provider, and provided training to its employees on working with individuals with multiple barriers to employment, and implemented dedicated teams to follow-up with clients with daily phone calls, letters, and home and site visits, but had mixed success.

Budget: $961,274.5 **FTE**: 1,075

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Regular supplemental nutrition assistance program cases meeting the federally required measure of timeliness within thirty days	95.4%	96.1%	99.0%	92.5%	R
Expedited supplemental nutrition assistance program cases meeting federally required measure of timeliness within seven days	95.5%	97.7%	99.0%	92.4%	R
Temporary assistance for needy families clients who obtain a job during the fiscal year	58.3%	57.6%	52.0%	54.6%	G
Children eligible for supplemental nutritional assistance program participating in the program with family incomes at one hundred thirty percent of poverty level	90.3%	93.0%	90.0%	92.2%	G
Temporary assistance for needy families two-parent recipients meeting federally required work requirements	38.6%	62.8%	60.0%	54.5%	R
Temporary assistance for needy families recipients (all families) meeting federally required work requirements	36.3%	54.5%	50.0%	52.2%	G
				Program Rating	Y

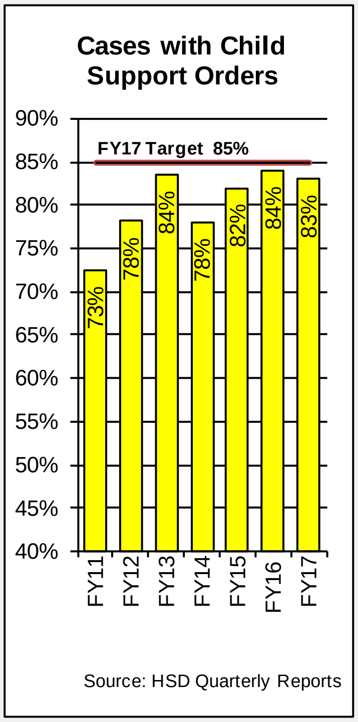
Child Support Enforcement Division. CSED had previously achieved success in meeting total child support enforcement collection targets largely due to automated wage garnishments. However, performance in both collection of arrears and child support collections have stagnated over the last several years due to the need to develop a new business model based on national best practices. In FY17, the program underwent a third-party business assessment review, developed and began implementation of a new business process model, and is in the process of hiring additional staff. However, outcomes remain behind targets and previous years' performance.

Budget: $30,970.2 **FTE**: 383

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Children with paternity acknowledged or adjudicated	98%	100%	100%	98%	R

The SNAP caseload (number of households receiving benefits) in June 2017 was 217,110, a 15.3 percent decrease from one year ago.

The TANF caseload (number of households receiving benefits) was 11,308 in June 2017, a decrease of 7.1 percent from June 2016.



Total child support enforcement collections, in millions	$140	$141	$145	$139.6	R
Child support owed that is collected	56.2%	56.3%	62.0%	56.3%	R
Cases with support orders	82%	84%	85%	83%	Y
				Program Rating	R

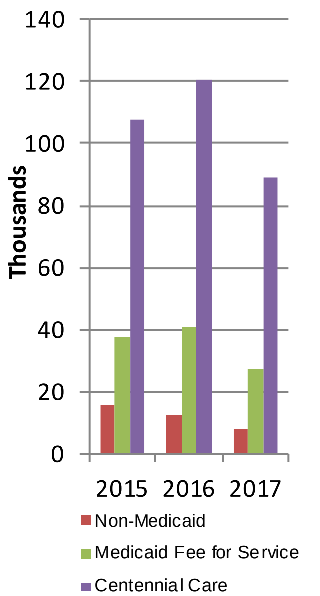
Note: Children with paternity acknowledged or adjudicated is reported in the federal fiscal year.

AGENCY IMPROVEMENT PLANS

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

HSD reports the number of individuals receiving behavioral health services decreased in FY17. The chart below shows declining numbers of people served by all state-funded (non-Medicaid) services, Medicaid funded services (Centennial Care), and Medicaid fee-for-service services.

Number of Individuals Served Annually in Substance Abuse or Mental Health Programs



Source: HSD

According to the Annual Consumer and Family/Caregiver Satisfaction Survey, 9.8 percent of survey respondents indicated their housing situation was getting in the way of recovery. Of those respondents, 52 percent indicated they were happy with staff's help to solve their housing problem. In 2016, 12.9 percent (144 people) indicated housing was an issue.

New Mexico's behavioral health system continues to face challenges including access to care. Based on January 2017 Health Resources and Services Administration's health professional shortage area data, only 23 percent of the state's need for mental health care has been met, leaving 1.2 million New Mexicans without adequate mental health care access. New Mexico's rate for the prevalence of any type of mental illness was 19.9 percent compared to the U.S. rate of 18 percent in 2014 to 2015. For the same period, New Mexico's rate for serious mental illness was 4.5 percent compared to the U.S. rate of 4.1 percent, and New Mexico's rate for major depressive episodes was 6.6 percent, comparable with the national rate.

New Mexico's death rate from alcohol-related chronic disease has been first or second in the nation for the past several years, and is almost double the national rate. The leading causes of alcohol-related chronic disease mortality include chronic liver disease, alcohol dependence and abuse, hypertension, and stroke.

The state's number of drug overdose deaths increased to 497 in 2016 from 493 the previous year. New Mexico is one of the leading 10 states in drug fatalities, and nearly three in four overdose deaths statewide involved opioids of some kind, including prescription pain medication and heroin. Overdose deaths in New Mexico have hovered well above the national average, even though the state has implemented policies to lower fatalities such as increasing access to the overdose-reversal drug naloxone. New Mexico also strengthened its prescription monitoring program in response to a surge in the drug overdose death rate in 2014, and is targeting over prescribing of opioid prescriptions to help reduce addiction and overdose deaths.

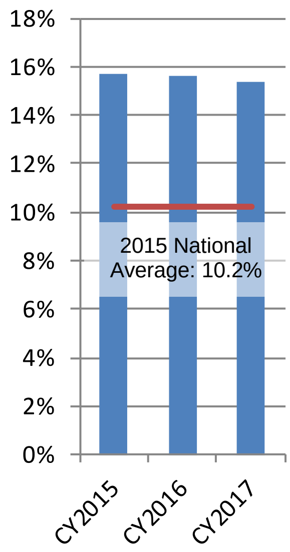
There were also promising new initiatives, including positive outcomes from the PAX Good Behavior prevention methodology that teaches students self-regulation and has a return on investment of almost $60 for every dollar spent. And in 2015, a one-eighth gross receipts tax was approved in Bernalillo County, generating approximately $17 million to support the county's Behavioral Health Initiative focusing on crisis services, community supports, supportive housing, and prevention, intervention and harm reduction. The federal Substance Abuse and Mental Health Services Administration estimates that for each dollar spent on behavioral health treatment, states save seven dollars in terms of reduced demand for emergency room services, inpatient facilities, incarceration and the criminal justice system, homeless services, and unemployment costs.

The Behavioral Health Collaborative Strategic Plan for 2015 to 2017 was centered on three domains for system improvement: finance, regulation, and workforce. The Behavioral Health Collaborative and its partners are tasked with leading the provision of integrated and comprehensive behavioral health services to promote the health and resilience of all New Mexicans and to foster recovery and healthy living in communities.

In any one quarter of FY17, over 2,200 persons were served through telemedicine in rural and frontier counties. In FY17, 4,890 unduplicated persons were served, a 25 percent increase over FY16.

The Behavioral Health Network of Care is operating as the official website for the Behavioral Health Collaborative. The portal: [http://www.newmexico.networkofcare.org/mh.](http://www.newmexico.networkofcare.org/mh)

People with Alcohol or Drug Dependency Who Received Two or More Services within 30 Days of Initial Visit



Budget: $686,983.8 **FTE:** 44

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Adults diagnosed with major depression who received continuous treatment with an antidepressant medication	38%	35%	26%	35%	G
Individuals discharged from inpatient facilities who receive follow-up services at seven days	34%	35%	47%	43%	R
Individuals discharged from inpatient facilities who receive follow-up services at thirty days	52%	54%	67%	64%	R
Readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	9%	11%	5%	7%	R
Suicides among fifteen to nineteen year olds served by the behavioral health collaborative and Medicaid programs	2	0	2	0	G
			Program Rating		Y

HSD reported 15 percent of people with a diagnosis of alcohol or drug dependency received two or more additional services within 30 days of initiating treatment. While well below the FY17 target of 40 percent, the result exceeded the federal benchmark of 10.3 percent; however, the outcome has remained stagnant at 15 percent for the last three years. The percent of individuals discharged from inpatient services who received follow-up services after seven and 30 days saw improvement at 42 percent and 64 percent, respectively, but missed the FY17 targets of 47 percent and 67 percent. Managed-care organizations (MCOs) report they are working to improve discharge planning and follow-up coordination to improve outcomes and avoid costly re-admissions. Telemedicine has increased nationally as a recognized way to improve access, particularly in rural states such as New Mexico. HSD reports 4,890 unduplicated individuals received telehealth services in FY17, up from 3,682 in FY16 and 2,699 in FY15.

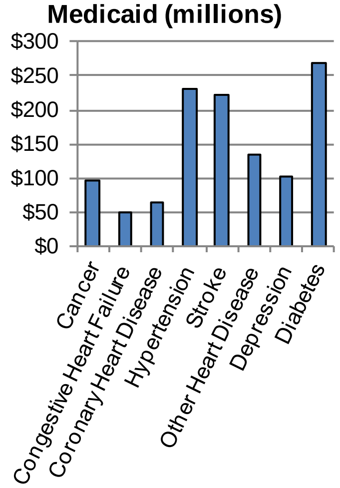
Percent of youth on probation receiving behavioral health services is an annual measure; FY17 results can be expected November 2017. FY16 results recently released show a decrease of 3 percent from FY15. HSD notes this is similar to national trends which show a slight decrease in overall juvenile crime and the subsequent number of youth on probation

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Department of Health
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned by agency?	No

New Mexico's Estimated 2015 Cost of Treating Preventable Chronic Disease in Medicaid (millions)



Source: Centers for Disease Control, Chronic Disease Cost Calculator

The Department of Health is charged with preventing costly chronic disease, reducing the burden of behavioral health and substance misuse disorders, and lessening the impact of an imperfect healthcare system on vulnerable populations. Tracking the department's results through performance monitoring is crucial. By investing in a new performance management system recently, the department boosted its performance management and monitoring capabilities. The new online system is arranged in a hierarchy and allows the department and the public to track strategic plan related outcomes and subsequently track initiatives with an impact on these outcomes. The system includes functions allowing the department to provide action plans, data history, best practices, and strategy. Other states use the system and it is expandable to other departments and agencies within the state.

Public Health. One of several ways to determine the impact Public Health has on the state is to look at the costs of treating chronic diseases, many of them preventable. The cost to Medicaid alone to treat cancer, congestive heart failure, coronary heart disease, hypertension, stroke, other heart diseases, depression, and diabetes is estimated at about $1.2 billion in New Mexico according to the federal Centers for Disease Control. Every year the department invests in initiatives to reduce the prevalence of chronic disease risk factors such as targeting funding towards nutrition services, obesity, and tobacco use reduction programs. The department's new performance management system tracks the performance of initiatives designed to improve outcomes on diabetes, obesity, and tobacco use.

Another way to understand Public Health's impact is to consider child health outcomes. For example, 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. Another concern is low birth-weight. Significant maternal risk factors for low birth-weight include diabetes, high blood pressure, infections, inadequate prenatal care, insufficient weight gain, tobacco use, unemployment, and low education or income levels. As stated above, the state invests in reducing many of these risk factors. However, the state ranked twelfth nationally for low birth-weight babies in 2016.

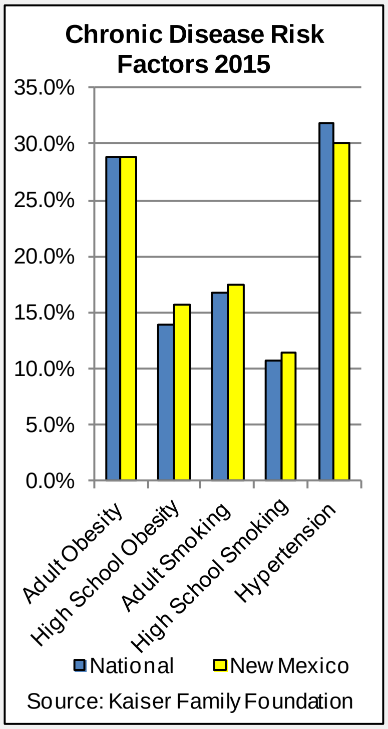
New Mexico Child Health Indicator Rankings 2016

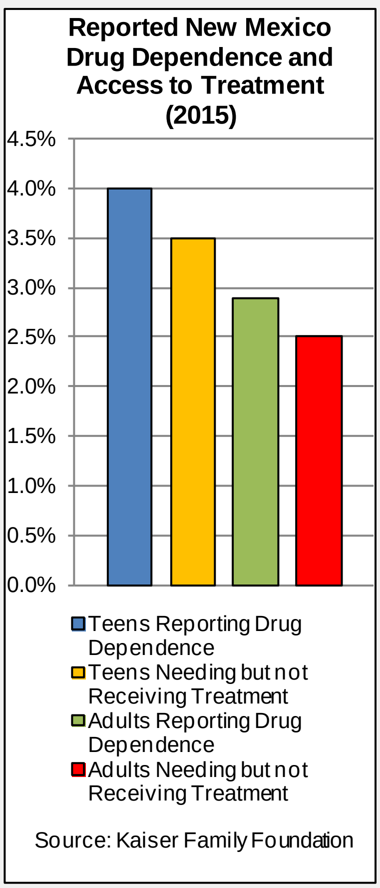
Teen Pregnancies ages 15-19	4th Highest
Low Birthweight	12th Highest
Pertussis Cases	10th Highest
Child Immunizations	37th Highest
Children in Poverty	1st Highest

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

Budget: $163,391.3 **FTE:** 863

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Females aged fifteen to seventeen seen in public health offices given effective contraceptives	55%	56%	≥66%	65%	Y
Quit Now enrollees who successfully quit using tobacco at seven month follow-up	31%	33%	33%	34%	G
Teens aged fifteen to seventeen receiving services at clinics funded by the family planning program	1,334	1,405	3,616	3,715	G
High school youth trained to implement tobacco projects in their school or community	New	New	Baseline	356	
Program Rating					G





Epidemiology and Response. The measure on infant pertussis cases (whooping cough) is key to understanding the department's impact on protecting infants through the immunization process. Given that the state ranks tenth in overall cases of pertussis and thirty-seventh for children with current immunizations, there is room for improvement. Pertussis can be a serious, even life-threatening illness, especially in infants. The Centers for Disease Control and Prevention (CDC) estimates that half of infants younger than one year who develop pertussis require hospitalization for complications. In FY17, infants were eight times more likely than the total population to have a reported pertussis infection. The department provided a quarter by quarter action plan to improve infant pertussis infection rates and each activity was completed by the end of the year.

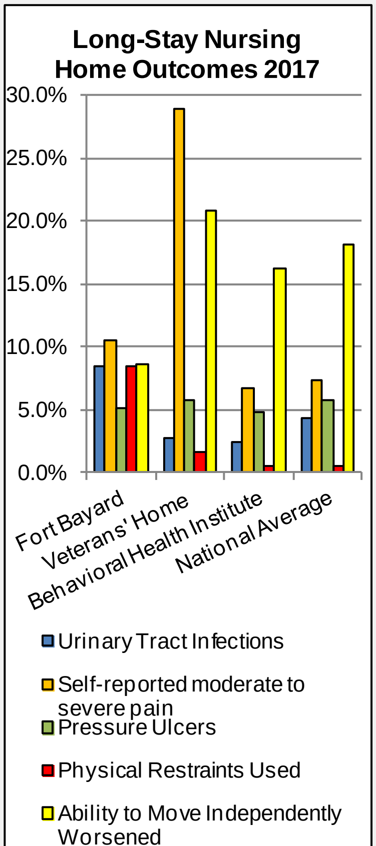
In 2016, "America's Health Rankings" ranked New Mexico second for drug deaths in the United States while male drug deaths were nearly double the national rate. One way to reduce drug deaths is to ensure widespread availability of Naloxone, an opioid overdose reversal medication. Recent legislation allowed any individual to possess Naloxone, and authorizes licensed prescribers to write standing orders to prescribe, dispense, or distribute Naloxone. The measure on retail pharmacies dispensing Naloxone improved this quarter to 34 percent.

However, preventing overdoses through the distribution of Naloxone alone is not a comprehensive strategy and the department plays a key role in coordinating a wider response to the opioid epidemic. According to the department, "in 2015, 1.7 million opioid prescriptions were written in New Mexico, dispensing enough opioids for each adult in the state to have 800 morphine milligram equivalents (MME), or roughly 30 opioid doses." CDC recommended strategies include increasing the use of prescription drug monitoring programs, policy changes to reduce prescribing, working to detect inappropriate prescribing, increasing access to treatment services, and assisting local jurisdictions. In 2016, New Mexico was one of 14 states to receive federal supplemental funding to implement these strategies. While the department does a good job tracking opioid epidemic indicators, there is more work to be done in coordinating a comprehensive statewide strategy.

Budget: $29,981.6 **FTE:** 185

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Hospitals certified for stroke care	9%	9%	≥14%	14%	G
Vital records customers satisfied with the service they received	98%	95%	≥95%	No Data	
Ratio of infant pertussis rate to total pertussis rate	New	New	4.4	9	R
Percent of retail pharmacies dispensing naloxone	New	New	Baseline	34%	
New Mexicans who completed a sexual assault primary prevention program	New	New	Baseline	6,562	
New Mexico population served during mass distribution of antibiotics or vaccinations in the event of a public health emergency	New	New	Baseline	12%	
				Program Rating	Y

Facilities Management. State operated facilities are another area where the department has a direct impact on the state's drug epidemic. However, until recently three of the department's hospitals were in the substance abuse rehabilitation business but the number of beds available for these services is diminished. Fort Bayard Medical Center closed Yucca Lodge and the department



Source: Nursing Home Compare

2017 Nursing Home Compare Star Ratings (Out of Five Stars)

	Behavioral Health Institute	New Mexico Veterans' Home	Fort Bayard Medical Center
Overall	4	2	4
Health Inspections	3	2	3
Staffing	5	4	5
Quality Measures	3	1	2

Source: Nursing Home Compare

is moving these services 5 hours away to the Rehab Center in Roswell. As of July twentieth, the Rehab Center's chemical dependency unit had a census of zero and the medical detoxification unit had an average census of 5. In total, the statewide average daily census for July 2017 for state operated chemical dependency and medical detoxification units was 32. Two years ago the average daily census was about 67.

Imagining a future for state operated inpatient substance abuse rehabilitation services is difficult. However, the federal government is encouraging states to seek a Medicaid waiver for drug and alcohol treatment centers with more than 16 beds. These waivers have already been granted to four states and seven additional states are seeking them. The Medicaid rule prohibits the use of federal dollars for addiction treatment provided in facilities with 16 or more beds and a waiver would side step this requirement. If the state were to seek this waiver continued support of these hospitals would be more likely.

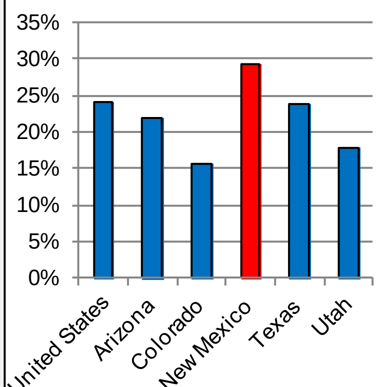
One improvement in the department's quarterly report this year was to revamp the measure for patient falls in a way that is easily benchmarked. The Centers for Disease Control says nationally, patient falls are a leading cause of hospital-acquired injury, frequently prolonging or complicating hospital stays, and are the most common adverse event reported in hospitals. The goal is to eliminate or reduce falls with injury through a falls prevention protocol in the acute care setting. There were a total of three falls with major injury in the third quarter and the department has an action plan in place to reduce this further.

Budget: $137,421.1 **FTE:** 2,070.5

Measure	**FY15 Actual**	**FY16 Actual**	**FY17 Target**	**FY17 Actual**	**Rating**
Falls resulting in major injury per one thousand long-term care patient days	New	New	≤3	0.3	G
Eligible third-party revenue collected at agency facilities	88%	94%	≥92%	100%	G
Vacancy rate for direct care positions	New	New	≤10%	26%	R
			Program Rating		Y

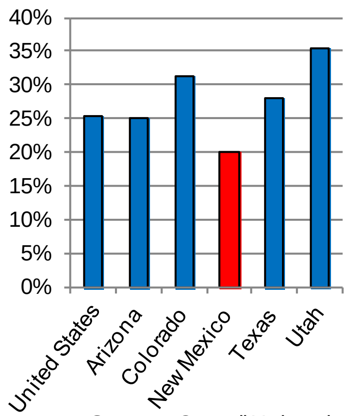
Developmental Disabilities Support. Positively impacting people with developmental disabilities requires more than counting Developmental Disabilities (DD) Medicaid waiver wait lists. Working to improve the lives of people who do not receive services through the DD Waiver is also vitally important. Education, transitional employment, supported 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 about 20 percent, seventh lowest in the country and six 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. With the use of existing resources, there may be ways to expand and improve on programs that are already available through the Department of Health, Public Education Department, local school districts, Vocational Rehabilitation, higher education institutions, and other entities.

People With Less than High School Educational Attainment with Cognitive Disabilities 2015



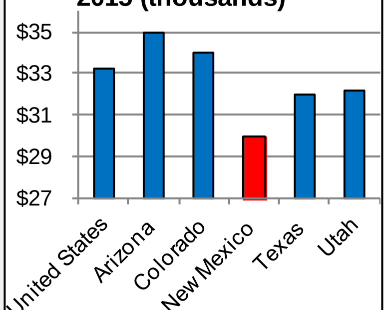
Source: Cornell University

Employment Rate for People With Cognitive Disabilities 2015



Source: Cornell University

Median Annual Earnings of Non-Institutionalized Persons Aged 21-64 Years With a Cognitive Disability 2015 (thousands)



Source: Cornell University

FY17 DD Waiver Employment Type, Wages, and Hours

	Q1	Q2	Q3	Q4
1. Self Employment	26	21	21	20
2. Individual Employment	505	516	509	524
3. Group Employment	262	254	265	249
4. Facility-Based Work	145	139	124	123
Total	**938**	**930**	**919**	**916**
Average Hours Worked Weekly	14.3	14.7	13.9	14.02
Average Hourly Wage	$6.18	$6.72	$6.62	$6.78

1. Self-employment or microenterprises owned by the individual.
2. An individual has a full or part-time job in a community business.
3. A small group of individuals, no more than 1 staff member to 6.
4. In settings such as sheltered workshops and little contact with other workers without disabilities.

Source: Department of Health

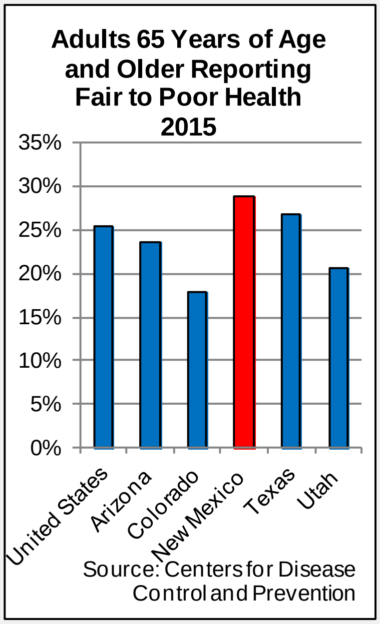
Educational attainment is also a key determinant of economic performance that affects long-term socioeconomic status and quality of life. Children and adolescents with physical and cognitive disabilities typically have more limited access to formal education than their non-disabled peers. Working to educate people with developmental disabilities, when appropriate, improves quality of life and independence. The Legislature recognized this and included language in the 2017 General Appropriations Act that would have allowed appropriations for evidence-based job training services at the Special Services Program at Eastern New Mexico University – Roswell, but was subsequently vetoed. The National Institutes of Health considers multiple developmental experiences that may contribute to learning and work achievements through the transition from adolescence to young adulthood to be important and this strategy would have added to educational options for people with developmental disabilities in New Mexico.

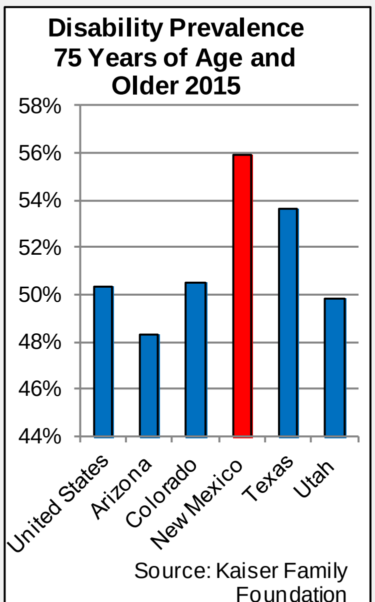
The department recently discontinued use of supports intensity scale (SIS) assessments for adults on the developmental disabilities Medicaid waiver (DD waiver). Recipients are now receiving funding approvals solely through the outside review process, an outcome of the Waldrop lawsuit settlement. In FY11, in response to a 2010 LFC evaluation of the DD waiver program, the department made reforms such as implementing the new SIS. Since that time, the average cost per client dropped and the savings were used to create new slots. It remains to be seen whether the new outside review process will be cost neutral. Additionally, seemingly unending litigation drives much of the department's costs, further limiting its ability to reduce wait lists.

Budget: $162,331.4 **FTE:** 188

Measure	**FY15 Actual**	**FY16 Actual**	**FY17 Target**	**FY17 Actual**	**Rating**
Developmental disabilities waiver applicants with service plans in place within ninety days	91%	53%	≥95%	74%	R
Adults receiving community inclusion services also receiving employment services	29%	36%	≥33%	35%	G
People receiving developmental disabilities waiver services	4,610	4,660	≥4,700	4,691	Y
People on the developmental disabilities waiver waiting list	6,365	6,526	≤6,300	6,602	R
Abuse, neglect, and exploitation rate for DD Waiver and Mi Via waiver clients	11.9%	10.2%	≤8%	x	R
			Program Rating		Y

AGENCY IMPROVEMENT PLANS	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned by agency?	Yes





New Mexico has nearly the highest prevalence of disability in adults ages 65 and older and has the highest rate of non-institutionalized adults living below the poverty level, at 33.7 percent. Improving the department's impact on these populations requires strategic vision, leadership, and robust performance monitoring. In recent quarters, the department began working again on its four-year state plan renewal. Proposed drafts of the plan changed little from the 2013 state plan. The current draft does not include protocols for cost sharing and voluntary contributions. There is also no guidance on whether the coming wave of older adults will need or want services provided through current service delivery models or whether services provided meet the expectations of a new generation of older adults.

The department's strategic plan covers goals such as protecting older adults who cannot protect themselves, protecting the rights of residents in long-term care facilities, effectively coordinating services for older New Mexicans, supporting evidence based health promotion, enhancing public and private partnerships, and developing adequate network structures. However, it is difficult to assess success at accomplishing these goals due to little meaningful performance monitoring. Many of the measures the department reports are poor indicators of progress, explaining why the department received yellow or red ratings on these measures even when the target was met.

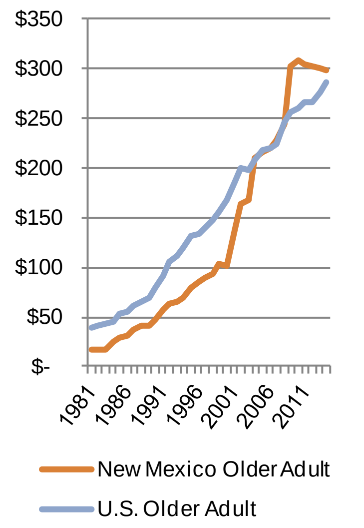
Aging Network. Our population is aging and by 2030 New Mexico will be the fourth oldest state in the nation. Given this, working to keep older adults safe, fed, healthy, and in their communities—seen as key to managing the aging population—is the priority. Four area agencies on aging (AAA) serve the entire state under the Aging and Long-Term Services Department. One AAA, in particular, serves all non-metro non-Native American regions of the state, encompassing almost all of rural New Mexico. The base of operations for the non-metro AAA is located 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. Improved performance monitoring would help the department and LFC determine whether the aging network is having a positive impact on New Mexicans.

Based on 2014 data the department estimated the number of food insecure seniors in New Mexico is 42.3 thousand and the unduplicated number of seniors that received meals this year was about 52.1 thousand. This caused the result on the measure for food insecurity to reach 123 percent. This is likely an indication that since 2014 the number of food insecure adults increased dramatically. However, without more up-to-date data it is impossible to know for sure.

Budget: $38,266.7 **FTE:** 1

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Older New Mexicans whose food insecurity is alleviated by meals received through the aging network	87%	94%	85%	123%	Y
Hours of caregiver support provided (cumulative)	392,872	429,612	400,000	397,598	Y
				Program Rating	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. For FY17, 86



Per Capita Older Adult Long-Term Services and Support Spending

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

Substantiated Allegations by Type

Type	FY15	FY16	FY17
Abuse	132	165	82
Neglect	182	108	109
Self-Neglect	1,061	949	730
Exploitation	212	141	161
Sexual Abuse	-	-	1
Total	**1,587**	**1,363**	1,083

Source: Adult Protective Services

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.

Through the long-term care ombudsman, part of the Consumer and Elder Rights Program's purpose is to assist older individuals, people with disabilities, and residents of long-term care facilities to protect their rights and help them make informed decisions. In October 2016, LFC published a program evaluation on the performance of nursing homes in New Mexico. The report determined the second most common issue found in nursing homes are violations of resident rights—more common in New Mexico than in the rest of the country. LFC staff asked the department to provide data tracking the types of complaints and outcomes of ombudsman referrals but it has not been provided. With 90 percent of ombudsman complaints resolved within 60 days, the department received a red rating for this measure. The department blamed staff vacancies for the poor performance.

Budget: $4,157.1 **FTE:** 50.5

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Ombudsman complaints resolved within sixty days	98%	100%	95%	90%	R
Residents requesting short-term transition assistance from a nursing facility who remained in the community during the six month follow-up	New	86%	85%	86%	G
Calls to the aging and disability resource center that are answered by a live operator	70%	72%	85%	85%	G
				Program Rating	Y

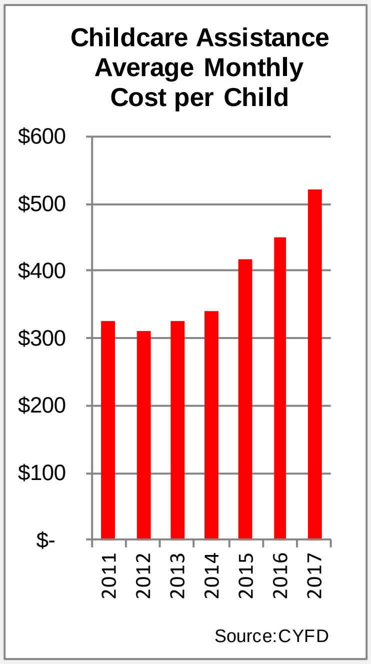
Adult Protective Services. Substantiated cases of adult abuse, neglect, and exploitation (ANE) are on the decline; however, current data and performance measures make it difficult to assess the effectiveness of the program in preventing maltreatment. Additionally, the program does not report on repeat 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, while the measure on in-home services is unclear about whether it measures expanded services or increased investigations, justifying a yellow rating for both measures.

Budget: $12,843.8 **FTE:** 132

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Adult protective services investigations of abuse, neglect or exploitation	5,931	6,315	6,100	6,233	G
Emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed time frames	98%	99%	98%	99%	Y
Adults receiving in-home services or adult day services as a result of an investigation of abuse, neglect or exploitation	1,416	1,500	1,250	1,181	Y
				Program Rating	G

AGENCY IMPROVEMENT PLANS

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



The National Institute of Early Education Research (NIEER) reported New Mexico ranked 16th in the nation for 4-year-olds enrolled in prekindergarten programs in 2016, an increase of 16 percent from the previous year, and the state ranked 20th in the nation for spending at $5,233 per child.

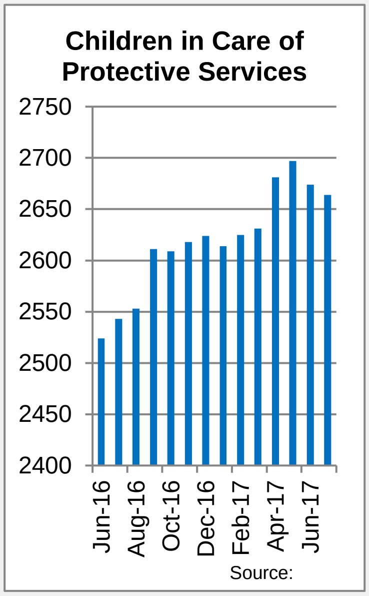
The LFC has consistently found prekindergarten programs improve math and reading proficiencies for low income 4-year-olds and lower special education and retention rates. LFC has also found prekindergarten programs deliver a positive return on investment for New Mexico taxpayers based on improvement in test scores.

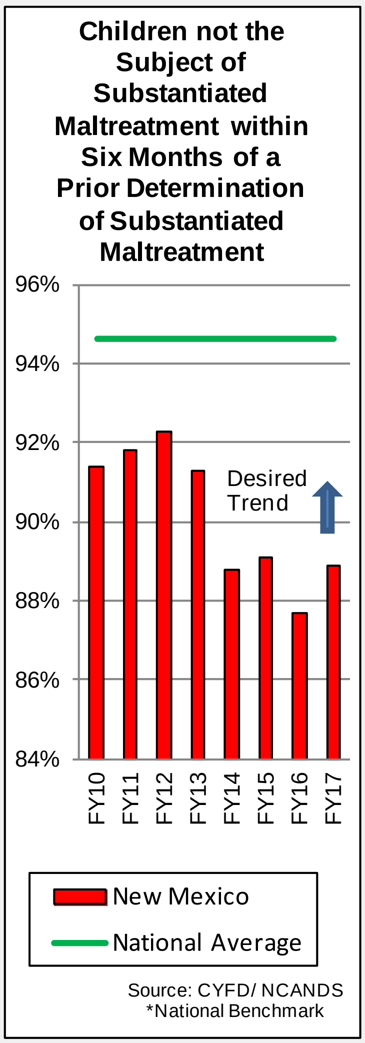
New Mexico continues to struggle with increased stresses on the child welfare system. Despite tough economic conditions, funding to improve child well-being remained a priority of the Legislature; however, performance outcomes remain mixed. The Protective Services program did not meet a significant number of targets including high turnover and repeat maltreatment rates. In addition, the Early Childhood Services program reported a significant decline in the percent of children ready for kindergarten. However, a recent report from the Legislative Finance Committee (LFC) found participation in prekindergarten increased academic performance and attendance through the fifth grade. In order to improve long-term outcomes for New Mexican families, child and family well-being must remain a priority. Continued focus on building infrastructure and support for high quality services targeted to the most at-risk families and children will be key to improving performance outcomes for the Children, Youth and Families Department.

Early Childhood Services. The Early Childhood program exceeded targets to provide children with the highest level of quality childcare, level five. However, level four and three enrollment and providers fell below targeted performance. The agency reported several childcare providers have yet to transition to the state's newest tiered quality rating improvement system (TQRIS), which rates licensed provider quality on a scale from two through five. As more providers are verified statewide in the newest system, the agency believes these performance measures will improve. Additionally, the state has made several investments to increase providers rates during the previous two years in anticipation of costs associated with the TQRIS. These investments have increased the average cost per child from $419 in FY15 to $521 in FY17, an increase of 24 percent. The significant increase in provider rates is intended to pay for higher quality services required by the TQRIS.

Budget: $227.9 **FTE:** 181.5

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Children receiving state subsidy in focus, level four	New	New	6.0%	5.2%	Y
Children receiving state subsidy in focus, level five	New	New	14.5%	30.8%	G
Licensed child care providers participating in focus, level four	New	New	5.0%	3.2%	Y
Licensed child care providers participating in focus, level five	New	New	15.0%	22.1%	G
Parents who demonstrate progress in practicing positive parent-child interactions	New	43.8%	30.0%	44.0%	G
Mothers who initiate breastfeeding	New	88.0%	75.0%	89.7%	G
Children receiving state subsidy, excluding child protective services child care, that have one or more Protective Services-substantiated abuse or neglect referrals	New	New	1.3%	1.2%	G
Children in state-funded pre-kindergarten showing measurable progress on the preschool readiness for kindergarten tool	94.0%	94.3%	93.0%	91.0%	R
				Program Rating	Y





<u>Protective Services</u>. The Protective Services program did not meet a majority of performance targets for FY17. Rising caseloads have increased pressure on an already stressed child welfare system. The number of children in care of the Protective Services program in June 2017 was 2,674, 150 children above the previous year. The statewide average caseload for permanency workers during this same time was 19, close to the national average. However, placement caseloads were close to 26 per worker. Despite high caseloads, the turnover rate declined 4.2 percent from the previous fiscal year. The continued reduction of turnover rates going forward is important to provide families with experienced staff and a less fragmented system.

Budget: $147.4 **FTE:** 927.8

Measure	**FY15 Actual**	**FY16 Actual**	**FY17 Target**	**FY17 Actual**	**Rating**
Children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	89.1%	87.7%	93.0%	88.9%	R
Children who are not the subject of substantiated maltreatment while in foster care	99.8%	99.8%	99.8%	99.9%	G
Children reunified with their natural families in less than twelve months of entry into care	64.1%	60.4%	65.0%	58.2%	R
Children in foster care for twelve months with no more than two placements	73.8%	70.5%	76.0%	72.9%	R
Children adopted within twenty-four months from entry into foster care	32.1%	23.3%	33.0%	24.6%	R
Children reentering foster care in less than twelve months	9.8%	12.6%	9.0%	11.3%	R
Children in foster care who have at least one monthly visit with their caseworker	New	95.6%	97.0%	94.8%	R
Turnover rate for protective services workers	29.0%	29.7%	20.0%	25.0%	R
				Program Rating	R

<u>Juvenile Justice Services</u>. While recidivism to adult facilities slightly missed targets, performance improved from the previous two fiscal years and recidivism to CYFD facilities declined significantly. Detouring youth from participating in future criminal behaviors and re-entering adult or youth facilities is a significant cost savings for public resources. However, the Juvenile Justice Services (JJS) program continued to struggle to reduce violence in committed youth facilities. According to JJS, 12 repeat offenders accounted for 39 percent of the physical assault in facilities. Reducing physical altercations going forward will be a priority for the agency through increased physical programming, de-escalation training, and advancing group facilitation training. As the state invests more resources in upstream preventative services, there is hope the number and severity of youth involved in juvenile justice programs will decline. Reductions in exposures to adverse early childhood experiences (ACEs) in early years may reduce the risk of later criminal involvement.

Research indicates that exposure to adverse childhood experiences (ACEs) may place youth at greater risk for involvement with the juvenile justice system. ACEs include incidents of physical, sexual, or emotional abuse, as well as other household conditions such as domestic violence, the presence of substance abuse or mental illness, parental separation or divorce, or an incarcerated household member.

Percent of Children with 3 or more Adverse Childhood Experiences (ACE)	
National Average	New Mexico
11 Percent	14 Percent

Source: LFC Files

Budget: $73.1 **FTE:** 943.3

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Clients who successfully complete formal probation	83.2%	85.4%	80.0%	82.7%	G
Clients re-adjudicated within two years of previous adjudication	6.4%	5.5%	5.8%	6.0%	R
Clients recommitted to a CYFD facility within two years of discharge from facilities	7.6%	9.5%	8.0%	6.9%	G
JJS facility clients age 18 and older who enter adult corrections within two years after discharge from a JJS facility	11.9%	13.1%	10.0%	11.0%	Y
Incidents in JJS facilities requiring use of force resulting in injury	2.2%	1.6%	1.5%	1.7%	R
Physical assaults in juvenile justice facilities	374	448	<255	398	R
Client-to-staff battery incidents	108	147	<108	143	R
Turnover rate for youth care specialists	22.4%	18.3%	14.0%	20.6%	R
				Program Rating	R

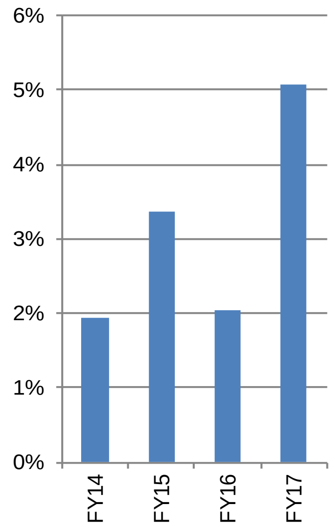
Behavioral Health Services. The Behavioral Health Services (BHS) program failed to provide FY17 fourth quarter data for two of the three performance measures. In order to fulfill reporting requirements, BHS reported the program is waiting for the Human Services Department, Behavioral Health Services Division, to provide necessary data to the Children, Youth and Families Department.

Budget: $18.2 **FTE:** 33

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Youth hospitalized for treatment of selected mental health disorders who receive follow-up with a mental health practitioner within seven calendar days after discharge	31.3%%	28.0%	50.0%	53.5%	G
Youth receiving community-based and juvenile detention center behavioral health services who perceive that they are doing better in school or work because of received services	83.9%	82.2%	75.5%	Not reported	R
Infants served by infant mental health programs who have not had re-referrals to the Protective Services program	New	New	Baseline	88.0%	N/A
				Program Rating	Y

AGENCY IMPROVEMENT PLANS	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned by agency?	Yes

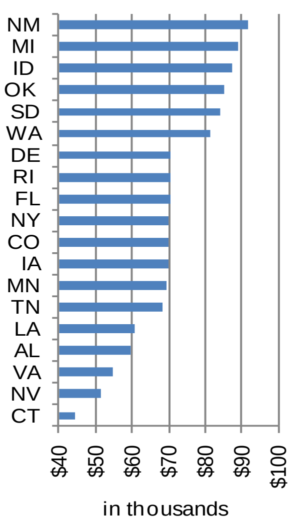
Positive Random Monthly Drug Tests*



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

Source: Corrections Department

Average Cost to State Prisons for Specialty Hepatitis C Drugs in 2015



Source: Health Affairs and LFC files

The New Mexico Corrections Department (NMCD) continues to not report three of 12 measures in Laws of 2016, Chapter 11 (House Bill 2): eligible inmates who earn a general educational development certificate, residential drug abuse program graduates reincarcerated within thirty-six months of release, male offenders who graduate from the men's recovery center and are reincarcerated within thirty-six months. The department stated throughout the year it would report annually on these measures. NMCD also has not reported on the annual thirty-six month recidivism rate. The department met or came close to the target on many of its measures, but continues to struggle with high probation and parole officer caseloads. The department has worked to bolster recruitment and security by installing pay benefits and increasing the presence of advanced technology.

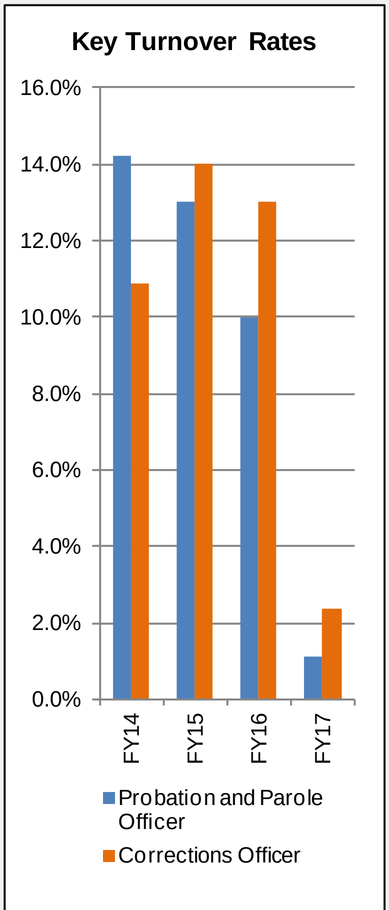
Violence, as measured by inmate-on-inmate and inmate-on-staff assault, remains above target. NMCD attributes the rise in violence to low staffing levels and reduction in segregation of predatory inmates. However, the prevalence of drugs and other contraband in prisons, particularly suboxone, may contribute to the high rates. In the fourth quarter of FY17, NMCD reported a 5 percent positive drug test rate among the 10 percent of the inmate population tested randomly each month. The highest rate this year was in the second quarter when 6.7 percent of inmates tested positive. The department installed full-body scanners at three of the state prisons so far this year to curtail drug smuggling and will install the scanners at the remaining state facilities as well as strengthening intelligence gathering practices. All public safety agencies statewide must work together to improve outcomes for citizens statewide to improve the state's chances of positive economic development.

Inmate Management and Control. Although the department continues not to report progress on general educational development (GED) certificates and residential drug abuse program recidivism rates this fiscal year, the department made gains in the number of inmates receiving basic adult education and improved on the number of female inmates still incarcerated past their release dates.

Budget: $296,932.6 **FTE:** 1,837

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Participating inmates who have completed adult basic education	34%	52%	40%	62%	G
Inmate-on-inmate assaults with serious injury	13	21	10	15	R
Inmate-on-staff assaults with serious injury	2	9	4	6	R
Escapes from a private facility	0	0	0	0	G
Release eligible female inmates incarcerated past their scheduled release date	13%	9%	10%	8%	G
Release eligible male inmates incarcerated past their scheduled release date	NEW	9%	10%	9%	G
Standard healthcare requirements met by medical contract vendor	90.5%	97.1%	100%	95%	Y
Eligible inmates who earn a general educational development certificate	64%	76%	75%	No report	R

The department revised their policy regarding participation in the Residential Drug Abuse Program to include more inmates by shortening the required time-to-release date from 9 months to 6 months and intensifying hours per day spent in class, allowing the department to serve those who arrive in the department's prisons on short sentences.



Source: Corrections Department

Vacancies among probation and parole officers are historically near 20 percent; NMCD states vacant PPO positions are continuously open for recruitment through SPO but did not detail any other efforts.

Prisoners reincarcerated into the corrections department system within thirty-six months due to new charges or pending charges	23%	22%	20%	21%	Y
Residential drug abuse program graduates reincarcerated within thirty-six months of release	2%	47%	10%	No report	R
Thirty-six month recidivism rate	47%	46%	40%	No report	R
				Program Rating	Y

<u>Community Offender Management</u>. The average standard caseload per probation and parole officers (PPO) rose for the second straight year; NMCD states the rise is mainly due to low pay. However, the department has reported record low turnover rates for PPOs and correctional officers while headcount reports show high vacancy rates. The number of absconders apprehended fell compared to previous years; the department has reported two years in a row there are 12 employees covering 1,700 absconders. NMCD is working with law enforcement and has conducted mass fugitive operations to help round up absconders.

Budget: $33,380.9 **FTE:** 376

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Out-of-office contacts per month with high and extreme supervision on standard caseloads	93%	95%	95%	96%	G
Absconders apprehended	27%	31%	30%	28%	Y
Average standard caseload per probation and parole officer	99	109	95	113	R
Male offenders who graduate from the men's recovery center and are reincarcerated within thirty-six months	NEW	18%	25%	No report	R
				Program Rating	Y

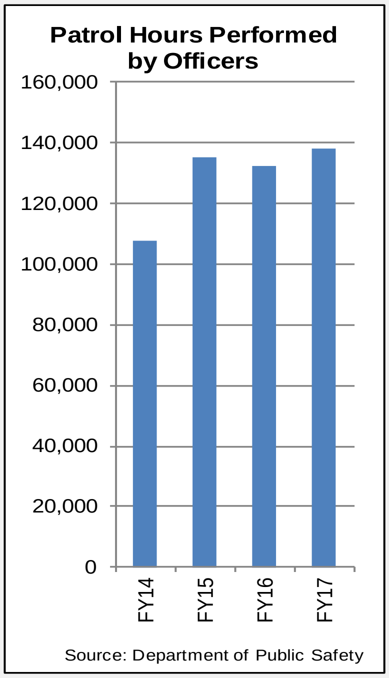
<u>Program Support</u>. Previous report cards this fiscal year have expressed concern with reported turnover data. Data received from the State Personnel Office (SPO) validates the low corrections officer (CO) turnover rate reported by NMCD; however, the low turnover does not seem to correlate with continued CO vacancies averaging 23 percent statewide and as high as 50 percent in some prisons. Statute requires a performance monitoring plan for every agency "to ensure that performance data are maintained and supported by agency records." The department should revisit its plan to ensure data accuracy. NMCD has explained they are working to provide recruitment differentials and geographic pay to help recruit and retain COs more efficiently.

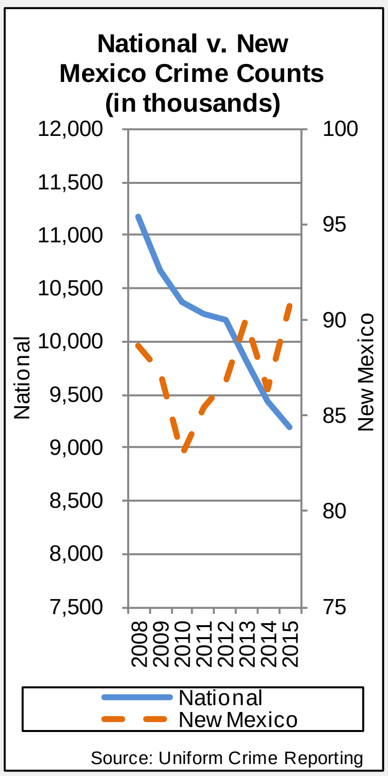
Budget: $13,536.4 **FTE:** 158

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Turnover of probation and parole officers	13%	10%	10%	1.1%	G
Turnover of correctional officers in public facilities	14%	13%	10%	2.4%	G
				Program Rating	G

AGENCY IMPROVEMENT PLANS

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





The continuous rise in crime in New Mexico is reflected in the activities performed by the Department of Public Safety (DPS). As violent crime jumped 10 percent and property crime rose 4.5 percent between 2014 and 2015, the number of crime scenes investigated by DPS officers rose 88 percent over FY16 while the number of criminal cases investigated rose 39 percent in the same time period. In hours, DPS personnel spent 262.4 thousand hours, a 48 percent increase over FY16, investigating criminal cases. DPS is not solely responsible for crime rates; of the nearly 5,600 certified officers in the state, DPS fields about 660 officers.

The department achieved the majority of their performance measures in FY17, despite the rash of crime within the state. Staff recruitment and retention remains the agency's foremost priority; however, steep training costs and time are needed to onboard forensic scientists and police officers, many of whom leave for better pay elsewhere.

Law Enforcement. The department met all of its performance measure targets except for commercial motor vehicle citations issued per assigned personnel. The department explains the measure, meant to help reduce crashes caused by unsafe commercial vehicles, was not achieved as DPS continues to work through the challenges of a combined police force; the Motor Transportation police were merged with the State Police in FY15. However, important safety measures such as DWI arrests per officer and drug related investigations are at or above target, important to curtailing the crime spike in the state.

Budget: $121,038.3 **FTE:** 1,067.7

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Criminal investigations conducted by agents assigned to criminal investigative and impact positions in the investigations bureau	NEW	24	20	23	G
Drug-related investigations conducted per agent assigned to narcotics investigative positions in the investigations bureau	26	63	20	56	G
Commercial motor vehicle citations issued per filled full-time-equivalent position assigned to enforcement duties	NEW	342	522	371	R
Commercial motor vehicle safety inspections conducted per filled full- time-equivalent position assigned to inspection duties	NEW	662	430	665	G
DWI arrests per patrol officer	9	9	10	10	G
DWI checkpoints and saturation patrols conducted	1,051	2,421	1,175	1,426	G
Crime scenes investigated or processed statewide	113	112	150	150	G
Minor compliance and underage enforcement operations conducted per agent assigned to alcohol enforcement duties	30	34	30	32	G
Enforcement operations for sales to intoxicated persons	2,542	581	600	797	G

Motor carrier safety trainings completed	51	117	50	114	G
				Program Rating	**G**

Statewide Law Enforcement Support. Although DPS did not meet targets for forensic science cases completed per scientist, quarterly clearance rates tell another story. On average, the department cleared 27 percent of cases received this quarter as measured by statutory performance measures but cleared an average 136 percent of cases received this quarter overall. The statutory measures will be discontinued after this fiscal year and replaced with more meaningful measures.

Department of Public Safety FY17 Q4 Forensic Cases Received and Completed

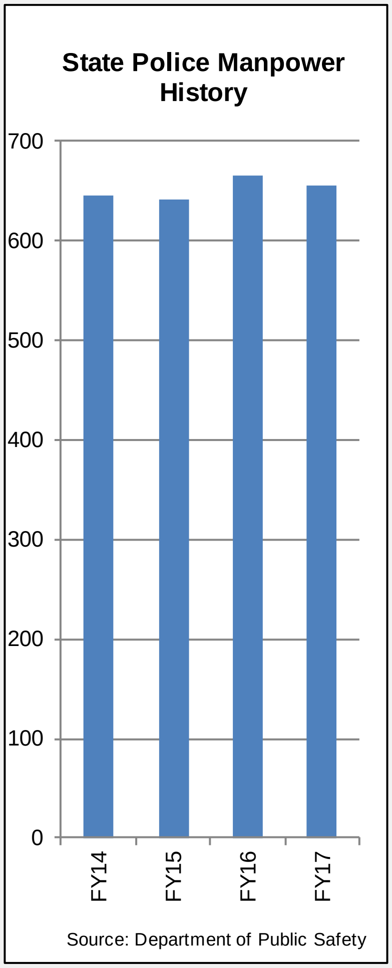
Case Type	Cases received	Case completed	Completion rate
Biology and DNA	1,758	3,339	190%
Latent Fingerprint	774	1,017	131%
Firearm and Toolmark	612	571	93%
Chemistry	4,329	5,563	129%

Source: Department of Public Safety

Training of forensic scientists can take one to two years before full productivity is reached. High turnover rates increase the number of non-productive hours. In the firearm and toolmark division, DPS changed its strategy from hiring a firearm and toolmark analyst to hiring a technician to assist with cases and begin a two year training program.

Budget: $19,805.4 **FTE:** 147

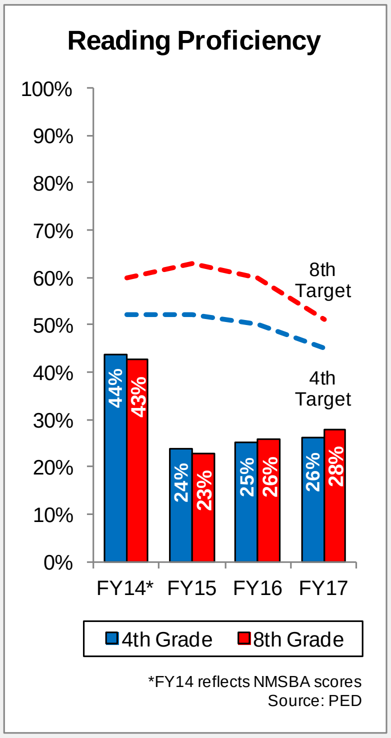
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating Rating
Forensic biology and DNA cases completed per scientist within sixty working days	NEW	NEW	40%	18%	R
Forensic latent fingerprint cases completed per scientist within sixty working days	NEW	NEW	30%	34%	G
Forensic firearm or toolmark cases completed per scientist within sixty working days	NEW	NEW	50%	23%	R
Forensic chemistry cases completed per scientist within sixty working days	NEW	NEW	40%	31%	R
Average turnaround time for concealed carry permit issuance from date application received to date completed, in working days	11	13	15	9	G
Average turnaround time of civil applicant results posted from the date the fingerprints are taken to the date of posting, in working days	1.3	1.3	2.0	1.2	G
				Program Rating	**Y**

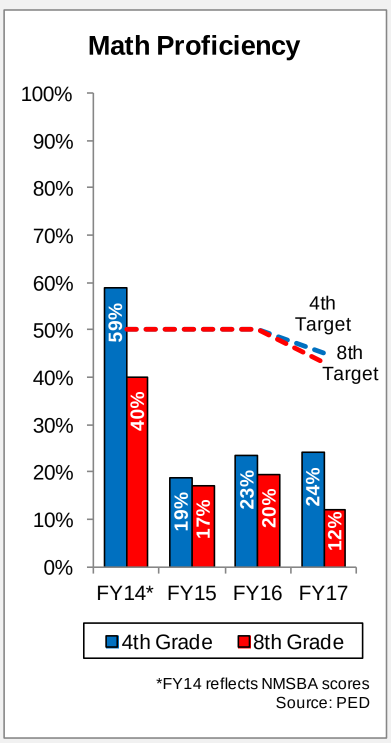


The Legislature in 2016 authorized $7.5 million for the new Santa Fe Crime Lab and Evidence Center: a $500 thousand severance tax bond for plan and design and a $7 million general obligation bond for the first phase of construction. DPS has issued a request for proposals for the evidence center and expects to be short on funding for total evidence center project completion.

PERFORMANCE REPORT CARD
Public Education Department
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS	
Submitted by agency?	No
Timeline assigned by agency?	No
Responsibility assigned by agency?	No





School districts and charter schools receive the majority of their funding through the state equalization guarantee (SEG) distribution, often referred to as the public education funding formula. Precipitous declines in revenues resulted in mid-year reductions to the SEG in FY17, including a 1.5 percent decrease in the final unit value and 2 percent school cash balance credit, which offset general fund appropriations by almost $78 million. Further, FY17 general fund appropriations for transportation, instructional materials, and Public Education Department (PED) initiatives were reduced by $38 million. Despite these reductions to the SEG and other public education-related appropriations in FY17, most statewide performance measures showed marginal improvement.

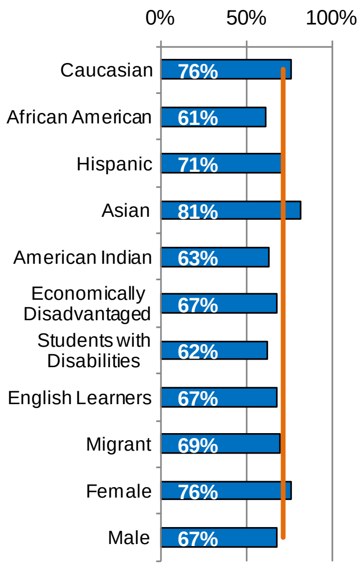
Public School Support. In FY15, New Mexico students took the Partnership for Assessment of Readiness for College and Careers (PARCC) test, which replaced the New Mexico standards-based assessment (NMSBA) and increased cut scores for proficiency. Consequently, proficiency rates were lower in FY15, and performance targets were adjusted downward to account for these changes. In FY17, reading and math proficiency for fourth grade students improved slightly from FY16; however, results indicate about three-fourths of fourth graders are still not proficient in reading or math. For eighth graders, reading proficiency improved, but math proficiency declined significantly, from almost 20 percent in FY16 to 12 percent in FY17.

Four-year cohort graduation rates increased to a record high of 71 percent in 2015-2016; however, New Mexico's graduation rate remains significantly lower than the 2014-2015 national average of 83 percent, and nearly half of New Mexico high school graduates take remedial courses at higher education institutions. PED and the Higher Education Department did not report FY16 or FY17 college remediation rates in the fourth quarter.

Budget: $2,580,232.5 **FTE:** N/A

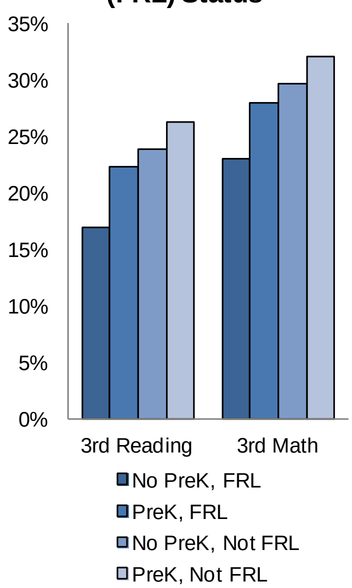
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Fourth-grade students who are proficient on standards-based assessments in reading	23.8%	25%	45%	26%	R
Fourth-grade students who are proficient on standards-based assessments in mathematics	18.8%	23.4%	45%	24%	R
Eighth-grade students who are proficient on standards-based assessments in reading	22.9%	25.8%	51%	28%	R
Eighth-grade students who are proficient on standards-based assessments in mathematics	17.2%	19.5%	43%	12%	R
Recent high school graduates who take remedial courses at higher education institutions	43.3%	NR	<35%	NR	R
Four-year cohort graduation rate	68.6%	71%	75%	NR	R
			Program Rating		R

2016 Four-Year Graduation Rate by Sub-Group with Statewide Average (71%)



Source: PED

FY16 3rd Grade Proficiency by PreK Enrollment and Free and Reduced Lunch (FRL) Status



Source: PED

<u>Public Education Department</u>. According to the State Personnel Office organizational listing report, PED maintained 232 FTE, or about a 4 percent vacancy rate, in the fourth quarter. PED ended the year with $23.2 thousand, or 0.2 percent, of their FY17 personal services and employee benefits appropriation unspent. In FY17, PED reduced general fund appropriations for personnel by $366.1 thousand but supplemented this reduction by budgeting $1 million in related recurring "below-the-line" appropriations—intended to directly support school districts and charter schools—for department personnel costs. For FY18, PED budgeted approximately $1.3 million for department personnel costs. The $1.3 million of below-the-line appropriations budgeted for PED personnel costs are in addition to PED's operating budget and did not appear in PED's FY18 operating budget request. In the past, it has been customary for PED to budget funds for department personnel from appropriations for Indian education, prekindergarten, and K-3 Plus; however, the use of other below-the-line appropriations for personnel has become a recent practice. PED also entered into several intergovernmental agreements utilizing more than $1.9 million of FY17 pay-for-performance initiative funding that did not appear related to the appropriation, including $1.2 million for an open-source learning management system.

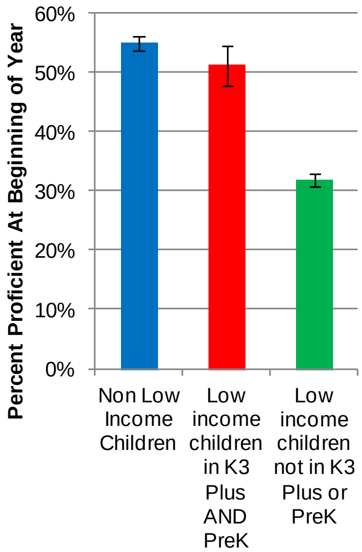
Some PED administrative functions appear to have improved, with several annual figures meeting or approaching target levels. PED has met the target number of completed data validation audits, which ensures the SEG is distributed according to statute. PED is also approaching target levels on average processing times for school district and charter school budget adjustment requests, which affects cash flows for schools. This is particularly important for public schools with small cash balances. However, it is unclear if other reported outcome measures are being calculated accurately, as some annual figures do not seem to be weighted appropriately for each quarter. For example, PED reported a total of three requests for information (RFI) in FY17, with one RFI taking 16 days to process in the third quarter and two RFIs taking an average of 27 days to process in the fourth quarter. PED reported an annual average processing time of 11 days; however, the weighted average processing time per RFI was actually 23 days.

Budget: $11,065.3 **FTE:** 240.8

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Eligible children served in state-funded prekindergarten	8,604	8,761	N/A	8,572	Y
Eligible children served in kindergarten-three-plus*	19,383	20,093	N/A	15,049	R
Elementary students participating in school breakfast after the bell	72,560	76,789	N/A	78,031	G
Data validation audits of funding formula components	13	2	20	21	G
				Program Rating	Y

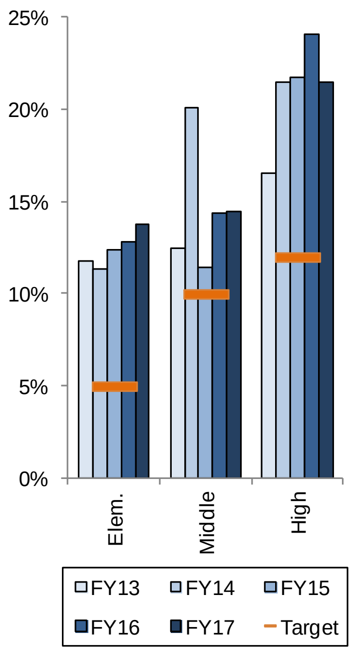
*New performance measure; figures represent participation by summer program, not fiscal year

Closing of the achievement gap for Dual K-3 Plus & PreK Participants



Source: LFC Analysis of PED and CYFD data
Error bars are 95% Confidence

Habitual Truancy by School Type



Source: PED

<u>Prekindergarten</u>. In FY17, the total number of eligible children served in state-funded prekindergarten (PreK) decreased slightly; however, PED notes the number of children served in extended-day programs increased from 1,104 children in FY16 to 1,685 children in the fourth quarter of FY17. The LFC has consistently found prekindergarten programs improve math and reading proficiencies for low-income 4-year-olds and lower retention and identification rates for special education. The 2017 LFC *Early Childhood Accountability Report* found higher student achievement and lower special education identification rates in fifth grade for students that participated in PreK. Additionally, low-income students who participated in both the PreK and kindergarten-three (K-3) plus programs closed achievement gaps by kindergarten entry.

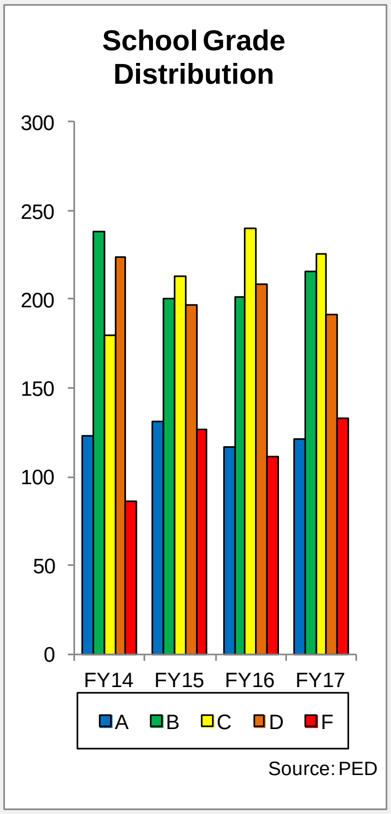
<u>K-3 Plus</u>. In FY17, PED released summer 2017 awards, showing only 15 thousand students funded to participate in K-3 Plus, a decrease of 5,116 students funded from the previous summer, which had a record enrollment of 20 thousand students. Because a majority of the FY17 K-3 Plus appropriation was spent on program sites in July and August 2016, PED was unable to fully fund total projected enrollment at program sites in June 2017. PED staff indicated the department worked with school districts and charter schools that had June start dates to push their programs into FY18; however, only 13 program sites moved their start dates back.

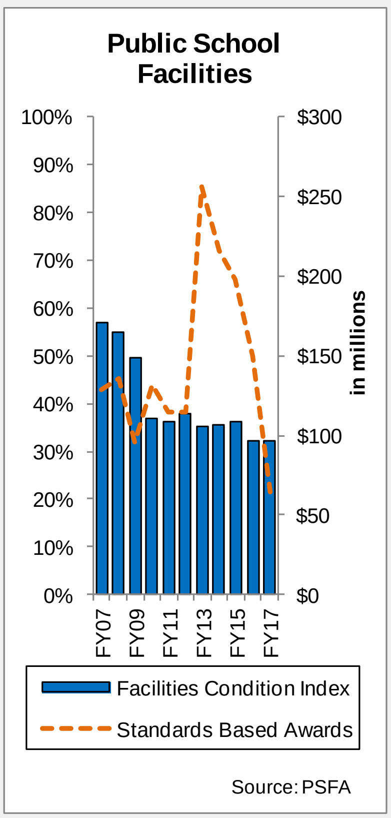
PED indicated they did not think it would be fair to reduce awards for June start up programs while not reducing awards for programs that would begin after June 2017. Department staff also indicated they wanted to ensure enough funds remained for summer 2018 programs and budgeted $10.2 million for June 2018. The directors of LFC and the Legislative Education Study Committee sent two joint letters to PED requesting the department consider using the FY18 appropriation for summer 2017 awards, noting the Legislature would have an opportunity to address summer 2018 funding during the 2018 legislative session. The letters highlighted the fact that PED did not share summer 2016 data with legislative staff on time to advise legislators of any potential funding shortfalls for summer 2017 programs.

To date, PED has indicated it will still hold $10.2 million for summer 2018 programs, despite legislative analysis suggesting the department is budgeting a 30 percent year-over-year decrease for July and August 2017 programs while increasing funding for June 2018 programs by over 80 percent.

<u>Habitual Truancy</u>. In FY17, statewide habitual truancy rates for high school students decreased; however, elementary and middle school habitual truancy rates increased, and overall habitual truancy rates remain higher than desired. Overall, 21.5 percent of students in high school are truant at least 10 days or more compared with 14.5 percent of students in middle school. The habitual truancy rate was the lowest for elementary school students, at 13.8 percent.

The U.S. Department of Education (USDE) notes that reasons for chronic absences from school are particularly acute in disadvantaged communities and areas of poverty and may prevent children in elementary school from





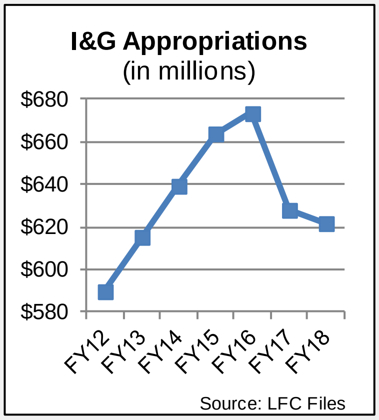
reaching early learning milestones. According to USDE, children who miss 15 or more days in preschool, kindergarten, and first grade are much less likely to read at grade level by third grade. Students who cannot read at grade level by the end of third grade are four times more likely than proficient readers to drop out of high school.

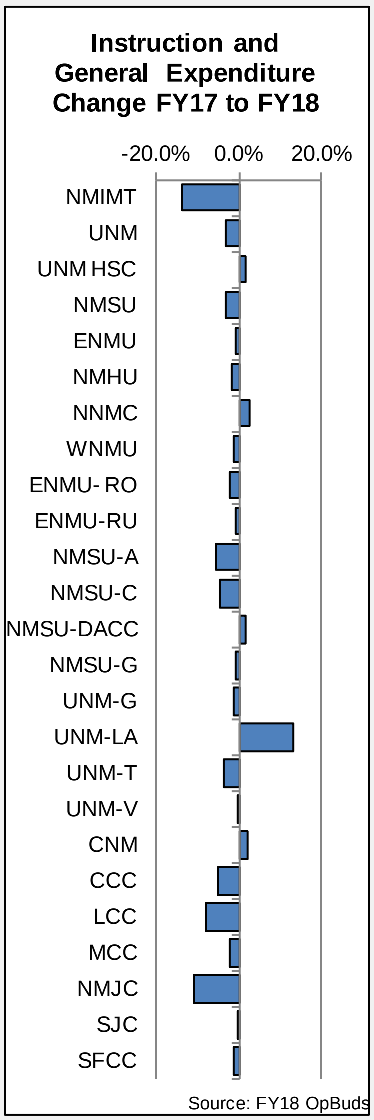
According to PED, average statewide habitual truancy rates have fluctuated around 15 percent in the past few years. In FY16, PED allocated $3 million to support its truancy and dropout prevention coaches (TDPC) program and pay for coach salaries at 42 school sites. Between FY15 and FY16, habitual truancy rates for all TDPC school sites showed mixed results. With the exception of Albuquerque schools, all other TDPC sites improved, decreasing habitual truancy rates from 27 percent to 21 percent. In contrast, habitual truancy rates at the 12 Albuquerque TDPC program sites worsened between FY15 and FY16, increasing from 14 percent to 27 percent. Statewide, schools experienced an average increase in habitual truancy rates from 22 percent to 24 percent between FY15 and FY16.

School Grades. In FY17, the number of schools with ‘B’ and ‘F’ letter grades increased slightly. Schools reported about the same number of ‘A’ letter grades and slightly fewer ‘C’ and ‘D’ letter grades. Staff analysis of school grading trends suggests that significant year-over-year changes to letter grades appear to be diminishing, as more schools are beginning to receive the same letter grade each year. The large number of schools changing grades during FY15 can be attributable to the switch from NMSBA to PARCC testing.

Public School Capital Outlay. In FY16, the Public School Capital Outlay Council (PSCOC) awarded $150.1 million in standards-based awards to complete new and continuing construction projects. In FY17, PSCOC awarded a substantially smaller amount of standards-based awards—only $64.8 million—but began a systems-based awards pilot to focus capital outlay funds on extending the useful lives of existing buildings. In FY17, the average statewide facilities condition index (FCI) of public schools was 32.7 percent, a dramatic improvement from 57 percent in FY07. The FCI indicates the level of repair needed for a facility; the lower the percentage, the lower amount of money required for repairs.

Eleventh District Judge Louis E. DePauli recently dismissed the Zuni and Gallup school districts and individual Zuni plaintiffs from the Zuni lawsuit (*Zuni Public School District v. State of New Mexico, D-1113-CV-98-14-II*), which challenged the equity of public school capital adequacy standards. The only plaintiffs left are the individual Gallup plaintiffs (student, parents, etc.), who have shown, according to DePauli, “a question of fact as to whether they have been ‘injuriously affected’ as well as whether their claims can be redressed.” To date, no trial dates have been set, and it is unclear whether the individual Gallup plaintiffs will want to proceed with the case.





Due to continued declines in state appropriations and enrollment, New Mexico's higher education institutions have reduced FY18 budgeted instruction and general (I&G) expenditures compared with estimated actual expenditures from FY17. Institutions demonstrate mixed overall financial indicators through the composite financial index, though some have shown improvement in recent years. Despite some negative financial indicators, most institutions have maintained healthy fund balances. Declines in enrollment are reflected in the reduced number of lottery scholarship awards, as well as declines in the number of students receiving federal Pell Grants and Direct Loans. Finally, although academic data from the University of New Mexico Health Sciences Center will be reported in the FY18 first quarter report card, self-reported clinical indicators show the university's health system is meeting or exceeding university-set targets.

FY18 Operating Budgets. For most institutions, I&G spending is set to decline in FY18, with the largest budgeted spending reduction of 13.7 percent occurring at the New Mexico Institute of Mining and Technology. Although the University of New Mexico-Los Alamos has budgeted for a 13.3 percent I&G expenditure increase, the college's overall unrestricted expenditures will be reduced 1.7 percent, based on the institution's FY18 operating budget.

FY17 and FY18 I&G Budgeted Expenditures (in thousands)

Sector	FY17 Original OpBud Expense	FY17 Revised OpBud/Est. Actual Expense	FY18 Original OpBud Expense
Research Institution Expenditures	$675,985.1	$664,528.3	$644,161.3
Comprehensive Institutions Expenditures	$125,925.5	$127,819.8	$126,722.7
Community College Expenditures	$388,519.6	$386,425.2	$383,421.9
Total	**$1,190,430.1**	**$1,178,773.2**	**$1,154,305.8**

Source: FY18 OpBuds

Although New Mexico's colleges and universities have faced fiscal challenges in recent years, institutions demonstrated sound fiscal practices by maintaining a significant cushion between revenues and expenditures, with consistent and substantial operating balances. However, some institutions struggle to maintain solvent budgets. Northern New Mexico College (NNMC), for example, has budgeted an FY18 ending balance of $0, with an I&G ending balance of -$110.6 thousand. This is an improvement over NNMC's FY15 ending operating balance of -$641.3 thousand, but the college will need to take necessary measures to ensure it has the operating balances necessary to assure accreditors and lenders of the college's future financial viability. It should be noted that NNMC's June 30, 2017, Fiscal Watch Report indicates an unrestricted fund balance of over $1.5 million.

Composite Financial Index. According to the Higher Education Department (HED), institutions accredited through the Higher Learning Commission (HLC) are required to submit annual data worksheets based upon audited financial statements that include a composite financial index (CFI) score, which is a combination of four core financial ratios – the primary reserve ratio, net operating reserve ratio, return on net assets ratio, and viability ratio – benchmarked to the short- and long-term fiscal health of institutions.

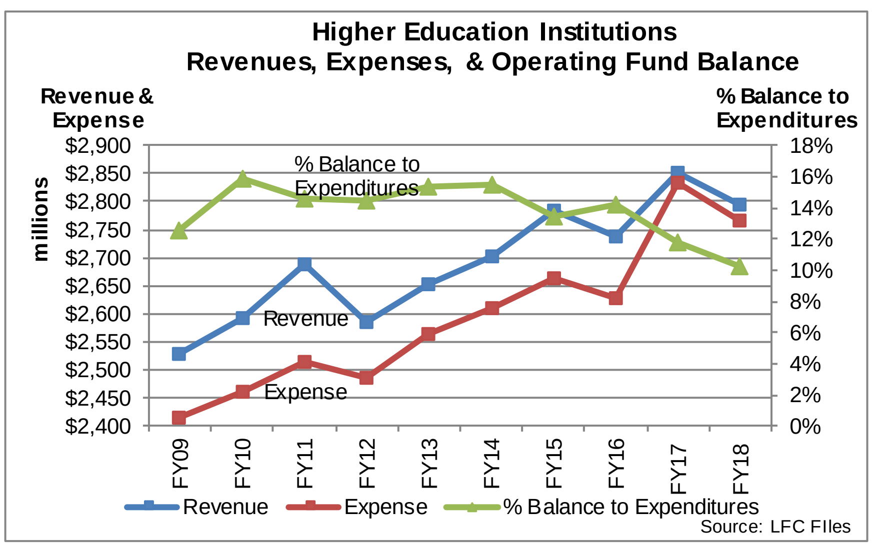
According to HED, performance of the CFI score is evaluated on a scale of -4 to 10. A score of 3 is considered to be the threshold for institutional financial health. A score below 1 requires additional action by the institution.

Composite Financial Index by Institution

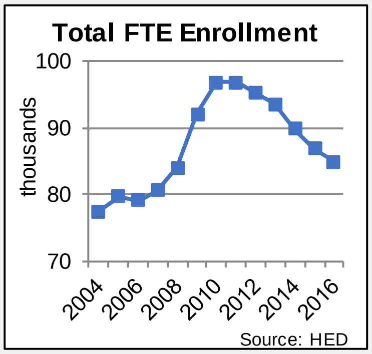
Institution	FY11	FY12	FY13	FY14	FY15	FY16	AVERAGE
NM Tech	4.6	4.8	5.2	7.2	7.0	5.2	5.7
NMSU	2.6	1.7	2.1	2.6	1.1	1.8	2.0
UNM	3.2	1.5	1.7	2.2	3.3	2.9	2.5
ENMU	5.4	2.0	2.7	4.4	3.9	2.5	3.5
NMHU	1.0	0.0	1.0	1.0	1.8	2.4	1.2
NNMC	0.0	2.2	2.8	4.2	3.3	4.3	2.8
WNMU	4.9	3.1	1.4	1.4	1.0	3.0	2.5
CNM	3.4	2.8	2.2	1.2	1.0	2.0	2.1
CCC	8.6	8.7	8.1	8.4	8.2	8.2	8.4
LCC	7.1	1.0	3.5	3.4	5.4	7.4	4.6
MCC	6.6	4.4	5.8	5.7	4.4	3.4	5.1
NMJC	5.4	5.4	5.6	5.9	5.9	4.4	5.4
SJC	1.1	0.4	1.2	4.1	3.1	2.0	2.0
SFCC	3.3	2.7	2.3	1.0	2.4	3.3	2.5
NMMI	9.9	8.1	9.0	9.2	8.2	6.4	8.5
State Average	4.5	3.3	3.6	4.1	4.0	3.9	3.9

Source: HED

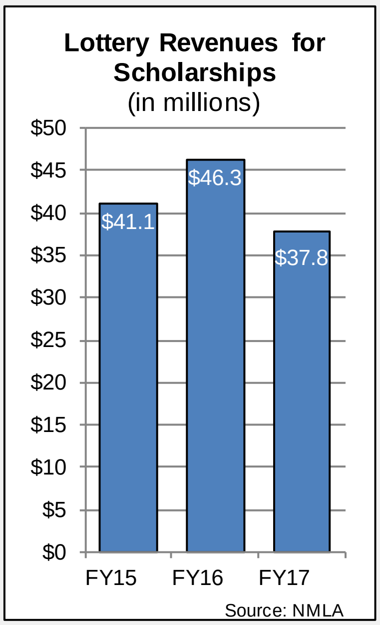
While some institutions are below the threshold of what is considered good financial health in FY16, some institutions scoring at or below 1 in prior years have improved their CFI in the most recently available fiscal year.



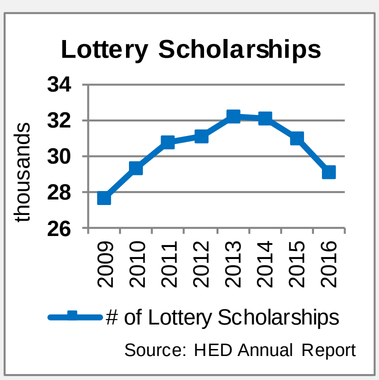
Note: FY17 figures in chart above reflect estimated actual, while FY18 figures are based on institutions' operating budgets.



Legislative Lottery Tuition Scholarship



Although significantly fewer students are receiving scholarships, for FY18 the Higher Education Department announced scholarships would cover 60 percent of tuition rates, compared with 90 percent in FY17, primarily due to expired liquor excise tax transfers to the lottery tuition fund and dwindling lottery revenues.



FY18 Higher Education Department General Fund Support for Student Financial Aid
(in thousands)

Program	FY18 Allocation
Firefighter Scholarship	$25.0
Nursing Loan-for-Service	$450.0
Teacher Loan-for-Service	$20.0
Nurse Educators Fund	$65.0
Health Professional Loan Repayment	$1,061.9
Minority Doctoral Loan Repayment Assistance	$75.0
Social Worker Loan Repayment	$450.0
Graduate Scholars	$619.0
Work Study	$4,142.2
NM Scholars Program	$250.0
Student Incentive Grant	$11,000.0
WICHE Loan-for-Service	$2,167.5
Dentistry Loan-for-Service	$21.6
Public Service Law Loan Repayment	$170.0
Primary Care Physician Tuition Waiver	$150.0
Medical Student Loan Repayment	$350.0
Dental Residency	$750.0
Teacher Loan Repayment	$60.0
Allied health Student Loan-for-Service	$100.0
Wartime Veterans Scholarship	$65.0
Vietnam Veterans Scholarship	$180.0
Financial Aid Admin.	$21.0
Total	**$22,193.2**

Source: HED FY18 OpBud

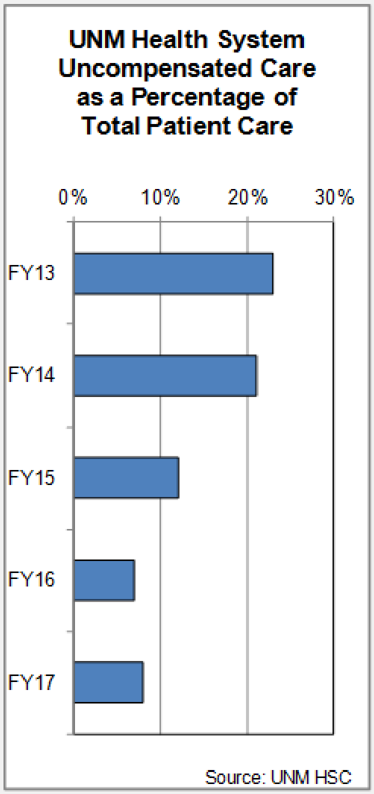
Student Financial Aid. Last year, New Mexico students at public institutions relied on $163.1 million in federal Pell Grant awards and $239.5 million in Direct Loan support, reflecting a drop of 8.3 percent and 6.7 percent, respectively, compared with the prior year. Because grant and loan amounts per student remained relatively stable, the decline in overall awards and loans appears to be the result of lower overall recipients -- 4,554 fewer students received Pell Grants and 5,234 fewer students initiated Direct Loans in award year 2015-2016. The decline in recipients is likely tied to enrollment declines across the state.

Award Year 2015-2016 Federal Pell and Direct Loans

A	B	C	D	E	F	G
Institution	**Pell Recips.**	**Pell Disburs.** (in thousands)	**Pell Grants Per Recipient** (C/B) (in thousands)	**Direct Loan Recips.**	**Direct Loan Disburs.** (in thousands)	**Direct Loans Per Recipient** (F/E) (in thousands)
CCC	1,059	$3,217.4	**$3.0**	283	$815.33	**$2.9**
CNM	10,177	$24,291.3	**$2.4**	3,689	$9,824.25	**$2.7**
ENMU	2,624	$9,787.6	**$3.7**	3,225	$17,440.76	**$5.4**
LCC	425	$1,545.9	**$3.6**	90	$240.43	**$2.7**
MCC	192	$706.4	**$3.7**	-	-	**-**
NM Tech	489	$2,076.8	**$4.2**	954	$4,414.33	**$4.6**
NMHU	1,328	$5,137.6	**$3.9**	1,882	$11,674.09	**$6.2**
NMJC	688	$2,409.3	**$3.5**	261	$734.14	**$2.8**
NMMI	136	$576.8	**$4.2**	142	$429.13	**$3.0**
NMSU	10,309	$40,911.3	**$4.0**	11,496	$53,950.58	**$4.7**
NNMC	587	$2,343.9	**$4.0**	144	$500.07	**$3.5**
SFCC	1,645	$5,755.4	**$3.5**	704	$2,647.22	**$3.8**
SJC	2,916	$10,132.2	**$3.5**	1,324	$4,175.24	**$3.2**
UNM	12,623	$48,946.4	**$3.9**	17,496	$115,794.93	**$6.6**
WNMU	1,284	$5,248.0	**$4.1**	2,458	$16,896.34	**$6.9**
Total/Avg.	**46,482**	**$163,086.2**	**$3.5**	**44,148**	**$239,536.8**	**$5.4**

Source: USDE

In addition to tracking grant and loan recipients, the US Department of Education also keeps records on the percent of students who fail to repay their loans. With the exception of the New Mexico Institute of Mining and Technology, default rates among New Mexico's higher education institutions exceed the national rate for the most recent cohort. While the national default rate for the FY13 cohort was 11.3 percent, two institutions in New Mexico – Central New Mexico Community College (CNM) and Luna Community College (LCC) – experienced default rates of over 25 percent. It should be noted, however, CNM has taken measures in recent years to reduce its default rate, which previously hovered around 31.7 percent.



University of New Mexico Health Sciences Center. The University of New Mexico (UNM) Health Sciences Center (HSC) reports several measures beyond those required under the Accountability in Government Act (AGA), many of which relate to clinical operations under the UNM Health System. Because these measures are not required under the AGA, targets are set by UNM HSC.

Measure	June-Aug 2016	Sept.-Nov. 2016	Dec.-Feb 2017	Mar.-May 2017	Target	Rating
Total Number of University of New Mexico Hospital Clinic Visits	142,657	135,331	127,614	144,479	134,882	G
Total Number of University of New Mexico Hospital Discharges	6,445	6,273	6,321	6,297	6,372	G
Percent of human poisoning exposures treated safely at home after Poison and Drug Information Center contacted by a caller in a non-healthcare setting	83.47	82.37	80.86	81.39	80.0	G
University of New Mexico Hospital Inpatient Readmission Rate	4.64	5.33	5.07	4.15	4.37-5.06	G
			Program Rating			G

Accreditation Activity. Citing the New Mexico State Auditor's special audit of UNM's athletics program and other concerns related to financial management processes at the university, in August 2017, HLC issued a letter to UNM requesting a brief report providing a summary basis for the special audit, actions taken by the New Mexico State Auditor, an overview of any actions taken or planned by other state offices, and a summary of the audit's impact on the university. UNM responded with the institution's intent to comply with the HLC request, which is due September 14, 2017.

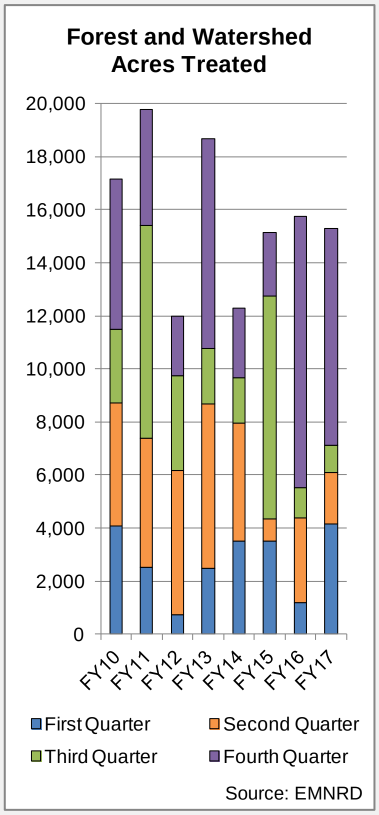
In response to a special audit by HED and investigations by both the New Mexico State Auditor and New Mexico Attorney General concerning fraud and/or embezzlement, HLC staff scheduled an advisory visit to LCC in late June 2017 as part of special monitoring. In preparation for the visit, HLC requested a report addressing compliance with certain accreditation guidelines. LCC submitted the report, which totaled 423 pages, in May 2017.

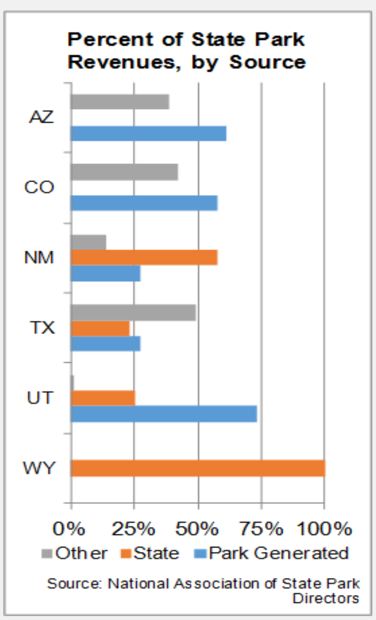
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Energy, Minerals and Natural Resources Department
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS

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





The Energy, Minerals and Natural Resources Department began several new initiatives including establishing a statewide parks friends group and drafting the state energy roadmap and implementation plan. However, the agency fell short of some key performance targets in FY17 including forest treatment and state park revenue.

Healthy Forests. The agency thinned 8,000 acres in the fourth quarter, but did not meet the annual target due to impaired access to project areas earlier in the fiscal year primarily due to heavy snow fall. While fire activity typically peaks from late May to early July, the early arrival of monsoonal moisture detered large fires in FY17.

Budget: $14,740.7 **FTE:** 80

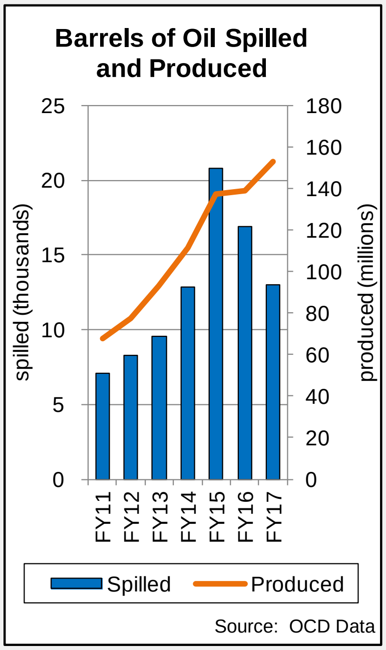
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Nonfederal wildland firefighters trained	1,625	1,627	1,650	1,362	Y
Acres treated in New Mexico's forest and watersheds	15,142	15,762	15,500	15,291	Y
At-risk communities or local fire departments provided funding for wildland firefighting equipment or training	112	126	110	99	G
People employed under the veterans firefighter program	New	45	30	55	G
				Program Rating	Y

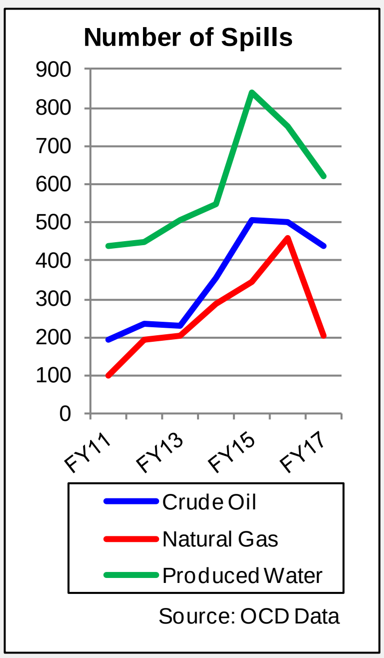
State Parks. Although visitation fell by 9.7 percent from FY16-FY17, visitation to New Mexico state parks easily surpassed the target. The revenue impact of reduced visitation was largely offset by increases in per visitor revenue resulting in an overall revenue reduction of only 1.9 percent, or $84.2 thousand. According to the National Association of State Park Directors, New Mexico state parks generate just over one-quarter of their operating revenue, lower than both Colorado and Arizona, which rely on park revenue for over half of expenses, but in line with Texas state parks.

Budget: $27,075.7 **FTE:** 245

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Visitors to state parks, in millions	4.68	5.46	4.25	4.93	G
Self-generated revenue per visitor	$0.87	$0.81	$0.96	$0.88	R
Interpretive programs available to park visitors	1,780	1,312	2,000	1,053	R
Boating safety courses completed	753	937	725	887	G
				Program Rating	Y

Mine Reclamation. The agency conducted all of the required inspections for coal mines and conducted 58 of the required 61 inspections of regular mines. The number of mines without adequate financial assurance was reduced to one, the Asarco Deming Mill. The mill is currently under application with a new owner and EMNRD is working to obtain adequate financial assurance.





Budget: $8,210 **FTE:** 34

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	99%	96%	100%	98%	Y
Required inspections conducted to ensure compliance with permits and regulations	100%	97%	100%	97%	Y
				Program Rating	Y

Oil and Gas Conservation. The Oil Conservation Division (OCD) continued a high pace of field inspections in FY17, resulting in 2.7 thousand violations issued, a three fold increase from FY16. Oil production increased by 10 percent to record levels, while the number of oil spills fell by 23 percent. Spills of natural gas, oil, and produced water were reduced by 14 percent; however, a portion of that reduction is related to the correction of a reporting error in the Hobbs district office. The error occurred when staff required operators to file spill reports for agency approved natural gas flaring.

Budget: $11,363.6 **FTE:** 70

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Inspections of oil and gas wells and associated facilities	47,539	49,624	40,000	37,648	Y
Application to drill permits approved within ten business days of receipt	90%	85%	85%	96%	G
Abandoned oil and gas wells properly plugged using reclamation fund monies	31	36	30	33	G
Number of oil and gas well spills	852	1,465	N/A	1,261	▼*
Size of oil spills, in barrels	20,775	16,889	N/A	13,455	▼*
				Program Rating	G

* Color of arrow rating on explanatory (no target) measures indicates whether increase or decrease is improvement or decline from prior performance.

Energy Conservation and Management. The resumption of shipments to the Waste Isolation Pilot Plant allowed the agency resume its full training schedule and meet the target for FY17.

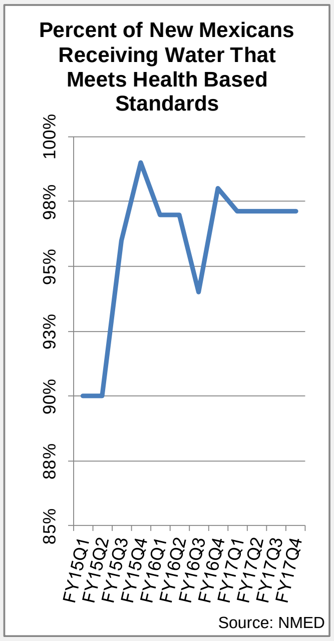
Budget: $3,705.1 **FTE:** 12

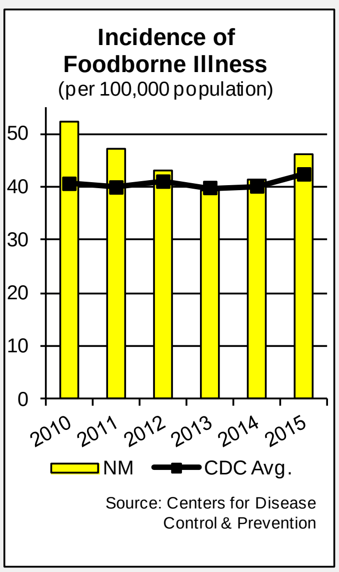
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Applications for clean energy tax credits reviewed within thirty days	75%	90%	90%	90%	G
Waste isolation pilot plant-related trainings and practice exercises conducted	45	45	51	55	G
				Program Rating	G

PERFORMANCE REPORT CARD
Department of the Environment
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS

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





New Mexico exceeded the national average for foodborne illness rates in 2015 according to preliminary data. A recent evaluation by the Council to Improve Foodborne Outbreak and Response recommended increased documentation and integration of data to improve New Mexico's response methods for foodborne illness outbreaks.

Performance measures for the New Mexico Environment Department (NMED) remained heavily oriented toward output-based activities, such as number of facilities inspected in FY17. However, this report card highlights many existing measures that focus on public health and safety issues such as air and water quality and occupational safety.

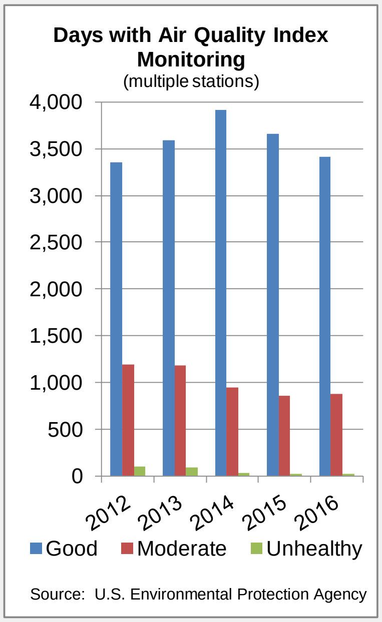
Of the $52.3 million of 2014 "year of water" capital outlay appropriations for local projects overseen by NMED, $15.7 million remains unspent. Seventy-one of the 120 projects overseen by NMED are complete, seven projects totaling $4.8 million are yet to begin spending, and 18 projects that received just over $1 million were de-authorized during the special legislative session in 2016.

Water Protection. NMED fell short of meeting the target for funding water infrastructure projects, awarding only $11.3 million in funding, a decrease of $19.4 million from the previous fiscal year. NMED reports local entities requested approximately $40 million in project funding from the clean water state revolving loan fund (CWSRF), but $16 million in project funding was declined because of inability to service the debt and an additional $14 million was approved by NMED but then declined by the local entity. The rural infrastructure revolving loan fund (RIRLF) made $1.7 million in loans out of a target of $3 million due to lack of funding resulting from legislative transfers from RIRLF to the general fund during solvency. More than 54 thousand New Mexicans were receiving water that did not meet health-based standards at the end of FY17. This figure is driven by infrastructure failures and poor operations and maintenance, but also by outside events like fires and subsequent flooding.

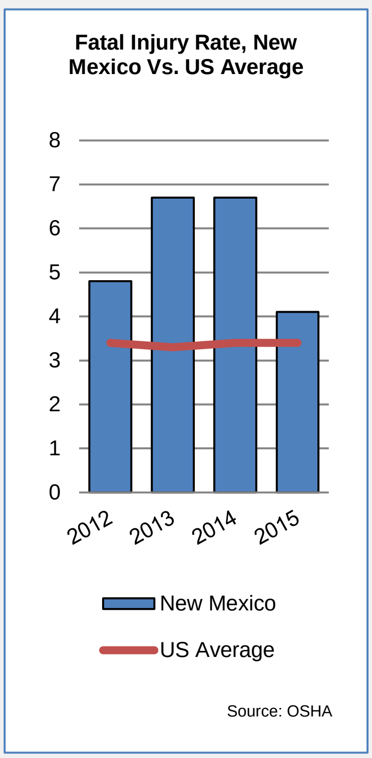
NMED met the target for inspections of groundwater discharge facilities, and the percent of facilities where monitoring shows compliance with standards is above both the annual target and actual performance in prior years. However, some permits allow for exceedance of, or variance from, typical ground water quality standards depending on factors such as proximity to ground water, so a facility may be in compliance with its permit but not other standards. The agency fell slightly short of the target for two new measures of surface water quality monitoring, but was able to surpass the target of restoring over 100 miles of rivers and streams in FY17.

Budget: $30,689.1 **FTE:** 190.5

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Population served by community water systems that receive drinking water meeting health-based standards	99%	98%	100%	97%	Y
Groundwater discharge permitted facilities inspected	53%	65%	60%	66%	G
Amount of new loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in millions	$27.4	$30.7	$20.0	$11.3	R



The Air Quality Index (AQI) reflects what health effects might be a concern based on levels of certain pollutants. The AQI scale includes ratings for good, moderate, and a varying degree of unhealthy or hazardous air quality.



Permitted facilities where monitoring results demonstrate compliance with groundwater standards	66%	63%	70%	71%	G
Miles of river restoration	New	103	100	167	G
Stream miles monitored for water quality in target area	New	83%	95%	90%	Y
Lake acres monitored for water quality in target area	New	88%	95%	91%	Y
			Program Rating		Y

Resource Protection. The Hazardous Waste Bureau missed targets for large quantity hazardous waste generators inspected due to several vacant inspector positions. NMED recently hired a program manager and additional inspectors which should improve performance in FY18.

Budget: $14,760.9 **FTE:** 136.0

Measure	**FY15 Actual**	**FY16 Actual**	**FY17 Target**	**FY17 Actual**	**Rating**
Underground storage tank facilities in significant compliance with release prevention and detection requirements	77%	77%	80%	87%	G
Solid waste facilities and infectious waste generator inspections finding substantial compliance with solid waste rules	98%	93%	90%	98%	G
Landfills compliant with groundwater sampling and reporting requirements	95%	100%	97%	97%	G
Large quantity hazardous waste generators inspected	29%	31%	29%	18%	R
			Program Rating		Y

Environmental Protection. All of the air quality and serious occupational safety violations discovered through agency inspections in FY16 were either corrected timely or are currently being addressed. After agreeing to report on air quality ratings for FY17 – rather than the response to violations – NMED requested to discontinue the measure for FY18 out of concern the agency does not regulate air quality in Bernalillo County, the state's largest population center. However, agreement was reached to report as explanatory data without a performance target to retain the measure for future years.

Budget: $23,769.6 **FTE:** 241

Measure	**FY15 Actual**	**FY16 Actual**	**FY17 Target**	**FY17 Actual**	**Rating**
Facilities taking corrective action to mitigate air quality violations discovered as a result of inspections	98%	100%	100%	100%	G
Serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections	98%	96%	97%	95%	G
			Program Rating		G

PERFORMANCE REPORT CARD
Office of the State Engineer
Fourth Quarter, Fiscal Year 2017

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

AGENCY IMPROVEMENT PLANS	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned by agency?	No

For the first time since the US drought monitor began keeping records in 1999, New Mexico does not have any designation or drought or abnormal dryness.

Based on the rate of progress from FY12 to FY15, completing ongoing adjudications will take 113 years and an additional $549 million if the agency's approach to the process and funding levels do not change.

Capacity of Large New Mexico Reservoirs

Reservoir	Capacity
Elephant Butte	17%
Navajo	80%
Heron	48%
Caballo	21%
Conchas	24%
Ute	83%
El Vado	68%
Abiquiu	77%
Santa Rosa	33%
Sumner	62%

Source: Climas

The special master overseeing the lawsuit between New Mexico and Texas regarding delivery obligations under the Rio Grande Compact issued his report recommending denial of New Mexico's motion to dismiss Texas' claims. The report has been filed with the United State Supreme Court where the parties had an opportunity to file exceptions, or objections, to the report. This was a preliminary motion and denial would not end the case. New Mexico still has an opportunity to argue the merits, whether groundwater pumping in New Mexico, south of Elephant Butte, resulted in underdeliveries to Texas.

Water Resource Allocation. The agency fell short of the target for populating the water administration technical engineering system (WATERS) database as OSE shifted from data entry to data clean-up and training of staff in district offices to increase efficiency. OSE expects to increase water rights transactions entered into the database in future years. The number of new and pending applications processed monthly fell well short of the target and is approximately one third the level reported in FY15. Still, the backlog of unprotested water rights applications is significantly below the target.

Budget: $14,052.4 **FTE:** 182.0

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Unprotested water right applications backlogged	1,219	422	625	416	G
Average unprotested applications processed per month	108	37	85	39	R
Dams inspected	101	107	100	49	R
Water rights transactions entered in the agency's database	22,792	18,287	23,000	14,287	R
				Program Rating	R

Interstate Stream Commission. The state did not meet Rio Grande Compact water delivery requirements which will require New Mexico to hold water in upstream reservoirs. ISC believes above-average snowmelt in the Chama watershed will allow New Mexico to meet its compact obligations. While the Rio Grande Compact allows for an accrued delivery debit up to 200 thousand acre-feet, this is only the second time since the early 1990's the agency reported a debit.

Budget: $14,103.4 **FTE:** 46.0

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Delivery credit on the Pecos river compact, in thousand acre-feet	97.6	109.5	≥ 0.0	137.9	G
Delivery credit on the Rio Grande compact, in thousand acre-feet	0.0	0.4	≥ 0.0	-20.3	Y
				Program Rating	G

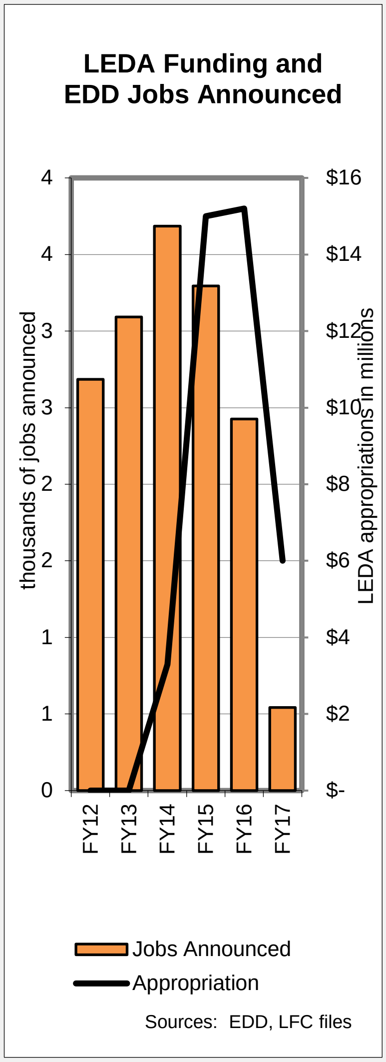
Litigation and Adjudication. The current measure for the percent of water rights with judicial determinations does not provide a clear view of progress because it only reflects active adjudications; adjudication of the middle Rio Grande basin, the largest basin by population in the state which includes Sandoval, Valencia, Socorro, and Bernalillo Counties, has not yet begun.

Budget: $7,051.9 **FTE:** 66.0

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Offers to defendants in adjudications	594	839	600	566	G
Water rights with judicial determinations	62%	63%	62%	66%	G
				Program Rating	G

AGENCY IMPROVEMENT PLANS

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



New Mexico's total nonfarm employment, comparing July 2017 with July 2016, grew by 8,400 jobs, which represented a 1.0 percent increase. However, New Mexico reached the highest unemployment rate in the Nation in FY17. The Economic Development Department's (EDD) performance results for FY17 are below target for a significant amount of agency measures, including overall jobs created, rural jobs created and jobs created due to use of Local Economic Development Act (LEDA) funds. Performance was strong in private sector dollars invested in MainStreet districts, and workers trained by the Job Training Incentive Program (JTIP). The department continued to see success in the film division.

Economic Development in New Mexico has seen a change of leadership in FY17. Matthew Geisel was appointed as cabinet secretary of the Economic Development Department, the New Mexico Partnership hired a new director, Tim Nitti, and the Four Corners Economic Development group hired Warren Unsicker as director. With new leadership, there is potential for continued improvement and opportunities in job creation throughout the state.

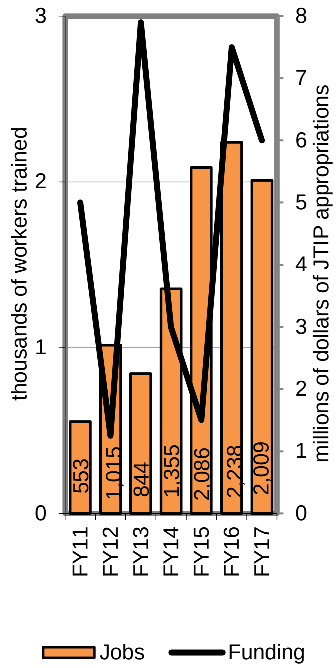
Economic Development. The Economic Development Division awarded 14 companies $15.8 million in LEDA funds in FY17 and created 530 jobs. Of the 14 companies awarded LEDA funds, seven were located in rural areas. These companies include Facebook, Keter Plastics, Drylands Brewing, Las Cruces Community Farms, Dean Baldwin Painting, Niagra Bottling, and Truth or Consequences Brewing Company. The funds matched for these LEDA projects totaled $346 million, contributing to a 21 to 1 ratio of private sector dollars invested per dollar of LEDA funds awarded for FY17. EDD struggles to meet rural job growth creation targets, reaching just 48 percent of the annual rural jobs goal by the end of the fiscal year. The department attributes low job creation to leadership change at EDD and the New Mexico Partnership, artificial intelligence and mechanized manufacturing processes, an increase in expansion of companies rather than new companies locating in New Mexico, and the fact that EDD no longer counts MainStreet jobs in its total job creation number which annually would reach between 400 to 600 additional jobs.

LEDA funds over the past five years, including FY18, received a total of $46.5 million from the general fund. When including severance tax bonds, and other state funds, LEDA received $77.9 million over the same period. As of June 2017, the EDD reported $34 million is remaining in other state funds and severance tax bonds, with an additional $7 million in the FY18 general fund appropriation; this will bring remaining LEDA funds to $41 million.

Budget: $6,506.8 **FTE:** 26

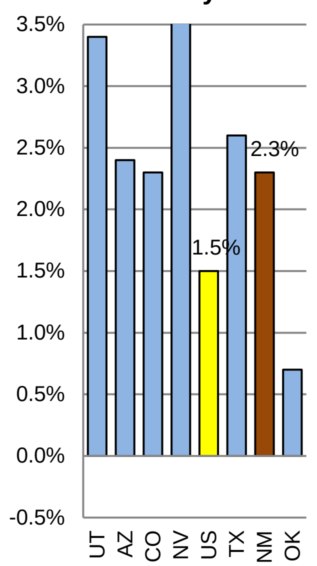
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Jobs created due to economic development department efforts	3,294	4,140	4,500	1,729	R
Rural jobs created	726	641	1,600	775	R
Jobs created through business relocations and competitive expansions facilitated by the economic development partnership	1,624	222	2,250	115	R

Number of Workers Trained by JTIP



Sources: EDD, LFC files

June 2017 Year-over-Year Job Growth by State



Source: Workforce Solutions Department

Potential recruitment opportunities generated by Partnership marketing and sales activities	NEW	NEW	84	63	R
Dollars of private sector investment in MainStreet districts (millions)	$7.9	$22	$9	$28	G
Private sector dollars leveraged by each dollar through Local Economic Development Act	10:1	17:1	10:1	21:1	G
Jobs created through the use of Local Economic Development Act funds	NEW	2,426	2,000	543	R
Workers trained by Job Training Incentive Program	1,894	2,238	1,500	2,009	G
Successfully completed agency grant funded projects resulting in job growth, new investment, increased revenue, or workforce development	NEW	7	15	14	Y
				Program Rating	Y

The Job Training Incentive Program (JTIP) Board approved 57 businesses for funding in FY17, including 13 in rural communities, with a total of $12.7 million in awards, and surpassing the goal of workers trained with 2,009 in FY17. JTIP funds over the past five years, including FY18, total $30 million. As of June 2017, EDD reported, $9.8 million in JTIP funds were available. At the JTIP annual board meeting held in May, the board reported, 51 percent of industries funded are manufacturing, 38 percent are non-retail service providers, and 11 percent are green industry. The average JTIP wage in urban communities is $17.85 and in rural communities the average wage is $19.04.

New Mexico Film Office. The New Mexico Film Office continues to focus on three main initiatives: recruitment, workforce development, and statewide industry outreach. Direct spending by the film industry surpassed the target for the third year in a row, reaching $505 million. In addition, the state was the location for 52 productions with a budget of over $1 million, up from 30 in fiscal year 2016. Because the number of productions grew, the number of worker days also increased to 448 thousand from 260 thousand in FY16.

The New Mexico Film Office also focuses on the Film Crew Advancement Program (FCAP), providing training and high wage job opportunities with production companies. The Job Training Incentive Program for Film and Multimedia provides multiple ways for residents to advance in the industry and to keep talent in state. As an additional incentive to the film tax credit, productions that hire qualifying, local crews are reimbursed 50 percent of wages for up to 1,040 hours.

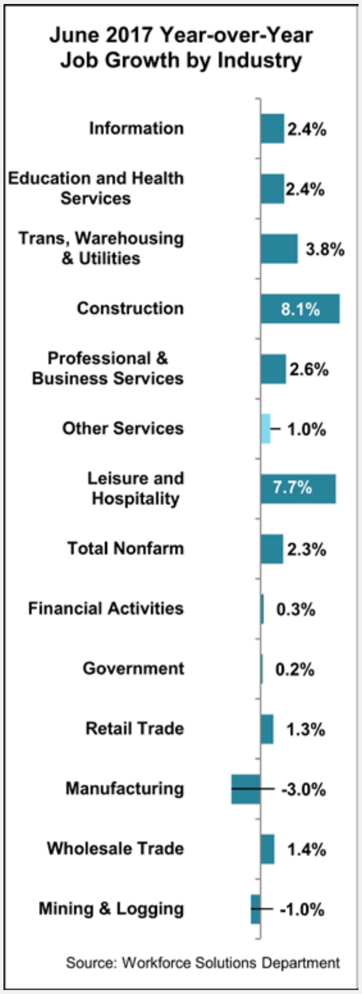
Budget: $747.1 **FTE:** 8

Measure	**FY15 Actual**	**FY16 Actual**	**FY17 Target**	**FY17 Actual**	**Rating**
Direct spending by film industry productions, in millions	$286	$387	$200	$505	G
Film and media worker days, in thousands	298	260	200	448	G
				Program Rating	G

PERFORMANCE REPORT CARD
Tourism Department
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS

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



The Tourism Department continues to see strong performance results and met or exceeded annual targets for two performance measures. According to the New Mexico Department of Workforce Solutions, the leisure and hospitality industry expanded by 7,500 jobs, the largest numeric increase in the state, representing a 7.7 percent gain in June 2017 when compared to June 2016. The industry's unusually large May-to-June gain (4,300 jobs) was the main factor in the unprecedented magnitude of the over-the-year gain.

Marketing and Promotion. The marketing and promotion program continues to focus advertising funds on new out of state markets, referred to as fly markets, and collaborate with local communities for New Mexico True advertising. New jobs created in the leisure and hospitality industry surpassed the annual target, reaching an average of 2,278 jobs. The department uses the U.S. Bureau of Labor Statistics data for jobs, which is an average and tends to be more conservative. YouTube views of the department's advertising videos reached an average of 402 thousand, continuing the trend of surpassing the annual target of 25 thousand. However, the agency will need to set a higher target for both of these measures since the targets are far lower than the actual numbers for the past three years. The department is waiting to receive information from the Taxation and Revenue Department on gross receipts collected for accommodations for the fourth quarter. The department plans to continue using data-based decision making to drive visitation and social-media engagement.

Budget: $11,225 **FTE:** 36

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
New jobs created in the leisure and hospitality industry year-over-year	2,900	5,300	800	2,278	Y
YouTube views of department videos, in thousands	820	593	25	402	G
Year–over- year percent increase in gross receipts tax revenue for accommodations receipts	5.6%	TBD	4.0%	TBD	R
				Program Rating	Y

New Mexico Magazine. The New Mexico Magazine barely missed the annual target for advertising revenue per issue, reaching an average of $69 thousand. However, the magazine did pass its FY15 and FY16 levels. A new CEO started with the magazine at the end of FY17 and the department is confident this will have significant effects on magazine initiatives and will enhance its ability to generate new revenue.

Budget: $3,329 **FTE:** 14

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Advertising revenue per issue, in thousands	$65	$53	$72	$69	Y
				Program Rating	Y

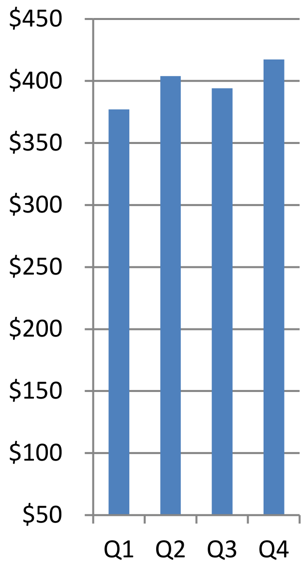
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Workforce Solutions Department
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLAN

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

FY17 Unemployment Insurance Quarterly Trust Fund Balance (in millions)

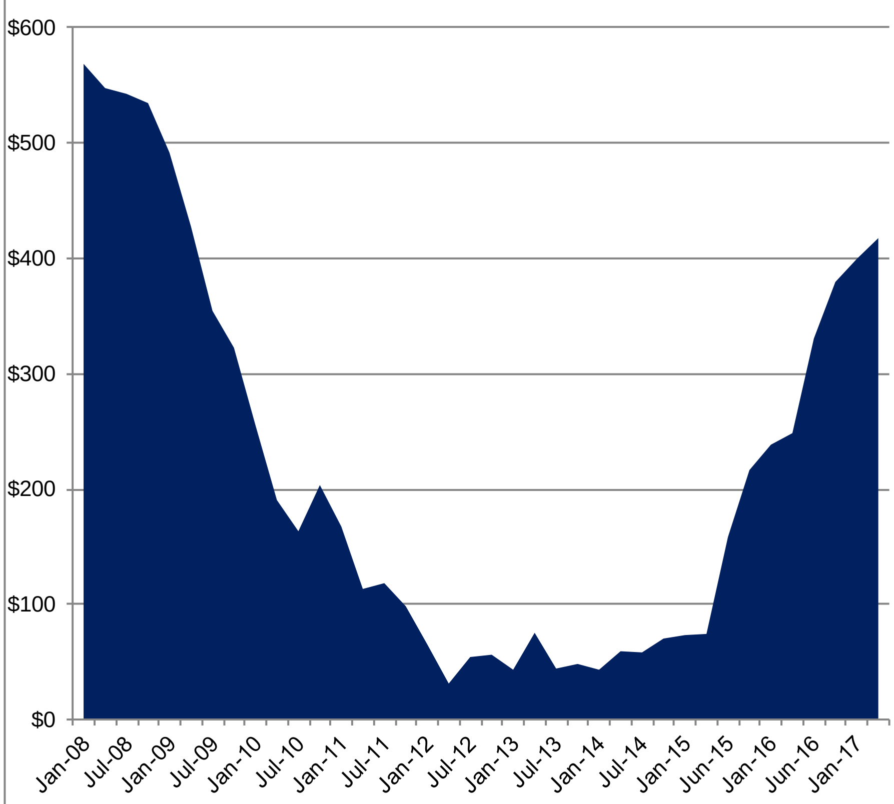


When an employee becomes unemployed, the individual is eligible to file a UI claim with WSD. To be eligible for benefits the claimant must meet monetary and non-monetary requirements such as earning sufficient wages during a base period of time, and being able, available, and actively searching for work.

The Workforce Solutions Department (WSD) is tasked with providing economic safety-net services for unemployed or underemployed individuals. Economic stability is foundational to healthy families and communities. Nationally, unemployment rates are declining; however, New Mexico struggles with one of the highest unemployment rates in the nation. While economic health is the domain of several state agencies, including the Economic Development Department, Public Education, Higher Education, and others, WSD has significant systems and resources to re-engage unconnected workers and links to business to prepare workers for the needs of those businesses. Overall performance measures show a functioning state system; however, the high unemployment rate shows many citizens are still looking to enter the workforce.

Unemployment Insurance. The Unemployment Insurance program (UI) met a majority of performance targets, excluding longer wait times for UI recipients to file a claim. However, the fourth quarter data only included a partial measurement of the claims wait time due to a system upgrade. The agency reported a new platform and call center software were implemented mid-quarter resulting in incompatible data. Therefore, call center wait times reported for the end of fiscal year 2017 are questionable.

New Mexico Unemployment Insurance Trust Fund (in million)



Source: WSD

In 2017, approximately 10 thousand to 11 thousand individuals certified for unemployment insurance benefits every week in New Mexico.

In New Mexico, the maximum unemployment insurance contribution rate is 5.4 percent and the minimum rate is 0.33 percent of the taxable wage base.

New Mexico Taxable Wage Base (in thousands)	
2005	$ 24.3
2006	$ 24.1
2007	$ 23.4
2008	$ 23.4
2009	$ 22.9
2010	$ 22.4
2011	$ 21.9
2012	$ 20.8
2013	$ 20.9
2014	$ 19.9
2015	$ 18.6
2016	$ 17.9
2017	$ 17.2

Source: WSD

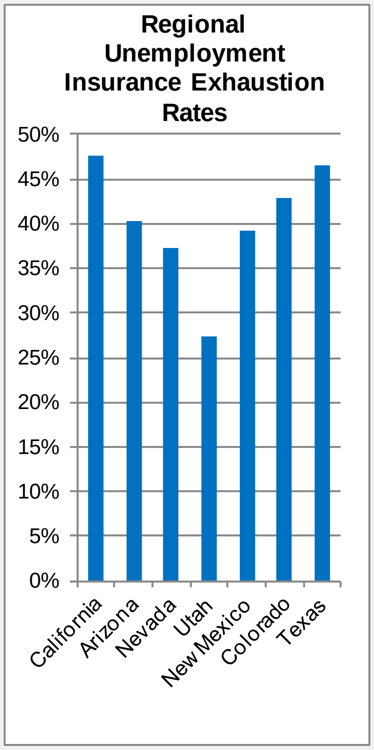
Budget: $10,312.4 **FTE:** 208.6

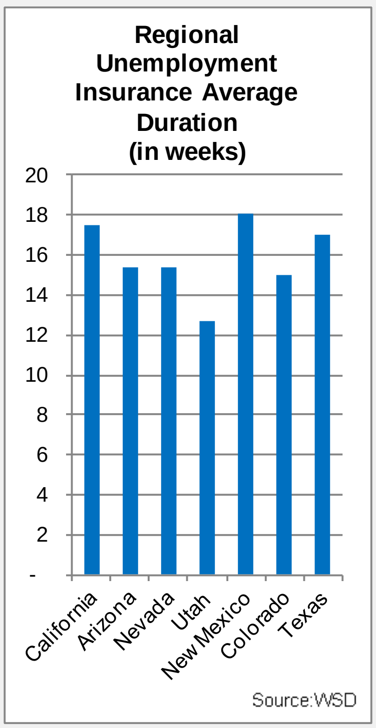
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	95%	91%	80%	89%	G
Accuracy rate of claimant separation determinations	89%	93%	85%	93%	G
Average wait time to speak to a customer service agent in unemployment insurance operation center to file a new unemployment insurance claim	New	20 min	15 min	18 min	R
Average wait time to speak to a customer service agent in unemployment insurance operation center to file a weekly certification	New	15 min	15 min	15 min	Y
First payments made within fourteen days after the waiting week	92%	92%	90%	91%	G
				Program Rating	G

Employment Services. The number of disabled veterans returning to the workforce continued to fall below the targeted level. Meeting performance targets for providing services to veterans has been a struggle for the agency over several fiscal years. To improve performance, the agency reported a concerted effort to provide intensive case management for disabled veterans and increased outreach to federal contractors for additional employment opportunities.

Budget: $16,231.4 **FTE:** 157.1

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Average six-month earnings of persons entering employment after receiving Wagner Peyser employment services	$13,553	$13,748	$13,500	$13,624	G
Individuals receiving Wagner Peyser employment services	98,489	91,704	150,000	82,499	R
Unemployed individuals employed after receiving Wagner Peyser employment services	58%	57%	55%	55%	G
Individuals that have received Wagner Peyser employment services retaining employment after six months	80%	80%	75%	78%	G
Recently separated veterans retaining employment after six months	74%	73%	70%	72%	G
Disabled veterans entering employment after receiving workforce development services	44%	46%	45%	37%	R
Average six-month earnings of persons entering employment after receiving veterans' services	$15,841	$17,429	$16,000	$17,148	G
				Program Rating	Y





Program Support. Program Support reports performance measures related to federal flow-through dollars to local workforce boards. Local workforce boards provide community services to state regional areas. This is intended to provide more local input and coordination. However, performance for both youth and adults receiving Workforce Innovation and Opportunity Act (WIOA) services declined significantly. The agency reported concern about declining performance and is working with local boards to target more out-of-school youth and connecting with local business to determine regional hiring needs.

Budget: $23,178.4 **FTE:** 111

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Youth receiving Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce boards	New	856	1,400	770	R
Youth that enter employment or are enrolled in post-secondary education and/or advanced training after receiving Workforce Innovation and Opportunity Act services	New	59%	57%	57%	G
Adults and dislocated workers receiving Workforce Innovation and Opportunity Act services	3,023	2,805	2,700	3,013	G
Individuals that receive Workforce Innovation and Opportunity Act services that retain employment	93%	90%	89%	86%	R
				Program Rating	Y

Labor Relations. The Labor Relations program met a majority of performance targets but continued to struggle in the timeliness of determinations for discrimination cases. The agency reported this was mostly a result of extensions granted to both complainants and respondents for documentation, increasing the average time to reach a determination. The program did report an improvement in performance for the number of apprentices registered and in training.

Budget: $3,638.8 **FTE:** 35.4

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Wage claims investigated and resolved within ninety days	100%	93%	91%	93%	G
Average number of days to investigate and issue a determination of a charge of discrimination	New	203	180	192	R
Apprentices registered and in training	New	1,281	1,320	1,392	G
Compliance reviews and quality assessments on registered apprenticeship programs	New	6	6	6	G
				Program Rating	G

New Mexico Legislative Finance Committee

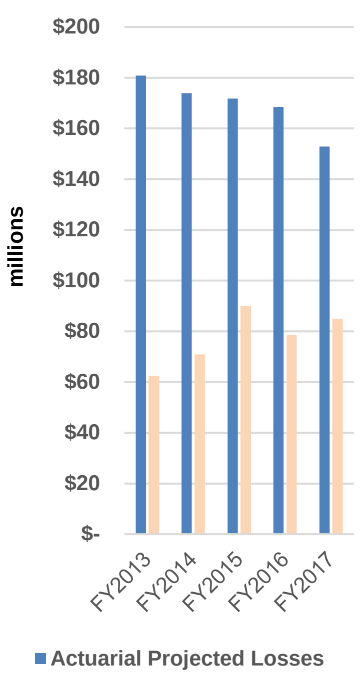
PERFORMANCE REPORT CARD
General Services Department
Fourth Quarter, Fiscal Year 2017

AGENCY ACTION PLANS

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

Since wages and attorney fees continue to accrue under a whistleblower claim, there is no incentive to resolve these claims sooner. GSD says shortening the time it takes to get claims resolved would reduce costs for the state.

Assets vs. Actuarial Projected Losses for GSD Risk Funds



Source: GSD, LFC files

A cost-benefit analysis may now be helpful in determining if continued investments in wellness incentives and disease management programs are improving patient outcomes or are there other cost control or quality improvement reforms that should be explored by the Interagency Benefits Advisory Council (IBAC).

For state agencies receiving services from the General Services Department (GSD), expenses related to risk coverage, group health benefits, and workspace utilization continues to pressure flat budgets. For GSD in fiscal year 2017, the effect of "sweeps" from enterprise funds and reduced general fund appropriations contributed to missed targets for oversight of capital outlay projects, facilities management, and agency procurement actions.

Risk Management. Until FY16, appropriations to the risk funds were increased to cover case reserve requirements. For FY18, due to high fund balances and to hold down costs for agencies, rates reflected a 12 percent decrease in the total risk premium from FY17. GSD credited better loss control, decreased reinsurance premiums, and lower legal defense expenditures although less exposure from a smaller workforce likely contributed. In recent years, the program has seen smaller numbers of new claims but higher costs per claim due to inflation and other factors including the effects of certain workplace-related laws.

Budget: $96,017.1 **FTE:** 57

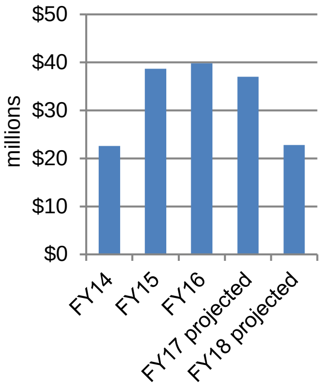
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Projected financial position of the public property fund	274%	340%	50%	468%	G
Projected financial position of the workers' compensation fund	28%	37%	50%	43%	Y
Projected financial position of the public liability fund	22%	32%	50%	46%	Y
Alternative dispute resolution trainings held	New	5	5	12	G
Time to resolve a property and casualty claim in days	New	New	30	457	R
				Program Rating	Y

Group Health Benefits. Total costs for healthcare increased about 3 percent despite fewer covered lives. On a per member basis, costs increased 8 percent, however, due to higher costs to treat chronic conditions. To contain medical costs, GSD opened a free clinic for members and invested in wellness incentives and disease management programs, but only a small percentage of the membership participated. To control drug costs, GSD used cost sharing arrangements to increase home delivery, generic fill rates, and percentage of specialty drug costs paid by the consumer, now slightly higher than the state government plan average.

Budget: $363,542.5 **FTE:** 0

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Employees buying insurance	95%	92%	95%	84%	Y
Per member monthly costs	$367	$389	≤4%	$421	R
Generic drug fill rate	84%	85%	84%	87%	G
Members who received a preventative health check-up	New	25%	15%	29%	Y
				Program Rating	Y

GSD's Group Benefits Fund
(target $25 million)



Source: GSD, LFC files

Total Capital Outlay Appropriations for Statewide Repairs

(2013-2017)

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

Source: LFC Files

*** Chart above does not include over $7 million annually also available for repairs from the Capital Building Repair Fund.

Facilities Management. During FY17, 40 percent of office space renewals included a reduction in rent and 10 percent met space standards which will contribute to higher overhead costs for GSD since agencies in state facilities do not pay rent. However, GSD notes reducing space for renewals is difficult when agencies already occupy the space. Starting FY18, proposed leases that exceed space standards require the secretary's approval. In terms of facilities management, too few custodians per square foot impacts morale and levels of cleanliness although the program reports it is currently meeting industry standards. In terms of capital project management, one quarter required a change order which modified the original scope of work or budget from work that was either added to or deleted from contracts. This may suggest poor planning or lack of expertise at some agencies. In FY17, GSD had funding swept that would have helped state agencies develop master plans.

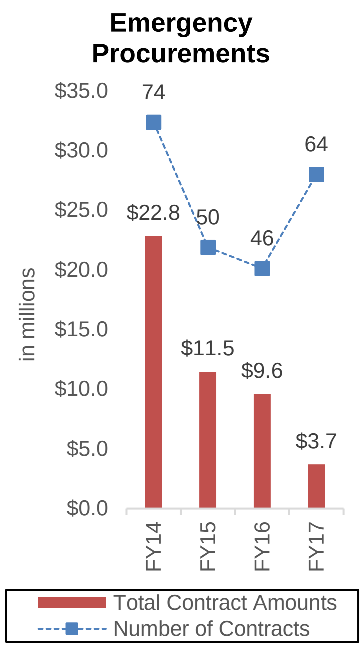
Budget: $11,669.0 **FTE:** 140

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Capital projects within budget	90%	94%	90%	76%	R
Capital projects on schedule	90%	94%	90%	95%	G
Office space renewals achieving a reduction in base rent costs	New	New	50%	40%	Y
New office space leases meeting space standards	New	New	90%	19%	R
Office space lease renewals meeting space standards	New	New	50%	10%	R
Building square feet per custodian	New	New	31,000	37,410	Y
Work orders completed on time	New	New	75%	63%	Y
				Program Rating	**Y**

Gross Square Footage per FTE

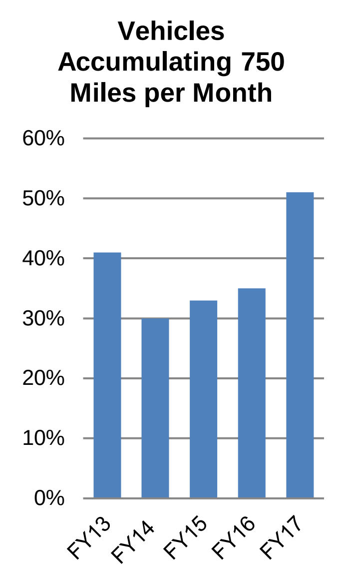
Department	Leased Space under GSD purview	State-owned Space under GSD purview	Total Space Occupied (GSF)	Total FTE	Total GSF Per FTE (target 215)
Aging and Long-Term Services Department	39,450	32,403	71,853	235	306
Department of Environment	127,862	67,822	195,684	668	293
Department of Health	295,262	1,230,263	1,525,525	2,938	519
Department of Public Safety	60,367	408,408	468,775	1,281	366
Division of Vocational Rehabilitation	136,638	5,088	141,726	291	487
Energy, Minerals and Natural Resources Department	3,871	77,723	81,594	245	333
Human Services Department	768,601	115,720	884,321	1,923	460
Public Education Department	13,407	61,613	75,020	323	232
Regulation and Licensing Department	21,278	58,473	79,751	190	419
Office of the State Engineer	57,368	89,967	147,335	299	493
Taxation and Revenue Department	219,520	171,526	391,046	1,144	342
Workforce Solutions Department	28,111	153,858	181,969	591	308
Total (some agencies excluded in total)				**10,127**	**380**

Source: LFC files and GSD (2016)



Source: GSD Contracts Database

Both a LFC performance review and Office of the State Auditor report that some state agencies overuse noncompetitive bid processes and apply exemptions inappropriately, increasing costs for the state.



Source: GSD and LFC Files

Procurement Services. Prior to a sweep of the program's enterprise funds to help the state with solvency, the program was moving the state toward a more centralized model to aggregate spending and standardize contracts and procurement forms and processes. To assist with the transition, the program added new requirements for buyer certification and additional training requirements for repeat procurement violators. However, due to budget constraints and hiring freezes, positions that support vendor reporting and agency compliance with procurement best practices were left vacant most of the year.

Budget: $2,304.5 **FTE:** 27

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Procurement violators receiving training on the Procurement Code	New	New	90%	68%	R
Agency procurement compliance audits	New	7	5	0	R
Procurement awards that included a preference	New	New	5%	17%	G
Vendors who reported fee-based sales as required	New	New	250	307	G
Procurement actions that were Best Value procurements	New	New	15%	23%	G
				Program Rating	Y

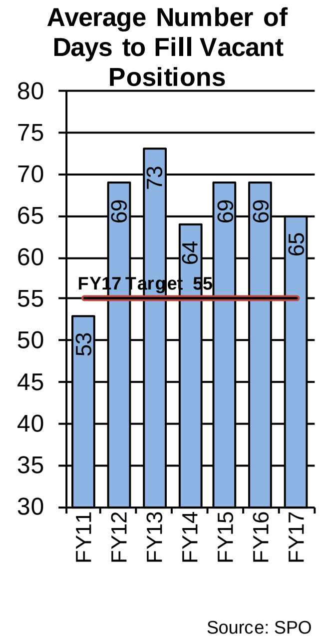
Transportation Services. The program is responsible for the operation of the state's fleet of 2,000 vehicles, the state aircraft primarily used to fly physicians to clinics in rural areas, and the acquisition and redistribution of surplus property from state and federal agencies. Due to budget constraints and solvency measures including a sweep of its enterprise fund, the program temporarily turned off new GPS vehicle tracking tools used to track and reduce operational costs and discontinued its vehicle replacement program indefinitely. These decisions resulted in a return to manual mileage logs to establish accountability for vehicle use and may exacerbate an underutilized, aging fleet problem that could cost more to operate and maintain.

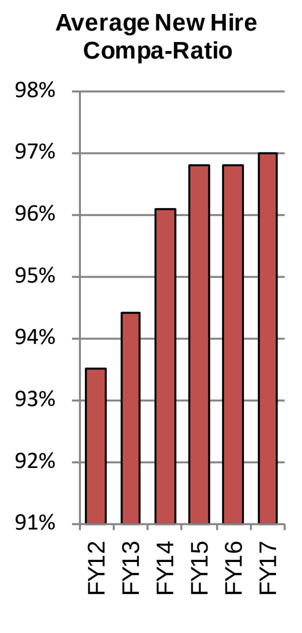
Budget: $11,743.7 **FTE:** 35

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
State vehicles beyond five years	47%	46%	≤20%	42%	Y
Vehicle operational costs per mile	New	$0.47	$0.59	$0.47	G
Vehicles used 750 miles per month	New	35%	80%	51%	Y
Leasing revenues to expenses	New	86%	90%	113%	G
Revenue generated by surplus property	New	$652	$685	$746	G
				Program Rating	G

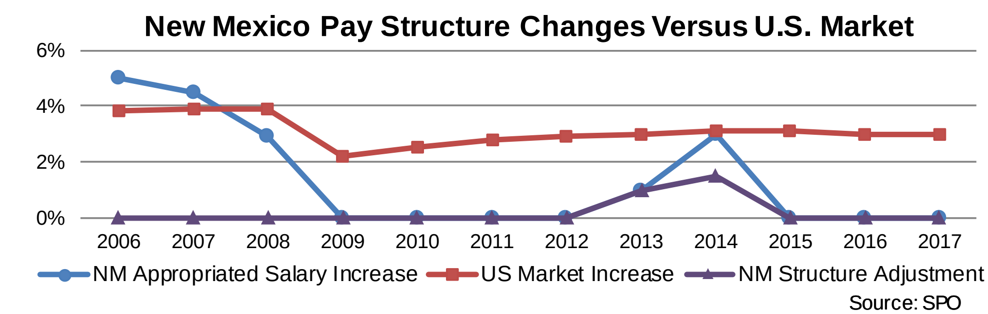
AGENCY IMPROVEMENT PLANS

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





The state's current pay structure, developed and maintained by the State Personnel Office (SPO), has fallen significantly behind market pay rates for many job classifications due to lack of regular adjustments. Even in years when the Legislature provided across-the-board salary increases, SPO often did not adjust the pay structure.



In addition to general pay structure inadequacy, employees and new hires compa-ratios were respectively 101 percent and 97 percent over the mid-point, leading to salary compaction. Turnover grew by 12 percent in two years, while overall vacancy rates grew by 5 percent. While fiscal constraints will require agencies to maintain higher vacancy rates, it is important SPO work with agencies to reduce the time to fill positions. Although SPO has not proposed an action plan for reducing turnover and overtime usage, the agency expects the governor's initiative to consolidate all human resources under SPO will improve hiring efficiency.

Budget: $4,182.1 **FTE:** 53

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Classified service vacancy rate	13%	15%	13%	18%	R
Average number of days to fill a position from the date of posting	69	69	55	65	R
Average state classified employee compa-ratio	101%	102%	95%	101%	R
Average state classified employee new-hire compa-ratio	97%	97%	91%	97%	R
New employees who successfully complete their probationary period	67%	70%	75%	65%	R
Classified employees voluntarily leaving state service	3%	15%	15%	15%	Y
Classified employees involuntarily leaving state service	1%	2%	5%	2%	G
State employee average overtime usage per month, in hours	16	16	12	15	R
State employees receiving overtime	16%	17%	17%	18%	R
				Program Rating	R

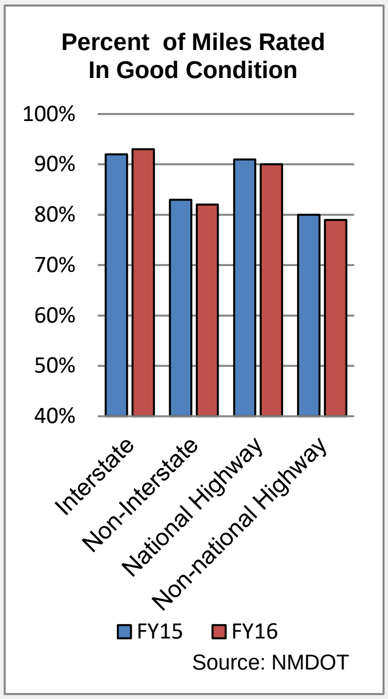
NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD
Department of Transportation
Fourth Quarter, Fiscal Year 2017

AGENCY ACTION PLANS

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

NMDOT's quarterly performance report includes an action plan for each performance measure.



The New Mexico Department of Transportation (NMDOT) reports 374 total traffic fatalities in FY17, a 2.2 percent increase from the 366 reported in FY16. NMDOT continues to struggle to maintain the transportation system given strained resources, reporting a slight increase in lane miles in deficient condition. Despite an estimated $134 million shortfall in maintenance funding, the U.S. Department of Transportation (USDOT) ranks New Mexico seventh best out of 50 states in the percent of structurally deficient bridges in the system and ranks New Mexico road conditions 17th in the nation.

Project Design and Construction. While NMDOT faced difficulty in letting projects on schedule, the agency completed projects on time and slightly under budget in FY17; the percent of project cost over bid amount declined to -1 percent resulting in savings of $4 million in FY17. While 95.5 percent of bridges are in fair condition or better based on deck area, there are 270 structurally deficient bridges that NMDOT estimates will cost an additional $94.4 million per year for 10 years to replace.

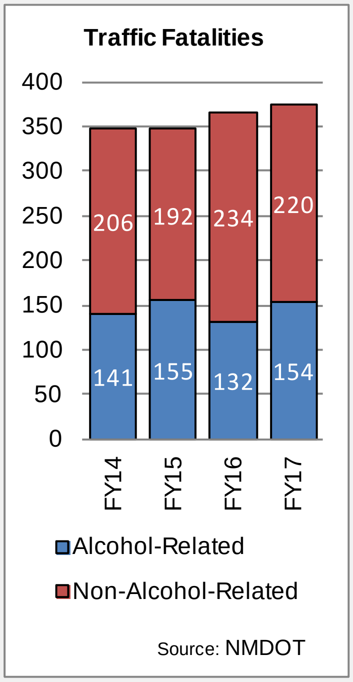
Budget: $536,056.7 **FTE:** 366

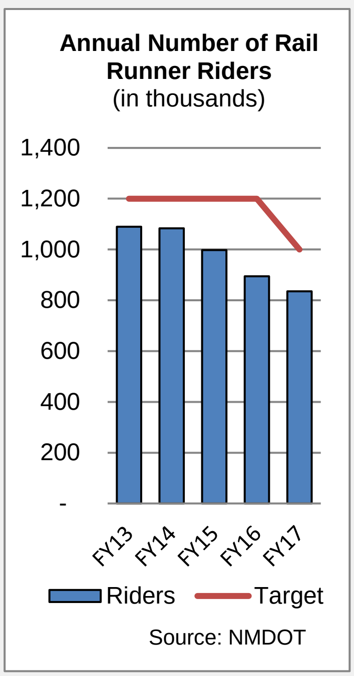
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Projects completed according to schedule	84%	89%	>85%	94%	G
Projects put out for bid as scheduled	50%	51%	>70%	65%	Y
Bridges in fair condition or better, based on deck area	95%	95%	>90%	96%	G
Final cost-over-bid amount on highway construction projects	2.0%	1.0%	2.5%	-1.0%	G
				Program Rating	G

Highway Operations. NMDOT conducts an annual survey of statewide road conditions. The most recent data, FY16, shows conditions generally deteriorated and the number of lane miles in deficient condition increased due to lack of regular, consistent maintenance; for FY17, NMDOT anticipates a $134 million shortfall in maintenance funding. As road conditions continue to deteriorate, the cost to repair them increases significantly. Annual maintenance costs for one lane mile of good condition road are between $12 thousand and $36 thousand. For a very poor condition road requiring reconstruction, the cost is as high as $1.5 million per lane mile.

Budget: $233,794.9 **FTE:** 1,827.7

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Statewide pavement miles preserved	2,611	2,457	>2,600	3,668	G
				Program Rating	G





FY16 Road Condition Survey	FY14 Actual	FY15 Actual	FY16 Target	FY16 Actual	Rating
Interstate miles rated good	95%	92%	92%	93%	G
National highway system miles rated good	93%	91%	85%	90%	G
Non-national highway system miles rated good	84%	83%	65%	82%	G
Lane miles in deficient condition	3,896	4,250	<6,000	4,515	G
			Program Rating		G

Modal. The 2.2 percent increase in total fatalities was attributable to a 16.7 percent increase in alcohol-related fatalities while deaths in all other categories experienced slight decreases. Public transit ridership continues to decline as low fuel prices induce more people use personal vehicles. NMDOT reports on Rail Runner ridership, but NMDOT does not operate the passenger rail service.

Budget: $64,378.3 **FTE:** 73

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Traffic fatalities	347	366	<345	374	Y
Alcohol related traffic fatalities	155	132	<130	154	R
Non-alcohol related traffic fatalities	192	234	<215	220	Y
Occupants not wearing seatbelts in traffic fatalities	132	142	<150	138	G
Pedestrian fatalities	61	70	<55	69	R
Riders on park and ride, in thousands	292	264	>290	247	R
Riders on rail runner, in thousands	997	894	>1,000	835	R
			Program Rating		Y

Program Support. NMDOT increased salaries for maintenance workers, engineer technicians, and transportation inspectors to midpoint. Despite efforts to improve hiring and retention, the NMDOT's vacancy rate remains unchanged from FY16.

Budget: $42,165.7 **FTE:** 236.8

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Vacancy rate in all programs	12.0%	14.0%	<12.0%	14.0%	G
Employee injuries	95	89	<90	78	G
Working days between expenditure of federal funds and request for reimbursement from federal treasury	7	7	<10	7	G
Employee injuries occurring in work zones	27	32	<30	34	Y
			Program Rating		G

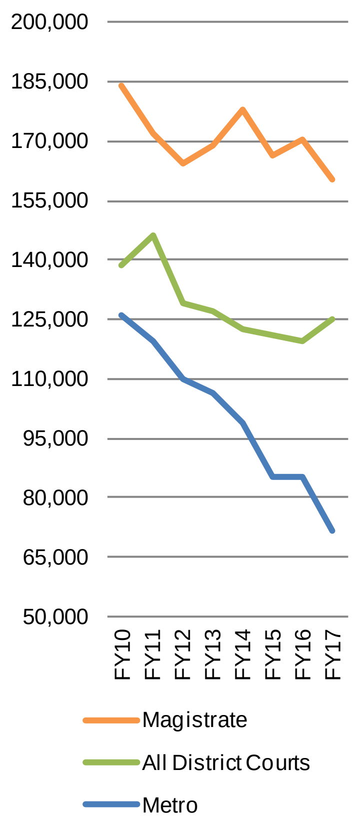
PERFORMANCE REPORT CARD
Administrative Office of the Courts
Fourth Quarter, Fiscal Year 2017

AGENCY IMPROVEMENT PLANS

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

The judiciary implemented new jury management software which will allow for more detailed performance reporting in the coming years. Due to the software implementation, new and more detailed measures will be reported annually for FY18 before moving to quarterly for FY19.

Total Court Case Filings by Fiscal Year (New and Reopened Cases)



Source: AOC

The Judicial branch was challenged in many ways in FY17, including a new constitutionally mandated pretrial release and detention policy, budget shortfalls that threatened to partially shut courthouses one or two days a week, allegations of inadequate or inability to provide proper defense counsel, and questions about whether every case should be prosecuted. However, any effort to address these judicial challenges is complicated by a lack of performance data and high-profile media coverage.

Data-driven allocation of resources could help alleviate some of the challenges the judicial branch faces and the Administrative Office of the Courts (AOC) implemented new systems to track cases, dispositions, jury costs, workload, and case outcomes. AOC will report more robust measures and data beginning in FY18 and efforts to include data from district attorney offices and the Public Defender Department show more promise than ever before.

Initial judicial reforms, such as the new pretrial release and detention policy, use of the Arnold Foundation assessment tool, and the case management order in the 2nd Judicial District have added additional burdens to the courts. Despite such challenges, changes to the courts present an opportunity to improve the justice system and public safety.

Administrative Support. The number of jurors paid increased because payments were delayed in FY16, which carried over into FY17. Taking the delay into account, the number of jurors paid in FY17 remains on average with other years. The average cost per juror decreased in FY17, but exceeded the target by almost 20 percent. Legislation passed in the 2017 regular legislative session restricted mileage reimbursements to over 40 miles round-trip, which is expected to lower the average cost per juror further in FY18.

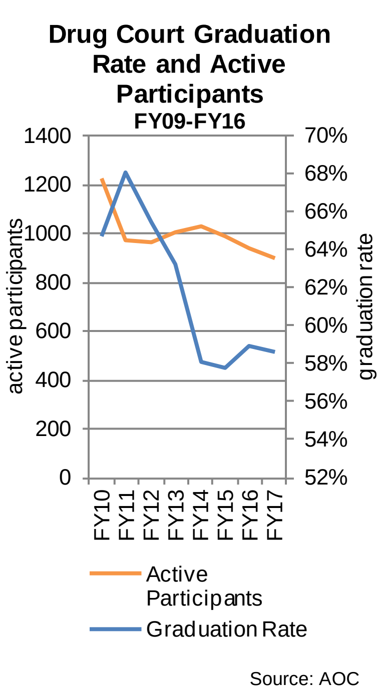
Budget: $12,400.3 **FTE:** 49.2

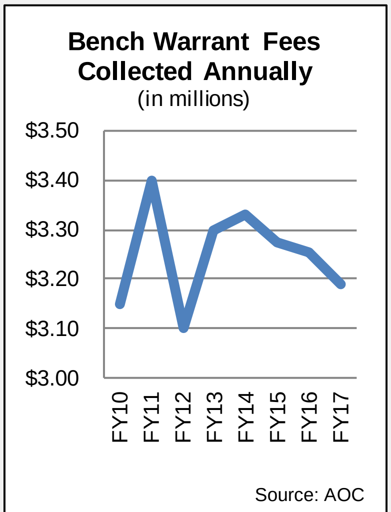
Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Number of jurors paid	59,876	53,562	n/a	63,940	Y
Average cost per juror	$59.85	$67.44	$50.00	$59.72	Y
				Program Rating	Y

Statewide Judiciary Automation. At the end of FY16, the AOC updated its helpdesk application into new help topics, began logging every issue, and implemented a new triage and request distribution process. This process provides more detailed information for each individual ticket, but resulted in increased time to resolve calls over the FY16 average by 391 percent.

Attorneys and members of the press must be registered in the Secure Odyssey Public Access system which eases online access to court records, but places additional burdens on the helpdesk staff. Additional staff is needed to address the issue.

The slight increase in the number of cases assigned a Court Appointed Special Advocate volunteer in FY17 reflects the increase in the number of open child abuse and neglect cases in the state. However, Cibola County which experienced above average staff turnover in the past year, reported lower numbers of volunteers, participation, and training.





Budget: $9,175.9 **FTE:** 53.5

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Average time to resolve calls for assistance, in hours	3.9	16.2	4.0	79.6	R
Help desk calls resolved	n/a	27,376	n/a	30,122	G
Judicial computer user qualitative rating of help desk support	97.5%	97.2%	n/a	96.8%	G
				Program Rating	Y

Special Court Services. The AOC supplements the administration of the Court Appointed Special Advocates (CASA) program in order to strengthen local programs by providing resources to aide in recruitment, supervision, training, and retention of advocates. Performance results for FY17 for the average number of children, cases, and child visitations remained about the same as previous years.

Budget: $12,181.4 **FTE:** 6.5

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Children assigned to Court Appointed Special Advocate volunteers	1,855	1,741	1,200	1,809	G
Cases assigned to Court Appointed Special Advocate volunteers	1,010	993	1,000	1,019	G
Monthly supervised child visitations and exchanges conducted.	1,047	1,049	1,000	1,102	G
				Program Rating	G

Magistrate Court. Despite high vacancies and nearly 30 percent turnover rates for court clerks this fiscal year, magistrate courts accomplished a disposition rate greater than 100 percent. This indicates the courts closed every case filed in the year as well as a portion of the backlogged cases on the docket. Furthermore, bench warrant revenue exceeded the target of $3.1 million.

Budget: $31,046.0 **FTE:** 343.5

Measure	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Cases disposed as a percent of cases filed	102%	102%	95%	101%	G
Bench warrant revenue collected annually, in millions	$3.27	$3.25	$3.10	$3.19	G
				Program Rating	G

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
333 TRD	**ONGARD Replacement**: Full business process analysis and replacement of the oil and natural gas administration and revenue database (ONGARD) system to the American Petroleum Institute (API) standard (expand current well number by four digits and add additional processing logic for horizontal drilling).	$16,100,000	$0	TBD	$7,019,264	Planning	TRD 6/30/2018 for Severance Tax SLO 1/15/2019 for Royalty	TRD completed business process flow diagrams for the "to be" and initiated unit testing and test scenario development.	TRD and SLO presentation to the Project Certification Committee in August will include a plan to separate the ONGARD replacement project into two projects: 1) TRD - Oil and Gas Severance Tax 2) SLO - Royalty Administration and Revenue Processing System (RAPS)	The ONGARD replacement project overall red rating is due to the State Land Office (SLO) lack of progress in planning and unknown total cost; Taxation and Revenue Department's (TRD) availability of project resources; unknown status of the ONGARD Service Center (OSC) and overall impact of the replacement project to the oil and gas industry is yet to be determined. Laws 2017 return $5 million of the ONGARD replacement project funding to SLO's control and will likely operate the royalty project separately. There is not a plan in place to facilitate this transition and determine the logistics in aligning the two systems. However, TRD and SLO have indicated the two systems will be separated into distinct projects and are scheduled for the Project Certification Committee in August to request the change. Updates to the JPA and the senior management team are needed to facilitate ONGARD program oversight of the two distinct projects. Ownership of the OSC also remains in question and is a concern. Although OSC has initiated the decommissioning tasks, a plan, schedule and monitoring and tracking are incomplete and the impact to the overall system is unknown. The severance tax processing functionality in the legacy system must be disabled prior to the go-live of the severance tax module. SLO cancelled its RFP for the royalty administration and revenue processing system (RAPS) citing inadequate submissions based on the available $5 million budget and is assessing other options to move the RAPS forward. With another delay, the cost and project schedule for RAPS remains unknown. The content and format of the PUN for TRD and SLO may be different under two different systems and may cause significant issues with the oil and gas industry. The June 2017 monthly independent verification and validation reported concerns with system testing due to the limited availability of the oil and gas subject matter experts assigned to the project.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
361 DoIT	**SHARE Software Upgrade:** Update the SHARE system from the current versions, 8.9 Human Capital Management (HCM) and 8.8 Financials (FIN), to the newest version, 9.2, with goals to increase standardization of the system, make key processes easier, and empower users with the right information and training.	$5,000,000	$0	$19,764,431	$12,000,700	Implementation	12/30/2017	HCM 9.2 upgrade completed April 28, 2017. DoIT approved project certification for implementation phase.	User Acceptance Testing. FIN training curriculum. Training workgroup sessions.	The Department of Information Technology (DoIT) resumed its SHARE Upgrade project quarterly briefings with key management from DFA, LFC, and STO. The SHARE HCM 9.2 upgrade was completed successfully in April. The largest impact associated with the HCM upgrade is the shift to positive time reporting which improves employee accountability. HCM transition to operations was successful and ahead of schedule. Project team is conducting a "lessons learned" from the HCM upgrade to ensure a successful go-live for the financials module. DoIT provided LFC an updated schedule (high level) indicating the FIN release is scheduled for October 2017. A key principle of the FIN 9.2 upgrade is to align and standardize the state's business processes. DoIT approved certification for implementation and release of $14.8 million in additional funding from the SHARE Equipment Replacement Fund (ERF). DoIT did not provide the LFC a SHARE ERF plan as required by statute, instead it provided a list of the project's contract vendors and contract amounts. A reconciliation of project expenditures is still needed to ensure proper use of funds. It remains unclear why the estimated project cost increased from $15 million to $19.8 million, or 32 percent. The independent verification and validation vendor verifies that project management has provided adequate reporting and responsibility on technical and managerial oversight of the project. However, the SHARE upgrade project is a large enterprise IT project, and this presents a risk to the project and emphasizes the need for oversight.			
361 DoIT	**SIRCITS:** (Statewide Integrated Radio Communication Internet Transport System) -- Two Part Project: 1) Complete analog to digital microwave (DMW) conversion statewide to provide Middle Mile Broadband service, and; 2) Design and build a public safety 700Mhz Long Term Evolution (LTE) broadband technology platform "last mile" service in ABQ and Santa Fe for increased public safety agency broadband data interoperability and be capable of integration into the nation wide public safety LTE network.	$17,000,003	$38,699,997	$55,700,000	$55,700,000	Close-out	7/29/2016	Grant award closed.	Not applicable - no change from prior quarter.	DoIT continues to investigate the opportunity to relocate equipment sites to the City of Santa Fe where the system can be used by Santa Fe Police, Ambulance and Fire Departments. The value of any assets not deployed by December 31, 2017, may require reimbursement to the National Telecommunications and Information Administration. In order to ensure system sustainability, DoIT continues to explore redeployment of selected long term evolution assets to increase system utilization and increase distribution of undeployed assets. **Background:** The 700 MHz Band is an important segment of spectrum freed up by the digital television transition and has excellent propagation characteristics such as the ability to penetrate buildings. In 2012, Congress enacted the Spectrum Act which+K5 formed the First Responder Network Authority (FirstNet, part of U.S. Department of Commerce) deploying and operating the nationwide public safety broadband network, and allocated up to $7 billion dollars to FirstNet to construct this nationwide public safety broadband network.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
361 DoIT	**DoIT Statewide Infrastructure Replacement & Enhancement (SWIRE):** Plan, design, purchase and implement infrastructure for public safety communications statewide for improved communication equipment affecting emergency responders.	$9,200,000	$0	$9,200,000	$9,064,204	Implementation	6/30/2017	Continued implementation of the CommSHOP360 (radio asset, inventory, and workflow) application. Continued refresh of the DPS fleet mobile and portable radios.	Complete upgrade of public safety interoperable communications console at the Emergency Operations Center.	Accomplishments include installation and deployment of Land Mobile Radio (LMR) antenna and radio systems, Digital Microwave (DMW) radios, antennas, network equipment, dispatch console systems, back-up power systems including generators, grounding systems, battery systems, and surge suppression systems. Local government Dispatch Console System upgrade is 95% complete. DOT Dispatch Console System upgrade 83% complete. DPS mobile radio systems replacement for current FY is 76%. Overall the project is 99% complete however the project is behind schedule with an estimated completion during FY18.			
366 PERA	**Retirement Information Online (RIO) Enhancement:** Update current PERA system to include implementing business process improvements, user interface enhancement, data integrity and remediation, and customer relationship management software and workflow system.	$4,200,000	$0	$4,200,000	$480,767	Implementation	6/30/2018	Customer Relationship Management (CRM) contract award.	Finalize DXC Technology contract award. Re-baseline project schedule.	Data remediation tasks continues on track or ahead of schedule. Business Process Improvement (BPI) initiative continues on implementation of process changes. There were 121 BPIs identified with 47 identified requiring enhancements. Project staff decided not include any enhancements. With the CRM contract signed, requirements gathering will begin. The DXC Technology contract was negotiated, however, DoIT did not approve it; PERA and vendor are working on recommended changes. The DXC contract approval delay will cause the project schedule to slip significantly, impacting the User Interface, SQL Server Reporting System and Security Upgrade. The project schedule needs to be integrated and re-baselined to account for the delay.			
630 HSD	**Child Support Enforcement System Replacement (CSESR):** Enhance or replace the existing system which maintains more than 59 thousand active cases with over $132 million in annually distributed child support payments.	$3,927,300	$1,023,700	$4,951,000	$2,633,272	Planning	TBD	Initiate development of Implementation Advanced Planning Document (IAPD).	Revise and resubmit the Feasibility Study to the Office of Child Support Enforcement (OCSE).	Planning phase is extended through FY18. The planned RFI is currently on hold pending updated budget. Also the planning phase timeframes may be affected based on the potential responses to the RFI for CSES replacement/modernization options. Current state funding includes $3.4 million "incentive" funds from meeting its Federal performance measures and $527.3 thousand general fund for 34 percent federal match. Remaining funding appears sufficient to complete CSESR planning activities. HSD will submit another funding request for the FY19 budget cycle. HSD continues to explore options to modernize CSES to achieve near-term cost savings and help bridge the gap to when the system can be replaced. Future project funding will be supported by 66 percent federal funding match and 34 percent state general fund. Office of Child Support Enforcement is requiring HSD to revise and resubmit the CSESR feasibility study. This will delay other work planned during the remainder of the planning phase. Selection of an independent verification and validation vendor is pending.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
630 HSD	**MMIS Replacement Project:** Medicaid Management Information System Replacement (MMISR) and supporting application to align with Centers for Medicare and Medicaid Services (CMS) requirements.	$3,820,000	$33,580,000	$175,762,080	$13,441,471	Planning	11/30/2019	System Integrator (SI) contract negotiations are in process. Data Services (DS) request for proposals (RFP) due 6/21/17.	Finalize SI vendor contract award. Evaluate DS proposals and issue contract. Release Quality Assurance Services RFP.	The Centers for Medicare and Medicaid Services (CMS) authorized a $175.8 million budget to replace the current MMIS. There is potential the estimated budget may be reduced. This project is supported by 90 percent federal funding participation (FFP) and 10 percent state general fund. Laws 2017 appropriates up to $5 million from unexpended balances in the Medical Assistance Program (MAD). With the governor lifting the hiring freeze, HSD continues to move forward with the recruitment process for key project roles for 90/10-funded positions. The current independent verification and validation (IV&V) assessment for HSD's MMISR project reported progress on several areas, resulting in an overall "yellow" status. For example, communication has improved between MAD and IT division project team members. Progress has been made in developing project management plans; however some plans are still under development (for example, organizational change management, communication, configuration, data conversion, staffing, quality, and vendor management). Enterprise tools are being deployed to support project scheduling and requirements management, and facilitating the creation of the integrated master schedule. Although there is an integrated master schedule, it needs additional implementation details that will allow the project team to determine if end dates are realistic, monitor project progress, effectively manage resources and activities, and ensure project objectives are completed in a cost effective and efficient manner.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
665 DOH	**Women, Infants, and Children (WIC) System Replacement Project:** Replace a 14-year-old legacy system with the WIC regional solution that includes Texas, Louisiana, New Mexico and two Indian tribal organizations. The State's new system will meet the USDA Food and Nutrition Service (FNS) requirements for Management Information Systems (MIS) and Electronic Benefits Transfer (EBT) delivery of WIC client benefits.	$0	$7,004,899	$7,004,899	$1,433,214	Implementation	11/30/2018	Submitted Implementation Advanced Planning Document Update (IAPDU) annual summary to FNS. Test plan submitted to FNS.	Unknown based on available information.	MIS vendor's design processes are yet to result in comprehensive documentation of detailed business rules that may result in misinterpreted requirements. MIS vendor continues to finalize reports and testing of outstanding benefit functionality. Texas MIS data conversion activities continue and finalizing MIS testing is behind schedule. Louisiana and New Mexico MIS data conversion activities continue. NM EBT LLP testing continued and identified significant issues delaying "Go-Live." Anticipate issues to be resolved within the month. Revised schedule has limited contingency and adherence to the schedule is needed to prevent delays or testing quality issues.			
690 CYFD	**EPICS** is a multi-phase/multi year project to consolidate Children, Youth and Families Department's legacy system (FACTS) and 25+ stand-alone systems into one enterprise-wide web application. The system will support program efforts to build a rapid response to federal, state, and local requirements. A comprehensive view of clients and providers will increase productivity, direct client care, and safety.	$10,636,823	$9,190,511	$19,827,334	$16,259,293	Implementation	3/31/2018	Race to the Top (RTTT) Pre-K and Child Care Phase I implemented April 2017. Child and Adult Care Food Program payments processed in SHARE for RTTT. Law Enforcement Portal live May 2017. Adoption/Foster Dashboard live on May 17.	Develop Summer Foods reports requirements.	The highest risk to the EPICS project is agency resources availability and competing priorities. Resource constraints continue to impact the project schedule; CYFD is working on a contingency plan to reallocate resources or adjust project schedules. Project staff turnover means a loss of business and project knowledge, which takes time to replace. Child Care, Pre-K and Summer Food Reports are at risk due to staffing, time constraints and scope increase. A new contractor will start in mid-July. CYFD is reallocating resources (contractor and state FTE) to provide additional support for reports development. This transition is in process. The project manager is currently handling dual roles of application development supervisor and EPICS project manager. Also, CYFD hired a new CIO in June 2017 and is getting up to speed with the project. The project schedules for Pre-K, and Summer Foods are not set up with detail subtasks or specific milestones. In contrast, the project schedule for Race to the Top (RTT) child care includes tasks, subtasks, milestones within tasks, and tracks percentage complete. The independent verification and validation vendor recommends using the RTTT model of project schedule for all subprojects. In addition, update and publish project plans to project team on a regular basis.			

Agency	Project Description	Total State Appropriations	Total Federal	Estimated Total Cost	Spent to Date	Project Stage	Estimated Implementation Date	Milestone(s) achieved last quarter	Milestone goal(s) for next quarter	Project status	Budget	Schedule	Functionality
770 CD	**OFFENDER MANAGEMENT SYSTEM (OMS) Replacement Project** The New Mexico Corrections Department (NMCD) will replace its 15-year old client-server offender management system with a commercial-off-the-shelf (COTS) web-based OMS.	$7,800,000	$0	Current estimate is $12,800,000	$1,826,099	Implementation	6/30/2019	Contract award to Abilis Solutions Corp. Developed an internal project website. Published project eNewsletter for Corrections employees.	Award contracts for project management and independent verification and validation for implementation phase. Formal project kickoff and initiate gap analysis. Revise project schedule to align with implementation vendor.	A $5.1 million contract was awarded to Abilis Solutions Corp. through the competitive procurement process. The new solution, CORIS® OMS, is a commercial-off-the-shelf (COTS) product. The COTS solution is an integrated OMS based on the defined business process standards of the Corrections Technology Association. The project is expected to be completed in 24 months based on current scope of work. NMCD anticipates depletion of the current funding by mid FY19 and anticipates needing an additional $5 million to complete the project. The department requested an additional $5 million in C2 funding for FY18 which was not considered due to state budget deficiencies. The department is contracting with a staff augmentation vendor (RKV Technologies) while project activities are ongoing to mitigate risk associated with staffing constraints due to availability and competing priorities. In addition, NMCD is currently advertising for two IT positions to alleviate resourcing concerns.			
790 DPS	**Computer Automated Dispatch (CAD)** The DPS project will replace the existing CAD system, which is over 10 years old. CAD is used to dispatch 911 calls to officers, map the call location in the dispatch center, provide automatic vehicle location for officers in the field, and provide the National Crime Information Center with access to data.	$4,150,000	$0	$3,976,200	$2,784,198	Implementation	9/27/2017	Statewide map data completed. Completed train-the-trainer classes. Executed contract amendments for EDAC and Cognasante.	End user training. Finalize Hexagon (formerly Intergraph) amendment.	Although the map data issues are resolved, the project continues to be behind schedule but DPS anticipates completion by September 2017. Several entities including Sierra County, Clayton, Game and Fish Department, White Sands, and Otero County, have expressed an interest in using the new system. Finalized proposed costing for non-DPS agencies and a service level agreement template has been developed.			

Source: DoIT IT project status reports, agency status reports, project certification committee documents, Independent Verification & Validation (IV&V) reports, Sunshine Portal, and LFC analysis.

DoIT 4th quarter Dashboard website:
http://www.doit.state.nm.us/dashboards/FY-2017-Q4/project_dashboards.html

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

325 Don Gaspar, Suite 101 • Santa Fe, NM 87501
Phone (505) 986-4550 • Fax: (505) 986-4545

David Abbey
Director

September 5, 2017

LFC INVESTMENT REPORT FOR THE QUARTER ENDING JUNE 30, 2017

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 June 30, 2017. Information from the Wilshire Trust Universe Comparison Service (TUCS) report is also included.

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 nearly $4 billion, or 8.9 percent, to end the quarter at $48.6 billion. ERB and PERA's fund balances grew 8.5 percent and 6.9 percent, respectively, and the aggregate value of the permanent funds managed by SIC grew 10.7 percent.
- Over fiscal year 2017, the investment funds' total returns ranged from 11 to 13 percent, and each agency outperformed their long-term targets for the one- and five-year periods.
- ERB, LGPF, and STPF's three-year returns were at or above the median based on percentile rankings in the Wilshire Trust Universe Comparison Service (TUCS) peer universe for public funds greater than $1 billion. The permanent funds ranked above the 50th percentile for the quarter and one-year periods. Both the permanent and pension funds ranked below the 50th percentile for the five- and ten-year periods.

MARKET ENVIRONMENT

The equities markets performed exceptionally well over FY17, with domestic and international equities returning between 18 percent to more than 20 percent. Real GDP growth improved this quarter at 3 percent, up from 2.1 percent last quarter, fueled by consumer and business spending. The U.S. unemployment rate decreased to 4.4 percent this quarter, down from 4.5 percent in the first quarter of 2017. The Federal Reserve increased the fed-funds rate in its March meeting by

0.25 percent, and the 10-year Treasury yield ended the quarter at 2.2 percent. Consumer prices accelerated this quarter with the consumer price index up 0.95 percent.

Market Environment as of June 30, 2017

Index Returns (%)	Quarter	1 Year	5 Years	10 Years
S&P 500	3.09	17.90	14.63	7.18
Wilshire 5000	2.95	18.54	14.61	7.29
Dow Jones Industrial	3.95	22.12	13.44	7.58
Citigroup Broad (BMI)	1.48	-0.28	2.22	4.58
MSCI EAFE (Net)	6.12	20.26	8.69	1.03
Barclays Govt/Credit	1.69	-0.41	2.29	4.57

The table above provides relevant performance benchmarks. Standard & Poor's 500 (S&P 500) and the Wilshire 5000 are seen as leading indicators of the U.S. equities market and are a common benchmark for the U.S. stock market. Based on these indicators, stock market returns were around 3 percent this quarter and about 18 percent for the year ending June 30, 2017. The Dow Jones Industrial Average is a price-weighted average of 30 significant stocks traded on the New York Stock Exchange and NASDAQ, and it includes companies such as General Electric, Exxon Mobil, and Microsoft. The Citigroup Broad Market Index (BMI) Global and the Morgan Stanley Capital International (MSCI) EAFE Index both provide a broad measure of the international equities market. The Barclays Capital U.S. Government/Credit Bond Index measures the performance of U.S. dollar denominated U.S. Treasuries, government-related and investment grade U.S. corporate securities that have a remaining maturity of greater than one-year.

PERFORMANCE VS. INTERNAL BENCHMARKS

Investment performance is often best considered in terms of full market cycles, which can be defined as a period of full bull-bear-bull periods generally lasting 4 to 5 years.[1] Due to the longer-term duration of a full market cycle, short-term performance (e.g. quarterly or annual) is often not fully indicative of a fund's overall performance, as the focus should generally be on longer-term returns.

Market strength in fiscal year 2017 produced significant returns on the state's investment funds, with PERA's investment returns at 11.1 percent, ERB at 12 percent, LGPF at 13 percent, and STPF at 12.8 percent. As of June 30, 3017, ERB's fund returns exceeded their interim policy targets for each period except the one-year, and LGPF returns exceeded the policy index for periods except the three-year. STPF returns exceeded the policy index for the quarter and one-year periods, but fell below the policy index for the three-, five-, and ten-year periods. PERA's fund returns fell below its policy index for all periods except the five-year. However, both the pension and

[1] Generally, full market cycles are a peak-to-peak period typically containing a price decline of at least 20 percent over at least a two-month period from the previous market peak, followed by a rebound that establishes a new, higher peak.

permanent funds' one- and five-year returns met or exceeded their long-term targets, which are 7.25 percent (PERA), 7.25 percent (ERB)[2], 7 percent (LGPF), and 6.75 percent (STPF).

Returns as of June 30, 2017 (Net of Fees)

	PERA		ERB		LGPF		STPF	
Returns (%)	**Fund**	**Policy Index**	**Fund**	**Policy Index**	**Fund**	**Policy Index**	**Fund**	**Policy Index**
Quarter	2.8	2.9	2.8	2.7	3.1	2.8	3.1	2.9
1-Year	11.1	11.7	12.0	12.1	13.0	11.5	12.8	11.7
3-Year	4.4	5.2	6.1	5.4	5.4	5.4	5.3	5.5
5-Year	8.5	8.5	8.7	7.8	8.9	8.8	8.6	8.8
10-Year	4.0	5.0	5.2	4.6	4.8	4.4	4.2	4.4

While investment return information displayed above represent the quarter, one-, three-, five-, and 10-year performance, "long-term" performance should really be considered over a span of 20 to 30 years, as the state's pension and permanent funds have investment strategies focused on the growth and preservation of the funds over a multi-decade horizon. Specifically, the pension funds operate under a dual mandate to generate income to pay current retiree benefits and to grow the principal of the fund to pay retiree benefits into the future. The permanent funds' investment goals are to grow the funds such that future generations may receive the same or greater benefits as current beneficiaries. These long-term goals are important to the funds' risk-to-return choices, particularly in making asset allocation decisions that drive fund returns over the very long term.

FUND ASSET VALUES

Fund balances grew over fiscal year 2017, as shown in the table below. All amounts displayed below are net-of-fees and represent annual growth in fund balances less any distributions. The aggregate value of all four of the state's investment funds grew by nearly $4 billion, or 9 percent, this fiscal year and grew by nearly $13 billion, or 36 percent, over the last five years. The land grant permanent fund, which is the largest of the four funds, added almost $1.7 billion in FY17 to the fund balance. The pension funds each added about $967 million to their fund balances over the year, and STPF added about $378 million to its value.

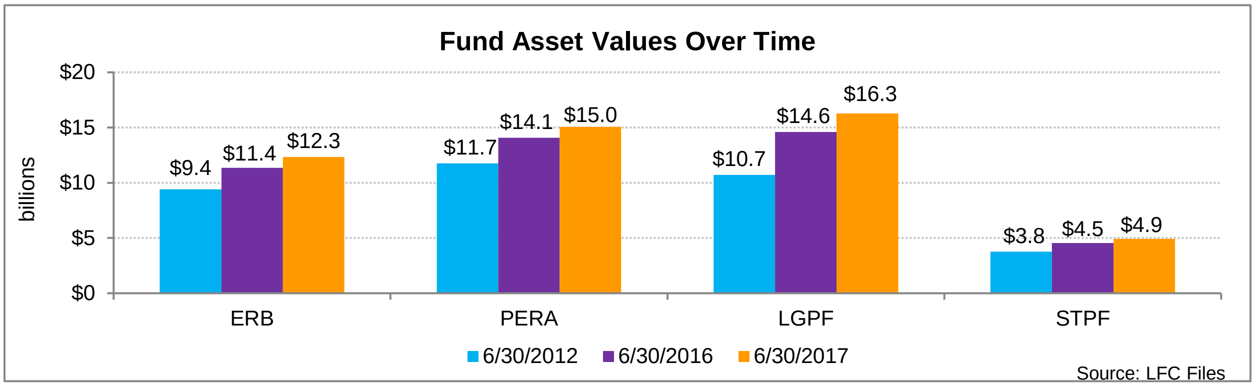
Current Asset Values* (millions)
For One-Year Period Ending June 30, 2017

	ERB	PERA	LGPF	STPF	TOTAL
Current Asset Value	**$12,333.5**	**$15,050.8**	**$16,272.2**	**$4,921.6**	**$48,577.6**
Annual Change					
Ending Asset Value (6/30/2016)	$11,366.6	$14,082.4	$14,607.5	$4,542.4	$44,599.2
Value Change – Year Over Year	$966.9	$967.4	$1,665.7	$378.2	$3,977.3
% Change – Year Over Year	8.5%	6.9%	11.4%	8.3%	8.9%

*Net of Fees

[2] In April 2017, ERB's Board of Trustees voted to lower the fund's investment return assumption to 7.25 percent, down from the previous target of 7.75 percent. The action was taken based on results of ERB's biennial actuarial experience study.

Each of the funds showed significant growth in the last five years, with LGPF growing 51.7 percent, and ERB, PERA, and STPF growing 31 percent, 28.1 percent, and 30.6 percent, respectively.



Notably, as pension funds, PERA and ERB's fund values reflect retiree benefit payouts, which must be made regardless of the amount of contributions received. Distributions from the permanent funds, however, are based on a formula using revenue, contributions, and a five-year average of the fund. Generally, due to these differences in liabilities, the permanent funds tend to have a larger percent change in fund asset values than the pension funds.

ACTUAL VS. TARGET ASSET ALLOCATIONS

The target asset allocations shown below represent the investment funds' portfolio structure, detailing how investments are made. Each of the investment agencies focus on a diversified portfolio, spreading out investments across a variety of asset classes. The table below shows the current actual asset allocation for the period ending June 30, 2017, compared with the funds' policy targets (except PERA, whose strategic asset allocation follows a different structure).

	ERB		PERA	LGPF		STPF	
	Actual	Target	Actual	Actual	Target	Actual	Target
US Equity	**18.7%**	**20.0%**	**6.5%**	**27%**	**26%**	**24%**	**26%**
International Equity	**14.6%**	**15.0%**	**6.4%**	**19%**	**18%**	**20%**	**18%**
Global Equity*			**28.6%**				
Fixed Income	**8.0%**	**6.0%**	**21.8%**	**22%**	**23%**	**20%**	**22%**
Emerging Market Debt	**1.8%**	**2.0%**	**3.5%**				
Total Alternatives	**53.7%**	**56.0%**	**30.6%**	**32%**	**32%**	**34%**	**33%**
Private Equity	11.3%	11.0%	4.6%	9%	9%	11%	10%
Real Estate	7.3%	7.0%	5.8%	9%	9%	9%	9%
Real Assets	6.3%	8.0%	7.0%	10%	9%	9%	9%
Absolute Return	0.0%	0.0%	1.1%	4%	5%	4%	5%
Hedged Equity			1.6%				
ETI**						1%	0%
Opportunistic Credit	18.8%	20.0%	10.6%				
Global Asset Allocation	4.9%	5.0%					
Risk Parity	5.1%	5.0%					
Cash Equivalents	**3.3%**	**1.0%**	**2.6%**	**1%**	**1%**	**1%**	**1%**
Total Fund %	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

*Unlike the other investment funds, PERA's global equity asset class includes domestic and international public securities, global low volatility equity, hedged equity, and private equity.

**Economically targeted investments

ASSET CLASS PERFORMANCE

Domestic and international equities performed very well over the fiscal year with net-of-fee returns ranging between 18 percent and 22 percent for both the pension and permanent funds. Private equities also yielded double-digit returns this year for each of the four funds, ranging from 11 percent to nearly 18 percent; however, returns for this asset class fell below the policy indices for both the permanent and pension funds.

ERB's outperforming investments this fiscal year were its global asset allocation, real estate, and real assets, exceeding the benchmark returns by 3 percent or more. While ERB's non-U.S. emerging markets equity composite returned about 18.7 percent over the year, it was the fund's largest underperformer over the year, missing the benchmark by over 5 percent. ERB describes its U.S. small/mid cap equity composite returns as somewhat disappointing, with returns barely exceeding the target for the three- and five-year periods. This is the only portion of ERB's domestic equity composite with active external management, and with lackluster performance, ERB is considering indexing this allocation.

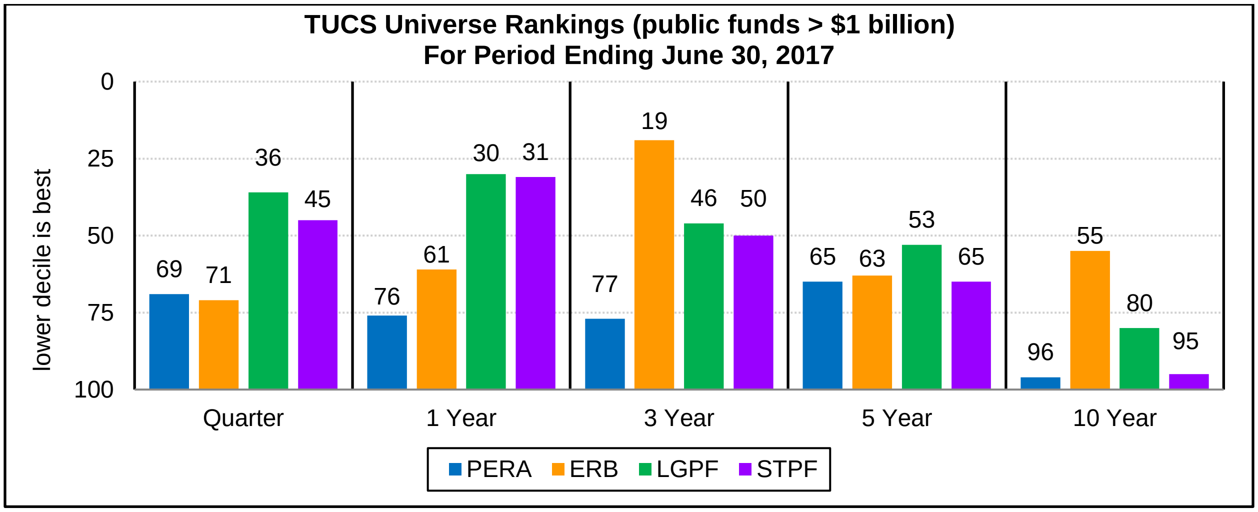
SIC's real return composite markedly outperformed its target in FY17, exceeding the benchmark by 10.5 percent, largely due to strong performance by the energy and infrastructure portfolios. Additional outperformers were the international equity and fixed income composites, exceeding their benchmarks by about 2 percent. While SIC's private equity investments posted some of the largest returns compared to other asset classes, SIC's private equity managers continue to perform below par, with the private equity composite for LGPF missing its benchmark by over 3 percent and for STPF by over 6 percent. In the recently released FY18 Annual Investment Plan, SIC notes poor performance of the non-core funds (mostly pre-2011 legacies subject to the pay-to-play issues) as the main reason for private equity underperformance against the Cambridge Index benchmark. SIC states it will focus on a strategy of identifying "core managers" with whom to build longer-term relationships, which SIC believes will eventually result in better performance.

PERA's global equity composite and risk reduction and mitigation composite each outperformed the policy index by 1.8 percent and 0.5 percent respectively. However, PERA's credit oriented fixed income composite and real assets composite both markedly underperformed in FY17, falling below their benchmarks by 3.2 percent and 5.2 percent, respectively. PERA states that weakness in U.S. Treasuries, as well as in global sovereign and investment grade debt, in the current market environment contributed to the weak performance of the core fixed income portfolio, an asset that typically lends stability in times of market stress.

PERFORMANCE RELATIVE TO PEERS

The Wilshire Trust Universe Comparison Service (TUCS) benchmark service evaluates the performance and allocation of institutional investment assets. The service evaluates New Mexico's investment fund returns alongside approximately 50 public funds with more than $1 billion in assets. The following figure shows gross-of-fees total return rankings for the agencies' large funds 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.

While a useful comparison, universe rankings represent an imperfect measure. Universe rankings focus singularly on a fund's returns compared with the returns of other funds of similar size without consideration of differing missions or investment goals. For example, funds focused on stability with specific distribution requirements, such as pension funds, will choose diversified asset allocations over a longer-term investment horizon (20-30 years) than the periods reported by the universe comparison (up to 10 years). Such a decision recognizes that in a given time period, certain assets classes will underperform and others will outperform – meaning the fund may give up some short-term return potential in favor of less risk over the long-term. As such, a fund may rank very low or very high in a given timeframe, but that ranking may not be indicative of how well suited the fund is for long-term viability. Specifically, funds with heavy equities exposure may rank high during stock market rallies but risk significant losses in the event of a market crash.



The permanent funds performed at or above the median for the quarter, one-, and three-year periods; however, these funds fell below the 50th percentile for the five- and 10-year periods. The relatively strong performance in the quarter and one-year periods, compared to the state's pension funds, could be due to a larger exposure to public equities, which performed exceptionally well this fiscal year. About 45 percent of each of the permanent funds are invested in domestic and international equities, while the pension funds have a smaller allocation to this asset class.

ERB retained its strong ranking in the three-year period, performing above the 25th percentile for this period for the fourth quarter in a row. However, ERB's portfolio fell below the median for all other periods reported. According to ERB, underperformance relative to other funds in the peer universe for the quarter and one-year periods are largely due to the funds' asset allocation plan, which has less emphasis on public equities than most plans.[3] ERB notes it has intentionally diversified away from a heavy stock market exposure, and in doing so recognizes the fund will give up potential returns in bull markets in favor of additional stability in moderate or negative return markets.

While the PERA fund benefited from public equity gains this year, the PERA portfolio ranked below the 50th percentile for the quarter and below the 75th percentile for the one-, three-, and 10-year periods. PERA views the fund rankings as an indication of their defensive asset allocation

[3] For example, the median plan in the TUCS universe has over 50 percent of assets in public equities; however, ERB's portfolio has about 33 percent of its assets in public equities. Thus, in a year like FY17, when equity market returns ranged from the high teens to 20+ percent, ERB would expect to fall below the median relative to other funds. On the other hand, when equity markets are weaker, ERB would expect to come out above the median.

relative to their peers. As such, PERA does not expect to outperform against funds that have higher exposures to risky asset classes, such as global equity.

RISK PROFILES

Risk is an inherent component of investing in financial markets. As risk of an investment fund is a function of the strategic asset allocation, it is prudent to keep the risk within tolerant levels to achieve the overall goals of the plan. This report utilizes a few key measures to evaluate the impact that risk plays in an investment portfolio. The table below reports funds' standard deviation, Sharpe Ratio, and beta for the five-year period ending June 30, 2017. This report uses the five-year period as a proxy for the portfolios' risk profiles over the course of a full market cycle.

Risk Metrics*, Five Years Ending 06/30/17

	ERB	PERA	LGPF	STPF
Standard deviation	4.70	5.87	4.93	4.91
Sharpe Ratio	1.80	1.47	1.75	1.71
Beta	0.93	1.12	0.98	0.97

*Net of fees

Standard deviation measures the fund's expected variability (deviation) of returns from the mean return. Investments that are more volatile generate a higher standard deviation. Of the four funds, PERA demonstrated the highest standard deviation, indicating higher volatility relative to the other funds. PERA is in the process of transitioning its portfolio to new policy targets. During the transition period, the PERA portfolio has shown greater volatility than its policy index, which is more diversified.

The Sharpe Ratio measures the risk-adjusted performance of a portfolio. The higher the number, the higher the return-to-risk level.[4] Typically, a good ratio is 1 or better, a very good ratio is 2 or better, and an excellent ratio is 3 or better. Each of the funds had a "good" Sharpe Ratio for the five-year period (between 1 and 2), suggesting a fair level of return for the investment risk taken.

Beta represents the volatility of the portfolio versus the market.[5] ERB demonstrated the lowest volatility over the five-year period, with a beta less than 1, indicating lower correlation to broad market swings. The beta for the permanent funds hovered around 1, indicating that investments generally follow market movements. The beta for the PERA was just over 1.1, demonstrating more volatility relative to the other funds and greater correlation to market swings.

[4] An example of a risk free return is a 5-year treasury bond.
[5] Beta = 1: portfolio moves with the market. Beta < 1: portfolio is less volatile than market. Beta > 1: portfolio is more volatile than the market.

ATTACHMENT 1 – INVESTMENT RETURNS