STATE OF NEW MEXICO

Report of the Legislative Finance Committee to the Fifty-Fourth Legislature

January **2019**
For Fiscal Year **2020**

FIRST SESSION
Volume 1

LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

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Honorable Members
Fifty-Fourth Legislature, First Session
State Capitol
Santa Fe, New Mexico 87501

Dear Fellow Legislators:

Pursuant to Section 2-5-4 NMSA 1978, the fiscal year 2020 budget recommendation of the Legislative Finance Committee is provided to you. The committee recommendation for recurring appropriations from the general fund is $7 billion, a 10.6 percent increase from FY19 spending levels. Much of the $673 million increase – $416.6 million – is allocated to public schools to address court-ordered reforms. Additional spending in the recommendation would expand certain early childhood programs outside the Public Education Department, address the waiting list for home- and community-based services for those with disabilities, and provide an across-the-board salary increase to state workers and additional raises for teachers and judges. Despite the significant increase in new spending, the recommendation leaves more than $400 million of the estimated $1.1 billion available for expansion reserved for one-time uses.

The extraordinary amount of "new money" available in FY20 is the result of an oil industry boom that also means New Mexico is also expected to have a windfall of $2.5 billion in one-time cash at the end of FY19, putting reserves at 40 percent. The committee recommends much of the surplus be left in reserves to cushion the blow when oil prices inevitably decline or in case of a national recession but also recommends the funds be used for road projects, capital outlay projects usually covered with severance tax bond proceeds, and restoration of special use funds swept into the general fund during the recent economic downturn.

Two crippling fiscal crises in the last decade have left New Mexico with a flood of pent-up demand. Strong revenues are an opportunity to replenish reserves, shore up flagging critical services, and properly compensate overworked and underpaid state employees. However, New Mexico is also under tremendous pressure to fix our failing schools, build on successful early childhood programs, bolster our justice system, and maintain healthcare for the poor. And, of course, we must ensure we are prepared for the next crisis.

I would like to thank the membership of the Legislative Finance Committee for their hard work on behalf of the people of New Mexico and the LFC staff for its thoughtfulness and diligence on this complicated task. Together, we have prepared a responsible budget that prioritizes cost-effective spending that provides the most benefit to New Mexicans.

Sincerely,

Patty Lundstrom

Representative Patricia Lundstrom, Chairwoman

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FIFTY-FOURTH LEGISLATURE, FIRST SESSION

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LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

JANUARY 2019
FOR
FISCAL YEAR 2020

REPRESENTATIVE
PATRICIA LUNDSTROM
CHAIRWOMAN

SENATOR
JOHN ARTHUR SMITH
VICE CHAIRMAN

DAVID ABBEY
DIRECTOR

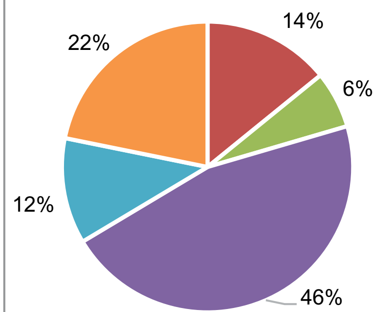
Recommendations and Highlights

A surge in FY20 "new money," $1.1 billion in additional revenue over FY19 appropriations, will help bolster state agency budgets, replace revenue in funds drained during the fiscal downturn, and boost reserves. The increased new money also illustrates the volatility of the state's energy-reliant economy, which has faced two serious downturns in the last decade.

New Mexico has seen similar economic upturns in previous years. In FY05, the state saw a similar growth rate as a result of spiking energy revenues and an outlook of modest growth. Recurring budgets incorporated a significant portion of this two-year spike in revenues, with general fund appropriation increases averaging 9 percent in both FY08 and FY09. However in FY10, revenues fell 11 percent, forcing agency budgets to sustain serious cuts. This pattern recurred just a few years later, with three rounds of budget cuts needed to keep the state in the black between FY17 and FY18.

In addition to the risk posed by a downturn in oil production, the revenue forecast is threatened by a possible recession within the next two years and $320 million of potential tax protest liabilities. Learning from the past and incorporating known risks, the committee's recommendation emphasizes higher reserve levels while prioritizing needs across agencies, including court-ordered education reforms, early childhood services, and growth in Medicaid.

FY20 Recurring General Fund Appropriation Recommendation: $7 billion



- Medicaid: $989.8 million
- Public Safety: $443.5 million
- Public Schools: $3,217.8 million
- Higher Education: $824.5 million
- Other: $1,527.5 million

Source: LFC files

Budget Development and Priorities

Budget Development

In December, the Consensus Revenue Estimating Group updated the revenue estimates. FY18 year-end revenues increased by $931 million, bringing general fund reserves to 19.5 percent. The revised estimates for FY19 represent growth of $773.5 million with FY20 revenue estimated at $7.43 billion. New money available for FY20 is $1.1 billion, a 17 percent increase compared with FY19.

LFC Online: Understanding Government Finances

Finance Facts: Consensus Revenue Estimate

The new money allows a continued focus on boosting reserves, set as almost 21 percent of recurring appropriations in the LFC recommendation, to smooth future revenue swings while focusing on prioritized issues. Total recurring appropriations increased 4 percent, not including significant allocations to public schools, the Human Services Department, and the Children, Youth and Families Department. Additionally, $300 million is set aside for tax stabilization as part of tax reform.

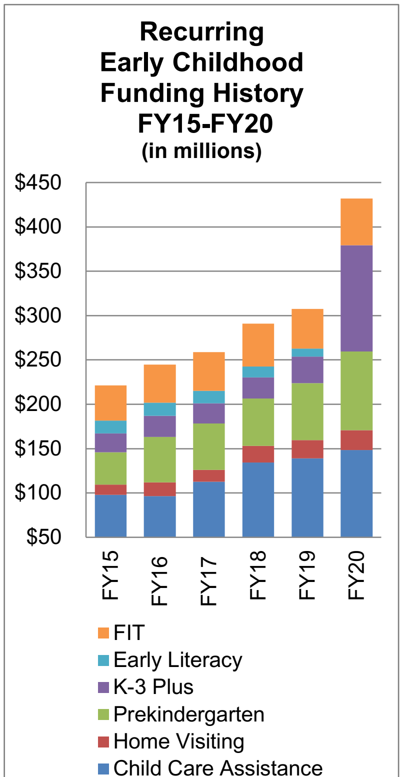
Priorities

LFC's budget recommendation for FY20 is balanced and structured to avoid unstainable high expenditure growth rates. In addition, the recommendation replaces moneys swept out of earmarked funds into the general fund and replenishes funds that were relied upon heavily during the economic downturn.

Agency priorities include public education, early childhood investment, public health, workforce development, public safety, protection of vulnerable citizens, and increased economic growth, and improving transportation infrastructure. Lastly, the recommendation includes a reserve of at least 20 percent to protect core agency functions from risks and volatile energy revenues.

Recommendation

Agencies requested $6.92 billion from the general fund; the LFC recommendation is $7 billion, up $673 million, or 10.6 percent, from FY19 spending levels.



Source: LFC Files

Early Childhood

The committee recommendation for additional general fund revenues for early childhood care and education services includes $2 million for home-visiting services to new families, $3 million for workforce development, $4.5 million for early prekindergarten and $10 million for prekindergarten in the Children, Youth and Families Department (CYFD), $10 million for prekindergarten in the Public Education Department, and $89.7 million for K-5 Plus. The recommendation also increases the federal Temporary Assistance for Needy Families (TANF) block grant transfers from the Human Services Department to CYFD for childcare assistance by $3 million. In total, the FY20 recommendation for early childhood programs is $437 million, an increase of $123.8 million above the FY19 operating budget.

Education

Educating New Mexico's children and workforce remains a priority for the committee, especially in the wake of a court ruling around sufficient funding, resulting in an increase in funding to public schools. The recommendation also continues performance-based funding for New Mexico's colleges and universities and focuses on college-affordability and lottery scholarship access.

Public Education. In light of a preliminary court ruling claiming the state insufficiently funded public education, the committee's recommendation substantially increases funding for public school support and related education appropriations. For FY20, the general fund recommendation for public education totals $3.22 billion, a $416.6 million, or 14.9 percent, increase from FY19 levels. Contingent on enactment of legislation, the committee recommendation for program cost includes $113.2 million to increase the at-risk index, $89.7 million to provide K-5 Plus programs, $62.5 million to help schools extend the school year by 10 days and provide afterschool programs, $34.8 million to raise teacher and principal minimum salary levels, and $12.5 million to provide instructional materials through the funding formula. The committee recommendation also provides $104.3 million to make targeted base pay increases for teachers, principals, and other school personnel in the program cost.

Other adjustments to the committee's program cost recommendation would require legislation that defines a school-age child, eliminates the small school bonus for small schools in large districts, and provides additional formula funding for rural schools. Altogether, the committee recommendation for the state equalization guarantee distribution (SEG) of formula funds totals $3.05 billion, a $466.1 million, or 18 percent, increase from FY19 funding levels.

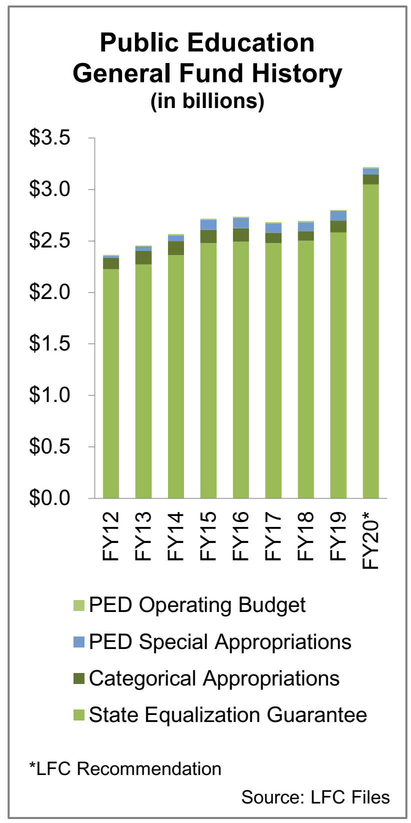
The committee general fund recommendation for categorical programs totals $96.7 million, a $20 million, or 17.1 percent, decrease from FY19, primarily due to the transfer of instructional material funding to the SEG. However, the committee recommendation includes $22.5 million from the public school capital outlay fund to augment the transportation distribution and $2 million from Indian education fund balances to help the Public Education Department (PED) meet requirements of the Indian Education Act. After considering other state funds, the committee recommendation for categorical programs totals $121.2 million, a $3.2 million, or 2.5 percent, decrease from FY19 funding levels.

LFC Online: Understanding Government Finances

Finance Facts: Creation of the State Budget

The committee general fund recommendation for PED special appropriations totals $58.1 million, a $32.8 million, or 36.1 percent, decrease from FY19 funding levels, due to the transfer of K-3 Plus funding to the SEG and reprioritization of appropriations with limited evidence or support to justify continuation. The committee's general fund recommendation also includes $14.5 million for PED's operating budget, a $3.3 million, or 28.9 percent, increase from FY19 to increase the department's oversight capacity.

Higher Education. LFC recommendation for higher education is $824.5 million of general fund revenues, an increase of $21 million or 2.6 percent, over FY19. The recommendation includes an 6.7 percent increase to HED's budget, $36.8 million, for sufficient funding to fully staff the department, which had a 28 percent vacancy rate last year, and $2 million additional funding for adult education programs. The LFC recommendation for the instruction and general purposes funding formula includes 5.5 percent of appropriations for performance funding (2.5 percent in new money and a base redistribution equal to 3.5 percent of the FY19 appropriation) and increases the incentive for awarding credentials to at-risk students to 17.8 percent from 13.5 percent.

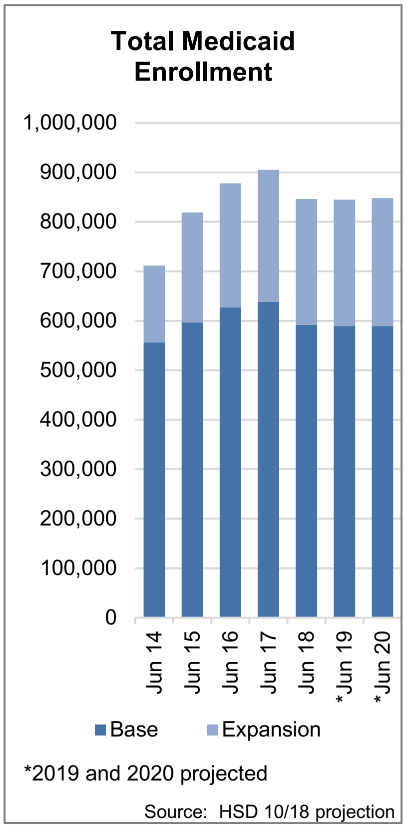


LFC recommends several nonrecurring appropriations to benefit higher education including $50 million for the college affordability endowment fund, $25 million for the higher education endowment fund, and $25 million for the teacher loan repayment program.

Human Services

The LFC recommendation for the Human Services Department is $7.1 billion from all revenue sources, a $189.8 million, or 2.8 percent, increase over the FY19 operating budget, and includes an additional $43.1 million from the general fund, an increase of 4.1 percent. Most of the increase from the general fund, $40 million, is for the Medicaid program. In its FY20 request, the department carried forward $8.1 million from the general fund for a projected FY19 shortfall in the Medicaid program. LFC recommends a FY19 supplemental appropriation of $4 million contingent on certification of need by the Board of Finance.

HSD reported the overall Medicaid and Children's Health Insurance Program enrollment peaked in early 2017 at 916,767, and dropped to 829,421 by October 2018. Medicaid's declining enrollment reflects improving economic conditions, higher incomes, and less unemployment. In its updated projection, HSD reduced its requested FY20 general fund increase for enrollment from $15.6 million to $12.5 million. LFC recommends an additional $3 million from the general fund for projected FY20 enrollment growth of 0.2 percent.



LFC recommends $500 thousand to provide Medicaid and behavioral health services for eligible clients in jails and prisons in an effort to reduce recidivism, $300 thousand to help adult residential treatment centers achieve accreditation so they are eligible for Medicaid funding, $100 thousand for the Linkages housing program for people who are homeless because of behavioral health issues, and $375 thousand for statewide food banks.

LFC recommends $402 thousand from the general fund to maintain minimum state Supplemental Nutrition Assistance Program benefits for elderly or disabled people. LFC also recommends an additional $500 thousand from the general fund to bring Medicaid rates for federally qualified heath centers to the same level as other providers, and $200 thousand to expand graduate medical education positions and residencies, particularly in rural settings. LFC recommends an additional $3 million in federal Temporary Assistance for Needy Families (TANF) funds for transfer to the Children, Youth and Families Department for childcare programs.

Health

The $311.1 million general fund recommendation for the Department of Health (DOH) is a 6.2 percent increase over the FY19 operating budget. Concentrated on improving services for people with developmental disabilities, increased funding would allow the department to remove about 308 people from the waiting list for home- and community-based developmental disability services covered under a Medicaid waiver, offset average cost increases for providing these services, and adjust rates for developmental disability Medicaid waiver and Family, Infant, Toddler Program providers. The recommendation also includes an allocation to increase psychiatric technician salaries by an average of 11.5 percent. The total recommendation is $560.6 million, a $17.5 million, or 3.2 percent, increase over the FY19 operating budget.

Judiciary

LFC recommends $176.9 million for all judicial entities in New Mexico. The recommendation represents $6.2 million, or 3.6 percent, more general fund revenue than the FY19 operating budget. The recommended increase funds operational costs, increases in risk rates, and a funding for vacant positions. The committee recommendation includes an additional $2.3 million to the Administrative Office of the Courts (AOC) to fund magistrate court leases, reduce magistrate court vacancies, create a statewide release-on-recognizance program, and reduce the use of automation fund balances. For the Metropolitan and district courts, the recommendation includes an additional $2.6 million in general fund, meeting the *Unified Budget Request*.

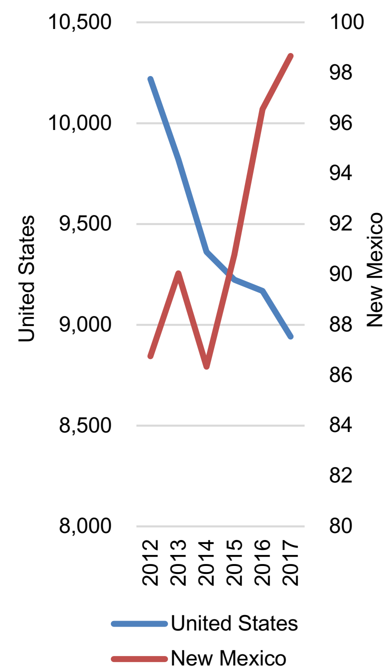
The general fund recommendation for the district attorneys is up 4 percent from the FY19 operating budget, including a 4.5 percent increase for the 2nd Judicial District Attorney in Bernalillo County.

LFC recommends a 4 percent increase from the general fund for the Public Defender Department from the FY19 operating budget.

Public Safety

The committee recommends a total $506.6 million in total revenue for the Corrections Department and the Department of Public Safety (DPS), $13.7 million, or 2.8 percent, more than the FY19 operating budget, almost solely the result of increased general fund revenues. The $319.1 million general fund recommendation for the Corrections Department is a $13.7 million, or 5 percent, increase over the FY19 operating budget, including $6.1 million for correctional officer overtime and to fully fund salaries and benefits throughout the department, $5 million for highest-rated evidence-based programming for inmates and offenders at halfway houses and for additional transitional living beds, and $2.4 million for increased food costs, maintenance agreements, and medical contract cost-living adjustments. Land grant permanent fund revenues to the Corrections Department remain flat with the FY19 operating budget level; however, additional revenues from land sales realized in FY19 are recommended to pay past-due radio communications fees to the Department of Information Technology and to cover shortfalls at prisons. The Department of Public Safety general fund recommendation is flat compared with the FY19 operating budget.

National vs. New Mexico Crime Counts
(in thousands)



Source: FBI

Economic Development

The committee recommends a general fund increase of $2 million, or 18.8 percent, for the Economic Development Department (EDD) , including $1 million for the Job Training Incentive Program, $250 thousand for the Local Economic Assistance and Development Support Program, $388 thousand for personnel, and $400 thousand for the New Mexico Partnership. The overall recommendation to EDD is $12.9 million, an increase of 15.5 percent from the FY19 operating budget.

Compensation

In December 2017, the State Personnel Office estimated the state's pay structure was 9 percent behind the broader labor market. For FY19, the Legislature appropriated $90 million to provide an average 2 percent salary increase to all employees and 2.5 percent for teachers. In addition, hard-to-recruit positions, especially those in public safety, have been targeted for additional increases.

The FY20 recommendation includes $161.2 million from the general fund for a 4 percent across the board salary increase for all state and public and higher education employees. The recommendation also includes additional amounts to bring the total increase for teachers to 5.5 percent, 7.5 percent for principals, and 6 percent for judges. In addition to educator compensation, included in the public school support recommendation are recommendations to increase minimum salaries and expand K-5 Plus and other extended learning time programs. These increases also affect compensation and are contingent on passage of funding formula reform legislation.

Pensions. Despite pension reform efforts in 2013, New Mexico's two pension systems, the Public Employees Retirement Association (PERA) and Educational Retirement Board (ERB), remain significantly underfunded. Both PERA and ERB presented reform proposals to the Legislature and the LFC recommendation includes $27.2 million from the general fund for a 1 percent employer increase to the funds. Additional pension contributions are contingent on passage of legislation balancing increased revenues with controlling expenditures.

Deficiency, Special, and Supplemental Appropriations

The LFC recommendations for special, supplemental, and deficiency appropriations total $140.6 million, of which $112 million is from the general fund. These appropriations include $29 million in special appropriations for the Public Education Department's instructional materials fund and $5 million in deficiency appropriations to the New Mexico State Fair to cover obligations to the General Services Department.

FY20 Compensation Cost (in thousands)		
Branch	General Fund Share	General Fund Cost*
Legislative	100%	$ 471
Judicial**	95%	$ 9,094
Executive	48%	$ 21,611
Higher Education	53%	$ 23,283
Public Education**	87%	$ 106,797

*Cost for an across the board 4 percent increase for all filled positions.

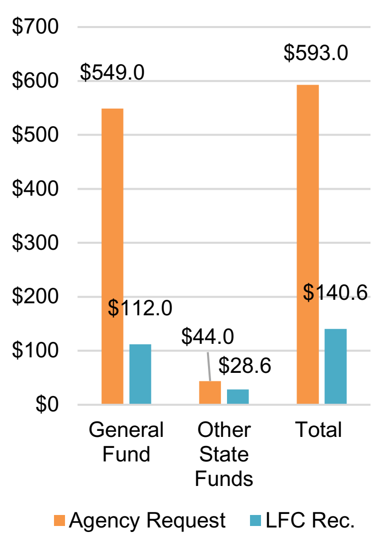
**Includes additional 2 percent for judges, 1.5 percent for teachers, and 3.5 percent for principals.

Source: LFC Files

Criteria used in building the LFC recommendation for special, supplemental, and deficiency appropriations included prioritizing the use of federal funds or other state funds where appropriate, consolidating multiple small requests serving the same purpose into unified recommendations, determining whether requested amounts would help improve performance, and determining whether projected costs were reasonable.

Fund Transfers. The LFC recommendation for fund transfers to backfill special purpose funds, whose funds were swept into the general fund to cover shortfalls, totals $370 million from the general fund, including $240 million to be transferred in FY19 and $130 million in FY20. LFC recommended transfers include $125 million to the tobacco settlement permanent fund; $50 million to a new fund at the Public Education Department for compliance with the *Yazzie-Martinez* case; and $50 million to the Higher Education Department for the college affordability endowment fund in FY19.

FY19 Requests and Recommendation for Special, Supplemental, and Deficiency Appropriations (in millions)



Source: LFC

Special Transportation Appropriations. The LFC recommendation for special transportation appropriations totals $401 million from the general fund in FY19 and FY20 for local and state road projects. The recommendation includes $250 million for major investment projects to be specified by legislators, with priority given to projects with available matching funds. Department of Transportation provided suggestions for project selection based on district needs crucial for economic development, system maintenance, and safety improvement. The focus of these projects is moving goods more efficiently to grow the economy. Other appropriations include $98 million to the state rund fund for projects already on the statewide transportation improvement program list and $53 million to the local government road fund to be distributed according to statute.

Capital Outlay and Infrastructure

Priority capital outlay requests from state agencies, higher education institutions, and local entities totaled $1.9 billion. Despite booming oil and gas revenues, requests still far outpace estimated severance tax bonding (STB) capacity. However, with unprecedented levels of nonrecurring general fund revenues from the energy industry, capital projects could be funded without issuing STBs and incurring interest expenses over 10 years. Rather than being used for debt service, the severance tax revenue could be transferred into the severance tax permanent fund over a 10-year period, increasing the size of the permanent fund and thereby increasing earnings and transfers to the general fund in future years.

The LFC framework of capital outlay projects for consideration by the full Legislature totals about $373 million, including $303 million from nonrecurring general fund revenues and $70 million from other state funds, with nearly $43 million for higher education institutions. Major projects in the framework include $32.9 million to replace school buses statewide to comply with the statutory 12-year replacement requirement, $29.3 million to complete renovations of CYFD's child wellness center in Albuquerque, $27 million for DPS's evidence center and crime lab in Santa Fe, $27.5 million for correctional facilities, $21.8 million for DOH facilities, and $9 million for state-owned museums and historic sites.

LFC Online: Understanding Government Finances

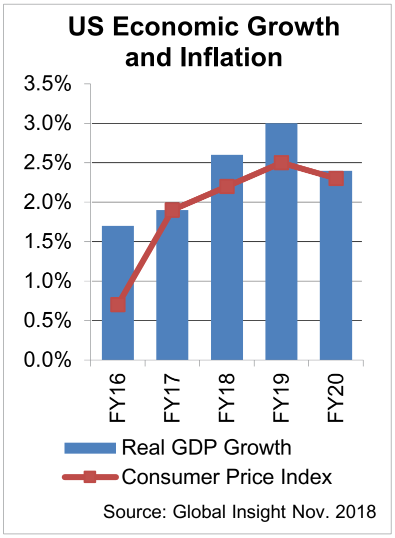
Finance Facts: General Fund Reserves

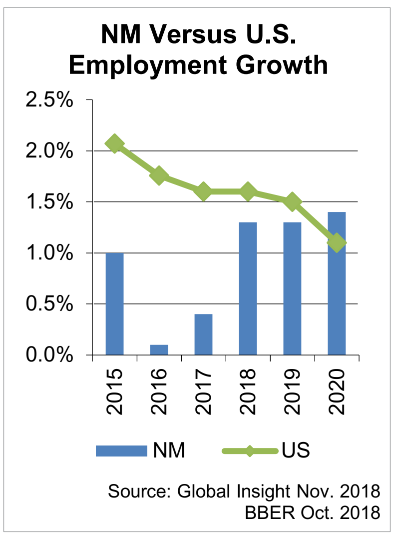
Over $1.2 billion requested by eligible local entities reflects only the top five priorities listed in infrastructure capital improvement plans. The most critical needs requested by local entities are projects for water, transportation, quality of life (libraries, parks, senior centers, community and cultural centers, etc.), environment (utilities, landfills, clean energy, solid waste, etc.), and public safety. The priorities run in the hundreds of millions of dollars, placing the legislature in the position of funding only a small portion of the amount needed to complete even a phase of a project and resulting in increased strain on the administrative resources of local governments. The LFC framework reserves $300 million for policymakers to address these requests.

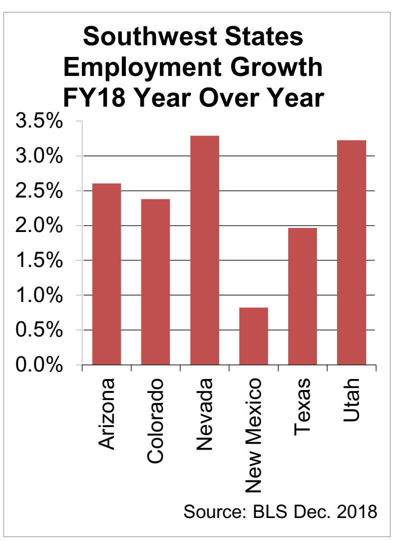
Transportation. The Department of Transportation (NMDOT), mainly funded with state road fund (SRF) revenues for highway maintenance and federal funds for road construction and debt service, projected state road fund revenue growth of 5 percent and flat federal funds. The LFC recommendation provided $1.1 million less than the request for personnel to reflect the department's 20 percent vacancy rate, an increase of 6 percent since FY17. The LFC recommendation redirected this vacancy savings to support road construction and maintenance activities.

Information Technology. The LFC recommendation for IT funding totals $42.9 million for 22 projects. Funding sources include $25.5 million from the general fund, $1.1 million in other state funds, and $16.3 million in federal funds. The recommendation includes $1.3 million general fund for HSD to continue the replacement of its Medicaid management information system, and $5.5 million to CYFD to continue planning the modernization of its child welfare information system. The recommendation prioritizes ongoing projects and well-prepared and well-managed system requests that demonstrate strong positive returns on investment for each agency and New Mexico. Projects determined to be noncritical or badly prepared or that reasonably could be delayed were not recommended.

Economic and Revenue Forecast







In December, the revenue forecast was revised upward for FY18 and FY19 because of stronger-than-expected energy revenues. However, the forecast was revised downward for FY20 and FY21 primarily due to falling oil prices. The significant revenue surge in the forecast is accompanied by concerns about the potential for an energy industry downturn and increasing worries of weakening national and global economies, which pose a significant risk to reserves and recurring revenues. Fiscal year 2018 ended with $1.2 billion in general fund reserves, or nearly 20 percent. Recurring revenue projections for FY19 are $7.6 billion; the estimate for FY20 is $7.4 billion. Projected FY19 ending reserve balances, prior to nonrecurring appropriations in the 2019 legislative session, are $2.5 billion, or 40 percent.

Economic Forecast

U.S. Economy

The United States is on track for 2018 to be the best year for real gross domestic product (GDP) growth since 2004, driven by stimulus from the 2017 tax act and 2018 budget cuts, a still-favorable monetary policy, firm gains in employment and income, and high levels of consumer and business confidence. Growth for FY19 is projected at 3 percent; however, the stimulus from the tax cuts and spending increase is expected to fade by FY20, tightening monetary policy is expected to become restrictive, the negative impact of recently enacted tariffs will accumulate, and global growth is expected to slow.

New Mexico Economy

The state's unemployment rate reached a low of 4.6 percent in late 2018. The current employment statistics (CES) survey indicates the state reached new peak employment, finally exceeding prerecession levels. It also shows average FY19 year-to-date employment growth at 2.3 percent, but the University of New Mexico's Bureau of Business and Economic Research (BBER) expectations for growth in New Mexico's employment for FY19 remain far lower at 1.4 percent. This is largely because BBER's forecast uses more reliable quarterly census of employment and wages (QCEW) data, which reflects lower employment growth for New Mexico. Employment growth projections for FY20 are up slightly to 1.5 percent, with most growth expected to be in the mining, construction, transportation and warehousing, professional services, healthcare, and leisure and hospitality sectors.

The mining sector, including oil and gas, was a significant driver of employment growth over the six months leading up to the December forecast. Eddy and Lea counties added over 2,000 jobs in the last four months, and employment levels are reaching the highs seen in late 2014. BBER reported 23 percent of the growth in New

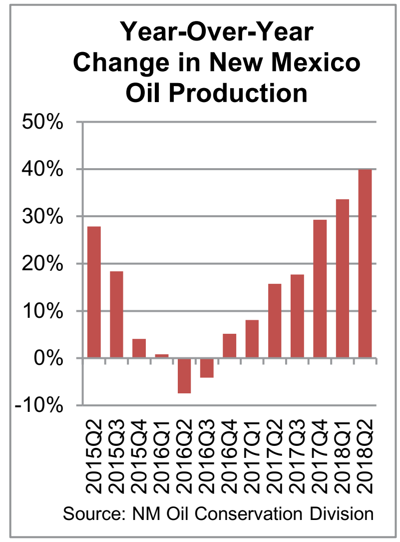
Mexico's labor force in the 12 months ending in September 2018 was in Eddy and Lea counties, which account for just 6 percent of the state's population. However, total wages and salaries in these two counties still lag behind previous peaks.

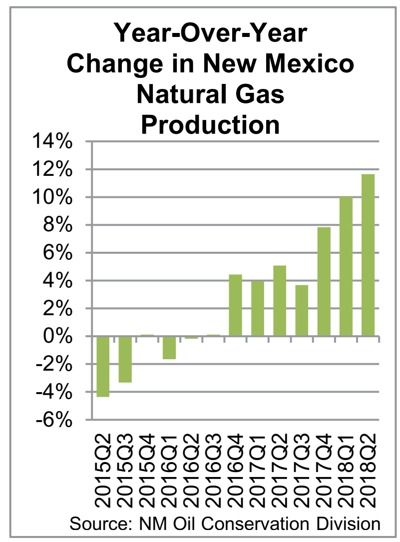
Energy Markets

Oil prices were about $48 per barrel in the first quarter of FY18 and grew to about $70 per barrel by the first quarter of FY19. However, prices fell nearly 30 percent to an average of about $50 by the last week of November. The December revenue forecast projects New Mexico's oil prices to average $49.50 in FY19 and $52 in FY20. Despite price declines, active rig counts averaged 106 in November, up from an average of 68 in November 2017. Oil production in the state continues to reach record highs, growing over 30 percent from FY17 to FY18, and the consensus estimate expects production to grow another 22 percent in FY19.

Pipeline construction in the Permian Basin has failed to keep up with recent surges in oil production, and bottlenecks are leading to higher oil price differentials with the West Texas Intermediate (WTI) price. The differential grew to nearly $17 in September but dropped to about $9 by November when new capacity came online, mitigating some of the impact of WTI price declines. Still, as Permian production continues to grow, the forecast considers a prolonged period of heavy discounts of New Mexico oil prices through the end of 2019 until additional pipeline capacity becomes available.

Natural gas production grew 10 percent in FY18 and is projected to grow another 8 percent in FY19, primarily due to increases in the production of associated gas alongside oil in southeastern wells. While natural gas prices are projected to remain relatively low for the forecast period, Henry Hub futures prices for early 2019 are over $4 per thousand cubic feet (MCF), largely due to seasonal demand expectations driven by cold weather forecasts. This pushes the New Mexico natural gas price forecast up to $3.55 for FY19. Prices are expected to drop back to $3 for the remainder of the forecast period.



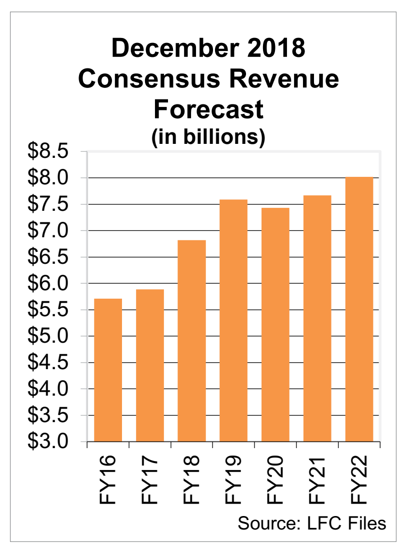


Revenue Forecast

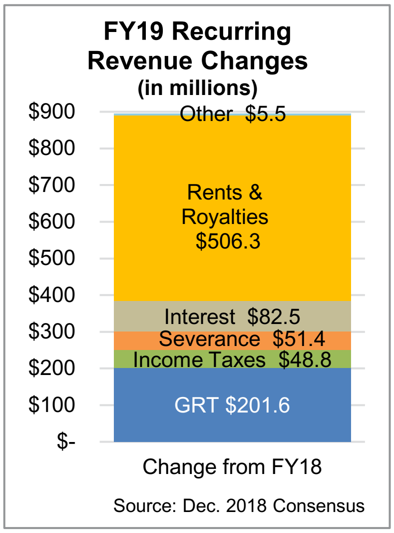
As New Mexico's oil industry continues its fast pace of production expansion, the state's revenues continue to surge, but these revenues are increasingly tied to this one, highly volatile industry. Revenues exceeded expenditures in FY18 by nearly $700 million and are projected to exceed expenditures in FY19 by $1.2 billion.

Projected FY19 recurring revenue projections rose to $7.6 billion in the December 2018 forecast, an astonishing $1.3 billion more than forecast a year ago and 11 percent above FY18 record revenues. Total ending balances are projected at $1.2 billion, or nearly 20 percent, for FY18 and $2.5 billion, or 40 percent, for FY19.

Revenue from bonuses, rents, and royalties are expected to add nearly $1.2 billion in FY19, an increase of $506 million, or 75 percent, above prior-year levels. Severance taxes are expected to increase by $51 million to $545 million in FY19, with $123 million flowing into the state's tax stabilization reserve fund.



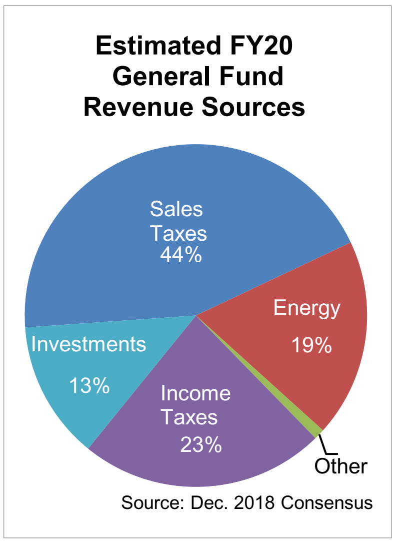
In addition to direct energy-related revenues from severance taxes and rents and royalties, gross receipts tax (GRT) revenue, the largest source of general fund



revenue, is increasingly tied to oil production. Eddy and Lea counties made up 95 percent of the year-over-year gross receipts growth for the first quarter of FY19. Bernalillo County saw mild growth a little above inflation, and the other 30 counties combined saw a decline.

The energy boom significantly increased growth in personal income tax (PIT) revenue in FY18, rising by 10 percent, but the consensus forecast estimates more modest growth of about 3 percent in PIT revenue going forward.

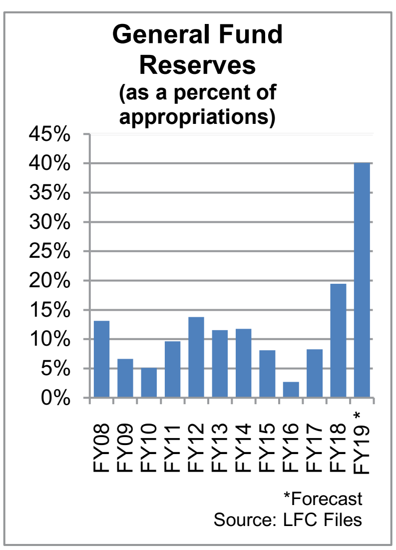
Distribution of a portion of severance taxes to the rainy day fund and modest distributions to the general fund from the state's permanent funds are the two critical mechanisms the state has to decrease revenue volatility; without these statutory provisions in place, the volatility the state is experiencing would be far worse, as would be a potential revenue decline. The permanent funds, along with earnings on the state treasurer's balances, are projected to distribute $885 million to the general fund in FY19.



Risks to the Forecast

Energy Volatility. This forecast projects the state will continue to set new oil production records each year through FY23, deepening the state's reliance on this volatile industry and adding potential, considerable variance to the forecast. Because oil production was the primary driver for recent general fund revenue growth, the recurring revenue estimate of $7.6 billion in FY19 and the estimated $1.1 billion available in new money for FY20 are heavily dependent on the oil price and volume expectations in the forecast. Stress testing of the consensus estimates shows a sharp decline in oil prices and production activity could cause a $1.3 billion general fund revenue loss from severance taxes, federal royalty payments, and gross receipts taxes.

Recession. The economic forecast used by LFC assumes less than a 50 percent chance of a recession with a decline in economic activity in any given year and therefore does not include this risk in the baseline economic forecast. The baseline forecast is the underpinning for the consensus revenue forecast, so that risk is similarly excluded from the revenue projections. However, a November 2018 survey by the *Wall Street Journal* of dozens of economists showed two-thirds expect a recession to hit within the next two years, and the median projection is for a recession in a year and a half, at the start of FY21. It would be a remarkable occurrence for the next recession not to occur within the forecast period, and the state's insurance against this risk would be high reserve levels and other fiscal buffers combined with moderate growth in recurring budgets.



Tax Protests and Refund Claims. Taxation and Revenue Department (TRD) audits show claims in protest with the agency or pending in state courts were valued at $98.2 million at the end of FY16 and $221.1 million at the end of FY17, and the department reports the amount grew to $320 million by late 2018. Of this total, about $250 million is related to the GRT deduction for chemicals and reagents, a deduction that multiple bills in the 2018 legislative session attempted to amend, without success. The total value under protest is approaching three times the historical average, and as seen in the past, if the state loses a significant protest claim, other taxpayers may immediately file amended tax returns to claim abatements or refunds based on the decision. Taxpayers may amend returns for the three prior years plus year-to-date, creating large initial impacts in addition to the ongoing losses.

The recent surge in revenues significantly increased volatility in the state's already volatile revenues, making the state more dependent on the energy industry. This instability and looming potential for sharp revenue declines in the future adds to the need to reform the state's taxes. The first LFC tax policy principle, adequacy, is perhaps the most important because the state must fund education and other essential services. A broader, more diverse general fund tax base and lower tax rates can reduce volatility and improve adequacy during downturns.

For more info:

Taxation and Revenue Department Report Card Page 155

Trends in Taxation and Potential for Tax Reform

Discussions about tax reform focus on gross receipts tax (GRT) issues because of the significant state and local rate increases over the last 15 years. Numerous tax credits, deductions, and exemptions – tax expenditures – have narrowed the tax base, leading to the need for higher rates to maintain equivalent revenue levels. Most notably, removing food and certain medical services out of the tax base in the mid-2000s during an economic and revenue boom led to higher tax rates and were coupled with hold harmless distributions from the state to local governments. As these payments gradually phase out, and end in FY30, counties and municipalities are left with tax bases often insufficient to cover essential services. Apart from property taxes, many smaller communities have essentially no tax base due to the state's removal of food from the base and the inability to tax online sales under current statute. This narrowing of the tax base also often results in inequities in taxation and uneven playing fields for businesses providing the same products or services and creates a significant advantage for out-of-state sellers. Still an issue in many industries, the increase in GRT rates has also exacerbated the effect of tax "pyramiding" – the addition of extra layers of taxes when the GRT is applied to each business-to-business transaction at each stage of production.

LFC TAX POLICY PRINCIPLES:

Adequacy:
Revenue should be adequate to fund needed government services.

Efficiency:
Tax base should be as broad as possible and avoid excess reliance on one tax.

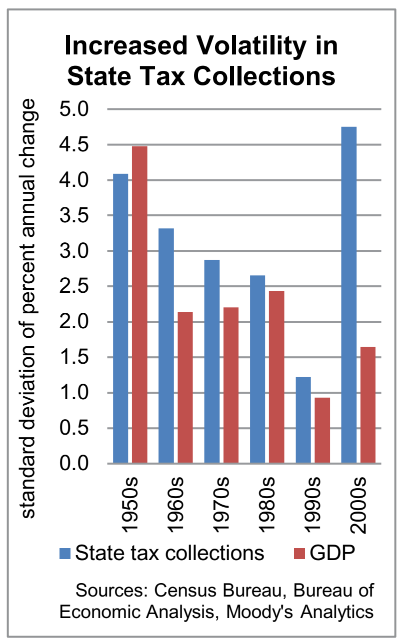
Equity:
Different taxpayers should be treated fairly.

Simplicity:
Collection should be simple and easily understood.

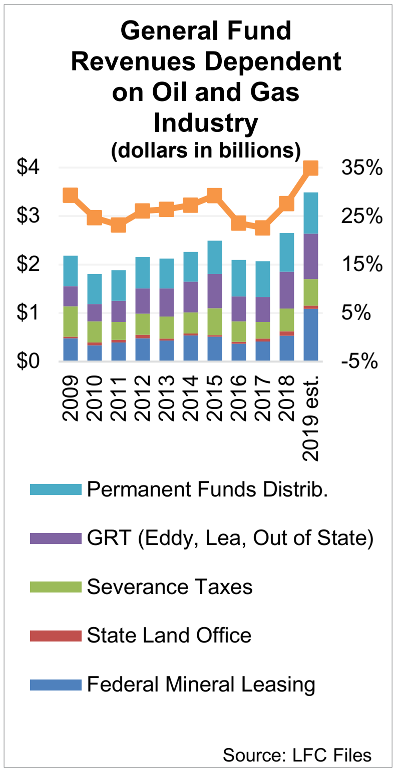
Accountability:
Preferences should be easy to monitor and evaluate.

Pyramiding

Pyramiding leads to higher effective tax rates for the final product or service sold to the end customer. When rates are low, pyramiding does not create as many distortions in the markets, but as rates rise, the effective tax rate can become so burdensome it shifts business and consumer behavior. In particular, small businesses in New Mexico are impacted by GRT pyramiding because they outsource many services, such as legal and accounting, that large companies bring in-house, paying no tax.



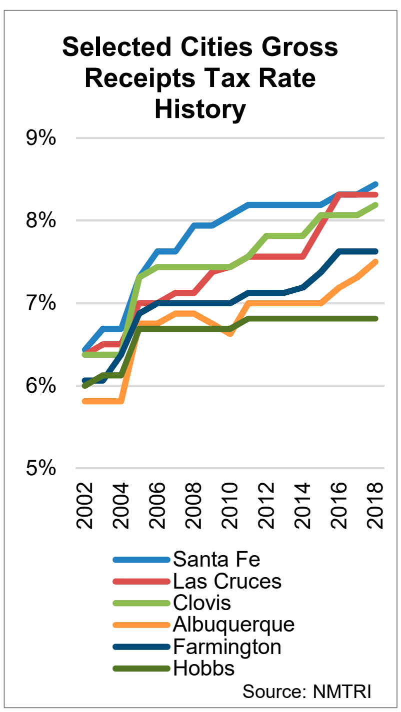
If the state were to change the GRT to become a true sales tax, only the final purchase would be taxable, mostly or entirely eliminating pyramiding. Alternatively, if the tax was a true gross receipts tax, all inputs would be taxed but at a low rate, reducing the final effective tax rate. However, the GRT is a hybrid between the two. Over the years, many business activities were removed from the tax base,



helping those industries (primarily manufacturers), but leaving a more narrow tax base in need of higher rates for revenue neutrality and increasing the impact on those businesses unable to secure a pyramiding deduction. Achieving GRT rate reduction and implementing additional anti-pyramiding measures would be easy if policy makers could reach a consensus to repeal many of the most costly tax expenditures. However, the history in this state and others has shown it is exceedingly difficult to repeal these tax preferences once in place. Assuming a more modest set of tax expenditures were repealed and other taxes are expanded or increased, or general fund is used to offset any revenue losses from tax reform, it becomes a choice between significant rate reduction and new anti-pyramiding measures. Rate reduction visibly helps everyone, making it more palatable to raise revenues to achieve this goal, and it reduces the effects of pyramiding. Additionally, anti-pyramiding provisions narrow the tax base and inherently increase revenue volatility.

Broaden Base and Lower Rates

While broadening the tax base and using the revenues to lower GRT rates would reduce the state's revenue volatility, New Mexico's tax revenue will remain highly volatile as long as the state remains heavily dependent on revenues from the oil and gas industry. Long-term economic diversification efforts would complement the benefits of tax reform to reduce volatility. Nevertheless, broadening the GRT base would reduce volatility, although it will be a challenge. Reforming hospital taxation, which would better align the application of GRT to nonprofit and government hospitals with private hospitals, and repealing the food deduction would significantly broaden the base; hospital tax reform passed the Legislature in the 2017 special session, but the food deduction has many ardent supporters.



Food was removed from the GRT in 2004 to reduce the tax burden on the state's most vulnerable residents and families who spend a greater share of their incomes on food than the more affluent. However, the deduction does not target this population – all food buyers benefit – and removes the tax from purchases of high-end products at the grocery store purchased by high-income buyers. In addition, most of the poorest New Mexicans qualify for the Supplemental Nutrition Assistance Program (SNAP), and these food purchases are nontaxable under federal law.

Property taxes are one of the most stable revenue sources, but the state's constitution requires a public vote to increase rates. In the absence of increased property taxes, adding food and hospital receipts back into the GRT base would have the greatest impact on improving revenue stability and would provide significant revenue to reduce the tax rate. Repealing the capital gains deduction from income tax and the medical insurance pool credit for health insurers against costs from the state's high risk pool would provide lower, but still significant, sources of revenue for rate reduction. Taxing the receipts of nonprofits and more broadly taxing healthcare expenditures, such as prescription drugs, could also help significantly but appear even more challenging. Despite this, broader healthcare tax reform, taking into account interactive tax effects and certain inabilities to pass on the tax, could be a valuable second phase of tax reform.

Beyond those high-cost items, every tax expenditure added to the repeal list incrementally improves rate reduction and helps simplify the tax code.

Level the Playing Field

Internet Tax Reform. Untaxed Internet sales are eroding New Mexico's retail sales tax base and reducing general fund revenues by tens of millions of dollars annually. Taxing local retailers but not large, online retail operations creates significant disparities and makes it very difficult for local shops to compete with remote sellers. Amazon is now paying tax on direct sales but not on sales by other parties that use Amazon as a sales platform. Recent reporting in the *Wall Street Journal* noted third-party sales represent 70 percent of all sales through Amazon, indicating New Mexico continues to lose tax revenue on the majority of Amazon sales. Further, Amazon is only paying the state portion of the GRT, not the local government portion, which creates a disparity in the total rate that favors out-of-state sellers over local businesses and means local governments are not receiving any tax revenue.

A tax reform measure that levels the playing field for local businesses would require all remote sellers that sell more than a specified base level within New Mexico to collect and pay GRT on all sales, including third-party platform sales. Sales would be determined to take place at the location to which the product is delivered, and local GRT rates would apply.

Hospital Tax Reform. The healthcare landscape changed significantly in the last decade. The industry is a bright spot in New Mexico for job growth, yet it remains largely untaxed. Hospitals are virtually untaxed at the state level despite more than $5 billion in annual gross receipts. In addition, private hospitals pay partial local taxes while government and nonprofit hospitals are largely exempt, leading to significant tax inequities. The uneven tax playing field for hospitals interferes with the market, creating economic inefficiencies with strong incentives for hospitals to adopt preferential corporate structures.

A tax reform measure could correct this decades-old inequity. It could subject 50 percent of gross receipts of for-profit, nonprofit, and government hospitals to the state portion of the GRT, leaving a 50 percent deduction. This is similar to a prior proposal passed by the Legislature. Taxing nonprofit and government facilities along with for-profits would be a key step to apply the tax in an equitable manner.

Such a reform measure could bring nonprofit hospitals into the state GRT base and governmental hospitals into the governmental gross receipts tax (GGRT) base and prevent local governments from adding on local taxes. It could repeal the for-profit hospital tax credit of Section 7-9-96.1 NMSA 1978, leveling the playing field for hospitals at the state tax level.

LFC Online: Understanding Government Finances

Finance Facts: Oil and Natural Gas Revenue

MOTOR VEHICLES

Motor vehicle excise taxes in New Mexico are less than half the rates in many locations in Arizona, Colorado, and Texas. New Mexico's rate is 3 percent, while rates in surrounding areas can be as high as about 8 percent after adding in local rate increments. The Arizona and Texas statewide rates alone are nearly double those in New Mexico. The motor vehicle excise tax rate is less than half the effective GRT rate across most of New Mexico, creating a disparity in rates for consumer goods.

The taxable base for motor vehicles is much more stable than the base for the GRT, which has become more volatile over time; the higher tax rate applied to the more volatile revenue source and the lower rate applied to the more stable source amplify the volatility. Each additional percent added to New Mexico's excise rate would generate nearly $50 million for the general fund.

Leveling the Playing Field of Hospital Taxation

	Current Law			Possible Changes		
	For-Profit	Nonprofit	Government	For-Profit	Nonprofit	Government
Tax Rate	5.125% GRT	n/a	n/a	5.125% GRT	5.125% GRT	5.0% GGRT
Credits	3.75% to 5%	n/a	n/a	n/a	n/a	n/a
Deductions	50% GRT	n/a	n/a	50% GRT	50% GRT	50% GGRT

Personal Income Tax Brackets and Rates

When the state reduced the top personal income tax rates in the mid-2000s, the bracket structure was not revised to provide a gradually progressive structure.

Instead, the top two brackets were eliminated, creating a sharply progressive income tax at first, followed by a flat income tax above $16 thousand for singles and $24 thousand for married filing jointly. Tax reform should consider restructuring rates and brackets to allow for more gradual progressivity. This could result in tax cuts for many lower income and possibly middle income New Mexicans and help long-term revenue growth from this source. However, increasing top personal income tax rates well beyond current levels would make state revenues more dependent on top income earners, adding volatility to a tax currently far less volatile than the GRT.

LFC TAX EXPENDITURE POLICY PRINCIPLES

Vetted:
Was the proposed new or expanded tax expenditure vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and general policy parameters?

Targeted:
Does the tax expenditure have a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals?

Transparent:
Does the tax expenditure require at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies?

Accountable:
Does the required reporting allow for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency? Is the tax expenditure set to sunset unless legislative action is taken to review the tax expenditure and extend the sunset date?

Effective:
Does the tax expenditure fulfill the stated purpose? If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – are there indicators the recipients would not have performed the desired actions “but for” the existence of the tax expenditure?

Efficient:
Is the tax expenditure the most cost-effective way to achieve the desired results?

Tax Expenditure Policy Principles and Reporting

LFC relies on its tax policy principles when analyzing existing and proposed policies, including tax reform options, but the principles are not targeted enough for use in evaluation of tax expenditures – exemptions, deductions, and credits. The committee adopted additional tax *expenditure* policy principles in October 2018 to guide the analysis for tax expenditures, including in fiscal impact reports for new or expanded deductions and credits. However, due to inadequate reporting, many existing tax expenditures do not meet many or all the principles.

The Pew Research Center reported 28 states now conduct regular tax incentive evaluations, but New Mexico needs additional reporting and greater staff access to existing data to perform such analysis. States that implemented regular evaluations typically provided legal authority to access taxpayer data, dedicated full-time staff and computer models, and occasionally requirements for direct taxpayer reporting of additional information needed for the analysis.

New Mexico has about 150 tax expenditures that provide preferential tax policies. As shown in *Volume III*, the mostly costly tax expenditures (for which data exists to estimate the cost) are the food deduction at $137 million for the deduction itself and $94 million for the related hold harmless payments to local governments, the exemption for receipts of nonprofits at $90 million, and the medical insurance pool credit at $81 million.

Repeal Tax Expenditures, Close Loopholes, Add Reporting

The state should repeal or amend various statutes to clarify and update the intent of various tax expenditures, eliminate expired and never or rarely used tax expenditures or those with unforeseen claims and revenue losses, and prevent possible significant loopholes from forming. Additionally, tax expenditures should be reviewed for available data for evaluation, and additional reporting requirements should be added to select tax expenditures with little or no reporting but of significant interest to the state. Cost-benefit or return-on-investment analysis is difficult or impossible for many of the state’s tax incentives. Additional, detailed reporting would substantially improve public accountability, transparency, and the ability of any interested parties to analyze tax incentives.

Many deductions do not require separate reporting by taxpayers and are lumped together in a single dollar amount on the forms submitted to TRD. Combined reporting of deductions leads to either nonexistent or imprecise cost estimates and complicates any possible analysis. Separate reporting of these costs for important deductions would reduce the problem of insufficient data for evaluations.

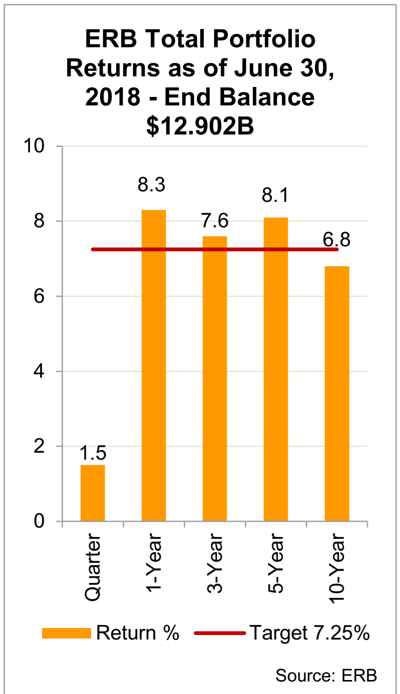
Allow Staff Limited Access to Taxpayer Data for Analysis

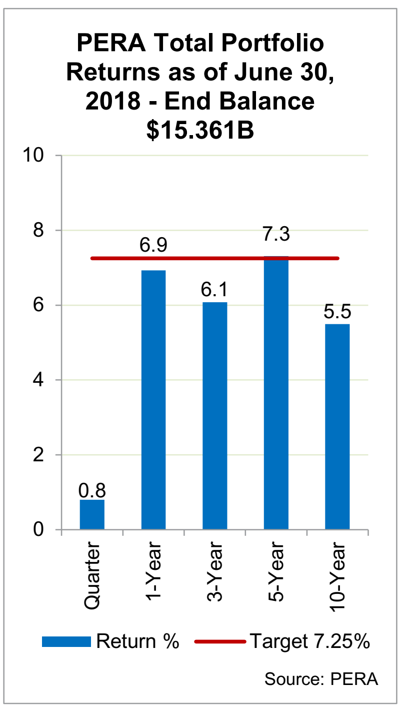
TRD allows local government officials to access limited confidential taxpayer data after taking confidentiality training. The state should require TRD to allow select LFC and DFA staff to take the confidentiality training and receive access to at least the same level of tax record details as local government officials. This would improve the ability of staff at these two oversight agencies to perform evaluations, revenue forecasts, and fiscal impact reports. Full access to state-level tax records would be required for full, thorough evaluations of tax expenditures.

TAX STUDY

The 2017 tax study by Ernst & Young provided state tax insights to legislators and the public. The study also produced a model for use by legislative staff to assist in estimating the fiscal impacts of tax reform proposals, although such analysis still requires considerable work and often requires assumptions due to lack of data on some deductions and exemptions.

Investments





Solid market gains in FY18 led to one-year returns on the state's investment funds ranging from 6.9 percent to 8.4 percent. The aggregate value of New Mexico's investment holdings – managed by the Educational Retirement Board (ERB), Public Employees Retirement Association (PERA), and State Investment Council (SIC) – grew by $2.3 billion in FY18.

As the current economic expansion continues – nearing the longest recorded expansion in U.S. history – investors will face challenges of "late cycle" investing, in which returns may be good due to high valuations but risks are also high. Managing investments through a late cycle involves protecting funds from losses in risky assets while also attempting to take advantage of high market returns.

Performance Overview

The state's four investment funds, comprising the two pension funds managed by ERB and PERA and the land grant and severance tax permanent funds managed by SIC, posted stable returns in FY18. The prolonged economic expansion supported a continued rally for U.S. equities, which posted double-digit returns. The aggregate value of the state's combined investment holdings for the pension and permanent funds grew by 4.8 percent in FY18 to end the year at $50.8 billion.

Asset Values for Year Ending June 30, 2018
(in millions of dollars)

Annual	ERB	PERA	LGPF	STPF	Total
Asset Value	$12,902.5	$15,360.7	$17,453.7	$5,099.2	$50,816.3
Value Change	$569.0	$420.4	$1,181.5	$178.7	$2,349.6
Percent Change (year-over-year)	4.6%	2.8%	7.3%	3.6%	4.8%

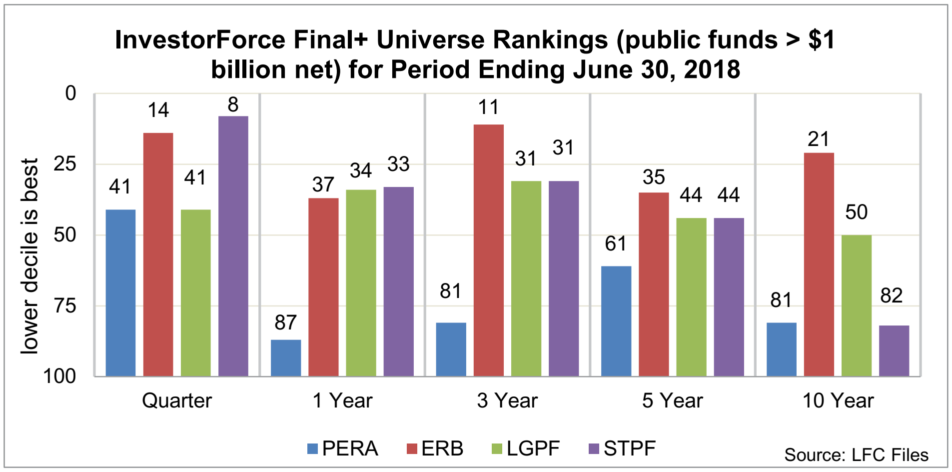
Note: Percent change includes investment returns, contributions, and distributions.
Source: Investment Agency Reports

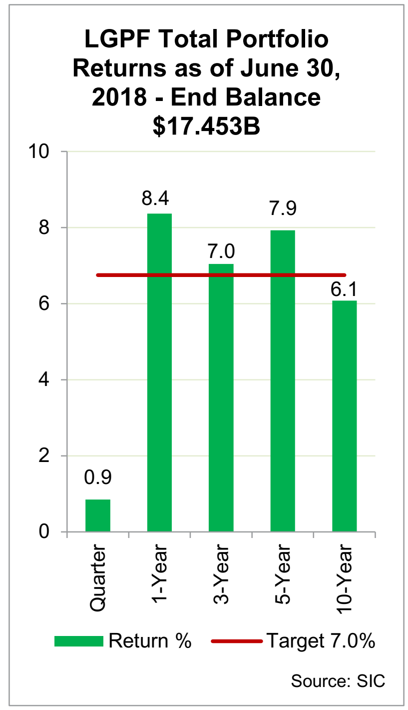
The permanent funds each returned 8.4 percent in FY18, exceeding the long-term investment targets of 7 percent for the land grant permanent fund (LGPF) and 6.75 percent for the severance tax permanent fund (STPF). ERB's pension funds returned 8.3 percent, beating its long-term target of 7.25 percent. However, PERA's pension fund fell short of its long-term target of 7.25 percent, returning 6.9 percent in FY18.

Performance Relative to Peers

Compared with their peers, analysts use InvestorForce Universe, which evaluates investment fund returns on a net-of-fee basis alongside approximately 60 public funds, with $1 billion or more in assets each. The permanent funds performed above the median for the quarter, one-, three-, and five-year periods; the LGPF also performed at the median for the 10-year period. The ERB pension fund performed in the highest quartile for the quarter, three-year, and 10-year periods, and it performed above the median for the one-year and five-year periods. The PERA fund performed in the lowest quartile for all periods reported.

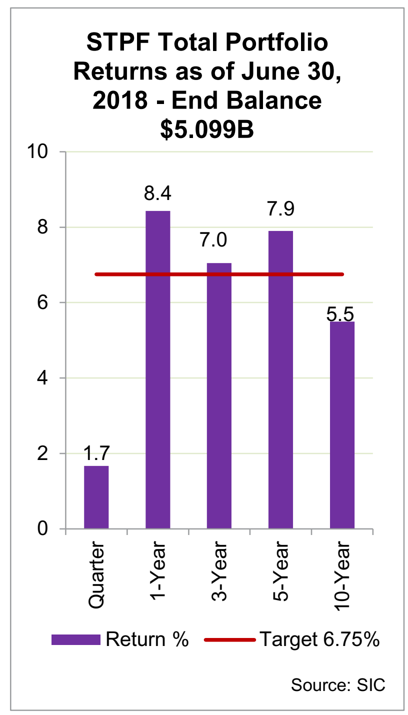
Notably, return-based peer rankings do not account for differences in asset allocation and risk tolerance. For example, funds with higher equity exposure will rank higher during stock market rallies but risk significant losses in the event of a market crash. The agencies have each pursued diversifying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





Management Fees

Combined, New Mexico's investment agencies spent nearly $453 million for management and performance fees in FY18. The fees listed in the table below include the management, administrative, audit, operational, and staff costs associated with administering the investment plans. The amounts paid for performance, also known as carried interest, is a share of the profits generated on an investment that a manager receives as compensation and is intended to motivate improved performance.



FY18 Investment Portfolio Fees

	Management Fees	Performance Fees	Total Fees	Annual Cost (in bps)
ERB	$81,174,957	$20,601,682	$101,776,639	79
PERA	$83,792,489	$33,485,552	$117,278,041	65
SIC	$140,277,873	$93,465,700	$233,743,573	87
Total	**$305,245,318**	**$147,552,934**	**$452,798,253**	

Note: A basis point (bps) is 1/100 of a percent Source: ERB, PERA, SIC

SIC paid the highest in proportion to the overall fund at 87 basis points (bps), or 0.87 percent of the total fund, primarily for management of private equity and private real estate investments. About 70 percent of the permanent funds are actively managed. PERA paid the lowest fees in proportion to the overall fund, totaling 65 bps for the fiscal year. Just over 75 percent of the PERA fund is actively managed, with most fees paid for private equity, hedged funds, real estate, and real assets. The majority of ERB's fees, totaling 79 bps, were paid for private equity and opportunistic credit investments. Opportunistic credit, a type of fixed income investment strategy, is an alternative investment category with a risk profile higher than traditional investments and lower than various other alternative investments, including private equity.

Early Childhood

For more info:

Children, Youth and Families Department Report Card Page 105

Childcare Assistance is a subsidy program for families with children between the ages of 3 weeks and 14 years whose families make less than 150 percent of the federal poverty level.

Home visiting is an intensive parent education program shown to effectively reduce child abuse and improve health. This voluntary program provides family support and basic parenting skills critical to improving childhood outcomes during pregnancy and through the first few years of a child's life.

Prekindergarten is an educational program for 3- and 4-year-olds shown to significantly improve math and reading proficiency for low-income participants.

K-3 Plus is an extended school year program focused on increasing time-on-task in schools with large numbers of low-income students.

Family, Infant, Toddler (FIT) is a statewide comprehensive system of early intervention services for children from birth to age 3 diagnosed with developmental delays, disabilities, and serious medical conditions.

Head Start is a federal program supporting the comprehensive development of children from birth to age 5 through early childhood education, child health screening and intervention, and parental supports. The program is funded directly to providers, bypassing state control.

Women, Infants, and Children (WIC) is a federally funded program providing supplemental foods, healthcare referrals, and nutrition education to low-income pregnant women, breastfeeding and nonbreastfeeding postpartum women, and infants and children up to age 5 found to be at nutritional risk.

Children in New Mexico face some of the most difficult social and economic conditions in the country. To combat these conditions and help improve long-term outcomes for families, the state has invested hundreds of millions of dollars in an early care and education system that serves at-risk families prenatally through the third grade. By focusing an increasing and significant amount of public resources on the earliest years, policymakers hope to improve both short-term and long-term outcomes for families. This investment is starting to pay off through improved educational outcomes, including higher math and reading competency scores and reduced special education designations.

Research consistently shows a child's experiences in the first few years have lifelong impacts on developmental, physical, and social outcomes. With this in mind, the state cannot afford for the early care and education system to only address educational outcomes, it must also support families in providing safe and stable home environments. To do this, New Mexico, which has increased early care and education spending from $136 million in FY12 to $306 million in FY19, must continue to grow the early care and education system. Growth must include a focus on evidence-based programs, improved coordination, and increased system infrastructure supports, such as evidence-based curriculum and a high quality workforce.

Benefits of Early Care and Education

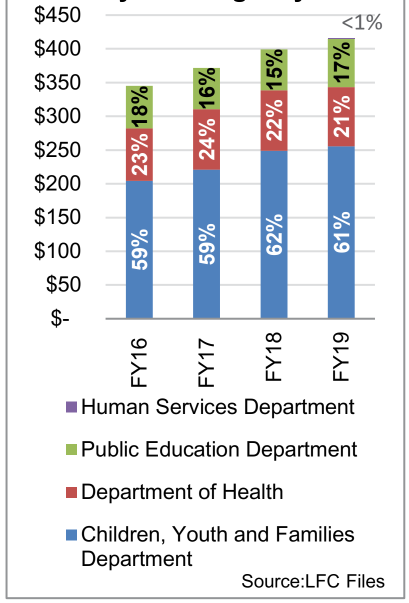
Early health and learning begins prenatally and grows exponentially through the first few years of life. Learning social-emotional skills early in life contributes to better long-term outcomes for children. To learn these skills, children need diverse language and interactive experiences. Experiences need to be emotionally positive, the quality and quantity of language used around developing children needs to be expansive, and interactions with core caregivers need to be interactive.

In addition, the early care and education system is a core preventive tool in reducing adverse childhood experiences (ACEs) – potentially traumatic events such as emotional or physical abuse or neglect, substance use in the home, or the incarceration of a parent. The original study on adverse childhood experiences, conducted by the U.S. Centers for Disease Control and Prevention in the mid-1990s, found a strong relationship between adverse experiences in a child's development and long-term risk for substance use, behavioral health issues, low economic and educational attainment, and other poor outcomes. Reducing the number of adverse experiences – at-risk families often have more than one – can greatly reduce the risk of negative cyclical-generational health and well-being outcomes.

Similarly, because the basic architecture of a child's brain forms in the first few years of life, research shows these earliest years may present the most significant opportunity to remediate developmental delays and address cognitive and social delays that can result from less stimulating emotional and physical environments, as well as the severely diminished neurological development that can result from unstable and stressful environments.

Not surprisingly, some early care and education programs have been shown to increase school completion rates. Each high school graduate, LFC and other studies show, produces long-term benefits of $278 thousand for the graduate and $100 thousand for taxpayers and other beneficiaries, compared with a nongraduate. In turn, increased economic success reduces the likelihood an individual will use welfare or commit a crime. Research is also beginning to show children who received high-quality early interventions have better physical health in their mid-30s than peers who did not receive services, with lower rates of pre-hypertension, heart disease, and obesity, reducing the need for costly health care later in life. Recognizing this, the U.S. Centers for Disease Control and Prevention reports early childhood care is now a priority initiative for the prevention of obesity and improving heart health.

Early Care and Education System Funding by State Agency



The New Mexico Early Care and Education System

The early childhood care and education system is primarily administered by the Children, Youth and Families Department (CYFD) but also includes the Human Services Department, Department of Health, and Public Education Department. Primary programs include childcare assistance; home visiting; prekindergarten; K-3 Plus; the Family, Infant, Toddler (FIT) program; the Women, Infants and Children (WIC) program; and Head Start. These programs are funded by both the state and federal governments and delivered by both public and private entities. As research showing the efficacy of intervening early grows, there is more interest in growing services for young children and families, leading to growth in the early childhood system.

LFC Online: Understanding Government Finances

Finance Facts: Early Childhood Services

Early childhood governance is fragmented because several state agencies hold pieces of the state's childhood system. While the current system defines services and goals programmatically, delivery and standards vary significantly. Delivering

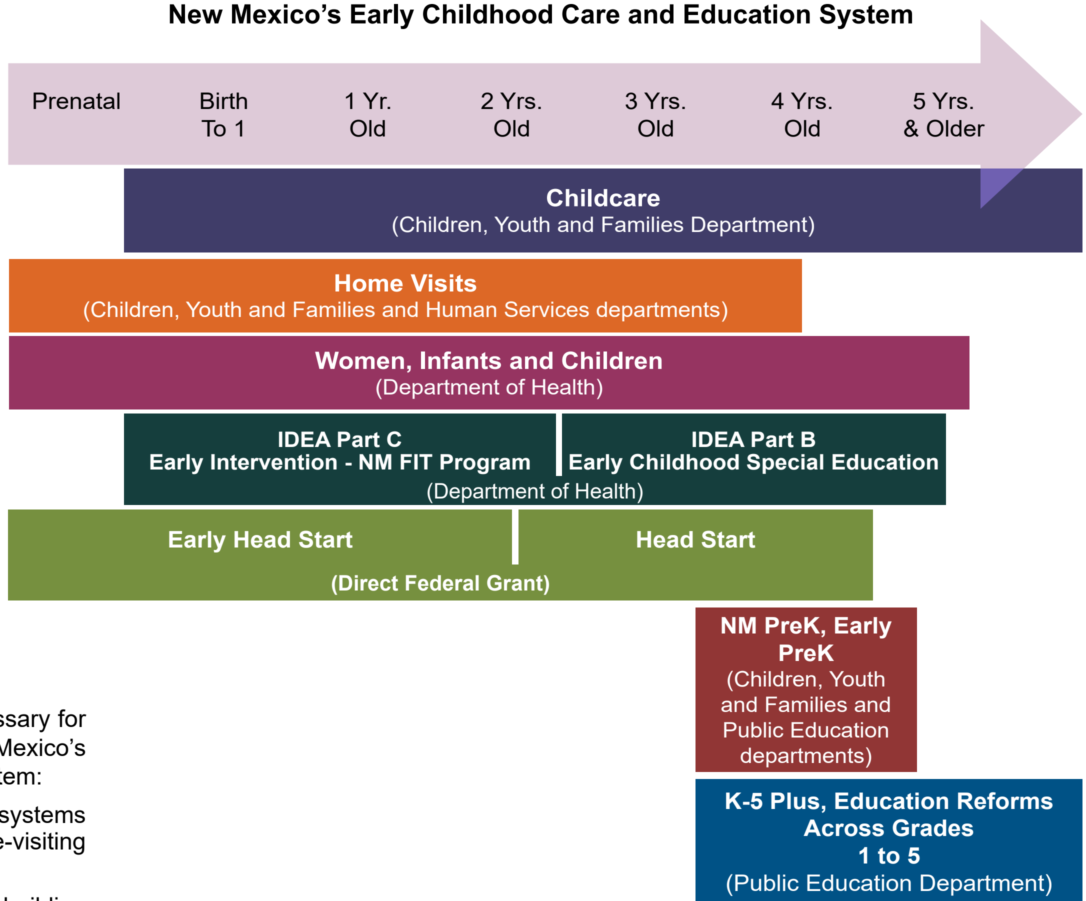
A Closer Look

2018 Early Childhood Accountability Report

The Early Childhood Accountability Report is intended to provide a system wide look at key early childhood indicators and to consolidate information regarding expenditures and outcomes. The report examines services for improving the health, safety, stability, and education of New Mexico's children from several state agencies, including the Children, Youth and Families Department (CYFD), the Department of Health (DOH), the Human Services Department (HSD), and the Public Education Department (PED). Trend data indicates mixed performance results on measures reported last year. The main early childhood program impacts and issues are highlighted below.

- Expansion through the **home-visiting** program, which provides intensive parent education through home visits, should be better targeted to high risk and high need areas, and some current resources go unused.
- **Childcare** cost per child has increased by 76 percent since FY12 without evidence that improved quality standards lead to better long-term educational outcomes.
- **Prekindergarten** participation corresponds with improved performance on PARCC through 11th grade.
- **K-3 Plus** improves kindergarten literacy, however, only serves one-third of eligible students.
- **Head Start** enrollment continues to fall and performance on key measures of teacher quality and service delivery is deteriorating.

New Mexico's Early Childhood Care and Education System



Source: LFC Files

Key policy focus areas necessary for continued expansion of New Mexico's early care and education system:

- Better referral systems to increase home-visiting enrollment;
- Increased capacity building for workforce and facilities;
- Increased workforce stability supports.

To significantly expand publicly delivered prekindergarten services, New Mexico, already short on public school teachers will need more early childhood teachers. However, the number of students enrolling in and graduating from teacher colleges continues to decrease. The number of graduates from New Mexico colleges of education dropped by a third between FY10 and FY17, from 866 to 593.

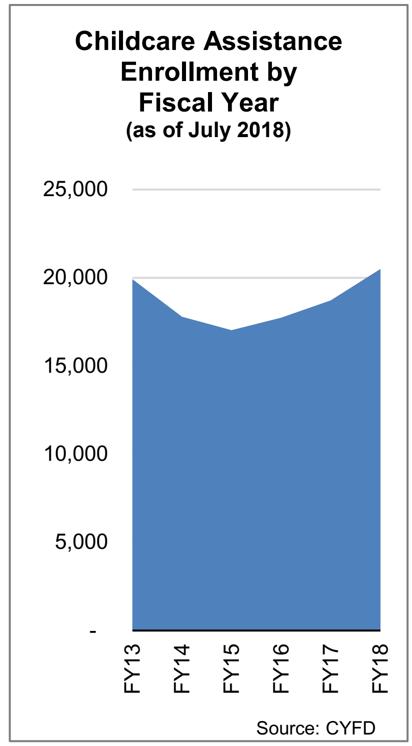
The Center for the Study of Child Care Employment reports the average pay of a New Mexico childcare worker is $9.66 an hour, while a kindergarten teacher earns $33.35 an hour. New Mexico preschool teachers earn an average of $12.89 an hour and preschool center directors earn an average of $19.87 an hour.

services through both public and private entities allows for an agile system so rural and metropolitan areas can grow services locally based on infrastructure availability. However, multi-agency governance means these providers must meet the sometimes misaligned standards of multiple agencies. Keeping mixed delivery but restructuring governance could be an opportunity to standardize services and better streamline a pipeline of care for young children and their families. Several proposals for restructuring the governance of early childhood system have been brought to interim legislative committees and vary from an executive cabinet level "czar" focusing on coordinating services, to increased leadership from the children's cabinet, to consolidation of select early childhood programs into a new early childhood department.

Capacity Gaps and Expansion Barriers

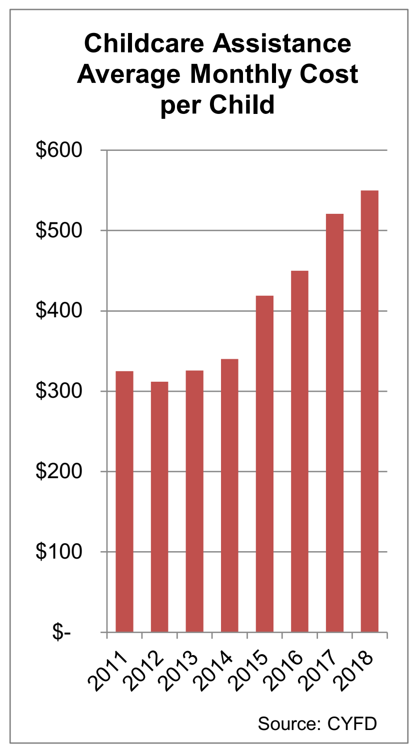
Despite significant, targeted investments by the Legislature in the state's early care and education system, New Mexico struggles to meet the complex needs of at-risk children and families, and the child welfare system remains challenged. The system is not large enough to provide universal services, and a significant number of at-risk families remain underserved or unserved. However, millions of early childhood funding went unspent or was transferred between programs due to low enrollment in FY18. Since FY12, calls to increase funding for early childhood care and education services have been successful; however, most of these dollars have been dedicated to adding more children, resulting in significant constraints on infrastructure and the ability to deliver services.

More attention to building provider infrastructure will be necessary for continued growth of early care and education services. Supports to grow providers should include investment in the early care and education workforce, including scholarships to increase credentialed workers, more professional development for the engaged workforce, and wage supplements to stabilize workforce turnover. Growing and stabilizing a qualified workforce is necessary to both helping providers deliver services and improving the quality of services. When an early care and education provider is unable to hire or loses an early childhood worker, services are disrupted at best or never delivered at worst. A recent study, from a consortium of foundations, of the New Mexico early care and education system suggests an additional $11 million phased in over the next five years is necessary to support continued service growth.



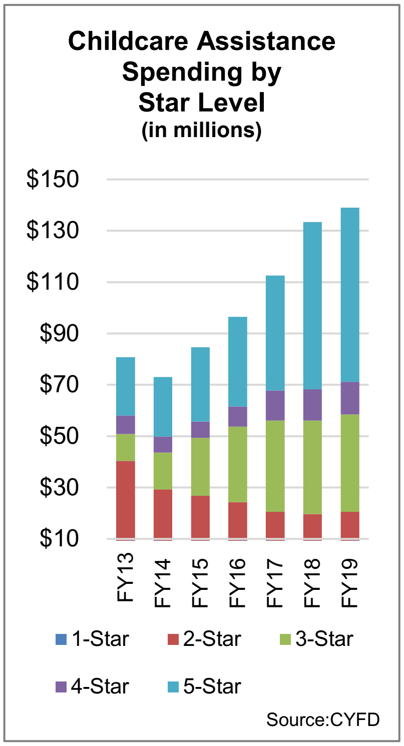
Expansion of home-visiting services, intensive in-home parenting education, has proven a significant challenge in particular, with some providers reporting workforce shortages and ability to enroll families as significant barriers. In FY18, CYFD transferred over $2.6 million from home visiting to childcare assistance due to low enrollment. In addition to increasing workforce supports, more focus on the referrals system for home visiting may increase enrollment. Some state-funded home-visiting providers use medical providers as a referral pipeline, increasing their enrollment. Partnering with community healthcare providers may also help home-visiting programs connect with families prenatally, which research suggests is beneficial. The Medicaid-funded home-visiting services pilot by the Human Services Department will be an opportunity going forward to use community healthcare systems and providers to support quicker growth of home-visiting services.

Publicly delivered prekindergarten services also face facility and workforce gaps. Under statute, prekindergarten funding and delivery is evenly split between the Public Education Department (PED) and CYFD. Services through PED are delivered by school districts, further strained by teacher shortages and classroom availability. In November 2017, school districts and charter schools reported 637 educator vacancies, of which 476 were teacher vacancies and 158 were education assistant vacancies.



Despite significant barriers to expansion, New Mexico is close to providing sufficient funding to ensure all low-income 4-year-olds receive at least some type of early education through childcare assistance, prekindergarten, or Head Start. Possibly as a result of increased access for 4-year-olds to childcare and prekindergarten, provides the federally funded Head Start program have reported difficulty in enrolling children; however, more study of this is necessary. The state needs to better coordinate programs to prevent oversaturation for one age group while other age groups are underserved. New Mexico should consider more blended learning opportunities for Head Start and prekindergarten to improve quality and maximize federal revenues.

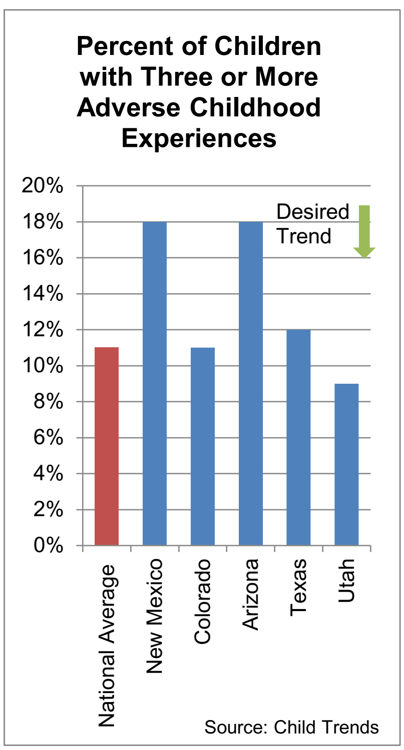
Childcare Assistance Funding. The 2014 reauthorization of the federal Child Care and Development Block Grant (CCDBG) Act redefined health and safety requirements for childcare providers and extended the time a child is eligible for the subsidy before the family must recertify from six months to 12 months. Extending the recertification process increased enrollment in childcare assistance significantly in FY16, FY17, and FY18. The average monthly enrollment in FY16 of 17,730 increased to 20,488 in FY18, a 15 percent increase. Enrollment is projected to continue growing through FY20 by an additional 5 percent.



Also affecting funding, provider rates have grown from an average monthly rate of $326 in 2013 to $550 in FY18. Average monthly costs have risen significantly due to provider rate increases implemented by CYFD in FY16 and because more families are enrolling children in the highest levels of quality. Childcare assistance provider rates are based on the age of the child and the quality rating level of the provider. More providers are providing the highest level of quality care and being paid at the higher rates, resulting in rising per-child costs. The projected average monthly payment is expected to increase to nearly $570 in FY20. Increasing enrollment coupled with higher provider rates will continue to drive childcare assistance funding. Previous LFC evaluations of childcare assistance programs have not shown significant benefits for children participating in low-quality child care. As the state continues to expand higher-quality services, further evaluation will be necessary to determine if children are benefitting.

Investment and Funding Strategy

The Legislature has increased spending on early childhood programs by more than $100 million over the last five years in a strategic, targeted way with a focus on communities in need of services and system building. Expanding programs while ensuring fidelity to evidence-based models requires significant continued technical assistance. Expanding too quickly without attention to quality has been shown to be less successful. This is one of the most difficult barriers to growing early childhood systems nationwide. Researchers believe key elements to obtain lasting outcomes in public programs are strategic development of evidence-based programming, careful and attentive implementation, and continued performance monitoring.



In 2018 a coalition of eight private and public charitable foundations released an early childhood care and education funding plan called the *New Mexico Early Childhood Business* Plan propose a stepped changes in governance, workforce, infrastructure, and program expansion to grow the early childhood education system in five years to serve 80 percent of 4-year-olds and 25 percent of 3-year-olds. The home-visiting program would grow to serve 25 percent of families in need of services under the plan. To achieve this growth requires increasing recurring funding over five years to a total $84.7 million in additional revenues.

Return on Investment

The long-term returns from early interventions vary. The Perry Preschool Project, which studied the impact of high-quality early education on low-income minority preschoolers in Michigan, estimated $7 saved for every $1 invested due to lower education and welfare expenditures and gains in economic engagement; however, early results in New Mexico are closer to $2 for every $1 invested. The returns in New Mexico may be lower because a majority of early childhood programs are independently operated, the system has grown rapidly, and program standards have often changed. Further, program quality can vary widely. As the early care and education system in New Mexico grows in funding and access, attention to consistent, high-quality services is paramount to growing returns on investment.

A 2017 LFC report found the return on investment for New Mexico prekindergarten and K-3 Plus extended school year program was higher than for other programs. LFC staff found third-grade test scores improved and the likelihood of retention and special education decreased. The benefit was not monetized. The potential returns for other early childhood programs in New Mexico also look promising, including home visiting. However, fidelity to evidence-based models remains a concern and the highest returns on investment are not being realized yet. Funding what works, successful implementation, and program fidelity are key in achieving improved outcomes and cost-beneficial results.

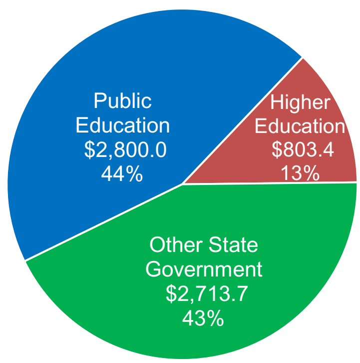
LFC Online: Understanding Government Finances

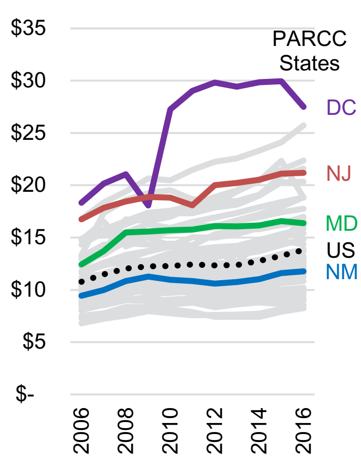
Finance Facts: Childcare Assistance and Licensing

Education

For more info:

Public Education Report Card Page 95





In recent years, New Mexico has invested heavily in early childhood programs, increased teacher pay and funding for struggling students, established tougher kindergarten-to-grade 12 accountability systems, and reprioritized higher education funding to boost educational performance. While some progress is evident – elementary student proficiency rates have risen and more higher education students are earning credentials – the state still has great room for improvement. To close the achievement gap in student performance, increase educational attainment levels, develop a stronger workforce, and improve community well-being, New Mexico must continue to address the needs of at-risk students and ensure reforms are evidence-based, sustainable, and aligned to all levels of the education continuum.

Public Education

The Legislature allocates approximately 44 percent of general fund appropriations to public schools annually, and the state receives about half a billion dollars in federal revenues for public education expenses. Despite substantial support for public schools, a recent court ruling finds New Mexico has not sufficiently funded nor equitably distributed resources in a way that closes achievement gaps for the state's most disadvantaged students. According to the U.S. Census Bureau's *2016 Annual Survey of School System Finances*, New Mexico was ranked 35th in the nation for public education funding per pupil and 43rd for instruction expenses per pupil. Nevertheless, New Mexico schools are outperformed by some school systems that spend less per student. This suggests that simply increasing funding without addressing underlying policy and programmatic issues could be an inefficient or ineffective strategy for improving student achievement.

Sufficiency Lawsuit

On July 20, 2018, the 1st Judicial District Court ruled in New Mexico's education sufficiency lawsuit, the consolidated cases of *Yazzie v. New Mexic*o and *Martinez v. New Mexico*, that state funding levels and the distribution methods for public schools failed to provide a uniform and sufficient education for all school-aged children, particularly those at risk of falling academically behind. The ruling considered testimony from schools about inadequate inputs and evidence of disparate outcomes between student subgroups. Although the district court judgment for the *Yazzie* and *Martinez* case is preliminary, the judgment flags a long-standing issue of closing achievement gaps for at-risk students.

A 2008 American Institutes for Research (AIR) study, commissioned by the Legislature, recommended creating a new school funding formula and increasing base funding for public schools by $335.8 million. The district court judgment for the *Yazzie* and *Martinez* case did not mandate the AIR methodology as a remedy for education sufficiency, noting it amounted to a collective "wish list."

Rather, the court ordered the Legislature to "take immediate steps to ensure that New Mexico schools have the resources necessary to give at-risk students the opportunity to obtain a uniform and sufficient education that prepares them for college and career."

Systematic Reform

Many systemwide reforms, when done in isolation, result in unintended consequences. Standardized tests, while appropriate for benchmarking student performance, are unlikely to improve achievement if teachers do not receive timely feedback and support on how to improve their teaching. Extending the school year or day can provide more time for learning but does not guarantee the time is used effectively. Setting high entrance requirements for teacher preparation programs may improve teacher quality but hinder recruitment if compensation or career advancement opportunities are lacking.

To build a world-class education system, all students must be ready to learn on day one. Students at risk of falling behind should receive more support and access to high-quality teachers to close achievement gaps early. Students must have clear pathways throughout the system that prepare them for career and college opportunities. Assessments should be aligned to what is taught in classrooms and used to demonstrate student mastery of skills and competencies. Educators must be appropriately supported and trained during and after preparation programs, and the profession needs to be elevated to attract the best candidates.

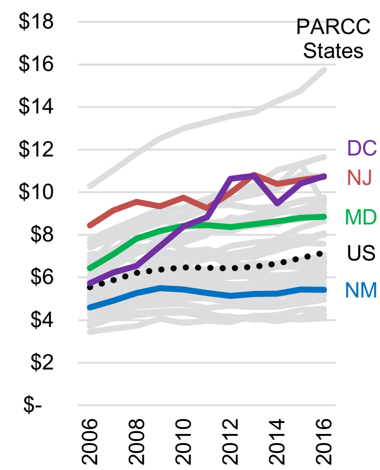
Continuous oversight and accountability will be critical for measuring progress and making decisions on which programs to prioritize. The state must also take a greater role in reviewing and assuring funds are used to assist at-risk students. The district court judgment for the *Yazzie* and *Martinez* case notes the Public Education Department (PED) "has a statutory obligation to 'supervise all schools and school officials coming under its jurisdiction, including taking over the control and management of a public school or school district that has failed to meet requirements of law or department rules or standards,' and to 'determine policy for the operation of all public schools and vocational education programs in the state.'"

New Mexico has an opportunity to make bold reforms in education. Policy efforts can improve early childhood readiness, teacher and school leader quality, and student pathways to colleges and careers. With a clear and holistic vision for the education and workforce pipeline, New Mexico can have an education system that is locally informed and globally competitive.

Student Performance

Between 2017 and 2018, New Mexico's overall reading proficiency rates improved from 28.6 percent to 31.1 percent, and math proficiency rates improved from 19.7 percent to 21.6 percent. To comply with the federal Every Student Succeeds Act (ESSA) requirement to test students in reading and math annually in third through eighth grade and once between 10th and 12th grade, New Mexico began testing all students from third to 11th grade on the PARCC standardized test in 2015. New Jersey is the only other PARCC state that tests this grade range. Maryland and the District of Columbia (D.C.) do not mandate PARCC testing for grades 10 and 11.

Instruction Expenses Per-Pupil by State (in thousands)



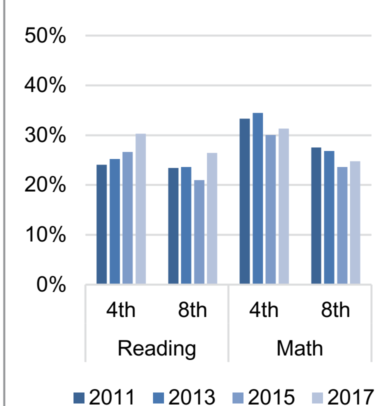
Source: U.S. Census Bureau

No Time to Lose

The 2016 National Conference of State Legislatures report, *No Time to Lose*, found that nations faring well on international academic comparisons shared four common elements:

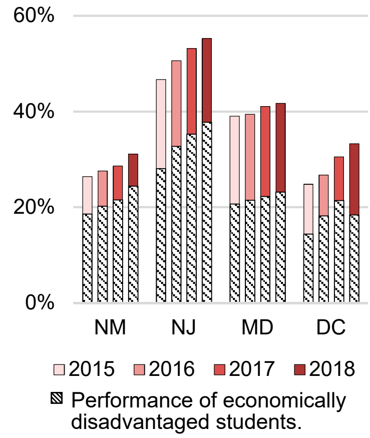
- strong programs for early childhood readiness, especially for disadvantaged children;
- highly selective teacher preparation programs;
- rigorous systems of career and technical education; and
- carefully aligned education reforms.

New Mexico National Assessment of Educational Progress Proficiency



Source: NAEP

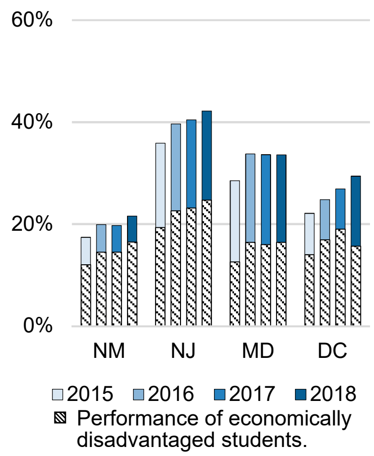
PARCC Reading Proficiency
(all tested students)



DC redefined economically disadvantaged in 2018.

Source: State Education Agency Reports

PARCC Math Proficiency
(all tested students)



DC redefined economically disadvantaged in 2018.

Source: State Education Agency Reports

LFC Online: Understanding Government Finances

Finance Facts: Public School Funding Formula

Since 2015, New Mexico's statewide PARCC scores have remained the lowest of all states still participating in the assessment; although, the performance of New Mexico economically disadvantaged students is similar to those in other states. While scores for all states have shown steady improvement in PARCC test scores, fewer states intend to participate in the future. In 2018, Maryland announced plans to move away from the PARCC assessment, and New Jersey has been committed to rolling back the test since 2017.

Since 2015, the performance of New Mexico's students with economic disadvantage has lagged behind the statewide average by about 7 percentage points in reading and 5 percentage points in math. Overall reading scores show a trend of improvement from third to 11th grade, while overall math scores tend to decline in later grade levels. Notably, New Mexico's average performance of economically disadvantaged students is on par with other PARCC states, suggesting that few, if any states, are effectively addressing achievement gaps of students from low-income backgrounds.

Test scores on the National Assessment of Educational Progress (NAEP), a nationally representative standardized test, show slight gains in reading but declining math proficiencies in New Mexico since 2011. Nationwide, NAEP performance has been stagnant in the last decade. The New Mexico NAEP results are similar to PARCC proficiency rates, suggesting that immediate growth in achievement may be slower than desired. As such, "more than nominal growth" in student achievement, as desired by the district court judgment for the *Yazzie* and *Martinez* case, will likely be a long-term challenge and require greater accountability over educational program design and implementation.

To accurately diagnose progress on student math and reading achievement and the effects of state intervention strategies, New Mexico should continue using the PARCC test. Results from the test are integral to New Mexico's ESSA plan, school grading, and teacher evaluation system. However, the district court judgment for the *Yazzie* and *Martinez* case notes, "Adoption of the PARCC tests has not improved academic outcomes for at-risk students nor has it appreciably closed the achievement gap between at-risk students and other students." The heavy use of PARCC scores in New Mexico's accountability systems sets a high bar for student achievement that relies primarily on reading and math test performance. Rather than abandoning the test completely, the state should use other robust indicators like science mastery, credentials, or social-emotional metrics to holistically measure student achievement and improve the accuracy and meaningfulness of feedback through aligned short-cycle assessments, multilingual accommodations, computer-adaptive testing, and expedited results.

Learning Opportunities

The 2017 LFC evaluation *Longitudinal Student Performance Analysis* found New Mexico schools produce about a year's worth of growth for each grade annually; however, many students start school behind grade level and stay behind throughout their education. Student test score growth varies widely across all school districts, and schools with more low-income and English learner students tend to have higher rates of student mobility, which potentially reduces the impacts of academic interventions. Despite initial achievement gaps and the challenges of

A Closer Look

Instructional Time and Extended Learning

National research indicates that higher-income students will experience 6,000 more hours of learning than their lower-income peers by sixth grade, likely due to more high-quality learning opportunities outside of school. This learning gap is particularly harmful for New Mexico's at-risk students, who represent the majority of the state's student population.

The LFC's 2018 evaluation *Instructional Time and Extended Learning Opportunities in Public Schools* finds students in New Mexico have fewer instructional days than they had a decade ago, and the number of schools on four-day week schedules has increased by over a third since FY10. Programs that extend learning time, like K-3 Plus and afterschool and summer enrichment, show promise for closing learning gaps. Further, instructional time is only as effective as the quality of instruction. Key recommendations of the report include adding 10 days to the school year, extending the school year through statewide K-5 Plus programs, lengthening school days with afterschool programming, and strengthening instruction from additional professional development time.

poverty, students participating in early childhood programs still show positive outcomes compared with their peers who do not participate.

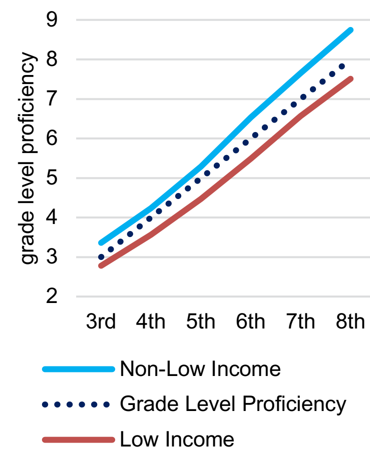
Early Childhood Programs

LFC has identified long-term benefits from prekindergarten, particularly programs at school district sites. When combined with K-3 Plus extended year programs, the achievement gap closes for economically disadvantaged students. While New Mexico has prioritized early childhood initiatives – even when other services were being cut – the programs do not serve all students who would qualify, and many do not implement best practices that maximize achievement gains or target at-risk students. The district court judgment for the *Yazzie* and *Martinez* case notes, "The evidence demonstrated that money spent on classroom instruction programs such as quality pre-K, K-3 Plus, extended school year, and quality teachers can all improve the performance of at-risk students and overcome the gap caused by their backgrounds." The court also used data showing limited program access for eligible students to argue the state inadequately funded educational programs.

Prekindergarten. About half of the Legislature's total investment in 4-year-old prekindergarten programs goes to schools, which grew from $4 million in FY07 to $29 million in FY19. Currently, PED estimates 6,700 prekindergarten slots are available in 71 school districts and charter schools. Approximately two-thirds of PED prekindergarten slots are half-day programs, which are increasingly converting to full-day programs. The state should consider analyzing the costs and benefits of full-day programs, which have yet to show academic outcomes commensurate with the costs of extended programming.

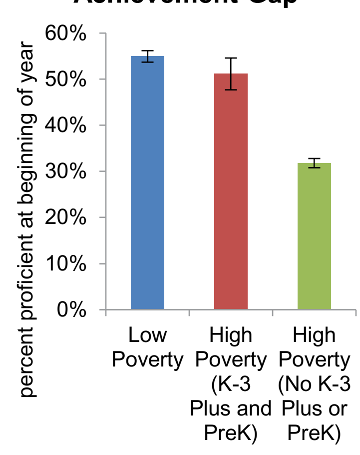
The population of 4-year-olds in New Mexico has decreased in recent years and may decline to 25 thousand children in 2019. Growing participation in state-funded prekindergarten and declining federal Head Start program membership suggests that services for 4-year-olds may be reaching or exceeding demand in some communities. Despite different requirements for each program, some communities (such as Jal) are effectively braiding state funds across agencies to form a cohesive, uniform program. As prekindergarten programs become more saturated statewide, New Mexico should consider coordinating state and federal agency funds and policies to operate programs consistently and leverage revenue sources efficiently.

Reading Proficiency of Third Grade Cohort in 2008



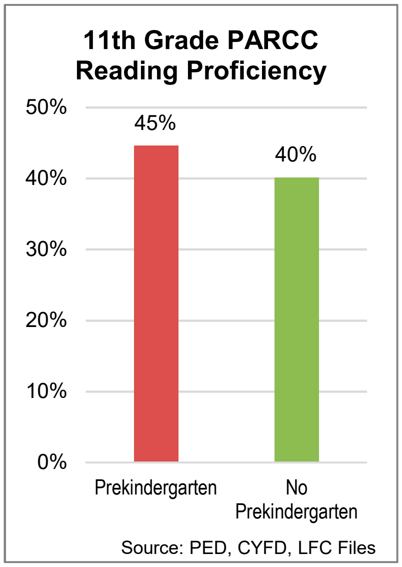
Source: PED, LFC Files

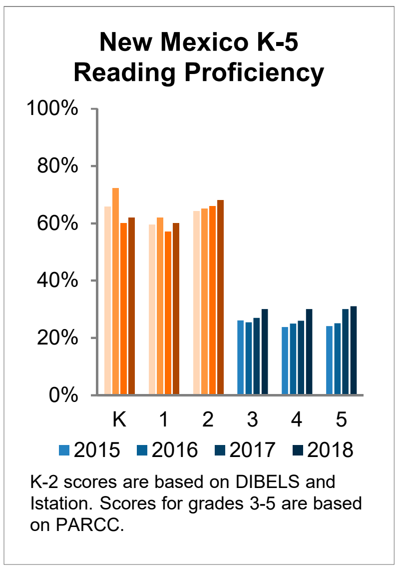
Closing the Achievement Gap

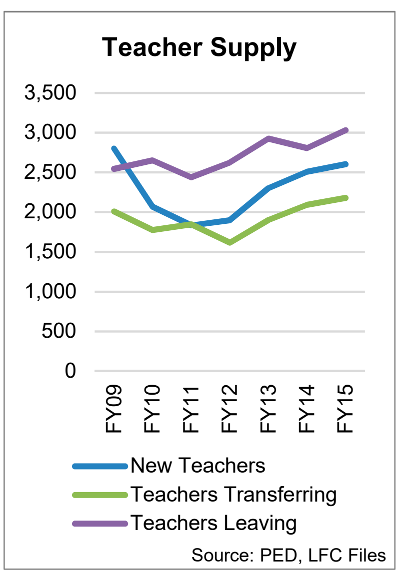


Note: Brackets indicate margin of error.

Source: LFC Files







Early Reading Initiative. Since FY13, the Legislature has appropriated, on average, $12 million each year to Reads to Lead, a PED grant program that provides funding for reading assessments, specialists, intervention materials, professional development, and other supports to improve literacy skills of students in kindergarten through third grade. Constant changes to grant criteria have hindered evaluation of the program's efficacy and created funding volatility for schools. The Reads to Lead appropriation also includes funding for Istation, a formative reading assessment selected in FY17 for kindergarten through third grade. However, alignment issues may exist between the Istation and PARCC assessments, and no evidence strongly suggests that Reads to Lead programs significantly improve early literacy skills.

Extended Learning Time

The 2016 LFC evaluation *Assessing "Time-on-Task" and Efforts to Extend Learning Time* found that 32 percent of instructional time, or 62 days, at New Mexico schools was lost or used on nonacademic activities. Factors impacting instructional time included late starts, teacher and student absences, discipline, truancy, test administration, re-teaching, recess, Breakfast After the Bell, and parent-teacher conferences. While the evaluation acknowledged the importance of providing additional time for learning, the report stressed the quality of learning time (time-on-task) as the key factor for improving academic achievement.

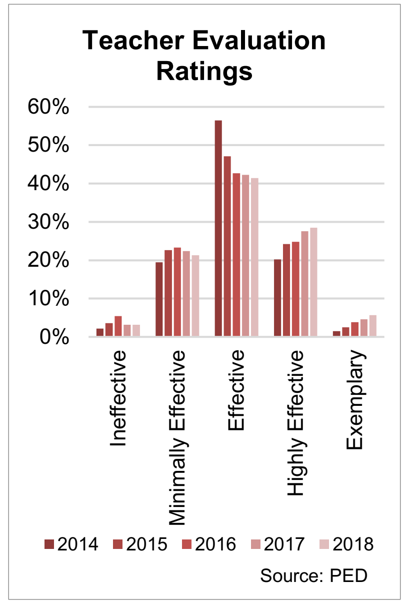
K-3 Plus. As with prekindergarten, the Legislature has significantly increased funding for K-3 Plus, an extended school year program for kindergarten through third grade that has been scientifically shown to improve student performance relative to peers when programs are executed correctly. The program extends the school year by 25 instructional days at high-poverty or low-performing elementary schools, and students who stay with the same teacher from the summer program show better outcomes. Nearly 65 thousand students, or 64 percent of all kindergarten through third grade students, are eligible to participate in K-3 Plus.

The Legislature increased appropriations for K-3 Plus from $1 million in FY07 to $30.2 million in FY19. PED estimates this will allow a record 22 thousand students to enroll in summer 2018 K-3 Plus programs. Despite the program's increasing popularity, K-3 Plus program implementation is inconsistent statewide. Due to the voluntary nature of the program, some schools assign students to different teachers during the school year, run the program as a summer school rather than an extension of the school year, or operate K-3 Plus for only 20 days. Other sites, like Deming Public Schools, leverage K-3 Plus and federal funding to extend the school year for all elementary students, including fourth and fifth graders, effectively providing an additional 150 days of instruction for every student before fifth grade.

Teacher and School Leader Quality

The district court judgment for the *Yazzie* and *Martinez* case notes, "A student is entitled to 'minimally adequate teaching of reasonably up-to-date curricula by sufficient personnel adequately trained to teach those subject areas.' This aspect of the input inquiry is, in the mind of the Court, the most critical." Indeed, a significant body of research suggests that high-quality teachers and school administrators improve student learning and school effectiveness. As such, a clear definition of high-quality teaching and school leadership is imperative to guide practitioners and policymakers toward improving student outcomes.

Teacher Evaluation. Available data from NMTeach, the state's teacher evaluation system, shows more teachers are achieving highly effective and exemplary ratings. NMTeach includes three years of student academic growth on PARCC and other approved tests as 35 percent of the teacher evaluation score, down from 50 percent in 2017. In 2018, 75.6 percent of teachers in New Mexico received an effective, highly effective, or exemplary teacher evaluation rating. This was a slight increase from 2017, where 74.5 percent of teachers received a rating of effective or better.



ESSA requires states to conduct annual statewide assessments and develop systems to measure and evaluate progress on improving student achievement. Unlike its predecessor, the No Child Left Behind Act, the new law provides more flexibility for states to determine how accountability systems are designed and repeals provisions requiring teacher evaluation systems to be based in significant part on student test scores. Although New Mexico's teacher and school rating systems differentiate teacher and school performance in simple terms for public

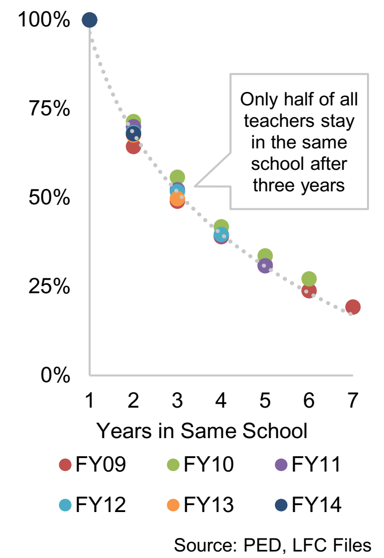
Effective Teacher Evaluation

Although New Mexico's teacher evaluation system differentiates teacher performance more widely than any other system in the nation, the measure has met opposition from the teachers' unions and received mixed reviews from various stakeholders. Introduced in 2012, the teacher evaluation system was initially perceived by many as a vehicle for "flunking, firing, and awarding merit pay" rather than as a tool to identify and support struggling teachers.

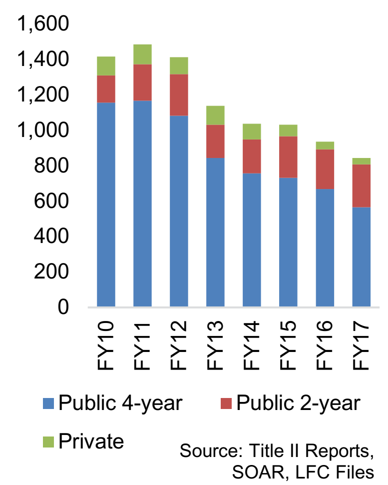
Linda Darling-Hammond, president of the Learning Policy Institute, notes most teachers crave useful feedback and the challenge and counsel that would enable them to improve, but well-designed policy systems are necessary to foster continuous learning and improvement. Her 2013 publication, *Elements of an Effective Teacher Evaluation System*, outlines nine elements necessary to develop an effective system and recognizes New Mexico for implementing best practices in some areas:

Elements of Effective Evaluation Systems	Elements of New Mexico's System	Potential Policy Issues
Clear Professional Standards	• Common Core State Standards • Next Generation Science Standards	Continuity of assessment and measurement
Continuum of Performance Assessments	• Three-tiered licensure system • Professional development dossier • National Board certification	Alignment of systems
Multiple Measures	• Value-added test scores • Teacher attendance • Parent and student surveys	Complexity of connecting scores to changes in practice
Standards-Based Evaluation of Practice	• Charlotte Danielson's Framework for Teaching	Observation and feedback frequency
Evidence of Learning on a Range of Valid Assessments	• Value-added test scores	Range of assessments
Evaluation of Teacher Contributions	• Charlotte Danielson's Framework for Teaching	Limited window of observation
High-Quality Professional Learning	• Professional learning communities • District- and state-level professional development	Targeting individual needs
Structures for Fair, Effective Evaluation	• Peer assistance and review programs	Intervention coverage
Teacher Participation	• Teacher Leader Network • Secretary's Teacher Advisory • Teacher Summit	Continuity and inclusion of all stakeholder groups

Teacher Mobility



College of Education Graduates



consumption, both accountability systems could be refined to capture performance more holistically. Continuous stakeholder engagement and buy-in will be critical to ensure the system is functioning and sustainable over time.

Teacher Workforce. PED reports 22.4 thousand teachers served in public schools statewide in FY17. Despite a relatively consistent supply of teachers each year, newer teachers are turning over sooner, and experienced teachers are leaving the profession faster than those who are joining. The number of licensed teachers fell from 22.3 thousand in FY08 to 21.4 thousand in FY13 before increasing slightly to 21.7 thousand in FY15. The annual number of teachers leaving the profession increased from 2,546 teachers in FY08 to 3,033 teachers in FY15, outpacing the number of teachers entering the workforce. Over this same period, only 32 percent of teachers stayed in the same school.

Teacher wage competitiveness has sparked protests nationwide for higher pay levels. In 2018, teachers in Arizona, West Virginia, Oklahoma, Kentucky, Colorado, and North Carolina staged mass protests to demand more money for education. Although the New Mexico Legislature raised teacher minimum salary levels and overall compensation in FY19, forthcoming increases to teacher wages in neighboring states suggest that educator pay levels in New Mexico will be an ongoing issue.

Enrollment and program completions at New Mexico educator preparation programs continue to decline, with over a 40 percent decrease in teachers graduating in the last six years. Nationally, enrollment in education degree programs is also declining, creating teacher shortages in high-need areas and pushing some schools to start recruiting internationally to fill teacher positions. According to New Mexico State University's Southwest Outreach Academic Research Lab, there were 1,173 school personnel vacancies in New Mexico school districts as of October 1, 2018, including 740 teacher vacancies.

Despite demand for more teachers, PED reports New Mexico's statewide average student-to-teacher ratio was 15:1 in FY18, suggesting teacher shortages are concentrated in specific areas or regions and low teacher retention may be a root cause. The district court judgment for the *Yazzie* and *Martinez* case noted teacher turnover and low pay have led to larger class sizes in some districts and negatively affected student achievement. The court opined that "no effort has been made to evaluate the effectiveness of PED's efforts to achieve equitable distribution of effective teachers or recruitment and retention of teachers in high poverty or low-

A Closer Look

Teacher and School Leader Preparation Programs

New Mexico educator preparation programs (EPPs), which include colleges of educations and alternative licensure programs, serve a vital role in the state's public education system, educating and preparing the majority of New Mexico teachers. The LFC's 2018 Progress Report *Teacher and School Leader Preparation Programs* found the Public Education Department (PED) and EPPs have raised standards for teacher candidates in recent years by increasing GPA requirements and teacher licensure exam cut scores. Additionally, PED developed an A-F grading system for EPP approval in 2018, enhancing accountability for the performance and characteristics of EPP teacher candidates. However, between FY12 and FY16, New Mexico EPP candidate enrollment decreased by 58 percent and program completion decreased by 34 percent. As fewer students enroll in and graduate from New Mexico EPPs, shortages of teachers and school administrators may intensify.

performing schools." As the supply of available teachers continues to contract, New Mexico will need to develop teacher placement and retention strategies to target human resources to areas of the state with the greatest need.

According to the Learning Policy Institute, teachers in the United States are less likely than teachers in top-performing countries to have mentors, adequate preparation, involvement with curriculum and assessment planning, and compensation competitive with other professions. On average, teachers in the U.S. tend to spend more time teaching larger class loads with more low-income students. Teacher attrition rates are higher, and enrollment in teacher preparation programs has declined in recent years.

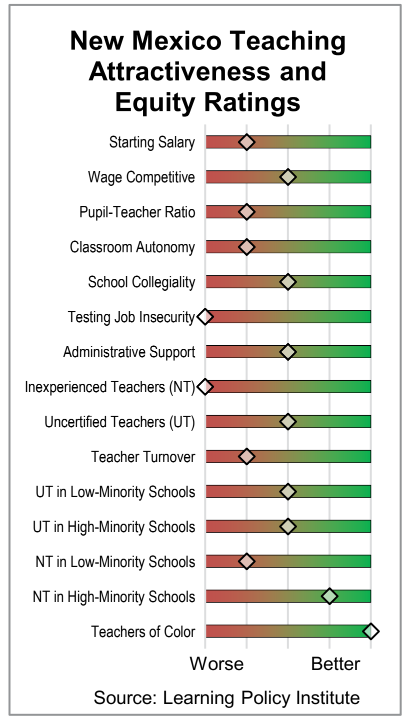
For 2017, New Mexico was rated on par with the U.S. average in teacher equity for more teachers of color and fewer inexperienced and uncertified teachers in high-minority classrooms. Although the institute rated New Mexico significantly worse for teaching attractiveness due to testing-related job insecurity, higher turnover rates, and more inexperienced teachers, it found wage competitiveness with other professions in the state, administrative support, and collegiality within schools was on par with the national average.

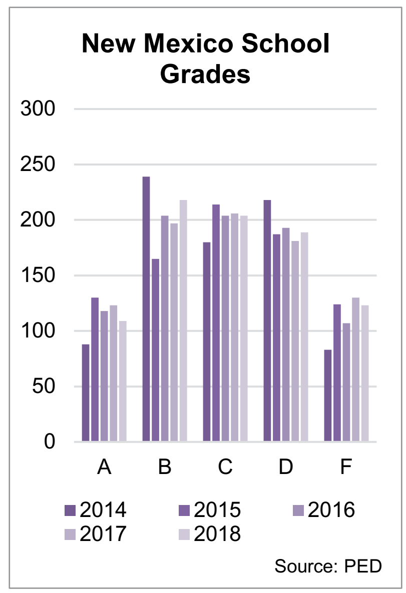
School Grades. To receive federal funding, the Every Student Succeeds Act (ESSA) requires states to "establish ambitious long-term goals" that must include improving academic achievement on a statewide assessment, increasing four-year graduation rates, and increasing English language proficiency rates for English learners. ESSA's framework also requires states to develop a system that differentiates school performance on an annual basis, ensures 95 percent of students participate in assessments, and places greater weight on academic indicators. The system must identify high-poverty schools in the fifth percentile (lowest 5 percent) and high schools with less than a 67 percent graduation rate.

In FY18, PED identified four schools: Hawthorne, Whittier, and Los Padillas elementary schools in Albuquerque and Dulce Elementary School in Dulce for "more rigorous intervention," the highest priority classification under New Mexico's ESSA plan for school improvement. These schools were identified for chronic F school grades and required to choose between closure, significant restructure of programming, eventual closure and promotion of other schooling options, or conversion to a charter school. All schools submitted plans to significantly restructure by extending instructional time, increasing educator compensation and performance incentives, and providing additional coaching and professional development for staff. PED is currently in litigation with Albuquerque Public Schools over the department's decision to eventually close Hawthorne Elementary School.

College- and Career-Readiness

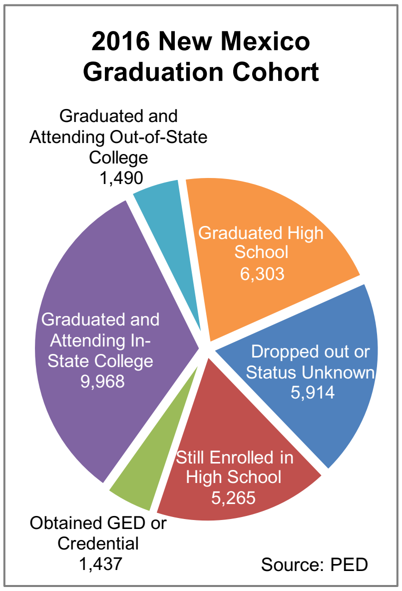
The district court judgment for the *Yazzie* and *Martinez* case flagged low graduation and high college remediation rates, particularly for at-risk students, as evidence of inadequate outcomes. The statewide graduation rate has hovered around 70 percent since 2012, and average graduation rates for students identifying as Native American, economically disadvantaged, English learner, or with disabilities have remained notably lower. In contrast, the rate of new students taking remedial classes has declined in recent years, from a high of 52 percent in 2012 to an all-time low of 34 percent in 2017. However, changes in college remediation models

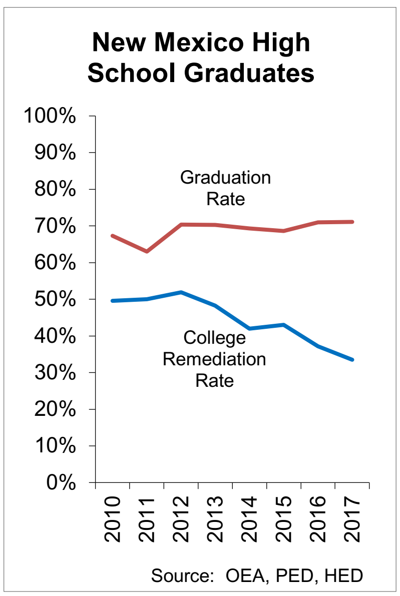


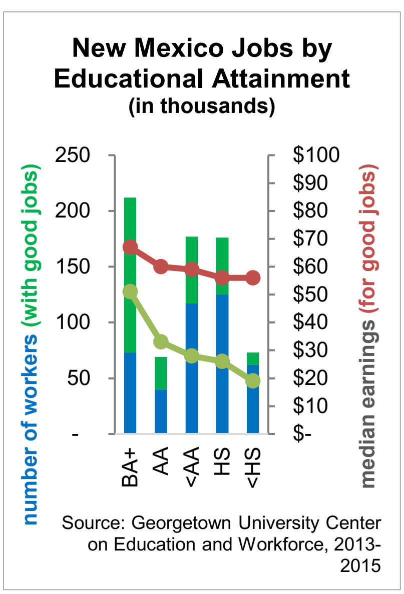


No Dead Ends

The National Center on Education and the Economy's report, *9 Building Blocks for a World-Class State Education System,* noted high-performing countries "create clear gateways for students through the [education] system, set to global standards, with no dead ends." These countries certify each students' skillset and concept mastery level rather than issue high school diplomas, align pathways to higher education and workforce needs, and allow students to go back and certify skills they missed.







may be lowering the reported number of college remediation classes taken at higher education institutions rather than reducing the actual remedial need of new students entering college.

In 2016, nearly 18 thousand students graduated within four years at New Mexico high schools while another 12 thousand students within the cohort did not. Of those who graduated, nearly 10 thousand enrolled in New Mexico colleges and universities and 1,490 enrolled outside of the state. About half of the 12 thousand high school nongraduates transferred or dropped out of the New Mexico public school system, while the rest remained enrolled in high school or chose to pursue an equivalent degree or vocational credential outside of public high school.

Career and Technical Education

Given the significant number of high school students who do not enroll in college, the state must ensure they are career-ready. Career and technical education (CTE) programs provide students with opportunities to apply academic knowledge and technical skills and learn workplace competencies through hands-on curricula. While many public schools in New Mexico provide CTE programs to students, implementation varies by region due to differences in program quality, industry types, workforce needs, and partnering organizations.

According to the national Association for Career and Technical Education, in FY16, 64.3 thousand high school students participated in New Mexico CTE programs through public schools and structured workforce readiness programs. About 88 percent of New Mexico CTE students graduated from high school, higher than the statewide average graduation rate of 71 percent. According to a national advocacy group, Advance CTE, 54 percent of high school CTE graduates enrolled in college, enlisted in the military, or worked within six months of graduation.

In 2015, the nonprofit Southern Regional Education Board (SREB) found few New Mexico high schools were offering career pathways or programs of study at a level that led to industry-recognized certificates and degrees. Statewide, less than 20 percent of CTE programs offered three or more courses tied to a specific career pathway, with the most popular pathways being automotive, culinary arts, agriculture, carpentry, and welding programs. SREB recommended New Mexico create new state-approved, industry-validated career pathways aligned to a nationally recognized curricula; provide training for CTE teachers; establish a career guidance and support system for students before and after high school; and refine accountability systems to equally value academic and technical readiness.

Without a strategic plan for producing or attracting a highly skilled workforce, New Mexico will likely maintain a substantial low-skill labor force – a group that is increasingly losing jobs to automation and globalization. Statewide, New Mexico colleges provide extensive dual-credit options, which can be augmented to avoid duplicate programming and purposefully advance CTE opportunities.

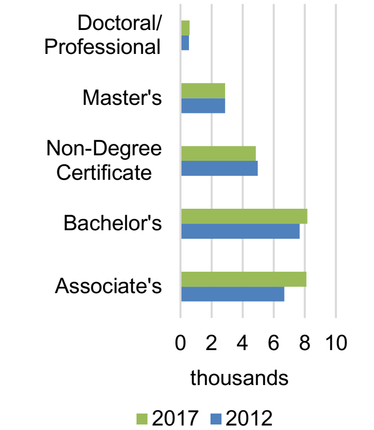
Higher Education

The benefits of a higher education credential, from technical certification to a postgraduate degree, are well established. People with higher levels of education earn more and earnings increase with each level of attainment. The adverse is also true: Those without educational credentials face substantial challenges to upward mobility. Recognizing higher wages benefit not just the individual but the state as a whole, New Mexico has made higher education a funding priority, spending more on higher education per capita than most states and focusing that funding on degree attainment through a formula that rewards courses completed and credentials awarded. However, disorganized governance, structures that favor traditional students over adults returning to school, and potential weaknesses in the funding formula impede progress.

For more info:

Higher Education Report Card Page 100

Degrees Awarded, Academic Years 2012 and 2018



Source: HED, LFC Files

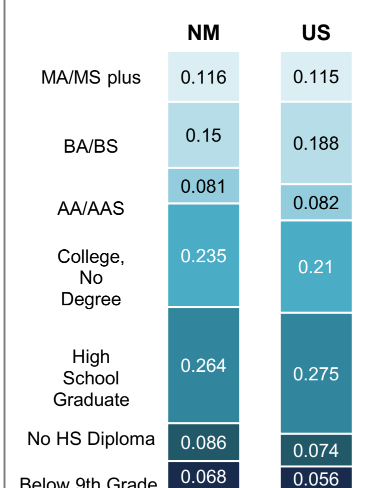
Attainment

Launched in 2015 when less than half of New Mexican adults had a postsecondary certificate or degree, the goal of the Higher Education Department's "Route-to-66" initiative is to have 66 percent of New Mexicans ages 25 to 64 with a higher education credential by 2030. New Mexico educational attainment improved from 2009 to 2016 but still trails its peers. Twenty-six percent of adults in New Mexico have earned a bachelor's degree or higher compared with 31.5 percent in the region and 30.3 percent in the nation. New Mexico also has a higher proportion of adults without a high school diploma: 15.4 percent compared with 14.4 percent regionally and 13 percent nationally. Attainment has lagged particularly among men ages 25 to 34, with the number of young men with a high school diploma but no college degree growing 10 percent from 2009 to 2016.

Educational Attainment in New Mexico as Percent of Total Population

	2009	2016	% Change
Adults with no high school degree	17.9%	15.4%	-14.1%
Adults with high school, no college degree	49.9%	49.9%	0.0%
Adults with college degree	32.2%	34.7%	7.9%

2016 Education Attainment Levels



Source: U.S. Census Bureau

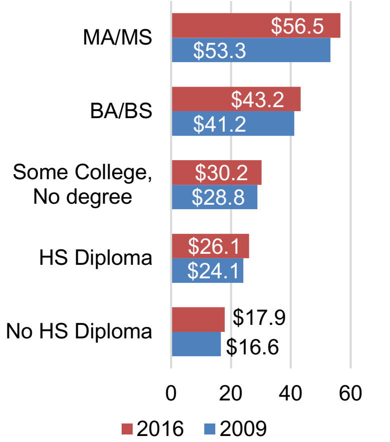
Funding Performance

Since restructuring in 2013, the higher education funding formula, called I&G for instruction and general purpose, has used performance incentives to improve student outcomes, such as total awards to students or awards to at-risk students. Each of the colleges and universities under the formula has an opportunity to earn additional funding, over its substantial protected base from a pool of "performance funds," made up of new funding for the year and an amount equal to a small share of prior-year appropriations. Fiscal year 2019 performance funding totaled $33 million, generated from new funding – higher education received a 2 percent increase over FY18 – and with the equivalent of 4 percent of the FY18 operating budget.

Results. The formula appears to be working to close the attainment gap for degree-seeking students. The number of degrees and certificates has increased since the formula went into effect, even as student enrollment has dropped. Since 2012, students attending colleges or universities have earned a total of 160,109 degrees and certificates, a 22 percent increase from academic year 2012 to academic year 2018.

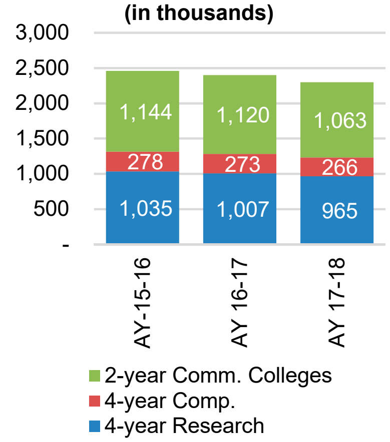
As a 2018 LFC evaluation uncovered, however, the number of subbaccalaureate certificates earned are increasing faster than the number of college degrees

Annual Median Earnings
(in thousands)



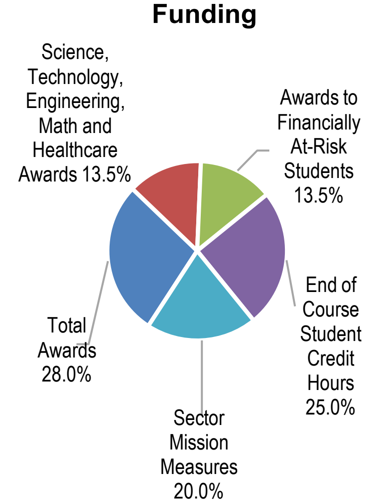
Source: US Census Bureau, American Community Survey

End-of-Course Student Credit Hours
(in thousands)



Note: AY - Academic Year
Source: FY20 HED Formula Data

Distribution of FY19 Outcome Measures Funding



Source: HED, LFC Files

earned. Importantly, the U.S. Bureau of Labor Statistics (BLS) reports wages for individuals holding short-term certificates are about equal to those with only a high-school diploma or equivalency, but a worker with an associate's degree earns 20 percent or more.

Notably, the number of end-of-course student credit hours has declined for the past three years. The reduction may result from several factors, including the exclusion of noncredit courses for short-term certificates. The reduction in student credit hours may result from HED's effort to ensure collaboration among institutions on core general education curriculum and efficient transfer or articulation agreements, with changes such as common course numbering system. The initiative ensures students who transfer among institutions do not have to repeat courses earned at other institutions.

At-Risk Students. While the total number of credentials earned is increasing, the number of awards to students at-risk of failing, also targeted in the funding formula, has steadily declined since 2015. At-risk students, defined in the funding formula as those eligible for federal Pell grants because of low income, earned more than 50 percent of the awards from 2012 to 2017 but the percentage of at-risk students earning degrees or certificates fell below the 50 percent mark in FY18, dropping 4.2 percentage points in one year.

Performance By Award Type

	2012	2013	2014	2015	2016	2017	2018
Total Awards	20,179	22,392	22,011	23,244	22,885	24,820	24,578
Awards - STEM	7,140	7,975	7,891	7,707	8,450	9,402	8,805
Percent STEM	35.4%	35.6%	35.9%	33.2%	36.9%	37.9%	35.8%
At-Risk Students	10,771	11,911	12,013	12,544	12,067	13,020	11,870
Percent At Risk	53.4%	53.2%	54.6%	54.0%	52.7%	52.5%	48.3%

Nontraditional Students

While the funding formula attempts, somewhat ineffectively, to improve outcomes for low-income students, the formula is silent regarding the needs of nontraditional students, perhaps most at risk for poor outcomes. Indeed, adults without a high school diploma or college degree are likely not engaged in the higher education system at all.

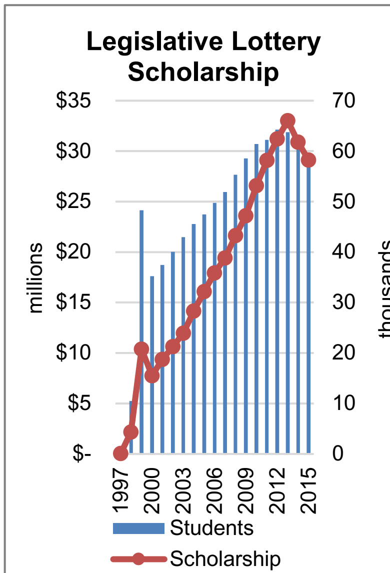
Adult women and men, ages 25 to 34, are important elements of New Mexico's workforce, particularly for the foundational implications to long-term economic improvement. Ensuring their skills match the current market should be a primary focus for higher education in New Mexico. However, access to higher education can be challenging for adult learners, who may need to earn a high school equivalency to become college ready.

The cost of attending college, while comparatively low in New Mexico, is a constraint for many. The average annual cost to attend community colleges, after financial aid, is approximately $6,500. At universities, it is $9,500. For adult learners, the cost of attendance can range from 25 percent to 50 percent of annual earnings, which, along with income lost to time in school, may be prohibitive. Adult learners are not eligible for lottery scholarship.

Further, the systems and infrastructure (funding, performance reporting, and service delivery) for colleges and universities is built primarily on educating traditional students (high-school graduates moving immediately into postsecondary education) when the majority of students enrolled are nontraditional adult learners.

To address this population, the state makes investments in adult education at both the Higher Education Department and the Public Education Department. The investment levels are uneven: At HED, the states pays $650 per student for these programs, while at PED, the state pays roughly $10 thousand per student. In 2018, the HED adult education initiative assisted 839 learners in attaining a high school equivalency credential; 847 adult learners enrolled in a public New Mexico college or university. In contrast to HED, the PED reports 773 adult students receive educational services from the public school system, primarily at charter schools.

Absent a statewide initiative, leaders at the colleges and universities should focus on these at-risk populations. Carving out opportunities for adult learners will benefit the entire state, economically and socially.



Source: NM Lottery Authority, HED, LFC Files

Governance of Higher Education Institutions

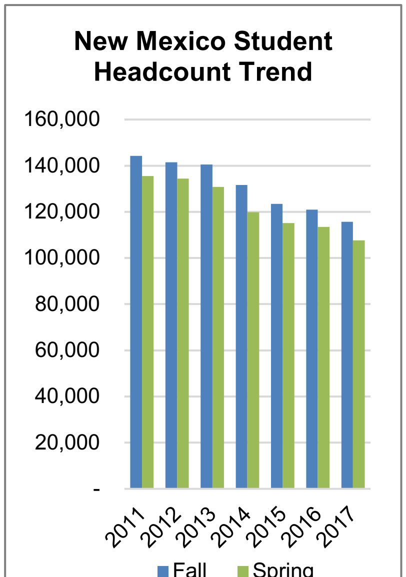
As with outreach to nontraditional students, much of the governance of higher education is left to the 24 governing boards around the state. Currently, each public nontribal college or university is accountable to its own governing board. The autonomy of the current governance structure can be positive, allowing institutions the flexibility to respond to local and regional workforce demands. However, with student outcomes that trail peers nationally, the Legislature in 2017 directed the HED secretary to study governance systems and recommend improvements to the state's decentralized structure.

LFC Online: Understanding Government Finances

Finance Facts: Lottery

HED analysis, released in Ocotber 2018, suggests student outcomes could improve with a single overarching governance structure for higher education that sets statewide goals and holds colleges and universities accountable for achieving those goals. The analysis recognizes the difficulty of restructuring the existing decentralized system and, instead, suggests the use of a statewide coordinating body that would meet routinely in public meetings to take on the challenge of addressing the attainment gap and improving education opportunities for young traditional students and nontraditional adult learners.

The coordinating body, composed of experts in higher education policy and finance, would be instrumental in recasting the infrastructure to support a new direction of higher education, based on performance data collected consistently among all the institutions. Aligning a statewide strategy of improved student outcomes to accountability through capital investments and annual funding is the goal of an effective governance structure.



Source: National Student Clearinghouse

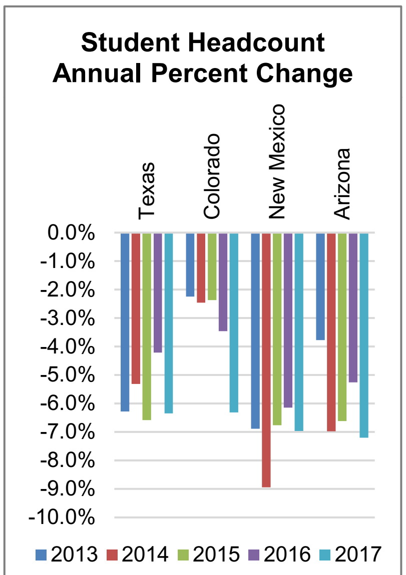
Institutional Funding Levels. New Mexico invests a substantial share, close to 13 percent, of the state general fund budget in the state's 24 colleges and universities for instruction and general operating costs. On average, the state funding represents approximately 50 percent of total funding for colleges and universities. However, the percentage varies at individual institutions from 20 percent to 78 percent. This wide variation can have an impact on affordability and access for students.

A Closer Look

Higher Education Funding Formula

A recent national study on the effectiveness of an outcomes-based funding formula came to a similar conclusion as the 2018 LFC Program Evaluation *Review of the Higher Education Funding Formula:* If completion is valued and rewarded, colleges and universities will produce more completions. As both studies show, the type of completion (industry-certified credential or accredited college degree), its quality, and its transferability to a job should be the measures for performance, not simply completion for completion sake. Without these safeguards, completions may increase without benefit to the student. In New Mexico, certificates have increased 48 percent since the introduction of an outcome-based formula, primarily at community colleges.

Evidence shows that structural design of a performance-based funding formulas can result in unintended consequences, as colleges and universities naturally seek to maximize award revenue. As described in the LFC evaluation, some examples might include the proliferation of short-term certificates to increase the number of completions, or institutions raising admission requirements to become more selective, or lowering academic quality to the benefit of increasing throughput. Best practices recommend continual assessment of timely performance data to ensure unintended results do not become routine. In New Mexico, aligning incentives in the funding formula with performance measures could be useful as well. The design of the formula is important to achieving the results intended by policymakers.

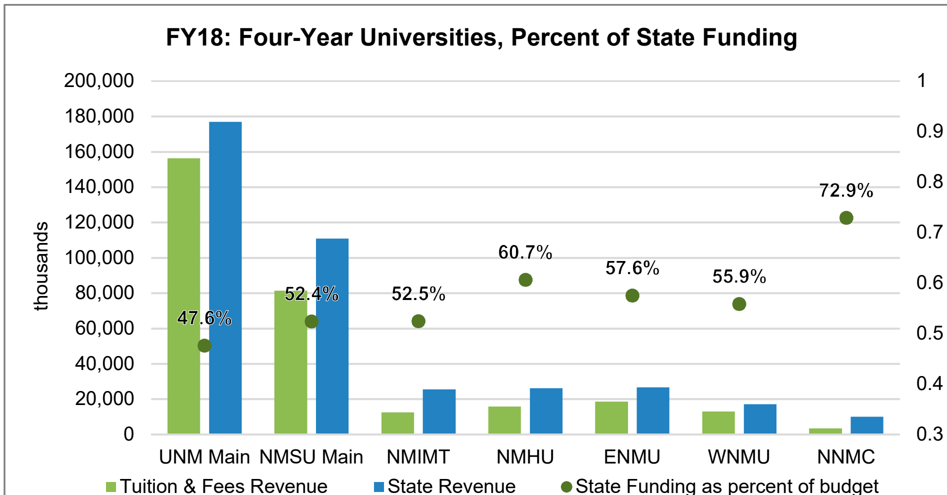


Source: National Student Clearinghouse

The seven four-year research and comprehensive universities rely primarily on two sources of funding for their operating budgets: state appropriations and tuition and fees. Over the past decade, state funding to the four-year universities decreased by 9.6 percent, while tuition and fee revenue increased by 54 percent.

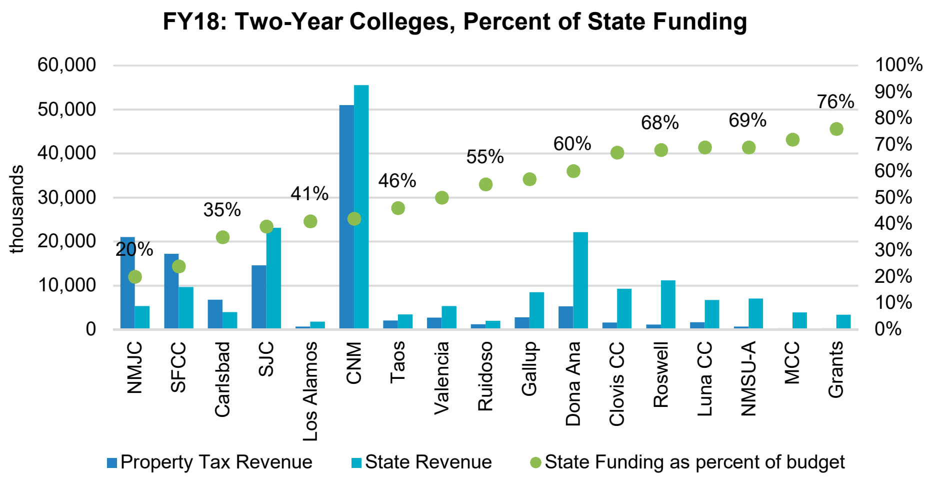
Similar to the universities, the 17 two-year colleges rely on state funding and tuition and fee revenue for a large portion of their operating budgets. However, unlike the four-year universities, the colleges have authority to raise revenue from local property taxes. As a result, tuition and fees remain affordable at two-year colleges.

From FY09 to FY17, state funding to the two-year colleges decreased by 5.1 percent. The loss of state revenue was offset by local property taxes, which increased 20 percent during the same time period.

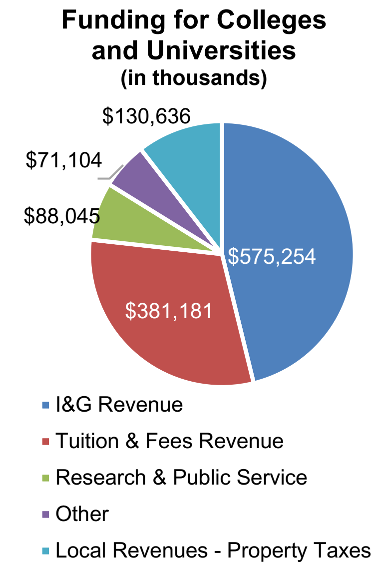


Source: LFC Files

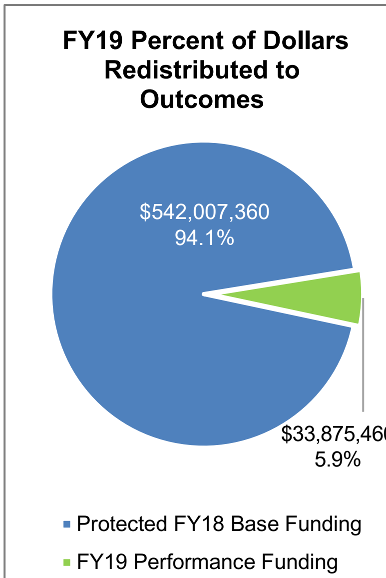
Local property taxes are uneven throughout the state for community colleges. Three colleges generate more local revenue than state funding. The inequity in local property taxes is attributed to economic activity or market valuations, and statutes that treat branch community colleges differently than independent community colleges. For instance, branch campuses have a levy limit half that for independent community colleges. If equalized, branch campuses could generate $8 million in additional funding, if approved by voters.



Source: LFC Files



Source: HED, LFC Files

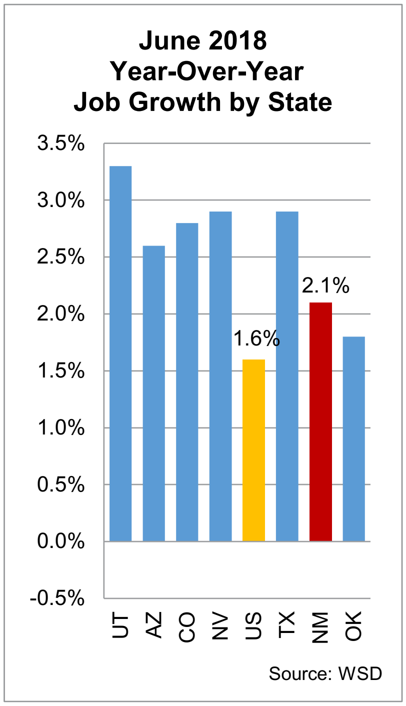


Source: HED, LFC Files

Economic Development

For more info:

Workforce Solutions Department Report Card Page 113



County Unemployment Rates and Rankings July 2018

1. Luna	10.2%
2. McKinley	9.8%
3. Cibola	8.8%
4. Taos	8.3%
6. Socorro	7.7%
7. Farmington MSA	7.5%
7. Las Cruces MSA	7.5%
9. Harding	7.4%
9. Mora	7.4%

Source: WSD

The 1.4 percent drop in New Mexico's unemployment rate between August 2017 and August 2018 was the largest decline in the country and put New Mexico's rate at an all-time high, finally exceeding its pre-recession peak employment. However, despite more New Mexicans being employed, there is still a great discrepancy in income growth. The most recent federal data indicates that New Mexico ranks 42nd in the nation for personal income growth over the past year, showing the state has a wage problem, in addition to a jobs problem.

Long-Term Planning and Workforce Development

Five years after an LFC review of the effectiveness of statewide economic development programs, New Mexico's efforts remain fragmented and lack coordination and accountability. Although the Economic Development Department is largely responsible for job creation, many other governmental entities also have programs, causing overlap and duplication and possibly confusing businesses wishing to expand or relocate in New Mexico. This lack of clarity is inefficient, frustrating for businesses seeking guidance and assistance, and ineffective at helping jobseekers find employment.

With numerous state agencies involved in economic development, a consolidated statewide strategic plan, involving all vital parties, is critical. Without comprehensive focus, long-term goals are impossible to achieve.

The Economic Development Department should be a main hub for businesses, New Mexico national laboratories, and universities to post information and resources for those seeking to advance growth in the state. For example, universities and national laboratories should have a one-stop shop to view and post requests for additional technological research, opportunities for internships, and other items to allow businesses to learn of technologies and partnerships readily available. Collaboration is an integral part of scientific research and science organizations are increasingly moving toward partnerships created across different departments, disciplines, and institutions – even between academic, government, and private industry.

Targeting Youth Employment

While the Economic Development Department does not have a singular program focused on youth job creation and employment, through JTIP, it's helped create entry level jobs for high school students and recent graduates. These jobs can include tuition assistance, flexible hours to accommodate college course loads, and other benefits. The JTIP board has one member from the Higher Education Department and one member from the Public Education Department who target this demographic.

New Mexico youth are unemployed at a significantly higher rate than other age groups. The Workforce Solutions Department, in its February 2018 monthly labor market report, noted 21.2 percent of jobseekers 16 to 19 years old and 10.4 percent of those 20 to 24 years old were unemployed, compared with a statewide rate at the time of 5.8 percent. Unemployment among New Mexico teens and young adults was also far higher than the national averages for those age groups at 14.4 percent and 6.8 percent, respectively, according to the U.S. Bureau of Labor Statistics (BLS). Because New Mexico has higher rates than the national average, all economic development entities within the state should focus on lowering youth unemployment.

Tax Policy and Incentives for Economic Development

The Economic Development Department provides multiple incentives for businesses wanting to relocate to the state, and local businesses wishing to expand. Two incentive programs that provide a substantial amount of funding are the Job Training Incentive Program and the Local Economic Development Act.

Job Training Incentive Program

The Job Training Incentive Program (JTIP) board approved 58 businesses for funding in FY18, including 24 in rural communities, with a total of $15.3 million in awards (see JTIP chart in *Volume III*). The Economic Development Department awards grants from the development training fund to subsidize wages for certain employees. The grant, available for up to six months of wages, covers 50 percent of the wages for urban jobs, 65 percent for rural jobs, and 75 percent for jobs in "frontier," economically distressed, or Native American locations. While the department reports JTIP has supported the creation of more than 46 thousand jobs since its creation more than 45 years ago, the cost per job created has varied widely. In addition, the JTIP subsidy can be "stacked" on other state incentives, resulting in a higher cost per job than is apparent.

Local Economic Development Act

The Economic Development Division awarded 15 companies $10.5 million in LEDA funds in FY18 and created 2,613 jobs (see LEDA chart in *Volume III*). LEDA authorizes the state to reimburse qualifying municipality and county governments with local economic development plans for the lease or purchase of land, buildings and equipment, and other public infrastructure related to certain businesses locating or expanding in the community. As of 2018, 83 New Mexico communities qualified to receive LEDA grants by adopting local ordinances that create an economic development organization and an economic development strategic plan.

The Economic Development Department made significant progress in reporting on the Job Training Incentive Program, with monthly public meetings and annual publications. However, more detailed reporting is still needed for Local Economic Development Act (LEDA) funds and its recipients. Details of department reporting standards need to be more transparent with the public.

Returns on Tax Incentives

New Mexico routinely uses tax incentives to compete with other states for business expansion and relocation projects, but the state has fallen behind the

LFC Online: Understanding Government Finances

Finance Facts: Business Incentive Programs

TOP STATES FOR DOING BUSINESS 2018

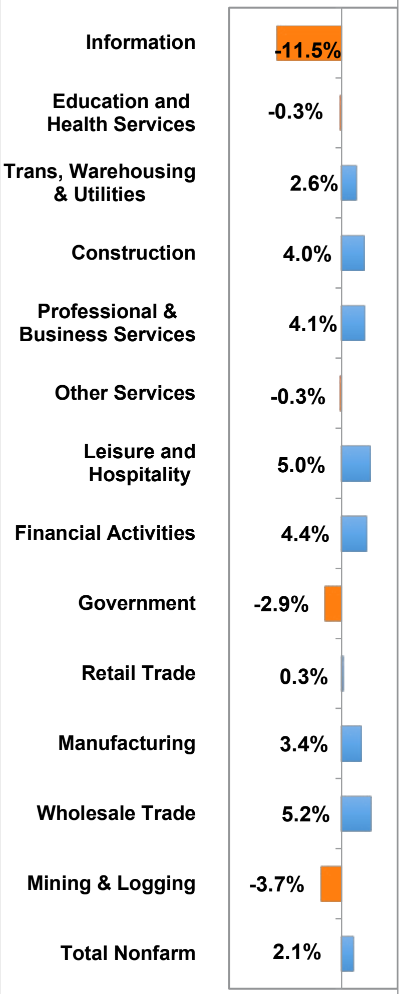
1.	GEORGIA
2.	TEXAS
3.	ALABAMA
4.	TENNESSEE
5.	SOUTH CAROLINA
6.	NORTH CAROLINA
7.	LOUISIANA
8.	MISSISSIPPI
9.	INDIANA
10.	FLORIDA
11.	OHIO
12.	ARIZONA
13.	KENTUCKY
14.	VIRGINIA
15.	ARKANSAS
16.	OKLAHOMA
17.	UTAH
18.	MICHIGAN
19.	NEW YORK
20.	NEVADA

Source: Area Development Magazine

For more info:

Economic Development Department Report Card Page 109

Year-Over-Year Job Growth by Industry June 2018



Source: WSD

FY18 Top 5 JTIP Appropriations

Company	Approved Budget	Trainees
Advanced Network Management, Inc.	$239,934	10
Meow Wolf, Inc.	$1,069,486	70
Lavu, Inc.	$992,409	68
PESCO, Inc.	$749,854	68
Keter North America	$563,973	53

Source: LFC files

majority of other states in evaluating those incentives for effectiveness and cost-efficiency. The Pew Research Center, a nonpartisan think-tank based in Washington, D.C., reported in 2018 that 28 other states and numerous cities now have policies in place to regularly evaluate tax incentives. The states that do this often have dedicated staff to perform detailed evaluations and build and maintain computer models on economic impact. New Mexico does not have any staff dedicated for this, and key agencies, such as LFC, do not have the necessary software. However, a far greater challenge is accessing the tax, labor, and capital investment data needed for evaluations. Companies using tax incentives could be required to report additional information to the state for use in evaluations, and legislation was introduced in the 2018 legislative session that would have required such reporting. Data is reported to the Taxation and Revenue Department and the Workforce Solutions Department that would enable significant analysis if statutes were changed to allow access by LFC and other agency staff. This access and funding for staff and software is typically provided when a state legislature decides to regularly evaluate incentives, which can cost New Mexico many tens of millions of dollars annually.

Border Development

Dona Ana County led the region in 2017 with $1.6 billion in exports, 53 percent of the New Mexico's total exports for the year. Since 2007, New Mexico exports have increased almost 350 percent. By comparison, Texas increased exports to Mexico by 65 percent, California by 46 percent, and Arizona by 75 percent. The rise in New Mexico exports is due to the export of transportation equipment, accounting for 61.4 percent of exports, electrical equipment and components at 26.4 percent of exports, and computer and electronic products at 20.8 percent of exports.

Marketing

Tourism

The Tourism Department focuses on its New Mexico True brand as its primary strategy to market the state. This has been a highly successful program. Data from Longwoods Travel USA shows an increase of 1 million visits in the state last year compared with the prior year, bringing total annual visitation from those who live here and elsewhere to 34.4 million, up 3 percent from 2015. Of the 34 million visits in the state during 2016, more than 19 million were "day trips of 50 miles or more for leisure," up almost 5 percent from the previous year. The department also states the tourism industry had a $6.6 billion impact on the New Mexico economy in 2017.

Other measures also show tourism is healthy in New Mexico. Employment at hotels, restaurants and hospitality areas grew 2.6 percent in 2016 and is up more than 12 percent since 2010, according to the U.S. Bureau of Labor Statistics. Also, the amount of money received by state and local governments from gross receipts taxes grew 3 percent in 2016, according to the Taxation and Revenue Department.

New Mexico Partnership

The New Mexico Partnership holds the largest contract with the New Mexico Economic Development Department, receiving $1 million in FY19. The New Mexico Partnership is designed to be a single-point-of-contact for locating and expanding business in New Mexico. The NM Partnership offers a formal network of economic developers to simplify the site selection process by providing expertise on talent, critical infrastructure, educational and research and development institutions, real estate, and facilities. The NM Partnership recently rebranded and focused on creating new marketing material; however, it does not coordinate with the New Mexico True brand, which the Economic Development Department now incorporates in its outreach. Consistent branding with a successful campaign should be considered, rather than trying to establish something new.

For more info:

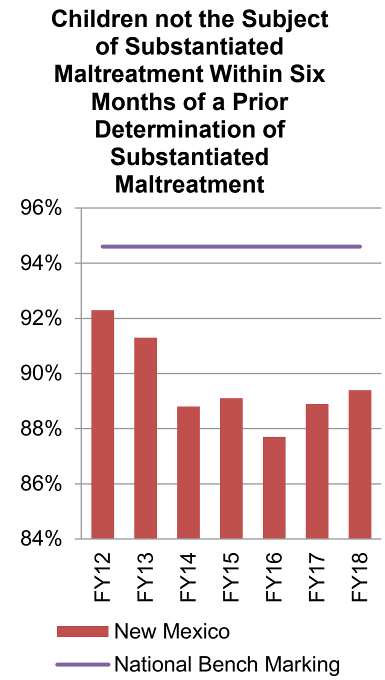
Tourism Department
Report Card
Page 111

Health and Communities

For more info:

Department of Health Report Card Page 121

New Mexico spends billions in state and federal funds to prevent domestic violence and child and elder abuse, support hungry families, and provide access to improved health care, including behavioral health services. The foundation to building healthy communities, health and social service programs represent the largest slice of the state's total budget, reaching about one-half of all New Mexicans. However, New Mexico has poor behavioral health and child well-being outcomes. To build healthy communities, state and local policymakers must address the underlying causes as well as the symptoms.



Source: CYFD/ NCANDS
*National Benchmark

Disparities in health status within New Mexico are striking, with the state's 20 percent poverty rate closely related to those with poor health because of access to care and preventive care in particular. Native Americans in New Mexico have the highest overall death rates and the shortest life expectancy, statistics driven by alcohol-related disease and injury. New Mexicans living in rural areas have a shorter life expectancy due in part to higher smoking rates and less access to healthcare. New Mexico, like the United States, is also undergoing a substance abuse crisis that is shortening average life spans.

Children's Health and Well-Being

Despite broad recognition of the importance of child well-being, several important indicators of childhood health and welfare declined in 2016, including those on infant mortality, low birthweight, and access to prenatal care. Improving the health of mothers, infants, and children is an important goal because poor health has multigenerational impact on the families and their communities. Maternal and child health is influenced by a variety of factors centered on a mother and her child's access to care. The Department of Health reports regular prenatal care reduces the risk of pregnancy complications, but in 2015, 16 percent of mothers received inadequate prenatal care. The proportion of inadequate prenatal care was highest among Native American mothers at 27 percent, teenage mothers at 21 percent, Medicaid recipients at 18 percent, and mothers with household incomes below 100 percent of the federal poverty level at 24 percent.

For more info:

Children, Youth and Families Department Report Card Page 105

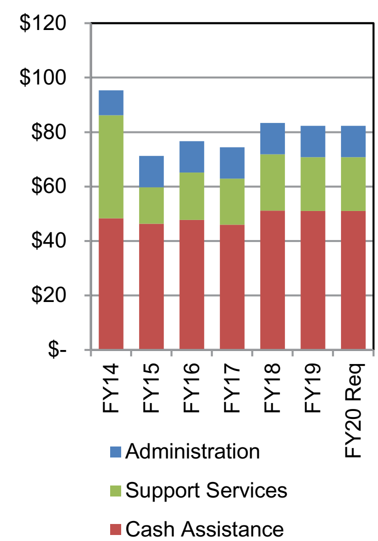
While the state's expansion of Medicaid improved the affordability of care, creating a guaranteed payer alone does not guarantee health system quality, adequate networks of care, or a sufficient workforce. Continuing or improving on evidence-based early childhood services, such as early detection and screening, nutrition programs, and paraprofessional home visits for new families, is imperative. Also improving access to prenatal and birthing services in rural and less urban areas of the state and reducing unintended or unwanted pregnancies will go a long way to improving the health of children.

Early Childhood Health Indicators	Infant Mortality	Low Birthweight	Immunization Rate	Early Access to Prenatal Care
	2016	2016	2016	2016
	6.2	**9%**	**68.5%**	**63%**
	Per 1,000 children	2,331 children		24,503 children
	U.S. - 5.9 (2016)	U.S. - 8.2% (2016)	U.S. - 71% (2016)	U.S. -77% (2016)
	Worse	**Worse**	**Worse**	**Worse**
	2015 5.1	2015 8.70%	2015 70%	2015 66%
	Source: CDC	Source: DOH	Source: DOH	Source: DOH

Temporary Assistance for Needy Families

New Mexico could face budgetary and programmatic difficulties if the U.S. Congress passes the Temporary Assistance for Needy Families (TANF) reauthorization bill, the Jobs and Opportunity with Benefits and Services (JOBS) for Success Act, in its current form. In the version of the JOBS bill that passed the U.S. House Ways and Means Committee, the TANF program would significantly change, with the use of TANF funding in 2018 more limited and requirements for clients to work more robust. In New Mexico's state budget, the state currently uses TANF fund transfers to provide $33.5 million for childcare assistance, $5 million for home visiting, and $17.5 million for prekindergarten. The current House version of the JOBS bill would limit the state's ability to use these TANF revenue transfers and the state would need to offset these important programs with millions of dollars in general fund revenue. Many other states use TANF transfers similarly and are expressing their concerns to Congress about the limitations. Additionally, despite a shortage of jobs that pay a living wage in New Mexico, the TANF program often experiences a build-up of unexpended funds due to declining caseloads. New Mexico's TANF program would need the continuation of the current, federally approved flexibility for expenditures and when imposing work requirements.

Temporary Assistance for Needy Families Expenditures
(in millions)



Source: LFC Files

Child Maltreatment

Although increased state and federal funding for the Protective Services Program of the Children, Youth and Families Department (CYFD) in recent years has been used to decrease child abuse and neglect caseloads and increase financial support for children in foster care, the number of children in the care of the state has continued to grow.

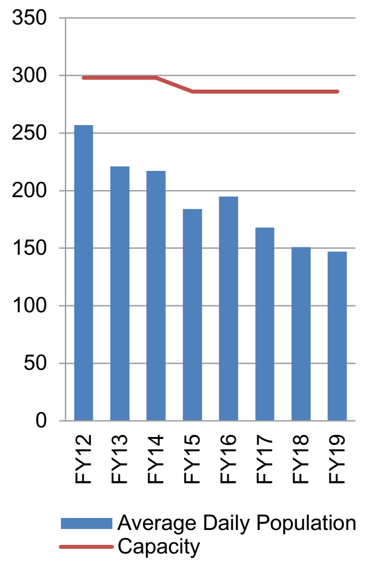
In FY18, an average of 2,600 children were in the care of Protective Services, an increase from the 2015 average of 2,000. Notably, while total reports of maltreatment declined 1.5 percent in FY18 to an average of nearly 3,300 reports every month, CYFD accepted an average of 1,800 cases per month for investigation, more than in FY18. The increase of children in care, volume of reports, and accepted reports all increase caseloads for the Protective Services Program. The average monthly caseload was 23 for permanency planners, who work to place children in foster and adoptive homes, and 13 for investigators, relatively stable with the previous fiscal year but exceeding the Child Welfare League of America recommendation of 12 to 15 for permanency planning workers and 12 for investigators.

In FY18, the TANF program served an average of 10,644 families each month, with the average household receiving $290 per month.

LFC Online: Understanding Government Finances

Finance Facts: Child Support

Secure Juvenile Justice Facilities Population Census
(as of September 2018)



Source: CYFD

LFC Online: Understanding Government Finances

[Finance Facts: Medicaid]

For more info:

[Human Services Department Report Card Page 116]

The costs of child maltreatment are substantial and result in general expenses to taxpayers and specific expenses to victims. An LFC report found that, in New Mexico, 36 percent of children who are the victim of a substantiated case of maltreatment will be abused or neglected again before they are 18. Given that the Legislature already has made Protective Services a priority – increasing funding even while cutting most state agencies during the recent economic downturn – these statistics indicate the state might never catch up with increasing caseloads without strong investment in early intervention and prevention and the substantial family supports needed to overcome poor economic conditions, high drug use, and other social conditions driving families into contact with Protective Services. With this in mind, the new federal Family First Prevention Services Act expands the way federal foster care funding, provided under Title IV-E of the Social Security Act, can be used by states. The act authorizes states to use federally matched funding for evidence-based prevention and early intervention services. Previously this funding was used to help with the costs for foster care maintenance support, state administrative expenses, staff training, adoption assistance, and kinship guardianship assistance. States will be reimbursed for prevention services for up to 12 months.

Juvenile Justice

In 2017, 11,419 youth were referred to the juvenile justice system for services, a 10 percent decrease from the previous year. New Mexico is following the national trend of declining juvenile justice populations. Only about 177 youth, or about 1.5 percent of those referred to Juvenile Justice Services of the Children, Youth and Families Department, were committed to a juvenile facility. Most youth cases were handled through local community rehabilitative programs. Evidence shows incarceration in juvenile facilities may have serious and lifelong negative impacts on committed youth.

Consequently, committed juvenile youth facilities operate at about half capacity, possibly the result of increased use of front-end services intended to keep juvenile offenders in their communities. A 2016 LFC evaluation of Juvenile Justice Services, which provides prevention, intervention, and aftercare services for delinquent youth, found CYFD has made positive gains in client outcomes since implementing a rehabilitative model, rather than a punitive one, and resources now need to be realigned to meet changing system demands. Among other key recommendations, the report suggests CYFD focus more resources on multi-systemic therapy, an evidence-based treatment targeted at reducing recidivism and improving long-term outcomes.

As of September 2018, only 147 of the 286 available beds in secure facilities were in use. The average daily population of clients in custody decreased 3 percent between fiscal years 2017 and 2018, the continuation of a trend that started in FY12. However, the cost of secure juvenile commitment increased about 30 percent during this time period.

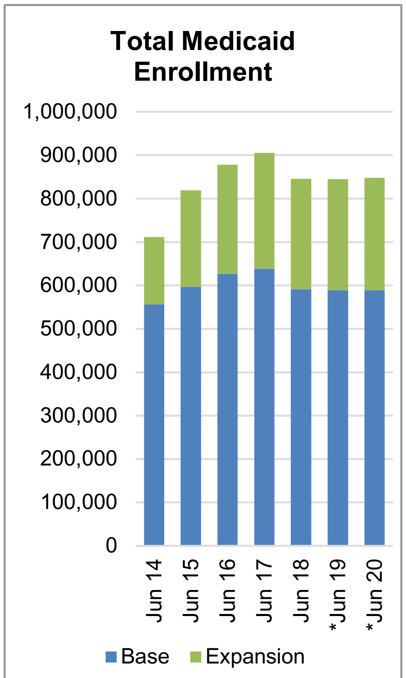
Medicaid

Nearly half of New Mexicans receive healthcare coverage through Medicaid, making it the largest single source of coverage for low-income children, pregnant women, adults, seniors, and people with disabilities.

Enrollment

In June 2018, New Mexico's Medicaid program covered 847,795 individuals, 24,881 fewer than the amount projected in March and 57,485 fewer than the previous year. About 252,356 of the 847,795 members make up the adult Medicaid expansion population, a group that was able to get services when income limits were raised under the federal Affordable Care Act. HSD projects a total of 865,280 Medicaid recipients by June 2019.

Projected total Medicaid enrollment for June 2019 is approximately 844 thousand, about 8 percent less than the peak of 916 thousand in March 2017. Some of the drop is due to HSD closing cases because the clients failed to recertify eligibility and possibly due to better economic conditions in the state. HSD estimates between 50 thousand and 85 thousand people are eligible for Medicaid but not enrolled, and the department projects enrollment, particularly for the adult expansion population, will begin increasing in early 2019 when outreach for enrollment in Centennial Care 2.0, the latest iteration of the state's Medicaid program, will raise public awareness.

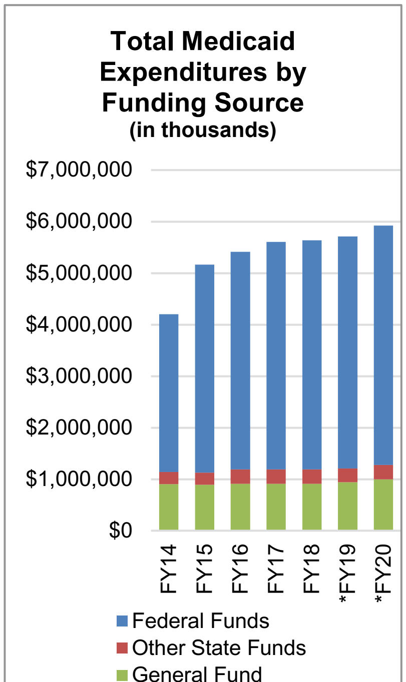


*2019 and 2020 projected
Source: HSD 10/18 Medicaid projection

Utilization

Beginning in 2018, HSD reported changes in the distribution of members across health plans and cohorts. A higher concentration of members in higher cost cohorts is occurring in the physical health and the long-term services and supports areas. Also, in the behavioral health areas, the utilization of autism services and intensive outpatient services have all increased, which all drove up Medicaid program costs by approximately 6 percent.

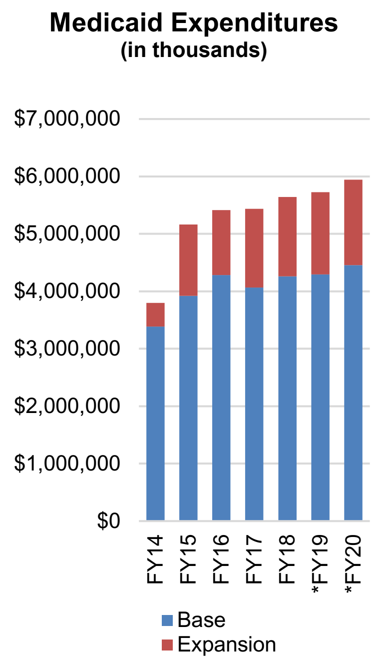
According to the Human Services Department, Centennial Care 2.0 will build on the efforts of the existing Centennial Care version of Medicaid to streamline administration, integrate and coordinate care, increase access to long-term care services, and improve cost-effectiveness. The first version of Centennial Care, authorized by the federal Centers for Medicare and Medicaid Services (CMS) under a five-year demonstration waiver in January 2014, was intended to reform the Medicaid program by improving the efficiency and effectiveness of healthcare delivery; integrating physical, behavioral and long-term care services and supports; advancing person-centered models of care; and slowing the rate of growth in program costs. Implemented primarily in response to the federal Affordable Care Act, Centennial Care consolidated many of the Medicaid "waiver" programs, so-called because they provide home- and community-based care for certain patients under a CMS waiver of the requirement for the institutional-based care more typical for these patients.



*2019 and 2020 projected
Source: HSD 10/18 Medicaid projection

Pursued under a demonstration waiver renewal application with CMS, Centennial Care 2.0. would refine care coordination and the benefit and delivery system, reform the payment system, revamp member engagement and cost sharing, and simplify administration.

While final approval was still pending at the end of 2018, CMS appeared to be disinclined to approve roll-backs of certain benefits and increasing premiums paid by Medicaid clients. However, the federal agency is likely to approve value-based purchasing, which links payments to health outcomes, and the integration



*2019 and 2020 projected
Source: HSD 10/18 Medicaid projection

States that imposed Medicaid premiums or co-pays found the cost of collecting payments can exceed expected revenue and uncollected premiums or co-pays can result in revenue losses for health care providers.

LFC Health Notes on Medicaid MCO Profitability

The Medicaid managed care contracts for Centennial Care 2.0 are worth more than $16 billion over the next four years, with roughly 15 percent of that amount allowed for administrative costs. The LFC program evaluation work plan includes an upcoming study of MCO profitability, with a focus on MCO spending in New Mexico for employees and other administrative overhead.

of behavioral and physical health services. HSD is proceeding with readiness reviews with the three newly contracted managed-care contractors, Blue Cross Blue Shield of New Mexico, Presbyterian Healthcare Services, and Western Sky Community Care, for services beginning on January 1, 2019, despite multiple ongoing legal appeals challenging the selection process.

Medicaid Managed-Care Organizations

HSD conducted a procurement for new Medicaid managed care organizations (MCOs) in October 2017 and in early 2018 awarded almost $5.7 billion in contracts to operate the state's Medicaid program beginning January 1, 2019, to three companies. The unsuccessful MCOs – Molina Healthcare of New Mexico, United Healthcare, AmeriHealth Caritas New Mexico, and WellCare of New Mexico – filed protests, which were all denied by HSD. Molina, United, and AmeriHealth filed appeals in state district court alleging bidders were asked to submit cost proposals based on rates that were not actuarially sound or sustainable, some insurers were given more points in the scoring process based on exhibits the state did not require, and a consultant involved in the process, Mercer, had a conflict of interest involving Western Sky's parent company, Centene Corporation.

In August, United withdrew its legal appeal in district court and sold its Medicaid members to Presbyterian effective September 1, 2018. Presbyterian will now provide services for over 300 thousand Medicaid members. United will continue to operate its smaller program for Medicare and Medicaid dual-eligible clients but will otherwise withdraw from Medicaid managed care in New Mexico. Molina's legal appeals were denied.

Medicaid Cost-Containment Options

Due to budget pressures in the Medicaid program in FY20 and beyond, the state will likely continue investigating cost-containment measures and revenue enhancements in addition to rate cuts, co-pays, limiting MCOs rate ranges, prescription drug innovations, and other measures implemented by HSD. While preliminary figures indicate the program ended FY18 with a $3 million surplus, the department estimates $8.1 million in additional general fund need for FY19, although that figure could drop in light of the offer by the new MCOs to substantially lower rates. Nonetheless, significant budget pressures remain as prices for pharmaceuticals and other healthcare rise, utilization by the sick and aged increases, and federal support possibly declines.

Healthcare Industry Taxes. Tax credits and refunds for the healthcare sector, the fastest growing in New Mexico's economy, cost the general fund almost $300 million annually in foregone tax revenue. Despite having industry and bipartisan support, healthcare tax reform legislation passed in 2017 was vetoed by the governor. The additional revenue generated from these reforms could have been used to support the increased cost of Medicaid.

Medicaid Innovation

As Medicaid consumes a larger share of state budgets, policymakers will seek ways to improve outcomes, reduce costs, and ensure their state's programs are managed as efficiently and effectively as possible. While there is no silver bullet, states are adopting a wide array of strategies to reduce spending and improve care outcomes and quality to improve the return on their health investments. Although federal law sets Medicaid minimum standards related to eligible groups, required benefits, and provider payments, it offers states latitude in decisions about program eligibility, optional benefits, premiums and cost-sharing, delivery system and provider payments. Learning from the successful efforts of other states would assist in enhancing the Medicaid program's success and sustainability.

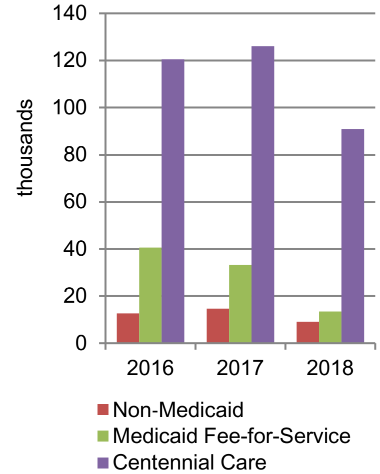
Behavioral Healthcare

New Mexico has some of the poorest substance use and behavioral health outcomes in the country. The alcohol-related death rate in New Mexico, which increased 34 percent between 2010 and 2016, has been nearly twice that of the national average for two decades and has ranked 1st, 2nd, or 3rd worst since 1981. New Mexico's suicide, drug overdose, and mental illness rates also rank among the worst nationally, with the worst outcomes concentrated in specific geographical regions.

Access to Behavioral Healthcare Services

New Mexico has considerable unmet need for substance use disorder (SUD) services and treatment. Although federal, state, and local entities fund programs addressing behavioral health and substance use – including Medicaid behavioral

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



Source: HSD

Debra Hatten-Gonzales Lawsuit

Representatives for the Human Services Department (HSD) and the Center on Law and Poverty have proposed a new consent decree in the decades-old Debra Hatten-Gonzales lawsuit that would give the department a path out of federal court supervision of its system for determining eligibility and enrollment for Medicaid and the Supplemental Nutrition Assistance Program.

U.S. District Court Judge Kenneth Gonzales, who held the HSD cabinet secretary in contempt of court in 2016 for failing to remove barriers to assistance for eligible families, concluded in a ruling issued in April 2018 that the department's Income Support Division (ISD) field operations are badly managed and a lack of accountability prevents the department from fixing problems.

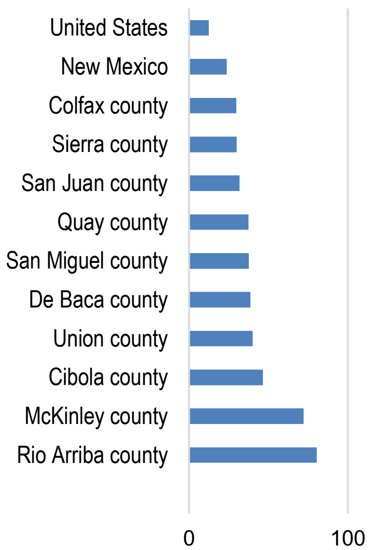
While a special master appointed by the court had issued findings and recommendations in February, Gonzales's ruling imposed deadlines on case reviews, staff training, and other administrative processes, and required that HSD appoint three experts in immigration, SNAP, and Medicaid. The opinion acknowledged the department's position that HSD had improved timeliness and accuracy in processing applications for services, increasing the share of SNAP applications approved on time from 86.9 percent in January 2017 to 97.6 percent in December 2017, and the share of SNAP applications denied on time from 21.2 percent in January 2017 to 62.6 percent in December 2017.

In his February report, the special master recommended the agency take a number of steps to improve the timeliness of eligibility determination approvals, reduce lobby wait times, and improve regional management performance. The special master specifically recommended

- Removing top management, including an assistant general counsel, the ISD director, the field operations deputy director, and a former deputy cabinet secretary;
- Implementing improved consistent and regular training;
- Improving communications, including standardized written policies and procedures generated from the central office;
- Decreasing staff turnover and improving supervision; and
- Improving the computer system for determining eligibility and use of the system including better notices and using the case auto closure.

The new consent decree proposed by Center on Law and Poverty would remove court requirements already met by HSD and lay out the processes, goals, and metrics that must be me to culminate the lawsuit.

Liver Disease Deaths per 100,000 Population Select Counties



Source: DOH and CDC

Recent legislation in other states that limits opioid prescribing includes:

- Twenty-eight states enacted opioid prescription limits (such as limiting initial prescriptions to a seven-day supply).
- Some states set dosage limits using morphine milligram equivalents.
- Some states limit opioid prescriptions to acute pain and not chronic pain.
- Seven states authorized appropriate state agencies to set limits by rule.

For more info:

Behavioral Health Collaborative Report Card Page 119

healthcare, state-funded behavioral health investment zones, problem-solving courts, services funded by local liquor excise taxes, and services funded by the local DWI grant fund – the impact of current programming is unclear and service misalignments and funding gaps exist.

- Federal Medicaid funds are directed toward evidence-based substance abuse disorder services and may not cover alcohol abuse treatment, such as social detoxification.
- Jurisdictional issues can present obstacles for individuals moving between state and tribal areas and Indian Health Services (IHS) and other facilities.
- State general fund revenue is possibly being used for SUD services that could be funded with Medicaid, IHS, local DWI, and local liquor excise tax funds.

Medicaid Behavioral Health. Centennial Care 2.0 includes funding for supportive housing, the evidence-supported approach known as screening, brief intervention and referral to treatment, accredited adult residential treatment centers, and social detoxification services. It also would expand the use of Medicaid health homes treating co-occurring serious mental illness and substance use disorders and would waive the exclusion in federal law that prohibits Medicaid reimbursement for private and state-run "institutions of mental disease" that provide inpatient psychiatric services.

Under the Centennial Care 2.0 enhancements to behavioral health services, HSD will offer the state's first-ever Medicaid reimbursement for adult residential treatment centers for substance abuse disorders (SUDs). However, the benefits from this change may take time to be realized. According to HSD's Behavioral Health Services Division, only six of the current 18 residential treatment providers are accredited, a requirement for Medicaid reimbursement. HSD and the Department of Health are still working on promulgating the licensing regulations, and HSD is still developing its reimbursement model.

State Behavioral Health Facilities' Access Improvements. Department of Health facilities are positioned to take advantage of federal policy changes that should all the facilities to improve performance, serve more people, and become more self-sustaining. Likely, the most important imminent change will allow the department to take advantage of Centennial Care 2.0 provisions for facilities classified as institutions of mental disease.

Substance Use Disorder Treatment in Institutions for Mental Disease. As discussed in a recent LFC Health Notes report, Medicaid has historically covered very few inpatient mental health services for adults, with services primarily limited to acute or emergency situations where hospitalization is medically necessary. The limitations have extended to the setting of care as well and prohibit services delivered in an institution of mental disease (IMD) defined in federal law as a hospital, nursing home, or other residential treatment facility with the primary purpose of treating individuals with mental diseases, although the facility may also offer medical and nursing care. Initial Medicaid legislation excluded all IMD-based services for all populations except adults over 65 years old; subsequent changes allowed coverage for inpatient psychiatric treatment for children under 21 and for services received in IMDs with fewer than 17 beds. New Mexico's three DOH behavioral health facilities are IMDs with more than 16 beds.

Greater Self-Sustainability. Driven by the national opioid addiction crisis, the federal Center for Medicare and Medicaid Services (CMS) has recently taken steps to make IMDs more accessible. To address the pressing national need for SUD services, particularly pronounced among Medicaid recipients, the agency has opened two routes states can follow to add IMD coverage to their Medicaid programs.

The first route allows states to include IMD services in their Medicaid plan designs through SUD service delivery transformation projects. To receive CMS approval, the projects must be designed around the American Society of Addiction Medicine (ASAM) levels of care for adult SUD detoxification and ensure access to a wide array of evidence-based SUD services.

The second route provided additional IMD options when CMS issued new rules for Medicaid managed care. States have always had the option to offer some services "in lieu of" other services available under their state plans, if the new services are cost-effective and medically appropriate. The new managed-care rule extended that category to include up to 15 days per month of psychiatric or SUD inpatient or crisis residential services received in an IMD. New Mexico's Human Services Department has acted on both these fronts, including one change as a part of its Centennial Care 2.0 application and covering the other through a letter of direction to the managed-care organizations.

In 2016, there were

1,456

Alcohol-related deaths in New Mexico

This equates to an average of **FOUR** people dying **EVERY DAY**.

Alcohol and Opioid Abuse Crisis

The negative consequences of excessive alcohol use are costly and lead to high blood pressure, heart disease, stroke, liver disease, and cancer of the mouth, breast, throat, esophagus, liver and colon. Other negative consequences of alcohol use include domestic violence, crime, poverty, unemployment, injuries,

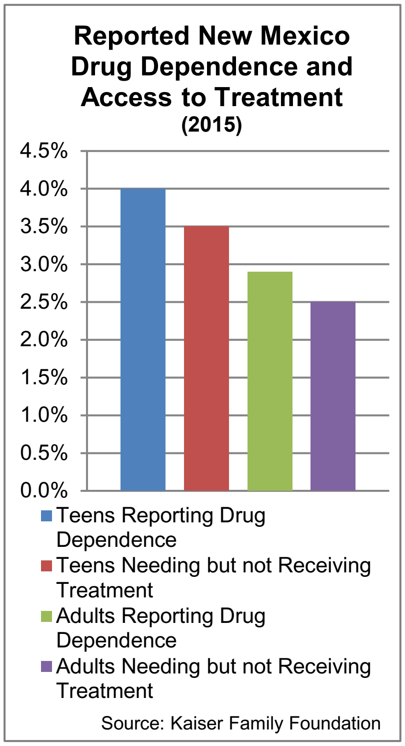
A Closer Look

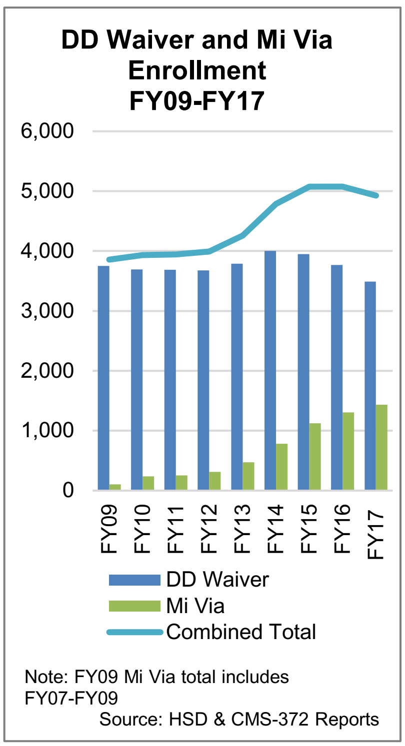
Health Notes: Adult Behavioral Health

Medicaid expansion has provided access to behavioral health services for over 250 thousand New Mexican adults, about a third of whom have made use of those services to address conditions they may have lived with untreated for some time due to lack of insurance coverage. Particularly vulnerable groups, including the homeless and justice-involved populations, have gained access to services they have never been able to obtain. The Medicaid program spent $96 million on behavioral health services for people who gained access to Medicaid as a result of Medicaid expansion in 2016. The 2018 LFC Health Notes *Behavioral Health Services for Medicaid Expansion Adults* found that overall spending on behavioral health services for the expansion population has risen faster than the number of people using those services. One key indicator is a 167 percent increase in Medicaid spending for substance abuse treatment services between 2014 and 2016.

There are persistent gaps in the provider networks of the Medicaid managed-care organizations, but robust growth in behavioral health services provided by federally qualified health centers (FQHCs) is a positive sign of improved access to care. Behavioral health visits to FQHCs increased by 62 percent from 2014 to 2015, and then by another 110 percent from 2015 to 2016. Mental health clients increased by 66 percent between 2014 and 2016, while substance abuse clients increased by 584 percent.

However, despite relatively high rates of utilization and substantial expenditures, the outcomes for the program are unclear and appear mixed at best. For the five-year period between 2013 and 2017, the trend for BHSD performance measures was mixed, with downward or cautionary trends on most measures. Even for measures with improvement, outcomes have been below the agency's established target. Evidence-based treatment protocols – the best way to get genuinely effective treatment in a cost-effective manner – appear to be used relatively frequently for substance abuse disorders but less so for more widely used mental health therapy. On the other hand, the state's rate of drug overdose deaths declined slightly between 2014 and 2015 and then stayed flat between 2015 and 2016, a positive trend that may be partly the result of increased access to substance abuse treatment for the Medicaid expansion population.





and mental illness. According to the federal Centers for Disease Control and Prevention (CDC) these consequences cost New Mexico $2.2 billion in 2010. The U.S. Surgeon General's national prevention strategy calls for support for state, tribal, and local implementation and enforcement of alcohol control policies and emphasize the identification of alcohol abuse disorder with intervention, referral, and treatment.

In 2016, *America's Health Rankings* placed New Mexico second for drug deaths in the United States; drug deaths among men 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 allows any individual to possess naloxone and authorizes licensed prescribers to write standing orders to prescribe, dispense, or distribute Naloxone. In recent years, the number of New Mexico pharmacies dispensing naloxone increased from nearly none to 40 percent.

While naloxone is effective at reducing opioid deaths, it is not effective at treating underlying addiction issues. According to the Department of Health, "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, implementing policy and procedure changes to reduce prescribing and 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 successfully tracks opioid epidemic indicators, a coordinated, comprehensive statewide treatment strategy is needed.

Protecting Vulnerable Adults

A recent LFC evaluation on the state's system for caring for people with developmental disabilities should serve as road map to better outcomes and reform. Key recommendations in the evaluation included instituting the Community First Choice option to leverage a greater Medicaid match rate for people on the waiting list for services provided through the Medicaid waiver for people with developmental disabilities and working to improve cost-containment following several years of litigation. However, the Department of Health's FY20 request reflects little if any movement in the direction of reforming services for people with developmental disabilities or in implementing LFC recommendations. Moreover, the department's request for $4 million to supplement average cost increases, signals the department may lack a plan to improve cost-containment in the future.

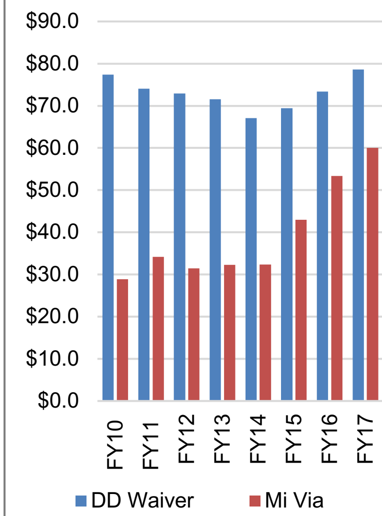
Meeting the Needs of People with Developmental Disabilities

Limited cost-containment capability – a result of litigation and other issues – is contributing to average annual cost growth in each of the state's two Medicaid "waiver" programs for people with developmental disabilities, programs that provide services not usually covered by Medicaid under a federal waiver. As noted in a recent evaluation of the developmental disabilities (DD) and Mi Via self-directed care waiver programs, total expenditures have continued to increase while enrollment in the DD waiver is leveling out. Most overall spending increases are because of sharp increases in enrollment and average costs in the Mi Via program.

For example, the report found that expenditures on some of the more expensive services, such as in-home supports, grew from less than 9 percent of total Mi Via costs in FY12 to 40 percent of total costs in FY17. Clients are using more of each service type and client annual Mi Via budgets on average are growing closer to established caps. Furthermore, for some Mi Via clients, the Department of Health provides waivers from the established Mi Via budget cap, which also increases the average annual cost of providing these services.

The report recommended improving cost-containment by implementing a standardized, validated, and evidence-based assessment and allocation tool to determine appropriate levels of services. Several years ago, the department ended its use of an evidence-based tool after it was sued for its use of the tool. However, under the lawsuit settlement the department was not required to stop using the tool. The department should consider either reinstituting the tool or finding another evidence-based tool to determine appropriate service levels and types. The report also recommended monitoring budget allocation trends over time to determine the need for increased oversight and validation of client budgets.

Average Annual Per Client Costs for the DD and Mi Via Medicaid Waivers



Source: LFC Analysis of CMS-372 Reports and HSD Data

Family, Infant, Toddler Program Caseload Increase and Proposed Provider Rate Adjustment. The number of children served in the Department of Health's Family, Infant, Toddler (FIT) Program, which intervenes with infants and toddlers with developmental delays or at risk of a developmental disability, has increased by 2,923 children since FY14, or about 23 percent. The increased caseload required the Legislature to approve an FY18 $1.3 million supplemental appropriation. The department is projecting a shortfall for FY19, as well, of $2 million.

Familiy, Infant, Toddler Program (FIT)	Percent of Children With Substantially Increased Rate of Growth On Exiting FIT in...		
	Positive social-emotional skills (including social relationships)	**Acquisition and use of knowledge and skills (including early language/ communication)**	**Use of appropriate behaviors to meet their needs**
	2016	2016	2016
	72.1%	**74.0%**	**73.4%**
	1,609 Children	1,792 Children	1,757 Children
	Better	**Better**	**Same**
	2015 70.2%	2015 72.6%	2015 73.7%

Source: GRADS

Based on a provider rate study conducted in 2017, the department also requested raising rates. The study included an analysis of market salaries, provider wages, provider revenues and expenses, and workload and recommended changes ranging from decreasing home and community services provided in a group setting to increasing individual center-based services by almost double.

For more info:

Aging and Long-Term Services Department Report Card Page 125

Guardianship Reform Efforts

Luxury vacations, Caribbean cruises, recreational vehicles, Mercedes, and Final Four basketball tournament tickets are examples of a few purchases Ayudando

Recommended 2019 Guardianship Legislative Changes Include:

- Relocating Office of Guardianship to a larger agency with greater responsibility such as Aging and Long-Term Services Department,
- Requiring certification of all conservators and guardians through a nationally recognized organization,
- Requiring guardians and conservators receive continuing education training annually,
- Cleaning the probate code to include uniform language for guardian and conservator medical examinations, and
- Increasing fines for late annual guardianship and conservatorship reports from $5 to $20 per day and introduce a cap.

Guardians' executives made that were financed using the funds of disabled adults Ayudando was supposed to protect. Complaints over these purchases and millions more in missing client funds led the U.S. Marshal's Office to take control of the largest corporate guardianship firm in the state in the middle of July 2017. The scandal exposed weaknesses in the state system for protecting vulnerable adults, including widespread failure to review cases, lack of transparency in the civil proceedings for placing a person in guardianship, and little oversight of guardians, conservators, and representative payees.

Since then, the Legislature changed state law and invested a million dollars in oversight of guardianship services for disabled. In response to the recommendations of a Supreme-Court-created committee of guardians, attorneys, and family members of the clients, the Administrative Office of the Courts and the State Auditor began an auditing program guardian and conservator cases submitted to the courts and all guardianship contracts entered into by the Development Disabilities Planning Council.

However, weak oversight of guardianship contractors by the disability council's Office of Guardianship continues. While the agency has hired two companies to oversee guardianship contracts, the contracts seem to duplicate State Auditor activities. Further, the executive director of Disability Rights New Mexico, one of the guardianship oversight contractors, serves on the Developmental Disabilities Planning Council, possibly a violation of the state procurement code.

A Closer Look

Services for People with Developmental Disabilities

One of 14 states without institutions for individuals with intellectual or developmental disabilities, New Mexico serves this population through a system of home- and community-based services funded through two main Medicaid programs administered by the Human Services Department (HSD) and operated primarily through the Department of Health (DOH). A 2018 LFC evaluation of these programs found growth in per-client costs and a lengthening waiting list are outpacing the state's ability to fund and provide services. In FY17, about 3,500 people received services through the traditional developmental disabilities (DD) waiver program, while another 1,400 received services through the self-directed Mi Via program. Both provide services not usually covered by Medicaid under federal waivers of existing rules. The list of eligible individuals waiting for services, meanwhile, totaled roughly 3,900.

The evaluation found increased service utilization, client movement from the traditional DD waiver program to Mi Via, and changes to how client service plans and budgets are developed have all contributed to rising costs. The average cost of an individual enrolled in the DD waiver program grew by 17 percent, to $78,575, between FY14 and FY17, while total enrollment fell by 13 percent. Meanwhile, budgets for Mi Via clients are approaching their annual individual caps, and cost growth in both waivers is on pace to potentially violate federal cost neutrality requirements by FY27.

The evaluation recommends DOH work with the Legislature to develop a plan with committed funding to reduce the waiting list by 25 percent to 50 percent over five years. DOH and HSD should work to contain cost growth by more thoroughly analyzing cost drivers and improving participant assessments. DOH should strengthen its oversight of program quality to promote positive client outcomes and mitigate risk to both waiver participants and state funds through improved strategic planning, data collection and analysis, and outcome-based performance reporting. These actions could also contribute to the state's disengagement from the three-decade-old Jackson lawsuit by addressing court-mandated obligations to care for the disabled that have resulted in over $40 million in costs since FY13.

The criminal justice system continues to face challenges implementing ongoing reforms while reducing crime and protecting the freedoms of New Mexicans. Complicating the enactment of reforms are inadequate accountability and transparency leaving policymakers and the public with too little information to assess the effectiveness of reforms. Further, several years of budget shortfalls has constrained reform efforts, exhausted fund balances, and compounded underlying issues not previously evident. With new investments in the judicial system, the need to evaluate success is paramount.

For more info:

Judicial Agencies Report Card Page 131

Suggested Performance Measures

- Appearance rate: percent of supervised defendants who make all scheduled court appearances.
- Reoffenders: number of supervised defendants not charged with a new offense during the pretrial stage.
- Concurrence rate: ratio of defendants whose supervision level or detention corresponds with their assessed risk.
- Pretrial detainee length of stay: average length of stay in jail for pretrial detainees eligible by statute for pretrial release.
- Pretrial detention rate: proportion of pretrial defendants detained throughout pretrial case processing or proportion of pretrial detention motions granted.

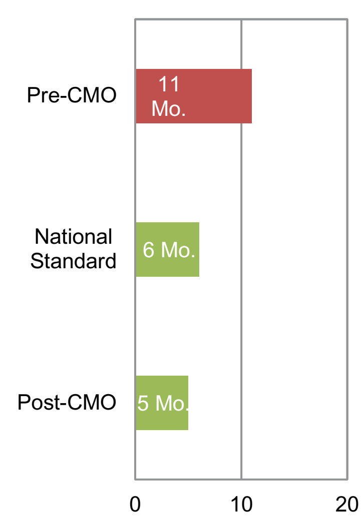
Challenges and Opportunities for Reform

Criminal justice reform has many potential bipartisan solutions, from pre-sentencing to reintegration. Already being implemented are changes to criminal case timelines, pretrial detention, protections for disabled adults, and judiciary budgets. In addition, the consistent use of evidence-based, data-driven best practices to measure performance and evaluate programs in real time is fundamental to improving the criminal justice system.

Case Management Order

In February 2015, the Supreme Court issued the case management order (CMO) – rules to hasten the closing of criminal cases by requiring felonies to be completed in six, nine, or 12 months, depending on their complexity. The CMO has been in effect only in Bernalillo County and stemmed from 2,600 active backlogged cases in the 2nd Judicial District Court. Those cases had languished for at least 18 months and sometimes several years. Today, none of those backlogged cases remain pending in the courts. Yet, cases backlogged at the district attorney's office increased to 8,000 during this same period for reasons related and unrelated to the CMO. The 2nd Judicial District Attorney reports the CMO has reduced the number of cases an attorney can feasibly handle, and the Public Defender Department (PDD) reports the CMO has increased trial workloads up front, because cases require greater effort in a shorter period of time. As reported by the *Legislative Finance Committee Review of the Criminal Justice System in Bernalillo County*, the time to disposition for felony cases before and after implementation of the CMO improved significantly, from 11 months to five months. Time to disposition is an important measurement of the performance of the criminal justice system, and shortening time to disposition could reduce crime by increasing swiftness and certainty of criminal sentencing. Implementation of the CMO in Bernalillo County has challenged the criminal justice system, which has continued to improve in performance following legislative appropriations that support criminal justice efforts.

Reduction in Time to Disposition Under Case Management Order
(in months)



Source: LFC Files

Statewide Pretrial Release and Detention

On July 1, 2017, pretrial release and detention procedures for all courts in New Mexico changed in accordance with a constitutional amendment adopted by voters in 2016. The amendment was two-fold: It made clear defendants who are not dangerous or a flight risk cannot be held in jail awaiting trial solely because they cannot afford a bail bond, and for the first time in state history, district court judges can lawfully hold felony defendants in jail before trial if they are too dangerous for release. While counties benefit from smaller jail populations, a partnership should be forged with the state and counties to provide coordinated, statewide pretrial services developed with evidence-based best practices so the presence of an accused at court proceedings can be assured while improving public safety.

New Mexico Results First Initiative, Evidence-Based Diversion Programs Analysis

Program	Return on Investment (ROI)	Likelihood of a positive ROI
Drug court	$3.71 to $1	99%
DUI courts	$.63 to $1	10%
Mental health court	$2.55 to $1	91%
Restorative justice conferencing	$2.92 to $1	63%

Source: Pew-MacArthur First Initiative Results First Model

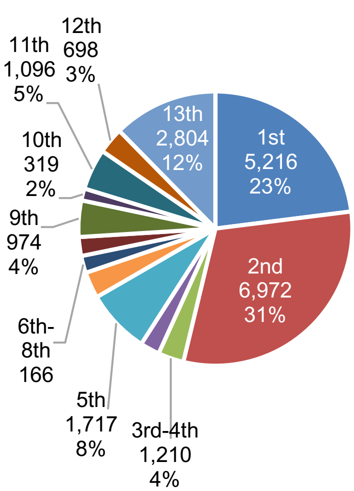
Preprosecution Diversion

Currently, defendants are not eligible for preprosecution diversion programs because of a number of statutory restrictions that include not committing any felony or participating in a probation program within the last 10 years. By eliminating restrictions, increasing prosecutorial discretion, and reducing cost barriers associated with preposecution fees, prosecutors and public defenders could better focus on higher risk individuals while decreasing the flow of lower-risk cases into the criminal justice system. Removing such statutory barriers could result in more referrals to drug, mental health, and other specialty courts or restorative justice programs shown to have a high likelihood of a positive return on investment and a lower recidivism rate than incarceration.

Guardianship Reforms

During the 2018 legislative session, the Legislature appropriated $1 million to implement guardianship reforms. Following the Legislature's actions, the Supreme Court created the Guardianship Steering Committee to implement reforms and make further recommendations. As a part of its work, the Steering Committee coordinated efforts by the Administrative Office of the Courts (AOC) and the Office of the State Auditor (OSA), which entered into a memorandum of understanding (MOU) to pilot an auditing program of guardian and conservator reports submitted to the courts. Additionally, the courts continue to make progress in reviewing all guardianship and conservator cases in the state. Analysis of guardianship and conservator cases show that 27,154 cases currently exist, 22,670 of which need review and are indeterminate as to their active or inactive status. Finally, the new law has prompted a complete overhaul of the reporting required of guardianship and conservator cases. The new reporting process will require in-depth financial reporting that will assist OSA in identifying suspicious activity. To continue the progress made so far, funding for the audit program and case maintenance must transition from one-time to recurring.

Cases Needing Review by District Court
(22,670 cases total, statewide)



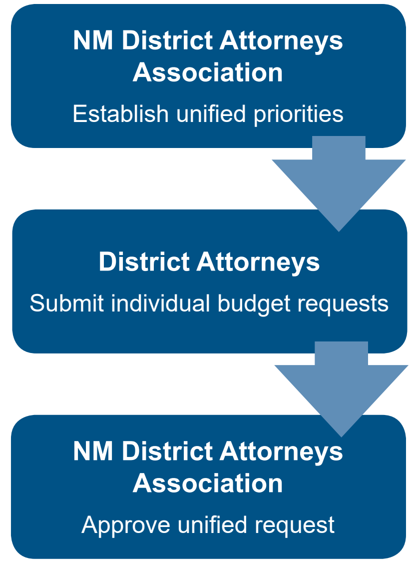
Source: AOC

Magistrate Court Reorganization

On July 12, 2018, the New Mexico Supreme Court announced plans to reorganize the administrative functions of the judiciary, transferring the management of magistrate courts from the Administrative Office of the Courts to local district courts. The reorganization of the judiciary is expected to increase efficiency by eliminating administrators at each magistrate court, encouraging cooperation between local courts and cases, and by better coordinating staff among a district's courts. The reorganization requires the support of the Legislature to shift the appropriation of magistrate court funding, support one-time transition costs, and reinvest savings from the consolidation to evidence-based programs within the courts that can continue to improve constituent involvement with the judicial branch.

District Attorneys

Currently, district attorneys submit individual budget requests to the Legislature that include differing funding growth, priorities, and goals. Additionally, the requests lack robust uniform performance measures, which makes determining the challenges and successes of the various districts difficult to compare and prioritize. Disunity complicates policy-setting and supportive funding decisions, a problem the district attorneys are attempting to correct. For the FY20 budget requests, district attorneys have begun to implement a *Unified Priorities* budget request that allows for a clear benchmarking of requests and statewide funding options for the Legislature to consider. The significant reform to budgetary requests remains a challenge for the independently elected district attorneys.

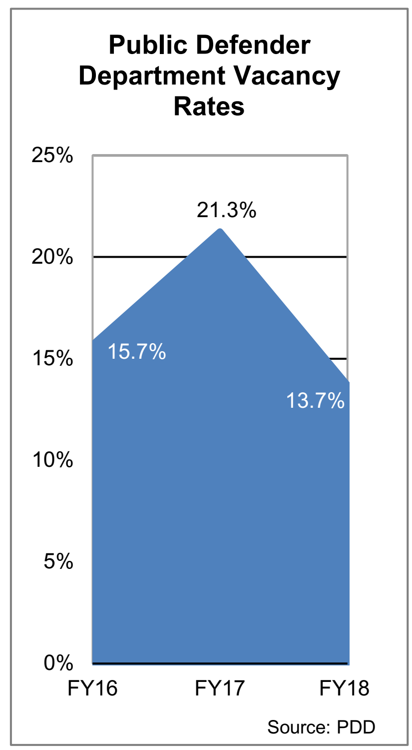


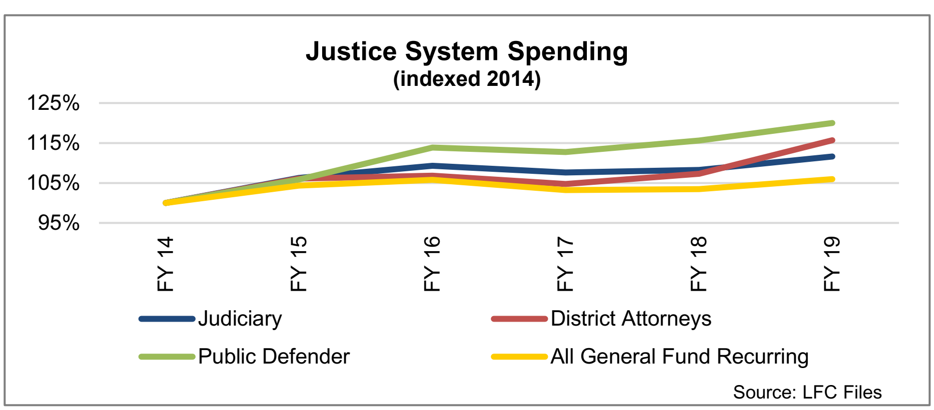
Public Defender Department

In FY18, PDD changed its eligibility policy to include clients with incomes up to 200 percent of the federal poverty guidelines; however, the office will no longer represent defendants who do not qualify, who previously received services in exchange for fees. The change is expected to have little to no effect on the number of people served, but the department will realize savings by eliminating its collections efforts.

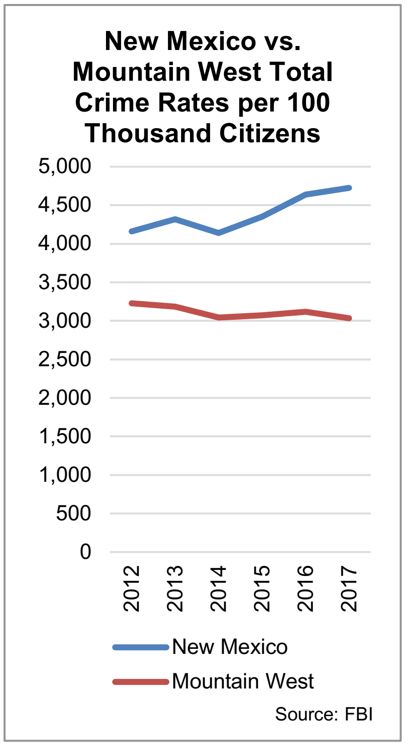
PDD was able to improve performance in FY18 due in part to a reduction in caseloads. With an increased appropriation from the Legislature, PDD maintained an approximately 13 percent vacancy rate in FY18, down from about 20 percent in FY17. Furthermore, PDD has dedicated additional resources toward ensuring more accurate reporting on performance in FY18, including the implementation of a new case management system and allocating staff for the purpose.

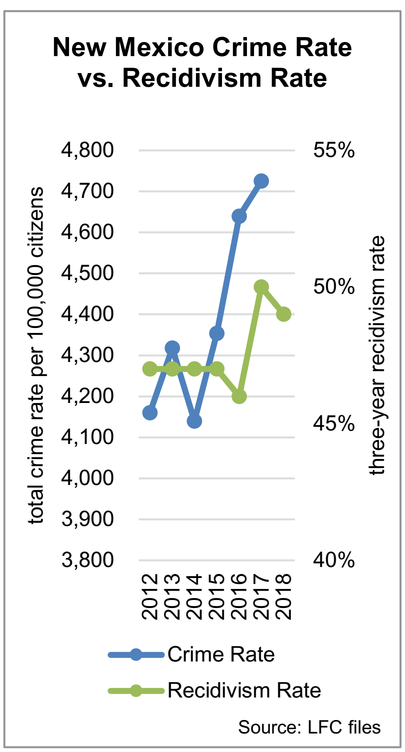
Finally, legislation passed in the 2018 legslative session changed the penalty for certain misdemeanors from jail time to fee assessments. Because of the changes, the department is expected to realize a decrease in those cases. Through vetoes, three misdemeanors were removed from the legislation, reducing the potential reduction in caseloads.





Public Safety





Although crime has fallen over the course of 2018, the need for evidence-based policies throughout the criminal justice system remains critical to reducing crime and recidivism. Effective policies around data sharing and behavioral health treatment both pre- and post-incarceration should be considered to make meaningful improvements in crime and recidivism rates.

The state's violent and prolific property crime incidents could deter economic progress and strain already stressed public safety networks. Instead of being able to devote funding to increasing broadband availability, strategically investing in education, or improving public health, crime rates drive funding to incarceration and mounting caseloads across the system. Evidence-based approaches to diversion, prison programming, and transitional living services could help slow the state's criminal activity.

New Mexico's crime rate remains stubbornly above the national and the Mountain West average (Arizona, Colorado, Idaho, Montana, Nevada, Texas, Utah and Wyoming). According to 2017 FBI data, the violent crime rate in Arizona spiked 8 percent and Colorado's grew 7 percent; however, those state's violent crimes per 100 thousand residents are significantly lower than New Mexico's. In Arizona, 508 violent offenses occurred for every 100 thousand people while in Colorado only 368 occurred. On average among Mountain West states, 369 violent crimes are committed for every 100 thousand in population; in New Mexico, 784 violent crimes occurred for every 100 thousand citizens.

Pinpointing the cause of crime trends is difficult, although economic conditions, lack of data, and policing and correctional resources have all been cited as underlying factors. Direct causes of crime are varied and are hard to identify. For example, Albuquerque, which has the highest number of reported crimes of any city in the state, experienced a bump in crime the year after signing a U.S. Department of Justice consent decree – a phenomenon that has occurred in every major city that has signed a similar decree in the last several years. State prison recidivism rates have remained high, between 46 percent and 50 percent over the last decade, driven by parole violations and revocations related to substance use.

Options for Improvement

Evidence-based methods of reducing and preventing crime and recidivism could be powerful tools for New Mexico. Effective data-sharing that allows for the identification of criminal hotspots and provides comprehensive criminal backgrounds could focus police and judicial resources more effectively. High impact and fidelity treatment for offenders, both pre- and post-sentencing, could help reduce an offender's chances of reoffending. Programs within state prisons, including mental and substance use treatment, could help improve an offender's chances of success once released.

Data Sharing and Analytics

In the criminal justice system, data collection occurs in silos across New Mexico law enforcement agencies, detention facilities, probation and parole agencies, courts, diversion programs, health departments, emergency responders, and others. Connecting the data so criminal justice partners can access information relevant to their respective programs would increase efficiency, reduce redundancy, minimize data errors, and allow for the evaluation and performance management of programs. This could be accomplished with data interfaces, uniform criminal justice definitions and identifiers, and statutory changes that protect privacy but allow for data-sharing and analysis among criminal justice partners.

In FY18, the first full fiscal year of operations, the Criminal Justice Clearinghouse operated by the Department of Public Safety sent 11,428 criminal history reports to district and magistrate courts around the state. Since December 2016, when the Clearinghouse first began issuing reports, 15,902 reports have been issued.

New Mexico has seen many iterations of data-sharing programs around the state that illustrate duplication of effort and lack of coordination. Legislation enacted in 2016 authorized a centralized data clearinghouse that combined information from multiple judicial agencies. The goal of the database is to allow judges to more quickly assess risk during arraigning and sentencing. DPS was appropriated $600 thousand to develop and maintain the database. However, the database is not fully automated. Currently, the clearinghouse serves 22 of 33 counties with six full-time employees tasked with pulling data from individual databases as needed.

For more info:

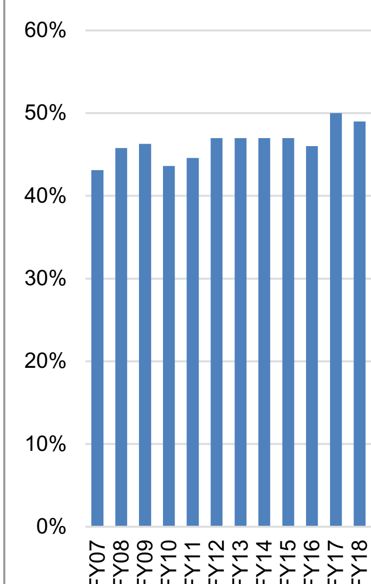
Department of Public Safety Report Card Page 129

The Albuquerque Police Department's (APD) Real Time Crime Center allows police to map crime hotspots and provides predictive analytics throughout the city. The center also partners with members of the public, who can register their security cameras with APD to help strengthen the system's capabilities.

This summer, the 2nd Judicial District Attorney received $500 thousand from the U.S. Bureau of Justice Assistance to develop and implement the criminal information database to consolidate and aggregate crime and offender data. The 2nd District Attorney will work with the Department of Public Safety to decrease homicides, robberies, and auto theft by developing a tool that will help strategize and implement optimal criminal justice interventions.

Other localities around the state have similar databases and various degrees of analytical capabilities but none of these system are linked in a meaningful way to best use data. Police, courts, jails, correctional systems, and many other agencies statewide share the need for data and analytics that focuses on the people, things, and patterns that lead to crime. Removing barriers around criminal justice data, incentivizing participation while still respecting applicable federal data protections, and encouraging a single-system database could lead to a cohesive approach to crime statewide.

Corrections Department Recidivism Rates



Source: LFC files

Presentencing Options

As a result of strained mental and behavioral health resources, police officers are frequently the first responders to crisis events. Incarceration is often not the appropriate response to crisis events. More diversion and community treatment options would help improve criminal justice outcomes, including reducing repeat offenders. A 2018 LFC evaluation notes crisis intervention teams, designed to intercept those with behavioral health conditions and divert them to crisis centers and treatment options, was shown to have an 88 percent positive return on investment. Crisis triage centers, established by law in 2015 are facilities licensed by the Department of Health to stabilize those experiencing mental illness crises, substance use disorders, or co-occurring crises placing them in either residential or nonresidential settings reimbursable by Medicaid.

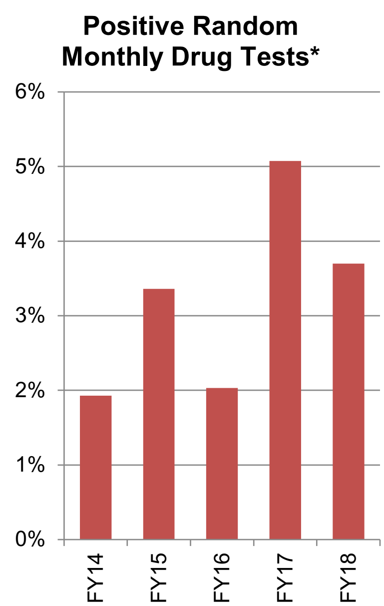
Law-enforcement-assisted diversion (LEAD) is a harm-reduction approach to drug crimes that gives police officers authority to divert persons to services in lieu of prosecution and jail. LEAD allows officers to refer individuals to community-

Recidivism Reduction Best Practices:

1. Evaluating risk-needs upon intake
2. Connecting inmates with evidence-based programs
3. Planning effectively for successful reentry.

For more info:

Corrections Department Report Card Page 127



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

Source: NMCD

Corrections Department FY20 Capital Request

Items	Requested Funds
HVAC and Roofing	$ 17,461
Security Upgrades	$ 14,007
Fire suppression and sewer lines	$ 5,292
Electric, Fire Alarm Phone Upgrades	$ 2,480
Replace, Repair, Renovate, Additions Statewide	$ 12,380
Total	**$ 51,620**

Source: NMCD capital request

based providers either at the time of arrest or if a person with high-risk for offending is identified. Once a person is referred to a provider, a case manager develops a care plan that may include intensive case management, individual intervention plans, treatment, education, and job skills training. A recent Sentencing Commission study of the LEAD program in Santa Fe determined an average cost of $7,541 per client per year, a savings of $1,588 per client per year, or 17 percent compared with non-LEAD client costs. The study also showed LEAD clients saw a significant decrease in the number of arrests six months post-referral. In 2018, the Legislature appropriated $400 thousand to establish the evidence-based LEAD program in Bernalillo, Santa Fe, and Dona Ana counties; however, the appropriation was vetoed.

Challenges Within Prisons

Vacancy rates among correctional officers have stayed between 21 percent and 24 percent over the last three years, with vacancies as high as 50 percent in some facilities. Chronic vacancy rates among custody staff at the Corrections Department result in high overtime costs and dangerous prison environments, as demonstrated by the spiking presence of illegal drugs and increased violence in prisons in FY18. Inmate-on-inmate violence hit a 10-year high with 32 assaults resulting in serious injury. Violence in prisons can be both an indicator of a lack of meaningful programming and a lack of security staff to allow for programming.

Three-year recidivism rates from the Corrections Department have remained above 46 percent for the last decade. Every percentage point of recidivism costs the state $1.5 million per year for incarceration alone. Of parole files closed in 2016, 75 percent of parolees violated the terms of their release due to substance use and missed appointments, at a cost of $104 per day per inmate. Parole revocations for technical violations related to drug use contribute to half of the state's recidivism rate.

Reducing recidivism rates stemming from drug use requires evidence-based programs within prisons that focus on mental and substance abuse. Currently, NMCD spends 87 percent of in-custody recidivism reduction programming dollars on evidence-based programs, including for drug abuse, but does not have data on participation rates. The lack of data makes assessing the impact of the department's programming difficult. For the last few years, the department has used residential drug abuse programming (RDAP) for most inmates, an evidence-based program. The Corrections Department reported a recidivism rate of 18 percent for RDAP in FY18. Assuming the recidivism rate has been stable since program implementation, it is unclear why the department's overall recidivism rate has not decreased as a result of the success of the program and calls in to question the validity of the data.

To reduce recidivism, it would be desirable to assign prisoners to facilities near populations that can provide and maintain professional behavioral healthcare staff. For example, Western New Mexico Correctional Facility (Western) in Grants is close to full capacity. Western houses women, whose population has grown markedly over the last five years. Due to the burgeoning population, NMCD occasionally uses office and programming areas to house inmates, limiting available space to provide meaningful programming. There are no mental health providers at the facility and a 67 percent vacancy rate among behavioral health providers which may contribute to rising technical parole revocation rates for women, many of which are due to substance use.

Additionally, facility condition indices for NMCD facilities suggest it is more expensive to repair the department's buildings than it is to replace them. Legislative and executive staff have discussed the potential for building a new prison to supplant beds at old and inefficient facilities. The parties agreed to develop a request for proposals to study prison design, construction costs, and identify appropriate programming space needs. As a result, $200 thousand was appropriated in 2018 to develop a master plan for correctional facilities statewide. Little progress has been made because the department believes more funds are needed to complete the study.

Violence among state prisoners more than doubled in FY18 as inmate-on-inmate assaults spiked from 15 incidents in FY17 to 32 incidents in FY18.

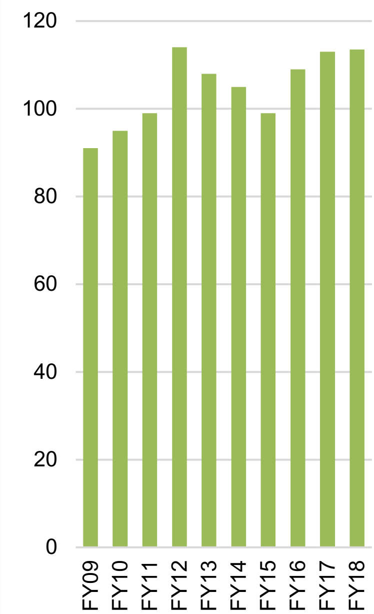
A 2014 Legislative Finance Committee evaluation stated a new 192-bed medium security housing unit to replace existing facilities would save $2.6 million over 10 years.

Post-Sentencing Options

More rigourous evaluation of reentry programs, through stronger performance measures, would allow for better assessment of effectiveness and help identify gaps in services. A guide produced by the National Institute of Corrections and the Urban Institute contains suggested measures for determining the success of reentry programs, including

- Three-year program recidivism rate;
- Employment and education participation and attainment rates among program participants, including a comparison with previous periods among cohorts;
- Reduction in the number of supervised release violations;
- Increase or decrease in number of parolees who have obtained stable housing;
- Substance abuse and mental health participation and completion rates among program participants, including a comparison with previous periods among cohorts; and,
- Increase or decrease in drug use and alcohol abuse or consumption among parolees.

Probation and Parole Officer Caseloads



Source: LFC files

In FY17, NMCD spent $1.6 million on halfway houses for parolees, although only 4 percent of released inmates used the services. Further, these facilities are lack programming compared with transitional living centers. Transitional living centers provide both housing and programming for offenders, while halfway houses typically only provide a bed. Transitional living centers provide evidence-based programming, including residential drug abuse programming as well as anger management, parenting classes, and GED classes. In FY18, NMCD spent $3.2 million on transitional living centers to house 125 offenders. The waitlist for transitional living centers is long and can delay an inmate's timely release from prison. NMCD needs additional resources to provide more beds and evidence-based services.

Halfway houses provide a bed for an offender but no programming.

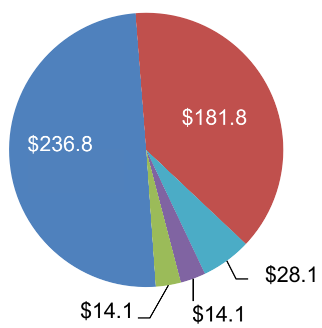
Transitional living centers provide a bed, programming, and other support services for offenders.

Average standard caseloads per probation and parole officer (PPO) rose for the third straight year. In FY18, PPOs saw a standard caseload of 114, well above the target of 100 cases. Probation and parole officers received an 8.5 percent pay increase in FY19 to help recruit and retain more officers; however, vacancy rates have not improved since the start of the fiscal year and should be monitored. Vacancy rates among these officers means their attention must be spread across more offenders and could compromise the supervision and services these offenders receive.

LFC Online: Understanding Government Finances

Finance Facts: Corrections

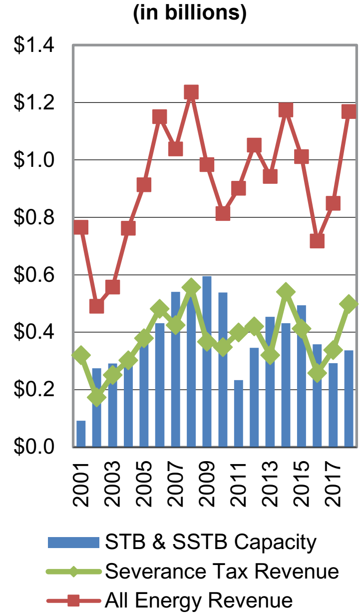
Capital Outlay Bonding Capacity for 2019
(in millions)



* For public school construction

Based on December 2018 Revenue Estimates Source: LFC

STB Capacity and Energy Revenues
(in billions)



Source: LFC, TRD, BOF

New Mexico is seeing unprecedented general fund revenues from oil and gas activity, but policymakers are familiar with this industry's volatility and the risk that poses if used for recurring spending. Focused, one-time investments in infrastructure are a highly beneficial use of this unreliable funding that can encourage long-term economic development, improve New Mexicans' quality of life, and maintain existing state assets that continue to deteriorate due to limited capital project funding in recent years. Further, New Mexicans continue to support infrastructure spending, with all 2018 ballot questions on general obligation bond issues passing with significant support and a recent poll showing residents rank investing in roads and other infrastructure below only education and criminal justice in importance.

While infrastructure spending is vital, New Mexico's capital outlay process is inefficient, and its practice of earmarking funding for individual lawmakers to allocate is unique among the states. Efforts to improve the process for selecting and funding local capital outlay projects have been largely unsuccessful. Without legislative changes, the process continues to divert funding away from critical needs at state-owned facilities. The lack of procedures to ensure projects are adequately planned and funded means communities' deficient roads and water systems linger and conditions at state facilities continue to pose risk to clients, creating a liability for the state.

Capital Outlay

2019 Capital Funding Outlook

As detailed in *Volume III*, early revenue projections indicate net senior severance tax bonding (STB) capacity, debt repaid with taxes on oil, gas, and mineral production, is approximately $236.8 million. Earmarked funds for water infrastructure, colonias, and tribal infrastructure total $56.2 million, 18 percent of senior STB capacity, with $28.1 million for the water project fund and $14.1 million each for the colonias and tribal infrastructure funds. The supplemental STB, or "sponge bond," issuance dedicated for public school construction is expected to be about $181.8 million in 2019. Pursuant to legislation passed during the October 2016 special session, the Legislature may appropriate up to $25 million of this capacity for transportation or instructional materials. The final capacity estimates will be released by the State Board of Finance (BOF) on January 15, 2019.

The significant surge in revenues creates the financial opportunity to directly pay for capital outlay projects with general fund appropriations rather than to borrow through bonding. At a time when the state is flush with money, the ability to pay for these projects in cash generates long-term savings for the state by eliminating the cost of interest, the rates of which continue to increase. Rather than being used for debt service, the severance tax revenue could be transferred into the severance tax permanent fund over a 10-year period, increasing the size of the fund and, thereby, increasing earnings and transfers to the general fund in future years. To allow these savings to flow into the severance tax permanent fund, BOF and legislative staff will need to work together to adjust statutory language regarding the calculations for the transfers and for future bonding capacity. The LFC staff capital outlay "framework," summarized in *Volume III*, allocates $303 million from the general fund and $70 million from other state funds for statewide projects while reserving $300 million of general fund for policymakers to fund local projects. A list of all state agency capital outlay priorities is available on request.

Summary - No Senior STB Capacity Issued in 2019
(in millions)

Senior STB Capacity: $312.2 STPF Annual Impact: $23.0

FY	STPF - Fund Size			Distribution to General Fund		
	With STB	Without STB	Difference	With STB	Without STB	Difference
FY19	$5,691.2	$5,691.2	$0.0	$220.6	$220.6	$0.0
FY20	$5,827.1	$5,850.1	$23.0	$229.8	$229.8	$0.0
FY21	$6,001.8	$6,049.0	$47.2	$239.2	$239.2	$0.0
FY22	$6,159.6	$6,231.9	$72.3	$251.3	$251.6	$0.2
FY23	$6,314.0	$6,412.3	$98.3	$263.9	$264.5	$0.7
FY24	$6,395.4	$6,520.3	$124.9	$273.7	$275.1	$1.3
FY25	$6,473.9	$6,625.8	$151.9	$281.9	$284.2	$2.3
FY26	$6,550.4	$6,729.6	$179.2	$288.6	$292.0	$3.4
FY27	$6,625.4	$6,832.3	$206.8	$294.6	$299.3	$4.6
FY28	$6,699.9	$6,934.5	$234.7	$299.8	$305.7	$5.9
FY29	$6,774.4	$7,037.1	$262.8	$304.2	$311.3	$7.2
FY30	$7,005.0	$7,278.1	$273.0	$307.8	$316.2	$8.4

Cumulative Difference

By FY	General Fund	STPF
FY24	$2.2	$98.3
FY30	$34.0	$273.0

Source: LFC

Capital Outlay Reform

Given the volatility of severance tax revenue and the inability of available capital outlay funding to meet all of the state's infrastructure needs, legislators and the executive branch continue to scrutinize the vast amount of unexpended appropriations and large number of projects that remain inactive. Poor project selection (including insufficient planning, a piecemeal approach to funding, and unknown construction costs) continues to delay project completion. These problems should compel policymakers to carefully distinguish future project funding by priority, readiness to proceed, need, public purpose, and merit.

Over the years, proposals have taken aim at developing an efficient process for planning, prioritizing, and funding capital outlay projects. Proposed reforms include defining the process of selecting and funding projects, clarifying the definitions and limitations on what projects are eligible for capital outlay appropriations, improving how the state monitors projects and ensures they

LFC Staff Site Visits 2018

- Child Wellness Center (in construction) (Albuquerque)
- Children, Youth and Families Department San Mateo and Lamberton facilities (Albuquerque)
- New Mexico Behavioral Health Institute (Las Vegas)
- Fort Bayard Medical Center (Santa Clara)
- New Mexico State University—main campus (Las Cruces), Grants branch, and Carlsbad branch
- University of New Mexico Los Alamos (Los Alamos)
- Western New Mexico University (Silver City)
- Western New Mexico Correctional Facility (Grants)
- Springer Correctional Center (Springer)
- Central New Mexico Correctional Facility (Los Lunas)
- New Mexico State Veterans' Home (Truth or Consequences)
- Sierra Vista Hospital (Truth or Consequences)
- Zuni Middle School and teacherages (Zuni)
- Cultural Affairs Department Bookmobile (Rociada, Guadalupita, and Mora)

Water Infrastructure Oversight 2014 to 2017

In 2014, the Environment Department (NMED) formed a Water Infrastructure Team, with participation from state, federal, and local entities. The team developed a unified asset management plan and a checklist for technical assistance for local governments. NMED offered services to small water systems and disbursed a compiled list of contacts and sources of available funds to leverage for water projects. While NMED developed a survey of unmet needs, it has not been updated since 2017 and the Water Infrastructure Team did not meet in 2018.

Status of 2014 "Year of Water" Projects

Of $83.5 million appropriated for 191 projects, 16 projects remain active in 2018 with balances totaling $6.5 million. The largest project, $10 million to improve and expand Bradner Dam, has a balance of $2.2 million and is set to complete in 2019.

are successfully completed, and increasing transparency by identifying which legislators sponsor each project included in capital outlay legislation.

Prioritization. To assess proposed capital projects, the federal Government Accountability Office recommends quantifying needs and evaluating alternatives. While some of New Mexico's local governments, state agencies, and higher education institutions have implemented scoring systems, there is no requirement to do so and project priorities and requests often change from year to year.

The Department of Finance and Administration (DFA), Aging and Long-Term Services Department, and Public School Capital Outlay Council use scoring systems based on consistent criteria. Examples of the factors used in project scoring include criticality of need, benefits to public health and safety, readiness to proceed, feasibility, cost-benefit, potential to leverage other funding sources, and opportunity for operational cost-savings. Agencies and local governments should adopt similar scoring practices to improve their infrastructure capital improvement plans (ICIP) – documents submitted annually that outline a five-year capital plan.

Although agencies and local governments submit ICIPs, funding is not always awarded in accordance with these priorities, and in some cases projects not included on ICIPs are funded while higher priority projects are neglected. The Indian Affairs Department requires that projects receiving tribal infrastructure fund awards appear on the applying entity's ICIP. A similar requirement for projects funded during the legislative session would ensure funding corresponds with agency and local government priorities; alternatively, inclusion on an ICIP could be considered as a component of a project's overall score rather than automatic disqualification.

Minimum Funding Amount. Projects receiving less than $10 thousand are slower to spend state funds. The Legislature should consider a $50 thousand minimum level for projects funded from capital outlay, unless a lesser amount is needed to complete a project. Larger projects are more likely to realize savings to state and local governments, provide for completion of projects in a timely manner, streamline state and local administrative efforts, and ensure projects fulfill a need in the community.

Grantee Accountability. To ensure state capital outlay funds are awarded to entities that will be good stewards of taxpayer money, the request evaluation process should consider entities' history with prior awards. Federal law and state capital outlay legislation require 5 percent of funds to be encumbered within six months of the bond sale and 85 percent to be expended within three years, but many grantees fail to meet these requirements. Entities that consistently fail to meet legislative requirements and do not demonstrate they have taken steps to ensure future compliance should not receive new awards.

Boilerplate Language. In 2016, recognizing the inadequacies of the capital outlay process, representatives of the Association of Counties and the Municipal League and staff of the executive and legislative branches reviewed and developed administrative improvements. The group proposed changes to the "boilerplate" introductory language of the capital outlay bill to improve the timeliness of bond

LFC Online: Understanding Government Finances

Finance Facts: Capital Outlay Process

Capitol Buildings Planning Commission

The Capitol Buildings Planning Commission (CBPC) convened for three meetings in 2018. The committee heard testimony from the General Services Department (GSD) on the proposed acquisition of a facility for the Children, Youth and Families Department for a child wellness center in Bernalillo County. Laws 2018, Chapter 66, authorized the New Mexico Finance Authority to issue $20 million of state office building revenue bonds to plan, design, acquire, construct, renovate, equip, and furnish a building in Bernalillo County. The purchase aligned with the strategic plan developed in the Albuquerque master plan commissioned by CBPC with Architectural Research Consultants, Inc. (ARC) in 2017.

The commission further discussed a memorandum of understanding among the Department of Health, GSD, and the Legislative Council Service (LCS) to facilitate master planning services. The funding was vetoed in FY18 and FY19, but continued to perform minimal services with LCS funding ARC, including master planning and maintenance of the statewide inventory database.

CBPC members were updated on the proposed legislation regarding a comprehensive approach for the disposition of property. However, no conclusion was reached, and the commission will discuss the legislation at its January 2019 meeting.

proceed expenditure, encourage compliance with the State Audit Act, and reduce the number of capital assets that sit unfinished as a result of insufficient funding. LFC recommends adding language requiring State Audit Act compliance to preserve the accountability achieved through a 2013 executive order that may not be retained by the new administration.

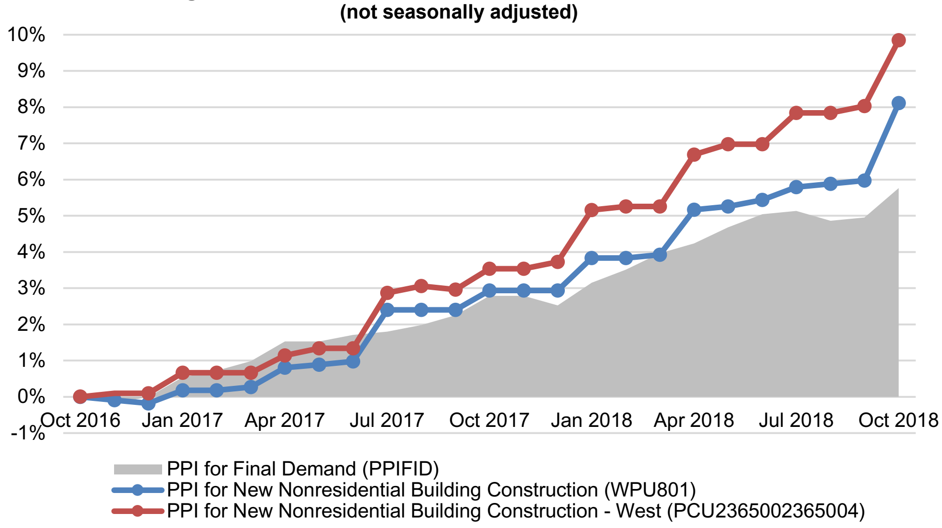
Funding Requests and Considerations

State agency priority capital requests total nearly $649 million, including $104 million from higher education institutions. The LFC staff framework for consideration by the full Legislature totals about $373 million, including $303 million from nonrecurring general fund revenues and $70 million from other state funds, with nearly $43 million for higher education institutions. The framework is based on criteria, site visits, review of ICIPs, monthly meetings with major departments, and testimony at hearings.

Critical projects impacting public health and safety continue to be a priority, but other patterns have emerged in the FY20 requests that should be considered. In the past year, planned and ongoing projects have been affected by rising construction costs and must reduce scope or obtain additional funds to be completed. More institutions and agencies have explored public-private partnerships, such as energy service performance contracting, to help finance their facilities. Issues at existing facilities have led to a renewed focus on careful planning and feasibility studies, while concerns over efficient space utilization and the cost of maintaining underutilized facilities has led more agencies and institutions to consider demolition. Finally, concerns over student security at public schools and higher education institutions have prompted both to focus on physical access control, but in very different ways.

Rising Construction Costs. Increasing materials and labor costs have significantly impacted state agency and local capital improvement projects. The U.S. Bureau of Labor Statistics' producer price index (PPI) measures the average change over time in selling prices received by domestic producers of goods and

Change in Producer Price Index (PPI) since October 2016
(not seasonally adjusted)



Source: U.S. Bureau of Labor Statistics; FRED, Federal Reserve Bank of St. Louis

Child Wellness Center

The Children, Youth and Families Department (CYFD) requested $29.4 million to complete the new child wellness center in Albuquerque. Prior to selecting a facility, initial analysis reported to the Capital Buildings Planning Commission showed a total project cost of $29 million. This request brings the total cost for the wellness center to almost $50 million.

Completion of the project will provide office space for all CYFD's Albuquerque staff and will result in $3 million in annual lease savings as well as providing an additional 28,000 square feet of renovated space that could be utilized by another state agency. With the facility purchased and preliminary design complete, the LFC staff framework supports CYFD's $29 million request.

Child Wellness Center Lease Savings

Facility	Square Feet	Lease Cost
San Mateo	78,216	$1,892,653
Lamberton	40,498	$1,080,883
Total	**118,714**	**$2,973,536**

Source: Capital Buildings Planning Commission

Senior Center Requests

In 2018, the Aging and Long-Term Services Department (ALTSD) received capital outlay requests totaling $28.7 million from senior center programs in 25 counties statewide. Based on a formal application process, review of the applications, site visits, and input from the area agencies on aging, ALTSD and DFA recommended $4 million, including $2.8 million for construction and renovation projects and $1 million for vehicles. A list of recommended projects by category can be found in *Volume III*. The LFC staff framework supports the request.

The LFC recommendation for special appropriations (see *Volume III*) also includes $100 thousand for ALTSD for emergency replacement of small equipment.

Criteria and Assigned Points for Prioritizing Senior Citizen Projects (120 Points Possible)

- Narrative summary and background (10 points)
- Critical need (40 points)
- Matching funds (20 points)
- Readiness to proceed (20 points)
- Project oversight (10 points)
- Project management (20 points)

New Mexico Department of Agriculture

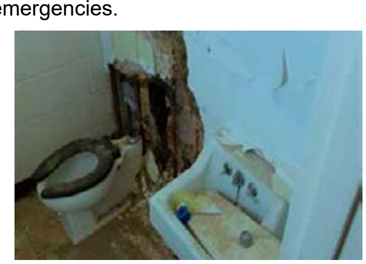
Drain Rot and Settlement at NMDA

NMDA requested $14 million to repair, replace, construct, and renovate its facility on the New Mexico State University campus. The facility is in urgent need of remediation to address life and safety risks, which include major roof leaks and cracks in load-bearing walls caused by foundation settlement. In addition to addressing these concerns, the project will separate the petroleum and chemistry labs (the proximity of which poses a serious safety risk), update the HVAC system to meet current usage, code compliance, and accreditation requirements, and install fire separation walls and a fire sprinkler system. The LFC staff framework supports this request

General Services Department Statewide Repairs

NMBHI La Planta Building

GSD requested $10.6 million for statewide deficiency, preventive, and emergency repairs, including $4.7 million for fire protection, $3.3 million for building shells and roofs, and $1 million for other emergencies.



Los Lunas Campus Cottage Bathroom

services. Since October 2016, PPI for final demand, not seasonally adjusted, has increased 5.8 percent, but construction costs have significantly outpaced this growth. Over the same period, the PPI for new nonresidential building construction, which measures the price contractors say they would charge to build a fixed set of buildings, increased by 8 percent, and the PPI for new nonresidential construction in the West increased even more, by 9.8 percent.

A significant portion of the growth in construction costs has occurred in FY18 and FY19, with the PPIs for new nonresidential construction nationally and in the West rising 5.5 percent and 6.8 percent, respectively, since July 2017.

The Department of Health (DOH) requested $3.4 million to address rising construction costs: $3 million for construction of the third phase of the Meadows building at the Behavioral Health Institute and $400 thousand to build the new Vital Records and Health Statistics Bureau facility. Similarly, bids for New Mexico Highlands University's (NMHU) Rodgers' Hall Administration Building renovation exceeded the project's budget by $1 million; NMHU requested this amount to complete the project. The LFC framework fully supports NMHU's request and includes $1.9 million for DOH's Meadows and Vital Records buildings.

Public-Private Partnerships. During the 2018 interim, LFC worked to develop policy on the use of public-private partnerships (P3) in state capital projects. P3 infrastructure projects require a transfer of risk and assets between partners. These agreements can be complex, outlining capital commitments and ongoing financing, operations, and maintenance obligations. While P3s may be helpful to New Mexico in addressing our infrastructure deficit, the policy surrounding them must be thoroughly vetted.

One type of P3 agreement commonly used by state agencies and higher education institutions is energy service performance contracts (ESPC). ESPCs allow public entities to pledge guaranteed future utility savings to cover the cost of a capital improvement project. Energy services companies, which are qualified by the Energy, Minerals and Natural Resources Department (EMNRD), provide upfront capital costs in return for these savings. Lighting and heating, ventilation, and air conditioning (HVAC) systems are some of the most efficient uses of ESPCs and can be bundled with other projects that alone would have lower savings and a longer payback period.

Higher education institutions and state agencies have engaged in investment grade audits, during which energy service companies conduct assessments of existing infrastructure to identify capital investments that could result in utility savings. In November 2018, the General Services Department's Facilities Maintenance Division (FMD) completed an energy audit of all the buildings it maintains in Santa Fe, which identified about $20 million in capital projects that could be funded in this manner. Eastern New Mexico University completed an audit for its main campus in August 2016, which identified approximately $4.5 million of capital projects that could be funded through an ESPC, and is in the process of conducting an audit at its Roswell campus, which it expects to complete by the end of 2019. The state veterans' home in Truth or Consequences is also working with an energy service company to conduct an audit, which it expects to complete in February 2019.

ESPCs can also be used to partially fund larger projects, like the Department of Workforce Solutions' Tiwa administration building rehabilitation and remodel project. The department anticipates funding about $4.5 million of the estimated $19.8 million renovation through an ESPC, lowering the department's FY20 capital request to $12 million. The LFC framework supports the request.

More broadly, P3 agreements have been used throughout the country with mixed results. While ESPCs are governed by statute and overseen by either EMNRD or the New Mexico Finance Authority, New Mexico has also used various other forms of P3 agreements for public facilities and infrastructure but lacks a strong statutory framework to guide these complex arrangements. In advance of the 2019 session, LFC will develop legislation defining a framework for the state to use when evaluating the use and benefit of P3s and other financing mechanisms. Shifting capital improvements from the public- to private-sector balance sheet must make sense for New Mexico. A reasonable legal structure will benefit the entire state, including local governments and state agencies.

Planning and Feasibility. Careful planning is essential to ensure projects are successful, especially in light of rising costs and more complex financing arrangements (such as P3s). The General Services Department (GSD) requested $500 thousand in FY20 for statewide master planning, which includes consideration of how ESPCs can best be used to support state facilities and capital projects. GSD's ongoing facility condition assessments (included in *Volume III*) provide a good basis for such analysis. The LFC staff framework supports the request.

DOH recently began a master planning process that will cover its Los Lunas campus, Fort Bayard, and the Behavioral Health Institute. DOH expects to complete the master plans by the end of FY19.

In 2018, the Legislature appropriated $200 thousand to the Corrections Department (NMCD) to develop a statewide correctional facility master plan. While there is some interest in using these funds to plan a new correctional facility, according to the agency this would require $500 thousand. For FY20, NMCD requested $52 million for capital outlay projects statewide, including fire alarm and suppression systems, security upgrades, electrical upgrades, HVAC systems, and roofing. Overall, the department estimates it has $262 million in deferred maintenance. The LFC staff framework includes $27.5 million to support these needs, but the age, location, and condition of current correctional facilities ensures maintenance needs will continue to grow. In recognition of this fact, the framework includes an additional $300 thousand to fully fund the cost of developing a plan for a replacement facility.

Staffing difficulties and facility age pose persistent difficulties for the State Veterans' Home in Truth or Consequences, and some concerns exist about whether the home's location is best suited to serve the state's veteran population. The LFC recommendation for special appropriations, also included in *Volume III*, includes $300 thousand to complete a feasibility study for a new veterans' home.

The need for careful facility planning is also reflected in public schools. In the most recent awards cycle, the Public School Capital Outlay Council provided funding for nine feasibility and utilization studies and postponed decisions on 10 construction awards pending completion of these studies.

Department of Public Safety Evidence and Crime Lab

DPS requested $33 million to complete design and construction of its renovated and expanded evidence records storage facility and crime lab. The current evidence vaults and record storage are at capacity and the current crime lab is insufficient to support increased caseloads. The LFC staff framework includes $27 million for this request.

Corrections Department Facilities

Pipes at Western NM Correctional Facility

HVAC unit at Central NM Correctional Facility

Department of Cultural Affairs

Corroded and Leaking Chiller at National Hispanic Cultural Center

DCA requested almost $18.3 million for critical repairs, structural stabilization, preservation, lifecycle repairs, and revenue generation projects statewide. The request included $2.5 million for the interior renovations to the New Mexico Museum of Art Vladem Contemporary in Santa Fe. DCA also submitted a $3.5 million special appropriation request for this project. Overall, DCA estimates the project will cost $16.3 million.

For more info:

General Services Department Report Card Page 151

Local FY20 Requests Top Five Priorities by Category
(estimated project costs)

Category	Requested Amount
Water	$426,217,584
Transportation	$367,330,426
Quality of Life	$196,091,421
Public Safety	$32,921,953
Environment	$29,940,477
Housing	$25,306,795
Health	$24,675,948
Economic Development	$895,000
Facilities - Other	$99,737,145
Equipment - Other	$13,427,138
Other	$22,030,256
Total	**$1,238,574,143**

Source: DFA-Local Government Division

Space Utilization and Demolition. Efficient utilization of space in state-owned buildings continues to be a priority. Unused and underused facilities continue to generate maintenance and utility costs while providing little value to the state. Unused facilities that are in poor condition and cannot be repurposed should be demolished to avoid these costs.

New Mexico State University requested $1.6 million in FY20 to fund demolition of buildings on its main campus. The institution's top priority for demolition is its Regents Row building, which was built in 1962 and costs the university $675 thousand annually to maintain. GSD requested $4.4 million for decommissioning and demolition statewide, including $1.2 million for cottages at the Behavioral Health Institute and $1.7 million for facilities at DOH's Los Lunas campus. The LFC staff framework supports these requests.

Student Safety and Security. The New Mexico Institute of Mining and Technology (NMIMT), New Mexico State University – Doña Ana Community College (NMSU-DACC), and Western New Mexico University (WNMU) each requested funds for electronic key systems totaling almost $4.2 million. Central New Mexico Community College (CNM) is currently implementing a campuswide access control project focusing on electronic key locks, which it expects to complete in June 2019. The total cost of the project is anticipated to be $7.5 million, which CNM is funding through local general obligation bonds. The LFC staff framework recommends fully funding the projects at NMSU-DACC and WNMU and recommends funding for locks on exterior, laboratory, and other high-priority doors at NMIMT.

The institutions requesting funding all cited student security as a primary purpose of the project. Public schools also focused on student security and access control this year; however, those projects generally involved more significant facility changes, such as adding fencing, security vestibules, and stronger windows.

Local Government and Tribal Entities. According to ICIPs compiled by DFA's Local Government Division, the five highest priorities for local and tribal governments and other political subdivisions total $1.2 billion. The most funding

A Closer Look

Program Evaluation: Agricultural Centers

The federal Hatch Act (7 U.S.C. § 361a), enacted in 1897, gives each land-grant university annual funding to establish an agricultural experiment station (AES) to conduct original research and verify experiments bearing directly on the agricultural industry. Since opening in 1889, New Mexico State University (NMSU) and its associated experiment station have been the annual beneficiary of these Hatch Act funds and required state matching funds. In FY17, AES received $35.2 million in operational revenues, almost entirely from state and federal sources. These revenues support over 100 full-time-equivalent faculty within the university's College of Agriculture as well as the operations of 12 off-campus agricultural science centers.

The March 2018 LFC Program Evaluation *The Modern-Day Role of the Agricultural Experiment Station and Cooperative Extension Service* found that despite these significant annual revenues, NMSU had not prioritized agricultural science centers for capital expenditures, nor provided adequate operating budgets for the centers. As a result, in 2012, NMSU's facilities department estimated the deferred maintenance at six of the centers (Alcalde, Artesia, Clayton, Clovis, Mora, and Tucumcari) at over $20 million. The report included recommendations for NMSU to incorporate the capital needs of its agricultural science centers into the university master facilities planning and, where necessary, include improvements for centers in capital outlay requests. In response, NMSU requested $4 million in FY20 to fund renovations, upgrades, construction, and replacement of agricultural science centers statewide. The LFC staff framework fully funds the request.

was requested for water, transportation, and quality of life projects (including projects at libraries, museums, and senior centers). A listing of the top five priorities for all governmental entities participating in the ICIP is available through LFC or LGD. The LFC staff framework reserves $300 million for policymakers to address these requests.

To streamline the reimbursement process and improve project reporting, LGD revised its intergovernmental grant agreement and payment request forms for local capital outlay projects in 2018, eliminating paper reporting and notary requirements.

Anti-Donation Clause

To comply with the New Mexico Constitution, guidance from DFA notes any private entity benefitting from capital outlay funding must have a lease in place where the private entity meets fair market rental value of the public facility by providing services to the public, maintaining or repairing the leased premises, improving the leased premises, paying property insurance, and/or cash payments. The private entity must provide documentation of the value of consideration or services provided at least quarterly.

Unexpended Funds

As of September 2018, approximately $712.7 million from all funding sources for 1,750 projects remains outstanding, including $83.1 million of earmarked fund balances for water ($34.6 million), colonias ($23.7 million), and tribal ($24.8 million) infrastructure projects. Balances for projects funded for $1 million or more were $603.4 million for 156 projects, or 84.7 percent of all unexpended balances.

Local projects make up $127.5 million, or 17.9 percent, of outstanding balances, with 1,189 projects active as of September 2018; overall, 78.4 percent of local project funding was unspent. Balances for local projects funded between $300 thousand and $1 million were $27.4 million for 92 projects, or 3.8 percent of all unexpended balances.

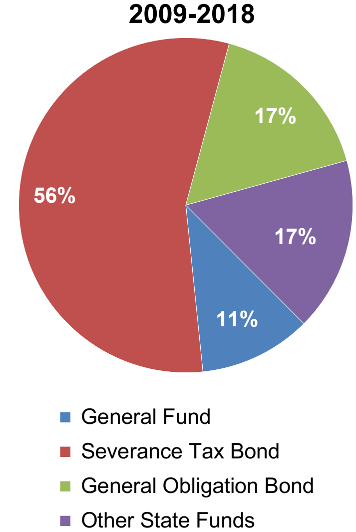
2009-2018 Capital Outlay All Fund Sources "Outstanding" Projects Only
(in millions)

Year	Number of Projects	Amount Appropriated	Amount Expended	Amount Unexpended	Percent Expended for Year
2009	1	$10.0	$9.5	$0.5	94.5%
2014	6	$7.2	$2.4	$4.7	34.0%
2015	354	$190.0	$105.2	$84.9	55.3%
2016	472	$356.6	$117.2	$239.4	32.9%
2017	109	$29.6	$4.8	$24.8	16.3%
2018	808	$374.6	$16.2	$358.4	4.3%
Total	**1750**	**$967.9**	**$255.3**	**$712.7**	**26.4%**

Note: Data includes projects for water, colonias, and tribal earmarked funds; 2009 balances are for Indian water rights matching funds.

Source: Capital Projects Monitoring System

Percent of Unexpended Capital Balances by Fund 2009-2018



Data as of September 2018

Source: LFC

Senior Severance Tax Bonds Earmarked Funds 2013-2018
(in millions)

Fund	Projects Awarded	Amount	Bal.
Water	123	$133.1	$34.6
Colonias	151	$71.0	$23.7
Tribal	118	$71.3	$24.8
Total	**392**	**$275.4**	**$83.1**

Data as of September 2018
Source: Capital Projects Monitoring System

Authorized but Unissued Bonds

Following the June 2018 bond sale, bonds for 60 projects authorized for $18.3 million remain unissued due to a lack of readiness to proceed, including $11.5 million from a 2016 appropriation to the local economic development fund and 59 projects authorized in 2018. The June sale included five projects totaling $319.8 thousand removed from the March 2018 authorized but unissued list; bonds were sold for two of these projects but three others are now expired after the certification deadline passed at the end of FY18.

Status of Projects Greater than $1 Million

G	Project on schedule	98
Y	Behind schedule or little activity	32
R	No activity or bonds not sold	20
Total Active Projects		**150**
Other report information:		
B	Appropriation expended or project complete in FY19 Q1	6

Data as of September 2018

Source: LFC

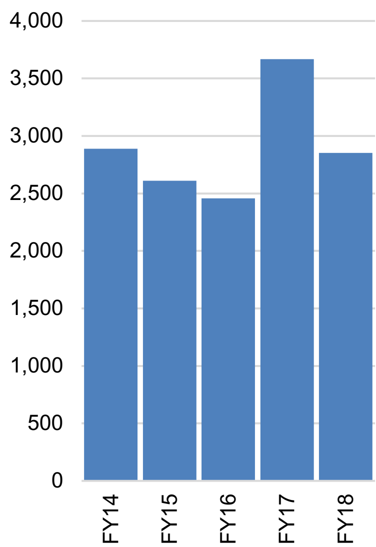
Reauthorizations

In the 2018 legislative session, 127 appropriations with balances of approximately $50.6 million were reauthorized; of these, 81 appropriations were reauthorized solely to extend the reversion dates. Because reauthorized local projects must execute a new grant agreement with the supervising agency before work can continue, reauthorized projects often face delays of at least two to three months. Although some projects are able to proceed using other funds, others are forced to suspend work, often leading to increased costs related to contractor remobilization.

Transportation Infrastructure

New Mexico's statewide transportation infrastructure network, 30 thousand lane miles of interstate corridors and U.S. and state highways, is maintained by the Department of Transportation (NMDOT). The construction needs of the transportation network have increased as routine maintenance has been deferred. Growth in the state road fund has been slow and the revenue generated is insufficient to meet construction and maintenance demands. Persistent underfunding of infrastructure projects means one-time appropriations for new construction projects and increased recurring revenue to pay maintenance costs are required.

Number of Statewide Pavement Miles Preserved



Source: NMDOT

Road Conditions

From FY14 to FY17, the NMDOT review of road conditions shows the percent of noninterstate lane miles in good condition fell from 85 percent to 81 percent. The number of lane miles in deficient condition increased by 14 percentage to 4,675 miles. The continued deterioration of New Mexico roads will result in high maintenance costs because road treatments become more expensive with greater deterioration. For example, roads in fair condition typically require treatments costing between $12 thousand and $36 thousand per lane mile, while roads in poor condition requiring reconstruction cost up to $1.5 million per lane mile. Preventive maintenance averages $15 thousand per lane mile per year, preservation activities and minor pavement rehabilitation costs average $180 thousand per lane mile, and major rehabilitation and reconstruction can cost between $500 thousand and $1.2 million per lane mile.

The annual condition assessment helps NMDOT determine priority projects; the results of the assessment are shared with the Legislature and are publicly available in NMDOT's report card. However, the department is not required to use information collected in the road condition assessment to set priorities in the Statewide Transportation Improvement Program (STIP). NMDOT is in the process of implementing an asset management system that contains performance measures and targets for pavement and bridge conditions. Use of the system in conjunction with clear project selection criteria will allow NMDOT to compare the long-term impacts of various projects and pavement treatments to determine how to provide the greatest improvement given current funding.

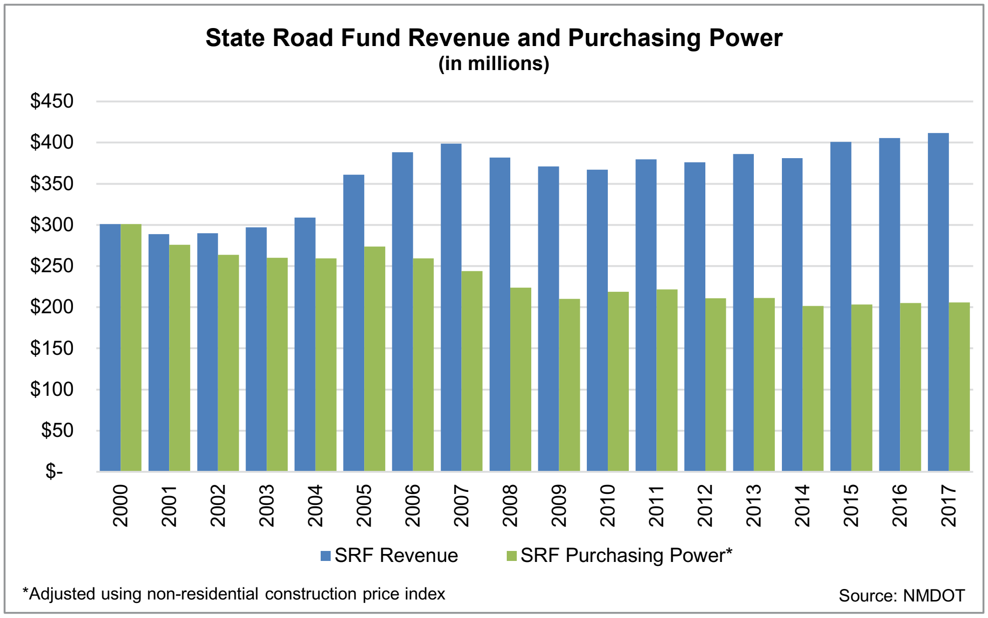
NMDOT's 10-year condition analysis shows 5.1 percent of bridges are structurally deficient. Current funding for bridge maintenance ($90 million per year) will reduce the deficiency to 1.7 percent of bridges in 10 years; however, NMDOT analysis suggests bridge condition could be maintained at the current level with $68 million annually. Meanwhile, NMDOT estimates maintaining the current pavement

For more info:

Department of Transportation Report Card Page 135

condition would require doubling the budget for pavement maintenance from $120 million to $240 million. Achieving balance in bridge and road funding is critical to keeping the system in the best condition possible given the resources available.

Growth in the state road fund (SRF) has been slow and NMDOT has struggled to keep up with road maintenance. The department estimates the road fund would have to grow by 80 percent more a year to meet the demand for scheduled road maintenance, including road and bridge resurfacing, repair, and preventive maintenance.

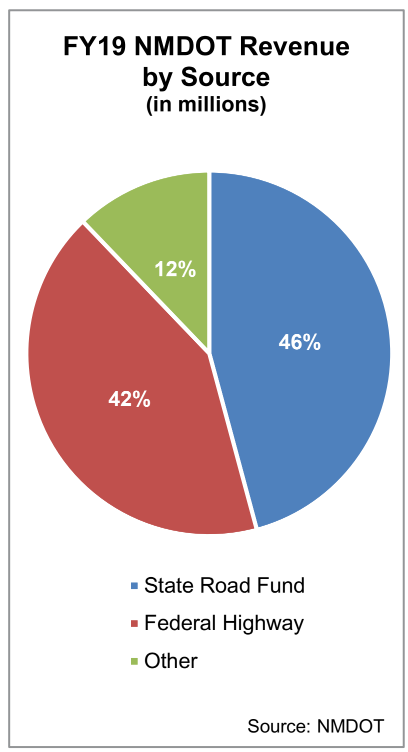


State Road Fund

The SRF is composed of revenues including gasoline and special fuel (diesel) taxes, taxes and fees on commercial trucking, and vehicle registration fees. SRF revenue growth has been outpaced by construction price inflation, resulting in an 18 percent decrease in purchasing power since 2003. While 91.3 percent of road user revenues are directed to the SRF for use by NMDOT, 8.7 percent are directed to local governments for local infrastructure projects.

Moving more people and goods faster and safer. NMDOT has identified close to 26 mega projects, which are unfunded, with estimated costs of $2.65 billion. Any one of these projects, if funded, could be a "game changer" for the local community and the state.

Slow SRF revenue growth, forecast at 2.1 percent from FY18 to FY19, is primarily attributable to gains in passenger and commercial vehicle fuel efficiency and slow population growth. New Mexico has the lowest gasoline tax in the southwest region at 17 cents per gallon. The tax was last changed in 1995 when it was decreased by 3 cents per gallon. Neither the gasoline nor special fuels taxes are indexed to inflation, resulting in constantly eroding revenue streams to the SRF.



Revenue from the special fuels tax and weight distance tax on commercial trucking are driven by national consumer demand and tend to be closely related to the state of the U.S. economy; strengthening consumer demand leads to increased consumer spending and increased freight movement. While strength in the weight distance revenue is encouraging, it is highly sensitive to changes in national economic conditions.

Revenue Options. The Legislature has a number of options to increase state road fund revenues, including stricter enforcement of existing rules, tax code changes and increases, and the authorization of existing bonding capacity for road construction and maintenance. To prevent further deterioration of New Mexico's transportation network, some or all of these options could be pursued.

Fuel Tax Increase. Many states have addressed the loss of purchasing power from gas tax revenue by increasing the fuel tax and indexing the tax to inflation. Utah converted a unit tax on fuel to a percentage-based, or ad valorem, tax of 12 percent on gasoline and diesel fuel. The Utah tax model would allow the effective

Rail Runner

The New Mexico Rail Runner spans a 96-mile corridor in central New Mexico, serving 14 incorporated communities and eight Native American pueblos between Belen and Santa Fe. The Rio Metro Regional Transit District (NMRX), which funds and manages the operations of the New Mexico Rail Runner, is moving forward with the implementation of the federally required positive train control (PTC) system estimated to cost $55 million. PTC is designed to automatically slow trains when they reach unsafe speeds and prevent train-on-train collisions. PTC would likely have little safety impact given the limited traffic on the Rail Runner's track.

NMRX is currently working on a Wi-Fi integration project to improve PTC connectability and minimize communication delays between Rail Runner trains and those of Amtrak and BNSF trains.

gas tax rate to fluctuate between 28.4 cents and 40 cents per gallon.

Motor Vehicle Excise Tax. The state received $154 million in FY18 from a 3 percent excise tax on motor vehicle sales in the state; FY19 projections estimate $150 million. Laws 2018, Chapter 3, (Senate Bill 226) changed the distribution of motor vehicle excise tax receipts. While this revenue had previously been directed exclusively to the general fund, now 4.15 percent of the revenues, an estimated $6.4 million in FY19, is distributed to the state road fund, with the remainder going to the general fund. New Mexico's motor vehicle excise tax is significantly lower than surrounding states. The state could raise an additional $131 million per year if the excise tax were raised to match Arizona's rate of 5.6 percent.

FY19 State Road Fund Revenue Sources
(in thousands)

Gas and Special Fuel Taxes	$219,000.0
Weight Distance Tax	$89,700.0
Vehicle Registration	$80,000.0
Other	$31,398.4
Total	**$420,098.4**

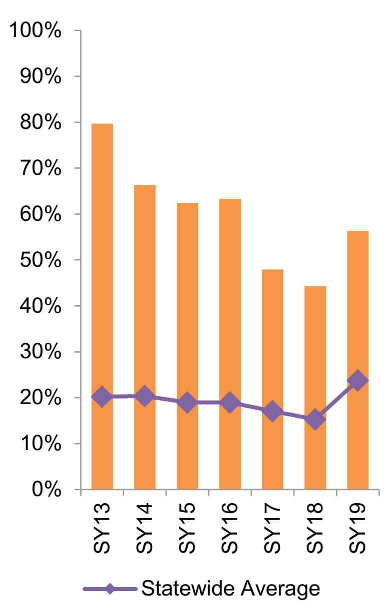
Source: NMDOT

In 2018, $50 million in federal funds were provided for upgrades to Amtrak's Southwest Chief Route. This new appropriation allowed Amtrak to abandon plans to substitute bus service. Additionally, Amtrak is compelled to fulfill its match towards the federal Tiger IX grant awarded to Colfax County.

Debt Service. Although New Mexico receives more than $850 million annually from state and federal revenue sources, the state frequently requires additional funding for maintenance and construction projects. To fill this gap, NMDOT has issued bonds to cover large infrastructure programs, such as Governor Richardson's Investment Partnership.

As a result, NMDOT's debt service was between $152 million and $158 million per year through FY26. However, in June 2018, NMDOT refinanced $420 million in variable rate debt, at a cost of $69 million. The debt was originally structured so that the state paid interest only until FY25 and FY26 when two payments of $110 million in principal would be paid. These final two payments were to come from the state road fund, hampering the state's ability to match federal funds. The refinancing of the debt extends the payments to 2030.

Average wNMCI of Top 30 Ranked Schools



Source: PSFA

Public Schools

Between FY05 and FY18, the Public School Capital Outlay Council (PSCOC) awarded over $2.6 billion to fund capital projects and lease assistance for school districts, charter schools, the New Mexico School for the Blind and Visually Impaired, and the New Mexico School for the Deaf. While the need for large-scale renovation or replacement of school buildings has been greatly reduced, the Legislature and PSCOC have expanded programs aimed at improving existing facilities and extending their useful life by repairing or replacing essential systems, increasing facility security, adding capacity for prekindergarten students, and promoting effective maintenance policies. When awarding funds for such projects, PSCOC has also considered how well existing buildings are being used. Decreased enrollment has led to significant available capacity in many schools, and PSCOC has emphasized "right-sizing" facilities to best serve existing populations and decrease ongoing costs for unused space.

School Condition

From FY05 to FY18, statewide school conditions markedly improved. The overall condition of school facilities is measured using the statewide average facility condition index (FCI) and the weighted New Mexico condition index (wNMCI). The FCI reflects a ratio of the cost of repair and improvement against the cost to replace the facility, so a lower number reflects a building in better condition. The wNMCI, used to rank schools for awards, measures both the condition of the building, similarly to FCI, and the facility's educational usefulness as measured by adequacy standards. In January 2018, PSCOC changed the methodology for calculating FCI and wNMCI to better align with industry standards. This change included increasing the weight factor for electrical and other building systems beyond their useful life, allowing PSCOC to identify and better focus on systems that need to be replaced. As a result, the FCI and wNMCI values measured after January 2018 are not comparable to those values in prior years. Using the old methodology, FCI between FY05 and FY18 improved from 66.7 percent to 50.2 percent (about 32.6 percent using the old methodology).

PSFA estimates an average of $154 million in state spending may be required annually in FY18 through FY23 to maintain the current FCI. The average wNMCI for all school districts improved from 40.5 percent in FY05 to 23.8 percent in FY18 (about 14.9 percent using the old methodology). At the end of FY18, 25 schools had a wNMCI greater than 50 percent. Thus far in FY19, PSCOC has awarded new standards-based awards to 11 projects in nine districts. PSFA anticipates disbursing $42.8 million in FY19 for these and previously approved projects.

Systems Initiative. In FY17, PSCOC began piloting a systems-based award application process to address improvements in roofing, electrical distribution, electronic communication, plumbing, lighting, mechanical, fire prevention, facility shell, interior finishes, and heating, ventilation, and air conditioning systems. PSCOC awarded $23.4 million in systems-based awards to 10 projects in FY18. In FY19, PSCOC received significantly more applications and awarded $15.8 million to 24 projects. PSFA estimates demand for these types of projects will continue to increase in subsequent years.

The success of the systems pilot demonstrates how small, targeted projects can be extremely beneficial to school facilities. While the standards-based awards program has traditionally focused on large-scale renovations or facility replacement, these are not the only methods for bringing schools better in line with statewide aadequacy standards. However, applicant projects do not always clearly fall within the scope of the standards- or systems-based programs. As such, it may be reasonable to combine the application and award processes to ensure a broader range of options is considered for all schools.

Security Initiative. Concerns over school security, particularly in light of the shooting at Aztec High School on December 7, 2017, led the Legislature to authorize the expenditure of up to $46 million from the public school capital outlay fund for school security projects,

Primary Uses of the Public School Capital Outlay Fund FY17 to FY19 (estimated)
(in millions)

Use	FY17	FY18	FY19
Standards-Based Awards	$64.7	$38.5	$42.8
Systems-Based Awards	$0.0	$23.4	$15.8
Pre-K Facilities Awards	N/A	$5.0	$5.0
Security Awards	N/A	N/A	$16.0
Lease Assistance	$15.7	$15.4	$15.7
Capital Improvements	$15.5	$18.4	$18.2
Broadband	$0.0	$3.3	$3.0
Facilities Planning	$0.4	$0.4	$0.4
Instructional Materials or Transportation	$12.5	$25.0	$7.0
School Buses	$7.0	$0.0	$0.0
PSFA Budget	$6.0	$5.6	$5.2
Total	**$121.8**	**$135.0**	**$130.2**

FY19 estimate as of November 2018

Source: PSFA

LFC Online: Understanding Government Finances

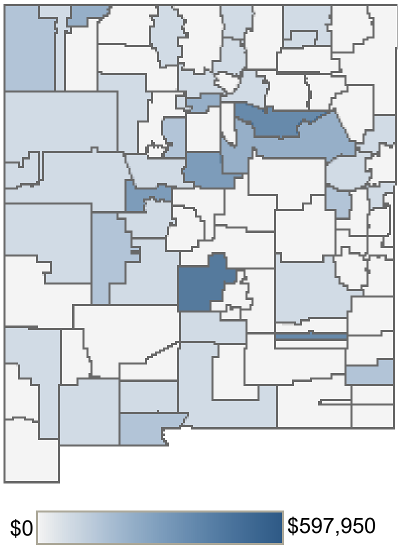
Finance Facts: Highway Funding

School Drinking Water Quality

New Mexico has no mechanism to verify that schools comply with regulations on lead contamination or even that school water quality is tested, because the state has no comprehensive system in place to monitor or remediate water quality issues in schools. PSFA does not have the expertise or resources to conduct drinking water testing, and while the Environment Department (NMED) provides free drinking water lead testing to schools, only 16 schools reported they took advantage of this program in the past year. NMED does not have the authority to require schools to participate in such testing. A 2018 U.S. Government Accountability Office of school districts nationwide found only 43 percent had tested for lead in 2016 or 2017; 37 percent of those had elevated lead levels in their drinking water. The Environmental Protection Agency recommends schools remove water fountains and other fixtures if lead exceeds 20 parts per billion.

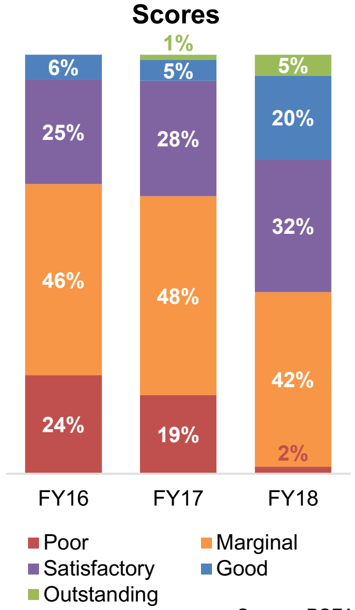
Although the health and safety standards for building materials, including pipe, are significantly higher today than 30 years ago, 52.2 percent of schools in New Mexico have at least one plumbing or water distribution system over 30 years old. Without comprehensive water system testing, New Mexico's students are not guaranteed safe drinking water. NMED and PSFA should work together to develop a process that ensures drinking water quality tests are conducted at all New Mexico schools on a consistent and regular basis.

Average Security Award Amount by District

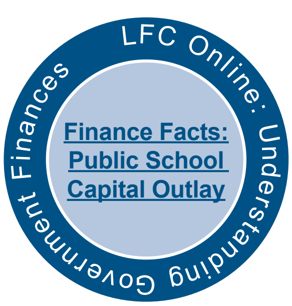


Source: PSFA

Change in Average Facility Maintenance Assessment Report Scores



Source: PSFA



including both capital projects and other one-time costs, such as training. PSFA was directed to develop an application and awards system for these projects. Because local law enforcement and Poms and Associates, a risk-management consultant provided by the Public School Insurance Authority, offer training for free, PSFA determined the security program should focus on of physical security issues identified by school personnel and law enforcement, including fencing, door locks, and security cameras.

Forty-seven school districts submitted applications for 288 projects in the first round of security awards; in FY19, PSCOC awarded $16 million to 222 projects in 46 districts, leaving $30 million in additional security awards available through FY22. In addition, PSFA is currently developing proposed revisions to the statewide adequacy standards that may include security, which could make security-based projects eligible for other PSCOC funding.

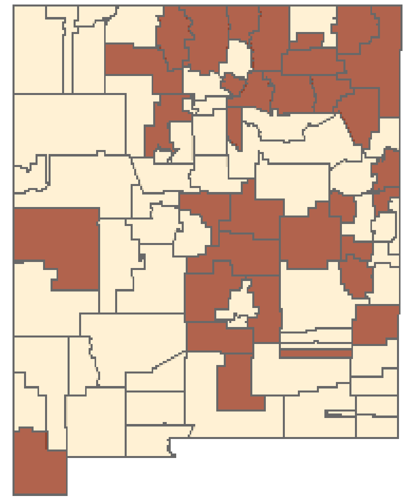
Prekindergarten Facilities. PSFA is working with the Public Education Department (PED) and the Children, Youth, and Families Department to analyze the need for renovation and construction of prekindergarten facilities statewide. Due to anticipated demand for funding these facilities, PSFA and LFC recommend amending the Public School Capital Outlay Act to authorize expenditure of the fund and direct PSFA to develop a program for funding prekindergarten facilities with a detailed application and robust evaluation process similar to those used by the systems and security awards programs.

Historically, funding for the renovation and construction of prekindergarten facilities was drawn from the public school capital outlay fund but administered by the PED. In 2018, the Legislature reauthorized an unexpended $5 million from PED's 2016 appropriation to PSFA and authorized PSFA to award those funds, which is otherwise not permitted under the Public School Capital Outlay Act. In June 2018, PSCOC awarded the entire $5 million to 10 districts for 14 projects expected to serve over 450 students. These awards were made based on the same district-state cost allocation used for the standards, systems, and security programs.

Facility Maintenance. PSCOC promotes effective maintenance practices as a way to decrease repairs resulting from deferred maintenance, which can be very costly and increase school wNMCI rankings prematurely. The facility maintenance assessment report (FMAR), a tool introduced in FY13 to measure maintenance effectiveness, indicates the FY18 statewide average maintenance score is 71 percent, a significant improvement from 60 percent in FY13 and an increase from 64 percent in FY17. A score above 70 percent is considered satisfactory and this marks the first year the statewide average has reached this level. However, as of June 30, 2018, 34 percent of school districts had not had an FMAR score assigned to any of their schools, and as such could not be included in the statewide average.

School Facility Capacity and Utilization. Significant progress has been made to improve school facilities in New Mexico; however, portions of facilities are unused or underused, with 22.1 percent of functional capacity unused, and 903 classrooms empty according to districts' most recent facility master plans; 14.7 percent of schools and 37.1 percent of districts occupy less than half of their functional capacity. The investments the state has made in these facilities should not result in underused buildings and empty classrooms, generating maintenance and utility costs while providing minimal value to districts or students. During the fall 2019 awards cycle, PSCOC members expressed concerns with the high rates of unused capacity in applicant facilities, leading the council to award funds for feasibility and utilization studies aimed at "right-sizing" school facilities, rather than funding for the requested projects. PSCOC continues to support demolition of unused school facilities that cannot be remediated; however, the council encourages remediation and repurposing when possible.

School Facility Capacity Usage by District



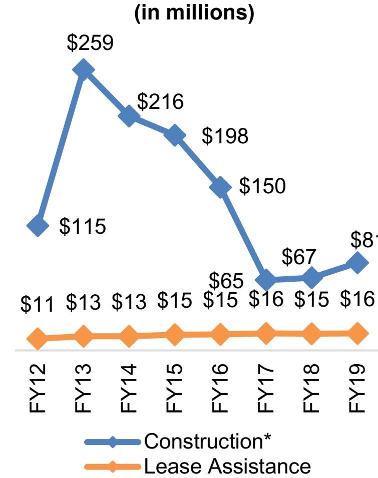
Source: PSFA

Charter School Facilities

Lease Assistance. PSCOC continues to assist charter schools with payments on leased space. Lease assistance, a discretionary program, reached $15.7 million in FY19. In 2018, PSFA determined the majority of recipients were over-reporting square footage eligible for lease assistance, leading to $3.7 million in excess payments. Nevertheless, PSCOC chose to award FY18 lease assistance based on the 2017 self-reported square footage rather than PSFA-verified amounts. To address issues encountered during the FY19 lease assistance process, PSFA is working with stakeholders to improve the process and ensure clear communication between the council and schools. PSFA is also developing standardized lease templates, a resource desired by charter schools. In addition, the Public School Capital Outlay Oversight Task Force endorsed legislation for the 2019 session to ensure charter school facilities subject to lease-purchase agreements funded with state money remain publicly owned if the school closes.

Long-Term Facility Solutions. Better, longer-term alternatives to lease assistance should be explored. The New Mexico Coalition for Charter Schools (NMCCS) proposed revolving loan fund administered by the New Mexico Finance Authority to provide a public borrowing option to help charters purchase facilities and suggested the state incentivize school districts and local governments to back such loans. NMCCS has also proposed the state encourage facility sharing between charters and traditional schools and ensure unused school facilities are made available. School districts are required to make unused facilities available to charters but are not required to publicize or notify charters of available facilities; similarly, charters are required to be located in available public facilities, but the criteria for exemption are very low. With almost 15 percent of traditional public schools half empty, these requirements must be strengthened and charters and districts must explore collaborative facility solutions.

PSCOC Award Allocations FY12 to FY19 (in millions)



*Construction includes funding for standards, systems, prekindergarten, and security awards

FY19 estimate as of November 2018

Source: PSFA

Zuni Litigation

The Zuni lawsuit concerning the allocation of public school capital outlay was reopened in 2014, and Gallup-McKinley County Schools (GMCS) filed an amended complaint in 2015, which included PSCOC as a defendant. GMCS was primarily concerned that, because of the district's low bonding capacity and high capital needs, the district could not afford school construction for projects outside the technical definition of adequacy for facilities, such as teacherages, auxiliary gyms, and additional playing fields. In 2017, an 11th Judicial District judge dismissed the Zuni and Gallup school districts and individual Zuni plaintiffs from the lawsuit, but in 2018 granted a motion to substitute the school boards as plaintiffs in place of the districts. A trial is set for May 2019.

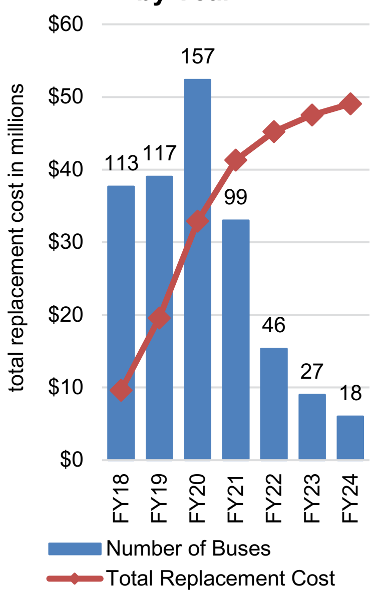
School Bus Replacement

As of November 2018, PSFA estimated the public school capital outlay fund would have $126 million in uncommitted balances remaining at the end of

Broadband Deficiency Correction Program

The Legislature established PSFA's broadband deficiency correction program (BDCP) during the 2014 legislative session to address education technology needs. The program was originally set to run from FY14 to FY19, but the Legislature voted to remove the time limit for the initiative in 2017, allowing PSCOC to continue the program. Although the governor vetoed the legislation, the New Mexico Supreme Court ruled in April 2018 the governor's vetoes on it and nine other bills were invalid based on her lack of sufficient explanation for the vetoes.

School Buses Requiring Replacement by Year



Source: PED

For more info:

Information Technology Projects Report Card Page 137

FY20. Because public schools' capital needs are not restricted to buildings, LFC considered other ways these funds could be expended. The Public Education Department reports that 230 school buses beyond their 12-year lifetime have not been replaced, and 157 additional buses will be due for replacement in FY20. The LFC staff framework for capital outlay (included in *Volume III*) recommends appropriating $32.9 million from the public school capital outlay fund to PED to replace all 387 buses in FY20.

Information Technology

While New Mexico has implemented some fundamental elements of good IT infrastructure, critical components still need improvement in governance to ensure the millions in annual state IT expenditures are wisely spent. The responsibilities of the state chief information officer and the Project Certification Committee, which certifies funding in approved phases for large IT projects, should be better defined and policies and processes should be strengthened to improve state IT strategic planning and project oversight.

The state has historically struggled to develop an adequate IT governance structure. In 2017, the Legislature abolished the Information Technology Commission, which provided strategic planning and independent oversight of the state's IT initiatives. Currently, IT governance is limited to the Project Certification Committee, mostly composed of Department of Information Technology (DoIT) staff with infrequent participation by other state agency's leadership. While the interim legislative Science, Technology and Telecommunication Committee met monthly, DoIT failed to appear for a scheduled oversight hearing, further increasing the lack of accountability.

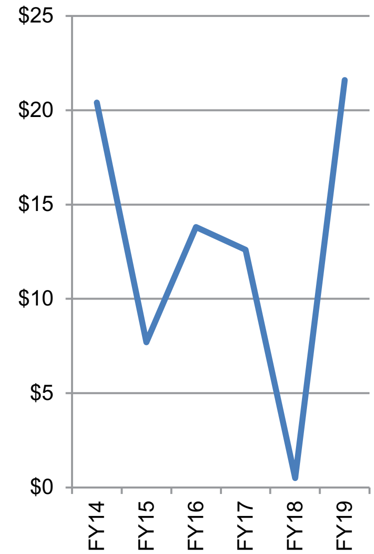
Best practices indicate successful IT governance is most effectively accomplished through the establishment of a formal governance committee made up of leaders of key agencies working with IT leadership to establish and monitor operations and investments. IT governance strives to improve the value of business operations, prioritize project requests, and measure the IT department's performance.

Statewide IT Staffing. Although the State Personnel Office reclassified IT positions and restructured IT salaries in FY17, state agencies continue to face ongoing challenges in hiring and retaining qualified IT application developers and other IT professionals. Agencies are relying on the use of statewide price agreements for IT services and staff augmentation. For example, the Children, Youth and Families Department (CYFD) recently awarded nine new IT professional services contracts under statewide price agreements for $2.5 million and amended several existing IT professional service contracts, totaling $1.6 million. Past LFC estimates found it costs CYFD 52 to 95 percent more per FTE to have IT contractors supporting application development rather than in-house IT staff. Although the IT professional services contracts include a knowledge transfer deliverable, CYFD continues to rely on more costly contractors to augment its IT staff. The Workforce Solutions Department and other agencies have shifted costs to invest in staff recruitment and training to reduce dependence on costly contractors.

Integrated Data Systems. Integrated data systems link individual level data from multiple agencies, such as schools, law enforcement, and human services.

Integrating data across agencies and data systems is a tool that can better inform performance management, program evaluation, cost-benefit analysis, and policymaking. Integrated systems can also be valuable for identifying fraud, waste and abuse. However, New Mexico's experience with implementing these systems has had limited success. For example, an initiative to link data from prekindergarten through college, the P-20 data system, was not fully funded and has not been built. State and local integrated systems sites around the country have demonstrated ongoing effective and efficient improvements in public administration while improving public trust and protecting personal data. Sharing of data across agencies also brings ethical concerns around data usage and privacy. Best practices indicate a number of components are critical for an integrated data system to be successful, including establishing data governance, addressing legal issues and data security, managing data and analytic protocols, and securing long-term support for operations.

General Fund IT Appropriations
(in millions)



Source: General Approriation Act

Broadband. Education and healthcare are critical sectors impacting the lives of New Mexicans who rely on high-speed and reliable broadband connections. While broadband deployment has improved since 2010, New Mexico consistently lags behind other states in access to adequate broadband, which threatens the state's economic competitiveness. Even more critical is the lack of broadband in rural areas where 25 percent of the state's population and 39 percent of businesses reside. Without expansion of broadband access, economic development and business growth are likely to decline. The high-cost of broadband expansion and lack of funding have been cited as challenges in improving broadband infrastructure.

Significant progress has been made in developing broadband connectivity in public schools, and with careful planning and coordination it may be possible to leverage this existing infrastructure to support expansion to other public facilities, businesses, and households statewide. Efforts to develop broadband connectivity at libraries in coordination with existing public school fiber infrastructure are already underway. During the 2018 interim, a working group made up of staff from DoIT, the Department of Cultural Affairs, PSFA, PED, DFA, and LFC discussed plans to coordinate improvements to libraries' broadband connectivity and applications for the federal E-rate matching program. LFC and PSFA staff estimate a $3.2 million state investment will be sufficient to deploy broadband at libraries statewide by FY26. The LFC staff capital outlay framework (located in *Volume III*) includes a $1.6 million appropriation to the library broadband infrastructure fund for this purpose.

While state initiatives to support connectivity in schools and libraries

Broadband in Public Schools

Almost all New Mexico's public schools have access to broadband. Between FY14 and FY18, the Public School Capital Outlay Council (PSCOC) awarded $10.8 million to support fiber and Wi-Fi projects through its broadband deficiency correction program. As of November 2018, only 13 traditional public schools lack broadband fiber connectivity, and plans for fiber upgrades are in place for eight of those. PSCOC anticipates spending about $3 million for awards in FY19 through FY23. The expansion of broadband for education statewide has been possible largely because of the Federal Communications Commission's schools and libraries universal service support program, commonly known as the E-rate program, which helps schools and libraries obtain affordable broadband. The E-rate program will cover up to 90 percent of the cost of installing fiber optics to schools lacking access if the state matches the remaining 10 percent.

Despite progress in expanding broadband infrastructure, overall school connection speeds remain low compared with other states. In FY18, New Mexico averaged about 340 kilobytes per second (Kbps) per student, significantly lower than the national average of 524 Kbps per student. As schools continue to purchase additional bandwidth, the cost of increased bandwidth has begun decreasing at a slower rate. Eventually, prices are likely to plateau while demand will continue to grow, leading to increased costs for school districts. While E-rate will cover broadband service costs, E-rate funding coordination, project timelines, project prioritization, budget constraints, roles for public and private entities, and other implementation issues continue to be a concern.

Cost of Statewide Library Broadband Implementation
(in thousands)

Fiscal Year	Estimated Cost
FY19	$44.0
FY20	$762.8
FY21	$563.0
FY22	$563.0
FY23	$563.0
FY24	$657.9
Total	**$3,153.7**

Source: LFC

are encouraging, using this infrastructure to support further expansion faces significant obstacles. The state's outdated broadband strategic plan, combined with a lack of coordination and leadership continue to hamper progress in improving broadband infrastructure for underserved communities. Without improved planning and leadership, New Mexico risks continuing to fall behind in expanding broadband infrastructure.

Department of Information Technology

DoIT was created to improve IT systems and provide core technical infrastructure for the state. However, information technology statutes and rules do not reflect current infrastructure and best practices. For example, although state agencies are increasingly purchasing cloud-based solutions, the state does not have a cloud computing policy. A 2015 LFC program evaluation recommended DoIT develop a cloud computing policy and that the General Services Department (GSD) and DoIT develop state policy for agencies to purchase IT cloud-based solutions.

Restructuring DoIT's compliance and project management practices may allow its functions to be funded through enterprise rates, creating general fund savings with minimal impact to DoIT's rates.

Medicaid Management Information System Replacement. Since 2014, the Legislature has appropriated $15.4 million for HSD's Medicaid Management Information System Replacement (MMISR) project, leveraging $138.5 million federal funds. This funding may support other health and human services agencies' technological needs. The federal Centers for Medicare and Medicaid Services (CMS) authorized up to $176 million to replace the current system; however, HSD requested CMS approval of a $27.7 million, or 15 percent, increase with a projected completion date of 2021 instead of 2019. The project is moving forward and is currently in the planning phase. However, the inability to apply consistent project management methodology increases risk for critical tasks, and resource requirements may not be identified and planned. With estimated total project costs of $200 million, the MMISR project is the largest IT project in the state, and warrants ongoing critical oversight. A CMS-compliant MMIS will ensure federal funding for Medicaid operations are not reduced for noncompliance.

FY20 State Agency IT Requests
(in thousands)

Agency	Agency Request
AOC	$288.0
AODA	$300.0
TRD	$2,100.0
DFA	$4,500.0
GSD	$1,640.1
ERB	$354.5
SOS	$267.0
RLD	$1,800.0
PRC	$190.0
DCA	$350.0
HSD	$17,801.9
DOH	$8,840.0
CYFD	$31,520.5
CD	$4,105.2
PED	$1,561.1
Total	**$75,618.3**

Note: Some agency requests are for multiple projects and amounts shown include all funding sources.

Source: LFC

ONGARD Replacement. The Legislature appropriated $10 million in 2016 to the Taxation and Revenue Department (TRD) to replace the Oil and Natural Gas Administration and Revenue Database (ONGARD). In 2017, funding was split between TRD and the State Land Office (SLO), with $5 million each. TRD and SLO requested to separate the severance tax module and the royalty administration and revenue processing system (RAPS) into two separately managed projects. In June 2018, at a cost of $6.7 million, TRD completed the oil and gas severance tax project on time and within budget. Implementation of the severance tax project means revenue distributions will be updated more frequently, and less revenue will be suspended for data correction and completion. Benefits also include frequently updated and more readily available data on oil and gas production and revenue. Because SLO cancelled its request for proposals in April 2017, the project was delayed and total cost for RAPS was unknown. However, with the Legislature's support, SLO has $10 million available for the RAPS project. SLO recently awarded a $7.7 million contract for implementation of RAPS. The implementation vendor will convert the existing code to modern software language and design and implement RAPS, and SLO will concurrently address business process improvements. The project is currently in the planning phase, with anticipated completion by June 30, 2020. With a stabilized system, ONGARD will continue to be operational for the duration of the RAPS project.

Comprehensive Child Welfare Information System Modernization. The Legislature appropriated $1 million in 2018 to CYFD to plan modernization of the Comprehensive Child Welfare Information System (CCWIS). CYFD's mission-critical system, Family Automated Client Tracking System (FACTS) for child welfare case management, is over 20 years old and no longer meets federal requirements. The final CCWIS rule published in 2016 by the Federal Administration for Children and Families (ACF) promotes data-sharing with other agencies, requires data quality plans, reduces mandatory functional requirements and requires systems to be developed modularly. Although CYFD has yet to certify the initiation phase with the Project Certification Committee, and with the overall project status unknown, the department is requesting additional funding in FY20 to continue the modernization project. In the past, CYFD experienced problems with a multi-year project to update its IT system across multiple program areas, where the scope was scaled down and resulted in data silos, additional vendor costs, and program integrity concerns.

DoIT FY20 Capital Outlay Requests
(in thousands)

Project	Request Amount
State of New Mexico P25 PSRS – Radio Modernization	$40,000.0
Central Telephone System Upgrade	$8,498.7
Albuquerque Radio Communications Bureau	$584.1
Total	**$49,082.8**

Source: DFA Capital Outlay Bureau

Natural Resources

For more info:

Energy, Minerals and Natural Resources Report Card
Page 146

New Mexico is financially benefiting from an extraordinary oil boom with production at record highs, but the windfall comes at a price, with both air and water quality at risk. Now, as always, New Mexico faces the natural-resources dilemma of how to balance maximizing immediate economic benefits with protecting both the environment and the long-term potential of the resource. It is not New Mexico's only natural resource dilemma. While the southeast oil patch is bustling with the boom, the northwest oil region is suffering from a drop in oil and coal prices. Further, parts of the state still face drought even as other New Mexico communities have experienced extreme monsoonal flooding, and some communities struggle with the challenge of delivering safe drinking water to all residents.

Reservoir Capacity

Reservoir	2017	2018
Abiquiu Reservoir	12%	8%
Bluewater Lake	21%	9%
Brantley Lake	2%	2%
Caballo Reservoir	21%	11%
Cochiti Lake	10%	9%
Conchas Lake	24%	58%
Costilla Reservoir	74%	28%
Eagle Nest Lake	53%	47%
El Vado Reservoir	68%	4%
Elephant Butte Reservoir	17%	6%
Heron Reservoir	49%	33%
Lake Avalon	43%	65%
Lake Sumner	22%	21%
Navajo Reservoir	84%	80%
Santa Rosa Reservoir	12%	8%

Source: USDA Natural Resources Conservation Service

Water Management

Despite leaving behind flooding and property damage, summer monsoonal storms were not enough to alleviate the overall state drought. As of November 15, the U.S. Department of Agriculture Drought Monitor showed all but the eastern edge of the state ranging from abnormally dry to exceptional drought, a contrast with last year when New Mexico did not have any area under the designation of drought or abnormal dryness. State and local water administrators continue to plan for water shortages and a new statewide water plan was to be issued in December, but efforts to finalize regional water plans are challenged as more dramatic climate events occur.

Administration

Progress on adjudicating the state's waters resources, the legal process for establishing ownership, has been slow, with some cases lasting decades

At the end of FY18, water rights in 80 percent of the state were yet to be adjudicated. Recognizing the slow progress in adjudications and prompted by drought and the potential need to issue a priority call – that is, cut off those with newer water rights so that those with older, or senior, rights get their full share – OSE relies on active water resource management (AWRM) in unadjudicated areas. AWRM, authorized by the Legislature, includes building the infrastructure for measuring and metering the resource, establishing water districts and water use rules, appointing water masters, and facilitating shortage-sharing agreements among water users. Although OSE has the right to issue a priority call when water resources are short, the agency has never issued a call. In addition to providing for administration of water when adjudication is incomplete, AWRM could potentially lead to resolution of water rights at a faster pace.

For more info:

Office of the State Engineer Report Card
Page 149

Interstate Stream Compacts

New Mexico, a party to eight interstate water compacts, faces the potential for an enormous liability as a result of a Texas challenge to groundwater pumping south of Elephant Butte Reservoir. In *Texas v. New Mexico*, filed in 2013, Texas argues the wells reduce deliveries of Rio Grande water at the New Mexico-Texas border in violation of the Rio Grande Compact. A U.S. Supreme Court-appointed special master recommended the court reject New Mexico's attempt to dismiss the suit. New Mexico still has an opportunity to argue the merits of the case, and with a potentially large impact on the agriculture community and a significant cost to the state looming, the Office of Attorney General and OSE are preparing for litigation. Texas asked the U.S. Supreme Court to prohibit New Mexico's diversions, order payment for water the state allegedly failed to deliver since 1938, and specifically allocate Texas' portion of water under the Rio Grande Compact. In the 1980s, New Mexico was ordered to pay Texas $14 million after the U.S. Supreme Court ruled New Mexico underdelivered Pecos River water to Texas from 1950 to 1983. To maintain deliveries since then, the state has retired water rights and installed wells to pump groundwater to supplement deliveries during dry periods

New Mexico and Texas Rio Grande Compact Litigation Appropriations

(in thousands)

State Fiscal Year	New Mexico		Texas	Difference
	OSE	AG	(biennal)	(NM - TX)
FY14	$6,500		$5,000	$1,500
FY15				
FY16	$2,000	$2,000	$5,000	$2,000
FY17	$1,500	$1,500		
FY18	$1,000	$1,000	Reauthorized unexpended balance of FY16/17 appropriation and $500 thousand new funding	$1,500
FY19	$3,000	$2,000		
Total	**$20,500**		**$10,500**	**$10,000**

Source: LFC Files

Gila River Diversion. The New Mexico entity of the Central Arizona Project (CAP), charged with overseeing the use of $90 million in federal funds on a project to divert Gila River water, is expected to receive a draft environmental impact statement in early 2019. The Gila River Diversion, part of the 2004 Arizona Water Settlement Act resulting from a dispute between New Mexico and Arizona over the use of Colorado River water, gives New Mexico the right to take water from the Gila River to meet demand in Catron, Luna, Hidalgo, and Grant counties in exchange for Arizona's use of water from the CAP, a 336-mile system of tunnels, pipelines and pumping plants that serves much of Arizona. The entity, dogged by the opposition of groups who would like the state to abandon the project they say will benefit very few, limited its engineering contractor to studying diversion projects for irrigation costing between $80 million and $100 million because earlier design estimates reached $1 billion. As of July, $13.3 million has been expended on legal fees, preliminary engineering costs and initiating the environmental impact statement. The New Mexico entity, made up of regional elected officials, irrigators, and water managers, has selected a project made up of wells and storage ponds with cost estimates of $50.3 million.

The current vacancy rate in the Litigation and Adjudication Program is the highest of all OSE programs: 34 percent overall and 50 percent for attorney positions. The agency notes difficulty in recruiting and retaining technical staff and attorneys at salaries competitive with private sector firms. The program relies on contractual services to augment its staff attorneys and advance the state's active adjudications.

Water Quality

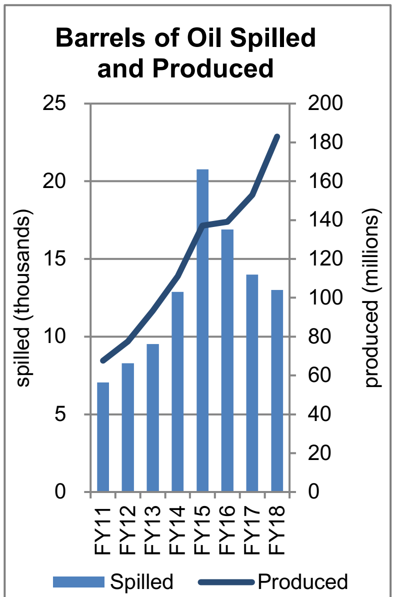
More than 167 thousand New Mexicans were receiving water that does not meet health-based standards as of June 2018. Water quality is influenced by aging infrastructure, manmade and naturally occurring direct contamination events, and enforcement challenges. New Mexico has invested millions of dollars in water and wastewater infrastructure over the years, but the need has always outweighed the funds available. Local governments are requesting $350 million for water supply and wastewater projects in the 2019 legislative session.

Based on a royalty rate for oil production on federal lands of 12.5 percent, the nonprofit Environmental Defense Fund estimated federal revenue losses of $12.7 million on federal land, $3.3 million on private land, $400 thousand on tribal land and $11.1 million state trust land from the venting and flaring of methane emitted through oil well production.

The Pattern Energy Group's Duran Mesa Wind Project near Corona will deliver electricity to California providers in 2020. This wind farm is one of two currently under construction in New Mexico. Silicon Valley Clean Energy and Monterey Bay Community Power have signed 15-year power purchase agreements with Duran Mesa securing 200 megawatts of wind power. This electricity will support California's target to source 50 percent of electricity from renewable sources by 2030.

In 2016, a water system in San Juan County failed to submit accurate monitoring reports, resulting in a $163 thousand penalty. Legislation passed in 2018 allows for a fourth-degree felony to be imposed on owners, operators, or their agents, of a public water system who knowingly makes false statements to NMED.

Gold King Mine. Despite the estimated $318 million economic loss resulting from the August 2015 Gold King Mine spill, the U.S. Environmental Protection Agency (EPA) has been slow in reviewing 380 claims for damages. During the incident, personnel with the EPA and an EPA contractor working on a pond near the entrance of the mine close to Silverton, Colorado, inadvertently released more than 3 million gallons of toxic wastewater from inside the mine into Animas watershed rivers, impacting the safety and livelihood of communities in New Mexico, Utah, and Colorado. Lawsuits from Utah, the Navajo Nation, and New Mexico totaling $2.2 billion are pending federal court, as is a suit filed by a dozen New Mexico residents for $120 million.



Source: OCD

Chromium Plume. A plume of hexavalent chromium, used by Los Alamos National Laboratory to prevent corrosion on the cooling towers, is migrating to more permeable soils, risking further contamination of drinking water. Approximately 160 thousand pounds of hexavalent chromium were released from 1956 to 1972 into Sandia Canyon, and a mile-long, half-mile-wide plume was found in 2005. NMED reports extraction of the chromium plume is the best method for controlling migration. Additional monitoring wells by the U.S. Department of Energy (DOE) are needed to help track the plume's migration. A long-term option, currently under review by the DOE, NMED, and the Los Alamos legacy cleanup contractor N3B, includes treating the aquifer with substances to reduce the chemical environment and the hazardous waste threat.

Energy

Regardless of the energy industry's economic circumstances, state regulators have a full plate keeping up with high permitting and inspection demands in good economic times, handling an increased number of abandoned wells in bad economic times, and ever-present oversight and enforcement efforts.

The Oil Conservation Division (OCD) is promulgating rules addressing the release of oil, gases, produced water, condensate, or other oil field waste. In FY18, 13,487 barrels of crude oil and hydrocarbon condensate spilled in production fields statewide, creating a contamination risk in the soils and groundwater that could require remediation or removal of the soils contaminated. The new rules establish requirements and deadlines addressing the initial response to a release; site assessment and characterization; remediation and closure; restoration, reclamation, re-vegetation; requesting variances; and enforcement.

LFC Online: Understanding Government Finances

Finance Facts: Oil and Natural Gas Production

New Mexico Energy Roadmap, created through an inclusive, stakeholder-driven process with the policy group New Mexico First and the Energy Conservation and Management Division of the Energy, Minerals, and Natural Resources Department, was released in July 2018 outlining 15 goals and strategies to strengthen and diversify the state's energy economy. Primary topics included energy economy diversity, energy transmission, transportation alternatives to cars, energy efficiency, and workforce development.

The change in administration has opened the door to refreshed discussions on the role of alternative energy in New Mexico. While energy development has focused on traditional fossil fuels over the last decade, the incoming governor has said she will promote development of a clean energy workforce and investment in transmission lines for solar, wind and other alternative sources, in addition to proposing legislation calling for the state to boost its use of renewable energy.

For more info:

Environment Department Report Card Page 144

Much of the renewable energy legislation that has been introduced recently has focused on tax credits for the purchase and installation of solar systems; the latest effort to reinstate the solar tax credit was vetoed after the last legislative session. The outgoing governor also vetoed from the General Appropriation Act of 2018 a special appropriation for the Renewable Energy Transmission Authority, which has struggled with its mandate to sustain itself with fees from energy transmission developers.

While FY20 revenue projections are strong, competition for the new dollars will be stiff: A court order to spend more on public schools, a business plan to spend more on early childhood, tax reform, and pent-up demand from agencies long shorted on necessary resources will all be in the fray when the session starts.

Fires, Forests, and Watershed Health

Although monsoons in FY18 deterred the possibility of large fires statewide during the peak fire season from May to early July, the Ute Park Fire burned over 36 thousand acres near Cimarron. The community of Ute Park, the Philmont Scout Ranch, the Cimarroncito and Urraca Watersheds, and Cimmaron Canyon State Park were evacuated. U.S. Highway 64 was closed twice due to fire and subsequent flash flooding.

Severe forest fires lead to evacuations, structural damage, increased public health costs, and reduced tourism. Recent easing of drought conditions suppressed fire activity over the past year, but given the volatility of precipitation patterns and temperatures, this wet weather can increase fire risk in the future; dry years following wet years create a situation where a large amount of recently grown vegetation dries and becomes a fire risk.

The State Forestry Division in FY18 treated over 13 thousand acres of forest and watershed to thin overgrown forests so they are more resilient to fire, drought, insects, and disease. Nature Conservancy New Mexico estimates the state has about 600 thousand forest acres that need to be treated to reduce the risk of fire and has treated about 100 thousand acres.

State Employment and Compensation

For more info:

State Personnel Board Report Card Page 154

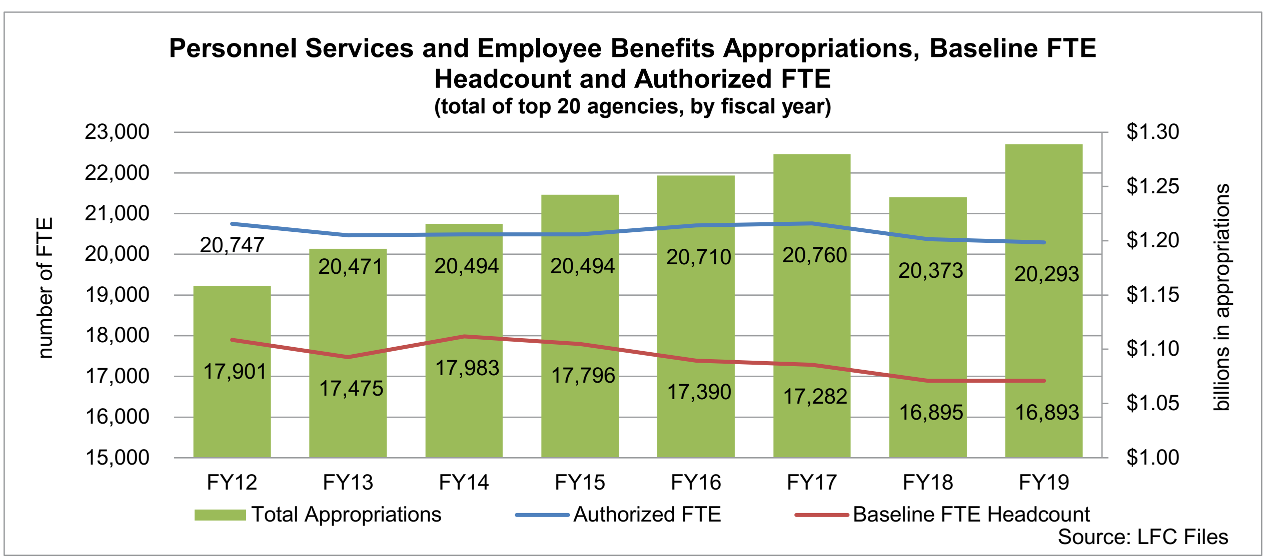
Public employees continue to receive a large portion of their total compensation in generous health insurance and pension benefits while salaries continue to lag the market. Because most employees evaluate jobs based on salary level, the state's benefit-rich compensation package may be both costly and ineffective at recruiting the best qualified candidates to work in state government.

The State Personnel Office (SPO), in coordination with the Legislature and state agencies, has responsibility for maintaining the state's personnel system and ensuring collaboration with an overall strategic plan. However, the executive branch's management of the state personnel system has been based more on budget levels than other factors such as impact on public health or safety, turnover, and difficulty in recruitment and retention.

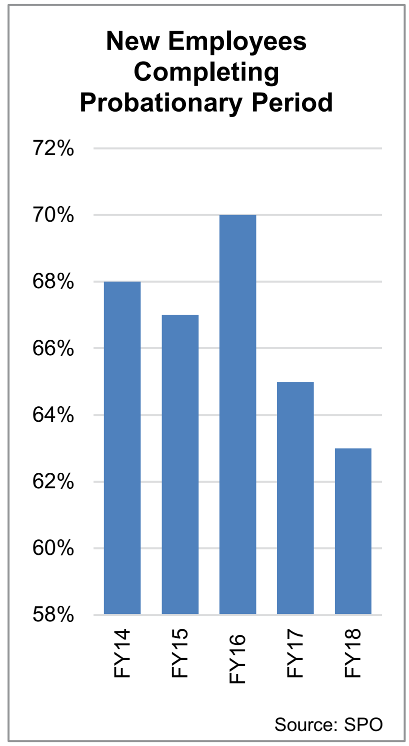
State Personnel System

For FY19, appropriations to the personal services and employee benefits (PS&EB) category totaled $1.7 billion, making PS&EB one of the largest expenses in agency budgets. As of October 1, 2018, the state had an average vacancy rate of 15.6 percent, with 21.4 thousand filled positions out of 25.6 thousand authorized. Agencies maintained high vacancy rates in the wake of the recession because hiring freezes were implemented and positions were held vacant due to economic uncertainty. Beginning in FY12, personnel appropriations generally increased even though state employment continued to shrink. The increased funding has instead been used to cover costs of contracting and operational expenditures, as well as to provide for ad hoc, or out-of-cycle, salary increases without legislative approval.

In FY19, the Department of Health and Miner's Hospital implemented pay increases of 20 percent for nurses in addition to the 4.5 percent appropriated for



that purpose by the Legislature. The increases were made possible through budget savings and reduced spending in other portions of the agencies' budgets, but the need for such a dramatic increase was not brought before the Legislature by either agency or SPO.



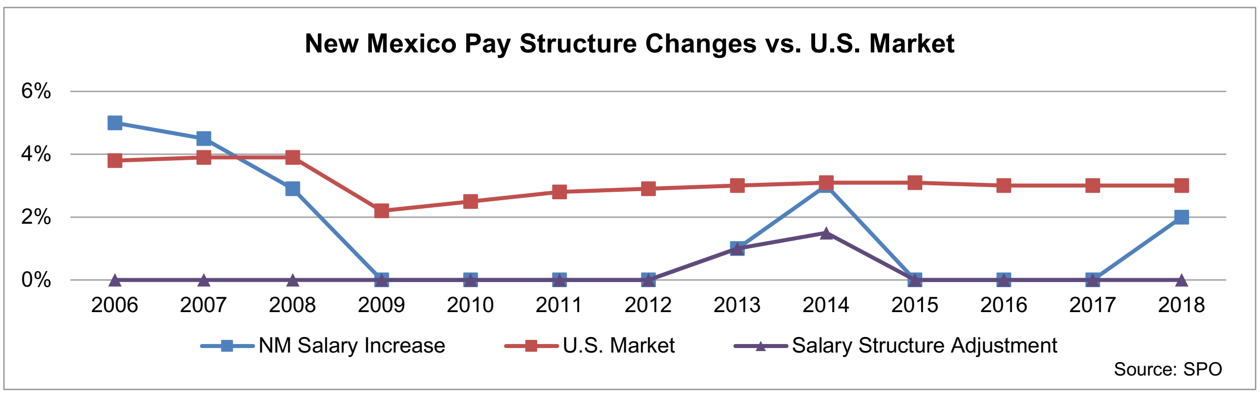
New Employees Completing Probationary Period

Source: SPO

Compensation Adequacy

SPO's 2017 compensation report shows salaries of New Mexico state employees are, on average, 9.1 percent lower than they are for the comparator market. However, this gap is not necessarily uniform. Industry demand for certain types of positions, for example IT professionals, increased faster than for the labor market in general resulting in certain state salaries being further behind than others. SPO does not provide the Legislature with salary adequacy by job type in its annual or quarterly reports making it difficult for policymakers to identify underpaid positions.

In addition to compensation disparities, the state's salary structure has not been maintained and has fallen behind the market. Even in years when the Legislature provided cost-of-living adjustments (COLA), SPO sometimes did not adjust the pay structure. With only two changes since 2006 and average U.S. wage growth of approximately 3 percent per year over this time, the pay structure has fallen significantly behind the market.



New Mexico Pay Structure Changes vs. U.S. Market

Source: SPO

When a salary structure falls behind the market, the pay ranges assigned to individual jobs are affected. When a pay range is no longer sufficient to offer a competitive salary, agencies may use alternative pay bands (APB) to provide salaries in excess of SPO's recommended salary for a given position. The use of APB's is common; in 2017, 24 percent of job classifications were assigned to an APB. Another indicator of an inadequate compensation system is the large proportion of workers not completing their first year of employment, or probationary period. For FY18, SPO reported only 63 percent of new employees completed their probationary period, a significant decrease from prior years. Additionally, vacancy rates remain high across government and the salary gap between new hires and long-time employees is small, suggesting an inability to hire at the bottom of the salary range.

LFC Online: Understanding Government Finances

Finance Facts: State Employee Compensation

Occupation-Based Pay Structure. To address problems in the compensation structure, SPO advocated for the creation of an occupation-based pay system comprising of 11 separate pay structures to allow targeted pay adjustments to better align state agency pay with the broader labor market. Because the current single pay structure does not distinguish between job types and skills, an adjustment to the structure affects the entire state work force. While SPO made progress over the past five years placing job classifications into the new occupational groups for IT, corrections, engineers, architects, and legal, the executive has yet to implement the remainder of the occupation-based structures affecting the majority of public employees.

Percent of State Workforce by Occupation Group

1	Corrections	7%
2	Information Technology	4%
3	Engineering	5%
4	Architecture	<1%
5	Legal	2%
6	General Administration	28%
7	Healthcare	8%
8	Protective Services	2%
9	Science/Technology	5%
10	Social Services	18%
11	Trades/Labor	10%
12	Management	11%

Source: SPO

*Blue occupation groups are complete.

Salary and Benefit Balance. Analysis of total compensation in New Mexico shows a disproportionate share is paid through benefits. In its 2017 compensation report, SPO states: "When compared to both public and private sectors, the state contributes significantly more to employees in both medical and retirement benefits."

Comparison of Compensation Components

Compensation Component	Private Industry	State and Local Gov't	State of New Mexico
Salary	**69.6%**	**62.9%**	**57.7%**
Benefits	**30.4%**	**37.1%**	**42.3%**
Paid Leave	6.9%	7.5%	8.4%
Supplemental Pay	3.5%	1.0%	0.0%
Insurance	8.0%	11.9%	18.9%
Retirement	4.0%	11.2%	10.4%
Other	7.8%	5.6%	4.4%
Total	**100%**	**100%**	**100%**

Source: SPO

Relative to other state and local governments, New Mexico's total compensation is heavily weighted toward benefits, resulting in 5.2 percent less of total compensation being paid in salary. The largest difference between New Mexico's compensation plan and state and local governments nationally is in health insurance, where New Mexico provides almost 19 percent of total compensation, 62 percent more than other public employers, and more than double the amount spent by private industry.

Eight-State Average Government Salaries

Nevada	$ 69,084
Colorado	$ 54,858
Wyoming	$ 55,500
Utah	$ 49,764
Arizona	$ 46,308
New Mexico	**$ 45,324**
Texas	$ 44,064
Oklahoma	$ 44,178
Kansas	$ 37,233

Source: SPO

Consolidation

In early 2017, SPO announced plans to consolidate executive agencies' human resource (HR) functions in Santa Fe and Albuquerque to increase efficiency and enhance cost-effectiveness. The HR consolidation identified 484 HR positions statewide and proposed to eliminate nearly half through attrition. The executive initially indicated the consolidation would save millions; however, any potential savings are now projected to be generated primarily through efficiencies within agencies' operating budgets. The consolidation is being implemented using "service level agreements" between SPO and executive agencies, with the FTE and associated personnel and funding remaining within the respective agencies' budgets. Bills to enable SPO to expand consolidation to agencies that receive federal funds failed to pass during the 2018 legislative session.

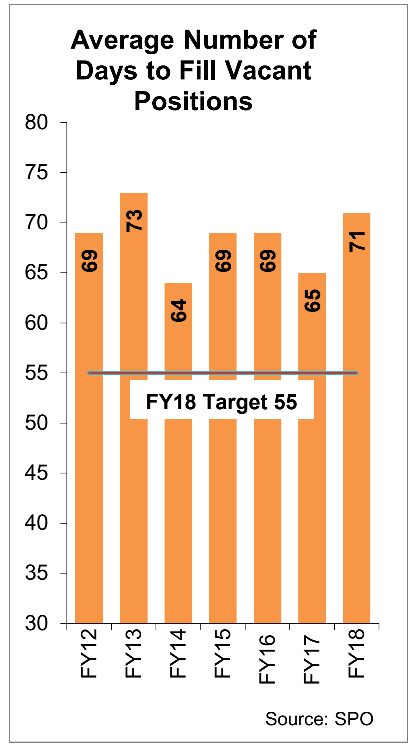
The consolidation effort faces significant challenges as SPO balances it with existing duties. Quarterly performance reporting data show the time to fill positions has increased dramatically, and agencies have voiced concern about the availability of HR positions needed to maintain staffing in critical areas, such as the Children, Youth and Families Department.

Educator Compensation

Public Schools

The Public Education Department estimates the average New Mexico teacher salary was about $47.6 thousand in FY17, a 0.2 percent or $116 increase from FY16. Data from the National Center for Education Statistics shows New Mexico teacher salaries ranked in the middle of surrounding states, behind Texas and Nevada but ahead of Arizona, Colorado, Oklahoma, and Utah in FY17.

New Mexico was able to pull ahead of Arizona and Oklahoma in recent years due to the adoption of statutory minimum salary levels and language in the General Appropriation Acts of 2014, 2015, 2016, and 2018, that increased these minimums. However, recent protests in surrounding states have resulted in forthcoming increases to teacher wages in Arizona and Oklahoma, a sign that teacher salary increases will be an ongoing issue for New Mexico in future years.



Higher Education

Average salaries for faculty, adjusted for inflation, at New Mexico's higher education institutions increased 5.2 percent between 2013 and 2017. Nontenure-track faculty are paid only 70 percent of tenure-track professors, even though salaries for nontenure-track faculty increased by 9.2 percent compared with a 2.2 percent increase for tenured professors. Noninstructional staff salaries increased by 1.2 percent over this time. New Mexico's compensation for full-time instructional staff remains uncompetitive with neighboring states at both two- and four-year public postsecondary institutions.

Average Real Teacher Salaries
(in thousands)

	1999-2000	2009-2010	2015-2016	2016-2017
US	41.8	55.2	58.4	59
NV	39.4	51.5	56.9	57.4
TX	37.6	48.3	51.9	52.6
CO	38.2	49.2	46.2	46.5
NM	**32.6**	**46.3**	**47.2**	**47.5**
UT	34.9	45.9	46.9	47.2
AZ	36.9	47	47.2	47.4
OK	31.3	47.7	45.3	45.2

Source: National Center for Education Statistics

Benefits

Pensions

Despite recent efforts to reform public employee pensions, the funds remain significantly underfunded. In June 2018, Moody's Investor Service downgraded New Mexico's credit rating, citing, in addition to other factors, the large amount of pension-related liability currently carried by the state. The current benefit structure is unsustainable, and further refinement of the pension systems is needed.

National Comparison. New Mexico's pension plans are significantly more generous than plans across the nation; New Mexico offers employees a pension multiplier, a percent of salary awarded for each year of service, of between 2.35 percent and 3 percent in addition to social security eligibility for nonpublic safety occupations. A report by the Urban Institute found the average nonpublic safety pensions in the United States offered multipliers between 1.75 percent and 1.85 percent. The combination of social security eligibility, a high pension multiplier, a compounding cost-of-living-adjustment (COLA), and generous employer contributions results in New Mexico providing among the richest retirement benefits in the nation.

Plan Features. In general, the PERA plan provides a richer benefit to members at a higher cost. PERA tier one members, hired before July 1, 2013, qualify for a 90 percent pension benefit after 30 years of service while tier two members must

Teacher Salaries and Licenses in New Mexico

	Minimum Salary Level	Estimated FY18 Licensed FTE
Level 1	$36,000	3,508
Level 2	$44,000	9,197
Level 3	$54,000	8,657

Source: PED

Employer Contribution Rates

State	Rate
Arizona	11.3%
Colorado	10.2%
Kansas	13.2%
NM ERB	**13.9%**
NM PERA	**17.0%**
Nevada	14.5%
Oklahoma	16.5%
Texas	7.0%
Wyoming	8.4%

Source: LFC Files

PERA and ERB Benefit Comparison

	ERB	PERA
Retired Members	47,340	39,487
Active Members	59,495	56,431
Total Annual Benefit	$1.01 Billion	$1.1 Billion
Avg. Benefit	$ 23,472	$ 28,642
Avg. Age at Retirement	62.1	61.3
Avg. Service Credit	20	22

Source: PERA and ERB CAFR

Comparison of Pension Fund Liabilities and Funding Periods

	PERA	ERB
Current Fund Assets	$15.3 Billion	$12.9 Billion
Current Unfunded Liability	$6.1 Billion	$7.4 Billion
Current Funded Ratio	71.6%	63.5%
Pojected Funded Ratio, 2043	77.1%	62.5%
Funding Period	Infinite	61 Years

Source: LFC Files

complete 36 years to reach 90 percent. ERB members have to work 38.3 years to receive a 90 percent pension. PERA members must suspend their pensions to return to work after retirement, while ERB members may collect a pension while working after a one year layout.

	PERA	ERB
Pension Multiplier*	3.0% 2.5%	2.35%
Employee Contribution	8.92%	10.70%
Employer Contribution	16.99%	13.90%
Maximum Benefit**	90%	None
COLA	2%	2% max.
Final Average Salary*	High 3 High 5	High 5

*PERA's pension multiplier of 3 percent and a final average salary based on three years apply to those hired prior to July 1, 2013. A second tier of the pension was added for those hired after July 1, 2013. Tier two provides a pension multiplier of 2.5 percent and a final average salary based on five years. ERB has several pension tiers, but the multiplier has not changed since 1991.
**ERB does not have a cap on the maximum benefit that can be earned.

Funded Status. New Mexico's two pension systems currently have a $12.5 billion unfunded actuarially accrued liability (UAAL). The UAAL is the amount of assets needed to pay future obligations minus plan assets. The amortization periods, or the amount of time it would take for contributions and investment income to pay down the pension liability, for the funds are also concerning; ERB estimates it will take 61 years for the fund to amortize the UAAL, while PERA reports an infinite amortization period, meaning current contribution and investment income will never cover promised benefits.

Reform Options. To ensure pension benefits remain available for current and future workers, changes must be made. Pension reform efforts may focus on three areas: cash flows, benefits, and COLAs. Cash flows refers to the contributions made to the fund by employees and employers, as well as investment earnings. The ERB and PERA boards are responsible for investment policy development while the Legislature sets contribution rates statutorily. Similarly, benefits and COLAs are paid in accordance with statute. Increasing the employer contribution provides additional income to the fund. Reducing the pension multiplier for current and future employees would also immediately reduce the pension liability. However, changing any part of a base benefit might be subject to a court challenge. The COLA is not a part of the base pension benefit, and the Supreme Court has ruled it may be changed. PERA estimates a five-year suspension of the COLA would save the plan approximately $700 million, while ERB estimates savings of $824 million.

As life expectancy increases, the Legislature should consider what a minimum retirement age should be and what a reasonable career duration is. The current system pays among the richest pension benefits in the country and New Mexico retirees are entitled to social security, Medicare, and a retiree healthcare subsidy in addition to the state pension. Without significant changes, it is likely the pension shortfall will be paid entirely by future workers. This would result in the pension benefit not only failing to increase employee retention, but because the benefit would actually be worth less than newer employees were paying for it, it would likely serve as a disincentive for state employment.

Retiree Healthcare

The Retiree Health Care Authority (RHCA) provides post-employment health, dental, vision, and life insurance benefits to public employees who retired under PERA or ERB. Spouses of retirees are eligible to receive the healthcare subsidies, as well. RHCA provides a pre-Medicare subsidy of up to 64 percent while Medicare-eligible individuals are eligible for a subsidy of up to 50 percent.

RHCA has a trust fund balance of approximately $630 million and a total liability of $5.1 billion, resulting in a funded ratio of approximately 12 percent. RHCA will begin spending more on benefits than it receives in revenue, or deficit spending, by 2020, and the trust fund will be exhausted and the program insolvent by 2035.

Beyond solvency concerns, the RHCA programs pre-Medicare benefit is harmful to the state's finances. For the pension systems to remain sustainable, employees must have an inducement to work longer careers, thus giving invested funds longer to grow. By providing a pre-Medicare benefit, the state is subsidizing early retirement to the detriment of the pension plans. The RHCA board should consider raising the minimum retirement age closer to the age of Medicare eligibility and further reducing the pre-Medicare benefit.

In addition to altering pension contributions and COLAs, service credit multipliers and other features, solvency may be improved by passing legislation to close loopholes, such as limiting "double-dipping".

Medical Premium Options
(in dollars, for most earning less than $50 thousand)

	APS	PSIA	GSD
Single EE ER	 192 287	 220 331	 98 393
Total	**479**	**551**	**491**
Family EE ER	 518 776	 618 926	 289 1,159
Total	**1,294**	**1,544**	**1,449**

Group Health Benefits

The General Services Department (GSD), Public School Insurance Authority (NMPSIA), Albuquerque Public Schools (APS), and RHCA participate in the Interagency Benefits Advisory Committee (IBAC), the largest commercial healthcare purchaser in the state. In FY18, total expenditures reached nearly $1 billion, effectively flat with the prior year, despite a smaller number of active members and higher number of retired members. On a per-person basis, costs increased 5 percent from FY17 to FY18 due to high-cost claimant expenses and a larger percentage of spending on specialty drugs.

Healthcare spending is typically driven by the highest users of the system. In FY18, NMPSIA reported the most expensive 1 percent of members accounted for 36.9 percent of spending while the bottom 70 percent accounted for only 6.5 percent of spending. This tendency for costs to be driven by a small subset of high-cost users induced IBAC members to pursue plan design changes, which include higher deductibles and co-pays to contain costs. In addition, IBAC agencies are working more aggressively with the state's pharmacy benefits manager to maximize savings available through prescription drug rebates.

On average, teachers pay a higher percentage of the total health insurance premium and have higher out-of-pocket costs than their state employee counterparts. State employees enjoy the largest medical insurance subsidy, with the state paying 80 percent for employees making less than $50 thousand. NMPSIA employees pay the highest portion, 40 percent for employees making more than $25 thousand. The difference in employee insurance costs between APS and NMPSIA and GSD may also hurt teacher recruitment and retention.

APS Health Insurance Premium Split

Salary	Employee	Employer
< $34.5	20%	80%
$34.5-$40	30%	70%
>$40	40%	60%

GSD Health Insurance Premium Split

Salary	Employee	Employer
< $50K	20%	80%
< $60K	30%	70%
$60K +	40%	60%

NMPSIA Health Insurance Premium Split

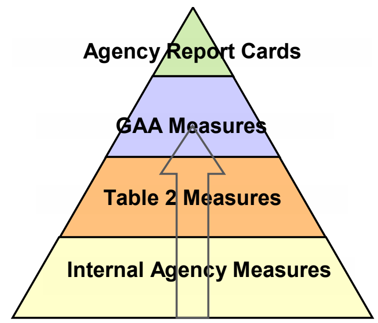
Salary	Employee	Employer
< $15K	25%	75%
< $20K	30%	70%
< $25K	35%	65%
$25K +	40%	60%

Performance

Accountability in Government

The Accountability in Government Act (AGA) traded budget flexibility for information about how state agencies economically, efficiently, and effectively carry out their responsibilities and provide services. Prior to the AGA, agency appropriations were tightly controlled by the Legislature with attention paid to individual budget lines and incremental spending of salaries, office supplies, travel, etc. After the AGA, the focus switched to results as measured by performance.

Performance Measure Hierarchy

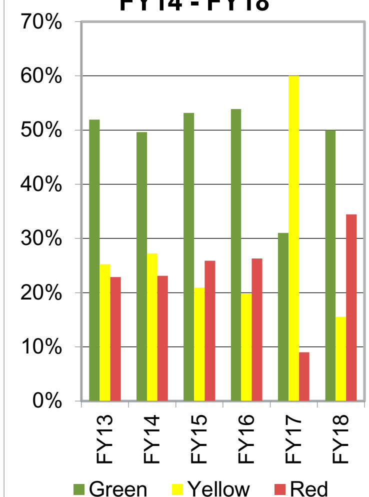


Revitalizing Performance Measures

In accordance with the provisions of the AGA, the ability of LFC and its staff to improve measures is limited because fundamental authority over performance reporting resides with the executive. The Department of Finance and Administration (DFA) approves new measures and deletes others; LFC's role is that of consultation. Over the last several years, different perspectives have developed between the executive and legislative branches about the importance of performance measures and accountability. DFA wanted to sharply reduce the number of measures reported by state agencies, while LFC wanted to maintain meaningful measures. After a cooperative effort to remove over 600 less useful measures in FY17, DFA nonetheless instructed agencies to shift many FY18 measures to explanatory measures, which do not have targets, or to annual rather than quarterly reporting. Both these steps have reduced meaningful tracking and oversight by the Legislature.

LFC staff suggested improved or revised agency metrics for FY20 and most of these suggestions were dismissed by DFA, although a handful were adopted. In addition, LFC staff have added national benchmarks and other relevant data not included in agency performance reports, as seen in the report cards for the Aging and Long-Term Services and Health departments. In 2019, the quality of agency reporting and performance measures could improve with a new administration more receptive to accountability and managing for results.

Report Card Program Rating Performance Summary FY14 - FY18



Source: LFC Files

Report Cards

Although not prescribed in state law, LFC's agency report cards add emphasis and clarity to the reporting process and help focus budget discussions on evidence-based initiatives and programming. Criteria for rating performance were established with consideration for improvement or decline in performance and deference to economic conditions, austerity measures, etc. Performance criteria and elements of good performance measures are reviewed on the following pages. Generally, green ratings indicate performance achievement; red ratings are not necessarily a sign of failure but do indicate a problem in the agency's performance or the validity of the measure. Yellow ratings highlight a narrowly missed target or a slightly lower level of performance.

FY18 Performance and Future Outlook

Fiscal year 18 report cards showed a return toward historical levels of green ratings. However, a spike in red ratings and a decrease in yellow ratings show some agencies are struggling to implement evidence-based strategies. Outcome measures indicating a need for improved performance include student reading and math proficiency, repeat child maltreatment, recidivism among inmates, and completion of water adjudications. Agencies continue to miss targets due to high vacancy rates and ongoing problems with turnover, recruitment, and retention.

PERFORMANCE REPORT CARD CRITERIA
LEGISLATIVE FINANCE COMMITTEE

Process • Data is reliable. • Data collection method is transparent. • Measure gauges the core function of the program or relates to significant budget expenditures. • Performance measure is tied to agency strategic and mission objectives. • Performance measure is an indicator of progress in meeting annual performance target, if applicable. **Progress** • Agency met, or is on track to meet, annual target. • Action plan is in place to improve performance. **Management** • Agency management staff use performance data for internal evaluations.	**Process** • Data is questionable. • Data collection method is unclear. • Measure does not gauge the core function of the program or does not relate to significant budget expenditures. • Performance measure is not closely tied to strategic and mission objectives. • Performance measure is a questionable indicator of progress in meeting annual performance target, if applicable. **Progress** • Agency is behind target or is behind in meeting annual target. • A clear and achievable action plan is in place to reach goal. **Management** • Agency management staff does not use performance data for internal evaluations.	**Process** • Data is unreliable. • Data collection method is not provided. • Measure does not gauge the core function of the program or does not relate to significant budget expenditures. • Performance measure is not related to strategic and mission objectives. • Performance measure is a poor indicator of progress in meeting annual performance target, if applicable. • Agency failed to report on performance measure and data should be available. **Progress** • Agency failed, or is likely to fail, to meet annual target. • No action plan is in place for improvement. **Management** • Agency management staff does not use performance data for internal evaluations.

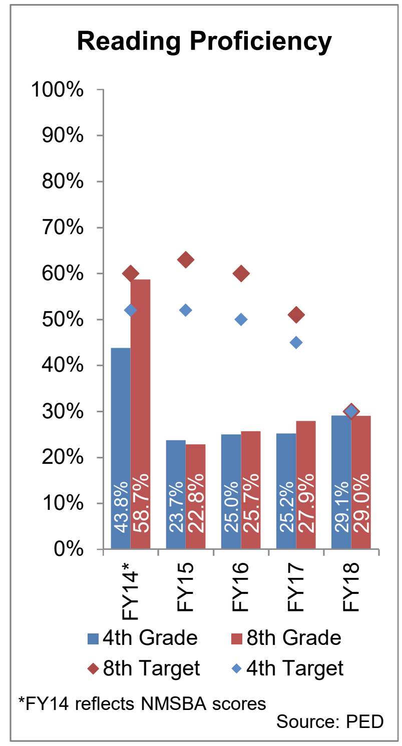
ACCOUNTABILITY IN GOVERNMENT
Performance Measure Guidelines

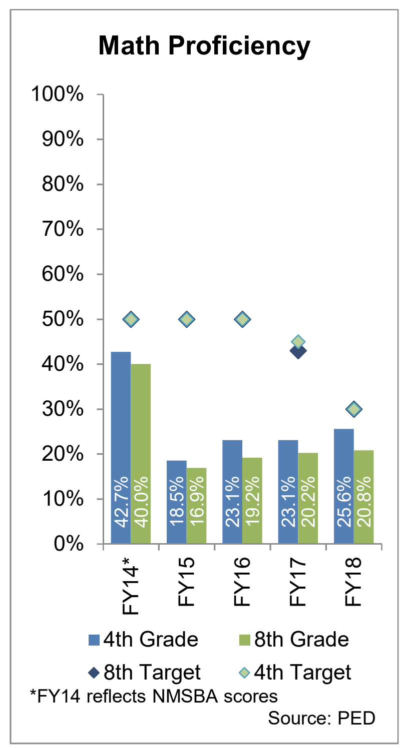
Elements of Good Performance Measures	**Agency Quarterly Reports**	**Elements of Key Agency Reports**	**Elements of LFC Performance Report Card**
Ideal performance measures should be • ***Useful:*** Provide valuable and meaningful information to the agency and policymakers • ***Results-Oriented:*** Focus on outcomes • ***Clear:*** Communicate in a plain and simple manner to all stakeholders (employees, policymakers, and the general public) • ***Responsive:*** Reflect changes in performance levels • ***Valid:*** Capture the intended data and information • ***Reliable:*** Provide reasonably accurate and consistent information over time • ***Economical:*** Collect and maintain data in a cost-effective manner • ***Accessible:*** Provide regular results information to all stakeholders • ***Comparable:*** Allow direct comparison of performance at different points in time • ***Benchmarked:*** Use best practice standards • ***Relevant:*** Assess the core function of the program or significant budget expenditures	Each quarterly report should include the following standard items • Agency mission statement • Summary of key strategic plan initiatives • Program description, purpose and budget by source of funds • How the program links to key agency initiatives, objectives, and key performance measures • Action plan describing responsibilities and associated due dates	Key Measure reporting should include • Key performance measure statement • Data source to measure key measure results • Four years of historical data (if available) • Current quarter data (both qualitative and quantitative) • Graphic display of data as appropriate • Explanation for measures 10 percent or more below target • Proposed corrective action plan for performance failing to meet target • Action plan status • Corrective action plan for action plan items not completed	Each quarterly Report Card should include the following standard items • Key events or activities that affected the agency in the previous quarter • Status of key agency initiatives • National benchmarks for key measures, when possible • Explanation for any area(s) of underperformance • Agency action plans to improve results Analyst may include: • Measures or data reported by another reputable entity when agency data is inadequate

On July 20, 2018, the 1st Judicial District Court ruled in a consolidated education sufficiency lawsuit that New Mexico's level of funding and method of distributing funds to public schools failed to provide a uniform and sufficient education for all school-aged children. The court ruling also highlighted disparities in student achievement, particularly for at-risk children, as evidence of the state's failure to provide adequate educational opportunities for all students and noted the Public Education Department (PED) did not fully exercise its authority over districts to ensure at-risk students received adequate support.

School districts and charter schools receive general operational funding through the state equalization guarantee (SEG) distribution, a formulaic allocation based on individual- and school-level characteristics of students at every public school in the state. Public school support, which includes the SEG distribution and categorical funding for expenses like instructional materials or transportation, represents the majority of funding available for all public school operations in New Mexico.

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





Public School Support

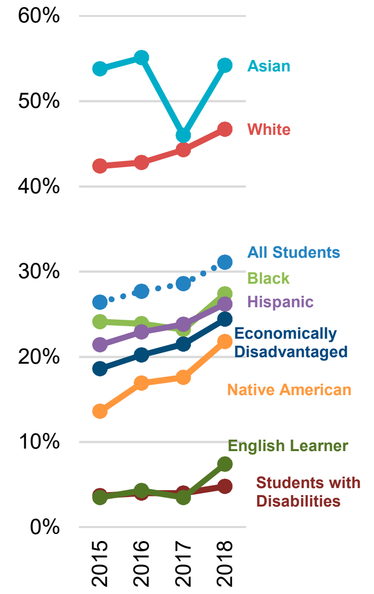
In FY15, New Mexico students began taking the PARCC standards-based test, which replaced a state-created, standards-based assessment. According to the National Center for Education Statistics, the PARCC test is more difficult and has higher standards than other state assessments, like ACT Aspire or Smarter Balanced. Fewer states are using the same PARCC test, reducing the ability to compare performance around the nation.

The PARCC test had higher proficiency cut scores than New Mexico's previous assessment. Consequently, proficiency rates were lower in FY15, and performance targets were adjusted downward to account for these changes. In FY18, reading and math proficiency for fourth and eighth grade students improved from FY17. These scores have increased steadily since the beginning of testing in 2015. While the positive trajectory is promising, results show over 70 percent of fourth and eighth graders are not proficient in reading and math.

Eleven thousand more students are proficient in math and 13 thousand more students are proficient in reading since PARCC testing began in 2015. Native American students have improved their reading results more than any other group of students (by 8.2 percentage points), more students are attending schools with A and B grades, and the high school graduation rate is at a record high. Despite these improvements, disparities still exist between different student subgroups, highlighting the need for the state to consider more targeted interventions for lower-performing groups of students.

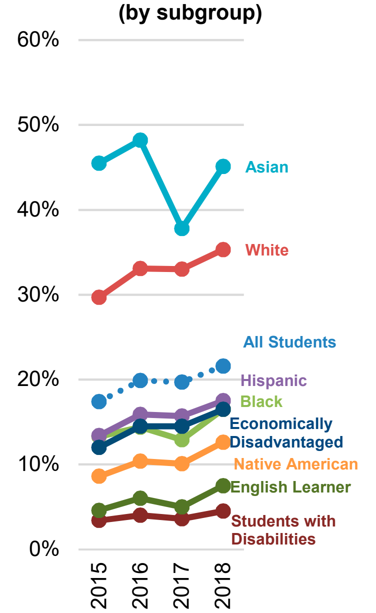
New Mexico's four-year cohort graduation rate was 71 percent in the 2016-2017 school year, flat with the prior year and lower than the 2015-2016 national average of 84.1 percent. Although states differ on graduation standards, New Mexico's rate falls below expected state target levels, and graduation rates for low-income and at-risk student groups remain lower than the statewide average. About 34 percent of New Mexico's high school graduates take remedial courses

PARCC Reading Proficiency Rates (by subgroup)



Source: PED

PARCC Math Proficiency Rates (by subgroup)



Source: PED

at state higher education institutions – a significant improvement over the college remediation rate of 52 percent in FY12.

In FY18, the U.S. Department of Education approved New Mexico's Every Student Succeeds Act (ESSA) plan, which outlines how the state will measure and hold public schools accountable for meeting student achievement goals. New Mexico's ESSA plan sets ambitious performance targets, calling for 64.9 percent proficiency in reading and 61.2 percent proficiency in math on the PARCC test by 2022. Additionally, the plan sets an 84.5 percent four-year graduation rate goal for the class of 2022 and includes a short-term college remediation rate goal of less than 25 percent by 2020. To reach these goals, students must show dramatic academic growth in the next few years.

Budget: $2,594,274.2 **FTE:** N/A

Measure	**FY16 Actual**	**FY17 Actual**	**FY18 Target**	**FY18 Actual**	**Rating**
Fourth-grade students proficient on standards-based assessments in reading	25%	25.2%	30%	29.1%	Y
Fourth-grade students proficient on standards-based assessments in mathematics	23.1%	23.1%	30%	25.6%	R
Eighth-grade students proficient on standards-based assessments in reading	25.7%	27.9%	30%	29%	Y
Eighth-grade students proficient on standards-based assessments in mathematics	19.2%	20.2%	30%	20.8%	R
Recent high school graduates taking remedial courses at higher education institutions	43.1%	33.5%	<35%	NR	G
Four-year cohort graduation rate	71%	71%	75%	NR	R
				Program Rating	Y

Public Education Department

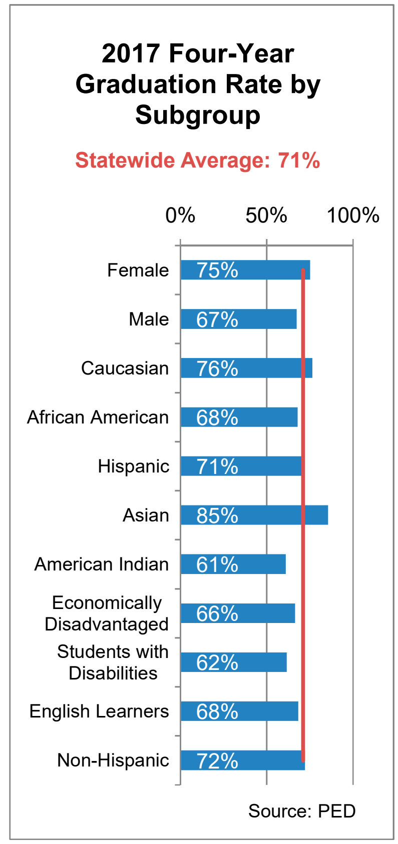
According to the State Personnel Office, PED maintained 224.7 FTE, or about a 6.7 percent vacancy rate, in the fourth quarter of FY18. In FY18, PED budgeted $1.3 million from special "below-the-line" program appropriations – intended to directly support school districts and charter schools – for department personnel costs. PED has statutory authority to budget funds for department personnel from appropriations for Indian education, prekindergarten, and K-3 Plus extended school year programs. The use of other special program appropriations for personnel is not explicitly authorized in statute but has become a recent practice, suggesting that PED's operating budget may not be sufficient to adequately administer all of the department's special programs.

Some PED administrative functions have improved, with several annual figures meeting or approaching target levels. PED met the target number of completed data validation audits, which ensures the SEG distribution is allocated 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 or programs that are dependent on reimbursements for operation.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Eligible children served in state-funded prekindergarten*	8,761	8,572	N/A	8,418	Y
Eligible children served in K-3 Plus**	20,093	13,778	N/A	20,131	G
Average days to process reimbursements	34	18	24	22.8	G
Data validation audits of funding formula components	2	21	20	28	G
				Program Rating	G

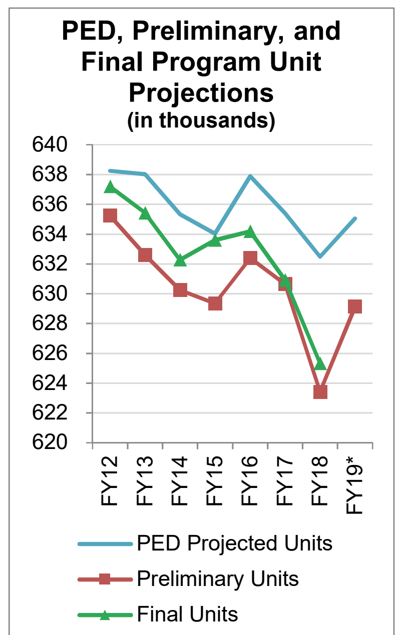
*Includes 4-year-old prekindergarten administered by the Children, Youth and Families Department.
**Represents participation by summer program, not fiscal year (e.g. FY16 is summer 2016)



Funding Formula and Enrollment Trends

According to PED, preliminary figures show the state enrolled 2,081 fewer students in FY18, continuing a downward trend from FY17 when the state saw a decrease of 2,331 students. Despite the decline in student membership, preliminary FY19 program units increased dramatically because of the new at-risk index factor enacted in the 2018 legislative session. Approximately 5,451 additional program units were generated from the at-risk index differential of 0.13, which is scheduled to increase to 0.14 in FY20 and 0.15 in FY21. Additional units generated from the at-risk index, however, are expected to be offset by a substantial decline in training and experience (T&E) units as the formula begins to align that component to the three-tiered teacher licensure system.

For FY19, preliminary estimates show a total of 629 thousand program units generated by the funding formula, 5,933 units less than PED's projection used to determine the FY19 preliminary unit value of $4,159.23. Typically, the number of units in the preliminary projection increase due to enrollment growth or new charter school units. The largest recent increase in units occurred in FY15, which resulted in 4,253 additional units. Due to uncertainties surrounding federal Impact Aid (payments credited in the funding formula) and other factors, PED has typically set the unit value cautiously, through conservative program unit projections.



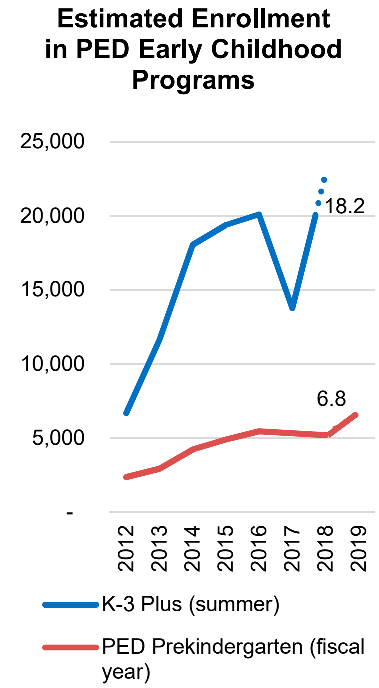
*Additional program units will be generated in FY19 due to an increase in the at-risk

Source: LFC and PED Files

At the end of FY18, PED set the second final unit value at $4,115.60, a $31.34 increase from the first final unit value of $4,084.26 set five months earlier in January. The $19.6 million infusion of funding included $10 million for schools authorized in the General Appropriation Act (GAA) of 2018 and $9.6 million to meet FY18 federal special education maintenance of effort (MOE) requirements, which stipulate a base level of special education funding each year. While the GAA of 2017 authorizes the department to reduce the FY18 SEG distribution and redistribute the reduced amount to meet MOE requirements, the language does not authorize PED to *increase* the final unit value to meet these requirements. To date, PED has not provided details on how the state is meeting MOE requirements for FY19 and prior years, which remains a significant potential liability.

Prekindergarten and K-3 Plus

In FY18, the total number of eligible children served in state-funded prekindergarten decreased slightly; however, the number of children served in extended-day programs increased from 1,246 children in FY17 to 1,790 children in FY18. Currently, about 57 percent of 4-year-old children statewide



*2018 K-3 Plus includes K-5 Plus pilot schools.

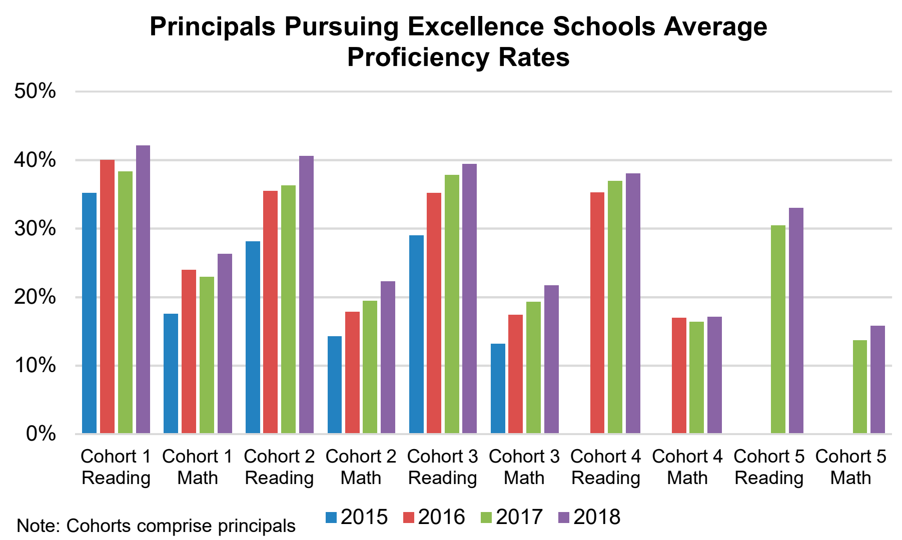
Source: PED

are enrolled in prekindergarten programs, including federal Head Start programs. 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. Additionally, low-income students who participate in both prekindergarten and K-3 plus extended school year programs close achievement gaps by kindergarten entry.

This summer, PED announced record high enrollment capacity for K-3 Plus and prekindergarten programs as a result of increased funding for FY19. The total number of students funded for summer 2018 K-3 Plus and the K-5 Plus pilots will reach nearly 18.2 thousand students. Overall funding appropriated is estimated to be $28.8 million, with 26 school districts and charters piloting the K-5 Plus program. This enrollment is a significant increase from summer 2017 enrollment of 13.8 thousand students when slots were reduced statewide. Currently, about 35 percent of eligible students statewide are participating in K-3 Plus programs.

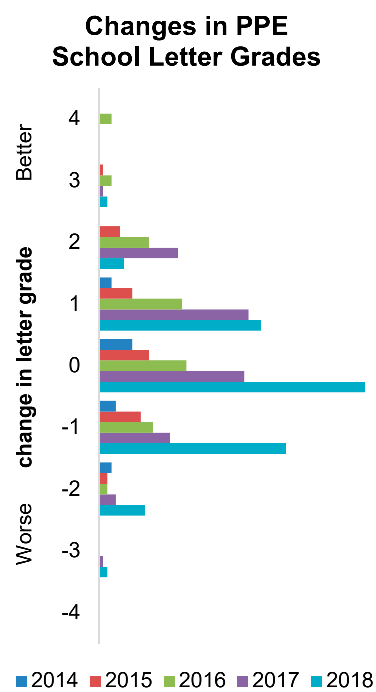
School Leadership

Results from PED's educator mentorship programs, Principals Pursuing Excellence (PPE) and Teachers Pursuing Excellence (TPE), suggest that low-performing schools that receive these targeted interventions have improved outcomes.



Note: Cohorts comprise principals attending the program at the same time

Source: PED

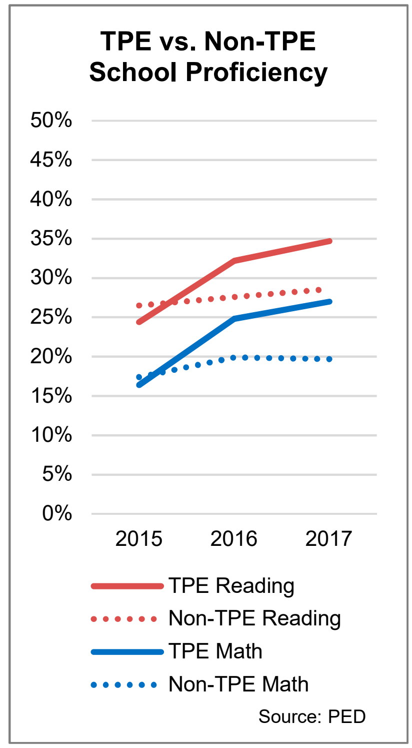


Source: PED

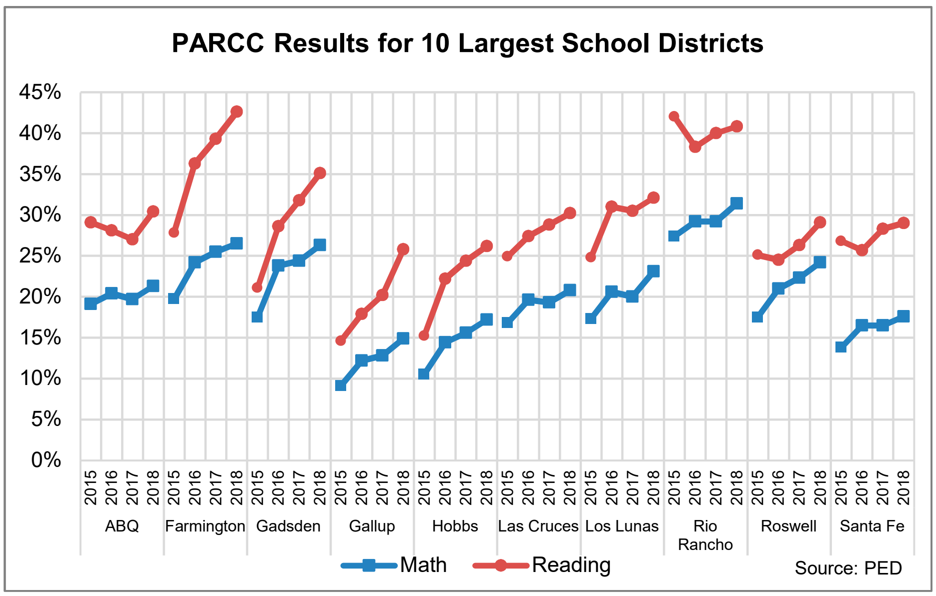
Principals Pursuing Excellence. The Legislature appropriated $2 million in FY19 for PPE programs, which provide cohorts of principals with professional development and mentoring for two years. PED notes schools participating in PPE improved more than three times the statewide average on the PARCC exam for English language arts proficiency and 1.7 times the statewide average for math proficiency from 2016 to 2017. Professional development and mentoring programs for principals, such as PPE, may help principal recruitment and retention, given limited training opportunities for school-level administrators.

Teachers Pursuing Excellence. The Legislature appropriated $2 million in FY19 for TPE programs, which provide cohorts of teachers with professional development and mentoring for two years. PED reports teachers participating in

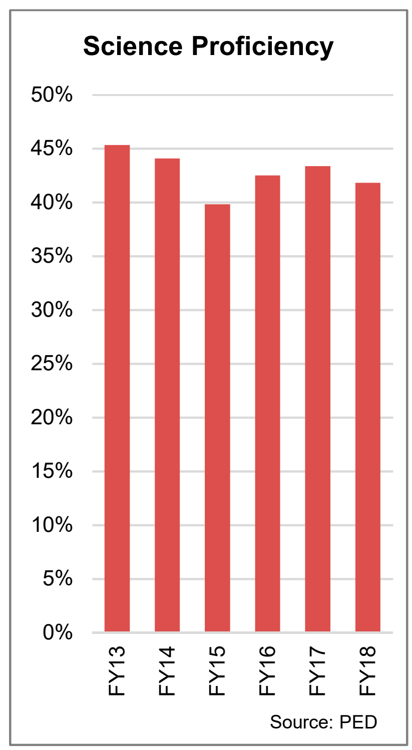
TPE programs improve their NMTeach teacher evaluation ratings, and students at TPE schools achieve higher growth on PARCC exams than the state average. According to PED, students of TPE teachers experienced 4.5 times the state average growth in English language arts proficiency, and 2.7 times the average growth in math proficiency from 2016 to 2017.



Overall student reading and math proficiencies among the state's 10 largest school districts have improved since the beginning of PARCC testing. However, districts like Farmington, Gadsden, Gallup, and Hobbs have shown continuous improvement in both reading and math proficiency and achieved stronger gains than other large districts. To accurately identify the factors driving performance at the higher-performing districts, the Legislature should consider maintaining the PARCC test to evaluate the sustainability and scalability of best practices at these districts and PED programs.



Next Generation Science Standards. In 2017, PED adopted the New Mexico STEM-Ready Science Standards, replacing the state science standards in place since 2003. The new standards – STEM stands for science, technology, engineering, and math – present a shift in expectations for STEM education delivery. Educators are encouraged to focus more on applied learning rather than rote memorization of facts. Rather than separating the curricula into isolated subject areas such as biology or algebra, elementary- and secondary-level educators will be expected to integrate STEM-related standards and topics across all classes at all grade levels and develop interdisciplinary STEM learning experiences for all students. The current New Mexico standards-based assessment (SBA) for science must be revised to align with the new standards. PED indicated the FY19 science exams would be aligned to the new science standards and the new statewide SBA science test would be piloted in 2019. PED plans to roll out the full SBA science test in the FY20, which will test grades five, eight, and 11. Currently grades four, seven, and eleven are tested annually. Additionally, PED's school grading system will begin using science test scores as part of the school grade calculation starting in the 2018-2019 school year.



Higher Education

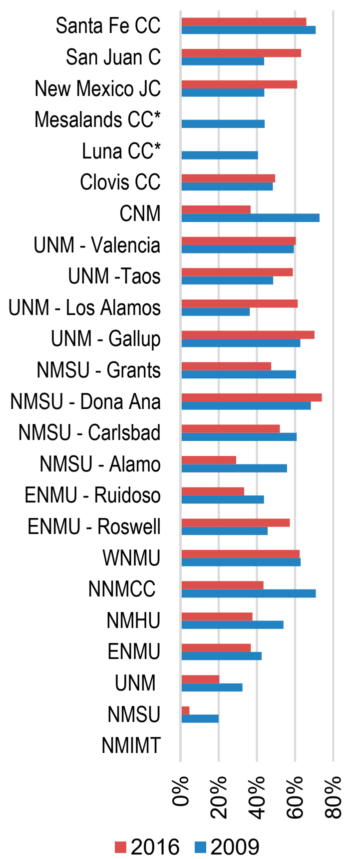
ACTION PLAN

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

Remediation Rates

College remediation rates quantify the number of students who take remedial courses prior to starting a prescribed degree program. In New Mexico, 39 percent of college freshmen take at least one remedial course. These students are less likely to graduate or graduate on time than their better prepared peers.

New Students in Remedial Classes



*no data for FY16 Source: NMHED

Postsecondary graduation rates in New Mexico have improved year-over-year, particularly at the four-year research universities, which educate the largest numbers of students. Colleges and universities lag national benchmarks though, and the governor's "Route-to-66" goal of 66 percent of adults with a postsecondary credential by 2030 is not likely to motivate higher education institutions to exceed those benchmarks. Although 78 percent of New Mexico's public, nonspecial, and nontribal colleges and universities exceeded their own institutional performance targets for students graduating within three (for associate's degrees and certificates) or six years (for bachelor's degrees), target levels for graduation rates are set too low and lag far behind the average graduation rates of peer institutions.

From a performance perspective, 71.4 percent of four-year universities and 60 percent of two-year colleges improved year-over-year performance; possibly a reflection of low performance targets. Compared with peers, New Mexico is not gaining ground.

Both four-year research universities and two-year independent colleges showed stronger performance on graduation rates, while four-year comprehensive universities had mixed results. College remediation appears to be a challenge for two-year colleges and four-year comprehensive universities, which experience higher levels of students in need of remediation partly because of open admissions policies. Lowering the rates of remediation at these schools – particularly if driven by a more robust statewide attainment goal – could ensure improvements in student outcomes, like completion rates.

Universities Six-Year Completion Rates

Completion rates for first-time, full-time degree-seeking students	Fall 2010 to Summer 2016 Actual	Fall 2011 to Summer 2017 Actual	Fall 2012 to Summer 2018 Target	Fall 2012 to Summer 2018 Actual*	Rating
NM Tech	49.4%	47.8%	49%	55.5%	G
NM State University	44.7%	45.9%	48%	50.4%	G
University of NM	43.9%	48.6%	48%	49.9%	G
		Research Universities Program Rating			G
Eastern NM University	32.8%	32.7%	34%	31.4%	R
Highlands University	22.2%	22.2%	22%	23.8%	Y
Northern NM College	19.4%	22%	25%	25%	G
Western NM University	23.8%	26.6%	26%	25.7%	Y
			Comprehensive Universities Program Rating		Y

*preliminary, unaudited

Community College Three-Year Completion Rates

Completion rates for first-time, full-time degree-seeking students	Fall 2013 to Summer 2016 Actual	Fall 2014 to Summer 2017 Actual	Fall 2015 to Summer 2018 Target	Fall 2015 to Summer 2018 Actual*	Rating
ENMU Roswell	11.6%	13%	25%	24.3%	Y
ENMU Ruidoso	19.3%	26%	18%	24%	Y

NMSU Alamogordo	9%	12%	14%	14%	Y
NMSU Carlsbad	13%	13%	13%	11.5%	R
NMSU Dona Ana	13%	15%	14%	10%	R
NMSU Grants	19%	23%	14%	24%	Y
UNM Gallup	9.2%	12.4%	12%	16%	G
UNM Los Alamos	8%	8.9%	10%	16.6%	G
UNM Valencia	12.7%	12%	13%	22%	G
UNM Taos	10%	13%	10%	12.9%	R
				Branch College Program Rating	Y

CNM	16.5%	23.8%	23%	27.3%	G
Clovis CC	35.5%	46.9%	35%	54.5%	G
Luna CC	18.1%	27.2%	32%	15.6%	R
Mesalands CC	51%	48%	39%	43%	Y
NM Junior College	43.3%	32.6%	30%	37.9%	Y
San Juan College	17.3%	24.1%	17%	23.1%	Y
Santa Fe CC	18%	23%	11%	22%	R
*preliminary, unaudited				**Independent Community College Program Rating**	Y

Comparison with Peers

The tables below compare New Mexico colleges and universities with peers nationally for the 2016 academic year. The national peer data is taken from the College Scorecard, which represents the most current data available. Blue shows where NM schools exceed peers.

Six-Year Completion Rates

	Peer	FY16 Actual
NM Tech	44%	49%
NMSU	54%	45%
UNM	72%	44%
ENMU	41%	33%
NMHU	48%	22%
NNMC	32%	19%
WNMU	44%	24%

Three-year Completion Rates

	Peer	FY16 Actual
ENMU Roswell	20%	12%
ENMU Ruidoso	20%	19%
NMSU Alamogordo	20%	9%
NMSU Carlsbad	20%	13%
NMSU Dona Ana	20%	13%
NMSU Grants	20%	19%
UNM Gallup	20%	9%
UNM Los Alamos	20%	8%
UNM Taos	20%	10%
UNM Valencia	20%	13%
CNM	18%	17%
Clovis CC	25%	36%
Luna CC	25%	18%
Mesalands CC	32%	51%
NM Junior College	25%	43%
San Juan College	23%	17%
Santa Fe CC	23%	18%

Source: U.S. Dept. of Education's College Scorecard, AY16

Graduation Rate Peer Comparison

Compared with college and university peers[1], only 12.5 percent of New Mexico higher education institutions exceeded their peer group average for graduation rate in FY18. Graduation rates might not fully describe the success of students pursuing a postsecondary education in New Mexico, particularly at two-year institutions where the focus might be more strongly tied to community workforce needs and where industry certifications are more valued by employers than an associate's degree. The student population tracked in the graduation rates does not include transfer students or part-time students, which leaves substantial gaps in the data. Nonetheless, graduation rates are a standard measure of student success for institutions nationwide.

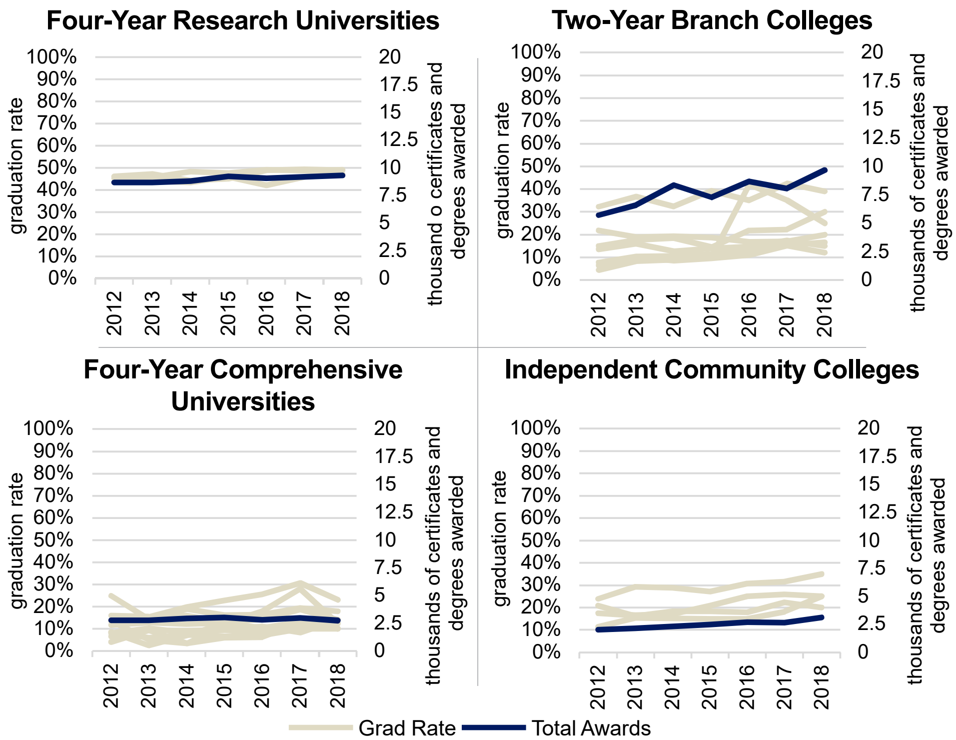
Accountability in Government Act Measures and Postsecondary Educational Attainment

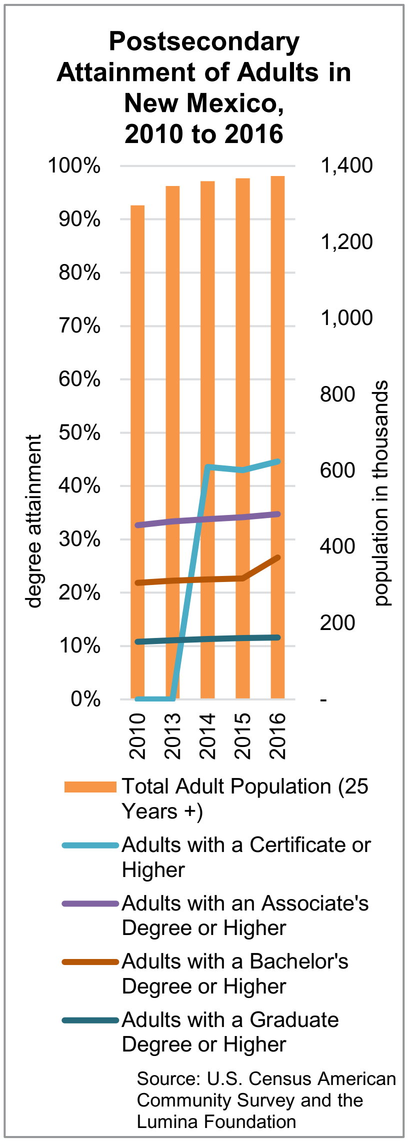
Of the two AGA outcome performance measures reported in the General Appropriation Act, the graduation rate, in theory, should align with performance funding, as measured by the higher education funding formula. As award levels rise, graduation rates should rise. Assuming this alignment, the percentage of New Mexico's adult population with postsecondary credentials should rise. However, the data does not conclusively support this theory of alignment between AGA performance measures and funding formula incentives.

The Lumina Foundation reports 44.6 percent of New Mexico's adult population has earned a certificate, associate's, or bachelor's degree or higher credential. As New

[1]The Carnegie Classification of Institutions of Higher Education is a framework to organize the comparisons of colleges and universities across the country to fairly reflect institutional differences. The system has been in place for four decades.

Mexico draws closer to its "Route-to-66" goal, performance targets must increase for graduation rates to improve past national benchmarks and surpass the goal.





Student Retention Rates

Retention rates track the progress of students into their second semester (referred to as fall-to-spring) and third semester (referred to as fall-to-fall). The reported data is the student cohort at the start of each academic year (fall semester) and includes first-time, full-time students but not transfer students or part-time students.

Students who do not return to college present a tremendous cost to the state. The importance of understanding why students leave cannot be overstated, and gathering the data directly from those students could be critical to improving retention.

Four-Year Research Universities All research institutions have retention rates higher than the four-year comprehensive and two-year community colleges, a consistent outcome year-after-year. UNM did not meet its target and is generally experiencing a consistent decline in enrollment and retention.

Retention rates for first-time, full-time degree-seeking students to the third semester	Fall 2015 to Fall 2016 Actual	Fall 2016 to Fall 2017 Actual	Fall 2017 to Fall 2018 Target	Fall 2017 to Fall 2018 Actual	Rating
New Mexico Tech	76.9%	74.1%	80.0%	80.8%	G
New Mexico State University	71.6%	73.9%	74.0%	73.9%	Y
University of New Mexico	80.1%	78.3%	80.0%	73.7%	R
				Program Rating	Y

Four-Year Comprehensive Universities Four-year comprehensive institutions showed strong progress this quarter. Each of the institutions in the category has implemented programs to focus on retention. In particular, Northern New Mexico College has begun to seek out students who have left college and develop strategies to bring them back into higher education.

Retention rates for first-time, full-time degree-seeking students to the third semester	Fall 2015 to Fall 2016 Actual	Fall 2016 to Fall 2017 Actual	Fall 2017 to Fall 2018 Target	Fall 2017 to Fall 2018 Actual	Rating
Eastern NM University	58.7%	63.1%	65.5%	62.4%	Y
Western NM University	53.9%	61.0%	56.2%	58.9%	Y
NM Highlands University	52.7%	45.2%	53.0%	51.6%	G
Northern NM College	63.8%	55.0%	66.5%	58.0%	G
				Program Rating	G

Community College Branch Campuses Community colleges continue to experience significant variance in retention rates. Community colleges set targets for spring performance, and results vary by institution and by year-over-year outcomes. The fluctuations are in part a result of schools with small number of students.

Retention rates for first-time, full-time degree-seeking students to the second semester	Fall 2015 to Spring 2016 Actual	Fall 2016 to Spring 2017 Actual	Fall 2017 to Spring 2018 Target	Fall 2017 to Spring 2018 Actual	Rating
ENMU - Roswell	81.8%	76.2%	77.0%	76.3%	Y
ENMU - Ruidoso	51.4%	58.6%	65.0%	48.1%	R
NMSU - Alamogordo	71.4%	76.4%	78.0%	70.9%	R
NMSU - Carlsbad	75.2%	70.4%	72.5%	78.6%	G
NMSU - Dona Ana CC	74.5%	80.0%	81.0%	83.1%	G
NMSU - Grants	77.8%	63.0%	72.5%	57.9%	R
UNM - Gallup	81.2%	76.4%	82.0%	76.5%	Y
UNM - Los Alamos	77.4%	81.8%	80.0%	82.4%	G
UNM - Taos	78.9%	75.0%	75.5%	77.1%	Y
UNM - Valencia	83.7%	76.8%	80.0%	79.0%	Y
				Program Rating	Y

Independent Community Colleges

Retention rates for first-time full-time degree seeking students to the second semester	Fall 2015 to Spring 2016 Actual	Fall 2016 to Spring 2017 Actual	Fall 2017 to Spring 2018 Target	Fall 2017 to Spring 2018 Actual	Rating
Central NM Community College	83.7%	82.3%	83.8%	80.6%	Y
Clovis Community College	83.6%	79.0%	85.0%	84.5%	G
Luna Community College	55.7%	58.0%	70.0%	69.2%	G
Mesalands Community College	81.5%	73.8%	75.0%	70.0%	R
New Mexico Junior College	84.4%	83.0%	85.0%	88.3%	G
San Juan College	79.2%	79.4%	83.0%	81.0%	Y
Santa Fe Community College	73.3%	77.0%	75.0%	83.6%	G
				Program Rating	G

Higher Education Department

Results from the Adult Education Program administered by HED shows success with more of the older, nontraditional students it serves achieving the high school equivalency credential. The number entering postsecondary education or training

FY20 Higher Education Department General Fund Support for Student Financial Aid

(in thousands)

Program	FY19 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-for-Service	$75.0
Social Worker Loan Repayment	$450.0
Graduate Scholarship	$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	$180.0
Vietnam Veterans Scholarship	$65.0
Financial Aid Admin	$21.0
Total	**$22,193.2**

Source: HED FY20 OpBud, LFC Files

is substantially below prior-year levels, however. The statewide attainment goal is premised on adult learners obtaining postsecondary degrees or credentials, particularly those in the demographic groups most at risk. The transition from having a high school equivalency to becoming a college student must improve markedly to meet the statewide goals and to improve these adult learners' economic security.

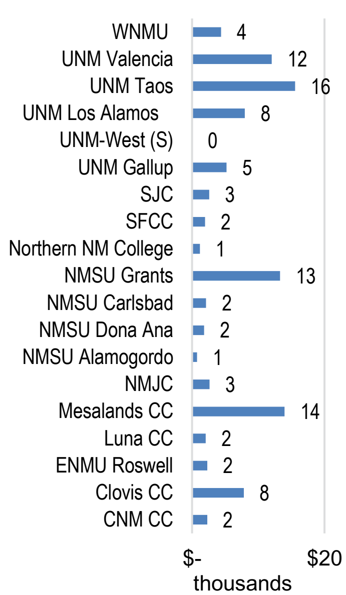
Measure	Fall 2015 to Fall 2016 Actual	Fall 2016 to Fall 2017 Actual	Fall 2017 to Fall 2018 Target	Fall 2017 to Fall 2018 Actual	Rating
Percent of unemployed adult education students obtaining employment	39.4%	40.1%	40%	39%	Y
Percent of adult education high school equivalency test-takers who earn a high school equivalency	72.4%	82.1%	82.1%	83%	Y
Percent of high school equivalency graduates entering postsecondary degree or certificate programs	NEW	69%	38%	38.5%	R
				Program Rating	Y

Small Business Development Center

Santa Fe Community College hosts the Small Business Development Center (SBDC), which receives $4.1 million in general fund support each year to provide confidential consultation for current and future business owners in the areas of business expansion, financing, marketing, and procurement, among other services. In addition to a procurement technical assistance program and an international business accelerator, SBDC oversees 18 service locations housed in higher education institutions throughout the state.

SBDC leverages about $1.1 million in grants from the U.S. Small Business Administration and the U.S. Defense Logistics Agency each year. As a condition of these federal grants, SBDC must track certified data indicating the number of jobs created or saved in addition to associated costs.

FY18 SBDC Cost per Job Created or Saved



Source: NM Small Business Development Center

Children, Youth and Families Department

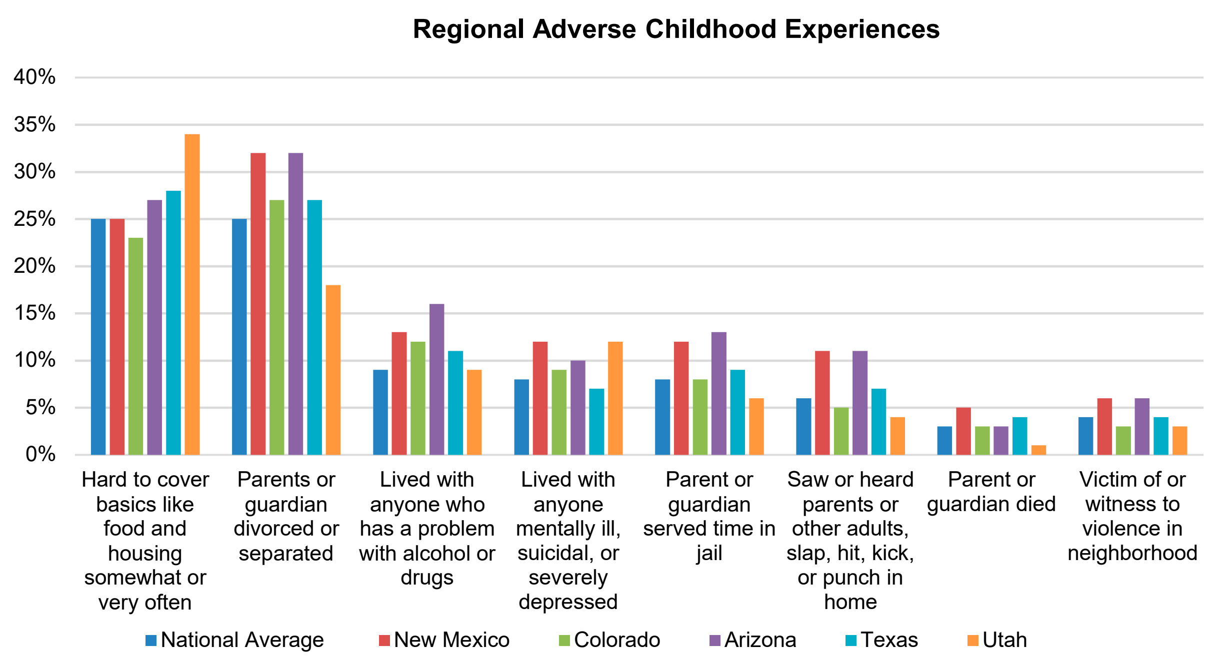
The Legislature has prioritized funding for Early Childhood Services and Protective Services in recent years. Early childhood investments continue to be a key legislative strategy to improve long-term outcomes for New Mexico. Research from the Legislative Finance Committee shows some of those investments are paying off with improved educational outcomes for young children. Improving outcomes for children and families remains a priority for the state; however, performance outcomes remain mixed. The Protective Services Program did not meet a significant number of targets, including high turnover and repeat maltreatment rates. However, the Early Childhood Services Program and Juvenile Justice Services Program reported improvements. New Mexico ranks high regionally and nationally on adverse childhood experiences. The Children, Youth and Families Department, in partnership with the Human Services and Health departments and other state agencies, should be focused on services targeted to reducing these experiences.

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

Percent of Children With Three or More Adverse Childhood Experiences

National Average	New Mexico
11 Percent	18 Percent

Source: Child Trends



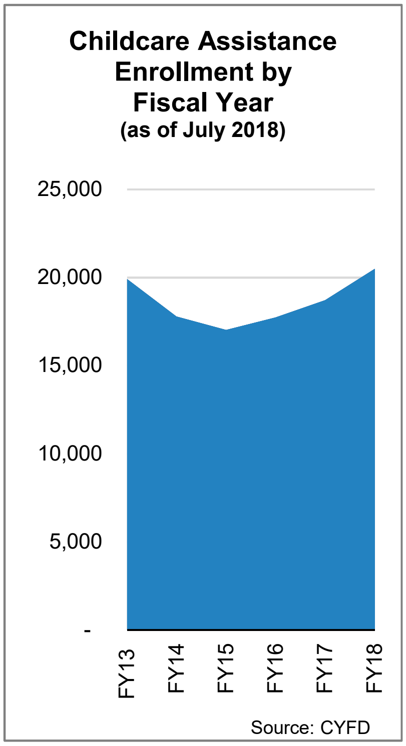
Source: Child Trends

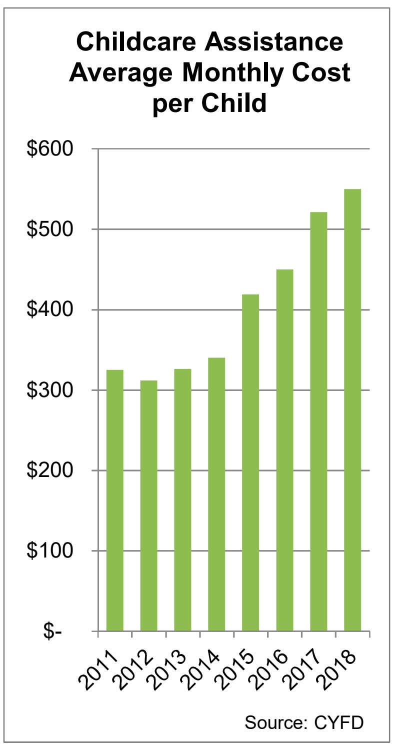
Early Childhood Services

The Early Childhood Services Program (ECS) met a majority of performance targets in FY18. Childcare providers meeting the highest levels of quality missed targeted performance slightly, and the agency reported rural providers are struggling to transition into the state's newest quality rating system, Focus. High-quality services are essential to ensuring the state's significant investments improve long-term outcomes for children and families. As state funded early care and education continue to grow, policymakers need to pay additional attention to critical areas such as supports to grow the early care and education workforce, including scholarships to increase credentialed workers; more professional development for the engaged workforce; and wage supplements to stabilize workforce turnover. Growing and stabilizing a qualified workforce is necessary to help providers deliver services and improve the quality of services.

Research indicates exposure to adverse childhood experiences (ACEs) may place youth at greater risk for involvement with the juvenile justice system and involvement in additional social services.

The National Institute of Early Education Research (NIEER) reported New Mexico ranked 15th in the nation for 4-year-olds and 18th for 3-year-olds enrolled in prekindergarten programs in 2017. The state ranked 20th in the nation for spending.





Budget: $236,849.1 **FTE:** 181.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Children receiving subsidy in high-quality programs	New	New	45%	59.9%	G
Licensed childcare providers participating in high-quality programs	New	New	39%	38.2%	Y
Parents who demonstrate progress in practicing positive parent-child interactions	44%	44%	45%	45%	G
Children receiving state childcare subsidy, excluding child protective services childcare, who have one or more protective services-substantiated abuse or neglect referrals	New	1.2%	1.2%	1.2%	G
Families receiving home-visiting services that have one or more protective- services-substantiated abuse or neglect referrals*	New	New	N/A	1.9%	
Families at risk for domestic violence that have a safety plan in place	48.7%	41.8%	50.0%	51.0%	G
Children in state-funded pre-kindergarten showing measurable progress on the preschool readiness for kindergarten tool	94.3%	91.0%	94.0%	94.9%	G

Program Rating G

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.

Protective Services

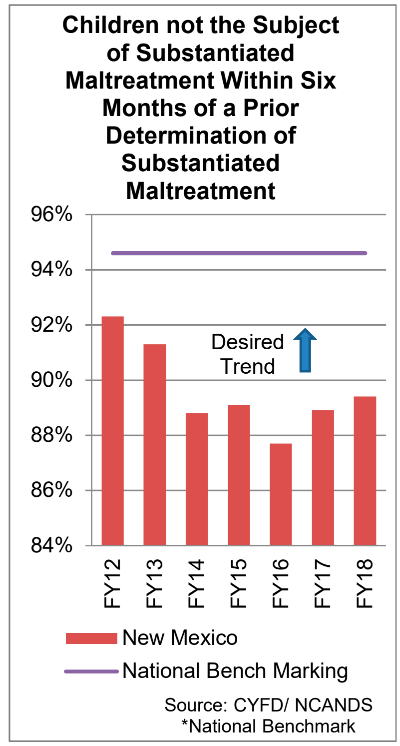
The Protective Services Program is struggling to meet targeted performance. Repeat maltreatment remains higher than targets and national benchmarks. Previous LFC analysis indicated substance abuse is one of the largest contributing factors to families coming into contact with the Protective Services Program. Improving family stability is a priority of policymakers, and the federal Family First Prevention Services Act update could assist the state in improving outcomes. Federal foster care funding, Title IV-E, changes can be utilized by states for prevention services that would allow “candidates for foster care” to stay with their parents or relatives. States will be reimbursed for prevention services for up to 12 months. A written, trauma-informed prevention plan must be created, and services will need to be evidence-based.

Budget: $145,719.1 **FTE:** 927.8

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	87.7%	88.9%	92.0%	89.4%	R
Children who are not the subject of substantiated maltreatment while in foster care	99.8%	99.8%	99.8%	99.8%	G
Children reunified with their natural families in less than twelve months of entry into care	60.4%	58.2%	65.0%	56.1%	R

Children in foster care for twelve months with no more than two placements	70.5%	72.9%	75.0%	81.3%	G
Children adopted within twenty-four months from entry into foster care	23.3%	24.6%	33.0%	28.2%	R
Permanency within twelve months of entry*	NEW	30.6%	N/A	28.6%	
Children in foster care who have at least one monthly visit with their caseworker*	95.6%	94.8%	N/A	94.8%	
Turnover rate for protective services workers	29.7%	25.0%	20.0%	26.3%	R
				Program Rating	R

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.



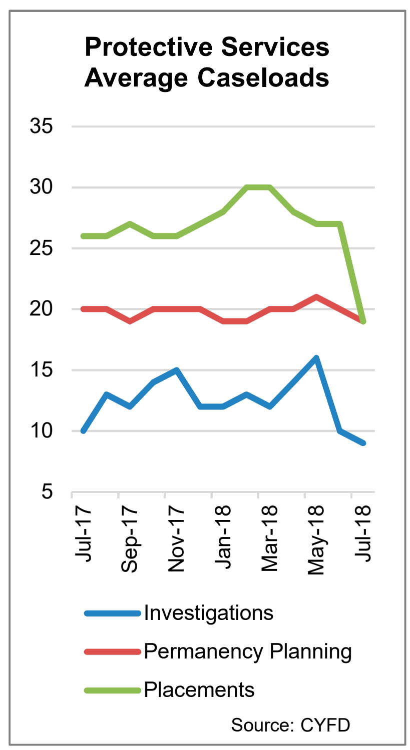
Juvenile Justice Services

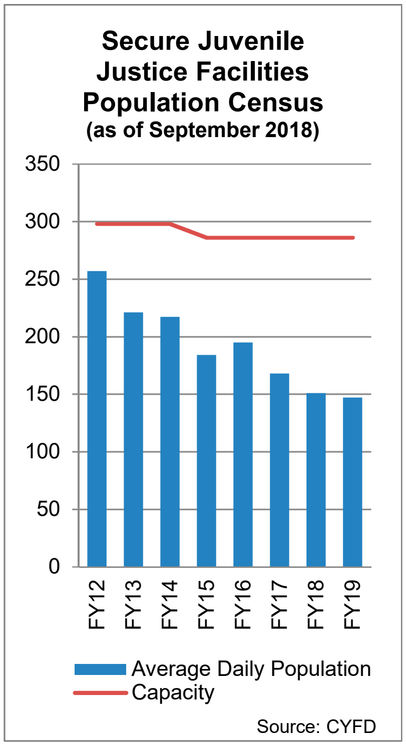
The Juvenile Justice Services (JJS) Program reported significant performance improvement from recent fiscal years. Previous high rates of violence in committed juvenile facilities were concerning; however, FY18 showed significant reductions. The agency did not meet targeted performance for the number of physical assaults, despite a decline of 29 percent from the previous fiscal year. Turnover rates increased above previous fiscal years, more than double performance targets. JJS has begun more aggressive recruitment activity, including rapid hire events, open houses, development of new recruitment materials, and partnering with the Workforce Solutions Department transition services to fill positions and reduce staff burnout. A stable workforce is necessary to provide quality services to youth in the juvenile system.

Budget: $75,445.0 **FTE:** 943.3

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Clients who successfully complete formal probation	85.4%	82.7%	84.0%	85.6%	G
Clients re-adjudicated within two years of previous adjudication	5.5%	6.0%	5.5%	6.6%	R
Clients recommitted to a CYFD facility within two years of discharge from facilities	9.5%	6.9%	8.0%	2.3%	G
JJS facility clients age 18 and older who enter adult corrections within two years after discharge from a JJS facility*	13.1%	11.0%	N/A	6.9%	
Incidents in JJS facilities requiring use of force resulting in injury	1.6%	1.7%	1.5%	1.3%	G
Physical assaults in juvenile justice facilities	448	398	<275	284	R
Client-to-staff battery incidents	147	143	<120	81	G
Turnover rate for youth care specialists	18.3%	20.6%	15.0%	30.8%	R
				Program Rating	Y

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.





Behavioral Health Services

The Behavioral Health Services (BHS) Program reported infant mental health team services continued to exceed targeted performance. The service targets the relationship between the child and the primary caregiver, reducing behavioral, social, and emotional disorders that could result in toxic stress and major trauma.

Budget: $16,867.0 **FTE:** 33.0

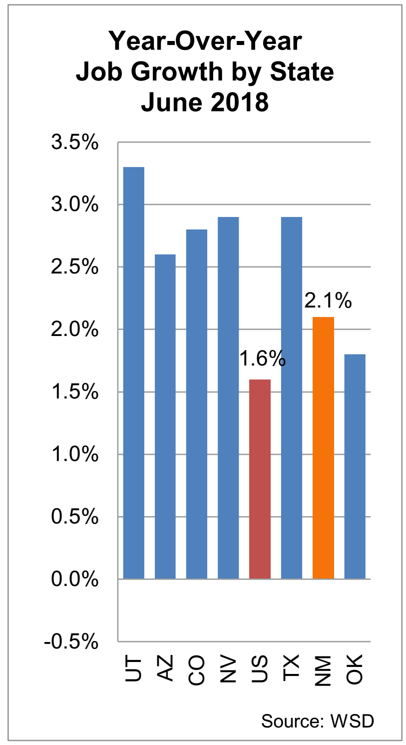
Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Youth receiving community-based and juvenile detention center behavioral health services who perceive they are doing better in school or work because of received services	82.2%	71.2%	80.0%	Not reported	Y
Infants served by infant mental health programs who have not had re-referrals to the Protective Services program	New	90.0%	80.0%	91.0%	G
				Program Rating	Y

Economic Development Department

New Mexico's total nonfarm employment grew by 17.3 thousand jobs, or 2.1 percent, between June 2017 and June 2018. Most gains came from the private sector, up 15.9 thousand jobs, or 2.5 percent. The public sector was up 1.4 thousand jobs, or 0.8 percent. However, even with substantial growth in June, New Mexico had the third highest unemployment rate in the nation, behind Alaska and the District of Columbia.

The Economic Development Department's (EDD) performance results for FY18 improved from FY17 on a significant number of 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 private sector dollars leveraged through the Local Economic Development Act. For the first time in three fiscal years, direct spending by the film industry dropped below the target, while the film tax credit backlog, both approved but unpaid applications and pending applications, reached $120 million.

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



Economic Development

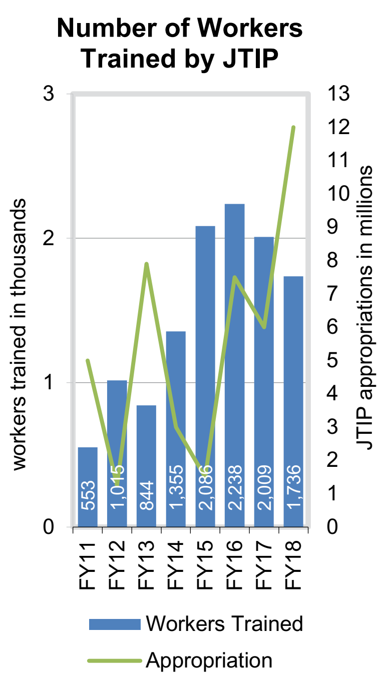
The Economic Development Division awarded 15 companies $10.5 million in LEDA funds in FY18 and created 2,613 jobs. Of the 15 companies awarded LEDA funds, eight were in rural areas. These companies include Facebook, Process Equipment Service Company, USA Beef, PreCheck, Leprino Foods Company, Corrugated Synergies International, Agmechtronix, and Stampede Meat. The funds matched for these LEDA projects totaled $381 million, contributing to a 36-to-1 ratio of private sector dollars invested per dollar of LEDA funds awarded for FY18. EDD surpassed its target for rural job growth creation by 151 percent. The success of the rural jobs created can be attributed to EDD's LEDA award of $3 million for Stampede Meat, which will create 1,295 jobs once full capacity is reached within five years.

Legislators appropriated $83 million over the last five years for the LEDA fund, including a $5 million special appropriation during the 2018 legislative session. As of July 2018, EDD reported $43 million in other state funds and severance tax bonds is unspent.

Budget: $6,128.9 **FTE:** 25

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Jobs created due to economic development department efforts	4,140	1,729	4,500	3,994	Y
Rural jobs created	641	775	1,600	2,414	G
Jobs created through business relocations and competitive expansions facilitated by the economic development partnership	222	115	2,250	1,415	Y
Potential recruitment opportunities generated by the New Mexico Partnership marketing and sales activities	NEW	63	84	52	Y
Private sector investment in mainstreet districts, in millions	$22	$28	$9	$54	G

Private sector dollars leveraged by each dollar through Local Economic Development Act	17:1	21:1	12:1	36:1	G
Jobs created through the use of Local Economic Development Act funds	2,426	543	2,200	2,613	G
Workers trained by the job training incentive program	2,238	2,009	1,850	1,736	G
				Program Rating	G



Sources: EDD, LFC files

The Job Training Incentive Program (JTIP) board approved 58 businesses for funding in FY18, including 24 in rural communities, with a total of $15.3 million in awards. It slightly missed the target of workers trained, with 1,736 in FY18. The Legislature increased recurring appropriations for JTIP in the FY19 session by $2 million, for a total of $4 million. JTIP funds over the past five years, including the FY19 recurring appropriation of $4 million and a $5 million special appropriation, total $39 million. As of June 2018, EDD reported $9 million in JTIP funds were available. The average hourly JTIP wage is $32.01 in urban communities and $21.13 in rural communities. Of the JTIP awards given in FY18, 76 percent went to New Mexico companies for expansions and 60 percent were awarded to companies founded in New Mexico. The JTIP board obligated $4.6 million to rural companies in FY18, meeting statutory requirements for funding of rural communities.

New Mexico Film Office

The New Mexico Film Office continues to focus on three main initiatives: recruitment, workforce development, and statewide industry outreach. After three years of surpassing the target, direct spending by the film industry missed the target for FY18, reaching $234 million, a significant decrease from $505 million in FY17. The number of worker days also decreased to 259 thousand for FY18 from 448 thousand in FY17. 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.

The New Mexico Film Office and the Taxation and Revenue Department reported the film tax credit was fully expensed for FY18, reaching the cap of $50 million. The film tax credit is also already maxed out at the $50 million credit for FY19, with payments that have been approved but not processed. Currently, $40 million in backlog from prior and current years have been approved but not paid and $80 million in applications have not been approved yet, a total backlog of approximately $120 million.

Budget: $706.0 **FTE:** 8

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Direct spending by film industry productions, in millions	$387	$505	$260	$234	Y
Film and media worker days	260,307	448,304	230,000	259,961	G
				Program Rating	G

Tourism Department

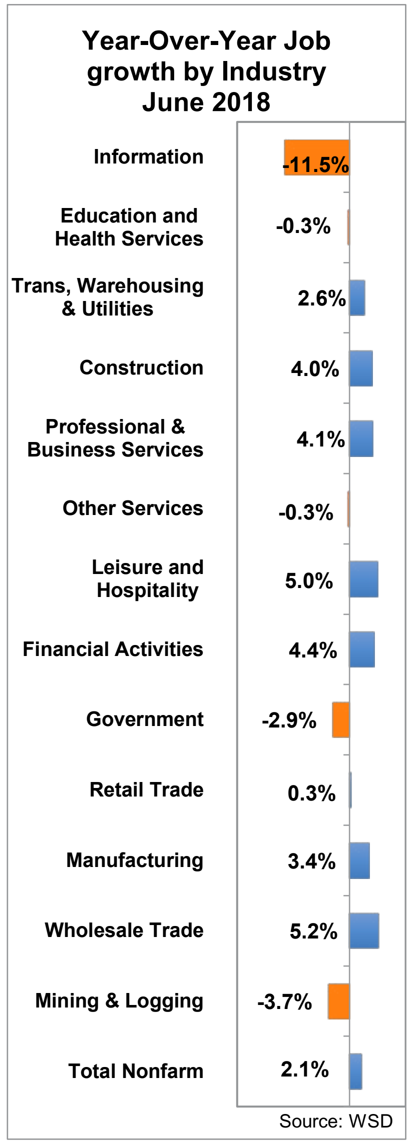
The Tourism Department met or exceeded annual targets for two performance measures in the Marketing and Promotion Program, while also achieving the target for the *New Mexico Magazine*'s advertising revenue. The tourism industry in New Mexico is still strong when compared with other industries, and the agency is continuing to focus efforts on local advertising initiatives. The Workforce Solutions Department numbers show the leisure and hospitality industry had the second largest numeric increase in jobs in the state in FY18.

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

Marketing and Promotion

The 3 percent increase in employment in the leisure and hospitality industry met the annual target. 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.

The department relies on a third-party survey company, Longwoods International, to provide data on New Mexico trips. This survey, however, only provides calendar year data, meaning that FY18 results will not be available until summer 2019, resulting in yellow ratings for two performance measures. In 2017, New Mexico had 35.4 million trips, a 3 percent increase from 2016. Of the 35.4 million trips, 44 percent were overnight trips and 56 percent were day trips. The department plans to continue using data-based decision-making to drive visitation and social media engagement.



Source: WSD

Budget: $10,539.2 **FTE:** 24

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Change in New Mexico leisure and hospitality employment	NEW	NEW	3%	3%	G
Dollar amount spent per visit per day	NEW	$78	$78	TBD	Y
New Mexico's domestic overnight visitor market share	NEW	1.1%	1.1%	TBD	Y
Referrals from newmexico.org to partner websites	NEW	NEW	160,000	188,921	G
				Program Rating	Y

New Mexico Magazine

New Mexico Magazine exceeded the annual target for advertising revenue per issue, reaching an average of $81 thousand and also surpassing FY16 and FY17 levels. The department attributes the increase in magazine revenue to the new chief executive officer, who started with the magazine at the end of FY17, and also to improving initiatives.

Budget: $10,539.2 **FTE:** 24

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Change in New Mexico leisure and hospitality employment	NEW	NEW	3%	3%	G
Dollar amount spent per visit per day	NEW	$78	$78	TBD	Y

The Tourism Department awarded the first New Mexico True 505 Southwestern scholarship to a Bloomfield student committed to studying agriculture at New Mexico State University. The department contributed the New Mexico True name alone, while financial contributions were provided by Flagship Foods.

New Mexico's domestic overnight visitor market share	NEW	1.1%	1.1%	TBD	Y
Referrals from newmexico.org to partner websites	NEW	NEW	160,000	188,921	G
			Program Rating		Y

Program Support and Tourism Development Program

By the end of FY18, approximately $13.2 million, or 78 percent of the department's operating budget was expensed for advertising and marketing. Fiscal year 2018 was the first year the New Mexico True Brand partnered with the New Mexico Special Olympics for the 2018 summer games. The department provided videos and travel information for New Mexico Special Olympics to distribute to athletes and their families in advance of major events around the state. New Mexico Special Olympics also incorporated the NM True logo into marketing material and at event venues.

Program Support

Budget: $1,074.1 **FTE:** 11

Measure	**FY16 Actual**	**FY17 Actual**	**FY18 Target**	**FY18 Actual**	**Rating**
Operating budget spent on advertising	NEW	78%	70%	78%	G
			Program Rating		G

Tourism Development

Budget: $2,262.6 **FTE:** 5

Measure	**FY16 Actual**	**FY17 Actual**	**FY18 Target**	**FY18 Actual**	**Rating**
Combined advertising spending of communities and entities using the Tourism Department's current approved brand, in thousands	NEW	$2,000	$2,200	$1,464	Y
			Program Rating		Y

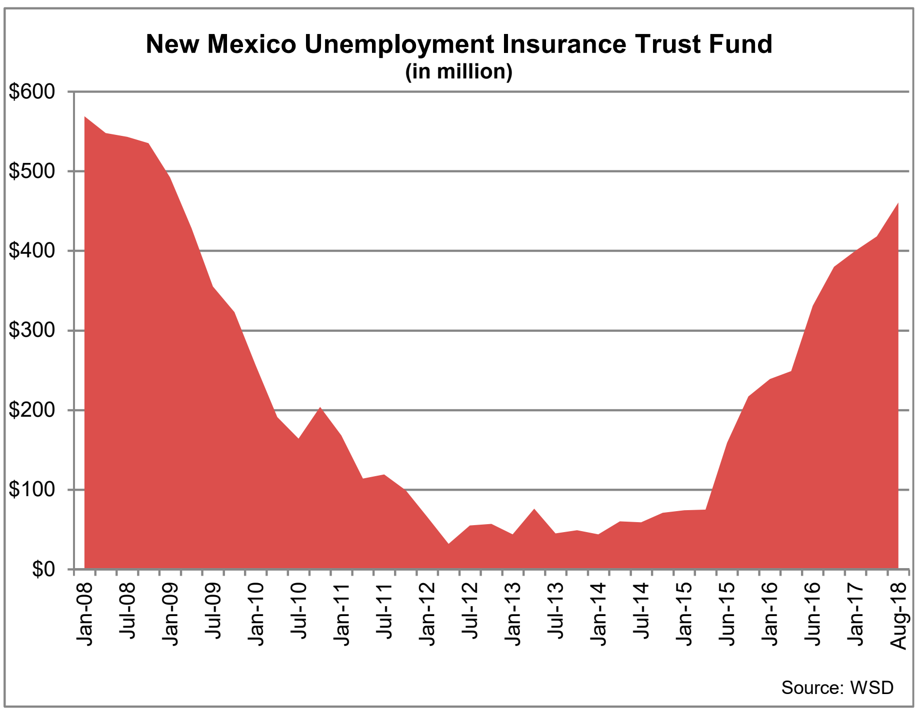
Nationally, unemployment rates are declining and New Mexico followed this trend but still has one of the highest unemployment rates in the nation. Most employment services are delivered by flow-through funding to local workforce boards. An LFC report recently found 21.2 percent of New Mexico job seekers 16 years to 19 years old were unemployed; for those 20 years to 24 years old, 10.4 percent were unemployed. These rates are far higher than the national averages of 14.4 percent and 6.8 percent, respectively, according to the U.S. Bureau of Labor Statistics (BLS). The Workforce Solutions Department (WSD) provides economic safety-net services for unemployed or underemployed individuals. Economic stability is foundational to healthy families and communities. The state should focus on targeting services to youth and building a step-up system so that once youth attain employment they are not underemployed quickly or become unemployed.

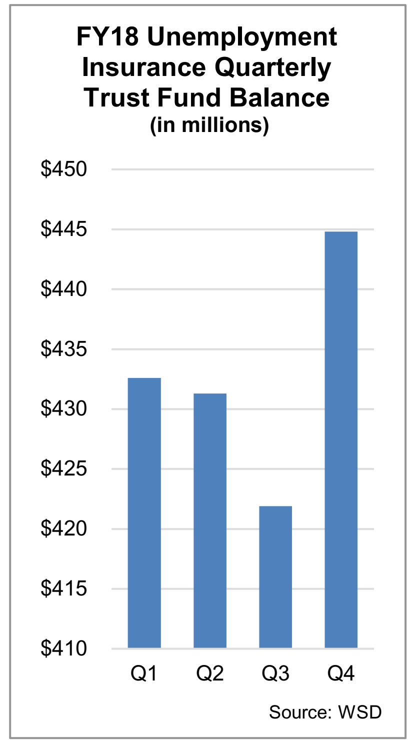
ACTION PLAN

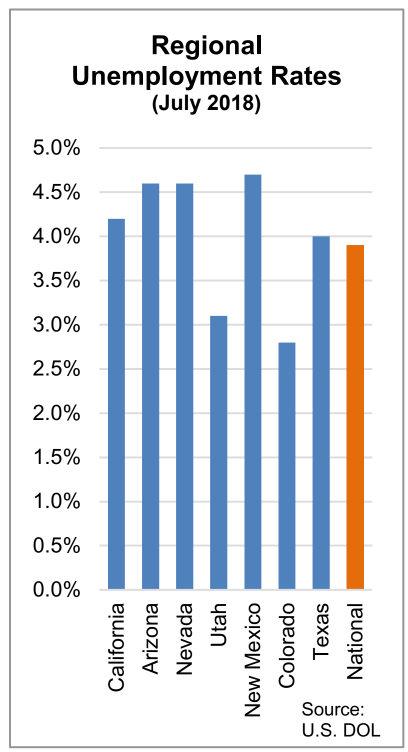
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	Yes

Unemployment Insurance

The Unemployment Insurance Program (UI) met a majority of performance targets, excluding longer telephonic wait times for UI recipients to file a claim, and annual performance was better than previous fiscal years. The UI trust fund in FY18 grew from $417.5 million to $444.8 million, or 6.5 percent, following three quarters of declining fund balances.







Budget: $9,722.2 **FTE:** 181.6

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Eligible unemployment insurance claims issued a determination within twenty-one days from the date of claim	91%	89%	80%	95%	G
Accuracy rate of claimant separation determinations	93%	93%	85%	95%	G

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	17.2
2006	17.9
2007	18.6
2008	19.9
2009	20.9
2010	20.8
2011	21.9
2012	22.4
2013	22.9
2014	23.4
2015	23.4
2016	24.1
2017	24.3
2018	24.2

Source: WSD

The unemployment insurance reserve factor for 2018 is 1.6939, reduced from 2.5264 in 2017. The reserve factor is the rate multiplier based on the health of the unemployment insurance trust fund. Reductions in the reserve factor reduce employer tax rates.

The maximum weekly benefit amount (WBA) for 2018 is $433, and the minimum WBA is $81. The minimum qualifying wage for 2018 is $1,968.23. In 2017, the maximum WBA for was $425, and the minimum WBA was $79. The minimum qualifying wage for 2017 was $1,919.63.

Average wait time to speak to a customer service agent in unemployment insurance operation center to file a new unemployment insurance claim	20 min	18 min	15 min	17 min	R
Average wait time to speak to a customer service agent in unemployment insurance operation center to file a weekly certification	15 min	15 min	15 min	13 min	G
First payments made within fourteen days after the waiting week	92%	91%	85%	93%	G

Program Rating G

Employment Services

The number of disabled veterans returning to the workforce fell below the targeted level for the second year. The agency reported this is related to disabled veterans choosing to defer employment and pursue higher education using GI Bill benefits or veteran vocational rehabilitation. To improve performance, the agency reported a concerted effort to add a disabled veteran employment representative to its career services.

Budget: $13,641.8 **FTE:** 150.0

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Average six-month earnings of individuals entering employment after receiving Wagner-Peyser employment services	$13,748	$13,624	$13,500	$13,610	G
Individuals receiving Wagner- Peyser employment services	91,704	82,499	120,000	42,351	R
Unemployed individuals employed after receiving Wagner-Peyser employment services	57%	55%	55%	54%	R
Individuals who have received Wagner-Peyser employment services retaining employment after six months	80%	78%	75%	79%	G
Recently separated veterans retaining employment after six months	73%	72%	70%	71%	G
Disabled veterans entering employment after receiving workforce development services	46%	37%	45%	41%	R
Average six-month earnings of persons entering employment after receiving veterans' services	$17,429	$17,148	$16,000	$16,329	G

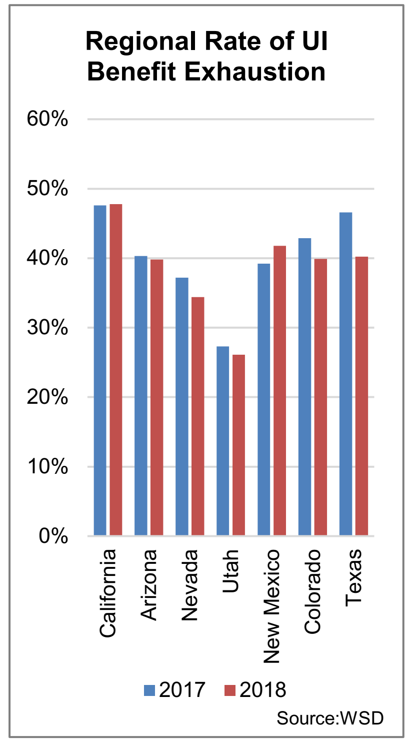
Program Rating Y

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. Employment for youth after receiving Workforce Innovation and Opportunity Act (WIOA) services improved from the previous fiscal year but the number of youth receiving those services remained well below performance targets. A recent LFC program evaluation found youth unemployment or under unemployment is significantly higher than adults and can result in lower lifelong earnings. Going forward, economic youth services should be a policy focus.

Budget: $22,848.5 **FTE:** 99

Measure	**FY16 Actual**	**FY17 Actual**	**FY18 Target**	**FY18 Actual**	**Rating**
Youth receiving Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce boards	856	770	1,400	816	R
Youth who enter employment or are enrolled in postsecondary education or advanced training or both after receiving Workforce Innovation and Opportunity Act services	59%	57%	59%	60%	G
Adults and dislocated workers receiving Workforce Innovation and Opportunity Act services	2,805	3,013	2,700	2,360	R
Individuals who receive Workforce Innovation and Opportunity Act services that retain employment	90%	86%	89%	89%	G
				Program Rating	Y

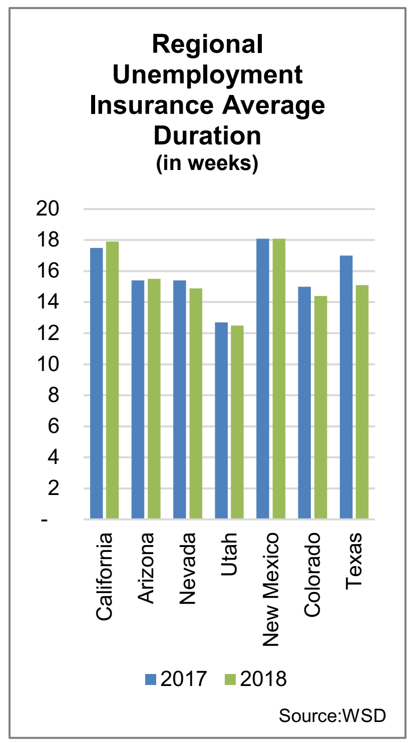


Labor Relations

The Labor Relations Program met a majority of performance targets but continued to struggle with timeliness of resolving wage claims. The program is struggling with high vacancies coupled with rising caseloads. In FY18 Labor Relations received 1,221 wage claims, up from 773 in FY17. The program is attempting to hire temporary personnel to improve performance.

Budget: $3,987.0 **FTE:** 31.4

Measure	**FY16 Actual**	**FY17 Actual**	**FY18 Target**	**FY18 Actual**	**Rating**
Wage claims investigated and resolved within ninety days	93%	93%	91%	86%	R
Average number of days to investigate and issue a determination of a charge of discrimination	203	192	180	176	G
Apprentices registered and in training	1,281	1,392	1,320	1,632	G
Compliance reviews and quality assessments on registered apprenticeship programs	6	6	6	6	G
				Program Rating	Y

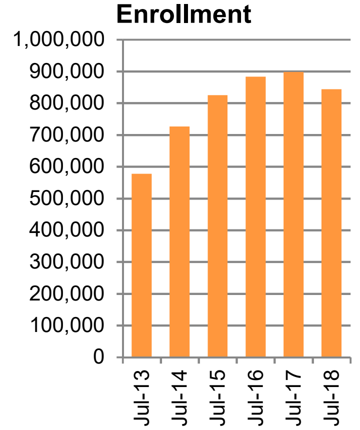


Human Services Department

ACTION PLAN

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

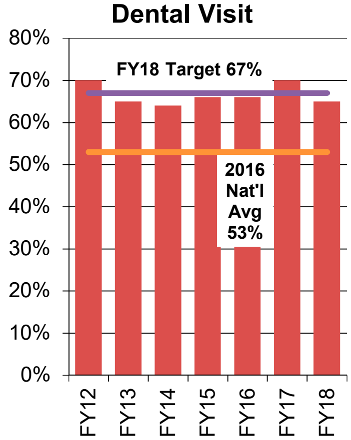
Total Medicaid Enrollment



Source: HSD July 2018 Medicaid Projection

The Medicaid and Temporary Assistance for Needy Families (TANF) caseloads were down compared with a year ago, but the rolls for the Supplemental Nutrition Assistance Program were up slightly. The Medicaid caseload in July was 832,599 individuals, a 6.4 percent decrease from one year ago. The TANF caseload was 11,059 cases in July 2018, a decrease of 3.7 percent from July 2017. The Supplemental Nutrition Assistance Program (SNAP) caseload in July 2018 was 221,195 cases, a 1.4 percent increase from one year ago.

Medicaid Children Receiving Annual Dental Visit



Source: HSD Quarterly Report

The Human Services Department (HSD) experienced several challenges in FY18, including moving forward with a federal Medicaid waiver renewal, procuring new Medicaid managed care organizations (MCOs), and working on a new consent decree to comply with the long-standing Debra Hatten-Gonzales lawsuit regarding systemic problems associated with eligibility and enrollment determinations in Medicaid and the Supplemental Nutrition Assistance Program (SNAP).

HSD is waiting for final approval from the federal Centers for Medicare and Medicaid Services (CMS) for New Mexico's Medicaid waiver renewal, Centennial Care 2.0. However, CMS did not approve rollbacks of certain benefits or premium increases. Despite multiple legal appeals, HSD is proceeding with readiness reviews of the three newly contracted MCOs – Blue Cross Blue Shield of New Mexico, Presbyterian Healthcare Services, and Western Sky Community Care—for services beginning on January 1, 2019.

The special master in the Hatten-Gonzales lawsuit issued his report in 2018 and concluded the Income Support Division's (ISD) field operations have management problems, and the ISD management needs to reduce lobby wait times and improve the timeliness of Medicaid and SNAP eligibility determination approvals. In response to the special master's report, HSD indicates the timeliness of approved SNAP applications improved from 86.9 percent on time in January 2017 to 97.6 percent on time in December 2017. The timeliness of denied SNAP applications improved from 21.2 percent in January 2017 to 62.6 percent in December 2017.

Medical Assistance Division

In its most recent projections, HSD reported the Medicaid program will end FY18 with a surplus of $7.8 million in general fund revenue largely due to declining enrollment. Nevertheless, the concentration of members in higher cost cohorts increased in the physical health and the long-term services and supports service areas. In the behavioral health areas, utilization of autism services and intensive outpatient services increased, which drove up program costs.

Medicaid's performance for infants who had six or more well-child visits is low and fourth quarter data is unavailable for newborns whose mothers received a prenatal care visit in the first trimester. HSD requires MCOs to report frequently on these measures, but data is compiled annually by HSD's consulting firm, Mercer, and is not provided to LFC for quarterly reporting.

MCOs provide incentives for patients to access prenatal care through the Centennial Care Member Rewards program, which HSD reports had a 73 percent participation rate in FY17 with a target of 85 percent for FY18. HSD reports MCOs continue to focus efforts on improving well-child visit outcomes and since 2014 have increased performance by 12 percent. Efforts include visit reminder calls and scheduling assistance to ensure infants receive at least six primary care visits within the first 15 months of life.

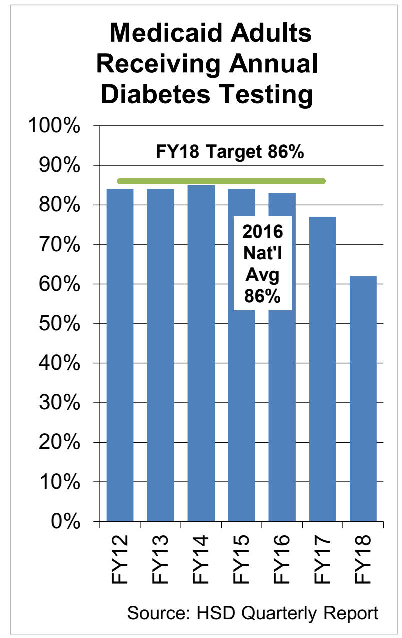
For childhood dental visits, New Mexico exceeded the national average of 53 percent by 12 percent but missed the FY18 target of 67 percent. The FY18 target for dental visits was 3 percent lower than the FY17 target.

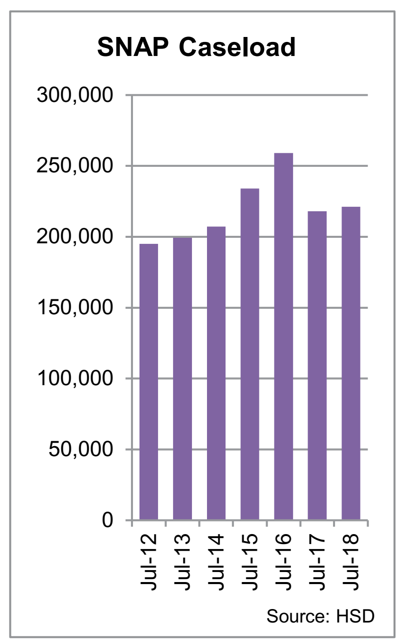
Budget: $5,178,887.1 **FTE**:184.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18[1] Actual	Rating
Infants in Medicaid managed care who had six or more well-child visits with a primary care physician during their first fifteen months*	57%	59%	N/A	44%	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	85%	84%	92%	71%	R
Children ages two to twenty-one enrolled in Medicaid managed care who had at least one dental visit during the measurement year	68%	70%	67%	65%	R
Individuals in managed care with persistent asthma appropriately prescribed medication	54%	56%	50%	44%	R
Hospital readmissions for children ages two to seventeen within thirty days of discharge	7%	5%	6%	5%	G
Hospital readmissions for adults eighteen and over within thirty days of discharge	12%	7%	10%	7%	G
Emergency room visits per one thousand Medicaid member months*	48	45	N/A	N/A	R
Individuals in Medicaid managed care ages eighteen through seventy-five with diabetes (type one or type two) who had a HbA1c test during the measurement year	83%	77%	86%	62%	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	77%	73%	85%	N/A	R
Medicaid managed-care long-term care recipients who receive services within ninety days of eligibility determination*	86%	86%	N/A	N/A	R
				Program Rating	R

[1]HSD uses a rolling average; the most recent unaudited data available includes the last two quarters of FY17 and the first two quarters of FY18.
*Measure is classified as explanatory, provided for informational purposes, and does not have a target.

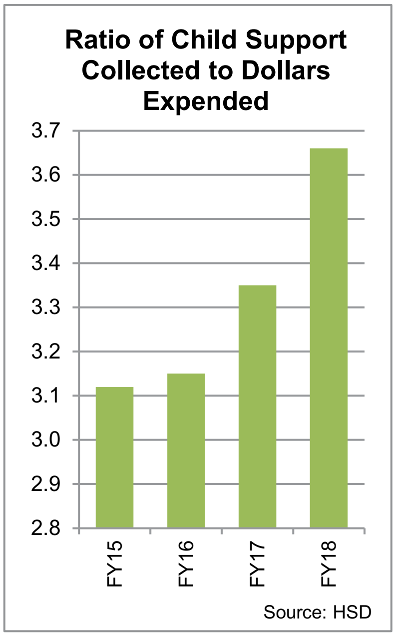
Beginning on January 1, 2019, the Medical Assistance Program will begin implementation of a Medicaid-funded home-visiting program for families with newborns, in collaboration with the Children, Youth and Families Department, using the Parents as Teachers model and the Nurse Family Partnership evidence-based model.



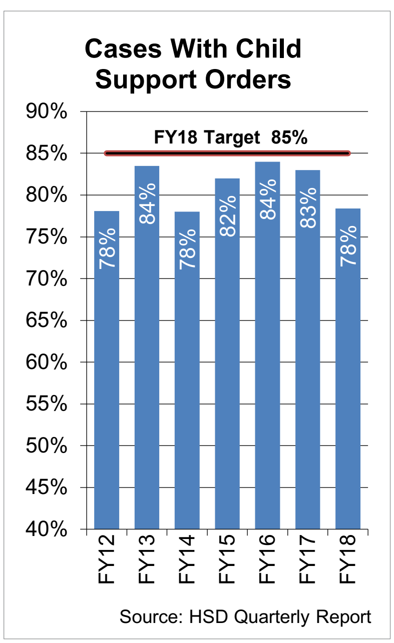


Income Support Division

The Income Support Division (ISD) improved timeliness of expedited SNAP 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 mixed. The program increased monitoring of its New Mexico Works service vendor, 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. ISD did not report on two out of six previous performance measures: TANF clients who obtain a job during the year and children eligible for SNAP with family incomes at 130 percent of the federal poverty level. However, HSD's monthly statistical reports indicated, out of 6,892 adults receiving TANF services, 349 were newly employed.



New performance measures for Medicaid requested by HSD in FY18 included additional explanatory measures or measures for activities in which the program has traditionally done well. Some of the new measures were members served by health homes, members with a nursing facility level of care served in the community, jail-involved individuals made eligible for Medicaid prior to release, members receiving hepatitis C treatment, and members receiving services under value-based purchasing agreements.



Budget: $984,567.1 **FTE**: 1,075

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Regular supplemental nutrition assistance program cases meeting the federally required measure of timeliness of thirty days	96.1%	94.0%	97.0%	99.1%	G
Expedited supplemental nutrition assistance program cases meeting federally required measure of timeliness of seven days	97.7%	92.3%	98.0%	98.1%	G
Temporary assistance for needy families clients who obtain a job during the fiscal year*	57.6%	54.6%	N/A	N/A	R
Children eligible for supplemental nutritional assistance program participating in the program with family incomes at one hundred thirty percent of poverty level*	93.0%	92.2%	N/A	N/A	R
Two-parent recipients of temporary assistance for needy families meeting federally required work requirements	62.8%	59.5%	62.0%	56.4%	R
All families recipients receiving temporary assistance for needy families meeting federally required work requirements	54.5%	53.4%	52.0%	53.4%	G
				Program Rating	Y

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.

Child Support Enforcement Division

The Child Support Enforcement Division (CSED) reports performance in both the collection of child support and arrears has declined over the last several years. CSED repeatedly cites it is in the process of filling vacant positions and implementing a retention plan to reduce its vacancy rate and return to an upward trend in collections. In 2015, CSED conducted a business assessment review and in 2017 piloted new business processes in three field offices but was unable to implement the changes due to vacancies. The division has received its requested funding for personnel for FY18 and FY19, but recruitment and retention remains slow, and outcomes remain behind targets and previous years' performance. The program reports an improved ratio of collections to expenditures, but this is largely due to growing vacancy rates.

Budget: $30,471.8 **FTE**: 383

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Support arrears due that are collected	64.9%	64.2%	67.0%	62.1%	R
Total child support enforcement collections, in millions*	$141	$139.6	N/A	$139.8	Y
Child support owed that is collected	56.3%	56.3%	62.0%	57.8%	R
Cases with support orders	84%	83%	85%	78.5%	R
				Program Rating	R

Note: Children with paternity acknowledged or adjudicated is reported in the federal fiscal year.
*Measure is classified as explanatory, provided for informational purposes, and does not have a target.
Ratings are based on comparison with prior-year performance.

Behavioral Health Collaborative

New Mexico's behavioral health system continues to face access to care and other challenges. Based on 2018 data from the U.S. Health Resources and Services Administration's health professional shortage area data, only 12 percent of the state's need for mental healthcare is being met, leaving the majority of New Mexicans without adequate mental healthcare access. According to the *2018 State of Mental Health in America*, New Mexico continues to lead the country in drug overdose death rates, suicide rates, and mental health illnesses. 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.

New Mexico's drug overdose death rate has been one of the highest in the nation for illicit drugs and has remained steady during the past decade. Deaths due to prescriptions drugs, particularly opioid pain relievers, have increased dramatically. In addition to the high death rates, drug abuse is one of the most costly health problems in the United States. The Department of Health estimates prescription opioid abuse, dependence, and misuse cost New Mexico an estimated $890 million in 2017. To help reduce addiction and overdose deaths, New Mexico has increased access to the overdose-reversal drug naloxone and strengthened its prescription monitoring program targeting the over-prescribing of opioid prescriptions.

Since 2014, Medicaid has provided health coverage to thousands of New Mexicans who were previously uninsured and lacked regular access to physical and behavioral health services. Medicaid behavioral health expansion provides for the treatment of depression, post-traumatic stress disorder, bipolar disorder, and substance use disorders (SUD). These conditions are Medicaid cost drivers and contribute to poverty, homelessness, and suicide. According to the Behavioral Health Services Division (BHSD) of the Human Services Department (HSD), individuals with both chronic physical health conditions and mental health conditions cost 60 percent to 75 percent more than clients without co-morbid conditions.

Medicaid's Centennial Care 2.0, expected to be effective in January 2019, proposes changes in Medicaid-funded behavioral health services, including expanding Medicaid health homes, treating co-occurring serious mental illness and substance use disorders, waiving the institutions of mental diseases (IMD) exclusion prohibiting Medicaid reimbursement for private and state-run hospitals that provide inpatient psychiatric services, and funding supportive housing, accredited adult residential treatment centers, and social detoxification services.

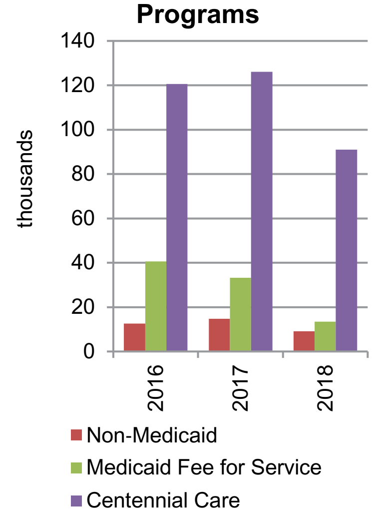
The federal Substance Abuse and Mental Health Services Administration estimates that for each dollar spent on behavioral health treatment, states save $7 in reduced demand for emergency room services, inpatient facilities, incarceration and the criminal justice system, homeless services, and unemployment costs.

HSD reported 18 percent of people with a diagnosis of alcohol or drug dependency received two or more additional services within 30 days of initiating treatment. This outcome is well below the FY18 target of 40 percent, and the outcome has remained stagnant at 15 percent for the last three years.

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

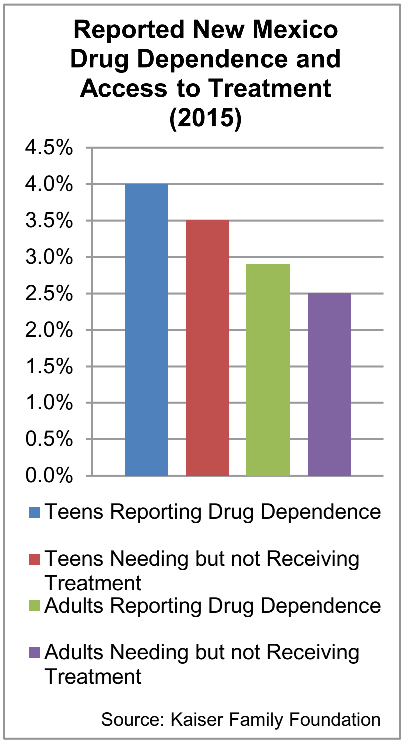
HSD reports the number of individuals receiving behavioral health services decreased in FY18.

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



Source: HSD

In any one quarter of FY18, over 2,200 persons were served through telemedicine in rural and frontier counties. In FY18, 5,262 unduplicated persons were served, a 7.6 percent increase over FY17. Telemedicine has increased nationally as a recognized way to improve access, particularly in rural states such as New Mexico.

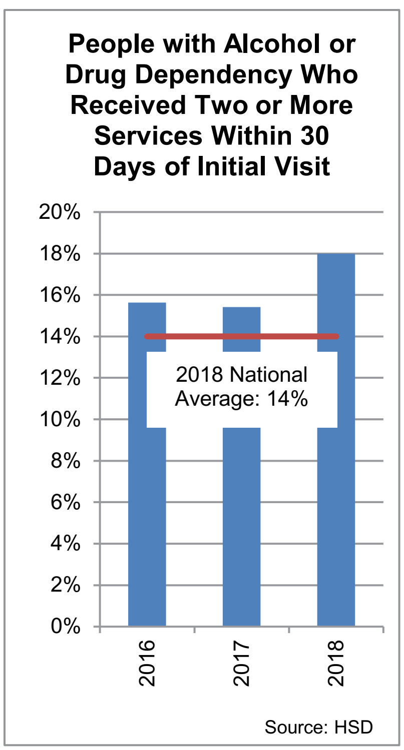


The percent of individuals discharged from inpatient services who received follow-up services after seven and 30 days improved to 45 percent and 65 percent, respectively, but missed the FY18 targets of 47 percent and 67 percent. Managed care organizations (MCOs) report they are working to improve discharge planning and follow-up coordination to improve outcomes and avoid costly readmissions.

Percent of youth on probation receiving behavioral health services is an annual measure and FY18 results are pending. Fiscal year 2017 results show an increase of 2 percent from FY16. 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.

Budget: $57,644.4 **FTE:** 45

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Adults diagnosed with major depression who received continuous treatment with an antidepressant medication	35%	35%	25%	30%	G
Individuals discharged from inpatient facilities who receive follow-up services at seven days	35%	43%	47%	45%	R
Individuals discharged from inpatient facilities who receive follow-up services at thirty days	54%	64%	67%	65%	R
Readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	11%	7%	5%	6%	R
Suicides among fifteen to nineteen year olds served by the behavioral health collaborative and Medicaid programs	0	0	No Data	No Data	R
				Program Rating	R



Department of Health

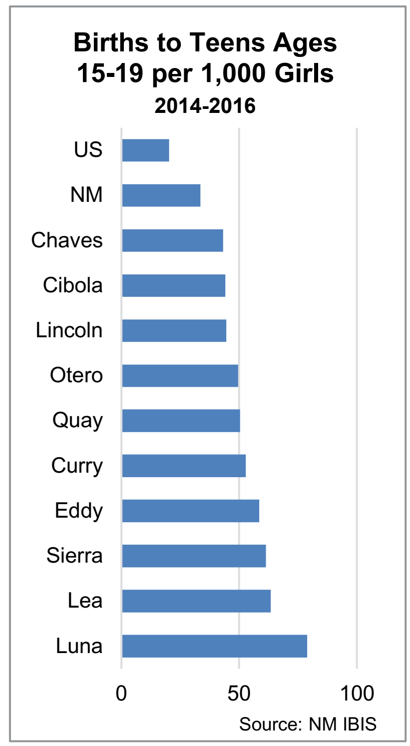
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	No

The department recently announced several initiatives that could lead to future budgetary challenges, such as adjusting direct-care staff compensation by almost 20 percent above the legislatively approved 4.5 percent for direct-care staff and submitting a request to the federal government for a 2 percent across-the-board rate adjustment for services under the Medicaid waiver allowing non-institutional care for those with developmental disabilities. While the department made progress recently and leveraged more Medicaid revenue, more work remains to ensure the department's budget does not go off track. Improving billing for the Tobacco Use Prevention and Control Program and other department programs and ensuring the facilities are prepared to leverage Centennial Care 2.0 provisions for substance use disorders will go a long way to ensure department-driven initiatives are fully funded.

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

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

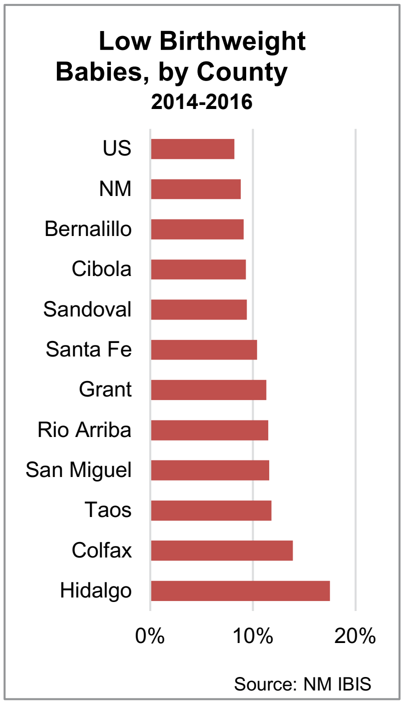
Source: DOH



Public Health

While progress was made in recent years, New Mexico still has one of the highest teen birth rates in the nation. 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 preterm babies, which cost Medicaid an average of $20 thousand in medical care during the first year of life. For FY19, the department was appropriated $250 thousand to purchase long-acting reversible contraceptive devices to improve same-day access and to improve provider training.

Infant Mortality	Low Birthweight	Immunization Rate	Early Access to Prenatal Care
2016	2016	2016	2016
6.2	9%	68.5%	63%
Per 1,000 children	2,331 children		24,503 children
U.S. - 5.9 (2016)	U.S. - 8.2% (2016)	U.S. - 71% (2016)	U.S. -77% (2016)
Worse	Worse	Worse	Worse
2015 5.1	2015 8.70%	2015 70%	2015 66%
Source: CDC	Source: DOH	Source: DOH	Source: DOH



Budget: $181,331.1 **FTE:** 822

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Participants in the national diabetes prevention program referred by a healthcare provider through the agency-sponsored referral system	New	70%	25%	0%	R
Children in healthy kids, healthy communities with increased opportunities for healthy eating in public elementary schools	97%	89%	70%	90%	G
High school youth trained in the evolvement youth engagement program to implement tobacco projects in their school or community	329	356	350	402	G
Quit now enrollees who successfully quit using tobacco at seven-month follow-up	32%	32%	33%	30%	Y
New Mexico adult cigarette smokers who access department cessation services	2.4%	2.8%	2.5%	2.8%	G
Teens who successfully complete a teen outreach program class	510	365	448	365	R
Female clients ages 15-19 seen in public health offices who are provided most or moderately effective contraceptives	65%	66%	58%	61%	G
Preschoolers (19-35 months) fully immunized	68.5%	No Data	75%	No Data	R
Visits to school-based health centers (thousands)	48.2	50.3	48.0	54.5	G
				Program Rating	G

Epidemiology and Response

In 2016, there were

1,456

Alcohol-related deaths in New Mexico

This equates to an average of FOUR people dying EVERY DAY.

New Mexico has some of the poorest substance misuse and behavioral health outcomes in the country. For example, the alcohol-related death rate in New Mexico increased 34 percent between 2010 and 2016. Since 1981, New Mexico's alcohol-related death rate has ranked 1st, 2nd, or 3rd in the United States with rates nearly double the national rate. New Mexico ranked 12th among states for the drug overdose death rate in 2016. However, the worst outcomes are concentrated in geographical regions of the state. For example, Rio Arriba and McKinley counties' alcohol-related death rates are both about 4.5 times higher than the national rate.

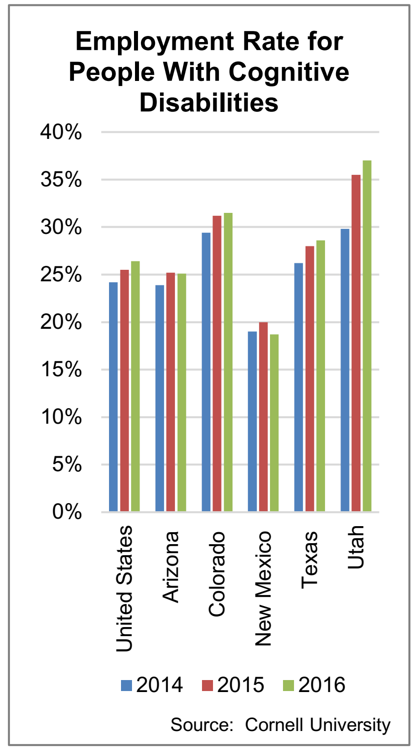
Unmet need for substance use disorder services and treatment is considerable. Statewide, there were 1,456 alcohol-related deaths, or about four deaths every day in 2016. Federal, state, and local entities offer services to treat behavioral health and substance use disorders including inpatient social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

Budget: $28,188.7 **FTE:** 188

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Retail pharmacies that dispense naloxone	23%	34%	55%	73%	G
Community members trained in evidence-based suicide prevention practices	30	52	100	222	G
				Program Rating	Y

Health Facilities

In recent years, uncompetitive salaries hindered recruitment and retention and the facilities are understaffed. The General Appropriations Act of 2018 included funding to provide direct-care staff an average 2.5 percent salary increase in addition to the blanket 2 percent salary increase for all state workers. Additionally, the department is implementing its own 19 percent in-pay band and temporary recruitment differential salary adjustments to reduce the vacancy rate.



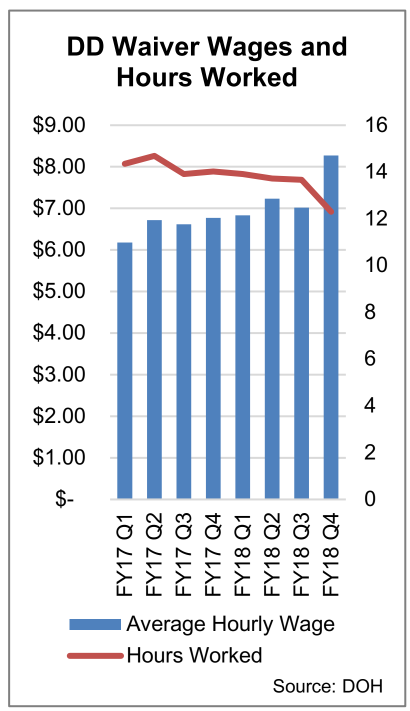
State-operated facilities may soon see significant general fund savings because Medicaid will start reimbursing institutions for mental disease with more than 16 beds for substance use disorders. The federal government is encouraging states to seek a Medicaid waiver for drug and alcohol treatment centers with more than 16 beds, and the state may soon receive approval for the waiver through its pending Centennial Care 2.0 Medicaid waiver application. So far, the federal government approved 11 states waiver applications and another 10 are pending. However, to leverage the Medicaid exclusion, the department's facilities need to ensure they are in compliance with the new behavioral health rule.

Budget: $124, 072.3 **FTE:** 1,808

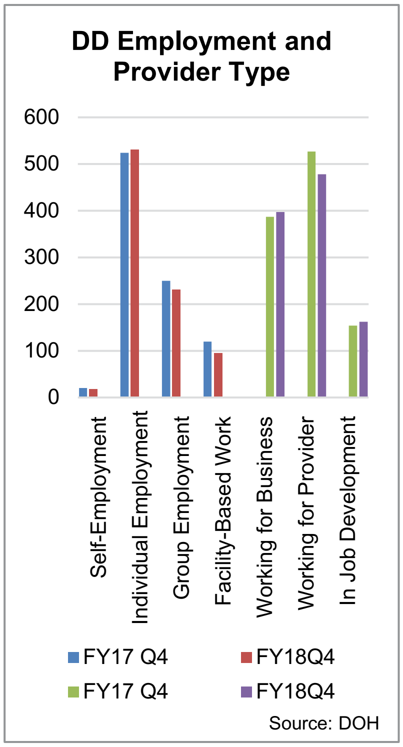
Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Turquoise lodge hospital detoxification occupancy rate	72%	85%	85%	86%	G
Long-term care patients experiencing one or more falls with major injury	Not Reported	Not Reported	3.0%	3.9%	Y
Eligible third-party revenue collected at all agency facilities	94%	93%	93%	88%	Y
Vacancy rate for direct-care positions	New	24%	10%	25%	Y
Operational beds occupied	Not Reported	87%	90%	81%	R
				Program Rating	Y

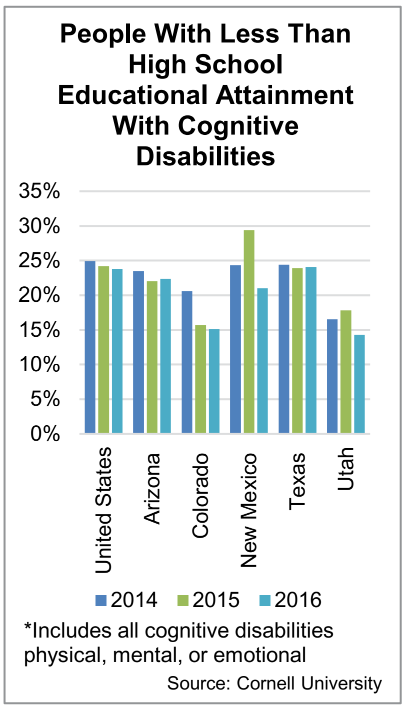
Developmental Disabilities Support

Research indicates integrated employment for individuals with intellectual and developmental disabilities may contribute to greater self-satisfaction and higher earnings than those employed in a segregated setting. A recent LFC program evaluation pointed out that the percentage of New Mexicans with intellectual or developmental disabilities in integrated employment decreased in recent years from 44 percent in 2008 to 30 percent in 2015. More recent employment outcome data present a mixed picture with the number of hours worked for people on the DD Waiver decreasing from 14.3 hours at the beginning of FY17 to 12.3 hours at the end of FY18. Conversely, the average hourly wage of the same workers increased from $6.18 hourly to $8.27 hourly during the same period.



The recent LFC evaluation also noted the number of approved client budgets exceeding $150 thousand annually increased from 209 in FY12 to 386 in FY17, an 84 percent increase. Over the last 10 years, the Developmental Disabilities Support Division (DDSD) has had three different assessment and budget allocation tools for people on the Developmental Disabilities waiver. From FY13 through FY16, DDSD used an evidence-based tool to assess appropriate services and supports but subsequently ended its use of the tool after the Waldrop lawsuit settlement.





The state continues to lack an evidence-based assessment tool and average annual DD waiver per-client costs increased from an FY14 low of $67 thousand to a high of $85 thousand in FY18.

Budget: $159,443.8 **FTE:** 182

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Individuals receiving developmental disabilities waiver services*	4,660	4,574	N/A	4,618	
Individuals on the developmental disabilities waiver waiting list*	6,526	6,775	N/A	6,438	
Developmental disabilities waiver applicants who have a service plan in place within 90 days of income and clinical eligibility	54%	92%	95%	73%	R
Adults receiving community inclusion services through the DD Waiver who receive employment services	38%	36%	34%	30%	R
				Program Rating	Y

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.

Health Certification Licensing and Oversight

The Health Certification Licensing and Oversight program is responsible, among its many duties, for investigating developmental disabilities (DD) reported cases of abuse, neglect, and exploitation. LFC's recent evaluation of the DD and Mi Via Medicaid waivers found the DD program is not closing cases timely, potentially putting clients and the state at risk. When the program receives a notification of potential abuse, neglect, or exploitation, providers are required to create an immediate action and safety plan that often includes suspending staff until the incident is investigated and the case is closed. The evaluation noted many providers across the state complained about the program not closing cases timely and that in FY17 it took an average of 87 days, or 25 days beyond the 62-day deadline to close a case. For the two measures below, the department stated results are reported on a calendar-year basis and data for FY18 is not yet available. However, the results below are calendar year-to-date results, through June. The abuse rate of 5.7 percent and the re-abuse rate of 4.4 percent promising but incomplete.

Budget: $12,047.5 **FTE:** 172

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Abuse Rate for developmental disability waiver and mi via waiver clients*	10.0%	7.0%	8.0%	5.7%	Y
Re-abuse rate (the same person within twelve months) for developmental disability waiver and mi via waiver clients*	14.0%	18.0%	9.0%	4.4%	Y
				Program Rating	Y

*Results are from January through June 2018 and are incomplete.

Aging and Long-Term Services Department

Following nearly a year of conflict between the department and the North Central New Mexico Economic Development District (NCNMEDD), the area agency on aging designated for the nonmetropolitan areas of the state, the State Auditor's Office realeased a special audit report detailing $118.4 thousand in unallowable wasteful spending including staff dinners with alcohol, flowers for funerals, and various hotel stays. The audit also included findings related to the department's oversight of the AAA contract, such as failure to specify the amounts to be retained for administrative expenses and the failure to require the reversion of federal Title III funds for long-term services. In addition, the audit found the department did not subject the subrecipients to a stress test, which could have led to better outcomes. In response, the department is implementing a 10 percent cap on administrative expenses and will consider stress tests in the future. The report also found it would be advisable to allow advance cash payments to providers to ensure timeliness of payments. However, NCNMEDD must have sound financial and cash-flow systems to qualify for advance or pro rata payments.

The department and NCNMEDD have decided to split the contract for aging network services into three contracts for the three planning and service areas (PSA). In the past, the department's contract with the non-metropolitan area agency was a single contract encompassing all three non-metropolitan PSAs. The newly separated contract arrangement may lead to changes in funding levels for each of the PSAs. NCNMEDD claims providers in PSA three, on the eastern side of the state will experience budget reductions and the department claims it cannot track changes in funding levels at the PSA level between FY18 and FY19 because of poor financial accounting at NCNMEDD.

Aging Network

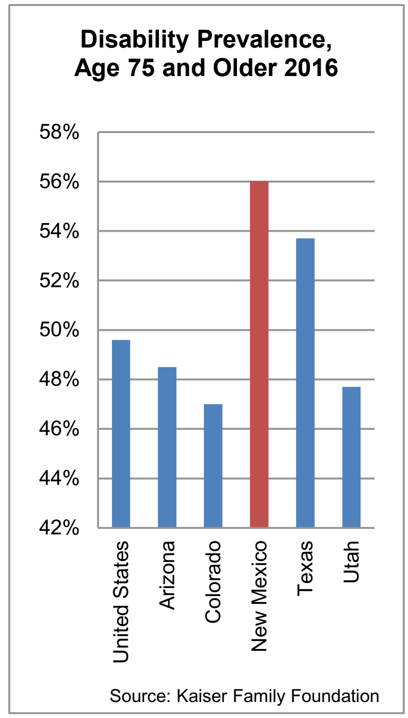
At the beginning of the year, the department hired a contractor to conduct a review of the six PSAs and possible consolidation. Seven other rural states have a "single planning state area," and the state could move to a similar model. Currently, one area agency serves all non metropolitan non-Native-American regions of the state, encompassing almost all of rural New Mexico's three PSAs. According to federal officials, this arrangement is unique nationally. The department promised the results of the report months ago but has yet to provide them.

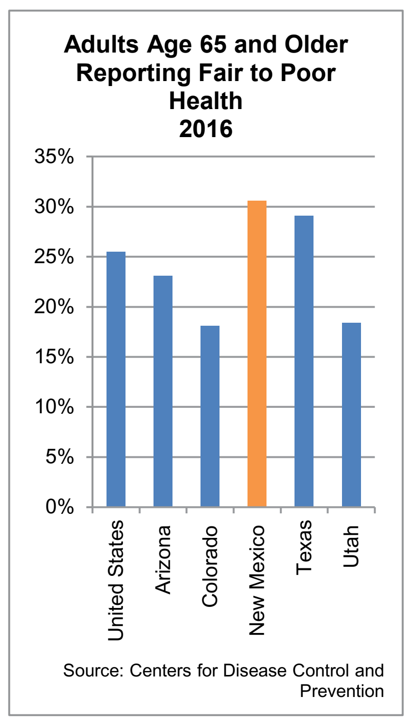
The Aging Newtork measure on food insecurity is not meaningful, and LFC and the department have discussed changing this measure in the future.

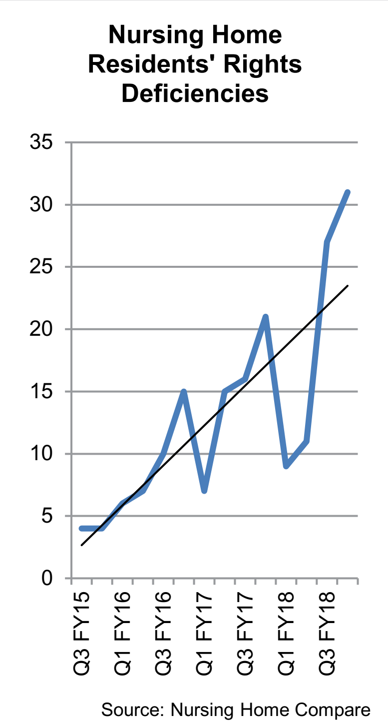
Budget: $36,882.0 **FTE:** 1

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Older New Mexicans whose food insecurity is alleviated by meals received through the aging network	94%	123%	90%	116%	Y
Hours of caregiver support provided	429,612	397,598	400,000	357,721	R
				Program Rating	Y

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







Consumer and Elder Rights

According to data on the federal Centers for Medicare and Medicaid Services Nursing Home Compare website, nursing home residents' rights deficiencies increased from about four per quarter in FY15 to 31 in the fourth quarter of FY18. Section 28-27-4 NMSA 1978 requires the state ombudsman to identify, investigate, and resolve complaints made by long-term care residents that relate to action, inaction, or decisions adversely affecting the health, safety, welfare, or rights of residents in long-term care facilities. Aside from the measure on timely ombudsman complaint resolutions, data showing how well the state is doing at protecting the rights of long-term care residents is thin.

Budget: $4,689.9 **FTE:** 53.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Ombudsman complaints resolved within sixty days	100%	90%	95%	92%	Y
Residents requesting short-term transition assistance from a nursing facility who remained in the community during the six month follow-up	86%	86%	85%	82%	R
Calls to the aging and disability resource center answered by a live operator	72%	85%	**85%**	71%	R
				Program Rating	Y

Average Annual Investigations per Case

Region	FY16	FY17	FY18
Metro	108	105	137
Northeast	83	98	114
Northwest	125	102	132
Southeast	76	76	77
Southwest	109	107	117
Statewide	**99**	**99**	**117**

Source: Adult Protective Services

Adult Protective Services

Average caseloads for adult protective services caseworkers increased to about 117 at the end of FY18. 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 because the result is routinely in the 99 percent range, justifying a yellow rating for this measure. Current data and performance measures make it difficult to assess the effectiveness of the program in preventing maltreatment. Since FY14, the number of substantiated allegations of all types of abuse was cut nearly in half, and it is unlikely actual abuse was reduced this dramatically. The department has not adequately explained the drop.

Budget: $13,362.6 **FTE:** 133

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Adult protective services investigations of abuse, neglect or exploitation	6,315	6,233	6,100	6,671	Y
Emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes	99%	99%	98%	99%	Y
Adults receiving in-home services or adult day services as a result of an investigation of abuse, neglect or exploitation	1,500	1,181	1,500	1,213	R
				Program Rating	Y

Substantiated Allegations by Type

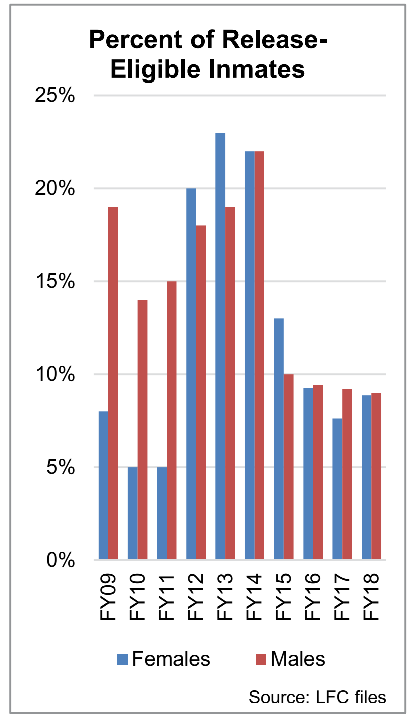
Type	FY16	FY17	FY18
Abuse	165	82	71
Neglect	108	109	109
Self-Neglect	949	730	829
Exploitation	141	161	119
Sexual Abuse	-	1	-
Total	**1,363**	**1,083**	**1,128**

Source: Adult Protective Services

Corrections Department

Admissions to prison due to violent offenses fell an average 3 percent between FY15 and FY17, according to the most recent available data. However, the Corrections Department (NMCD) sees high numbers of returning inmates, including those convicted of violent offenses and parole violations, indicating the need for a renewed focus on the quality of programming within prisons and reentry resources. Crowded, understaffed prisons with less space or opportunity for evidence-based programming – including treatment for drug abuse and basic and higher education – a violent population, many of whom are gang members, and the prevalence of narcotics all contribute to high rates of violence in prisons and recidivism. In FY18, inmate-on-inmate violence hit a 10-year high with 32 assaults resulting in serious injury and a 49 percent recidivism rate, among the highest in recent years. The Legislative Finance Committee published a program evaluation in October 2018 focusing on the reentry process and how to most effectively assist released inmates with successfully returning to the community.

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



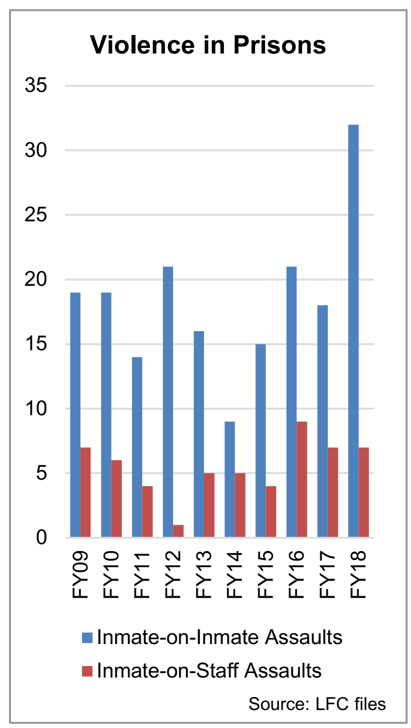
Inmate Management and Control

The percent of inmates held in prison past their release date has improved since FY13 when 23 percent of women and 19 percent of men remained detained. However, rates of release-eligible inmates have remained around 9 percent for the last three fiscal years, mostly due to lack of transitional housing opportunities and parole programs, especially for sex offenders.

Budget: $271,831.1 **FTE:** 1,837

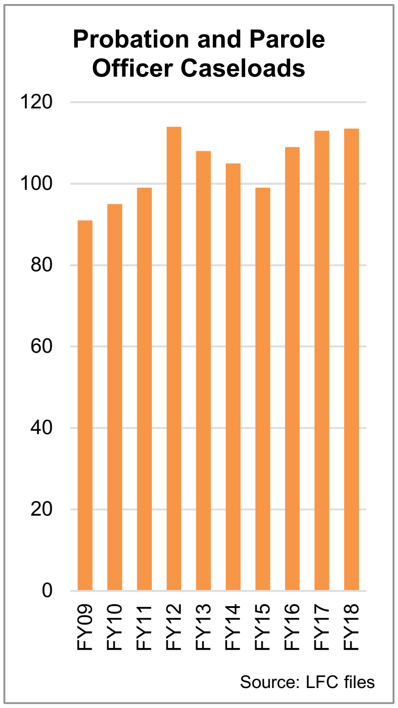
Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Inmate-on-inmate assaults with serious injury	21	15	10	32	R
Inmate-on-staff assaults with serious injury	9	6	4	7	Y
Prisoners reincarcerated within thirty-six months	46%	50%	40%	49%	R
Participating inmates who have completed adult basic education*	52%	62%	N/A	64%	
Release-eligible women still incarcerated past their scheduled release date	9%	8%	5%	9%	R
Release-eligible men still incarcerated past their scheduled release date	9%	9%	5%	9%	R
Residential drug abuse program graduates reincarcerated within thirty-six months of release*	New	No report	N/A	18%	
				Program Rating	Y

*Measure is classified as explanatory only, provided for informational purposes, and does not have a target.



Community Offender Management

The average standard caseload per probation and parole officer rose for the third straight year; NMCD states the rise is mainly due to a low-pay-related high vacancy rate among probation and parole officers, an average 18 percent in FY18. While the Legislature appropriated 8.5 percent pay increases to lower



critical probation and parole vacancy rates in FY19, the effects are unlikely to have yet had an impact.

Notably, 21 percent of men who graduated from the state's recovery centers returned to prison within three years, 4 percent lower than in FY17 but 3 percent higher than FY16. Both the men's and women's recovery center recidivism rates are much lower than the overall three year recidivism rate of 49 percent.

Budget: $33,216.8 **FTE:** 376

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Contacts per month made with high-risk offenders in the community	95%	96%	95%	99%	G
Average standard caseload per probation and parole officer	109	113	100	114	R
Male offenders who graduated from the men's recovery center and are reincarcerated within thirty-six months	18%	25%	20%	21%	Y
Female offenders who graduated from the women's recovery center and are reincarcerated within thirty-six months	New	New	20%	20%	G
Absconders apprehended	31%	28%	30%	29%	Y
Program Rating					G

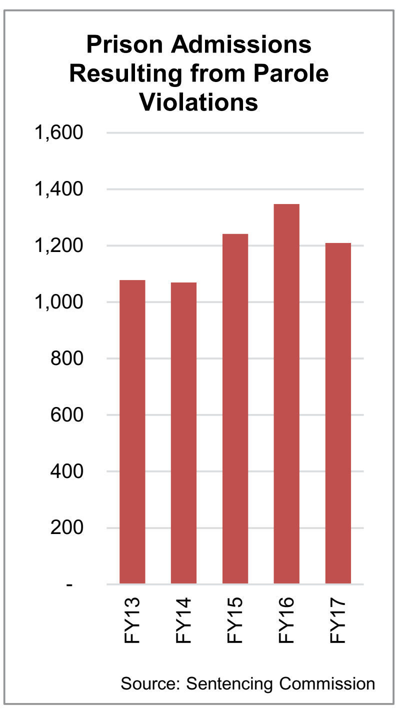
Federal statistics show New Mexico's violent crime rate per 100 thousand people grew 4 percent between 2015 and 2016, making the state the second most violent in the nation, behind only Alaska. New Mexico ranked third in 2015 and fourth in 2014.

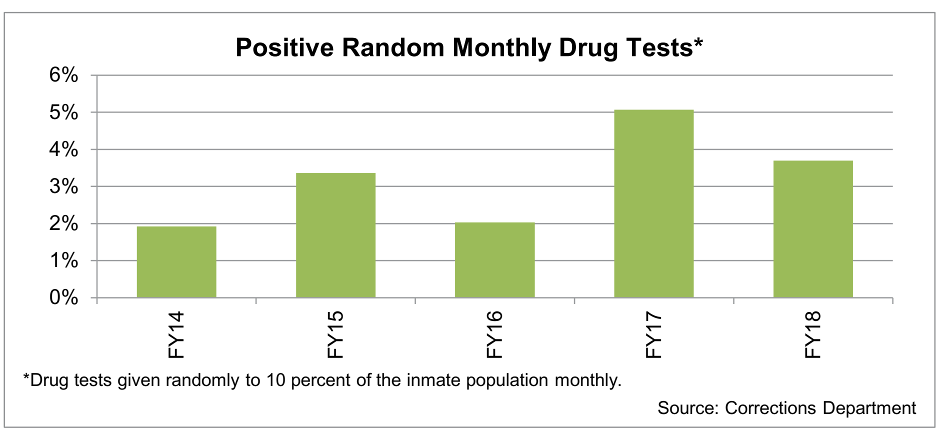
Program Support

While pay increases seemed to help lower the vacancy rates among correctional officers, who received the same raise as probation and parole officers, the vacancy rates remained high, averaging 22 percent. The department reports the promise of pay increases has improved employee morale; the department also expects raises will improve recruitment.

Budget: $12,568.3 **FTE:** 158

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Vacancy rate of probation and parole officers	21%	17%	15%	18%	Y
Vacancy rate of correctional officers in public facilities	21%	24%	15%	22%	R
Program Rating					Y





Department of Public Safety

Federal statistics show New Mexico's violent crime rate per 100 thousand people grew 4 percent between 2015 and 2016, making the state the second most violent in the nation. New Mexico ranked third in 2015 and fourth in 2014. However, preliminary data from Albuquerque, which makes up the largest portion of reported crimes in the state, suggests the crime right might finally be falling.

During FY18, the Department of Public Safety (DPS) worked to reduce crime in the state through strategic joint operations and improved use of data. Efforts included establishing an auto theft unit that works with the Albuquerque Police Department and the Bernalillo County Sheriff on targeted operations and intelligence sharing. DPS also worked toward automating the Criminal Justice Clearinghouse to access comprehensive, real-time data from multiple agencies during arraignment and sentencing. However, supplemental funding and more interagency cooperation are needed to complete the clearinghouse project.

To better collect and act on crime data, the department will be in compliance with federal National Incident-Based Reporting System (NIBRS) requirements by 2020, using funding from a grant to complete needed upgrades. Compliance is critical because the federal government will collect all data through the NIBRS system in future years. NIBRS will help to improve crime data quality and include all offenses and data such as crime location, time of day, and whether DPS cleared the incident.

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

DPS Recruit and Lateral Officer Hires

FY12	34
FY13	58
FY14	53
FY15	34
FY16	59
FY17	24
FY18	60

Source: DPS

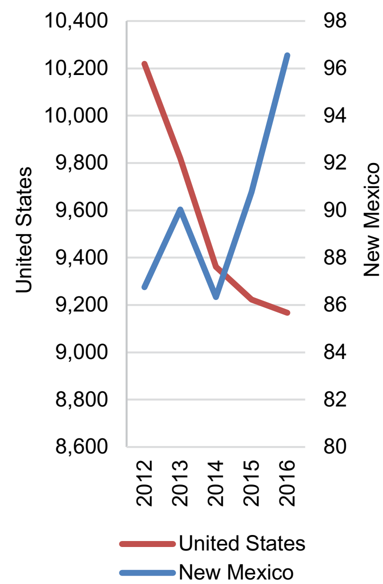
Law Enforcement

The department met all performance measure targets in FY18, drunk driving arrests and strategic traffic enforcement. However, many of the department's performance targets may be set too low and should be revised to better reflect the department's capacity and goals. DPS continues efforts to check the state's crime rates; to help, the executive and the Legislature collaborated to increase manpower through a targeted 8.5 percent pay increase to take effect in FY19.

Budget: $118,368.9 **FTE:** 1,067.7

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Data-driven traffic-related enforcement projects held	New	New	1,700	1,926	G
Driving-while-intoxicated saturation patrols conducted	New	New	975	3,184	G
Commercial motor vehicle safety inspections conducted	95,855	96,802	70,000	88,078	G
Driving-while-intoxicated arrests	New	2,931	2,250	2,574	G
				Program Rating	G

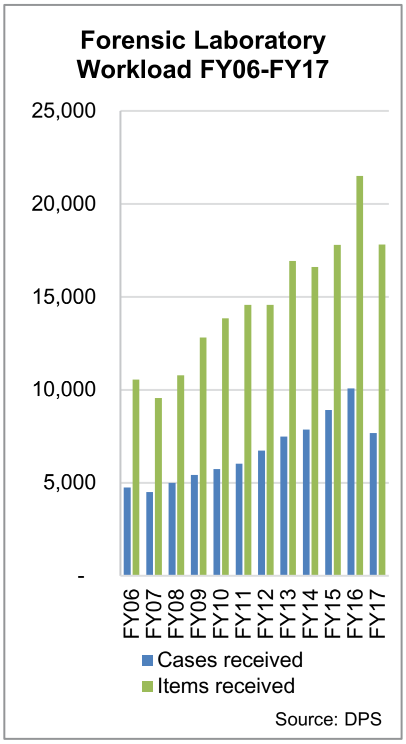
National versus New Mexico Crime Counts (in thousands)



Source: FBI

Statewide Law Enforcement Support

DPS met case completion targets for all types of forensic cases in FY18 and completed many cases carried over from previous years. At the end of FY18, the



backlog was 342 DNA cases, 1,558 chemistry cases, 228 latent print cases, and 369 firearm and toolmark cases. The number of cases received by the lab increased about 6 percent per year with large numbers of items to be tested per case.

The department is within 100 kits of completing their sexual assault kit backlog of 1,388 kits. The department is working to ensure all backlogged kits have been submitted from local agencies for testing before officially marking the backlog cleared. Many of the kits have DNA profiles eligible for entry in criminal databases. Training of forensic scientists can take one to two years before full productivity is reached. High turnover rates increase the number of nonproductive hours.

Department of Public Safety
FY18 Forensic Cases Received and Completed

Case Type	Cases received	Case completed	Completion rate	Remaining Backlog
Biology and DNA	2,148	2,407	112%	342
Latent Fingerprint	746	763	102%	228
Firearm and Toolmark	893	953	107%	369
Chemistry	4,815	4,345	90%	1,558

Source: DPS

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 began working with architects on design but expects to be short on funding for total evidence center project completion.

Budget: $19,554.8 **FTE:** 1,275.7

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Forensic firearm and toolmark cases completed of 953 cases	NEW	NEW	90%	96%	G
Forensic latent fingerprint cases completed of 763 cases	NEW	NEW	90%	105%	G
Forensic chemistry cases completed of 4,345 cases	NEW	NEW	90%	91%	G
Forensic biology and DNA cases completed of 2,407 cases	NEW	NEW	65%	116%	G
				Program Rating	G

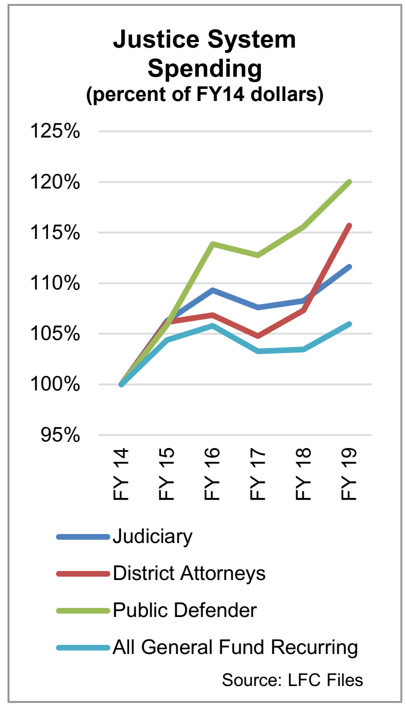
The justice system made significant progress in FY18 addressing an increasing crime rate, implementation of a new constitutional pretrial release and detention policy, case management inefficiencies, and other systemic challenges. However, efforts to address these challenges are complicated by high-profile media coverage and a lack of performance data.

In FY18, all justice partners began reporting quarterly, and the district attorneys and the Public Defender Department joined the courts in a new, comprehensive report card format. Despite stagnant state revenues and caseloads, the budgets for the "three legs" of the justice system – the courts, the district attorneys, and the public defenders – have collectively grown an average 2 percent per year over the last five years. Improved reporting is supportive of legislative efforts to understand and address challenges facing New Mexico's criminal justice system.

In FY18 the Public Defender Department made notable progress in expanding performance reporting by expanding meaningful measures threefold. Although reporting has improved in frequency, meaningful measures are still lacking for the district attorneys and the judiciary. Valuable information related to pretrial reform, crime, and sentencing are lacking. To close the information gap, performance measurements should include rates of appearance, reoffenders, and pretrial detention.

Caseloads continue to drop from a peak in FY10. The continuing decrease in cases entering the justice system in FY18 appears to be driven by improved safety in the state, as indicated by preliminary crime data. As the number of cases referred to district attorneys decrease, caseloads also decrease for the courts and the Public Defender Department.

ACTION PLAN	
Submitted by agency?	PDD Only
Timeline assigned by agency?	No
Responsibility assigned?	PDD Only



Courts

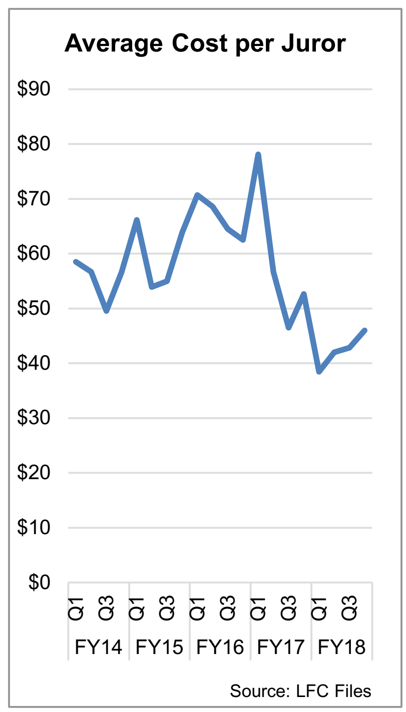
Administrative Support

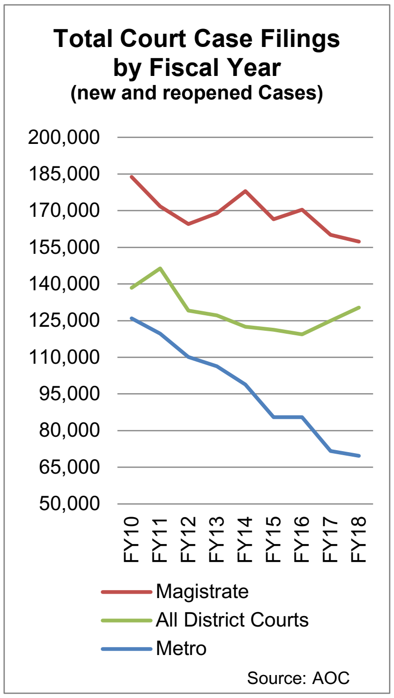
The new jury management tool, implemented by the Administrative Office of the Courts in FY18, provided substantial improvements in average juror costs, outperforming the target. The courts realized further cost savings due to the passage of House Bill 385 during the 2017 regular legislative session, which limited travel reimbursements to jurors traveling more than 40 miles. Savings allowed for juror pay to be restored to the statutory requirement. Despite the progress made for jurors, average interpreter cost per court session remained above the target for FY18.

Budget: $13,169.1 **FTE:** 49.8

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Average cost per juror	$67.44	$59.72	$50.00	$44.65	G
Number of jury trials*	NEW	NEW	N/A	902	
District*	NEW	NEW	N/A	650	
Magistrate*	NEW	NEW	N/A	181	
Metropolitan*	NEW	NEW	N/A	71	
Average interpreter cost per session	NEW	$152.50	$100.00	$154.74	R
				Program Rating	Y

*Measure is classified as explanatory, for informational purpose, and does not have a target.





Statewide Judiciary Automation

Complications with the Odyssey case management system and the associated increased workload caused time per service call to more than double in FY17 and remain high in FY18. The new system incorporates all call types regardless of difficulty and measures time to resolve calls from several minutes to weeks. LFC staff and court administrators are exploring more appropriate performance measures for FY19.

Budget: $8,837.0 **FTE:** 53.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Average time to resolve calls for assistance, in hours	16.2	79.6	10	73.8	R
				Program Rating	R

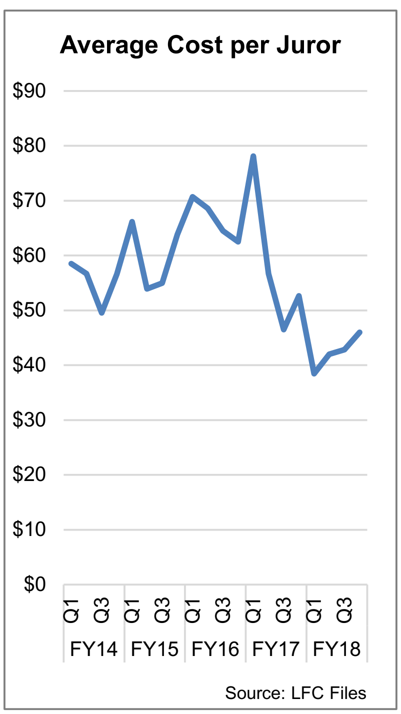
Special Court Services

In FY18, the courts implemented new quarterly measures to better measure the efforts of drug courts. Data collection and reporting proved a challenge, and measures were only reported semiannually for FY18. Drug courts experienced a continuing trend of lower graduation rates and higher recidivism, although still significantly lower than the FY18 average recidivism rate of 49 percent for those incarcerated in state prison. The declining number of participants in specialty courts remains a concern despite its exclusion from quarterly reporting.

Budget: $12,183.1 **FTE:** 6.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Cases to which court-appointed special advocates are assigned*	NEW	1,019	N/A	2,668	
Monthly supervised child visitations and exchanges conducted	1,399	1,102	1,000	1,176	G
Recidivism rate for drug court participants	14%	16%	12%	21%	R
Recidivism rate for DWI court participants	NEW	6%	12%	6%	G
Graduation rate for drug court participants*	NEW	59%	N/A	57%	
Graduation rate for DWI court participants*	NEW	71%	N/A	70%	
Cost per client per day for all drug court participants*	NEW	$23.30	N/A	$23.25	
				Program Rating	Y

*Measure is classified as explanatory, for informational purpose, and does not have a target.



Magistrate Court

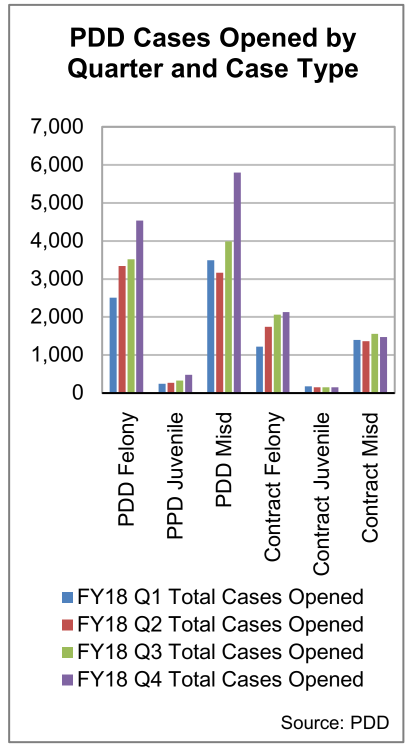
Magistrate courts, which met FY18 targets, have experienced a decline in total court case filings, similar to that experienced by the Metropolitan and district courts. Although the decline in cases mirrors national trends, the National Center for State Courts attributes the national decline to reductions in law-enforcement and prosecution resources and a declining national crime rate, factors that do not apply to New Mexico.

Budget: $31,333.6 **FTE:** 343.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Number of active cases pending*	NEW	NEW	N/A	17,794	

Cases disposed as a percent of cases filed	102%	101%	100%	100%	G
			Program Rating		**G**

*Measure is classified as explanatory, for informational purpose, and does not have a target.



Public Defender

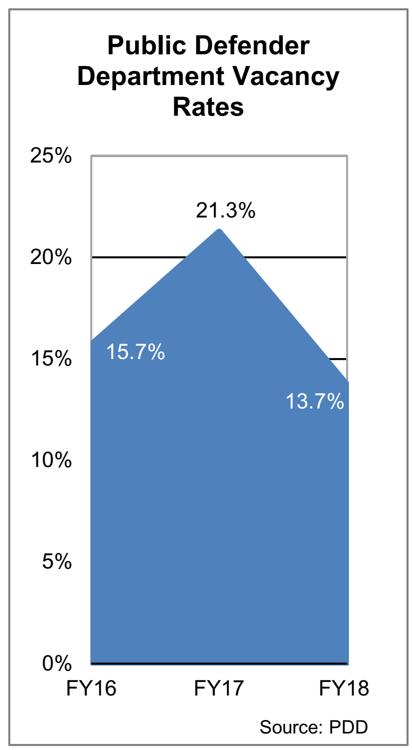
The Public Defender Department (PDD) changed its eligibility policy in FY18 to include clients with incomes up to 200 percent of the federal poverty guidelines but will no longer offer services to defendants who do not qualify, who used to be able to pay for representation. PDD has dedicated additional resources toward ensuring more accurate reporting on performance measures in FY18, including the implementation of a new case management system and allocating a part-time staff member to assist with collecting, correcting, and reporting data for quarterly reports.

The department outperformed all targets for FY18, except for cases assigned to contract attorneys that resulted in a reduction of formally filed charges. PDD currently does not require contract attorneys to regularly close cases in the case management system, likely resulting in underreporting contributing to the low outcome. LOPD continues to explore solutions to ensure complete timely and accurate reporting by both in-house and contract attorneys. The positive performance for PDD in FY18 was in part due to a reduction in caseloads caused by a reduction in the vacancy rate statewide. Due to increased appropriations from the Legislature, PDD maintained an approximately 13 percent vacancy rate, down from about 20 percent in FY17.

Budget: $48,849.7 **FTE:** 439

Measure	**FY16 Actual**	**FY17 Actual**	**FY18 Target**	**FY18 Actual**	**Rating**
Felony, misdemeanor and juvenile cases resulting in a reduction of original formally filed charges	NEW	NEW	70%	75%	G
In-house attorneys	NEW	NEW	70%	83%	G
Contract attorneys	NEW	NEW	70%	43%	R
Felony, misdemeanor and juvenile cases resulting in alternative sentencing treatment	NEW	NEW	5,000	11,584	G
In-house attorneys	NEW	NEW	4,000	10,130	G
Contract attorneys	NEW	NEW	1,000	1,454	G
Cases assigned to contract attorneys*	NEW	NEW	N/A	31%	
Cases assigned to in-house attorneys, yearly	NEW	312	330	302	G
Average time to disposition for felonies, in days*	NEW	NEW	N/A	261	
In-house attorneys*	NEW	169	N/A	256	
Contract attorneys*	NEW	256	N/A	274	
Cases opened by the Public Defender Department *	NEW	NEW	N/A	45,237	
In-house attorneys*	NEW	NEW	N/A	31,660	
Contract attorneys*	NEW	NEW	N/A	13,577	
				Program Rating	G

*Measure is classified as explanatory, for informational purpose, and does not have a target.



District Attorneys

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

For FY18, falling case referrals coupled with preliminary police data suggest a falling crime rate in New Mexico for the first time since 2010. Because case referrals are not directly tied to performance, district attorney offices, the executive, and LFC are considering new performance measures, including conviction rates and success rates of pretrial detention motions.

Responding to legislative interest, the district attorneys are working toward a unified budget system or comparable structure for FY20.

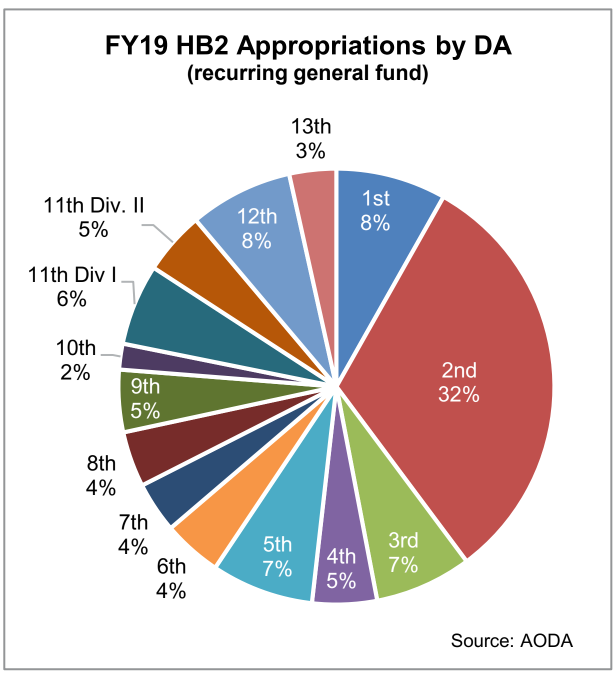
Additional measures suggested for the judiciary:

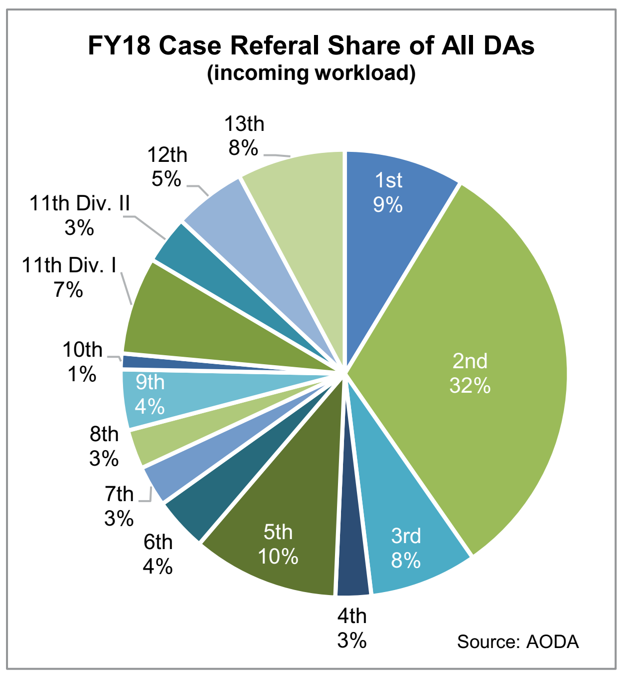
- Appearance rate: percentage of supervised defendants who make all scheduled court appearances.
- Reoffenders: number (or percentage) of supervised defendants who are not charged with a new offense during the pretrial stage.
- Concurrence rate: ratio of defendants whose supervision level or detention status corresponds with assessed risk.
- Success rate: percentage of released defendants who don't violate conditions of their release, appear for all scheduled court appearances, and are not charged with a new offense during pretrial supervision.
- Pretrial detainee length of stay: average length of stay in jail for pretrial detainees who are eligible by statute for pretrial release.
- Pretrial detention rate: proportion of pretrial defendants who are detained throughout pretrial case processing or proportion of pretrial detention motions granted.

Budget: $66,421.9 **FTE:** 954

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Cases prosecuted of all cases referred for screening	NEW	NEW	N/A*	89%	
Average cases handled per attorney	NEW	NEW	185	312	R
Average time from filing to disposition for juveniles, in months	NEW	NEW	1.75	4	G
Average time from filing to disposition for adults, in months	6	6	8	7	G
Average cases referred into pre-prosecution diversion programs	NEW	NEW	N/A*	100	
				Program Rating	Y

*Measure is classified as explanatory, for informational purpose, and does not have a target.





Department of Transportation

The Department of Transportation (NMDOT) has completed 100 percent of projects on budget and 86 percent of projects on time. NMDOT's Aviation Division has 77 total runways in the system, with 62 percent in good condition. The agency looks to grow rehabilitation of one runway per year with the support of federal funding.

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

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

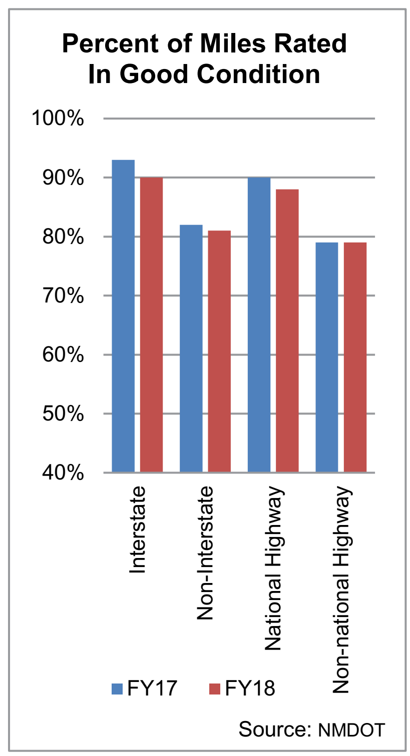
Project Design and Construction

NMDOT fell short by 19 percent of the annual target for projects put out for bid. Challenges affecting this target include right-of-way certification, storm drain issues, and fiscal need. The fourth quarter ended with 34 percent of projects in production bid as scheduled, thereby negatively affecting the annual result. For the third year, the final costs of NMDOT-managed projects have come in close to or under the bid, reflecting sharp project cost estimates and sound project management.

NMDOT has increased the square footage of bridges in fair condition or better from a low of less than 84 percent in 2005 to 95.5 percent in 2018. However, the annual $14 million allocation is insufficient to address the $90 million needed for bridge preventive maintenance, rehabilitation, and replacement. NMDOT reports a need of $30 million per year for bridge projects on major interchanges requiring capacity and geometric upgrades.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Projects completed according to schedule	89%	94%	>88%	86%	Y
Projects put out for bid as scheduled	51%	65%	>67%	54%	R
Bridges in fair condition or better, based on deck area	95%	96%	>88%	95.5%	G
Final cost-over-bid amount on highway construction projects	1.0%	-1.0%	<3.0%	-0.2%	G
				Program Rating	G



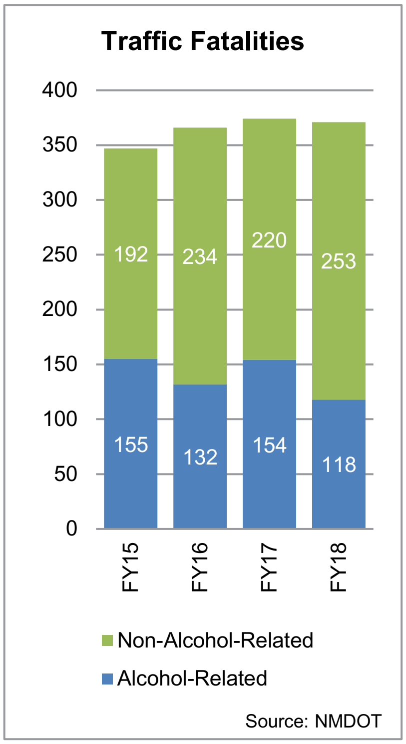
Highway Operations

NMDOT surpassed its target by 12 percent for statewide pavement miles preserved. In the fourth quarter, 668 miles were preserved. Consistent maintenance of roadways (preservation versus restoration) continues to be a critical factor in ensuring roadway infrastructure is safe to the traveling public and supports economic development statewide. The results from the 2017 road condition survey indicate an increase in miles in poor condition due to lack of funding, attention to other roads, and increased traffic The Statewide Transportation Improvement Program (STIP) prioritizes high-speed, high-capacity road projects with the greatest impact on the roadway system. Combined, STIP and NMDOT's maintenance plan address the most critical needs with a focus on projects that have the greatest benefit-to-cost ratio.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Statewide pavement miles preserved	2,457	3,668	>2,550	2,854	G
				Program Rating	G

FY17 Road Condition Survey	FY15 Actual	FY16 Actual	FY17 Target	FY17 Actual	Rating
Interstate miles rated fair or better	92%	93%	>91%	90%	G
National highway system miles rated good	91%	90%	>86%	88%	G
Non-national highway system miles rated good	83%	82%	>65%	79%	G
Lane miles in deficient condition	4,250	4,515	<6,900	4,675	G
				Program Rating	G



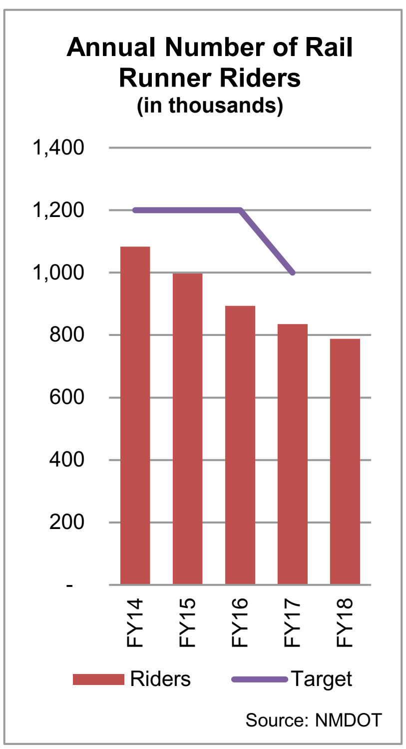
Modal

NMDOT and the Traffic Safety Division continue to implement high-visibility outreach programs to try to reduce overall traffic fatalities, such as "ENDWI" for drunken driving and "BKLUP" for seat-belt use. Traffic fatalities unrelated to alcohol use increased by 9.5 percent, and pedestrian fatalities increased by 22 percent. NMDOT will implement a new "Look for Me" campaign on school campuses in coordination with Albuquerque Public Schools and the University of New Mexico. NMDOT will also partner with the Middle Rio Grande Conservancy District on designating "Look for Me" corridors in high pedestrian fatality areas.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Traffic fatalities	366	374	<340	359	R
Alcohol-related traffic fatalities	132	154	<135	118	G
Nonalcohol-related traffic fatalities	234	220	<220	241	R
Occupants not wearing seatbelts in traffic fatalities	142	138	<133	114	G
Pedestrian fatalities	70	69	<72	89	R
Riders on park and ride, in thousands	264	247	>275	240	R
Riders on rail runner, in thousands*	894	835	N/A	788	
				Program Rating	R

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.



Program Support

Throughout the year, district personnel have held biweekly conference calls to address the high number of vacancies and the human resource consolidation of agency personnel staff into the State Personnel Office. NMDOT anticipates implementing new processes, procedures, and policies as it transitions to the final phase of the consolidation.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Vacancy rate in all programs	14.0%	14.0%	<10.0%	16.6%	R
Employee injuries	89	78	<90	87	G
Percent of invoices paid within 30 days	90%	90%	>90%	91%	G
Employee injuries occurring in work zones	32	34	<35	37	R
				Program Rating	Y

Status - End of FY18

Project Status Legend

Green	Project is on track; scope, budget, schedule, and deliverables are being managed appropriately.
Yellow	Project has potential risk to scope, cost, schedule, or deliverables; independent verification and validation (IV&V) or LFC staff has identified one or more areas of concern needing improvement.
Red	Significant issues limit success of the project; high risks to scope, cost, schedule, or deliverables identified; management attention and corrective action needed; project did not meet business objectives.

Agency	333	Taxation and Revenue Department (TRD)					
Project Name	**ONGARD Replacement - Severance Tax**						
Project Description	Replacement of the oil and natural gas administration and revenue database (ONGARD) system. Replacement will be delivered in two separate systems; TRD severance tax and State Land Office (SLO) Royalty Administration and Revenue Processing System (RAPS)						
Project Phase	Implementation		**Estimated Implementation Date:**		6/30/2018		
			Estimated Total Cost[1] (in thousands):		$11,000.0		
	State[2]	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$11,000.0	$0.0	$11,000.0	$10,800.0	$200.0	98.2%	

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget	Green	Green	Green	Green	Severance tax project implemented within planned budget. Laws 2018 reauthorized the 2016 $5 million appropriation through FY19 to prepare for interfacing with SLO RAPS project.
Schedule	Yellow	Green	Green	Green	As scheduled, GenTax deployed severance tax into production 3/19/18, followed by a stabilization period and transition to operations. TRD anticipates project close-out end of 2018.
Risk	Yellow	Yellow	Yellow	Yellow	While improvements in the filing and amendment process have increased accuracy and efficiency of severance tax collection distribution, ongoing concerns with incorrect data reporting remain.
Overall	Yellow	Green	Green	Green	Project successfully accomplished all planned activities within scope, schedule, and budget. The IV&V vendor recommended TRD develop a post-implementation survey to obtain feedback from the oil and gas industry on the new severance tax application and its use.

[1]Total estimated costs include $4.1 million for ONGARD stabilization and modernization and $6.9 million for the severance tax project.

[2]Includes $6 million appropriation for stabilization of ONGARD, of which $1.9 million is allocated to the severance tax project.

Agency	539	State Land Office (SLO)					
Project Name	**ONGARD Replacement - Royalty Administration and Revenue Processing System (RAPS)**						
Project Description	Replacement of the oil and natural gas administration and revenue database (ONGARD) system. Replacement will be delivered in two separate systems; TRD severance tax and SLO RAPS						
Project Phase	Planning		**Estimated Implementation Date:**		TBD		
			Estimated Total Cost (in thousands):		$10,000.0		
	State[1]	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$10,000.0	$0.0	$10,000.0	$273.9	$9,726.1	2.7%	

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget	Red	Green	Green	Green	SLO received certification of $2 million for the planning phase.
Schedule	Red	Red	Yellow	Yellow	Planning phase approved by the Project Certification Committee; SLO selected RESPEC as its IV&V vendor using the statewide price agreement procurement method.
Risk	Red	Yellow	Yellow	Yellow	Procurement review and contract approval delays are impeding project progress; change in administration may impact project.
Overall	Red	Yellow	Yellow	Yellow	SLO will complete the royalty project in two phases; the system implementation vendor contract is pending DoIT approval.

[1]Laws 2018 appropriated an additional $5 million available for expenditure through FY20; the appropriation is from state lands maintenance fund.

Agency	361	Department of Information Technology (DoIT)					
Project Name	**SHARE Software Upgrade**						
Project Description	Upgrade the SHARE system to version 9.2 for human capital management (HCM) and financials (FIN) with goals to increase standardization of the system and improve key business processes.						
Project Phase	Close-out	**Estimated Implementation Date:**		10/12/2017			
		Estimated Total Cost (in thousands):		$15,000.0; Revised $19,764.4			
	State[1]	**Federal**	**Total Available Funding[2]**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$5,000.0	$0.0	$19,764.4	$19,764.4	$0.0	100.0%	
FY18 Rating	Q1	Q2	Q3	Q4	Status		
Overall					Project successfully completed and closed out. DoIT will have a standard schedule for SHARE updates to keep the system current. DoIT and the Department of Finance and Administration established a Continuous Improvement Governance Board to support and align agencies around enterprise decisions and multi-agency business processes.		
Functionality	n/a	n/a	n/a		DoIT is unresponsive to LFC's request for a SHARE update meeting at least quarterly. Results of implementing the SHARE recruiting module are unknown. LFC recommended DoIT develop a detailed project plan and estimated cost for replacing or continuing to upgrade SHARE, in addition to providing LFC an implementation plan and schedule for the remaining SHARE modules the state owns.		
[1]Laws 2013 appropriated $5 million; additional appropriation of $2.9 million is from the SHARE equipment replacement fund.							
[2]Total available funding increase includes $11.8 million from SHARE equipment replacement fund, through the BAR process.							

Agency	594	State Treasurer (STO)					
Project Name	**SHARE Integrated Treasury Solution**						
Project Description	Implement the SHARE treasury management module to streamline the cash management and investment management processes by eliminating manual booking of investments into the SHARE general ledger. Implementation will improve accuracy, timeliness, and data integrity.						
Project Phase	Implementation	**Estimated Implementation Date:**		12/31/2017; revised 3/31/18, 4/30/18			
		Estimated Total Cost (in thousands):		$1,950.0			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$1,950.0		$1,950.0	$1,746.3	$203.7	89.6%	
FY18 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Project completed within budget prior to end of FY18; STO plans to close-out project in Fall 2018.		
Schedule					Project is substantially complete; STO staff is revising business processes and identifying gaps between the legacy system and SHARE. The SHARE treasury module does not include material functionality found in investment-centric systems.		
Risk					Several pending Oracle service requests do not impact production; they will be addressed in future releases, although dates are unknown. Automated interfaces with JP Morgan (JPM) were not complete. STO was not adequately prepared for project management tasks; as a result, requirements may have not been clearly defined, and STO likely needed a better understanding of system functionality.		
Overall					STO reported implementation was successfully complete 5/18/2018; however, remaining manual processes for SHARE are a concern. STO has signed off on Deloitte's final deliverables and payment for the retainage invoice is in process.		
Functionality	n/a	n/a	n/a		Implementation of the SHARE treasury module did not meet the full business needs of the agency. Automated interfaces between Bloomberg and JPM were not completed due to lack of responsiveness from Bloomberg and JPM. Manual processes remain for SHARE and JPM with the legacy system running in parallel with transactions entered manually.		

Agency	361	Department of Information Technology (DoIT)		
Project Name	DoIT Statewide Infrastructure Replacement and Enhancement (SWIRE)			
Project Description	Plan, design, purchase, and implement infrastructure for public safety communications statewide for improved communication equipment affecting emergency responders.			
Project Phase	Implementation	Estimated Implementation Date:	6/30/2018; revised 6/30/2021	
		Estimated Total Cost (in thousands):	$14,200.0	

	State	Federal	Total Available Funding	Spent to Date	Balance	% of Budget Expended		
In thousands	$14,200.0	$0.0	$14,200.0	$12,196.6	$2,003.4	85.9%		

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget					Laws 2018 appropriated additional $10 million to continue the replacement of public safety radio equipment and infrastructure.
Schedule					Overall project is 95 percent complete; phases one and two are in final stages. Phase three is in process and includes replacing subscriber units, and partial refresh of the digital microwave network. An updated project management plan is needed.
Risk					Constraints include weather and available external and internal resources.
Overall					700 MHz land mobile radio units deployment completed, and DPS District 1(Santa Fe) and District 5 (Albuquerque) have been equipped with dual banded 700 MHz and conventional subscribers.
Functionality	n/a	n/a	n/a		The potential lack of coordination between DoIT, DPS, and law enforcement in Bernalillo County Sheriff Office (BCSO) and Albuquerque Police Department (APD) is of concern.

Agency	366	Public Employees Retirement Association (PERA)		
Project Name	Retirement Information Online (RIO) Enhancement			
Project Description	Update current PERA system to include implementing business process improvements, user interface enhancements, data integrity and remediation, and customer relationship management (CRM) software and workflow system.			
Project Phase	Implementation	Estimated Implementation Date:	6/30/2018; revised 11/2018, 1/2019	
		Estimated Total Cost (in thousands):	$4,200.0	

	State[1]	Federal	Total Available Funding	Spent to Date	Balance	% of Budget Expended		
In thousands	$4,200.0	$0.0	$4,200.0	$2,622.9	$1,577.1	62.5%		

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget					With the extension of the project schedule, the project budget will likely need to be increased for continued support. Laws 2018 granted agency a reauthorization of $4.2 million funding through FY19 due to project delays.
Schedule					PERA extended the anticipated completion date from November 2018 to January 2019, primarily due to contract renewal delays. Some business requirement documents are in process but delayed.
Risk					While the project is progressing, delays in contract approvals for continued project management and IV&V services are of concern.
Overall					Project team is actively monitoring risk associated with schedule slippage.

[1]Amount does not reflect Laws 2018 other state funds appropriation of $3 million to upgrade RIO hardware and software infrastructure.

Agency	630	Human Services Department (HSD)					
Project Name	Child Support Enforcement System Replacement (CSESR)						
Project Description	Replace the more than 20-year-old system with a flexible, user-friendly solution to enhance the department's ability to meet federal performance measures. The current system maintains 59 thousand active cases with over $132 million in annually distributed child support payments.						
Project Phase	Planning		Estimated Implementation Date:		TBD		
			Estimated Total Cost:		TBD		
	State	Federal	Total Available Funding	Spent to Date	Balance	% of Budget Expended	
In thousands	$3,927.3	$1,023.6	$4,950.9	$2,656.9	$1,270.4	53.7%	
FY18 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Current remaining funding is sufficient to complete planning activities. Office of Child Support Enforcement (OCSE) approved the advanced planning document update (APDU).		
Schedule					OCSE required HSD to revise and resubmit the CSESR feasibility study, which has delayed other work in the planning phase. HSD evaluated three proposals for IT professional services and selected a vendor to revise the feasibility study. Negotiations and approvals are underway.		
Risk					HSD is submitting a FY20 computer system enhancement fund (C2) funding request, pending revisions of the feasibility study.		
Overall					Project work plan has been updated and incorporated in HSD's HHS 2020 initiative and the project schedule includes milestones to align and leverage the HHS 2020 enterprise.		

Agency	630	Human Services Department (HSD)					
Project Name	Medicaid Management Information System Replacement (MMISR)						
Project Description	Replace current Medicaid management information system and supporting application to align with Centers for Medicare and Medicaid Services (CMS) requirements, including Medicaid information technology architecture (MITA).						
Project Phase	Planning		Estimated Implementation Date:		11/30/2019		
			Estimated Total Cost (in thousands):		$175,604.0		
	State	Federal	Total Available Funding[1]	Spent to Date	Balance	% of Budget Expended	
In thousands	$15,421.9	$138,435.1	$153,857.0	$29,698.5	$124,158.5	19.3%	
FY18 Rating	Q1	Q2	Q3	Q4	Status		
Budget					HSD requested CMS approval of a $27.7 million, or 15 percent increase in the MMISR budget, with project completion extended to December 2021 instead of November 2019.		
Schedule					The system integrator vendor continues to experience quality issues with deliverable expectation documents and deliverables. Deliverables lack consistency and completeness, some after several review cycles. The data services contract is still pending DoIT review and signature. The quality assurance contract is in negotiations. HSD anticipates releasing the benefit management services request for proposals in September.		
Risk					The lack of a contractor management plan, which governs management of vendor performance, is critical given the issues with the quality of deliverables and vendor deficiencies. In addition, the lengthy procurement and contracting timeframes continue to negatively impact the project schedule. The schedule continues to be adjusted due to missed deadlines.		
Overall					State Personnel Office approved HSD's MMISR staffing plan for double filling positions; estimated placement of additional staff is November 2018. A lack of standards and repeatable project management processes continues. The inability to apply a consistent project management methodology increases risk that critical tasks, dependencies, and resources may not be identified and anticipated.		

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

Agency	685	Department of Health (DOH)					
Project Name	**Women, Infants, and Children (WIC) System Replacement Project**						
Project Description:	Replace a 14-year-old legacy system with the WIC regional solution that includes Texas, Louisiana, New Mexico and two independent tribal organizations. The regional model will meet U.S. Department of Agriculture Food and Nutrition Service (FNS) requirements for management information systems (MIS) and electronic benefits transfer delivery for WIC benefits.						
Project Phase	Implementation	**Estimated Implementation Date:**		11/30/2018			
		Estimated Total Cost (in thousands):		$7,004.9			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$0.0	$7,004.9	$7,004.9	$4,465.4	$2,539.50	63.7%	

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget					The implementation advanced planning document (IAPD-U) annual summary was submitted to FNS; the program addressed FNS questions in the New Mexico response. DOH is awaiting FNS response and approval.
Schedule					Project milestones are on target. New Mexico provided information to FNS for approval to move to statewide MIS deployment.
Risk					Outcomes from the Texas and New Mexico pilot were reviewed for New Mexico rollout. Final network upgrades for New Mexico clinics may not be completed in time.
Overall					Texas, as the lead state, is in the process of statewide rollout to clinics. New Mexico completed the 12-week MIS pilot, and received FNS concurrence with stipulations regarding New Mexico clinics network upgrades.

Agency	690	Children, Youth and Families Department (CYFD)					
Project Name	**Enterprise Provider Information Constituents Services (EPICS)**						
Project Description:	Multi-phase, multi-year project to consolidate CYFD's legacy system (FACTS) and 25+ stand-alone systems into one enterprise-wide web application. EPICS scope consists primarily of the Early Childhood Services program.						
Project Phase:	Implementation	**Estimated Implementation Date:**		3/31/2018; Revised 6/30/2018			
		Estimated Total Cost (in thousands):		$19,827.3			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$10,636.8	$9,190.5	$19,827.3	$19,342.0	$485.3	97.6%	

FY18 Rating	Q1	Q2	Q3	Q4	Status
Budget					CYFD digital services web team developed dashboards as funding allowed, including the statewide central intake (SCI) and investigator dashboards.
Schedule					Previous schedule slippages have been addressed by prioritizing and completing tasks. The SCI and investigator dashboards went live June 2018 as scheduled.
Risk					Loss of key agency IT staff and contractor continue to be the highest risk to the project; loss of staff is increasing project workload for remaining staff. CYFD's IT Division current vacancy rate is 35 percent.
Overall					The IV&V vendor recommended implementing a standard methodology for identifying, assessing, reporting, and monitoring risks for all subprojects and evaluating security of EPICS as a whole. It is not clear if CYFD addressed the recommendation.
Functionality	n/a	n/a	n/a		EPICS project scope was scaled down, resulting in data silos, additional vendor costs, and program integrity concerns. Web-based functionality for "Am I Eligible?" appears to be working. The web application provides the ability to determine potential eligibility for family services, such as child care assistance, and home visiting. However, some childcare subprojects were likely not fully implemented, for example Race to the Top.

Agency	770	Corrections Department (NMCD)						
Project Name	**Offender Management System Replacement**							
Project Description:	Replace 15-year old client server offender management system with a commercial-off-the-shelf (COTS) web-based solution. The COTS solution has 17 modules associated with NMCD requirements.							
Project Phase:	Implementation		**Estimated Implementation Date:**		6/30/2019; revised			
			Estimated Total Cost (in thousands):		$11,600.0			
	State[1]	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$10,100.0		$10,100.0	$3,343.1	$6,756.9	33.1%		
FY18 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget					Current project funding is adequate for 17 modules.			
Schedule					Final gap analysis clarified how requirements will be met using the selected solution. Data conversion, mapping, and configuration continue.			
Risk					Inability to fill vacant IT positions continues to be a high risk, in addition to potential lack of vendor resources due to conflicting priorities; the vendor recently added staff to mitigate some risk. Corrections IT Division currently has a 23 percent vacancy rate; while the agency recently hired a quality assurance analyst, it continues to use a staff augmentation vendor for the implementation phase.			
Overall					The project continues to progress, with no major issues with scope, schedule, or budget.			

[1]Amount includes Laws 2018 appropriation of $2.3 million.

Agency	780	Department of Public Safety (DPS)						
Project Name	**Computer-Automated Dispatch (CAD)**							
Project Description:	Replace 10-year old CAD system. CAD is used to dispatch 911 calls to officers, map the call location in the dispatch center, provide automatic vehicle location of officers in the field, and provide the National Crime Information Center with access to data.							
Project Phase:	Implementation		**Estimated Implementation Date:**		9/27/2017			
			Estimated Total Cost (in thousands):		$3,988.8			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$4,150.0		$4,150.0	$4,044.2	$105.8	97.5%		
FY18 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget					DPS is updating the budget to reflect additional cost for GIS work.			
Schedule					Luna and Valencia counties went live; project close-out is pending.			
Risk					DPS completed the mitigating strategy for statewide mapping. DPS continues to update the mapping system to include Valencia data; and system response issues with Valencia are of concern.			
Overall					The system continues to be stable. DPS is considering additional functionality for gun and boat permits under a future project.			

Other IT Projects of Concern

Agency	420	Regulation and Licensing Department (RLD)	
Project Name	Accela Replacement		
Project Description:	Replace Construction Industries Division (CID) permitting and inspection software, Accela.		
State Funding (in thousands):	$967.0	Project Phase:	Planning

- ► CID permitting collects an estimated $4 million in revenue
- ► The current system is at risk due to system down time and lack of vendor support
- ► Project Certification Committee certified $250 thousand for the Initiation and Planning phase in June 2018
- ► RLD does not have a qualified project manager assigned
- ► Agency may be experiencing procurement delays due to DoIT's contract review process.

Agency	780	Department of Public Safety (DPS)	
Project Name	Records Management System (RMS)		
Project Description:	Replace 10-year old CAD system. CAD is used to dispatch 911 calls to officers, map the call location in the dispatch center, provide automatic vehicle location of officers in the field, and provide the National Crime Information Center with access to data.		
State Funding (in thousands):	$1,842.9	Project Phase:	Planning

- ► DPS currently operates without an integrated RMS
- ► DPS initiated the project in FY16, shifting priorities to implementation of the CAD project
- ► Project Certification Committee certified $632 thousand for the planning phase in April 2018
- ► Request for proposals process will be overseen by a contract project manager, due to limited agency resources
- ► Status of the procurements are unknown as of this writing.

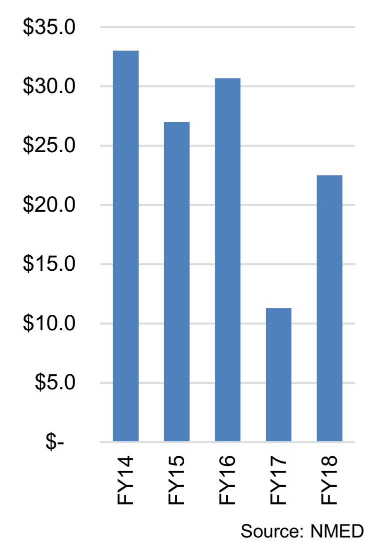
Department of Environment

ACTION PLAN

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

Percent of New Mexicans Receiving Water That Meets Health Standards

CWSRF and Rural Infrastructure Loans



Performance measures for the Environment Department (NMED) remained heavily oriented toward output-based activities, such as number of facilities inspected in FY18. However, existing measures that focus on air and water quality, occupational safety, and other public health and safety issues are a better reflection of agency performance.

Worth noting, of the $52.3 million of 2014 "year of water" capital outlay appropriations for local projects overseen by NMED, $3.4 million remains unspent. NMED reports 102 out of the 120 projects are complete, and 18 reauthorized projects remain active.

Water Protection

More than 167 thousand New Mexicans were receiving water that did not meet health-based standards at the end of FY18, 5 percent less than in FY17. This figure is driven by infrastructure failures and poor operations and maintenance and by fires and subsequent flooding. Local entities requested approximately $49.7 million in project funding from the clean water state revolving loan fund (CWSRF), and $20 million was awarded.

NMED inspections of groundwater discharge facilities, as well as the percent of facilities where monitoring shows compliance with standards, are below the annual target and actual performance in prior years. Because a few permits allow for exceedance of, or variance from, typical groundwater quality standards - depending on proximity to groundwater - and other factors; a facility may be in compliance with its permit but not with other standards. NMED's corrective action plan considers redistributing staff from permit hearing preparation to inspections.

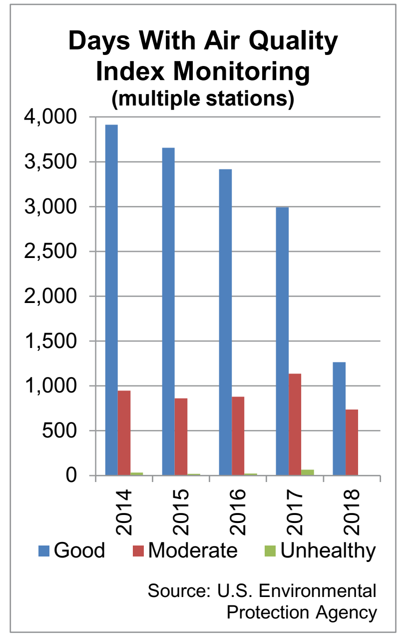
Budget: $30,689.1 **FTE:** 190.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Population served by community water systems that meet all applicable health-based drinking water standards*	98%	97%	N/A	92%	
Groundwater discharge permitted facilities inspected	65%	66%	65%	53%	Y
Amount of new loans made from the clean water state revolving fund program and the rural infrastructure revolving loan program, in millions*	$30.7	$11.3	N/A	$22.4	
Permitted facilities where monitoring results demonstrate compliance with groundwater standards*	63%	71%	N/A	92%	
Stream miles monitored for water quality in target area	83%	90%	40%	35%	Y
				Program Rating	Y

*Measure is classified as explanatory, provided for informational purposes, and does a target.

Resource Protection

The Hazardous Waste Bureau missed targets for large quantity hazardous waste generators inspected due to several vacant inspector positions. NMED recently revised petroleum storage tank regulations to better protect groundwater and govern the cleanup of releases from leaking storage tanks. Statewide, the Petroleum Storage Tank Bureau oversees more than 4,421 underground tanks and 1,760 aboveground storage tanks.



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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Underground storage tank facilities in significant compliance with release prevention and detection requirements	77%	87%	77%	88%	G
Solid waste facilities and infectious waste generator inspections finding substantial compliance with solid waste rules	93%	98%	93%	94%	G
Landfills compliant with groundwater sampling and reporting requirements	100%	97%	97%	96%	G
Large quantity hazardous waste generators inspected	31%	18%	40%	32%	R
				Program Rating	Y

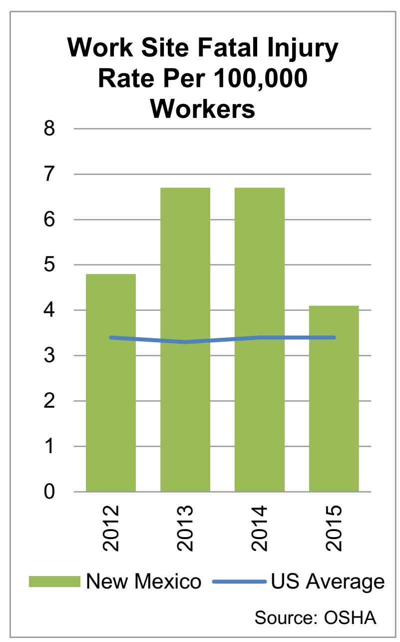
Environmental Protection

The percent of air quality and serious occupational safety violations discovered through agency inspections that had completed corrective action within 30 days was below the target, at 96 percent. 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, executive and legislative staff agreed to report the measure as explanatory data without a performance target in future years.

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.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Serious worker health and safety violations corrected within the timeframes designated on issued citations from the consultation and compliance sections	96%	97%	98%	96%	G
				Program Rating	G



Energy, Minerals and Natural Resources Department

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

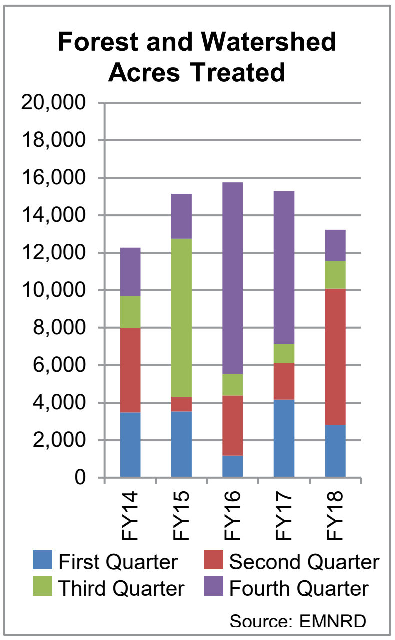
The Energy, Minerals and Natural Resources Department performed well overall in FY18, exceeding targets for State Parks, Mine Reclamation, and Energy and Conservation Management programs. However, performance for the Oil and Gas Conservation Program was mixed and Healthy Forests Program missed both its measures, falling short of targets for training firefighters and treating acreage to mitigate the fire threat.

In FY18, the department-initiated rulemaking focused on requirements for spill prevention and reporting, financial assurance, and wells abandoned by the oil and gas industry. In the 2018 legislative session, the Oil and Gas Act was amended by increasing the blanket guarantee from $50 thousand to $250 thousand to provide the state a higher degree of financial assurance from operators of oil, gas, or injection wells. The State Parks Division adopted rule changes governing park visitor provisions and park fees.

The military veterans' firefighter program employed 52 people in FY18, down from 55 in FY17.

Healthy Forests

The State Forestry Division missed the annual target for firefighter training by 445 firefighters due to fewer interested firefighters. Forest and watershed treatment progress moved slowly due to forest closures caused by either fires or extremely dry conditions, and the agency missed the target by 16 percent. Although monsoons in FY18 deterred the possibility of large fires statewide, the Ute Park Fire burned over 36 thousand acres near Cimarron. The community of Ute Park, the Philmont Scout Ranch, the Cimarroncito and Urraca Watersheds, and Cimmaron Canyon State Park were evacuated. U.S. 64 was closed twice due to fire and subsequent flash flooding.



Budget: $15,879.5 **FTE:** 78

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Nonfederal wildland firefighters trained	1,627	1,362	1,650	1,205	R
Acres treated in New Mexico's forest and watersheds	15,762	15,292	15,800	13,226	R
				Program Rating	R

State Parks

According to Headwater Economics, suppressing a fire averages just 9 percent of a fire's total costs. Communities face long-term property depreciation, infrastructure repairs, and restoration of ecosystems.

The majority of visitation and revenue occurs during the first and fourth quarters of the fiscal year. In FY18, despite fire severity and drought conditions, park closures, and low stream, river, and lake levels, state park visitation only declined 4 percent from FY17. The revenue impact of reduced visitation was significantly offset by an increase in per- visitor revenue, resulting in an overall increase of $654.2 thousand.

Budget: $28,852.2 **FTE:** 234.5

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Visitors to state parks, in millions*	5.46	4.93	NA	4.71	

Self-generated revenue per visitor, in dollars*	$0.81	$0.88	NA	$1.06	
Interpretive programs available to park visitors*	1,312	1,053	NA	860	
Boating safety courses completed	937	887	800	860	G
				Program Rating	G

*Measure is classified as explanatory, provided for informational purposes, and does a target.

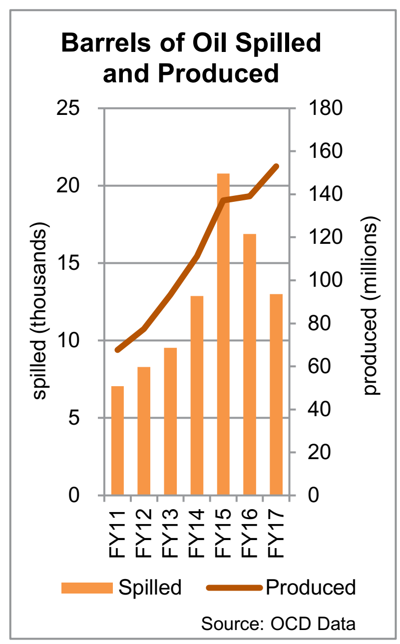
The *Wall Street Journal* reports 3 percent of natural gas extracted is flared within the Permian Basin. New Mexico burns between 50 million and 100 million cubic feet per day, and 320 million cubic feet per day is flared in Texas. The federal Governmental Accountability Office reports 40 percent of natural gas could have been economically captured.

Mine Reclamation

The agency conducted all the required inspections for coal mines and 105 of the 110 regular mines. The number of mines without adequate financial assurance remains at one, the Asarco Deming Mill. This mine continues to operate under an application with a new owner and EMNRD is working to obtain adequate financial assurance.

Budget: $8,078.5 **FTE:** 33

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	96%	98%	97%	99%	G
Required inspections conducted to ensure compliance with permits and regulations	97%	97%	95%	95%	G
				Program Rating	G



Oil and Gas Conservation

The Oil Conservation Division (OCD) was unable to meet the goal of 47 thousand inspections due to four vacant inspector positions, and the number of violations issued declined by 24 percent (2,081). The division continues to process permit applications well within 10 business days. Although the final figures for June 2018 have not been released, the U.S. Energy Information Administration reports the state's FY18 production at 183.4 million barrels.

Budget: $9,487.0 **FTE:** 66

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Inspections of oil and gas wells and associated facilities	49,624	37,648	47,000	42,880	R
Application to drill permits approved within ten business days of receipt	85%	96%	84%	100%	G
Abandoned oil and gas wells properly plugged	36	33	32	41	G
Number of oil and gas well spills*	1,465	2,490	N/A	1,128	
Size of oil spills, in barrels*	16,889	14,504	N/A	13,487	
				Program Rating	G

*Measure is classified as explanatory, provided for informational purposes, and does a target.

Energy Conservation and Management

The agency had an increase of 44 percent in total trainings and practices for the Waste Isolation Pilot Plant (WIPP) program, due to three factors: certification renewal for all commercial vehicle safety alliance level six officers; training new Department of Public Safety training officers; and biannual WIPP transportation exercises with the required hospital and fire services training.

Budget: $3,665.7 **FTE:** 13

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Applications for clean energy tax credits reviewed within thirty days	90%	90%	90%	90%	G
Waste-isolation-pilot-plant-related trainings and practice exercises conducted	45	55	55	79	G
				Program Rating	G

Office of the State Engineer

The Office of the State Engineer fell short of FY18 targets for average unprotested new and pending applications processed per month and water rights transactions entered in to the agency's database. Both measures are the responsibility of the short-staffed Water Resource Allocation Program. Because comprehensive water management requires the Office of the State Engineer to determine the amount and priority date of water rights, failure to process and maintain records significantly impairs its ability to perform its core function.

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

Water Resource Allocation

The Water Rights Division has approximately 40 vacancies. Staff is strained between application processing and increased investigations triggered by complaints of illegal water use. The agency missed the target for unprotested applications processed per month by 63 percent. This data helps management track the location and amount of applications filed so the State Engineer can assess statewide water usage. The number of transactions entered into the Water Administration Technical Engineering System database fell 32 percent short of the target because OSE continues to focus on data clean-up and training of staff in district offices.

The Water Rights Division also failed to reduce the backlog of unprotested and unaggrieved water right applications, which increased 8 percent over FY17 actuals. However, OSE has significantly reduced the backlog since its peak of 1,513 in FY14.

Reservoir Capacity

Reservoir	2017	2018
Abiquiu Reservoir	12%	8%
Bluewater Lake	21%	9%
Brantley Lake	2%	2%
Caballo Reservoir	21%	11%
Cochiti Lake	10%	9%
Conchas Lake	24%	58%
Costilla Reservoir	74%	28%
Eagle Nest Lake	53%	47%
El Vado Reservoir	68%	4%
Elephant Butte Reservoir	17%	6%
Heron Reservoir	49%	33%
Lake Avalon	43%	65%
Lake Sumner	22%	21%
Navajo Reservoir	84%	80%
Santa Rosa Reservoir	12%	8%

Source: U.S. Natural Resources Conservation Service

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Unprotested and unaggrieved water right applications backlogged	422	416	N/A	451	
Average unprotested new and pending applications processed per month	37	36	85	31	R
Number of state engineer orders issued to correct deficiencies and improve condition ratings at high hazard publicly owned dams	NA	1	1	0	G
Water rights transactions entered in the agency's database	18,287	14,566	23,000	15,612	R
				Program Rating	Y

*Measure is classified as explanatory, provided for informational purposes, and does a target.

Interstate Stream Commission

Although the agency performance target is set for greater than zero for delivery credits on the Rio Grande Compact, an accrued delivery debit up to 200 thousand acre-feet is allowable. This year is the third time since the early 1990s the agency reported an allowable debit. ISC believes this is due to historic low snowmelt runoff, low snowmelt in the Chama watershed, and almost no conservation water stored in El Vado Reservoir. All conservation water stored the prior year has been exhausted. ISC predicts storage will be insufficient for irrigation needs in 2019.

ISC receives and distributes funding for the NM Unit fund on behalf of the New Mexico Unit of the Central Arizona Project per the Arizona Water Settlements Act of

2004. The Bureau of Reclamation is preparing an environmental impact statement for infrastructure projects to divert Gila River water for irrigation purposes.

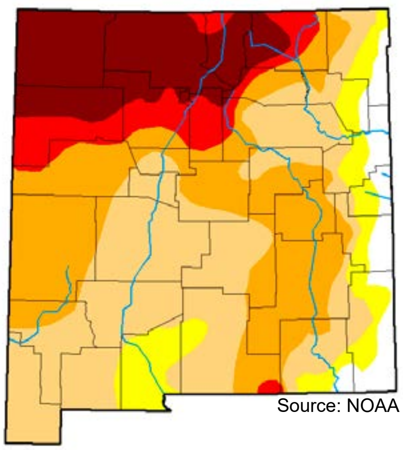
Except for a brief period in 2017, at least some part of New Mexico has been abnormally dry or in drought since 2000.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Delivery credit on the Pecos river compact, in thousand acre-feet	109.5	137.9	> 0.0	137.9	G
Delivery credit on the Rio Grande compact, in thousand acre-feet	0.4	-20.3	> 0.0	-0.7	G
Cumulative New Mexico unit fund expenditures, in millions*	NEW	NEW	N/A	$9.02	
				Program Rating	**G**

*Measure is classified as explanatory, provided for informational purposes, and does a target.

U.S. Drought Monitor
October 2018



D0 Abnormally Dry
D1 Moderate Drought
D2 Severe Drought
D3 Extreme Drought
D4 Exceptional Drought

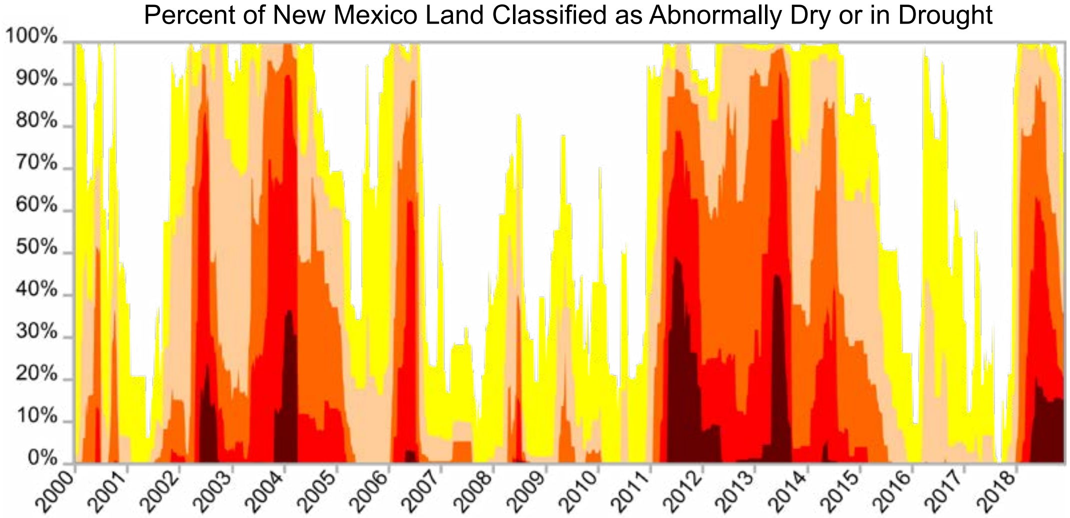
Litigation and Adjudication

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 has yet to begin on the middle Rio Grande Basin, the largest basin by population in the state encompassing Sandoval, Valencia, Socorro, and Bernalillo counties. The program obtained a final judgment and decree in the Aamodt adjudication in July 2017 and is currently focused on the Gallinas River section of the Upper Pecos adjudication and the Rito de Tierra Amarilla section of the Rio Chama adjudication.

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

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Offers to defendants in adjudications	839	566	839	298	G
Water rights with judicial determinations	63%	66%	70%	67%	Y
				Program Rating	**G**

Percent of New Mexico Land Classified as Abnormally Dry or in Drought



Abnormally Dry Moderate Drought Severe Drought Extreme Drought Exceptional Drought

Source: National Oceanic and Atmospheric Administration's National Integrated Drought Information System

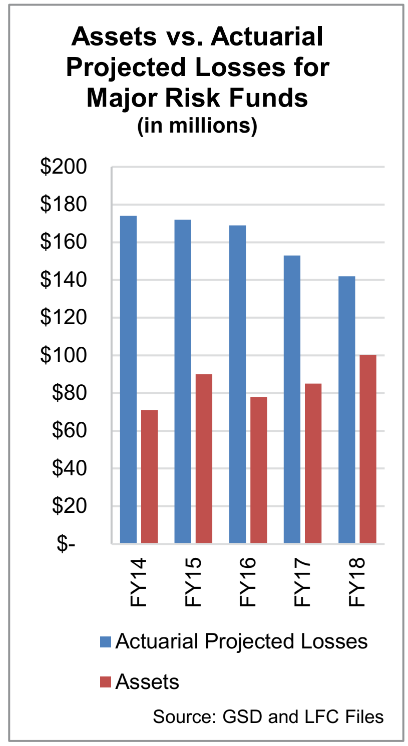
General Services Department

The General Services Department (GSD) continues to produce quarterly reports that lack basic information relating to their core mission, including reporting on the number of FTE per square foot in state-owned and leased facilities. The lack of reporting makes it difficult to assess the effectiveness of the department in providing essential services to state agencies. The department should be more proactive in finding ways of measuring performance to ensure the most efficient use of taxpayer dollars.

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

Risk Management

The major risk funds have increased their balances significantly despite transfers of $30 million to the general fund for solvency; the property, liability, and workers compensation funds had a combined balance of $100 million in FY18, up from $85 million in FY17. In FY18, the program conducted 27 alternative dispute resolution trainings attended by 766 state employees. These events are designed to find creative solutions to avoid costly litigation. For FY18, the program added coverage up to $20 thousand per agency to pay for immediate mitigation of property losses resulting from delayed maintenance. This coverage is designed to prevent costly future losses. However, few agencies have used it.



Budget: $95,081.3 **FTE:** 57

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Projected financial position of the public property fund	340%	468%	50%	697%	G
Projected financial position of the workers' compensation fund	37%	43%	50%	54%	G
Projected financial position of the public liability fund	32%	46%	50%	51%	G
Loss prevention training events, cumulative	5	12	12	27	G
				Program Rating	G

Group Health Benefits

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

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 if other cost control or quality improvement reforms should be explored by the Interagency Benefits Advisory Council (IBAC).

Budget: $373,196.0 **FTE:** 0

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Per member monthly costs	$323	$338	<$361	$390	R
Generic drug fill rate	85%	87%	90%	89%	Y
Percent change in premium	-3%	-3%	4%	4%	G
				Program Rating	Y

Facilities Management

Appropriations to GSD for Building Repair and Maintenance

2019	$1,500,000
2018	$0
2017	$4,000,000
2016	$2,000,000
2015	$ 0
2014	$4,500,000
2013	$500,000

Source: LFC Files

Only nine of 14 new office space leases approved by GSD met the 215 square foot per FTE space standard set by GSD. Although the state labor force continues to shrink, GSD has not reported a similar reduction in use of office space, and the department notes it does not have the data necessary to report on square footage per FTE in either state-owned or existing leased space.

The agency failed to complete many work orders on time in FY18; only 968 of 1,606 planned and unplanned repair and maintenance requirements were completed within the 15 day timeframe. Over the long-term, deferring maintenance contributes to higher costs of facility ownership.

Budget: $13,283.3 **FTE:** 139

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Capital projects within budget	94%	76%	95%	76%	R
Capital projects on schedule	94%	95%	90%	97%	G
New office space leases meeting space standards	New	19%	90%	64%	R
Work orders completed on time	New	63%	75%	61%	R
				Program Rating	R

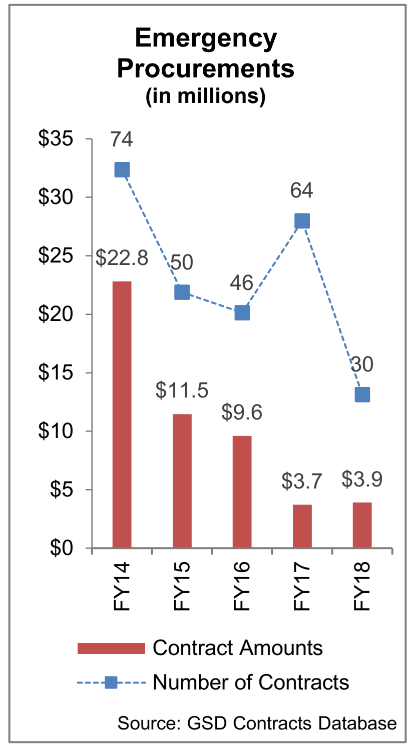
Gross Square Footage per FTE, 2017

Department	Leased Space Under GSD purview	State-Owned Space Under GSD purview	Total Space Occupied	Total FTE	Total Space Per FTE (target 215)
Aging and Long-Term Services Department	36,545	32,403	68,948	181	382
Department of Environment	116,432	67,822	184,254	668	276
Department of Health	295,262	1,230,263	1,525,525	2,251	636
Department of Public Safety	39,617	408,408	448,025	1,200	373
Energy, Minerals and Natural Resources Department	6,884	77,723	84,607	317	267
Human Services Department	734,969	115,720	850,689	1,923	442
Public Education Department	13,407	61,613	75,020	323	232
Regulation and Licensing Department	20,017	58,473	78,490	190	412
Office of the State Engineer	63,251	89,967	153,218	299	512
Taxation and Revenue Department	207,968	171,526	379,494	1,128	336
Workforce Solutions Department	27,492	153,858	181,350	579	313
Other Agencies	904,094	4,819,965	5,724,059	8,168	700
Total				**17,227**	**438**

Source: LFC files and GSD (2017)

State Purchasing

Of the 295 procurements handled in FY18, the program reports 68 were "best value" sourced. This is a tool used when it is difficult to define the features of a good or service or when the upfront price does not reflect the longer-term costs, as happens with many IT projects. Of the 122 executive branch agencies, only two, the Border Authority and the Racing Commission, do not have certified procurement officers. There were 24 procurement code violations in FY18 requiring trainings for 24 employees.



Budget: $2,263.9 **FTE:** 27

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Procurement violators receiving training on the Procurement Code	New	68%	90%	97%	G
Agencies with certified procurement officers	New	307	90%	97%	G
Procurements using "best value" sourcing	New	23%	15%	43%	G
				Program Rating	G

Transportation Services

The program continues to under-utilize its vehicles; of 1,909 vehicles, only 1,167 were operated an average 750 miles per month during FY18. Due to lack of funding, the program had to cancel newly installed GPS vehicle monitoring, which the program reports has impacted the ability to collect and analyze data. In the absence of GPS tools, manual mileage logs are used.

Budget: $12,031.1 **FTE:** 35

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Vehicle operational costs per mile	$0.47	$0.47	≤$0.59	$0.46	G
Vehicles used 750 miles per month	35%	51%	80%	61%	R
				Program Rating	Y

State Printing

State printing shipped 688 of 693, or 99.5 percent, of orders to clients on time. The program's success in delivering jobs on time is a significant factor in the steady increase in sales revenue experienced in FY18.

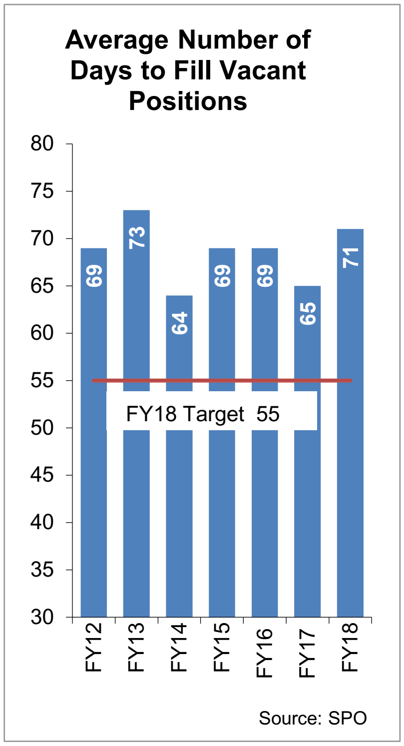
Budget: $1,160 **FTE:** 10

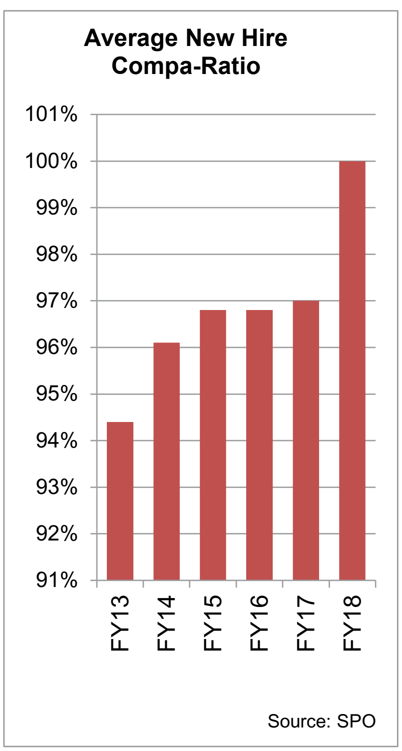
Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Revenue per employee, in thousands	$181	$236	$175	$246	G
Sales growth in revenue	9%	26%	8%	36%	G
				Program Rating	G

State Personnel Board

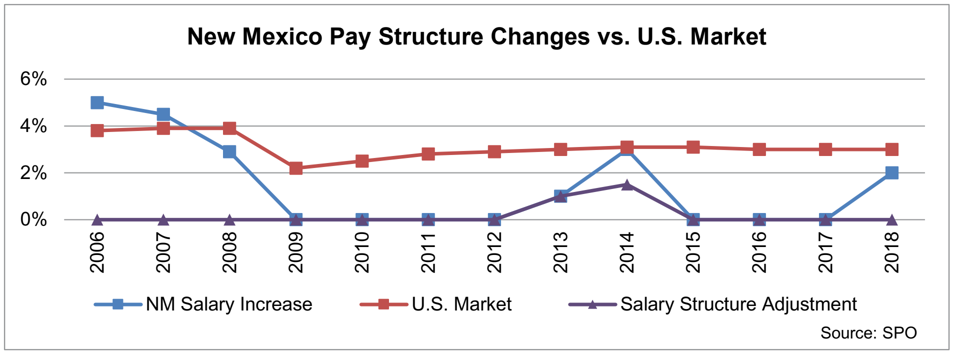
ACTION PLAN

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





The state's current pay structure, developed and maintained by the State Personnel Office (SPO), falls 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. The implementation of an occupation-based structure was supposed to address salary inadequacy. However, only four out of 11 occupation groups have been completed since the project began in 2012.



In addition to general pay structure inadequacy, employees and new hires compa-ratios, or salary divided by midpoint, were respectively 101 percent and 100 percent of the mid-point, leading to salary compaction. Compaction may damage morale because tenured employees are paid similarly to new hires. As fiscal conditions improve and agencies are able to hire additional employees, SPO should work to reduce time to fill positions. SPO expects the consolidation initiative will improve hiring efficiency but has yet to provide data quantifying the efficiencies gained. Specifically, SPO has not shown how nonhiring performance, such as processing and resolutions of employee grievances, will be handled.

Budget: $4,082.1 **FTE:** 47

Measure	**FY16 Actual**	**FY17 Actual**	**FY18 Target**	**FY18 Actual**	**Rating**
Classified service vacancy rate	15%	18%	13%	18%	R
Average number of days to fill a position from the date of posting	69	65	55	71	R
Average state classified employee compa-ratio	102%	101%	95%	101%	G
Average state classified employee new-hire compa-ratio	97%	97%	91%	100%	R
New employees who successfully complete their probationary period	70%	65%	75%	63%	R
Classified employees voluntarily leaving state service	15%	15%	15%	14%	G
Classified employees involuntarily leaving state service	2%	2%	5%	2%	G
State employee average overtime usage per month, in hours*	16	15	N/A	15	
State employees receiving overtime*	17%	18%	N/A	18%	
				Program Rating	Y

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.

The Taxation and Revenue Department (TRD) fell short of achieving most of its performance targets in FY18, a result of turnover and high vacancy rates in leadership staff. Of the 13 top leadership positions within TRD, nine are either vacant or filled with acting personnel, including the cabinet secretary, tax policy director, chief economist, and Tax Fraud Division director.

Although the governor vetoed more than a dozen new performance measures for FY19, LFC staff, in collaboration with DFA and TRD, developed many improved measures for the FY20 budget cycle. Some new measures include tracking tax protests referred to the Administrative Hearings Office, personal income tax (PIT) returns processed, and PIT returns flagged as questionable. Other measures proposed and vetoed are tracked by the department and provided by request.

During the August 2017 revenue estimate in Taos, the department promised to provide LFC with information regarding outstanding tax protest liabilities to the state. In April 2018, as part of an overview of the tax protest process, TRD provided a part of the information request and again reassured the committee the remainder of information would be provided. Now, more than a year after the initial request, LFC staff have yet to receive any such information.

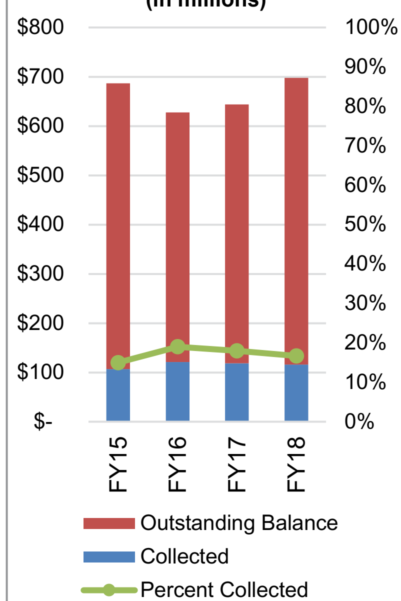
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	Yes

TRD's GenTax software has not enabled the agency to regularly pull reliable reports on the value of claimed business tax credits because duplicate entries appear if a claim is amended. It is not clear if or when TRD will be able to resolve this issue to provide reliable credit data to the public on an ongoing, timely basis.

Tax Administration

The program did not meet targets for any of its key performance measures. For FY18, $116.2 million, or 16.7 percent, of the $697.5 million of collectible outstanding balance was collected, falling short of the 18 percent collection target. The target has remained the same since FY14; however, the Legislature adopted an increase to 28 percent along with a modest funding increase for personnel in FY19. The percent of electronically filed income tax returns declined compared with FY18; however this is an explanatory measure. The agency reports of the 662 thousand income returns received, 529.5 thousand were submitted electronically.

Collection of Outstanding Balances (in millions)



Source: TRD and LFC files

Budget: $29,844.0 **FTE:** 496

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	19.3%	18.4%	18%	16.7%	R
Collections as a percent of collectible audit assessments generated in the current fiscal year plus assessments generated in the last quarter of the prior fiscal year	43%	58%	60%	50%	R
Electronically filed personal income tax and combined reporting system returns*	85%	86%	N/A	80%	
				Program Rating	R

*Measure is classified as explanatory, provided for informational purposes, and does not have a target.

Compliance Enforcement

The Compliance Enforcement Division focused more on investigations from prior fiscal years. In doing so, adjudication of investigations by the district attorney's office increased. In total, eight cases were assigned to program agents and nine were referred to prosecutors, exceeding the FY18 target. The agency reported it was unable to effectively initiate new cases due to severe turnover throughout the year.

Budget: $1,555.3 **FTE:** 21

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year	88%	67%	85%	113%	Y
				Program Rating	**Y**

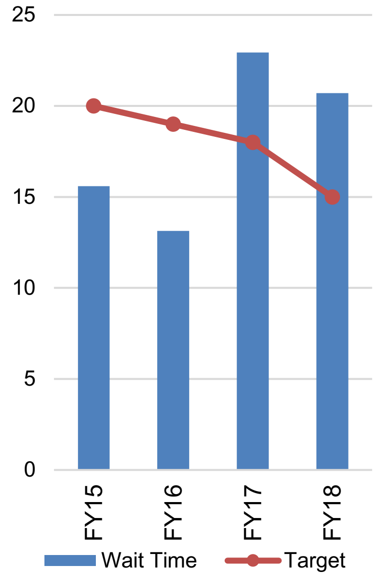
Property Tax

The Property Tax Program exceeded its annual target, for the third year in a row, of delinquent property tax collected and distributed to counties. The program collected and returned $2.3 million during the fourth quarter, exceeding the annual target by $1.2 million. The amount collected and distributed is expected to increase due to late accountings of some counties.

Budget: $3,796.6 **FTE:** 39

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Delinquent property tax collected and distributed to counties, in millions	$11.6	$11.5	$11.6	$12.8	G
				Program Rating	**G**

Average Wait Time at MVD Field Offices
(in minutes)



Source: TRD and LFC Files

Motor Vehicle

The program improved FY18 average wait times in field offices by just over two minutes compared with FY17, but still fell short of the 15-minute target. Since FY16, the rollout of Real ID, a federally compliant driver's license or ID that requires specific additional documents, has significantly hampered waiting times in state-run field offices. The contract to track MVD call center wait times expired last December, resulting in no reported data for the third and fourth quarters of FY18.

Budget: $26,665.8 **FTE:** 340

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Registered vehicles with liability insurance	92%	90%	93%	90%	R
Average call center wait time to reach an agent, in minutes	6:07	4:33	5:00	N/A	R
Average wait time in "q-matic" equipped offices, in minutes	13:14	22:56	15:00	20:45	R
				Program Rating	**R**

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

Program Support

During the fourth quarter, Program Support resolved 232 protest cases, missing the quarterly target by 116 cases and the annual target by 85 cases. There were 29 audits conducted in FY18. In total, the audits generated 329 recommendations and 315 were implemented on schedule.

Budget: $19,590.0 **FTE:** 190

Measure	FY16 Actual	FY17 Actual	FY18 Target	FY18 Actual	Rating
Tax protest cases resolved	1,897	1,524	1,400	1,315	Y
Internal audit recommendations implemented	93%	91%	90%	94%	G
				Program Rating	Y

TRD Administration

Position	Acting	Vacant
Cabinet Secretary	X	
Deputy Secretary		X
General Counsel	X	
Tax Policy Director		X
Chief Economist		X
MVD Director	X	
Audit and Compliance Director		X
Tax Fraud Investigations Director	X	
Revenue Processing Director	X	
ASD Director	X	

Source: Taxation and Revenue Department Organizational Chart

GENERAL FUND AGENCY RECOMMENDATION SUMMARY — TABLE 1

Business Unit	Description	FY19 Operating Budget	FY20 Agency Request	FY20 Recomm.	$ Over FY19 Oper.	Percent Change
Legislative						
111	LEGISLATIVE COUNCIL SERVICE	5,816.2	5,932.6	5,990.7	174.5	3.0%
112	LEGISLATIVE FINANCE COMMITTEE	4,243.1	4,328.0	4,370.4	127.3	3.0%
114	SENATE CHIEF CLERK	1,158.3	1,182.0	1,193.0	34.7	3.0%
115	HOUSE CHIEF CLERK	1,111.4	2,016.1	1,144.7	33.3	3.0%
117	LEGISLATIVE EDUCATION STUDY COMMITTEE	1,332.2	1,371.1	1,372.2	40.0	3.0%
119	LEGISLATIVE BUILDING SERVICES	4,154.6	4,227.6	4,279.2	124.6	3.0%
131	LEGISLATURE	1,707.2	1,735.7	1,735.7	28.5	1.7%
Total Legislative		19,523.0	20,793.1	20,085.9	562.9	2.9%
Judicial						
208	NEW MEXICO COMPILATION COMMISSION	0.0	552.0	552.0	552.0	0.0%
210	JUDICIAL STANDARDS COMMISSION	849.5	957.9	869.5	20.0	2.4%
215	COURT OF APPEALS	6,143.1	6,368.6	6,338.6	195.5	3.2%
216	SUPREME COURT	6,162.5	6,172.6	6,172.6	10.1	0.2%
218	ADMINISTRATIVE OFFICE OF THE COURTS	55,138.3	60,124.0	36,240.8	-18,897.5	-34.3%
231	FIRST JUDICIAL DISTRICT COURT	7,354.8	7,413.6	9,757.3	2,402.5	32.7%
232	SECOND JUDICIAL DISTRICT COURT	23,865.0	24,570.4	24,570.4	705.4	3.0%
233	THIRD JUDICIAL DISTRICT COURT	6,845.5	7,107.8	9,474.2	2,628.7	38.4%
234	FOURTH JUDICIAL DISTRICT COURT	2,443.1	2,611.1	3,726.3	1,283.2	52.5%
235	FIFTH JUDICIAL DISTRICT COURT	6,885.5	7,251.2	9,921.1	3,035.6	44.1%
236	SIXTH JUDICIAL DISTRICT COURT	3,364.5	3,466.3	5,110.2	1,745.7	51.9%
237	SEVENTH JUDICIAL DISTRICT COURT	2,450.0	2,535.5	3,873.5	1,423.5	58.1%
238	EIGHTH JUDICIAL DISTRICT COURT	3,132.5	3,220.8	4,432.3	1,299.8	41.5%
239	NINTH JUDICIAL DISTRICT COURT	3,549.6	3,695.5	4,718.3	1,168.7	32.9%
240	TENTH JUDICIAL DISTRICT COURT	979.2	989.8	1,706.2	727.0	74.2%
241	ELEVENTH JUDICIAL DISTRICT COURT	6,680.1	6,907.0	9,894.0	3,213.9	48.1%
242	TWELFTH JUDICIAL DISTRICT COURT	3,542.3	3,689.6	4,901.1	1,358.8	38.4%
243	THIRTEENTH JUDICIAL DISTRICT COURT	7,465.8	7,694.5	10,219.7	2,753.9	36.9%
244	BERNALILLO COUNTY METROPOLITAN COURT	23,925.5	24,421.2	24,421.2	495.7	2.1%
251	FIRST JUDICIAL DISTRICT ATTORNEY	5,802.6	5,971.4	5,971.4	168.8	2.9%
252	SECOND JUDICIAL DISTRICT ATTORNEY	22,301.9	24,296.9	23,311.9	1,010.0	4.5%
253	THIRD JUDICIAL DISTRICT ATTORNEY	5,074.3	5,461.0	5,264.8	190.5	3.8%
254	FOURTH JUDICIAL DISTRICT ATTORNEY	3,395.0	3,585.0	3,517.0	122.0	3.6%
255	FIFTH JUDICIAL DISTRICT ATTORNEY	5,379.7	6,057.6	5,610.2	230.5	4.3%
256	SIXTH JUDICIAL DISTRICT ATTORNEY	3,097.5	3,185.4	3,185.4	87.9	2.8%
257	SEVENTH JUDICIAL DISTRICT ATTORNEY	2,679.4	2,768.7	2,768.7	89.3	3.3%
258	EIGHTH JUDICIAL DISTRICT ATTORNEY	2,923.9	3,080.5	3,066.8	142.9	4.9%
259	NINTH JUDICIAL DISTRICT ATTORNEY	3,291.2	3,467.5	3,392.1	100.9	3.1%
260	TENTH JUDICIAL DISTRICT ATTORNEY	1,362.0	1,483.7	1,423.9	61.9	4.5%
261	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I	4,258.7	4,907.7	4,404.9	146.2	3.4%
262	TWELFTH JUDICIAL DISTRICT ATTORNEY	3,284.4	5,341.8	3,401.2	116.8	3.6%
263	THIRTEENTH JUDICIAL DISTRICT ATTORNEY	5,403.1	9,630.2	5,648.1	245.0	4.5%
264	ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEYS	2,325.5	3,251.3	2,419.5	94.0	4.0%
265	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION II	2,480.6	3,281.7	2,580.6	100.0	4.0%
280	LAW OFFICES OF THE PUBLIC DEFENDER	52,129.7	62,469.2	54,238.5	2,108.8	4.0%
Total Judicial		295,966.3	327,989.0	307,104.3	11,138.0	3.8%
General Control						
305	ATTORNEY GENERAL	13,323.0	17,782.8	14,255.3	932.3	7.0%

GENERAL FUND AGENCY RECOMMENDATION SUMMARY TABLE 1

Business Unit	Description	FY19 Operating Budget	FY20 Agency Request	FY20 Recomm.	$ Over FY19 Oper.	Percent Change
308	STATE AUDITOR	2,724.2	3,333.4	3,131.6	407.4	15.0%
333	TAXATION AND REVENUE DEPARTMENT	53,732.2	55,093.2	61,129.0	7,396.8	13.8%
337	STATE INVESTMENT COUNCIL	0.0	0.0	0.0	0.0	0.0%
340	ADMINISTRATIVE HEARINGS OFFICE	1,525.3	1,748.1	1,607.3	82.0	5.4%
341	DEPARTMENT OF FINANCE AND ADMINISTRATION	19,385.1	22,604.7	20,229.2	844.1	4.4%
342	PUBLIC SCHOOL INSURANCE AUTHORITY	0.0	0.0	0.0	0.0	0.0%
343	RETIREE HEALTH CARE AUTHORITY	0.0	0.0	0.0	0.0	0.0%
350	GENERAL SERVICES DEPARTMENT	13,667.7	15,869.9	14,473.3	805.6	5.9%
352	EDUCATIONAL RETIREMENT BOARD	0.0	0.0	0.0	0.0	0.0%
354	NEW MEXICO SENTENCING COMMISSION	499.6	650.0	549.6	50.0	10.0%
356	GOVERNOR	3,263.0	3,263.0	3,263.0	0.0	0.0%
360	LIEUTENANT GOVERNOR	513.5	513.5	513.5	0.0	0.0%
361	DEPARTMENT OF INFORMATION TECHNOLOGY	853.2	853.2	853.2	0.0	0.0%
366	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION	90.7	77.0	77.0	-13.7	-15.1%
369	STATE COMMISSION OF PUBLIC RECORDS	2,463.8	2,910.2	2,513.1	49.3	2.0%
370	SECRETARY OF STATE	8,536.6	10,360.9	9,070.7	534.1	6.3%
378	PERSONNEL BOARD	3,736.0	3,949.2	3,766.6	30.6	0.8%
379	PUBLIC EMPLOYEE LABOR RELATIONS BOARD	232.0	236.2	236.2	4.2	1.8%
394	STATE TREASURER	3,476.3	7,023.6	3,563.9	87.6	2.5%
Total	**General Control**	128,022.2	146,268.9	139,232.5	11,210.3	8.8%
Commerce and Industry						
404	BOARD OF EXAMINERS FOR ARCHITECTS	0.0	0.0	0.0	0.0	0.0%
417	BORDER AUTHORITY	304.5	327.5	320.9	16.4	5.4%
418	TOURISM DEPARTMENT	13,654.1	17,324.7	14,652.8	998.7	7.3%
419	ECONOMIC DEVELOPMENT DEPARTMENT	10,869.0	15,576.8	12,909.5	2,040.5	18.8%
420	REGULATION AND LICENSING DEPARTMENT	12,438.5	13,202.8	13,049.5	611.0	4.9%
430	PUBLIC REGULATION COMMISSION	7,361.6	8,985.4	7,800.3	438.7	6.0%
440	OFFICE OF THE SUPERINTENDENT OF INSURANCE	0.0	0.0	0.0	0.0	0.0%
446	MEDICAL BOARD	0.0	0.0	0.0	0.0	0.0%
449	BOARD OF NURSING	0.0	0.0	0.0	0.0	0.0%
460	NEW MEXICO STATE FAIR	0.0	0.0	150.0	150.0	0.0%
464	STATE BOARD OF LICENSURE FOR ENGINEERS & LAND SU	0.0	0.0	0.0	0.0	0.0%
465	GAMING CONTROL BOARD	5,202.0	6,060.7	5,411.5	209.5	4.0%
469	STATE RACING COMMISSION	2,001.7	3,213.8	2,352.7	351.0	17.5%
479	BOARD OF VETERINARY MEDICINE	0.0	0.0	0.0	0.0	0.0%
490	CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION	111.8	390.0	261.8	150.0	134.2%
491	OFFICE OF MILITARY BASE PLANNING AND SUPPORT	226.9	235.2	226.9	0.0	0.0%
495	SPACEPORT AUTHORITY	985.4	1,685.4	1,185.4	200.0	20.3%
Total	**Commerce and Industry**	53,155.5	67,002.3	58,321.3	5,165.8	9.7%
Agriculture, Energy and Natural Resources						
505	CULTURAL AFFAIRS DEPARTMENT	30,086.7	36,343.8	31,412.9	1,326.2	4.4%
508	NEW MEXICO LIVESTOCK BOARD	563.1	1,459.1	574.4	11.3	2.0%
516	DEPARTMENT OF GAME AND FISH	0.0	0.0	0.0	0.0	0.0%
521	ENERGY, MINERALS AND NATURAL RESOURCES DEPARTM	20,468.8	24,418.8	21,284.2	815.4	4.0%
522	YOUTH CONSERVATION CORPS	0.0	0.0	0.0	0.0	0.0%
538	INTERTRIBAL CEREMONIAL OFFICE	50.0	77.0	100.0	50.0	100.0%
539	COMMISSIONER OF PUBLIC LANDS	0.0	0.0	0.0	0.0	0.0%
550	STATE ENGINEER	18,595.8	18,595.8	18,595.8	0.0	0.0%

Table 1: General Fund Agency Recommendation Summary

GENERAL FUND AGENCY RECOMMENDATION SUMMARY — TABLE 1

Business Unit	Description	FY19 Operating Budget	FY20 Agency Request	FY20 Recomm.	$ Over FY19 Oper.	Percent Change
Total	**Agriculture, Energy and Natural Resources**	69,764.4	80,894.5	71,967.3	2,202.9	3.2%
	Health, Hospitals and Human Services					
603	OFFICE OF AFRICAN AMERICAN AFFAIRS	737.1	758.3	758.3	21.2	2.9%
604	COMMISSION FOR DEAF AND HARD-OF-HEARING PERSONS	319.4	1,601.3	327.4	8.0	2.5%
605	MARTIN LUTHER KING, JR. COMMISSION	350.7	350.7	350.7	0.0	0.0%
606	COMMISSION FOR THE BLIND	1,954.3	2,154.3	2,051.3	97.0	5.0%
609	INDIAN AFFAIRS DEPARTMENT	2,254.3	2,254.3	2,254.3	0.0	0.0%
624	AGING AND LONG-TERM SERVICES DEPARTMENT	44,603.5	45,305.5	45,305.5	702.0	1.6%
630	HUMAN SERVICES DEPARTMENT	1,053,713.4	1,128,416.8	1,096,800.0	43,086.6	4.1%
631	WORKFORCE SOLUTIONS DEPARTMENT	9,116.2	10,707.9	9,816.2	700.0	7.7%
632	WORKERS' COMPENSATION ADMINISTRATION	0.0	0.0	0.0	0.0	0.0%
644	DIVISION OF VOCATIONAL REHABILITATION	5,648.6	6,198.6	6,148.6	500.0	8.9%
645	GOVERNOR'S COMMISSION ON DISABILITY	1,180.8	1,274.7	1,209.1	28.3	2.4%
647	DEVELOPMENTAL DISABILITIES PLANNING COUNCIL	5,133.0	5,133.0	5,133.0	0.0	0.0%
662	MINERS' HOSPITAL OF NEW MEXICO	0.0	0.0	0.0	0.0	0.0%
665	DEPARTMENT OF HEALTH	292,148.9	309,712.4	311,112.4	18,963.5	6.5%
667	DEPARTMENT OF ENVIRONMENT	11,415.2	11,970.2	11,970.2	555.0	4.9%
668	OFFICE OF THE NATURAL RESOURCES TRUSTEE	251.8	266.0	266.0	14.2	5.6%
670	VETERANS' SERVICES PROGRAM	3,839.9	5,939.9	5,746.9	1,907.0	49.7%
690	CHILDREN, YOUTH AND FAMILIES DEPARTMENT	279,879.1	301,177.5	308,478.6	28,599.5	10.2%
Total	**Health, Hospitals and Human Services**	1,712,546.2	1,833,221.4	1,807,728.5	95,182.3	5.6%
	Public Safety					
705	DEPARTMENT OF MILITARY AFFAIRS	7,064.1	7,092.3	7,092.3	28.2	0.4%
760	PAROLE BOARD	482.8	539.4	519.8	37.0	7.7%
765	JUVENILE PUBLIC SAFETY ADVISORY BOARD	13.2	13.9	8.3	-4.9	-37.1%
770	CORRECTIONS DEPARTMENT	305,469.9	323,410.4	319,134.1	13,664.2	4.5%
780	CRIME VICTIMS REPARATION COMMISSION	5,742.2	5,901.1	5,774.2	32.0	0.6%
790	DEPARTMENT OF PUBLIC SAFETY	124,408.6	124,408.6	124,408.6	0.0	0.0%
795	HOMELAND SECURITY AND EMERGENCY MANAGEMENT	2,897.0	3,284.6	3,128.8	231.8	8.0%
Total	**Public Safety**	446,077.8	464,650.3	460,066.1	13,988.3	3.1%
	Transportation					
805	DEPARTMENT OF TRANSPORTATION	0.0	0.0	0.0	0.0	0.0%
Total	**Transportation**	0.0	0.0	0.0	0.0	0.0%
	Other Education					
924	PUBLIC EDUCATION DEPARTMENT	11,246.6	11,246.6	14,497.6	3,251.0	28.9%
925	PUBLIC EDUCATION DEPARTMENT-SPECIAL APPROPRIATI	90,900.0	0.0	58,089.0	-32,811.0	-36.1%
930	REGIONAL EDUCATION COOPERATIVES	0.0	0.0	0.0	0.0	0.0%
940	PUBLIC SCHOOL FACILITIES AUTHORITY	0.0	0.0	0.0	0.0	0.0%
949	EDUCATION TRUST BOARD	0.0	0.0	0.0	0.0	0.0%
Total	**Other Education**	102,146.6	11,246.6	72,586.6	-29,560.0	-28.9%
	Higher Education					
950	HIGHER EDUCATION DEPARTMENT	34,538.6	35,640.3	36,840.3	2,301.7	6.7%
952	UNIVERSITY OF NEW MEXICO	301,777.0	308,292.3	308,911.0	7,134.0	2.4%

GENERAL FUND AGENCY RECOMMENDATION SUMMARY — TABLE 1

Business Unit	Description	FY19 Operating Budget	FY20 Agency Request	FY20 Recomm.	$ Over FY19 Oper.	Percent Change
954	NEW MEXICO STATE UNIVERSITY	195,999.5	199,116.1	199,980.1	3,980.6	2.0%
956	NEW MEXICO HIGHLANDS UNIVERSITY	30,136.3	31,252.2	31,135.3	999.0	3.3%
958	WESTERN NEW MEXICO UNIVERSITY	19,887.3	21,093.9	20,889.6	1,002.3	5.0%
960	EASTERN NEW MEXICO UNIVERSITY	44,338.2	45,722.2	45,600.8	1,262.6	2.8%
962	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	36,534.4	37,661.7	37,416.7	882.3	2.4%
964	NORTHERN NEW MEXICO COLLEGE	10,739.0	10,485.1	10,737.9	-1.1	0.0%
966	SANTA FE COMMUNITY COLLEGE	14,073.4	14,692.5	14,571.7	498.3	3.5%
968	CENTRAL NEW MEXICO COMMUNITY COLLEGE	55,677.5	58,225.4	57,879.3	2,201.8	4.0%
970	LUNA COMMUNITY COLLEGE	7,905.2	7,635.7	7,860.2	-45.0	-0.6%
972	MESALANDS COMMUNITY COLLEGE	4,129.0	4,010.2	4,121.2	-7.8	-0.2%
974	NEW MEXICO JUNIOR COLLEGE	6,260.5	6,447.8	6,440.6	180.1	2.9%
976	SAN JUAN COLLEGE	23,473.7	23,713.8	23,964.4	490.7	2.1%
977	CLOVIS COMMUNITY COLLEGE	9,544.2	9,532.9	9,670.6	126.4	1.3%
978	NEW MEXICO MILITARY INSTITUTE	2,873.8	2,889.4	2,873.8	0.0	0.0%
979	NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMP	1,477.8	1,477.8	1,477.8	0.0	0.0%
980	NEW MEXICO SCHOOL FOR THE DEAF	4,113.0	4,126.7	4,113.0	0.0	0.0%
Total	**Higher Education**	803,478.4	822,016.0	824,484.3	21,005.9	2.6%
	Public School Support					
993	PUBLIC SCHOOL SUPPORT	2,699,006.4	0.0	3,145,142.9	446,136.5	16.5%
Total	**Public School Support**	2,699,006.4	0.0	3,145,142.9	446,136.5	16.5%
	Other					
994	FY19 UNDISTRIBUTED COMPENSATION	2,580.3	0.0	0.0	-2,580.3	-100.0%
996	FY20 COMPENSATION AND BENEFITS	0.0	0.0	64,755.2	64,755.2	0.0%
Total	**Other**	2,580.3	0.0	64,755.2	62,174.9	2409.6%
	Additional Appropriations					
997	ADDITIONAL APPROPRIATIONS	0.0	0.0	31,500.0	31,500.0	0.0%
Total	**Additional Appropriations**	0.0	0.0	31,500.0	31,500.0	0.0%
Grand Total		6,332,267.1	3,774,082.1	7,002,974.9	670,707.8	10.6%

Table 2: U.S. and New Mexico Economic Indicators

U.S. and New Mexico Economic Indicators

		FY18		FY19		FY20		FY21		FY22	
		Aug 18 Preliminary	Dec 18 Preliminary	Aug 18 Forecast	Dec 18 Forecast	Aug 18 Forecast	Dec 18 Forecast	Aug 18 Forecast	Dec 18 Forecast	Aug 18 Forecast	Dec 18 Forecast
	National Economic Indicators										
GI	US Real GDP Growth (annual avg. ,% YOY)*	2.7	2.6	3.0	3.0	2.1	2.4	1.5	1.8	1.5	1.5
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.3	2.2	2.4	2.5	2.2	2.3	2.2	1.9	2.2	2.3
GI	Federal Funds Rate (%)	1.4	1.4	2.3	2.3	3.2	3.2	3.4	3.4	3.4	3.4
	New Mexico Labor Market and Income Data										
BBER	NM Non-Agricultural Employment Growth (%)	0.8	0.9	1.4	1.4	1.4	1.5	1.3	1.3	1.2	1.2
BBER	NM Nominal Personal Income Growth (%)***	1.6	2.4	2.8	3.4	4.0	4.3	3.9	4.1	4.6	4.6
BBER	NM Total Wages & Salaries Growth (%)	2.6	3.4	3.8	4.1	4.5	4.8	4.7	4.7	4.5	4.5
BBER	NM Private Wages & Salaries Growth (%)	3.2	4.4	4.4	4.8	4.9	5.1	5.2	5.3	4.8	5.0
BBER	NM Real Gross State Product (% YOY)	2.1	2.1	2.5	2.8	2.2	2.3	1.8	1.9	1.6	1.7
CREG	NM Oil Price ($/barrel)	$54.39	$55.05	$56.00	$49.50	$57.00	$52.00	$59.00	$53.00	$59.00	$54.00
BBER	Oil Volumes (million barrels)	199.8	203.6	238.3	247.9	262.1	284.5	282.6	307.2	297.0	320.9
CREG	NM Taxable Oil Volumes (million barrels)	202.0	204.4	245.0	250.0	270.0	270.0	285.0	285.0	300.0	295.0
	NM Taxable Oil Volumes (%YOY growth)	29.5%	31.0%	21.3%	22.3%	10.2%	8.0%	5.6%	5.6%	5.3%	3.5%
CREG	NM Gas Price ($ per thousand cubic feet)****	$3.25	$3.47	$3.10	$3.55	$2.95	$3.00	$2.90	$3.00	$3.00	$3.00
BBER	Gas Volumes (billion cubic feet)	1,343	1,318	1,378	1,409	1,352	1,443	1,323	1,443	1,334	1,443
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,300	1,361	1,381	1,470	1,415	1,515	1,429	1,545	1,455	1,560
	NM Taxable Gas Volumes (%YOY growth)	5.2%	10.1%	6.2%	8.0%	2.5%	3.1%	1.0%	2.0%	1.8%	1.0%

Notes

* Real GDP is BEA chained 2009 dollars, billions, annual rate

** CPI is all urban, BLS 1982-84=1.00 base

***Nominal Personal Income growth rates are for the calendar year in which each fiscal year begins

****The gas prices are estimated using a formula of NYMEX, EIA, and Moodys future prices as well as a liquid premium based on oil price forecast

Sources: BBER - October 2018 FOR-UNM baseline. IHS Global Insight - November 2018 baseline.

GENERAL FUND CONSENSUS REVENUE ESTIMATE
December 2018
(millions of dollars)

Revenue Source	FY18 Dec 2018 Audited Actual	FY18 % Change from FY17	FY19 Dec 2018 Est.	FY19 % Change from FY18	FY20 Dec 2018 Est.	FY20 % Change from FY19	FY21 Dec 2018 Est.	FY21 % Change from FY20
Base Gross Receipts Tax	2,525.9	16.4%	2,736.2	8.3%	2,783.7	1.7%	2,849.5	2.4%
60-Day Money & Other Credits	(21.0)	-36.4%	(40.0)	90.5%	(30.0)	-25.0%	(30.0)	0.0%
F&M Hold Harmless Payments	(123.8)	0.9%	(113.5)	-8.3%	(108.0)	-4.8%	(99.7)	-7.7%
NET Gross Receipts Tax	2,381.1	18.3%	2,582.7	8.5%	2,645.7	2.4%	2,719.8	2.8%
Compensating Tax	56.1	15.6%	70.0	24.8%	70.0	0.0%	70.0	0.0%
TOTAL GENERAL SALES	2,437.2	18.2%	2,652.7	8.8%	2,715.7	2.4%	2,789.8	2.7%
Tobacco Taxes	78.4	0.6%	77.4	-1.2%	76.0	-1.8%	74.5	-2.0%
Liquor Excise	23.8	222.6%	25.6	7.5%	23.4	-8.6%	23.6	0.9%
Insurance Taxes	179.5	-21.1%	209.7	16.8%	216.4	3.2%	224.9	3.9%
Fire Protection Fund Reversion	20.0	6.9%	18.3	-8.3%	18.9	3.0%	19.4	2.7%
Motor Vehicle Excise	154.0	6.0%	150.6	-2.2%	155.5	3.3%	159.2	2.4%
Gaming Excise	62.1	4.3%	63.6	2.5%	63.7	0.2%	66.1	3.8%
Leased Vehicle & Other	8.2	13.1%	8.0	-2.4%	8.0	0.0%	8.0	0.0%
TOTAL SELECTIVE SALES	525.9	-3.2%	553.2	5.2%	561.9	1.6%	575.7	2.5%
Personal Income Tax	1,519.0	10.0%	1,564.3	3.0%	1,605.0	2.6%	1,653.2	3.0%
Corporate Income Tax	106.6	51.9%	110.0	3.2%	115.5	5.0%	121.3	5.0%
TOTAL INCOME TAXES	1,625.6	12.0%	1,674.3	3.0%	1,720.5	2.8%	1,774.4	3.1%
Oil and Gas School Tax	450.8	48.2%	373.6	-17.1%	372.7	-0.2%	401.5	7.7%
Oil Conservation Tax	22.9	31.7%	25.5	11.4%	27.1	6.3%	28.8	6.3%
Resources Excise Tax	8.6	-11.2%	7.5	-12.5%	7.4	-1.3%	7.3	-1.4%
Natural Gas Processors Tax	10.8	5.1%	15.3	41.1%	16.6	8.5%	15.5	-6.6%
TOTAL SEVERANCE TAXES	493.1	44.3%	421.9	-14.4%	423.8	0.5%	453.1	6.9%
LICENSE FEES	61.0	14.4%	54.5	-10.7%	55.1	1.1%	55.7	1.1%
LGPF Interest	586.6	8.3%	636.2	8.5%	682.1	7.2%	725.9	6.4%
STO Interest	5.9	-284.1%	28.5	379.4%	57.8	102.8%	71.4	23.5%
STPF Interest	210.4	5.0%	220.6	4.9%	229.8	4.2%	239.2	4.1%
TOTAL INTEREST	802.9	8.7%	885.3	10.3%	969.7	9.5%	1,036.5	6.9%
Federal Mineral Leasing	564.2	29.5%	1,098.0	94.6%	758.5	-30.9%	752.3	-0.8%
State Land Office	111.8	56.4%	84.4	-24.5%	61.5	-27.1%	61.5	0.0%
TOTAL RENTS & ROYALTIES	676.1	33.3%	1,182.4	74.9%	820.0	-30.6%	813.8	-0.8%
TRIBAL REVENUE SHARING	68.1	8.6%	74.8	9.9%	76.2	1.9%	77.8	2.1%
MISCELLANEOUS RECEIPTS	46.9	-5.2%	48.3	3.0%	50.2	3.9%	51.9	3.4%
REVERSIONS	79.8	4.3%	42.5	-46.7%	40.0	-5.9%	40.0	0.0%
TOTAL RECURRING	6,816.5	15.8%	7,590.0	11.3%	7,433.1	-2.1%	7,668.7	3.2%
TOTAL NONRECURRING	64.8	-88.7%		0.0%		0.0%		0.0%
GRAND TOTAL	6,881.3	6.5%	7,590.0	10.3%	7,433.1	-2.1%	7,668.7	3.2%
Oil & Gas School Tax to Tax Stab. Res.			122.6	0.0%	146.6	19.6%	149.7	2.1%

Table 4: General Fund Financial Summary

General Fund Financial Summary: LFC FY20 Budget Recommendation

(millions of dollars)

December 20, 2018	Prelim. FY2018	Estimate FY2019	Estimate FY2020
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
2018 December Consensus Revenue Forecast - Recurring Revenue	$ 6,816.5	$ 7,590.0	$ 7,433.1
2019 Mid-Session Revenue Update - Recurring Revenue		$ -	$ -
2019 Session Legislation		$ -	$ (300.0)
Total Recurring Revenue	$ 6,816.5	$ 7,590.0	$ 7,133.1
Nonrecurring Revenue			
2017 Regular & Special Sessions Nonrecurring Revenue Legislation [1]	$ 21.1		
2018 December Consensus Revenue Forecast - Nonrecurring Revenue	$ 43.7	$ -	
Total Nonrecurring Revenue	$ 64.8	$ -	
TOTAL REVENUE	**$ 6,881.3**	**$ 7,590.0**	**$ 7,133.1**
APPROPRIATIONS			
Recurring Appropriations			
2017 Regular & Special Session Legislation & Feed Bill [2]	$ 6,073.3		
2018 Session Legislation & Feed Bill [3]	$ 5.6	$ 6,329.8	$ -
2019 Session Legislation & Feed Bill		$ 10.3	$ 7,003.1
Total Recurring Appropriations	$ 6,078.8	$ 6,340.2	$ 7,003.1
Nonrecurring Appropriations			
2017 Regular & Special Session Nonrecurring Appropriations [2]	$ 9.0		
2018 Session Nonrecurring Appropriations	$ 113.1	$ 47.8	$ -
2019 Session Nonrecurring Appropriations		$ 1,286.0	$ 230.0
Total Nonrecurring Appropriations	$ 122.1	$ 1,333.8	$ 230.0
TOTAL APPROPRIATIONS	**$ 6,200.9**	**$ 7,673.9**	**$ 7,233.1**
Transfer to (from) Reserves	$ 680.4	$ (83.9)	$ (100.0)
GENERAL FUND RESERVES			
Beginning Balances	$ 505.3	$ 1,183.5	$ 1,280.4
Transfers from (to) Appropriations Account	$ 680.4	$ (83.9)	$ (100.0)
Revenue and Reversions	$ 52.3	$ 176.9	$ 234.4
Appropriations, Expenditures and Transfers Out	$ (54.5)	$ 4.0	$ 49.5
Ending Balances	**$ 1,183.5**	**$ 1,280.4**	**$ 1,464.3**
Reserves as a Percent of Recurring Appropriations	*19.5%*	*20.2%*	*20.9%*

New Money FY20 $1,103 or 17%

Notes:

1) FY18 reflects remaining solvency transfers per Laws 2017, Chapter 1 (HB4, $11.6 million fire protection fund adjusted reversion) and Laws 2017, First Special Session, Chapter 1 (SB1, $9.5 million from NMFA public project revolving fund).
2) $9 million was moved from FY18 recurring appropriations to nonrecurring appropriations to reflect DFA accounting for $7 million LEDA special and $2 million NMCD special.
3) Less $2.5 million in FY19 for undistributed compensation from HB2 section 8.
*Note: Totals may not foot due to rounding.

General Fund Financial Summary:
LFC FY20 Budget Recommendation
RESERVE DETAIL
(millions of dollars)

December 20, 2018	Prelim. FY2018	Estimate FY2019	Estimate FY2020
OPERATING RESERVE			
Beginning Balance	$ 331.5	$ 484.8	$ 398.9
BOF Emergency Appropriations/Reversions	$ (0.3)	$ (2.0)	$ (2.0)
Transfers from/to Appropriation Account	$ 680.4	$ (83.9)	$ (100.0)
Transfers to Tax Stabilization Reserve	$ (526.8)	$ -	$ -
Transfer from (to) ACF/Other Appropriations	$ -	$ -	$ -
Ending Balance	$ 484.8	$ 398.9	$ 296.9
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 26.0	$ 12.3	$ 4.3
Disaster Allotments	$ (18.5)	$ (16.0)	$ (16.0)
Other Appropriations	$ -	$ -	$ -
Transfers In	$ -	$ -	$ -
Revenue and Reversions	$ 4.8	$ 8.0	$ 8.0
Ending Balance	$ 12.3	$ 4.3	$ (3.7)
STATE SUPPORT FUND			
Beginning Balance	$ 1.0	$ 1.0	$ 1.0
Revenues	$ -	$ -	$ 30.0
Appropriations	$ -	$ -	$ -
Ending Balance	$ 1.0	$ 1.0	$ 31.0
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	$ 146.8	$ 158.7	$ 227.0
Transfers In	$ 35.7	$ 36.0	$ 35.0
Appropriation to Tobacco Settlement Program Fund	$ (16.2)	$ (18.0)	$ (17.5)
Gains/Losses	$ 11.9	$ 10.3	$ 14.8
Additional Transfers from TSPF	$ (19.5)	$ 40.0	$ 85.0
Transfer to General Fund Appropriation Account	$ -	$ -	$ -
Ending Balance	$ 158.7	$ 227.0	$ 344.2
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ -	$ 526.8	$ 649.4
Transfers In [1]	$ -	$ 122.6	$ 146.6
Transfers In (From Operating Reserve)	$ 526.8	$ -	$ -
Transfer Out to Operating Reserve	$ -	$ -	$ -
Ending Balance	$ 526.8	$ 649.4	$ 796.0
Percent of Recurring Appropriations	*8.7%*	*10.2%*	*11.4%*
EMERGENCY RESERVES: RAINY DAY FUND & TSPF ENDING BALANCES	**$ 685.4**	**$ 876.3**	**$ 1,140.2**
Percent of Recurring Appropriations	*11.3%*	*13.8%*	*18.0%*
OTHER RESERVE FUND ENDING BALANCES	**$ 498.1**	**$ 404.1**	**$ 324.1**
Percent of Recurring Appropriations	*8.2%*	*6.4%*	*5.1%*
TOTAL GENERAL FUND ENDING BALANCES	**$ 1,183.5**	**$ 1,280.4**	**$ 1,464.3**
Percent of Recurring Appropriations	*19.5%*	*20.2%*	*20.9%*

Notes:
1) Estimated transfer to tax stabilization reserve from excess oil and gas emergency school tax revenues above the five-year average

2019 Special, Supplemental, and Deficiency Appropriations
(in thousands)

	GAA Section	Agency Code	Agency Name	FY	Recurring	Language	Language Only	GF Request	Other Funds/ Federal Funds Total	Total Request	GF LFC	Other Funds/ Federal Funds LFC Total	LFC Total
1	5	208	New Mexico Compilation Commission	19/20	No	To provide uninterrupted public access to the New Mexico statutes annotated during the transition to a private vendor.	No	$219.0		$219.0	$219.0		$219.0
2	5	218	Administrative Office of the Courts	19/20	No	To provide odyssey case management system enhancements for electronic services to the public.	No		$1,500.0	$1,500.0			
3	5	218	Administrative Office of the Courts	19/20	No	To upgrade network infrastructure to improve bandwidth at courthouses statewide.	No	$251.0		$251.0	$251.0		$251.0
4	5	218	Administrative Office of the Courts	19/20	No	To redact personally identifiable information from historical court case filings.	No	$1,800.0		$1,800.0		$1,800.0	$1,800.0
5	5	218	Administrative Office of the Courts	19/20	No	For a pilot program for online dispute resolution and statewide pilot program for early "release on recognizance" program at magistrate courts.	No		$650.0	$650.0			
6	5	218	Administrative Office of the Courts	19/20	No	For magistrate courts to purchase recording licenses, equipment, installation, training and support.	No	$50.0		$50.0	$50.0		$50.0
7	5	218	Administrative Office of the Courts	19/20	No	To hire consultants and design professionals to develop minimum space requirement guidelines and develop technical specifics for all magistrate courts.	No	$95.0		$95.0			
8	5	218	Administrative Office of the Courts	19/20	No	To implement a justice access outreach campaign to inform the public about civil legal aid and to encourage private attorneys to engage in pro bono work on behalf of low-income individuals in New Mexico.	No	$50.0		$50.0			
9	5	218	Administrative Office of the Courts	19/20	No	For a statewide online dispute resolution program.	No	$450.0		$450.0	$450.0		$450.0
10	5	218	Administrative Office of the Courts	19/20	No	To purchase and install furnishings, fixtures and equipment for multiple magistrate courts.	No	$602.0		$602.0			
11	5	218	Administrative Office of the Courts	19/20	No	For a lag in receipts from taxation and revenue department distributions from the liquor excise tax to the drug court program of the administrative office of the courts.	No	$500.0		$500.0			
12	5	218	Administrative Office of the Courts	19/20	No	To cover general fund salary and benefit costs for two additional days of payroll time in fiscal year 2020.	No	$900.1		$900.1			
13	5	218	Administrative Office of the Courts	20	No	For the judicial performance evaluation commission fund.	No				$100.0		$100.0
14	5	218	Administrative Office of the Courts	19/20	No	For a unified special appropriation for information technology, furniture and other expenses for the district courts.	No				$375.4		$375.4
15	5	231	First Judicial District Court	19/20	No	For the first judicial district court to purchase recording licenses, equipment, installation, training and support.	No	$64.4		$64.4			

Table 5: Specials, Supplementals, and Deficiency Appropriations

2019 Special, Supplemental, and Deficiency Appropriations
(in thousands)

	GAA Section	Agency Code	Agency Name	FY	Recurring	Language	Language Only	GF Request	Other Funds/ Federal Funds Total	Total Request	GF LFC	Other Funds/ Federal Funds LFC Total	LFC Total
16	5	232	Second Judicial District Court	20	No	To purchase furniture for the children's court courtroom, jury room, judicial offices and chambers, and clerk office.	No	$101.1		$101.1			
17	5	232	Second Judicial District Court	20	No	To upgrade network server hardware and software and replace aging desktop computers and scanners. The other state funds appropriation is from the enterprise equipment replacement fund.	No	$325.5		$325.5		$325.5	$325.5
18	5	233	Third Judicial District Court	20	No	To replace broken furniture in the financial department.	No		$7.6	$7.6			
19	5	233	Third Judicial District Court	20	No	For security and information technology updates, and to replace broken furniture in the financial department.	No	$176.4		$176.4			
20	5	234	Fourth Judicial District Court	20	No	To replace obsolete desktop computers for the fourth judicial district court. The other state funds appropriation is from the enterprise equipment replacement fund.	No	$21.2		$21.2		$21.2	$21.2
21	5	235	Fifth Judicial District Court	20	No	To purchase three evidence presentation systems.	No	$153.4		$153.4			
22	5	238	Eighth Judicial District Court	20	No	For the eighth judicial district court to purchase recording licenses, equipment, installation, training and support.	No		$29.0	$29.0			
23	5	238	Eighth Judicial District Court	20	No	To replace obsolete computers for the eighth judicial district court. The other state funds appropriation is from the enterprise equipment replacement fund.	No		$35.0	$35.0		$35.0	$35.0
24	5	238	Eighth Judicial District Court	20	No	To replace obsolete scanners for uploading data to the court's case management system. The other state funds appropriation is from the enterprise equipment replacement fund.	No		$17.1	$17.1		$17.0	$17.0
25	5	238	Eighth Judicial District Court	20	No	To upgrade the telephone system at the eighth judicial district court. The other state funds appropriation is from the enterprise equipment replacement fund.	No		$31.0	$31.0		$31.0	$31.0
26	5	238	Eighth Judicial District Court	20	No	To purchase security cameras for the Colfax county courthouse.	No		$7.5	$7.5			
27	5	238	Eighth Judicial District Court	20	No	To purchase digital docket displays for the Taos county and Colfax county courthouses.	No		$9.4	$9.4			
28	5	238	Eighth Judicial District Court	20	No	To purchase internet routers for Taos county and Colfax county courthouses. The other state funds appropriation is from the enterprise equipment replacement fund.	No		$10.0	$10.0		$10.0	$10.0
29	5	242	Twelfth Judicial District Court	20	No	For four integrated check-in kiosks for the magistrate courts.	No	$9.5		$9.5			
30	5	251	First Judicial District Attorney	19/20	No	For costs associated with temporary relocation of the first judicial district attorney staff in Santa Fe county.	No	$600.0		$600.0			
31	5	252	Second Judicial District Attorney	19/20	No	To address case backlog.	No	$250.0		$250.0	$250.0		$250.0

Table 5: Specials, Supplementals, and Deficiency Appropriations

2019 Special, Supplemental, and Deficiency Appropriations
(in thousands)

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32	5	252	Second Judicial District Attorney	19/20	No	To provide funding for contract counsel to review officer involved shooting cases.	No	$600.0		$600.0	$100.0		$100.0
33	5	252	Second Judicial District Attorney	19/20	No	To provide funding for a justice reform program.	No	$550.0		$550.0			
34	5	260	Tenth Judicial District Attorney	19/20	No	To purchase call-bright software and hardware.	No	$19.0		$19.0			
35	5	260	Tenth Judicial District Attorney	19/20	No	To purchase two new vehicles.	No	$70.0		$70.0	$70.0		$70.0
36	5	264	Administrative Office of the District Attorneys	19/20	No	To provide a workload assessment and an information technology security assessment of all district attorneys offices.	No	$200.0		$200.0	$200.0		$200.0
37	5	264	Administrative Office of the District Attorneys	20	No	Any unexpended balances remaining at the end of fiscal year 2019 from revenues received in fiscal year 2019 and prior years by a district attorney from any Native American tribe, pueblo or political subdivision pursuant to a contract, memorandum of understanding, joint powers agreement or grant shall not revert and shall remain with the recipient district attorney's office for expenditure in fiscal year 2020. Prior to November 1, 2019, the administrative office of the district attorneys shall provide the department of finance and administration and the legislative finance committee a detailed report documenting the amount of all funds received from Native American tribes, pueblos and political subdivisions pursuant to a contract, memorandum of understanding, joint powers agreement or grant that do not revert at the end of fiscal year 2019 for each of the district attorneys and the administrative office of the	Yes						
38	5	264	Administrative Office of the District Attorneys	20	No	Any unexpended balances remaining at the end of fiscal year 2019 from revenues received in fiscal year 2019 and prior years by a district attorney or the administrative office of the district attorneys from the United States department of justice pursuant to the southwest border prosecution initiative shall not revert and shall remain with the recipient district attorney's office for expenditure in fiscal year 2020. Prior to November 1, 2019, the administrative office of the district attorneys shall provide to the department of finance and administration and the legislative finance committee a detailed report documenting the amount of all southwest border prosecution initiative funds that do not revert at the end of fiscal year 2019 for each of the district attorneys and the administrative office of the district attorneys.	Yes						

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39	5	280	Public Defender Department	19/20	No	The period of time for expending the fifty thousand dollars ($50,000) appropriated from the general fund and matching funds of fifty thousand dollars ($50,000) in Subsection 22 of Section 5 of Chapter 73 of Laws 2018 to conduct a workload study is extended through fiscal year 2020. The general fund appropriation is contingent on contribution of fifty thousand dollars ($50,000) from a non-public entity.	Yes						
40	5	280	Public Defender Department	19/20	No	To build a centrally located, ten petabyte storage system and forty terabyte storage unit at each of the law offices of the public defender.	No	$839.4		$839.4			
41	5	280	Public Defender Department	19/20	No	To integrate the public defender department's case management system with the administrative office of the court's odyssey system. The other state funds appropriation is from the enterprise equipment replacement fund.	No	$130.0		$130.0		$130.0	$130.0
42	5	280	Public Defender Department	19/20	No	For specialized employee training and equipment.	No	$96.8		$96.8			
43	5	280	Public Defender Department	19/20	No	To install network accelerators at law offices of the public defender offices.	No	$548.0		$548.0			
44	5	280	Public Defender Department	19/20	No	For information technology expenses at the public defender department.	No				$730.0		$730.0
45	5	305	Attorney General	19/20	Yes	For interstate water litigation costs.	No	$4,500.0		$4,500.0	$3,000.0		$3,000.0
46	5	305	Attorney General	19/20	No	For extraordinary litigation expenses, including litigation regarding New Mexico’s opioid crisis and the investigation and prosecution of clergy abuse in New Mexico.	No	$1,000.0		$1,000.0		$313.0	$313.0
47	5	305	Attorney General	19/20	No	For one investigator position and one prosecutor for investigation and potential prosecution of guardianship cases referred by the second judicial district court.	No	$250.0		$250.0	$250.0		$250.0
48	5	305	Attorney General	20	No	The period of time for expending two million dollars ($2,000,000) appropriated from the general fund in subsection 25 of section 5 of chapter 73 of Laws 2018 for defending the Rio Grande compact is extended through fiscal year 2020.	Yes						
49	5	340	Administrative Hearings Office	19/20	No	To install a bullet-resistant security glass barrier between the reception desk and public waiting area at the administrative hearings office location in Albuquerque.	No	$20.0		$20.0	$20.0		$20.0
50	5	341	Department of Finance and Administration	19/20	No	For disbursement to the renewable energy transmission authority for operating costs in fiscal year 2020.	No	$350.0		$350.0	$100.0		$100.0
51	5	341	Department of Finance and Administration	19/20	Yes	For disbursement to the New Mexico mortgage finance authority for regional housing oversight, training and technical assistance.	No				$200.0		$200.0

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52	5	341	Department of Finance and Administration	19/20	Yes	For a comprehensive review and reengineering of the existing state chart of accounts.	No	$1,500.0		$1,500.0	$500.0		$500.0
53	5	341	Department of Finance and Administration	19/20	Yes	For the newly created ethics commission, contingent on enactment of ethics commission related legislation	No				$500.0		$500.0
54	5	350	General Services Department	19/20	No	For new vehicles for state central fleet administration bureau fleet operations.	No	$5,414.4		$5,414.4	$1,500.0		$1,500.0
55	5	352	Educational Retirement Board	19/20	No	For expenditures required to implement and conduct a data cleanse project. The appropriations are from the educational retirement board fund. Any unexpended balances at the end of the fiscal year 2020 from this appropriation shall be used exclusively for expenditures in fiscal year 2021 for the same purpose.	No		$1,545.9	$1,545.9		$1,545.9	$1,545.9
56	5	366	Public Employees Retirement Association	19/20	No	For compliance with the settlement agreement between American Federation of State, County and Municipal Employees, Council 18, AFL-CIO et al. v. State of New Mexico et al., Case No. D-202-CV-2009-07148.	No	$8,750.0		$8,750.0			
57	5	369	State Commission of Public Records	19/20	No	To conduct a needs assessment study to create a computer output microfilm bureau at the state records center and archives.	No	$59.0		$59.0			
58	5	370	Secretary of State	19/20	Yes	For a shortfall in the local election act fund to be used for the 2019 local election. The funds shall not revert at the end of the fiscal year.	No	$5,851.0		$5,851.0			
59	5	370	Secretary of State	19/20	No	To replenish the public election fund.	No	$440.0		$440.0			
60	5	370	Secretary of State	19/20	No	To upgrade the state election registration and voter information system.	No	$260.0		$260.0	$260.0		$260.0
61	5	370	Secretary of State	19/20	No	To provide state matching funds required for federal grant.	No				$185.0		$185.0
62	5	379	Public Employee Labor Relations Board	19/20	No	To pay for chief financial officer services through a memorandum of understanding with the administrative office of the district attorneys.	No	$10.6		$10.6			
63	5	394	State Treasurer	19/20	No	To contract with a state agency or private entity to administer the disposition of forfeited property on behalf of the state treasurer as required by the Forfeiture Act, contingent on the contract providing a maximum percent of the forfeiture disposition proceeds as compensation to the state agency or private entity.	No	$332.6		$332.6	$332.6		$332.6
64	5	417	Border Authority	19/20	Yes	For the New Mexico-Chihuahua and New Mexico-Sonora commissions for cross-border collaboration.	No	$50.0		$50.0	$50.0		$50.0
65	5	417	Border Authority	19/20	No	For phase II of the railroad study conducted at Santa Teresa.	No	$3,500.0		$3,500.0			
66	5	418	Tourism Department	19/20	No	For branded partnerships between New Mexico true and the special olympics.	No	$300.0		$300.0	$300.0		$300.0

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67	5	419	Economic Development Department	19/20	Yes	To support the innovation voucher program, the small business innovation research matching grant and the technology research council.	No	$575.0		$575.0			
68	5	419	Economic Development Department	19/20	Yes	To meet the demand for new frontier community initiatives, arts and cultural districts, and designated local mainstreet programs in fiscal year 2020.	No	$150.0		$150.0			
69	5	419	Economic Development Department	19/20	Yes	For promotional events in support of international trade. Expenditures for fiscal year 2020 and 2021.	No	$80.0		$80.0			
70	5	419	Economic Development Department	19/20	Yes	To recruit and retain media professionals due to increased film credit program complexity.	No	$384.3		$384.3			
71	5	419	Economic Development Department	19/20	Yes	To the development training fund for the job training incentive program.	No	$11,000.0		$11,000.0	$3,000.0		$3,000.0
72	5	419	Economic Development Department	19/20	No	For economic development projects pursuant to the Local Economic Development Act.	No	$30,000.0		$30,000.0	$4,000.0		$4,000.0
73	5	419	Economic Development Department	19/20	Yes	To the technology enterprise fund for the technology research collaborative.	No	$300.0		$300.0			
74	5	420	Regulation and Licensing Department	19/20	No	To purchase replacement vehicles	No	$400.0		$400.0	$215.0		$215.0
75	5	420	Regulation and Licensing Department	19/20	Yes	To replace computers and other information technology equipment.	No	$100.0		$100.0	$100.0		$100.0
76	5	420	Regulation and Licensing Department	19/20	No	To replace core network infrastructure in the regulation and licensing department network including data storage and servers.	No	$340.0		$340.0		$340.0	$340.0
77	5	430	Public Regulation Commission	19/20	No	To purchase ten vehicles for public regulation commission operations.	No	$198.9	$99.0	$297.9	$198.9	$99.0	$297.9
78	5	440	Office of Superintendent of Insurance	19/20	No	For building construction upgrade costs.	No		$35.0	$35.0			
79	5	440	Office of Superintendent of Insurance	19/20	No	To purchase six fleet vehicles with police package.	No		$300.0	$300.0			
80	5	440	Office of Superintendent of Insurance	19/20	No	To purchase a command center and community education vehicle.	No		$120.0	$120.0			
81	5	449	Board of Nursing	19/20	No	For the New Mexico nursing education consortium.	No					$300.0	$300.0

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82	5	505	Department of Cultural Affairs	19/20	No	For completion of interior galleries, education classrooms, collection storage, and reception areas, including equipping and technology upgrades for the new contemporary art space in the Santa Fe railyard building owned by the department of cultural affairs, newly named New Mexico museum of art Vladem contemporary.	No	$3,500.0		$3,500.0	$200.0		$200.0
83	5	505	Department of Cultural Affairs	19/20	No	For renovation and revitalization of the here, now and always core exhibit at the museum of Indian arts and culture in Santa Fe.	No	$3,000.0		$3,000.0			
84	5	505	Department of Cultural Affairs	19/20	No	For design, site preparation, construction and equipment for a department of cultural affairs storage expansion at the center for New Mexico archaeology in Santa Fe county.	No	$4,800.0		$4,800.0	$300.0		$300.0
85	5	505	Department of Cultural Affairs	19/20	No	Notwithstanding the provisions of the Energy Efficiency and Renewable Energy Bonding Act Section 6-21D-1 through Section 6-21D-10 NMSA 1978, four hundred forty-one thousand dollars ($441,000) is appropriated from fund balances to repay the general fund for debt issues on behalf of the department.	No		$441.0	$441.0			
86	5	550	State Engineer	19/20	No	For water litigation affecting the Rio Grande interstate compact.	No	$3,320.0		$3,320.0			
87	5	550	State Engineer	19/20	No	To build a comprehensive acequia and conveyance mapping database.	No	$90.0		$90.0			
88	5	550	State Engineer	19/20	No	For dam safety risk-based screening and assessments.	No	$260.0		$260.0			
89	5	550	State Engineer	19/20	No	For replacement of computer network infrastructure hardware.	No	$65.0		$65.0			
90	5	550	State Engineer	19/20	No	For business process review and automation contract.	No	$100.0		$100.0			
91	5	550	State Engineer	19/20	No	For salt basin project development matching funds, contingent on matching federal funds secured by the U.S. bureau of reclamation.	No	$350.0		$350.0	$350.0		$350.0
92	5	604	Commission for Deaf and Hard-of-Hearing Persons	19/20	Yes	For operational and service funding to supplement telecommunications relay service fund collections contingent on revenue collections shortfall certified by the board of finance.	No	$400.0	$400.0	$800.0	$400.0	$400.0	$800.0

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93	5	624	Aging and Long-Term Services Department	19/20	No	For a reserve for emergency advancements in the Aging Network. The department, in coordination with the area agencies on aging and the department of finance and administration shall develop a process allowing aging network providers to apply for and receive timely emergency advancements in cases where federal fund reimbursements are untimely and pose a hardship to aging network providers. The department shall report all emergency advancements to the legislative finance committee prior to December 2020.	No				$400.0		$400.0
94	5	630	Human Services Department	19/20	No	To reduce reincarceration and homelessness rates and to improve prison and county jail reentry services for non-violent offenders. The behavioral health services program of the human services department, in consultation with the behavioral health purchasing collaborative and the mortgage finance authority, shall establish a process by which counties and agencies may apply for grants to increase access to evidence-based behavioral health services and improve local indigent housing options. To prioritize funding, the behavioral health services program of the human services department and the behavioral health purchasing collaborative shall consider epidemiological data and other source data including incarceration and reincarceration rates, behavioral health housing needs, alcohol use mortality rates, drug overdose deaths and suicide rates. Counties and agencies that leverage other revenue sources, including	No				$2,500.0		$2,500.0
95	5	632	Workers' Compensation Administration	19/20	No	To update the security badging system at the Albuquerque and Las Vegas locations and replace two servers. The appropriation is from fund balances.	No		$199.0	$199.0		$199.0	$199.0
96	5	632	Workers' Compensation Administration	19/20	No	For building and parking lot maintenance at the Albuquerque and Las Vegas locations. The appropriation is from fund balances.	No		$153.0	$153.0		$153.0	$153.0
97	5	665	Department of Health	19/20	Yes	Any unexpended balances in the administration program of the department of health remaining at the end of the fiscal year 2019 from appropriations made from federal indirect cost-sharing revenue shall not revert and shall be expended in fiscal year 2020 to support the administrative services division.	Yes						

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98	5	665	Department of Health	19/20	Yes	Any unexpended balances in the vital records and health statistics bureau of the epidemiology and response program of the department of health remaining at the end of fiscal year 2019 from appropriations made from the general fund and federal funds shall not revert and shall be expended in fiscal year 2020.	Yes						
99	5	665	Department of Health	19/20	Yes	To provide economic feasibility and master planning assessments for five department of health hospitals.	No	$400.0		$400.0	$400.0		$400.0
100	5	665	Department of Health	19/20	Yes	To replace hospital beds, mattresses and support equipment at the Fort Bayard Medical Center.	No	$420.0		$420.0			
101	5	665	Department of Health	19/20	Yes	To support the hiring of two dental assistants.	No	$113.5		$113.5	$113.5		$113.5
102	5	665	Department of Health	19/20	No	Any unexpended balances in the developmental disabilities support program of the department of health remaining at the end of fiscal year 2019 from appropriations made from the general fund shall not revert and shall be expended in fiscal year 2020 to support the developmental disabilities medicaid waiver.	Yes						
103	5	665	Department of Health	19/20	Yes	Any unexpended balances in the heath certification, licensing and oversight program of the department of health remaining at the end of the fiscal year 2019 from appropriations made from the general fund shall not revert and shall be expended in the fiscal year 2020 for receivership services.	Yes						
104	5	665	Department of Heath	20	No	For a long-acting reversible contraception mentorship program.	No				$1,100.0		$1,100.0
105	5	665	Department of Health	19/20	No	For jackson lawsuit trial expenses	No				$1,000.0		$1,000.0
106	5	667	Department of Environment	19/20	Yes	To clean-up and to match federal funds for clean-up of superfund hazardous waste sites in New Mexico.	No	$1,259.0		$1,259.0	$629.5	$629.5	$1,259.0
107	5	667	Department of Environment	19/20	No	For indirect cost revenue shortfall.	No	$250.0		$250.0			
108	5	667	Department of Environment	19/20	No	For environmental litigation, administrative hearings and regulatory matters. Any unexpended balances of the appropriation remaining at the end of any fiscal year shall not revert and may be expended in subsequent fiscal years.	No	$2,000.0		$2,000.0	$2,000.0		$2,000.0
109	5	667	Department of Environment	19/20	No	To provide technical and administrative oversight of the tererro administrative order of consent on behalf of the state of New Mexico.	No	$273.6		$273.6		$273.6	$273.6
110	5	670	Veterans' Services Department	19/20	No	To plan, design and assess economic feasibility for a replacement veterans' home.	No				$400.0		$400.0

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111	5	670	Department of Veterans Services	19/20	Yes	To support two veterans integration centers.	No	$300.0		$300.0			
112	5	770	Corrections Department	20	No	For improvements at correctional facilities statewide.	No					$1,750.2	$1,750.2
113	5	790	Department of Public Safety	19/20	No	The period of time to expend one hundred thousand dollars ($100,000) of general fund in Subsection 98 of Section 5 of Chapter 73 of Laws 2018 to continue the ongoing effort of criminal investigations is extended through fiscal year 2020.	Yes						
114	5	790	Department of Public Safety	20	No	The period of time to expend one hundred and fifty thousand dollars ($150,000) of other state funds in Subsection 30 of Section 7 of Chapter 73 of Laws of 2018 Second Session to enhance the consolidated offender query database for the criminal history clearinghouse is extended through fiscal year 2020.	Yes						
115	5	790	Department of Public Safety	19/20	Yes	To purchase lapel cameras for state police officers.	No	$3,100.0		$3,100.0	$3,100.0		$3,100.0
116	5	790	Department of Public Safety	19/20	No	To purchase police vehicles for state police officers.	No	$2,650.0		$2,650.0	$1,000.0		$1,000.0
117	5	790	Department of Public Safety	19/20	No	To purchase two sound navigation and ranging units for state police officers.	No	$120.0		$120.0			
118	5	790	Department of Public Safety	19/20	No	To purchase a bomb-diffusing robot for state police officers.	No	$450.0		$450.0			
119	5	805	Department of Transportation	19/20	Yes	The period of time for expending up to six hundred and fifteen million dollars ($615,000,000) of other state funds and federal funds appropriations to the project design and construction program of the department of transportation pertaining to prior fiscal years is extended through fiscal year 2020.	Yes						
120	5	805	Department of Transportation	19/20	Yes	The period of time for expending up to forty million dollars ($40,000,000) of other state funds and federal funds appropriations to the highway operations program of the department of transportation pertaining to prior fiscal years is extended through fiscal year 2020.	Yes						
121	5	805	Department of Transportation	19/20	Yes	The period of time for expending up to thirty-five million dollars ($35,000,000) of other state funds and federal funds appropriations to the modal program of the department of transportation pertaining to prior fiscal years is extended through fiscal year 2020.	Yes						
122	5	924	Public Education Department	19/20	No	For emergency support to school districts experiencing shortfalls. All requirements for distribution shall be made in accordance with Section 22-8-30 NMSA 1978.	No	$1,700.0		$1,700.0	$1,000.0		$1,000.0

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123	5	924	Public Education Department	19/20	No	To the instructional materials fund. The public education department shall not calculate, allocate or withhold any entitlement or distribution for private school students from the instructional material fund unless the New Mexico supreme court enters a final decision in Moses, et al. v. Ruszkowski, et al., No. S-1-SC-34974, finding an allocation from the instructional material fund for private school students or private schools does not violate the constitution of the state of New Mexico.	No	$29,000.0		$29,000.0	$29,000.0		$29,000.0
124	5	924	Public Education Department	19/20	Yes	For legal fees related to defending the state in Martinez v. state of New Mexico No. D-101-CV-2014-00793 and Yazzie v. state of New Mexico No. D-101-CV-2014-02224.	No	$2,000.0		$2,000.0	$1,250.0		$1,250.0
125	5	924	Public Education Department	19/20	No	For school buses due for replacement in fiscal year 2020 pursuant to Section 22-8-27 NMSA 1978.	No	$32,895.0		$32,895.0			
126	5	924	Public Education Department	20	No	For a teacher residency pilot.	No				$1,000.0		$1,000.0
127	5	950	Higher Education Department	20	No	To the higher education performance fund to be distributed to post-secondary institutions who improve student retention rates, after developing a strategic plan on student outcomes	No				$750.0		$750.0
128	5	952	University of New Mexico Health Science Center	20	No	To the cancer center of the university of New Mexico health sciences center to offset financial losses associated with changing federal requirements on pharmacy reimbursements	No				$2,000.0		$2,000.0
129	5	986	Central New Mexico Community College	19/20	No	To purchase a single-instance software as a service or cloud based enterprise resource system and related hardware and software for Clovis community college, Central New Mexico community college, Luna community college, Mesalands community college, Northern New Mexico college, San Juan college, Santa Fe community college, and Western New Mexico university. The appropriation is contingent on matching funds of eight million dollars ($8,000,000) from the participating colleges and verified by the higher education department through the annual budget approval process. Central New Mexico community college will serve as the fiscal agent and shall submit a report to the department of finance and administration, the legislative finance committee, and the higher education department by October 1 annually as funds are authorized describing furtherance of the purchase and	No	$20,000.0	$8,000.0	$28,000.0			

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130	5	993	Public School Support	19/20	No	For dual-credit instructional materials to reimburse school districts, charter schools, state-supported schools and bureau of Indian education high schools in New Mexico for the cost of required textbooks and other course supplies for students enrolled in the dual-credit program.	No				$500.0		$500.0
131	5		Computer System Enhancement Fund		No	For transfer to the computer system enhancement fund for system replacements or enhancements.	No	$57,891.0		$57,891.0	$25,479.4		$25,479.4
							Subtotal Special Appropriations:	**$256,494.7**	**$13,589.5**	**$270,084.2**	**$92,379.3**	**$8,372.9**	**$100,752.2**
132	6	218	Administrative Office of the Courts	19	No	For fiscal year 2019 national center for state courts membership fee for courts and language access.	No	$120.0		$120.0	$120.0		$120.0
133	6	218	Administrative Office of the Courts	19	No	To provide appropriate compensation to attract and retain court appointed attorneys for abuse and neglect cases.	No	$250.0		$250.0			
134	6	231	First Judicial District Court	18	No	To correct a deficiency in the first judicial district court's operating account due to a general fund over-reversion in fiscal year 2017.	No	$0.2		$0.2			
135	6	232	Second Judicial District Court	19	No	For the pro tempore judge fund.	No	$120.0		$120.0	$120.0		$120.0
136	6	254	Fourth Judicial District Attorney	16	No	The following was appropriated from the General Fund as indicated for expenditure in fiscal year 2017 for the purpose of the fourth judicial district attorney, to offset a prior year deficit.	No	$0.1		$0.1			
137	6	255	Fifth Judicial District Attorney	18	No	To offset a prior year budget deficit due to an over-reversion in fiscal year 2016.	No	$1.3		$1.3			
138	6	255	Fifth Judicial District Attorney	19	No	To purchase new vehicles	No	$77.2		$77.2	$77.2		$77.2
139	6	262	Twelfth Judicial District Attorney	18	No	To reimburse agency for over reversion done in a prior fiscal year.	No	$0.4		$0.4			
140	6	265	Eleventh Judicial District Attorney	18	No	To replenish over reversion of FY16 funds.	No	$1.7		$1.7			
141	6	280	Public Defender Department	19	No	To assign 704 felony, juvenile and misdemeanor cases statewide and to provide contract defense attorney and defense litigation expert services for complex and high profile cases.	No	$753.2		$753.2	$700.0		$700.0
142	6	341	Department of Finance and Administration	19	No	For disbursement to the renewable energy transmission authority operating costs in fiscal year 2019.	No	$150.0		$150.0			
143	6	341	Department of Finance and Administration	19	Yes	For a shortfall in the personal services and employee benefits category for the local government division.	No	$80.0		$80.0			
144	6	341	Department of Finance and Administration	19	No	For a unified supplemental appropriation for agencies with prior year budget deficits due to over-reversions.	No				$5.9		$5.9

Table 5: Specials, Supplementals, and Deficiency Appropriations

2019 Special, Supplemental, and Deficiency Appropriations
(in thousands)

	GAA Section	Agency Code	Agency Name	FY	Recurring	Language	Language Only	GF Request	Other Funds/ Federal Funds Total	Total Request	GF LFC	Other Funds/ Federal Funds LFC Total	LFC Total
145	6	350	General Services Department	19	No	To address the general fund budget shortfall resulting from the children, youth and families department wellness center site purchase.	No	$997.4		$997.4			
146	6	350	General Services Department	19	No	For new vehicles for state central fleet administration bureau fleet operations.	No	$5,414.4		$5,414.4			
147	6	352	Educational Retirement Board	19	No	For compliance with the settlement agreement between American Federation of State, County and Municipal Employees, Council 18, AFL-CIO et al. v. State of New Mexico et al., Case No. D-202-CV-2009-07148.	No	$248,300.0		$248,300.0			
148	6	356	Office of the Governor	18	No	To clear an audit adjustment in the fiscal year 2017 annual audit.	No	$2.2		$2.2			
149	6	370	Secretary of State	19	No	For a shortfall in the elections program of the secretary of state.	No	$513.3		$513.3	$350.0		$350.0
150	6	370	Secretary of State	19	Yes	For a shortfall in the administration and operations program of the secretary of state.	No	$374.0		$374.0	$251.5		$251.5
151	6	370	Secretary of State	19	No	For startup costs related to the Local Election Act.	No	$125.0		$125.0	$100.0		$100.0
152	6	460	New Mexico State Fair	18	No	For obligations to the general services department.	No	$4,994.4		$4,994.4	$4,994.4		$4,994.4
153	6	469	State Racing Commission	19	No	For a feasibility study for sixth racing license and court reporting services	No	$92.0		$92.0	$75.0		$75.0
154	6	550	State Engineer	19	No	For interstate water litigation on the Rio Grande.	No	$1,740.0		$1,740.0	$800.0		$800.0
155	6	630	Human Services Department	19	Yes	For costs associated with the Medicaid program contingent on certification by the board of finance.	No	$8,118.0	$29,905.0	$38,023.0	$4,059.0	$14,952.5	$19,011.5
156	6	665	Department of Health	19	Yes	To cover the fiscal year 2019 personal services and employee benefit shortfall in the administrative service division.	No	$1,700.0		$1,700.0			
157	6	665	Department of Health	19	Yes	To cover funding deficits due to rising costs for individuals on the two developmental disability waivers.	No	$4,000.0		$4,000.0	$2,800.0		$2,800.0
158	6	665	Department of Health	19	Yes	To address the projected increase in the number of children referred and determined eligible for the family, infant toddler program.	No	$4,900.0		$4,900.0	$1,400.0		$1,400.0
159	6	665	Department of Health	19	Yes	To support a two percent rate adjustment for developmental disability waiver providers for all services.	No	$800.0		$800.0	$800.0		$800.0
160	6	665	Department of Health	19	Yes	To increase staffing levels.	No	$470.0	$470.0	$940.0			
161	6	670	Department of Veterans Services	18	Yes	For a shortfall at the New Mexico veterans' home.	No	$2,753.5		$2,753.5	$2,753.0		$2,753.0
162	6	670	Department of Veterans Services	19	Yes	To support information technology upgrades through the department of veterans services.	No	$200.0		$200.0	$200.0		$200.0
163	6	705	Department of Military Affairs	19	No	For back pay as awarded by the judicial district court.	No	$125.0		$125.0			
164	6	770	Corrections Department	17	No	To pay costs due to the equipment replacement fund for fiscal year 2017.	No	$2,543.4		$2,543.4		$2,543.4	$2,543.4

2019 Special, Supplemental, and Deficiency Appropriations
(in thousands)

	GAA Section	Agency Code	Agency Name	FY	Recurring	Language	Language Only	GF Request	Other Funds/ Federal Funds Total	Total Request	GF LFC	Other Funds/ Federal Funds LFC Total	LFC Total
165	6	770	Corrections Department	19	Yes	For a projected shortfall in the inmate management and control program in fiscal year 2019.	No	$2,250.8		$2,250.8		$2,250.8	$2,250.8
166	6	770	Corrections Department	19	Yes	For a projected shortfall in the personnel services and employee benefits category in the community offender management program in fiscal year 2019.	No	$500.0		$500.0		$500.0	$500.0
167	6	950	Higher Education Department	19	No	To support two underfunded staff positions due to payments to the western interstate commission on higher education in fiscal year 2019.	No	$66.0		$66.0			
	Subtotal Supplemental and Deficiency Appropriations:							**$292,533.5**	**$30,375.0**	**$322,908.5**	**$19,606.0**	**$20,246.7**	**$39,852.7**

		GF Request	Other Funds/ Federal Funds Total	Total Request	GF LFC	Other Funds/ Federal Funds LFC Total	LFC Total
	Subtotal Special Appropriations:	**$256,494.7**	**$13,589.5**	**$270,084.2**	**$92,379.3**	**$8,372.9**	**$100,752.2**
	Subtotal Supplemental and Deficiency Appropriations:	**$292,533.5**	**$30,375.0**	**$322,908.5**	**$19,606.0**	**$20,246.7**	**$39,852.7**
	Grand Total Special, Supplemental, and Deficiency Appropriations:	**$549,028.2**	**$43,964.5**	**$592,992.7**	**$111,985.3**	**$28,619.6**	**$140,604.9**

Table 6: Information Technology Requests and Recommendations

FY20 Computer Systems Enhancement Fund (C2) Agency Requests and Recommendations

FY20 - Information Technology System Replacement/Enhancements				Agency Request (in thousands)	DoIT/Executive Recommendation (in thousands)			LFC Staff Recommendation (in thousands)		
Item No.	Code	Agency Name	Project Name	TOTAL	GF	OSF/FF	Total	GF	OSF/FF	TOTAL
1	218	Administrative Office of the Courts	Judicial Network Storage Expansion	$125.0	$125.0		$125.0	$125.0		$125.0
2	218	Administrative Office of the Courts	E-Signature Module for Odyssey Case Management System	$163.0	$163.0		$163.0	$163.0		$163.0
3	264	Administrative Office of the District Attorneys	Data Center Consolidation/ Virtualization	$300.0	$300.0		$300.0	$300.0		$300.0
4	333	Taxation and Revenue Department	Data Analytics - Phase 2	$1,150.0	$1,150.0		$1,150.0	$500.0		$500.0
5	333	Taxation and Revenue Department	Audit and Compliance Division Call Center Modernization Project	$235.0	$235.0		$235.0	$235.0		$235.0
6	333	Taxation and Revenue Department	GenTax Point-of-Sale Cashiering	$715.0	$715.0		$715.0	$715.0		$715.0
7	341	Department of Finance and Administration	Modernization of Budget Systems	$4,000.0	$4,000.0		$4,000.0	$1,000.0		$1,000.0
8	341	Department of Finance and Administration	Local Government Budget Management System	$500.0	$500.0		$500.0	$500.0		$500.0
9	350	General Services Department	Risk Management Information System Replacement, Phase II	$1,090.1		$1,090.1	$1,090.1		$1,090.1	$1,090.1
10	350	General Services Department	General Services Department SHARE Asset Management	$550.0	$550.0		$550.0	$550.0		$550.0
11	352	Education Retirement Board	**Data Cleansing	$354.5	$0.0		$0.0	$0.0		$0.0
12	370	Secretary of State	Business Filing System Enhancement Project	$267.0	$267.0		$267.0	$267.0		$267.0
13	420	Regulation and Licensing Department	Permitting and Inspection Software Project	$1,800.0	$0.0		$0.0	$500.0		$500.0
14	430	Public Regulation Commission	Document Management System (E-Docket) Upgrade	$190.0	$190.0		$190.0	$190.0		$190.0
15	505	Department of Cultural Affairs	Museum Infrastructure for Digital Transformation	$350.0	$350.0		$350.0	$350.0		$350.0
16	630	Human Services Department	Medicaid Management Information System Replacement	$12,556.1	$1,255.6	$11,300.5	$12,556.1	$1,255.6	$11,300.5	$12,556.1
17	630	Human Services Department	Child Support Enforcement System Replacement	$5,245.8	$1,783.6	$3,462.2	$5,245.8	$1,783.6	$3,462.2	$5,245.8
18	665	Department of Health	Vital Records Imaging and Indexing Document Management System	$2,100.0	$2,100.0		$2,100.0	$2,100.0		$2,100.0
19	665	Department of Health	Enterprise Electronic Healthcare Records System Replacement	$4,000.0	$4,000.0		$4,000.0	$4,000.0		$4,000.0
20	665	Department of Health	Toxicology Instrumentation Data Integration	$440.0	$440.0		$440.0	$440.0		$440.0
21	665	Department of Health	All-Payer Claims Database	$1,800.0	$1,800.0		$1,800.0	$900.0		$900.0
22	665	Department of Health	Emergency Medical Services Licensing Management System	$300.0	$300.0		$300.0	$0.0		$0.0
23	665	Department of Health	IT Architecture Optimization and Remediation Assessment	$200.0	$200.0		$200.0	$0.0		$0.0
24	690	Children, Youth and Families Department	Comprehensive Child Welfare Information System Modernization	$31,520.5	$10,000.0	$1,520.5	$11,520.5	$5,500.0	$1,520.5	$7,020.5
25	770	New Mexico Corrections Department	Offender Management System (OMS) Replacement Project	$4,105.2	$4,105.2		$4,105.2	$4,105.2		$4,105.2
26	934	Public Education Department	Real-time Data Infrastructure	$1,303.0	$1,303.0		$1,303.0	$0.0		$0.0
27	934	Public Education Department	New Licensure System	$258.1	$258.1		$258.1	$0.0		$0.0
TOTAL				$75,618.3	$36,090.5	$17,373.3	$53,463.8	$25,479.4	$17,373.3	$42,852.7

** Not an IT project, staff recommended funding as a special appropriation in Section 5.

FY20 Computer Systems Enhancement Fund (C2) Agency Requests and Recommendations

Item No.	Code	Agency	Agency Request for Extensions of Previous Appropriations: Agency Request		LFC Staff Recommendation
1	333	Taxation and Revenue Department	The period of time for expending the two million dollars ($2,000,000) from the computer systems enhancement fund in Subsection 6 of Section 7 of Chapter 11 of Laws 2016 as extended in Subsection 7 of Section 7 of Chapter 73 of Laws 2018 to modernize the property tax business system is extended through fiscal year 2021. The appropriation is from the delinquent property tax fund.	Language only	Recommend
2	420	Regulation and Licensing Department	The balance of the computer systems enhancement fund appropriations in Subsection 16 of Section 7 of Chapter 73 of Laws 2018 to replace the permitting and inspection software shall not be expended for the original purpose but is appropriated to upgrade and stabilize the permitting and inspection software. The other state funds appropriation includes three hundred fifty thousand ($350,000) from the housing and urban development federal manufactured housing fund.	Language only	Recommend
3	536	Commissioner of Public Lands (State Land Office)	The period of time for expending the five million dollars ($5,000,000) of the other state funds appropriation to replace the oil and natural gas administration and revenue database from the land maintenance fund made to the taxation and revenue department in Subsection 5 of Section 7 of Chapter 11 of Laws 2016 and re-appropriated to the commissioner of public lands in Subsection 7 of Section 7 of Chapter 135 of Laws 2017 as extended in Subsection 18 of Section 7 of Chapter 73 of Laws 2018 to replace royalty, oil and gas management and accounting functionality of the oil and natural gas administration and revenue data base is extended through fiscal year 2020.	Language only	Recommend
4	665	Department of Health	The period of time for expending the two million four hundred thousand dollars ($2,400,000) appropriated from the computer system enhancement fund in Subsection 10 of Section 7 of Chapter 135 of Laws 2017 to continue the implementation of the developmental disabilities client management support system is extended through fiscal year 2020.	Language only	Recommend

Table 7: Special Transportation Appropriations and Fund Transfers

FY19 - FY20 Special Transportation Appropriations (Section 9)

Item	Section	Agency	Agency Name	Short Title	GF FY19 LFC	GF FY20 LFC	LFC Total
	9	805	Department of Transportation	Major Road Projects	$150,000.0	$100,000.0	$250,000.0
	9	805	Department of Transportation	Additional statewide road formula	$98,000.0		$98,000.0
	9	805	Department of Transportation	Additional local road formula	$53,000.0		$53,000.0
				Total Special Transportation Appropriations:	**$301,000.0**	**$100,000.0**	**$401,000.0**

FY19 - FY20 Fund Transfers (Section 10)

Item	Section	Agency	Agency Name	Transfer Purpose	GF FY19 LFC	GF FY20 LFC	LFC Total
	10	341	Department of Finance and Administration	E911 Fund	$5,000.0		$5,000.0
	10	341	Department of Finance and Administration	State Support Reserve Fund		$30,000.0	$30,000.0
	10	341	Department of Finance and Administration	Tobacco Settlement Permanent Fund	$40,000.0	$85,000.0	$125,000.0
	10	505	Department of Cultural Affairs	Rural Library Permanent Fund*		$5,000.0	$5,000.0
	10	924	Public Education Department	Yazzie-Martinez Compliance*	$50,000.0		$50,000.0
	10	950	Higher Education Department	College Affordability	$50,000.0		$50,000.0
	10	950	Higher Education Department	Higher Education Endowment	$15,000.0	$10,000.0	$25,000.0
	10	950	Higher Education Department	Teacher Loan Repayment	$25,000.0		$25,000.0
	10		New Mexico Finance Authority	Public Project Revolving Fund-Charter School Facilities	$10,000.0		$10,000.0
	10		New Mexico Finance Authority	Public Project Revolving Fund-Public Private Partnerships*	$30,000.0		$30,000.0
	10		New Mexico Finance Authority	Water Project Fund	$15,000.0		$15,000.0
				Total Fund Transfers:	**$240,000.0**	**$130,000.0**	**$370,000.0**

* Contingent on Legislation