NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE

LEGISLATING FOR RESULTS:
POLICY AND PERFORMANCE ANALYSIS

Report to the Fifty-Fourth Legislature, Second Session
VOLUME I

January 2020 for the 2021 Fiscal Year

State of New Mexico
LEGISLATIVE FINANCE COMMITTEE

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

Dear Fellow Legislators:

Pursuant to Section 2-5-4 NMSA 1978, the fiscal year 2021 budget recommendation of the Legislative Finance Committee is provided to you. The committee recommendation for recurring appropriations from the general fund is $7.549 billion, a 6.5 percent increase from FY20 spending levels. After a year of rebuilding essential programs and restocking funds drained by two economic downturns in 10 years, the committee's recommendation for FY21 emphasizes moderate growth with a focus on smart investment in programs with proven results. The recommendation builds on effective programs in public schools and early childhood services, funds reforms in behavioral health and criminal justice, and expands healthcare services for people with developmental delays and other vulnerable populations.

Reflecting the state's continued reliance on volatile oil and natural gas revenue, the recommendation would leave reserves at 25 percent of planned spending, a level high enough to withstand a recession or a sudden downturn in the energy sector. In further recognition of the risks to state income, the committee recommends building large stabilization funds for important services.

The general fund recommendation for early childhood services includes an additional $3 million for the intensive parent support program called home-visiting, $1.5 million for workforce development, $5 million for early and mixed-age prekindergarten, $8 million for prekindergarten in public schools, $1 million for childcare subsidies to low- and middle-income parents, and $4.5 million for Family, Infant, Toddler services for children at risk of developmental disabilities.

Public schools, under the committee's proposal, would receive $314 million in new funding, both recurring and nonrecurring, substantially for evidence-based interventions to help struggling students succeed and to address state district court concerns on school quality. The $210.5 million increase in general fund support is a 6.5 percent increase from FY20 levels. Colleges would get a 3 percent increase from the general fund under the committee recommendation; however, the committee also recommends a $30 million one-time boost to student financial aid for the lottery tuition scholarship, college affordability fund for nontraditional adult students, and students going into the teaching profession.

The committee's proposal for human services includes an 8 percent increase in the Children, Youth and Families Department for foster-care costs, kinship care initiatives in the foster care system, and a "differential response" to low-risk child maltreatment cases focused on preserving and strengthening families. It also includes Medicaid provider rate increases to expand services and significant increased support for behavioral healthcare.

In other areas, the committee recommends an 8.5 percent increase in the general fund appropriation for the Health Department primarily to improve services for people with developmental disabilities; a 3.6 percent increase from the general fund for the court system, a 3.8 percent increase for district attorneys, and a 4 percent increase for the Public Defender Department; and 6 percent and 4.4 percent general fund increases for the Corrections Department and the Public Safety Department, respectively.

Finally, the recommendation includes a 3 percent across-the-board increase for all state, public school, and higher education employees. State salaries continue to lag the region and the nation, despite recent increases, making it increasingly difficult to recruit and retain staff, particularly in health and education. Teachers, judges, prosecuting attorneys, and public safety and correctional employees would all get additional pay increases, and many agency budgets would have funding flexibility available for targeted increases.

I would like to thank the membership and staff of the Legislative Finance Committee for their hard work on behalf of the people of New Mexico. Together, we have prepared a responsible budget that prioritizes cost-effective spending on high-priority programs.

Sincerely,

Senator John Arthur Smith
Chairman

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LEGISLATIVE FINANCE COMMITTEE
TO THE
FIFTY-FOURTH LEGISLATURE, SECOND SESSION

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LEGISLATING FOR RESULTS: POLICY AND PERFORMANCE ANALYSIS

JANUARY 2020
FOR
FISCAL YEAR 2021

SENATOR
JOHN ARTHUR SMITH
CHAIRMAN

REPRESENTATIVE
PATRICIA LUNDSTROM
VICE CHAIRWOMAN

DAVID ABBEY
DIRECTOR

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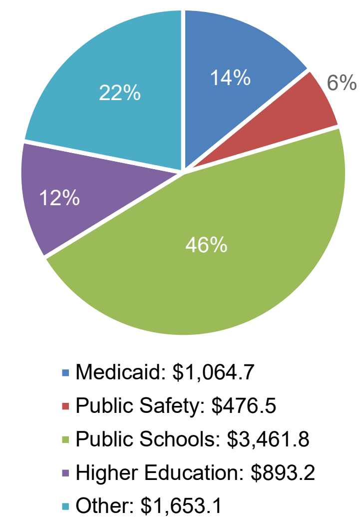
Recommendations and Highlights

The large FY20 budget increase represented needed catch-up growth in spending after two significant downturns in less than a decade and a litigation-driven response to school finance. The FY21 committee recommendation includes more modest growth rates that prioritize investments to improve outcomes for New Mexicans through rigorously evaluated evidence-based programs, improve service levels, address waiting lists for critical services, and address rates paid to providers to expand access to high-quality services.

FY21 Recurring General Fund Appropriation Recommendation: $7.5 billion



Note: Public schools includes prekindergarten transfer

Source: LFC Files

New Mexico has experienced a boom-and-bust cycle tied to state government's reliance on revenue generated in the oil and gas sector dating back to the late 1970s. Most of today's increased general fund revenue is driven by oil production in southeast New Mexico. Given continued reliance on volatile revenue sources, the committee recommendation focuses on fiscal stability measures, such as funding large endowment funds that could provide a stable source of future revenue to priority areas.

With the experience of the Great Recession and a collapse in oil prices in the last 10 years, the committee recommendation increases general fund reserves to 25 percent. The committee's recommendation incorporates known risks, including a moderate recession, coupled with the higher reserves and fiscal stability funds, prioritized investments in proven programs in public schools, early childhood services and other agencies, funding reforms for behavioral health and criminal justice systems, and expanded services for vulnerable populations, including people with developmental delays.

Budget Development and Priorities

Budget Development

In December, the Consensus Revenue Estimating Group updated the revenue estimates, increasing FY19 recurring revenues by $1.2 billion over FY18 and bringing general fund reserves to 28.9 percent. The estimate for FY20 recurring revenue is $7.8 billion, a decline of $233 from FY19. "New money" available for FY21– anticipated revenue over prior-year planned spending – is $797 million, an 11 percent increase compared with FY20, due to the use of recurring revenue for nonrecurring investments in FY20.

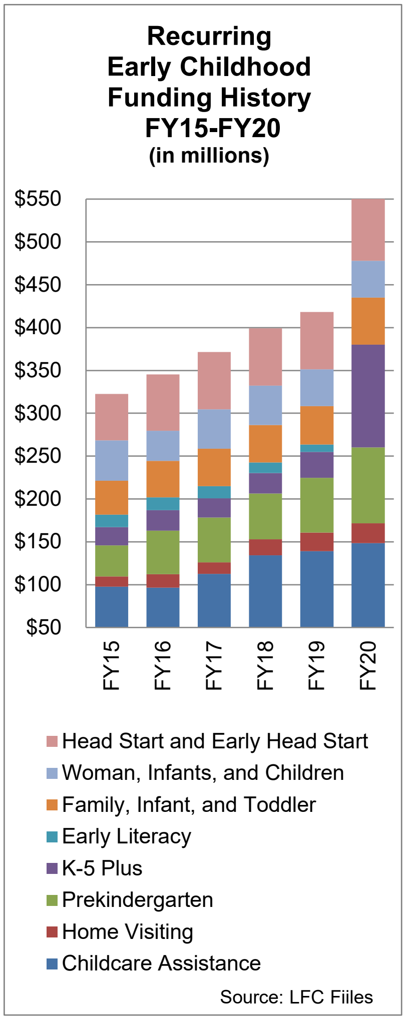
LFC Online: Understanding Government Finances

Finance Facts: Consensus Revenue Estimate

The new money allows a continued focus on boosting reserves, set at about 25 percent of recurring appropriations in the LFC recommendation, to smooth future revenue swings while focusing on committee priorities.

Priorities

The recommendation provides more modest growth that improves services, increases accountability, and ensures an adequate general fund reserves. Education continues to be the administration's and Legislature's highest priority and biggest fiscal and



policy challenge. Other committee priorities include early childhood, public health, workforce development, public safety, protection of vulnerable citizens, increased economic growth, and improving transportation infrastructure.

Recommendation

Agencies requested $7.74 billion from the general fund; the LFC recommendation is $7.54 billion, up $464 million, or 6.5 percent, from FY20 spending levels.

Early Childhood

The committee recommendation for additional general fund revenues for the new Early Childhood Education and Care Department (ECECD) includes an increase of $3 million for home-visiting services to new families, $1.5 million for workforce development, $5 million for early and mixed-age prekindergarten, $8 million for prekindergarten in public schools, $1 million for childcare assistance, and $4.5 million for the Family, Infant, Toddler Program (FIT). The recommendation also increases the federal Temporary Assistance for Needy Families (TANF) block grant transfers from the Human Services Department to ECECD for childcare assistance by $3 million. In total, the FY21 recommendation for ECECD is $390 million, of which $192.3 is from the general fund, a 14.2 percent increase.

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. The committee's recommendation allocates $314 million in new funding, recurring and nonrecurring, for public education appropriations, particularly for evidence-based interventions to boost student achievement and address court concerns on school finance. For FY21, the recurring general fund recommendation for public education totals $3.46 billion, a $210.5 million, or 6.5 percent, increase from FY20 levels. The recommendation further includes $103.7 million in nonrecurring, education-related appropriations, including $54.5 million from the public education reform fund to address issues highlighted in the *Martinez* and *Yazzie* education sufficiency lawsuit.

The vast majority of the public education funding recommendation is attributable to the formula-based state equalization guarantee distribution (SEG), which totals $3.26 billion, a $166.7 million, or 5.4 percent, increase from FY20 funding levels. Contingent on enactment of legislation, the committee recommendation for SEG includes $57 million to increase the at-risk index and provide targeted pay differentials for teachers instructing special education students, instructing English learners, and mentoring new teachers. In addition to targeted teacher pay, the committee recommendation for SEG also provides $70.7 million to increase all school personnel salaries by an average of 3 percent. Acknowledging that pay alone will not improve quality of instruction, the committee's recommendation further includes $24 million for mentorship, professional development, and early literacy initiatives within the program cost, aligned with Public Education

Department (PED) special program funds to improve oversight and technical assistance for these initiatives.

The recommendation maintains funding for K-5 Plus and adds $8.9 million, or about 14 percent, to the extended learning time program (ELTP). PED projects a doubling of enrollment in the programs next year and that about 90 percent of available funds will be spent in FY21 at the current per pupil cost. Additionally, the committee recommendation authorizes PED to pilot new extended learning models, like K-12 Plus, using appropriations from the public education reform fund.

The committee general fund recommendation for transportation and other categorical programs totals $131.4 million, a $28.5 million, or 27.7 percent, increase from FY20. The increase primarily replaces bond revenue previously used for transportation, allowing the use of $25 million from the public school capital outlay fund to address facility needs at school districts with lower local property tax revenue capacity for capital projects.

The committee general fund recommendation for PED special appropriations totals $33 million, a $6.1 million, or 22.8 percent, increase from FY20 funding levels, not including changes to prekindergarten funding. The committee's general fund recommendation also includes $14.9 million for PED's operating budget, a $1.3 million, or 9.5 percent, increase from FY20 to increase the department's oversight capacity.

Higher Education. The LFC recommendation for higher education totals $893.2 million from the general fund, an increase of $26 million, or 3 percent, over FY20. The recommendation supports student success efforts, improves academic pay, and make targeted investments to address state workforce needs, such as allied health and education professionals. The recommendation includes a 2.5 percent increase for instruction and general purpose (I&G) and continues supporting more adult learners working on high school diplomas, who were impacted by the age cap in public schools. The LFC recommendation for I&G minimizes base budget redistribution and shifts the incentives away from workload to awards for at-risk students.

To increase access to college for underrepresented populations and boost achievement, LFC recommends a targeted student financial aid package of $35 million, of which $5 million would increase the recurring appropriations to the student incentive grant, and $30 million for one-time increases in other financial aid programs, including the lottery tuition scholarship, the college affordability fund to help adult learners return to college, and for students going into the teaching profession.

Human Services

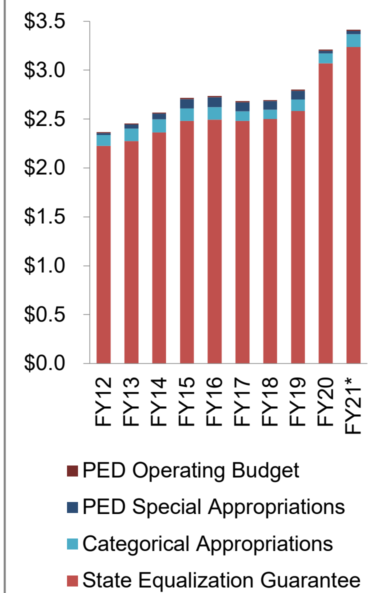
The LFC recommendation for the Human Services Department (HSD) is $7.68 billion from all revenue sources, a $362.2 million, or 4.9 percent, increase over FY20, and includes an additional $63.9 million from the general fund, an increase of 5.6 percent. LFC recommends a $45 million increase in general fund support for Medicaid, an increase of 4.4 percent, primarily for provider rate increases.

The LFC recommendation includes $1.5 million in general fund revenue, to be matched with significant federal revenues, for the Heat and Eat initiative that effectively expands food stamp eligibility and $3.2 million for employment assistance for able-bodied adults without dependents who receive federal food aid.

LFC Online: Understanding Government Finances

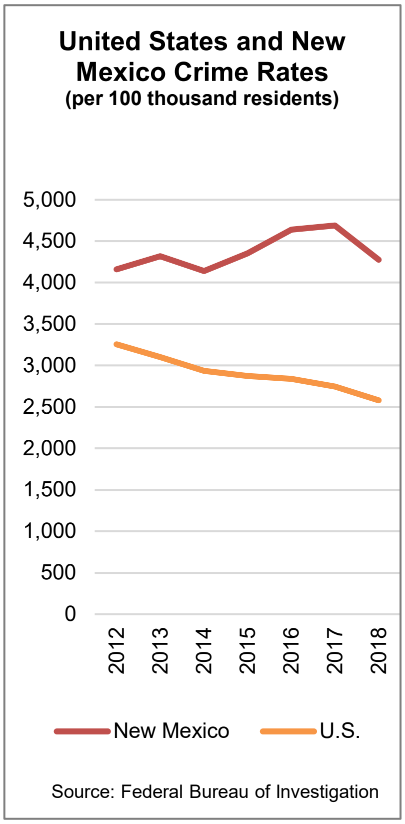
Finance Facts: Appropriation Process

Public Education General Fund History
(in billions)



*LFC Recommendation

Source: LFC Files



United States and New Mexico Crime Rates
(per 100 thousand residents)

Source: Federal Bureau of Investigation

The LFC recommendation for the Children, Youth, and Families Department is $312.3 million from all revenue sources with a general fund appropriation of $227.8 million, 8 percent more than FY20. The LFC recommends a general fund appropriation increase of about $12 million for Protective Services, or about 9 percent over FY20, to address foster care costs, kinship care initiatives, and an evidence-based "differential response" system for low risk cases focused on preserving and strengthening families, which would receive $2 million.

Behavioral Health Reform. The LFC recommendation is in line with a newly engaged Behavioral Health Collaborative (BHC) and its member agencies' strategic goals. The recommendation prioritizes evidence-based prevention and community-based child and adult behavioral health interventions, including wraparound services for high-needs children and for adult substance use disorders. The recommendation, along with BHC request, focuses on individuals involved in the child welfare and criminal justice systems and funds capacity building for the behavioral health system to be able to expand evidence-based services across the state. LFC recommends an increase of $16 million in recurring revenue from the general fund to support the behavior health initiatives, and a $10 million nonrecurring appropriation to settle a behavioral health provider lawsuit and use the proceeds to partially rebuild those providers capacity to deliver services.

Health

The $318.4 million general fund recommendation for the Department of Health (DOH) is an 8.6 percent over the FY20 adjusted operating budget. Concentrated on improving services for people with developmental disabilities, increased funding would allow the department to remove an estimated 330 people from the waiting list for home- and community-based developmental disability services covered under a Medicaid waiver, adjust rates for developmental disability Medicaid service providers, and create a new waiver to provide community services to individuals on the wait list. The recommendation also includes an allocation to fund health facility inspections, expand regulation of boarding homes, expand clean syringe harm reduction programming, and implement medication-assisted treatment services. The total recommendation is $580.3 million.

LFC Online: Understanding Government Finances

Finance Facts: General Fund Reserves

Judiciary

LFC recommends $190.5 million for all judicial entities. The recommendation represents a $6.5 million, or 3.6 percent, increase in general fund revenue over FY20. The recommended increase includes funding for four new judgeships, an additional 2 percent pay increase for judges, $1.8 million for magistrate court leases, expansion of pretrial services statewide, a behavioral health specialist, and magistrate court security needs. The general fund recommendation for the district attorneys is up 3.8 percent from the FY20 operating budget and includes a 2 percent salary increase for all attorneys in prosecution offices statewide to improve recruitment and retention. LFC recommends a 4 percent increase from the general fund for the Public Defender Department over the FY20 operating budget.

Public Safety

The committee recommends a $539.2 million in total revenue for the Corrections Department (NMCD) and the Department of Public Safety (DPS), $24 million, or 5 percent, more than the FY20 operating budget. The $343 million general fund recommendation for NMCD is an $18.8 million, or 6 percent, increase over FY20. The recommendation funds increases for medical services, operation of the Northeastern New Mexico Correctional Facility, personnel, and community corrections. The recommendation also supports increasing public correctional officer pay by an average of 3 percent and provides rate increases for private prisons.

The Department of Public Safety general fund recommendation is $5.6 million, or 5 percent, more than the FY20 operating budget. The recommendation includes additional officer pay plan increases of 4.4 percent, average raises of 4.4 percent for dispatchers and transportation inspectors, and 3 percent raises for forensic scientists and technicians. The recommendation also provides $1.2 million to fund ongoing vehicle replacement.

Criminal Justice Reform. Given the Legislature's interest in enhancing criminal justice reforms, the committee recommendation includes almost $14 million in recurring and $3.7 million in nonrecurring funding to expand criminal justice reform interventions across government to build capacity for best practices, such as the law enforcement assisted diversion program, address root causes of crime and drug addiction, and fund evidence-based programs to reduce the number repeat offenders, including behavioral health supports.

FY21 Compensation Cost
(in thousands)

Branch	General Fund Share	General Fund Cost
Legislative	100%	$ 392.6
Judicial	94%	$ 6,758.4
Executive	48%	$ 15,389.0
Higher Education	70%	$ 24,727.9
Public Education	100%	$ 70,767.5

Source: LFC Files

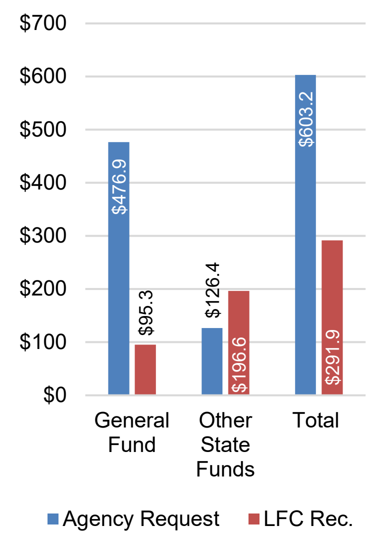
Compensation

Despite recent salary increases, the state struggles to recruit and retain workers. State salaries generally lag the wider labor market because the classified salary structure has only been adjusted four times in the last 11 years. Further, LFC analysis shows the compensation package offered by the state is heavily reliant on benefits, reducing take-home pay and competitiveness. Recognizing the need for increased salaries, the Legislature has appropriated funding for salary increases over the past several years.

For FY21, LFC recommends $22.5 million for a 3 percent state employee salary increase in addition to other salary increases built into agency budgets for select agencies, including NMCD and DPS. The recommendation also includes $95.5 million for 3 percent salary increases for higher and public education employees.

Pensions. New Mexico's pensions remain significantly underfunded despite recent reform efforts. Recognizing this, the Legislature passed benefit reductions for new hires covered by the Educational Retirement Board (ERB) in 2019. However, reform legislation for the Public Employees Retirement Association (PERA) failed to pass and the fund remains on a path toward insolvency. The Legislature will be challenged to pursue a reform package that neither benefits nor harms retirees or current or future workers disproportionately but improves pension sustainability. The LFC recommendation includes $150 million for one-time pension changes contingent on enactment of pension reform legislation.

FY20 Requests and Recommendations for Special, Supplemental, and Deficiency Appropriations
(in millions)



Source: LFC Files

Deficiency, Special, and Supplemental Appropriations

The LFC recommendations for special, supplemental, and deficiency appropriations total $291.9 million, of which $95.3 million is from the general fund. These appropriations include $20 million in special appropriations to the Higher Education Department for financial aid programs, $10 million in supplemental appropriations to the Human Services Department for litigation settlement with five behavioral health providers, $6 million in special appropriations to the Department of Finance and Administration for outreach efforts to achieve a statewide complete count in the 2020 Census, $5 million in special appropriations for instructional materials to the Public Education Department, and $3 million for election expenses to the Secretary of State.

Criteria used in building the LFC recommendation for special, supplemental, and deficiency appropriations included prioritizing the use of federal or other state funds where appropriate, consolidating multiple small requests serving the same purpose into unified recommendations, recommending requests that were for one-time expenses or pilots, not recommending requests for recurring costs, and determining whether projected costs were reasonable.

Fund Transfers. The LFC recommendation includes $410 million in fund transfers in FY20 and FY21 to help stabilize future revenues by setting aside funding in special or endowment funds that distribute stable recurring future revenue, address large future funding needs, or have the potential to create new revenue, such as public private partnerships. The recommended transfers include $325 million, contingent on enactment of legislation, to create an early childhood services endowment fund, $10 million for a college affordability endowment fund, and $5 million for the rural library endowment fund.

Capital Outlay and Infrastructure

Priority capital outlay requests from state agencies, higher education institutions, tribal schools, special schools, and local entities totaled $3.8 billion. Despite high oil and gas revenues, requests still outpace estimated severance tax bonding capacity of $362.3 million and general obligation bond capacity of $198.9 million.

The LFC capital outlay framework for consideration by the full Legislature includes almost $422 million of projects, including $142.2 million from severance tax bonds, $195.8 million from general obligation bonds, $25 million from nonrecurring general fund revenues, and $58.8 million from other state funds.

Major projects in the severance tax bond framework include $19 million for the General Services Department to address the most critical needs to preserve and restore state-owned facilities statewide, $18 million for critical infrastructure needs in NMCD prisons, $12 million for DOH facilities statewide to address public and patient safety, and $6 million to the Department of Cultural Affairs for the preservation and maintenance of museums and monuments statewide.

Using the general obligation bond framework, the committee recommends a total of $195.8 million,

Evidence- and Research-Based Requests Act

In 2019, Chapter 23 (Senate Bill 58) was enacted to amend the Government Accountability Act to formally bring more information on funding of programs with rigorous evidence of effectiveness into the state's performance-based budgeting process. LFC and the Department of Finance and Administration are required to designate agencies to collect and report on the different programs being implemented and to what degree those programs have evidence and research that they are effective. The legislation also provides consistent definition of evidence-based, research-based, and promising programs. For the FY21 budget process, LFC and DFA selected NMCD's Community Corrections Program, CYFD's children's Behavioral Health Services and Juvenile Justice Services programs, and HSD's Behavioral Health Services Program to submit inventories of evidence-based interventions, which effectively informed both agency requests and committee recommendations. The Juvenile Justice Services Program, long a state leader in using evidence to inform program decisions, confirmed most of its program budget is dedicated to evidence-based interventions that improve public safety and reduce incarceration. Other agencies requested new or expansion funding for many evidence-based behavioral health and criminal justice interventions in line with committee priorities. LFC recommended almost $13.6 million in additional funding for HSD and CYFD evidence-based and research informed intervention requests. The LFC recommendation includes continued and expanded funding in the hundreds of millions for evidenced-based and research informed programs to improve outcomes for New Mexicans, including home-visiting services for new parents, prekindergarten, expanded learning and early literacy programs in schools, community-based health and behavioral health services, and public safety interventions.

including $153.3 million for 39 projects at higher education institutions statewide. Higher education projects include $30 million for the University of New Mexico Health Sciences Center for a new College of Nursing and Population Health building, $18.8 million for phase two of a new agricultural center at New Mexico State University, and $13 million for a new student services building at Central New Mexico Community College. The framework also recommends $33 million of general obligation bonds for senior center projects statewide and $9.5 million for libraries.

Over $1.6 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 $220 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 13 percent and flat federal funds. The LFC recommendation provides a $2.8 million increase compared with the FY20 operating budget for personnel, largely to support the transition of port-of-entry facility staff from contract to state employees. The LFC recommendation redirected vacancy savings to support road construction and maintenance activities.

In addition to the recurring operating budget, the LFC recommendation for fund transfers includes nonrecurring road funding of $325 million, composed of $275 million for state roads and $50 million for local roads.

Information Technology. The LFC recommendation for IT funding totals $110.2 million for 31 projects. Funding sources include $57.1 million from general fund revenues, $5 million from other state funds, and $48.1 million in federal funds. The recommendation includes $4.1 million from the general fund for HSD to continue the replacement of its Medicaid management information system and $4 million to CYFD to continue 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

For more info:

General Fund Consensus Revenue Estimate
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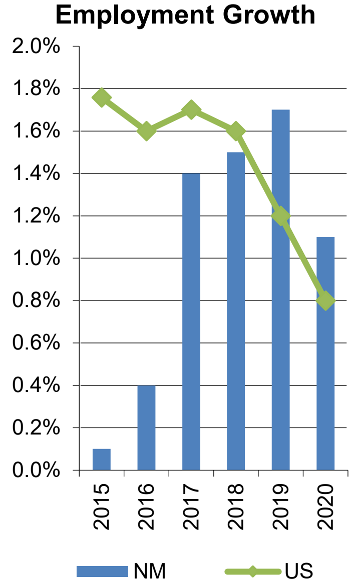
December 2019 Consensus Revenue Forecast
(in billions)

Source: LFC Files

NM vs. U.S. Employment Growth



Source: Global Insight Nov. 2018
BBER Oct. 2018

Unprecedented growth in oil and gas production drove recurring revenues to end FY19 at over $8 billion, up 17.5 percent from the prior year. Nearly 70 percent of the revenue growth from FY18 to FY19 was a result of oil and gas activity through severance taxes, royalty and bonus payments for production on state and federal lands, and gross receipts taxes on associated activity. Fiscal year 2019 ended with $1.8 billion in general fund reserves, or about 29 percent of recurring appropriations. "New money" – defined as projected recurring revenues for the following fiscal year less current year recurring appropriations – is estimated at $797 million for FY21, or 11 percent growth from the FY20 recurring budget level.

In the 2019 legislative session, lawmakers used the historic energy revenue surplus to fund $1.2 billion in a variety of capital outlay and infrastructure projects, build general fund reserves, and backfill other state funds. Going into the 2020 legislative session, lawmakers will have another opportunity to use nonrecurring surpluses to support and enhance the state's overall fiscal health.

Economic Forecast

U.S. Economy

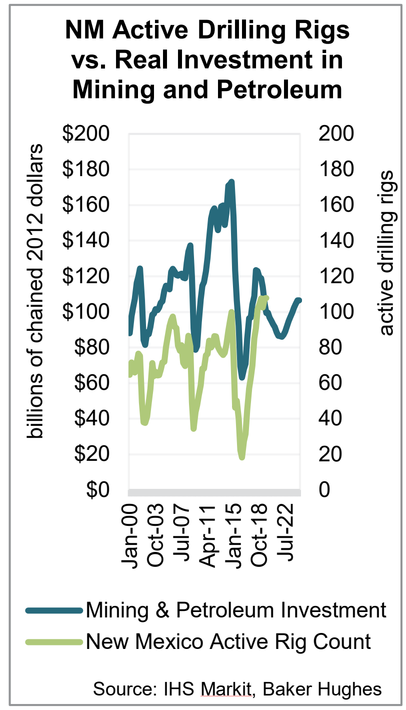
National economic growth continued at a moderate pace, with U.S. gross domestic product (GDP) growing 2.6 percent in FY19. Despite strong employment and income gains, favorable monetary policy, and high levels of consumer confidence, IHS Markit – a national macroeconmic forecasting service – projects a slowdown in the U.S. economy, estimating 2 percent GDP growth in FY20 and eventually falling to 1.5 percent by FY23. A number of factors, including slowed growth in the global economy, decelerating stock markets, fading stimulus of tax cuts and spending increases, tariffs and the U.S.-China trade war, slowing inventory accumulation, and labor capacity constraints, continue to affect the U.S. macroeconomic outlook.

New Mexico Economy

The Bureau of Economic Analysis estimates New Mexico's gross state product grew 4.6 percent in the first quarter of 2019. The University of New Mexico Bureau of Business and Economic Research (BBER) reports nearly three-quarters of the increase was due to gains in the mining sector. New Mexico's seasonally adjusted unemployment rate was 4.8 percent in October 2019, down from 4.9 percent in September 2019 and from 5 percent in October 2018. Much of the state's recent job growth is driven by oil- and gas-related employment. In October, BBER reported the state added 11 thousand jobs in the first quarter of 2019 from the same quarter a year ago, nearly half of which were in Eddy and Lea counties, despite those counties only representing 7 percent of the labor force.

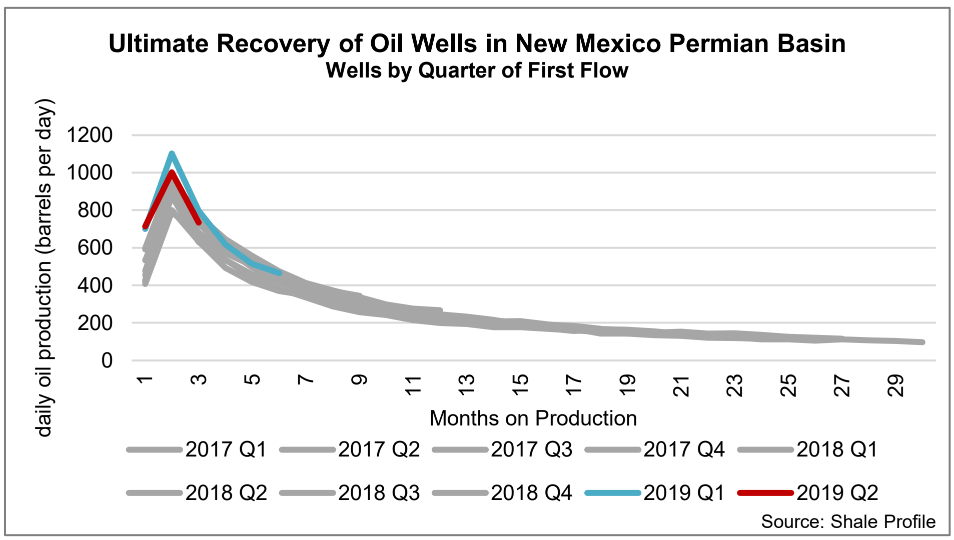
For FY20, BBER expects employment to grow 1.7 percent, driven by recent but slowing gains in the oil and gas sector. Long-term employment growth is expected to be driven by state and local government spending, with the outlook dependent on sustained growth in public education and construction-heavy capital projects.

While BBER projects total wages and salaries in New Mexico to grow 5.8 percent in FY20 and 4.8 percent in FY21, forecasts from Moody's Analytics – another macroeconomic forecasting service – are less optimistic, projecting 5.2 percent growth in total wages and salaries in FY20 and just 2.1 percent growth in FY21. The diverging outlooks demonstrate uncertainty in the state's economic forecast.



Energy Markets

Increased drilling activity and rising productivity of new wells pushed New Mexico to produce 300 million barrels of oil in FY19, a 47 percent increase over FY18, and the state is on track to produce 350 million barrels of oil in FY20. However, in the face of stock prices declines, oil companies are focusing on shareholder returns over investment in drilling new wells. Active drilling rigs in New Mexico peaked at 113 rigs in October and dropped to 103 rigs by December. With investment in drilling expected to decline over the next few years, New Mexico's drilling rig counts may continue to decline. Additionally, new data shows oil well productivity in the second quarter of 2019 below that of the previous quarter, indicating a potential slowdown in well productivity gains.

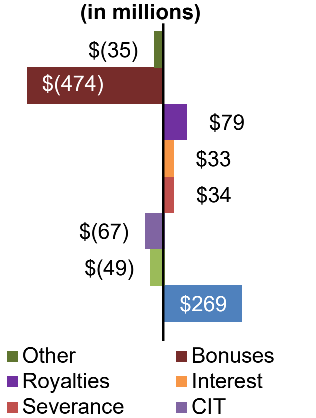


With investments and efficiency gains in oil production expected to slow over the forecast period, the December consensus forecast revised the estimate for FY21 oil production to 360 million barrels, down from the 400 million barrels projected in August. Oil production in FY22 is projected to reach 365 million barrels.

The state's average oil price for FY19 was $51.51 per barrel (bbl). The West Texas Intermediate (WTI) oil price averaged $60.86/bbl for the same period, resulting in an average oil price differential of about $9/bbl for the year, a result of pipeline capacity constraints that were most problematic at the end of 2019. With additional oil pipeline capacity now online, the differential has returned to historical norms of about $3/bbl.

New Mexico produced 1,692 billion cubic feet of natural gas in FY19, an almost 19 percent increase over FY18; however, TRD's GenTax data shows taxable volumes of natural gas were just 1,562 billion cubic feet in FY19. Natural gas production is expected to grow commensurately with oil due to increases in the production of associated gas alongside oil in southeastern wells; however, the forecast assumes natural gas pipeline capacity constraints continue to depress prices and constrain taxable volumes.

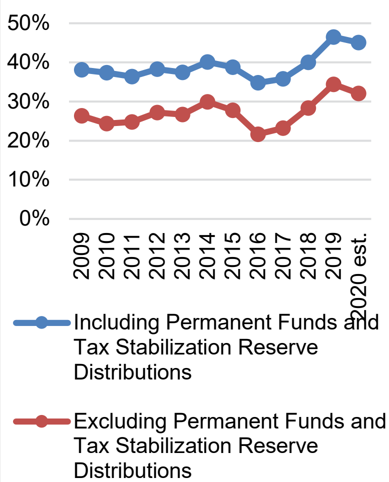
FY20 Recurring Revenue Changes by Income Source
(in millions)



Note: Severance tax amounts include general fund revenue and school tax distributions to the tax stabilization reserve in excess of the five-year average.

Source: Dec 2019 Consensus Revenue Estimate

Percent of Total General Fund Revenues Dependent on the Oil and Gas Industry



Source: LFC Analysis based on December 2019 Consensus Revenue Estimate

While the Henry Hub natural gas price in the first quarter of FY20 was $2.47 per thousand cubic feet (mcf), New Mexico's natural gas price was $1.98/mcf. However, after accounting for transportation and processing deductions, the net natural gas price – which is based on the taxable value of the product and best represents the final price producers receive – in the first quarter was just $1.15/mcf. The consensus forecast incorporates expectations for increased deduction amounts and significant natural gas price differentials.

Revenue Forecast

General fund recurring revenues ended FY19 at $8 billion, up $1.2 billion, or 17.5 percent, from FY18. However, without considering energy revenues from severance taxes and federal mineral leasing payments, FY19 recurring revenues were up 11.8 percent from FY18.

Recurring revenues for FY20 are estimated at $7.78 billion, a decline of $233 million, or 2.9 percent, from FY19. The decline is due to lower projected bonus payments for federal land lease sales and new personal income tax deductions as part of 2019 legislation. Revenues in FY20 are projected to exceed current expenditures by $286.6 million.

Ending reserve balances for FY19 were $1.83 billion, or 28.9 percent of recurring appropriations. Prior to any additional spending, ending balances are projected to reach $2.4 billion in FY20, or 34 percent of recurring appropriations.

The total recurring revenue estimate of $7.78 billion in FY20 and the estimated $797 million available in new money for FY21 are heavily dependent on the oil price and volume expectations in the forecast. Nearly 70 percent of the revenue growth from FY18 to FY19 is tied to the energy industry through severance taxes, rents and royalties, and gross receipts taxes. Of the revenues that are growing in FY20, about 60 percent are tied to oil and gas production and drilling activity.

Growth in oil and natural gas production and related revenue is increasing the general fund's dependence on the oil and gas industry. Gross receipts taxes (GRT), the largest source of general fund revenue, is increasingly tied to oil production. Eddy and Lea counties, along with out-of-state receipts, accounted for nearly all GRT growth in FY19, and these areas account for about half of all GRT growth in the first quarter of FY20.

Revenues from bonus payments, rents, and royalties were nearly $1.3 billion in FY19, an 89 percent increase over the prior year. However, revenue from bonuses for state and federal land sales is expected to decline in FY20, and this expected drop is responsible for the majority of the FY20 total recurring revenue decrease from FY19.

Severance taxes are expected to grow $34 million to $641 million in FY20, with $206 million flowing into the state's tax stabilization reserve. Oil and gas school tax revenue in excess of the five-year average is distributed to this reserve fund, reducing negative effects of severance tax revenue volatility to the general fund.

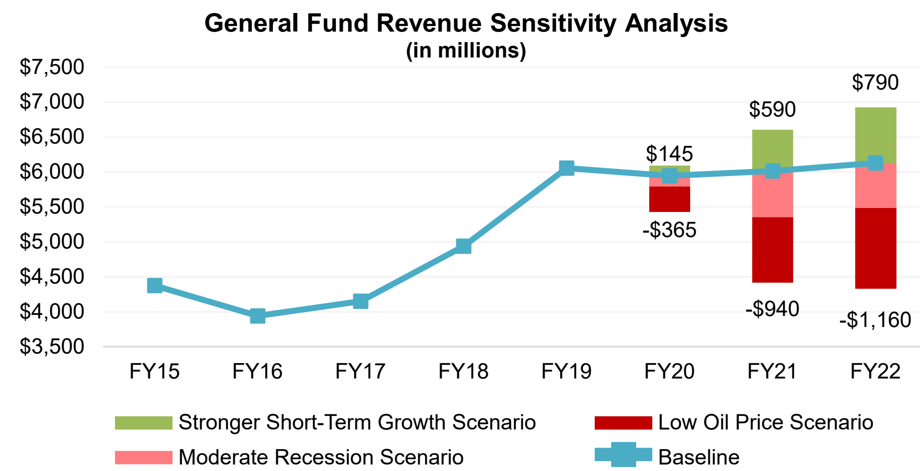
Strong growth in total wages and salaries combined with the effects of federal tax reform caused personal income tax (PIT) revenue to grow $153.1 million or 10 percent in FY19. However, PIT revenue is expected to decline by $48.7 million in

FY20 due to Chapter 270 (Laws 2019, House Bill 6), which increased the working families tax credit and dependent deduction. The forecast also assumes the new 5.9 percent tax bracket created for high-income earners as part of Chapter 270 becomes effective in FY21 – the rate is currently contingent on FY20 recurring revenues exceeding FY19 recurring revenues by not more than 5 percent. To put this in perspective, FY20 revenues would need to exceed $8.4 billion for the new tax bracket to not come into effect.

Stress-Testing the Revenue Forecast

The December 2019 consensus revenue estimates included a sensitivity analysis of select general fund revenues – including severance taxes, federal mineral leasing payments, personal income taxes, and gross receipts taxes – to three scenarios from Moody's Analytics: (1) low oil price and low production, (2) moderate recession, and (3) stronger near-term economic growth.

Notably, the low oil price scenario had a more significant effect on general fund revenues than the moderate recession scenario.



Analysis includes revenue from severance taxes (including any tax stabilization reserve distributions), federal mineral leasing payments, personal income taxes, and gross receipts taxes.

Source: December 2019 Consensus Revenue Estimate

Risks to the Forecast

Energy Volatility. New Mexico's dependence on the energy sector makes oil market volatility one of the most significant risks to the forecast. While growth in the industry is expected to slow, this forecast projects continued increases in oil and natural gas production, deepening the state's reliance on this volatile industry and causing above-trend revenue spikes that may be unsustainable in the long-run. Current revenue estimates are highly dependent on current oil prices, continued production growth, and elevated rig counts. If this changes, general fund revenues could drop substantially. Stress testing of the consensus estimates shows a sharp decline in oil prices and production could cause FY21 and FY22 revenues to come in about $2.1 billion below the current revenue estimate.

Recession. Macroeconomic forecasts used to produce the consensus revenue estimate assume less than a 50 percent chance of a recession in any given year; therefore, the baseline consensus forecast does not include this risk. However, external forecasting agencies have signaled concern for a recession occurring as soon as 2020. Among the most often cited reasons the economy might shrink are slowing growth abroad that could worsen, particularly in Europe and China, a worse outcome for Brexit than is expected, escalation in tariff disputes, worsening global economic confidence, tightening employment conditions, and domestic policy choices.

Stress-testing of the revenue forecast shows a moderate recession scenario could cause FY21 and FY22 revenues to come in $1.3 billion lower than the current baseline forecast. Because predicting the timing or severity of a recession is not possible, the state's protection against this risk is to maintain high reserve levels, backfill funds, and restrain recurring budget growth to long-term trends.

For more info:

General Fund Financial Summary
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Film Tax Credits. Based on analysis from Economic Development Department (EDD), total film tax credits are projected to reach $117 million in FY21 and $165 million by FY23. Changes to the credit in the 2019 session exempted production companies ("film partners") that purchase or sign a qualified 10-year lease from all credit caps. If EDD is able to attract new film partners, film credit claims could continue to grow beyond the caps at potentially rapid rates, depending on the size of the production commitments made by new partners.

Tax Protests and Litigation. Tax abatement and refund claim protests are also a downside risk to the forecast, although currently available protest data is insufficient to estimate the value or timing of risk, Protests decided in favor of the taxpayer could result in large general fund losses. Additionally, several local governments filed suit against TRD, claiming the agency incorrectly withheld portions of GRT distributions over several years. If this lawsuit is decided in favor of the local governments, it could have a negative impact on state revenues.

For years, tax policy debates centered on tax reform, particularly of the state's gross receipts tax (GRT). In the 2019 legislative session, lawmakers took steps to address many of the issues in this debate, including broadening the GRT base to better capture growth in the healthcare and online retail industries and leveling the playing field for hospitals and remote sellers. However, outstanding issues of rising GRT rates and a growing number of tax expenditures remain. Additionally, the state's strong reliance on the oil and gas industry creates a volatile tax structure in which revenues boom and bust along with the energy sector. Revenue swings in either direction confound efforts to balance the budget, making it important for policymakers to adopt practices that smooth state finances over shifts in the energy sector and the business cycle.

For more info:

Taxation and Revenue Department Performance Page 156

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.

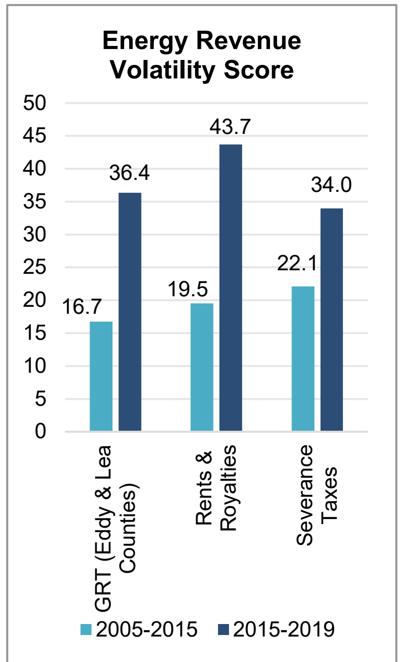
Revenue Volatility and Above-Trend Growth

The volatility of New Mexico's revenues from the extractive industry has grown in the last five years due to the dramatic price changes in 2015-2016 and soaring oil and gas production in 2018-2019. Revenue volatility – fluctuations in the amount of money a state takes in from year to year – depends on (1) how dramatically each tax stream changes from one year to the next and (2) how heavily a state relies on each revenue source. In general, revenues based on natural resource extraction are highly volatile, because changes in commodity prices and production can significantly increase or reduce amounts received.

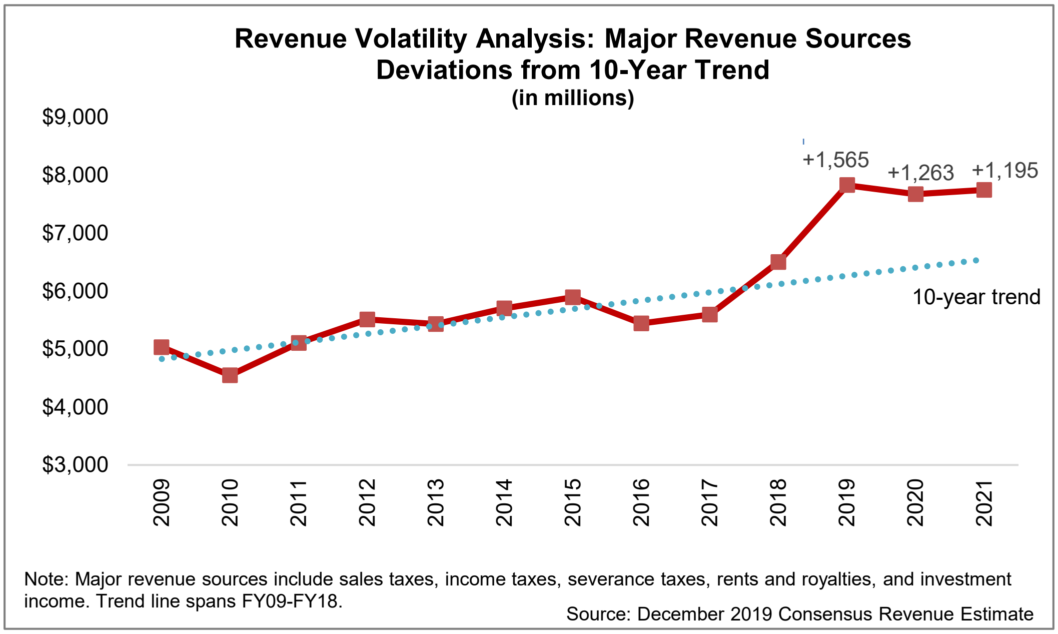
Volatility scores – a mathematical representation of volatility based on how much a revenue source's annual percent change varies from the mean – for some of the state's largest general fund revenue streams have increased substantially in the last five years. Gross receipts tax (GRT) revenue volatility is up largely due to receipts from Eddy and Lea counties, both highly dependent on oil and gas drilling activity. Unstable prices and rising production are also driving up variability in already volatile revenue streams, like federal royalty payments and severance taxes.

Consequently, New Mexico's growing dependence on revenues from the extractives industry – which reached 36 percent of general fund revenue in FY19, up from the prior 10-year average of 26 percent – is at the core of the state's fiscal stability problem.

The state's current revenue picture is also significantly above trend. Heightened oil and gas production recently caused general fund revenues to grow 15.8 percent in FY18 and another 16.2 percent in FY19. Consequently, revenue collections in FY19 were nearly $1.6 billion above the preceding 10-year trend, and revenue projections for FY20 and FY21 are more than $1 billion above trend.



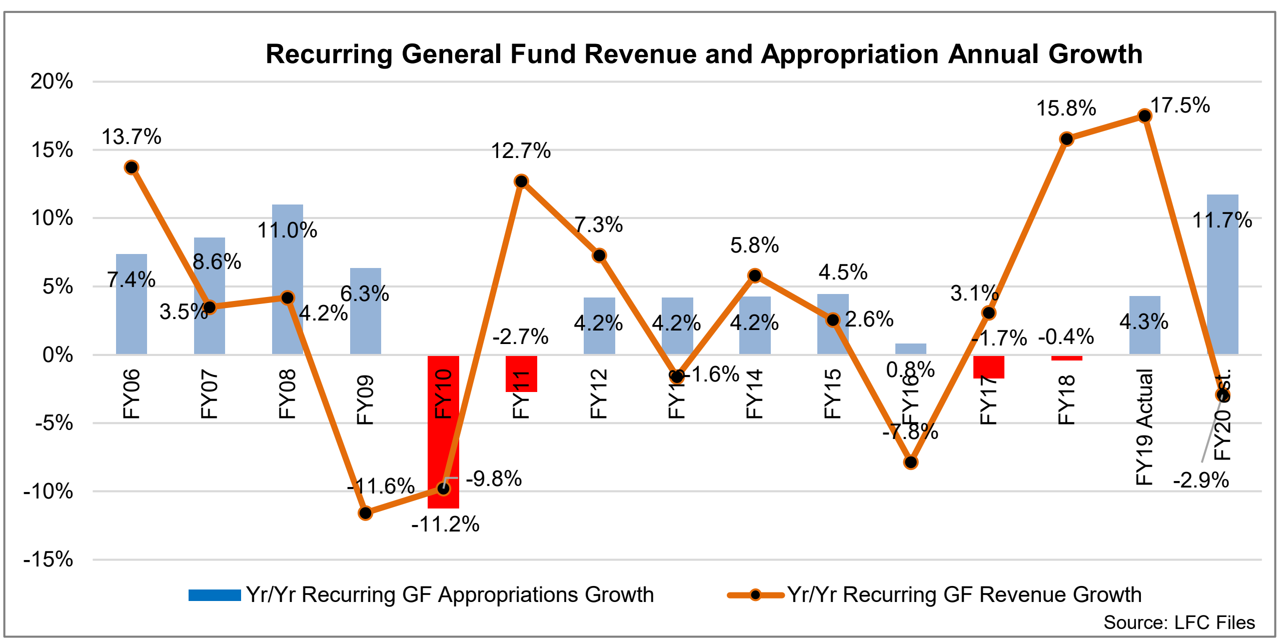
Source: LFC analysis



Revenues significantly above trend might not be sustainable over time. The last time the state saw strong above-trend revenues was in the years preceding the Great Recession. Revenues from FY06 to FY08 were more than $750 million above trend but revenues in the following years fell significantly below trend by about $820 million in FY10 and $465 million in FY11. Unfortunately, recurring budgets incorporated a significant portion of the short spike in revenues, and to maintain solvency during the downturn the state was forced to slash general fund budgets in FY10 and FY11. The parallel of the state's current revenue situation to the state's historical experiences suggests policymakers proceed with caution when allocating the current revenue surge to recurring expenditures.

Managing Volatility

Policymakers can use trend analyses and stress tests to manage long-term revenue fluctuations, avoid committing short-term gains to long-term obligations, and



assure adequate and justifiable resources in reserve. For example, the trend analysis suggests the current revenue spike will end, and stress testing the December 2019 consensus revenue forecast showed New Mexico would need at least $2.1 billion in reserves to withstand two years of an energy sector downturn. Maintaining adequate reserves is one of the primary ways for states to protect against revenue shortfalls and avoid other painful measures to balance the budget, like spending cuts or tax increases.

The Legislature took steps in the 2017 session to both manage volatility and build reserves by providing for excess general fund severance tax revenue above the five-year average to be deposited into the tax stabilization reserve – the state's "rainy day fund." This measure helps reduce the general fund's dependence on severance tax revenue, capture windfalls from the oil and gas industry, and provide a specific source of revenue to the rainy day fund.

Stabilize Oil and Gas Royalty Revenues. More can be done to reduce general fund revenue volatility, particularly with federal royalty payments, the volatility of which has increased the most in the last five years. Distributing above-trend federal mineral leasing (FML) payments – which includes royalties for production on federal land and bonuses for federal land lease sales – to an interest-earning stabilization fund would help smooth federal royalty flows into the general fund. The state already engages in a similar practice for its state royalty revenues, which first flow to the land grant permanent fund, from which the general fund then receives distributions based on the five-year average value of the permanent fund. Permanent fund distributions are one of the most stable and predictable revenue streams to the general fund.

Trends in New Mexico Taxation

For years, issues of rising GRT rates and a narrowing tax base sparked tax reform debates. In the 2019 legislative session, lawmakers took action to address some of the most pressing concerns, but several issues remain outstanding.

Major 2019 Tax Legislation

An omnibus tax package passed in 2019 – Chapter 270 (House Bill 6) – makes several key changes to the gross receipts tax, personal and corporate income taxes, motor vehicles excise tax, and tobacco taxes. Other key legislation passed in the recent session make significant changes to the film tax credit, making it now one of the state's largest tax expenditures second only to the food deduction from the GRT.

Internet Tax Reform. Chapter 270 allows the state to begin broadly taxing Internet sales in FY20. Previously untaxed Internet sales were eroding New Mexico's retail sales tax base and reducing general fund revenues by tens of millions of dollars annually. The U.S. Supreme Court's *Wayfair* decision gave states permission to tax out-of-state sellers with no physical presence in the state; however, New Mexico needed to make statutory changes to take full advantage of the ruling. Chapter 270 levels the playing field for local businesses by requiring all remote sellers with more than $100 thousand in sales in New Mexico to collect and pay GRT, including third-party platform sellers like Amazon's marketplace and E-Bay.

LFC Online: Understanding Government Finances

Finance Facts: Oil and Natural Gas Revenue

Options for Enhancing Fiscal Stability

Maintain adequate reserves: use stress testing and trend analysis to set reserve targets

Distribute volatile revenues to a stabilization fund: send excess oil and gas revenue (e.g. federal mineral leasing payments) to a fund from which more stable distributions can be made to the general fund

Create a decision tree for using above-trend revenues: establish a consistent method for treatment of surpluses

Identify priorities for one-time funding: avoid unsustainable commitments by using above-trend revenues for nonrecurring expenditures, such as

- Capital outlay and infrastructure projects
- Backfilling other state funds
- Making payments against public retirement systems' unfunded liability

Potential Reserve Targets
(in billions)

Low Oil Price Stress Test Scenario for FY21 and FY22	$2,100
Moderate Recession Scenario for FY21 and FY22	$1,305
3 Months Operating Expenses	$1,998

Revenue Effects of Chapter 270
(in millions)

Gross Receipts Tax	State	Local
Hospital Tax Reform	$93	$10
Remote Sales (state)	$43	n/a
Remote Sales (local sharing distribution)	($24)	$24
Remote Sales (local GRT increments)	n/a	$75
Compensating Tax Local Increments & Repeal Municipal Equivalent Distribution	$5	$37
Personal Income Tax	**State**	**Local**
Add Top Rate of 5.9%	$40	n/a
Increase Working Families Tax Credit	($37)	n/a
Create New Dependent Deduction	($26)	n/a
Reduce PIT deduction for capital gains to 40%	$10	n/a
Corporate Income Tax	**State**	**Local**
Combined Reporting	+	n/a
Excise Taxes	**State**	**Local**
Increase Motor Vehicle Excise Tax to 4%	$52**	
Tax E-Cigarettes/ E-Liquids	$1.5	n/a
Increase Cigarette Tax	$12.5	n/a

+ No revenue estimate for combined reporting was in the fiscal impact report but it is determined to likely be revenue positive.
** New revenue from the motor vehicle excise tax goes to Department of Transportation for the first two years, then split equally between state and local road funds. An additional $26 million of general fund motor vehicle excise tax revenue will be redirected to equal split between state and local road funds beginning in FY22.

Source: Chapter 270 Fiscal Impact Report

However, for local governments to benefit from taxing remote sales, the state needed to switch from GRT reporting based on the seller's location to reporting based on the buyer's location for tangible goods – a process called destination sourcing. Because this will be a significant shift in existing reporting mechanisms, Chapter 270 delayed the implementation of this measure to FY22, after which local governments will be able to apply their GRT increments to remote sales of tangible goods. Professional services were excepted from this provision and will continue to be reported from the seller's location.

Hospital Tax Reform. Over the last decade, the healthcare industry led New Mexico's job growth, but the array of exemptions, deductions, and credits left the industry largely untaxed. Chapter 270 addresses part of this issue by correcting a decades-old inequity wherein for-profit hospitals were taxed at the local level but nonprofit and government hospitals were largely tax exempt. Beginning in FY20, 40 percent of gross receipts from all hospitals will be subject to the state portion of the GRT and governmental GRT (GGRT), a tax on certain government transactions. Taxing nonprofit and government facilities along with for-profit hospitals at the state level was a key step in applying the tax in a more equitable manner. However, for-profit hospitals remain subject to local option GRT increments, making the effective tax rate for those hospitals higher than the effective rates for nonprofit and government hospitals.

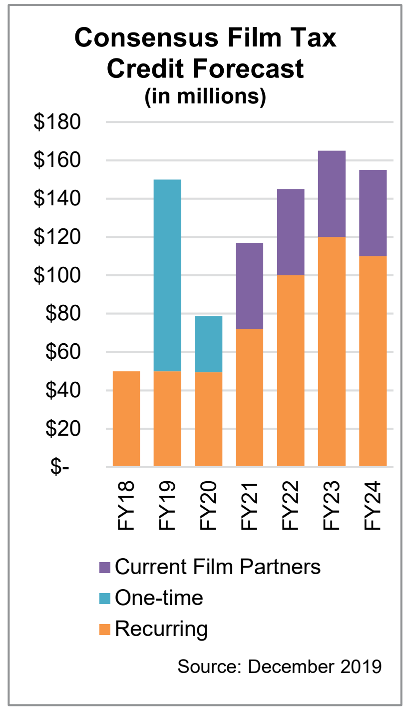
Hospital Tax Reform in Chapter 270

	Prior to FY20			Chapter 270 Changes		
	For-Profit	Nonprofit	Govern-ment	For-Profit	Nonprofit	Government
State 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	60% GRT	60% GRT	60% GGRT
Local Taxation	yes	no	no	yes	no	no

Personal Income Tax Changes. Key legislative changes to the personal income tax (PIT) in Chapter 270 were the creation of a new dependent deduction, the increase of the working families tax credit, and the addition of a new top tax rate and bracket. The new PIT deduction of $4,000 for every dependent beyond the first claimed by a taxpayer was designed to reduce the unintended increase in overall state PIT revenue attributed to the federal Tax Cut and Jobs Act (TCJA). The working families tax credit was raised from 10 percent to 15 percent of the federal earned income tax credit, which could also act as a way to reduce TCJA impacts.

Chapter 270 raises the new top PIT rate to 5.9 percent from the current 4.9 percent, effective in 2021 contingent on FY20 general fund revenues exceeding FY19 revenues by less than 5 percent. The consensus revenue forecast projects the contingency will be met and the new top tax rate will take effect beginning tax year 2021. The top rate is imposed on single filers and estates with taxable incomes over $210 thousand, on married filing jointly and head-of-household filers with taxable incomes over $315 thousand, and on married individuals filing separately with taxable incomes over $157.5 thousand.

Corporate Income Tax Changes. Tax changes in Chapter 270 includes a provision to move New Mexico to combined reporting for corporate entities, which treats a parent company and applicable subsidiaries as one corporation for state income tax purposes. Testimony by the Multistate Tax Commission to an interim committee stated this was one of the most important steps New Mexico could take to update and reform its tax code. The primary purpose of this legislation is to protect state revenues against income-shifting, in which large multistate corporations could move profits out of the states in which they are earned and into states in which they will be taxed at lower rates – or not at all. Additionally, Chapter 270 institutes market-based sourcing, updating the tax code to assess corporate income tax based on sourcing services and intangibles to New Mexico if delivered to a customer in the state or used in the state.



Taxing Electronic Cigarette and E-Liquids. Electronic nicotine delivery systems, also known as electronic cigarettes or e-cigarettes, are a relatively new product in the U.S. market, and states have only recently begun taxing e-cigarette products. For years, the increasing market share of untaxed e-cigarettes eroded the consumption base for tobacco taxes. To combat this issue, provisions in Chapter 270 apply a 12.5 percent excise tax on e-liquids and a 50 cent tax on closed system cartridges, making New Mexico the 13th state to tax these products.

Motor Vehicle Excise. New Mexico's motor vehicle excise taxes (MVEX) are less than half the rates in many locations in Arizona, Colorado, and Texas. New Mexico's rate was 3 percent, while rates in surrounding areas are as high as about 8 percent after adding local rate increments. Chapter 270 increases the MVEX rate to 4 percent, a step toward parity, but left the rate at little more than half the effective GRT rate across most of New Mexico.

The new law dedicates the new revenue from the rate increase to building and maintaining road infrastructure. For FY20 and FY21, new revenue from the increase will be sent to the Department of Transportation to address emergency road conditions related to oil field activity in State Transportation Commission District 2. Beginning in FY22, about 22 percent of all MVEX revenue will be distributed to the state road fund and nearly 19 percent will go to the local government road fund. The remainder will continue to flow to the general fund.

Film Credit. By the end of FY18, accrued film credit claims (both those approved and those filed but not yet approved) were estimated to total about $180 million above the amounts paid in that fiscal year. With a $50 million annual cap, this created a backlog expected to span more than three years. To address the issue, Chapter 87 (Laws 2019,

Tax Audit and Compliance Issue

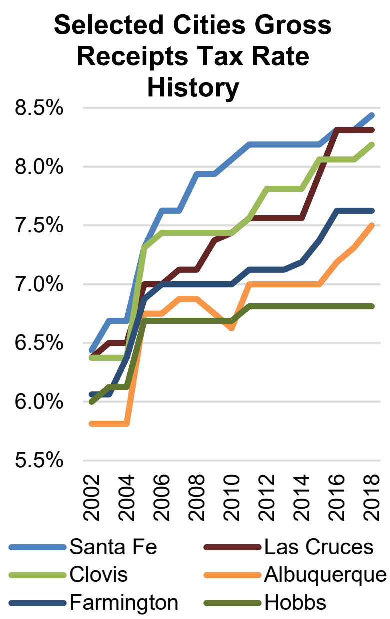
Oil and Gas Industry Compliance. During an interim LFC hearing, members raised concerns about whether out-of-state vendors in the oil and gas industry are properly reporting personal income tax liabilities and requested the Taxation and Revenue Department (TRD) review and identify any potential tax gap in this area. Analysis by TRD found only 65 percent of out-of-state companies reported employees and 56 percent reported workers compensation, indicating a potential gap in reporting. Of those out-of-state companies reporting employees, 99 percent of employees filed PIT returns, which suggests compliance could be enhanced through outreach efforts to inform out-of-state companies and employees of PIT liabilities. In the last year, TRD's Audit and Compliance Division (ACD) moved the Oil and Gas Severance Audit unit to the same bureau that performs audits for the combined reporting system, corporate and personal income taxes, and withholding, which the department believes will enhance compliance and improve operational efficiency. The department agreed to provide an updated analysis of out-of-state oil and gas companies' compliance next year and reevaluate the effectiveness of its efforts.

Workers Compensation. The state collects a fee for each employee for a fund that pays worker's compensation claims. In 2018, the Worker's Compensation Administration began questioning the amount of worker's compensation revenue received from TRD, because the amount was much lower than expected given the rise in New Mexico's employment levels. Despite the rise in employment, workers compensation revenues declined. In its subsequent review, TRD identified and remediated several processing issues believed to be contributing to the problem. However, distributions remain below expectations, with the estimated under-collection to be between $1 million and $2 million. Both agencies are engaging in ongoing efforts to improve compliance with the workers compensation program.

Fuel Taxes

The last increase in the state gasoline tax occurred in 1993, when the tax was raised from 16 cents to 22 cents per gallon. It has since been reduced twice to the current rate of 17 cents per gallon. The special fuels tax rate was last increased in 2003, when it was raised from 18 cents per gallon to its present rate of 21 cents per gallon. New Mexico fuel taxes are lower than in surrounding states and lower than the national average.

Because the tax is not indexed to inflation, relatively constant levels of fuel purchases and increases in vehicle fuel efficiency have contributed to an erosion of the purchasing power of fuel tax revenue. The major benefactor of fuel taxes is the state road fund, but local governments also receive a portion of the revenue. The reduced purchasing power of fuel taxes constrains the ability of state and local governments to build and maintain their road infrastructures.



Source: New Mexico Tax Research

Senate Bill 2) authorizes one-time spending to pay off the backlog and raises the annual film credit cap.

Provisions of Chapter 87 allows for payment of $100 million in backlog claims in FY19 and up to $125 million in backlog claims in FY20. While the FY19 payout was made, updated analysis of current claims from the Economic Development Department indicates the FY20 payout will not be necessary. The new law also increases the annual cash payout cap from $50 million to $110 million and implements another $100 million cap on liabilities in excess of the cash cap. However, production companies identified as "film partners" – companies that purchase or sign a 10-year lease for a qualified production facility – are exempted from the caps. This exemption to the caps increases uncertainty in the general fund revenue forecast, because credits are difficult to predict and could grow rapidly with increased film production or new film partners. The current recurring cost of credits to film partners is estimated at $45 million annually.

While the changes to the film tax credit addresses the backlog issue, the credit itself and exemptions to the caps reduce fiscal stability due to the credit's unpredictable nature and requirement to pay regardless of the state's financial condition. Film tax credit claims paid in a given year can be the result of up to three years of prior activity and are subject to irregular productions and scheduling, making future year claims volatile and difficult to predict. Furthermore, unlike other recurring spending that is difficult but possible to cut in the event of a downturn, film tax credits could not be cut in a current fiscal year to meet balanced budget requirements because of the legal obligation to provide the promised credits for approved activity.

Outstanding Tax Policy Issues

While 2019 legislation took significant policy steps toward reforming the state's tax code, several outstanding issues remain. Various tax credits, deductions, and exemptions – tax expenditures – have narrowed the tax base, leading to the need for higher rates to maintain equivalent revenue levels. 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 rising rates exacerbates the effects 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.

Additionally, the state's strong reliance on the oil and gas industry creates a highly volatile tax structure in which revenues boom and bust along with the energy sector. A tax reform package that broadens the GRT base and lowers rates would help stabilize this revenue and alleviate burdens on taxpayers created by the high rates. However, given the significant tax changes enacted in the 2019 legislative session, the state may need time to digest these changes before addressing outstanding issues in the state's tax structure.

Address Rising GRT Rates, Repeal Tax Expenditures, and Close Loopholes. The state GRT rate was increased 1/8 percent to 5.125 percent to maintain revenues in the wake of the Great Recession. Combined with increases in local options, the GRT rate is over 8 percent in some municipalities. With the passage of Chapter 274 (Laws 2019, House Bill 479), which de-earmarked local option GRT increments, rates could rise even higher because counties and municipalities will have greater access to unrestricted local increments. The unrestricted allowable municipal GRT rate is now 2.5 percent, and the unrestricted county GRT rate is now 1.25 percent. Additional GRT increments are still allowed on top of the unrestricted rates, such as the municipal regional spaceport GRT.

Tax reform discussions in prior years focused on broadening the tax base and using the additional revenue to lower GRT rates. Significant base-broadening efforts included hospital tax reform and Internet tax reform; however, the 2019 legislative session effectively used positive revenues from these efforts to increase the film tax credit without lowering GRT rates. This leaves few other large tax expenditures that could be repealed to generate revenues large enough to meaningfully reduce the GRT rate. Repealing the state's largest tax expenditure – the food deduction and associated hold harmless payments to local governments – would generate significant revenues and result in the greatest improvement in revenue stability for local governments. However, efforts to add food back into the GRT base proved challenging in prior sessions. Other large tax expenditures – including the capital gains deduction from income tax, exemption of receipts from and sales to nonprofit organizations, prescription drug deduction from GRT, and the medical insurance pool credit for health insurers – also face challenges for repeal.

Local Government Revenue

While local governments have a number of locally imposed revenue sources – including property tax, local option gross receipts tax, and other taxes and fees – they also rely on revenues from the state. The state distributes tax revenue to local governments, both directly and through dedicated funds, and offers grants and loans for a range of uses.

In addition to GRT levied by local governments, municipalities receive a share of state GRT. Of the 5.125 percent GRT rate imposed by the state, municipalities receive approximately a quarter of revenues, or 1.225 percent. In FY19, this distribution totaled $484.3 million. Municipalities with oil and gas activity have seen gains from state GRT sharing as that sector has grown. Municipalities also receive a municipal equivalent distribution – $4.9 million in FY19 – in lieu of imposing a compensating tax.

To offset local revenue losses from GRT deductions for food and medical services, local governments receive "hold harmless" payments from the state, totaling $120.4 million in FY19. Payments are declining because of legislation that implemented a phase-out schedule beginning in FY16, with full phase-out by FY30. However, the phase-out in recent years was partially offset by adjustments for food and medical inflation, and municipalities with populations under 10 thousand and counties with populations under 48 thousand are exempted from the phase-out.

Local governments also have access to a number of state funds for dedicated purposes. The fire protection fund, local government road fund, and the DWI grant fund represent some of the largest distributions to local governments.

For water system and other infrastructure upgrades, as well as public buildings, local governments can take advantage of the New Mexico Finance Authority's (NMFA) Public Projects Revolving Fund (PPRF). Seventy-five percent of governmental GRT receipts – receipts from the sale of water, sewage and refuse services, and several other types of services – is pledged to NMFA for PPRF projects, totaling approximately $31 million annually.

State GRT to Local Governments

(in millions)

Year	Municipal Share of State GRT	Municipal Equiv. Distribution*	Hold Harmless**
FY15	$ 446.4	$ 6.5	$ 139.1
FY16	$ 419.6	$ 3.2	$ 154.1
FY17	$ 427.0	$ 3.5	$ 122.7
FY18	$ 462.8	$ 4.0	$ 123.8
FY19	$ 484.3	$ 4.9	$ 120.4

*Will be phased out in FY22
**Will be phased out in FY30

Source: LFC Files

Local governments receive state funding for capital outlay projects, which totaled approximately $925 million for FY20. At the end of FY19, local governments had almost 2,500 active capital projects, with $543.2 million in outstanding funding.

Local governments receive state funding for capital outlay projects, which totaled approximately $925 million for FY20. At the end of FY19, local governments had almost 2,500 active capital projects, with $543.2 million in outstanding funding.

Local governments also draw on fund balances to pay for governmental activities. Local general fund balances as a share of general fund revenues vary widely. Cities in the southern and eastern part of the state have largely seen increases in their fund balances as a share of revenues. In FY18, Hobbs had a general fund balance of $67.9 million, or 105 percent of its general fund revenues, while Carlsbad had a balance of $33.3 million, or 63 percent of revenues. Roswell had a fund balance of $39.1 million, or 61 percent of revenues. Albuquerque, Rio Rancho, Santa Fe, and Farmington have all seen decreases, both in total fund balance amounts and in balances as a share of revenues. Across the state's 10 largest cities, total general fund balances were $1.03 billion in FY18.

Multiple provisions passed in the 2019 legislative session will positively affect local governments' revenues. Chapter 274 (Laws 2019, House Bill 479) de-earmarked local governments' GRT increments, increasing their ability to raise revenue and adding flexibility to their budgets. Additionally, provisions of Chapter 270 (Laws 2019, House Bill 6) shares $24 million of state revenue from taxation of Internet sales with local governments until FY22 when local GRT increments will be applied to remote sales, estimated to generate about $75 million in revenue to local governments. Other Chapter 270 provisions benefitting local governments include the application of local increments to the compensating tax ($42 million in estimated local government revenue less $5 million for the repeal of the municipal equivalent distribution), hospital tax reform ($10 million in estimated revenue to local governments), and new distributions from the motor vehicle excise tax to local government road funds.

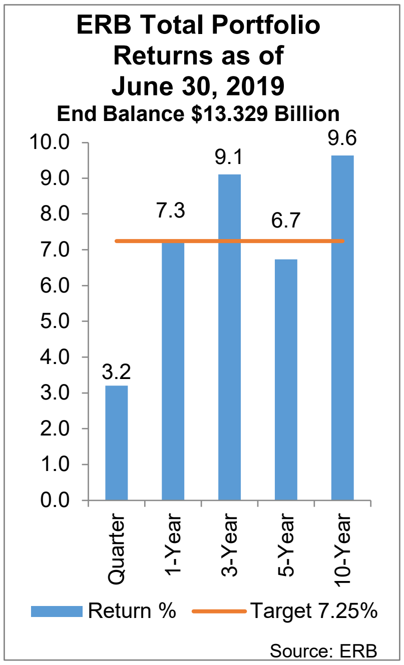
Selected State Fund Distributions to Local Governments

FY19

Fund	Intended Use	Distributed to	Distribution
Fire Protection*	Fire department operations	Counties	$32.8 million
		Cities	$23.0 million
Local Government Roads	Construction and maintenance of roads and transit	Counties & cities	$25.5 million
Local DWI Grant	DWI prevention and treatment	Counties	$17.8 million
Small Cities Assistance	Cities with populations of <10,000	Cities	$15.2 million
Small Counties Assistance	Counties with populations of <48,000	Counties	$7.0 million
Law Enforcement Protection	Police equipment and training	Counties	$1.4 million
		Cities	$3.2 million
County Detention	Housing of offenders in county jails	Counties	$2.4 million

*Projected distribution for FY20 Source: DFA Local Government Division, TRD

Investments



Despite a decline in global equities in the last quarter of 2018, fears of a global slowdown, and trade uncertainties, the state's investment funds posted stable returns in FY19, ranging from 5.37 percent to 7.29 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 $2.026 billion in FY19.

At the start of FY20, the United States entered into the longest recorded economic expansion in U.S. history. As the expansion continues, investors 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.

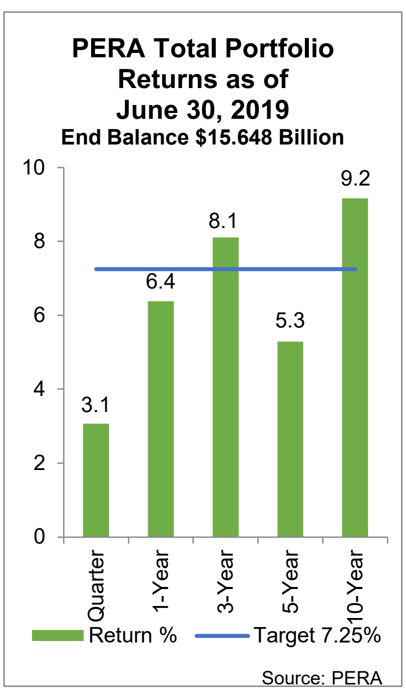
Performance Overview

In FY19, the aggregate value of the state's investment holdings – comprising the two pension funds managed by ERB and PERA and the land grant and severance tax permanent funds managed by SIC – grew by 4 percent to end the fiscal year at $52.8 billion. Over the last five years, the state's combined investment holdings grew $8.1 billion, or 18.2 percent.

Asset Values for Year Ending June 30, 2019
(in millions of dollars)

Annual	ERB	PERA	LGPF	STPF	Total
Asset Value	$13,329.1	$15,648.4	$18,575.1	$5,273.6	$52,826.2
Value Change	$442.9	$287.7	$1,121.3	$174.3	$2,026.2
Percent Change (year-over-year)	3.4%	1.9%	6.4%	3.4%	4.0%

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

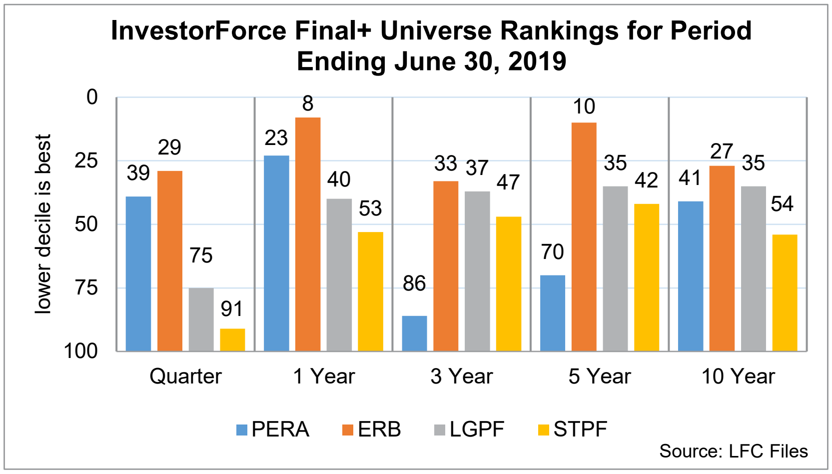


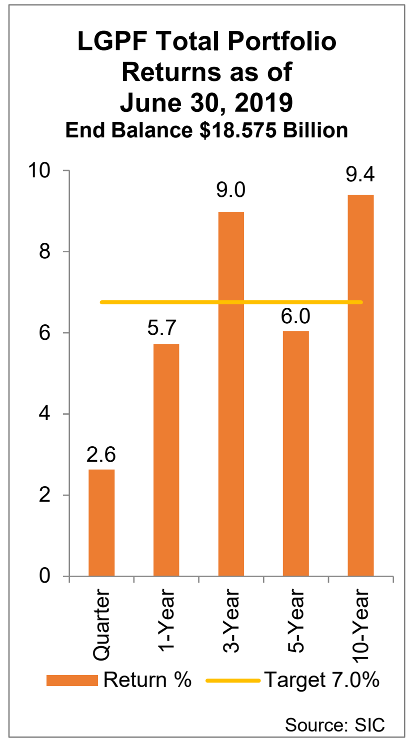
Returns for the permanent funds fell short of their long-term investment targets in FY19, which are 7 percent for the land grant permanent fund (LGPF) and 6.75 percent for the severance tax permanent fund (STPF). However, both permanent funds exceeded their targets for the 10-year periods ending in June 30, 2019, each returning at or above 9 percent. PERA's pension fund also fell short of its long-term target of 7.25 percent, returning 6.4 percent in FY19; however, the fund's 10-year return of 9.2 percent exceeds the investment target. The pension fund managed by ERB was the only fund to beat its long-term target in FY19, returning 7.3 percent compared with its long-term target of 7.25 percent.

Performance Relative to Peers

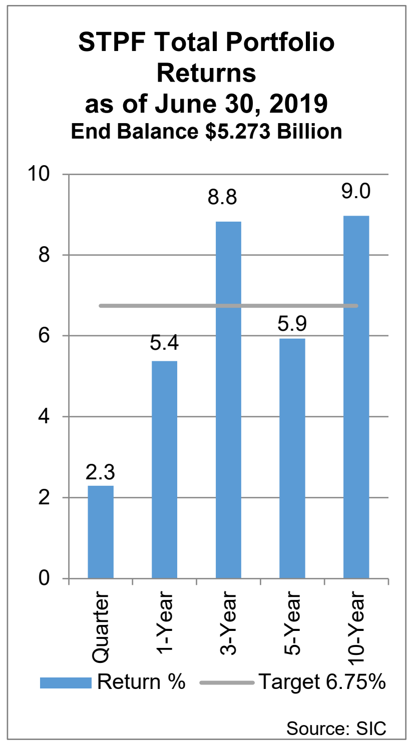
Analysts use InvestorForce Universe – which evaluates investment fund returns on a net-of-fee basis alongside approximately 60 public funds with $1 billion or more in assets each – to compare investments fund performance with their peers.

The ERB pension fund was the only one of the state's investments to perform above the median for all periods reported. PERA performed above the median for the quarter, one-year, and 10-year periods, but ranked below the median for the three- and five-year periods. The permanent funds performed in the lowest quartile for the quarter, but the LGPF outperformed the median in all other periods and the STPF has performed around the median.



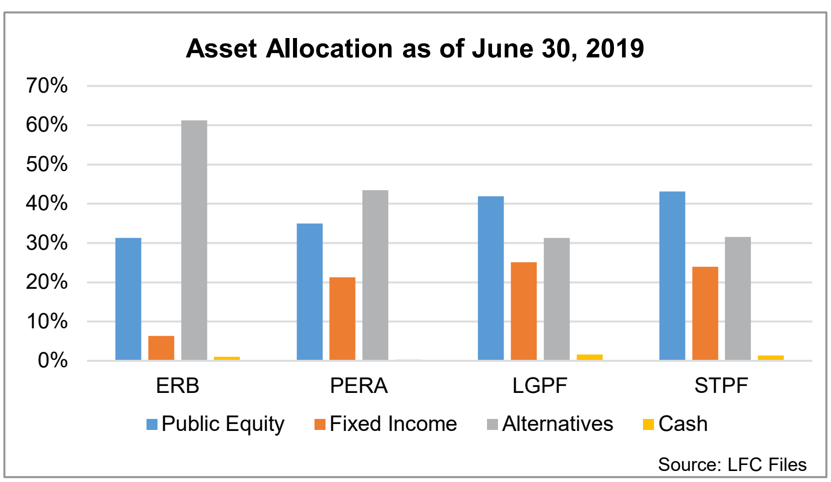


Notably, return-based peer rankings do not account for differences in asset allocation and risk tolerance. For example, funds with higher equity exposure will rank higher during stock market rallies but risk significant losses in the event of a market crash. The agencies have each pursued diversifying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



Asset Allocations

Less than 50 percent of New Mexico's assets are invested in public equities, like the stock market. About 20 percent of three of the state's four investment funds are allocated to fixed income assets, including bond funds. The exception is ERB, whose assets are more concentrated in alternative investments, such as real estate, real assets, and private equity. Following the Great Recession, the state's investment funds diversified away from heavy public equity allocations in favor of alternative assets that generate solid returns with less risk.



LFC Online: Understanding Government Finances

Finance Facts: Permanent Funds

Child Well-Being

For more info:

Children, Youth and Families Department Performance Page 108

Childcare Assistance is a subsidy program for families with children between the ages of 3 weeks and 14 years whose families make less than 250 percent of the federal poverty level (FPL).

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-5 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 non-breastfeeding postpartum women, and infants and children up to age 5 found to be at nutritional risk.

The Legislature has identified child well-being as a key strategy to improve long-term outcomes of New Mexicans. Investments in early childhood care and education programs have resulted in broad capacity to serve most 4-year-olds in the state. Support for family stability programs, such as home visits, has doubled since FY15. Spending on protecting children from abuse has increased by more than a third. Underlining this emphasis on young children, the Legislature created the Early Childhood Education and Care Department in 2019, designating it as the lead agency for early childhood programs. However, no matter the financial investment, the lives of New Mexico's children will not improve without strong leadership and coordination.

Research consistently shows a child's experiences from before birth have lifelong impact on the child's physical, emotional, and intellectual development and, in turn, on future costs to society and taxpayers. With this in mind, child well-being services must both support families in providing safe and stable home environments and improve educational outcomes. To do this, New Mexico has increased early care and education spending from $136 million in FY12 to $441 million in FY20. This rapid growth has led to some coordination issues, resulting in a loss of federal revenues, too many childcare options in some communities, and too few in others.

Benefits of Early Care and Education

Early health and learning begin prenatally and grow exponentially in the first few years of life. This is when the basic architecture of a child's brain forms and this is when children must learn the social-emotional skills that will contribute to their long-term success. Further, research shows these earliest years may present the most significant opportunity to remediate cognitive and social delays. 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.

Unstable and stressful environments can result in severely diminished neurological development. Childhood abuse or neglect, exposure to violence or drug abuse, or other adverse childhood experiences – ACEs – can result in toxic stress that alters a child's brain development and hinders social-emotional functions. However, protective and supportive environments and other interventions can mitigate and reverse the impact. Furthermore, not all ACEs are equal, recurrence and acuity matter. Many people can and do thrive despite multiple ACEs.

The state has an interest in ensuring children get off to a good start in life to promote wellness and school readiness through family support and prevention services and early education. Further, the state has an interest in intervening in situations that can result in toxic stress through child protective services and responses to behavior behavioral health issues that can manifest as delinquent behavior later and may show up in the juvenile justice system.

Some early care and education programs have been shown to increase school readiness, increase likelihood of school completion, and lead to longer term health and financial benefits for the participants. 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 entitlement programs or commit a crime reducing resource use for costly public safety and healthcare services later in life.

LFC Online: Understanding Government Finances

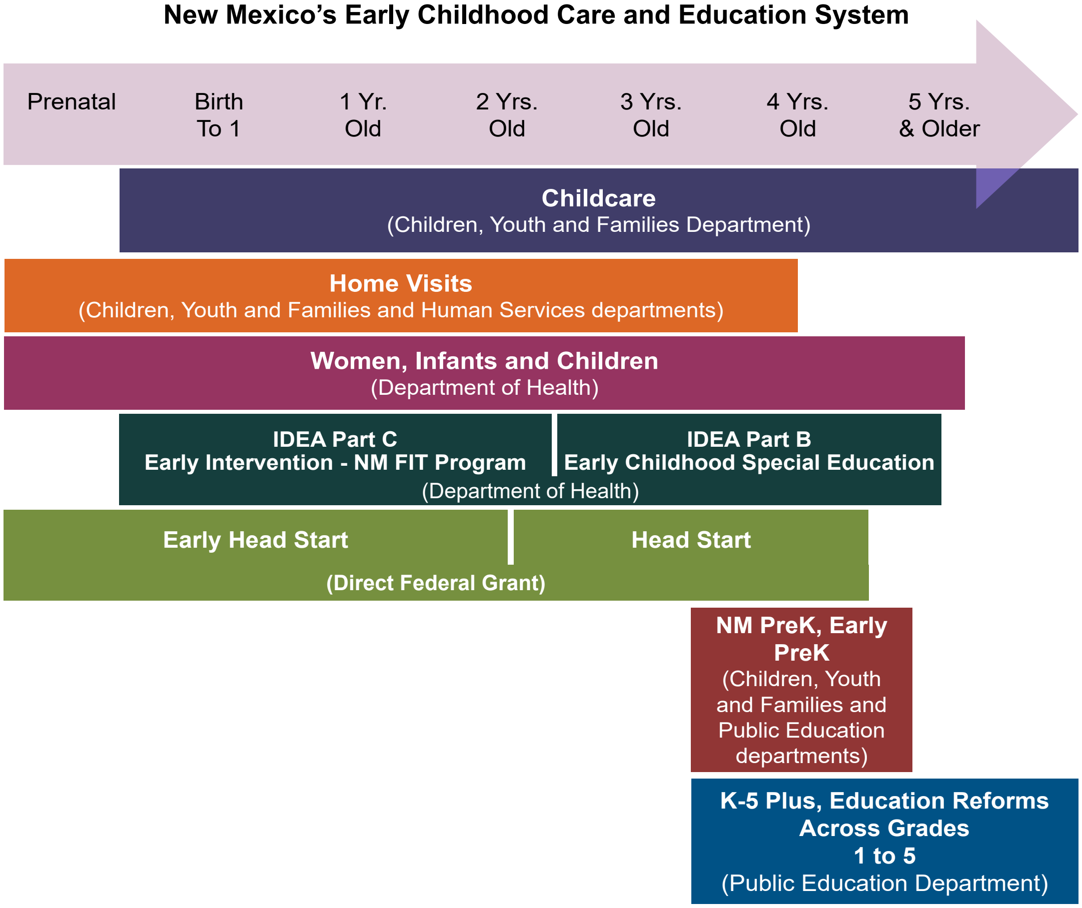
Finance Facts: Early Childhood Services

New Mexico Early Care and Education System

As a result of recent legislation, part of the early childhood care and education system will soon be primarily administered by the newly created Early Childhood Education and Care Department (ECECD). However, other key agencies – including the Human Services, Health, and Public Education departments – will continue to play important roles. Further complicating the coordination of services, primary early childhood programs are funded by both the state and federal governments and delivered by both public and private entities. While

While not traditionally defined as part of the state's early childhood system, the Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) program and other Medicaid programs also provide significant resources to New Mexico children and Families.

New Mexico's Early Childhood Care and Education System



Source: LFC Files

Child Maltreatment Rates for Children 0-1, NM and U.S.

New Mexico	1 in 20
United States	1 in 40

Source: U.S. Administration of Children and Families

the current system defines services and goals programmatically, delivery and standards vary significantly. Nevertheless, delivering 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.

LFC's 2019 *Early Childhood Accountability Report* on key indicators of child well-being shows mixed results. While measures of health and kindergarten readiness are improving, performance has declined on safety and longer-term educational gains. Among the findings:

- Expansion of the home-visiting program, which provides new families with parenting education and family supports, needs to be better targeted to high-risk and high-need areas to have the greatest impact on child well-being.
- The fidelity of implementation of the K-5 Plus extended school year program for low-income schools is highly related to achieving improved academic outcomes.
- Insufficient coordination among early childcare and prekindergarten programs has led to uneven service coverage statewide, and because of the possibly related decline in enrollment in the federal Head Start program, the loss of federal support.

Coordination

Due to significant expansion of services and a declining birthrate, competition among providers is problematic. Multiple reports over the last several years have identified the problem of a growing supply of services for 3- and 4-year-old children from multiple programs, such as prekindergarten, childcare assistance, and Head Start. Ensuring community resources are dedicated to quality is essential; otherwise competition can lead to diminished outcomes.

The state's rapid and substantial investment into prekindergarten and childcare has concurred with a drop in Head Start enrollment, leading some programs to

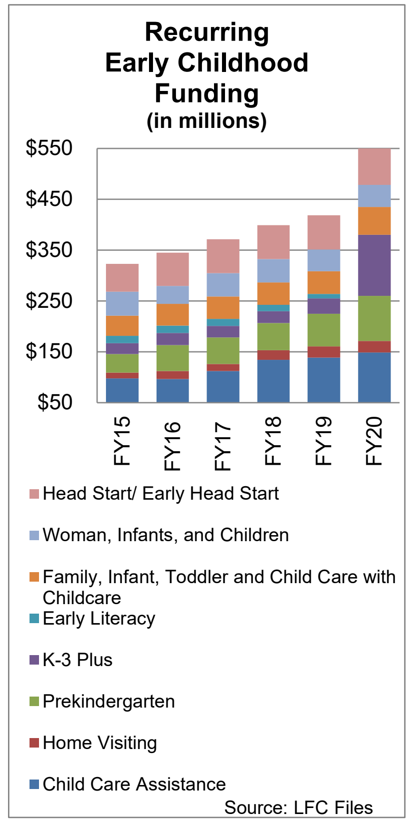
A Closer Look: Department of Health Role in Early Childhood

New Mexico has made significant strides in improving access to and the quality of learning experiences for children under the age of 5. However, young children's cognitive and academic development does not occur in isolation – it is dependent on good health and proper physical development. This makes New Mexico's low ranking in several critical maternal and child health measures particularly concerning.

A May 2019 LFC evaluation ***The Department of Health's Role in the Early Childhood System*** found the state lacks a cohesive strategy for addressing poor early childhood health outcomes. For the most part, the Department of Health's early childhood programs operate in silos and do not share, or adequately use, their own data to manage for performance. This results in poor targeting of services to high-risk mothers and children, and a lack of clarity on the effectiveness of each program.

The evaluation recommended that Department of Health administrators make succession plans for the successful transfer of programs to the Early Childhood Education and Care Department and develop agreements for data sharing and collaboration across departments and programs. The evaluation also noted the revival of the state's Children's Cabinet as an opportunity for better interagency collaboration on statewide early childhood programs. Specifically, the evaluation recommended Department of Health and other administrators use the cabinet to organize and implement a cohesive early childhood support system, where programs and services are coordinated across agencies to comprehensively serve the needs of mothers, children, and families.

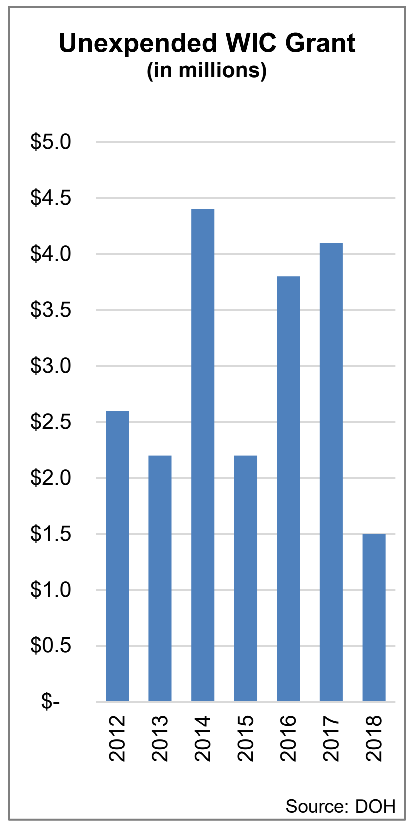
lose federal funding. Anecdotal information from Head Start providers indicates chronically under-enrolled programs can potentially lose existing funding and be disqualified from competing for new funding opportunities in the future. Some communities are working on braiding prekindergarten funding from the state – available for public schools from the Public Education Department and for private providers through the Children, Youth and Families Department – with federal Head Start funding, but if the state and the federal Head Start providers do not coordinate more closely, New Mexico will be at continued risk of declining federal revenues.



Services for 3- and 4-year-olds

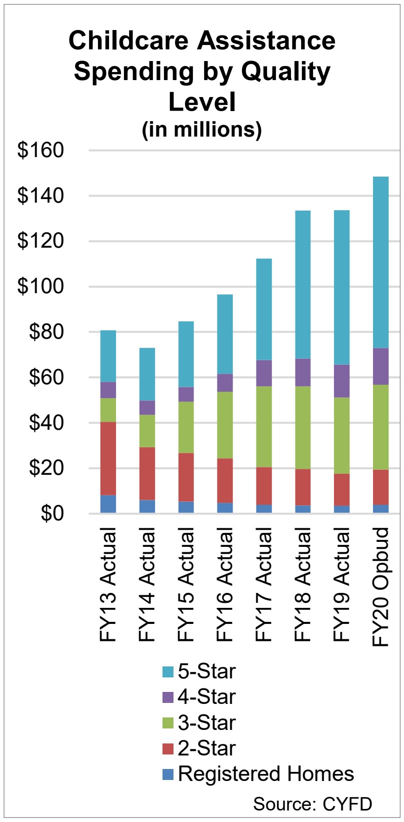
Prompted by LFC-reported evidence that high-quality prekindergarten combined with K-3 Plus (recently expanded to K-5 Plus) can close the achievement gap for children at risk of failing, expansion of programs for children ages 3 and 4 has soared, although not always with the best planning. An LFC comparison of estimated participation in childcare, Head Start, and prekindergarten enrollment to kindergarten enrollment by school district shows almost a third of districts have greater than 100 percent capacity to serve 4-year-olds in their community, while five districts have capacity to serve 30 percent or less of 4-year-olds.

Efforts at statewide coordination have been limited. The Children's Cabinet, the Early Learning Advisory Council , and the new early learning department are all administrative structures that span agencies and could provide support in this function. However, under the prior administration, the Children's Cabinet activities slowed and reporting was diminished. The Children, Youth and Families Department (CYFD) has a Head Start coordination bureau with one full-time position, but that position was vacant from FY15 and FY17 and was found in previous LFC reports to be ineffective when filled. The state is the recipient of a federal preschool development grant partially funding a needs assessment, which could help inform renewed coordination efforts.



Capacity Gaps and Expansion Barriers

Expansion of home-visiting services – intensive in-home parenting education the National Conference of State Legislatures says can reduce child abuse and improve school readiness, among other positive outcomes – has proven a significant challenge, with some providers reporting workforce shortages and inability to enroll families as significant barriers. In addition to increasing workforce supports, more focus on the referral 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 began in 2019 primarily using referrals from the medical provider community. However, in its first year the pilot had several delays in implementation as a result of a variety of factors, including the inability of programs to pay startup costs prior to billing for Medicaid services, providers lack of familiarity with administrative processes, and difficulty referring families during the first trimester of pregnancy. The 2019 *Early Childhood Accountability Report* noted $2.8 million in home-visiting appropriations over the last two fiscal years that have gone unspent.



While the availability of childcare for 3- and 4-year-olds is regionally inconsistent, with oversaturation in some communities and a lack of access in others, there are overall more services for children ages 3 and 4 than for those under the age of 3. An estimated 8,000 children under the age of 3 were enrolled in childcare assistance or Early Head Start programs in 2018. Parental support and early intervention services for families with younger children, such as home visits, the federally funded Women, Infants and Children nutrition program, and the Families, Infant, Toddlers intervention program for children with developmental disabilities and certain medical conditions, are more widely used by families with children 2 years old and younger. Further analysis of sufficient early care options for families with young children should be a priority of the new Early Childhood Education and Care Department.

Across the early care and education system, an insufficient or undertrained workforce has been a barrier to delivery of high-quality services. In particular, low-wages and a lack of parity between wages paid by public school programs and those paid by state-funded private providers significantly hinders workforce recruitment efforts. A report from the U.S. Health and Human Services Department found the quality of any early learning setting is directly related to the quality of its staff; however, many early learning workers earn low wages, even when they obtain credentials and attain higher levels of education, making it difficult to recruit high-quality caregivers and educators. Notably, while state reimbursement rates for childcare assistance have increased – New Mexico provider rates are higher than national averages – childcare teacher wages have remained low. Wage supplements, rather than additional increases in provider rates, are a public policy option that could improve workforce quality and stability.

Childcare Assistance Spending

Both access and spending on childcare assistance have been expanded significantly in recent years without clear evidence children in the program benefit. Childcare assistance, which subsidizes care for lower-income families by directly paying

A Closer Look

Childcare Assistance Effectiveness

In the 2019 evaluation, ***Childcare Assistance Effectiveness***, the service was not found to deliver increased educational outcomes despite the state paying higher reimbursement rates to achieve these improved educational gains. However, childcare assistance may improve child health and increase family income. The current quality rating improvement system (Focus) does not quantify teacher child interactions, which have been shown to be predictive of improved child outcomes. The operating budget for childcare assistance in FY20 is $149 million, an increase of 67 percent from FY09. Additionally, the early childhood system needs increased coordination to ensure evidence-based early education programs provide childcare for those who need it, as many Head Start and PED prekindergarten programs do not offer childcare.

The state also needs to examine where childcare capacity is low to ensure there is enough childcare in high-risk areas. In regards to the childcare workforce, New Mexico is the only state in the nation that does not collect workforce information such as teacher qualifications, turnover rates, and salary information.

Without these data, the state cannot determine workforce needs. The report recommends revising the Early Childhood Care Accountability Act to include an outcome measure of parental income, restructure the quality rating improvement system to measure teacher child interactions, increase coordination between prekindergarten, Head Start and childcare programs, and create a workforce registry.

providers for each qualifying child, has multiple, sometimes competing, goals, including supporting low-income families' ability to participate economically, improving health, improving safety, and improving school readiness. However, CYFD does not measure these outcomes, calling into question the specific benefits and outcomes of childcare. Additionally, previous LFC analysis has been unable to identify any increase in educational outcomes due to participation in childcare, even at the highest levels of quality.

CYFD in 2019 expanded eligibility for childcare assistance to families earning up to 200 percent of federal poverty level at an estimated cost of $20 million to $25 million. The average monthly cost per child has nearly doubled in six years to $600 from $300 in 2013. Average monthly costs have risen significantly due to provider rate increases and more families enrolling children in the higher-quality programs that draw a higher reimbursement rate from CYFD. Further, more providers are providing the highest level of quality care and being paid at the higher rates, resulting in rising per-child costs for the program.

LFC Online: Understanding Government Finances

Finance Facts: Childcare Assistance and Licensing

2019 Annual Federal Poverty Level Income Guidelines

Family Size	100 Percent	200 Percent	250 Percent
1	$ 12,490	$ 24,980	$ 31,225
2	$ 16,910	$ 33,820	$ 42,275
3	$ 21,330	$ 42,660	$ 53,325
4	$ 25,750	$ 51,500	$ 64,375
5	$ 30,170	$ 60,340	$ 75,425

Source: U.S. Department of Health and Human Services

Program Fidelity and Return on Investment

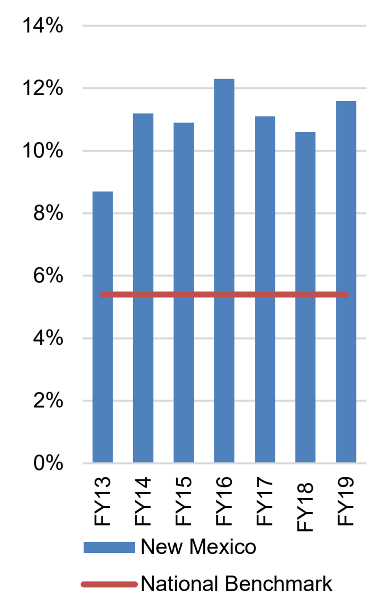
A 2017 LFC report found the return on investment for New Mexico prekindergarten and K-3 Plus extended school year program was higher than for other programs. Third-grade test scores improved, and the likelihood of retention and special education decreased. However, evaluations of childcare centers found no positive return on investment possibly because of quality and implementation variability among the independently run programs. While other programs, particularly home visits, show promise for providing a positive return, fidelity to evidence-based models remains a concern. 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.

Family Preservation and Child Safety

Children and families in New Mexico face persistent and generational low socio-economic outcomes and high risk for maltreatment. With over 40 thousand reports of potential maltreatment last year, New Mexico's rates for child maltreatment and repeat maltreatment are among the highest in the nation. The federal Administration of Children and Families reports New Mexico's overall victimization rate has increased by 36 percent since 2013, and the rate for children under 1 year old has risen by 55 percent.

New Mexico lags the nation on delivering preventive and early intervention services. Without addressing the root cause of the maltreatment, the child is at risk of additional maltreatment, removal from the home, or even death.

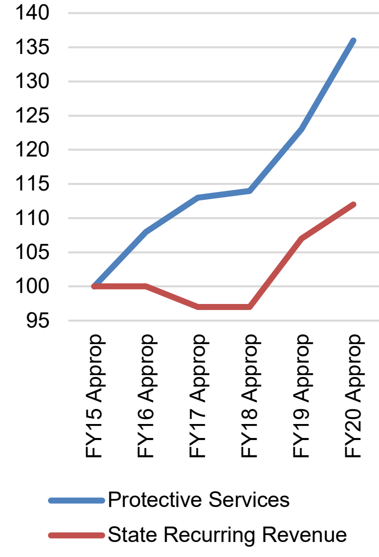
Incidence of Repeat Maltreatment*



*Children subject to repeat maltreatment within six months of a prior determination of substantiated maltreatment

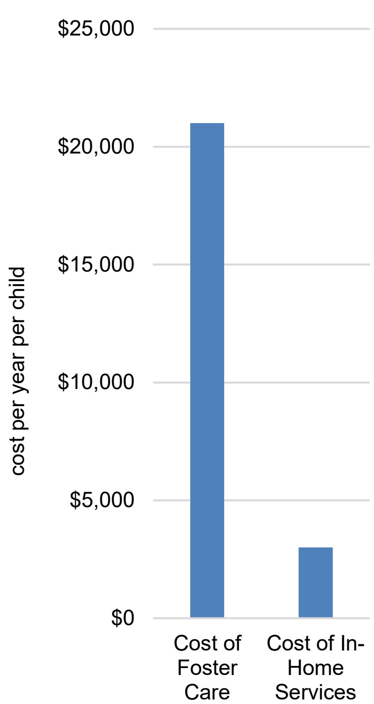
Source: CYFD/NCANDS

Services to stabilize families early and reduce long-term stress and harm are a key focus for policymakers to improve child welfare outcomes. Due to the rising needs of families who come into contact with CYFD and persistently poor outcomes, the Legislature has steadily increased state resources to the department. Between FY15 and FY20, state general fund revenue for the Protective Service Program rose from $77.3 million to $104.9 million, or 35.7 percent, but the incidents of child maltreatment did not drop. Of note, much of the increase in funding



*Protective Services indexed to change in total general fund revenue

Source: CYFD OpBud/ Revenue Consensus



Source: CYFD

was focused on personnel in an effort to reduce caseloads and turnover among Protective Services staff, but recruitment and retention of qualified programmatic and clinical staff continues to be a major challenge for CYFD

Prevention Before Intervention

Nationally, the emphasis in the response to child maltreatment is shifting away from removing the child from the home to keeping children and families out of the system all together. Additionally, the federal government is creating incentives for states to move money from the back-end of the system to the front-end to fund efforts in prevention and early intervention.

Reaching families early with support services can prevent more expensive and possibly less effective intervention services later, once harm has occurred. In New Mexico, a foster care placement costs around $21 thousand a year, compared with $3,000 for in-home services, and the average duration of foster care is typically much longer than a year. Additionally, many systems that could serve as an entry to prevention are federally funded or have federal match rates. Many families interact with public services such as Medicaid, public health offices, Women, Infants, and Children (WIC), home visiting, childcare, and Temporary Assistance for Needy Families (TANF) before they reach a point of crisis resulting in maltreatment.

Due to both the human and fiscal costs associated with the removal of children from their homes, CYFD's goal is to ensure children only come into custody when they cannot be maintained safely at home. Among a nationally representative sample of youth age 11 to 18 with long-term stays in foster care, 27 percent had clinical levels of emotional problems and 41 percent had clinical levels of behavioral health problems. Youth aging out of foster care are significantly less likely to have a high school diploma or equivalent certificate (64 percent versus 91 percent) and have higher rates of physical health problems. One-third of former foster youth live in poverty and more than 20 percent experience homelessness.

An effective strategy to prevent removal is "alternative or differential response," which provides a path for families coming into contact with CYFD to be evaluated and receive services if there is no imminent risk to safety. Differential response can also be effective in preventing short-term stays in foster care, which overburden the system and cause undue trauma to the children who are removed from their homes only to be returned a few days later. In 2019, over 60 percent of children who entered care in New Mexico were discharged within 30 days. During the 2019 session, the Legislature passed a bill creating a framework for the establishment of a new "differential response" system at CYFD's central intake facility. This multilevel response system will allow the department to offer preventive support services without having to initiate a formal investigation and police report and will help prevent formal removal followed by immediate return.

Kinship Care

When families cannot be kept intact, placing a child with a relative can minimize the trauma of removal. Children who have been removed lose not just their parents, but also their home, siblings, friends, school, pets, and everything familiar to them. Placing a child with family diminishes this loss. Research confirms children in kinship homes fare better than those placed with strangers.

They experience fewer placement changes and have better behavioral and mental health outcomes. Relatives are more likely than nonrelatives to support the child and less likely to request removal of problematic children. The children are less likely to run away. Kin caregivers are more likely to provide a permanent home through guardianship, custody, or adoption. Kinship care also helps to preserve children's cultural identity and relationship to their community.

In New Mexico, about 23 percent of children in custody are in kinship placements. CYFD is working to promote system changes to remove barriers to kinship placements, including streamlining foster care licensing requirements to allow the provision of services and economic support to relative placements.

Recognizing youth need permanent, emotionally sustaining, and committed relationships to reach self-sufficiency and to reduce the risk of homelessness, criminal involvement, and other negative outcomes, in addition to the high cross-over between the foster care population and juvenile justice population, CYFD is building the framework for kinship care for youth in the juvenile justice system. Almost 30 percent of youth under formal supervision are not living with their parents and could potentially benefit from a kinship placement.

Extended Foster Care

Legislation enacted in 2019 extends foster care to age 21 for foster care youth who opt into the program. This will allow them to access educational, employment, financial management, housing, emotional, and other federally funded support.

U.S. CENTER FOR DISEASE CONTROL STRATEGIES TO PREVENTING CHILD MALTREATMENT

- Strengthen family economic supports through policies that strengthen household financial security and family-friendly policies;
- Provide high quality early care and education services, including family engagement;
- Enhance parenting skills and healthy family relationships to promote healthy child development;
- Intervene to reduce harm and prevent future risk through enhanced primary care, behavioral parenting training programs, treatment to lessen harms of maltreatment.

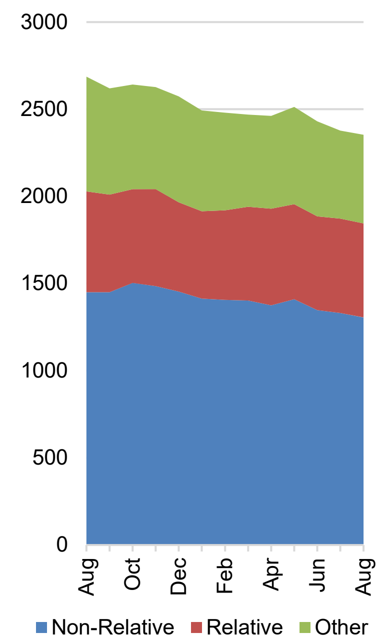
Juvenile Justice

New Mexico has achieved a more than an 80 percent drop in its youth incarcerations over the last 10 years as a result of systematic reforms to promote least restrictive placements and a commitment to prevention and early intervention for young people at the front-end of the juvenile justice system. The state has worked to develop evidence-based responses to delinquency that are more cost-effective and humane and provide better outcomes for youth, their families and communities.

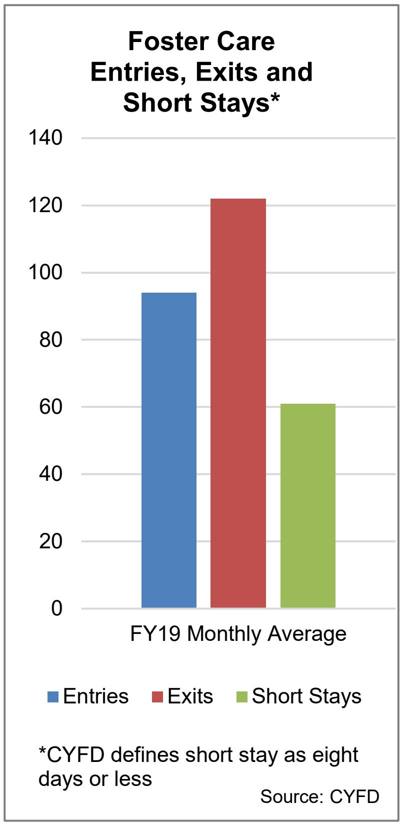
In FY19, 7,628 youth were referred to the juvenile justice system for services, including probation violation, nondelinquent referral, and delinquent referral. Nearly all of the referred juveniles were handled informally through local community rehabilitative programs. Only 98 youth, or about 1 percent, were committed to a juvenile facility. The relatively small number of youth for whom confinement is justified need facilities that can provide a humane and developmentally appropriate setting in which their delinquent behavior can be treated effectively. Overall, the data on New Mexico's juvenile population indicates a critical need for a comprehensive system of care for these youth in their communities, while incarcerated, and after commitment.

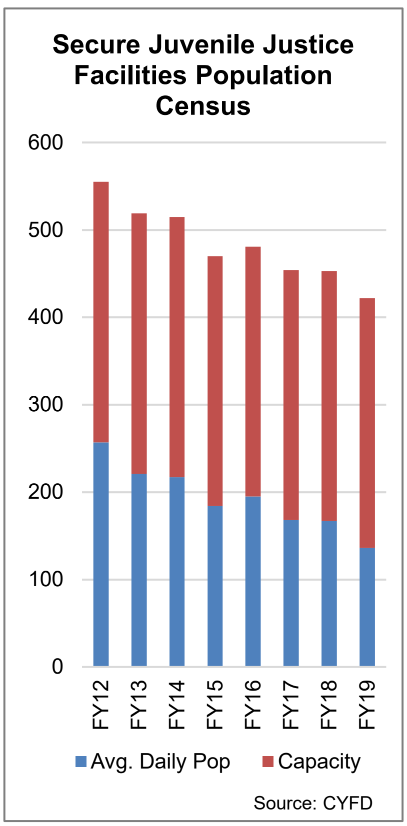
Fewer youth in detention has become a "good" problem to have, and CYFD is grappling with how to maintain a system that supports appropriate and safe placement and is also cost-effective. While the average daily population of clients in custody decreased 8.5 percent in fiscal 2019, the cost of operating Juvenile Justice Services secure facilities remains static with over 40 percent of

Children in Foster Care by Placement Type FY19



Source: CYFD





the beds empty. Likewise the number of youth incarcerated in county facilities also continues to decline and a number of counties are choosing to close their juvenile facilities. Of the 33 counties in the state, only eight still operate juvenile detention facilities, creating a fiscal and geographic challenge. Youth are now being transported to facilities in other counties, resulting in stress on both the law enforcement system and families. County governments are weighing the cost of operating more than half empty facilities and many are looking for the creation of a state-sponsored system.

Behavior Health for Children and Families

Building capacity for high-quality and evidence-based behavioral health services is vital to meeting the needs of children and youth statewide and to preventing unnecessary and harmful institutionalization. In the past, the majority of the state's children's behavior health dollars have been spent on highly acute care (high acuity) involving out-of-home care in a residential treatment facility, psychiatric hospital, or other facility. Residential treatment is the most costly behavioral health service for children and often results in poor long-term outcomes. By identifying key risk factors for out-of-home treatment, effective evidence-based interventions can be built out at the community level to help minimize the number of children needing this highest level of care.

Intervention programs address specific client needs and include treatment services such as psychotherapy (individual, family, group, etc.), hospital or clinic-based services, outpatient or intensive outpatient programs, and drug therapy. Research indicates high-fidelity wraparound services, individualized support services for high-risk clients coordinated by a caseworker, can reduce the number of children using higher and more costly levels of care, as well as keep high acuity children in their community.

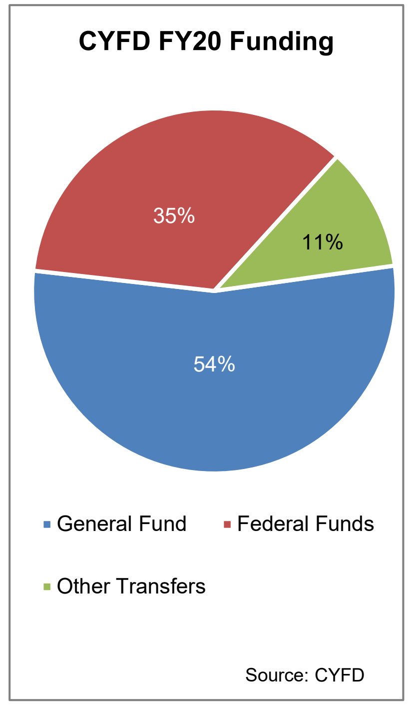
The challenge of meeting the need for behavioral health and psychiatric services for children and families, central to the state's prevention and intervention efforts, is exacerbated by a lack of quality services in New Mexico's communities. A 2019 investigation by U.S. Health and Human Services Department found most behavior health organizations in New Mexico were unable to provide urgent appointments within 24 hours or routine appointments within 14 days as established by New Mexico's standards. As the primary conduit for keeping children out of higher acuity care, it is imperative the state builds and maintains a strong and accessible community-based service network. The current lack of services often means children and families fall through the cracks and leave both CYFD and the courts with removal and out-of-home services as the only alternative.

Shifting to a community-based model will require a systemwide commitment and long-term investment. Through its licensing and certification authority, CYFD can help support the expansion of quality behavior health services and should work to expedite and streamline Medicaid credentialing for behavioral health providers. Currently, the department is working to expand access by providing training and technical start-up assistance to new community-based programs. Federal and private grant money, in addition to nonrecurring state funds, is being used to fund the initial start-up and operating cost of new programs until they have established Medicaid eligibility and are self-sustaining.

Child Welfare Financing Reform

In 2018, Congress passed the Family First Prevention Services Act (FFPSA) reforming Title IV federal child welfare financing streams. The new law enables states to use Title IV funds previously reserved for foster care and adoption support to fund services aimed at working with families to prevent the need for family separation. Family First's front-end services are limited to substance abuse, mental health, and parenting interventions and are further restricted to models of services deemed to be promising practices or evidence-based interventions by an established clearinghouse.

While the FFPSA offers an opportunity for federal funding of expanded prevention services, the federal government has been slow to review and authorize programs for states to begin planning for implementation. Moreover, the Title IV funds are designated as a "payer of last resort." This means the state would be unable to claim services covered under Medicaid or through another funding source. To leverage the opportunity for the expansion of Title IV funded prevention services, the state will need to work to ensure that New Mexico's service providers can deliver on the programs and services included in the federally approved clearing house and are fully leveraging Medicaid funding streams.

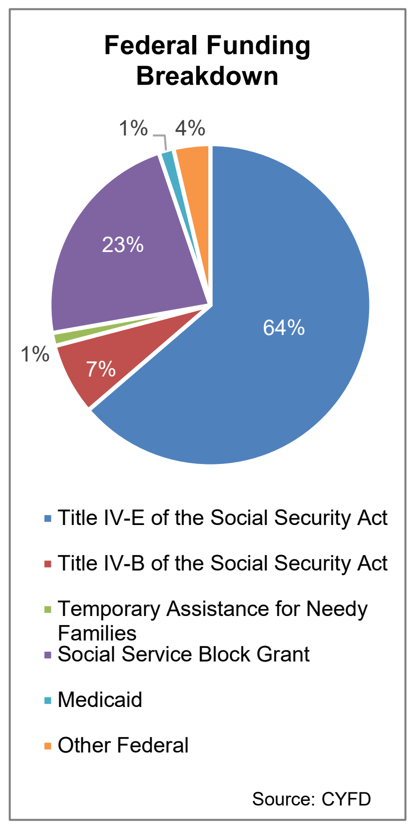


A Closer Look: Domestic Violence

In 2018, according to the 2019 ***Progress Report: Domestic Violence***, approximately 7,850 children witnessed violence in New Mexico families, and this is just the number known to law enforcement. Service providers reported children were present at one out of every three domestic violence incidents, and 77 percent of them were under the age of 12. Children who witness abuse are four times more likely to experience child abuse. Survivors abused as children compared with those not abused are six times more likely to be abused as an adult, four times more likely to be diagnosed with a mental illness and attempt suicide, and three times more likely to have a substance abuse problem. Greater efforts to identify children that witness child abuse and ensure participation in appropriate counseling services for assessment and treatment need to be made.

The vast majority of battered women who go to a domestic violence service provider for shelter or other services are poor. The majority of them will return to their abuser at least once because they lack the resources and support needed to live independently. The reality of the role that poverty plays in an individual's vulnerability to living in violence cannot be ignored and greater emphasis must be focused on providing basic housing, food, clothing, transportation, and access to employment and health care for victims and their families to allow them to leave and stay away from a violent environment.

There has been a steady decrease in the rate of convictions for domestic violence cases. In 2018, the conviction rates for domestic violence cases in district court was 30 percent and in magistrate court it was only 8 percent. Low conviction rates, in addition to persistently low reporting rates around 60 percent, means that many offenders are never penalized and never seek or receive preventive treatment.



Education

For more info:

Public Education Performance
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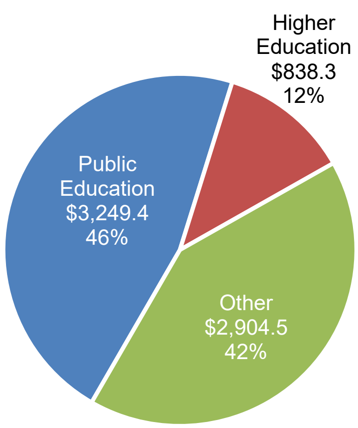
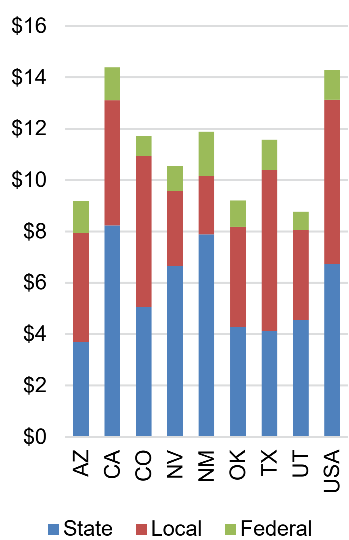
FY20 General Fund Appropriations
(in millions)



Source: LFC Files

2017 K-12 Revenues per Pupil
(in thousands)



Source: U.S. Census

The state appropriates more than $4 billion, or 58 percent of total general fund appropriations, to educate nearly 500 thousand students from prekindergarten to doctoral programs. With a recent court decision ordering the state to close achievement gaps for at-risk students and substantial investments in evidence-based programs, New Mexico is poised to make significant reforms in education and student outcomes.

Some educational outcomes have improved in recent years. Elementary student reading proficiency increased 5 percentage points in the past five years, high school graduation rates reached 74 percent, and college degree production improved. However, outcomes are below satisfactory levels and progress remains slow. To improve, education administrators and state policymakers must address several practical challenges confounding the sector: (1) developing and retaining quality educators in public schools and on college campuses, (2) implementing evidence-based programs to improve student outcomes, (3) ensuring successful student transitions at key educational points from secondary school to colleges or careers, and (4) removing administrative or bureaucratic barriers impeding student success.

These practical challenges are compounded by critical, systemic headwinds that must also be addressed, such as the dissonance between local governance and state oversight, changes to accountability systems, lack of coordination among institutions on student pathways and matriculation, and retention of high-quality educators to implement programs that close the achievement gap. Despite these headwinds, the state remains committed to funding schools and institutions with the expectation that greater investments and implementation of proven strategies will ultimately improve student outcomes.

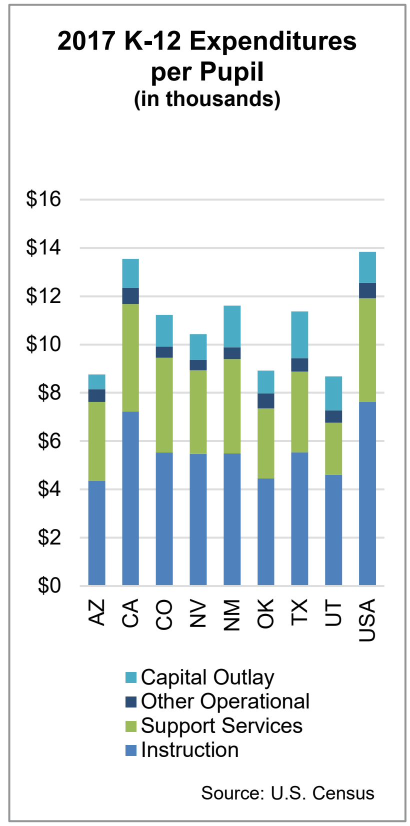
Public Schools

New Mexico's public elementary and secondary schools receive 46 percent of state general fund appropriations and about half a billion dollars in federal revenues for public education expenses. According to the U.S. Census Bureau's 2017 *Annual Survey of School System Finances*, New Mexico ranked 35th in the nation for public education revenue per pupil and 44th for spending per pupil on instruction. While New Mexico is typically on par with neighboring states for classroom spending, the state often ranks lower in measures of student achievement.

Although the state faces growing pressure to increase funding for schools, New Mexico takes a larger financial role in public schools than other states, ranking fourth in the nation for the share of revenue per pupil attributable to state sources. As such, the state has the responsibility and ability to make significant budget and policy decisions for all schools. To achieve positive economic, social, and civic outcomes for New Mexico's future generations, the state must hold public schools accountable for implementing evidence-based programs and practices that improve outcomes for its neediest students today.

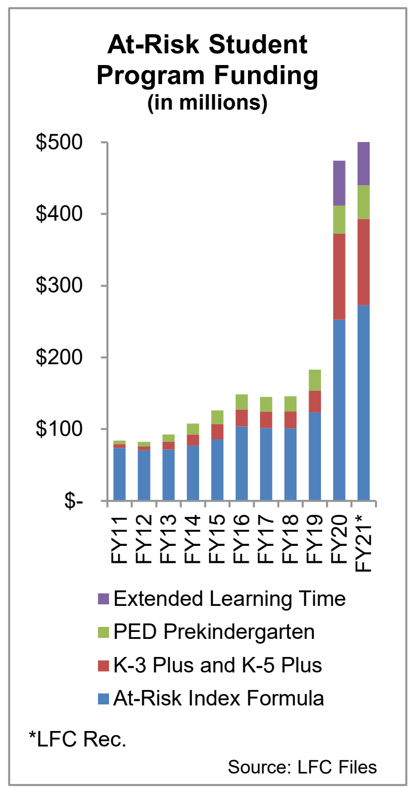
Despite the state's enormous role in funding its schools, school districts and charter schools make operational and programmatic decisions at a local level, similar to schools in other states that rely more heavily on local property taxes. Although a local governance and state financing model offers schools flexibility to address unique regional circumstances, this structure can complicate efforts to implement uniform standards or programs statewide.

Between FY17 and FY20, the Legislature increased recurring public school appropriations by nearly $567 million, or 21 percent, while school enrollment fell by 8,602 students, or 2.6 percent. Nearly half of the appropriation increase was attributable to pay increases for school personnel and another third dedicated to key initiatives that reduce summer learning loss and increase instructional opportunities – prekindergarten, K-5 Plus extended school year, and extended learning time programs (ELTP). The state's investment was partially a response to a court order to increase funding support for at-risk students but was also consistent with evidence that high-quality instruction and additional learning time can improve student outcomes.



Martinez and *Yazzie* v. New Mexico

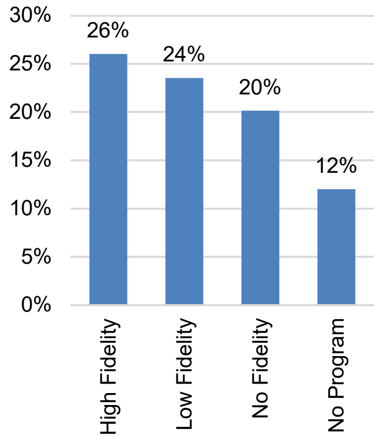
On February 14, 2019, the 1st Judicial District Court issued a final ruling for the consolidated education sufficiency cases of *Martinez v. New Mexico* and *Yazzie v. New Mexico* that found state funding levels and distribution methods for public schools failed to provide a uniform and sufficient education for all school-aged children, particularly those at risk of falling academically behind. The court noted dismal test scores and postsecondary outcomes were caused by the lack of programs for at-risk students and English learners, enforcement of the Indian Education Act, and access to high-quality teachers and instruction. The court enjoined the state to provide schools with the resources (such as instructional materials, properly trained staff, and curricular offerings) necessary to give at-risk students the opportunity to be college and career ready by April 15, 2019. The court ordered the state to establish an accountability system that could measure the efficacy of programs and assure that local districts spent funds in a way that efficiently and effectively met the needs of at-risk students.



Court Findings. In FY19, the 1st Judicial District Court found at-risk interventions like prekindergarten, K-3 Plus (the precursor to K-5 Plus), summer school, afterschool programs, ELTPs, reading programs, and smaller class sizes could close achievement gaps but noted the state did not make funding available for all schools to access these programs. The court also found schools with cash flow issues had difficulty participating in the programs due to insufficient funds to establish programs and apply for reimbursement.

School districts' testimony to the court highlighted the practice of using operational funding formula dollars distributed through the state equalization guarantee (SEG) on noninstructional functions to address competing priorities (e.g. fixed assets, transportation, instructional materials, technology, etc.) and cover program costs from discontinued Public Education Department (PED) initiatives. The court noted low participation in PED initiatives, inconsistent funding levels, and insufficient reporting and oversight limited the impact and efficacy of these interventions. The court also suggested changing the funding formula to close loopholes and redistribute funding toward at-risk students and bilingual multicultural education

K-3 Plus and Prekindergarten Student Performance



Note: Data shows performance on iStation reading tests for low-income students participating in both programs sorted by level of K-3 Plus program fidelity.

Source: LFC Files

programs. Since the ruling, the court has transferred the *Martinez* and *Yazzie* case to a new judge for continued monitoring.

Extended Learning

The LFC 2018 evaluation *Instructional Time and Extended Learning Opportunities in Public Schools* found, on average, New Mexico public schools produce one year's worth of academic growth for students annually. However, many students, particularly at-risk populations, arrive at school several years behind their peers academically and do not catch up by high school. 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 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. Early childhood programs, like prekindergarten and K-3 Plus, provide more opportunities for instruction, and LFC studies suggest high-quality implementation and strategic application of these programs could improve student readiness during early grades and reduce the need for later interventions.

Prekindergarten. While early learning programs offer a promising way to address the achievement gap, the state must consider how to scale programs efficiently with a focus on quality. Growing participation in state-funded prekindergarten and declining federal Head Start program membership suggests services for 4-year-olds may be reaching or exceeding demand in some communities. Despite

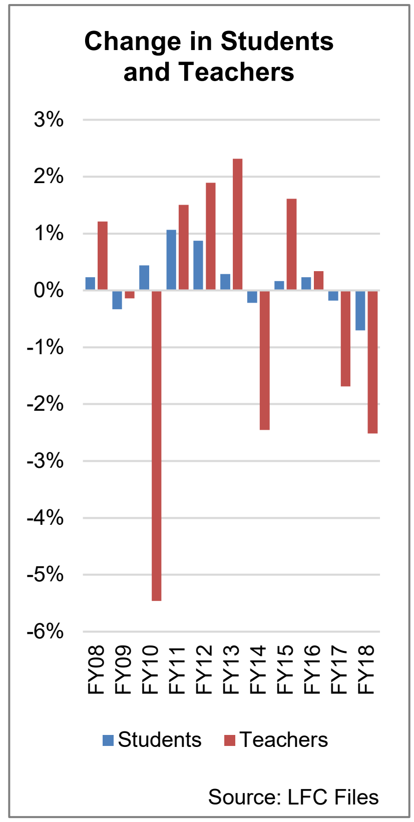
A Closer Look: Early Childhood Programs

New Mexico's early childhood care and education system begins prenatally and extends through age 8. Services for improving the health, safety, stability, and education of New Mexico's children span 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). A newly authorized Early Childhood Education and Care Department will consolidate many of these services in FY21. High quality services for at-risk children can greatly affect their future educational and economic success. As such, early childhood initiatives have remained a priority even as the Legislature confronted difficult funding decisions in recent years.

The 2019 ***LFC Early Childhood Accountability Report*** found mixed performance in all early childhood programs. Declining birth rates and lack of statewide coordination have created competition among different providers serving the same children, and rapid expansion of services may adversely affect program quality. State funding may unintentionally supplant federal early childhood funding (given declining enrollment at federal Head Start programs). New Mexico continues to trail the nation in teacher qualifications, and prekindergarten program performance has declined for the most recent cohort of students. While prekindergarten continues to show positive effects on kindergarten readiness, recent data suggests this impact is weaker than prior years and is only affecting low-income students.

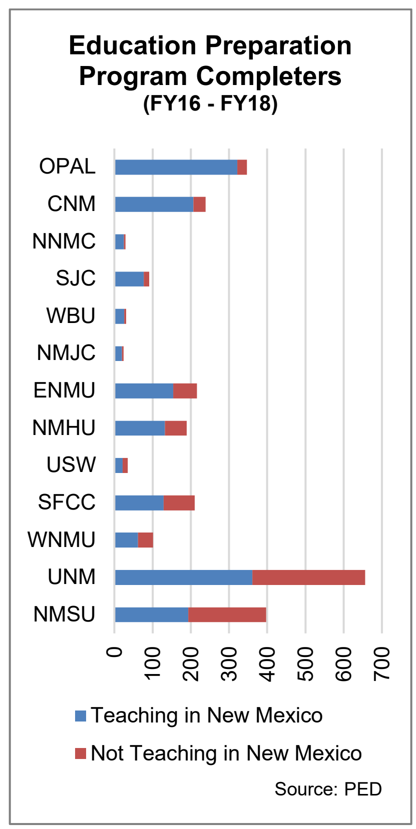
The report also found low-income students benefited academically from participating in K-3 Plus programs, with greater effects in programs following best practices. Low-income students in both prekindergarten and high fidelity K-3 Plus programs were two times more likely to be proficient in reading than their peers who did not participate in either program.

different funding streams for each program, some communities (such as Jal) are effectively braiding state funds across agencies to form a cohesive, uniform program. As prekindergarten programs expand statewide, New Mexico should consider coordinating state and federal agency funds and policies to operate programs consistently and leverage revenue sources efficiently. Additionally, the state should focus on quality of programming, given recent prekindergarten results suggests the effects of the program are weakening.



K-5 Plus and Extended Learning Time Programs. For FY20, the state invested heavily in two extended time programs – K-5 Plus extended school year and extended learning time programs (ELTP). Despite enough funding to serve about half of all elementary school students in K-5 Plus and nearly 40 percent of all students in ELTPs, schools only took advantage of 39 percent of available funding for these two programs. Schools pointed to a lack of implementation time and stringent program design requirements for low participation in the first year.

In spite of timing and compliance issues, some schools are leveraging K-5 Plus and ELTP funding to provide an extended year and longer school day, given the provision allowing conversion of ELTP time into hours rather than days when done in conjunction with K-5 Plus. In FY20, Deming Public Schools (DPS) implemented both programs districtwide, providing a seamless extended school year calendar for all students and staff. Twenty other school districts applied for both K-5 Plus and ELTP in FY20, generating up to $1,871 more per student and providing upwards of 20 percent more in additional pay for teachers. To incentivize schools to participate in K-5 Plus and ELTP, the Legislature should ensure other funding initiatives (like salary increases) do not compete with the program's pay adjustments. Additionally, the state should consider how voluntary participation in these programs impacts state funding equalization, given significant disparities in per pupil funding levels between program participants and nonparticipants.

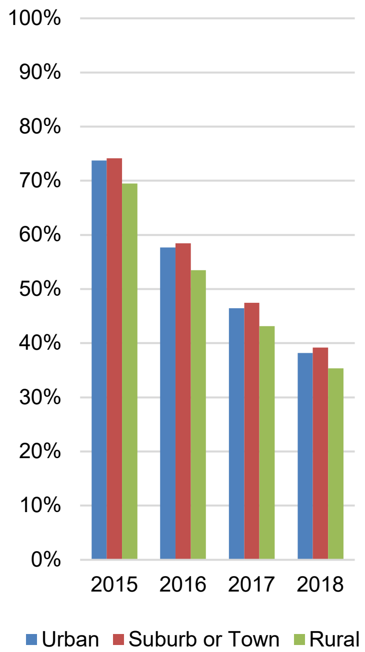


The LFC 2019 *Early Childhood Accountability* report found students in high fidelity K-3 Plus programs (i.e., 25 days of instruction and less than two weeks between the program and regular calendar) and prekindergarten outperformed students in programs with lower fidelity. The report also found all participating students, particularly low-income students, were more ready for school and outperformed their peers, regardless of fidelity level. However, statewide adoption of K-5 Plus remains a challenge due to mindsets about summer time and the design of existing low-fidelity programs that are not eligible for funding.

Although low initial participation in K-5 Plus and ELTP will create a large reversion to the public education reform fund in FY20, PED anticipates participation will more than double for both programs in FY21. As the public school system grows extended learning opportunities statewide, PED should identify and share best practices for implementation followed by evaluation of program effectiveness in improving student outcomes.

The expansion of K-3 Plus to all elementary-school students and availability of ELTP and prekindergarten programs offers New Mexico an unprecedented opportunity to close achievement gaps in early childhood at a scale never before achieved. Students participating in all three programs would gain nearly two years

Teachers Returning to Same School



Source: PED

LFC Online: Understanding Government Finances

[Finance Facts: State Land Trust]

of additional instruction by the time they reach middle school – on par with the achievement gap faced by many students when they enter the system. Given the directive of the court and game-changing opportunities afforded by expansion of evidence-based programs, New Mexico can and must change how schools use instructional time to improve the outcomes of at-risk students.

Educator Quality

Teachers affect student reading and math achievement two to three times more than services, facilities, and leadership, according to research by the Rand Corporation. Given the commitment to increasing the amount of time teachers can spend instructing students, the state must cultivate and retain highly effective teachers to see returns from additional instructional time.

In FY20, the state made significant investments in teacher compensation, which improved New Mexico's competitiveness with surrounding states. While the salary increase may improve workforce retention and recruitment, pay alone will not drive educator quality or keep the best educators in schools. The state should place equal, if not more, attention to working conditions and professional learning structures at all stages of an educator's career. By strategically focusing on developing appropriate educator competencies for teachers and administrators, the state can create a system that continuously improves the quality of instruction and sustains an education workforce over time.

Teacher turnover is inherently disruptive and costly. According to a 2017 Learning Policy Institute report, turnover in a single position can cost small, rural, and suburban districts $10 thousand and large urban districts $20 thousand to recruit, on-board, and train new hires. Nationally, two-thirds of teachers leave the profession for a reason other than retirement. Teachers report family or personal reasons, financial compensation, and working conditions as the major reasons for staying or leaving the teaching workforce. New Mexico does not have a consistent system for tracking why teachers are leaving and where they are going. The state should employ a statewide exit survey to evaluate why school district employees are leaving their positions and use the data to address root causes of turnover.

Educator Preparation Programs. Although the total number of teachers in New Mexico has remained relatively flat in the last decade (mirroring trends in student enrollment), teacher turnover continues to be higher than national averages. Between 2014 and 2018, about 25 percent of New Mexico teachers left their school district each year. Declining enrollment in New Mexico's educator preparation programs (EPP) further compounds the turnover issue, because fewer candidates are available to fill positions that become vacant.

Between FY10 and FY18, in-state enrollment in traditional EPPs decreased by 5,078 students, or 74 percent, and the total number of EPP completers fell by 682 students, or 50 percent. Beginning in FY17, the number of individuals enrolling in alternative licensure programs surpassed the number of students in traditional EPPs. While alternative licensure programs are less costly and quicker pathways for individuals to become teachers, national trends show these individuals are 25 percent more likely to leave the profession than traditionally trained teachers when controlling for students, schools, and teaching conditions.

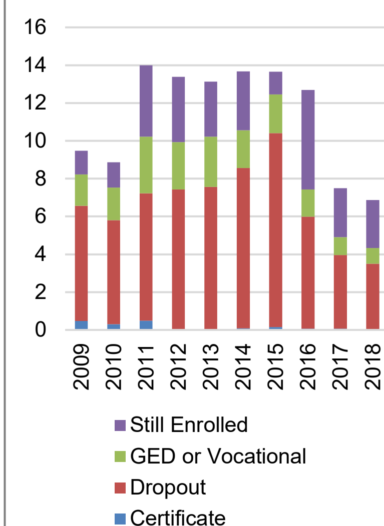
With nearly 70 percent of New Mexico teachers earning their highest degree from an in-state institution of higher education, EPPs must be included in the state's effort to develop and maintain a strong teacher workforce. According to the National Council on Teacher Quality, states can and should connect teacher preparation programs with local hiring needs. Currently, 29 states collect teacher supply data from teacher preparation programs, and eight states connect EPP data with specific hiring needs at each school district. New Mexico should consider linking data on hiring demands with the supply of candidates from EPPs to address vacancies in high-need subjects (like special education) and hard-to-staff schools.

LFC Online: Understanding Government Finances

Finance Facts: Public School Funding Formula

Teacher Evaluation. When purposefully leveraged for professional development planning, teacher evaluations can be effective tools for identifying teacher needs and creating spaces for continuous improvement. Although New Mexico's previous teacher evaluation system, NMTeach, differentiated teacher performance in a significant way and showed improvements in highly effective and exemplary ratings each year, the system met opposition from the teachers' unions and various stakeholder groups for being an inconsistent measure of performance. Court findings from the *Martinez* and *Yazzie* education case also noted the NMTeach system might have discouraged teaching in high-need schools or subject areas due to its significant reliance on student test score growth.

Count of Nongraduates
(in thousands)



Note: Totals are likely overstated due to mobility, as counts may include the same student moving between different schools.

Source: PED

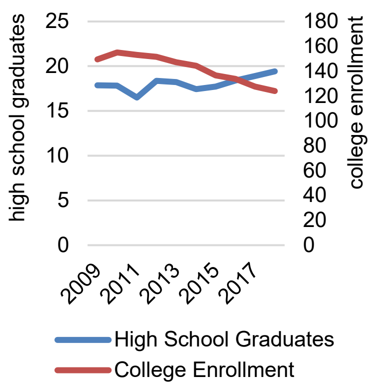
To be an effective tool for improving educator quality, the teacher evaluation system should: (1) use highly objective measures, (2) focus on improving student outcomes, (3) identify opportunities for professional development or research, (4) encourage teaching high-need populations, and (5) differentiate feedback for each teacher based on individual level of need. While improvements to the evaluation system are mostly administrative in nature, the Legislature can still support structures that reinforce the evaluation system, such as peer assistance teams that intervene with low-performing teachers or online platforms to increase access to professional development in rural areas.

School Leadership. School leaders can improve the quality of instruction at a greater scale and reduce turnover of school personnel. Strong leaders create a culture of high expectations for students and design systems that support the development of personnel at all levels of experience and expertise. Effectively designed systems create positive working conditions that can reduce turnover and lead to improvements in staff experience, learning environments, and student outcomes.

School leadership includes master teachers who have knowledge of best practices and can raise the quality of schoolwide instruction. At its foundation, New Mexico's three-tiered licensure system provides a good framework for a master teacher structure; however, few schools report leveraging level-three teachers as instructional leaders, and districts often view the three-tiered licensure system as a compensation ladder rather than a responsibility advancement system. Despite statutory requirements for level-three teachers to take additional responsibilities, such as mentorship of new teachers, little evidence is available to suggest teachers are meeting the requirement statewide. Additionally, due to small class load requirements and high teacher turnover, level-three teachers often receive full teaching loads, which may limit their ability (without additional time) to provide effective instructional support for other teachers.

While overall declining student membership presents fiscal challenges to small schools, fewer students can create an opportunity for many districts to adjust staffing patterns and find more time for teacher collaboration. Additionally, if schools participate in ELTP and K-5 Plus programs at scale, schools can generate additional funding to pay for more collaboration time and provide embedded professional development within the school year. Given the state's vision for extending time for students and schools, the Legislature may want to consider equipping school leaders with strategies for engaging communities and leveraging them as champions for extended learning in schools.

High School Graduates Compared With College Enrollment
(in thousands)



Source: PED, HED

Bilingual and Multicultural Education

Court findings from the *Martinez* and *Yazzie* education lawsuit noted the lack of access to high-quality language acquisition programs for English learners (ELs) violated federal and state law and the New Mexico Constitution. The court also cited deficiencies in state funding, support, and oversight of bilingual multicultural education programs (BMEP) that serve Native American and Hispanic ELs. In response, the state significantly increased funding for at-risk students (which includes ELs) and BMEPs.

Even with increased funding, less than half of all ELs in New Mexico continue to participate in BMEPs, reporting on BMEP quality is limited and inconsistent, and the state lacks a process for coordinating human and capital resources for BMEPs effectively. To leverage the benefits of a multilingual and multicultural student population and address deficiencies highlighted by the court, the state should increase oversight of BMEPs, focus investments on evidence-based programs, and support policies that fundamentally support the diverse linguistic and cultural aspects of all students in the state.

Program Models. New Mexico provides a framework and funding for schools operating five approved BMEP models: dual-language immersion, enrichment, maintenance, transitional, and heritage programs. New Mexico has not analyzed the effects of each program model or reasons for declining program participation, which has decreased by 16 percent in the last decade.

A 2019 LFC Results First evaluation noted dual-language immersion programs demonstrate strong evidence for improving academic achievement for both

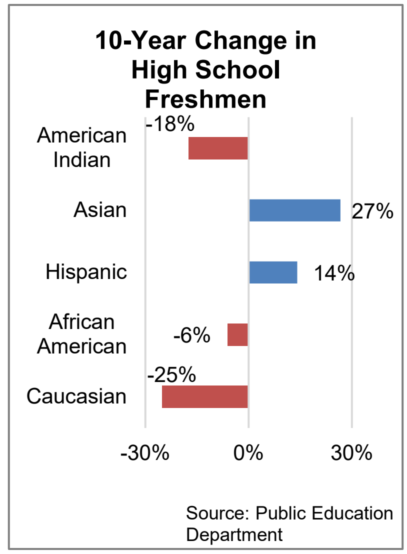
Standards-Based Assessment

In 2015, New Mexico began using the PARCC assessment to comply with testing requirements in the federal Every Student Succeeds Act. National studies showed the test was one of the most rigorous assessment on the market; however, the state's heavy reliance on PARCC in school grades, teacher evaluations, and high school graduation requirements created a high-stakes testing environment (and ultimately push-back against the test).

In 2019, the governor ordered PED to replace PARCC with a new assessment. The department's taskforce later recommended the state transition to a new assessment over time, using PARCC questions and phasing in state-developed test questions fully by 2024. The taskforce also suggested using the SAT college entrance exam for high school testing requirements and providing interim, short-cycle assessments for all grades.

This transition assessment marks the second time New Mexico has changed statewide math and reading tests in the last five years. The transition also comes while the state is engaging in an education sufficiency lawsuit and providing the largest funding increase for schools in recent history. One of the key findings in the *Martinez* and *Yazzie* education case was low at-risk student proficiency on the PARCC test, and the primary reason for increasing public education appropriations was to help schools close that achievement gap. To appropriately remedy findings of the court and equitably address educational issues, New Mexico must have multiple, consistent, and objective assessments of student achievement. Without an accurate way to measure student outcomes over time, the state cannot determine if investments in education have achieved anything and will risk continued litigation on education sufficiency.

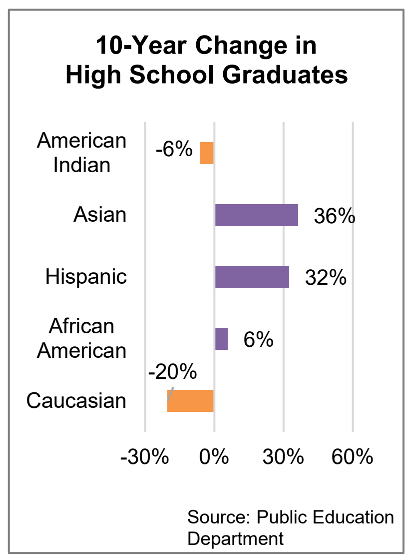
English learners and native English speakers. Immersion programs offer academic instruction in two languages and enroll roughly equal proportions of native speakers of the two languages. Students rely on the native language abilities of all students, whether or not they speak English at home. Effective immersion programs provide at least six years of bilingual instruction, use instructional personnel proficient in the language of instruction, include non-English language instruction at least 50 percent of the time, and maintain active family-school partnerships.



College and Career Readiness

The primary goal of the public education system is adequately preparing students for higher education, the workforce, or other postsecondary pathways. With increasing demand for a more skilled workforce, schools must design learning opportunities that not only allow students to apply core academic subjects but also help them develop the necessary social and technical skills to make positive contributions to their communities. Although New Mexico's graduation rate has increased to 74 percent in recent years, over one-third of high school graduates who enroll in college still need remedial help in core academic subjects. About 13 percent of high school students drop out or leave the New Mexico public school system annually, and another 13 percent continue pursuing a high school degree or equivalent as adults.

With a 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.

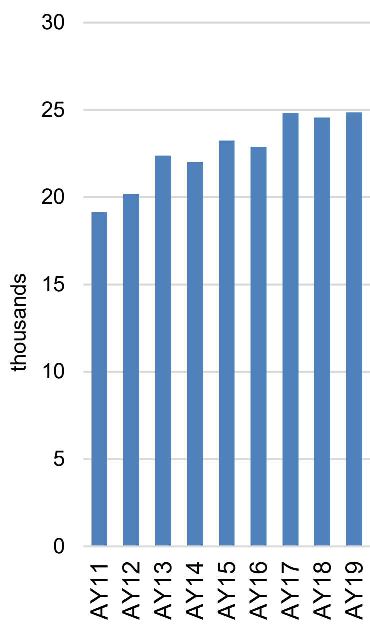


According to the Legislative Education Study Committee, in FY17, 62.9 thousand high school students participated in New Mexico CTE programs through public schools and structured workforce readiness programs. About 89 percent of New Mexico CTE students graduate from high school, about 16 percentage points higher than the statewide average graduation rate. Research also shows CTE is valuable for re-engaging students who become disengaged and less interested in school. This can be particularly helpful for students who do not plan to attend college and need extensive job training to enter the labor force.

In 2015, the nonprofit Southern Regional Education Board 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; the most popular pathways being automotive, culinary arts, agriculture, carpentry, and welding programs. The board 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

Higher Education Total Awards

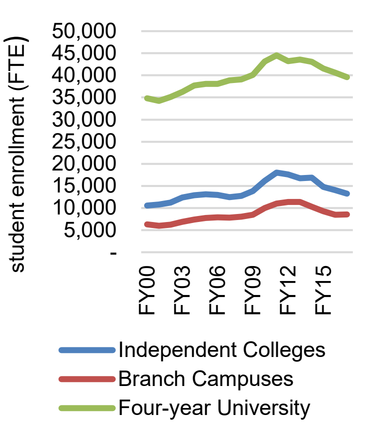


Source: LFC analysis of HED I&G formula data

For more info:

Higher Education Performance Page 103

Higher Ed Enrollment FY00-17



Source: Integrated Postsecondary Education Data System

that is increasingly losing jobs to automation and globalization. New Mexico should incorporate CTE experiences into core academic curriculum, align dual-credit options at higher education institutions with workforce needs, and develop industry credentials for students pursuing post-secondary employment.

Higher Education

With state funding approaching $1 billion, New Mexico appropriates 12.3 percent of the general fund budget to the higher education system, which includes three research universities (33 percent of students), four regional open admissions universities (11 percent of students), 10 branch campuses (19 percent of students), and seven independent community colleges (37 percent of students). Annually, tuition and fees generate $365.3 million, local property taxes provide $160 million to two-year colleges, and $85 million comes from trust funds or other sources.

The state funding is distributed through an outcomes-based funding formula, designed to reward institutions for student success, e.g., graduation, that dedicates 80 percent of the value on awards and completed courses. Awards have increased by 22 percent when the formula went into effect in 2012.

Several challenges confront higher education in New Mexico: Competition for students and faculty has intensified. High school graduates, despite increasing in numbers over the past five years, are not enrolling in New Mexico colleges and universities. New Mexico colleges lag out-of-state peers in student retention and graduation rates. Employers, who seek to employ New Mexico graduates, report difficulty in filling open positions because they cannot attract enough candidates.

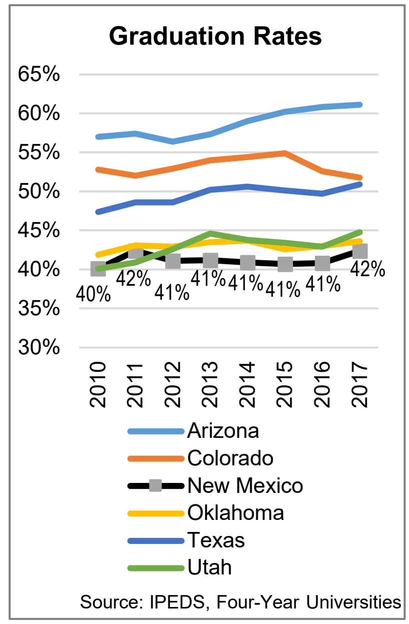
Key initiatives have been implemented to address the gap, designed to increase attainment of a postsecondary education for students and adult learners. Most notably, the statewide "Route-to-66" attainment goal – seeking to increase the number of adults who hold a postsecondary credential by 2030 – is aligned with the Lumina Foundation's national goal to ensure 60 percent of adults hold a postsecondary credential. The state attainment goal, implemented by the prior administration, has largely gone unaddressed by the new administration. Although, in August 2019, the governor did announce an initiative to make tuition and fees free at any public college within the state, calling for greater access to a college education for all New Mexicans.

Access

Successfully meeting postsecondary attainment goals and workforce demands will require colleges and universities to produce a larger number of graduates who hold a bachelor degree or higher, with degrees targeted at healthcare, education, engineering and other high-demand sectors. In its *2018 Report on Higher Education Governance*, the Higher Education Department (HED) identified the difficulty in achieving systemic improvements in higher education given its decentralized governing structure. Decision-making authority resides with appointed or locally elected boards, whose vantage for addressing statewide problems is limited. Accountability – both for student performance and finances – can be hard to achieve across the system. Most colleges receive the majority of funding from the state funding formula but implement policies that may not address statewide needs.

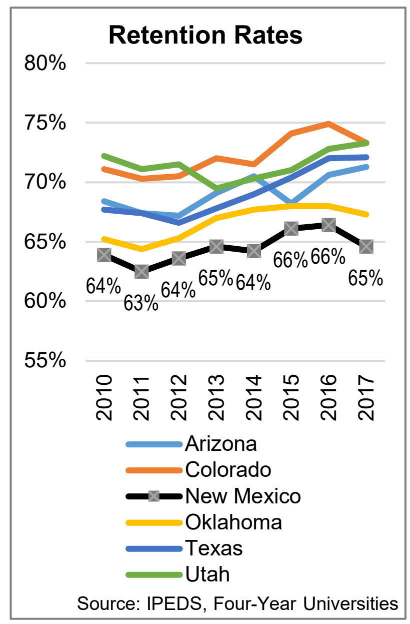
In the HED report, the department noted physical access to a postsecondary education in New Mexico is not a constraint. New Mexico offers more than 78 physical points of access to college campuses across the state. In addition, the state remains one of the most generous in providing financial support to the higher education sector, ensuring tuition remains affordable. However, researchers have identified the public's perception of higher education has turned negative with public support declining.

Moreover, some students do not perceive value in a college education despite research that shows the economic return from a college degree greater than market investment returns. In fact, studies have shown that households with college and advanced degrees earn 35 percent more than households without this level of education, which have seen a decline in wages.



Demographic Shifts and Diversity

The 2016 Western Interstate Commission on Higher Education (WICHE) report, *Knocking at the College Door, Projections of High School Graduates*, garnered policymakers attention by projecting a decline in the number of high school graduates over the next two decades. The WICHE report highlighted the swift racial/ethnic change of the student body in public schools, and its impact on the achievement gap. In fact, minority students are closing the achievement gap in important ways: Hispanic graduates increased by 32 percent over the past 10 years; Native American graduates, down 6 percent over the past 10 years, have increased the number of graduates by 10.7 percent in the last five years, as have African American graduates.



As a result of the gains made in high school graduation, college campuses will grow more diverse. For every 100 white high-school graduates, the nation will produce 150 minority high-school graduates. In New Mexico, WICHE predicts 25 percent growth in high-school graduates until 2028, then a 12.5 percent decline through 2034. White graduates are projected to decline by more than 20 percent and Hispanic graduates are projected to increase 8.4 percent through 2028 then revert to 2019 levels.

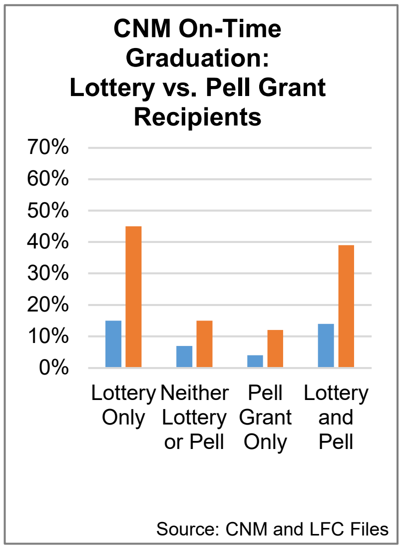
College Enrollment: Losing Ground in New Mexico

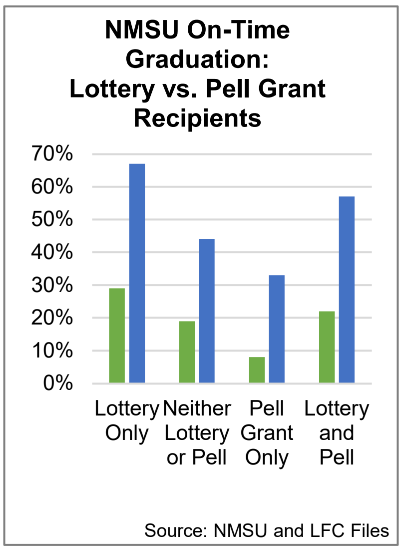
For college, however, fewer of those high school graduates are choosing New Mexico institutions for studies, according to college enrollment data collected by HED. Enrollment at New Mexico's 24 public colleges and universities has declined significantly over the past five years. Some colleges have found students are simply forgoing a postsecondary education altogether, citing concerns over cost or strong employment options. New Mexico universities offer students the fifth lowest tuition and fees in the nation.

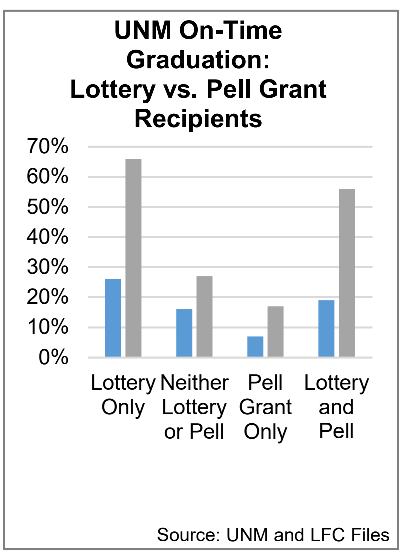
LFC Online: Understanding Government Finances

Finance Facts: Higher Education Funding

Yet, in Texas – where the economy is stronger and the cost of attendance is higher – freshman enrollment at four-year universities has increased by 20.7 percent over the past five years. It's increased in Colorado by 21.9 percent, by 16.4 percent in Arizona, and 24.7 percent in Utah. Meanwhile, New Mexico's four-year universities have seen an 8 percent decline in freshman enrollments over the same period. Further, while college enrollment has declined overall by 14.1 percent, the number of high-school graduates has increased by 10 percent. Competition from out-of-state institutions, offering aggressive scholarship packages, contributes to the drain of talent out of New Mexico.







The concern for New Mexico policymakers is that several studies show a widening postsecondary attainment gap correlates to growing economic inequality. The same study illustrates a household income's outsized influence on student success; top performing low- and middle-income students earn bachelor's degrees at the same rate as low performing high-income students. In addition, low- and middle-income students are half as less likely to attend college.

Institutions have been slow to respond with intentional strategies to recruit New Mexico students and reverse the trend of declining enrollment on their campuses. The outcome-based funding formula does not reward or penalize institutions for declining enrollment. As a share of total instructional funding, tuition revenue has declined from 28 percent to 26 percent, even after half of the colleges increased tuition. The University of New Mexico, however, has absorbed the majority of the impact, losing $17.5 million in revenue in the past two years from considerable drops in enrollment.

Student Persistence

The policy implication from these shifts in the educational pathway from the kindergarten – 12th grade achievement to postsecondary attainment – particularly poignant for underrepresented student populations – are playing out on college campuses across the state. Almost all of the colleges and universities have increased the number of Hispanic and Native American students. However, institutions lag regional peers in student persistence measures. Institutional data on fall-to-fall retention, though dated, show volatility on this measure among institutions.

Fall-to-Fall Retention Rates. Each fall, a new cohort of traditional freshmen and adult learners begin their college education. The fall-to-fall retention measure, only applicable to full-time students, records the number of students who re-enroll the following year. The measure informs administrators and policymakers on the success of students in the first year, an important milestone of student success.

New Mexico retention rates are improving marginally. Research universities show the highest retention rates, ranging from 70 percent to 80 percent. The four-year comprehensive universities and two- year colleges range from 40 percent to 60 percent.

Six-Year Graduation Rates. The number of awards earned by students, which includes sub-baccalaureate certificates along with degrees, has improved by 22 percent since 2012. In the past three years, however, awards have plateaued just below 25 thousand annually. Graduation rates lag regional peers. Nationally, 65 percent of students who attend research universities graduate; in New Mexico, approximately 50 percent graduate. Four-year comprehensive universities graduate 36 percent of students nationally; in New Mexico, 28 percent graduate. At two-year colleges, graduation rates range from 9 percent to 36 percent, however, two-year colleges educate a majority of part-time students, who tend to take longer to complete a degree or certificate.

Minority students in New Mexico are improving their rates of success. Over a five-year period (academic years 2013 to 2017), Hispanic students improved their graduation rates at 20 colleges and universities, including New Mexico Tech, and Native American students improved their graduation rate at 18 institutions.

Hispanic students at New Mexico Tech, a rigorous science and engineering research university, are outpacing white students. Yet, at NMSU and UNM, Hispanic are not graduating at the same level. The mixed performance of minority students at the research universities, when better understood, may enlighten the higher education sector on improved strategies for helping underrepresented students complete degrees.

NM Opportunity Scholarship

Governor Lujan Grisham announced in early fall 2019 a priority to provide equitable access to postsecondary education by making college tuition and fees free at public colleges or universities. The program, called the New Mexico Opportunity Scholarship, is similar to other free college programs developed around the country and is part of an effort to increase access to a postsecondary education. Eligibility for the program, aside from New Mexico residency, aligns with the New Mexico Lottery Tuition Scholarship, which provides funding up to 100 percent of tuition costs for no more than seven semesters. Students would be encouraged to complete the FAFSA as an effort to garner unused federal grants.

Expected to cost $35 million annually, the opportunity scholarship would cover the unmet need for each student, after existing grant or scholarships have been expended. The plan design, for free college programs, is an important determinant for who bears the impact of the financial cost. In New Mexico, tuition and fees are low, relative to similar institutions across the country. The opportunity scholarship would cover the unmet tuition and fees at the universities who have a higher population of traditional students. At community colleges where more adult learners attend, the average tuition and fees are below the average federal Pell grant, lessening the need for the opportunity scholarship. However, for adult learners, who exceed income limits for federal financial assistance, the program will have a bigger impact.

One factor spawning free college programs is rising student debt. New Mexico student debt load remains one of the lowest in the country. Students with the lowest levels of debt tend to be in the worst position to pay them off. This situation likely arises when a student takes out loans for cost of attendance, the costs other than tuition and fees. Then, the student drops out before earning a degree and must begin paying student loans for an education never completed.

Time to Graduation. Historically, when fewer college students graduated within four years – and as those times extended to five or six or more years to graduate – universities would experience increased enrollment. More recent data show a clear trend of more students are graduating on-time: within two years at community colleges and within four years at universities. At four-year universities, institutions report the four-year graduation rate improved from 17.3 percent in 2017 to 24.6 percent in 2019, with the five-year graduation almost doubling those levels, from 36.5 percent to 41.6 percent. The improvement in the six-year graduation rate, however, did not increase in the same magnitude, suggesting a plateau effect. The six-year graduation rates remain below regional peers.

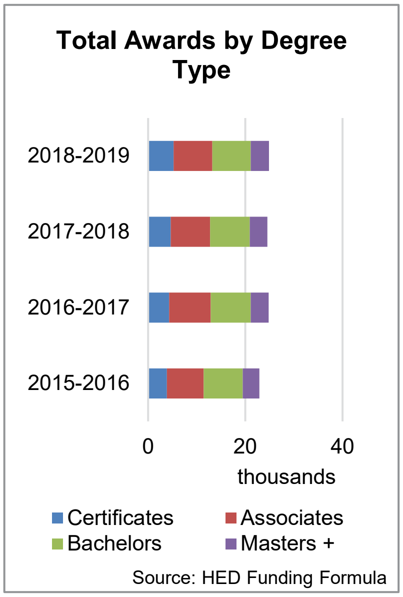
Data underscore the impact of these legislative improvements, comparing need-based aid (federal Pell grants) against merit-based aid (the lottery tuition scholarship). Student who receive federal Pell grants underperformed students who received merit-based aid. As examples, students at two research universities, who receive Pell grants as the only form of financial aid, underperformed students who received only the lottery tuition scholarship. The data reinforce the legislative intent to motivate students to graduate with the four years they can qualify for the scholarship. Students are graduating more quickly.

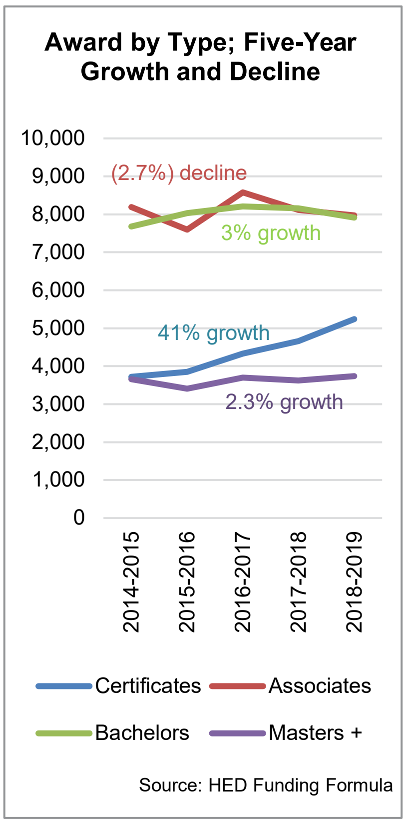
LFC Online: Understanding Government Finances

Finance Facts: Lottery

Growing New Mexico Talent

A dearth of qualified, educated professionals in New Mexico to fill thousands of jobs throughout the state is hindering economic progress and expansion. Currently, too few graduates with a bachelors' degree or higher are coming from colleges and universities in New Mexico to meet the state's workforce demands. NMSU's Southwest Outreach Academic Research (SOAR) Lab, in its *2019 Teacher Vacancy Report*, shows a need for an additional 1,000 educators to fill existing positions throughout school districts across the state. UNM Health Science Center, in its *2019 Annual Healthcare Workforce Report*, reports an immediate need for more than 3,000 nurses and 2,000 doctors or medical practitioners. The Department of Workforce Solutions, in its *Labor Market Review* September 2019, shows a need





to fill 1,500 social worker or psychiatric practitioner positions and 1,500 physical, speech or occupational therapist positions. Testimony from major employers, such as the national labs, have emphasized their intent to hire every graduate with science or engineering degree in New Mexico. These in-demand jobs require a bachelor's degree or higher in science or technology-based disciplines.

Public colleges and universities in New Mexico confer close to 25 thousand certificates or degrees each year. More college students are earning awards, 7 percent more total awards, than five years ago. Directionally, however, the growth in awards is misaligned with industry needs; the majority of growth in total awards spawns from sub-baccalaureate certificates earned at two-year colleges, a fact highlighted in the 2018 LFC performance evaluation of the higher education funding formula. Producing more sub-baccalaureate certificates is not meeting the industry workforce needs, which require a minimum of a bachelor's degree.

HED's most recent updated awards data validate the point that institutions continue to award sub-baccalaureate certificates at a faster rate than bachelor' degrees: (1) The number of certificates awarded has grown by 41 percent since 2015 and 13 percent over last year. (2) The number of associates degrees has declined by 2.7 percent since 2015. (3) The number of bachelor's degrees has grown by 3 percent since 2015 but declined 3 percent from last year. (4) The number of master's or terminal degrees has grown by 2.3 percent since 2015.

Two-year institutions argue sub-baccalaureate certificates are the beginning to a student's pursuit to a higher postsecondary degree. However, the data show students may be ending their education after earning a sub-baccalaureate certificate: associates' and bachelors' degrees are declining, and four-year universities report student transfers from two-year community colleges have declined 9 percent from the past five years.

The value of sub-baccalaureate certificates continues to confound higher education and employers. As certificates proliferate across colleges and universities, tremendous confusion has ensued about them because a standard system to measure, assess, and accredit them does not exist. Certificates run the gamut from nondegree training, like coding camps, to accredited industry licensure programs to stackable badges that build into an associate's degree. The proliferation of certificates may not be advisable for the higher education sector to meet workforce needs. Policymakers can provide guidance, requiring institutions to seek industry certified or accredited curriculum for these programs.

Economic Development

After a decade of poor economic performance, the New Mexico economy accelerated in 2018 and 2019. In the last year, New Mexico added about 15 thousand jobs, a growth rate of 1.8 percent. New Mexico ranked ninth in personal income growth from 2019 first to second quarter and 15th in per capita income growth from 2017 to 2018. With the unemployment rate below 5 percent, New Mexico is at or near full employment. These conditions allow the state to prioritize recruitment and retention of higher paying jobs, the development of a skilled workforce and rural development.

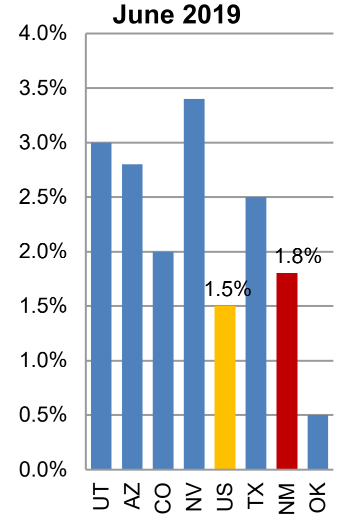
For more info:
Workforce Solutions Department Performance Page 116

Long-Term Planning and Workforce Development

The Economic Development Department is largely responsible for job creation, but many other governmental entities also have programs, causing overlap and duplication and possibly confusion among businesses wishing to expand or relocate in New Mexico. The Economic Development department must clarify the multiple programs and assistance that is offered for businesses and jobseekers. With numerous state agencies involved in economic development, a consolidated statewide strategic plan, involving all vital parties, is critical.

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 among academic, government, and private industry.

Year-Over-Year Job Growth by State June 2019



Source: Workforce Solutions Department

New Mexico Partnership

The New Mexico Partnership holds the largest contract with the New Mexico Economic Development Department, receiving $1.4 million in FY20. 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 previously did not coordinate with the New Mexico True brand, which the Economic Development Department now incorporates in its outreach. The Economic Development Department has coordinated with the New Mexico Partnership to make all marketing material between both parties cohesive, making the branding consistent

FY19 Top Five LEDA Appropriations

Company	Approved Budget	Trainees
Netflix	$10,000,000	1,027
NBC Universal	$7,700,000	333
Admiral Cable	$3,920,000	342
Rhino Health	$3,500,000	350
3D Glass Solutions	$2,000,000	139

Source: Economic Development Department

TOP STATES FOR DOING BUSINESS 2019

1. Georgia
2. Tennessee
3. South Carolina
4. Alabama
5. North Carolina
6. Texas
7. Mississippi
8. Louisiana
9. Ohio
10. Indiana
11. Virginia
12. Kentucky
13. Florida
14. Arkansas
15. Oklahoma
16. Arizona
17. Iowa
18. New York
19. Michigan
20. Missouri

Source: Area Development Magazine

County Unemployment Rates and Rankings June 2019

1. Luna	10.3%
2. McKinley	8.4%
3. Torrance	7.3%
4. Cibola	7.2%
5. Socorro	6.9%
6. Sierra	6.8%
7. Taos	6.5%
8. San Juan	6.3%
9. Dona Ana	6.3%
10. Valencia	6.2%

Source: Workforce Solutions Department

LFC Online: Understanding Government Finances

Finance Facts: Business Incentive Programs

Incentives for Economic Development

Like most states, New Mexico efforts to grow the economy include tax benefits, including favorable rates and credits for targeted businesses, and subsidies for creating jobs and building infrastructure.

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 (JTIP) and the Local Economic Development Act (LEDA).

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 LEDA funds and its recipients. Details of department reporting standards need to be more transparent with the public. The department indicates this will be a top priority moving forward.

Returns on Tax Incentives.

New Mexico routinely uses tax incentives to compete with other states for business expansion and relocation projects at a cost of millions of dollars annually, but the state has fallen behind the 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 resources, specifically software.

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.

Notably, 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.

Film Credit. Accrued claims for both approved and pending film and television projects seeking the film tax credit, controversial since its creation in 2011 because of its generosity and because of studies that show it costs more than film productions generate in government revenue, totaled $180 million by FY18. With a $50 million annual cap, the backlog, absent any new claims, exceeded three years. To address the issue, Chapter 87, Laws 2019 authorized one-time spending to pay off the backlog and raised the annual film credit cap.

Provisions of Chapter 87 allow for $100 million in backlog payments in FY19 and up to $125 million in backlog payments in FY20. While the FY19 payout was made, updated analysis of current claims from the Economic Development Department shows the FY20 payout is not necessary. The bill also increases the annual cash payout cap from $50 million to $110 million and implements another $100 million cap on liabilities in excess of the cash cap. However, production companies identified as "film partners" – companies that purchase or sign a 10-year lease for a qualified production facility – are exempted from the caps. This exemption to the caps increases uncertainty in the general fund revenue forecast, as credits are difficult to predict and could grow rapidly with increased film production or new film partners. The current recurring cost of credits to film partners is estimated at $45 million annually, but could grow unexpectedly if new film partners are added or current partners spend more than initially estimated.

While the changes to the film tax credit addressed the backlog issue, the credit itself and exemptions to the caps reduce fiscal stability due to the credit's unpredictable nature and requirement to pay regardless of the state's financial condition. Film tax credit claims paid in a given year can be the result of up to three years of prior activity and are subject to irregular productions and scheduling, making future year claims volatile and difficult to predict. Furthermore, unlike other recurring spending that is difficult but possible to cut in the event of a downturn, film tax credits could not be cut in a current fiscal year to meet balanced budget requirements because of the legal obligation to provide the promised credits for approved activity.

Subsidies

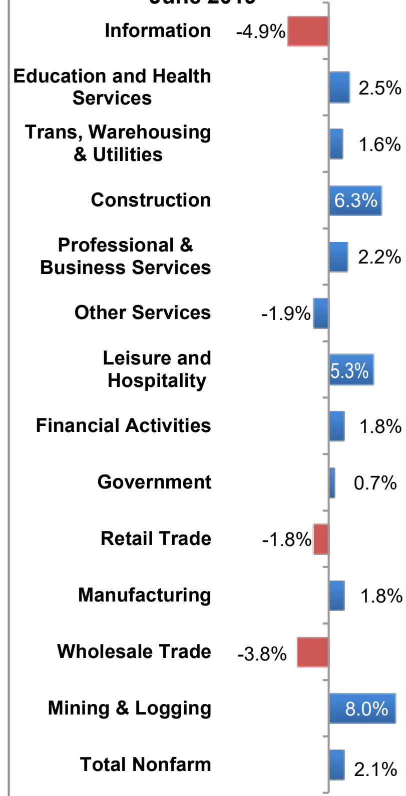
The Job Training Incentive Program. The JTIP, which subsidizes wages for certain employees, board approved 71 businesses for grants from the development training fund in FY19, including 24 in rural communities, with a total of $16.7 million in awards (see JTIP chart in *Volume 3*). The grants, available for up to six months of wages, cover 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 17 companies $33.9 million in LEDA funds in FY19 and created 2,891 jobs. (See LEDA chart in *Volume 3*). 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 infrastructure related to certain businesses locating or expanding in the community. As of 2019, 105 New Mexico communities qualified to receive LEDA grants by adopting local ordinances that create an economic development organization and an economic development strategic plan. Legislators have appropriated $146 million over the last six years for the LEDA fund, including the $60 million special appropriation received during the 2019 legislative session. As of November 2019, $67 million is available in LEDA funds.

LFC Online: Understanding Government Finances

Finance Facts: Tax Increment Financing

Year-Over-Year Job Growth by Industry
June 2019



Source: Workforce Solutions Department

For more info:

Economic Development Department Performance Page 112

Energy

For more info:
Tourism Department Performance Page 114

Long-term forecasts show the volatile but powerful economic boost of the oil and gas sector will diminish. While economic activity from wind and solar industries somewhat offset that loss, the state must assess how renewable energy will contribute to the economy and the tax base. Renewables made up nearly 20 percent of the state's net electricity generation in 2017, about three-quarters of which was from wind generation and the rest from solar. As the Economic Development Department and other parties develop a statewide economic development plan, they should include projections of wind and solar activity for the next several decades. Currently, this industry provides only minor contributions to state revenue. Wind and solar companies will need to significantly boost their share of state revenue if supporters want policy makers to see it as a significant alternative to the fossil fuel industry.

Tourism

The Tourism Department focuses on the successful New Mexico True brand as its primary strategy to market the state. 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 36.6 million, up 3.4 percent from 2017. Of the 36 million visits in the state during 2018, more than 20 million were "marketable trips," excluding business, friends, and family trips, up almost 3 percent from the previous year.

Other measures also show tourism is healthy in New Mexico. Employment at hotels, restaurants and hospitality areas grew 4.9 percent in 2018 and is up more than 18 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 15 percent in 2018, according to the Taxation and Revenue Department.

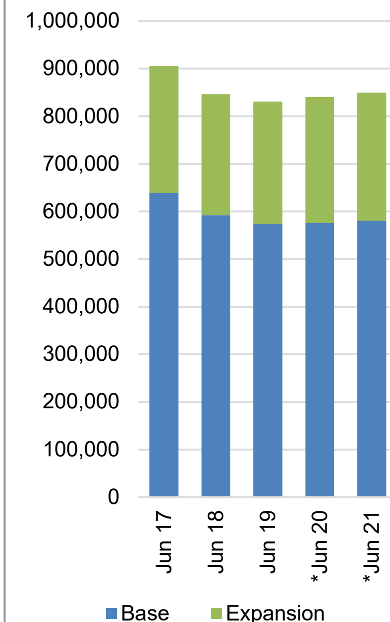
Socioeconomic status, housing affordability, access to quality food, and public safety have a significant influence on health outcomes. Emerging evidence suggests addressing health-related social needs through enhanced clinical and community links can improve health outcomes and reduce costs. Unmet health-related social needs, such as food insecurity and inadequate or unstable housing, may increase the risk of developing chronic conditions, reduce an individual's ability to manage these conditions, increase healthcare costs, and lead to avoidable healthcare and social service use.

For more info:

Department of Health Performance Page 126

New Mexico's 2 million people occupy roughly 120,000 square miles divided into 33 counties, 32 of which are designated by the federal Health Resources and Services Administration as "health provider shortage areas." New Mexico also has one of the highest poverty rates in the nation, with over 20 percent of its households living in poverty, including 30 percent of its children. This negatively impacts population health and contributes to health disparities throughout the state.

About two-thirds of New Mexico's population lives in the five most populous counties – Bernalillo, Doña Ana, Santa Fe, Sandoval and San Juan – but the remaining third lives in the other 28 counties. Providing healthcare and public health services in rural areas is challenged by barriers to hiring and retaining full-time clinicians and specialists and the distances people must travel for services.



*2020 and 2021 projected

Source: HSD 10/19 Medicaid projection

Healthcare and Services for Families

The state currently has 54 hospitals, including Indian Health Service facilities and a Veteran's Administration hospital. Many of these facilities struggle economically while striving to serve vulnerable individuals across sparsely populated areas. A major challenge to providing coordinated and integrated care statewide is the uneven distribution of healthcare professionals; high clusters are found in densely populated and more economically advantaged urban locations, like Albuquerque and Santa Fe. Over 50 school-based health centers also provide essential healthcare to many students, frequently serving as the single primary care provider for youth in their communities. Also, approximately 20 rural primary healthcare organizations provide physical and behavioral healthcare to people in New Mexico regardless of citizenship. However, the lack of access to care is also related to social factors such as poverty, lack of transportation, and lack of insurance.

Forty percent of the state's population, over 827 thousand New Mexicans, get healthcare through the state's Medicaid managed-care program. The 9 percent of the state's population that is Native American has access to primary care through the Indian Health Service and several "638" (nonfederal, tribally operated) clinics. This percentage includes a sizeable number of individuals who live away from tribal land, primarily in Albuquerque. Healthcare needs that cannot be met by these facilities are referred to nontribal providers.

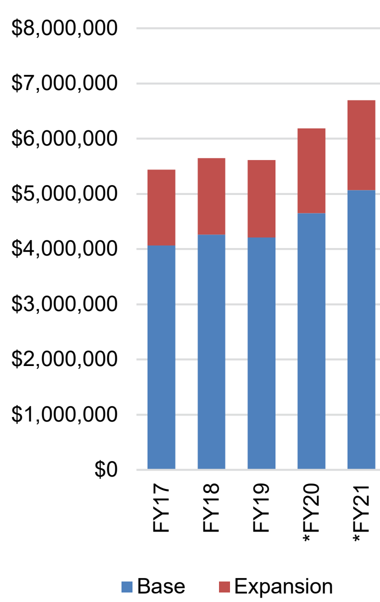
New Mexico's Medicaid program contracts with three managed care organizations (MCOs), Presbyterian Health Plan, Blue Cross Blue Shield of New Mexico, and Centene's Western Sky Corporation. Western Sky, the newest of the state's three Medicaid MCOs, experienced declining membership enrollment from January to July 2019, with a drop of 6,000 members and a Medicaid market penetration of 8 percent. Presbyterian leads with 56 percent of the Medicaid market enrollment, and Blue Cross Blue Shield has 36 percent.

HSD has announced the establishment of the graduate medical education (GME) expansion grant program and the GME Expansion Review Board and Advisory Group to establish grants to fund new GME programs and expand existing programs to increase the healthcare work force, particularly in the fields of primary care and psychiatry. The board and advisory group goals include (1) create a comprehensive five-year plan for GME expansion statewide to significantly increase the number of primary care, psychiatry, and other high need training programs; (2) develop and implement a grant evaluation and award process for the development and expansion of nationally accredited programs; and (3) develop an academic and financial plan for sustainable program expansion.

For more info:

Human Services Department Performance Page 120

Medicaid Expenditures
(in thousands)



*2020 and 2021 projected

Source: HSD 10/19 Medicaid projection

Enhance Access to Medicaid and Other Social Services

Current fee-for-service payment methods rely on large patient volumes to generate income and often do not provide sufficient revenue to sustain primary care and specialty services in rural areas. The expansion of Medicaid provided a funding stream for more individuals' healthcare but also increased the state's obligation to provide access to quality care to more individuals.

Workforce and Provider Network. In FY20, the Human Services Department (HSD) began implementing increases in Medicaid provider payment rates as a main component of its strategy to rebuild, strengthen, and protect New Mexico's networks of healthcare providers. HSD proposes to advance additional rate increases in FY21 to improve access to care for New Mexico Medicaid members, attract providers from other states, and relieve cost pressures on the rest of health insurance. By implementing Medicaid payment rate increases, New Mexico can address gaps in the healthcare delivery system, particularly in behavioral health and rural primary care, while also maximizing federal Medicaid matching funds.

Hospital and Nursing Home Rate Increases. Taking advantage of revenue generated from a 2019 expansion of the gross receipts tax to nonprofit and government hospitals, legislators allocated $34 million through the General Appropriations Act to leverage with federal Medicaid funds to adjust hospital reimbursement rates. Legislators in 2019 also passed legislation establishing a surcharge on nursing homes, resulting in a $32 million net payment increase. HSD's FY21 request included additional funding for increased rates for hospitals.

Further, HSD also plans to implement rate increases for "safety net" hospitals, investor-owned and municipal hospitals, nonprofit tribal hospitals, long-acting reversible contraceptives, Program of All-Inclusive Care for the Elderly (PACE) expansion, nursing facility "value-based" purchasing that rewards improved quality and better health outcomes, and certain behavioral management services.

Quality and Scope of Services under Medicaid

Centennial Care 2.0 is the state's Medicaid program in which managed-care organizations (MCOs) are responsible for coordinating a member's full array of services, including acute care, pharmacy, behavioral healthcare, institutional services, and home- and community-based services. In addition to care coordination, key initiatives under Centennial Care 2.0 include expanded access to in-home long-term care, an integration of behavioral and physical health services with greater emphasis on the social factors that impact population health, and value-based purchasing arrangements. Additionally, the program expands home visiting and intensive parenting education and supports program, and community benefit services for certain members who do not meet standard Medicaid financial requirements.

Indigenous Managed Care Entity. HSD is collaborating on developing an indigenous managed-care program to directly provide Medicaid managed-care healthcare services for Native Americans. Most Native Americans currently on Medicaid are not required to be in Centennial Care 2.0 but can choose to be enrolled with a managed-care organization or stay in the fee-for-service program. Native Americans can always go to Indian Health Service, tribal clinics, and hospitals for healthcare services whether they are in fee-for-service Medicaid or choose Centennial Care 2.0.

Value-Based Purchasing

The Medicaid program is moving toward paying more for value and not solely for the volume of services by rewarding healthcare providers for achievement in quality of care and improved member health. HSD contractually requires the Medicaid MCOs to work with their provider networks to expand payment reform through value-based purchasing arrangements. MCOs have a prescribed percentage of all provider payments in one of three levels of value-based purchasing payment arrangements to increase over time the percentage and level of value-based purchasing arrangements.

Technology to Improve Access

While integrated data systems that link data from schools, law enforcement, and human services could greatly improve services and the evaluation of the impact of those services, success with building integrated systems is poor. Ongoing integrated data system efforts and new proposals need to be considered to avoid potential duplication and to leverage funding opportunities from nonprofits and the federal government.

State Healthcare Reform Efforts

HSD is asking for $500 thousand in FY21 to implement affordable care options for the uninsured and underinsured, and managers say they intend to start with a comprehensive study regarding outreach to the target population and the development of benefit packages. HSD will also identify and use best practices from other states to ensure the offered health coverage initiatives are affordable for the covered population and fiscally sustainable for the state. HSD plans to analyze and prioritize options to maximize federal financing for coverage initiatives in an effort to cover more New Mexicans.

Supports for Low-Income New Mexicans

New Mexico state and local government entities provide valuable services to New Mexicans but often do not coordinate data and services. Integrating services across agencies is a strategy that can better inform performance management, program evaluation, cost-benefit analysis, and policymaking. State and local integrated systems in other states have demonstrated ongoing effective and efficient improvements in public administration while improving public trust.

Temporary Assistance for Needy Families. Under the TANF program, states have broad discretion in using the federal block grant to meet the program's goals to provide assistance to needy families so children may be cared for in their own homes or in the homes of relatives; promote job preparation and work; prevent and reduce the incidence of unintended pregnancies; and support families. States are required to report on work participation rates of TANF clients. Failure to meet federally established work rates can trigger penalties.

When the TANF program was reauthorized in 2018, Congress made significant changes, including limiting the use of transfers of TANF money to other programs that serve low-income families, creating new performance standards, and strengthening work requirements. New Mexico TANF transfers include $36.5 million for childcare assistance.

ASPEN. ASPEN is the HSD IT system used for enrolling New Mexicans into the Medicaid program and multiple other social service programs. In FY21, ASPEN will be seven years old. Over the past years, HSD has identified improvements that can reduce worker involvement in application and case processing and to leverage new technologies that will enable the field staff to focus on customer service and outreach efforts. Investments in incremental modernization of the underlying technology components will allow for gradual upgrades over time and improvements in tracking enrollment.

MMISR. HSD's Medicaid Management Information System Replacement (MMISR) IT project is slated to provide a common technology platform and highly shared data that will expand business capabilities and cross-program and cross-organizational sharing. The MMISR project is primarily federally funded (90/10), and other state agencies such as CYFD and DOH are also leveraging federal funds for associated projects. For example, the Health Department's Family First Medicaid eligibility system and Children's Medical Services Medicaid provider system will both be integrated.

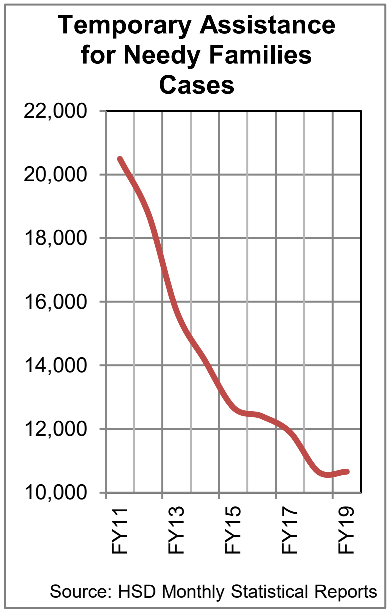
Child and Family Databank. New Mexico was recently awarded a $5.4 million U.S. Department of Health and Human Services Preschool Development Grant - Birth to Five to assist efforts to build a high-quality early learning system for families and young children. This initiative reflects another opportunity, similar to the federal Race to the Top program, for New Mexico to develop an early childhood data system.

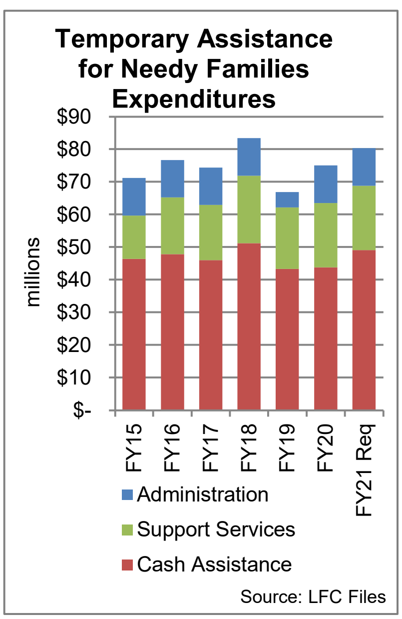
LFC Online: Understanding Government Finances

Finance Facts: Medicaid

LFC Online: Understanding Government Finances

Finance Facts: Child Support





For more info:

Aging and Long-Term Services Department Performance

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The TANF caseload has dropped steadily since 2010 after peaking at 21,514 cases during the economic recession. The New Mexico TANF caseload was 10,544 in August 2019, a decrease of 6.4 percent from August 2018, and included 26,976 individuals: 6,963 adults and 20,013 children. In FY19, the average household received $325 a month.

HSD indicates changes in eligibility criteria – including stricter job search requirements, the relative ease of obtaining Supplemental Nutritional Assistance Program (food stamp) benefits, and the increase in clients with Social Security disability coverage – have decreased TANF participation.

Child Support. The Human Services Department's Child Support Enforcement Division (CSED) collected 57 percent of owed child support last year, about 7 percentage points below the national average. Currently, parents who owe child support face the possibility of arrest, loss of their driver's license, and other penalties, which hamper their ability to work and pay child support. CSED, partly in reaction to new federal requirements, is working on a variety of nonpunitive strategies to make it easier for parents to pay, such as allowing them to set up online payments or receive job training in collaboration with the Department of Workforce Solutions.

HSD and the Public Trust

Debra Hatten-Gonzales Lawsuit. At the end of FY19, the special master in the decades-old *Debra Hatten-Gonzales* lawsuit challenging the state's practices in determining Medicaid and food stamp eligibility, found a 59 percent error rate in the processing of assistance applications. According to the joint status report filed with the court on May 1, 2019, the errors included systemic problems with eligibility, verification, and notifications. If the error rate had been 15 percent or lower, HSD would have been in compliance with the lawsuit's consent decree and closer to the resolution of the case. The court has approved two corrective action plans in the case. If HSD successfully implements the remedies included in both of the plans, the department will be in compliance with the consent decree.

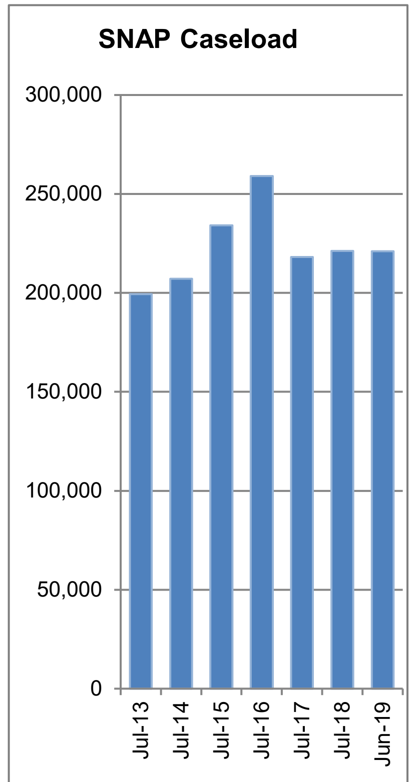
Behavioral Health Litigation. HSD has reached settlement agreements totaling approximately $5 million with five of the 10 behavioral health organizations that had Medicaid payments frozen in 2013 due to fraud allegations. Under the settlement agreements, the parties agree the settlements are a compromise and not an admission of liability or fault on the part of either party. HSD is working with the remaining behavioral health providers that filed.

Supplemental Nutrition Assistance Program Sanctions. In September 2018, the U.S. Department of Agriculture (USDA) invoiced HSD for $164 million of alleged overpayments for SNAP food benefits provided to low-income families from 2014 through 2016. HSD argued it provided SNAP benefits to income-eligible families based on court orders associated with the *Hatten-Gonzales* lawsuit and with the knowledge of the USDA's Food and Nutrition Service (FNS). The USDA contends HSD issued overpayments in over 100 thousand instances, including by providing retroactive benefits for households that failed to complete the full certification or recertification process. HSD reports it is negotiating a settlement with FNS that includes requesting funding in FY21 for improvements to the ASPEN IT enrollment system.

Protecting Vulnerable Adults

HSD and DOH, acting on recommendations from an LFC report regarding how the state system provides supports for people with developmental disabilities, are working on a community supports option to leverage a greater Medicaid match rate for people currently on the waiting list for comprehensive services. As of October 2019, over 5,000 individuals were on the waiting list with an average wait time of over 13 years, up from 8.2 years in FY11. The department hopes to begin providing some services to these individuals by FY21 and the DOH budget request includes $6.4 million from state general fund, to be matched with federal Medicaid revenues, to provide services and assessments.

Supports waivers are designed to provide a limited array of services to individuals on the wait listing for the comprehensive services under the Medicaid waiver that allows the state to provide home- and community-based services, rather than institutional care, for clients with developmental disabilities. While some services for individuals currently on the wait list are available through Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) or Medicaid-funded services, the community supports waiver is intended to help individuals have access to a broader service array.



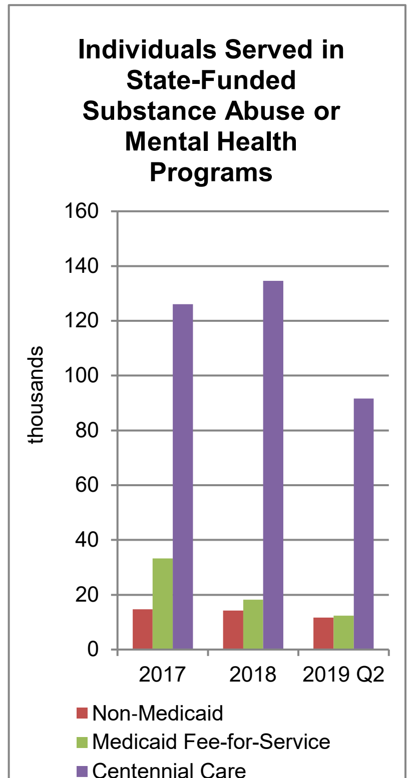
Source: HSD

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 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.

New Mexico continues to lead the country in adults and youth with substance abuse disorders and, at 21.6 percent, unmet need for services for individuals with mental illness. Based on 2019 data from the U.S. Health Resources and Services Administration, only 33 percent of New Mexico youth with major depression received mental health treatment and 56 percent of adults with mental illness received treatment.

However, according to the 2019 *State of Mental Health in America*, New Mexico improved from 46th to 31st in the national overall adult behavioral health rankings between 2017 through 2018 and is 37th in the youth behavioral health rankings. New Mexico's drug overdose death rate has improved from 50th in the country to 32nd for multiple reasons, including a small but significant drop in the state's overdose death rates, while other states overdose death rates rapidly increased.



Source: HSD

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 healthcare, state-funded behavioral health investment zones, problem-solving courts, services funded by local liquor excise taxes, and services funded by the

Medicaid Centennial Care 2.0 proposes leveraging partnerships such as

- Carelink NM, the health home model for members with complex behavioral health needs;
- Home-visiting pilot program to improve early childhood outcomes, which began Medicaid implementation on January 1, 2019;
- Wraparound service pilot project that provides intensive care coordination for CYFD clients.

For more info:

Behavioral Health Collaborative Performance
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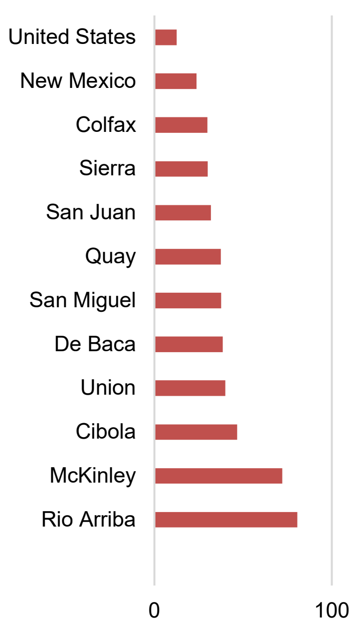
Liver Disease Deaths per 100,000
(select counties)



Source: Department of Heatlh and CDC

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 because it is not considered evidence-based at this point.
- 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.

Centennial Care. 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. The program includes Medicaid health homes treating co-occurring serious mental illness and substance use disorders and is working to waive the exclusion in federal law that prohibits Medicaid reimbursement for private and state-run "institutions of mental disease" that provide inpatient psychiatric services.

In a turnaround from long-term Medicaid policy and prompted by the national opioid addiction crisis, the federal Centers for Medicare and Medicaid Services (CMS) has recently taken steps to allow Medicaid coverage for behavioral health services provided by "institutions for mental disease" (IMDs). 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 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.

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 plans if the projects meet 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 adds 15 days per month of psychiatric or SUD inpatient or crisis residential services received in an IMD to a provision that allows states to provide new services "in lieu of" covered managed-care services if the new services are cost-effective and medically appropriate. 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.

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 (ARTCs) for SUD. However, the benefits from this change may take time to be realized. According to HSD's Behavioral Health Services Division (BHSD), 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.

Department of Health Facilities. Facilities that provide behavioral health services operated by the Department of Health, designated by the Behavioral

Health Collaborative as the lead for addressing substance use disorder (SUD) issues in New Mexico, are well-positioned to take advantage of federal Medicaid behavioral health policy changes included under Centennial Care 2.0. These changes should offer DOH opportunities to improve performance, serve more people, and become more financially 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 for mental disease" to receive Medicaid revenue and offset the need for 100 percent general fund revenue.

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

Overdose Deaths. 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, 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, and in 2017 through 2018 New Mexico went from 50th to 32nd in the country's drug overdose death rate. While DOH successfully tracks opioid epidemic indicators, a coordinated, comprehensive statewide treatment strategy is still needed.

Although New Mexico's rank improved, the Department of Health (DOH) reported the number of drug overdose deaths among New Mexico residents rose from 491 in 2017 to 537 in 2018, or 9 percent, due largely to methamphetamine. Heroin overdose deaths made up 26 percent of overdose deaths in 2018, down from 30 percent in 2017 and 27 percent in 2012. Drug overdose deaths involving benzodiazepines, drugs like Valium and Xanax, also fell sharply from 26 percent of the total in 2017 to 18 percent in 2018. Overdose deaths using prescription opioids other than fentanyl decreased to 36 percent of the total last year compared with 37 percent of the total in 2017 and 40 percent of the total 2012.

As many New Mexicans continue to struggle with substance use disorder, DOH was identified as the key agency to improve services and outcomes. Specific activities include mapping existing substance use treatment facilities, including

Medicaid Expansion and Behavioral Healthcare

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 in 2016 on behavioral health services for people who gained access to Medicaid as a result of Medicaid expansion. A 2018 LFC *Health Notes* found that overall spending on behavioral health services for the expansion population has risen faster than the number of people using those services.

Medicaid managed-care organizations have persistent gaps in their provider networks, but robust growth in behavioral health services provided by federally qualified health centers is a positive sign of improved access to care. Behavioral health visits to federally qualified health centers (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 HSD's Behavioral Health Services Division 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 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.

Opioid Prescribing Limits in Other States

- 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:

Children, Youth and Families Department Performance
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In New Mexico, hospital mental health inpatient services are provided by the Department of Health's three mental health facilities, the state's four private psychiatric hospitals, and the psychiatric units of 12 general and acute care hospitals. All of these hospitals provide acute psychiatric care, but most of the general hospitals only offer substance abuse disorder detox or rehabilitation services when they are co-occurring with a psychiatric condition.

tribal locations, to identify gaps; instituting evaluation tools for current programs; expanding medication-assisted treatment (MAT) in public health clinics and primary care facilities; and identifying effective interventions for alcohol and methamphetamine use.

Family and Children Services. According to a National Institute of Mental Health survey, about half of all foster youth have "clinically significant" emotional or behavioral problems, only a quarter of whom received care. Out-of-home placement is associated with disruptions in attachment relationships as children's attempts to form secure attachments with a primary caregiver are interrupted. Foster youth often experience violence and neglect prior to placement, leading to a higher prevalence of mental health needs, and foster youth are at an increased risk of exposure to risk factors, such as poverty and maltreatment, putting them at greater risk for mental health issues.

To give New Mexico families and children more opportunities to succeed, the Children, Youth and Families Department (CYFD) is bringing together programs for children and adults. Programs that seek to improve child outcomes should be coordinated with services that address the needs of parents. CYFD is involved with initiatives using geospatial analysis and community needs assessments to guide place-based approaches to address multiple factors impacting children and families' behavioral health.

Despite a comprehensive array of services – including Medicaid early screening; CYFD infant psychotherapy; mobile crisis teams; multi-system therapy, functional family therapy, and other intensive outpatient care; high-fidelity wraparound services, transitional living, and medication management – children and families in New Mexico still face significant challenges associated with behavioral health issues.

Behavioral Health Provider Perspective

The New Mexico Behavioral Health Providers Association reports the state needs more work in developing a statewide behavioral healthcare plan based on community needs. The plan should address expanding current services, developing new services, and improving operational effectiveness. The state's behavioral health providers face challenges in maintaining and enhancing provider networks and the behavioral health workforce. These issues can be addressed with adequate reimbursement rates, competitive pay, lower cost health insurance and other employee benefits, and developing internships to employment opportunities for students interested in behavioral health service.

The administrative burden on behavioral health providers could be reduced by implementing process reviews and identifying unfunded costs, and eliminating redundancy in the Medicaid system associated with provider credentialing and claims issues. Performance-based payment reform also provides opportunity to improve operational effectiveness.

Local Behavioral Healthcare

Access to behavioral healthcare is particularly challenging in rural communities of New Mexico. The lack of providers, prevalence of chronic health conditions, and geographic isolation create unique barriers for individuals in need of crisis stabilization for serious mental illness and substance use disorders. Emergency departments are often the only treatment option available to stabilize patients experiencing crisis. As a result, many of the state's innovative strategies are being led by cities and counties. These services need more evaluation and analysis to assure they are having the intended outcomes.

Bernalillo County. Working with a voter-approved local tax for behavioral healthcare services, Bernalillo County launched the county's Behavioral Health Initiative (BHI) that relies on partnerships within the community to leverage resources, expand services, and improve access to care. BHI also plays a collaborative role in programs offered by the Sheriff's Department, the Metropolitan Detention Center, and the University of New Mexico Hospital. BHI is working with its partners on a continuum of care for individuals with behavioral issues and their families.

Services include a range of transitional and permanent housing programs for youth and adults with behavioral health issues, including sober living housing for those who have just completed a residential treatment program and supportive housing with intensive case management for those who have been involved in the criminal justice system or who frequently use the emergency room. Among BHI's prevention, intervention, and harm reduction services are mental health first-aid training and early intervention services for children at risk of traumatic childhood experiences and their families. The county has also developed mobile crisis teams to respond to individuals experiencing a 911-response nonviolent behavioral health crisis and is working with the Albuquerque Police Department to train bike patrol officers to identify and appropriately divert individuals to case managers who develop a treatment plan and link individuals to health and social services.

In addition, BHI collaborates on drop-in centers where participants support one another and receive services, intensive case management to help clients navigate a complex service system, and "law enforcement assisted diversion" (LEAD) designed to reduce the number of individuals with serious mental illness, a substance use disorder, or both, who commit low level crimes and cycle through the jail system.

San Juan County. Nearly 20 percent of adults and an even greater percentage of youth in San Juan County report having serious suicidal thoughts, but a study conducted by San Juan County indicates services do not meet the community needs, particularly for men, Native Americans, older residents, and youth. An analysis commissioned by San Juan County to identify gaps in behavioral health services offers potential solutions to bridging some of the gaps. The report found a lack of coordination and collaboration, too few providers, too little information in the community, and a lack of access, particularly in rural areas. The report recommends

- Expanding the Joint Intervention Program that provides substance abuse and mental health treatment for the people who spend the most time incarcerated or in the emergency room;
- Partnering with colleges and universities to provide local training and education, including psychiatric residencies under the supervision of the University of New Mexico, to develop a behavioral health workforce; offering tuition-for-service stipends to social work students at Highlands University; and developing a behavioral health technician program at San Juan College;

Interagency Pharmacy Benefits Purchasing Council

The Interagency Pharmaceuticals Purchasing Council, created during the 2019 legislative session, is charged with examining a wide array of cost-containment strategies that could potentially be used by state agencies to reduce prescription drug costs for themselves and for New Mexico residents.

Member agencies of IPPC include the Human Services Department, Department of Health, Children, Youth and Families Department, and Corrections Department, as well as the member agencies of the Interagency Benefits Advisory Committee (IBAC): the General Services Department, the Retiree Health Care Authority, the Public School Insurance Authority, and Albuquerque Public Schools.

The council also includes the president of the University of New Mexico, the New Mexico Municipal League, and the New Mexico Association of Counties.

IPPC has held several public hearings, where it has heard testimony from member agencies and the Medicaid managed care organizations (MCOs), among others. Virtually every speaker has highlighted the rapid and dramatic increase in the percent of spending taken up by specialty drugs.

Specialty drugs have been the key driver of pharmacy spending nationwide for the last two decades, and now make up well over 40 percent of all spending for the individual IBAC agencies and over 50 percent of spending for the two UNM plans.

- Developing peer drop-in centers; and
- Developing a home visitation program, especially for those outside Farmington, and increase school-based mental health services.

Santa Fe County. The rate of deaths by suicide in Santa Fe County was almost 8 percent higher than the state average from 2012 to 2016. Health data show the age-adjusted fatal suicide rate for Santa Fe County was 23.2 per 100,000, higher than the state average of 21.5 and more than 70 percent higher than the national average of 13.5. Christus St. Vincent Regional Medical Center has identified behavioral health and suicide prevention as high needs for Santa Fe County.

Only eight psychiatric inpatient beds for adults are available in Santa Fe County and none are available for adolescents. The closest additional inpatient or emergency room capacity for adults or adolescents is in Albuquerque or the state-operated facility for adults in Las Vegas. Similarly, no partial hospitalization services exist in the county for any age group and no intensive home-based treatment or multi-systemic therapy exists for children and youth.

The county has secured capital and operational funding for a crisis center, scheduled to open in 2020. The county has one assertive community treatment (ACT) team for adults with serious and persistent mental illness. The ACT model is an evidence-based approach that can help reduce costly and short-term inpatient care as well as reducing engagement with the criminal justice system and increasing housing stability in this population. The lack of alternatives for this adult population makes sufficient ACT capacity critical for Santa Fe County. The county is also considering an "accountable health community" with wrap-around services but has taken no steps to develop it.

A Closer Look

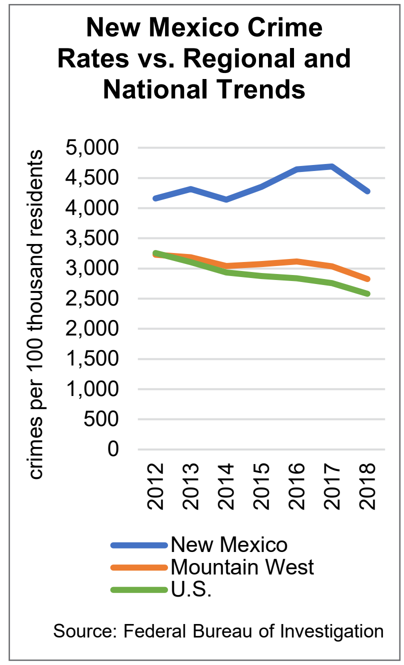
Health Notes: Behavioral Health

New Mexico has long had some of the highest rates of alcohol and drug abuse in the country, and the problem appears to be getting worse. In 2018, 2,081 New Mexicans died due to alcohol or drug addiction, more than any previous year. The problem is multi-generational and driven by complex, underlying issues, such as poverty and trauma. In addition to the human toll, the social and economic costs rise every year: healthcare, domestic violence, child abuse, loss of productivity, incarceration, and crime.

In 2018, New Mexico spent over $117 million in state and Medicaid funds to provide services to people with a substance use disorder (SUD) diagnosis – nearly double the $62 million the state spent in 2014. A November 2019 Evaluation Unit report, ***LFC Health Notes Substance Use Disorder Treatment and Outcomes in New Mexico,*** examined the many ways this funding has improved access to critical SUD services, and found Medicaid expansion has brought more people into the behavioral healthcare system than ever before, and non-Medicaid SUD services have seen higher utilization as well. The state's harm reduction effort targeting drug overdoses through the widespread availability and use of naloxone, a life-saving drug that reverses opioid overdoses, has been very successful. The brief also explored important developments in three counties with high rates or numbers of substance-related deaths and injuries that have recently received an influx of public funds to target the problem: Bernalillo, Rio Arriba and McKinley.

Despite these gains, there are still critical gaps in the system that merit focused attention. Treatment and funding for alcohol dependence, the deadliest SUD in New Mexico, does not meet the scale of the problem, and though effective medications exist for alcohol, as for opioids, they are chronically underutilized. A 2019 DOH report recommends implementing effective prevention strategies including increased alcohol taxes, regulation of alcohol outlet density, and limiting alcohol sales. Evidence-based treatments are largely absent in New Mexico's jails despite high rates of substance abuse in the incarcerated population. Surges in newer drugs such as methamphetamine and fentanyl have posed new challenges to the treatment community. Continued focus on evidence-based strategies for prevention, intervention, and treatment will be key in moving the needle.

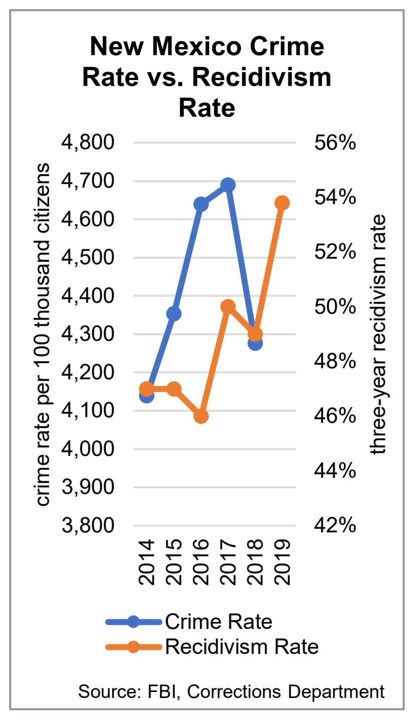
Despite significantly lower crime rates in 2018 than 2017, New Mexico is still one of the most violent states in the country. New Mexico's prolific violent and property crimes strain already stressed public safety networks and consume resources that could otherwise be used to support other important goals across the state. Evidence-based methods of reducing and preventing crime and recidivism could be powerful tools for New Mexico: Addressing root causes of criminal behavior, including mental- and behavioral-health disorders, is essential to reducing crime and diverting individuals from involvement in the criminal justice system. Prioritizing case review prior to prosecution and increasing use of diversionary programs would allow prosecutors to adjust workload for all justice partners to focus on successful prosecution of violent criminals. High impact and fidelity treatment for offenders, both pre- and post-sentencing, would help reduce an offender's chances of reoffending. Programs within state prisons, including mental and substance use treatment, could be better leveraged to improve an offender's chances of success once released.



For more info:
Department of Public Safety Performance Page 136

Crime

After three years of increases, New Mexico's overall crime rate dropped 8.8 percent between 2017 and 2018. This decline was driven by reduced property crime rates, which dropped 12.6 percent while violent crime rates rose 10 percent, according to the most recent data from the FBI. The rise in violent crime was caused by increased rates of homicide, rape, and aggravated assault, which rose between 8.7 percent and 21.5 percent, while robbery rates dropped 24.2 percent. These trends set New Mexico apart from the rest of the country, in which violent crime rates declined 3.6 percent between 2017 and 2018, and the Mountain West (Arizona, Colorado, Idaho, Montana, Nevada, Texas, Utah, and Wyoming), which saw violent crime rates remain relatively steady. Notably, Colorado also saw a significant (6.7 percent) rise in violent crime rates, while all other states in the Mountain West region experienced declining or steady rates. New Mexico had the second-highest decline in property crime rates in the region; only Utah saw a larger decrease, at 14.4 percent.



Pinpointing the cause of crime trends is difficult, although economic conditions and insufficient policing and correctional resources have been cited as underlying factors. 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, according to a 2018 LFC program evaluation.

Data-Sharing Among Criminal Justice Partners

Data collection occurs in silos across New Mexico's criminal justice system, including 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. Laws 2019, Chapter 192, (House Bill 267) aims to reduce these silos by establishing a criminal justice data-sharing network – administered by the Sentencing Commission (NMSC) – creating a unique statewide biometric identification system, removing barriers around sharing of confidential information to assure continuity of care, creating criminal justice coordinating councils for each judicial district, and establishing a grant program to incentivize data sharing.

In FY20, NMSC began working with the Institute for Complex Additive Systems Analysis (ICASA) at New Mexico Institute of Mining and Technology to establish and implement a single identification number for individuals arrested in the state that can be tracked across divergent criminal-justice-related datasets, a key step in creating an effective governance structure for these data. The commission also established a competitive grant program for crime reduction grants and awarded $377.2 thousand for eight projects covering 11 of the state's 13 judicial districts.

Also in FY20, the Administrative Office of the Courts (AOC) purchased Socrata, a data-sharing platform that allows justice partners to securely upload and access individual datasets. AOC paid $125 thousand to implement the platform, expected to launch in January 2020. In the long-term, AOC believes NMSC should house the platform, anticipated to cost $500 thousand annually for licensing and maintenance. Neither AOC nor NMSC has requested funding for this platform for FY21.

To curb violent crime in southeast Albuquerque, the governor assigned significant additional state police officers to Albuquerque for 58 days, from May to July. Although state police conducted thousands of traffic stops and made hundreds of arrests, available data does not conclusively demonstrate it had the desired impact.

In October 2019, the governor issued an executive order creating a special law enforcement unit, comprising state police officers and staff from the Corrections Department, to arrest fugitives charged with violent crimes who have failed to appear for judicial proceedings or have outstanding bench warrants. According to the Administrative Office of the District Attorneys, over 1,600 individuals charged with violent crimes have outstanding bench warrants. The Department of Public Safety reports it has assigned 10 officers to the Fugitive Apprehension Unit.

Alternatives to Arrest

As a result of strained mental and behavioral health resources, police officers are frequently the first responders to crisis events. However, incarceration is often not the appropriate response to crisis events. More diversion and community treatment options, including crisis intervention teams, crisis triage centers, and law-enforcement-assisted diversion (LEAD) programs, would help improve criminal justice outcomes, including reducing repeat offenders. LEAD is a harm-reduction approach to drug crimes that allows police officers to divert persons to services in lieu of prosecution and jail. A Sentencing Commission study of Santa Fe's LEAD program found the program produced savings of $1,588 per client per year compared with non-LEAD client costs. The study also found arrests of LEAD clients decreased in the six months after referral. In 2019, the Legislature appropriated $357 thousand for LEAD programs that will be implemented in Rio Arriba, Santa Fe, Bernalillo, and Doña Ana counties.

While the total number of crimes committed in New Mexico increased by an average of 4.4 percent per year between 2014 and 2017, from FY15 through FY18, law enforcement referrals for prosecution increased an average of only 0.3 percent each year. Between 2017 and 2018, the total number of crimes dropped 8.7 percent; referrals declined only 1.3 percent between FY18 and FY19.

Prosecution

As criminal justice reforms informed by national best practices are passed, judicial agencies should improve policies to match. The district attorneys adopted new performance measures for FY21 that examine elements of their work outside of prosecution, such as pretrial detention motions granted and referrals to alternative sentencing treatments. The new measures will allow the Legislature to track how criminal justice reform and innovation are being implemented.

District Attorneys

Individual district attorneys are elected by the voters in their judicial districts and have distinct prosecution priorities, leading to inconsistencies in which cases are prosecuted and how they proceed. Although representative judicial systems can be a strength, district attorney offices have struggled to collaborate with justice partners, such as the courts and the Public Defender Department, and each other, which will become increasingly problematic as criminal justice reforms continue to focus on inter-agency cooperation and eliminating silos within the criminal justice system. As the originating body for all cases, prosecutors have the opportunity to reduce workload for all justice partners by devoting more resources to vetting cases before formal proceedings begin.

Pre-Prosecution Diversion. In addition to programs primarily implemented by law enforcement officers, such as LEAD, the Legislature has also invested in pre-prosecution diversion programs in district attorney offices throughout the state as a way to reduce the flow of nonviolent or amenable defendants from the judicial system. Currently, to be eligible for pre-prosecution diversion, defendants must meet a set of strict, statutorily established requirements and sign an admission of guilt, which is filed and used to expedite prosecution in the event a defendant violates conditions of the program. Eliminating such restrictions, which deter low-risk candidates from participating in diversion programs, would increase prosecutorial discretion and allow prosecutors and public defenders to better focus on high-risk individuals. Comprehensive pre-prosecution diversion programs that include regular drug screenings or enrollment in rehabilitation programs remain difficult to implement in rural areas without robust behavioral health services. For pre-prosecution diversion programs to be truly successful statewide, investments should be made in treatment centers across the state.

Public Defender Department

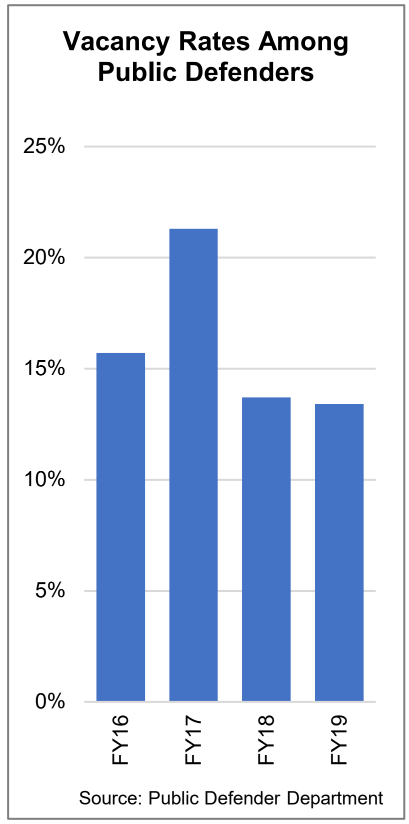
Because almost 70 percent of criminal defendants in New Mexico are indigent, the Public Defender Department (PDD) represents defendants in most criminal cases. In contrast to district attorneys, who use prosecutorial discretion to decide which cases proceed in the criminal justice system, public defenders are constitutionally obligated to represent every defendant who qualifies for state defense. PDD relies increasingly on contract attorneys when there is a conflict of interest, to mitigate overflow where caseloads are unmanageable, and as the primary indigent defense in the 18 counties without a public defender office. Contract attorneys are typically paid a flat rate per case, which incentivizes them to take on higher caseloads, potentially impacting their effectiveness.

Workload. PDD has historically struggled with high caseloads that jeopardize a defendants' constitutionally guaranteed right to competent indigent defense. In 2016, the department refused to accept clients in the 5th and 9th judicial districts due to unmanageable caseloads. Although the New Mexico Supreme Court ultimately denied PDD's petition to stop accepting cases in those districts, the department created a case-refusal protocol that closely monitors statewide public defender caseloads and triggers a workload investigation after three months of consistently high caseloads.

Recruitment difficulties exacerbate high attorney workload, especially in rural areas. In response, PDD created an internship program that recruits law students and offers them a position immediately after they pass the bar. PDD has reduced the agency vacancy rate from 24 percent to 12 percent in the last three years. Expanding such programs, funding geographic pay differentials, and requiring

For more info:

Judicial Agencies Performance Page 138



The online dispute resolution program, which uses remote mediators to resolve debt and money due cases without the parties in dispute ever appearing before a judge, began in 2019 after the Legislature appropriated $450 thousand to AOC to begin a pilot program in the 2nd, 6th, and 9th judicial districts.

LFC Results First, Evidence-Based Diversion Programs Analysis

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

Source: Pew-MacArthur/LFC Results First Initiative Results First Model

recruits to commit a certain number of years to serving in these rural areas could incentivize young legal professionals to begin lasting careers in these areas, decreasing overall attorney workload and reliance on contract attorneys.

Courts

The move of magistrate court management from the Administrative Office of the Courts (AOC) to local district courts at the beginning of FY20 is expected to increase efficiency by eliminating administrators at each magistrate court, encouraging and improving coordination and cooperation between local courts. AOC will continue to manage facilities and offer legal counsel to magistrate courts but will prioritize modernizing and automating court services, improving specialty courts, and aiding district courts in adopting validated risk-assessment tools.

Specialty Courts. New Mexico operates various specialty courts in 12 of the 13 judicial district courts, Metro Court, and some magistrate courts. Adult drug courts, which use a combination of judicial oversight, supervision, drug testing, substance abuse treatment, and sanctions in an attempt to modify the behavior of drug-involved defendants, are present in 11 of the 13 judicial districts. Overall drug-court recidivism rates improved in 2019, though enrollment remains low. Currently, specialty court programs are implemented and tracked inconsistently throughout the state, making results analysis for specialty courts difficult. In addition to requiring standardized data collection practices and reporting, the state should focus investments on evidence-based mental health courts and drug courts abiding by best practices to fully realize specialty courts' potential to treat addiction.

Incarceration

Recent declines in prison population and changes to the inmate classification system might allow the state to realize cost savings in public and private facilities. Public prisons suffer from persistently high vacancy rates among custody staff that result in high overtime costs. At the same time, deferred maintenance costs for these facilities continue to rise. Reclassification of inmates to lower custody levels may decrease the number of inmates housed at private facilities, and lower-security populations need fewer staff. Replacing and consolidating housing units would allow the department to implement less staffing-intensive designs and reduce maintenance costs.

Declining Prison Population

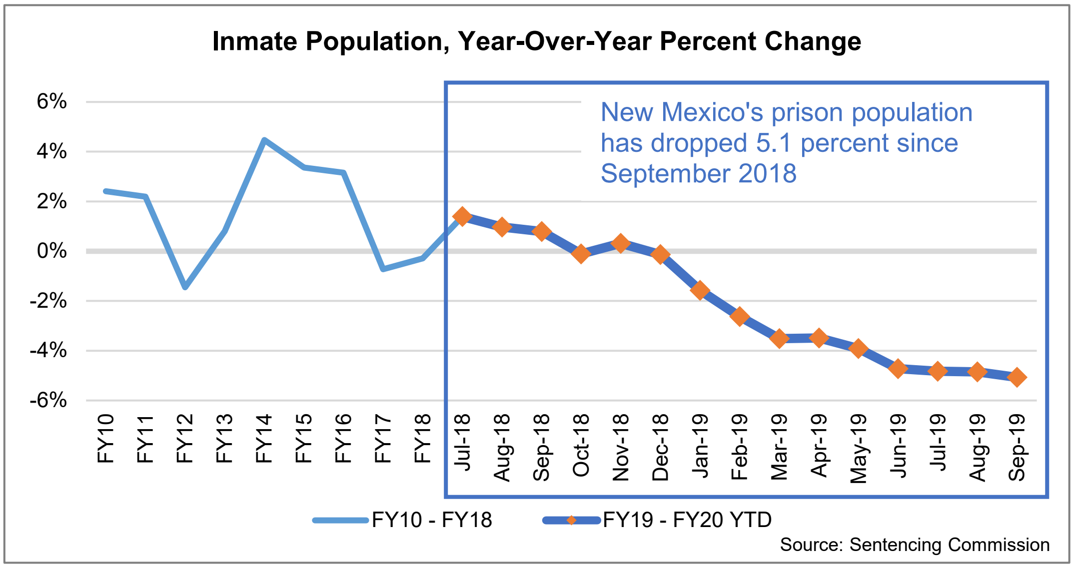
The FY19 average prison population of 7,224 was a 10.4 percent increase from FY10 but a 2.4 percent reduction from the all-time high in FY16 and 1.4 percent below the prior year's average. Admissions to New Mexico's prisons dropped an unprecedented 15.1 percent between FY18 and FY19, the largest year-over-year decrease in two decades. The average inmate population decreased for

Preliminary Hearings Versus Grand Jury Proceedings

In 2019, the 2nd Judicial District Court, in Bernalillo County, began gradually reducing the number of grand jury proceedings and replaced them with preliminary hearings. The shift sparked a debate among prosecutors, defense attorneys, and judges over the merits of each system. During grand jury proceedings, the prosecutor and arresting officer present facts of the case to a jury. The procedure is brief, closed to the public, lacks a judge or defense council, and while defendants may be present, they are unable to advocate for themselves. Prosecutors argue grand juries save time and resources for law enforcement officers, witnesses, and district attorney's offices. Preliminary hearings are open to the public and resemble a trial, with defense council present and a judge determining if a case should result in an indictment. Public defenders argue the thorough vetting process of preliminary hearings often results in early resolutions to cases, saving time and resources for all justice partners.

For the past six years, the frequency with which the 2nd Judicial District brought forth indictments through grand juries was unique both nationally and in New Mexico, holding up to three grand jury proceedings per week, compared with once per week in most judicial districts. Several New Mexico judicial districts do not use grand juries at all. A 2015 report issued by the National Center for State Courts recognized preliminary hearings as a national best practice and recommended Bernalillo County increase its use of preliminary hearings and decrease its reliance on grand juries. The changes made by the 2nd Judicial District Court this year bring the district in line with other jurisdictions, holding grand jury proceedings about once per week.

nine straight months in FY19, and despite minor month-over-month increases in the first quarter of FY20, overall population declined 5.1 percent between September 2018 and September 2019.



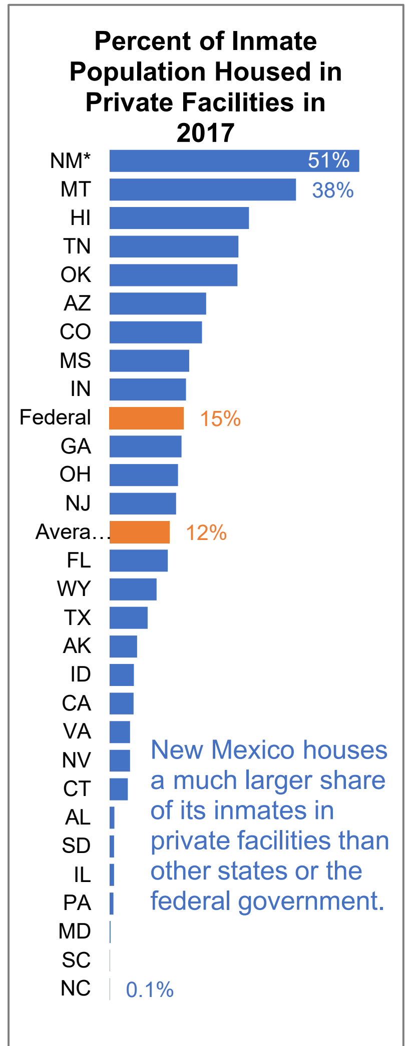
The cause of decreased admissions is unclear. Between 2014 and 2017, crime rates in New Mexico rose 13.2 percent, with violent crime rates increasing 30.3 percent. The most recent data from the FBI show the rate of violent crimes, more likely to result in prison admissions, rose 10 percent between 2017 and 2018. Nevertheless, prison admissions have decreased 24.8 percent over the past five years.

While admissions began decreasing in FY16, average prison population did not begin to decline until FY17. Between FY11 and FY19, the median length of stay of prisoners admitted to the prison system averaged 12.5 months; as a result, a delay between a decline in admissions and its impact on the overall prison population is to be expected. Since FY16, the average prison population has only decreased 2.4 percent, but, due to the lag in the impact of admissions on population, the effect of the recent admissions drop, most of which occurred between FY18 and FY19, will likely become more apparent over the course of FY20.

The Sentencing Commission (NMSC) reports the female prison population has been increasing an average of 2.3 percent per year over the last five years compared with 0.7 percent per year for males over the same time period. NMSC estimates show the average male population is projected to increase 0.7 percent through FY20, while the women's population is projected to rise 4.9 percent. However, NMSC's forecast relies on historical trends (including a 15.8 percent increase in population between FY09 and FY16 and relatively steady levels between FY16 and FY18), and does not fully account for the recent population decline. As a result, NMSC's projection for FY19 was an average of 2.6 percent higher than the actual overall population; in the first quarter of FY20, the projection exceeded the actual population by an average of 2.9 percent.

State prison savings as a result of a population decrease are likely to be modest due to fixed overhead costs, such as the number of correctional officers in prisons and program administration. For meaningful savings, the inmate population would have to decrease at a rate that safely allows fewer officers on duty or closure of facilities. If trends continue, the Legislature may be in a position to consider closing housing units and reducing contract bed space to realize savings.

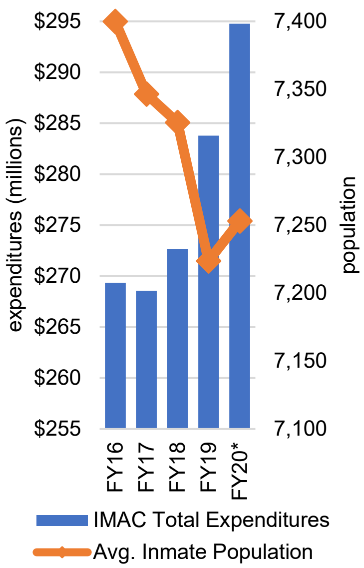
Inmate Classification. Revising NMCD's inmate classification system may also reduce costs by decreasing the number of inmates held at the higher-security



*Data for 2017 NM population estimated from LFC records. **Average of states that use private prisons.

Source: The Sentencing Project, LFC files

Inmate Management and Control Program Expenditures vs. Inmate Population



*Reflects FY20 operating budget and projected inmate population

Source: NMSC, LFC files

custody levels. The current system was designed in 1999, and the department reports it does not meet current standards or needs. In particular, the department states the current system lacks a separate classification tool for women and therefore fails to account for gender-specific experiences. Additionally, NMCD notes discretionary overrides to inmates' custody levels should be reexamined, because a significant share of the current prison population have had their custody levels overridden. NMCD has contracted with the Institute for Social Research at the University of New Mexico to assess the potential benefits of revising the classification process.

Private Prisons

Private prisons held about 52 percent of New Mexico's inmates in FY19, a higher share than any other state or the federal government. In June, the department announced it would take over operations of Northeast New Mexico Detention Facility in Clayton from the GEO Group in November. If population levels remain relatively stable in FY20, about 45 percent of inmates will be housed in private facilities, still the highest share of any jurisdiction in the country.

At private prisons, savings could be realized if the inmate population continues to fall; a 1 percent decrease among medium-security male inmates in private prisons could save almost $1 million. However, the medium security, or level three, inmate population housed at private prisons has remained relatively stable while other security level populations have declined. Given the large number of inmates who have had their custody levels overridden, NMCD may be able to realize savings by ensuring inmates at private prisons are properly classified.

A Closer Look: Corrections Department Capital Outlay

LFC's 2019 progress report on capital outlay at New Mexico's prisons estimated deferred maintenance needs at state prisons are approaching $300 million. The cost to house an inmate in New Mexico's public prisons has stabilized since the original 2014 evaluation found the department was using facilities beyond the point when they should be replaced, but the department still relies on outdated, inefficiently designed facilities that require staffing levels the department has struggled to sustain.

The 2014 LFC program evaluation found the facilities were outlasting their planned useful life, contributing to growing maintenance requirements. LFC staff pointed to the need for a master plan to repair or replace inmate housing and estimated it would be more cost-effective to build a new medium-security housing unit than continue maintaining current ones.

The 2019 update noted more recent declining prison population trends may present an opportunity to optimize facility use. Funding evidence-based practices and programming could further reduce inmate populations, and changes to the inmate classification system may decrease the number of inmates who require high-security housing and supervision. In addition to the needs presented by facility conditions, a recent preliminary settlement in the *Duran* lawsuit places new requirements on inmate living space. NMCD could implement strategic facility planning to both meet these needs and adjust to a changing population.

Although a facilities master plan was a key finding of the original evaluation and despite legislative appropriations, NMCD has failed to produce such a plan and is instead using that funding to study potential new women's housing. While the Sentencing Commission (NMSC) projects the women's population will increase 20 percent over the next 10 years, the recent population downturn is leading NMSC to reassess its methodology. As a result, the progress report suggests NMCD focus on improving or replacing existing housing units rather than increasing facility capacity.

Challenges within Prisons

Staffing. Targeted pay increases have failed to address high vacancy rates among correctional officers in public facilities, which have stayed between 22 percent and 27 percent over the last six years despite pay increases totaling 25 percent over the same period. In the first quarter of FY20, NMCD reported public correctional officer vacancy rates averaged 26.2 percent. Chronically high vacancies among custody staff result in high overtime costs and a dangerous prison environment, including increased rates of violence. In FY18, inmate-on-inmate violence hit a 10-year high with 32 assaults resulting in serious injury; in FY19, there were 25 such assaults, a lower but still troubling statistic.

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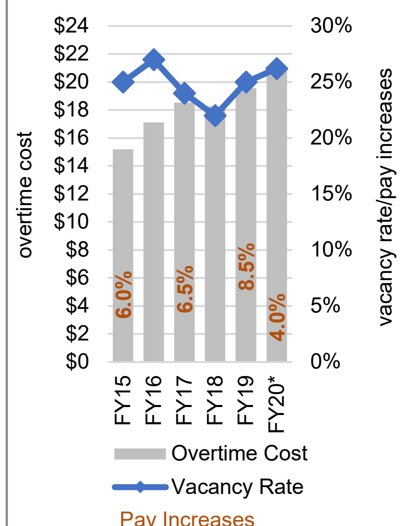
Facility Condition. The state's public prisons suffer from a significant number of infrastructure problems. The most common needs include new roofs, heating and cooling systems, security equipment, fire suppression, and sewer system maintenance. In total, the state's prison facilities have almost $300 million in deferred maintenance needs. Facility condition indices for NMCD facilities show repairing the department's buildings is more expensive than replacing them, with the worst disparities at Southern New Mexico Correctional Facility and Central New Mexico Correctional Facility. High maintenance costs, distance between facilities, and the need for ancillary services, such as healthcare and behavioral health, are cost drivers and pose risks that could be minimized by expanding or replacing housing units, particularly because the two facilities with the greatest needs are near large population centers that could provide the needed specialized workforce.

Correctional Officer Vacancy Rates, Overtime Costs, and Pay Increases
(overtime costs in millions)



*FY20 vacancy rates are for FY20 Q1; FY20 overtime costs are based on NMCD estimate.

Source: NMCD

Ongoing litigation may decrease capacity in New Mexico's prison system by 3.9 percent. A preliminary agreement between the state and plaintiffs in the *Duran* lawsuit (reopened in 2016) was reached this fall. The agreement will require the department to decrease the number of inmates living in dormitories or double cells at four prisons by 314. Notably, this will decrease the capacity in both existing women's prisons to 661 beds; in FY19, an average of 758 women were incarcerated. The department intends to use an FY19 appropriation for facility master planning to plan for additional housing units at Western New Mexico Correctional Facility, one of the two prisons that currently house women, but it is unlikely the department will be able to complete any new construction within the timeframe established by the settlement and may need to make alternative arrangements for housing female inmates.

Behavioral Health Services

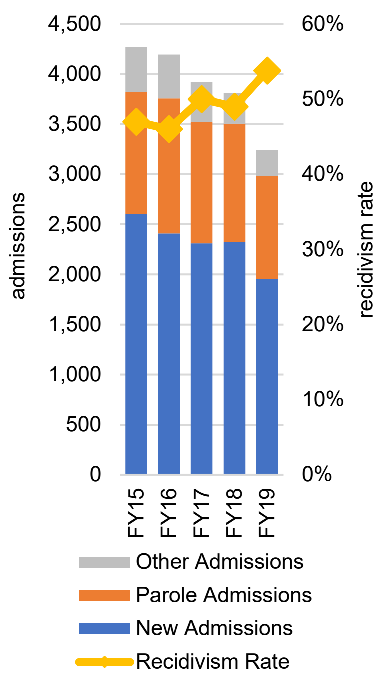
In 2019, the Legislature appropriated $2.5 million to the Human Services Department (HSD) to reduce reincarceration and homelessness rates and to improve prison and county jail reentry services and healthcare diagnoses for incarcerated nonviolent offenders. HSD's Behavioral Health Services Division (BHSD), in consultation with the Behavioral Health Purchasing Collaborative and the Mortgage Finance Authority, established the intervention demonstration project, a grant program to increase access to evidence-based behavioral health services and improve local indigent housing options. BHSD solicited participation in the project counties based on factors including ruralness, alcohol use mortality rates, drug overdose deaths, suicide rates, incarceration rates, and housing options, among others. BHSD recommends the appropriation continue for three to five years to establish programs and evaluate results. Despite progress toward

LFC Online: Understanding Government Finances

Finance Facts: Corrections

A 2018 LFC program evaluation of NMCD's recidivism reduction programs recommended the Legislature consider appropriating to such programs as a separate line item in the NMCD budget. The evaluation also recommended NMCD implement performance measures for these programs. Additionally, the lack of reentry connections undermines the impact of therapeutic communities in prison.

Prison Admissions and Recidivism Rates



Source: NMCD, NMSC, LFC files

increased behavioral health treatment in county jails, housing and homelessness remain areas needing increased focus and funding, including maximizing leveraging federal, state, and private funding opportunities.

Recidivism

The share of inmates returning to prison within three years of release hit 54 percent in FY19, the highest rate in over a decade and a 5 percentage point increase over FY18. LFC research shows each percentage point of recidivism costs the state at least $1.5 million. Increasing evidence-based programming, both within facilities and for offenders on supervision, is essential to reducing recidivism. In addition, widespread implementation of existing risk-needs assessment tools could help the department ensure both inmates and individuals on supervision receive programming and treatment that reduces their likelihood of recidivism.

Prison Programming

Programming varies widely across correctional facilities, and not all inmates have access to the most effective programs for reducing recidivism: education, therapeutic communities for substance use disorders, and vocational education. In addition, inmate pay structures do not always incentivize inmates to participate in these programs over other, less effective programs. Only four programs are offered at all 11 of New Mexico's prisons. Despite statutory requirements that all inmates without a high school diploma receive GED-level education, not all inmates have access to such programming. In August 2019, Northwest New Mexico Correctional Center in Grants, operated by CoreCivic, had 97 inmates on a waiting list for adult basic education.

Reducing recidivism rates stemming from drug use requires evidence-based programs within prisons that focus on mental health and substance abuse along with transitional support to connect offenders to evidence-based services on reentry to the community. For the last few years, the department has used residential drug abuse programming (RDAP), an evidence-based program, for many inmates. NMCD reported a recidivism rate of 18 percent for RDAP in FY18, but recidivism from the program rose to 28 percent in FY19.

Risk-needs assessments are also a valuable tool for determining how to best target services. In 2008, the department purchased the correctional offender management profiling for alternative sanctions (COMPAS) risk-needs assessment; however, NMCD did not begin implementing the assessment widely until FY17. Despite NMCD policy requiring COMPAS assessments be administered to inmates within four weeks of intake, a recent LFC study found that, as of FY19, only 4 percent of the incarcerated population had a completed COMPAS assessment, while 40 percent of the probation and parole population had a completed assessment.

Inmates eligible for parole are statutorily required to have a parole plan completed and approved by the Parole Board, which also establishes the individual's parole conditions. Risk-needs assessments conducted after an inmate's release cannot inform the board when making these determinations. More rigorous evaluation of reentry programs would allow for better assessment of effectiveness and help identify gaps in services.

Supervision

Analysis of FY19 community corrections programming, required by Laws 2019, Chapter 23, (Senate Bill 58), found NMCD spent $890.3 thousand on programs in FY19: 17 percent of expenditures were for programs the law defines as evidence-based, 74 percent were for programs rated as research based, 1 percent were for programs rated as promising, and 8 percent were for programs that lack evidence of effectiveness. The department also spent $4.7 million on offender housing from six providers, including $2.8 million for the men's and women's recovery academies, which offered research-based, inpatient programming in FY19. The remaining housing costs were paid to providers NMCD does not pay to provide programming; as a result, the inventory did not include information on any programs they may offer. The 2018 LFC program evaluation of recidivism reduction programming recommended the Legislature consider expanding funding for transitional living to house release-eligible inmates and parole violators but require and expand the use of evidence-based programs at those facilities.

LFC analysis of COMPAS data shows the most common need among the probation and parole population is substance abuse treatment, required by an estimated 12.6 thousand offenders. NMCD's FY19 program inventory identified 1,071 individuals who were served by community corrections substance abuse programs; 36 percent participated in programs rated as evidence-based.

Vacancy rates among probation and parole officers increased from 18 percent in FY18 to 23 percent in FY19 and the first quarter of FY20. Caseloads among probation and parole officers averaged 112 during FY19, potentially as a result of staffing challenges, but decreased to 100 in the first quarter of FY20. Higher caseloads reduce the time officers can spend on individual offenders, potentially compromising the supervision and services these offenders receive.

Reform

In recent years, criminal justice reform has received significant, bipartisan support nationwide, at both the federal and state levels. The 2018 federal First Step Act includes reforms aimed specifically at reducing recidivism, such as requiring a risk-needs assessment be used to place prisoners in appropriate recidivism reducing programs to address identified risks and needs. At the state level, Texas is estimated to have saved over $200 million by increasing funding for diversion programs, expanding treatment access, improving community supervision, and better utilizing parole. Idaho reduced its inmate population by 3 percent through best practices such as improved access to substance use treatments and expanded access to probation and parole resources. In November 2019, Oklahoma commuted the sentences of over 500 people convicted of nonviolent, low-level offenses, the largest mass commutation in U.S. history.

Parole revocations cost the state approximately $40 million in FY17.

Probation and Parole. The 2018 LFC program evaluation of recidivism reduction programming found that, in a sample of parole files closed in 2016, 67 percent of parolees violated conditions at least once; among violations, 75 percent were for substance use or absconding. In total, 43 percent of parolees had their parole revoked and were sent back to prison after an average of 2.7 violations in the course of about a year. The report also found very few eligible inmates were granted medical parole.

In response to these findings, House Bill 564 in the 2019 legislative session proposed numerous changes to the state's probation and parole statutes. The bill aimed to reduce the number of probation and parole revocations due to technical violations by providing graduated responses to violations and would have established a process for violation hearings. The bill also would have mandated the Parole Board release an inmate on medical parole unless the board found clear and convincing evidence the inmate's release was incompatible with the welfare of society and prohibited the board from denying medical parole solely because of the inmate's criminal history. In response to concerns from the Attorney General and district attorneys, the governor vetoed the bill but encouraged stakeholders to discuss the proposed bill and other criminal justice reforms with her office before the 2020 session.

During the 2019 interim, the Courts, Corrections, and Justice Committee (CCJ), its Criminal Justice Reform Subcommittee (CJRS), and NMSC's Sentencing Reform Committee engaged stakeholders to discuss issues with the original bill and identify potential compromises and solutions; most discussions focused on technical parole violations.

Sentencing Reform. Recent criminal justice reforms, such as Laws 2019, Chapter 217, (Senate Bill 323), which reduced the penalty for possession of 0.5 ounces of marijuana from a petty misdemeanor to a noncriminal penalty, will reduce public defender workload and free up attorney resources to focus on providing adequate defense to those accused of serious crimes. Additional reforms of New Mexico's dated criminal code could reduce citizen contact with the criminal justice system and allow judicial resources to be used where they are most needed without jeopardizing public safety. CCJ, CJRS, and NMSC's Sentencing Reform Committee all discussed the potential for additional sentencing reform in the near future. This topic will likely be a focus of CJRS in the 2020 interim.

The oil and gas boom and unprecedented revenues provide New Mexico a unique opportunity to make significant infrastructure improvements to support the economy and plan for the future. However, given the historic volatility of these revenues, policymakers face a decision about how best to spend these funds in a way that will not only meet current needs but also encourage long-term economic development. Lacking a well-vetted plan, infrastructure statewide, including much needed water systems and road work, continue to go unfunded or underfunded.

Capital Outlay

Capital Outlay Reform

The state has never engaged in a centralized planning process, relying instead on prioritization through the infrastructure capital improvement plan (ICIP) process. Poor project selection (including insufficient planning, which often leads to unknown construction costs and then a piecemeal approach to funding) continues to delay project completion. These problems should compel policymakers to determine future project funding by considering priority, readiness to proceed, need, public purpose, and merit.

Of significant concern is how to address the state's responsibility for state-owned and operated facilities while meeting expectations to fund local needs. As stated in a 2009 Board of Finance memorandum, "New Mexico's capital outlay process has historically ceded the capital investment planning and prioritization process to the political system." No significant reforms have been made since.

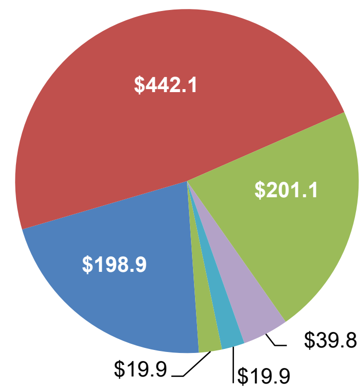
Planning

Reflecting best practices for capital asset planning, statute and a 2012 executive order require state agencies to annually identify and prioritize capital improvement projects over the ensuing five-year period through an ICIP. While local governments and other political subdivisions are encouraged to complete ICIPs, they are not required to. According to the Department of Finance and Administration (DFA), 98 percent of these entities submitted an ICIP in 2019. Nevertheless and despite guidance from DFA, LFC, the New Mexico Municipal League, and New Mexico Counties, projects that have not been prioritized by agencies or local governments or vetted through the executive capital outlay committee process are often funded.

Attempts to plan state investments have met with challenges. For example, in 2019 the governor vetoed multiple appropriations for planning, including $500 thousand for the General Services Department's (GSD) Facilities Maintenance Division (FMD) to conduct facility master planning, requested through the agency's ICIP, and $300 thousand for the Corrections Department to conduct facility master planning. The vetoed $300 thousand appropriation for the Corrections Department

Capital Outlay Bonding Capacity for 2020
(in millions)

Total Capacity: $921.7 million

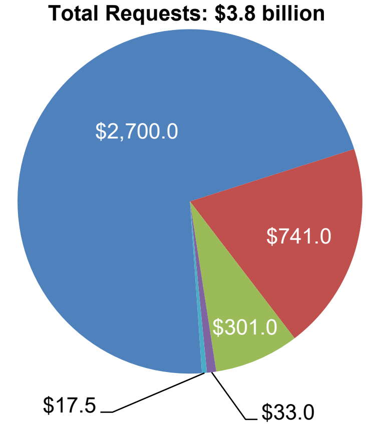


General Obligation Bonds
Severance Tax Bonds
Supplemental Severance Tax *
Water Project Fund
Colonias Project Fund
Tribal Infrastructure Fund
*For public school construction

Based on December 2019 revenue estimates
Source: LFC

Capital Outlay 2020 Requests
(in millions)

Total Requests: $3.8 billion



Local Entities
State Agencies
Higher Ed. and Special Schools
Senior Citizen Centers
Academic and Public Libraries

Source: DFA and LFC files

would have been paired with a $200 thousand 2018 appropriation, reauthorized this year, to provide sufficient funds for the agency to conduct a master plan to determine the best facility investments for a prison system with nearly $300 million in deferred maintenance. In addition to vetoes for planning, the governor also vetoed $200 thousand to study the conditions of Department of Cultural Affairs buildings, which house priceless art. Accountability in Government Act measures on square-feet per FTE were also vetoed, data which would have been useful for planning.

State and Local FY21 ICIP Request Top Priorities by Category
(estimated project costs, in millions)

Category	Requested Amount
Facilities	$1,564.3
Transportation	$612.6
Water	$444.5
Equipment	$45.7
Vehicles	$18.1
Other (landfills, solid waste, utilities, etc.)	$96.5
Total	**$2,781.7**

Source: DFA-Local Government Division

Later in 2019, in recognition of the need for planning, FMD included $548 thousand for Santa Fe facilities master planning in the July through December 2019 capital building repair fund schedule of repairs, including an additional $165 thousand for security master planning.

Notably, DFA, the Aging and Long-Term Services Department, the Higher Education Department, and the Public School Capital Outlay Council use strong 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, the facility condition index, and opportunity for operational cost-savings. Agencies and local governments should adopt similar scoring practices to improve their ICIPs.

Although agencies and local governments submit and prioritize ICIPs, funding is not always awarded in accordance with these priorities. A guideline for projects considered during the legislative session may help funding correspond with agency and local government priorities.

Alongside properly planned and vetted projects, immediate investments in unmet infrastructure needs, such as road improvement or expansion projects, could improve the state's economy. This necessitates an expansive view of capital outlay that does not separate vertical (buildings) from horizontal (roads and utilities) construction. Higher-quality and more efficient infrastructure could boost productivity, lifting long-term and short-term economic growth and wages.

LFC Online: Understanding Government Finances

Finance Facts: Bonding Capacity

Uncertainty of Project Costs

Material and labor costs continue to climb and impact state agency and local capital improvement projects. Since October 2016, the U.S. Bureau of Labor Statistics' producer price index (PPI), which measures the average change over time in selling prices received by domestic producers of goods and services, has increased 6.5 percent (not seasonally adjusted). However, construction costs have significantly outpaced this growth. Over the same period, PPI for new nonresidential building construction, which measures the price contractors say they would charge to build a fixed set of buildings, increased by 11 percent and the PPI for new nonresidential construction in the West increased by 12 percent.

Rapidly rising construction costs, coupled with insufficient planning, make estimating total project costs challenging. In recent years, this has resulted in a number of projects requiring additional funding to be completed.

For example, last year the Department of Health (DOH) received $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, New Mexico Highlands University's (NMHU) Rodgers' Hall Administration Building received an additional $1 million appropriation when renovation costs exceeded the project's budget. This year, the Human Services Department requested an additional $1.3 million to complete renovations to the Harriet Sammons building in Farmington due to rising construction costs in the area and unforeseen building tenant changes that required more renovations.

To help ensure proper planning, the Indian Affairs Department requires that projects receiving tribal infrastructure fund awards appear on the applying entity's ICIP.

In addition, New Mexico Institute of Mining and Technology is requesting an additional $16 million to fully fund a $20.2 million of replacement of Kelly Hall, originally planned as a renovation, which houses the Petroleum Recovery Research Center. New Mexico Tech reports the hall, which is 26,929 square feet, will cost $749 per square foot to construct, more than double the average cost the Public School Facilities Authority reports for public school construction projects from 2018-2020. The school attributes the additional need to rising construction costs in the Socorro area and the high cost of laboratory space.

LFC Online: Understanding Government Finances

Finance Facts: Capital Outlay Process

Piecemealed Funding

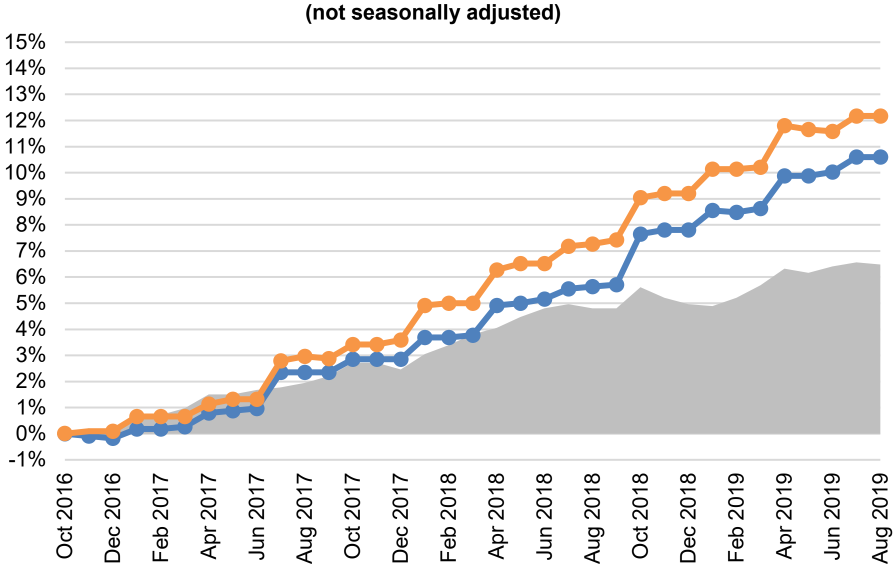
Piecemealed funding is often rooted in a lack of planning and a pro rata funding system that encourages money be spread around rather than fully funding large projects; this system is especially difficult for rural legislators who represent large geographic areas.

Incomplete funding endangers the success of capital projects and has yielded poor results in some cases, including for the Mora County Courthouse Complex. The complex received three small appropriations totaling $2.2 million over three fiscal

The federal Government Accountability Office suggests capital planning processes

- Provide a strategic link to a long-range plan to meet agency goals
- Assess needs
- Evaluate alternatives
- Review and select projects based on established criteria
- Result in a capital plan covering at least five years

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



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

Total Project Cost vs. Funding 2016-2019

Total Project Cost	Average Unfunded (Overfunded) Amount
$0 - $100,000	-18%
$101,000- $250,000	21%
$250,001 - $500,000	31%
$501,000-$1,000,000	40%
$1,000,001 or greater	50%

Source: LFC data

years, in addition to a $2.65 million bond proceed, while total costs of construction grew from $7.3 million to $12.1 million. Due to piecemealed funding, serious problems with contractors, and excessive design requirements, only half of the building is certified to be occupied while the other half remains unfinished. This year, the courthouse will again be included on the county's ICIP to finish five remaining rooms on the occupied side of the building and $1.6 million to remediate the unfinished side of the building before finishing the interior work. The finished half of the complex took over a decade to open.

LFC analysis of available data shows between 2016 and 2019, not including 2017 in which no new capital project appropriations were made due to solvency measures, projects costing more than $1 million were only 50 percent funded on average while projects costing less than $100 thousand were overfunded by an average 18 percent. Local entities in particular sometimes struggle to accurately estimate the actual cost of a project, resulting in incomplete funding. Over the last four fiscal years, 52 percent of new projects were less than fully funded.

Piecemealed funding may also result from project cost estimates not fully accounting for the "soft," or intangible, portions of a project that can contribute up to 30 percent of total project costs, like design work, engineering work, inspection costs, and gross receipts taxes. Higher-than-anticipated soft costs frequently drive unintentionally piecemealed funding. Both state and local entities may need more opportunities for training on estimating soft costs within their total project costs.

Capitol Buildings Planning Commission

The 2019 General Appropriation Act included $200 thousand from the capitol building repair fund for master planning and statewide inventory purposes.

However, the Department of Finance and Administration determined master planning and inventorying are not allowable uses of capitol building repair funds. As a result, no funds are available in the current fiscal year for these purposes.

The Capitol Buildings Planning Commission (CBPC), co-chaired by the Speaker of the House and the secretary of the General Services Department (GSD), held two meetings during 2019. The commission, charged with developing state building master plans for metropolitan areas and conducting a review of state properties throughout the state for the development of an overall state master plan, is consulting with Architectural Research Consultants (ARC) and commercial real estate company CBRE Albuquerque Group, Inc. on a statewide inventory and plan.

The consultants have completed an update to the Albuquerque metropolitan area master plan focusing on facility needs for the Children, Youth and Families Department (CYFD) and the Human Services Department. The master plan identified and the Legislature in 2018 authorized the issuance of state office building tax revenue bonds to purchase a facility identified in the master plan currently housing CYFD, including a child wellness center. In 2018, CBPC approved the Department of Health (DOH) to access master planning services from the consultants, paid by the DOH, to develop long-range master plans for facilities at the Los Lunas campus, the New Mexico Behavioral Health Institute at Las Vegas, and the old Fort Bayard hospital.

At the December 2019 meeting, ARC presented an overview of the inventory, accessed through a web-based database, of all state-owned and state-leased properties under the jurisdiction of GSD. The data includes location, size, occupants, lessor and cost of lease, and number of staff occupying the space. As funding becomes available, the commission intends to update the inventory to encompass all state properties, including parks, courts, and museums. In addition, the database will have to be continually updated to remain a useful planning tool.

The commission is considering possible legislation to update statutes authorizing state property dispositions to require CBPC approval before state-owned property is disposed. Similar legislation has been vetoed, most recently following the 2019 legislative session.

For more info:

General Services Department Performance Page 152

Public-Private Partnerships

While public-private partnerships (P3s) may be helpful to New Mexico in addressing the infrastructure deficit, the policy surrounding them must be thoroughly vetted. Although P3 legislation was not passed last session, P3s hold promise for the state, particularly for transportation and higher education. A clear P3 framework in statute would allow for properly overseen private-sector investments in public infrastructure and transfer some of the cost of capital improvements from the state to the private-sector. P3 infrastructure projects require a transfer of risk and assets between partners. These agreements can be complex and require careful determination of capital commitments and ongoing financing, operational, and maintenance obligations.

The Department of Transportation (NMDOT) is using $16 million of state road funds for an energy performance contract for the main office complex in Santa Fe. The project at NMDOT is only expected to generate $4.6 million in savings over the next 20 years. The main office complex was constructed in 1956 and is past its useful life.

Many higher education institutions and state agencies have begun using energy service performance contracts (ESPC), a type of P3. ESPCs allow public entities to pledge guaranteed future utility savings to cover the cost of capital improvement. These types of P3s are vetted and qualified by the Energy, Minerals and Natural Resources Department and provide upfront capital costs through public bonds paid for with savings from lighting, heating, venting, and air conditioning, and other energy efficient projects. These projects are often bundled with other projects that alone would have lower savings and a longer payback period. Committing to long-term costs for capital improvements that are not economical is risky.

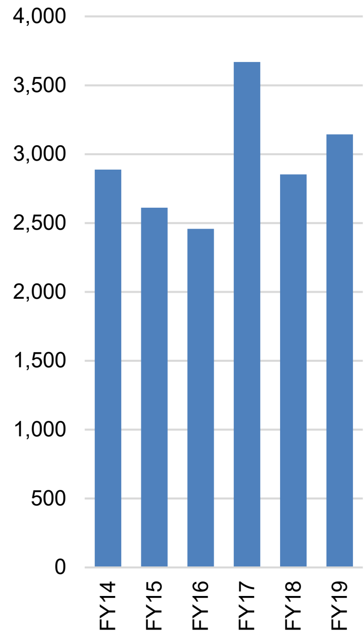
The 2019 session included $20 million for state facilities to implement renewable energy, energy storage, and energy efficiency infrastructure improvements in Chapter 277 (Senate Bill 280), and the New Mexico Finance Authority issued $12.8 million of energy efficiency and renewable energy bonds for energy performance projects, a total of $32 million. Analysis shows the overall project has a negative internal rate of return (a metric used in capital budgeting to estimate the profitability of investments), many of the improvements have payback periods that exceed the life of the upgrade and terms of the bonds, and the 12-year guaranteed savings period is shorter that the 30-year payback period of the overall project. Some of the HVAC and control upgrade projects have payback periods as long as 68 years. For the $32 million invested for these projects, over 100 thousand square feet of new, energy efficient office space could be built. The General Services Department projects $1.1 million in utilities savings per year as a result of the projects.

NMDOT has identified over 20 “mega” projects, which are unfunded, with estimated costs of $2.65 billion. Any one of these capacity adding projects, if funded, could be a “game changer” for the local community and the state. For example, constructing a 147 mile route to connect all New Mexico international ports of entry could increase logistical capacity and trade-related business significantly.

Transportation Infrastructure

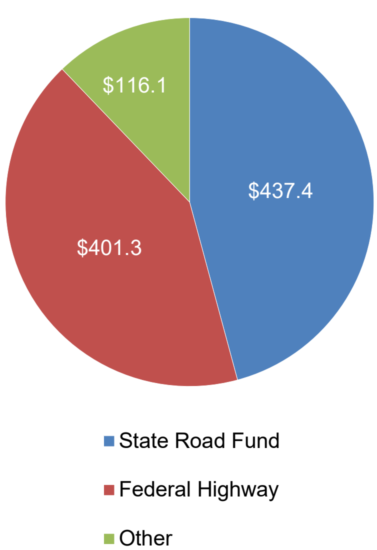
The construction needs of New Mexico’s statewide transportation infrastructure network, 30 thousand lane miles of interstate corridors and U.S. and state highways, have increased as routine maintenance has been deferred. Growth in the state road fund has been slow, and the revenue generated is insufficient 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

FY20 NMDOT Revenue by Source (in millions)



Source: NMDOT

Road Conditions

In FY18, the most recent year for which data are available, the Department of Transportation (NMDOT) reported 95 percent of New Mexico interstates were in fair or better condition, while 97 percent of national highway system miles were rated fair or better. However, the department, which monitors road condition on an annual basis as part of federal reporting requirements, notes the pavement ratings cover only surface conditions and thus often overlook major roadway deterioration. For example, many minor treatments, such as crack sealing or thin pavement overlays on otherwise deficient roadbeds, will improve reported road conditions from poor to fair or good. Recognizing the limitations of current road condition reporting, NMDOT partnered with several other states to pilot the use of new condition assessment technology capable of looking below the surface of a road to better determine pavement distress.

The department estimates $276 million per year is needed for maintenance across the state, while the current budget provides only $140 million. The maintenance shortfall will result in more costly repairs. For example, roads in good to very good condition require treatments costing between $16 thousand and $37 thousand per lane mile, while roads in poor condition require reconstruction costing up to $1.6 million per lane mile.

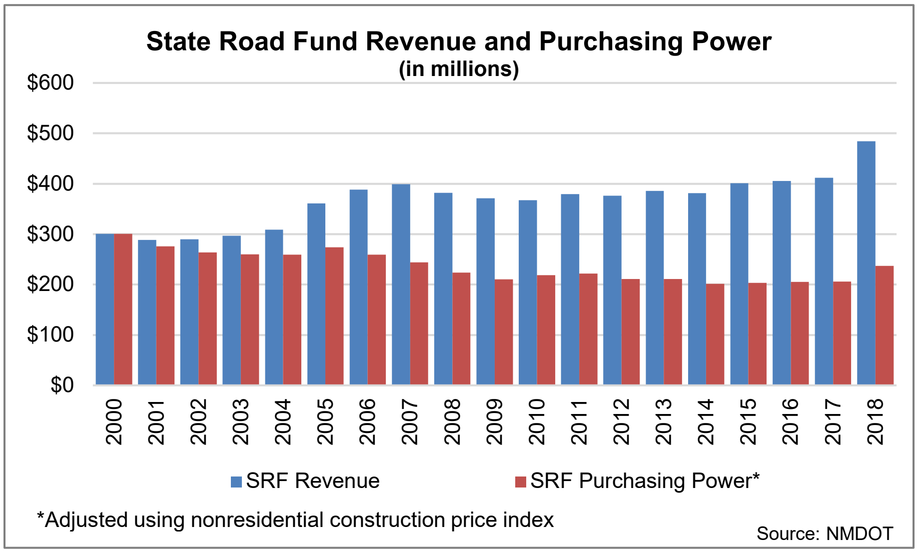
Road Funding

Growth in the state road fund (SRF)¬ composed mostly of fuel taxes, commercial trucking fees, and vehicle registration fees¬ has been slowed by greater fuel efficiency and fewer travelers and outpaced by construction price inflation. Since 2003, the purchasing power of the fund has shrunk by 18 percent. The fund accounts for 46 percent of NMDOT operating revenue and pays for most road maintenance, as well as being used to match federal funds for construction. 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.

Slow SRF revenue growth, forecast at 1.1 percent from FY20 to FY21, 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 reduced 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.

Revenues 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 revenue from the commercial trucking tax is encouraging, it is highly sensitive to changes in national economic conditions.

Federal revenues are distributed, or apportioned, to states by the USDOT based on the amount of funding a state received in the prior year. Because Congress has not passed a budget in several years, continuing resolutions have been used to ensure federal appropriations continue to be made. Reliance on continued resolutions results in no growth in federal highway funding for FY21.



Legislative Action on Roads

In response to slow growth in state revenues, stagnant federal funding, and deteriorating road conditions, the Legislature in 2019 passed Chapter 270 (House Bill 6) increasing the motor vehicles excise tax by 1 percent and directing the additional funding, approximately $52 million per year, to oil field roads in FY20 and FY21 and to the state road fund thereafter. Under the new law, the motor vehicle excise tax will grow to 4 percent in FY21 with 3 percent going to the general fund and 1 percent to the SRF. Beginning in FY22, the road fund will receive 1.5 percent of excise tax revenus, which will be equally divided between the state and local governments.

The General Appropriations Act of 2019 includes several nonrecurring appropriations for road projects targeted to specific needs: $250 million was allocated for 15 major investment projects designed to move people and goods faster and safer, $100 million was included for equal distribution to all six transportation districts to accelerate projects on the NMDOT's statewide Transportation Improvement Program (STIP), and $50 million was allocated for local road projects.

Several projects have potential to support industry and job creation across the state. The appropriation for Carbon/Coal road in McKinley County will support logistics development and leverage other transportation infrastructure already in place; The $100 million additional funding for oil field roads will allow for reconstruction of U.S. 285 from south of Carlsbad as well as the creation of a Carlsbad bypass; $6 million for purchase of right-of-way for the Paseo del Volcan loop project on the west side of Albuquerque will open new areas for development.

NMDOT reports a need for additional local project funding. Local government entities submitted $178 million in requests to the NMDOT for the $50 million available for local projects. Beginning in FY22, local government projects will receive approximately $43 million per year from the motor vehicle tax distribution. The Legislature will consider additional appropriations for local road projects in FY21 to ensure a stable funding stream for local projects.

FY20 State Road Fund Revenue Source
(in thousands)

Gas and Special Fuel Taxes	$ 230,000.0
Weight Distance Tax	$ 95,400.0
Vehicle Registration	$ 82,500.0
Other	$ 95,760.0
Total	**$ 503,660.0**

Source: NMDOT

LFC Online: Understanding Government Finances

Finance Facts: Highway Funding

For more info:

Department of Transportation Performance
Page 142

Standard and Eligible Facility Spaces

- General use classrooms
- Science classrooms
- Special education classrooms (D-level)
- Art classrooms
- Computer classrooms
- Physical education classrooms (gym locker rooms, offices, storage)
- Library spaces (book stacks, offices, storage)
- Food service spaces (serving, dining, kitchen areas)
- Administration spaces
- Student health spaces
- Teacher workrooms
- Parent rooms

All projects considered by the Legislature for funding, whether local or state, need to be far enough along in the development process to allow the department to begin construction work within the year. Additionally, the project's impact on safety and economic development should be considered.

Public Schools

Since New Mexico's needs-based system for allocating public school capital outlay was created more than a decade ago in response to the *Zuni* lawsuit finding that the prior practice of using mostly local funds was unfair to property-poor districts, the state has spent \$2.5 billion to raise school facility conditions to the approved adequacy standards. Starting with the most critical needs and eventually broadening to encompass a wide range of space types and site features, the process resulted in a significant improvement in statewide facility conditions. However, the *Zuni* lawsuit was never closed. In 2015, plaintiff school districts asked the court for a status hearing on new claims of inequity, primarily that these districts are unable to raise sufficient local capital outlay revenue to maintain capital assets and build facilities outside adequacy standards, while districts with available local revenues are able to do so. In May 2019, the court received testimony on the case, and in October parties submitted evidence on the state's progress toward implementing a uniform and sufficient system.

Adequacy Standards. Laws 2019, Chapter 277 (Senate Bill 280) provided \$24 million for spaces "outside" the statewide adequacy standards, criteria used by the Public School Facilities Authority (PSFA) to evaluate existing buildings and guide the agency's funding recommendations to the Public School Capital Outlay Council (PSCOC). Over the years, PSCOC did not typically fund spaces outside of adequacy – spaces beyond the required educational standards (typically football stadiums, school board offices, auditoriums, etc.). PSCOC funds the minimum net square footage, building support spaces (closet spaces, etc.) and unique or undefined educational program spaces within a facility.

Laws 2018, Chp. 66 (SB 30)
Local and State Match Changes

	Current Law FY19		Phase 2 (fully implemented) FY24	
District	Local	State	Local	State
Alamogordo	38%	62%	51%	49%
Albuquerque	45%	55%	92%	8%
Bernalillo	59%	41%	94%	6%
Central	38%	62%	48%	52%
Deming	31%	69%`	43%	57%
Gadsden	16%	84%	30%	70%
Gallup	20%	80%	21%	79%
Grants	23%	77%	30%	70%
Hobbs	42%	58%	84%	16%
Las Cruces	36%	64%	70%	30%
Lordsburg	78%	22%	74%	26%
Los Alamos	53%	47%	92%	8%
Raton	54%	46%	58%	42%
Rio Rancho	33%	67%	76%	24%
Roy	54%	46%	14%	86%
Santa Fe	90%	10%	94%	6%
Taos	90%	10%	94%	6%
Zuni	0%	100%	0%	100%

Source: PSFA

The earmarked funding was intended to allow districts that receive Impact Aid –federal grants intended to compensate schools for the impact of tribal members, military family members, and other federally connected students – to build teacher housing and facilities outside the adequacy standards beginning in FY20. These districts tend to be property poor. However, 30 of the requests from the 17 Impact Aid districts that submitted applications for outside-of-adequacy projects (which include *Zuni* plaintiff districts) were technically eligible for full or partial funding under current adequacy standards, which have evolved from the original focus on critical corrective needs to include other auxiliary facility spaces.

Because many Impact Aid districts requests are eligible under current adequacy standards, the concept of projects "outside of adequacy" could be a misnomer. And given the number of requests, the state should also consider establishing a process to retroactively bring facilities built under previous standards up to current adequacy standards, thereby providing funding for teacherages and other auxiliary spaces.

Impact Aid School Districts. During the 2019 legislative session, several school districts with large populations of Native American students (Central, Gallup, Grants, and *Zuni*) that were also plaintiffs in the *Zuni* lawsuit proposed eliminating the credit in the school funding formula that reduces state operational dollars for districts that receive federal Impact Aid payments.

Although efforts to eliminate the credit, which reduces the funding formula allocation to Impact Aid districts by an amount equal to 75 percent of their federal grant, did not pass during the 2019 legislative session. The proposed policy would have created significant differences in operational funding levels between Impact Aid districts and other school districts. Eliminating the Impact Aid credit would increase operational funding for a select group of districts rather than directly addressing the capital outlay revenue generation ability of all property-poor districts. Additionally, the Public Education Department noted that eliminating the Impact Aid credit would likely create pressure to eliminate other credits for local revenue in the funding formula. Eliminating all credits and allowing districts to generate operational revenue from localized sources on top of the funding formula would be a departure from the original intent of a statewide formula to shift from a local wealth-based system to an equalized state funding system.

State and Local Match. In response to a detailed assessment of the initial state and local match funding formula created in 2003, legislation in 2018 established a new formula that shifts more of the burden for public school capital outlay financing to property-rich districts and effectively reduces the overall state match. Consequently, these modifications will reduce competition for PSCOC program awards, which will increase the pool of available state capital outlay funding as well as increase the state match for property-poor districts. A 2015 assessment by the Bureau of Business and Economic Research (BBER) at the University of New Mexico noted the old formula was being correctly applied, but did not efficiently leverage state resources and included volatile factors that reduced predictability, which limited its use for long-term planning.

The new formula, being phased in over five years, addresses some of BBER's findings and accounts for each district's ability to raise local funds through the passage of a mill levy or general obligation bond for capital outlay projects.

Public School Capital Outlay Initiatives

In light of increased demand for smaller capital improvement projects, PSCOC has developed multiple funding programs along with basic (standards-based) school renovation and replacement projects to target specific school needs. Although addressing smaller building improvements, like replacing ventilation systems, can help schools extend the useful life of their buildings, these ad-hoc projects may detract from PSCOC's core mission of replacing and renovating schools or fund building components that can already be integrated in designs for new facilities.

Given increased capacity for school capital outlay projects and formula changes that will shift more state funding to property-poor districts, the state has an opportunity to refine and improve the capital outlay system. Significant improvements in building conditions statewide will allow the state to focus on the highest need schools and address facilities that should be retroactively updated to reflect current adequacy standards.

Nonstandard but Eligible Facility Spaces

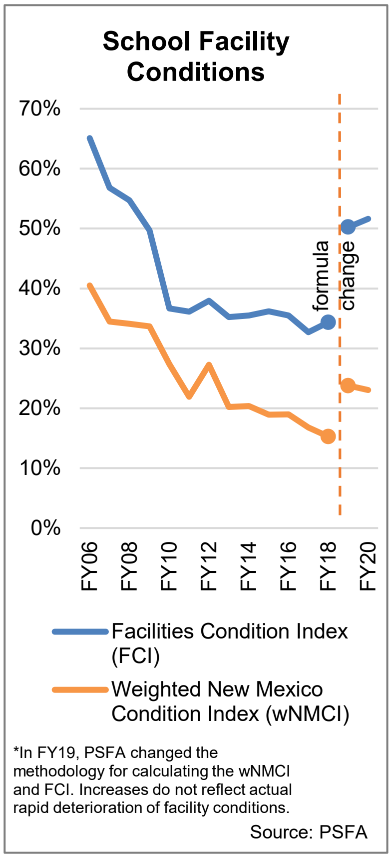
- Special education classrooms (A-, B-, C-Level)
- Special pull-out spaces
- Occupational and physical therapy spaces
- Cultural and language classrooms
- ROTC spaces, special program music classrooms
- Additional support staff office spaces
- Security spaces, technical infrastructure spaces
- Teacher and team collaboration spaces
- Family and community sciences classrooms
- Specialized laboratories for robotics or maker spaces
- Mock courtrooms
- Daycare spaces
- Alternative physical education spaces
- Maintenance shops
- Teacher housing (teacherages)

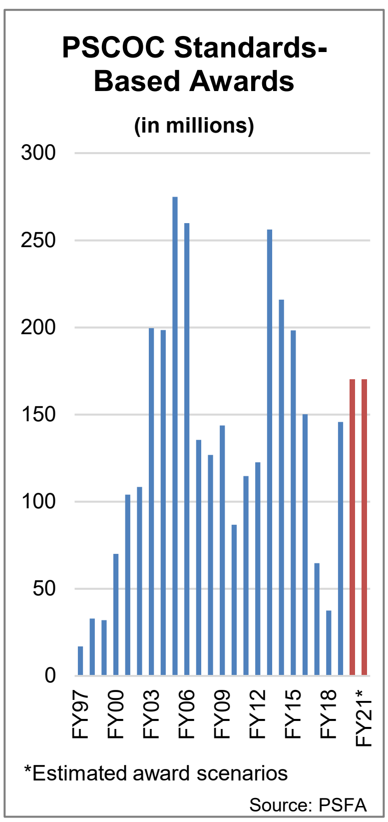
Ineligible Facility Spaces

- Stadiums
- Swimming pools
- Baseball and softball fields
- Soccer fields
- Tennis courts
- Auditoriums
- Stages
- Bus compounds and garages
- School board offices
- Equipment and tool sheds
- District administration offices
- School-based health centers
- Recreation centers
- Senior citizen centers

LFC Online: Understanding Government Finances

Finance Facts: Public School Capital Outlay





Standards-Based. PSFA administers and monitors projects through nine different programs, but standards-based program is the agency's core mission. Large replacement and renovation of a school are eligible for funding through this program. In FY19, PSCOC awarded $13.2 million to nine school districts for planning, demolition, educational specifications, project design, and construction. In FY20, PSCOC awarded $9 million for planning, educational specifications, project design, and construction for nine projects in eight school districts. After the school district completes its phase one project (planning, educational specification, etc.), the district can seek additional funding from the council to continue the project which is considered "out-year funding". The potential out-year state match for these projects is $97.8 million for a total state share of $107 million. As a result of the growth in New Mexico's oil and natural gas sectors, PSCOC projected award estimates will increase to approximately $170 million through FY22.

Systems-Based. The systems-based program was piloted in FY17 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. The program was created to provide funding to extend the life-span of core facility systems. In October 2019, PSCOC approved 10 system-based awards in seven districts in the amount of $7.2 million with an out-year state match of $4.9 million for a total state award match of $12.1 million. Low participation in the program suggests many districts prefer complete replacement of facilities over partial fixes to extend building life.

Security Initiative. In response to the 2017 school shooting in Aztec and heightened concerns about school safety, the state established an initiative in FY19 to update security infrastructure at schools. In FY20, 26 school districts and three state-authorized charter schools submitted 214 security project applications; 24 school districts and three state-authorized charter schools received $8.4 million for 136 projects to. The program is funded through FY22.

Teacher Housing. Affordable and abundant housing is a growing issue for many areas in the state. Urban districts in southeastern New Mexico are experiencing rapid growth from increased oil production, and the lack of affordable housing is impeding each district's ability to hire new teachers. Rural school districts use teacherages as a tool to recruit and retain teachers, given limited housing options on federal or tribal lands. Until 2019, teacher housing projects were considered "outside of adequacy" and ineligible for PSCOC funding. For FY20, the Legislature appropriated $10 million for teacherages, which PSCOC used to proportionally pay down existing teacherage debt for the Gallup ($6.5 million), *Zuni* ($2.7 million) and Central ($ 0.74 million) school districts. PSCOC also approved $6.9 million for teacher housing projects at eight school districts in October 2019 as part of the "outside of adequacy" special funding.

Information Technology

Technology is key to helping government be more efficient, improve services, and save taxpayer money. While the Department of Information Technology (DoIT) was created to improve IT systems and provide core technical infrastructure for the state, insufficient strategic planning, including outdated statutes and rules, and limited and inconsistent policies and procedures within DoIT hinder effective oversight of the state's IT infrastructure and investments.

IT Infrastructure. Millions in state annual IT expenditures are directed toward modernizing or replacing legacy systems, yet prior years' budget constraints limited the state's ability to invest in IT. Deferring maintenance and infrastructure replacement may reduce an agency's ability to provide services and threaten public health and safety.

Best practices include lifecycle replacement plans that help maximize the life of technology equipment and minimize costs of replacement. Lifecycle replacement is also referred to as hardware refreshment, asset management, or IT asset management. Some state agencies' IT strategic plans include lifecycle replacement plans, but they vary from every three years to every five years, depending on available budget. DoIT does not have a framework for standards and best practices for IT infrastructure replacement. Without standards, the state is not able to make effective decisions about technology investments.

Cloud Computing. The role of cloud computing is changing the way IT infrastructure is designed and implemented. Delivering services efficiently and achieving cost savings are the top two drivers of cloud adoption in government. Cloud computing offers an alternative to modernizing legacy infrastructure, providing scalability and more efficient delivery of digital government services. Improved manageability, less maintenance, and lower cost of service are examples of why some state agencies are considering cloud infrastructures.

Cloud computing is a model for providing convenient on-demand network access to a shared pool of computing resources, such as networks, servers, storage, applications, and services. Cloud delivery models on a subscription basis —such as software as a service and infrastructure as a service —are becoming more common in the public sector. Transitioning to cloud computing is challenging given the numerous IT systems statewide and concerns with security and funding. With deployment varying depending on business needs and security concerns, the state needs a cloud strategy, including a cloud policy, and requires a detailed plan.

Many states, including Arizona, Utah, Texas, and Virginia, have instituted a "cloud first" policy based on the 2011 federal cloud first policy. In general, a cloud-first policy requires agencies to evaluate safe, secure cloud computing options before making any new investments. A 2016 LFC program evaluation recommended DoIT develop a cloud computing policy, and that the General Services Department and DoIT develop a state policy for agencies to purchase IT cloud-based solutions.

Broadband. Critical sectors in state government, such as public safety, health and education, depend on reliable broadband, to effectively serve New Mexicans. New Mexico continues to lag behind other states in access to high-speed Internet services. The state's outdated broadband strategic plan, combined with a lack of coordination and leadership, continue to limit progress in improving broadband infrastructure for underserved communities. Since FY14, New Mexico has spent over $800 thousand on broadband studies and plans, resulting in only modest progress toward achieving stated goals. The Legislature appropriated $10 million to DoIT for rural broadband assistance in 2019, and the department awarded a $400 thousand contract for a new assessment but will not have a plan until spring 2020.

The state's broadband oversight and coordination responsibilities are scattered in different sections of statute. No single entity is responsible for overseeing broadband policy and coordinating among agencies. With the lack of a single

House Memorial 88 and Senate Memorial 124

Preliminary analyses indicate the potential closure of the San Juan Generating Station and San Juan Mine in FY22 may result in a potential loss of $53 million in state and local tax revenue, as well as 1,500 directly related jobs. The associated decrease in property valuation and student membership could significantly impact Central Consolidated School District's ability to bond for school facilities.

In 2019, the Legislature passed House Memorial 88 and Senate Memorial 128 that establish a taskforce to examine and address the impact of the plant closure. Given the potential impacts to the district, the state should consider ways to alleviate school capital outlay funding issues as the community transitions through the plant closure.

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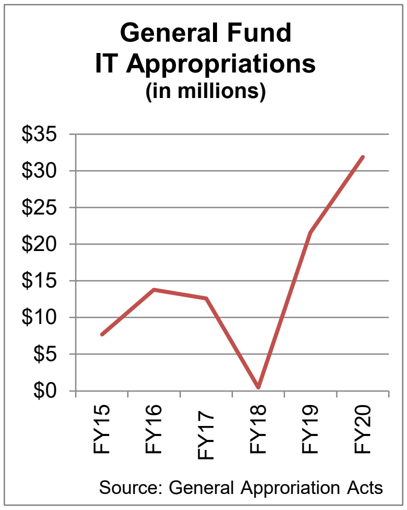
Cloud based delivery models can help meet the demands of citizens by making available some services state government may not be able to ramp up fast enough.



A 2019 Gartner survey found that 39 percent of government organizations plan to spend the greatest amount of new or additional funding in cloud services.

The high cost of broadband expansion and lack of funding have been cited as challenges to improving broadband infrastructure.

Only 13 percent of large government software projects valued at $6 million or greater, are successful, according to the IT research firm Standish Group.

entity, communication with agencies and stakeholders will continue to be fragmented, and the state may be duplicating resources and costs. Legislation in other states highlights emerging best practices in creating more robust and accountable broadband initiatives than exist in New Mexico. Maine, Minnesota, Virginia, and Washington created central authorities with requirements to oversee statewide broadband activities, including developing statewide plans, using up-to-date data, coordinating among different sectors and stakeholders, and reporting progress annually to governors and legislatures. Some states took additional steps to codify state broadband goals in statute, including targets and timelines for improving broadband speeds and the number of subscribers.

IT Governance and Project Selection. New Mexico continues to struggle with establishing an adequate IT governance structure. With the Legislature abolishing the Information Technology Commission in 2017, the executive branch no longer has an entity responsible for independent oversight and strategic planning for statewide IT initiatives. Best practices indicate successful IT governance is most effectively accomplished by instituting a formal governance committee made up of leaders from key agencies working with IT leadership to establish and monitor operations and investments.

The state cannot afford to make investments on implementing software projects that are poorly implemented, not fully functional, or in the end, fail. Technology, government policies, regulations, laws, and leadership's priorities change, and any project planned in detail up front cannot adapt to those changes and will be at significant risk of failure and significant cost. Planning an entire project upfront is known as "waterfall" development, testing and delivering everything is at the end of the project with no guarantee the system is going to work as planned. As an alternative to waterfall development, states are turning to agile methodology. Agile methodology is iterative and incremental, delivers differentiated solutions in rapid deployments and functionality, and relies on frequent inspection and feedback and adaptation to reach desired outcomes. With agile methodology, testing occurs throughout the software development process and in collaboration with the business. The deployment of agile IT requires a strong commitment by the state and successful partnering and collaboration between the business and the IT organizations.

Long reliant on fossil fuels for revenue and economic development, New Mexico this year made an unequivocal commitment to alternative energy development. The Energy Transition Act pursues the twin goals of implementing a carbon-free electricity grid by 2045 and diversifying the state's energy economy. Simultaneously, New Mexico is experiencing a boom in oil production in the Permian Basin. Although the resulting surge of jobs and economic growth temporarily obscures the downsides of the oil industry, the related infrastructure challenges, environmental consequences, and inevitability of a slowdown in production substantiate the need to develop New Mexico's other natural resources. The need for long-term planning and investments is not exclusive to the energy industry; preservation of the state's scarce water supply, parks, and forests is crucial for societal health and will be key in new efforts to promote New Mexico as a destination for outdoor enthusiasts.

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Energy and Emissions

Transition to Renewable Energy

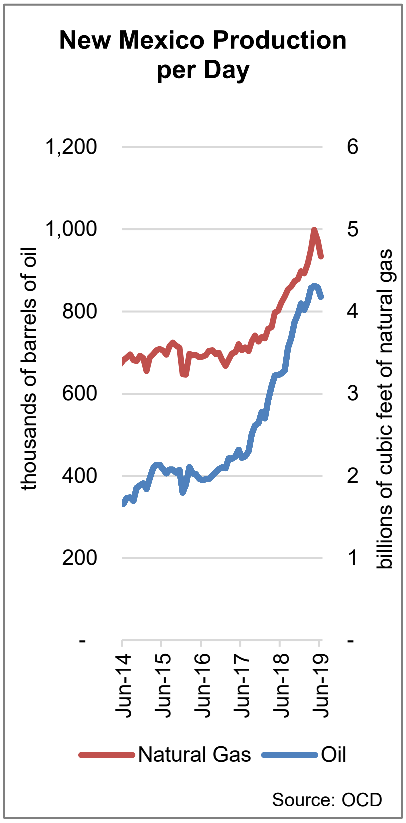
The Energy Transition Act (ETA) transforms New Mexico's energy sector by dramatically increasing the share of electricity produced by renewable sources in the next 10 years and requiring publicly regulated utilities to be completely carbon-free by 2045. The law makes New Mexico a national leader in clean energy policy as one of only three states with a 100 percent carbon-free target. This increase in renewable portfolio standards will boost development of wind and solar power, resources abundant in New Mexico.

LFC Online: Understanding Government Finances
Finance Facts: Oil and Natural Gas Production

In an attempt to cushion the blow of the move to fossil fuels, the ETA also authorizes a securitization process called energy transition bond financing, which allows a utility to recover costs associated with retiring coal-fired power plants by issuing low-interest bonds. Securitization allows the bonds to carry a low interest rate because they have a guaranteed repayment source, a non-bypassable charge on utility bills that can only be spent on repayment. The energy transition bonds will accommodate the planned closures of the San Juan Generating Station (SJGS) in 2022 and the Four Corners Power Plant in 2031. The ETA establishes three new funds to assist displaced workers and the communities affected by abandoned coal plants. The funds will increase available subsidies for career exploration, job readiness, and job training costs and will support an apprenticeship program for the construction of new electric generation facilities.

The closure of the San Juan mine and the SJGS are expected to result in the loss of about 450 jobs and $8.6 million in property tax revenue for San Juan

County, Central Consolidated School District, and San Juan Community College. Additionally, state and local governments would lose gross receipts tax revenue previously captured from purchases made by SJGS and the San Juan mine from local vendors.



The retirement of SJGS was called for in the Public Service Company of New Mexico's (PNM) integrated resource plan prior to the enactment of the ETA. Nationwide, economic factors are leading the energy sector away from coal, though the ETA will likely hasten this process in New Mexico. The economic factors for PNM and the environmental concerns of state leadership aligned to drive the state's transition away from coal-fired electricity generation. The ETA sets ambitious renewable portfolio standards in line with the new governor's clean energy goals, while striving to minimize the economic impact to utilities and communities that previously relied heavily on income from coal-generated power. Still, policymakers face uncertainty about how the shift to renewable energy will affect statewide employment, economic growth, and revenue.

Regulatory Challenges During an Oil Boom

New Mexico's phase-out of energy produced by fossil fuels is set against the backdrop of an historic oil boom in the Permian Basin. Because this oil activity is primarily driven by exports rather than in-state demand, it should be largely unaffected by the ETA. The record-level oil production, while beneficial for the state's economic development and revenue generation, creates increased environmental and regulatory challenges, particularly related to produced water, a byproduct of oil drilling, and the venting and flaring (burning) of natural gas, which has also become a byproduct of drilling.

A growing workforce in the Permian Basin, combined with the region's shortage of permanent housing and wastewater infrastructure, has created a domestic waste problem. The Environment Department (NMED), which has regulatory authority over wastewater, reports septic waste is being illegally dumped in the desert, mixed with produced water, or stored in above-ground tanks with no lids rather than being taken to proper disposal facilities. Some individuals have also been discharging wastewater without the necessary permits from NMED's Ground Water Quality Bureau. NMED does not currently fine violators of wastewater discharge rules and strongly prefers voluntary compliance to enforcement.

Produced Water. NMED and the Energy, Minerals and Natural Resources Department (EMNRD) are also monitoring produced water and natural gas venting and flaring in the region, both of which have increased significantly since 2016. Nearly 900 million barrels of produced water were generated from oil wells in southeastern New Mexico in 2018, an increase of more than 100 million barrels over the previous year. Researchers are studying options to manage this growing volume, and legislation this year clarified the roles of NMED and EMNRD in regulating treatment and reuse of produced water; EMNRD has jurisdiction over produced water that will be recycled and reused within the oil and gas industry, while NMED can regulate produced water that exits oil patch areas and is treated and used for other purposes, such as irrigation. Reusing produced water for other purposes will help to partially offset the high usage of scarce freshwater for exploration and production currently occurring in the Permian Basin.

Venting and Flaring. As a direct result of the oil boom in the Permian Basin, the venting and flaring of natural gas increased by 63 percent and 120 percent, respectively, in 2018 compared to 2017. Natural gas is a byproduct of oil drilling, and inadequate pipeline capacity and low prices make natural gas difficult and expensive to capture at this time, despite its value under more favorable market conditions. NMED is concerned the region's oil activity has increased rapidly without the infrastructure in place to prevent large quantities of emissions. NMED can impose financial penalties on companies that exceed their permit limits for emissions, and sometimes the agency allows infrastructure development that reduces pollution to offset penalties.

In 2018, 3.5 billion standard cubic feet (scf) of natural gas was vented and 32.7 billion scf was flared in New Mexico, according to data provided to EMNRD from oil and gas operators. For comparison, in 2017 operators reported the combined total of vented and flared gas was 17 billion scf. OCD proposed a new performance measure for FY21 to track vented and flared gas. The U.S. Governmental Accountability Office reports 40 percent of gas lost through venting and flaring on public lands could be captured economically.

EMNRD and NMED are working together and with community stakeholders to develop a methane emissions reduction strategy per the governor's executive order on addressing climate change and energy waste prevention. The agencies heard citizen input during public meetings and created a Methane Advisory Panel (MAP) composed of industry representatives and environmental experts. The panel's mission is to set attainable goals for emissions reductions and develop regulations to reach those goals. NMED will regulate methane emissions from oil and natural gas operations under authority of the Air Quality Control Act, while EMNRD will use the regulatory authority provided by the Oil and Gas Act to prevent waste of methane from oil and natural gas operations. MAP will produce a technical report on oil and gas equipment and processes that can help accomplish these goals. This particular initiative is limited to reducing methane emissions from the oil and gas industry and will not address other sources of methane emissions, such as coal mining or agriculture.

Water Quality

Approximately 47 thousand New Mexicans were served by water systems that do not meet health-based standards in FY19, a decrease of 120 thousand from the previous year. Water quality is influenced by aging infrastructure, man-made 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. The agencies that oversee the state's water quality are facing new challenges even as existing issues continue to demand resources.

PFAS Contamination

New Mexico is currently in litigation with the U.S. Air Force over groundwater contamination near Cannon Air Force Base that will likely set national precedent on who has cleanup responsibilities for per- and polyfluoroalkyl substances (PFAS). For many years, the Air Force used fire retardant containing these chemicals in training exercises; PFAS were subsequently found in groundwater on and around Air Force bases throughout the country. PFAS are a family of "emerging contaminants" in wide use since the 1940s but with environmental and human health risks not yet fully understood. PFAS do not readily break down and can therefore accumulate and remain in the human body and the environment for long periods of time. New Mexico first learned of PFAS in the groundwater near Cannon Air Force Base in Clovis in 2018. The chemicals were not detected in the drinking water supply, but did affect local dairy producers whose herds ingested the groundwater.

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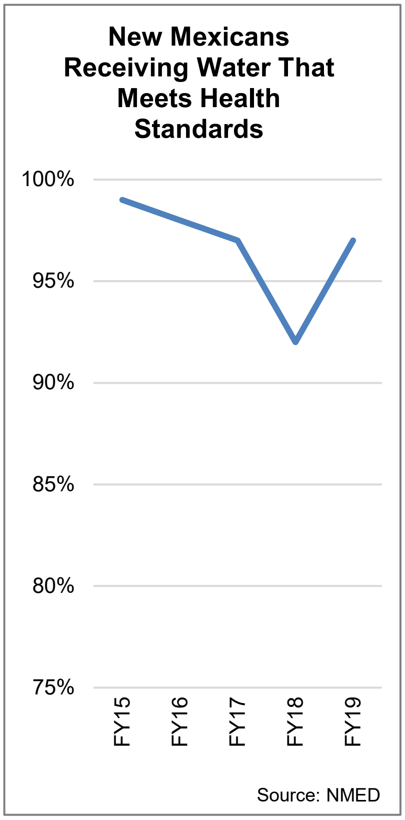

Gold King Mine

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. The incident occurred when 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 in federal court, as is a suit filed by a dozen New Mexico residents for $120 million. The state's litigation is currently in the discovery phase, and NMED has invested in campaigning with farmers in the affected region to make clear to the public that agricultural products are not tainted.

Chromium Plume

The U.S. Department of Energy (DOE) is conducting studies and stakeholder engagement meetings to develop the final remedy for a mile-long, half-mile-wide, migrating chromium plume beneath Sandia Canyon. Between 1956 and 1972, Los Alamos National Laboratory released approximately 160 thousand pounds of hexavalent chromium – used by the lab to prevent corrosion on cooling towers – into Sandia Canyon. The plume was found in the groundwater in 2005, posing a risk to the area's drinking water. DOE planned and implemented an interim measure consisting of extraction and injection wells, a groundwater treatment system, and 3 miles of piping to control migration of the plume boundary. DOE will submit a corrective measures evaluation report to NMED in 2021 and a final remedy implementation plan in 2023-2024.

Water Management

Drought

Due to above average snowpack in winter 2019 and cooler temperatures through the spring, New Mexico experienced a dramatic turnaround of the drought conditions seen last year. As of late summer, the majority of the state was experiencing no drought conditions, and the areas in drought were ranked only as moderate, the least severe of four drought ratings on the U.S. Drought Monitor. These conditions, however, only represent the state's short-term drought conditions; New Mexico is in a recovery state from last year's drought, but more severe, long-term drought conditions persist.

A good water year does have some downsides. New Mexico's delivery obligations under its interstate compacts increase in volume, which makes delivery more complicated and difficult. The State Engineer also reported concerns that additional water puts strain on the state's dams, increasing the risk of failure. For example, 170 of the state's dams are considered "high hazard," a designation applied if a dam's failure is likely to cause the death of at least one person. Of high hazard dams, 30 percent are in poor or unsatisfactory condition. Rehabilitation of the state's ten highest priority dams is currently estimated to cost over $83 million.

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 that allowing farmers to pump groundwater at this location reduces deliveries of Rio Grande water at the New Mexico-Texas border in violation of the Rio Grande Compact. 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. A newly appointed special master expedited the case and set a court date for April 2021. In the 1980s, New Mexico was ordered to pay Texas $14 million after the 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. Weighing the potential for a large impact on the agriculture community and a significant cost to the state, the Offices of the Attorney General and State Engineer have been preparing for litigation.

For more info:

Office of the State Engineer Performance
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State Parks, Forests, and Watersheds

Outdoor Recreation

As outdoor recreation and tourism explode in popularity across the country, and lesser known natural attractions are introduced to larger audiences via social media, New Mexico has an opportunity to draw more visitors to the state with its plentiful and unique outdoor resources. At the start of FY20, the State Parks Division started a campaign called "The Next Generation of Adventure" to increase visitation and modernize the park system. The division plans to upgrade facilities and technology, improve trails and signage, and add interpretive programs. State Parks is collaborating with the Tourism and Economic Development departments to promote visitation among New Mexicans and out of state travelers alike.

Forest and Watershed Health

The State Forester reported that New Mexico, still recovering from last year's severe drought, experienced a very active and early fire season in FY19. Severe forest fires lead to evacuations, structural damage, increased public health costs, and reduced tourism. The easing of drought conditions over the past year may be good news for the time being, 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 FY19 treated over 13 thousand acres of forest and watersheds to thin overgrown forests so they are more resilient to fire, drought, insects, and disease.

State Employment and Compensation

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State Personnel Board Performance Page 155

Low unemployment in New Mexico and a strong national economy are increasing competition for workers at a time when the state is making a concerted effort to hire. Under these circumstances, the state must provide not only competitive salaries, but a benefit package that reflects worker preferences. Increasing state employment to ensure the proper functioning of government will require a strong strategic vision and a renewed focus on the elements of total compensation, particularly the balance between salaries and benefits.

State Personnel System

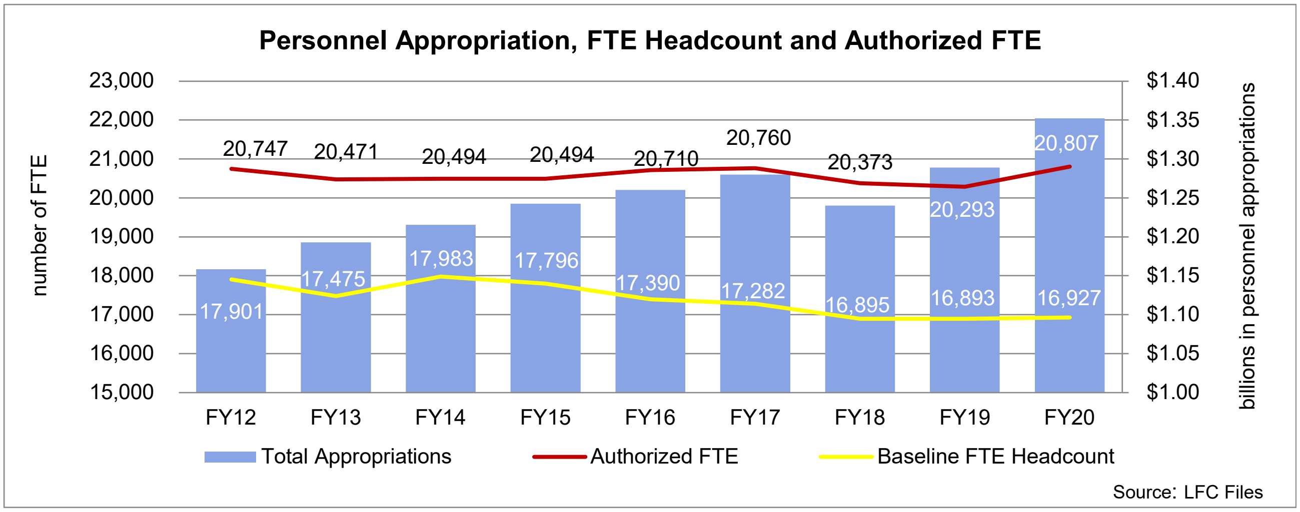
State funding for personnel has been increasing since FY12 when state budgets began recovering from the Great Recession of 2008. Despite the increases in funding, the number of filled full-time-equivalent (FTE) positions remains well below the highs experienced in FY09 when the 20 largest agencies in state government employed 20.3 thousand people and received $1.24 billion in personnel appropriations. As of July 1, 2019, these agencies employed 16.9 thousand individuals with $1.35 billion in personnel appropriations.

LFC Online: Understanding Government Finances

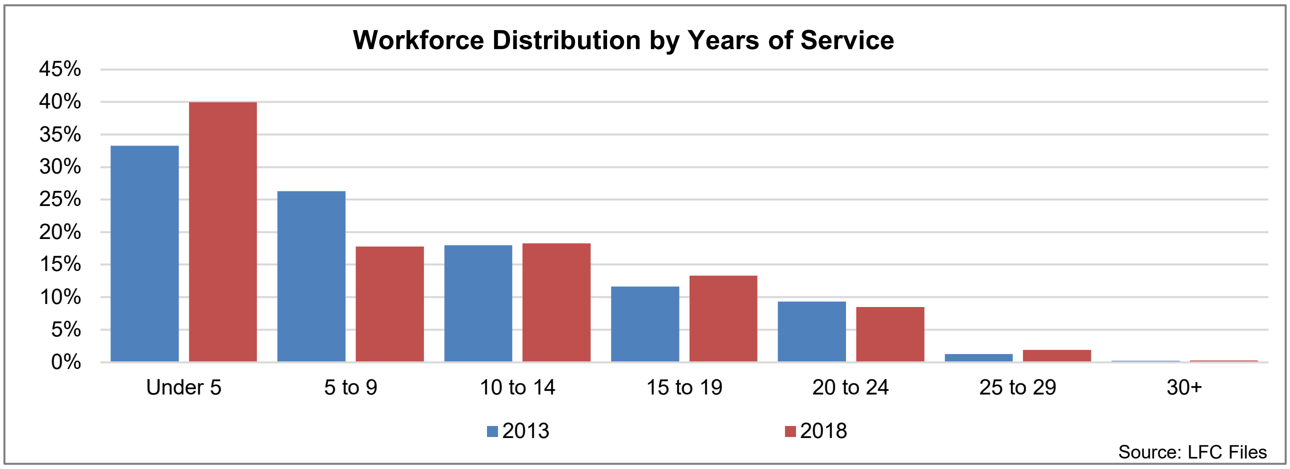
Finance Facts: State Employee Compensation

Despite the increased appropriations, staffing levels generally trended down over the past decade. Vacancy rates increased as hiring freezes were implemented and agencies held back on hiring due to economic uncertainty. However, other factors also play a significant role; competition for workers is fierce after a decade of economic expansion pushing unemployment to modern-day lows. Between FY12 and FY18, SPO reported taking 68 days to fill a vacant position. The slow hiring process combined with a high turnover rate for employees in their first year of state service had the effect of reducing competitiveness and driving up state vacancy rates.

Data from the Public Employees' Retirement Association (PERA) show the state and local government workforce in New Mexico has not only shrunk but is also more likely to be made up of less experienced employees.

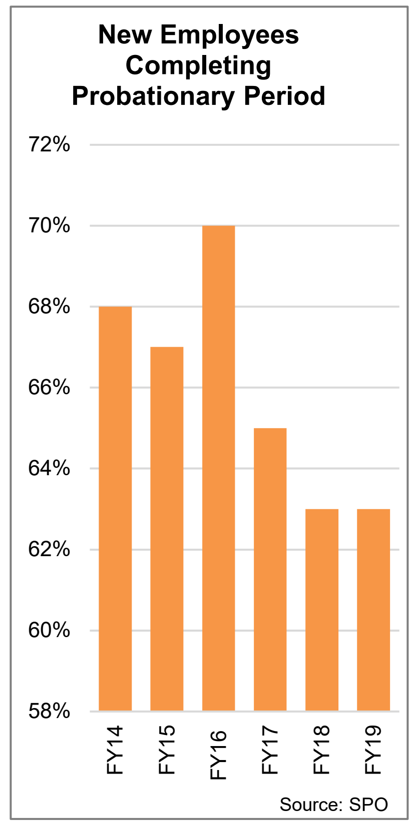


Source: LFC Files



In 2013, 33 percent of the state workforce had less than five years' service credit, while 26 percent had been in the system between five and nine years. In 2018, the proportion with fewer than five years increased to 40 percent but only 18 percent had five to nine years. This trend illustrates the difficulty in retaining public employees in New Mexico; current state and government workers appear less likely to view state employment as a long-term career than in the past.

The state's workforce is getting younger in addition to less experienced. While the total number of workers has fallen by 4 percent since 2013, the proportion of workers under 30 has increased by 4 percent while the number of workers ages 40-49 and 50-59 has fallen by 9 percent and 13 percent, respectively. The transition to a younger workforce may necessitate SPO re-examining the compensation package to ensure the benefits offered are of value to the contemporary state worker.



Compensation Adequacy

Determining compensation adequacy is often a question of goals. For example, employers may design a compensation philosophy that prioritizes increased retention through longevity pay or that intentionally pays salaries over the market rate to attract the best qualified employees in difficult-to-fill jobs or in remote areas. To determine compensation adequacy, many states look at the value of the total compensation package – the mix of salary and benefits received by state employees that accounts for the total employer cost of employee compensation¬ salary and benefits, to see how it compares with the labor market.

Components of Total Compensation. Analysis of total compensation in New Mexico shows the state provides a disproportionate share of its compensation through benefits. In its 2018 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."

Employer Cost of Employee Compensation

State	Salary	Pension	Social Security	Insurance	Other	Total	% Salary
New Mexico	**51,223**	**8,831**	**3,176**	**7,928**	**1,767**	**72,925**	**70.2%**
Texas	46,475	4,648	3,555	8,132	1,209	64,019	72.6%
Colorado	62,956	9,758	-	9,835	573	83,122	75.7%
Nevada	51,193	7,423	-	8,885	2,032	69,533	73.6%
Arizona	46,548	5,493	2,886	8,245	675	63,847	72.9%
Utah	55,547	6,180	3,444	9,368	1,444	75,982	73.1%
Wyoming	54,571	7,607	3,383	13,051	1,741	80,354	67.9%

Source: LFC Files

Employer costs of employee compensation include salary, retirement benefits, insurance, Medicare, workers' compensation, and retiree healthcare. LFC analysis suggests salary accounts for approximately 70 percent of the cost of total compensation, the second lowest in the region.

In addition to employer costs of employee compensation, employees must pay for costs of benefits, reducing their total take-home pay. LFC analysis found that, when deductions for benefits including health insurance and pension costs are taken into account, New Mexico state employees have the lowest proportion of take-home pay in the region.

Comparison of Total Compensation and Take Home Pay

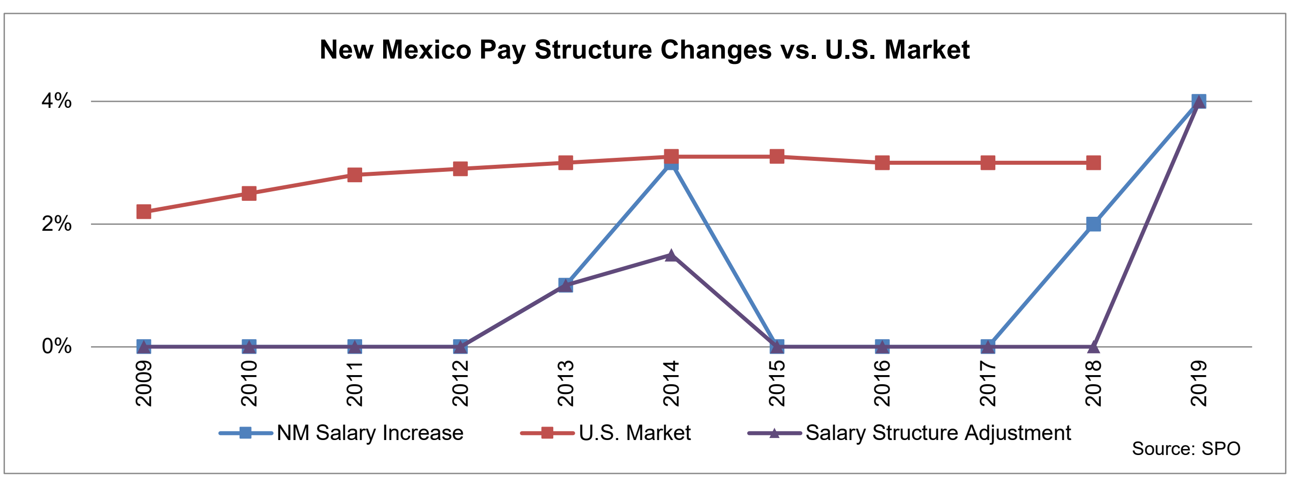
State	Total Comp	Salary	Take Home Pay	% of Total Comp.
New Mexico	**72,925**	**51,223**	**39,919**	**54.7%**
Texas	64,019	46,475	36,896	57.6%
Colorado	83,122	62,956	54,613	65.7%
Nevada	69,533	51,193	41,672	59.9%
Arizona	63,847	46,548	36,937	57.9%
Utah	75,982	55,547	47,118	62.0%
Wyoming	80,354	54,571	48,603	60.5%

Source: LFC Files

In 2019, SPO reported that 25 percent of job classifications were assigned to an alternative pay band (APB) allowing salaries in excess of pay band maximums to be paid. This suggests the salary structure is out-of-step with the broader labor market.

Salary Increases. For the past several years, the Legislature has provided both across-the-board and targeted salary increases in the General Appropriations Act. The targeted increases tended to focus on direct service positions that have the largest impact on public health and safety, such as police and correctional officers, nurses, and social workers. Across-the-board increases were given to offset the loss of purchasing power due to normal inflation and are thought of as being akin to a cost-of-living adjustment (COLA). While the COLAs appropriated kept salaries from falling further behind the market, they were often not sufficient to match wage increases in the broader labor market.

Legislatively appropriated salary increases have not kept pace with labor market wage growth, and even in years when salary increases were awarded, SPO did not always adjust the salary structure. When salary structures fall behind the market, agencies often begin using alternative pay bands or misclassifying employees, e.g.



designating nonsupervisory employees as supervisors, to justify salary increases. These ad hoc personnel actions have a tendency to create disparities among and even within agencies. Pay disparities often adversely impact morale and may lead to increased turnover.

Personnel Surplus and Ad Hoc Raises. Agencies awarded pay increases averaging 8.4 percent to 3,500 FTE at a cost of approximately $15 million in FY19. These raises are often performed in an ad hoc fashion with agencies rewarding individual employees. While ad hoc pay increases allow agencies to reward good performance and retain employees, they are often done outside of a larger compensation strategy designed to adapt to broader labor market conditions.

LFC analysis shows agencies have approximately $100 million in surplus funding for personnel in FY20, sufficient to hire an additional 1,150 FTE with the current budgets. The additional personnel funding is often used to provide raises for current employees or transferred into another budget category.

Occupation-Based Pay Structure. SPO began advocating for implementation of an occupation-based compensation system in 2012. The occupation-based plan would replace a single pay plan with 11 groups corresponding to job type. The goal of the new structure is to minimize salary inequities among jobs across agencies and provide policymakers greater flexibility to target salary increases to fix inequities and address recruitment, retention, and turnover issues. Once implemented, the structure must be kept up-to-date to account for changes in inflation and market demand in different fields.

Seven of the 11 occupation groups have been implemented, though two, social services and legal, have only been partially implemented. Implementation of occupation groups requires a compensation study to determine the proper pay for a given occupation and adjustment of the pay band minimum and maximum levels to align state worker pay with industry standard. The lack of progress on this issue may be exacerbating problems with pay adequacy; For example, following the 2018 legislative session, the Department of Health implemented an average 25 percent salary increase from vacancy savings for nurses to improve recruitment and retention. The need for such a large salary increase points to a long-term failure to maintain pay competitiveness both across the board and for specific occupations.

Pay Plan Adjustment

To prevent the state's compensation structure from falling further behind the market, the state should pursue COLA or targeted increases, or some combination of the two. The Legislature has historically pursued a COLA *and* targeted compensation strategy to recognize the tendency of wages to rise with inflation as well as specific market pressures that push up salaries of specific occupations faster than the overall labor market.

Moving forward, SPO will need to work closely with both the Legislature and the Department of Finance and Administration to determine which, if any, occupations are in need of targeted adjustments, as well as how much the general pay structure needs to be adjusted to prevent it falling further behind the market. Finally, SPO should conduct studies to determine how the state's compensation could be altered, if at all, to better reflect employee preferences, improve recruitment efforts, and retain employees longer.

Proposed Occupation Groups:

1. Corrections*
2. Information Technology*
3. Engineering*
4. Architecture*
5. Healthcare*
6. Legal**
7. Public Safety and Security
8. Social Services**
9. General Administration
10. Scientific
11. Trades and Labor

*Completed
**Partially completed

The Department of Health implemented nurse pay increases prior to completion of the health care pay study. It is unclear how salary adequacy was determined without SPO analysis of the salary structure.

LFC Online: Understanding Government Finances

Finance Facts: Public Employee Pensions

Benefits

APS Contributions		
Salary	Employee (EE)	Employer (ER)
< $34.5	20%	80%
$34.5-$40	30%	70%
>$40	40%	60%

PSIA Contributions		
Salary	EE	ER
< $15K	25%	75%
< $20K	30%	70%
< $25K	35%	65%
$25K +	40%	60%

GSD Contributions		
Salary	EE	ER
< $50K	20%	80%
< $60K	30%	70%
$60K +	40%	60%

Group Health Benefits

The General Services Department (GSD), Public School Insurance Authority (PSIA), and Albuquerque Public Schools (APS), purchase health insurance for state and educational employees and retirees. The trifurcated system of providing health benefits has led to different plan designs, costs, and employer and employee contribution rates. For example, an employee making $41 thousand, a starting teacher's salary, would pay more than twice as much for insurance if they received it through PSIA rather than through GSD.

In New Mexico, benefit costs have increased faster than salaries. State employee salaries increased an average of 12.6 percent between 2013 and 2018, while GSD reports actual per-member medical spending over this period increased by 43 percent. The rapid growth in benefit costs forces the state to absorb these increased costs often at the expense of providing salary increases. Moving forward, state insurance purchasers will be challenged to control costs as well as reduce disparities among insurance plans.

Pensions

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. In response to the pension underfunding, the Education Retirement Board (ERB) supported reform legislation passed in 2019. The changes included adding a new benefit tier for new employees and requiring contributions from certain return-to-work-, part-time-, and substitute teacher employees who previously did not contribute. The changes significantly improved the plan's sustainability reducing the time to achieve full funding from 70 years to 44 years.

Legislation reforming the Public Employees Retirement Association (PERA) was introduced, but failed to pass. The current PERA benefit structure is unsustainable, and further refinement of the pension systems is needed.

PERA. PERA offers the most generous pension benefits in the nation. 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 complete 36 years to reach 90 percent. In addition, PERA retirees receive a compounding cost-of-living-adjustment (COLA) and PERA retirees, other than those in public safety are also eligible to receive social security benefits. PERA members must suspend their pensions to return to work after retirement.

Comparison of Health Insurance Costs

Based on Single Coverage and Annual Income of $41 thousand*

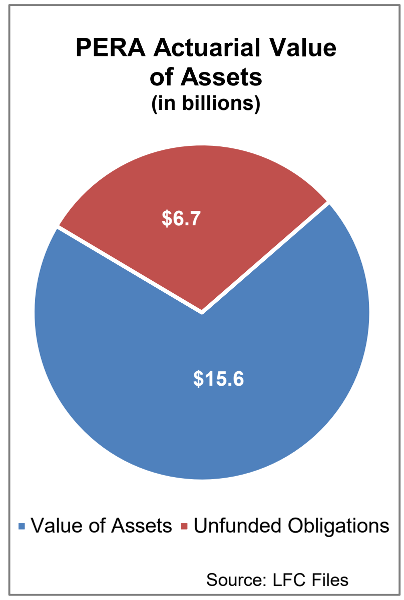
	PSIA-High Option	GSD-Blue Cross PPO	APS- BCBS Preferred
Deductible	$ 750	$ 500	$ 500
Max Out of Pocket	$ 3,750	$ 4,000	$ 1,500
State Cost	$ 5,201	$ 5,998	$ 7,045
Member Cost	$ 3,468	$ 1,500	$ 2,818
Total Cost	**$ 8,669**	**$ 7,498**	**$ 9,863**

*$41 thousand is the average starting salary of a level 1 teacher

Source: LFC Files

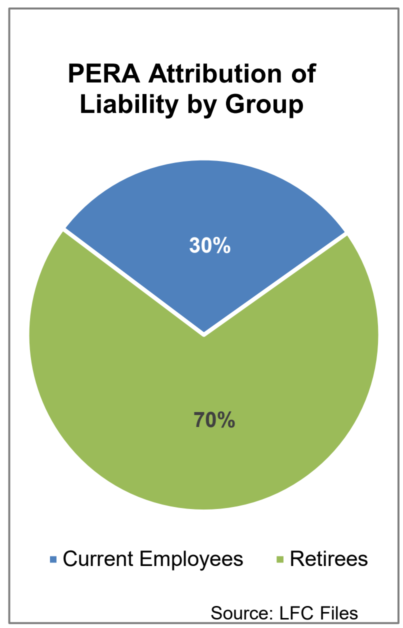
Funded Status. PERA has a $6.7 billion unfunded actuarially accrued liability (UAAL), the amount of additional assets needed to pay future obligations. PERA reports an infinite amortization period, meaning current contribution and investment income will never cover promised benefits. Seventy percent of the UAAL is attributable to current retirees while PERA projections show no UAAL attributable to tier two members, meaning current contributions and investment returns are sufficient to pay for the benefit earned by these employees.

PERA is made up of five separate plans which are funded at different levels. The state employees plan is currently 60.9 percent funded and has a $3.7 billion UAAL while the state police and corrections plan is 130 percent funded and has a $297 million surplus.



Reform Options. Following the failure of PERA's 2019 reform effort, the governor convened a pension solvency taskforce to create a pension reform package that would return the fund to solvency within 25 years. The taskforce proposed employee and employer contribution increases, changes to the COLA, and removing the cap on benefit accrual to encourage longer careers. The changes to the COLA will account for most of the savings of the reform package, reflecting the large portion of the liability attributable to current retirees. Increasing the contributions for employers and employees will ensure current workers pay for the cost of the benefits they will receive.

When considering pension reform, changes should not advantage or disadvantage one group of employees disproportionately. Because the vast majority of the liability is attributable to retirees, it follows that this group should contribute significantly to the solution. Conversely, new employees and future employees covered under tier 2 are paying contributions sufficient to pay for their benefits which should insulate them to an extent from the impact of proposed changes lest the benefit they receive be worth less than they pay for it and thus allow the pension system to become a disincentive for state employment.



Retiree Healthcare

The Retiree Health Care Authority (RHCA) has a trust fund balance of approximately $718 million and a total liability of $5 billion, resulting in a funded ratio of approximately 13 percent. Based on current projections, RHCA estimates the trust fund will be exhausted and the program insolvent by 2044.

RHCA provides post-employment health, dental, vision, and life insurance benefits to public employees who retired under PERA or ERB and their spouses. 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's board has the authority to alter the benefits offered in order to keep the program solvent. However, the program continues paying high subsidy rates to working age individuals who do not yet qualify for Medicare.

Beyond solvency concerns, the RHCA program's 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.

Performance

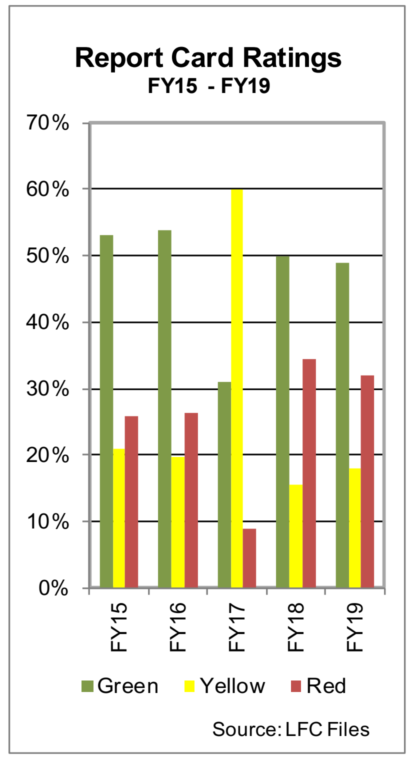
The Accountability in Government Act (AGA) traded budget flexibility for information about how state agencies economically, efficiently, and effectively carry out their responsibilities and provide services. Prior to the AGA, agency appropriations were tightly controlled by the Legislature with attention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

Collaboration Leads to Better Performance Measures

The AGA provides the Department of Finance and Administration (DFA) authority, with consultation, to approve and change agency performance measures and program structure. The Legislature may craft the General Appropriations Act as it sees fit, including adding or changing performance measures. However, differing perspectives between the two branches over the value and extent of state government reporting have led to less transparency and accountability.

Since the start of 2019, however, the executive and legislative branches have collaborated and made significant progress on developing better and more useful performance measures, particularly for the courts and higher education.

In early 2019, LFC analysts conducted a detailed evaluation of key agency performance reports and performance measures. The review found most agency performance *measures* are generally good, but agency *reports* were inconsistent in quality and usefulness. LFC has been working together with DFA and agencies to improve measures and help advance agency reporting. LFC supports new executive efforts to standardize performance reporting and to develop trainings for agencies on managing for results.



Report Cards

LFC's agency report cards add emphasis and clarity to the reporting process and help focus budget discussions on evidence-based initiatives and programming. Performance criteria and elements of good performance measures are reviewed on the following pages. Generally, green ratings indicate achievement; red ratings 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.

FY19 Performance and Future Outlook

Fiscal year 2019 report cards showed fewer agencies with very poor performance than last year, but also fewer agencies able to consistently reach their targets. Agencies continue to miss targets due to high vacancy rates and ongoing problems with turnover, recruitment, and retention, and more agencies this year failed to report data for all of their measures. Outcome measures indicating a need for improved performance include persistently low student math proficiency and tax collections, persistently high repeat child maltreatment and inmate recidivism rates, as well as falling enrollment in the state's colleges and universities. Positive performance results include an improvement in student reading proficiency, lower caseloads for district attorneys and public defenders, and the overall performance of the Early Childhood Program of the Children, Youth and Families Department, which exceeded all of its targets.

LFC Online: Understanding Government Finances
Finance Facts: Accountability in Government Act

PERFORMANCE REPORT CARD CRITERIA
LEGISLATIVE FINANCE COMMITTEE

Green	Yellow	Red
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.

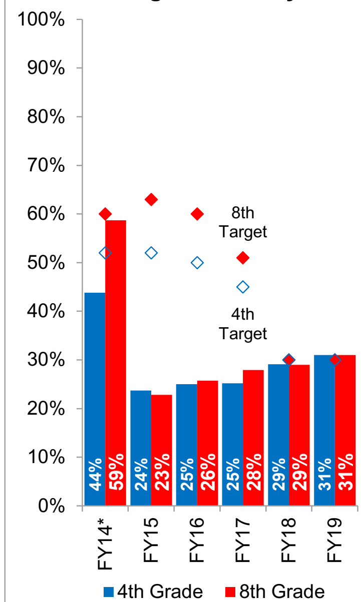
ACCOUNTABILITY IN GOVERNMENT
Performance Measure Guidelines

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

In FY19, public school students showed improvement in reading proficiency and graduation rates but a slight decline in math proficiency. Future measurement of reading and math proficiency will change as the Public Education Department (PED) seeks input this year to revise the statewide assessment and accountability system. These changes come at a critical time when the state must demonstrate progress toward addressing court findings from the *Martinez-Yazzie* education sufficiency case, which found the state failed to address the needs of at-risk students – as evidenced by dismal test scores, substantial achievement gaps, and poor graduation and college remediation rates.

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

Despite significant investments in public schools to expand evidence-based programs and extend learning time for students and teachers, implementation issues remain. As the accountability system changes, the state must develop methods to measure progress in future years. Additionally, the state should create more consistent ways to holistically measure student outcomes and prioritize funding to programs showing evidence of attaining the goals set forth by the court.



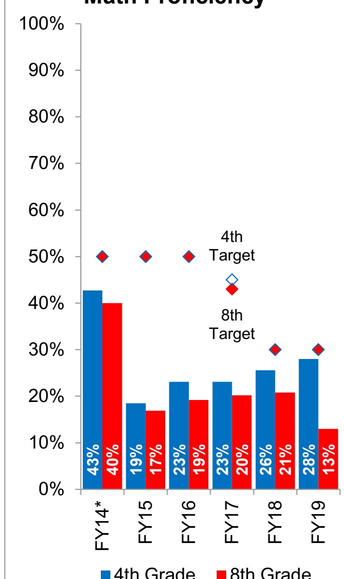
*FY14 reflects NMSBA scores

Source: PED

Student Achievement

Reading and Math Proficiency. In FY19, students took the New Mexico Transition Assessment of Math and English Language Arts (TAMELA) test, a shorter assessment that used questions comparable to those on the PARCC test. According to PED, statewide reading proficiency increased from 31 percent to nearly 33 percent, and statewide math proficiency decreased from about 22 percent to 20 percent in FY19. Eighth grade math proficiency dropped 8 percentage points, which significantly contributed to overall declines in performance this year.

In the last five years, statewide PARCC reading proficiency increased from 26 percent to 31 percent and math proficiency increased from 17 percent to 20 percent. While this improvement was a positive trend, the court did not view these proficiency rates and achievement gaps as evidence of a sufficient education. Over this period, significant disparities in academic performance persisted among student subgroups. For example, English learners and students with disabilities continued to achieve proficiency rates below 10 percent. To address these findings, the state must target academic supports to these low-performing subgroups and consistently measure effectiveness of interventions for these students.

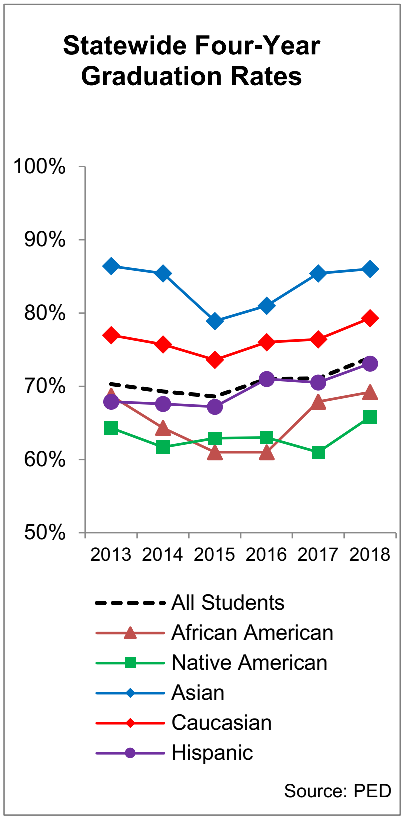


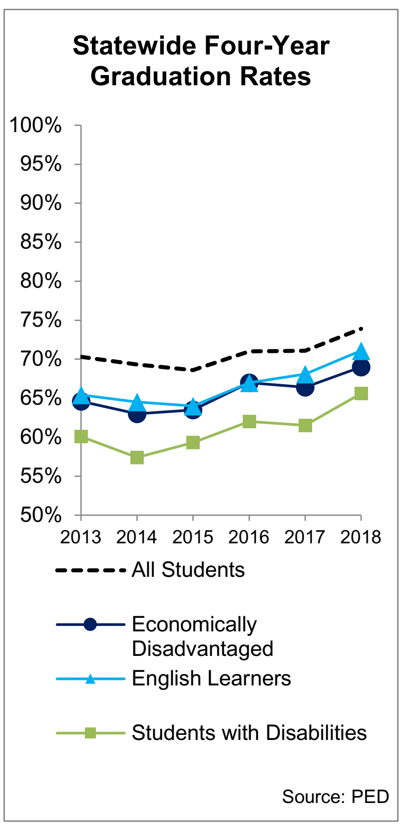
*FY14 reflects NMSBA scores

Source: PED

However, measurement of performance will change in the next few years. In 2019, the governor ordered PED to replace the PARCC test and overhaul the state's school grading and teacher evaluation systems. In FY20, a PED-appointed task force recommended phasing New Mexico-developed questions into NM-MSSA, the new assessment, each year until a completely New Mexico-developed assessment is in place by FY23. The task force also recommended using the SAT college entrance assessment to serve as the high school test of math and language arts in 11th grade and providing other optional tests (like short-cycle, interim assessments and college readiness tests) to meet local assessment needs.

Graduation and College Remediation Rates. The state's graduation rate climbed to nearly 74 percent in 2018, a 3 percentage point increase from the





2017 rate of 71 percent. Graduation rates for students classified as Native American or having disabilities improved to 66 percent, a respective 5 percentage and 4 percentage increase in each subgroup from the prior year. However, the court indicated recent graduation rates were at unsatisfactory levels and found disparities among subgroups to be notably inequitable. Additionally, the state's graduation rate remains lower than the national graduation rate, which rose to 84.6 percent in FY17.

The Higher Education Department (HED) did not report college remediation rates for FY18 or FY19. HED last reported statewide college remediation rates for recent New Mexico high school graduates at 33.5 percent in FY17. Although college remediation rates have improved in recent years (from 52 percent in FY12), the decline in reported rates may be more attributable to changes in remedial support structures at colleges than actual changes in the remedial needs of recent high school students.

The court highlighted high college remediation rates, particularly for at-risk students, as a deficient educational outcome of the state's system. Given the court's order to ensure students are college-, career-, and civics-ready, the state should consider using other longitudinal measures to more accurately identify student remedial needs after high school graduation. Additionally, as New Mexico's standardized test transitions away from PARCC, PED should develop ways to compare the new assessment with PARCC to accurately measure student progress and program effectiveness over time.

Budget: $2,699,006.4 FTE: N/A Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Fourth grade reading proficiency	25.2%	29.1%	30%	31%	G
Fourth grade math proficiency	23.1%	25.6%	30%	28%	Y
Eighth grade reading proficiency	27.9%	29%	30%	31%	G
Eighth grade math proficiency	20.2%	20.8%	30%	13%	R
Recent New Mexico high school graduate college remediation rate	33.5%	Not reported	<35%	Not reported	R
Four-year cohort graduation rate	71.1%	73.9%	75%	Not reported	Y
				Program Rating	Y

Student Enrollment

Declining Membership. Statewide student membership has steadily declined by about 1 percent each year since peaking at 332 thousand in FY16. For FY20, initial data shows statewide membership was 323 thousand students, a decline of 3,576 students (or 1.1 percent) from FY19. Schools with declining enrollment – particularly smaller schools that do not strategically adjust operational and facility capacity – will face greater budget constraints and revenue volatility in future years.

In the past decade, public school enrollment has shifted from rural areas to urban areas and from school districts to charter schools. The greatest declines have been in early grades, which causes a ripple effect in later grades. Between FY14 and

FY19, statewide kindergarten membership fell by 3,721 students, or 12 percent, and first grade membership fell by 2,600 students, or 9.6 percent. Declining enrollment may be due to lower child birth rates and more families seeking private options for schooling.

Prekindergarten. As early childhood cohorts continue to shrink, the state must carefully coordinate funding streams and scale up programs to efficiently and effectively provide services for 4-year-olds. For FY19, PED funded 6,732 prekindergarten slots for 4-year-olds, with nearly half, or 3,227 children, participating in full-day programs. This was an increase of 1,532 slots, or 29 percent, from FY18 service levels and nearly a doubling of full-day programs, which totaled 1,790 slots.

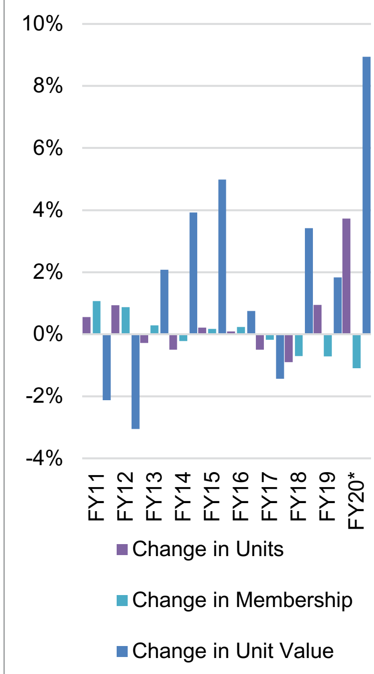
Given the rapid increase in PED prekindergarten programs, some districts are nearing full service levels for 4-year-olds and increasingly competing with other providers (like federal Head Start and Children, Youth and Families Department programs) for participants. Quality of programming remains a challenge, given increased demand for early childhood educators and appropriately designed prekindergarten space. Without strong coordination among agencies to braid funding sources and strategically target service gaps statewide, New Mexico might inadvertently begin crowding out federal funding streams, overbuilding capacity, or diminishing program quality.

K-3 Plus and K-5 Plus. In summer 2018, PED reported 18.2 thousand students participated in K-3 Plus extended school year programs, including pilot programs for students in fourth and fifth grade. Beginning in FY20, K-3 Plus was expanded to K-5 Plus and funded through the public school funding formula. As such, the program transitioned in summer 2019, with the first half operating under the original model in June and the second half operating as the K-5 Plus funding formula program beginning in July. For summer 2019, PED awarded funding for 18.5 thousand students in K-3 Plus programs (including K-4 and K-5 Plus pilots) during the month of June and budgeted 23 thousand students in K-5 Plus programs for FY20 in the public school funding formula.

Despite a budgeted 25 percent increase in K-5 Plus student participation for FY20, schools did not take full advantage of all available funding. Following the court's finding that New Mexico did not make funding available for all students to participate in evidence-based programs like K-3 Plus and prekindergarten, the state provided significant appropriations to serve 87 thousand students – the estimated number of kindergarten through fifth grade students in low-income and low-performing schools statewide. With only 21 thousand students funded to participate in FY20, however, about $90 million in funding will remain unspent and revert to an education reform fund at the end of the fiscal year. Another estimated $20 million will likely revert from new extended learning time programs (ELTP) into the reform fund at the end of FY20 as well.

Early Childhood Accountability. The *2019 LFC Early Childhood Accountability* report found low-income students in K-3 Plus programs that operated the full 25 days and ended closer to the regular school year were more likely to be proficient in reading than students in programs with fewer days or larger gaps with the regular school year. Additionally, the report found the positive effects of prekindergarten

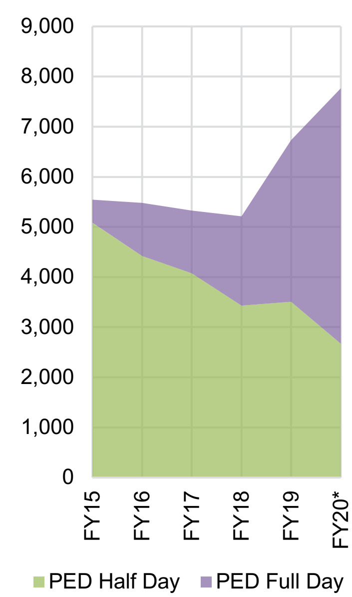
Enrollement Change and Program Units



*Preliminary estimates

Source: PED

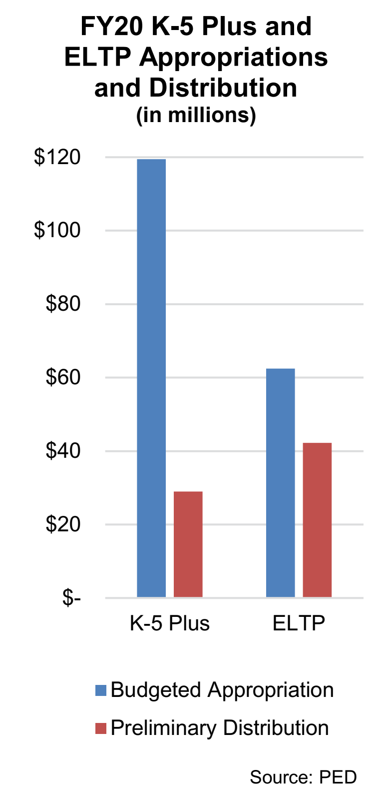
4-Year-Old Prekindergarten Slots



*Projected requests

Source: PED

on academic outcomes has weakened in recent years and noted rapid expansion of programs and lack of coordination could have contributed to quality issues and oversaturation of services in some areas of the sate.



Public Education Department

In the *Martinez-Yazzie* case, the court found PED did not exercise its full authority over school districts to ensure funding was spent on programs serving at-risk students. PED functions are focused primarily on compliance reporting, as evidenced by the limited number of audits conducted. Most staff are trained to provide some technical assistance, however, the department does not have capacity to provide professional development (relying heavily on regional education cooperatives to operate many events) or analyze performance data, given long processing times and data quality issues.

PED received budget and FTE increases for operations in FY20 to reduce the department's reliance on special program funding ("below-the-line" funding) for administration. The department notes this increase was offset by the shift from K-3 Plus funding to the funding formula, however, PED is working on developing stronger in-house analytical capabilities. The department is seeking a real-time data system to streamline data collection processes so more personnel can be dedicated to program evaluation and support.

Budget: $11,246.6 **FTE:** 281.2

Measure	**FY17 Actual**	**FY18 Actual**	**FY19 Target**	**FY19 Actual**	**Rating**
Eligible children served in state-funded prekindergarten	8,572	8,418	N/A*	9,757	Y
Eligible students served in K-3 Plus**	13,778	18,227	N/A*	23,155	Y
Average days to process reimbursements	18	22.8	24	26.8	R
Data validation audits of funding formula components	21	28	20	28	G
				Program Rating	Y

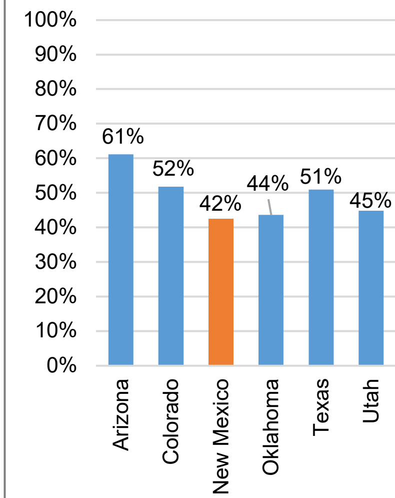
*Measure is classified as explanatory and does not have a target.
**Represents participation by summer program, not fiscal year (e.g. FY17 is summer 2017). The FY18 "Actual" and FY19 figures include 2,251 students participating in the K-5 Plus pilot.

Higher Education

Of the two performance measures reported in the General Appropriations 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 performance measures and funding formula incentives.

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

Four-Year Universities: Graduation Rates



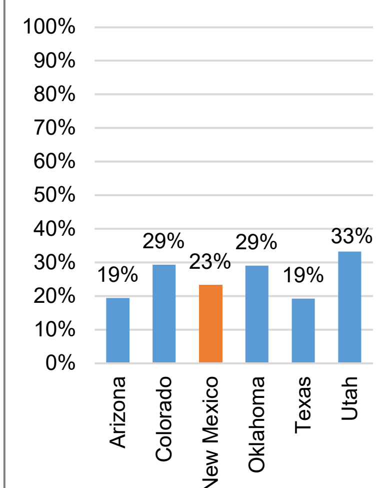
Source: IPEDS, FY17 Graduation Data, Public Institutions

Graduation Rates

Improvement in postsecondary graduation rates in New Mexico has been mixed year-over-year, particularly at the four-year research universities, which comprise the largest volumes of students. Like last year, colleges and universities – with the exception of branch campuses, which underperformed targets – are exceeding their own institutional performance targets for students graduating within three years (for associate's degrees and certificates) or six years (for bachelor's degrees). The targets are too low, not serving as a strategic driver for improved performance. New Mexico still falls far behind the average graduation rates of peer institutions in surrounding states.

Looking at performance by institution type, fewer than 43 percent of four-year universities improved year-over-year performance, and only 52 percent of two-year colleges improved year-over-year performance. Important successes are happening, however: UNM increased its graduation rate from 49 percent to 54 percent, significant given the challenges at the university. Both Eastern New Mexico University and Western New Mexico University are improving graduation rates, significant given the academic focus on teacher and social worker education.

Two-Year Colleges: Graduation Rates



Source: IPEDS, FY17 Graduation Data, Public Institutions

Four-Year Research Universities Six-Year Completion Rates

Completion rates for first-time, full-time degree-seeking students	Fall 2011 to Summer 2017 Actual	Fall 2012 to Summer 2018 Actual	Fall 2013 to Summer 2019 Target	Fall 2013 to Summer 2019 Actual*	Rating
New Mexico Tech	47.8%	55.5%	50%	50.5%	Y
New Mexico State University	45.9%	50.4%	48%	48.2%	Y
University of New Mexico	48.6%	49.9%	50%	53.6%	G
				Research Universities Program Rating	G

*preliminary, unaudited

Four-Year Comprehensive Universities Six-Year Completion Rates

Completion rates for first-time, full-time degree-seeking students	Fall 2011 to Summer 2017 Actual	Fall 2012 to Summer 2018 Actual	Fall 2013 to Summer 2019 Target	Fall 2013 to Summer 2019 Actual*	Rating
Eastern NM University	32.7%	31.4%	34%	32.9%	Y
Highlands University	22.2%	23.8%	20%	22.1%	Y
Northern NM College	22%	25%	25%	21.6%	Y
Western NM University	26.6%	25.7%	25%	32.6%	G
				Comprehensive Universities Program Rating	Y

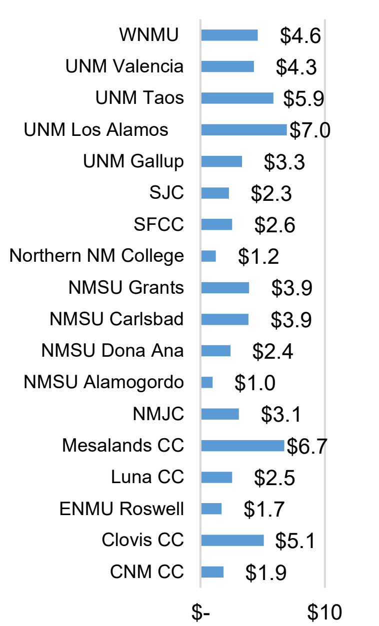
*preliminary, unaudited

New Mexico Small Business Development Centers

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 $890 thousand in grants from the U.S. Small Business Administration and the U.S. Defense Logistics Agency. 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.

FY19 SBDC Cost per job Created or Saved
(in thousands)



Source: NMSBDC

Community College Three-Year Completion Rates. Two-year branch campuses are struggling, although both UNM Gallup and Valencia showed strong growth in graduation rates. The two-year sector has substantially increased its workload in dual-credit programming and may be losing sight of its mission, which is to prepare students in career and technical education (CTE) or transferring students to four-year universities. The Council of University Presidents report transfers from two-year colleges in New Mexico has decreased by 17 percent from 2014 to 2018.

Branch Campuses

Completion rates for first-time, full-time degree-seeking students	Fall 2014 to Summer 2017 Actual	Fall 2015 to Summer 2018 Actual	Fall 2016 to Summer 2019 Target	Fall 2016 to Summer 2019 Actual*	Rating
ENMU Roswell	13%	24.3%	25%	24.3%	Y
ENMU Ruidoso	19.2%	16.7%	18%	12.2%	R
NMSU Alamogordo	12%	12%	14%	8.1%	R
NMSU Carlsbad	12.9%	15%	10%	15%	Y
NMSU Dona Ana	13.3%	15%	12.5%	12.1%	R
NMSU Grants	19%	23%	14%	13.7%	Y
UNM Gallup	9.9%	10%	12%	15.1%	G
UNM Los Alamos	8.9%	16.6%	12.3%	11%	Y
UNM Valencia	10.7%	10%	10%	13.8%	G
UNM Taos	13%	12.9%	10%	12.9%	R
				Program Rating	R

*preliminary, unaudited

Independent Community Colleges

Completion rates for first-time, full-time degree-seeking students	Fall 2014 to Summer 2017 Actual	Fall 2015 to Summer 2018 Actual	Fall 2016 to Summer 2019 Target	Fall 2016 to Summer 2019 Actual*	Rating
CNM	23.8%	27.3%	24%	27.4%	Y
Clovis CC	46.9%	54.5%	30%	35.5%	Y
Luna CC	27.2%	15.6%	35%	20.7%	R
Mesalands CC	48%	43%	40%	50.9%	G
NM Junior College	32.6%	37.9%	34%	47.9%	G
San Juan College	24.1%	23.1%	26%	27.9%	Y
Santa Fe CC	23%	22%	11%	25.4%	Y
				Program Rating	Y

*preliminary, unaudited

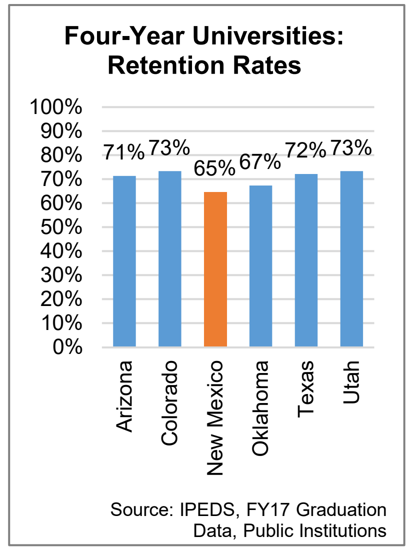
Student Retention Rates

Retention rates track students who do not return to college after the first year, who present a tremendous cost to the state and to themselves. The importance of understanding why students leave institutions cannot be overstated, and gathering the data directly from those students could be critical to improving retention rates. Beginning in FY21, colleges and universities will begin reporting more current, semester-by-semester data on student performance.

Four-Year Research Universities. Four-year research institutions retained students similar to their historical levels. The research universities range from 70 percent to 80 percent retention; the comprehensive universities range from 50 percent to 65 percent. NMSU has been steadily improving retention, without the year-to-year fluctuations shown by both UNM and NM Tech. NMSU's Aggie Pathway, a model program designed to help students better prepare for the rigors of a research university by starting at a NMSU branch campus, may be an effective tactic to support students.

The targets remain low, below regional peers. Institutions could develop retention efforts with a sharp focus on improving beyond regional peers with stretch targets.

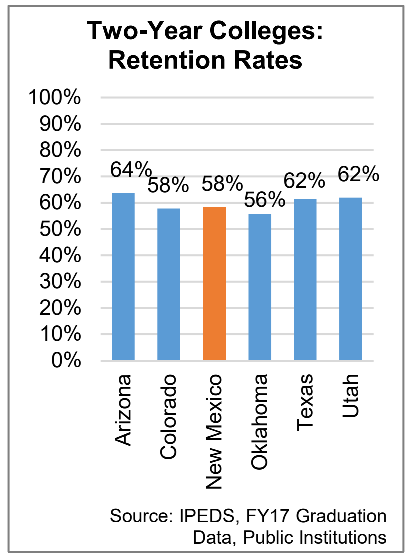
Retention rates for first-time, full-time degree-seeking students to the third semester	Fall 2016 to Fall 2017 Actual	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Target	Fall 2018 to Fall 2019 Actual	Rating
New Mexico Tech	74.1%	80.8%	77%	76.7%	Y
New Mexico State University	73.9%	73.9%	75%	74.8%	Y
University of New Mexico	78.3%	73.7%	77%	77.3%	G
				Program Rating	Y



Four-Year Comprehensive Universities. Four-year comprehensive institutions are improving retention. Each of the institutions in the category implemented programs to focus on retention. Despite a drop in the current year and a low standing relative to its peers, Northern New Mexico College has been improving its enrollment and graduation rate. In particular, Northern seeks out students who have left college and recruits them back to campus, providing a more comprehensive approach to student services.

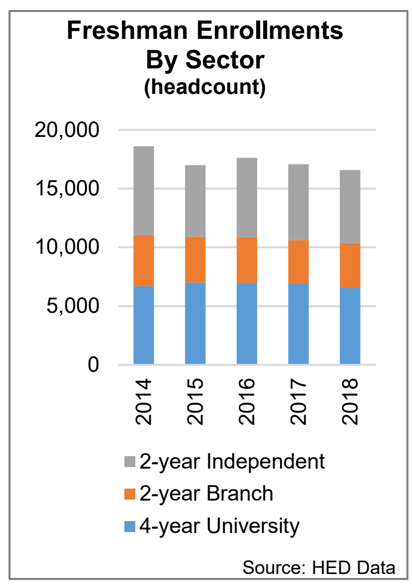
Guided by a five-year strategic plan for enrollment management, New Mexico Highlands University (NMHU) updates its tactics annually to improve student retention, which has been improving the retention rate consistently over the past three years, although it remains below its state peers.

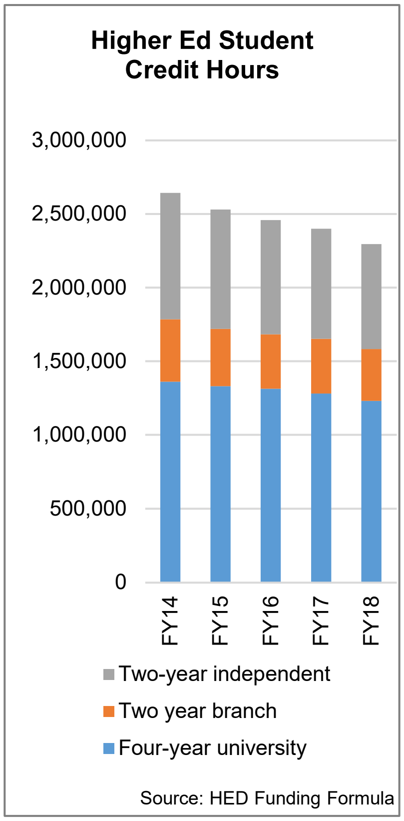
Retention rates for first-time, full-time degree-seeking students to the third semester	Fall 2016 to Fall 2017 Actual	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Target	Fall 2018 to Fall 2019 Actual	Rating
Eastern NM University	63.1%	62.4%	65%	63.1%	
Western NM University	61%	58.9%	57%	59.6%	Y
NM Highlands University	45.2%	51.6%	53%	55.4%	G
Northern NM College	55%	58%	66.5%	53.5%	R
Program Rating					Y

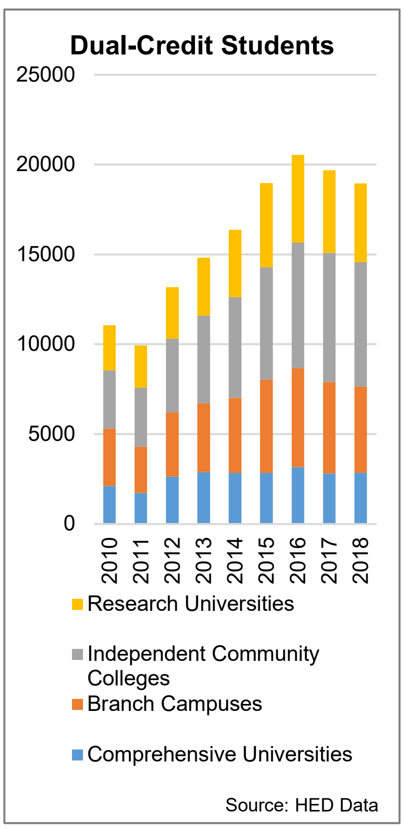


Community College Branch Campuses. At two-year colleges, 42 percent of first-time students leave after the first year. Of the 58 percent of students who persist through their first year, 23 percent of those students graduate within three years. Community colleges continue to experience significant variance in retention rates. Community colleges targets are low, and the results vary by institution and by year-over-year outcomes. Large 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 2016 to Fall 2017 Actual	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Target	Fall 2018 to Fall 2019 Actual	Rating
ENMU - Roswell	50.1%	52.1%	54%	49%	R
ENMU - Ruidoso	41%	32.7%	43%	43.8%	Y
NMSU - Alamogordo	48%	52%	55%	54.6%	Y
NMSU - Carlsbad	48.6%	49.7%	57%	50%	Y
NMSU - Dona Ana CC	59.2%	59.1%	60%	62.7%	G
NMSU - Grants	43.5%	52.5%	53%	53.7%	Y







UNM - Gallup	52.8%	57.9%	57.5%	63.1%	G
UNM - Los Alamos	60%	58.8%	56.5%	56%	R
UNM - Taos	45.2%	60%	NR%	NR%	R
UNM - Valencia	60.9%	61.2%	55%	61.2%	Y
				Program Rating	Y

Independent Community Colleges. Independent community colleges showed the strongest performance as a group. Clovis Community College exceeded its target but underperformed on retention rate compared with prior years. All of the other colleges improved year-over-year performance.

The sector tends to develop target levels more aspirational than the other higher education sectors in New Mexico. The difference between the independent community colleges and branch campuses may be the level of local communities' financial support and participation. As a group, this sector receives fewer state dollars per student FTE, $5,266.

Retention rates for first-time full-time degree seeking students to the second semester	Fall 2016 to Fall 2017 Actual	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Target	Fall 2018 to Fall 2019 Actual	Rating
Central NM Community College	62%	63.1%	63.0%	64.5%	G
Clovis Community College	66.1%	67.4%	63.0%	65.0%	Y
Luna Community College	39.7%	41.3%	60.0%	53.7%	G
Mesalands Community College	56.1%	72.1%	65.0%	72.2%	G
New Mexico Junior College	54%	59.6%	60.0%	64.6%	G
San Juan College	60.3%	57.7%	62.0%	58.7%	Y
Santa Fe Community College	63.6%	64.6%	50.0%	67.3%	G
Program Rating					G

College Enrollment

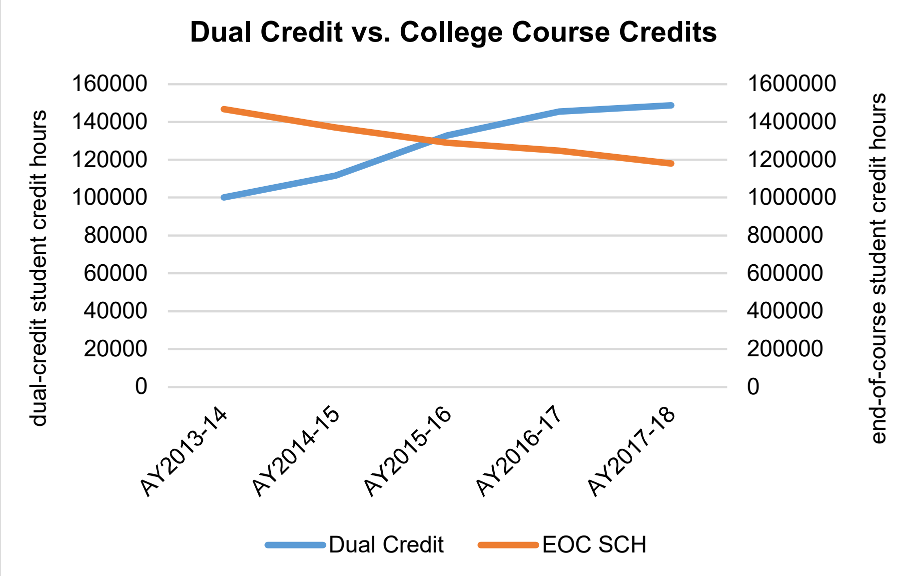
Declining enrollments in higher education in New Mexico threaten the state's ability to be competitive economically and serve the workforce needs of existing and new employers. Shocked by the magnitude of the decline, colleges and universities recently began assessing their enrollment management efforts by focusing on freshman recruitment and enrollment, given the increase in the number of high school graduates in New Mexico; student retention, given the large loss of college-going students in the first two years; and student transfers, ensuring successful transitions from two-year colleges to four-year universities.

- Digging deeper into the data, freshman enrollment trends reveal changes in institutional practices and student choices:
- At four-year research universities, freshman enrollment has been flat. Student choices, however, shifted from UNM (13.4 percent decrease) to NMSU (21.7 percent increase). NMSU has used institutional funding to increase scholarships to incoming freshmen.
- At four-year comprehensive universities, freshman enrollment declined by 5 percent. ENMU experienced the largest decline in freshman enrollment among the four-year comprehensive colleges, but ENMU replaced the decline with high-school students pursuing dual-credit classes.
- At two-year colleges, a 15.9 percent decline in freshman enrollment has been most acute at the independent community colleges, where a 1,942

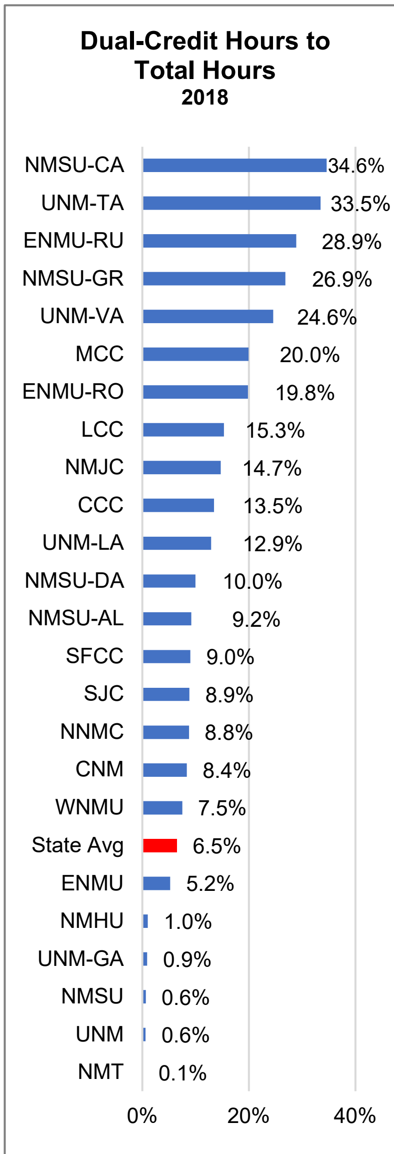
drop in freshman headcount was offset by dual-credit enrollment, which has increased by the same amount, 1,937 students.

Fewer Students Means Fewer Classes. Over the past five years, faculty workload has declined by 13.1 percent (more than 346 thousand student credit hours) at campuses statewide. While the total enrollment is down, one group has been increasing during the past five years: dual-credit students. The number of dual-credit students increased 16 percent statewide, and dual-credit student credit hours increased by 49 percent. The rate of change for completed dual-credit courses is outpacing the number of dual-credit students, suggesting each student is completing a greater number of courses. The data do not provide a clear picture on the success of dual-credit programs in transitioning students into colleges or universities in New Mexico. The colleges with the most robust dual-credit programs are suffering the highest level of decline in freshman enrollment.

End-of-Course Student Credit Hours Trends. End-of-course student credit hours at four-year universities declined by 10 percent overall. However, lower-level courses (freshman and sophomore level courses) declined by 22 percent at comprehensive universities and by 14 percent at research universities. Two trends could be developing: Dual credit students may be effectively acquiring college credits, which are translating onto college transcripts; and students may be taking greater advantage of 2+2 programs, where a student attends the first two years of college at a community college, then transfers to a four-year university.



Source: HED Funding Formula



Source: Higher Education Funding Formula

Children, Youth and Families Department

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

The Legislature made it clear that New Mexico's children, youth and families are a top priority with the creation of a new Early Child Education and Care Department and an 11.4 percent increase to CYFD's FY19 operating budget. The state's investment shows promise of paying off with the Early Childhood Services Program achieving all of their FY19 targets. However, as detailed in the LFC's Early Childhood Accountability Report, questions remain about the impact and cost effectiveness of the programs. In other areas the department was not as successful, and moving into FY20 vital leadership and management positions remain unfilled. Juvenile Justice Services (JJS) turned in mixed results and the Protective Services Program (PS) fell short in several critical areas directly related to the safety and wellbeing of its most vulnerable clients. The Behavioral Health Services (BHS) Program continues to exceed its performance targets. Looking forward to FY20, as CYFD moves to deliver more wrap-around behavioral health services to its clients and their families, BHS is poised to take on a growing and challenging role.

2019 Annual FPL Guidelines

Family Size	100 Percent	200 Percent	250 Percent
1	$12,490	$24,980	$31,225
2	$16,910	$33,820	$42,275
3	$21,330	$42,660	$53,325
4	$25,750	$51,500	$64,375
5	$30,170	$60,340	$75,425

Source: US DHHS

Early Childhood Services

The Early Childhood Services (ECS) Program met a majority of performance targets in FY19. The program reported few families receiving support and referral services through the home-visiting program had a case of abuse or neglect substantiated by the Protective Services Program. ECS reported the program has rolled out the SafeCare curriculum and certification to level two providers in an effort to improve child safety. Recently, ECS proposed guidelines increasing the income eligibility threshold for childcare assistance up to 250 percent of the federal poverty level. LFC estimates this change will require an additional $23 million from the general fund in FY21 to sustain enrollment. The average annual cost per child in childcare assistance rose to $6,800 in FY19, or 3 percent above FY18. As ECS transitions to the newly created Early Childhood Education and Care Department (ECECD), additional outcome performance measures need to be reviewed.

2019 Maximum Monthly Childcare Assistance Family Co-Payment

Family Size	100 Percent	200 Percent	250 Percent
2	≤$33	≤$225	≤$399
3	≤$51	≤$325	≤$499
4	≤$94	≤$386	≤$612
5	≤$114	≤$456	≤$712

Source: CYFD

Budget: $255,804.4 **FTE:** 186.5

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Children receiving subsidy in high-quality programs	New	59.9%	53%	72.5%	G
Licensed childcare providers participating in high-quality programs	New	38.2%	35%	43.3%	G
Parents who demonstrate progress in practicing positive parent-child interactions	44%	45%	40%	45.5%	G
Children receiving state childcare subsidy, excluding child protective services childcare, who have one or more Protective-Services-substantiated abuse or neglect referrals	1.2%	1.2%	1.3%	1.3%	G
Families receiving home-visiting services that have one or more protective- services-substantiated abuse or neglect referrals	New	1.9%	5%	1.1%	G
Children in state-funded prekindergarten showing measurable progress on the preschool readiness for kindergarten tool	91%	94.9%	93%	95%	G
				Program Rating	**G**

Percent of Children Enrolled in Childcare Assistance by Federal Poverty Level

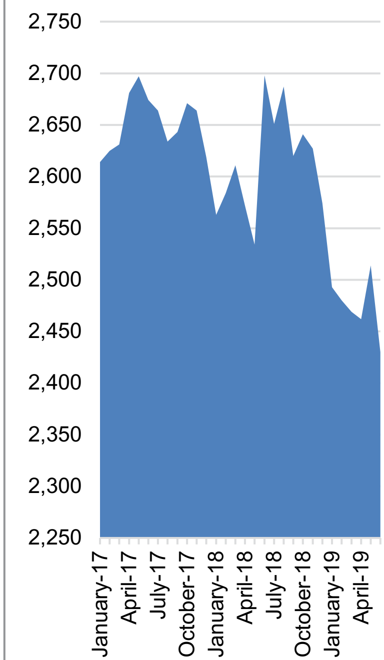
≤ 50	17%
50-100	33%
101-150	36%
151-200	13%
201-250	1%

Source: CYFD

Protective Services

The Protective Services Program struggled to improve performance and once again fell short of national repeat maltreatment benchmarks. The department cites a list of complex challenges, including the high incidence of poverty, substance abuse, domestic violence, and mental illness. It also points to gaps in needed safety services throughout the state and its own high staff turnover rates. Experienced caseworkers with the training and skills to accurately assess safety and link families to needed services are critical to improve this target. The department also failed to meet targets for caseworker visitations, with the percentage of children in foster care being visited at least once a month falling to 86 percent, substantially lower than both the program's FY19 target of 93 percent and the national standard of 95 percent. The department cites challenges related to both the number of children placed in out-of-state facilities and poor documentation in the case files.

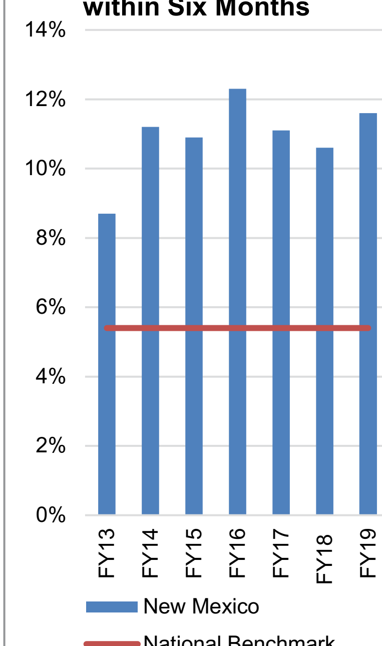
While the FY19 turnover rate was over 38 percent, Protective Services had lowered its vacancy rate from 25 percent to 14 percent by the end of FY19. It is working to improve retention by offering staff more training, coaching, and support. The department has expanded recruitment efforts with the universities and is working with the State Personnel Office to streamline the hiring process. Caseloads for staff working on finding permanent homes for children remain high with cases not moving toward permanency in a timely manner and children experiencing multiple foster care placements. The program reports it is working to improve performance in these areas by building more appropriate placements, improving family engagement, reducing caseloads, and increasing community supports, including kinship care and community-based mental health services.



Budget: $152,767.6 **FTE:** 944

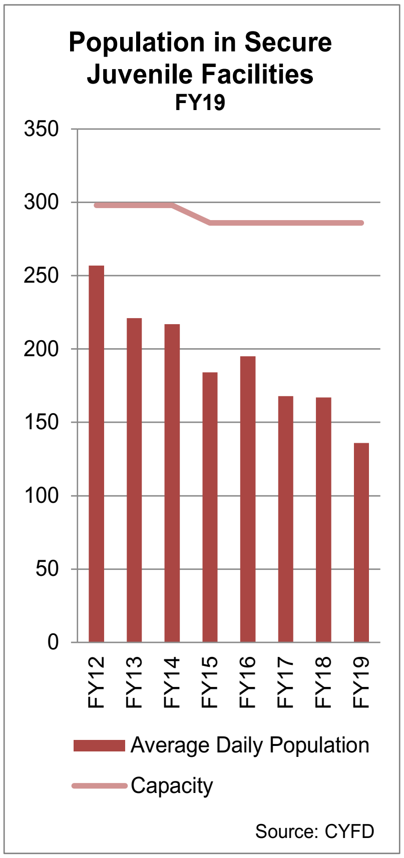
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	88.9%	89.4%	93%	86.8%	R
Children who have another substantiated or indicated maltreatment report within 12 months of their initial report*	14.7%	14.7%	N/A	16.4%	R
Of children in foster care for more than eight days, percent of children who achieve permanency within 12 months of entry into foster care.	30.6%	28.5%	42%	26.8%	R
Maltreatment victimizations per 100,000 days in foster care	8.2	16.4	8.0	9.3	Y
Children in foster care who have at least one monthly visit with their caseworker*	94.8%	94.8%	N/A	89.8%	Y
Clients receiving domestic violence services who have a personalized safety plan	91%	89.5%	90%	81.1%	R
Turnover rate for protective services workers	25%	26.3%	20%	38.5%	R
				Program Rating	R

* Measure is classified as explanatory and does not have target, rating is based on a comparison with past year performance.



Juvenile Justice Services

The Juvenile Justice Services (JJS) Program ended FY19 with mixed results. The program reduced assaults in its facilities and more JJS clients successfully



completed formal probation. The program is now using a probation agreement model focused more on addressing risk factors and community safety versus punishment. From FY16 to FY19, the number of client-to-staff battery incidents in JJS facilities decreased by 30 percent. The program credits improved staff coverage and the use of more behavioral management services with the goal of increasing youths' ability to function effectively with positive life, social, and behavioral skills. JJS has also been strengthening the collaboration between field and facility services so intake staff have more complete information about the client at reception.

While staff turnover rates in FY19 remained high, they are trending in the right direction, with an 11 percent decrease in separations compared with FY18. JJS continues to work on improving this measure through targeted programs aimed to improve skill levels and improve employee satisfaction. The program has also created a salary matrix to guarantee new hires receive pay appropriate to their education and related experience. Although the program fell short in preventing abuse and neglect in its facilities, reporting three substantiated complaints in the last quarter of FY19, overall claims of abuse are trending downward. The department has employed a number of tools and processes to ensure the safety and security of its clients, including a new grievance hot line. The program was unsuccessful in reducing the recidivism rate for youth discharged from both commitment and field supervision. One of CYFD's new strategic priorities will focus on expanding the availability and use of community-based mental health services that could support youth once released from supervision.

Budget: $72,091 **FTE:** 891.8

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Clients who successfully complete formal probation	82.7%	85.6%	85%	85.8%	G
Substantiated complaints by clients of abuse or neglect in juvenile justice facilities	9.5%	10.7%	8%	10%	R
Clients successfully completing term of supervised release	52.5%	59.3%	70%	60.8%	R
JJS facility clients age 18 and older who enter adult corrections within two years after discharge from a JJS facility*	11%	6.9%	N/A	21.5%	Y
Incidents in JJS facilities requiring use of force resulting in injury	1.7%	1.3%	1.5%	1.6%	Y
Physical assaults in juvenile justice facilities	398	284	<300	235	G
Client-to-staff battery incidents	143	81	<130	70	G
Turnover rate for youth-care specialists	20.6%	30.8%	18%	18.4%	Y
				Program Rating	Y

*Measure is classified as explanatory and does not have a target; rating is based on comparison with past year performance.

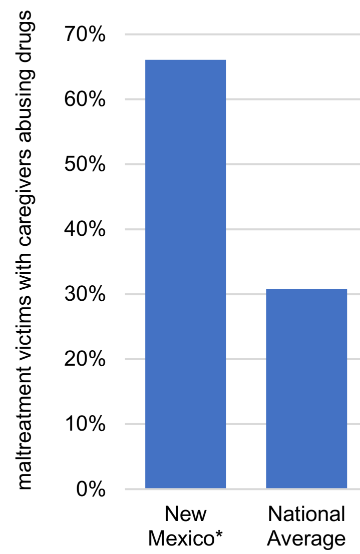
Behavioral Health Services

The Behavioral Health Services (BHS) Program reported infant mental health team services continue to exceed performance targets. Other performance measures for the BHS program were considered explanatory. Over the next fiscal year, as the program's role expands to the delivery of more robust community-based mental health services, new performance measures will be needed to demonstrate the impact and importance of the program.

Budget: $18,244.4 **FTE:** 78.5

Measure	**FY17 Actual**	**FY18 Actual**	**FY19 Target**	**FY19 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	71.2%	72%	83%	No Report	R
Infants served by infant mental health programs who have not had re-referrals to the Protective Services Program	90%	91%	92%	100%	G
			Program Rating		G

Drug Abuse and Child Maltreatment



*New Mexico leads the nation on this metric.

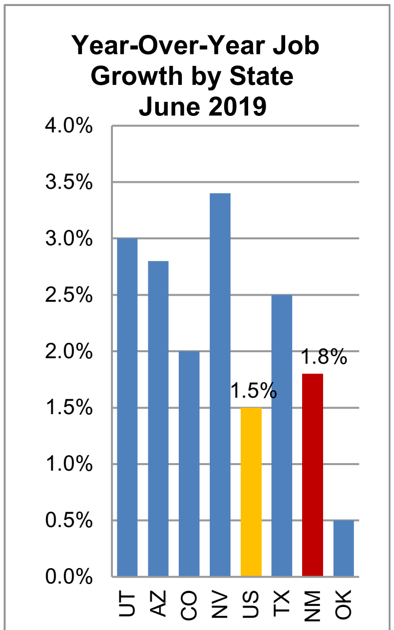
Source: Administation for Children and Families

Economic Development Department

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

The Economic Development Department's performance for FY19 declined for a significant number of measures, including overall jobs created, rural jobs created, and private sector investment in MainStreet communities. The New Mexico Partnership brought in only 617 jobs, which resulted in the agency missing overall job targets and lower results for several measures. Improved performance did occur in JTIP and LEDA, with both programs seeing an increase of jobs created. The Film Program improved compared with FY18, with both measures outperforming the target.

New Mexico's total nonagricultural employment increased by 15.2 thousand jobs, or 1.8 percent, when comparing June 2018 with June 2019. New Mexico's job growth rate exceeded the national rate of 1.5 percent for the second consecutive month. Most gains came from the private sector, up 13.9 thousand jobs, or 2.1 percent. The public sector was up 1,300 jobs, or 0.7 percent.



Source: WSD

Economic Development

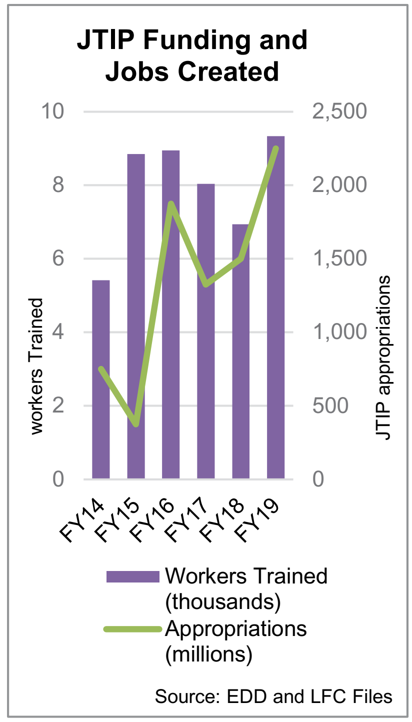
The Economic Development Division awarded 17 companies $33.9 million in LEDA funds in FY19 and created 2,891 jobs. Of the 17 companies awarded LEDA funds, five were in rural areas; Cummins Inc., Amfabsteel Inc., PESCO, Rhino Health, and C4 Enterprises. The funds matched for all LEDA projects in FY19 totaled $1.2 billion, contributing to a 32 to 1 ratio of private sector dollars invested per dollar of LEDA funds awarded for FY19. As of August 2019, EDD reported $73 million in other state funds and severance tax bonds is available for LEDA projects.

Budget: $8,798.7 **FTE:** 25

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Jobs created due to Economic Development Department efforts	1,729	3,994	4,500	3,840	Y
Rural jobs created	775	2,414	1,500	1,376	Y
Jobs created through business relocations and competitive expansions facilitated by the Economic Development Partnership	115	1,415	2,250	617	R
Potential recruitment opportunities generated by the New Mexico Partnership marketing and sales activities	63	52	84	53	Y
Private sector investment in MainStreet districts, in millions	$28	$53.9	$11	$30.7	G
Private sector dollars leveraged by each dollar through Local Economic Development Act	21:1	36:1	15:1	32:1	G
Jobs created through the use of Local Economic Development Act funds	543	2,613	2,200	3,586	G
Workers trained by Job Training Incentive Program	2.009	1,736	2,050	2,326	G
				Program Rating	Y

Overall, $30 million in private sector reinvestment in MainStreet was reported for FY19, with 262 building rehabilitations being reported from MainStreet communities. The largest investments were seen in the last two quarters of the fiscal year, with $8 million of private investment in the third and fourth quarters. Downtown Las Cruces reported 10 building rehabilitations, with five new businesses and the creation of 76 new jobs that resulted in a total of $7.5 million in private sector reinvestments. Corrales MainStreet reported four new business openings that resulted in the creation of five new jobs and $3.4 million in private investment.

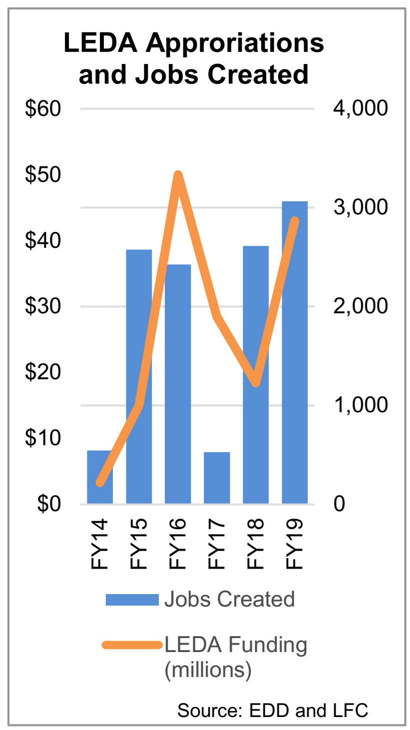
The Job Training Incentive Program (JTIP) board approved 71 businesses for funding in FY19, including 24 in rural communities. Awards totaled $16.7 million, and the 2,326 workers trained in FY19 exceeded the target. The Legislature increased recurring appropriations for JTIP in the FY19 session by $1 million, for a total of $5 million. JTIP funds over the past five years, including the FY19 recurring appropriation of $1 million and a $5 million special appropriation, total $54 million. As of August 2019, EDD reported $12.9 million in JTIP funds were available. The average hourly JTIP wage is $18.04. The JTIP board obligated $6.8 million to rural companies in FY19, meeting statutory requirements for funding of rural communities.



New Mexico Film Office

Direct spending by the film industry exceeded the target for FY19, reaching $525.5 million, a significant increase from $234 million in FY18. The number of worker days also increased to 319 thousand for FY19 from 259 thousand in FY18. The Film Office continues to focus on three main initiatives: recruitment, workforce development, and statewide industry outreach.

JTIP for film & multimedia provides opportunities for residents to expand their skill sets, advance in high wage positions, gain on-the-job training, and increase retention and continual employment in the industry. As an additional incentive to the film tax credit, this program provides companies a 50 percent reimbursement of the trainee wages for up to 1,040 hours. There is an annual cap of $2 million each fiscal year, and companies are approved by the chair of the JTIP board. The board and the Film Division are evaluating the program to determine if any changes should be made.



Budget: $747.1 **FTE:** 8

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Direct spending by film industry productions, in millions	$505	$234	$330	$525.5	G
Film and media worker days	448,304	259,961	300,000	319,814	G
				Program Rating	G

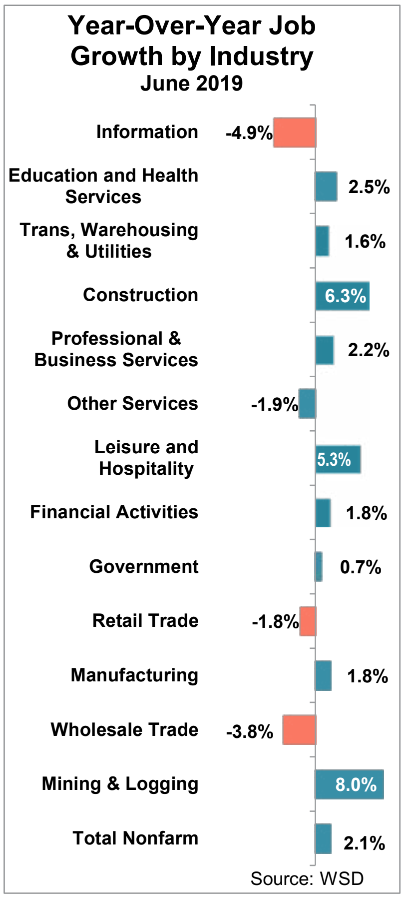
Tourism Department

ACTION PLAN

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

The tourism industry in New Mexico remains strong compared with other sectors. In FY19, jobs growth in the leisure and hospitality sector reached 5.3 percent when comparing June 2019 with June 2018. The Workforce Solutions Department reports the leisure and hospitality sector had the third largest numeric increase in jobs in the state in FY19. The Tourism Department also saw success in FY19 and surpassed targets in Marketing and Promotion, the *New Mexico Magazine*, Program Support, and Tourism Development. However, the department did not reach targets, and was below FY18 actual results, for co-op marketing advertising spending with communities using the New Mexico True Brand.

Marketing and Promotion



The 5 percent growth in employment in the leisure and hospitality industry exceeded 3 percent annual target. The Marketing and Promotion Program continues to focus advertising funds on current markets, including California, Arizona, Colorado, Texas, and Illinois. 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 FY19 results will not be available until summer 2020. In 2018, New Mexico had 36.6 million trips, increasing 3 percent from 2017. The department plans to continue using data-based decision-making to drive visitation and social media engagement.

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

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Change in New Mexico leisure and hospitality employment	NEW	3%	3%	5%	G
Dollar amount spent per visit per day	$80	$78	$80	$76.25	Y
New Mexico's domestic overnight visitor market share	1.1%	1.1%	1.1%	1.1%	G
Referrals from newmexico.org to partner websites	NEW	188,921	160,000	201,835	G
				Program Rating	G

New Mexico Magazine

New Mexico Magazine has a paid circulation of approximately 70 thousand customers. The magazine's digital engagement reaches more than 200 thousand visitors per month across various platforms. *New Mexico Magazine* reached its FY19 target of $73 thousand per issue. The department attributes reaching the target to the hiring of an additional salesperson for the southern region of the state.

Budget: $3,179.3 **FTE:** 14

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Advertising revenue per issue, in thousands	$69	$81	$73	$73	G
				Program Rating	G

Program Support and Tourism Development Program

Approximately 78 percent of the department's $18 million operating budget was appropriated for advertising and marketing. The Tourism Development Program provides tourism support for communities, regions, and other entities around the state by providing training, litter prevention, cultural heritage outreach, and financial support in the form of competitive grants. The combined advertising spending of communities that have been assisted in the co-op marketing grant program only reached $1.1 million, half of the FY19 target. The agency has changed data reporting for this measure, accounting for the large decline and the red rating. The measure formerly consisted of all advertising contributions of the department and its partners. However, the agency changed the reporting to measure only spending facilitated directly from the Tourism Department.

Program Support

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

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Operating budget spent on advertising	78%	78%	72%	78%	G
				Program Rating	G

Tourism Development

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

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Combined advertising spending of communities and entities using the Tourism Department's current approved brand, in thousands	$2,000	$1,464	$2,200	$1,100	R
				Program Rating	R

In FY19, the cooperative marketing grant program awarded $566 thousand to 33 different local partners:

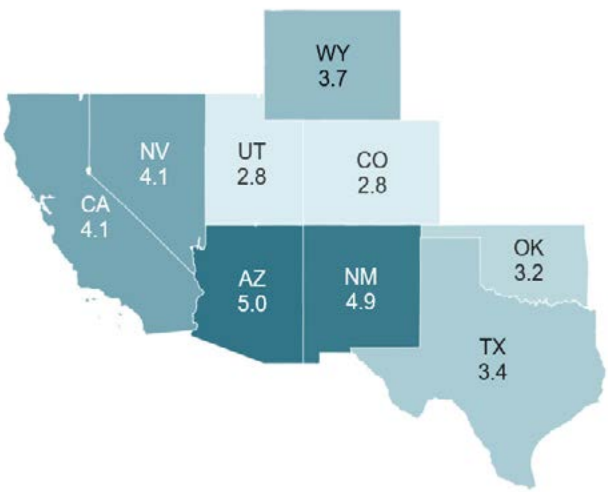
- Carlsbad
- Alamogordo
- Deming
- Gallup
- Lovington
- Roswell
- Tucumcari
- Edgewood Chamber of Commerce
- Farmington Convention and Visitors Bureau
- Grant County Commissioners Committee
- Las Vegas Independence Business Alliance
- Los Alamos County
- National Hispanic Cultural Center
- NM Council of Outfitters and Guides
- Parallel Studios
- Pecos Business Alliance
- Roosevelt County Chamber of Commerce
- Roosevelt County Tourism Alliance
- Santa Fe County
- Ski New Mexico
- Southern NM State Fair and Rodeo
- Santa Fe Indian Market
- Taos Ski Valley Chamber of Commerce
- Tourism Santa Fe
- Town of Mesilla
- Town of Red River
- Town of Silver City
- Village of Taos
- Truth or Consequences
- Village of Cloudcroft
- Visit Albuquerque
- Visit Las Cruces
- Wildlife West Nature Park

Workforce Solutions Department

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

New Mexico ended FY19 with an unemployment rate of 4.9 percent, continuing a trend of lower rates, but still nearly 2 percent higher than the national average of 3.1 percent. The decline is spread across New Mexico, with unemployment rates increasing in only one county over the last five years. Both the public and private sectors saw employment gains, with the private sector accounting for about three-quarters of the increase. Growth in the state's oil and gas industry had a significant effect on the state's private employment and accounted for a much higher share of total employment than the national average. Healthcare support occupations represented 3.1 percent of total statewide employment and are expected to continue growing at a rate of over 20 percent by 2026, more than triple the overall expected employment growth of 6.68 percent for all occupations in New Mexico.

Seasonally Adjusted Unemployment Rate August 2019 by State



Source: WSD

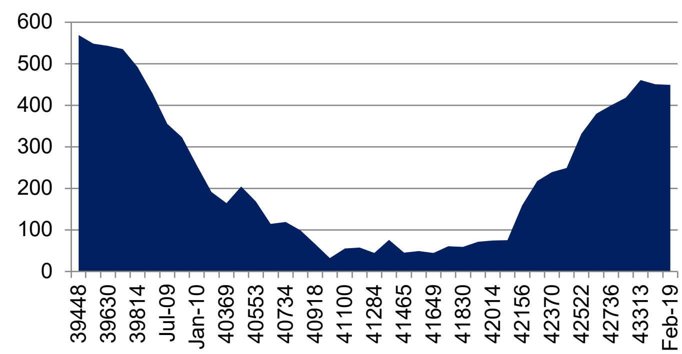
Some subsets of the population face greater barriers to employment. Youth between the ages of 16 and 24 had the highest unemployment rate, averaging between 14.1 percent and 10.9 percent in FY19. More than half of New Mexico youth age 16–19 who were not enrolled in school were either unemployed or not in the labor force. Veterans, people with disabilities, and persons living in poverty were far less likely to participate in the labor force and more likely to be unemployed.

Labor force participation rates increase as educational attainment level increases. Over 80 percent of persons with a bachelor's degree or more participate in the labor force versus only 56 percent of persons with less than a high school diploma. In New Mexico, the rate of young adults ages 18 to 24 who receive an associate's degree or higher is only 10.6 percent, 5.1 percent lower than the U.S. rate of 15.7 percent. People who do not complete high school are the most adversely effected by increases in unemployment.

Unemployment Insurance

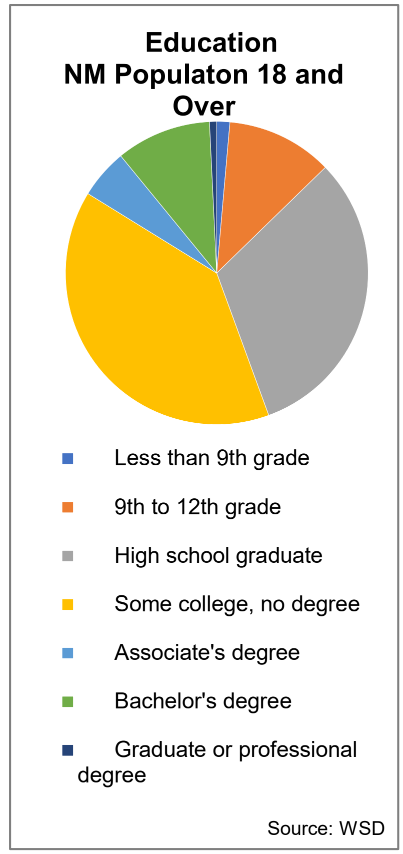
The Unemployment Insurance Program met a majority of its performance targets, with the one exception being the accuracy of claimant separation determinations.

New Mexico Unemployment Insurance Trust Fund
(in million)



Source: WSD

Average wait times to file claims and receive services remained relatively constant and over 90 percent of claimants received timely determinations and first payments. However, the accuracy of these determinations fell well below prior year numbers. The department will need to work to ensure adjudicators are trained and quality checks are in place.



Budget: $8,777.4 **FTE:** 183

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Eligible unemployment insurance claims issued a determination within 21 days from the date of claim	89%	95%	89%	93%	G
Accuracy rate of claimant separation determinations	93%	95%	90%	79%	R
Average wait time to speak to a customer service agent in unemployment insurance operation center to file a new unemployment insurance claim	18 min	17 min	20 min	17 min	G
Average wait time to speak to a customer service agent in unemployment insurance operation center to file a weekly certification	15 min	13 min	15 min	14 min	G
First payments made within 14 days after the waiting week	91%	93%	85%	92%	G
				Program Rating	Y

Labor Relations

The Labor Relations Program turned in mixed results. The program grew its apprenticeship program by more than 18 percent, yet came up short for performance targets related to the timeliness of resolving wage claims. For the second year in row, the program struggled to fill vacant positions while also managing an increase in claims. Bringing staffing levels up and focusing resources on new incoming claims, as well as legacy claims, should improve performance in FY20.

Budget: $3,3,678.7 **FTE:** 32

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Wage claims investigated and resolved within 90 days	93%	86%	90%	43.8%	R
Average number of days to investigate and issue a determination of a charge of discrimination	192	176	200	194	G
Apprentices registered and in training	1,392	1,632	1,320	1,651	G
Compliance reviews and quality assessments on registered apprenticeship programs	6	6	6	5	Y
				Program Rating	Y

NEW MEXICO APPRENTICESHIP PROGRAMS

Apprenticeship and pre-apprenticeship programs combine paid on-the-job training with related classroom instruction. The goal is to prepare individuals for skilled occupations while equipping them with the practical experience that employers seek in applicants. As a result, employers often ensure that program completers retain employment at an increased wage.

Employment Services

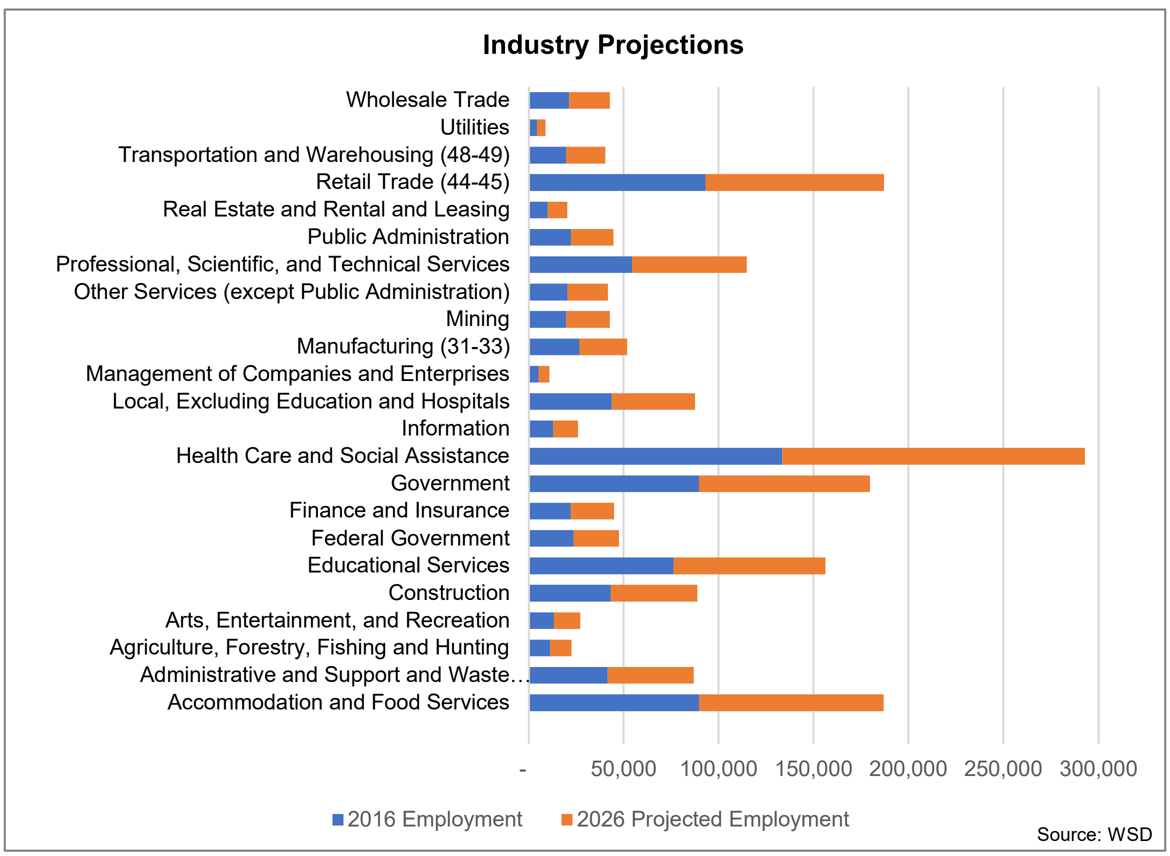
Employment Services provides job search assistance, job referrals, and placement assistance for job seekers and recruitment services to employers with job openings. The program met or exceeded nearly all of its performance targets, falling short only on average salaries for veterans. Dedicated local veteran employment representatives provide intensive case management and outreach workshops for job development and placement. However, only around 50 percent of veterans are entering employment after receiving services because many choose to attend college or advanced vocational training.

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

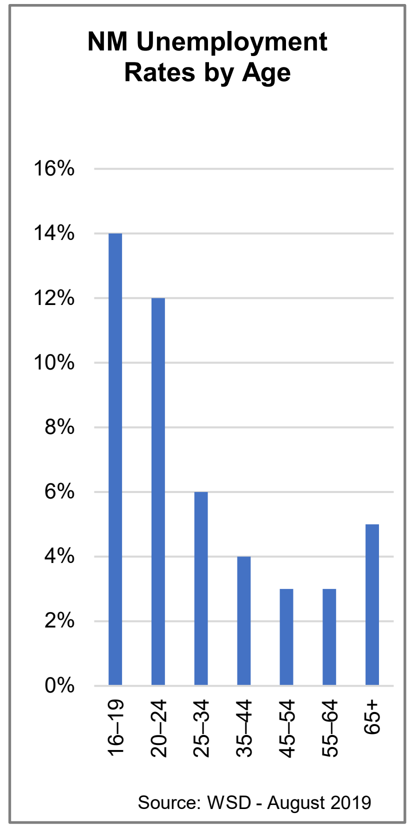
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Average six-month earnings of individuals entering employment after receiving Wagner-Peyser employment services	$13,624	$13,1610	$13,600	$13,740	G
Individuals receiving Wagner-Peyser employment services	82,499	42,351	100,000	113,351	G
Unemployed individuals employed after receiving Wagner-Peyser employment services	55%	54%	56%	56%	G
Individuals who have received Wagner-Peyser employment services retaining employment after six months	78%	79%	78%	79%	G
Recently separated veterans retaining employment after six months	72%	71%	71%	75%	G
Disabled veterans entering employment after receiving workforce development services	37%	41%	40%	45%	R
Average six-month earnings of persons entering employment after receiving veterans' services	$17, 148	$16,329	$17,000	$16,886	G
				Program Rating	Y

Program Support

Program Support reports performance measures related to programs funded with federal flow-through dollars and implemented by local workforce boards. These regional boards are tasked with promoting business and community partnerships for local economic development and providing vocational training and employment



services to meet workforce demands in the communities they serve. In FY19, through the Workforce Innovation and Opportunity Act (WIOA), the boards oversaw programs that served nearly 5,000 youth and saw a larger percentage of them transition to employment or posts secondary education than in any previous year. The numbers include youth who received direct services from WIOA youth providers and youth who received indirect services through career solutions.



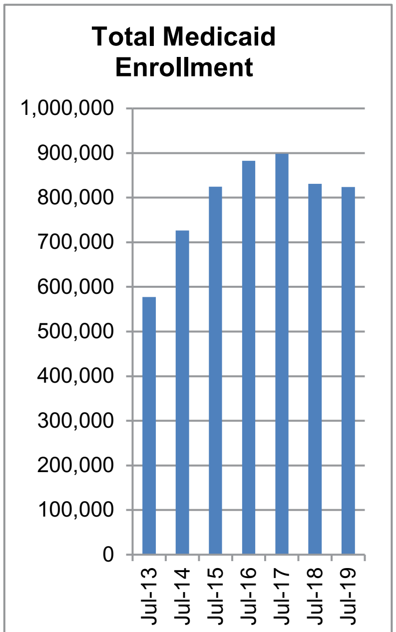
Budget: $23,589.6 **FTE:** 97

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Youth receiving Workforce Innovation and Opportunity Act services as administered and directed by the local area workforce boards	770	1,400	1,400	4978	G
Youth who enter employment or are enrolled in postsecondary education or advanced training or both after receiving Workforce Innovation and Opportunity Act services	59%	59%	59%	63%	G
Adults and dislocated workers receiving Workforce Innovation and Opportunity Act services	3,013	2,700	2,900	3,304	G
Individuals who receive Workforce Innovation and Opportunity Act services who retain employment	86%	89%	89%	72.5%	Y
Individuals who enter employment after receiving Workforce Innovation Opportunity Act services.	64.5%	67.1%	70%	74.4%	Y
				Program Rating	Y

Human Services Department

ACTION PLAN

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



Source: HSD July 2019 Medicaid Projection

The caseloads for Medicaid, Temporary Assistance for Needy Families (TANF), and the Supplemental Nutrition Assistance Program (SNAP) all declined in FY19 compared with a year ago. The Medicaid caseload in June was 824,212 individuals, a 1.7 percent decrease from one year ago. Children on Medicaid continued to decline as well – in June 2018 Medicaid served 361,671 children and in June 2019 Medicaid served 355,059 children – a decline of 1.8 percent. The TANF caseload was 10,037 cases in June 2019, a decrease of 7 percent from June 2018. The SNAP caseload in June 2019 was 221,103, a 0.1 percent decrease from one year ago.

The Human Services Department (HSD) implemented major changes to the state's Medicaid program in FY19 that resulted in little measurable improvement to performance outcomes. The data provided by the department showed little to no improvement in the Medicaid program's Healthcare Effectiveness Data and Information Set (HEDIS) performance measures. Also, both the Income Support and Child Support Enforcement Programs' performance measures failed to meet several FY19 targets.

Changes to the Medicaid program included implementing the new federal Medicaid waiver, Centennial Care 2.0, overseeing new Medicaid managed-care organizations (MCOs), and implementing a newly negotiated consent decree addressing the long-running *Debra Hatten-Gonzales* lawsuit regarding systemic problems with eligibility and enrollment determinations for Medicaid and the Supplemental Nutrition Assistance Program.

In December 2018, HSD received approval from the federal Centers for Medicare and Medicaid Services (CMS) for its 1115 waiver renewal, Centennial Care 2.0. However, HSD is awaiting final CMS approval of the special terms and conditions. Despite pending finalization, HSD received a letter from CMS with guidance that allowed the state to move forward with rule promulgation and the program rollout that began on January 1, 2019. Despite multiple legal appeals, HSD prevailed on its selection of three newly-contracted MCOs to provide services beginning on January 1, 2019: Blue Cross Blue Shield of New Mexico, Presbyterian Health Plan, and Western Sky Community Care. HSD continues to monitor the provision of services to members under Centennial Care 2.0, the MCOs' provider network sufficiency and access to care, and quality of care and health outcomes.

At the end of FY19, the federal court's special master in the *Debra Hatten-Gonzales* lawsuit concluded his audit of the case review and found a 59 percent HSD error rate. According to the joint status report filed with the court on May 1, 2019, the errors identified systemic problems with eligibility, verification, and notifications. If the error rate had been 15 percent or lower, HSD would have been in compliance with the second modified consent decree and would have made progress toward resolution of the case. The court has approved two corrective action plans (CAPs) in the case. If HSD successfully implements the remedies included in both of the CAPs, then the department will be in compliance with the consent decree and the case will move closer to resolution.

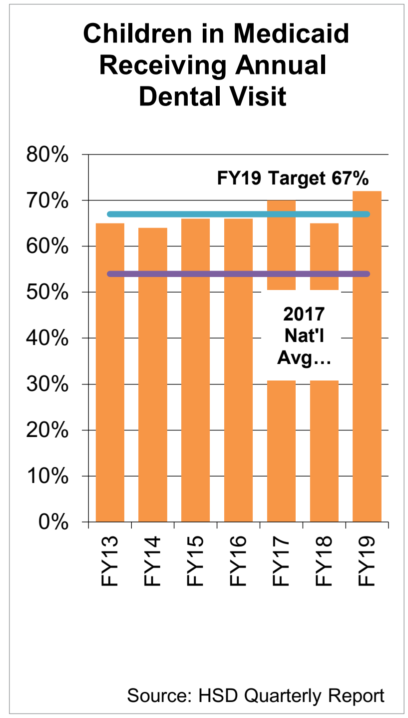
Medical Assistance Division

For FY19, HSD did not report quarterly data on several performance measures in the Healthcare Effectiveness Data and Information Set (HEDIS), a tool used nationally by most health plans to measure care and service. HSD requires MCOs to report annually on HEDIS measures in June; however, HSD and their consultant firm, Mercer, use encounter data to determine preliminary quarterly performance measure data pending final HEDIS results. HSD should share preliminary quarterly data for certain HEDIS measures with LFC, as well as quarterly data previously reported on non-HEDIS performance measures. Important performance measures missing quarterly reporting included prenatal care visits, infants and children receiving well-child primary care visits, and non-emergent emergency room use.

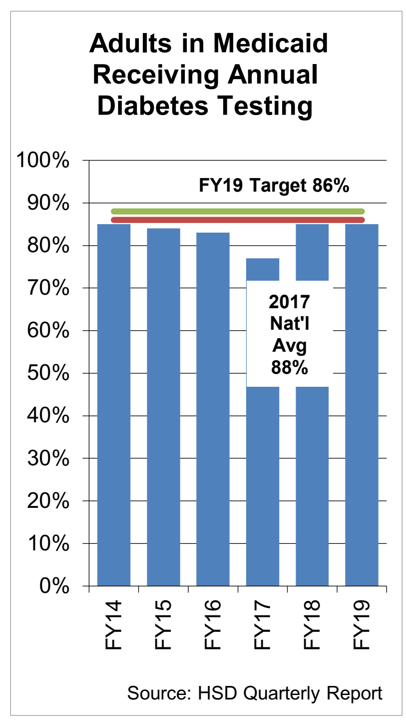
Budget: $5,262,696.9 **FTE**:183.5

Measure	FY17 Actual	FY18[1] Actual	FY19 Target	FY19 Actual	Rating
Infants in Medicaid managed care who had six or more well-child visits with a primary care physician during their first 15 months*	59%	62%	N/A	No Report	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*	84%	86%	88%	No Report	R
Children ages 2 to 21 enrolled in Medicaid managed care who had at least one dental visit during the measurement year	70%	65%	67%	72%	G
Individuals in managed care with persistent asthma appropriately prescribed medication	56%	60%	50%	No Report	R
Hospital readmissions for children ages 2 to 17 within 30 days of discharge	5%	5%	6%	4%	G
Hospital readmissions for adults age 18 and over within 30 days of discharge	7%	7%	10%	7%	G
Emergency room use categorized as non-emergent per 1,000 Medicaid member months[2]	504	513	0.25	0.52	R
Individuals with diabetes in Medicaid managed care ages 18 through 75 whose hospital admissions had short-term complications	663	648	325	353	R
Newborns with Medicaid whose mothers received a prenatal care visit in the first trimester or within 42 days of enrollment in the managed care organization*	73%	77%	85%	No Report	R
Medicaid managed-care members with a nursing facility level of care being served in the community	New	87%	75%	86%	Y
				Program Rating	Y

[1]HSD uses a rolling average; the most recent unaudited data available includes the last two quarters of FY18 and the first two quarters of FY19. The data for HEDIS measures is preliminary.
[2]The target is a per capita target, whereas the data is per 1,000 members. HSD reports it will use a consistent methodology in the future.
*Measures are part of Healthcare Effectiveness Data and Information Set (HEDIS), a tool used by more than 90 percent of America's health plans to measure performance on important dimensions of care and service. HSD did not report quarterly encounter-based data on these measures or specify data pulled from bundled services.



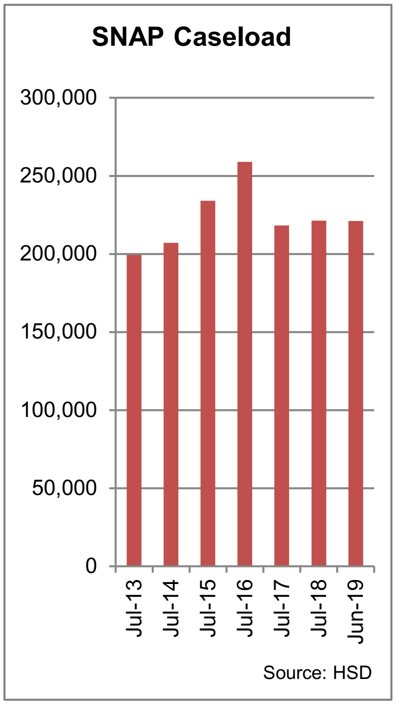
In FY19 there were 335,968 Medicaid managed-care members served by health homes, which provide participating members with enhanced care coordination services likely to reduce emergency room visits and hospital readmissions. MCOs collaborate with health homes to analyze utilization patterns to address barriers to care.



Beginning on January 1, 2019, the Medical Assistance Program began implementation of a Medicaid-funded home-visiting pilot program for providing supports to 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. The program was initially rolled out in Bernalillo, Curry, and Roosevelt counties.

Income Support Division

The Income Support Division (ISD) maintained its timeliness in processing enrollment for expedited Supplemental Nutrition Assistance Program (SNAP) cases. However, fourth-quarter data showed declining rates of both two-parent recipients and families meeting Temporary Assistance for Needy Families (TANF) work requirements. ISD reports it is monitoring its New Mexico Works service provider, providing training to employees on working with individuals with multiple barriers to employment, and implementing dedicated teams to follow up with clients with daily phone calls, letters, and home and site visits. Beginning in FY19, ISD added performance goals to the New Mexico Works service provider's contract to improve employment outcomes; however, the performance outcomes do not seem to be affected by these efforts. The Income Support Division noted for FY20 it plans to change its data reporting methodology from reporting the average data for each quarter to the cumulative average for the year.



HSD's June 2019 monthly statistical report indicated 6,378 adults received TANF services, a decline of 7.5 percent from a year ago. Of these adults who received TANF services, 220 were newly employed. The average statewide starting hourly wage for TANF employments was $9.84.

Budget: $969,047.7 **FTE**: 1,148

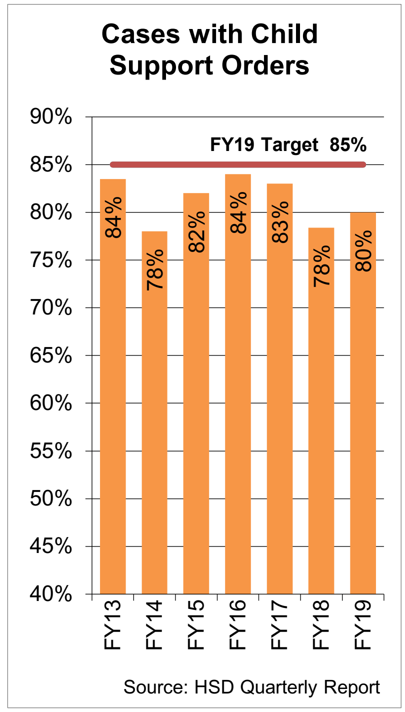
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Regular supplemental nutrition assistance program cases meeting the federally required measure of timeliness of 30 days	94%	99.1%	98%	99.1%	G
Expedited supplemental nutrition assistance program cases meeting federally required measure of timeliness of seven days	92.3%	98.1%	96%	99%	G
Temporary Assistance for Needy Families clients who obtain a job during the fiscal year	54.6%	No Report	52%	48.5%	R
Children eligible for Supplemental Nutritional Assistance Program with family incomes at 130 percent of poverty level participating in the program	92.2%	No Report	93%	88.5%	R
Two-parent recipients of Temporary Assistance for Needy Families meeting federally required work requirements	59.5%	59.5%	62%	39.5%	R
All families receiving Temporary Assistance for Needy Families meeting federal work requirements	53.6%	48.9%	52%	31.1%	R
				Program Rating	Y

HSD's fourth-quarter report states a cumulative 838 Medicaid members have received treatment for hepatitis C since July 2017. The MCOs are identifying members diagnosed with hepatitis C but not treated and selecting providers for outreach. The MCOs are also offering incentives to providers to continue to increase the number of Medicaid-approved members receiving treatment for hepatitis C.

Child Support Enforcement Division

The Child Support Enforcement Division (CSED) reports declining performance due to staff attrition and resulting increased workloads. The Legislature has fully funded the program's personnel budget request for the last two fiscal years, and despite decreases in staff attrition, program performance declined. However, the CSED Rio Rancho office is successfully piloting initiatives to improve performance and increase staff retention.

Across all offices, the percent of current support owed that is collected was higher in the fourth quarter than the previous year's performance, but the results are still below the target of 62 percent, which is based on the national average. This measure, along with the percent of cases with support orders, are the two primary indicators of the overall effectiveness of the Child Support Program, and both measures continue to decline. The recommendations from CSED's business assessment review included implementing new federal efficiency and modernization rules throughout the division. The rules focus on outreach, the obligated person's ability to pay, and collaboration with employers and other agencies to identify available employment opportunities. CSED is moving forward to modernize the program, which requires some statutory change as well as changes within the regional offices to focus on job support, employer recoveries, and targeting high success rate cases.



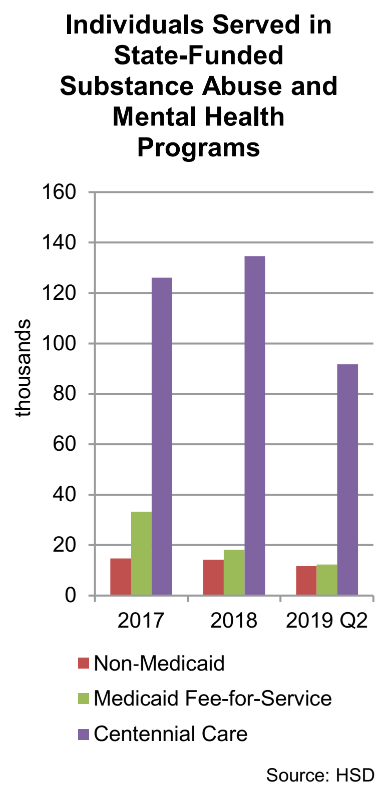
Budget: $31,254.6 **FTE**: 378

Measure	**FY17 Actual**	**FY18 Actual**	**FY19 Target**	**FY19 Actual**	**Rating**
Support arrears due that are collected	64.2%	62.1%	67%	60.7%	R
Total child support enforcement collections, in millions	$139.6	$139.8	$140	$137.5	R
Child support owed that is collected	56.3%	57.8%	62%	57.7%	R
Cases with support orders	83%	78.5%	85%	79.5%	R
				Program Rating	R

HSD currently has a 15 percent vacancy rate, down from 17 percent a year ago. The agency has been working with the State Personnel Office for several months trying to fill vacancies, but the vacancy rate remains high and services are impacted within all divisions, particularly Income Support, Child Support, and Behavioral Health Services.

Behavioral Health Collaborative

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



HSD reported individuals receiving behavioral health services for only half of 2019, with 115,708 individuals served across all funding sources representing a slight increase in the first half of 2019 over 2018. The greatest increase was among the non-Medicaid population, which had 9,098 members served in the second quarter of 2018 and 11,659 members served in the second quarter of 2019. Centennial Care, the Medicaid managed-care program, also had an increase from 90,967 members served in 2018 to 91,693 members served in 2019. Medicaid fee-for-service members had a slight decrease in 2019, dropping from 13,494 to 12,356 members.

Several of the new Medicaid-funded behavioral health services have not yet been fully implemented more than halfway through 2019. Despite more people being eligible for behavioral health services under the state's expanded Medicaid program and behavioral health provider rate increases scheduled for implementation in October 2019, the expanded behavioral health services are still in the process of full implementation.

According to the 2019 *State of Mental Health in America*, New Mexico improved from 46th to 31st in national adult behavioral health rankings and is 37th in youth behavioral health rankings. New Mexico's drug overdose death rate improved from 50th in the country to 32nd for multiple reasons, including a small but significant drop in the state's overdose death rates, while other states' overdose death rates increased. Based on 2019 data from the U.S. Health Resources and Services Administration, only 33 percent of Mew Mexico youth with major depression received mental health treatment and 56 percent of adults with mental illness received treatment. New Mexico has the 5th highest youth suicide rates in the nation, approximately double the national average. Also, 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 Behavioral Health Collaborative under the new administration has identified four goals to improve the behavioral health and well-being of New Mexicans: (1) Expansion of the behavioral health provider network, (2) Expansion of community-based mental health services for children, (3) Addressing substance use disorder, and (4) Providing behavioral health services for justice-involved individuals.

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 reports 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 Behavioral Health

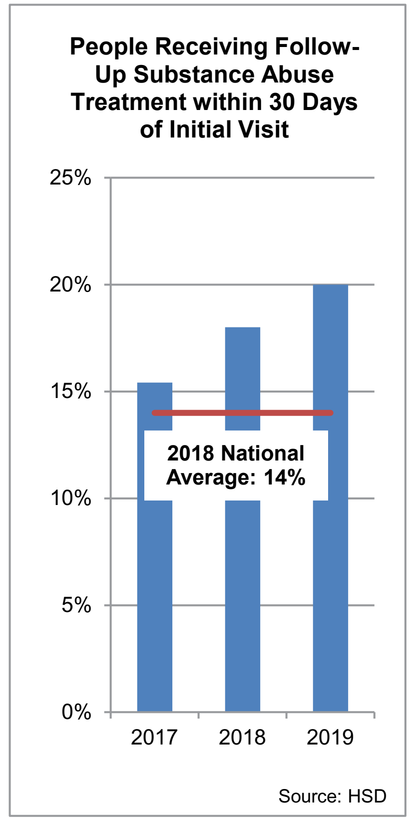
The Medicaid program indicated by January 2019 it would begin initial implementation of new Medicaid-funded behavioral health services for adults, including funding supportive housing, accredited adult residential treatment centers, and social detoxification services. New Medicaid services also included treating co-occurring serious mental illness and substance use disorders, and expanding Medicaid health homes and screening, brief interventions, and referral to treatment (SBIRT). Medicaid's Centennial Care 2.0 began waiving the institutions of mental diseases (IMD) exclusion prohibiting Medicaid reimbursement for private and state-run hospitals that provide inpatient psychiatric services, and to date, at least 18 hospitals have billed under the IMD exclusion. Additionally, 12 agencies have billed under the SBIRT benefit and the Human Services Department (HSD) expects 10 supportive housing providers to be funded.

The health homes program was established in 2016 and provides integrated care coordination services to Medicaid-eligible adults with serious mental illness and children and adolescents with severe emotional disturbance. When created, the health home program had two sites. It has since expanded to six providers in total and 12 health homes serving 2,100 members in 10 counties. The services include case management and care coordination for physical and behavioral health, long-term care, and social services, such as housing, transportation, and employment.

HSD reported 19.6 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 below the FY19 target of 25 percent but exceeds the National Quality Compass average of 13.6 percent. With the addition of residential substance abuse services to the Medicaid benefit package effective January 2019, HSD anticipated there would be notable service improvements. But expansion of Medicaid-funded adult residential substance abuse services also has not been implemented.

The percent of individuals discharged from inpatient services who received follow-up services after seven days continues to decrease from prior quarters and was at 38 percent for the fourth quarter, short of the FY19 target of 50 percent. HSD reports its Quality Improvement Committee is leading a performance review team with the goal of meeting or exceeding the established target, and the Medicaid managed-care organizations (MCOs) are improving discharge planning and follow-up coordination.

HSD reports in FY18, 1,256 youth on probation were served with behavioral health services across Medicaid and non-Medicaid resources, representing a 3.4 percent decrease from FY17 and below the FY18 target of 62 percent. HSD reports the trend of numbers of juveniles on probation in New Mexico is decreasing overall.



Budget: $59,653.7 **FTE:** 44

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Individuals discharged from inpatient facilities who receive follow-up services at seven days	43%	45%	50%	38%	R
Individuals discharged from inpatient facilities who receive follow-up services at 30 days	64%	65%	70%	50%	R
Readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	7%	6%	5%	5.6%	R
Suicides among 15- to 19-year-olds served by the behavioral health collaborative and medicaid programs	0	0	N/A	2	Y
			Program Rating		R

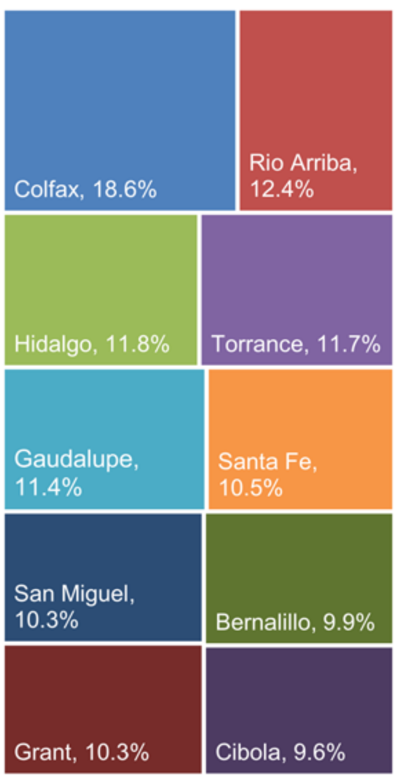
Department of Health

ACTION PLAN

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

The Department of Health's (DOH) mission is to promote health and wellness, improve health outcomes, and assure safety net services for all people in New Mexico. New Mexico is struggling with significant health issues relating to substance use disorder. The agency recently reported deaths related to the disorder rose between 2017 and 2018. To reduce this, the department is working on developing more services statewide, including medically assisted treatment, with the use of federally approved medications, in combination with counseling and behavioral therapies, to provide a "whole-patient" approach to the treatment of substance use disorders. DOH is also working with community pharmacies to increase the availability of naloxone, a medication that reverses drug overdoses. Additionally, the department is working to expand waiver services to individuals currently on the waiting lists for the in-home services available under the Developmental Disabilities (DD) and Mi Via Medicaid waivers.

Low Birthweight Babies, by County 2018



Source: NM IBIS

	New Mexico Health Indicators	2015	2016	2017	US 2018
1	Drug overdose death rate per 100,000 population	25	25	25	27
2	Births to teens ages 15-19 per 1,000 females ages 15-19	33.7	29.1	27.6	25.2
3	Alcohol-related death rate per 100,000 population	66	66	67	70
4	Fall-related death rate per 100,000 adults age 65 years or older	104	92	88	94
5	Heart disease and stroke death rate per 100,000 population	188	196	198	193
6	Suicide rate per 100,000 population	23	22	23	25
7	Pneumonia and Influenza death rate per 100,000 population	13.0	14.0	13.5	14.2
8	Diabetes hospitalization rate per 1,000 people with diagnosed diabetes	169	162	162	162
9	Third-grade children considered obese	19%	19%	20%	21%
10	Adults considered obese	30%	29%	28%	29%
11	Adolescents who smoke	11%	No Data	10.6%	10.6%
12	Adults who smoke	17%	17%	17.5%	15.2%

Source: DOH

Public Health

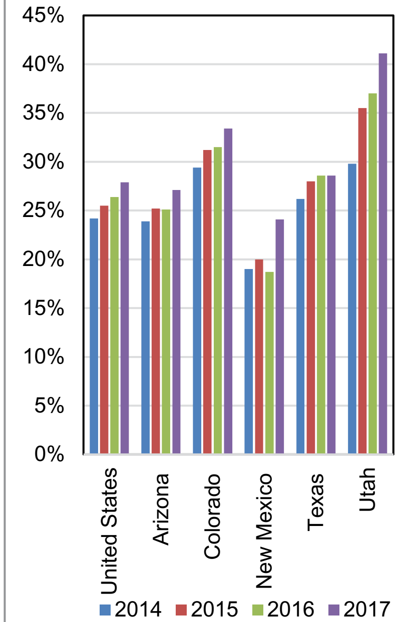
The mission of public health is to reduce the leading causes of preventable death and disability, especially for underserved populations and those with health disparities. The program administers 52 health clinics statewide and provides family planning services, tuberculosis treatment, sexually transmitted disease treatment, immunization, and the Women, Infant and Children (WIC) supplemental food program. The program met or exceeded performance targets for a majority of measures.

Budget: $175,593.3 **FTE:** 820.5

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Participants in the National Diabetes Prevention Program referred by a healthcare provider through the agency-sponsored referral system	70%	0%	50%	29%	R

Children in Healthy Kids, Healthy Communities with increased opportunities for healthy eating in public elementary schools	89%	90%	89%	99%	G
High school students trained in the Evolvement youth engagement program to implement tobacco projects in their schools or communities	356	402	375	394	G
Quit Now enrollees who successfully quit using tobacco at seven-month follow-up	32%	30%	30%	32%	G
New Mexico adult cigarette smokers who access DOH cessation services	2.8%	2.8%	2.5%	2.7%	G
Teens who successfully complete teen outreach programming	345	325	350	512	G
Female clients ages 15-19 seen in DOH public health office who are provided most or moderately effective contraceptives	64%	61%	60%	69%	G
Preschoolers (19-35 months) fully immunized	71.9%	61.8%	65%	64%	Y
Successful overdose reversals per client enrolled in the DOH Harm Reduction Program	.32	.33	0.25	.33	Y
				Program Rating	Y

Employment Rate for People With Cognitive Disabilities



*Includes all cognitive disabilities physical, mental, or emotional

Source: Cornell University

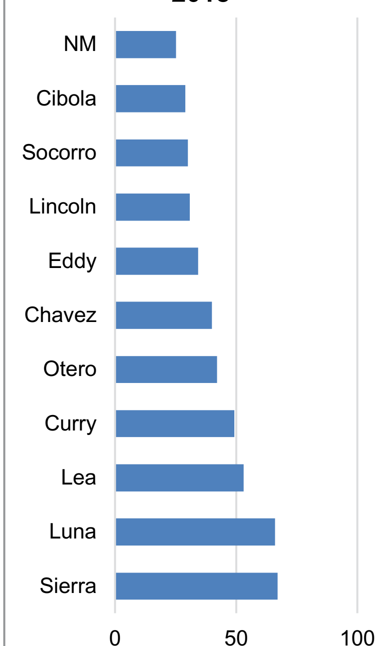
Epidemiology and Response

New Mexico has considerable unmet need for substance use disorder services and treatment. DOH reported overall drug overdose deaths among New Mexico residents rose from 491 in 2017 to 537 in 2018, or 9 percent, due largely to methamphetamine. This is the second largest number of drug overdose deaths recorded for New Mexico; the highest was 540 in 2014. Heroin overdose deaths made up 26 percent of overdose deaths in 2018, down from 30 percent in 2017 and 27 percent in 2012. Drug overdose deaths involving benzodiazepines tranquilizers also fell sharply from 26 percent of the total in 2017 to 18 percent in 2018. Overdose deaths using prescription opioids other than fentanyl decreased to 36 percent of the total last year, from 37 percent in 2017 and 40 percent in 2012. The department has been working to increase the availability of naloxone statewide, a medication that reverses drug overdoses. More than 34 thousand doses of naloxone were dispensed or distributed in 2018. The number of doses of naloxone dispensed or distribute in the first quarter of 2018 was 7,838. This increased to 10,087 in the first quarter of 2019.

Budget: $27,106.5 **FTE:** 191

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Retail pharmacies that dispense naloxone	34%	73%	80%	83%	G
Community members trained in evidence-based suicide prevention practices	52	65	70	490	G
Opioid patients also prescribed benzodiazepines	14%	13%	10%	12%	R
County and tribal health councils that include evidence-based strategies to reduce alcohol-related harms	11%	11%	12%	18%	G
New Mexico hospitals certified for stroke care	14%	16%	20%	16%	R
New Mexico population served during mass distribution of antibiotics or vaccinations through public/private partnerships in the event of a public health emergency	12%	15%	18%	15%	R
				Program Rating	R

Births to Teens Ages 15-19 per 1,000 Girls, 2018



Source: NM IBIS

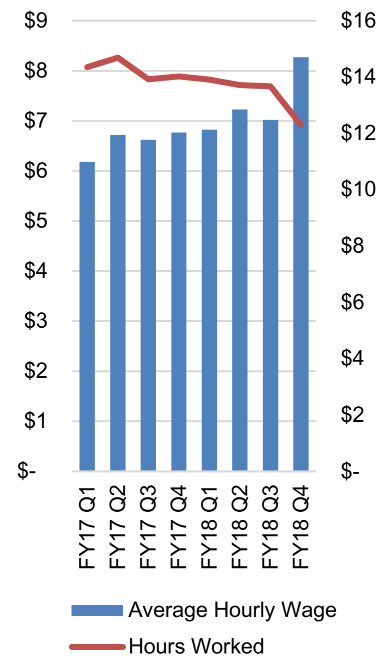
Health Facilities

The new facility for the Department of Health's Turquoise Lodge Hospital (TLH) served 76 inpatient individuals from 19 counties statewide since re-opening in July. TLH provides substance use disorder treatment services to New Mexico residents. The hospital specializes in medical detoxification, social rehabilitation services, and intensive outpatient services. The facility has 40 beds for inpatient services and currently has 27 filled. THL is also moving to leverage more Medicaid funding through obtaining joint commission on health facility accreditation status.

Budget: $127,817 **FTE:** 1,793

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Priority request for treatment clients admitted to Turquoise Lodge Hospital	43%	59%	50%	67%	G
Turquoise Lodge Hospital detox occupancy rate	85%	86%	85%	83%	Y
Long-term care patients experiencing one or more falls with major injury	Not Reported	3.9%	0.5%	3.9%	R
Eligible third-party revenue collected at all agency facilities	93%	88%	93%	78%	R
Number of significant medication errors per 100 patients	New	New	2	2.4	R
Residents successfully discharged	New	New	80%	78%	Y
Blood alcohol tests from DWI cases that are completed and reported to law enforcement within 15 calendar days	62%	44%	90%	23%	R
				Program Rating	Y

DD Waiver Wages and Hours Worked



Source: DOH

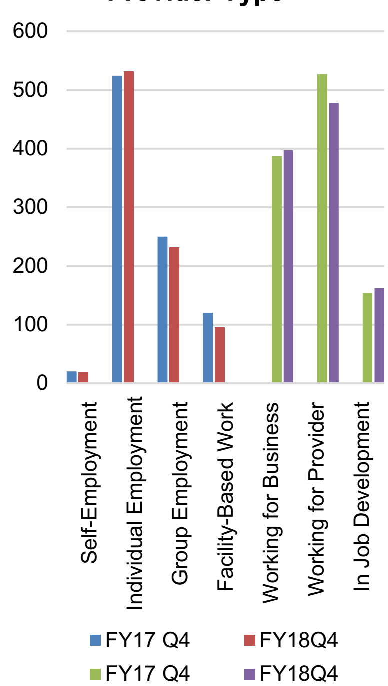
Developmental Disabilities Support

A recent LFC evaluation of the Developmental Disabilities (DD) and Mi Via Medicaid waivers prompted discussion of whether the state should reform the two waivers for providing services to people with developmental disabilities. Key recommendations included instituting the Community First Choice option to leverage a greater Medicaid match rate for people on the waiver waiting list and working to improve cost-containment following several years of litigation. DOH reported the agency plans to provide a community supports waiver to provide services to some New Mexicans currently on the waiting list for the DD waiver. Between the DD waiver and the Mi Via waiver, 6,425 people were on the waiting lists in FY19, compared with 6,435 at the end of FY18 and 6,602 in FY17. The agency hopes to provide services to an additional 5,000 people through the community supports waiver for an additional $5 million general fund in FY21, which will be matched by federal Medicaid revenue.

Budget: $420,368.7 **FTE:** 189

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Individuals receiving developmental disabilities waiver services	4,574	4,618	N/A	4,638	
Individuals on the developmental disabilities waiver waiting list	4,234	4,834	N/A	5,064	
Developmental disabilities waiver applicants who have a service plan in place within 90 days of income and clinical eligibility	92%	73%	90%	87%	R
Adults receiving community inclusion services through the Developmental Disabilities and Mi Via waivers who receive employment services	36%	30%	35%	27%	R
				Program Rating	R

DD Employment and Provider Type



Source: DOH

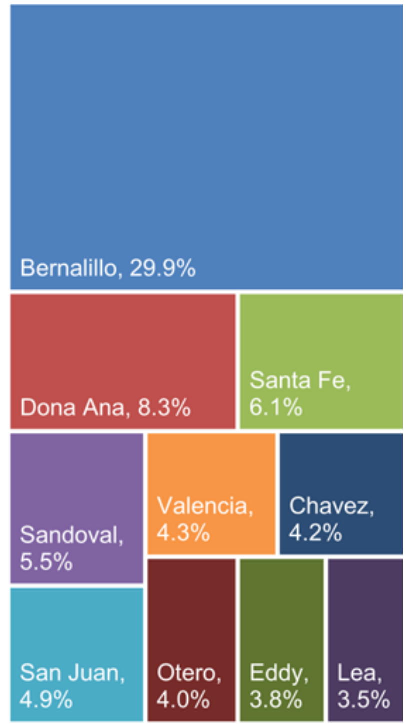
Health Certification, Licensing, and Oversight

The purpose of the health certification, licensing, and oversight program is to provide health facility licensing and certification surveys, community-based oversight and contract compliance surveys and a statewide incident management system so that people in New Mexico have access to quality health care and vulnerable populations are safe from abuse, neglect, and exploitation. While the program did not meet performance targets for abuse rates of clients receiving DD waiver and Mi Via waiver services, the re-abuse rate improved significantly.

Budget: $13,798.5 **FTE:** 171

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Abuse rate for Developmental Disability Waiver and Mi Via Waiver clients	7%	7%	8%	11%	G
Re-abuse rate within 12 months for Developmental Disability Waiver and Mi Via Waiver clients	18%	6%	16%	7%	G
Long-stay nursing home residents receiving psychoactive drugs without evidence of psychotic or related condition	New	16%	N/A	17.2%	R
				Program Rating	Y

Top Ten Counties Smoking-Related Death Rates 2013-2017



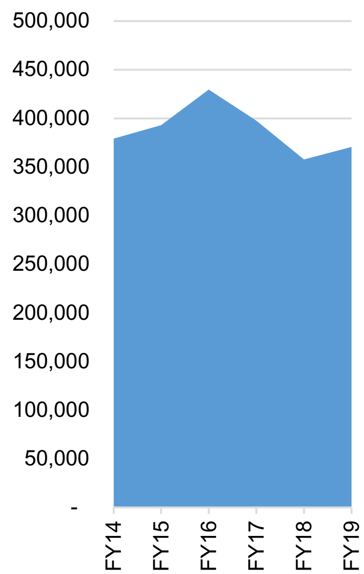
Source: NM IBIS

Aging and Long-Term Services Department

ACTION PLAN

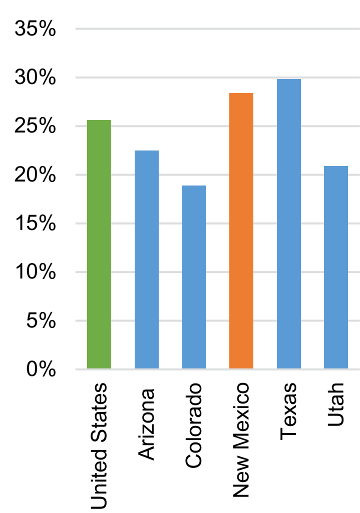
Submitted by agency?	Yes
Timeline assigned by agency?	Yes
Responsibility assigned?	Yes

Caregiver Support Hours Provided



Source: ALTSD

Adults 65 and Older Reporting Fair to Poor Health 2017



Source:U.S Centers for Disease Control and Prevention

The Aging and Long-Term Services Department (ALTSD) was mostly successful with performance in the Consumer and Elder Rights and Adult Protective Services programs but struggled to meet performance targets for the Aging Network. These services are primarily provided through contracts between ALTSD and area agencies on aging (AAA). Instability with one AAA in the previous fiscal year led to declining performance. In addition, ALTSD agrees the performance measures may not accurately measure food insecurity for the targeted population and has proposed new measures for FY21. The department reported increased staffing resulted in some improved performance for agency-delivered services but still fell below targets for the Aging and Disability Resource Center despite full staffing levels.

Aging Network

The Aging Network reported a significant decline in the number of meals received in FY19 from previous years. In FY19, 32,133 people were served 908,941 meals. Of those served, some were not classified as food insecure but did meet the requirements of the federal Older Americans Act. However, from FY15 through FY17, over 50 thousand persons were served annually and in FY18 nearly 49 thousand persons were served. The department is attempting to reconcile the steep decline of persons served but notes that non-reimbursable meal counts have been entered into the data system differently between fiscal years affecting the final counts. While the Aging Network did not meet targeted performance for the hours of caregiver support, it did improve from the previous fiscal year. A majority of the service hours provided were for adult daycare and respite care, representing 71 percent of the caregiver support provided.

Budget: $36,882 **FTE:** 16

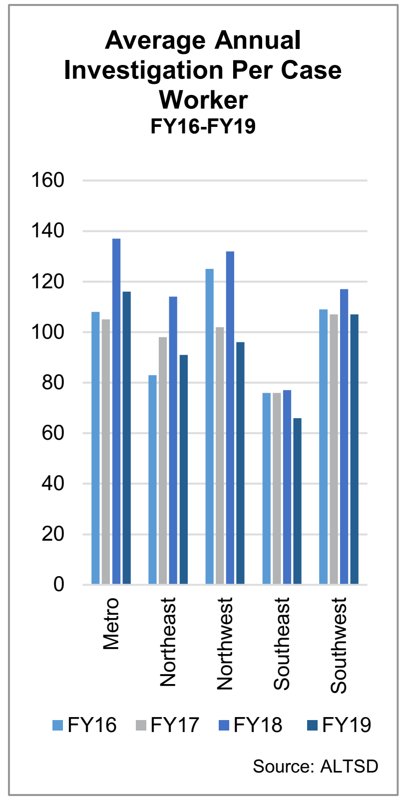
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Older New Mexicans whose food insecurity is alleviated by meals received through the Aging Network	123%	116%	95%	86%	R
Hours of caregiver support provided	397,598	357,721	400,000	370,538	R
				Program Rating	R

Consumer and Elder Rights

The Long-Term Care Ombudsman Program of the Consumer and Elder Rights Division reported timely ombudsman complaint resolutions increased as a result of the program becoming fully staffed and increasing active volunteers to 41, seven more than the previous quarter. The program reported the top types of complaints received were discharge or eviction planning, loss of personal property, and medication administration. The percent of calls to the Aging and Disability Resource Center answered by a live operator increased over FY18 but remained well below the FY19 performance target. During the fourth quarter, the center received 5,889 calls (average of 102 per day) of which 532 callers left a voice message and had their calls returned within six hours. The center reported the call center was fully staffed during the fourth quarter and the number of calls declined from the previous quarter, resulting in improved performance. In total, the center received 26,390 calls in FY19.

Budget: $4,599.9 **FTE:** 47.5

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Ombudsman complaints resolved within 60 days	90%	92%	95%	96.8%	G
Residents requesting short-term transition assistance from a nursing facility who remained in the community during the six month follow-up	86%	82%	82%	84%	G
Calls to the aging and disability resource center that are answered by a live operator	85%	71%	85%	79%	R
				Program Rating	Y

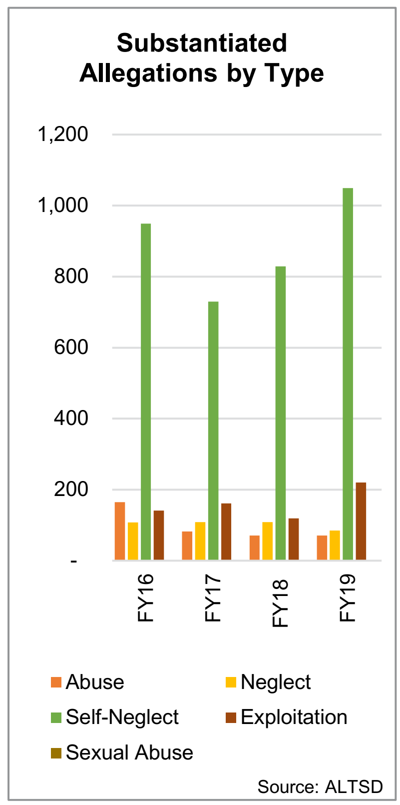


Adult Protective Services

The program does not report on repeat maltreatment, and current data and performance measures make it difficult to assess the effectiveness of the program in preventing maltreatment. However, Adult Protective Services (APS) has agreed to begin reporting repeat substantiations within six months of a previous substantiation of abuse or neglect in FY21. In FY19, APS received 15,381 reports of suspected abuse, neglect, or exploitation, of which 43.1 percent were accepted for investigation. Of those cases, 2,081 were classified as emergency or priority one, requiring a face-to-face contact within 24 hours or less. In FY19, APS made timely contact with all but five cases designated as priority. The number of adults receiving in-home services or adult day services as a result of an investigation of abuse, neglect, or exploitation is significantly higher than previous years' reports, because prior to the first quarter FY19, the performance measure was reported annually and clients were unduplicated. The performance measure is now being reported quarterly, and clients will be included for each quarter that the client receives services. Targets for the coming fiscal year will need to be re-assessed to account for this change.

Budget: $13,362.6 **FTE:** 132

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Adult Protective Services investigations of abuse, neglect, or exploitation	6,233	6,671	6,150	6,636	G
Emergency or priority-one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed time frames	99%	99%	99%	99%	G
Adults receiving in-home services or adult day services as a result of an investigation of abuse, neglect or exploitation	1,181	1,213	1,500	3,663	G
				Program Rating	G

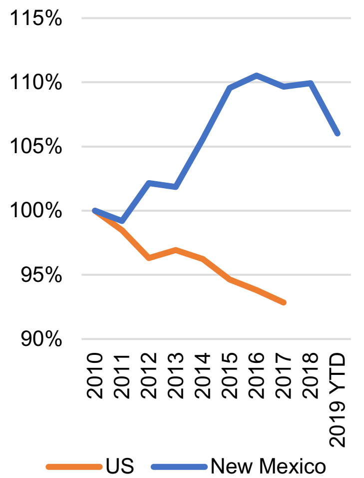


Corrections Department

ACTION PLAN

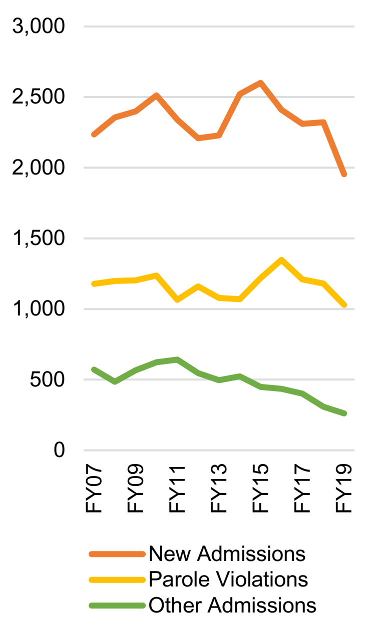
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

National Average vs. NM State Prison Populations
(indexed to 2010 calendar year)



Source: U.S.Bureau of Justice Statistics, Sentencing Commission, LFC files

Prison Admissions



Source: Sentencing Commission

New Mexico's prison population began an unprecedented decline this year, with the average population decreasing every month since September 2018. The average population for FY19 represents a decrease of 1.4 percent from FY18's average, but monthly trends suggest a more pronounced shift may be underway. In June 2019, state prisons held an average of 7,002 inmates, 6,287 men and 715 women, a 4.7 percent decrease from June 2018. The decline in inmate population is driven by a 15.1 percent drop in prison admissions in FY19 compared with FY18, the largest year-over-year admissions decrease in two decades.

According to the most recent available data, state prison populations nationwide have been decreasing since 2013, but until this year, New Mexico sharply diverged from this trend. Between 2013 and 2017, U.S. state prison populations declined an average of 1 percent annually, while New Mexico's inmate population grew 7.9 percent. If downward trends continue, the state will see its largest year-over-year population decrease in at least a decade, indicating the state may be aligning with national trends.

In FY19, the Corrections Department (NMCD) struggled to meet many of its performance targets, particularly within the Inmate Management and Control Program. Rates of violence in prisons declined compared with FY18 but remained high. Recidivism rates, which have been stubbornly high for years, rose in FY19, although the men's and women's recovery centers, the residential drug abuse program, and other specialized programs had much lower recidivism rates.

Persistent staff vacancies inside and outside prisons, despite targeted pay increases, undermine the department's ability to fulfill its mission, while programming within prisons inadequately prepares inmates for success upon release. The reduction in prison population provides an opportunity for the agency to address these issues. Resolving pay compaction may help improve staff retention and decrease vacancies. In addition, increasing and strengthening programming proven to reduce recidivism and ensuring those programs are available to all inmates is essential.

Inmate Management and Control

In June, the governor announced the Corrections Department would be taking over operations of Northeastern New Mexico Detention Facility in Clayton from the GEO Group, which has operated the facility since it was opened in 2008. GEO has struggled to maintain adequate staffing levels at the facility, reporting a 41.2 percent overall vacancy rate and a 78 percent vacancy rate in security staff at the beginning of July. The facility has a capacity of 628 level 3 inmates, but, in FY19, an average of 512 beds were occupied. NMCD budgeted almost $19 million to contract with GEO to operate the facility in FY20; the cost of state operation is expected to exceed that amount.

New Mexico's state- and privately operated prisons can accommodate up to 7,959 inmates (7,099 males and 860 females). An average of 7,224 beds were filled in FY19 (6,466 males and 758 females) and the prison population is likely to decrease, leaving significant numbers of unused beds in prison facilities, many of which face significant deferred maintenance backlogs that exceed the facilities' value, as well as persistent staffing difficulties.

Although inmate-on-inmate assaults were significantly lower in each of the previous three quarters than in FY18, 10 assaults occurred in the fourth quarter. Although no inmate-on-staff assaults occurred in the fourth quarter, on July 16, inmates in a level 4 unit at Southern New Mexico Correctional Facility attacked two guards, putting both in the hospital. Seven inmates were indicted on charges related to the incident; two of the inmates were indicted for attempted murder.

The causes of the recent increase in prison violence are unclear. Vacancy rates for correctional officers in public facilities, while still troublingly high, decreased between the third and fourth quarters, making it unlikely this uptick in violence was due to insufficient staffing. Inmate drug use, which can drive prison violence, has not changed significantly since FY18. Data from the Sentencing Commission show new violent offenses resulted in 22.9 percent of total prison admissions in FY19, the lowest rate since FY12, suggesting the share of inmates incarcerated due to violent offenses may be decreasing.

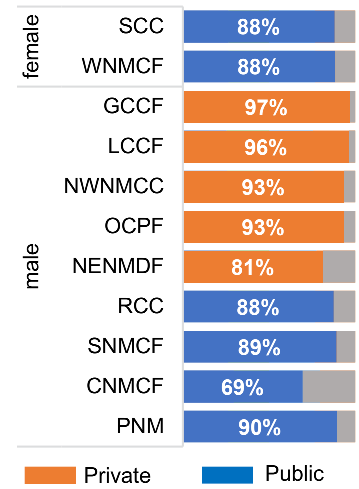
Pay increases for correctional offices of 6.5 percent in FY17 and 8.5 percent in FY19 have not substantially reduced the vacancy rate among public correctional officers, which dropped slightly in FY18 but rose to 25 percent this year. These vacancies create significant overtime costs for the department, which decreased 1.4 percent between FY17 and FY18 (corresponding with a 2 percentage point decrease in correctional officer vacancy rates) but rose to $19.6 million in FY19, a 7.1 percent increase over FY18's overtime costs.

NMCD reports 76 percent of inmates were enrolled in an educational, cognitive, vocational, or college program in FY19, but educational and rehabilitative programming varies widely among prisons. The availability of vocational education, in particular, is limited; for example, welding courses are only offered at two facilities. Northwest New Mexico Correctional Center (NWNMCC), operated by CoreCivic, currently offers no vocational education programming.

Traditional educational programming is also not available to all inmates. While all facilities offer adult basic education, GED credential preparation, and some college courses, insufficient staffing in education departments lead some facilities, such as NWNMCC, to have long waiting lists for core educational programming. Although the department reports 79 percent of eligible inmates earned a GED credential in FY19, some inmates may not have the opportunity to do so. If prison populations continue to decline, it may provide an opportunity to direct more resources toward consistent, evidence-based programming.

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, release-eligible inmate rates have remained fairly steady for the last three fiscal years, mostly due to lack of transitional housing opportunities and parole programs. This year, the percent of release-eligible women still detained rose by 0.4 percentage points while the rate for male inmates still detained rose by half a percentage point.

Average FY19 Correctional Facility Occupancy



*Note: Data is based on occupancy on the 15th of each month (or closest business day) in FY19.

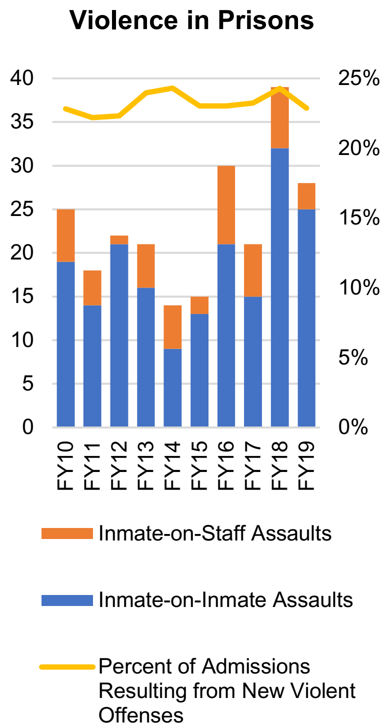
Source: NMCD

Correctional Officer Pay Increases, Vacancy Rates, and Overtime Costs
(dollars in thousands)

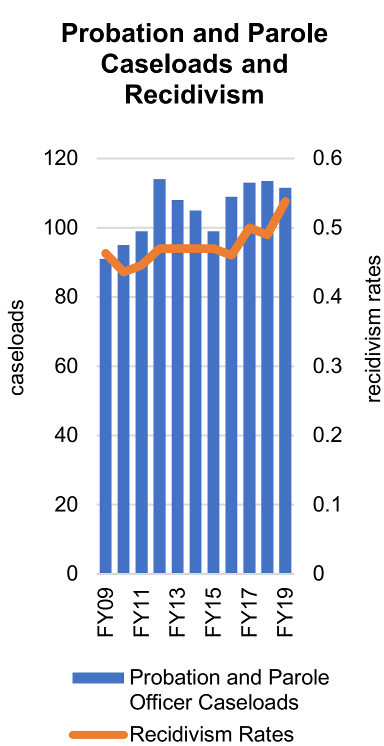
FY	Pay Increase	Public CO Vacancy Rate	Overtime Cost
FY15	6.0%	25%	$15,199.8
FY16	0.0%	27%	$17,107.4
FY17	6.5%	24%	$18,531.4
FY18	0.0%	22%	$18,265.7
FY19	8.5%	25%	$19,556.3

Source: LFC files, NMCD

A total of 25 inmate-on-inmate assaults occurred in FY19, lower than FY18's 32 assaults but greater than any other year since the department began reporting this measure in FY05. Inmate-on-staff assaults remained low, with no assaults occurring in the fourth quarter, which represents a significant improvement over the seven assaults in FY18.



Source: LFC files, NMCD, Sentencing Commission



Source: LFC files, NMCD

The percent of residential drug abuse program graduates incarcerated within 36 months of release rose sharply, increasing 10 percentage points in FY18. The cause of this increase is unknown.

Budget: $280,666.5 **FTE:** 1,870

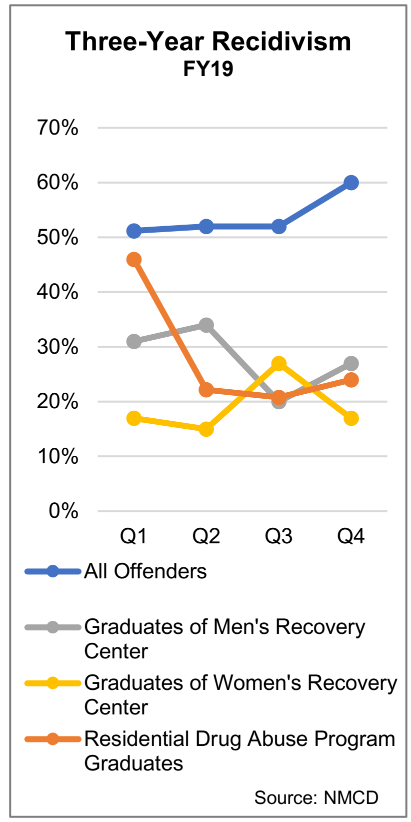
Measure	**FY17 Actual**	**FY18 Actual**	**FY19 Target**	**FY19 Actual**	**Rating**
Inmate-on-inmate assaults with serious injury	15	32	8	25	R
Inmate-on-staff assaults with serious injury	6	7	2	3	Y
Prisoners reincarcerated within 36 months	50%	49%	40%	54%	R
Participating inmates who have completed adult basic education*	62%	64%	N/A	59%	
Release-eligible female inmates still incarcerated past their scheduled release date	7.6%	8.9%	6%	9.3%	R
Release-eligible male inmates still incarcerated past their scheduled release date	9.2%	9.0%	6%	9.5%	R
Residential drug abuse program graduates reincarcerated within 36 months of release*	No report	18%	N/A	28%	
Random monthly drug tests administered to at least 10 percent of the inmate population testing positive for drug use*	5.1%	3.7%	N/A	3.7%	
Vacancy rate of state-employed correctional officers	24%	22%	15%	25%	R
				Program Rating	R

*Measure is classified as explanatory and does not have a target.

Community Offender Management

Recidivism rates averaged 54 percent in FY19, their highest rate in over a decade and a significant increase from 49 percent in FY18. While rates were high in the first three quarters (51 percent in the first quarter and 52 percent in the second and third quarters), recidivism jumped to 60 percent in the fourth quarter. The three-year recidivism rate of men after graduation from the recovery academy rose to 28 percent in FY19, a significant increase over the FY18 rate of 21 percent; similar to overall recidivism, this measure saw an increase between the third and fourth quarters (from 20 percent to 27 percent).

High vacancy rates among probation and parole officers may help explain the increased recidivism rates seen this year. The vacancy rate of probation and parole officers rose from 18 percent in FY18 to 23 percent in FY19, while the average standard caseload per probation and parole officer fell slightly (from 114 in FY18 to 112 in FY19), but remained far above the target of 100. However, these factors do not explain the increases seen between the third and fourth quarters of FY19, as the vacancy rate remained steady and the average standard caseload per probation and parole officer fell. Efforts to reduce vacancies among probation and parole officers through targeted pay increases, including an 8.5 percent total increase in FY19, have not been successful. Between FY18 and FY19, vacancy rates rose 5 percentage points.



The three-year recidivism rate of women after graduation from the recovery academy fell by 2 percentage points between FY18 and FY19, averaging 19 percent; however, because women comprise such a small share of the prison population (10.5 percent, on average, in FY19), this improvement is unlikely to be reflected in overall recidivism rates. While the FY19 rate exceeded the department's 18 percent target, this is driven primarily by a spike in the third quarter, and the department was well below target for the other three quarters, including the fourth quarter, in which the rate was 17 percent; based on these factors, this measure is rated green.

Budget: $34,773 **FTE:** 376

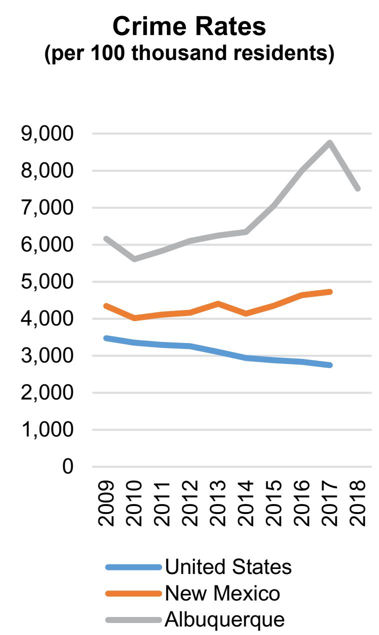
Measure	**FY17 Actual**	**FY18 Actual**	**FY19 Target**	**FY19 Actual**	**Rating**
Contacts per month made with high-risk offenders in the community	96%	99%	95%	99%	G
Average standard caseload per probation and parole officer	113	114	100	112	Y
Male offenders who graduated from the men's recovery center and are reincarcerated within 36 months	25%	21%	21%	28%	R
Female offenders who graduated from the women's recovery center and are reincarcerated within 36 months	New	21%	18%	19%	G
Absconders apprehended	28%	29%	32%	33%	G
Vacancy rate of probation and parole officers	17%	18%	15%	23%	Y
				Program Rating	Y

Department of Public Safety

ACTION PLAN

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

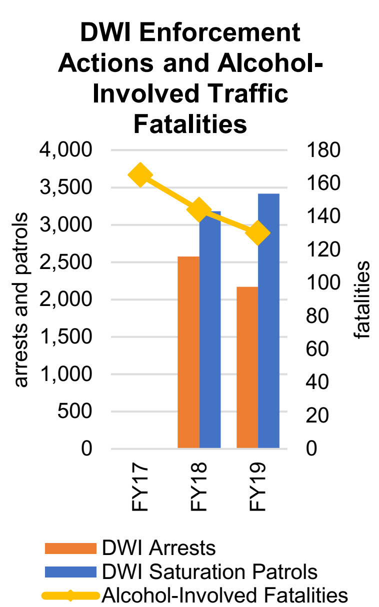
For years, New Mexico's crime rates have been among the highest in the nation. Crime in Albuquerque drove this trend, comprising almost 60 percent of crimes statewide in 2017, despite making up less than 27 percent of the population. In 2018, however, the Albuquerque Police Department (APD) reported a 14 percent decrease in the overall crime rate, a trend that has continued through the first half of 2019. Violent crime in Albuquerque, which declined only 1 percent between 2017 and 2018, appears to be decreasing much more significantly in 2019; between January and June, APD reports key violent crimes (robbery, homicide, rape, and aggravated assault) dropped 37.5 percent compared with the first half of 2018.



Source: Federal Bureau of Investigation, DPS, U.S. Census Bureau

To help combat crime, the Department of Public Safety (DPS) has joint operations with police departments across the state to more effectively use manpower and resources. In response to concerns about violent crime in southeast Albuquerque, the governor assigned 50 additional state police officers to Albuquerque (this force was reduced to 25 officers partway through the operation). The Albuquerque metro surge operation lasted 58 days, from May 10 through July 7, required over 9,800 hours of overtime, and cost $975.7 thousand. During the operation, state police had over 18 thousand citizen contacts, including conducting 14.7 thousand traffic stops, issuing 1,047 citations, and making 778 arrests. State police actions were primarily concentrated in southeast and southwest Albuquerque.

APD reports indicate violent crime was already trending downward when the operation began. Between January 1 and March 30, key violent crimes dropped 11 percent compared with the same period in 2018; in the 58 days leading up to the operation, southeast Albuquerque experienced a 21 percent decrease in shootings (which can serve as an indicator of overall crime rates), while southwest Albuquerque saw a 52 percent increase. Between March 31 and June 26, key violent crimes decreased by about 61 percent, much more rapidly than in the first three months of 2019.



*Note: DWI arrest and saturation patrol measures were new in FY18.

Source: DPS

While this period covers the majority of the operation, it is unclear if the decline can be attributed to state police actions; shooting data, which shows shootings in southeast Albuquerque remained relatively steady during this time period compared with 2018, suggests other factors, such as citywide trends or actions by APD in other parts of the city, may be responsible for these declines. However, shootings in southwest Albuquerque decreased significantly during the operation, by 31 percent, and increased by 26 percent in the 30 days following the end of the operation, suggesting they may have been impacted by state police activity. In southeast Albuquerque, on the other hand, shootings decreased 22 percent in the 30-day window following the operation compared with 2018.

Law Enforcement

The department far outstripped its FY19 targets and surpassed its FY18 actuals for strategic law enforcement, DWI saturation patrols, and commercial vehicle inspections. While commendable, these results indicate some performance targets do not accurately reflect the department's capacity and goals, and DPS has expressed willingness to revise these targets accordingly.

State police increased DWI saturation patrols 7.3 percent between FY18 and FY19, but DWI arrests are down 15.7 percent compared with FY18. This likely reflects decreased rates of drunken driving, as alcohol-involved traffic fatalities dropped 9.7 percent during this same time period, indicating education efforts and resources dedicated to preventing drunk driving are succeeding.

To help address persistent vacancies, the executive and the Legislature collaborated to increase manpower through a targeted 8.5 percent pay increase in FY19. In FY19, vacancy rates for state police officers averaged 11 percent, a significant drop from an average of 14 percent in FY18, perhaps as a result of these efforts. In FY19, state police added 47 new recruits and lateral hires to the force.

DPS Force Strength

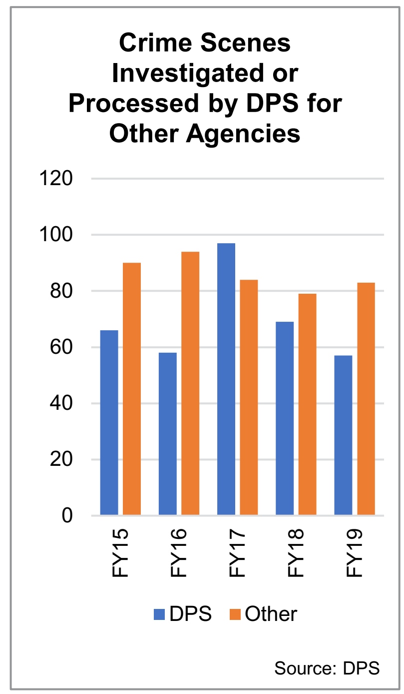
Fiscal Year	Recruit and Lateral Officer Hires	Total Force Strength[1]
FY15	34	506
FY16	59	670
FY17	24	654
FY18	60	663
FY19	47	658

[1] Reflects force strength at fiscal year close.

Source: Department of Public Safety

Budget: $124,387.4 **FTE:** 1,084.2

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Data-driven traffic-related enforcement projects held	New	1,926	1,700	3,308	G
DWI saturation patrols conducted	New	3,184	975	3,416	G
Commercial motor vehicle safety inspections conducted	96,802	88,078	70,000	95,041	G
DWI arrests	2,931	2,574	2,250	2,171	G
				Program Rating	G

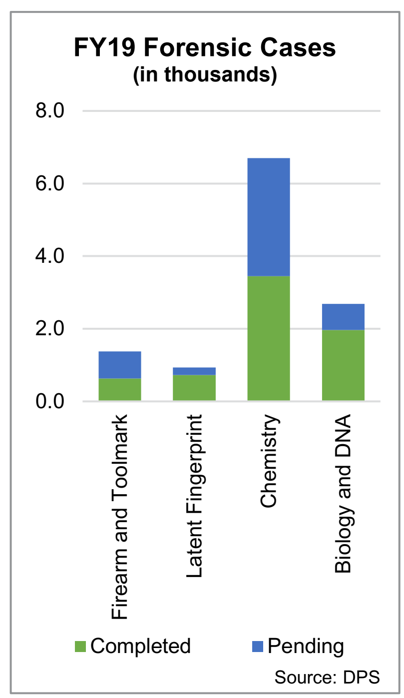


Statewide Law Enforcement Support

DPS surpassed targets for forensic latent fingerprint and biology/DNA cases but missed targets for firearm/toolmark and chemistry cases as the Forensic Laboratory Bureau struggled with an average 24 percent vacancy rate among scientists and technicians in FY19, a significant increase over FY18's average of 16 percent. High turnover rates increase the number of nonproductive hours while the training of forensic scientists can take one to two years before they become fully productive. DPS had greater than 100 percent case completion rates in latent print cases because scientists completed backlogged cases in addition to cases received this year. The number of cases and items received by the laboratory for analysis has increased each year since FY17.

Budget: $21,432.4 **FTE:** 164

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Forensic firearm/toolmark cases completed	NEW	96%	90%	67%	R
Forensic latent fingerprint cases completed	NEW	105%	90%	118%	G
Forensic chemistry cases completed	NEW	91%	90%	65%	R
Forensic biology and DNA cases completed	NEW	116%	65%	87%	Y
				Program Rating	Y



Judicial Agencies

ACTION PLAN

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

Major Criminal Justice Reforms Passed in 2019 Legislative Session

- Chapter 211 (criminal justice reform omnibus): expands criminal behavioral health resources, pre-prosecution diversion programs, and crime victim reparation eligibility.
- Chapter 176 ("ban the box"): prohibits employers from inquiring about arrest or conviction history on initial job application.
- Chapter 45: Requires federal instant background check in the sale of a firearm.
- Chapter 217: Reduces penalty for possession of one-half ounce of marijuana from a petty misdemeanor to non-criminal penalty.
- Chapter 192: Creates a statewide criminal data-sharing system
- Chapter 228: Guardianship reform, requiring reporting and establishing regulations on guardians of vulnerable adults
- Chapter 73: Requires judges to consider if a female is lactating or pregnant before sentencing
- Chapter 194: Limits the use of solitary confinement

Criminal justice reforms passed in the 2019 legislative session tasked the New Mexico justice system with integrating new technology, streamlining judicial processes, and encouraging collaboration among justice partners. In FY19, the courts began a successful online dispute resolution pilot, enabling remote access to the justice system. Administrative control of magistrate courts shifted to local district courts, increasing efficiency and accessibility within the New Mexico court system. District attorneys began adopting new approaches to prosecution that divert low-risk defendants from incarceration, and participated in data-sharing projects with other justice partners to increase public safety. The Public Defender Department has focused on effectively providing indigent defense to New Mexicans through new, more effective case management practices, and continues to report a comprehensive suite of performance measures. Every justice partner with the exception of the Public Defender Department adopted new performance measures for FY21 responsive to criminal justice reforms.

One piece of criminal justice reform not enacted in 2019 was HB564, Probation and Parole Procedures, which passed both chambers of the Legislature but was vetoed due to the inability of bill sponsors and state prosecutors to reach consensus on provisions regarding life without parole. The legislation is set to be reintroduced in the 2020 legislative session, and partnership among the courts, district attorneys, and public defenders will be crucial to its passage.

Courts

Administrative Support

The new jury management tool implemented by the Administrative Office of the Courts in FY18 substantially decreased average cost-per-juror, outperforming the target for the second consecutive year. Savings allowed for juror pay to be restored to the statutory requirement. Despite the progress made for jurors, average interpreter cost-per-session remained above the target throughout FY19. One explanation for the rising interpreter costs offered by the agency is an increased demand for interpreter services, especially in the border region.

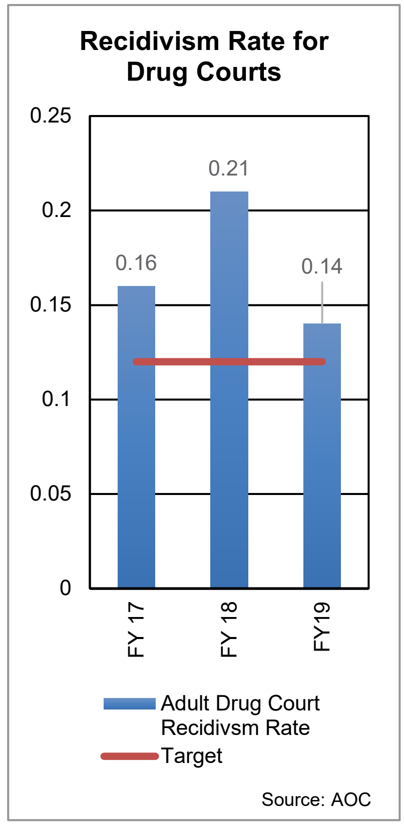
Budget: $13,169.1 **FTE:** 49.8

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Average cost per juror	$59.72	$44.65	$50.00	$41.41	G
Number of jury trials*	NEW	902	N/A	955	
District*	NEW	650	N/A	602	
Magistrate*	NEW	181	N/A	301	
Metropolitan*	NEW	71	N/A	52	
Average interpreter cost per session	$152.50	$154.74	$100.00	$157.47	Y
				Program Rating	Y

*Measure is classified as explanatory and does not have a target.

Special Court Services

Graduation rates for drug-court and DWI-court participants improved from FY18 to FY19, and recidivism rates for drug-court participants fell to 14 percent, the lowest rate since drug courts began reporting the measure. Program outcomes were only reported semi-annually in FY19 due to inconsistencies in data collection, case management, and filing practices across state courts. The Administrative Office of the Courts has requested funding in FY21 for a uniform case management system for all specialty courts to unify data collection and enable quarterly reporting.



Budget: $12,183.1 **FTE:** 6.5

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Cases to which CASA volunteers are assigned*	1,019	2,668	N/A	2,413	
Monthly supervised child visitations and exchanges conducted	1,102	1,176	1,000	1,176	G
Recidivism rate for drug-court participants	16%	21%	12%	14%	Y
Recidivism rate for DWI-court participants	6%	6%	12%	6%	G
Graduation rate for drug-court participants*	59%	57%	N/A	51%	
Graduation rate for DWI-court participants*	71%	70%	N/A	76%	
Cost per client per day for all drug-court participants*	$23.30	$23.25	N/A	$25.39	
				Program Rating	Y

*Measure is classified as explanatory and does not have a target.

Statewide Judiciary Automation

Complications with the Odyssey case management system caused times per service call to increase sharply in FY18 and remain high through FY19. The new system incorporates all call types, regardless of difficulty, and measures time to resolve calls from several minutes to weeks. LFC and DFA agreed to alter the measure for FY20 to track responses and resolutions to customer service requests in days, which will more accurately gauge the success of development, enhancement, and maintenance for court automation.

Budget: $8,837.0 **FTE:** 53.5

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Average time to resolve calls for assistance, in hours	16.2	79.6	10	52	R
				Program Rating	R

Additional measures adopted by the Administrative Office of the Courts:

- Number of internal audits delivered (explanatory)
- Number of desk audits completed (explanatory)

Magistrate Court

The Supreme Court of New Mexico ordered all magistrate and district courts to consolidate by the end of FY19 to reduce personnel costs and streamline judicial services statewide. Reporting for the magistrate courts, conducted by the Administrative Office of the Courts, was inconsistent throughout FY19. The consolidation will now charge the district courts with providing meaningful and consistent reporting for the lower courts. The Administrative Office of the Courts will continue to support building services, perform audits, and provide legal advice for the magistrate courts.

Budget: $31,333.6 **FTE:** 343.5

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Number of active cases pending*	NEW	17,794	N/A	23,970	
Cases disposed as a percent of cases filed	101%	137%	100%	106%	G
				Program Rating	G

*Measure is classified as explanatory and does not have a target.

Additional measures adopted by the District Attorneys:

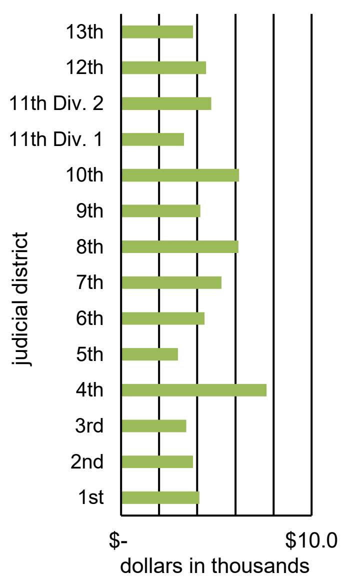
- Number of pretrial detention motions made: explanatory
- Percent of pretrial detention motions granted: explanatory
- Percent of cases diverted to alternative sentencing treatment: explanatory

District Attorneys

Responding to legislative interest, the district attorneys submitted a unified priorities budget request for the first time in FY20, but failed to do so again for FY21. Though the state's judicial districts vary greatly in prosecution interests, district attorney offices statewide prioritized recruitment and retention, lower vacancy rates, and FTE expansion, which the Legislature largely funded. As a result, caseloads significantly decreased, though they remain higher than the target. New Mexico prosecution offices continue to struggle to recruit and retain attorneys, especially in rural New Mexico, frequently losing attorneys to the private sector or other state agencies. In response, the district attorney's association is discussing seeking geographic pay differentials, and partnering with rural district defenders to create a recruitment program that would incentivize young lawyers to begin and maintain careers in the rural areas of the state.

The district attorneys adopted new performance measures for FY21 that examine elements of the agency's work outside of prosecution, such as pretrial detention motions and referrals to alternative sentencing treatments. The new measures will allow the Legislature to track how criminal justice reform and innovation are being implemented.

FY20 District Attorney Appropriation per case
(general fund)



Source: LFC Files, Administrative of the District Attorneys

Budget: $66,421.9 **FTE:** 954

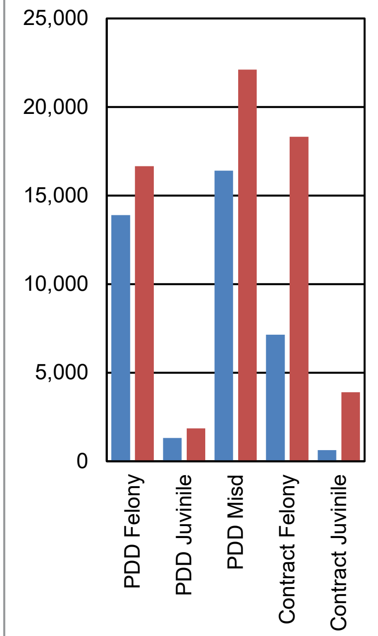
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Cases prosecuted of all cases referred for screening*	NEW	89%	N/A	87%	
Average cases handled per attorney	NEW	312	185	264	R
Average time from filing to disposition for juveniles, months	NEW	4	1.75	4	Y
Average time from filing to disposition for adults, months	6	7	8	7	G
Average cases referred into pre-prosecution diversion programs*	NEW	100	N/A	100	
Number of cases referred for screening*	NEW	NEW	N/A	5,241	
Average number of cases added to attorney caseload*	NEW	NEW	N/A	287	
				Program Rating	Y

*Measure is classified as explanatory, and does not have a target.

Public Defender

The Public Defender Department (PDD) transitioned to a new case management system in the final quarter of FY19, which allows the agency to continue providing robust quarterly reports, especially for in-house attorneys. Like other criminal justice partners, the PDD struggles to recruit and retain legal professionals in rural areas. PDD implemented geographical pay differentials and expanded recruitment tactics, significantly decreasing the agency vacancy rate from 21 percent in FY17 to just under 13 percent in FY19, reducing attorney caseloads.

For the second consecutive year, the Public Defender Department surpassed all performance targets, except for contract attorneys reducing formally filed charges, which remains well under the FY19 target. PDD currently does not require contract attorneys to regularly close cases in the case management system, which is likely resulting in underreporting contributing to the low outcome. The Public Defender Department continues to explore solutions to ensure timely and accurate reporting by both in-house and contract attorneys. The PDD utilizes contract attorneys, typically paid a flat rate per case, when there is a conflict of interest, to mitigate overflow where caseloads are unmanageable, and as the primary indigent defense in the 18 New Mexico counties without a public defender office.



Budget: $48,849.7 **FTE:** 439

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Felony, misdemeanor, and juvenile cases resulting in a reduction of original formally filed charges	NEW	75%	70%	72%	G
In-house attorneys	NEW	83%	70%	84%	G
Contract attorneys	NEW	43%	70%	31%	R
Felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment	NEW	11,584	5,000	13,990	G
In-house attorneys	NEW	10,130	4,000	12,281	G
Contract attorneys	NEW	1,454	1,000	1,169	G
Cases assigned to contract attorneys*	NEW	31%	N/A	34%	
Cases assigned per in-house attorneys, yearly	312	302	330	266	G
Average time to disposition for felonies, in days*	NEW	261	N/A	326	
In-house attorneys*	169	256	N/A	291	
Contract attorneys*	256	274	N/A	326	
Cases opened by the Public Defender Department *	NEW	45,237	N/A	63,292	
In-house attorneys*	NEW	31,660	N/A	40,628	
Contract attorneys*	NEW	13,577	N/A	22,664	
				Program Rating	G

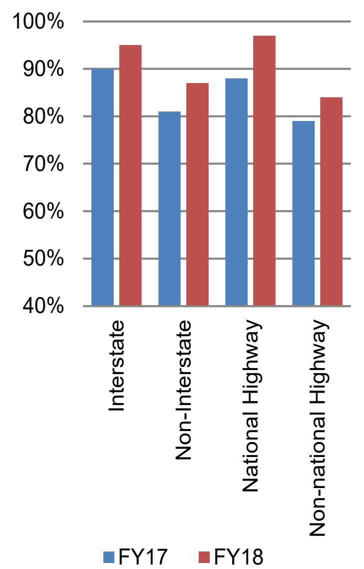
*Measure is classified as explanatory and does not have a target.

The Legislature set a $1.5 million cap in 2019 for a pilot program to compensate contract attorneys hourly. PDD allocated the funds towards complex and time-intensive cases that, when resolved, will provide any data linking the compensation rate for contract attorneys and case outcomes.

Department of Transportation

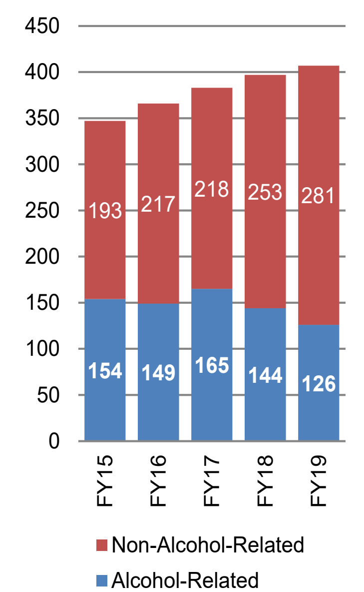
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

Percent of Miles Rated In Good Condition



Source: NMDOT

Traffic Fatalities



Source: NMDOT

The Department of Transportation (NMDOT) reports the results of the 2018 road condition survey show improved conditions across the highway system. However, limitations in data gathering methodology result in an incomplete assessment of actual conditions. The department continues to struggle with high vacancy rates, which may place additional strain on staff. NMDOT will be managing another $389 million in appropriations for roads, making sufficient staffing more critical.

Total traffic fatalities increased 2.5 percent while alcohol-related fatalities fell 12.5 percent from FY18, remaining below the target and under historic averages.

Project Design and Construction

For the third year, final costs of NMDOT-managed projects have come in close to or under bid, reflecting sound project management. However, NMDOT was unable to put a majority of projects out to bid on time. In response, NMDOT is beginning project scope and design for Statewide Transportation Improvement Program (STIP) projects earlier to ensure adequate time to address design needs without delaying bid timelines.

Budget: $536,689 **FTE:** 358

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Projects completed according to schedule	94%	86%	>88%	86%	R
Projects put out for bid as scheduled	65%	54%	>67%	49%	R
Bridges in fair condition or better, based on deck area	96%	96%	>88%	96%	G
Final cost-over-bid amount on highway construction projects	-1.0%	-0.2%	>3%	0.2%	G
				Program Rating	Y

Highway Operations

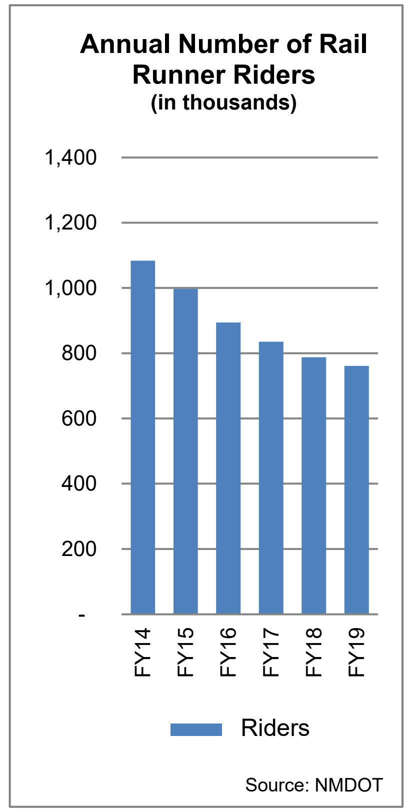
The 2018 road condition survey shows a dramatic improvement in the condition of national highway system roads. The 9 percent improvement reflects surface conditions only; federal requirements determine the metrics used for condition assessments. However, these metrics often overlook major roadway deterioration. For example, many minor treatments, such as crack sealing or thin pavement overlays on otherwise deficient roadbeds will improve reported road conditions from poor to fair or good. Recognizing the limitations of current road condition reporting, NMDOT partnered with several other states to pilot the use of new condition assessment technology capable of looking below the surface of a road to better determine pavement distress.

The department estimates a need of $276 million per year for maintenance needs across the state while the current budget provides $140 million.

Budget: $235,610.6 **FTE:** 1,829.7

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Statewide pavement miles preserved	3,668	2,853	>2,550	3,143	G

FY18 Road Condition Survey	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	Rating
Interstate miles rated fair or better	92%	93%	90%	95%	Y
National highway system miles rated good	91%	90%	88%	97%	G
Non-national highway system miles rated good	83%	82%	79%	84%	G
Lane miles in deficient condition	4,250	4,515	4,675	3,783	G
				Program Rating	G



Modal

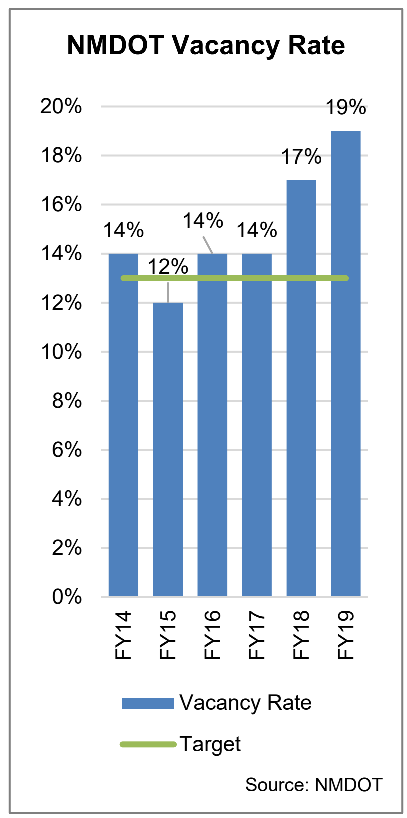
Total fatalities have increased each year and are up 17 percent between FY15 and FY19. While total alcohol-related fatalities were down 18 percent over this period, pedestrian fatalities increased from 61 in FY15 to 78 in FY19 and are contributing to the overall increase in deaths.

Ridership on public transit systems continues to decline, likely as a result of low fuel prices and comparatively long commute times. Rail Runner ridership was down 3.4 percent in FY19 while Park and Ride use fell by 4.1 percent.

Budget: $71,288.6 **FTE:** 76

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Traffic fatalities	383	359	<364	407	R
Alcohol-related traffic fatalities	163	144	<135	126	G
Non-alcohol-related traffic fatalities	220	241	<217	281	R
Occupants not wearing seatbelts in traffic fatalities	132	114	<135	137	Y
Pedestrian fatalities	69	89	<70	78	R
Riders on Park and Ride, in thousands	247	240	>275	230	R
Riders on Rail Runner, in thousands*	835	788	N/A	761	
				Program Rating	Y

*Measure is classified as explanatory and does not have a target.



Program Support

A strong national and local labor markets are likely contributing to NMDOT's 19 percent vacancy rate. High vacancy rates persist despite efforts to increase pay for engineers, surveyors, engineering technicians, highway maintenance workers, and other select occupations. The planning and design section, based in Santa Fe, is critical to getting projects to bid on time and has a vacancy rate of approximately 30 percent, while District 4 in Las Vegas has a vacancy rate of 20 percent, the highest rate of all districts.

Budget: $42,748.6 **FTE:** 242.8

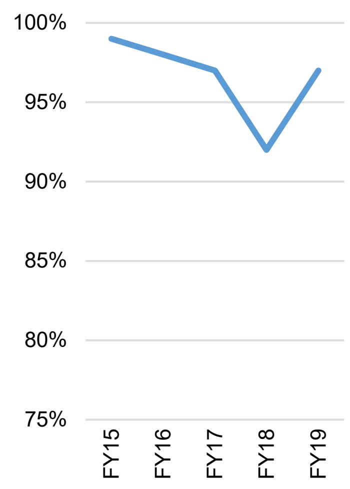
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Vacancy rate in all programs	14%	17%	<13%	19%	R
Employee injuries	78	87	<90	72	G
Percent of invoices paid within 30 days	90%	92%	>90%	94%	G
Employee injuries occurring in work zones	34	37	<35	27	G
				Program Rating	G

Department of Environment

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

The Environment Department (NMED) met several targets related to inspections and compliance in FY19 despite a significant vacancy rate that affects performance in the Water Protection and Resource Protection programs. The agency's greatest challenge in filling vacant positions is salary competitiveness with the private sector for jobs related to science, engineering, technology, and math. In some instances, the agency received a yellow rating because targets were not increased after performance exceeded targets in prior years. NMED's overall performance is difficult to assess because nearly half of the measures are classified as explanatory and do not have targets to measure progress against. Other measures focus more on inputs and outputs than outcomes. NMED has committed to collaborating with LFC staff on improving key measures to provide data more representative of program performance.

The agency received FY20 special appropriations of $2 million to support the state's ongoing environmental litigation associated with the 2015 Gold King mine spill. NMED also received $1.2 million to match federal funds for the management and cleanup of a number of Superfund sites across the state. The discovery of perfluoroalkyl and polyfluoroalkyl substances (PFAS) in groundwater near Cannon and Holloman Air Force bases required regulatory enforcement from NMED in FY19 and is expected to be an ongoing challenge. NMED reports struggling to increase staff in oversight and compliance positions due to decreasing federal funds.



Water Protection

The program met its target for the percentage of facilities operating under a groundwater discharge permit that were inspected, despite a reported 40 percent vacancy rate in the Pollution Prevention Section of the Ground Water Quality Bureau. The program discovered a discrepancy in the way the percentage of facilities in compliance with groundwater standards was calculated, and therefore reported the data as a count instead. This change prevents a meaningful comparison of performance to prior years, and the measure was given a yellow rating as a result. LFC recommends reporting the data as a percentage once the discrepancy with past years is rectified.

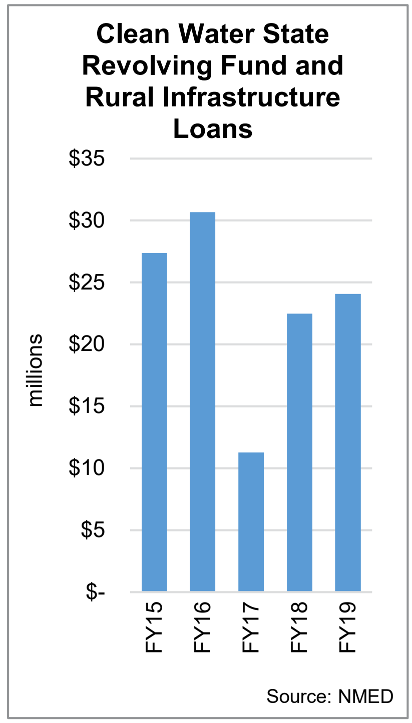
In FY19, the percentage of the population served by community water systems that meet health-based drinking water standards was higher than it was in FY18. According to NMED data, nearly 47 thousand people are served by water systems that do not meet these standards. NMED also noted that 11 Drinking Water Bureau staff members are responsible for oversight and compliance of 1,100 drinking water systems. The program reported that 35 percent of assessed stream and river miles meet water quality standards.

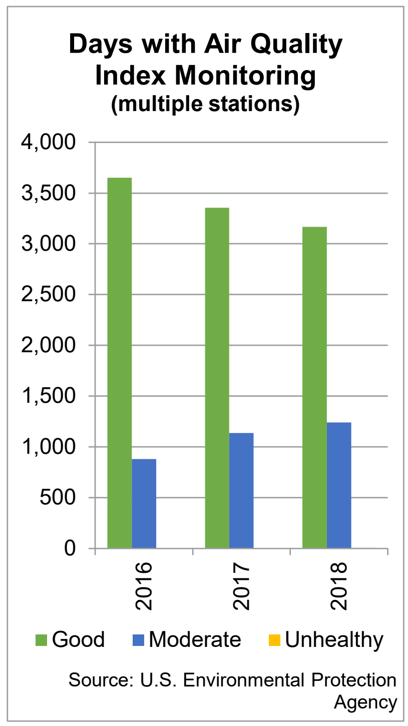
Budget: $23,859.2 **FTE:** 189

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Facilities operating under a groundwater discharge permit inspected annually	66%	54%	65%	68%	G

Facilities in compliance with groundwater standards*	63%	71%	N/A	1,582	Y
Population served by community water systems that meet health-based drinking water standards*	97%	92%	N/A	97%	
U.S. EPA clean water state revolving loan fund capitalization grant and matching state funds for wastewater infrastructure*	NEW	NEW	N/A	100%	
New loans from the rural infrastructure and clean water revolving funds programs, in millions, cumulatively*	$11.3	$22.4	N/A	$24.1	
				Program Rating	G

*Measure is classified as explanatory and does not have a target.





Resource Protection

For FY19, the program reduced the target for hazardous waste generators inspected from 40 percent to 20 percent despite meeting the higher target in FY18. The program exceeded the reduced target in FY19. The measure for underground storage tank facility compliance also has a target lower than the reported FY18 actuals. The program exceeded the target but is slightly below reported performance in FY18. These measures were given yellow ratings because FY19 targets were not increased to correspond to FY18 actual data as LFC recommended during the FY19 budget recommendation process.

Budget: $23,859.2 **FTE:** 189

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Facilities operating under a groundwater discharge permit inspected annually	66%	54%	65%	68%	G
Facilities in compliance with groundwater standards*	63%	71%	N/A	1,582	Y
Population served by community water systems that meet health-based drinking water standards*	97%	92%	N/A	97%	
U.S. EPA clean water state revolving loan fund capitalization grant and matching state funds for wastewater infrastructure*	NEW	NEW	N/A	100%	
New loans from the rural infrastructure and clean water revolving funds programs, in millions, cumulatively*	$11.3	$22.4	N/A	$24.1	
				Program Rating	G

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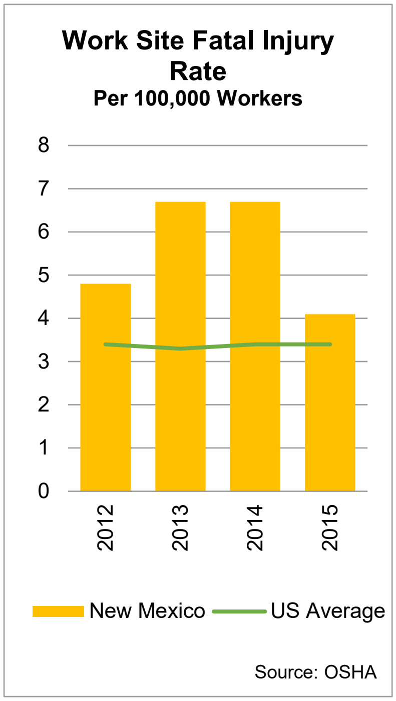


Environmental Protection

The number of days rated good or moderate for air quality averaged 98 percent across the second and third quarters, but lower ratings in the first and fourth quarters brought the FY19 total to 87 percent. Although this measure has a target of 100 percent, NMED reports it as explanatory data because it does not regulate air quality in all areas of the state and significant emissions can be transported in from outside NMED's jurisdiction. NMED reports air quality permitting grew by 256 percent between 2008 and 2018, but the Air Quality Bureau did not increase inspection or permitting staff during that time, leading to difficulties meeting inspection goals. The lack of oversight may contribute to poorer air quality as unpermitted emissions go undiscovered by Air Quality Bureau staff. NMED reports the larger impact on air quality, however, is increased oil production and related facilities in the state.

Budget: $21,907.7 **FTE:** 238.5

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Priority food-related violations from inspections that are corrected	100%	100%	100%	100%	G
Days with good or moderate air quality index rating	NEW	NEW	100%	87%	Y
Radioactive material licensees and registrants issued a violation that come into compliance	NEW	NEW	100%	100%	G
Swimming pools and spas in compliance with state standards	100%	100%	100%	100%	G
				Program Rating	G

Energy, Minerals and Natural Resources Department

The Energy, Minerals and Natural Resources Department (EMNRD) missed many of its targets in FY19 but in some cases improved upon FY18 performance. Vacancies continue to be a problem in the Oil and Gas Conservation Division (OCD), affecting both the number of inspections of oil and gas wells and the number of violations issued. This session, the governor signed a bill to allow OCD to assess industry fees, as other states are doing, to help cover the cost of its operations. Performance also fell short in the State Forestry Division (Healthy Forests) and State Parks Division, reportedly due to weather trends and emergencies, funding limitations, and infrastructure deficiencies.

EMNRD proposed adding measures in FY21 that would capture data on waste created by oil and gas activity as well as the complexity of the drilling permit application process. The agency should also consider adding key measures in the Renewable Energy and Energy Efficiency Program to reflect the goals of the capital appropriation made in FY20.

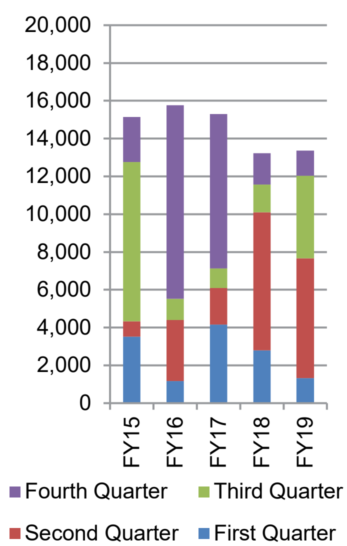
ACTION PLAN	
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

Healthy Forests

The number of nonfederal wildland firefighters provided with incident command system training fell slightly short of the FY19 target but increased 20 percent over FY18. The state forester reports a very active and early fire season in FY19 meant the Forestry Division and local fire departments were fighting fire during the time of year training is typically offered. New Mexico is also experiencing a decline in rural fire department recruitment and volunteer retention.

The division treated over 13 thousand acres of overgrown forests and watersheds to increase resilience to fire, drought, insects, and disease but missed its target by over 2,000 acres. The state forester reports federal funding received through the Western State Fire Managers Program in FY19 was sufficient to treat only 300 acres, compared with over 1,000 acres in FY18. Furthermore, the agency reports the lack of FY18 capital outlay for watershed restoration reduced the number of acres the State Forestry Division could treat in FY19. For FY20, the Legislature appropriated $2 million annually to a new forest land protection revolving fund to administer forest and watershed management projects.

Forest and Watershed Acres Treated



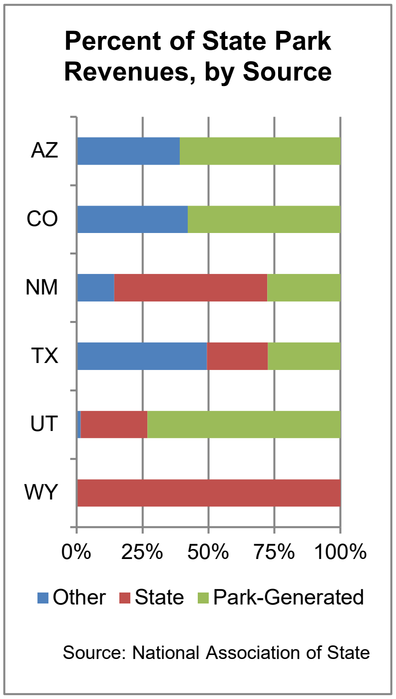
Source: EMNRD and LFC Files

Budget: $13,458.7 **FTE:** 78

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Nonfederal wildland firefighters provided training.	1,362	1,205	1,500	1,454	Y
Acres treated in New Mexico's forest and watersheds	15,292	13,226	15,500	13,358	Y
				Program Rating	Y

State Parks

As is typical in the summer, visitation to state parks was high in the fourth quarter but was lower overall in FY19 than in FY18 due primarily to drought conditions and fire closures. Additionally, two parks experienced failures of traffic counter equipment, likely lowering visitation numbers artificially. Self-generated revenue per visitor represents the total revenue collected from day



use and overnight camping fees divided by the number of parks visitors. State Parks fees for entry, camping, and facilities are some of the lowest in the country. EMNRD is considering changes to the State Parks fee structure for camping and use of other amenities, as well as installation of payment kiosks that accept noncash payment methods to improve revenue collection and modernize visitor experience. Interpretive programs, which educate visitors about the natural and cultural resources of the state parks, have declined over the last two fiscal years.

Budget: $26,722 FTE: 234.5

Measure	**FY17 Actual**	**FY18 Actual**	**FY19 Target**	**FY19 Actual**	**Rating**
Visitors to state parks, in millions*	4.9	4.7	N/A	4.5	Y
Self-generated revenue per visitor, in dollars*	0.88	1.06	N/A	1.02	Y
Interpretive programs available to park visitors*	1,053	860	N/A	687	Y
				Program Rating	**Y**

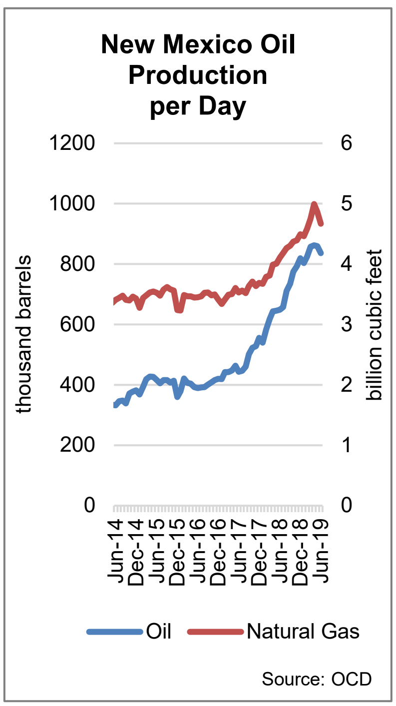
*Measure is classified as explanatory and does not have a target. Ratings are based on comparison with past year performance.

Mine Reclamation

The Asarco Deming mill was the only permitted mine that did not have financial assurance in place to cover reclamation costs as of the third quarter. The operator of the mill has now provided EMNRD with the required financial assurance through a collateral form.

Budget: $8,157 **FTE:** 33

Measure	**FY17 Actual**	**FY18 Actual**	**FY19 Target**	**FY19 Actual**	**Rating**
Permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	98%	99%	98%	99.9%	G
				Program Rating	**G**



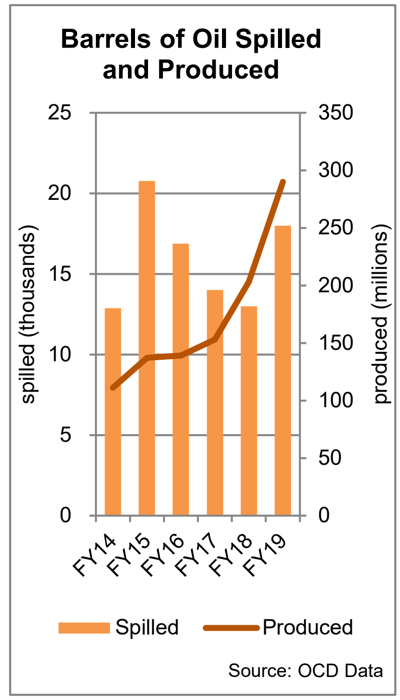
Oil and Gas Conservation

Despite reducing the target for oil and gas well inspections from 47 thousand in FY18 to 40 thousand in FY19, the Oil and Gas Conservation Division (OCD) was unable to meet its goal. OCD attributes this to compliance officer vacancies; currently half of OCD's compliance officer positions are vacant. These positions are in the department's various field offices, which increases the difficulty of hiring. OCD is engaged in a reorganization effort that will move most compliance officers to Albuquerque with the goal of increasing the applicant pool.

The division continues to process most approved drilling permits within 10 business days, exceeding its target but falling short of FY18 actuals. Despite plugging 41 abandoned oil and gas wells in FY18, the agency requested a target of only 27 in FY19, which it met. OCD reports 208 abandoned or orphaned wells are currently approved for plugging. The division issued 1,620 violations in FY19, 78 percent of the number issued in FY18 despite significantly increased oil and gas production activity this year. OCD reports this reduction is related to the decrease in number of inspections and is also attributable to vacancies in compliance officer and environmental tech positions.

OCD is working alongside the Environment Department to develop a methane emissions reduction strategy in accordance with the governor's executive order on addressing climate change and energy waste prevention. OCD's goal will be to prevent the waste of methane and other natural gas in the oil industry. In FY21, OCD will start reporting on the volume of natural gas vented and flared.

The Environmental Bureau of OCD has the additional responsibility of overseeing the Carlsbad brine well remediation project, which is not captured in the division's performance measures. The Environmental Bureau chief is serving as the project manager, working closely with the contractor hired for the project. Construction was delayed due to difficulty securing access agreements for the site and is now set to begin by the end of September 2019. EMNRD is projecting an $8.8 million budget shortfall because of costs not anticipated when the appropriation was made.



Budget: $8,001 **FTE:** 66

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Inspection of oil and gas wells and associated facilities	37,648	42,800	40,000	31,043	R
Application to drill permits approved within ten business days	96%	99.8%	85%	92.9%	G
Abandoned oil and gas wells properly plugged	33	41	27	31	G
Violations issued*	NEW	2,081	N/A	1,620	Y
				Program Rating	Y

*Measure is classified as explanatory and does not have a target. Rating is based on comparison with past year performance.

Renewable Energy and Energy Efficiency

The agency reported it reviewed 90 percent of applications for clean energy tax credits within 30 days. The agency reported 85 Waste Isolation Pilot Plant emergency responder and shipment inspection trainings and practice exercises, improving upon FY18's 79. In FY20, the program will report on technical assistance provided to clean energy projects. Expanding the measures in this program will be key to monitoring progress towards the new administration's renewable energy goals and the Legislature's investments in this area.

Budget: $2,565.0 **FTE:** 14

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Applications for clean energy tax credits reviewed within 30 days	90%	90%	90%	90%	G
				Program Rating	G

In 2018, 3.5 billion standard cubic feet (scf) of natural gas was vented and 32.7 billion scf was flared in New Mexico, according to data provided to EMNRD from oil and gas operators. For comparison, in 2017 operators reported the combined total of vented and flared gas was 17 billion scf. OCD proposed a new performance measure for FY21 to track vented and flared gas. The U.S. Governmental Accountability Office reports 40 percent of gas lost through venting and flaring on public lands could be captured economically.

Office of the State Engineer

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

Reservoir Capacity

Reservoir	2017	2018	2019 YTD
Abiquiu Reservoir	12%	10%	5%
Bluewater Lake	21%	15%	23%
Brantley Lake	2%	3%	3%
Caballo Reservoir	21%	14%	12%
Cochiti Lake	10%	10%	9%
Conchas Lake	24%	79%	44%
Costilla Reservoir	74%	78%	56%
Eagle Nest Lake	53%	54%	63%
El Vado Reservoir	68%	43%	54%
Elephant Butte Reservoir	17%	18%	25%
Heron Reservoir	49%	38%	48%
Lake Avalon	43%	65%	43%
Lake Sumner	22%	28%	21%
Navajo Reservoir	84%	72%	90%
Santa Rosa Reservoir	12%	21%	11%

Source: Natural Resources Conservation Service

Equitably apportioning limited water is increasingly complex, and vacancies constrain the Office of the State Engineer's (OSE) progress on some key measures. Ongoing interstate stream conflicts not only consume time and resources but also threaten the state's sovereign authority to manage its waters and may place restrictions on water use. The most significant of these conflicts is Texas' claim in the U.S. Supreme Court that pumping by New Mexicans from groundwater wells downstream of Elephant Butte Reservoir reduces the amount of water delivered to Texas by the Rio Grande Project. The federal government joined the suit, claiming New Mexico harmed its ability to deliver water as required under its international treaty with Mexico. Performance targets were met by the Interstate Stream Commission and the Litigation and Adjudication Program, but the Water Resource Allocation Program has backlogs and difficulty meeting some targets due to vacancies and increasing workload. As required by the 2019 General Appropriations Act, OSE will submit a five-year plan for reducing operating expenditures from its trust funds. The first year of the plan involves a general fund increase of $1 million in the Program Support division, which OSE included in its FY21 appropriations request.

Water Resource Allocation

The number of backlogged water rights applications increased in FY19 despite efforts to keep the backlog under 500 applications. The program did not meet that internal goal or the target for water rights applications processed per month, reportedly due to 40 vacant positions in the Water Rights Division and the need to investigate complaints of illegal water use that have increased due to recent drought conditions. The program recently hired 2 FTE and a summer intern to help process transactions in the water administration resource system. As a result, the number of transactions abstracted doubled in the fourth quarter and the target for this measure was surpassed.

Budget: $14,250.5 **FTE:** 182

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Unprotested and unaggrieved water rights applications backlogged*	416	451	N/A	547	Y
Unprotested water rights applications processed, per month	36	27	50	28.5	R
Transactions abstracted annually into the Water Administration Resource System database	14,566	15,612	20,000	24,946	G
Notices issued to owners of publicly owned dams notifying them of deficiencies or issues	NEW	NEW	45	46	G
				Program Rating	Y

*Measure is classified as explanatory and does not have a target. Rating is based on comparison with past year performance.

Interstate Stream Commission

New Mexico's cumulative Pecos River Compact credit has been positive for several years but is the subject of litigation before the U.S. Supreme Court. Texas objected to the Pecos River master's decision to give New Mexico a credit for evaporation of water held for Texas in Brantley Reservoir. The issue is being considered by the U.S. Solicitor General's Office, which will provide its opinion to the Supreme Court. No matter the outcome, New Mexico's cumulative Pecos River Compact credit will remain positive. New Mexico's Rio Grande Compact accrued delivery to Elephant Butte remains well above the compliance point of a 200,000 acre-foot accrued debit. The accounting of credit water under the Rio Grande Compact is part of the ongoing Supreme Court litigation. According to OSE, however, New Mexico overdelivered in 2018 and has a small accrued credit for 2019. Given the very high river flow in 2019 and the resulting high delivery obligation to Elephant Butte Reservoir, OSE anticipates this credit and numerous on-the-ground efforts will be needed to meet the 2019 delivery obligation.

The New Mexico unit fund measure tracks total expenses and is reported annually in the second quarter. The increase between FY18 and FY19 was due to payments to the U.S. Bureau of Reclamation for an environmental impact statement related to the Gila River diversion project and for reimbursements to local governments for non-unit fund water projects. Because the governor vetoed $1.7 million in FY20 capital funding from the New Mexico unit fund to OSE that would have been used to plan and design a new water supply project in southwestern New Mexico, the future of the Gila River project is uncertain.

Budget: $13,147.9 **FTE:** 46

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Cumulative state-line delivery credit per the Pecos River Compact, in thousand acre feet	137.9	137.9	> 0	170.8	G
Cumulative state-line delivery credit per the Rio Grande Compact, in thousand acre feet	-20.3	-0.7	> 0	5.4	G
Cumulative New Mexico unit fund expenditures, in millions*	NEW	$9.02	N/A	$14.83	
				Program Rating	G

*Measure is classified as explanatory and does not have a target.

Publicly Owned Dams in Need of Rehabilitation: 10 Highest Priority Dams

Dam Name	Purpose	Est. Rehab Cost
Santa Cruz Site 1	Flood Control	$6M or more
Lake Maloya Dam	Water Supply	over $30M
Cimarroncito Dam	Water Supply	$10M or more
Alto Lake Dam	Water Supply	$10M or more
Bear Canyon Dam	Irrigation, Recreation	$6M or more
Fenton Lake Dam	Recreation, Wildlife	$6M or more
Laguna Del Campo Dam	Recreation	$4M or more
McGaffey Lake Dam	Recreation	$4M or more
Lower Vallecito Dam	Irrigation	$7M-$8M
Bonito Lake	Water Supply	$10M or more

Source: OSE

Litigation and Adjudication

These two measures track progress toward the completion of the adjudication of all water rights in New Mexico. The number of offers to defendants in adjudications for FY19 reflects subfile activity in the Lower Rio Grande water rights adjudication. For FY19, the program included water rights with judicial determinations in both closed and active adjudications to provide more meaningful data on the cumulative effect of adjudications. The program exceeded its targets on both measures.

The Dam Safety Bureau of the Office of the State Engineer (OSE) keeps a list of publicly owned dams in need of rehabilitation, ranked in priority order based on several factors. The list consists of 66 dams that are publicly owned, are of sufficient size to be regulated by OSE, are considered high hazard potential dams, have auxiliary spillway capacity that is less than 70 percent of the regulatory requirement, and are deficient based on safety criteria with a condition rating of unsatisfactory, poor, or fair.

Budget: $7,088.4 **FTE:** 67

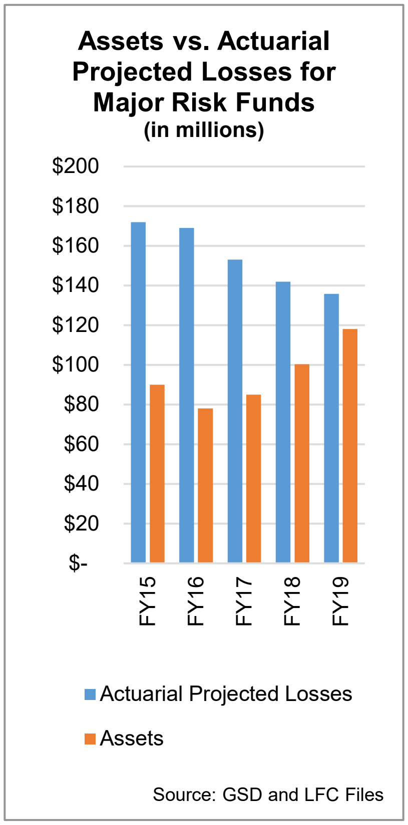
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Offers to defendants in adjudications	566	300	200	456	G
Water rights that have judicial determinations	66%	67%	70%	75%	G
				Program Rating	G

General Services Department

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

The General Services Department (GSD) included a number of new performance measures to better track costs accrued in Group Health Benefits as well as to show progress toward cataloging conditions of state facilities. While the progress made by the department is commendable, additional work must be done to develop a suite of performance measures that can improve cost-containment efforts in the Group Health Benefits Program and gauge how effectively the Facilities Management Division is using state-owned space.

The department reports the health benefits fund will have a deficit of $8.7 million at the close of FY20, and the department will request a supplemental appropriation of $30.7 million during the 2020 Legislative session.



Risk Management

Balances in the major risk funds have increased significantly despite transfers of $30 million to the general fund in FY16 for solvency; the property, liability, and workers compensation funds had a combined balance of $100 million in FY18, up from $85 million in FY17. The Risk Management Program has a goal of maintaining a fund balance sufficient to cover 50 percent of liability losses. The public liability fund has increased its balance consistently over the past several years.

Budget: $86,128.5 **FTE:** 56

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Projected financial position of the public property fund*	468%	697%	N/A	581%	G
Projected financial position of the workers' compensation fund*	43%	54%	N/A	52%	Y
Projected financial position of the public liability fund*	46%	51%	N/A	89%	G
Program Rating					G

*Measure is classified as explanatory and does not have a target. Rating is based on comparison with prior years.

Group Health Benefits

The Group Health Benefits Program reported a per-member, per-month healthcare cost increase of 0.4 percent but did not attribute the below-trend growth to any particular factor. The program operates the Stay Well Health Center, which has been designated as the primary care provider for 1,716 employees. Performance reporting should be expanded to determine whether the health center is producing cost savings.

A cost-benefit analysis may be helpful to determine if 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.

Despite the need for supplemental funding, the department anticipates FY21 premium increases of 3 percent, less than those requested by public schools.

Budget: $368,563.9 **FTE:** 0

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
State group prescriptions filled with generic drugs	87%	89%	90%	88%	Y

Change in premium	-3%	4%	4%	4%	G
Change in average per-member, per-month total healthcare cost	5%	2%	<7%	0.4%	G
Increase in the number of members designating the Stay Well Health Center as their primary care provider	NEW	NEW	≥3%	2.7%	G
				Program Rating	G

Over $32 million in energy performance contracts have been awarded over the past year. Energy performance contracts may be selected off of pricelists, sidestepping the appropriations process. Selecting performance contracts off of pricelists reduces transparency while obligating the state to pay debt for projects that have not been vetted by the Legislature.

Facilities Management

The Facilities Management Division (FMD) is responsible for property management for facilities statewide in addition to having authority over lease approval and central planning. FMD will begin reporting progress on the number of facility condition assessments conducted annually in FY20. This is a promising first step to better manage state facilities and determine needs. However, additional measures, such as square footage per employee for state-owned and leased office space, will provide context necessary to better plan for state capital projects. Additionally, FMD will be challenged to ensure efficient use of capital outlay funds and should consider tracking cost-over-bid amounts for state projects to ensure project costs remain within appropriations.

Eighteen of the 21 new office space leases approved by GSD met the 215 square foot per FTE space standard set by GSD.

Budget: $13,205.8 **FTE:** 132

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Capital projects completed on schedule	95%	97%	95%	98%	G
Preventive maintenance completed on time	97%	92%	95%	57%	R
New office leases meeting space standards	19%	64%	25%	86%	G
				Program Rating	G

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

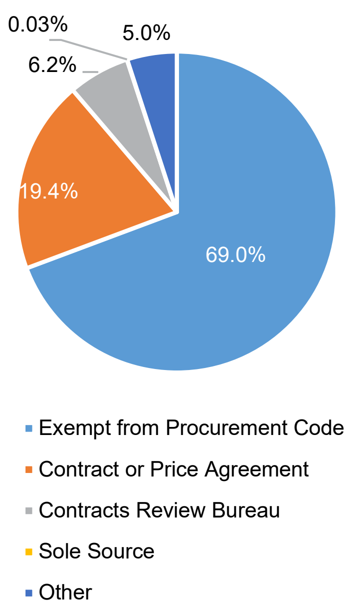
Source: LFC Files

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**

The State Purchasing Division regularly negotiates price agreements for single agencies that are not open to other agencies resulting in division staff committing time and resources to developing pricelists that may be little-used.

State Purchasing By Category



Source: LFC Files

State Purchasing

The department reports 68 out of 83 executive branch agencies reporting filled Chief Procurement Officer positions. The program reports 75 procurements were made, of which 18 were requests for proposals in the fourth quarter. The department does not believe it will be able to achieve significant year-over-year growth in this measure and requests it be discontinued.

The department should consider adding additional performance measures to better capture the work of the purchasing program.

Budget: $2,054.5 **FTE:** 24

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Procurement code violators receiving procurement code training, as compared with previous fiscal year	68%	TBD	90%	99%	G
Agencies with certified procurement officers	96%	97%	98%	91%	Y
Percent increase in best value procurements, as compared with the previous fiscal year	22%	23%	20%	2.3%	R
Program Rating					Y

Transportation Services

The program has steadily increased the proportion of vehicles used regularly with 1,349 of 1,924 vehicles operated an average 750 miles per month during FY19.

Budget: $8,740 **FTE:** 33

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Vehicle operational cost per mile	$0.47	$0.46	$0.59	$0.49	G
Vehicles used 750 miles per month	51%	61%	60%	65%	G
Program Rating					G

State Printing

State printing shipped 571 of 583 of orders to clients on time in the fourth quarter. The State Printing Program continues to show progress increasing revenue per employee and growing both sales and the number of customers served.

Budget: $1,586.6 **FTE:** 10

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Revenue per employee, in thousands	$236	$246	$180	$317	G
Sales growth in revenue	26%	36%	10%	31%	G
Program Rating					G

State Personnel Board

The State Personnel Office (SPO) reduced the average time to fill a vacant position from 70 days to 50 days. However, the vacancy rate at executive government agencies through FY19 remained high, though it dropped in the fourth quarter. It is likely that discontinuation of the consolidated human resources (HR) model helped SPO reduce the time to fill positions. Additionally, SPO credits implementation of a new recruitment module in the statewide SHARE accounting system for additional efficiencies. Beginning in early 2018, HR staff were removed from agencies statewide and sent to SPO to streamline hiring and increase efficiency. However, many of the expected benefits were never realized, leading to the discontinuation of the model during the fourth quarter. Allowing agencies to once again administer their own HR programs may have the effect of removing roadblocks to the hiring process. Additionally, SPO has placed a heavy emphasis on rapid hire events to generate interest in state employment.

The monthly LFC headcount report shows overall employment was up year-over-year in each of the last two months of the fiscal year. These increases are the first year-over-year increases in state employment since November 2015. Additionally, salary increases provided by the Legislature during the 2019 session may aid in recruitment and retention.

Between FY15 and FY19, state salaries increased by 7.5 percent and now average $47.9 thousand. Despite increased salaries, the state continues to have difficulty retaining employees; only 63 percent of new hires complete their one-year probationary period. Additionally, the gap between the salaries of newly hired employees and more tenured employees remains relatively narrow, suggesting the need for pay structure adjustment to ensure the state is paying salaries competitive with the broader labor market while providing room for salary growth for new employees.

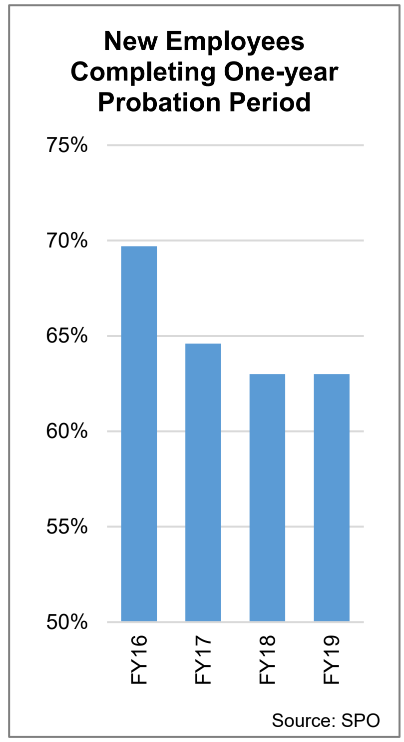
Budget: $4,005.1 **FTE:** 48

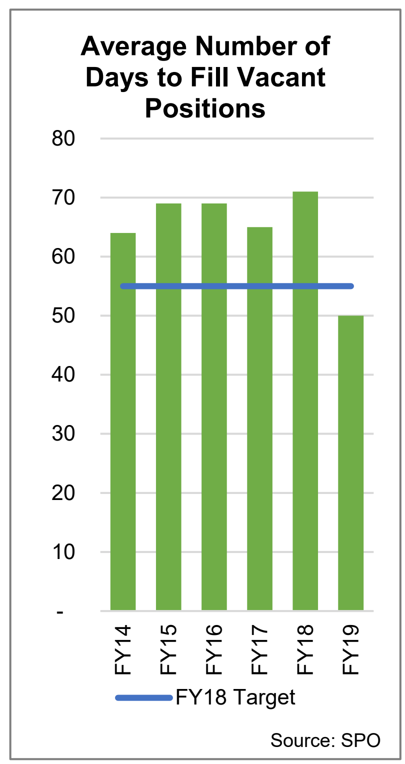
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Classified service vacancy rate	18%	18%	13%	19%	R
Average days to fill a position from the date of posting	65	71	55	50	G
Average state classified employee compa-ratio	101%	101%	≥95%	103%	Y
Average state classified employee new-hire compa-ratio	97%	100%	91%	99%	R
New employees who complete their probationary period	65%	63%	75%	63%	R
Classified employees voluntarily leaving state service	15%	14%	15%	14%	G
Classified employees involuntarily leaving state service	2%	2%	5%	2%	G
State employee average overtime usage per month*	16.2 hours	15.0 hours	N/A	15.3 hours	
State employees receiving overtime*	17%	18%	N/A	18%	
				Program Rating	Y

*Measures is classified as explanatory and does not have a target.

ACTION PLAN

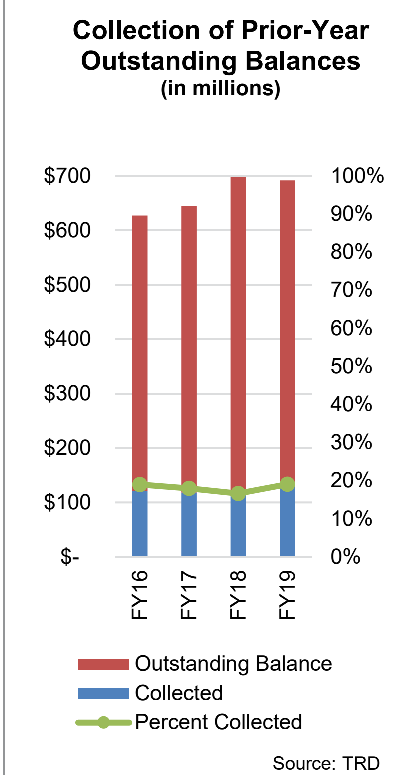
Submitted by agency?	No
Timeline assigned by agency?	No
Responsibility assigned?	No





Taxation and Revenue Department

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



The Taxation and Revenue Department (TRD) fell short of its FY19 collection targets, as well as targets for delinquent property tax collection and tax protest cases resolved. Motor Vehicle Division (MVD) performance on call center wait times and wait times at field offices also did not meet targets, although office wait times have decreased from prior years. Placing more emphasis on corrective action timelines and responsibilities in quarterly reporting could help to support progress toward meeting goals.

TRD continues to face a high vacancy rate – 24 percent for the department overall, with rates over 40 percent in some divisions – although the department has mostly filled high-level vacancies. These staffing shortages affect operations and delivery of services. For some roles, such as legal and IT professionals, salaries may not be competitive with the private sector.

The department faced significant changes to its processes and IT infrastructure in FY19, due to provisions in House Bill 6 and other 2019 legislation authorizing a number of changes to New Mexico's tax code, including to the taxation of Internet sales, personal income tax, and film tax credits. TRD estimated implementation costs of $27 million for changes to its GenTax and Tapestry IT systems. The department has begun implementing these changes but will likely require additional appropriations to fund IT projects.

Tax Administration

The Tax Administration Program did not meet its annual collections performance targets for FY19. At the end of the fiscal year, the program had collected 19.1 percent of outstanding balances of $691 million. The program collected 49 percent of its total collectible audit assessments of $89 million.

The Audit and Compliance Division (ACD) received appropriations for collection enhancement for FY20. The department plans to reevaluate collection strategies and focus on new assessments that are easier to collect in early stages. It also plans to revisit the possibility of outsourcing the collection of some receivables to private collection agencies. For collectible audit balances, ACD has begun using a new data analytics tool to identify the most collectible audits.

LFC estimates a potential loss of up to $25 million through the failure of some out-of-state oil and gas workers in southern New Mexico to comply with personal income tax filing. TRD has increased audit activities, including direct observation and use of third-party data, to identify noncompliance and has identified a small number of companies in southern New Mexico that do not have tax identification numbers and are not in TRD's databases. TRD also plans to include audits of personal income tax, corporate income tax, gross receipts tax, and withholding in all severance tax audits of oil and gas companies.

Budget: $30,214 FTE: 495.8

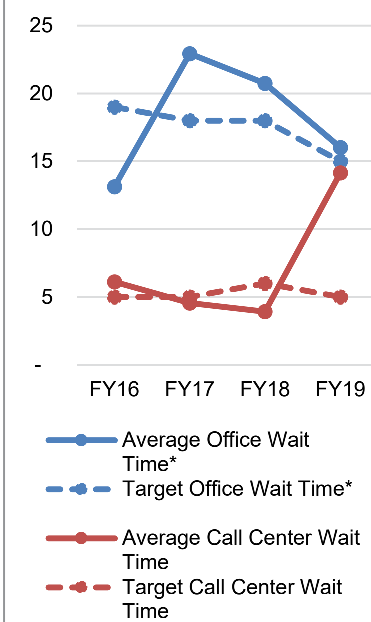
Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	18%	17%	28%	19%	R

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	58%	50%	65%	49%	R
Electronically filed personal income tax and combined reporting system returns*	86%	87%	N/A	88%	G
				Program Rating	Y

*Measure is explanatory and does not have a target. Rating is based on comparison with prior years.

Average MVD Wait Time

(in minutes)



*Qmatic-equipped.

Source: TRD Quarterly Reports

Motor Vehicle

MVD has been close to achieving its target for registered vehicles with liability insurance for the past three quarters, and saw a small increase in the insured rate in the fourth quarter. The department is in the process of making corrections to the number of vehicles it tracks for insurance verification by improving the connection of records between the Insurance Information Database and Tapestry, the MVD's customer information database. Some insurance companies continue to report data late and erroneously. The department is working with the Office of the Superintendent of Insurance to take administrative action against offending insurers.

In the 38 MVD field offices with Qmatic systems that measure wait times, the average wait in FY19 was 16 minutes, a decrease from previous years, but above the target of 15 minutes. Phone wait times were over 14 minutes on average, nearly triple the target wait time of less than 5 minutes. MVD continues to face a high vacancy rate, with 24 percent of positions unfilled across the division, and call center vacancy rates of over 35 percent. MVD is undertaking a review of staff compensation, and, for its MVD offices, will begin measuring transaction time in addition to wait time. In FY19, the department paid $657 thousand to a staffing agency for temporary MVD staff.

In June, TRD announced that 70 percent of New Mexico licenses and ID cards were Real ID compliant, a federal requirement for air travel as of October 2020. MVD issuance of Real ID-compliant licenses, which began in 2016, has contributed to longer wait times, often due to confusion about documents needed to obtain credentials.

Budget: $32,160 **FTE:** 338

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Registered vehicles with liability insurance	90%	90%	93%	90.4%	Y
Average wait time in Qmatic equipped offices, in minutes	22:56	20:45	<15:00	16:01	Y
Average call center wait time to reach an agent, in minutes	4:33	3:55	<5:00	14:09	R
				Program Rating	Y

Property Tax

The Property Tax Program collected and distributed a total of $12.9 million in delinquent property tax to counties in FY19, close to meeting its $13 million target.

Vacancy Rate by Division
July 2019

Division	Vacancy Rate
Tax Fraud Investigations	43%
Revenue Processing	42%
Information Technology	31%
Property Tax	31%
Administrative Services	26%
Motor Vehicle	24%
Audit and Compliance	24%
Total TRD	27%

Source: TRD

TRD proposed updating its measure for tax protest cases resolved for FY21 to incorporate the percentage of cases resolved, as well as the dollar amount of cases resolved. This will be a more comprehensive and accurate measure of the department's performance in resolving tax protest cases.

Budget: $4,077 **FTE:** 39

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Delinquent property tax collected and distributed to counties, in millions	$11.2	$14.6	$13	$12.9	Y
				Program Rating	Y

Program Support

The department did not meet its performance target for the number of tax protest cases resolved, resolving approximately two-thirds of the target number of cases. The department attributes the slow progress to inadequate staffing – the vacancy rate in the Administrative Services Division is 26 percent. Inadequate staffing across divisions also affected the share of internal audit recommendations implemented, leading to reduced capacity to implement recommendations.

Budget: $19,314 **FTE:** 173

Measure	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Tax protest cases resolved	1,524	1,315	1,500	1,003	R
Internal audit recommendations implemented	91%	94%	91%	60.7%	R
				Program Rating	R

The estimated cost for 14 key projects included in the FY19 IT status report is currently over $305 million, including $201.4 million for the Human Services Department (HSD) Medicaid Management Information System Replacement (MMISR) project (90/10 federal match).

Medicaid Management Information System Replacement. Estimated at $201 million, HSD's MMISR project, currently the most expensive project in the state, is a high-risk project. Since FY14, the Legislature has appropriated $16.7 million for the project, leveraging $149.7 million in federal funding. This funding may support other health and human services agencies' technological needs. The federal Centers for Medicare and Medicaid Services (CMS) approved the estimated completion date of 2021 and authorized up to $201 million to replace the current system. The project is moving forward and is now in the planning and implementation phase. An LFC May 2019 program evaluation reported the project has not come without challenges, including changes in project management, issues with vendor deliverables, lack of resources, and delays in the procurement process, all of which impact the project schedule and pose risk to the project. Since issuing the report, HSD continues to improve project management, ensuring vendor staffing levels are appropriate and leadership's active engagement in the project is a constant. However, the complexity associated with this large, multi-year project warrants continued critical oversight. A CMS-compliant MMIS will ensure federal funding for Medicaid operations are not reduced for noncompliance.

Comprehensive Child Welfare Information System. The CCWIS project at the Children, Youth and Families Department (CYFD) is replacing its Family Automated Client Tracking System (FACTS), the mission-critical system for child welfare case management that 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. The department has not progressed past the initiation and planning phase and has not spent any of the $6 million in available funding. Furthermore, CYFD does not have a qualified internal project manager or a project management vendor for the CCWIS project, which is critical to the success of any IT project. The department is requesting additional funding for FY21 to continue the CCWIS project, yet status of its advanced planning document required by ACF is unknown. In the past, CYFD experienced problems with a multi-year project to update its IT system across multiple program areas. CYFD scaled down the project scope, resulting in data silos, additional vendor costs, and program integrity concerns.

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	Close-Out		**Implementation Date:**		3/19/2018			
			Estimated Total Cost¹ (in thousands):		$11,000.0			
	State²	**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%		
FY19 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	Green	Green	Green	Green	TRD closed the project at the end of FY19 with certification approval.			
Risk	Yellow	Yellow	Yellow	Yellow	Continuing issues with incorrect data reporting is likely impacting the revenue estimates.			
Overall	Green	Green	Green	Green	Project successfully accomplished all planned activities within scope, schedule, and budget.			
Functionality				Yellow	While improvements in the filing and amendment process have increased accuracy and efficiency of severance tax collection and distribution, incorrect data reporting remains.			

¹Total estimated costs include $4.1 million for ONGARD stabilization and modernization and $6.9 million for the severance tax project.

²Includes a $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	Implementation		**Estimated Implementation Date:**		6/30/2020			
			Estimated Total Cost (in thousands):		$10,000.0			
	State¹	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$10,000.0	$0.0	$10,000.0	$2,115.3	$7,884.7	21.2%		
FY19 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget	Yellow	Yellow	Yellow	Yellow	The project certification committee approved the certification of $7.7 million for the implementation phase in November 2018. The $10 million available funding is certified.			
Schedule	Yellow	Yellow	Yellow	Yellow	Project started in September 2018 with estimated completion by June 2020. Laws 2019 reauthorized $5 million appropriated in Laws 2016 (as extended in Laws 2018) through FY20 to meet the 18 month project timeline.			
Risk	Yellow	Yellow	Yellow	Yellow	Complexities and potential risks areassociated with ensuring 17 interfaces are implemented correctly. The project may have insufficient resources for needed subject matter experts.			
Overall	Yellow	Yellow	Yellow	Yellow	Data governance for interagency data exchange has yet to be established to replace the legacy joint powers agreement. This governance is critical to support stable revenue for the state.			

¹Laws 2018 appropriated an additional $5 million available for expenditure through FY20; the appropriation is from state lands maintenance fund.

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

Agency	361	Department of Information Technology (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	$13,896.8	$303.2	97.9%	
FY19 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Project expenditures appear to be under budget based on status of completion.		
Schedule					Overall project is 99 percent complete; phase three is entering the final stages. The digital microwave (DMW) network partial refresh is in the implementation phase and DMW equipment is ordered. All sites are scheduled for completion by the end of September.		
Risk					Constraints include weather and available external and internal resources. An updated project management plan is needed.		
Overall					The deployment of the 700 MHz land mobile radio units is complete, and DPS District 1(Santa Fe) and District 5 (Albuquerque) have been equipped with dual-banded 700 MHz and conventional subscribers.		
Functionality					The potential lack of coordination among DoIT, the Homeland Security and Emergency Management Department, DPS, and the Bernalillo County Sheriff Office and Albuquerque Police Department may impact the effectiveness of the new radio communications infrastructure.		

Agency	361	Department of Information Technology (DoIT)					
Project Name	P25 Digital Statewide Public Safety Radio System Upgrade						
Project Description	Upgrade and replace public safety radio equipment and systems with digital mobile communications for public safety organizations.						
Project Phase	Initiation		Estimated Implementation Date:		6/30/2024		
			Estimated Total Cost (in thousands):		$150,000.0		
	State	Federal	Total Available Funding[1]	Spent to Date	Balance	% of Budget Expended	
In thousands	$20,000.0	$0.0	$20,000.0	$3,025.4	$16,974.6	15.1%	
FY19 Rating	Q1	Q2	Q3	Q4	Status		
Budget					DoIT project certification in June authorized the release of the additional $10 million in capital outlay funding for FY20. It is not clear what the budget impact will be given the new priority to include city of Albuquerque and Bernalillo County in the project.		
Schedule					Status on the procurement of critical hardware is unknown. DoIT reported the project requires additional planning due to incorporation of the city of Albuquerque and Bernalillo County in the project.		
Risk					The project overlaps with DoIT's SWIRE project, and DoIT has yet to complete a detailed project plan that includes a project schedule, roles and responsibilities, and how the agencies will coordinate.		
Overall					DoIT reported immediate goals and priorities have changed due to a recent decision to incorporate the city of Albuquerque and Bernalillo County into the consolidated communication system.		

[1]Total available funding includes an additional $10 million appropriated through capital outlay in Laws 2019.

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

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 software and workflow system.						
Project Phase	Implementation		Estimated Implementation Date:		6/30/2018; revised 11/2018, 1/2019, 2/2019		
			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	$4,126.7	$73.3	98.3%	
FY19 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Project completed slightly under budget.		
Schedule					Final production roll-out completed February 25, 2019. PERA is allowing users to fully orient the system changes.		
Risk					Success of the stated business objectives has not been reviewed or determined by PERA at this time. Review of business objectives will be an agenda item when PERA is ready for formal project close-out.		
Overall					Project close-out activities are pending, including documenting critical success factors, the business process improvement matrix and lessons learned. The final IV&V report recommended a third-party security assessment on the application.		

[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[1]	Spent to Date	Balance	% of Budget Expended	
In thousands	$5,710.6	$4,485.8	$10,196.4	$2,704.1	$7,492.3	26.5%	
FY19 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Laws 2019 reauthorized $3.4 million as extended in Laws 2017, through FY20. HSD is in the procurement process for a contract to move the CSES code from the mainframe to a more current platform.		
Schedule					HSD has suspended the feasibility study started in December 2018 based on recommendations by the federal Office of Child Support Enforcement (OCSE).		
Risk					The current system is writtedn in code too complex to be modified and migrated to a modern computer language. With other states successfully migrating COBOL code, HSD is monitoring lessons learned by other states.		
Overall					HSD has set a priority for training in-house staff for maintaining the refactored code. OCSE is targeting issuance of new guidance on feasibility studies and system replacement in October 2019.		

[1]Total available funding includes an additional $5.2 million appropriated in Laws 2019: $1.8 million from the general fund and $3.4 million federal.

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

Agency	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 federal Centers for Medicare and Medicaid Services (CMS) requirements, including Medicaid information technology architecture.						
Project Phase	Planning and Implementation	Estimated Implementation Date:		11/30/2019; revised 12/2021			
		Estimated Total Cost (in thousands):		$201,486.2			
	State	Federal	Total Available Funding[1]	Spent to Date[2]	Balance	% of Budget Expended	
In thousands	$16,677.5	$149,735.6	$166,413.1	$58,530.7	$107,882.4	35.2%	
FY19 Rating	Q1	Q2	Q3	Q4	Status		
Budget					CMS authorized the $201.4 million budget, supported by a 90 percent federal funding participation match. CMS approved the *Implementation Advanced Planning Document* that includes outside partner agency spending for DOH and Aging and Long-Term Services Department. Laws 2019 reauthorized the $5 million appropriation from Laws 2017, through FY20.		
Schedule					CMS approved the estimated project completion date of December 2021. Netlogx, the enterprise project management vendor, is working toward delivering its analysis of the project by the end of July 2019. Netlogx completed a first iteration of the high level end-to-end timeline. Project management plans are not consistently being used to guide the project.		
Risk					The project organization structure continues to cause some communication and coordination issues within the project team. Amendment two for the system integrator contract has been in process since April. HSD recruitment efforts for the approved term positions have not been successful.		
Overall					Due to complexity and high risks the overall project status remains red. LFC's program evaluation on the status of the MMISR project reported improvement as a result of HSD's new leadership actively engaged in project activities.		

[1]Total available funding includes an additional $12.6 million appropriated in Laws 2019: $1.3 million from the general fund and $11.3 million federal.
[2]As of 6/30/19.

Agency	690	Children, Youth and Families Department (CYFD)					
Project Name	Comprehensive Child Welfare Information System (CCWIS)						
Project Description:	Replace the legacy Family Automated Client Tracking System (FACTS) with a modular, integrated system to meet the federal Administration on Children and Families (ACF) requirements.						
Project Phase:	Initiation	Estimated Implementation Date:		TBD			
		Estimated Total Cost (in thousands):		$30,000.0			
	State	Federal	Total Available Funding[1]	Spent to Date	Balance	% of Budget Expended	
In thousands	$6,000.0	$2,020.5	$8,020.5	$0.0	$8,020.5		
FY19 Rating	Q1	Q2	Q3	Q4	Status		
Budget					The project certification committee approved certification for the release of $750 thousand in December 2018. Although CYFD staff is working on the project, CYFD has not spent any of the project funds.		
Schedule					The CYFD monthly report to DoIT does not indicate the project is progressing. CYFD continues its discussions with HSD for participation in the MMISR project.		
Risk					The internal IT project manager resigned effective August 30. CYFD has not contracted for a project management vendor instead of a staff augmentation contract for an IT project manager.		
Overall					With the June 30 expiration of the statewide price agreements for IT professional services, the contracts under review were not finalized. It is not clear if CYFD has notified ACF of potential changes and impact to the CCWIS project associated participation in HSD's MMISR project. At the time of this writing, the status of CYFD's advanced planning document to ACF is unknown.		

[1]Total available funding includes an additional $7 million appropriated in Laws 2019: $5.5 million from the general fund and $1.5 federal.

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

Agency	665	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 and electronic benefits transfer delivery for WIC benefits.						
Project Phase	Close-out	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	$7,089.9	($85.0)	101.2%	

FY19 Rating	Q1	Q2	Q3	Q4	Status
Budget					A change in the schedule resulted in an amendment for the project analyst and project manager and is attributed to the additional $85 thousand. FNS approved additional grant funding for project close-out.
Schedule					Due to regional approach of having Texas deploy first, New Mexico has a schedule change but still completed the project by the target completion date.
Risk					Report validation is nearing completion; however, the accuracy of all caseload reported data and ability to run certain system reports may limit the effectiveness in service delivery. Reporting design process may be insufficient to produce quality reports.
Overall					Deployment of an enterprise web-based system and comprehensive clinic and participant case management system is fully operational. The WIC program has 72 clinics issuing benefits to approximately 39.4 thousand state participants. With the lack of available reporting, impact of improvements to the program is not clear.
Functionality					IV&V has concerns with final validation of systems reports. Data accuracy and report discrepancies during initial report validation appear to have improved significantly; however, this should continue to be monitored. Data validation continues.

Agency	665	Department of Health (DOH)					
Project Name	Vital Records Imaging and System Upgrades						
Project Description:	Multi-year project to acquire and implement a document management solution to scan and index vital records, linking images and data to an upgraded Vital Records database. Upgrades to the vital records software and database (e-Dave) are also included in this project.						
Project Phase:	Initiation	Estimated Implementation Date:		6/30/2021			
		Estimated Total Cost (in thousands):		$4,850.0			
	State	Federal	Total Available Funding[1]	Spent to Date	Balance	% of Budget Expended	
In thousands	$4,850.0	$0.0	$4,850.0	$40.6	$4,809.4	0.8%	

FY19 Rating	Q1	Q2	Q3	Q4	Status
Budget					DOH certified the project for the planning phase with a release of $400.7 thousand. Amount spent to date accounts for invoices from the contract project manager and independent verification and validation services vendors.
Schedule					Potential procurement delays could impact the schedule. The request for proposals is scheduled to be released in August.
Risk					There are no backup copies for original vital records. Inaccurate document counts could impact the project cost.
Overall					The project will increase functionality of the current system and provide assurance that vital records will be preserved in a digital format.

[1]Total available funding includes an additional $2.1 million appropriated in Laws 2019.

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

Agency	770	Corrections Department (NMCD)					
Project Name	**Offender Management System Replacement (OMS)**						
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 6/30/2021		
			Estimated Total Cost (in thousands):		$14,205.2		
	State[1]	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$14,205.2		$14,205.2	$6,181.6	$8,023.6	43.5%	

FY19 Rating	Q1	Q2	Q3	Q4	Status
Budget					Current project funding is adequate for the COTS solution, including 17 modules, mobile functionality, and data analytic tools.
Schedule					The project continues to be behind schedule. IV&V reported if the current project pace continues it may take four years to complete. Abilis is taking steps to address schedule slippage by increasing staff and authorizing overtime. NMCD continues to monitor the vendor's progress.
Risk					Vendor resource constraints continue with multiple concurrent projects ongoing. Although the vendor has increased its staff, not all the resources are necessarily dedicated to NMCD's OMS project. In addition, agency resource constraints continue, and the inability to fill vacant IT positions continues to be a high risk. The NMCD IT division vacancy rate is currently 31 percent; the agency continues to monitor resource availability.
Overall					While the project continues to progress, the lapse in the schedule presents risk to successful completion of the project. NMCD has a disaster recovery (DR) process, with DR sites defined but a comprehensive DR plan has not been established that defines roles, steps, communication plans, and recovery steps.

[1]Amount includes Laws 2019 appropriation of $4.1 million.

Agency	780	Department of Public Safety (DPS)					
Project Name	**Records Management System (RMS)**						
Project Description:	Replace various nonpaper record storage with an integrated records management system to provide law enforcement and other public safety agencies with a single source repository of data available to support day-to-day operations, reporting, and records and data analysis. A new RMS will ensure access, preservation, and control of DPS records in all formats.						
Project Phase:	Initiation/Planning		**Estimated Implementation Date:**		6/30/2021		
			Estimated Total Cost (in thousands):		$4,216.0		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$1,916.3		$1,916.3	$481.2	$1,435.1	25.1%	

FY19 Rating	Q1	Q2	Q3	Q4	Status
Budget					DPS FY19 funding request of $4.3 million was not adequately justified, and DPS did not request funding for FY20. Funds to complete the project are insufficient; DPS anticipates $5.4 million will be needed to continue the project in FY21.
Schedule					The project is moving forward. DPS completed the requirements gathering. The request for proposals (RFP) is in draft. DPS anticipates the new RMS will be a commercial-off-the-shelf integrated records management solution. The project schedule was reset to account for the project hiatus and completion of the request for information (RFI).
Risk					The new RMS will be a significant change to the organization, with one system instead of many stand-alone systems. With changes, DPS IT staff may have concerns regarding impact to their jobs.
Overall					DPS received nine responses to its RFI. Analysis of the RFI information wil provide a baseline to support the department's FY21 funding request.

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

Other IT Projects of Concern

Agency	361	Department of Information Technology (DoIT)			
Project Name	**Enterprise Cybersecurity Upgrade**				
Project Description:	To establish framework and foundation for the state's cybersecurity posture				
State Funding[1] (in thousands):	$7,000.0	**Spent to Date:**	$21.9	**Project Phase:**	Initiation

► Laws 2018 appropriated $1 million to perform a statewide cybersecurity assessment and identify security-related tools for compliance monitoring and cybersecurity risk management. The Project Certification Committee (PCC) certified an additional $619 thousand for a change to the initiation phase in April 2019, with total certified funds of $699.7 thousand.

► With the termination of the contract for a project manager, DoIT no longer has a project manager assigned to the project. DoIT reported schedule delays are due to the replacement of contract project manager, and DoIT is awaiting the hiring of the deputy state Chief Information Officer.

► The Governor's Office and DoIT initiated an enterprise cybersecurity vulnerability scanning pilot using RiskSense across state executive agencies. RiskSense, a leader in the IT security industry, will provide agencies quarterly vulnerability scans to identify risks and provide recommendations to remediate the security gaps. The results will assist DoIT in prioritizing the greatest risk, assigning remediation tasks, and measuring progress.

[1]Total available funding includes an additional $6 million appropriated in Laws 2019 in capital outlay to plan, design, construct and implement an enterprise cybersecurity operation center system, including the purchase and installation of equipment, for agencies statewide.

Agency	420	Regulation and Licensing Department (RLD)			
Project Name	**Permitting and Inspection Software Replacement Project**				
Project Description:	Replace Construction Industries Division (CID) permitting and inspection software, Accela.				
State Funding (in thousands):	$1,467.0	**Spent to Date:**	$0	**Project Phase:**	Planning

► CID permitting collects an estimated $4 million in revenue.

► The agency is at a high risk due to system downtime and lack of vendor support has a single point of failure with one RLD staff member available to maintain the application.

► The Project Certification Committee (PCC) certified $565 thousand to continue the planning phase in May 2019, with a contingency. DoIT rated the overall status of the project red for the fourth quarter due lack of progress and insufficient reporting.

► RLD selected the Manufactured Housing Division (MHD) for phase one, a proof of concept (pilot), with anticipated completion in June 2020, followed by phase two for CID. RLD estimated costs for phase one will use the entire funding currently available.

► The agency awarded a $206 thousand contract to FusionSto under the statewide price agreement for the requirements gathering for MHD and CID.

► To mitigate the risk, current funding was re-purposed in Laws 2019 for stabilizing and modernizing the Accela software instead of the replacement. Available funding includes an additional $500 thousand appropriated in Laws 2019.

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

Tables

Table 1: General Fund Agency Recommendation Summary

Business Unit	Description	FY20 Operating Budget	FY21 Agency Request	FY21 Recomm.	$ Over FY20 Oper.	Percent Change
Legislative						
111	LEGISLATIVE COUNCIL SERVICE	6,280.4	6,437.4	6,437.4	157.0	2.5%
112	LEGISLATIVE FINANCE COMMITTEE	4,489.5	4,601.9	4,601.9	112.4	2.5%
114	SENATE CHIEF CLERK	1,214.0	1,594.4	1,335.4	121.4	10.0%
115	HOUSE CHIEF CLERK	1,162.1	1,541.1	1,278.3	116.2	10.0%
117	LEGISLATIVE EDUCATION STUDY COMMITTEE	1,406.8	1,449.0	1,442.0	35.2	2.5%
119	LEGISLATIVE BUILDING SERVICES	4,368.1	4,503.1	4,477.4	109.3	2.5%
131	LEGISLATURE	1,810.7	2,093.2	2,093.2	282.5	15.6%
Total	**Legislative**	20,731.6	22,220.1	21,665.6	934.0	4.5%
Judicial						
205	SUPREME COURT LAW LIBRARY	0.0	0.0	0.0	0.0	0.0%
208	NEW MEXICO COMPILATION COMMISSION	552.0	568.0	552.0	0.0	0.0%
210	JUDICIAL STANDARDS COMMISSION	897.7	981.5	912.7	15.0	1.7%
215	COURT OF APPEALS	6,616.2	6,824.7	6,824.7	208.5	3.2%
216	SUPREME COURT	6,379.4	6,566.9	6,509.7	130.3	2.0%
218	ADMINISTRATIVE OFFICE OF THE COURTS	37,419.5	43,347.3	39,297.0	1,877.5	5.0%
219	SUPREME COURT BUILDING COMMISSION	0.0	0.0	0.0	0.0	0.0%
231	FIRST JUDICIAL DISTRICT COURT	10,236.8	10,955.7	10,381.1	144.3	1.4%
232	SECOND JUDICIAL DISTRICT COURT	25,509.9	26,933.8	26,487.9	978.0	3.8%
233	THIRD JUDICIAL DISTRICT COURT	9,897.5	10,461.1	10,392.5	495.0	5.0%
234	FOURTH JUDICIAL DISTRICT COURT	3,867.4	4,299.3	3,953.8	86.4	2.2%
235	FIFTH JUDICIAL DISTRICT COURT	10,341.2	11,331.7	10,818.1	476.9	4.6%
236	SIXTH JUDICIAL DISTRICT COURT	5,320.9	5,893.1	5,601.0	280.1	5.3%
237	SEVENTH JUDICIAL DISTRICT COURT	4,043.6	4,381.4	4,159.5	115.9	2.9%
238	EIGHTH JUDICIAL DISTRICT COURT	4,588.5	5,000.0	4,705.4	116.9	2.5%
239	NINTH JUDICIAL DISTRICT COURT	4,999.5	5,446.2	5,151.8	152.3	3.0%
240	TENTH JUDICIAL DISTRICT COURT	1,772.6	1,991.1	1,821.7	49.1	2.8%
241	ELEVENTH JUDICIAL DISTRICT COURT	10,376.8	11,522.5	10,720.9	344.1	3.3%
242	TWELFTH JUDICIAL DISTRICT COURT	5,093.5	5,647.8	5,309.5	216.0	4.2%
243	THIRTEENTH JUDICIAL DISTRICT COURT	10,728.5	11,701.2	11,002.5	274.0	2.6%
244	BERNALILLO COUNTY METROPOLITAN COURT	25,217.2	26,213.1	25,831.6	614.4	2.4%
251	FIRST JUDICIAL DISTRICT ATTORNEY	6,178.1	6,486.4	6,376.8	198.7	3.2%
252	SECOND JUDICIAL DISTRICT ATTORNEY	24,438.8	25,961.0	25,206.6	767.8	3.1%
253	THIRD JUDICIAL DISTRICT ATTORNEY	5,429.2	5,641.2	5,613.7	184.5	3.4%
254	FOURTH JUDICIAL DISTRICT ATTORNEY	3,617.4	3,754.2	3,680.2	62.8	1.7%
255	FIFTH JUDICIAL DISTRICT ATTORNEY	5,859.8	6,763.1	6,203.1	343.3	5.9%
256	SIXTH JUDICIAL DISTRICT ATTORNEY	3,288.9	3,329.3	3,396.1	107.2	3.3%
257	SEVENTH JUDICIAL DISTRICT ATTORNEY	2,859.6	2,954.5	2,978.2	118.6	4.1%
258	EIGHTH JUDICIAL DISTRICT ATTORNEY	3,176.3	3,406.8	3,299.1	122.8	3.9%
259	NINTH JUDICIAL DISTRICT ATTORNEY	3,571.7	3,767.9	3,681.3	109.6	3.1%
260	TENTH JUDICIAL DISTRICT ATTORNEY	1,576.0	1,618.6	1,629.0	53.0	3.4%
261	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I	4,747.1	6,033.5	5,026.0	278.9	5.9%
262	TWELFTH JUDICIAL DISTRICT ATTORNEY	3,692.3	4,290.1	3,873.7	181.4	4.9%
263	THIRTEENTH JUDICIAL DISTRICT ATTORNEY	5,820.8	6,816.2	6,038.3	217.5	3.7%
264	ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEYS	2,466.1	3,417.3	2,541.1	75.0	3.0%
265	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION II	2,764.2	3,865.5	2,936.0	171.8	6.2%
280	LAW OFFICES OF THE PUBLIC DEFENDER	55,488.0	62,032.6	57,713.5	2,225.5	4.0%
Total	**Judicial**	318,833.0	350,204.6	330,626.1	11,793.1	3.7%

Table 1: General Fund Agency Recommendation Summary

Business Unit	Description	FY20 Operating Budget	FY21 Agency Request	FY21 Recomm.	$ Over FY20 Oper.	Percent Change
General Control						
305	ATTORNEY GENERAL	14,603.0	17,442.3	14,821.7	218.7	1.5%
308	STATE AUDITOR	3,206.3	4,392.2	3,343.3	137.0	4.3%
333	TAXATION AND REVENUE DEPARTMENT	63,602.3	69,104.3	66,796.6	3,194.3	5.0%
337	STATE INVESTMENT COUNCIL	0.0	0.0	0.0	0.0	0.0%
340	ADMINISTRATIVE HEARINGS OFFICE	1,857.6	2,031.2	1,885.8	28.2	1.5%
341	DEPARTMENT OF FINANCE AND ADMINISTRATION	21,268.1	24,129.9	22,235.9	967.8	4.6%
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	15,690.7	18,987.0	17,787.5	2,096.8	13.4%
352	EDUCATIONAL RETIREMENT BOARD	0.0	0.0	0.0	0.0	0.0%
354	NEW MEXICO SENTENCING COMMISSION	1,238.1	1,909.6	1,238.1	0.0	0.0%
356	EXECUTIVE MANAGEMENT AND LEADERSHIP PROGRAM	4,184.6	4,582.9	4,442.9	258.3	6.2%
360	STATE OMBUDSMAN PROGRAM	580.9	600.8	600.8	19.9	3.4%
361	DEPARTMENT OF INFORMATION TECHNOLOGY	868.6	868.5	868.5	-0.1	0.0%
366	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION	80.3	54.6	54.6	-25.7	-32.0%
369	STATE COMMISSION OF PUBLIC RECORDS	2,583.5	2,953.0	2,648.1	64.6	2.5%
370	SECRETARY OF STATE	9,715.5	12,002.9	11,073.6	1,358.1	14.0%
378	PERSONNEL BOARD	3,974.6	4,396.1	4,034.2	59.6	1.5%
379	PUBLIC EMPLOYEE LABOR RELATIONS BOARD	242.6	321.7	252.8	10.2	4.2%
394	STATE TREASURER	3,838.9	3,946.5	3,838.9	0.0	0.0%
Total	**General Control**	147,535.6	167,723.5	155,923.3	8,387.7	5.7%
Commerce and Industry						
404	BOARD OF EXAMINERS FOR ARCHITECTS	0.0	0.0	0.0	0.0	0.0%
410	ETHICS COMMISSION	0.0	1,144.1	985.6	985.6	0.0%
417	BORDER AUTHORITY	328.7	522.2	400.1	71.4	21.7%
418	TOURISM DEPARTMENT	16,777.5	23,870.5	17,371.5	594.0	3.5%
419	ECONOMIC DEVELOPMENT DEPARTMENT	14,330.2	16,538.1	14,731.2	401.0	2.8%
420	REGULATION AND LICENSING DEPARTMENT	13,566.0	15,082.2	13,862.7	296.7	2.2%
430	PUBLIC REGULATION COMMISSION	8,032.0	10,589.2	8,889.3	857.3	10.7%
430	PRC SPECIAL REVENUES	0.0	0.0	0.0	0.0	0.0%
440	OFFICE OF THE SUPERINTENDENT OF INSURANCE	50.0	50.0	0.0	-50.0	-100.0%
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	198.0	125.0	125.0	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	5,536.8	6,509.6	5,692.0	155.2	2.8%
469	STATE RACING COMMISSION	2,400.9	3,271.8	2,497.6	96.7	4.0%
479	BOARD OF VETERINARY MEDICINE	0.0	0.0	0.0	0.0	0.0%
490	CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION	261.8	261.8	261.8	0.0	0.0%
491	OFFICE OF MILITARY BASE PLANNING AND SUPPORT	226.9	257.1	257.1	30.2	13.3%
495	SPACEPORT AUTHORITY	1,111.3	3,645.4	1,422.4	311.1	28.0%
Total	**Commerce and Industry**	62,622.1	81,940.0	66,496.3	3,874.2	6.2%
Agriculture, Energy and Natural Resources						
505	CULTURAL AFFAIRS DEPARTMENT	32,895.3	37,475.0	33,885.4	990.1	3.0%
508	NEW MEXICO LIVESTOCK BOARD	593.4	1,212.0	705.0	111.6	18.8%
516	DEPARTMENT OF GAME AND FISH	0.0	0.0	0.0	0.0	0.0%
521	ENERGY, MINERALS AND NATURAL RESOURCES DEPARTM	22,813.0	26,260.5	23,955.6	1,142.6	5.0%

Table 1: General Fund Agency Recommendation Summary

Business Unit	Description	FY20 Operating Budget	FY21 Agency Request	FY21 Recomm.	$ Over FY20 Oper.	Percent Change
522	YOUTH CONSERVATION CORPS	0.0	0.0	0.0	0.0	0.0%
538	INTERTRIBAL CEREMONIAL OFFICE	100.0	348.5	175.0	75.0	75.0%
539	COMMISSIONER OF PUBLIC LANDS	0.0	0.0	0.0	0.0	0.0%
550	STATE ENGINEER	19,236.9	24,211.3	20,636.9	1,400.0	7.3%
Total	**Agriculture, Energy and Natural Resources**	75,638.6	89,507.3	79,357.9	3,719.3	4.9%
	Health, Hospitals and Human Services					
603	OFFICE OF AFRICAN AMERICAN AFFAIRS	1,071.4	1,318.9	1,071.4	0.0	0.0%
604	COMMISSION FOR DEAF AND HARD-OF-HEARING PERSONS	327.4	630.0	500.0	172.6	52.7%
605	MARTIN LUTHER KING, JR. COMMISSION	354.3	356.5	356.5	2.2	0.6%
606	COMMISSION FOR THE BLIND	2,087.1	2,737.7	2,174.6	87.5	4.2%
609	INDIAN AFFAIRS DEPARTMENT	2,537.5	3,230.5	2,640.0	102.5	4.0%
611	EARLY CHILDHOOD EDUCATION AND CARE DEPARTMENT	0.0	252,635.6	192,312.7	192,312.7	0.0%
624	AGING AND LONG-TERM SERVICES DEPARTMENT	47,172.5	54,250.6	49,181.5	2,009.0	4.3%
630	HUMAN SERVICES DEPARTMENT	1,145,284.7	1,238,079.0	1,209,210.0	63,925.3	5.6%
631	WORKFORCE SOLUTIONS DEPARTMENT	10,113.8	12,116.3	10,269.8	156.0	1.5%
631	WORKFORCE SOLUTIONS DEPARTMENT SPECIAL REVENUE	0.0	0.0	0.0	0.0	0.0%
632	WORKERS' COMPENSATION ADMINISTRATION	0.0	0.0	0.0	0.0	0.0%
644	DIVISION OF VOCATIONAL REHABILITATION	6,148.6	10,148.6	6,424.6	276.0	4.5%
645	GOVERNOR'S COMMISSION ON DISABILITY	1,389.6	1,429.6	1,420.6	31.0	2.2%
647	DEVELOPMENTAL DISABILITIES PLANNING COUNCIL	5,170.4	6,276.8	5,299.7	129.3	2.5%
662	MINERS' HOSPITAL OF NEW MEXICO	0.0	0.0	0.0	0.0	0.0%
665	DEPARTMENT OF HEALTH	318,583.7	327,680.4	318,384.2	-199.5	-0.1%
667	DEPARTMENT OF ENVIRONMENT	12,281.0	21,119.2	13,671.3	1,390.3	11.3%
668	OFFICE OF THE NATURAL RESOURCES TRUSTEE	275.2	883.4	296.6	21.4	7.8%
670	VETERANS' SERVICES DEPARTMENT	4,978.7	6,318.1	5,289.3	310.6	6.2%
690	CHILDREN, YOUTH AND FAMILIES DEPARTMENT	313,611.1	241,815.7	227,511.5	-86,099.6	-27.5%
Total	**Health, Hospitals and Human Services**	1,871,387.0	2,181,026.9	2,046,014.3	174,627.3	9.3%
	Public Safety					
705	DEPARTMENT OF MILITARY AFFAIRS	7,203.3	7,762.4	7,490.0	286.7	4.0%
760	PAROLE BOARD	527.6	1,172.1	615.7	88.1	16.7%
765	JUVENILE PUBLIC SAFETY ADVISORY BOARD	8.3	8.3	8.3	0.0	0.0%
770	CORRECTIONS DEPARTMENT	324,177.5	346,941.9	343,019.2	18,841.7	5.8%
780	CRIME VICTIMS REPARATION COMMISSION	6,218.0	7,318.0	6,479.3	261.3	4.2%
790	DEPARTMENT OF PUBLIC SAFETY	127,370.7	140,586.7	132,992.0	5,621.3	4.4%
795	HOMELAND SECURITY AND EMERGENCY MANAGEMENT	3,153.9	4,153.8	3,407.3	253.4	8.0%
Total	**Public Safety**	468,659.3	507,943.2	494,011.8	25,352.5	5.4%
	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	13,618.8	15,103.8	14,919.0	1,300.2	9.5%
925	PUBLIC EDUCATION DEPARTMENT-SPECIAL APPROPRIATI	64,802.0	49,495.0	31,850.0	-32,952.0	-50.9%
930	REGIONAL EDUCATION COOPERATIVES	1,039.0	5,739.0	1,100.0	61.0	5.9%
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%

Table 1: General Fund Agency Recommendation Summary

Business Unit	Description	FY20 Operating Budget	FY21 Agency Request	FY21 Recomm.	$ Over FY20 Oper.	Percent Change
Total	**Other Education**	79,459.8	70,337.8	47,869.0	-31,590.8	-39.8%
Higher Education						
950	HIGHER EDUCATION DEPARTMENT	39,689.2	63,161.2	43,564.2	3,875.0	9.8%
952	UNIVERSITY OF NEW MEXICO	325,449.8	343,869.3	334,198.4	8,748.6	2.7%
954	NEW MEXICO STATE UNIVERSITY	209,938.9	219,159.8	214,619.3	4,680.4	2.2%
956	NEW MEXICO HIGHLANDS UNIVERSITY	32,485.6	34,545.9	33,493.1	1,007.5	3.1%
958	WESTERN NEW MEXICO UNIVERSITY	21,886.8	23,475.1	22,877.3	990.5	4.5%
960	EASTERN NEW MEXICO UNIVERSITY	48,059.5	51,168.1	49,586.3	1,526.8	3.2%
962	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	39,028.4	41,082.7	40,183.0	1,154.6	3.0%
964	NORTHERN NEW MEXICO COLLEGE	11,995.7	12,441.5	12,238.6	242.9	2.0%
966	SANTA FE COMMUNITY COLLEGE	14,987.1	15,917.4	15,503.6	516.5	3.4%
968	CENTRAL NEW MEXICO COMMUNITY COLLEGE	60,141.0	65,056.5	62,342.9	2,201.9	3.7%
970	LUNA COMMUNITY COLLEGE	8,307.5	8,382.5	8,298.4	-9.1	-0.1%
972	MESALANDS COMMUNITY COLLEGE	4,424.2	4,562.1	4,469.2	45.0	1.0%
974	NEW MEXICO JUNIOR COLLEGE	6,783.2	7,127.0	6,926.6	143.4	2.1%
976	SAN JUAN COLLEGE	24,998.0	26,504.8	25,746.3	748.3	3.0%
977	CLOVIS COMMUNITY COLLEGE	10,110.2	10,585.4	10,294.8	184.6	1.8%
978	NEW MEXICO MILITARY INSTITUTE	3,011.5	3,093.9	3,011.5	0.0	0.0%
979	NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMP	1,519.2	1,582.0	1,545.4	26.2	1.7%
980	NEW MEXICO SCHOOL FOR THE DEAF	4,227.8	4,467.3	4,327.6	99.8	2.4%
Total	**Higher Education**	867,043.6	936,182.5	893,226.5	26,182.9	3.0%
Public School Support						
993	PUBLIC SCHOOL SUPPORT	3,171,731.9	3,252,297.4	3,366,865.4	195,133.5	6.2%
Total	**Public School Support**	3,171,731.9	3,252,297.4	3,366,865.4	195,133.5	6.2%
Recurring Special Appropriations						
990	EARLY CHILDHOOD EDUCATION AND CARE (SB22)	1,250.0	0.0	0.0	-1,250.0	-100.0%
991	FY20 UNDISTRIBUTED COMPENSATION	400.0	0.0	0.0	-400.0	-100.0%
992	FY21 STATE/HIGHER EDUCATION EMPLOYEES COMPENSAT	0.0	0.0	47,267.9	47,267.9	0.0%
Total	**Recurring Special Appropriations**	1,650.0	0.0	47,267.9	45,617.9	2764.7%
Grand Total		7,085,292.5	7,659,383.3	7,549,324.1	464,031.6	6.5%

Table 2: U.S. and New Mexico Economic Indicators

		FY19		FY20		FY21		FY22		FY23		FY24	
		Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast	Aug 19 Forecast	Dec 19 Forecast
	National Economic Indicators												
GI	US Real GDP Growth (annual avg.,% YOY)*	2.6	2.6	2.2	2.0	2.3	2.2	1.9	1.7	1.7	1.5	1.6	1.7
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	2.6	2.6	2.0	2.0	1.5	1.5	2.9	2.9	2.3	2.5	2.2	2.2
GI	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.1	2.1	2.2	2.0	1.9	1.6	2.3	2.2	2.4	2.5	2.5	2.5
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	2.1	2.1	2.1	1.8	2.1	2.3	2.4	2.4	2.3	2.3	2.3	2.3
GI	Federal Funds Rate (%)	2.2	2.2	2.2	1.8	2.3	1.8	2.4	2.3	2.5	2.5	2.6	2.6
Moody's	Federal Funds Rate (%)	2.2	2.2	1.8	1.8	1.7	1.4	2.3	2.0	2.9	2.7	3.0	3.0
	New Mexico Labor Market and Income Data												
BBER	NM Non-Agricultural Employment Growth (%)	1.5	1.5	1.6	1.7	1.2	1.2	1.1	1.0	0.9	0.8	0.9	0.8
Moody's	NM Non-Agricultural Employment Growth (%)	1.4	1.4	1.4	1.9	0.2	0.1	0.4	0.4	0.8	0.9	0.6	0.6
BBER	NM Nominal Personal Income Growth (%)***	3.8	3.8	4.8	5.7	4.0	3.8	4.6	4.5	4.4	4.2	4.4	4.5
Moody's	NM Nominal Personal Income Growth (%)***	4.6	4.6	4.4	4.6	3.1	2.8	3.6	3.6	4.0	4.1	3.7	3.6
BBER	NM Total Wages & Salaries Growth (%)	4.8	4.8	5.1	5.8	4.6	4.8	4.2	3.9	3.7	3.7	3.6	3.6
Moody's	NM Total Wages & Salaries Growth (%)	4.9	4.9	4.1	5.2	2.0	2.1	1.7	1.8	2.8	3.0	2.8	2.9
BBER	NM Private Wages & Salaries Growth (%)	5.5	5.5	5.2	5.4	5.0	4.7	4.4	4.1	4.0	4.0	3.9	4.0
BBER	NM Real Gross State Product (% YOY)	2.4	2.4	1.6	1.9	1.4	1.2	1.2	1.3	1.1	1.2	1.1	1.1
Moody's	NM Real Gross State Product (% YOY)	3.7	3.7	3.2	3.4	1.9	1.9	2.6	2.7	2.1	2.2	2.3	2.2
CREG	NM Gross Oil Price ($/barrel)	$51.80	$51.51	$52.50	$52.00	$52.00	$50.00	$52.00	$50.00	$54.00	$52.00	$55.50	$53.00
CREG	NM Net Oil Price ($/barrel)*****	$45.58	$45.25	$46.20	$45.75	$45.75	$44.00	$45.75	$44.00	$47.50	$45.75	$48.85	$46.65
BBER	Oil Volumes (million barrels)	302.7	302.7	361.8	341.3	389.5	370.3	404.2	384.6	416.9	397.0	428.0	407.9
CREG	NM Taxable Oil Volumes (million barrels)	298.0	300.4	356.3	350.0	399.6	360.0	438.3	365.0	475.0	375.0	512.8	385.0
	NM Taxable Oil Volumes (%YOY growth)	45.8%	45.8%	19.6%	16.5%	12.2%	2.9%	9.7%	1.4%	8.4%	2.7%	8.0%	2.7%
CREG	NM Gross Gas Price ($ per thousand cubic feet)****	$3.05	$3.08	$2.00	$2.10	$2.25	$2.25	$2.50	$2.50	$2.50	$2.50	$2.50	$2.50
CREG	NM Net Gas Price ($ per thousand cubic feet)*****	$2.20	$2.18	$1.32	$1.26	$1.51	$1.47	$1.70	$1.67	$1.70	$1.67	$1.70	$1.67
BBER	Gas Volumes (billion cubic feet)	1,602	1,602	1,679	1,696	1,718	1,758	1,748	1,798	1,749	1,813	1,714	1,779
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,575	1,562	1,662	1,610	1,745	1,625	1,832	1,650	1,914	1,665	2,001	1,675
	NM Taxable Gas Volumes (%YOY growth)	15.7%	15.7%	5.5%	3.1%	5.0%	0.9%	5.0%	1.5%	4.5%	0.9%	4.5%	0.6%

Notes
* Real GDP is BEA chained 2012 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 gross gas prices are estimated using a formula of NYMEX, EIA, and IHS Markit (November) future prices
*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
Sources: BBER - October 2019 FOR-UNM baseline. IHS Global Insight - November 2019 baseline.

DFA Notes
* Real GDP is BEA chained 2012 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 gross gas prices are estimated using a formula of NYMEX, EIA, and Moodys (November) future prices
*****The net oil and gas prices represent calculated prices based on taxable values of the product after deductions for transportation, processing, and royalties
Sources: November 2019 Moody's economy.com baseline

Table 3: General Fund Consensus Revenue Estimate

December 2019
(millions of dollars)

Revenue Source	FY19		FY20		FY21		FY22	
	Dec 2019 Audited Actual	% Change from FY18	Dec 2019 Est.	% Change from FY19	Dec 2019 Est.	% Change from FY20	Dec 2019 Est.	% Change from FY21
Base Gross Receipts Tax	*2,772.8*	*9.8%*	*3,083.8*	*11.2%*	*3,091.9*	*0.3%*	*3,063.2*	*-0.9%*
F&M Hold Harmless Payments	*(113.4)*	*-8.4%*	*(155.0)*	*36.7%*	*(121.4)*	*-21.7%*	*(113.4)*	*-6.6%*
NET Gross Receipts Tax	2,659.4	11.7%	2,928.8	10.1%	2,970.4	1.4%	2,949.8	-0.7%
Compensating Tax	78.3	39.5%	82.9	6.0%	85.4	3.0%	88.0	3.0%
TOTAL GENERAL SALES	2,737.7	12.3%	3,011.7	10.0%	3,055.9	1.5%	3,037.8	-0.6%
Tobacco Taxes	75.4	-3.8%	88.6	17.5%	88.0	-0.7%	88.2	0.2%
Liquor Excise	25.3	6.2%	23.2	-8.1%	23.2	0.0%	22.3	-4.2%
Insurance Taxes	216.3	20.5%	206.1	-4.7%	215.1	4.4%	221.9	3.2%
Fire Protection Fund Reversion	-	-100.0%	16.9	n/a	17.4	3.0%	18.0	3.0%
Motor Vehicle Excise	152.5	-1.0%	150.0	-1.7%	153.5	2.3%	131.5	-14.3%
Gaming Excise	64.9	4.6%	66.5	2.5%	68.8	3.5%	70.9	3.1%
Leased Vehicle & Other	8.7	6.6%	8.3	-5.0%	8.3	0.0%	8.3	0.0%
TOTAL SELECTIVE SALES	543.2	3.3%	559.7	3.0%	574.4	2.6%	561.0	-2.3%
Personal Income Tax	1,672.0	10.1%	1,623.3	-2.9%	1,660.6	2.3%	1,707.1	2.8%
Gross Corporate Income Tax	*172.8*	*10.3%*	*134.4*	*-22.2%*	*134.0*	*-0.3%*	*133.3*	*-0.5%*
CIT Refundable Credits	*(50.0)*	*0.0%*	*(78.8)*	*57.6%*	*(116.9)*	*48.4%*	*(145.0)*	*24.0%*
NET Corporate Income Tax	122.8	15.2%	55.6	-54.7%	17.1	-69.3%	(11.7)	-168.3%
TOTAL INCOME TAXES	1,794.8	10.4%	1,678.9	-6.5%	1,677.7	-0.1%	1,695.5	1.1%
Gross Oil and Gas School Tax	*555.4*	*23.2%*	*588.4*	*6.0%*	*597.5*	*1.5%*	*618.6*	*3.5%*
Excess to Tax. Stabilization Reserve	*(182.8)*	*n/a*	*(206.4)*	*12.9%*	*(173.2)*	*-16.1%*	*(119.0)*	*-31.3%*
NET Oil & Gas School Tax	372.5	n/a	382.0	2.5%	424.3	11.1%	499.6	17.7%
Oil Conservation Tax	28.7	25.4%	31.2	8.7%	31.6	1.3%	32.5	2.8%
Resources Excise Tax	7.8	-8.6%	7.4	-5.5%	7.5	1.4%	7.2	-4.0%
Natural Gas Processors Tax	15.1	39.5%	14.3	-5.5%	9.5	-33.6%	9.0	-5.3%
TOTAL SEVERANCE TAXES	424.2	-14.0%	434.9	2.5%	472.9	8.7%	548.3	15.9%
LICENSE FEES	55.4	-9.2%	52.8	-4.8%	53.3	1.1%	54.0	1.2%
LGPF Interest	638.7	8.9%	671.8	5.2%	696.5	3.7%	737.4	5.9%
STO Interest	86.9	1361.4%	82.1	-5.5%	59.5	-27.5%	66.8	12.3%
STPF Interest	220.6	4.9%	225.3	2.1%	229.4	1.8%	236.7	3.2%
TOTAL INTEREST	946.2	17.8%	979.1	3.5%	985.4	0.6%	1,040.9	5.6%
Federal Mineral Leasing	1,146.8	103.2%	810.4	-29.3%	817.3	0.9%	829.8	1.5%
State Land Office	132.5	18.4%	74.0	-44.1%	74.5	0.7%	74.7	0.2%
TOTAL RENTS & ROYALTIES	1,279.3	89.2%	884.4	-30.9%	891.8	0.8%	904.5	1.4%
TRIBAL REVENUE SHARING	78.4	15.2%	80.1	2.1%	82.0	2.4%	83.8	2.2%
MISCELLANEOUS RECEIPTS	53.6	14.3%	49.4	-7.9%	49.2	-0.4%	49.4	0.5%
REVERSIONS	96.7	21.3%	45.5	-53.0%	40.0	-12.1%	40.0	0.0%
TOTAL RECURRING	8,009.5	17.5%	7,776.4	-2.9%	7,882.5	1.4%	8,015.2	1.7%
TOTAL NONRECURRING	(99.2)	-253.1%	28.8	-129.1%	-	-100.0%	-	n/a
GRAND TOTAL	7,910.3	15.0%	7,805.2	-1.3%	7,882.5	1.0%	8,015.2	1.7%

Table 4: General Fund Financial Summary

2020 Legislative Session Scenario

(millions of dollars)

December 18, 2019	Estimate FY2019	Estimate FY2020	Estimate FY2021
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
August 2019 Consensus Revenue Forecast	$ 7,923.7	$ 7,780.1	$ 7,991.4
December 2019 Consensus Revenue Update	$ 85.8	$ (3.7)	$ (108.9)
2020 Session Recurring Revenue Legislation	$ -	$ -	$ -
Total Recurring Revenue	$ 8,009.5	$ 7,776.4	$ 7,882.5
Nonrecurring Revenue			
2019 Nonrecurring Revenue Legislation [1]	$ (100.0)	$ -	$ -
December 2019 Consensus Revenue Update	$ -	$ 28.8	$ -
2020 Nonrecurring Revenue Legislation scenario	$ -	$ -	$ -
Total Nonrecurring Revenue	$ (100.0)	$ -	$ -
TOTAL REVENUE	**$ 7,909.5**	**$ 7,805.2**	**$ 7,882.5**
APPROPRIATIONS			
Recurring Appropriations			
2018 Session Legislation & Feed Bill [2]	$ 6,329.8	$ -	$ -
2019 Session Legislation & Feed Bill	$ 10.0	$ 7,085.3	$ -
2020 Session Legislation & Feed Bill Scenario	$ -	$ 7.0	$ 7,549.3
Total Recurring Appropriations	$ 6,339.8	$ 7,092.3	$ 7,549.3
Nonrecurring Appropriations			
2018 Session Nonrecurring Appropriations	$ 47.8	$ -	$ -
2019 Session Nonrecurring Appropriations [3]	$ 1,177.0	$ 433.2	$ -
2020 Session Nonrecurring Appropriations	$ -	$ 737.0	$ 325.0
Total Nonrecurring Appropriations	$ 1,224.8	$ 1,170.2	$ 325.0
FY2019 Ending Audit Adjustments	$ (50.4)		
TOTAL APPROPRIATIONS	**$ 7,514.2**	**$ 8,262.5**	**$ 7,874.3**
Transfer to (from) Reserves	$ 395.3	$ (457.3)	$ 8.2
GENERAL FUND RESERVES			
Beginning Balances	$ 1,184.6	$ 1,833.9	$ 1,661.0
Transfers from (to) Appropriations Account	$ 395.3	$ (457.3)	$ 8.2
Revenue and Reversions	$ 262.6	$ 319.9	$ 287.5
Appropriations, Expenditures and Transfers Out	$ (8.9)	$ (35.5)	$ (35.0)
Ending Balances	**$ 1,833.9**	**$ 1,661.0**	**$ 1,921.6**
Reserves as a Percent of Recurring Appropriations	*29%*	*23%*	*25%*

Notes:

1) Laws 2019, Chapter 87 (SB2) included non-recurring revenue impact of negative $100 million in FY19 and negative $95 million in FY20 for payment of the film credit claims backlog. The legislation also allowed for an additional $30 million film credit payout in FY20 if revenues for FY19 exceeded the forecast. The FY19 payout for $100 million was made in June 2019; however, the Economic Development Department does not expect FY20 film credit claims large enough to require the FY20 $125 million tax expenditure ($95 million plus $30 million for the met contingency).

2) Less $2.5 million in FY19 for undistributed compensation from HB2 section 8

3) Laws 2019, Chapter 271 (HB2) contained $31 million in appropriations contingent on the consensus forecast amount presented in August 2019 for FY19 exceeding $7.62 billion. Contingent appropriations include up to $15 million to the Economic Development Department for LEDA projects, up to $11 million to the Department of Transportation for road projects, and up to $5 million to the Higher Education Department to replenish the college affordability endowment fund.

* Note: totals may not foot due to rounding

2020 Legislative Session Scenario
RESERVE DETAIL
(millions of dollars)

December 18, 2019	Estimate FY2019	Estimate FY2020	Estimate FY2021
OPERATING RESERVE			
Beginning Balance	$ 485.9	$ 486.3	$ 26.9
BOF Emergency Appropriations/Reversions	$ (2.0)	$ (2.0)	$ (2.0)
Transfers from/to Appropriation Account	$ 395.3	$ (457.4)	$ 8.1
Transfers to Tax Stabilization Reserve	$ (378.3)	$ -	$ -
Disaster Allotments [1]	$ (14.5)	$ -	$ -
Transfer from (to) ACF/Other Appropriations	$ -	$ -	$ -
Ending Balance	$ 486.3	$ 26.9	$ 33.0
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 12.3	$ 11.7	$ 3.7
Disaster Allotments	$ (15.3)	$ (16.0)	$ (16.0)
Other Appropriations	$ -	$ -	$ -
Transfers In	$ -	$ -	$ -
Revenue and Reversions	$ 14.7	$ 8.0	$ 8.0
Ending Balance	$ 11.7	$ 3.7	$ (4.3)
STATE SUPPORT FUND			
Beginning Balance	$ 1.0	$ 19.1	$ 29.1
Revenues [2]	$ 18.1	$ 10.0	$ -
Appropriations	$ -	$ -	$ -
Ending Balance	$ 19.1	$ 29.1	$ 29.1
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	$ 158.7	$ 228.6	$ 260.9
Transfers In	$ 34.2	$ 35.0	$ 34.0
Appropriation to Tobacco Settlement Program Fund	$ (17.0)	$ (17.5)	$ (17.0)
Gains/Losses	$ 12.7	$ 14.9	$ 17.0
Additional Transfers to/from TSPF [3]	$ 40.0	$ -	$ -
Transfer to General Fund Appropriation Account	$ -	$ -	$ -
Ending Balance	$ 228.6	$ 260.9	$ 294.9
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 526.8	$ 1,088.3	$ 1,340.3
Revenues [4]	$ 182.8	$ 206.4	$ 173.2
Gains/Losses [5]	$ -	$ 45.6	$ 55.3
Transfers In (From Operating Reserve)	$ 378.3	$ -	$ -
Transfer Out to Operating Reserve	$ -	$ -	$ -
Audit Adjustments	$ 0.4	$ -	$ -
Ending Balance	$ 1,088.3	$ 1,340.3	$ 1,568.8
Percent of Recurring Appropriations	*17.2%*	*18.9%*	*20.8%*
TOTAL GENERAL FUND ENDING BALANCES	**$ 1,833.9**	**$ 1,660.8**	**$ 1,921.4**
Percent of Recurring Appropriations	*29%*	*23%*	*25%*

Notes:

1) Low balance in the appropriation contingency fund in FY19 required disaster allotments to be made from the operating reserve until additional revenue received in the appropriation contingency fund

2) Laws 2019, Chapter 271 (HB2) contained a $10 million appropriation to the state support reserve fund

3) Laws 2019, Chapter 271 (HB2) contained a $40 million appropriation to the tobacco settlement permanent fund

4) Estimated transfer to tax stabilization reserve from excess oil and gas emergency school tax revenues above the five-year average

5) Laws 2019, Chapter 138 (HB 393) moved investment earnings of the tax stabilization reserve from the general fund to credit back to the reserve and transferred management of the tax stabilization reserve to the State Investment Council

* Note: totals may not foot due to rounding

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
1	5	208	Compilation Commission	To add additional content to New Mexico OneSource, the free public access website.	No	$100.0		$100.0	$100.0		$100.0
2	5	218	Administrative Office of the Courts	To support growing online dispute resolution within the courts.	No	$450.0		$450.0			
3	5	218	Administrative Office of the Courts	To implement a statewide information management system for problem solving courts.	No	$400.0		$400.0	$400.0		$400.0
4	5	218	Administrative Office of the Courts	To purchase and install furniture and equipment at magistrate courts.	No	$1,513.0		$1,513.0	$1,000.0		$1,000.0
5	5	218	Administrative Office of the Courts	For electrical upgrades necessary to install x-ray machines and metal detectors at magistrate courts.	No	$441.5		$441.5			
6	5	218	Administrative Office of the Courts	For wayfinding signage at magistrate courts to meet Americans with Disabilities Act requirements	No	$320.5		$320.5			
7	5	218	Administrative Office of the Courts	For temporary relocation and renovation costs for the magistrate court in Grant county.	No	$80.0		$80.0	$80.0		$80.0
8	5	218	Administrative Office of the Courts	To relocate the administrative office of the courts from the state capitol to downtown Santa Fe.	No	$564.4		$564.4	$564.0		$564.0
9	5	218	Administrative Office of the Courts	For a unified appropriation for magistrate court security.	No				$1,000.0		$1,000.0
10	5	218	Administrative Office of the Courts	To update information technology systems at district courts.	No				$500.0		$500.0
11	5	218	Administrative Office of the Courts	For a unified appropriation to the administrative office of the courts for equipment and vehicles at the district courts.	No				$200.0		$200.0
12	5	218	Administrative Office of the Courts	The period of time for expending the one million eight hundred thousand dollars ($1,800,000) appropriated from other state funds in Subsection 7 of Section 5 of Chapter 271 of Laws 2019 to redact personally identifiable information from historical court case filings is extended through fiscal year 2021. The other state funds appropriation is from the electronic services fund.	Yes						
13	5	231	First Judicial District Court	To purchase and install network switches.	No	$100.0		$100.0	$100.0		$100.0
14	5	231	First Judicial District Court	For furniture and equipment for expanded positions.	No	$57.2		$57.2			
15	5	231	First Judicial District Court	To purchase computer monitors.	No	$31.6		$31.6			

2020 Special, Supplemental, and Deficiency Appropriations
(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
16	5	231	First Judicial District Court	To upgrade magistrate court phone systems.	No	$50.0		$50.0	$50.0		$50.0
17	5	231	First Judicial District Court	To digitize human resource records.	No	$19.2		$19.2	$19.2		$19.2
18	5	231	First Judicial District Court	To upgrade the court voicemail system.	No	$10.0		$10.0	$10.0		$10.0
19	5	231	First Judicial District Court	To purchase a vehicle.	No	$30.0		$30.0			
20	5	231	First Judicial District Court	For a speaker system in the jury assembly room in the Steve Herrera judicial complex.	No	$20.0		$20.0			
21	5	232	Second Judicial District Court	For furniture and equipment for two new judgeship positions.	No	$36.0		$36.0			
22	5	232	Second Judicial District Court	For new information technology hardware, including desktops, laptops scanners and printers.	No	$386.1		$386.1			
23	5	232	Second Judicial District Court	For three full-time employees or contractors to implement the Criminal Record Expungement Act.	No	$323.2		$323.2			
24	5	233	Third Judicial District Court	To purchase a vehicle.	No	$24.5		$24.5			
25	5	234	Fourth Judicial District Court	For office furniture for magistrate courts.	No	$350.7		$350.7			
26	5	235	Fifth Judicial District Court	To purchase x-ray machines, metal detectors, and other security and safety equipment for magistrate courts.	No	$321.4		$321.4			
27	5	236	Sixth Judicial District Court	To purchase copy, scan and fax machines.	No	$6.0		$6.0			
28	5	236	Sixth Judicial District Court	For metal detectors at magistrate courts.	No	$7.2		$7.2			
29	5	238	Eighth Judicial District Court	For furniture and equipment at the Taos county courthouse.	No	$104.9		$104.9			
30	5	238	Eighth Judicial District Court	To purchase x-ray machines, metal detectors, and other security and safety equipment for magistrate courts.	No	$25.3		$25.3			
31	5	239	Ninth Judicial District Court	For new information technology hardware.	No	$55.3		$55.3			
32	5	241	Eleventh Judicial District Court	To upgrade for the record licenses in district and magistrate courts.	No	$88.3		$88.3			
33	5	241	Eleventh Judicial District Court	For new information technology hardware.	No	$255.0		$255.0			

Table 5: Special, Supplemental, and Deficiency Appropriations

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
34	5	241	Eleventh Judicial District Court	For furniture and equipment at district and magistrate courts.	No	$98.5		$98.5			
35	5	241	Eleventh Judicial District Court	For judicial benches in magistrate courts.	No	$180.0		$180.0			
36	5	241	Eleventh Judicial District Court	For two surveillance vehicles.	No	$64.5		$64.5			
37	5	242	Twelfth Judicial District Court	For new information technology hardware and security and safety equipment for district and magistrate courts.	No	$105.6		$105.6			
38	5	244	Bernalillio County Metropolitan Court	For new information technology hardware.	No	$91.2		$91.2			
39	5	244	Bernalillio County Metropolitan Court	To pay an approved emergency loan from the board of finance to purchase the lot adjacent to the north of the court.	No	$350.0		$350.0	$350.0		$350.0
40	5	251	First Judicial District Attorney	To purchase office furniture and telephones.	No	$346.7		$346.7	$100.0		$100.0
41	5	251	First Judicial District Attorney	To purchase a security and access control system.	No	$109.0		$109.0			
42	5	252	Second Judicial District Attorney	For an independent investigations bureau.	No	$700.0		$700.0			
43	5	252	Second Judicial District Attorney	For restorative justice and intervention programs for juveniles and young adults.	No	$750.0		$750.0			
44	5	252	Second Judicial District Attorney	The period of time for expending the six hundred thousand dollars ($600,000) appropriated from the general fund and five hundred thousand dollars ($500,000) appropriated from the ignition interlock fund in Subsection 13 of Section 5 of Chapter 73 of Laws 2018 for a data-driven prosecution pilot program, the six hundred thousand dollars ($600,000) appropriated from the general fund in Subsection 14 of Section 5 of Chapter 73 of Laws 2018 for case prosecution, and the eight hundred thousand dollars ($800,000) appropriated from the general fund in Subsection 15 of Section 5 of Chapter 73 of Laws 2018 to address case backlog is extended though fiscal year 2021.	Yes						

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(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
45	5	280	Public Defender Department	For temporary case managers and paralegal services.	No	$300.0		$300.0			
46	5	280	Public Defender Department	For judicial database subscription costs.	No	$100.8		$100.8			
47	5	280	Public Defender Department	For legal software for discovery research.	No	$49.7		$49.7	$49.7		$49.7
48	5	305	Attorney General	For interstate water litigation costs. The other state funds appropriation is from the consumer settlement fund.	No	$3,500.0	$1,000.0	$4,500.0		$4,500.0	$4,500.0
49	5	305	Attorney General	For extraordinary litigation expenses, including litigation regarding the tobacco master settlement and the investigation and prosecution of clergy abuse in New Mexico.	No	$1,000.0		$1,000.0		$1,000.0	$1,000.0
50	5	305	Attorney General	For warrant round up initiative.	No	$450.0		$450.0			
51	5	305	Attorney General	For tobacco litigation.	No	$300.0		$300.0			
52	5	333	Taxation and Revenue Department	To implement tax code changes. Any unexpended balances in the taxation and revenue department at the end of fiscal year 2021 from this appropriation shall not revert and shall be used exclusively for expenditure in fiscal year 2022 and fiscal year 2023 for the same purpose.	No	$10,000.0		$10,000.0			
53	5	333	Taxation and Revenue Department	For a statewide tax preparation assistance program for low-income or elderly taxpayers.	No	$150.0		$150.0			
54	5	341	Department of Finance and Administration	The period of time for expending the five hundred thousand dollars ($500,000) appropriated from the general fund in Subsection 42 of Section 5 of Chapter 271 of Laws 2019 for a comprehensive review and reengineering of the existing state chart of accounts is extended through fiscal year 2021.	Yes						
55	5	341	Department of Finance and Administration	For outreach efforts to achieve a statewide complete count in the 2020 census.	No	$8,000.0		$8,000.0	$6,000.0		$6,000.0
56	5	341	Department of Finance and Administration	For disbursement to the renewable energy transmission authority operating costs. The renewable energy transmission authority shall report to the New Mexico finance authority oversight committee on the status of the agency's operating budget.	No	$425.0		$425.0	$150.0		$150.0
57	5	342	Public School Insurance Authority	For risk insurance-related services.	No	$16,000.0		$16,000.0			
58	5	350	General Services Department	To purchase vehicles.	No	$8,360.0		$8,360.0	$3,500.0		$3,500.0

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
59	5	352	Educational Retirement Board	The period of time for expending the one million five hundred forty-five thousand nine hundred dollars ($1,545,900) appropriated from other state funds in Subsection 44 of Section 5 of Chapter 271 of Laws 2019 for expenditures required to implement and conduct a data cleanse project is extended through fiscal year 2021. The other state funds appropriation is from the educational retirement fund.	Yes						
60	5	354	New Mexico Sentencing Commission	For grants according to the Crime Reduction Grant Act.	No	$1,000.0		$1,000.0			
61	5	370	Secretary of State	For secured containers and video surveillance equipment for return of absentee voted mailed ballots in all counties.	No	$313.5		$313.5	$313.5		$313.5
62	5	370	Secretary of State	For Americans with Disabilities Act compliant equipment at Native American voting sites	No	$127.0		$127.0	$127.0		$127.0
63	5	370	Secretary of State	For election security outreach, education and advertisement.	No	$500.0		$500.0			
64	5	418	Tourism Department	For exclusive advertising media buy for an outdoor recreation special publication.	No	$300.0		$300.0			
65	5	418	Tourism Department	For branded partnerships between New Mexico true and the special olympics.	No	$300.0		$300.0			
66	5	418	Tourism Department	For a sports tourism economic feasibility study.	No	$50.0		$50.0			
67	5	418	Tourism Department	The period of time for expending the six hundred thousand dollars ($600,000) appropriated from the general fund in Subsection 51 of Section 5 of Chapter 271 of Laws 2019 for the marketing and promotion of the inaugural Virgin Galactic flight in New Mexico is extended through fiscal year 2021.	Yes						
68	5	419	Economic Development Department	For matching grants to certify sites as shovel-ready for economic development projects.	No	$5,000.0		$5,000.0			
69	5	419	Economic Development Department	To the development training fund for the job training incentive program.	No	$7,000.0		$7,000.0	$4,000.0		$4,000.0
70	5	419	Economic Development Department	Any unexpended balances remaining from appropriations and extensions to appropriations made from the general fund in Section 5 of Chapter 271 of Laws 2019, any unexpended balances remaining from appropriations made from the mortgage regulatory fund in Section 70 of Chapter 3 of Laws 2015 in the first special session of 2015 and any unexpended balances remaining from the rural infrastructure revolving loan fund in Section 77 of Chapter 3 of Laws 2015 in the first special session of 2015 shall not revert and shall be available for expenditure in future fiscal years.	Yes						
71	5	419	Economic Development Department	For rural economic development projects pursuant to the Local Economic Development Act. Any unexpended balances remaining at the end of the fiscal year 2021 shall not revert and may be expended in future fiscal years.	No	$80,000.0		$80,000.0	$5,000.0		$5,000.0

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
72	5	419	Economic Development Department	For a twenty-year, statewide economic development plan.	No	$300.0		$300.0	$300.0		$300.0
73	5	419	Economic Development Department	For competitive grants approved by the technology research collaborative to assist high technology businesses in the state and facilitate technology transfer from the public sector to the private sector within the state.	No	$10,000.0		$10,000.0			
74	5	420	Regulation and Licensing Department	To update and redesign the regulation and licensing department website.	No	$80.0		$80.0	$80.0		$80.0
75	5	420	Regulation and Licensing Department	To purchase vehicles.	No	$400.0		$400.0	$400.0		$400.0
76	5	420	Regulation and Licensing Department	To upgrade alcoholic beverage control licensing software. The appropriation is contingent on the regulation and licensing department following the project certification process described in section 7 of this act.	No	$265.4		$265.4	$265.4		$265.4
77	5	465	Gaming Control Board	For a central monitoring system contract. The other state funds appropriations is from fund balances.	No		$406.8	$406.8			
78	5	505	Department of Cultural Affairs	The balance of the general fund appropriation in Subsection 66 of Section 5 of Chapter 271 of Laws 2019 for design, site preparation, construction and equipment for a storage expansion at the center for New Mexico archaeology in Santa Fe county shall not be expended for the original purpose but is appropriated to expand storage for the cultural affairs department.	Yes						
79	5	505	Department of Cultural Affairs	For a study on strategies to increase attendance at museum hill cultural institutions.	No	$100.0		$100.0			
80	5	505	Department of Cultural Affairs	For information technology and security improvements.	No	$100.0		$100.0			
81	5	505	Department of Cultural Affairs	For a study on the early growth of public education and publicly funded schools in support of historic preservation of these facilities	No	$75.0		$75.0			
82	5	516	Department of Game and Fish	For the management and protection of threatened and endangered species. The other state funds appropriation is from the game protection fund.	No	$1,000.0		$1,000.0		$500.0	$500.0
83	5	521	Energy, Minerals and Natural Resources Department	To pilot energy efficiency programs in low-income and underserved communities.	No	$6,000.0		$6,000.0			

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
84	5	521	Energy, Minerals and Natural Resources Department	Notwithstanding provisions of Sections 67-3-65 and 67-3-65.1 NMSA 1978, ten million dollars ($10,000,000) from the state road fund and one million three hundred forty thousand dollars ($1,340,000) each from the City of Carlsbad and Eddy County to the Carlsbad brine well remediation fund for expenditure in fiscal year 2021 appropriated in Laws of 2018 Chapter 73 Section 5 Subsection 67 may be transferred and expended in fiscal year 2020. Any unexpended balance at the end of fiscal year 2021 shall revert to each original source of funds in the proportionate shares contributed to the fund by each source.	Yes						
85	5	538	Intertribal Ceremonial Office	For event production and strategic development.	No	$100.0		$100.0			
86	5	538	Intertribal Ceremonial Office	To inventory, appraise and secure Native cultural artifacts.	No	$100.0		$100.0			
87	5	550	State Engineer	For litigation, settlement and compliance activities related to the Rio Grande compact. The other state funds appropriation is from the consumer settlement fund.	No	$5,670.0		$5,670.0	$3,500.0	$1,000.0	$4,500.0
88	5	550	State Engineer	For litigation, settlement and compliance activities related to the Pecos river compact.	No	$250.0		$250.0	$250.0		$250.0
89	5	550	State Engineer	For a pilot operation and maintenance program for aging water measurement and metering stations.	No	$140.0		$140.0	$140.0		$140.0
90	5	550	State Engineer	For initial planning phase to improve or replace the water rights adjudication tracking system.	No	$225.0		$225.0			
91	5	550	State Engineer	For litigation, litigation avoidance and compliance activities related to the Colorado river interstate compact and related agreements.	No	$250.0		$250.0			
92	5	604	Commission for Deaf and Hard-of-Hearing Persons	For operational and service funding to supplement telecommunications relay service fund collections contingent on revenue collections shortfall. The other state funds appropriation is from cash balances.	No	$500.0	$500.0	$1,000.0	$200.0	$200.0	$400.0
93	5	609	Indian Affairs Department	To support urban Native Americans.	No	$200.0		$200.0			
94	5	609	Indian Affairs Department	For the missing and murdered indigenous women task force.	No	$75.0		$75.0	$75.0		$75.0
95	5	611	Early Childhood Education and Care Department	The period of time for expending the one million two hundred fifty thousand dollars ($1,250,000) appropriated from the general fund in Subsection 36 of Section 5 of Chapter 271 of Laws 2019 for establishing the early childhood education and care department is extended through fiscal year 2021.	Yes						
96	5	611	Early Childhood Education and Care Department	For risk and other assessments, agency audit services, lease of office space and other operational needs.	No	$2,900.0		$2,900.0			

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
97	5	624	Aging and Long-Term Services Department	For a reserve for emergency advancements in the aging network.	No	$400.0		$400.0	$600.0		$600.0
98	5	624	Aging and Long-Term Services Department	Any unexpended balances in the aging network program of the aging and long-term services department remaining at the end of fiscal year 2020 from appropriations made from the general fund shall not revert and shall be expended in fiscal year 2021 to enhance or expand senior services.	Yes						
99	5	624	Aging and Long-Term Services Department	Any unexpended balances in the adult protective services program of the aging and long-term services department remaining at the end of fiscal year 2020 from appropriations made from the general fund shall not revert and shall be expended in fiscal year 2021 for direct client services.	Yes						
100	5	624	Aging and Long-Term Services Department	For remodeling and furniture costs related to the relocation of the ombudsman division of the aging and long-term services department.	No	$100.0		$100.0			
101	5	624	Aging and Long-Term Services Department	For a shortfall in the personal services and employee benefits category in the adult protective services program.	No	$500.0		$500.0			
102	5	624	Aging and Long-Term Services Department	For current and projected shortfalls in the other costs category to provide adequate funding for area agencies on aging and providers.	No	$1,600.0		$1,600.0	$808.0		$808.0
103	5	630	Human Services Department	For peer-delivered community-based case management for inmates post-release.	No	$500.0		$500.0			
104	5	632	Workers' Compensation Administration	For upgrades and maintenance at the agency building in Albuquerque. The other state funds appropriation is from fund balances.	No		$650.0	$650.0		$650.0	$650.0
105	5	647	Developmental Disabilities Planning Council	Any unexpended balances in the office of guardianship program of the developmental disabilities planning council remaining at the end of fiscal year 2020 from appropriations made from the general fund and internal service funds/interagency transfers shall not revert.	Yes						
106	5	647	Developmental Disabilities Planning Council	For a pilot program to monitor professional and family guardians.	No	$300.0		$300.0			
107	5	647	Developmental Disabilities Planning Council	To replace information technology equipment.	No	$6.0		$6.0	$24.0		$24.0

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
108	5	647	Developmental Disabilities Planning Council	For a consultant to assess and propose improvements the database needs for the office of guardianship. The other state funds appropriation is from fund balances.	No		$60.0	$60.0		$60.0	$60.0
109	5	647	Developmental Disabilities Planning Council	For a rate study to determine appropriate fees for legal professional, professional guardian, and treatment guardian contractors.	No	$60.0		$60.0	$60.0		$60.0
110	5	647	Developmental Disabilities Planning Council	For advocacy and outreach projects.	No	$50.0		$50.0			
111	5	647	Developmental Disabilities Planning Council	To update information technology equipment.	No	$18.0		$18.0			
112	5	647	Developmental Disabilities Planning Council	To develop and draft a federally-mandated five-year plan.	No	$100.0		$100.0			
113	5	647	Developmental Disabilities Planning Council	To provide advocacy and leadership training to New Mexicans living with developmental disabilities, their families, and developmental disabilities planning council members and staff.	No	$12.0		$12.0			
114	5	665	Department of Health	Any unexpended balances in the administrative program in all categories remaining at the end of fiscal year 2020 from appropriations made from federal indirect funds shall not revert and shall be expended in fiscal year 2021 to support the administrative services division to ensure adequate staffing is available to support all business areas of the department of health.	Yes						
115	5	665	Department of Health	For a pilot program to serve homeless youth.	No	$2,000.0		$2,000.0			
116	5	665	Department of Health	Any unexpended balances in the vital records and health statistics bureau of the epidemiology and response program remaining at the end of fiscal year 2020 from appropriations made from the general fund and federal funds shall not revert and shall be expended in fiscal year 2021.	Yes						
117	5	665	Department of Health	For master planning assessments for five department of health hospitals.	No	$400.0		$400.0	$400.0		$400.0
118	5	665	Department of Health	For past and projected shortfalls in the personal services and employee benefit costs category in the facilities management program for the New Mexico veterans home.	No	$5,451.2		$5,451.2	$5,451.2		$5,451.2

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
119	5	665	Department of Health	Any unexpended balances in the developmental disabilities support program of the department of health remaining at the end of fiscal year 2020 from appropriations made from all funds shall not revert and shall be expended in fiscal year 2021 to support the developmental disabilities waiver and support waiver.	Yes						
120	5	665	Department of Health	To provide Naloxone for local law enforcement agencies.	No	$1,500.0		$1,500.0	$750.0		$750.0
121	5	665	Department of Health	To continue the long-acting reversible contraception mentorship program.	No	$1,100.0		$1,100.0	$800.0		$800.0
122	5	665	Department of Health	For expanded staff positions in the license only bureau to expand the licensing and regulatory oversight to assisted living centers, boarding homes and crisis triage centers statewide.	No						
123	5	667	Department of Environment	For a cost share for clean up of the Pecos mine and El Molino operable units.	No	$200.0		$200.0	$200.0		$200.0
124	5	667	Department of Environment	For ongoing litigation and protection planning related to the release of per- and poly-fluorinated alkyl substances by the United States department of defense in New Mexico.	No	$1,200.0		$1,200.0	$781.5		$781.5
125	5	667	Department of Environment	To match federal funds for the small and disadvantaged communities drinking water grant.	No	$343.5		$343.5	$343.5		$343.5
126	5	667	Department of Environment	To implement low-cost nutrient removal training and on-site technical assistance to wastewater treatment operators.	No	$85.0		$85.0			
127	5	667	Department of Environment	For relocation expenses for the hazardous waste bureau.	No	$40.0		$40.0			
128	5	667	Department of Environment	To modernize outdated ground water permit software. Any unexpended balances from this appropriation remaining at the end of fiscal year 2021 shall not revert and may be expended in subsequent fiscal years.	No	$300.0		$300.0			
129	5	668	Office of the Natural Resources Trustee	For the natural resources trustee fund.	No	$5,000.0		$5,000.0	$500.0		$500.0
130	5	690	Children, Youth and Families Department	For new behavioral health programs.	No	$5,200.0		$5,200.0	$1,000.0		$1,000.0
131	5	770	Corrections Department	To review the inmate classification system. The other state funds appropriation is from land income fund balance.	No		$50.0	$50.0			
132	5	770	Corrections Department	To pilot satellite training academies statewide. The other state funds appropriation is from the penitentiary income fund.	No		$480.0	$480.0		$240.0	$240.0

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
133	5	770	Corrections Department	To treat inmates infected with hepatitis c and to plan for future treatment needs. The corrections department shall report to the legislative finance committee and the department of finance and administration quarterly on the number of inmates currently infected with hepatitis c, the number of inmates who have completed treatment for hepatitis c, the percent of inmates treated for hepatitis c with undetectable viral loads twelve weeks post-treatment, expenditures from this appropriation for drug costs, expenditures from this appropriation for other treatment costs, expenditures from this appropriation for treatment planning and expenditures from other funding sources for hepatitis c treatment. The corrections department shall report to the legislative finance committee and the department of finance and administration by September 1, 2022 on anticipated future treatment needs. The corrections department shall coordinate with the human services department to prioritize medicaid-funded treatment for individuals incarcerated in county jails likely to enter the prison system. The other state funds appropriation is from the penitentiary income fund. Any unexpended balances from this appropriation remaining at the end of fiscal year 2021 shall not revert and may be expended through fiscal year 2022.	No	$30,000.0		$30,000.0	$3,000.0	$22,000.0	$25,000.0
134	5	770	Corrections Department	For operating costs in the inmate management control program. The other state funds appropriation is from the penitentiary income fund.	No		$1,346.0	$1,346.0			
135	5	770	Corrections Department	For upgrades at the central New Mexico correctional facility. The other state funds appropriation is from the penitentiary income fund.	No		$550.0	$550.0			
136	5	770	Corrections Department	To independently validate the correctional offender management profiling for alternative sanctions risk-needs assessment tool and pilot the administration of risk-needs assessments for all inmates within one year of release. The other state funds appropriation is from the penitentiary income fund.	No					$350.0	$350.0
137	5	770	Corrections Department	For equipment and supplies for education programming, vocational education programming and other programming aimed at recidivism reduction and to develop a three-year plan to reduce the gap between inmate needs and offered programming, including a current program inventory that identifies program capacity and enrollment, the number of inmates whose risk-needs assessments indicate they should participate in each program but are not enrolled, incentives for participation in each program, program cost and metrics of program effectiveness. The corrections department shall present the three-year programming plan for fiscal year 2023 through fiscal year 2025 to the legislative finance committee and the department of finance and administration by September 1, 2021. The other state funds appropriation is from the penitentiary income fund.	No					$200.0	$200.0

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
138	5	770	Corrections Department	To pilot and study re-entry programming, including employment counseling, housing assistance and case management, with a randomized control trial in at least two counties. The corrections department shall report to the legislative finance committee and the department of finance and administration by October 1, 2020 on the proposed design of the study. The corrections department shall report to the legislative finance committee and the department of finance and administration by October 1, 2022 on the results of the study, including the impact of programming on one-year recidivism rates among study participants.	No				$300.0		$300.0
139	5	770	Corrections Department	For a pilot program with the taxation and revenue department to provide inmates near release with valid state identification. The other state funds appropriation is from the penitentiary income fund.	No					$100.0	$100.0
140	5	770	Corrections Department	For a peer mentoring project in the community offender management program.	No	$1,125.0		$1,125.0			
141	5	790	Department of Public Safety	To purchase and equip law enforcement vehicles.	No	$8,730.0		$8,730.0	$4,000.0		$4,000.0
142	5	790	Department of Public Safety	For public records staff and database platform.	No	$276.0		$276.0			
143	5	790	Department of Public Safety	To purchase a robot for the New Mexico state police bomb squad.	No	$411.0		$411.0	$411.0		$411.0
144	5	790	Department of Public Safety	For information technology hardware for police vehicles.	No	$700.0		$700.0	$200.0		$200.0
145	5	790	Department of Public Safety	For computer-aided dispatch information technology hardware.	No	$250.0		$250.0			
146	5	790	Department of Public Safety	To train accounting staff.	No	$152.0		$152.0			
147	5	790	Department of Public Safety	To develop a basic police officer training program.	No	$80.0		$80.0			
148	5	790	Department of Public Safety	For a data sharing project with the administrative office of the courts.	No	$350.0		$350.0	$350.0		$350.0
149	5	790	Department of Public Safety	For underwater search and rescue equipment.	No	$120.0		$120.0			
150	5	790	Department of Public Safety	For curriculum and training materials for the administrative services division and office of legal affairs.	No	$18.5		$18.5			
151	5	790	Department of Public Safety	To continue the implementation of a commercial off-the-shelf records management system.	No	$5,465.0		$5,465.0			
152	5	790	Department of Public Safety	The period of time to expend the one hundred thousand dollars ($100,000) appropriated from the general fund in Subsection 98 of Section 5 of Chapter 73 of Laws 2018 to maintain a flash roll for criminal investigations by the New Mexico state police is extended through fiscal year 2021.	Yes						
153	5	795	Department of Homeland Security and Emergency Management	For information technology hardware and software.	No	$1,465.0		$1,465.0	$500.0		$500.0

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Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
154	5	795	Department of Homeland Security and Emergency Management	For electrical upgrades, roof replacement and flooring replacement.	No	$415.0		$415.0			
155	5	795	Department of Homeland Security and Emergency Management	For office furniture.	No	$183.0		$183.0	$68.6		$68.6
156	5	795	Department of Homeland Security and Emergency Management	To purchase new vehicles.	No	$3,000.0		$3,000.0	$950.0		$950.0
157	5	795	Department of Homeland Security and Emergency Management	For matching funds for federal hazard mitigation projects.	No	$2,000.0		$2,000.0			
158	5	795	Department of Homeland Security and Emergency Management	For training costs and software to support the homeland security bureau.	No	$700.0		$700.0			
159	5	805	Department of Transportation	Any unexpended balances into the project design and construction program, highway operations program and modal program of the department of transportation remaining at the end of fiscal year 2020 from appropriations made from other state funds shall not revert and shall be expended in fiscal year 2021.	Yes						
160	5	924	Public Education Department	For a statewide special education convening. The other state funds appropriation is from the public education reform fund.	No	$750.0		$750.0		$750.0	$750.0
161	5	924	Public Education Department	For a transportation study.	No	$500.0		$500.0			
162	5	924	Public Education Department	For cybersecurity and data systems upgrades.	No	$250.0	$2,000.0	$2,250.0			
163	5	924	Public Education Department	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	$2,500.0		$2,500.0			
164	5	924	Public Education Department	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	$1,000.0	$2,000.0	$3,000.0			

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
165	5	924	Public Education Department	For teacher residencies contingent on enactment of a bill in the second session of the fifty-fourth legislature amending the Public School Code to establish a teacher residency pilot. The other state funds appropriation is from the public education reform fund.	No	$10,000.0		$10,000.0		$2,000.0	$2,000.0
166	5	924	Public Education Department	To develop culturally and linguistically appropriate instructional materials and curricula. The other state funds appropriation is from the public education reform fund.	No					$9,000.0	$9,000.0
167	5	924	Public Education Department	For an early literacy summer professional development program and other early literacy initiatives. The other state funds appropriation is from the public education reform fund.	No					$875.0	$875.0
168	5	924	Public Education Department	To place teachers in hard-to-staff schools and provide ongoing support and development. The other state funds appropriation is from the public education reform fund.	No					$2,000.0	$2,000.0
169	5	924	Public Education Department	The general fund appropriation to the career technical education fund shall be used to support high-quality career technical education pilot programs pursuant to Section 22-1-12 NMSA 1978. The other state funds appropriation is from the public education reform fund.	No					$2,000.0	$2,000.0
170	5	950	Higher Education Department	To purchase equipment, software and implementation support services for college and university enterprise systems as well as for science, engineering, mathematics, technology, healthcare, and career and technical education classroom and laboratory equipment, software and implementation support. Any unexpended balances from this appropriation remaining at the end of fiscal year 2021 shall not revert and may be expended through fiscal year 2022.	No	$50,000.0		$50,000.0			
171	5	950	Higher Education Department	For building renewal and replacement for public post secondary institutions according to the building renewal replacement formula calculated by 60 percent of instruction and general square footage and 40 percent full time enrollment of on campus students. Any unexpended balances from this appropriation remaining at the end of fiscal year 2021 shall not revert and may be expended through fiscal year 2022.	No	$50,000.0		$50,000.0			
172	5	950	Higher Education Department	For behavioral health students in the allied health loan for service program.	No	$500.0		$500.0			
173	5	950	Higher Education Department	For financial aid for low-income students. The appropriation includes nine million seven hundred thousand dollars ($9,700,000) for legislative lottery tuition scholarships, five million dollars ($5,000,000) for the student incentive grant program, five million dollars ($5,000,000) for the teacher preparation affordability scholarship fund, and three hundred thousand dollars ($300,000) for collaborative projects between the higher education department and public higher education institutions to increase student completion of the free application for federal student aid.	No				$20,000.0		$20,000.0
174	5	952	University of New Mexico	To the cancer center of the university of New Mexico health sciences center.	No				$750.0		$750.0

Table 5: Special, Supplemental, and Deficiency Appropriations

2020 Special, Supplemental, and Deficiency Appropriations
(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
175	5	993	Public School Support	To pilot K-12 plus programs and support public schools establishing partial K-5 plus programs that will fully comply with all provisions of the K-5 Plus Act by fiscal year 2023. The secretary of public education may permit a school district or charter school to pilot K-12 plus programs at middle schools and high schools, provided that students in a K-12 plus program receive no fewer than twenty-five additional instructional days beyond the regular school year, teachers in the K-12 plus program receive collaboration time to align K-12 plus programming to state standards and K-12 plus programs are implemented for an entire grade level. The public education department shall monitor and evaluate the efficacy of K-12 plus pilot programs and partial K-5 plus programs on improving student academic outcomes and report its findings and recommendations to the governor, legislative education study committee and legislative finance committee on or before November 1, 2020. The other state funds appropriation is from the public education reform fund.	No					$30,000.0	$30,000.0
176	5	993	Public School Support	To pilot summer extended learning opportunities in historically defined Indian impacted school districts or charter schools and school districts with a MEM of fewer than two hundred, including early childhood education full-time-equivalent MEM. The secretary of public education shall ensure summer extended learning opportunities include a minimum of twenty-five days of instruction and shall prioritize awards to historically defined Indian impacted school districts or charter schools that conduct a needs assessment pursuant to Section 22-23A-9 NMSA 1978. The public education department shall monitor and evaluate the efficacy of summer extended learning opportunities on improving student academic outcomes and report its findings and recommendations to the governor, legislative education study committee and legislative finance committee on or before November 1, 2020. The other state funds appropriation is from the public education reform fund.	No					$5,000.0	$5,000.0
177	5	993	Public School Support	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			
178	5	993	Public School Support	For instructional materials. The public education department shall distribute an amount to each school district and charter school that is proportionate to each school district's and charter school's share of total program units computed pursuant to Section 22-8-18 NMSA 1978. The secretary of public education shall not make an award to a school district or charter school that does not provide a description of how the portion of the state equalization guarantee distribution attributable to instructional materials was used. The secretary of public education shall not make an award to a school district or charter school that demonstrates budgeted spending levels for instructional materials are sufficient to provide a free and appropriate public education to all students.	No	$26,500.0		$26,500.0	$5,000.0		$5,000.0

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
179	5	9922	Computer Systems Enhancement Fund	For transfer to the computer systems enhancement fund for system replacements or enhancements.	No	$121,178.3		$121,178.3	$57,113.8		$57,113.8
				Subtotal Special Appropriations:		**$526,507.7**	**$9,042.8**	**$535,550.5**	**$133,185.4**	**$82,425.0**	**$215,610.4**
180	6	218	Administrative Office of the Courts	To lease and furnish space.	No	$230.0		$230.0			
181	6	218	Administrative Office of the Courts	For a unified supplemental appropriation for shortfalls related to the consolidation of magistrate courts statewide.	No				$100.0		$100.0
182	6	231	First Judicial District Court	For shortfalls related to the consolidation of magistrate courts.	No	$175.0		$175.0			
183	6	233	Third Judicial District Court	For costs related to the consolidation of magistrate courts.	No	$60.8		$60.8			
184	6	238	Eighth Judicial District Court	For a shortfall in the personal services and employee benefits category and for equipment rental.	No	$59.4		$59.4			
185	6	239	Ninth Judicial District Court	For telecommunication expense shortfalls at magistrate courts.	No	$22.2		$22.2			
186	6	240	Tenth Judicial District Court	For shortfalls in the personal services and employee benefits category related to the consolidation of magistrate courts.	No	$30.0		$30.0			
187	6	262	Twelfth Judicial District Attorney	For expert witness fees in capital trials.	No	$40.0		$40.0	$40.0		$40.0
188	6	262	Twelfth Judicial District Attorney	To purchase four new vehicles.	No	$180.0		$180.0	$40.0		$40.0
189	6	280	Public Defender Department	For contract defense attorneys and expert litigation services.	No	$883.0		$883.0			
190	6	280	Public Defender Department	To correct prior year budget deficits due to overreversions.	No	$154.5		$154.5			

Table 5: Special, Supplemental, and Deficiency Appropriations

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
191	6	341	Department of Finance and Administration	For a unified supplemental appropriation for agencies with prior year budget deficits due to overreversions.	No				$156.5		$156.5
192	6	350	General Services Department	For shortfalls in the other category of the employee group health benefits program.	No	$2,044.5		$2,044.5			
193	6	350	General Services Department	For shortfalls in the personal services and employee benefits category of the facilities management program.	No	$665.7		$665.7			
194	6	350	General Services Department	For shortfalls in the other category of the risk management program.	No	$31,000.0		$31,000.0			
195	6	370	Secretary of State	For costs of conducting and administering the 2019 regular local election.	No	$1,800.3		$1,800.3	$1,800.3		$1,800.3
196	6	370	Secretary of State	For shortfalls in the 2020 elections program.	No	$1,191.4		$1,191.4	$1,191.4		$1,191.4
197	6	379	Public Employee Labor Relations Board	For past unpaid bills to the general services department for public liability, surety bond, and workers compensation insurances.	No	$1.5		$1.5			
198	6	410	State Ethics Comission	To hire staff and contractors, to purchase information technology and services, furniture, equipment, and for other operating expenses.	No	$385.0		$385.0			
199	6	418	Tourism Department	For a shortfall in the personal services and employee benefits category in the marketing and promotion program.	No	$565.0		$565.0			
200	6	420	Regulation and Licensing Department	For a shortfall in the personal services and employee benefits category.	No	$91.0		$91.0			
201	6	469	State Racing Commission	For deficiency as listed in audits from fiscal year 2017 and prior related to sweeps of funds.	No	$125.3		$125.3			
202	6	469	State Racing Commission	For shortfalls in the contractual services category.	No	$132.3		$132.3			
203	6	469	State Racing Commission	For information technology equipment and supplies for equine testing.	No	$285.0		$285.0	$100.0		$100.0
204	6	495	Spaceport Authority	For shortfalls in the personal services and employee benefits and contractual services categories. The other state funds appropriations are from customer revenues.	No	$900.0	$1,221.0	$2,121.0		$1,221.0	$1,221.0
205	6	538	Intertribal Ceremonial Office	For personal services and employee benefits costs for an agency director and part-time administrative assistant.	No	$35.0		$35.0			
206	6	603	Office of African American Affairs	To correct a fund balance deficit from fiscal year 2014.	No	$1.2		$1.2			

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
207	6	603	Office of African American Affairs	To correct a fund balance deficit from fiscal year 2013.	No	$0.8		$0.8			
208	6	630	Human Services Department	For litigation settlement with five behavioral health providers.	No	$10,000.0		$10,000.0	$10,000.0		$10,000.0
209	6	630	Human Services Department	For modifications to the ASPEN system to comply with federal and Debra Hatten-Gonzales lawsuit requirements and meet the federal Food and Nutrition Service requirements for state investment.	No	$1,200.0	$2,461.9	$3,661.9	$1,200.0	$2,461.9	$3,661.9
210	6	630	Human Services Department	To implement the Health Care Quality Surcharge Act, contingent on certification by the department of finance and administration of adequate balances in the health care facility fund and disability health care facility fund. The internal service funds/interagency transfers appropriation is from the health care facility fund and the disability health care facility fund.	No		$107,919.4	$107,919.4		$107,919.4	$107,919.4
211	6	647	Developmental Disabilities Planning Council	For a shortfall in the contractual services category to provide professional guardianship services to income-eligible adults.	No	$625.0		$625.0			
212	6	647	Developmental Disabilities Planning Council	For training and licensing of guardianship staff. The other state funds appropriation is from fund balances.	No		$13.0	$13.0		$13.0	$13.0
213	6	647	Developmental Disabilities Planning Council	For a subscription to the DD Suite project management and performance database.	No	$3.0		$3.0			
214	6	647	Developmental Disabilities Planning Council	To provide New Mexico representation at national developmental disabilities conferences.	No	$18.0		$18.0			
215	6	665	Department of Health	For shortfalls in the personal services and employee benefits category in the administration program.	No	$850.0		$850.0	$200.0		$200.0
216	6	665	Department of Health	For syringes and Naloxone for the harm reduction program.	No	$400.0		$400.0			
217	6	665	Department of Health	For infant mortality reduction efforts.	No	$200.0		$200.0			
218	6	665	Department of Health	To expand health council support.	No	$184.5		$184.5			
219	6	665	Department of Health	To expand behavioral services in four regional health offices to include peer navigation/counseling for both alcohol abuse and opioid use disorder and medication assisted therapy as needed.	No	$225.0		$225.0			
220	6	665	Department of Health	For the family connects pilot program.	No	$550.0		$550.0			

Table 5: Special, Supplemental, and Deficiency Appropriations

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
221	6	665	Department of Health	For registered nurse positions to improve child vaccination rates in schools.	No	$200.0		$200.0			
222	6	665	Department of Health	For an investigator position in the emergency medical systems bureau.	No	$80.0		$80.0			
223	6	665	Department of Health	For a state entomologist position and mosquito control activities.	No	$300.0		$300.0			
224	6	665	Department of Health	For the creation of an office of alcohol and population health and evaluator positions.	No	$485.0		$485.0			
225	6	665	Department of Health	For shortfalls in the personal service and employee benefits, contractual services and other categories in the laboratory services program.	No	$986.2		$986.2	$500.0		$500.0
226	6	665	Department of Health	To replace hospital beds, mattresses and support equipment at the Fort Bayard Medical Center.	No	$385.8		$385.8	$385.8		$385.8
227	6	665	Department of Health	For personal services and employee benefits costs in the facilities management program.	No	$3,000.0		$3,000.0	$2,000.0		$2,000.0
228	6	665	Department of Health	To address the projected increase in the number of children referred to and determined eligible for the family, infant, toddler program.	No	$1,000.0		$1,000.0			
229	6	665	Department of Health	For projected deficits relating to appropriate placement for nurses.	No	$700.0	$700.0	$1,400.0			
230	6	665	Department of Health	For expanded staff positions in the license only bureau to expand the licensing and regulatory oversight to assisted living centers, boarding homes and crisis triage centers statewide.	No	$600.0		$600.0	$600.0		$600.0
231	6	667	Department of Environment	For water pollution prevention and control programs.	No	$125.0		$125.0	$125.0		$125.0
232	6	667	Department of Environment	For shortfalls in the environmental protection program.	No	$168.5		$168.5	$168.5		$168.5
233	6	668	Office of the Natural Resources Trustee	To compensate the New Mexico environment department for administrative services.	No	$60.0		$60.0			
234	6	668	Office of the Natural Resources Trustee	For lease of two vehicles from the general services department.	No	$7.0		$7.0			
235	6	770	Corrections Department	For a projected shortfall in medical and pharmaceutical costs in the inmate management and control program.	No	$7,000.0		$7,000.0	$600.0		$600.0
236	6	770	Corrections Department	For a projected shortfall in operating costs in the inmate management and control program. The other state funds appropriation is from the penitentiary income fund.	No		$3,200.0	$3,200.0		$2,600.0	$2,600.0
237	6	952	University of New Mexico	To fully fund FY20 compensation increases for faculty and staff.	No	$1,130.0	$1,803.6	$2,933.6			

2020 Special, Supplemental, and Deficiency Appropriations

(in thousands)

Item	GAA Sec.	Agency Code	Agency Name	Language	Language Only	GF Request	Other/ Federal Funds Request	Total Request	GF LFC	Other/ Federal Funds LFC	LFC Total
238	6	993	Public School Support	A school district or charter school that provides a department-approved K-5 plus program as defined in Section 22-13D-2.B. NMSA 1978 to all elementary school students in fiscal year 2020 shall be eligible to generate K-5 plus program units using the total average number of elementary school students enrolled on the second and third reporting date of the 2018-2019 school year multiplied by the cost differential factor of three-tenths as established in Section 22-8-23.11 NMSA 1978.	Yes						
				Subtotal Supplemental and Deficiency Appropriations:		**$71,541.9**	**$117,318.9**	**$188,860.8**	**$19,207.5**	**$114,215.3**	**$133,422.8**

	GF Request	OSF Total	Total Request	GF LFC	OSF LFC Total	LFC Total
Subtotal Special Appropriations:	**$405,329.4**	**$9,042.8**	**$414,372.2**	**$76,071.6**	**$77,425.0**	**$158,496.6**
Subtotal Supplemental and Deficiency Appropriations:	**$71,541.9**	**$117,318.9**	**$188,860.8**	**$19,207.5**	**$114,215.3**	**$133,422.8**
Total Special, Supplemental, and Deficiency Appropriations:	**$476,871.3**	**$126,361.7**	**$603,233.0**	**$95,279.1**	**$191,640.3**	**$291,919.4**

Table 6: Information Technology Requests and Recommendations

FY21 - Information Technology System Replacement/Enhancements				Agency Request (in thousands)	DoIT/Executive Recommendation[1] (in thousands)				LFC 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	DataXchange	$500.0	$500.0			$500.0	$500.0			$500.0
2	218	Administrative Office of the Courts	e-Notices	$112.6	$112.6			$112.6	$112.6			$112.6
3	280	Public Defender Department	Document Management System	$2,140.0	$2,140.0			$2,140.0	$2,140.0			$2,140.0
4	280	Public Defender Department	Employee ID System	$355.0	$355.0			$355.0	$355.0			$355.0
5	333	Taxation and Revenue Department	Insurance Premium Tax	$6,334.9	$0.0			$0.0	$0.0			$0.0
6	333	Taxation and Revenue Department	Combined Reporting System (CRS) Redesign and Refund Automation	$8,436.4	$8,436.4			$8,436.4	$8,436.4			$8,436.4
7	333	Taxation and Revenue Department	Streamline Return Processing and Refund Issuance	$2,233.8	$2,233.8			$2,233.8	$0.0			$0.0
8	333	Taxation and Revenue Department	Correspondence Automation	$2,710.9	$2,710.9			$2,710.9	$0.0			$0.0
9	341	Department of Finance & Administration	Comprehensive Annual Financial Report System Enhancement	$500.0	$500.0			$500.0	$500.0			$500.0
10	350	General Services Department	SHARE Strategic Sourcing Module	$1,900.0	$1,900.0			$1,900.0	$1,900.0			$1,900.0
11	370	Secretary of State	Business Filing System Replacement	$3,500.0	$1,000.0			$1,000.0	$3,500.0			$3,500.0
12	378	State Personnel Office	SHARE Human Capital Management	$15,000.0	$7,500.0			$7,500.0	$2,500.0			$2,500.0
13	418	Tourism Department	Visitor Information Center Enhancements	$582.9	$582.9			$582.9	$582.9			$582.9
14	420	Regulation & Licensing Department	Regulation and Licensing Permitting and Inspection Software Modernization	$10,000.0	$3,250.0			$3,250.0	$1,250.0	$2,000.0		$3,250.0
15	465	Gaming Control Board	Gaming Central Monitoring System Replacement	$2,500.0	$2,500.0			$2,500.0	$2,500.0			$2,500.0
16	505	Department of Cultural Affairs	Cultural Resources Information System Upgrade	$100.0	$100.0			$100.0		$100.0		$100.0
17	539	State Land Office	Royalty Accounting and Revenue Processing System (RAPS)	$1,850.0		$1,850.0		$1,850.0		$0.0		$0.0
18	539	State Land Office	Geographic Information System and Satelite Imagery	$1,450.0	$1,450.0			$1,450.0	$1,450.0			$1,450.0
19	624	Aging and Long-Term Services Department	Enterprise System Modernization	$2,571.9	$280.3		$2,291.6	$2,571.9	$280.3		$2,291.6	$2,571.9
20	630	Human Services Department	Medicaid Management Information System Replacement Project	$40,250.4	$4,104.1		$36,146.3	$40,250.4	$4,104.1		$36,146.3	$40,250.4
21	630	Human Services Department	Child Support Enforcement System Replacement	$8,330.9	$2,832.5		$5,498.4	$8,330.9	$2,832.5		$5,498.4	$8,330.9
22	665	Department of Health	Enterprise Electronic Health Records System	$13,000.0	$13,000.0			$13,000.0	$6,500.0			$6,500.0
23	665	Department of Health	All Payer Claims Database	$900.0	$900.0			$900.0	$900.0			$900.0
24	665	Department of Health	Public Health Informatics Modernization	$425.0	$0.0			$0.0	$0.0			$0.0
25	665	Department of Health	Network Infrastructure Modernization	$2,630.0	$0.0			$0.0	$0.0			$0.0
26	665	Department of Health	Pharmacy System Replacement	$1,000.0	$0.0			$0.0	$1,000.0			$1,000.0
27	667	Department of Environment	Environmental Information System Replacement Project	$3,114.5	$1,581.0			$1,581.0	$1,581.0			$1,581.0
28	690	Children, Youth and Families Department	Comprehensive Child Welfare Information System Modernization	$24,000.0	$9,302.0		$14,698.0	$24,000.0	$4,000.0		$4,000.0	$8,000.0

Table 6: Information Technology Requests and Recommendations

FY21 - Information Technology System Replacement/Enhancements				Agency Request (in thousands)	DoIT/Executive Recommendation[1] (in thousands)				LFC Recommendation (in thousands)			
Item No.	Code	Agency Name	Project Name	TOTAL	GF	OSF	FF	TOTAL	GF	OSF	FF	TOTAL
29	690	Children, Youth and Families Department	Document Management System	$3,200.0	$0.0			$0.0	$500.0			$500.0
30	770	Corrections Department	Electronic Health Records	$10,228.4	$10,228.4			$10,228.4	$750.0			$750.0
31	790	Department of Public Safety	Records Management System	$5,465.0	$5,465.0			$5,465.0	$5,465.0			$5,465.0
32	790	Department of Public Safety	Computer Aided Dispatch Upgrade	$3,000.0	$3,000.0			$3,000.0	$3,000.0			$3,000.0
33	795	Homeland Security and Emergency Management Department	Website Upgrade	$400.0	$200.0		$200.0	$400.0	$200.0		$200.0	$400.0
34	924	Public Education Department	Statewide Real-time Data Management Solution	$1,053.3	$1,053.3			$1,053.3		$1,053.3		$1,053.3
35	924	Public Education Department	Grants Management for Education	$1,558.4	$1,558.4			$1,558.4		$1,558.4		$1,558.4
36	924	Public Education Department	Educator Prep Programs Integrated Data Exchange	$254.3	$0.0			$0.0		$254.3		$254.3
37	950	Higher Education Department	Longitudinal Data System	$274.0	$274.0			$274.0	$274.0			$274.0
Total				**$181,862.6**	**$89,050.6**	**$1,850.0**	**$58,834.3**	**$149,734.9**	**$57,113.8**	**$4,966.0**	**$48,136.3**	**$110,216.1**

[1] A revised DoIT/Executive recommendation was submitted on 12/4/19.

Table 6: Information Technology Requests and Recommendations

Agency Request for Extensions of Previous Appropriations					
Item No.	Code	Agency	Agency Request		LFC Staff Recommendation
1	333	Taxation and Revenue Department	The period of time for expending the two million dollars ($2,000,000) appropriated from the delinquent property tax 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 as extended in Subsection 8 of Section 7 of Chapter 271 of Laws 2019 to modernize the property tax business system is extended through fiscal year 2021.	Language Only	Recommend
2	341	Department of Finance and Administration	The period of time for expending the one million two hundred fifty thousand dollars ($1,250,000) appropriated from the computer systems enhancement fund in Subsection 8 of Section 7 of Chapter 73 of Laws 2018 to implement an enterprise budgeting system is extended through fiscal year 2021.	Language Only	Recommend
3	505	Cultural Affairs Department	The period of time for expending the three hundred fifty thousand dollars ($350,000) appropriated from the computer systems enhancement fund in Subsection 17 of Section 7 of Chapter 73 of Laws 2018 to purchase and implement a commercial off-the-shelf ticketing and admission system is extended through fiscal year 2021.	Language Only	Recommend
4	539	Commissioner of Public Lands	The period of time for expending the five million dollars ($5,000,000) appropriated from the state lands maintenance fund in Subsection 19 of Section 7 of Chapter 73 of Laws 2018 to continue the replacement of the oil and natural gas administration revenue database royalty administration functionality is extended through fiscal year 2021.	Language Only	Recommend
5	630	Human Services Department	The period of time for expending the six million eight hundred one thousand nine hundred dollars ($6,801,900) appropriated from the computer systems enhancement fund in Subsection 21 of Section 7 of Chapter 73 of Laws 2018 to continue the implementation of the medicaid management information system replacement project is extended through fiscal year 2021.	Language Only	Recommend
6	630	Human Services Department	The period of time for expending the five million dollars ($5,000,000) appropriated from the computer systems enhancement fund in Subsection 9 of Section 7 of Chapter 135 of Laws 2017 as extended in Subsection 19 of Section 7 of Chapter 271 of Laws 2019 for replacement of the medicaid management information system is extended through fiscal year 2021.	Language Only	Recommend
7	630	Human Services Department	The period of time for expending the three million four hundred thousand dollars ($3,400,000) appropriated from the other state funds in Subsection 19 of Section 7 of Chapter 101 of Laws 2015 as extended in Subsection 8 of Section 7 of Chapter 135 of Laws 2017 as extended in Subsection 20 of Section 7 of Chapter 271 of Laws 2019 the planning phase to enhance or replace the current child support enforcement system is extended through fiscal year 2021.	Language Only	Recommend
8	665	Department of Health	The period of time for expending the twenty thousand dollars ($20,000) appropriated from the computer systems enhancement fund in Subsection 22 of Section 7 of Chapter 73 of Laws 2018 to upgrade the children's medical services medicaid provider enrollment system to integrate with the human services department's medicaid management information system replacement project is extended through fiscal year 2021.	Language Only	Recommend
9	665	Department of Health	The period of time for expending the thirty-five thousand dollars ($35,000) appropriated from the computer systems enhancement fund in Subsection 23 of Section 7 of Chapter 73 of Laws 2018 to purchase hardware and software to implement a facilities licensing system is extended through fiscal year 2021.	Language Only	Recommend

Table 6: Information Technology Requests and Recommendations

Agency Request for Extensions of Previous Appropriations					
Item No.	Code	Agency	Agency Request		LFC Staff Recommendation
10	665	Department of Health	The period of time for expending the twenty-five thousand dollars ($25,000) appropriated from the computer systems enhancement fund in Subsection 24 of Section 7 of Chapter 73 of Laws 2018 to integrate the families first medicaid eligibility system with the human services department's medicaid management information system replacement project is extended through fiscal year 2021.	Language Only	Recommend
11	665	Department of Health	The period of time for expending the twenty thousand dollars ($20,000) appropriated from the computer systems enhancement fund in Subsection 25 of Section 7 of Chapter 73 of Laws 2018 to purchase and implement a commercial off-the-shelf incident management system is extended through fiscal year 2021.	Language Only	Recommend
12	665	Department of Health	The period of time for expending the two million four hundred thousand dollars ($2,400,000) appropriated from the computer systems enhancement fund in Subsection 10 of Section 7 of Chapter 135 of Laws 2017 as extended in Subsection 25 of Section 7 of Chapter 271 of Laws 2019 to continue the implementation of the developmental disabilities client management support system is extended through fiscal year 2021.	Language Only	Recommend
13	690	Children, Youth and Families Department	The period of time for spending the five hundred thousand dollars ($500,000) appropriated from the computer systems enhancement fund in Subsection 27 of Section 7 of Chapter 73 of Laws 2018 to plan the modernization of the comprehensive child welfare information system is extended through fiscal year 2021.	Language Only	Recommend
14	660	Children, Youth and Families Department	The balance of the computer systems enhancement fund appropriation in Subsection 28 of Section 7 of Chapter 271 of Laws 2019 to continue planning the modernization of the comprehensive child welfare information system shall not be expended for the original purpose but is appropriated for planning and implementation of the comprehensive child welfare information system.	Language Only	Recommend
15	770	Corrections Department	The period of time for expending the two million two hundred ninety thousand dollars ($2,290,000) appropriated from the computer systems enhancement fund in Subsection 29 of Section 7 of Chapter 73 of Laws 2018 to continue the implementation of the commercial off-the-shelf offender management system is extended through fiscal year 2021.	Language Only	Recommend
16	790	Department of Public Safety	The period of time for expending the one million five hundred thousand dollars appropriated from the computer systems enhancement fund in Subsection 32 of Section 7 of Chapter 73 of Laws 2018 to implement a commercial off-the-shelf records management system is extended through fiscal year 2021.	Language Only	Recommend

LFC Recommendation - Fund Transfers - FY20 *(in thousands)*			
Item	**Agency/Fund**	**GF LFC - FY20**	**Description**
1	State Engineer	$30,000	Lower Rio Grande Settlement
2	Cultural Affairs	$5,000	Rural Libraries Endowment
3	NM Finance Authority	$40,000	Public Private Partnerships
4	Higher Education Dept.	$10,000	College Affordability Fund
	Sub-Total Fund Transfers	**$85,000**	
5	Roads-Formula (State)	$275,000	State road fund.
6	Roads-Formula (Local)	$50,000	Local governments transportation project fund.
	Sub-Total Roads	**$325,000**	
7	PERA-Pension Reforms	$75,000	Contigent on legislation. Three year appropriation for a 13th pension check for retirees.
8	ERB-Pension Reforms	$75,000	Contigent on legislation. Three year appropriation for a 13th pension check for retirees.
	Sub-total Retirement Reforms	**$150,000**	
LFC Recommendation - Fund Transfers - FY21 *(In thousands)*			
Item	**Agency/Purpose**	**GF LFC - FY21**	**Description**
1	Early Childhood Endownment Fund	$325,000	Contigent on legislation.
	Sub-total Early Childhood	**$325,000**