NEW MEXICO
LEGISLATIVE FINANCE COMMITTEE

LEGISLATING FOR RESULTS:
POLICY AND PERFORMANCE ANALYSIS

Report to the Fifty-Fifth Legislature, First Session
VOLUME 1

January 2021 for the 2022 Fiscal Year

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

Dear Fellow Legislators:

Pursuant to Section 2-5-4 NMSA 1978, the fiscal year 2022 budget recommendation of the Legislative Finance Committee is provided to you. The committee recommendation for recurring appropriations from the general fund is a little more than requested at $7.36 billion, up $298.4 million, or 4 percent, from FY21 spending levels. While revenues in FY21 are expected to decline from the current year, and revenues for the current year are down from the prior year, the state is in a better position than initially anticipated, with good financial planning by the Legislature and federal stimulus support to businesses and the unemployed partially offsetting the effects of a pandemic-induced gutting of the economy and a crash in oil prices and production.

The recommendation provides flat budgets for most state agencies but also supports modest growth for education and healthcare, expands early childhood services by relying on the new trust fund instead of the general fund, more effectively uses state dollars to leverage federal matching funds, and shifts savings from declining workload in the foster care program and prison system to evidence-based community interventions that use state money more effectively. It also restores the general fund appropriations for programs temporarily supported with the one-time use of federal money after the budget was adjusted in June to survive the fiscal crisis.

Reflecting continuing concern with the many unknowns of the fiscal climate, the recommendation would leave FY21 reserves at 22 percent of planned spending, a level that is an effective hedge against a plunge in the oil industry, a downturn in the economy, or both.

The committee's recommendation for general fund appropriations for public education totals $3.32 billion, a 3.3 percent increase from FY20 levels. The recommendation also includes $185 million in nonrecurring, education-related appropriations, including $153 million from the public education reform fund to address issues highlighted in the education sufficiency lawsuit. The spending plan provides sufficient funding for all schools to participate in Extended Learning Time Programs and restores FY20 spending levels for the K-5 Plus extended school year program. With significant projected learning loss due to school closures and remote learning in FY20 and FY21, the state must provide additional instruction both to help students catch up.

The recommendation for the Human Services Department includes an additional $110.1 million from the general fund, an increase of 10 percent. The recommendation replaces the general fund dollars swapped for $75 million in federal funds appropriated during the 2020 first special legislative session and provides additional general fund support for enrollment growth, maintenance of hospital and Medicaid provider rates, and to offset declines in other funds. In addition, the recommendation includes significant increases for the Medicaid Behavioral Health Program, Children's Behavioral Health Services in the Children, Youth and Families Department, and the Health Department.

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 during an extraordinarily difficult year. Despite constantly changing financial conditions and complicated logistics, the committee and its staff have crafted a thoughtful, responsible budget that prioritizes the needs of the most vulnerable New Mexicans.

Sincerely,

Senator Roberto "Bobby" Gonzales
Chairman

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TO THE
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AND PERFORMANCE
ANALYSIS

JANUARY 2021
FOR
FISCAL YEAR 2022

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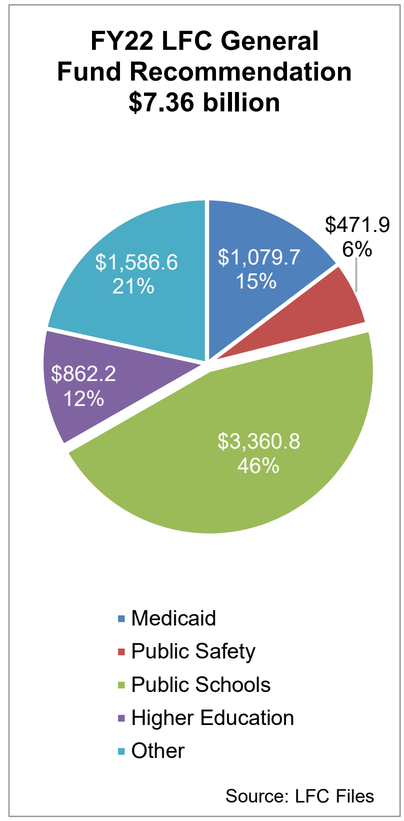
Recommendations and Highlights

On the heels of multiyear double digit general fund revenue growth, the state faced a global pandemic unlike any in over 100 years and another devastating crash in oil markets in 2020. Strong reserve levels, quick action by the Legislature to pare back planned FY21 spending increases, and federal aid to backfill general fund revenue before the fiscal year started provided a stronger than predicted fiscal backdrop to build a budget for FY22. The Legislative Finance Committee recommendation avoids damaging cuts to agency budgets, prioritizes modest funding increases to stabilize public schools and Medicaid, replaces the use of one-time federal aid in education and health care, and continues to expand investments in early childhood services using the proceeds of a new trust fund.



While revenues crashed, they did not plummet as deeply as anticipated during 2020, in part due to resiliency in oil production and massive federal aid flowing to individuals, businesses, and governments. As a result, the state's finances allow for mostly flat recurring spending levels and strategic use of healthy general fund reserves to make postpandemic recovery investments in roads, education, and economic development. Considerable fiscal uncertainty remains, including over additional federal aid, the pandemic, and oil market volatility. The state's fiscal stress testing suggests that because the state is in a down cycle, high reserves are somewhat less necessary. The LFC recommendation leaves projected general fund reserves at 22 percent.

Budget Development and Priorities

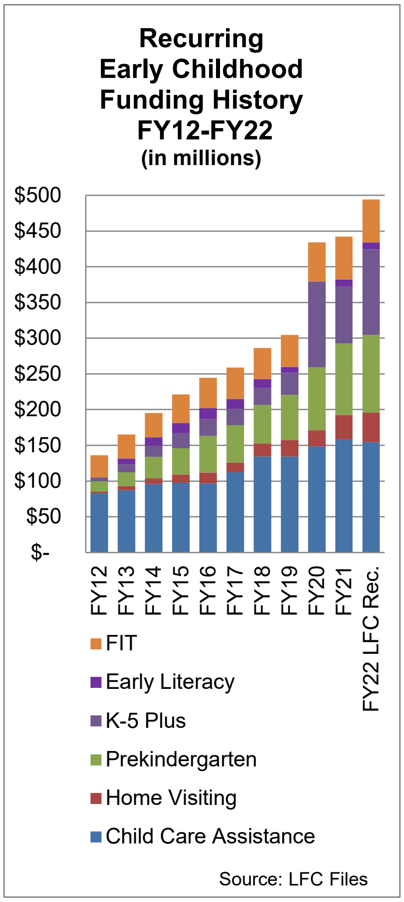
Budget Development

The December 2020 consensus revenue estimate showed estimated recurring revenues for FY21 at $7.002 billion, a decline of $857.1 million, or 10.9 percent, from FY20. Some of the decline is in income tax and gross receipts tax (GRT) collections caused by pandemic-induced restrictions on business activity and associated layoffs. However, most of the decline in FY21 is due to the pandemic's severe effects on the oil market, with low prices causing sharp drops in gross receipts tax collections on drilling activity and in production-related revenues.

LFC Online: Understanding Government Finances

Finance Facts: Consensus Revenue Estimate

"New money," defined as projected recurring revenues for the following fiscal year less current year recurring appropriations, is estimated at $169 million for FY22, or 2.3 percent growth from the FY21 recurring budget. Prior to the June 2020 special session, the recurring budget was $7.6 billion; with current FY22 revenues projected at $7.4 billion, had the Legislature not acted in the June special session, the new money would have been negative $243 million, requiring spending adjustments or a draw from reserves.



Priorities

The LFC appropriation recommendation for FY22 prioritizes modest growth for education and healthcare, expands early childhood services using the new trust fund rather than general fund revenue, replaces one-time use of federal funds and provides generally for flat agency budgets. The recommendation reallocates savings from expensive services due to declining workload, such as foster care and prisons, and reallocates funding to evidence-based community interventions to get better outcomes and lower costs. The recommendation also supports agencies' increased leveraging of federal funding, creating further savings to the general fund.

Recommendation

Agencies requested $7.18 billion from the general fund; Medicaid projections updated after requests were submitted brought the total general fund need to $7.33 billion. The LFC recommendation is a little more than requested at $7.36 billion, up $298.4 million, or 4 percent, from FY21 spending levels.

Early Childhood

The Early Childhood Education and Care Department (ECECD) requested a $10 million general fund revenue reduction for prekindergarten, or 5 percent below the department's FY21 operating budget. The committee recommendation for general fund revenues for ECECD includes a slight reduction of $2 million, or 1 percent, for prekindergarten and replaces the reduction with fund balances. Of the $20 million in new revenue from the early childhood care and education fund, the LFC recommendation allocates $3 million for home-visiting services to new families, $3 million for workforce supports, $1.8 million for prekindergarten to replace general fund revenues, $9.2 million for expanding prekindergarten, $1 million for Families First case management home visiting service, and $2 million for department information technology. In total, the FY22 recommendation for ECECD is $416.4 million, of which $191.6 million is from the general fund.

Education

Public Education. The committee's recommendation for recurring general fund appropriations for public education totals $3.32 billion, a $105 million, or 3.3 percent, increase from FY20 levels. The recommendation further includes $185 million in nonrecurring, education-related appropriations, including $153 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 (SEG) distribution to school districts and charter schools, which totals $3.16 billion, a $115 million, or 3.8 percent, increase from FY21 funding levels. Contingent on enactment of legislation, the committee recommendation for SEG includes $83 million to remove federal and local revenue credits from the funding formula. In addition to removing credits, the committee recommendation for SEG also provides $44.7 million to backfill a credit for federal CARES Act funding taken during FY21.

The recommendation includes sufficient funding for all schools and students to participate in Extended Learning Time Programs (ELTP) and restores K-5 Plus extended school year program funding to FY20 levels with appropriations from the public education reform fund. With significant projected learning loss due to school closures and remote learning in FY20 and FY21, the state must provide additional instruction both to help students catch up and address deficiencies highlighted by the *Martinez-Yazzie* lawsuit.

Higher Education. Prior to the Covid-19 pandemic, higher education was slated to receive its highest level of state support over the past decade. During the special legislative session, however, the Legislature reduced state support for FY21 by reducing instruction and general purpose (I&G) funding by 4 percent, reducing research and public service projects (RPSP) funding by 6 percent, reducing the opportunity scholarship from $12 million to $5 million, and using $20 million in federal CARES Act funds to support I&G costs. With the adjustments, the FY21 operating budget settled at $840.6 million, a 3 percent reduction from FY20 actual expenditures.

For FY22, the LFC recommendation restores the $20 million in general fund revenues swapped with federal funds as a solvency measure during the first special legislative session, reprioritizes spending to increase I&G to higher education institutions by 0.5 percent, and increases the University of New Mexico (UNM) Health Sciences Center (HSC) I&G by 2 percent. The overall recommendation increases expenditures by 0.2 percent to $862.2 million.

Human Services

The LFC recommendation for the Human Services Department (HSD) is $8.19 billion from all revenue sources, a $626.5 million, or 8.3 percent, increase over the FY21 operating budget, and includes an additional $110.1 million from the general fund, an increase of 10 percent.

The LFC recommendation includes a $112.2 million increase in general fund support for the state’s Medicaid program in FY22, an increase of 11.8 percent over the FY21 operating budget. The recommendation replaces the general fund dollars swapped for $75 million in federal funds appropriated during the 2020 first special legislative session to shore up the state budget. LFC also recommends additional general fund support for enrollment growth, maintenance of hospital and Medicaid provider rates, and general fund supports to offset declines in tobacco settlement funds and county-supported Medicaid funds.

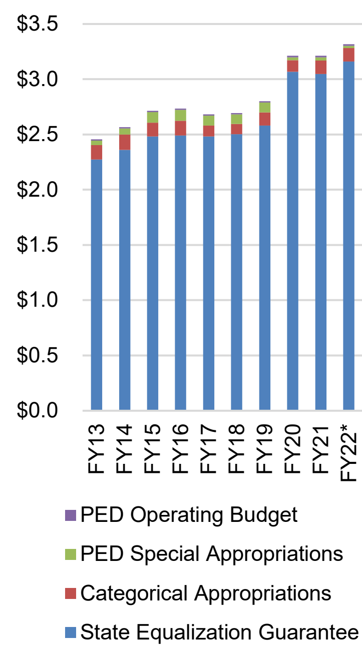
The LFC recommendation for the Children, Youth and Families Department (CYFD) includes $210.2 million from the general fund. The recommendation includes a 4.5 percent increase for the Children’s Behavioral Health Services program. The expansion of community and evidence-based behavioral health programs and services is essential to address the committee’s priorities to expand access to evidence-based behavioral health services and maximize federal funding. The LFC recommendation for the Protective Services Program reinvests savings from foster care to fund evidence-based child maltreatment prevention and family support services. CYFD will be able to leverage this funding to draw down additional federal funding under the federal Family First Prevention Services Act.

Behavioral Health. For FY22, HSD requested and the committee recommends $31 million more general fund revenue than in FY21 for the Medicaid Behavioral

LFC Online: Understanding Government Finances

Finance Facts: Appropriation Process

Public Education General Fund History
(in billions)



*LFC Recommendation

Source: LFC Files

Health Program. The recommendation represents a 28 percent increase from the FY21 operating budget.

The LFC recommendation for the Behavioral Health Services Program supports an overall budget for FY22 of $68.2 million, including maintaining general fund revenue at the same level as FY21. The operating budget included expansion of high-quality, evidence-based behavioral health services, and the committee supports the continuation of these efforts.

Health

The $313.1 million general fund recommendation for the Department of Health (DOH) is 3.6 percent over the FY21 operating budget. The recommendation supports the department's request to increase some federal revenues in Public Health and Epidemiology and Response initiatives and increases in other revenues and federal revenues in the Facilities Management Program, primarily from leveraging additional Medicare and private-pay at state facilities. The LFC recommendation increases general fund revenues for the Public Health and Developmental Disabilities programs resulting in an overall DOH general fund increase of $10.8 million, or 3.6 percent, above FY21. The recommendation replaces $7 million in general fund revenue that was reduced in FY21 due to a higher federal match rate for the developmental disabilities Medicaid waiver in place during the Covid-19 pandemic. The total recommendation is $618.9 million.

Judiciary

LFC recommends $307.5 million for all judicial entities in New Mexico, nearly flat with the FY21 operating budget. The recommendation decreases general fund revenue to the Administrative Office of the Courts to prioritize small general fund increases to district courts for new judgeships approved during the 2020 regular legislative session and drug-court and pretrial services. The recommendation slightly decreases general fund revenue to district attorney offices by 0.3 percent due to sizable funded vacancies, and increases other transfers and fund balances to district attorneys by 8.4 percent and 70 percent, respectively, to offset the general fund reduction. The general fund revenue recommendation for the Public Defender Department remained flat with FY21.

LFC Online: Understanding Government Finances

Finance Facts: General Fund Reserves

Public Safety

The committee recommends $359.9 million in total revenue for the Corrections Department (NMCD), a decrease of $3.8 million, or 1 percent, compared with its FY21 operating budget. The $326.2 million general fund recommendation for NMCD is $3.6 million, or 1.1 percent, lower than FY21. The recommendation identifies significant savings the department is likely to realize as a result of declining inmate population and could realize if it renegotiates an overpriced and underperforming medical contract. The committee recommends reallocating those savings toward long-term legislative priorities, including directing an additional $2.6 million to evidence-based programming for recidivism reduction and $3 million to facility maintenance and repair. The recommendation also supports 6 percent salary increases for correctional officers and 3 percent rate increases for private prisons.

The Department of Public Safety (DPS) recommendation is $159.2 million, a $1 million, or 0.7 percent, increase compared with its FY21 operating budget, and the committee's recommendation for general fund revenue for DPS is flat with FY21, at $128.8 million. The recommendation directs the agency's significant, long-term vacancy savings to maintain 6 percent pay raises for state police officers and implement additional raises for other key positions the department has struggled to fill, including dispatchers, transportation inspectors, and forensic scientists and technicians. The recommendation also provides $2 million to fund ongoing vehicle replacement and $1.2 million to allow the state police to conduct two recruit schools in FY22.

Criminal Justice Reform. The committee's recommendations for NMCD and DPS support initiatives aimed at achieving criminal justice reform through recidivism reduction and police officer training and accountability. The NMCD recommendation includes funding for evidence-based recidivism reduction programs both inside and outside correctional facilities, as well as $1.3 million for the agency's Recidivism Reduction Division. Within DPS, the committee recommends an additional $500 thousand for de-escalation training for state police officers and other law enforcement officers and $350 thousand to fund the Law Enforcement Academy Board, the entity responsible for state oversight of law enforcement officers. Policy changes, such as reducing incarceration for nonviolent crimes and limiting the circumstances under which an offender's parole may be revoked, could significantly reduce recidivism as well as costs.

Compensation

LFC analysis shows the compensation package offered by the state is heavily reliant on benefits, reducing take-home pay and competitiveness. For FY22, the LFC recommendation includes $60 million for compensation increases for state, public school, and higher education employees. The funding is sufficient to provide an average 1.5 percent across-the-board salary increase and an additional $3 million to provide targeted increases to essential health and social service frontline employees. Additionally, funding is included in the base budgets of the Department of Public Safety and the Corrections Department to provide increases to state police and correctional officers.

Deficiency, Special, and Supplemental Appropriations

The LFC recommendation for special, supplemental, and deficiency appropriations totals $123.3 million, of which $85.4 million is from the general fund and $37.9 million is from other state funds. The recommendation includes $20.9 million in supplemental appropriations to the Public Education Department for potential impact aid liabilities, $12.5 million to the Economic Development Department, of which $7.5 million is for projects in compliance with the Local Economic Development Act (with an additional $7.5 million in capital funding) and $5 million is for the Job Training Initiative Program; $10 million in special appropriations to the Department of Information Technology for broadband expansion, with an additional $10 million in capital outlay funding for the same purpose; and $2.6 million in special appropriations to the Department of Public Safety to move former motor transportation officers from the Public Employees Retirement Association's state general plan to the state police and correctional officer plan.

Criteria used in building the LFC recommendation for special, supplemental, and deficiency appropriations included, recommending requests for one-time expenses or pilots, not recommending requests for recurring costs, and funding items that would improve agency outcomes. For requests to extend prior-year appropriations, staff notes how much of the original appropriation is unspent. The committee recommendation prioritizes spending prior appropriations over new special requests.

Fund Transfers. General fund reserves for FY20 and FY21 were propped up to levels much higher than anticipated in the June 2020 special session, and well above the FY21 target of 25 percent due to stronger than anticipated revenue collections during the Covid-19 pandemic. The LFC recommendation includes $700 million in fund transfers as part of a post-pandemic recovery strategy that invests in transportation, education and economic development. The recommendation would allocate $250 million for state and local road projects, including $5 million for essential air services, contingent on enactment of a bill establishing the program. NMDOT has identified over $145 million in shovel ready projects that could quickly improve the movement of goods and people on highways. Local governments would receive $100 million in state aid for heavy road maintenance in addition to $40 million in new motor vehicle excise tax revenue.

The recommendation would pre-fund key education programs as part of the state's school reforms in response to the school sufficiency court ruling, including boosting the size and quality of the teacher workforce and expanded learning opportunities for students. The fund transfers include $5 million for teacher loan repayments, $20 million teacher college affordability scholarships, $5 million to help teachers earn national certification, $10 million to start up new community schools, $20 million to prefund early childhood services, and $15 million for the college affordability trust fund.

To avoid the need for larger potential tax increases on employers coming out of the pandemic, the recommendation would transfer $300 million to the unemployment trust fund to repay or offset the need to draw down federal loans for the program, contingent on whether a federal grant, rather than loan, is available. The program ran out of funding early in the Covid-19 pandemic. The recommendation also sets aside $75 million for economic recovery and income support initiatives, including for essential services and workers, should the federal government fail to act on another round of fiscal stimulus.

Capital Outlay and Infrastructure

Priority capital outlay requests from state agencies, higher education institutions, tribal schools, special schools, and local entities totaled $1.7 billion. Requests exceeded the estimated $433.4 million in total severance tax bond capacity.

The LFC capital outlay framework for consideration by the full Legislature includes approximately $200 million authorized from severance tax bonds and $19.5 million from other state funds.

Major projects in the framework include $20 million for broadband expansion and public safety radio communications, $12 million for critical infrastructure needs in correctional facilities, $12 million for health facilities to address patient safety, $6 million to address the most critical needs to preserve and restore state-owned facilities, and $4 million for the preservation and maintenance of museums and monuments. The framework includes $47 million for higher education institutions, tribal schools, and special schools.

Nearly $1.2 billion requested by eligible local entities for the top three priorities are 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 current capacity reserves $233.4 million for policymakers to potentially address local needs statewide.

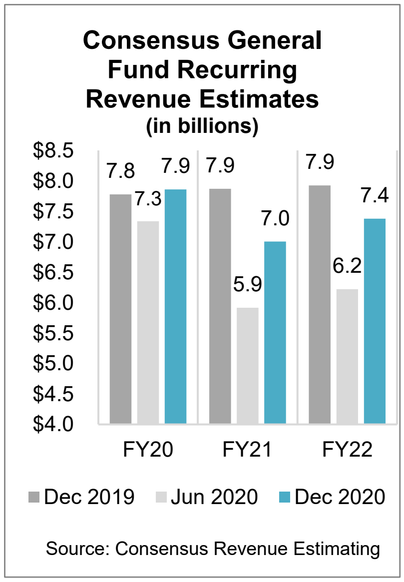
Transportation. The Department of Transportation (NMDOT), mainly funded with state road fund (SRF) revenues for highway maintenance and federal funds for road constructions, projected a revenue reduction of $32 million, or 3.2 percent for FY22. The revenue shortfall, driven by loss of fuel tax revenue related to the Covid-19 pandemic, exacerbates the continually declining purchasing power of the SRF; because construction price inflation increased faster than SRF revenue, the purchasing power of the fund has fallen by 32 percent since the year 2000. In response, the Legislature increased the motor vehicle excise tax and directed a larger proportion of the revenue raised to state and local governments and NMDOT for infrastructure improvements. Additionally, the FY22 LFC recommendation includes nonrecurring revenue of $250 million for transportation projects to be allocated for state and local projects.

Information Technology. The LFC recommendation for IT funding totals $53.3 million from all funding sources for 18 projects. The recommendation includes $17.6 million from general fund revenues, $6 million from other state funds, and $32.9 million in federal funds. Included in the recommendation is $1.2 million in general fund revenues for the Human Services Department to continue the replacement of its Medicaid management information system and $3.5 million for the Children, Youth and Families Department to continue the modernization of its child welfare information system. The recommendation prioritizes projects critical to agency missions, as well as projects that are ongoing, have previously been funded, leverage federal funds, or have potential cost savings.

Evidence- and Research-Based Funding Requests Act. In 2019, Chapter 23, (Senate Bill 58) amended 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. The legislation also provided consistent definition of evidence-based, research-based, and promising programs. For the FY22 budget process, LFC and DFA did not designate any agencies to inventory programs due to the pandemic. LFC nonetheless identified $62.3 million in expansion funds primarily through reallocation of resources directed toward evidence-based and promising interventions in the following agencies: Early Childhood Care and Education, Administrative Office of the Courts, Corrections, and Children, Youth and Families. This includes an additional $8.9 million for prekindergarten, $3.7 million in prevention services for CYFD's Protective Services, and $1.5 million in the community offender management program under Corrections Department. Additionally, some of these agencies have long been allocating funding toward evidence-based programming. The LFC recommendation includes continued funding of hundreds of millions of dollars for evidenced-based and promising 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.

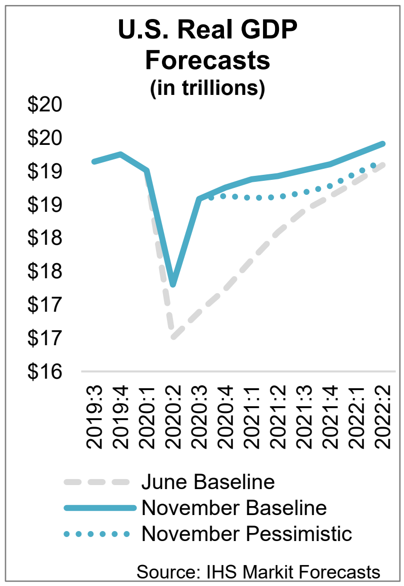
For more info:
General Fund Consensus Revenue Estimate Page 183

Within two weeks of the end of the 2020 legislative session, the outbreak of a novel coronavirus that causes Covid-19 inflicted severe economic damage and played a key role in a subsequent collapse in oil prices. To contain the spread of the virus, the governor issued stay-at-home orders and placed significant restrictions on business activity. Overall, the societal response to the pandemic caused business closures, a spike in unemployment, and shifts in consumer spending. The Legislature took action during a special session in June 2020 to reduce FY20 nonrecurring spending, sweep cash balances, and adjust FY21 recurring budgets. Bolstered by an influx of federal funds to support individuals, businesses, and states, FY20 ended with $2.5 billion in general fund reserves, or about 35 percent of recurring appropriations.



Recurring revenues for FY21 are estimated at $7.002 billion, a decline of $857.1 million, or 10.9 percent, from FY20. Had federal funds not been available to offset general fund expenditures in FY21 – including $750 million of stimulus funds and $146.6 million in other federal funds allocated in the June 2020 special session – the state would have needed to pull nearly $1.1 billion from reserves to cover the current budget. After accounting for available federal funds, FY21 total general fund revenues are expected to fall short of total FY21 appropriations by $182 million.

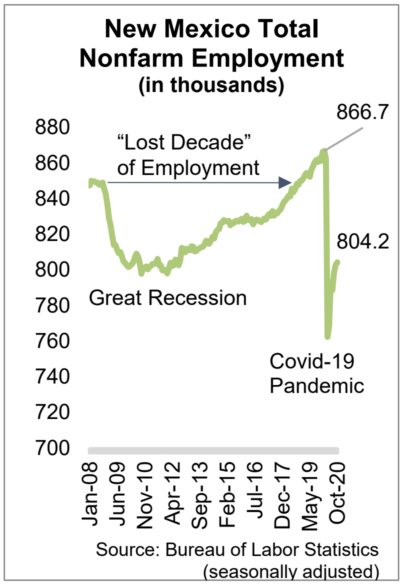
"New money," defined as projected recurring revenues for the following fiscal year less current year recurring appropriations, is estimated at $169 million for FY22, or 2.3 percent growth from the FY21 recurring budget. Prior to the June 2020 special session, the recurring budget was $7.621 billion; with current FY22 revenues projected at $7.378 billion, had the Legislature not acted in the June special session, the new money would have been negative $243 million, requiring spending adjustments or a draw from reserves.

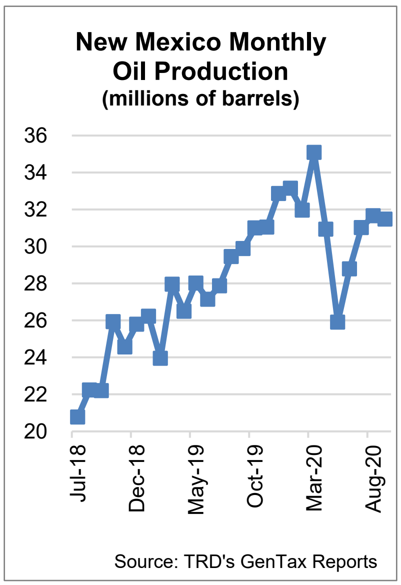


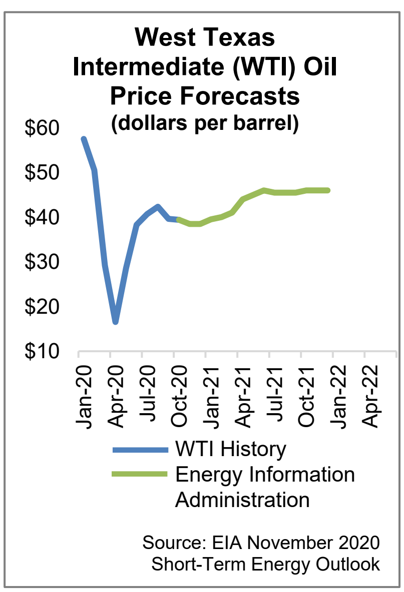
Economic Forecast

U.S. Economy

The United States lost over 20 million jobs in April, or about 13 percent of employment, and real gross domestic product (GDP) declined a record 32.9 percent in the second quarter of 2020. The federal fiscal and monetary response to the crisis was unprecedented, providing $3.9 trillion in federal income supports in 2020-Q2, near-zero interest rates, and massive injections of liquidity into credit markets. Although improving, economic activity across the country has yet to recover to pre-pandemic levels. By September, GDP recovered roughly three-quarters of the spring decline but was still 3.4 percent below the February level. The economic forecast is characterized by the further deceleration of economic growth as consumer spending has stalled, corporate debt remains high, restaurants







are empty, hotel revenues have plateaued, airport passenger traffic has shrunk, and job postings remain well below the January average.

Still, there are some signs of improvement in the economy. Vaccine producers began filing for Food and Drug Administration approval and are expected to begin distribution of vaccines beginning in December. Depending on the efficacy of the treatment, the rate of vaccinations, and the resulting decrease in viral transmission, economic and social activity may return to previous norms by mid-2021. However, a number of factors leave significant uncertainty in the outlook, including the transition of the federal administration, the possibility of further stimulus, evolving monetary policy, the future of tariffs, and most importantly, the path of the virus.

New Mexico Economy

The state's economic outlook is tied to the success in fighting Covid-19. After continued employment growth in 2019 (adding 12.7 thousand jobs or 1.5 percent), the pandemic arrived and New Mexico employment contracted 10.7 percent in April compared with the same month last year. The University of New Mexico Bureau of Business and Economic Research (BBER) estimates the state lost 80.2 thousand jobs in the second quarter of 2020 compared with the same quarter last year, with more than half of all losses experienced in accommodations and food services (20.4 thousand jobs, or 23.6 percent), trade (12.7 thousand jobs, or 11.7 percent), and mining (7.8 thousand jobs, or 19.8 percent). By October, preliminary data from the Bureau of Labor Statistics indicates the state regained roughly 40 percent of the jobs lost from February to April.

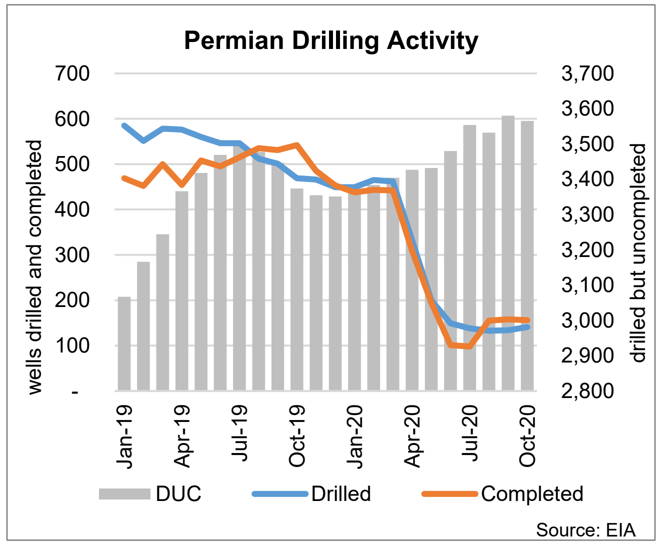
While employment collapsed in the second quarter, total personal income in New Mexico soared. According to the U.S. Bureau of Economic Analysis, total personal income increased by 12 percent (or $10.4 billion) in the second quarter of 2020, compared with a year earlier. The increase was due to a 59.5 percent increase, or $12.8 billion, in personal transfer payments from the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act, which provided stimulus checks, enhanced food stamps, unemployment bonus checks of $600 per week, unemployment assistance to self-employed New Mexicans, and payroll supports to businesses.

BBER estimates the New Mexico economy will experience slower but steady economic growth through the forecast period, with the state gaining 1.4 percent and 1.3 percent in employment in 2021 and 2022, respectively. However, BBER expects employment will not reach pre-pandemic levels until 2025. With the expiration of CARES Act programs at the end of 2020, personal income growth is expected to plateau in 2021 before returning to moderate growth in 2022.

Energy Markets

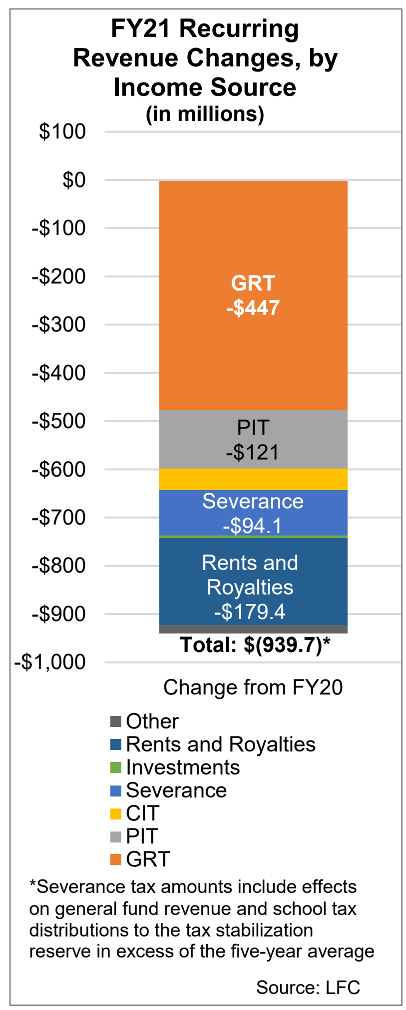
Oil and gas activity accounted for over 70 percent of the $857 million projected decline in FY21 recurring general fund revenues. This decline is primarily in gross receipts tax collections on drilling activity and royalty revenues from production on federal lands. Had the Legislature not enacted a provision that sends excess oil and gas school tax revenue to the tax stabilization reserve, the impact to the general fund would be even greater.

The oil price crash caused by the pandemic's shock to global oil demand led Permian Basin producers to slash spending plans and shut in wells in the second quarter of 2020. New Mexico's average oil price fell to below $15 per barrel (bbl) in April and recovered to just $37/bbl by September. Active drilling rigs in New Mexico fell from a peak of 117 rigs in March to a low of 41 rigs in September. By the first week of December, the state had 58 active drilling rigs. In May, oil production fell to 25.9 million barrels, down 26 percent from a peak of 35.1 million barrels produced in March. Production began recovering in the following months as shut-in wells came back online, but reduced drilling activity was unable to offset production declines in legacy wells. The state's oil production in September was 31.5 million barrels, up 5.3 percent from the same month last year but still down 7 percent from the March 2020 peak.



Production declines are expected to continue in the fourth quarter of 2020 and first half of 2021 before leveling off; however, updated analysis from energy analytics firms indicates declines in the Permian Basin will be less severe than other basins in the United States due to lower production costs. The current forecast projects state's oil production will drop 7 percent to 340 million barrels in FY21 and another 3 percent to 330 million barrels in FY22. The forecast assumes New Mexico's oil price will average $38/bbl in FY21 and $43.50/bbl in FY22, with an average differential of about $3-$4/bbl below West Texas Intermediate prices.

The state produced 1,829 billion cubic feet of natural gas in FY20. Natural gas production is expected to drop 3.8 percent in FY21 and drop another 2.6 percent in FY22 before resuming growth. New Mexico's natural gas prices are expected to average $2.55 per thousand cubic feet (mcf) in FY21 and $2.65/mcf in FY22; however, transportation and processing costs are expected to weigh on the state's net average natural gas price, which affect the product's taxable value. After accounting for deductions, the expected net natural gas price for FY21 and FY22 is $1.61/mcf and $1.72/mcf, respectively.



Revenue Forecast

Most of the $857.1 million projected decline in FY21 is due to the pandemic's severe effects on the oil market, with low prices causing a sharp drop in gross receipts tax collections on drilling activity and in production-related revenues. Some of the projected decline is also in income tax and gross receipts tax (GRT) collections caused by the pandemic-induced restrictions on business activity and associated layoffs.

Total GRT collections are projected to fall $477 million, or 16 percent, in FY21, making up nearly half of the total projected general fund revenue decline for the fiscal year. Declines in Eddy and Lea counties and drilling-related out-of-state receipts account for over 90 percent of the projected decline in GRT collections, affecting not just the mining industry but also receipts in construction, manufacturing, real estate, other services, transportation and warehousing, and wholesale trade.

The leisure and hospitality industry – which includes the accommodation and food services industry and the art, entertainment, recreation industry – was also hard hit by the pandemic. Gross receipts in the industry fell 40 percent in April 2020 and was still down 21 percent year-over-year by September.

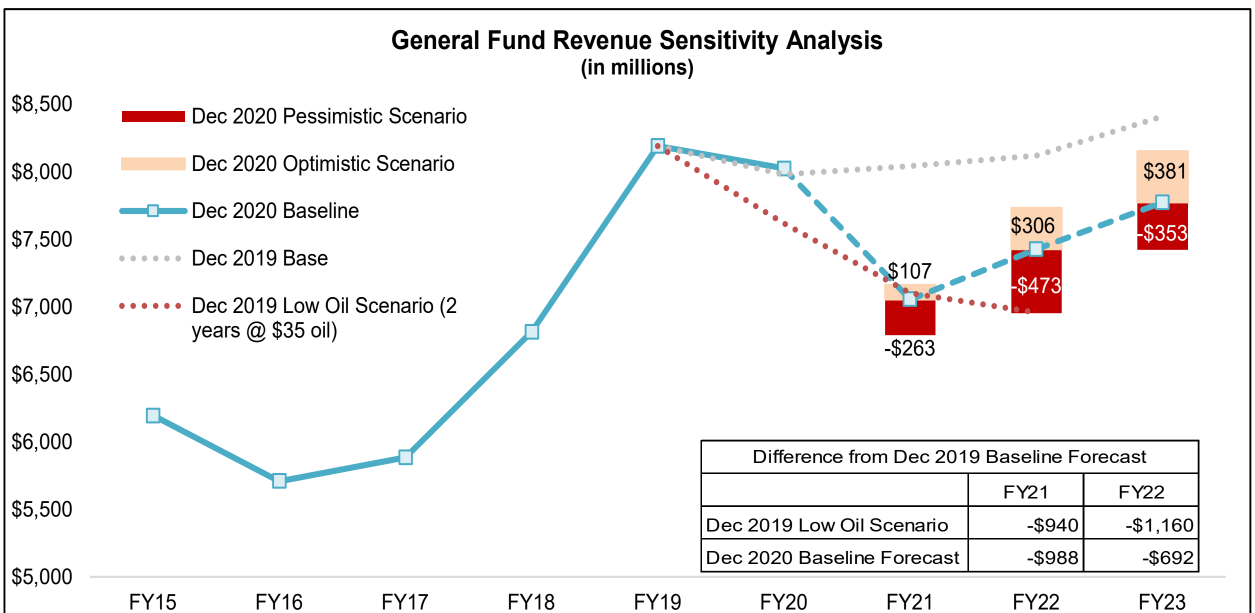
Taxable gross receipts within the retail trade industry has been the most resilient throughout the pandemic, continuing to grow each month on a year-over-year basis. Much of the growth in retail trade has been due to online sales, which jumped significantly after the stay-at-home order was issued in March and consumer behavior shifted to the safety of remote purchases. Although overall retail trade receipts demonstrated growth, many retail businesses were hard hit, particularly small businesses and those with limited or no online presence. Small restaurants also suffered as food consumption shifted toward grocery store purchases.

A number of federal stimulus supports propped up employment, income, and consumer spending during the pandemic, including:

- Forgivable loans to encourage keeping employees on the payroll despite business closures;
- One-time $1,200 stimulus checks;
- Unemployment benefits for those who do not usually qualify, such as the self-employed and independent contractors, and
- An extra $600/week in unemployment benefits through the end of July and another five weeks of extra $300/week unemployment benefits paid out as lump sum in September.

Stress-Testing the Revenue Forecast

The December 2020 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 two scenarios: a pessimistic scenario with weaker than expected economic recovery, and an optimistic scenario with stronger near-term economic growth. The current FY21 recurring revenue forecast is on par with the December 2019 stress test's low oil price scenario, which considered the effects on the general fund if oil prices fell to $35/bbl for two years.



Difference from Dec 2019 Baseline Forecast		
	FY21	FY22
Dec 2019 Low Oil Scenario	-$940	-$1,160
Dec 2020 Baseline Forecast	-$988	-$692

*Includes changes in revenues from severance taxes (including any tax stabilization reserve distributions), federal mineral leasing payments, personal income taxes, and gross receipts taxes.

Source: December 2019 and December 2020 Consensus Revenue Estimate

By providing transfer payments that boosted consumption and payroll grants intended to keep people employed through the pandemic, the federal government helped prevent sharp income tax declines, leading to revenues that defied the June consensus expectations and pushed up projections for FY21. Despite high unemployment, many of the jobs lost were in lower-income sectors, and while devastating for many New Mexicans, job losses did not appear to weigh as heavily on personal income tax collections as originally feared.

For more info:
General Fund Financial Summary
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Risks to the Forecast

Energy Volatility. New Mexico's high dependence on the energy sector makes oil market volatility one of the largest, most significant risks to the forecast.

Declines in oil and gas-related revenues are driving the fall in FY21 projected revenues, and the state would face an even more severe drop in revenues if production or prices end up lower than estimated. Alternatively, if prices recover sooner and production levels off or resume growth, the general fund could see sizeable revenue increases even without significant state economic recovery.

Recession. Although the macroeconomic economic forecasts used to develop the revenue estimates do not assume a return to recession within the forecast period, there is concern the economy could experience a prolonged recession or a second consecutive recession in the near term depending on the path of the virus and the success of any future federal fiscal stimulus. Because predicting the timing or severity of a recession is not possible, the state's protection against this risk is to maintain sufficient reserve balances, replace fund balances, and restrain recurring budget growth to long-term trends.

Fiscal and Tax Policy

For more info:

[Taxation and Revenue Department Performance Page 165]

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.

Fiscal year 2020 started with strong, above-trend revenues and ended with a shock that amplified several weaknesses in New Mexico's economy and tax structure. The collapse in oil prices and subsequent production declines emphasized the state's continued dependence on the extractives industry, stripping away a large portion of the revenue gains the state enjoyed the last two years. The state's reliance on tourism and healthcare for job growth in the years following the Great Recession was challenged by a pandemic that halted travel and demand for services, resulting in massive layoffs in the leisure and hospitality industry and significant job losses in healthcare.

In the upcoming 2021 session, the Legislature will need to focus first on setting a sustainable recurring budget level despite heightened uncertainty on the state's fiscal and economic future.

Fiscal Stability and Managing Revenue Volatility

Prior to the onset of the Covid-19 pandemic, heightened oil and gas production set New Mexico's revenue picture significantly above the trend. General fund revenues grew 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 pre-pandemic revenue projections for FY20 and FY21 were more than $1 billion above the trend. Now, with the onslaught of the pandemic and the ensuing oil market crash and global recession, current projections show FY21 recurring revenues are expected to fall $765 million below the latest trend analysis.

The state's current revenue situation parallels past experiences. The state experienced strong above-trend revenues in the years preceding the Great Recession, after which revenues fell significantly below trend. Recurring budgets had 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.

Using Stress Tests to Inform Reserve Targets

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.

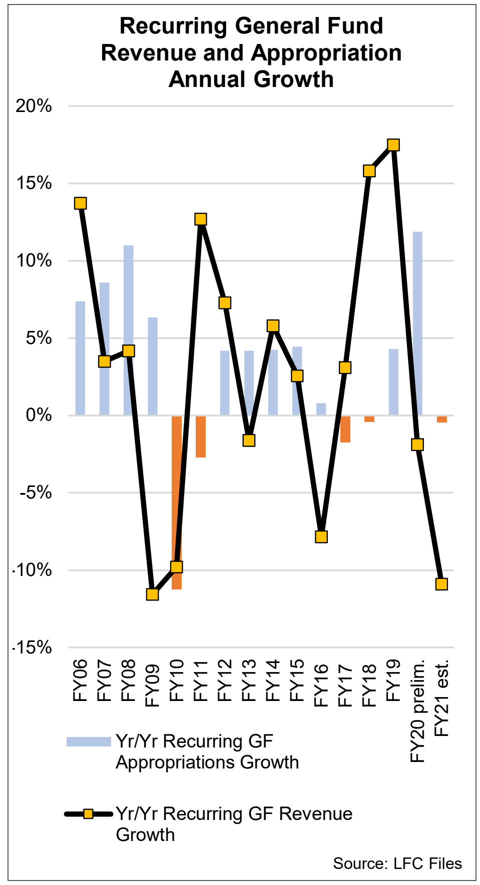
For example, the trend analysis suggested the revenue spikes in FY19 and FY20 would come to an end, and stress tests of the December 2019 revenue estimate found general fund revenues could fall $1 billion to $2 billion below the forecast in the event of a recession or an oil market crash. The legislature used these stress tests to set its general fund reserve targets in the 2020 regular session.

Following the onset of the Covid-19 pandemic, oil markets collapsed, active drilling rigs in the state dropped off dramatically, and the state's oil and natural gas production began declining. This occurred in combination with a global recession, restrictions on business activities, and high unemployment – all of which are expected to take a toll on collections for gross receipts taxes and personal income taxes.

Fortunately, the state was prepared. Strong reserves enabled the legislature to take a "wait and see" approach to revenues, pare back spending in a less painful way, and use reserves to shore up near-term deficits.

In keeping with hard-learned lessons, the state took two primary actions that helped prepare it for the current downturn. First, the Legislature avoided committing all of the above-trend revenue to recurring budgets, which helped mitigate the action necessary to adjust for projected revenue declines in the June 2020 special session. Lawmakers used significant portions of the historic energy revenue surplus to fund a variety of capital outlay and infrastructure projects, build general fund reserves, backfill other state funds, and create new budget stabilization funds.

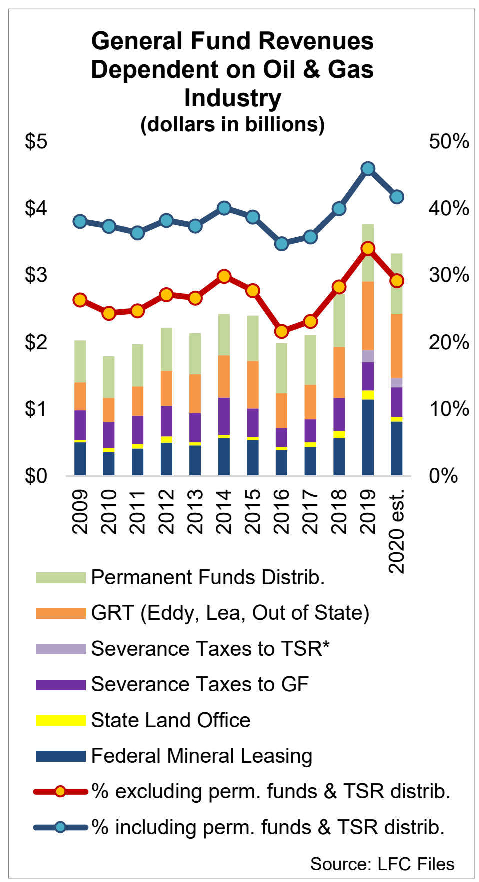
Secondly, the state's strong reserve position allowed the Legislature to emerge from the June 2020 special session without any cuts to FY20 recurring budgets and limited cuts to nonrecurring appropriations, despite a revenue forecast that at the time projected significant revenue declines in the final quarter of the fiscal year. Additionally, high reserves enabled the Legislature to make smaller reductions to the FY21 budget than would have otherwise been necessary.



Managing Volatility

At the core of New Mexico's fiscal stability problem has been the significant reliance on volatile revenues from the extractives industry. Severance taxes and federal royalty payments made up 23 percent of general fund revenues in FY19. When including gross receipts taxes from Eddy and Lea counties and out-of-state receipts, also highly dependent on oil and gas activity, revenue dependent on the extractives industry made up 36 percent of general fund revenue in FY19. This was up from a prior 10-year average of 26 percent.

One of the state's long-standing measures for managing general fund revenue volatility is through distributions from the land grant and severance tax permanent funds, depositories for extraction taxes and other one-time revenue from depletable resources. These distributions are among the most stable and reliable revenue streams to the general fund. The distribution formula – calculated as a percent of the five-year average of the year-end balance of the fund – makes this revenue source easily predictable for the upcoming budget year because the actual distribution amounts for the next fiscal year are known prior to the legislative session. The formula also smooths fluctuations in market activity and oil and gas royalty contributions, partially insulating the general fund from sudden shocks. Additionally, the permanent funds provide an intergenerational revenue stream that allows current resource extraction to benefit future New Mexicans.



The Legislature took additional steps in the 2017 session to manage the general fund's oil- and gas-related revenue volatility 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, captures windfalls from the oil and gas industry, lessens the impact of market shocks on the general fund, and provides a specific source of revenue to the rainy day fund.

In the 2020 regular session, the Legislature sought to further manage volatility by distributing federal mineral leasing (FML) payments – revenues that go

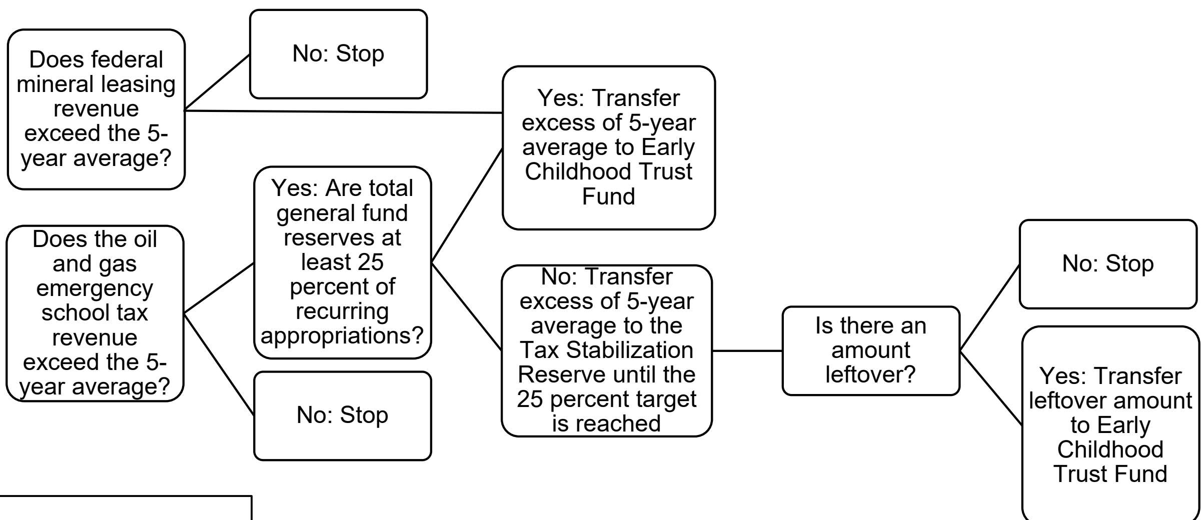
LFC Online: Understanding Government Finances

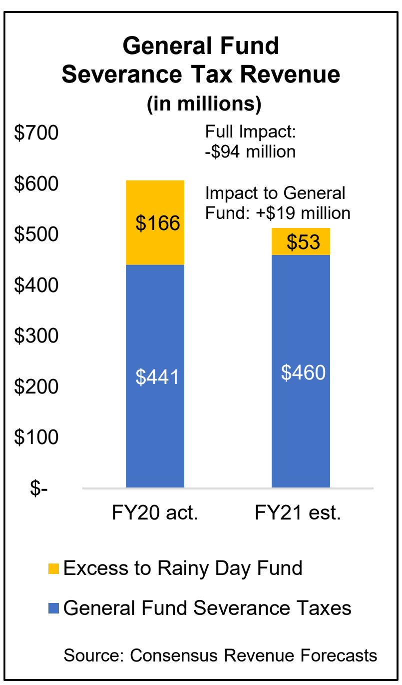
Finance Facts: Oil and Natural Gas Revenue

directly to the general fund and include royalties for production on federal land and bonuses for federal land lease sales – above the five-year average to an interest-earning trust fund for early childhood education. The Legislature authorized regular distributions from the trust fund to an early childhood program fund of $20 million in FY22 and $30 million annually thereafter. These efforts simultaneously provide a stable source of funding for early childhood programs and reduce the general fund's dependence on oil and gas revenues. Although the trust fund was not established as a reserve fund of the state, the statute authorized the fund to be used as a source of last resort if all other reserve funds are exhausted.

Prior to the Covid-19 pandemic, these revenue sources were projected to exceed their five-year averages in FY21-FY24, which resulted in significant distributions to the rainy day fund and the early childhood trust fund in those years. However, with the oil price collapse and subsequent declines in oil and natural gas production, it appears unlikely federal mineral leasing revenue will exceed its five-year average in the near future.

Above-Trend Oil and Gas Revenue Decision Tree





Despite the unlikelihood of sizeable distributions to these stabilization funds in the next few years, the mechanism of automatically distributing revenue excesses to sources other than the general fund meant the impact of the recent oil market crash on the general fund was less severe than it would have been otherwise.

Trends in New Mexico Taxation

Personal Income Taxes

Chapter 270 of the 2019 session created a new dependent deduction, increased the working families tax credit, and added a new top tax rate and bracket. Although most personal income tax (PIT) changes were realized in FY20, the implementation of a new top bracket from Chapter 270 will take effect beginning in tax year 2021. The legislation created a new top PIT rate at 5.9 percent, up from the current 4.9 percent top bracket, after meeting the contingency required that FY20 general fund revenues did not exceed FY19 revenues by more than 5 percent.

The new 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. The impacts of the new bracket will be reflected in state revenues in FY22, supporting the otherwise anemic personal income tax growth forecasted for the year.

Tax Filing Extensions

To support individuals and businesses suffering from the pandemic and recession, Chapter 4 of the 2020 special legislative session waived penalties and interest for tax liabilities related to (1) personal and corporate income taxes due between April 15, 2020 and July 15, 2020, (2) withholding taxes due between March 25, 2020, and July 25, 2020, (3) oil and gas proceeds and pass-through entity withholding taxes due between April 15, 2020, and July 25, 2020, (4) gross receipts and compensating taxes due between April 25, 2020, and July 25, 2020, and (5) managed audits performed between September 3, 2019, and January 3, 2020. Despite expectations the bill could encourage taxpayers to shift payments further into the future, preliminary tax data suggests few taxpayers took advantage of the legislation and nearly all payments were paid on time, suggesting the legislation was successful in targeting only those most in need.

Taxation of Internet Sales

Chapter 270 of the 2019 session allowed the state to begin broadly taxing internet sales in FY20. This leveled 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 eBay.

Beginning in FY22, local governments will expand their tax base by being able to apply their local GRT increments to online sales of tangible goods. To allow for this to happen, the state is shifting to a process called destination sourcing, wherein GRT reporting for tangible goods will occur based on the buyer's location. Professional services were excepted from this provision and will continue to be reported from the seller's location.

In the meantime, the state is sharing its tax revenue from online sales with local governments. Distributions to local governments in FY20 were set at a flat $24 million, a figure based on initial estimates of the GRT revenue to be generated from this new provision and intended to share half of the state's benefit from taxing online sales. However, FY20 revenues from online sales came in nearly double the estimates, and Chapter 4 of the 2020 first special session doubled the distribution to local governments in FY21 to $48 million. Local governments will receive distributions based on population, with counties receiving 37.5 percent of distributions, in aggregate, and municipalities receiving 62.5 percent.

Outstanding Tax Policy Issues

Tax reform discussions over the years have often considered base-broadening efforts that reduce or eliminate tax expenditures in exchange for a lower GRT rate or expansion of provisions that reduce the tax-on-tax effect called "pyramiding." Such actions would reduce the burden of doing business in New Mexico with the goal of improving the state's economic conditions.

Sample Revenue Enhancement Options

New Mexico could capitalize on expiring federal levies on health insurance premiums in 2021 by raising the **health insurance premium surtax**, capturing nearly $125 million in revenues that would have otherwise been a tax break to the affected companies.

Legalization of **recreational cannabis** could raise revenues by incorporating an existing, untaxed market into the tax base. Estimates suggest state revenues could range from $30 million to $50 million annually, depending on the tax rate.

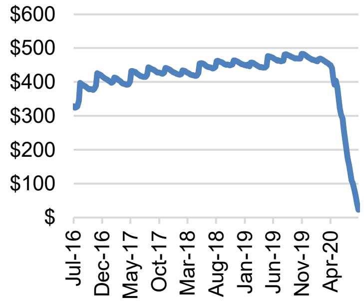
Reassessing **insurance license fees** presents an opportunity to match user fees to actual costs of government services. License fees for insurers have not been reviewed by the Legislature since 2014, causing the state fees to fall behind actual costs and rates of neighboring states. By raising fees to meet actual costs or to current national standards, state revenues could be increased by over $9 million a year, most of which is exported to outside insurers that wish to sell products inside of the New Mexico market.

New Mexico's **motor vehicle excise tax** rate is 4 percent, while rates in surrounding areas are as high as about 8 percent after adding local rate increments. A percentage point increase in the tax rate would generate about $50 million annually.

New Mexico's **fuel taxes** are lower than in surrounding states and lower than the national average. 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.

Capturing nonrecurring revenues – including sweeping funds with large cash balances or swapping general fund dollars with federal funds or agency-specific revenues – can yield varying amounts of general fund savings and help shore up budgets during downturns.

Unemployment Trust Fund Balance
(in millions)



Source: Department of Workforce Solutions

Unemployment Trust Fund Solvency

To support New Mexico businesses affected by the pandemic and recession, Chapter 4 of the 2020 special session omits layoffs in 2020 from the calculation of a business's unemployment insurance tax rates to avoid increases and support economic recovery. Because of this change and unprecedented use of benefits, the trust fund supporting beneficiaries was exhausted in September 2020.

The Department of Workforce Solutions has requested up to $285 million in loans from the federal government to continue supporting New Mexicans' unemployment benefits. If the loan isn't paid back timely, federal unemployment insurance taxes will increase. Rates are currently 0.6 percent but could be upped to 6.4 percent.

To pay back the loan and replenish the trust fund, the state can:

- Decrease benefits (amount, length of time or both) through changes to statute;
- Increase taxes (which will happen to some extent automatically given the current formula);
- Issue other low interest debt to pay off current loans once the 0 percent interest rate expires;
- Distribute general fund or other revenue to the fund.

Tax pyramiding occurs when the GRT is applied to business-to-business purchases of goods and services, creating an extra layer of taxation at each stage of production. New Mexico currently has anti-pyramiding provisions for many goods-based inputs, but service-based inputs are still largely taxed, which can be particularly difficult for smaller businesses unable to bring those services in-house and instead contract for services like accountants, attorneys, and human resource functions. The burden of pyramiding is then exacerbated by rising GRT rates.

A tax reform package that broadens the GRT base and lowers rates would help mitigate the impact of pyramiding and alleviate the taxpayer burden created by high rates. Tax changes passed in the 2019 legislative session contained several base-broadening efforts, including the addition of Internet sales and nonprofit and government hospital receipts to the GRT base; however, the revenue generated from the 2019 tax changes effectively paid for additional film tax credits rather than lowering GRT rates.

Finding new base-broadening opportunities is possible but will be difficult. Many of the largest tax expenditures, which provide the most opportunity for meaningful rate reduction, are also the most politically challenging to revise or repeal. These include GRT deductions for food and medical spending (including "hold harmless" payments to local governments), prescription drug GRT deductions, the exemption of nonprofit organizations from GRT, and film production tax credits against income taxes.

Local Government Revenues

Three-quarters of municipalities saw overall growth in total GRT distributions in FY20. However, 40 percent of municipalities saw declines in GRT distributions in April and May, compared with the previous year, and 50 percent saw declines in June, suggesting that while economic growth was strong for most municipalities prior to the public health emergency, more and more municipalities began to experience declining revenues as a result of the pandemic. See Table 1 below for changes in GRT distributions for selected municipalities. In general, counties may experience less of an adverse impact than cities, given counties' greater reliance on more stable property tax revenues.

Hold harmless payments to local governments were higher during the months of April, May, and June – averaging $10.4 million per month, compared with $8.6 million in prior months of FY20 – reflecting increased grocery sales, as well as a large one-time increase from an amended taxpayer return. Total food and medical hold harmless payments reached $162 million in FY20, up 43 percent from FY19. Hold harmless payments are projected to decline to $127 million in FY21 as these payments are gradually phased out – payments will decline to 63 percent in FY21, then by 7 percentage points each year thereafter until reaching zero in FY30. Continuation of hold harmless payments to small cities and counties exempted from the phaseout are estimated to have an continued cost to the state around $23 million per year after FY30.

Future GRT revenues are considerably uncertain. Reduced federal support could lead to sharp drops in consumer activity, and more layoffs, adversely affecting municipalities' GRT revenues in FY21. Local governments with significant oil and gas activity are likely to experience a greater decline in GRT, due to lower oil prices and decreases in rig counts. For example, Lea and Eddy counties saw declines in June GRT distributions of 34 percent and 29 percent, respectively, compared with the prior year. Local economies that rely heavily on tourism and hospitality may also see a greater impact. Matched taxable gross receipts for arts, entertainment and recreation were down by 63 percent in May, compared to the prior year, while accommodations and food services were down by 33 percent.

Change in GRT Distributions

	Apr 2020 vs Apr 2019	May 2019 vs 2020	June 2019 vs 2020	FY20 vs FY19
Albuquerque	-12.50%	-44.10%	-1.70%	3.80%
Santa Fe	-19.20%	49.60%	-12.30%	3.80%
Las Cruces	-4.30%	7.60%	2.80%	6.90%
Rio Rancho	10.40%	28.30%	13.60%	20.40%
Farmington	-8.30%	-5.30%	-9.00%	7.20%
Gallup	12.10%	-2.00%	-20.90%	2.10%
Hobbs	-24.10%	5.00%	-33.40%	-6.50%
Roswell	2.00%	30.70%	-4.00%	12.50%
Clovis	2.60%	-19.90%	-5.30%	15.70%
Alamogordo	18.70%	-45.50%	1.30%	23.70%
Carlsbad	-17.60%	-25.40%	-46.50%	5.80%

Notes: GRT distributions include local option GRT, municipal share of state GRT, hold harmless distributions, municipal equivalents, and other local GRT increments

Source: TRD RP-500 data

Seven local governments raised their unrestricted GRT rates in July 2020, including the counties of Socorro and Taos and the cities of Alamogordo, Milan, Rio Communities, Santa Rosa, and Socorro. Three other local governments that raised their rates in December 2019. Chapter 274 of the 2019 session repealed certain restricted-use GRT increments and granted local governments broader authority to use GRT increments up to a max rate for any budgetary purpose.

Local Government GRT Rate Increases

	Jul-19	Dec-19	Jul-20	GRT Rate Increase of
Socorro County	6.38%	6.38%	**6.50%**	0.13%
City of Socorro	7.44%	7.44%	**7.81%**	0.38%
Taos County	7.31%	7.31%	**7.50%**	0.19%
Alamogordo	8.00%	8.00%	**8.13%**	0.13%
Bosque Farms	8.19%	**8.55%**	8.55%	0.36%
Los Lunas	8.31%	**8.68%**	8.68%	0.36%
Milan	7.75%	7.75%	**8.00%**	0.25%
Raton	8.27%	**8.51%**	8.51%	0.24%
Rio Communities	7.44%	7.44%	**7.69%**	0.25%
Santa Rosa	8.00%	8.00%	**8.50%**	0.50%

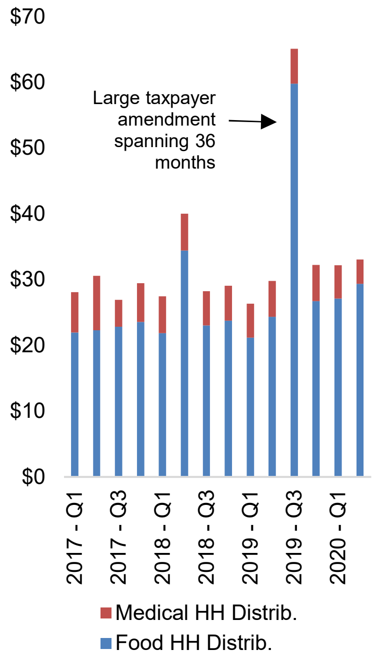
Source: TRD Tax Tables

Chapter 6 of the special session created a loan program for local governments to provide emergency economic relief. The legislation requires 1 percent of the state's severance tax permanent fund, or approximately $50 million, to be provided in loans, administered by the New Mexico Finance Authority. Local governments are eligible for loans if they experienced at least a 10 percent decline in local option GRT revenue during the fourth quarter of FY20 and may borrow up to 50 percent of their projected budget shortfall. Loan proceeds can be used for general operating expenses and revenue replacement, at a 2 percent interest rate. However, local governments must pledge GRT revenue to secure loans, a potentially risky move given the potential for GRT revenues to fall further. Based on preliminary data, 35 municipalities, including Gallup and Santa Fe, and seven counties, including Santa Fe, Eddy, and Lea, saw declines of local option GRT of greater than 10 percent in the last quarter of FY20, compared with the last quarter of 2019. The deadline for applications was December 31, 2020.

Emergency Funding

The primary statute allowing the executive to allocate emergency funding has changed little since originally established in 1955, despite the changing nature of emergencies and the contemporary structure of state finances. The Covid-19 pandemic has exposed a system poorly equipped to handle emergencies

Food and Medical Hold Harmless Distributions to Local Governments
(in millions)



Source: RP 500

of this scale, established by statutes with unclear language open to different interpretations, and lacking sufficient accountability and transparency.

The current system of emergency funding did not anticipate allotments of the scale seen in the past two years, and there is no mechanism in place to provide emergency funds in the event the appropriation contingency fund (ACF), the primary source of funding for emergency situations, is depleted. When the ACF ran dry in FY19 and FY20, the executive allotted $58.7 million directly from the general fund operating reserve; however, legal advisors to the Legislature assert the executive lacked statutory authority to pull from this fund.

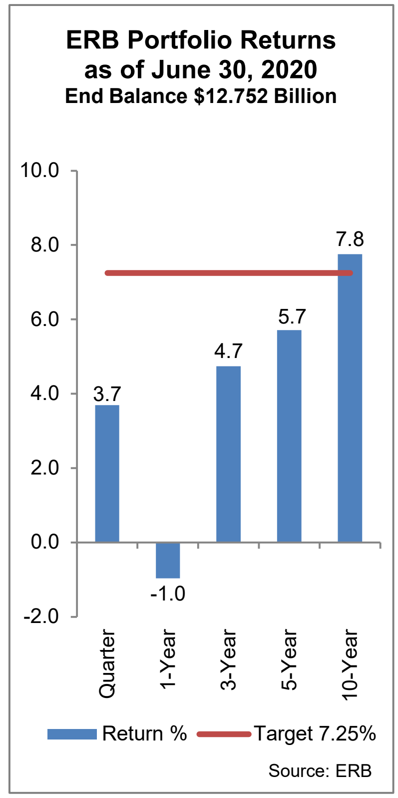
Additionally, statute limits emergency allocations to $750 thousand per entity per emergency, but for years that limit has fallen short of the needs for fire suppression and matching requirements for federal emergency funds. The emergency costs related to the Covid-19 pandemic exceeded this limit at an even greater scale. In FY20, the executive allocated $10 million and $20 million in response to the Covid-19 pandemic.

Legislative inquiries into pandemic-related emergency funding further highlighted existing statutory issues with oversight. No formal system is in place by which the Legislature is proactively notified of the allotment of these funds, the source or sources from which they are being drawn, or the balance of the relevant funding source. Furthermore, emergency funding is often allocated to agencies on a recurring, annual basis for predictable expenses like wildfire suppression or for hypothetical emergencies.

A better and more clearly defined system of emergency funding could address these ongoing issues. Such a system should precisely identify and limit allowable funding sources while providing a mechanism for addressing shortfalls in those sources. It should provide effective constraints on the power of the executive to allocate funds while allowing for exceptional circumstances.

Crashing equities markets caused by the pandemic-induced recession overwhelmed three quarters of growth for the state's investment funds, resulting in a range of annual losses of 1.5 percent to near-zero growth of 0.24 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) – fell by $1.1 billion in FY20.

In the first quarter of 2020, equity markets faced a crisis with valuations plunging by double-digit percentages at the end of the period and liquidity drying up in the fixed income markets on par with the Great Recession of 2008-2009. Despite the corresponding economic recession, markets roared back in the second quarter, nearly recovering in record time due to enormous amounts of liquidity and unprecedented deficit spending by the federal government. With the many but temporary seismic shifts altering markets, managing investments to protect state funds from losses remains paramount while attempting to take advantage of long-term returns that result from short-term discounted valuations.



Performance Overview

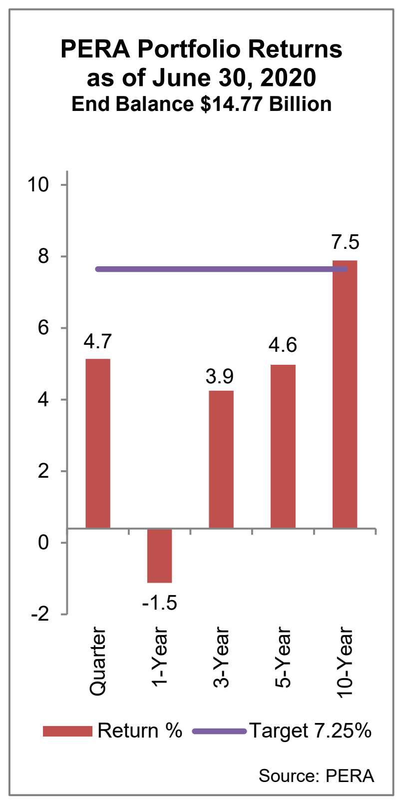
The ending aggregate value of the state's investment holdings in FY20 – comprising the two pension funds managed by ERB and PERA and the land grant and severance tax permanent funds managed by SIC – fell by 2.1 percent to end the fiscal year at $51.7 billion. Over the last five years, the state's combined investment holdings grew $6.4 billion, or 14.1 percent.

Asset Values for Year Ending June 30, 2020
(dollars in millions)

Annual	ERB	PERA	LGPF	STPF	Total
Asset Value	$12,752.9	$14,770.0	$18,924.6	$5,281.9	$51,729.4
Value Change	-$576.2	-$878.4	$349.5	$8.3	-$1,096.8
Percent Change (year-over-year)	-4.3%	-5.6%	1.9%	0.2%	-2.1%

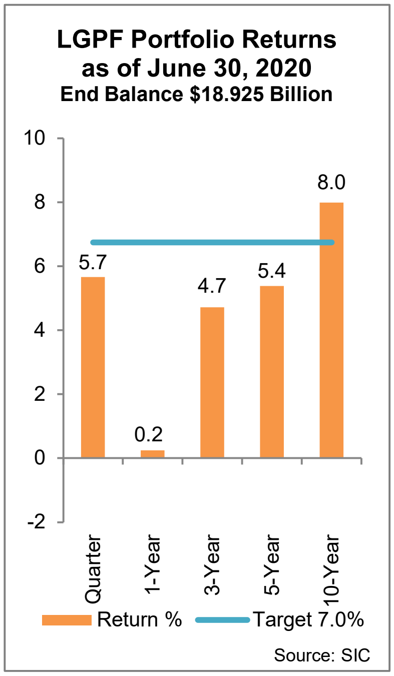
Note: Percent change includes investment returns, contributions, and distributions.

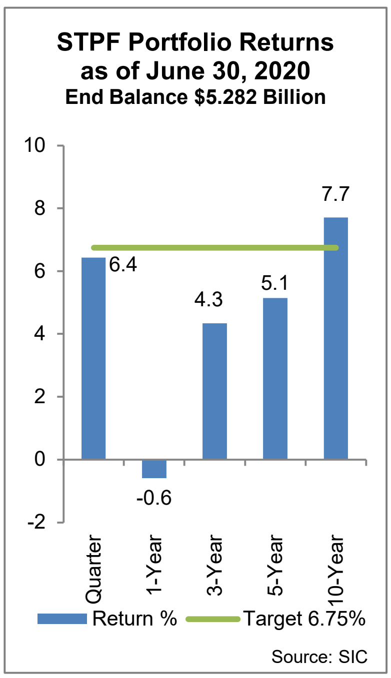
Source: Investment Agency Reports



Returns for the permanent funds fell short of the agencies' long-term investment targets of 7 percent for the land grant permanent fund (LGPF) and 6.75 percent for the severance tax permanent fund (STPF) for every period except the 10-year period. SIC expects a continued low-growth environment in the coming seven-10 year period, with estimated returns for the LGPF and STPF at an annualized 3.3 percent and 1 percent, respectively.

PERA's pension fund met its long-term target of 7.25 percent only for the 10-year period in FY20 and experienced the most negative return in the last year. The pension fund managed by ERB, similarly, met its target only for the 10-year period, returning 7.8 percent compared with its long-term target of 7.25 percent.





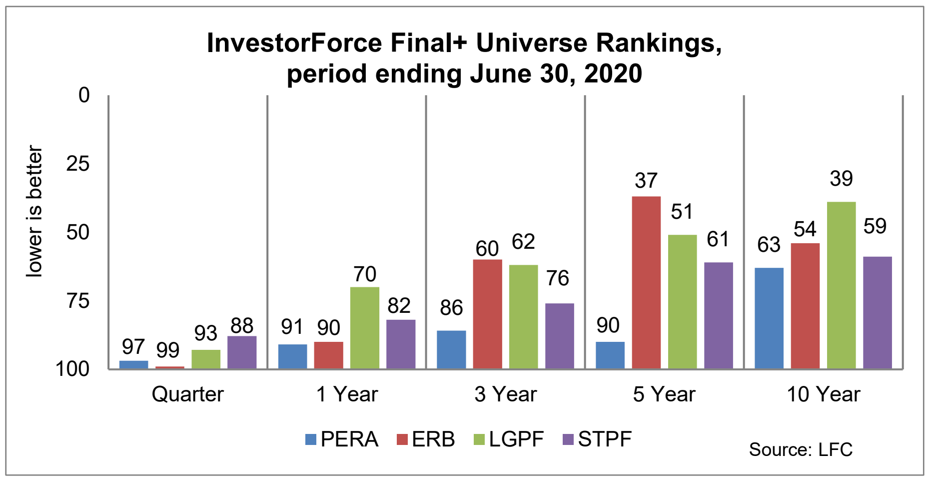
LFC Online: Understanding Government Finances

Finance Facts: Investment Funds

Performance Relative to Peers

FY20 was largely defined by the market crash in the first quarter of 2020, where the state's investment funds performed relatively well when compared to peer funds in the 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. All funds performed in the highest quartile for the quarterly period, largely due to the pension and permanent funds' lower risk positions relative to others in the peer group, which is a strength in a negative-outlook environment.

However, lower risk positions tend to perform poorly relative to peers during periods of market upswings like that of the second quarter of 2020. All of the state's investment funds performed in or near the lowest quartile for the quarter and one-year period ending June 30, 2020, and all funds performed below the median for the three-year period.



Only the ERB pension fund and the LGPF performed above the median for any single period ending in FY20. SIC attributes the permanent funds' underperformance to a combination of manager underperformance, their lower risk asset class structure, and an increased allocation to cash in the second quarter of 2020. Return-based peer rankings do not account for differences in asset allocation and risk tolerance, and the defensive posture of all investments resulted in especially poor performance compared with peer funds as peers capitalized on the fourth quarter market rally.

Asset Allocations

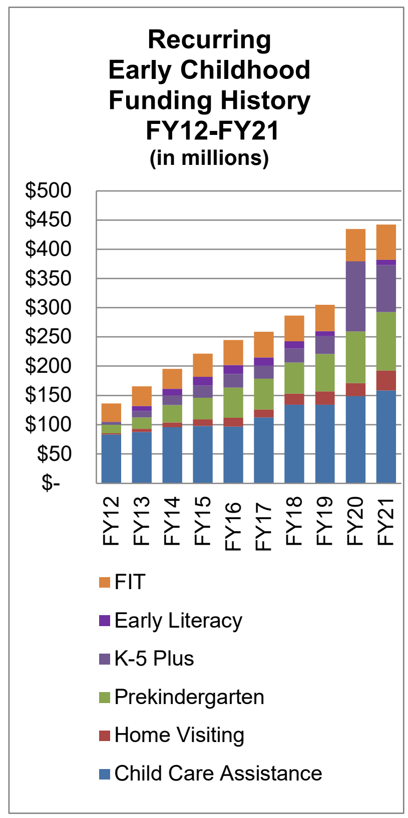
The agencies have each pursued diversifying strategies to mitigate risk in return for additional stability in moderate or negative return markets, with the understanding that moving away from heavy stock market exposure means the funds might earn less (and lag their peers) in bull markets.

Less than 50 percent of New Mexico's assets are invested in public equities, like the stock market. Three of the state's four investment funds are invested in fixed income assets at an allocation rate between 19 percent and 26 percent. ERB is the exception, with most assets in alternative invetments, such as real estate, real assets, and private equity.

The system for addressing child and family well-being, long a priority of the Legislature to improve long-term outcomes for New Mexico, has performed well under the pressure of delivering critical services during the Covid-19 pandemic, but issues with accessible, coordinated, quality early childhood education and services, family preservation, and interventions for stressed youth are likely to become more pronounced in the post-pandemic environment. While the Children, Youth and Families Department and nascent Early Childhood Education and Care Department are the cornerstone agencies in the system, services for children and families must be coordinated across multiple agencies and programs. For early childhood education and care – a foundation of the system that has been fractured by the pandemic-related closure of hundreds of providers – that means quality is poorly defined and care uncoordinated. For child protective services – the failure of which carries sometimes deadly consequences – that means the success of burgeoning efforts to transition to front-end services is dependent on factors often outside the agency's control.

For more info:
Early Childhood Education and Care Department Performance
Page 113

ECECD is the lead agency for early intervention programs, including those concerning physical development, communications, adaptive, social and emotional development, and programs such as childcare assistance, prekindergarten, and home-visiting. CYFD, through its Protective Services, Juvenile Justice Services, and Behavioral Health Services divisions, is the lead agency responsible for providing an array of prevention, intervention, rehabilitative and after-care services, including investigating abuse and neglect, providing foster care, adoptions and other permanency solutions, managing behavioral health services for children and their families, including domestic violence programs, and overseeing the state's juvenile delinquency programs and secure facilities. These agencies make up the primary child well-being system in New Mexico, but services are also provided by other agencies, including the Public Education Department, Department of Health, and Human Services Department.



Early Childhood Care and Education

Covid-19 Pandemic Response

The early days of the pandemic saw childcare attendance drop precipitously, and several hundred providers closed their doors. ECECD responded with emergency measures providing financial incentives for childcare providers who stayed open, including both a differential rate per child, and payments for children coming from closed providers. In addition, the state began paying childcare assistance contracts based on enrollment, not attendance, to help prevent a collapse of the state's childcare industry. While the state was paying based on enrollment, which ended in June, the number of children attending was estimated to be 30 percent of the pre-pandemic level.

These policy changes resulted in significantly increased childcare assistance spending from March to June. March spending on the public health emergency for childcare assistance increased nearly \$1.3 million to waive parent co-pays, \$4.4 million to pay \$250 differential for all contracts in licensed facilities, and \$135.2 thousand to provide childcare for healthcare, first responders, and other essential employees under the at-risk category.

While the state spends an average of \$11.4 million a month to serve nearly 20 thousand children, childcare assistance monthly spending rose to \$17.7 million in April, \$18 million in May, and \$14 million in June, meaning the state spent \$15.9 million from March through June above expected costs for Covid-19-related activities.

Some of this increased spending was supported by the additional \$29 million in revenues ECECD received from the federal CARES Act. The agency planned to spend \$5.5 million for stabilization grants for child centers, ranging from \$2,000 to \$34,500; \$7 million for workforce support payments to early childhood teachers, which provided \$700 a month for a full-time employee and \$350 for a part time employee for April, May, and June; and \$8.5 million to backfill the March and April differential payment given to providers who stayed open.

In addition to the increased spending, ECECD was a leader in helping early childhood providers transition services, create safety protocols, and provide personal protective equipment (PPE) and other essentials to the early childhood system. Many providers safely stayed open providing essential care with relatively low infection rates.

System Coordination and Quality

Funding and capacity for early childhood services have grown steadily since FY12 from \$136.5 million in FY12 growing to nearly \$450 million in FY21. This 229 percent increase along with \$73 million from federal early childhood Head Start and Early Head Start allowed the state to serve nearly 80 percent of 4-year-olds in FY20.

Due to significant expansion of services and a declining birthrate, competition among providers is problematic. Multiple reports over the last several years 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 coincided with a drop in Head Start enrollment, leading some programs to 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. 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

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.

LFC Online: Understanding Government Finances

Finance Facts: Early Childhood Services

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.

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 continue to lose federal revenue.

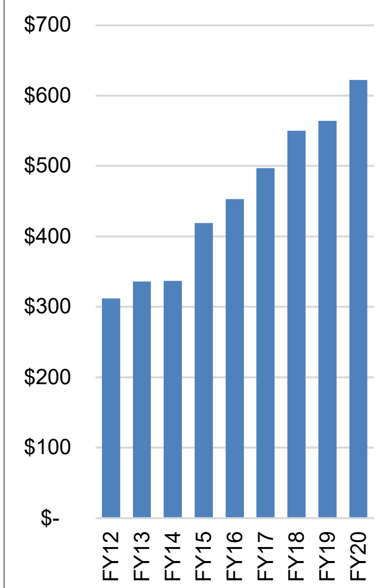
Centralized Referral. The system of referral to the early childhood system can vary by program and geographic location. For example, a family may be referred the central supports of the Home Visiting program by a medical provider but then have to search for a program in their area accepting new clients. In addition, some early childhood models have enrollment criteria that a family may not meet, such as income or if the child is the first child in the family. When families are searching for the right early childhood program, these criteria can complicate the process and pose a barrier to services. A centralized point of referral for families and referring providers could ease the burden on families to find a program in their area and the appropriate service model. Centralized referral could also help ensure programs are enrolled at capacity.

Performance. Research shows some early care and education programs increase school readiness, increase likelihood if high school graduation, 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. The state needs continued focus on performance and data collection for early childhood programs to ensure services are high quality and create long-term outcomes for children and families to ensure the continued return on investment.

Capacity. While the availability of childcare and prekindergarten 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 and 13,144 3- and 4-year-olds will receive prekindergarten services on FY21. The goals for capacity have not been defined by the state, but many agree universal capacity for prekindergarten could range between 70 percent and 80 percent of the total cohort. States like Oklahoma use a similar goal that assumes not all families will choose to enroll a child in prekindergarten.

However, options for children younger than 3 decline significantly, with infant childcare options the least available to families. LFC analysis shows infant and toddler care for children from birth to age 2 had only 7,000 slots between childcare assistance and Early Head Start 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.

Childcare Assistance Average Monthly Cost per Child



Source: ECECD

LFC Online: Understanding Government Finances

[Finance Facts: Childcare Assistance and Licensing]

2020 Federal Poverty Levels				
Household Size	100%	150%	200%	250%
1	$ 12,490	$ 18,735	$ 24,980	$ 31,225
2	$ 16,910	$ 25,365	$ 33,820	$ 42,275
3	$ 21,330	$ 31,995	$ 42,660	$ 53,325
4	$ 25,750	$ 38,625	$ 51,500	$ 64,375
5	$ 30,170	$ 45,255	$ 60,340	$ 75,425
6	$ 34,590	$ 51,885	$ 69,180	$ 86,475

Previous LFC evaluations found, when coupled with the K-5 Plus extended school year program, prekindergarten nearly closes the achievement gap between low-income and higher-income children.

Medicaid Matched Funding for Home Visiting

In FY21, ECECD contracted for 3,917 Home Visiting slots statewide. These slots are in addition to the state's pilot for a Medicaid-matched home visiting program. Medicaid-matched home visiting is one the most important early childhood expansion opportunities available to the state. Prior to the pilot, most state home visiting programs were funded from the state general fund, federal Maternal, Infant, and Early Childhood Home Visiting (MIECHV) grant funds, and federal Temporary Assistance for Needy Families grant (TANF) transfers from the Human Services Department. Medicaid-matched home visiting would allow the state to significantly match federal revenue with state funds. In FY21, state general fund appropriations for Home Visiting are $15.1 million. The state needs to expand the Medicaid waiver to allow more models to qualify and should include a "light-touch" option for families who want supports but do not need more intensive services, such as home visiting provided by nurses. In addition, as Home Visiting expands, the state should consider a centralized billing and administration service to providers that would like to become Medicaid funded home visiting providers to reduce administrative costs and duplication.

Prekindergarten and Early Prekindergarten

Many of the state's early childhood programs were consolidated in the Early Childhood Education and Care Department (ECECD) in FY20; however, prekindergarten remains bifurcated between ECECD and the Public Education Department (PED). ECECD receives all state prekindergarten funding and transfers the public school funding portion to PED. Strong leadership at ECECD ensured the public and private awards for prekindergarten were coordinated.

Workforce. Across the early care and education system, an insufficient or undertrained workforce has been a barrier to the delivery of high-quality services.

A Closer Look: Prekindergarten Quality and Outcomes

The 2020 program evaluation, *Prekindergarten Quality and Educational Outcomes*, found New Mexico prekindergarten programs improve student academic performance throughout the student's public school tenure. Students who participated in the publically funded prekindergarten program in the first year it was offered in New Mexico, 2006, were more likely to graduate in 2019 than students who did not attend prekindergarten. The positive effect on graduation was even higher for English learners and low-income students. Additionally, prekindergarten reduces chronic absenteeism and the chance a child will be held back a grade and improves the odds a child will exit special education services. Prekindergarten also provides a positive return on investment for New Mexico taxpayers, with the state earning $6 for every dollar spent through tax revenue on the higher earnings of participants and reduced social costs.

However, prekindergarten programs must remain of high quality and use resources efficiently to preserve the positive impact they have on student performance. New Mexico lacks a definition of school or kindergarten readiness, making it difficult to measure whether or not children emerge ready for kindergarten. Prekindergarten administration was recently consolidated under the newly created Early Childhood Education and Care Department (ECECD), though some administrative functions will remain at PED and both PED and ECECD provide services. Despite this split, ECECD should standardize quality rating systems among all prekindergarten programs, and prekindergarten assessment data from contracted providers should be shared with public schools before students enter kindergarten. Additionally, improving the early childhood workforce and limiting prekindergarten program administrative costs should be a priority.

Prekindergarten remains a cost-effective way to improve student's outcomes, and the state is likely to benefit from expansion of both full-day and early prekindergarten for younger children and from improvements to both the assessment and funding of the programs.

In particular, low-wages and a lack of parity between wages paid by public school programs and those paid by the private providers under the ECECD program 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, even early learning instructors with credentials and higher levels of education often earn low wages, 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.

Safe and Strong Children and Families

Identifying child well-being as a key strategy to improve long-term outcomes for New Mexico's children, the Legislature has increased funding to The Children, Youth and Families Department (CYFD) by over 26 percent since FY15. In FY20 alone, appropriations across the agency's programs grew by more than 12 percent over FY19 levels. The results of this investment are as yet unclear and much work remains.

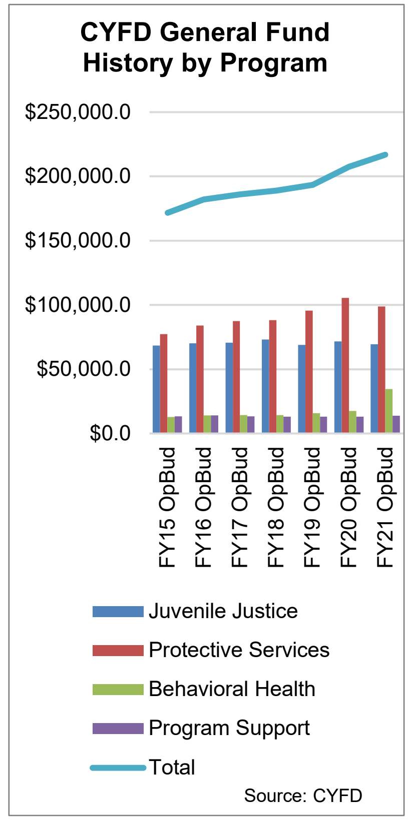
New Mexico ranks above the national average for child victimization, repeat maltreatment, and child deaths. In 2020, 9,159 children were victims of abuse and neglect, a victimization rate of 19.2 for every 1,000 children. New Mexico's repeat maltreatment rate of 11.9 is one of the worst in the nation and has remained well above the national average of 6.8 for over a decade. New Mexico's youngest children remain the most vulnerable. Fourteen percent of victims were less than a year old and 42 percent were 5 years old or younger. In 2018, 54 percent of substantiated child maltreatment reports in New Mexico involved neglect only. But in more than 35 percent of the cases a caregiver was at risk because of alcohol abuse, and in an alarming 61.5 percent of the cases, drug abuse was a risk factor.

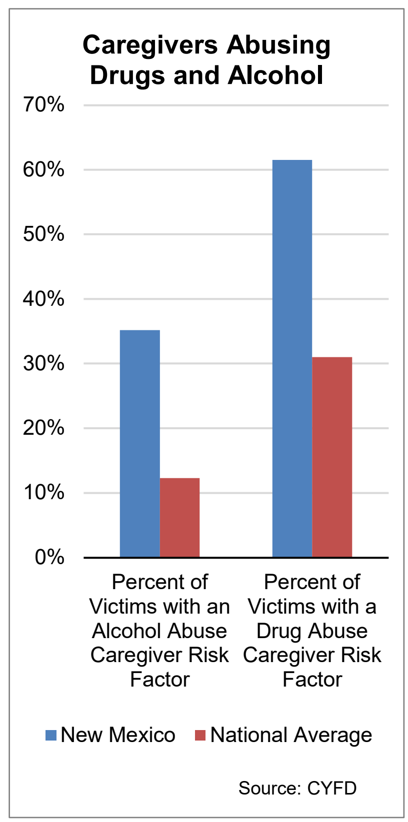
Over the last two years CYFD has begun to realign resources to create a trauma-informed system, expand behavioral healthcare services, increase community-based services and placements, and build prevention and early intervention services that directly support families. The agency is also expanding services to transition-age youth, and increasing training and support to strengthen the workforce and create a culture of accountability and support.

Covid-19 Pandemic Response

The global coronavirus pandemic underscored the need to move from a traditional, reactive child protection system to a system designed to proactively support child and family well-being and prevent child maltreatment and unnecessary family separation. Since March, abuse, neglect and domestic violence referrals and reports have declined, raising concerns about underreporting. Now more than ever New Mexico needs a system that works to keep children safe with their families - as opposed to safe from their families.

Due to the breadth and scope of the pandemic, CYFD has altered normal business practices, including moving to telework and on-line visits. The department's capacity





For more info:

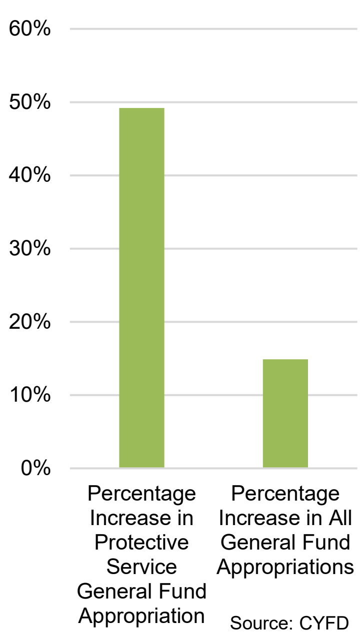
Children, Youth and Families Department Performance Page 114

Thriving Families, Safer Children: A National Commitment to Well-Being – a new initiative launched by the U.S. Children's Bureau, Casey Family Programs, the Annie E. Casey Foundation and Prevent Child Abuse America – is focused on building child and family well-being systems.

"Families are our greatest asset in ensuring that all children are safe and have what they need to thrive and succeed, especially now, during the coronavirus crisis. We must leverage this new way of thinking to develop and deliver effective and impactful community-based resources that assist families in ways which strengthen and help keep them together."

Dr. Melissa Merrick, President and Chief Operating Officer, Prevent Child Abuse America

Protective Services Spending versus General Fund Spending
2015 to 2021



Source: CYFD

to ensure the safety and well-being of its vulnerable clients has been strained, and staff and resources have been stretched to meet new demands and challenges.

Protective Services

Over the last five years, investment in the Protective Services program has grown year-over-year at a higher rate than the rest of state spending. Protective Services' appropriation from the general fund for FY21 was pared from $105 million to $99 million during the 2020 special session but remains 28 percent higher than 2015 levels and includes funding to expand prevention and intervention services and the development of a new differential response system, a multilevel approach to services.

Early Intervention and Prevention. Exposure to violence, family stress, inadequate housing, lack of preventive healthcare, poor nutrition, poverty, and substance abuse put children at higher risk for abuse and neglect, and research shows rates of child maltreatment are five times higher in low income families. Twenty-six percent of New Mexico's children live in poverty. Parents struggling with financial hardship have fewer resources available to foster their childrens' development and are more prone to face severe stress and depression, which can interfere with effective parenting. These findings underscore the importance of supportive services that address the needs of parents and children at the same time, including in-home services, supports for household financial security, parenting skills, and community-based behavioral and substance use services.

The Federal Family First Prevention Services Act formalizes a shift in policy and practice and creates incentives for states to move money from the back-end of the system to the front-end to fund early intervention and prevention efforts. However, a recent article published by Harvard's Kennedy School of Public Policy Government Performance Lab warned prevention programs are inconsistently reaching the children and families who would benefit most from early help. The report found child welfare agencies typical fund community organizations to deliver services to at-risk children and their families but do little to ensure better results. Services are rarely coordinated with other supportive programs, despite many families having addiction, domestic violence, housing, or other needs. As CYFD expands the delivery of preventive services, it will need to work closely with community providers to ensure they are supported, connected, and held accountable.

Investigations, Safety and Short-Term Placements. In FY20, CYFD's statewide central intake received 38,676 reports of alleged abuse or neglect, screened out about half after determining the report did not warrant an investigation, and substantiated child maltreatment as a result of 6,561 investigations. Of these children, most were referred to other services, such as community-based or in-home services. Children were removed from their homes and placed in state custody in approximately 16 percent of the cases.

Of those who entered foster care, 48 percent stayed in care for less than 30 days before being reunited with family, compared with a national average for short-term placements of 8.7 percent. The high rate of short-term placements has significant impact on both the children and families, who experience unnecessary trauma, as well as the operations of the program. Short-term placements add to the workload of the department and divert essential resources and attention away from the children and families who are unsafe or at risk. A recent LFC program evaluation found short-term placements cost the state up to $13.7 million a year. Recommendations in the report include changing the Children Codes to place removal authority with CYFD, establishing formal case review by multidisciplinary teams, and ensuring best practices in staff recruitment and retention.

During FY20, some progress was made to address several of the systemic issues leading to the high rate of short-term placements. The Children's Court Improvement Commission convened a working group to study the current removal statute and plans to introduce legislation during the FY22 session to transfer removal authority from law enforcement to CYFD. To promote better safety determinations, CYFD collaborated with the Children's Research Center at the National Council on Crime and Delinquency to develop and implement new safety protocols. The structured decision making safety and risk tool uses a web-based data collection system to improve risk and safety assessment and management, as well as improve consistency in safety assessment across the state. The system is part of the agency's new safety organized practices that also include protocols to refine safety planning and mandate referrals for high-risk families.

Appropriate Placements. Since 2018, the number of children in CYFD custody has dropped by nearly 16 percent. Yet, spending on care and support and services for families interacting with Protective Services has increased by nearly 15 percent. In FY20, total spending on foster care, adoptions, guardianship, and independent living was $51.1 million. Out of the $44 million spent just on foster care, $25.9 million (59 percent) was federal (Title IV-E) funding and $18.1 million (41 percent) was state general fund. Federal Title IV-E foster care support represents a significant source of federal funds in the Protective Services Program; however, like many states, New Mexico struggles to qualify families due to outdated federal income eligibility criteria, resulting in the state's increasing reliance on state revenues.

Developing more appropriate placement options, reducing congregate care and institutionalization, and increasing use of kinship (relative) care and guardianships are top priorities for CYFD. When families cannot remain intact, placement with a relative can minimize the trauma of removal. 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. Kin caregivers are more likely to provide a permanent home through guardianship, custody, or adoption and can also help preserve children's cultural identity and relationship to their community. In FY20, CYFD rolled out a new guardianship assistance program and increased relative placements by nearly 20 percent. CYFD aims to double this number over the next three years by streamlining foster care licensing requirements and increasing services and economic support for relative placements.

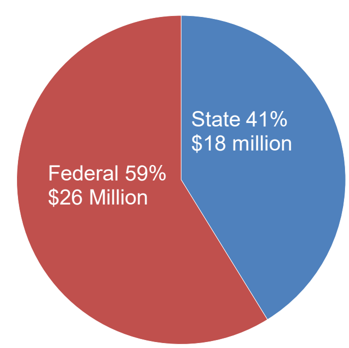
Fostering Connections. Research shows 40 percent of youth who "age out" of New Mexico's foster care system experience homelessness. Youth in foster care are often denied solid connections to nurturing adults and stable communities and face disproportionate levels of unemployment and homelessness as adults. A report from the Annie E. Casey Foundation found half of older teens who left foster care left because of age versus being reunited or connected with a family, and less than a quarter received transition services and support for employment,

Differential Response

Due to both the human and fiscal costs associated with the removal of children, the goal of CYFD is to ensure that children only come into custody when they cannot be maintained safely in their own homes.

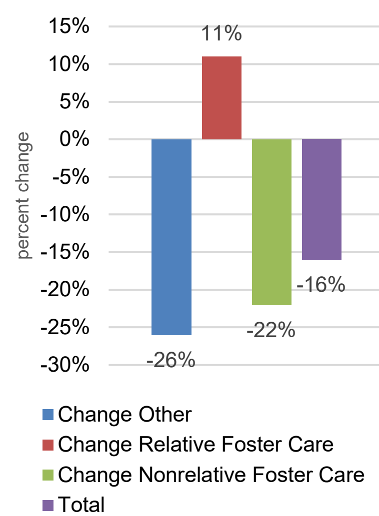
During the 2019 session, the Legislature passed a bill creating a framework for the establishment of a differential response system at CYFD's central intake facility. The new system will allow the department to offer preventative support services without having to initiate a formal investigation and will help prevent family separations in low risk cases. CYFD is preparing to roll out this multilevel response system in selected counties in FY22.

Foster Care Cost in FY20
Total = $44 Million



Source: CYFD

Decline in Children in State Care
July 2018 to July 2020

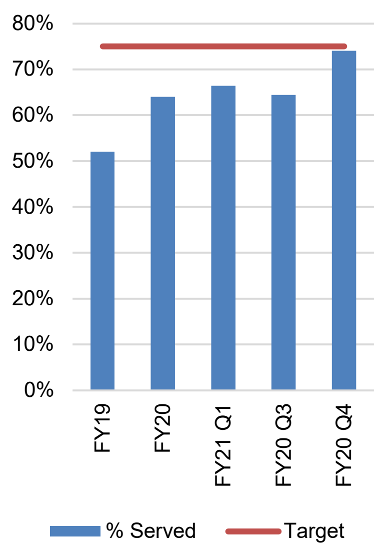


Source: CYFD

Family Representation Task Force

New Mexico courts are statutorily required to provide legal representation to all children and parents, guardians, or custodians involved in abuse and neglect cases. High-quality legal representation for children and parents in abuse and neglect cases is critical to ensuring due process and procedural fairness, improving judicial decision-making by providing the court with accurate, timely, and complete information about children and parents, and creating better long-term outcomes for children and their families, including higher rates of reunification and reduced time to permanency. Senate Joint Memorial 10, passed during the 2019 legislative session, created the Family Representation Task Force and directed the task force to analyze the current system in New Mexico. The task force report, submitted in July 2020, recommends the creation of a new independent agency, the Office of Family Representation and Advocacy, to provide quality representation and advocacy for children and parents involved in abuse and neglect and other children's court proceedings. The proposed structural model is similar to the Law Offices of the Public Defender. The Office of Family Representation is expected to cost between $17.1 million and $17.7 million annually. After factoring in the current funding available, including $5.7 million already appropriated to the Administrative Office of the Courts for family representation and $4.3 million in projected federal matching funds, the new agency will need an estimated additional $7.5 million annually from the general fund. Annual benefits are estimated to range from $4.9 million to $11.7 million, primarily derived from shorter lengths of stay in state custody.

CYFD Children and Youth Receiving Services from Community Behavioral Health Clinicians



Source: CYFD

The American Academy of Pediatrics, Healthy Foster Care American Initiative, identifies mental and behavioral health as the "greatest unmet heath need for children and teens in foster care." Factors contributing to the mental and behavioral health issues of children and youth in foster care include a history of complex trauma, frequently changing situations and transitions, broken family relationships, inconsistent and inadequate access to mental health services, and the over-prescription of psychotropic medications.

education or housing. At the start of FY21, CYFD began providing extended foster care and services for young adults aging out of the traditional foster care system. The Fostering Connections Act (FCA), passed in the 2019 legislative session, provides for extended foster care for eligible young adults between 18 to 21, with a staggered implementation schedule. Youth who turn 18 this year will be the first group eligible for housing assistance; help with job searches; access to food, medical, and behavioral health support; and assistance with college funds.

Behavioral Health Services

Access to behavior health services for children, youth and families with complex development trauma is central to the success of the state's prevention and early intervention efforts. Yet, shake-ups in the state's network over the last decade continue to reverberate, and the behavioral health system and workforce remains insufficient to meet the needs of the state's population, especially children and adolescents with histories of complex trauma. As the Covid-19 pandemic wears on, health officials are bracing for a surge in behavioral health issues. As the primary conduit to keep children out of higher acuity care, a strong and accessible community-based service network is an imperative for the state.

Recognizing the need to increase access to quality behavioral health services for children and youth across the state, the Legislature for FY21 prioritized spending for Behavioral Health Services (BHS), increasing the division's budget by over 95 percent. BHS has prioritized the expansion of the behavioral health services that are evidenced-based, including infant mental health child parent psychotherapy, multisystemic therapy (MST), high fidelity wraparound, behavioral management services, and family and youth peer support services. The division is expanding MST outreach and training to build additional teams across the state; five will be added in 2021. The division is also expanding use of the child and adolescent needs and strengths tool (CANS) to support decision making around the level of care and service planning for children and youth in CYFD custody. Under its Licensing and Certification Authority (LCA), BHS is working to expedite and streamline Medicaid credentialing for behavioral health providers. As services expand, LCA's role will continue to grow, as will the need for qualified staff and resources to ensure the ongoing integrity and sustainability of the state's behavioral health network.

BHS also plays a pivotal role in supporting CYFD's other efforts, including the expansion and deployment of community behavioral health clinicians (CBHCs), who assess needs, coordinate teams, and advocate internally and externally for children and youth involved with Protective Services and Juvenile Justice Services. BHS is also expanding transitional living programs and developing programs and partnerships to provide safe housing and supports for transition-age youth to live independently and enter the workforce, continue their education, or both.

Juvenile Justice System Reform

Over the last decade, New Mexico has achieved more than a 40 percent drop in its youth incarceration rate. The decrease is largely the result of moving from a correctional and punitive system to a rehabilitative one that encompasses a continuum of services to address the needs of system-involved youth. Research has shown that reliance on juvenile incarceration is a failed strategy for combating youth crime, and home-based counseling, treatment and supervision strategies produced equal or better outcomes at a fraction of the cost.

In FY20, 7,951 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. For those youth who formally came into the system, more than 90 percent were served through field services and 94 percent of these youth successfully completed probation. JJS has integrated a number of evidence-based programs into its service options. To reduce probation violation revocations, JJS has begun using a revised probation agreement that contains only conditions that are truly public safety concerns, moving other conditions into the youth's overall plan of care. To serve its highest need clients, JJS instituted shared decision-making teams to enhance engagement between the juvenile probation office, youth, and their families to create more successful probation plans. Transition and reintegration services focuses on employment, education, and long-term planning for clients leaving a secure setting. To address their needs, JJS and CYFD's Protective Services are working to include them in the new Fostering Connections initiative, which will provide housing, medical insurance, and other supports.

While the overall census in New Mexico's juvenile justice secure facilities continues to decline, the number of clients needing behavioral health and psychiatric services has increased by more than 28 percent. The association between early child maltreatment and juvenile delinquency has been firmly established. Nearly all of the youth committed to juvenile secure facilities in New Mexico have experienced trauma and have multiple adverse childhood experiences (ACEs), putting them at greater risk for post-traumatic stress disorder (PTSD), depression, self-injury, substance abuse disorder and suicide. Over 96 percent of youth committed to New Mexico's juvenile justice facilities

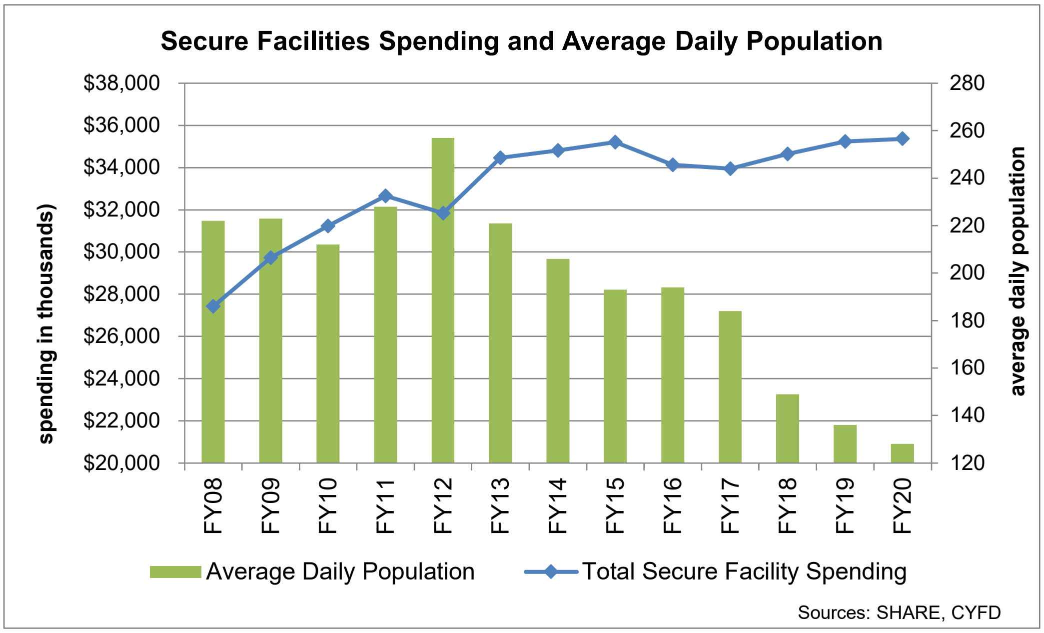
Transition Services and Covid-19

Unemployment, the inability of youth in the community to be able to self-isolate or quarantine, unstable housing and transient living put many system-involved youth and youth transitioning from care at high risk of Covid-19 infection, and in turn put the CYFD staff working with them at high risk. Federal Cares Act funding has been used to

- Increase support to Juvenile Justice Services facility and transition staff working directly with youth who may be infected with Covid-19,
- Assist youth in secure facilities to complete community activities (e.g. job applications, appointments) in the facilities rather in the community,
- Provide supplemental support (e.g., food, hygiene products, clothing etc.) for Protective Services and former Juvenile Justice Services youth supported by transition Services.

Mandate to Create a Trauma-Informed System

A May 2020 settlement of the *Kevin S., et al. v. Blalock* litigation requires CYFD and the Human Services Department (HSD) to structure and build a statewide, community-based mental health system that all children and families will be able to access, regardless of where they live. Under the terms of the settlement agreement, CYFD and HSD have committed to a number of improvements to the current system to ensure it is trauma-responsive. A trauma-informed system provides a diverse and full spectrum of community-based services, decreases reliance on congregate care, keeps families together in their community to the extent possible, and reduces reliance on out-of-state residential placements. To meet their obligations, HSD and CYFD will need to support an extensive expansion of the state's behavioral health workforce, including the capacity of the Medicaid managed care organizations to provide an array of services, including screenings and assessments, high fidelity wraparound services, evidence-based, well-supported, or promising therapeutic treatment for children with complex trauma, and intensive case management services.

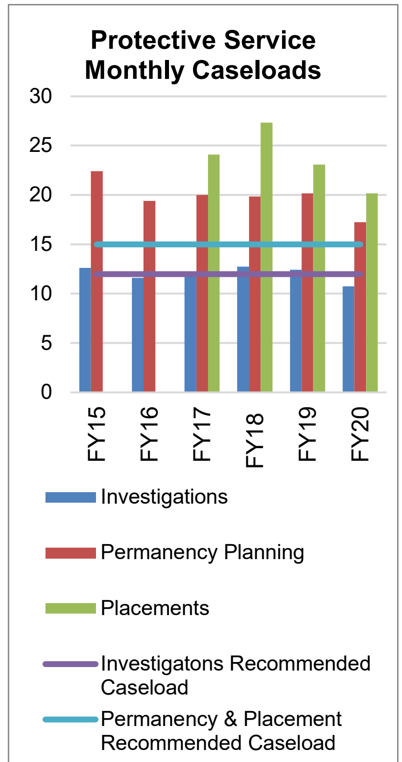


have identified substance abuse disorders. Overall, the data on New Mexico's juvenile population indicates a critical need for a comprehensive system of care for these youth in their communities, while incarcerated, and after commitment. In 2018, Congress passed the Family First Prevention Services Act (FFPSA), reforming Title IV federal child welfare financing streams. The new law enables states to use Title IV funds for prevention services, such as substance abuse treatment, and includes youth in the juvenile justice system. While services are restricted to evidence-based programs, the FFPSA presents an opportunity to use federal funding to support preventive and therapeutic services.

Counterintuitively, a smaller population in secure facilities has not translated into lower cost for the state. Total secure facility spending has remained relatively flat since FY15. This has resulted in the average daily cost per client rising from $500 in FY15 to $757 in FY20. Other states that have successfully reduced youth incarcerations have consolidated operations, closed facilities, and reinvested the savings in youth and family services in the community. Hawaii, for example, is using savings from consolidating operations for additional services for at-risk youth to prevent their deeper involvement in the juvenile justice system and has repurposed correctional facilities to serve youth transitioning from homelessness and the child welfare, juvenile justice, and mental healthcare systems. Moving forward, CYFD should follow suit and consolidate its secure facility operations, so available state funding and resources can be better used to develop and sustain community-based services for youth and their families.

Workforce Capacity and Development

Staff turnover affects case outcomes and is costly to agencies. Research has shown a direct link between high worker turnover and caseloads and an agency's failure to meet performance standards related to child safety and permanency. Caseworkers' knowledge, communication skills, and ability to engage families are critical for effective service delivery but can only be leveraged if workers have the necessary time to interact with and serve families. The cost of lowering caseloads by hiring more staff is offset by reduced child removal and shorter lengths of stay in foster care, as well as lower turnover rates, which cost an estimated one-third to two-thirds of the worker's annual salary, including separation, recruitment, and training costs. Turnover also affects the workload of the workers and supervisors who remain; resulting in decreased efficiency and burnout that leads to additional staff turnover, as well as poorer case outcomes.



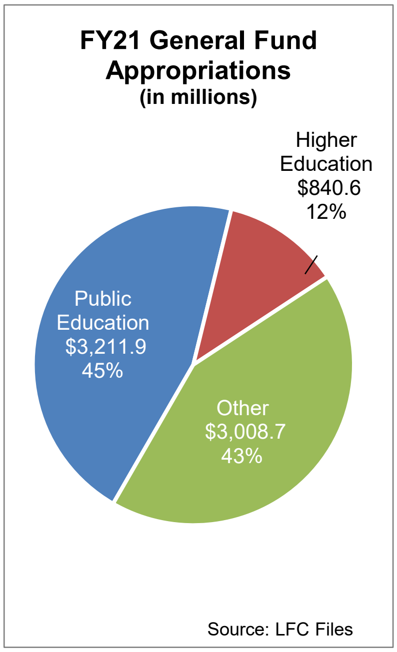
Source: CYFD

All of CYFD's divisions cited the recruitment and retention of qualified staff as a major challenge going into FY21. As of September 2020, Protective Services reported a vacancy rate of 22.5 percent, with a turnover rate of 30.3 percent. Juvenile Justice Services reports that even with a smaller population, staffing patterns remain challenging due to turnover, although the division has successfully lowered its turnover rate for youth care specialist from 32.9 percent to 18.1 percent since 2018. Behavioral Health Services entered FY21 with a 23 percent vacancy rate. Major issues for BHS include both the recruitment of clinical staff and the availability of behavioral health professionals qualified to treat children and youth with complex developmental trauma. The division's capacity to fill critical positions and support the growth of a statewide behavioral health workforce will be central to the success of the agencies focus on prevention, early intervention, and access to community-based services.

To reduce vacancies, CYFD is increasing training and support and investing in workforce development, including a new supervisory framework that emphasizes staff support and skill-building, new trainings, and regional coaches to provide ongoing one-on-one support and skill development. Over all, in FY20 the program spent more than $4.6 million on training and workforce development.

Moving into FY21, the program received an increase of over $2 million for personnel and workforce development. U.S. Department of Labor statistics indicate that healthcare support occupations will grow nationally over 20 percent by 2026, and even faster in New Mexico. To compete in a competitive labor market, CYFD will need to expand recruitment efforts and work with the state's higher education institutions to promote careers in social work and behavioral health and create streamlined credentialing and scholarship programs that will produce more qualified professionals committed to staying and working in New Mexico.

Education



A generation of students will receive less instructional time at public schools and colleges this year than previous cohorts due to closures and remote learning following the Covid-19 pandemic. School closures, projected learning losses, enrollment declines, a court order to provide a sufficient and uniform education, and the ever-growing demand for a workforce with specialized skills all point to the need for an education recovery and reprioritization plan.

Without statewide changes to instructional time, students who already enter the system academically unprepared will likely remain further behind from this year of lost instruction. And with abrupt changes to the delivery of education statewide, the state must address challenges, like the social emotional wellbeing of families, and take advantage of opportunities, such as the expansion of educational technology, when prioritizing resources for schools and institutions of higher education.

Public Schools

The Legislature allocates $3.2 billion, or 45 percent of general fund appropriations, to public schools annually, along with about half a billion dollars in federal revenues for public education expenses. According to the U.S. Census Bureau's *2018 Annual Survey of School System Finances*, New Mexico ranks fourth in the nation for the share of school revenue attributable to state sources by providing over two-thirds of every dollar to schools for their operations and capital expenses. Although the state has an enormous role in funding public schools, New Mexico school districts and charter schools exercise significant local control over budget priorities and programs, similar to schools in other states that rely more heavily

A Closer Look: Learning Loss due to Covid-19 Pandemic

Though helpful in reducing the spread of Covid-19, school closures and issues with remote learning will likely lead to New Mexico's children losing more than a year of learning with greater impacts to younger, at-risk children. On March 13, 2020, the governor ordered schools to close in response to the Covid-19 pandemic. In response, the Public Education Department (PED) required schools to develop remote learning plans for the remainder of FY20. For FY21, PED provided guidance for schools to reopen in a remote or hybrid environment but limited in-person instruction to only special education students and elementary grade levels.

Two 2020 LFC evaluation reports reviewed the state's education system during the Covid-19 pandemic and found lower student engagement with remote learning, disparities in student access to educational technology, and limited assessment of student performance. The spotlight found middle and high school students were failing remote classes at high rates, teachers could not find or reach approximately 1 in 5 students, and social isolation posed serious mental health risk to students and families.

To address Covid-19-related learning losses, the Legislature should consider a universal extension of the school calendar in FY22 through its existing K-5 Plus and extended learning programs at an incremental cost of $138 million. School districts should consider evidence-based strategies such as early-warning systems, high-dosage tutoring, and acceleration academies.
And the state needs a full and transparent roadmap for getting kids back to school and a more robust assessment system.

on local property taxes. While a local governance and state financing model offers schools more 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, and planned to increase appropriations by another $206 million, or 6.4 percent, in FY21. However, precipitous declines in state revenue forced the Legislature to revise budgets downward, resulting in public school general fund appropriations returning back to FY20 funding levels. Although federal CARES Act funding provided $108 million to help New Mexico schools defray costs related to the Covid-19 health emergency, the transition to remote and hybrid learning highlighted inefficiencies from centralized control and revealed stark disparities in local capacity to deliver educational services to all students.

Martinez and *Yazzie* v. New Mexico

In spite of the public health emergency, plaintiffs in the consolidated education sufficiency cases of *Martinez v. New Mexico* and *Yazzie v. New Mexico* continue to argue the state must provide a uniform and sufficient education for all students. The landmark *Martinez-Yazzie* ruling ordered the state to provide schools with the resources (such as instructional materials, properly trained staff, curricular offerings, and additional learning time) necessary to give at-risk students the opportunity to be college and career ready. Additionally, the order required the state to establish an accountability system that can measure the efficacy of programs and assure that local districts are spending funds in a way that efficiently and effectively meets the needs of at-risk students.

With no statewide standardized assessment in FY20 and a new test for FY21, little or no objective data is available to understand the full impact of New Mexico's significant investment in schools and remote learning during school closures. Although the court is moving forward with discovery to assess how the state has addressed findings in the *Martinez-Yazzie* lawsuit, New Mexico will not be able to show demonstrative progress in performance for several years. Projected learning losses from school closures due to Covid-19 will also impact comparability with prior-year performance. To meet court mandates of closing the achievement gap in the long-term, the Legislature should continue extending learning time, strengthening teacher and leader quality, providing appropriate curricula, and enhancing accountability and oversight of schools.

Extended Learning Opportunities

In response to the findings of the *Martinez-Yazzie* lawsuit, the state invested heavily in two evidence-based programs – the K-5 Plus extended school year initiative, which adds 25 days to the regular school calendar and Extended Learning Time Program (ELTP), which adds 10 additional school days and requires schools to provide afterschool programming and 80 hours of teacher professional development. Prior to the pandemic, schools indicated participation in both programs would more than double in FY21; however, cancellation of K-5 Plus programs in summer 2020 and the shift to remote learning discouraged growth in program participation. Despite some cancellations, participation in K-5 Plus programs in FY21 will be flat at 16 thousand students, an increase of 100 students from FY20.

For more info:

Public Education Performance Page 104

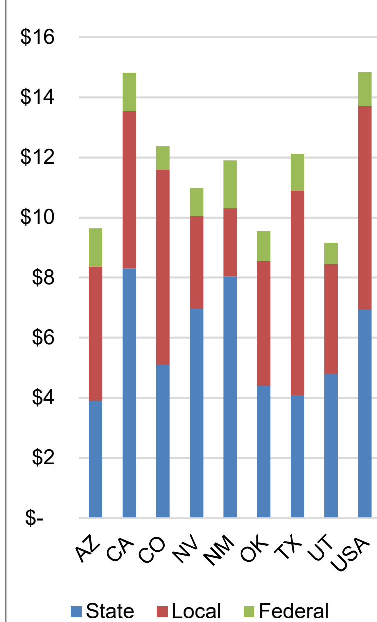
Framework for Education Reform

- Extended learning opportunities
- Quality teaching and school leadership
- Responsive and appropriate curricula
- Effective oversight and accountability

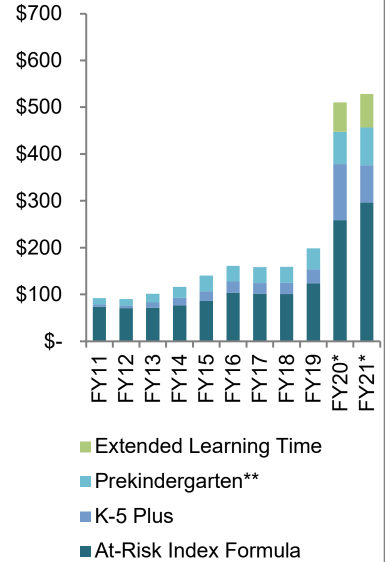
LFC Online: Understanding Government Finances

Finance Facts: Public School Funding Formula

2018 K-12 Revenues per Pupil
(in thousands)

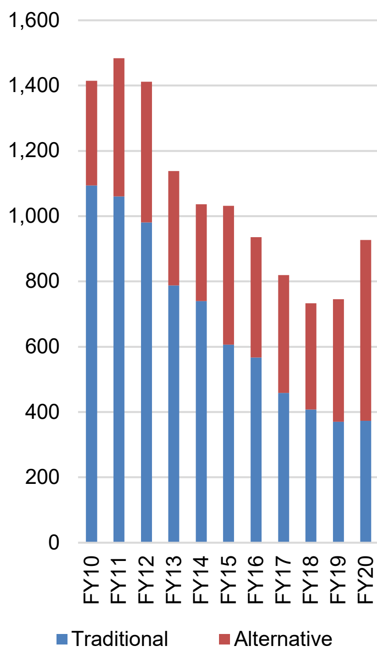


Source: U.S. Census



*Budgeted appropriation
**CYFD, PED, and ECECD

Source: LFC Files



Source: USDE, SOAR, LFC Files

In contrast, participation in ELTPs grew to 134 thousand students in FY21, an increase of 51 thousand students, or 62 percent. Although participation was likely spurred in part by provisions during the special session requiring schools to make up lost instructional time, nearly half of all students statewide will participate in an ELTP in FY21.

Even in the midst of a pandemic, some schools are implementing universal K-5 Plus and ELTP to provide an extended year and longer school day for all students, given the provision allowing conversion of ELTP time into hours rather than days when done in conjunction with K-5 Plus. For FY21, the Central Consolidated, Cobre Consolidated, Cuba, and Jemez Mountain school districts are implementing both programs districtwide, providing a seamless extended school year calendar for all students and staff. Scaling programs up will allow schools to effectively leverage additional funds and instructional time for student enrichment, afterschool intervention, and educator professional development. Nine other school districts applied for both K-5 Plus and ELTP in FY21, generating up to $1,858 more per student and providing upwards of 20 percent more in additional pay for teachers.

Statewide adoption of K-5 Plus remains a challenge due to long-standing perceptions about school calendars. With over $155 million reverting to the public education reform fund in FY22 from undersubscription in K-5 Plus and ELTP in FY20 and FY21, the state has significant capacity to fund additional participation and help schools build up programs over time. Voluntary participation in these programs will impact equalization, as significant disparities in per-pupil funding levels and performance between program participants and nonparticipants begin emerging. As such, the state should consider how to scale programs statewide, particularly for at-risk students, in a way that does not further widen the achievement gap.

The extension of learning time to all students and prekindergarten programs offers New Mexico an unprecedented opportunity to close achievement gaps for students on a scale never before achieved. Students participating in all three instructional time programs would gain nearly two years 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 imperative of the court and learning loss from Covid-19 school closures, New Mexico must ensure students recover lost instructional time.

Quality Teaching and School Leadership

To boost the effectiveness of extended learning time, the state must cultivate and retain highly effective teachers. Additionally, New Mexico needs strong school leaders who can support professional growth and development for teachers and school personnel. While salary increases may improve workforce retention and recruitment, pay alone will not drive educator quality or keep the best educators in schools. The state should direct 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.

In FY20, the state made significant investments in teacher compensation to improve recruitment and retention. Despite concerns about significant turnover due to Covid-19, New Mexico State University's *2020 Educator Vacancy Report* found the number of teacher vacancies statewide decreased from 644 vacancies in FY20 to 571 vacancies in FY21. Elementary and special education teachers comprised half of all vacancies. In FY20, institutions admitted 1,287 students into traditional and alternative licensure educator preparation program (EPP), an increase of 193 students, and 927 students completed their program, an increase of 181 students – reversing a decades-long trend of declining enrollment and completions at New Mexico EPPs.

Educator Preparation Programs. Even with renewed interest in the teaching profession, the number of candidates in alternative licensure programs continues to surpass 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.

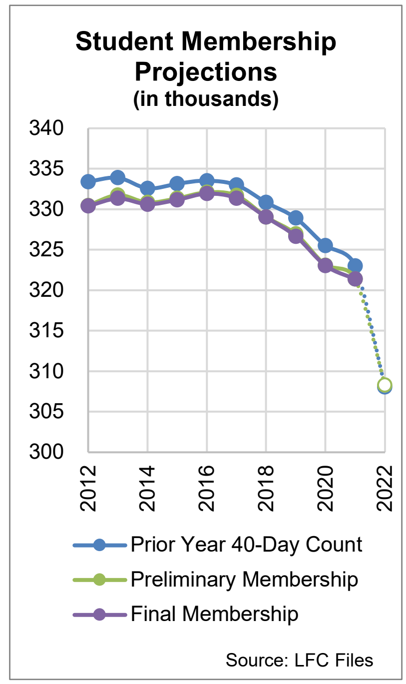
Although the total number of teachers in New Mexico has remained relatively flat in the last decade (mirroring trends in student enrollment), teacher turnover continues to be higher than national averages. Between 2014 and 2018, about 25 percent of New Mexico teachers left their school district each year. Nationally, two-thirds of teachers leave the profession for a reason other than retirement. 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.

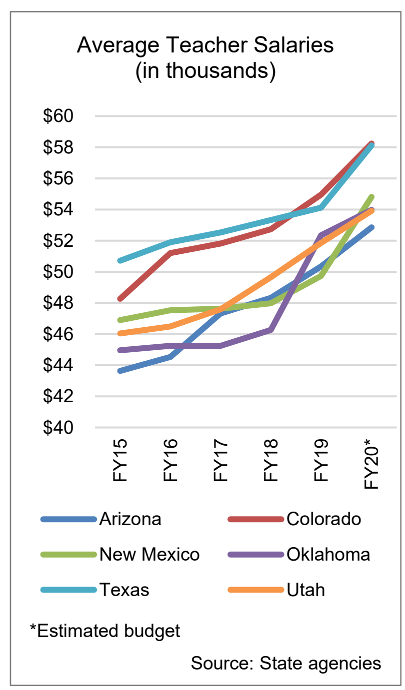
The Legislature has made substantial investments in building the educator pipeline in recent years, appropriating $2 million in scholarships for teachers, establishing "grow-your-own" teacher recruitment programs, and expanding school funds for mentorship and professional development. However, demand for elementary and special education teachers and high turnover rates remain, and the state continues to lack teachers qualified to address the cultural and linguistic intent of the state's Indian, Hispanic, and bilingual multicultural education acts. As such, New Mexico should consider recruiting candidates more likely to stay in the profession, providing incentives to fill hard-to-staff areas, and creating an ongoing learning and advancement system for these educators from day one to retirement.

The transition to remote learning due to Covid-19 has created opportunities for educators to access remote training and expand existing instructional capabilities. With expanded access to educational technology and proper training for teachers, schools could continue instruction on snow days or other days with school cancellations. The state should also support blended learning models (methods where teachers augment in-person instruction with online components), which could extend the instructional time outside of school hours and help students recover lost learning.

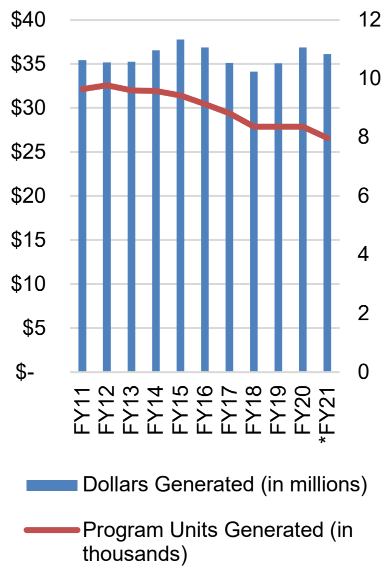
Teacher Evaluation. When purposefully leveraged for professional development planning, teacher evaluations can be effective tools for identifying teacher needs and creating spaces for continuous improvement. Although New Mexico's previous teacher evaluation system, NMTeach, differentiated teacher performance

Overall student enrollment has declined naturally in recent years; however, initial student counts for the first reporting date in FY21 indicate the student population will shrink by 4 percent, mostly due to the Covid-19 pandemic. Changes to student counts in FY21 will impact formula funding for schools in FY22.





Bilingual and Multicultural Education Funding and Program Units



*Preliminary figures

Source: LFC Files

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. 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.

In FY20, PED rolled out Elevate NM, a new evaluation rubric largely mirroring the NMTeach domains but excluding student test performance and teacher attendance. The new evaluation will focus on the creation of individual teacher professional development plans instead of a performance score and increase the frequency of administrator observations. While the evaluation places greater emphasis on professional learning, the efficacy of the evaluation system will largely depend on the training opportunities available to educators after they establish their professional development plans.

School Leadership. School leaders can improve the quality of instruction on a broader level 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. Well-designed systems create positive working conditions that can reduce turnover and lead to improvements in staff development, 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. In FY21, the Legislature appropriated $11 million for mentorship and professional development through the state funding formula and prioritized PED funding support to schools reporting the use of these funds for the intended purposes. As schools begin reporting on mentorship and professional development plans, PED should evaluate how local practices are affecting student outcomes and target resources toward schools needing additional support.

In FY20, PED established equity councils in public schools to address findings of the *Martinez-Yazzie* lawsuit. Councils must conduct a local readiness assessment, analyze results, and establish an equity plan to support at-risk students.

Responsive and Appropriate Curriculum

Findings in the *Martinez* and *Yazzie* lawsuit highlight the lack of culturally relevant instructional materials and programming for students, particularly for English learners (EL) and Native American students. The court acknowledged testimony that students lacked access to appropriate interventions, like dual-language immersion programs, and educators lacked the training and resources to provide culturally responsive instruction for at-risk students. Additionally, the court noted the state failed to monitor or evaluate programs to improve outcomes for Native American students, engage in government-to-government collaboration with tribes on the education of Native American students, and monitor or hold schools accountable for their use of federal Impact Aid payments (funds provided to schools with significant numbers of federally connected children).

For more info:
Higher Education Performance
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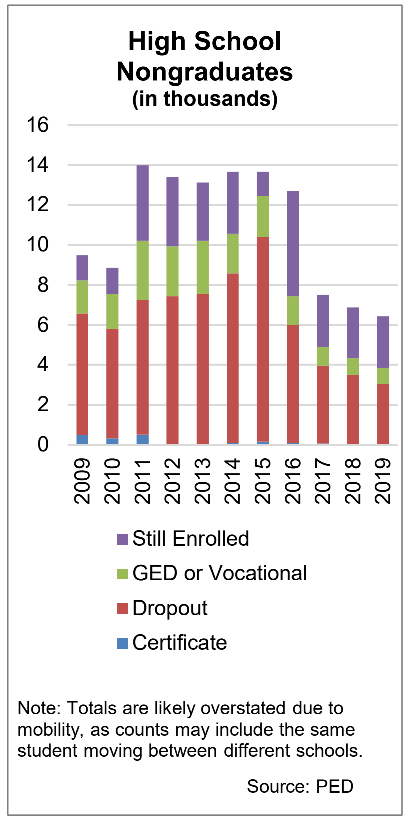
The court also cited deficiencies in state funding, support, and oversight of bilingual multicultural education programs (BMEP) that serve Native American and Hispanic ELs. Since the decision, the Legislature has significantly increased funding for at-risk students (which includes ELs). However, less than half of all ELs participate in BMEPs, reporting on program quality is limited and inconsistent, and the state lacks a process for coordinating human and capital resources for these programs effectively.

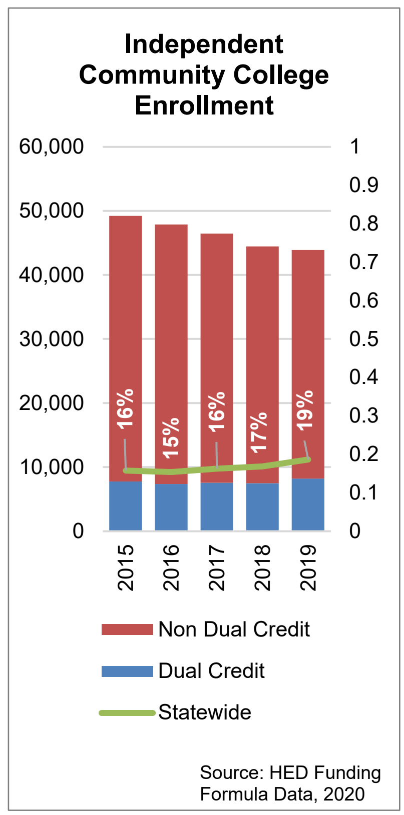
In FY21, the state appropriated $9 million to the Public Education Department (PED) to develop culturally and linguistically diverse instructional materials and curricula. PED plans to use $2 million to develop indigenous language curriculum, $2 million to develop social studies standards, $2 million to provide training on restorative justice practices and special education interventions, $2.5 million for instructional materials, and $500 thousand for personnel. To ensure the state achieves the intent of the Indian, Hispanic, and bilingual multicultural education acts through the development of these linguistic and cultural assets, the department should include performance metrics that measure progress toward Native language proficiency, student engagement, and related educator competencies.



Effective Oversight and Accountability

The *Martinez* and *Yazzie* court order explicitly holds the department responsible for ensuring that schools budget funds and operate programs in a manner that prioritizes support for at-risk students. Initial state reporting requirements on spending per student, funding allocated for at-risk purposes, and planning for mentorship and professional development indicate few school districts have a coordinated strategy for supporting students with the highest needs.

In FY21, schools and families sued PED over school reopening decisions, forcing the department to use data to justify statewide directives. In some cases, the lack of information resulted in directives that did not consider local circumstances. Even more concerning was the state's inability to find or contact a fifth of students who stopped attending schools after the switch to remote learning. For FY21, the Legislature invested nearly $6 million to build data management and reporting systems that would streamline fiscal and performance information from schools. To target interventions in a timely manner, the Legislature should support the use of interim formative assessments, build real-time and longitudinal data systems, and expand PED capacity to provide audit and technical assistance to schools.

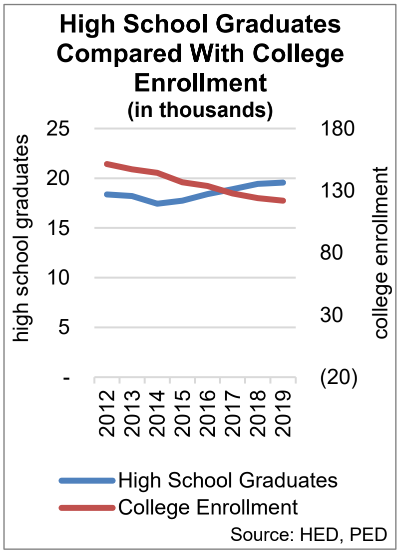


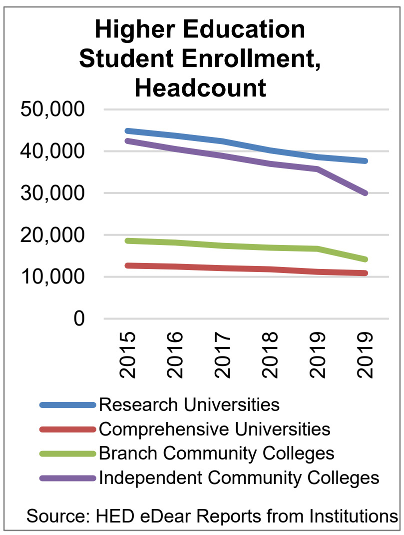
College and Career Readiness

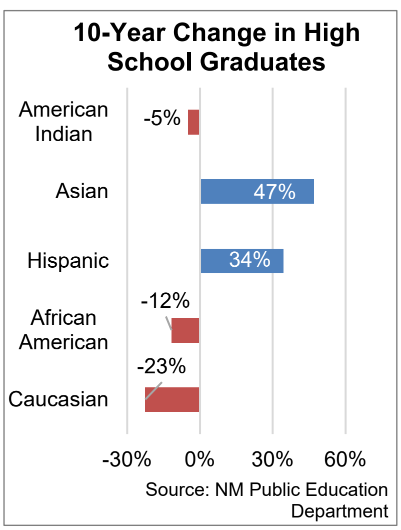
With increasing demand for a more skilled and educated workforce, schools must design learning opportunities that not only allow students to apply core academic subjects but also help them develop the necessary social and technical skills to make positive contributions to their communities. In FY20, New Mexico's graduation rate increased a full percentage point to 74.9 percent; however, nearly 40 percent 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, and another 13 percent continue pursuing a high school degree or equivalent as adults.

Dual Credit

In academic year 2020, over 12 thousand high school students participated in dual credit programs and took over 136 thousand college credit hours. Dual credit courses offer a variety of benefits to students – reduced high school dropout rates, facilitated







transition between high school and college, increased post-secondary enrollment and increased college student retention. In FY21, the state invested $2.2 million in dual credit funding through the Higher Education Department (HED.)

Dual credit enrollments have increased steadily year after year, now making up a fifth of enrollment at New Mexico independent community colleges – despite a drastic drop in enrollments this fall. The enrollment makeup is more drastically evident at the smaller community colleges, where dual credit enrollment makes up a larger share of the student population.

Career Technical Education

By 2025, 60 percent of jobs in the United States will require workers to have a high-quality credential beyond high school education. 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. In the United States, 12.3 million high school and college students are enrolled in CTE courses across the country. Advance CTE reports that over 62 thousand high school students and nearly 60 thousand college students take part in CTE courses in New Mexico.

One noteworthy change to the primary source of federal CTE funding, Perkins V, is the introduction of a comprehensive, local, CTE needs assessment as a prerequisite for entities to request Perkins-funded CTE funds. PED divided New Mexico into 10 regions based on school district boundaries and modified these to map to local workforce councils, the geographic region for higher education, and the broader economic development region. Based on the needs assessments of each region, New Mexico's leading industry targets are healthcare, skilled trades and professional, scientific and technical services.

Higher Education

Like public schools, many colleges across the state shifted to online-only learning almost overnight. Institutional leaders reopened college campuses under divergent protocols due to uncertainty with Covid-19 infections and quickly evolving logistical concerns. Most two-year colleges offered online-only education with limited physical access to campus facilities, while four-year universities physically opened campuses under strict protocols and offered both online and in-person activities. The two different approaches to reopening campuses may have affected enrollment. Consumer-conscious students, and their parents, appear to be seeking a college education with some in-person instruction, rejecting the more affordable online education model offered by two-year colleges.

In the five-year period preceding the coronavirus pandemic, total enrollment declined by 13 percent, or 16.4 thousand students, affecting the four-year and two-year sector almost evenly. The Covid-19 pandemic accelerated enrollment declines, causing total statewide enrollment to drop by 9.2 percent, or 9,423 students. Two-year colleges experienced 87 percent of the loss in students, despite the availability for the first time of the governor's opportunity scholarship, which provides free college tuition and fees to students attending two-year colleges.
Workload reductions stemming from declining enrollment create an opportunity to reimagine higher education in New Mexico. The outcomes-based funding formula

contributed to higher degree completion, but further reforms may be necessary to address longstanding structural issues, such as slow degree attainment and chronically low completion rates, academic program and course expansion creep, and the growing reliance on state appropriations as institutional revenues decrease.

Tipping Point: Eliminating Administrative Friction

In its *2018 Report on Higher Education Governance*, the Higher Education Department (HED) identified the difficulty in achieving systemic improvements in higher education because of a decentralized governing structure. HED implemented thoughtful initiatives – the trifecta of reform discussed below and the Route-to-66 statewide attainment goal – for guidance to institutions. The statewide Route-to-66 attainment goal sought to increase the number of adults who hold a postsecondary credential by 2030 in alignment with the Lumina Foundation's national goal to ensure 60 percent of adults hold postsecondary credentials.

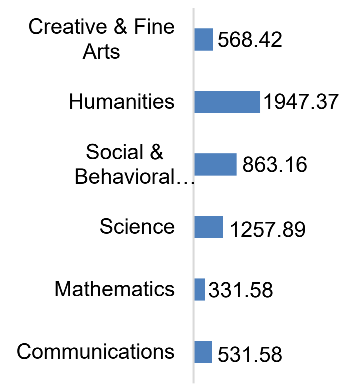
Albeit unfinished, HED's trifecta of reforms intends to simplify the articulation and transfer of lower-level courses among institutions. The three-pronged program developed (1) a common-course numbering system, (2) a general education core curriculum for all institutions, and (3) a meta-majors structure designed to help students who may change majors maintain progress toward degree completion without starting over. Ideally, these reforms would result in a simple, seamless degree map for students, who would benefit from being able to take the right class at the right time without administrative delay. The outcome for students would be reduced time to graduation, more precise academic advising, and lower cost of attendance. The outcome for the state would be higher student retention, higher graduation rates, and increased supply of qualified workforce.

The trifecta of reforms has not met its stated goal. As one example, the common-course numbering system (CCNS), developed by academic officers from public colleges and universities throughout the state, attempted to catalog lower-level courses offered by higher education institutions. Rather than allowing academic officers to find commonality in these courses and their learning outcomes, the database of 2,643 lower-level courses only identified six courses commonly offered by all 24 colleges and universities. Most courses listed in the CCNS, almost 70 percent, are unique to and offered by only one institution, which highlights the problem: Institutions perceive general education courses to be unique (rather than common) in learning outcomes.

The general education core curriculum is incomplete as well. Intended to ensure a common set of general education courses required of all students and transferrable among all institutions, HED allowed public colleges and universities to define the courses within the general education core curriculum six pillars: communications, mathematics, science, social and behavioral sciences, humanities, and creative and fine arts. On average, institutions offer six times more courses for humanities general education than for mathematics and almost three times as many social or behavioral science courses than communications courses.

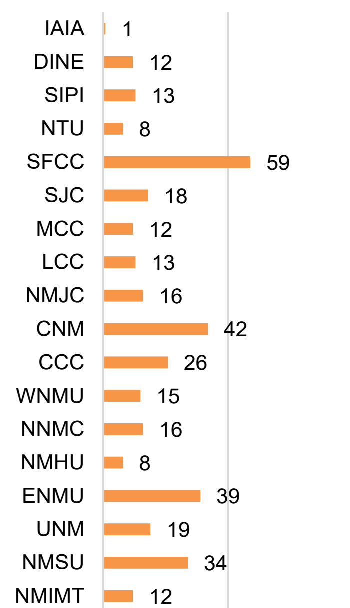
A deeper look within the humanities core reveals even greater variability between institutions. Two institutions, Central New Mexico and Santa Fe Community College, offer more humanities courses (101 total) than New Mexico's three four-year research universities combined (63 total). If the trifecta had achieved its stated

General Education Curriculum: Average Number of Courses by Institution



Source: HED Files

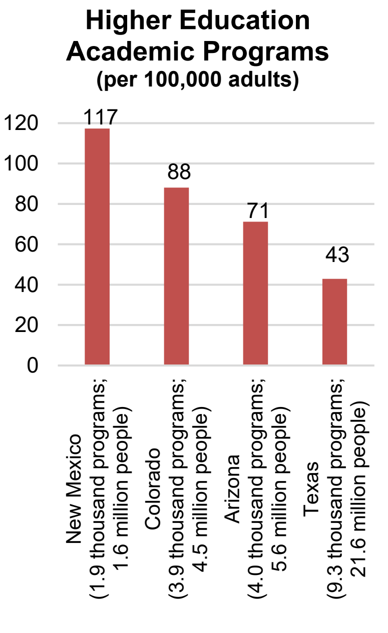
General Education Courses at Institution: Humanities Core



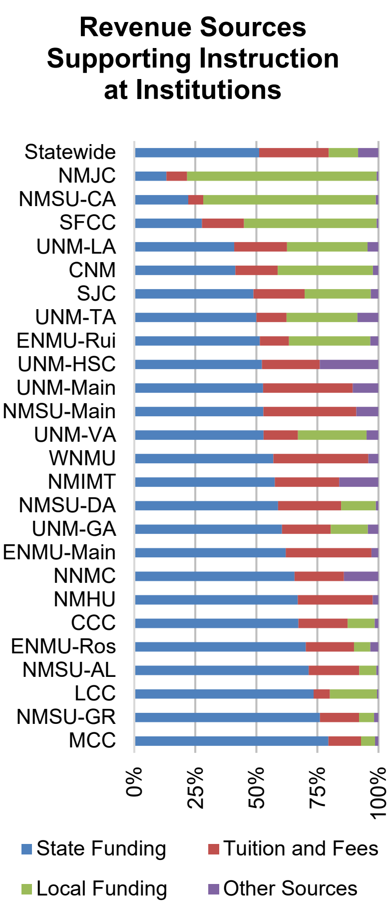
Source: HED Files

Courses		
Institutions Offering/Accepting Common Course	Common Courses	
	Number of Courses	Percent
24 institutions	6	0%
19 to 23 institutions	46	2%
13 to 18 institutions	76	3%
7 to 12 institutions	194	7%
4 to 6 institutions	546	21%
1 to 3 institutions	1,775	67%
	2,643	100%

Source: LFC analysis of HED Common Course Matrix (September 2020)



Source: LFC Analysis of State-by-State Data.



Source: LFC analysis of reports on actual spending

purpose – to simplify transferability of common courses and learning outcomes – general education curriculum would be consistent among all public institutions. Unique courses, more than 88 percent of CCNS, would be the exceptions.

The Western Interstate Commission for Higher Education (WICHE) addressed similar academic issues through its Interstate Passport program. The Interstate Passport program establishes 63 core learning outcomes, designed by faculty from multiple western states, for block transfer of lower division general education courses. Faculty at 100 participating institutions agreed the program is congruent and covers the same learning outcomes, allowing transferability among institutions. Only New Mexico State University participates in the WICHE program.

Related misalignment exists throughout the New Mexico higher education system and creates administrative friction for institutions and for students. Compared with surrounding states, New Mexico offers three times per capita the number of academic programs than Texas and almost twice that of Arizona. In both Arizona and Texas, institutions are required to operate within their mission. For example, four-year universities in Texas do not offer degrees below a bachelor's degree, and likewise, a two-year community college does not offer a degree higher than an associate's degree. Arizona follows a similar model. Institutions of higher education in New Mexico mix missions and have continued to add new academic programs. Offering breadth of choice in academic programs under declining enrollment is not sustainable and diverts resources from active programs to dwindling programs. HED, as a regulator, can enforce discipline to simplify this overly individualized system.

Improved Data-Sharing and Predictive Analytics

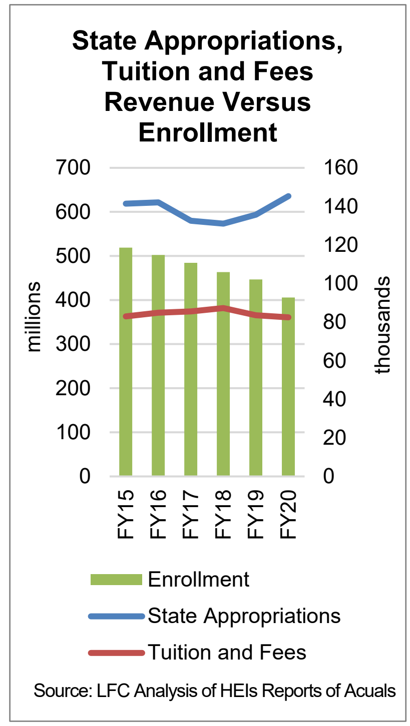
In its 2019 LFC analyst brief, *Performance Management in Higher Education*, LFC identified the amount of data collected by colleges and universities used for compliance purposes rather than managing for results. The limited use of data hinders collaboration among institutions or participation in consortia that may improve service delivery to students. Turning data into actionable insights for strategic performance management could improve institutional effectiveness and student outcomes.

According to national surveys, students report the single most difficult challenge in higher education is gaining access to the right course at the right time. Any disruptions in a student's pathway can significantly impact their persistence and completion. Several experts report that managing this academic enterprise is complex and requires good planning to balance quality programming for variable student enrollment in multiple pathways against fixed infrastructure and instructional capacity.

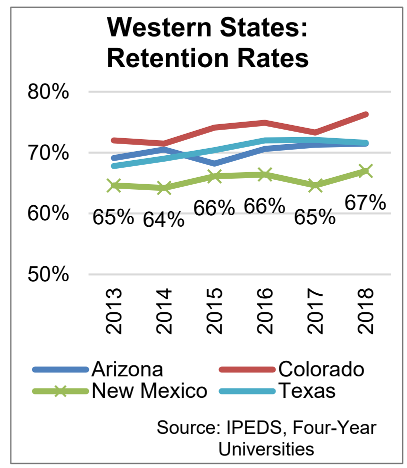
Institutions collect a wealth of data, but only a small portion is reported to HED. Minimal data is shared or reported on a statewide level, particularly as it relates to metrics to quantify students' degree velocity – a metric used by some institutions across the country to illustrate student progress through their degree pathways. On a statewide level, policymakers have virtually no insight into constraints that may be obstructing student success at a single institution or in an entire sector of universities. An investment into better systems and data-informed institutional activities could help policymakers target resources to challenged operational areas.

Rising Instructional Funding Amid Declining Workload

The Legislature has maintained strong financial support for colleges and universities and, in particular, their students. In FY21, the Legislature appropriated $9.7 million from the general fund to bolster the lottery tuition scholarship fund and created a new scholarship program for adults seeking to improve their skills at a two-year community college. College students receive $600 million in financial support – 51 percent from grants, 12 percent from scholarships, 35 percent from loans, and 2 percent from work-study – with students from the lowest incomes accruing 71 percent of the support. In addition, because of the strong state funding, tuition and fees remain the third lowest in the country.

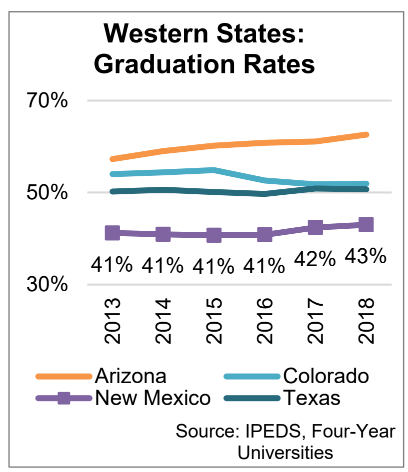


State appropriations, $703 million in FY20, comprise 51 percent of total unrestricted instruction and general (I&G) revenue, but reliance on the state's share of funding varies among colleges and universities. Across different colleges and universities, state funding as a proportion of total unrestricted I&G revenue ranged from a high of 80 percent at Mesalands Community College to a low of 13 percent at New Mexico Junior College. State appropriations have increased by 2.3 percent over the past five years, while tuition and fee revenue have declined by 2.8 percent. The second largest I&G revenue source for institutions came from total tuition and fees ($391 million), which made up 28 percent of total unrestricted I&G revenue. Overall, institutions generated $1.4 billion in total I&G revenues in FY20.



New Mexico commits a higher percentage of its tax and lottery revenues to higher education than all other states, except Alaska and Wyoming. According to the latest available finance report from the State Higher Education Executive Officers Association (SHEEO), New Mexico allocated 11.4 percent of its total tax and lottery revenue to higher education in FY17, while Alaska allocated 11.7 percent and Wyoming allocated 15.2 percent.

Despite the low cost of attendance and strong state support, fewer New Mexico college-bound students – recent high school graduates or returning adult learners – are choosing to attend New Mexico's colleges or universities, according to college enrollment data collected by HED. The concern for New Mexico policymakers is that several research studies show a widening postsecondary attainment gap contributes to growing economic inequality. The same studies illustrate 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, but low- and middle-income students are 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.

Student Outcomes: Retention and Graduation Rates

The policy implication of these shifts in the educational pathway from kindergarten-12th-grade achievement to postsecondary attainment are particularly poignant for

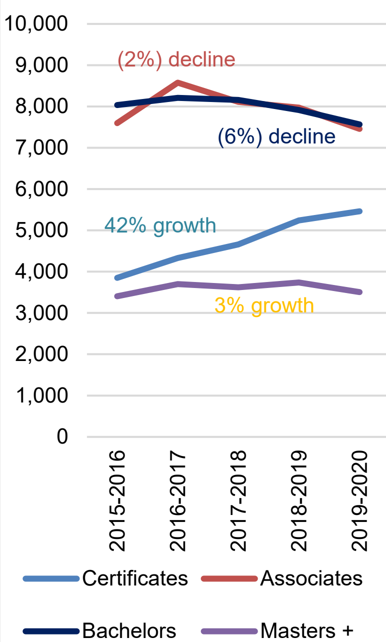
LFC Online: Understanding Government Finances

Finance Facts: Higher Education Funding

underrepresented student populations. Almost all of the colleges and universities have increased the number of Hispanic and Native American students. But given that New Mexico institutions lag regional peers in student persistence and completion measures, higher enrollment does not necessarily translate to higher degree attainment.

While the number of awards earned by New Mexico students, which includes sub-baccalaureate certificates along with degrees, has improved by 22 percent since 2012, according to U.S. Census Bureau data, New Mexico has lower degree attainment than Texas, Arizona, Colorado, and the U.S. average. Last year, awards declined by 3.4 percent, the most significant reduction since the introduction of the outcomes-based funding formula, reflecting the impact of persistent enrollment declines. These data suggest that New Mexico's comparatively high per-capita access to higher education is not resulting in higher educational attainment.

Awards by Type Five-Year Growth



Source: HED Funding Formula, 2020

New Mexico may be losing its high school and college graduates to other states, explaining low educational attainment relative to surrounding states. However, the state does not track or collect data on the net migration of adults who have earned college degrees. According to U.S. Census data and the 2020 Workforce Solutions Department *State of the Workforce Report*, a net total of 14.4 thousand people migrated from New Mexico to other states in 2018 (the most current year of data available.

As a comparison, more than half of Colorado's college graduates from 2004 through 2014 worked in Colorado five years after graduation. In 2018, the Colorado General Assembly passed legislation requiring the Colorado Department of Higher Education to produce an annual higher education "return on investment" report describing, among other metrics, the employment and wage outcomes of the state's college graduates.

Growing New Mexico Talent

While public colleges and universities in New Mexico conferred close to 24 thousand certificates or degrees this year, and college students earned 5 percent more total awards than five years ago, 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*.

Case Study: Low-Producing Program Reviews in Texas

The Texas Higher Education Coordinating Board (THECB) annually reviews the size of academic programs and biennially makes recommendations to HEI governing boards about the consolidation or closure of small programs. Academic programs with a small cumulative number of graduates over a rolling 5-year timeframe are defined by the THECB as "low-producing" programs. Texas Institutions have the option to ignore any THECB recommendations to close or consolidate low-producing programs. However, Institutions ignoring these recommendations are then required to identify their retained low-producing programs during any legislative appropriation requests. According to the THECB, Texas Institutions chose to voluntarily close or consolidate 654 small academic programs from 2010 through 2018 since the inception of low-producing program reviews.

Source: **http://reportcenter.highered.texas.gov/agency-publication/guidelines-manuals/low-producing-degree-program-review-january-2020/**

LFC Online: Understanding Government Finances

Finance Facts: Lottery

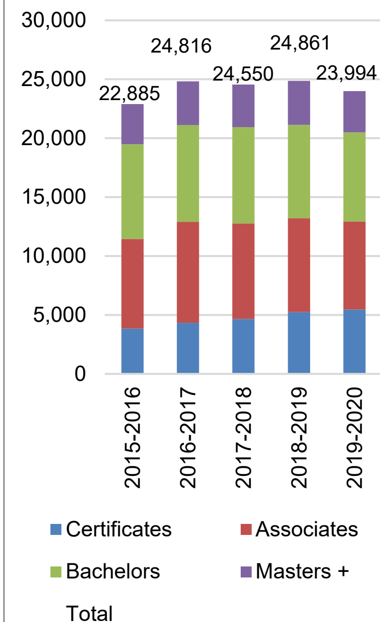
Producing more sub-baccalaureate certificates is not meeting the industry workforce needs, which increasingly require a minimum of a bachelor's degree.

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. The number of certificates awarded has grown by 42 percent, and the number of associate's degrees has declined by 2 percent since 2016. Most troubling, the number of bachelor's degrees has declined by 6 percent since 2016, and the number of master's or terminal degrees has grown by 5 percent since 2016.

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: associate's 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. While certificates proliferate across colleges and universities, 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 and stackable badges that build into an associate's degree. Policymakers can provide guidance, requiring institutions to seek industry certified or accredited curriculum for these programs.

Total Awards by Degree Type



Source: LFC Files, HED Funding Formula Data, 2020

Economic and Workforce Development

For more info:

Economic Development Department Performance Page 112

Unemployment by County June 2020		
	2020	2019
Bernaillilo	8.8	5.1
Catron	7.1	6.2
Chavez	8.5	5.7
Cibola	9.7	7.2
Colfax	7.1	4.7
Curry	5.6	4.8
De Baca	4.7	5.1
Dona Ana	8.8	6.3
Eddy	6.7	3.5
Grant	9.6	5.3
Guadalupe	6.8	6.1
Harding	3.3	5.4
Hidalgo	5.4	4.4
Lea	10.5	4.7
Lincoln	9.8	4.8
Los Alamos	4.0	3.6
Luna	13.2	10.3
McKinley	9.9	8.4
Mora	7.8	5.9
Otero	9.5	5.6
Quay	7.3	6.1
Rio Arriba	8.2	5.7
Roosevelt	6.6	5.7
Sandoval	9.5	5.6
San Juan	11.3	6.3
San Miguel	8.2	6.7
Santa Fe	9.5	4.5
Sierra	9.2	6.8
Socorro	7.3	6.9
Taos	11.8	6.5
Torrance	9.9	7.3
Union	5.2	3.7
Valencia	8.9	6.2

Source: Workforce Solutions Dept.

The Covid-19 public health emergency and a collapse of the oil market resulted in unprecedented unemployment levels in New Mexico in 2020 and an economy in tatters. State administrators shifted economic development policy to a local focus, a focus likely to last for the next few years. The state's workforce training and development programs, which struggle with effectiveness when the economy is good, face increasing responsibility to support economic recovery and job creation during a recession that hit the state with unprecedented speed and could last.

Economic Development

Although effective economic development will be essential to the state's financial recovery, the need for better planning and greater collaboration is a long-standing issue. Both business and workforce development are important to building a healthy economy; businesses needs skilled workers and workers need someplace to work. Yet, the administration has no statewide economic development plan.

During the 2020 legislative session, the Economic Development Department (EDD) received funding to develop a plan; however, the funding was pulled back as part of state solvency measures approved during the 2020 first special legislative session. The result of not having a statewide economic plan in place is overlap and duplication of effort by multiple governmental entities. Collaboration and planning are critical when the economy is struggling and are especially important as EDD turns to an in-state focus because of the pandemic.

As the main hub for economic development in the state, the Economic Development Department needs to work with other stakeholders in the game. Although the department's limited staffing levels, unlikely to increase during the recession, could restrict its efforts, the department could make a greater effort to communicate and build partnerships with the state's higher education institutions and national laboratories.

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, and reaching out to government and private industry.

The state could also benefit from greater department assistance to business incubators and accelerators and their startups. Small business incubators and accelerators provide startups with targeted support and resources. While both incubators and accelerators exist for the same purpose, they approach the initial startup process differently. Incubators house and support businesses as they develop at their own pace, while accelerators speed up the initial process of starting a business to only a few months.

Studies indicated incubated businesses have a survival rate of 87 percent, while only 44 percent of small businesses that work in isolation survive. EDD, which has a certification process for incubators that aligns with the International Business Innovation Association's (INBIA) best practice, has certified 14 incubators and. EDD could help these incubators and accelerators find additional sources for funding anc could take the lead in developing collaborative agreements between startups and higher education institutions and national laboratories.

Business Incentive Programs

The pandemic had a mixed effect on New Mexico's two primary business incentive programs. While the Job Training Incentive Program, which covers work training expenses under certain circumstances, continued to function as it always has, the Local Economic Development Act Program, which primarily pays for infrastructure to help new and relocating businesses, flipped its business model.

The Local Economic Development Act (LEDA) fund, generally used to "close the deal" for out-of-state companies to move headquarters or open additional offices or warehouses in New Mexico, was repurposed at the start of the pandemic to temporarily operate as a 0 percent interest loan program to support local businesses and temporarily shifted focus away from traveling out of state to recruit companies to New Mexico. To receive funding from the loan program, the company must be a manufacturer or nonretail service business with more than 50 percent of revenue generated out of state. Loans are limited to expenditures for land, building, and infrastructure. However, they can be used for lease abatement or mortgage assistance. The loan period is up to two years and must be secured.

To date, EDD has $1.7 million of LEDA loans in process for local businesses. This program may not be as successful as a grant program, because many businesses do not want to take on additional debt during the pandemic. However, that the state's constitutional anti-donation clause prevents LEDA from giving money ¬– grants – to businesses.

The Job Training Incentive Program (JTIP) awarded approximately $18 million to local businesses during FY20 and continued to distribute funds at a similar pace into FY21. The department has stated that demand for this program continues to grow, and the program, which pays for on-the-job training, could play an important role in allowing companies to rehire during post-pandemic rebuilding. The Legislature has appropriated $45 million to JTIP over the past six years.

Covid-19 Pandemic Response

The department's shift to help local businesses during the pandemic resulted in repurposing two funds into Covid-19 relief funds. The department retooled an existing collateral assistance program and allocated federal funding into a Covid-19 business loan guarantee program. Through that program, EDD guaranteed $2.2 million in capital for businesses that otherwise would have struggled to receive financing.

Spaceport America

Despite pandemic-defying strength in the high-tech sector, Covid-19 closures stalled progress on the highly publicized tourism spaceflights of Spaceport America's anchor tenant, Virgin Galactic. Final test flights scheduled for the end of 2020 have been delayed until 2021.

However, Spaceport America has six full time tenants with 260 jobs and a total payroll of $16 million to $20 million.

Cost per Job

	JTIP	LEDA
FY15	$ 5,300	$ 5,000
FY16	$ 6,000	$ 10,400
FY17	$ 12,563	$ 29,200
FY18	$ 8,839	$ 4,025
FY19	$ 8,144	$ 13,272
FY20	$ 4,541	$ 39,688

Source: EDD and LFC Files

For more info:
Tourism Department Performance Page 121

LFC Online: Understanding Government Finances
Finance Facts: Business Incentive Programs

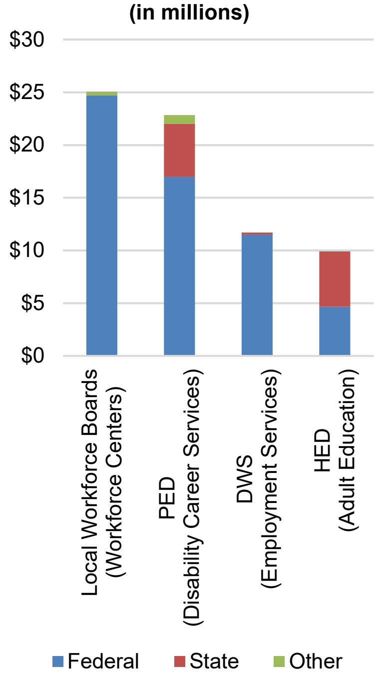
LFC Online: Understanding Government Finances

Finance Facts: Tax Increment Financing

The department also made it a priority to communicate with business and answered up to 100 phone calls per day from companies seeking state and federal financing. EDD also created a “Buy for Tomorrow Today” website to provide a platform for local businesses to reach customers. Finally, EDD continues to host a series of webinars related to its funding programs, other state and federal programs, and other general business webinars for responding to the Covid-19 crisis. EDD often hosts two or three webinars per week, typically with hundreds of attendees each. It will be vital for the department to continue these types of extended measures for businesses throughout the next several years and possibly indefinitely.

Workforce Development

Workforce Innovation and Opportunity Act Core Program Funding, FY19 $68.3 million total
(in millions)



Source: LFC files

The Covid-19 public health emergency in New Mexico resulted in unprecedented levels of unemployment in 2020, with rates reaching their highest level since measurement began in 1976. In July 2020, over 197 thousand New Mexicans applied for unemployment benefits – six times more than during the Great Recession. Job losses have occurred primarily in accommodation and food services, retail trade, healthcare and social assistance, and natural resources. The economy in counties with the largest unemployment growth – including Taos, Lea, Santa Fe, and San Juan – are largely built on these industries.

Many of the more than 70 thousand jobs New Mexico lost from March to August of 2020 are at risk of not coming back, and the unemployed workers will likely need additional education and training to regain employment.

Effective Workforce Investment

Across the multiple state agencies that oversee workforce development – the Public Education and Higher Education departments (PED and HED), Economic Development Department (EDD), Workforce Solutions Department (WSD), and the state’s four local workforce boards (LWDBs) – New Mexico spends approximately $322 million on workforce development annually, with the majority of this funding at higher education institutions. Funding for the majority of programs, outside higher education, comes through federal appropriations from the U.S. Department of Labor and Department of Education.

New Mexico operates a decentralized local workforce development system, as required by the federal Workforce Innovation and Opportunity Act (WIOA), with one statewide workforce board and four regional LWDBs that oversee 23 workforce development centers and partner with other entities, including nonprofits and higher education institutions. WIOA provides funding for a wide range of workforce development and job training programs and operates as a federal, state and local partnership with funding spread across adult education and literacy, Wagner-Peyser Act employment services, vocational rehabilitative services, and New Mexico’s four local workforce boards (LWDBs). WIOA integrated the federal employment services from the Wagner-Peyser Act into a one-stop delivery systems designed to provide resources such as job search assistance, career placement and reemployment support for unemployment insurance (UI) claimants. Both WSD and the LWDBs directly staff and coordinate programs at the workforce development centers, known in New Mexico as Workforce Connection One Stop Centers.

For more info:

Workforce Solutions Department Performance Page 123

A Closer Look

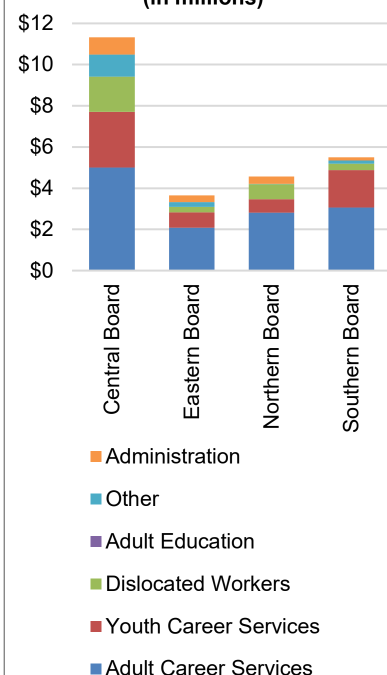
Workforce Development Post Pandemic

In a post-pandemic environment, workforce development will be more important, but the impact of workforce development programs varies with the population served, with some programs having larger returns on investment. A **recent LFC program evaluation** found New Mexico is likely not getting the expected return on investment from its workforce programs, such as job search and placement that other states receive. New Mexico ranks in the bottom third of states for employment and earning outcomes for dislocated workers.

The evaluation found evidence-based case management for unemployed workers could provide the state a $17 return for every dollar spent and should be prioritized. The report also found that expanding and refining the WSD's rapid response program and channeling more resources into the reemployment services and eligibility assessment program could help improve outcomes for unemployed workers. The report also highlighted challenges with the LWDBs poor performance and lack of accountability and suggested WSD use existing performance tools to track, report, and help improve workforce board performance. Other findings and recommendations included ensuring education and training programs are more focused on industries poised for recovery and growth and better utilizing the rapid workforce development fund to quickly scale up higher education programs to meet employer workforce needs.

In FY21, New Mexico's LWDBs will receive close to $28 million in federal funds but have consistently performed below WIOA program targets and performance data is not regularly collected and shared. To improve performance and accountability, LWDBs should provide timely performance reports and work with other core workforce partners to improve integration of programs and services, as well as performance standards. Issues with co-enrollment and data-sharing, as well the lack of a streamlined referral system among core partner programs, need to be addressed to avoid unnecessary service duplication and better focus resources. LWDBs must also become more effective in building community partnerships to ensure services meet the expressed needs of business and workers. Work-based learning opportunities to train incumbent and future workers, coordination with businesses to align workforce development strategies with business sector needs, and stronger partnerships with educational institutions, as well as other approaches, will be critical in ensuring programming is focused on skill gaps and training for in-demand occupations.

Local Workforce Development Board Expenditures FY19 $35.1 million statewide total
(in millions)



Source: LFC analysis of FY19 audit reports and the GAA of 2018

Workforce Innovation and Opportunity Act State Plan

Under WIOA, states are required to submit a combined state plan to the U.S. Department of Labor that outlines a four-year strategy for implementation of the state's workforce development system. New Mexico's new state plan includes several integrated strategies, including (1) working across public and private partnerships to create a workforce development system that builds sector strategies responsive to employers; (2) promoting access to lifelong learning and education opportunities so that New Mexico's workforce is able to attract economic development that results in higher paying jobs; (3) growing apprenticeship opportunities across sectors to systematically build and sustain a high-skilled workforce; (4) identifying and removing barriers to employment and training; (5) creating viable economic opportunities for veterans, youth, and young adults; and (6) cultivating community colleges as a driver of workforce and economic development.

Sector strategies are focused on ensuring that workers can access education, training, and work-based learning experiences that match the technical and soft

Colleges and Universities and Number of Programs Eligible for WIOA Training Funds

HEI		Number of Programs
Top Five	SFCC	67
	CNM	64
	SJC	56
	NNMC	41
	WNMU	34
Lowest Five	ENMU-Ruidoso	5
	UNM-Los Alamos	2
	NMT	0
	NMHU	0
	MCC	0

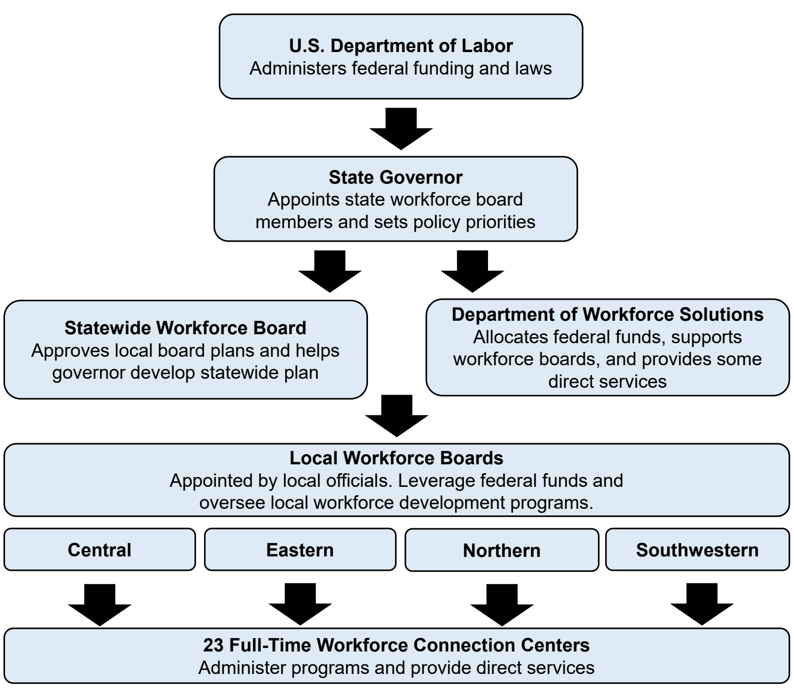
Source: LFC analysis of WSD *Eligible Training Provider List* from June 2020.

skills needed in high demand sectors. Research has found sector strategies can increase earnings and improve job quality for the underskilled workforce, as well as reduce operating cost and increase productivity for businesses that participate. To move sector strategies forward, WSD and the LWDBs will need to improve employer engagement. Employers can and should define the skills and skill levels required of workers to be successful in the workplace and they should also contribute to upgrading skills of workers and preparing the unemployed for entry-level positions by offering more work-based learning opportunities such as internships, mentoring and when possible fill gaps for qualified instructors.

To create a strong network of industry-responsive career pathway training options, especially those open to adult education students, New Mexico's core workforce partners will have to work in concert. The state's education and training programs need to be more focused on industries poised for recovery, and program quality must improve. The state's existing WIOA education and training programs underperform in educational attainment compared with the rest of the nation, with a lower percent of participants obtaining a credential compared to the national average. New Mexico ranks below the national average for the percent of individuals entering employment after exiting both the adult and youth training programs. These statistics highlight the need to ensure training programs are of high quality and result in relevant credentials. Globalization and rapid changes in technology require educational and labor systems to respond quickly to support people in meeting the needs that accompany economic changes. Soft-skill training and development is critical, because nearly all high-growth sectors share the need for a workforce with strong critical thinking, analytical, and creative problem-solving skills, as well as technical knowledge and experience.

New Mexico is expanding the development and implementation of registered and non-registered apprenticeships to improve access to work-based training as a career pathway option for job seekers. WSD is the state apprenticeship agency (SAA) for New Mexico, responsible for apprenticeship design, development, and oversight; ensuring the quality of registered apprenticeship programs; and promoting industry-driven training. WSD was awarded an $815 thousand apprenticeship state expansion grant and efforts are underway to expand the number and type of apprenticeship programs statewide.

Workforce Development Board Governance Structure

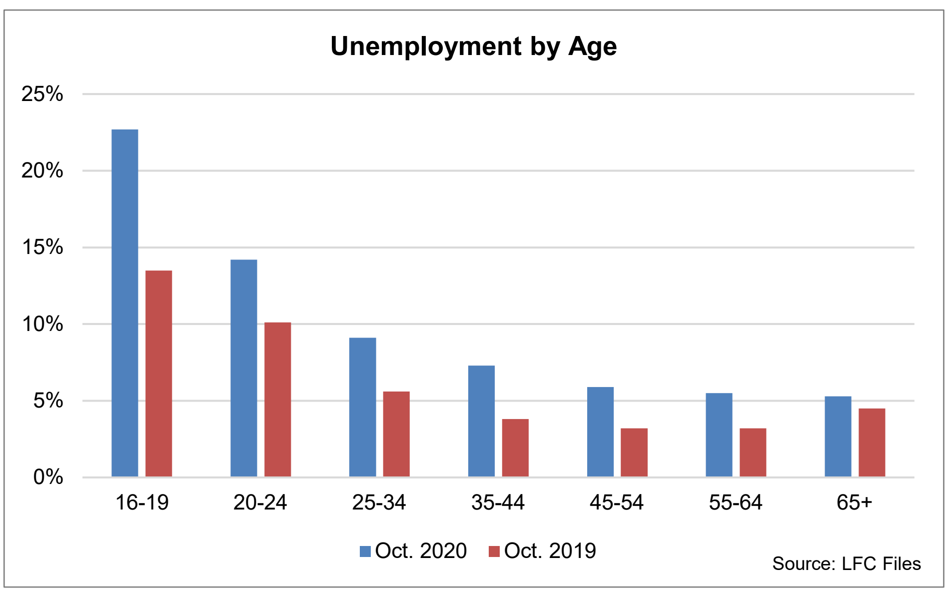


Source: LFC Files

Identifying and removing barriers to employment and training is key to efforts to increase labor force participation, reduce unemployment, and increase compensation. Workforce offices across the state predominantly assist employers in filling low-wage vacancies. The average number of applicants for jobs that pay less than $25 thousand annually far exceeds the number of applicants per high-wage jobs. Data reviews show the need for a more robust service delivery model that provides job-seekers with wraparound services and builds confidence in employers that the agency is effective in preparing applicants before making referrals. Social and structural barriers to meaningful participation in the workforce include affordable childcare, limited or unreliable transportation, unmanaged alcohol and drug abuse and mental health issues, and criminal and legal barriers. Opportunities to provide services or referral to services through Workforce Connection Centers could help address some of these barriers, including collaboration with federal programs, such as the Temporary Assistance for Needy Families (TANF) program, the Supplemental Nutrition Assistance Program (SNAP), and Medicaid.

Economic Opportunities for Youth and Young Adults

Historically, youth in New Mexico have a higher-than-average rate of being disconnected (not in school or employed) than youth nationally and the pandemic has exacerbated this situation. The Covid-19 pandemic and efforts to control it have particularly hurt younger workers. As of October 2020, the unemployment rate for youth ages 16 to 19 in New Mexico was 22.7 percent, up to four times the unemployment rate of prime-age workers. Proposals to improve outreach and services to youth include strengthening collaboration between the Public Education Department and WSD to increase access to work-based learning opportunities for youth and establishing a workforce liaison to conduct outreach to foster, homeless, and juvenile-justice-involved youth. The current WIOA funding formula requires at least 75 percent of WIOA funds to be spent on out-of-school youth. This could be inadvertently promoting disconnection from educational resources. WSD is exploring a waiver from the U.S. Department of Labor to increase funding for “in school” youth receiving services to leverage existing connections and increase their chance of success.



Compared with programs that do not include an apprenticeship component, apprenticeship programs

- Align training with changing workforce needs,
- Result in increased wages and initial employment,
- Provide workforce socialization opportunities,
- Help develop occupational identity,
- Links theoretical and applied learning,
- Connect directly to labor market employment,
- Are more socially inclusive

Source: Raffer, D. (2003), *Pathways Linking Education and Work: A review of Concepts, Research and Policy Debates*

Health and Communities

For more info:

Department of Health Performance Page 133

Access to high quality health and social services is the key to healthy communities, and Covid-19 has hit both access and quality, exacerbating existing problems. As the Covid-19 pandemic lingers after many months, New Mexico still faces uncertainty about the long-term impact on the health sector and individuals and communities. The extent to which costs grow and how the burden is distributed across payers, programs, individuals, outcomes, and geography, is still very much unknown.

Managing the Covid-19 Epidemic

Even before the president declared a state of emergency on March 13, 2020, to enhance the federal government's response to the pandemic, New Mexico and a number of states had acted. By March 16, 2020, every state had made an emergency declaration, with most taking the form of a state of emergency or a public health emergency.

Department of Health Pandemic Activities

The Department of Health (DOH) has been a cornerstone of the state's response to Covid-19. In particular, the Epidemiology and Response and Public Health programs have been charged with testing, contact tracing, and related activities. Since March 2020, these activities have ranged from formulating state gating criteria to developing Covid-19-safe practices for New Mexico businesses. In particular, the department worked with the Aging and Long-Term Services Department to develop long-term care facility guidelines, the Early Childhood Education and Care Department on childcare facility guidelines, and the Public Education Department on school reentry guidelines. In addition, when the McKinley County infection rates surged to one of the highest in the country, DOH, in collaboration with other state and federal agencies, set up the alternative care facility at Miyamura High School, in Gallup. The facility has 60 cubicles and is equipped with negative pressure ventilation and an air conditioner for patients who are too sick to stay home or who no longer need to be on a ventilator but still need oxygen and medical care. As of October 2020, DOH has overseen the processing of 950 thousand tests, confirming over 30 thousand positive cases of Covid-19. The Epidemiology and Response program, in collaboration with the Human Services Department (HSD), has been the central point of data collection and data analysis to inform response activities and communication with the public.

When a vaccine is approved by the federal government, DOH will be the lead agency in a statewide distribution plan. The agency is expected to use public health offices and public hospital networks for distribution, prioritizing initial access to certain populations, such as medical providers and educators.

States varied widely on their approaches, with some states developing gating criteria for reopening, phased approaches for reopening, and mandates for behavior to promote disease control. New Mexico had some of the most stringent restrictions for reopening, having the most gating criteria of any state. In August, New Mexico was one of just five states under a statewide order to keep schools closed to in-person instruction.

New Mexico policy decisions were informed by modeling efforts led by Los Alamos National Laboratory and Presbyterian Health Services, which consider impacts of policy decisions on disease spread and resource use (e.g., intensive care unit beds). However, the resulting health policy did not incorporate economic considerations. The state has no specific tool, such as an economic dashboard, to track the progress of economic recovery even though Covid-19-related policy decisions have an impact on business activity and state revenues. Covid-19 and related health policy decisions also have a detrimental impact on student outcomes, with an LFC Evaluation Unit report finding students are losing from several months to up to a year of learning as a result of school closures. Knowing the potential impact of closure policies could help policymakers pivot to policies encouraging economic recovery and making up lost time in public schools. Although restrictions were relaxed in June, New Mexico, along with most of the United States, saw significant increases in disease spread in October, leading Governor Lujan Grisham to introduce new restrictions toward the end of October. While consumer behavior and business income were boosted during the first shutdown through federal payments to individuals and businesses, the impact of a second round of shutdowns is unknown and Congress had not acted as of December on additional supports.

Covid-19 is a highly infectious and fast-spreading airborne disease caused by a new form of coronavirus identified in late 2019, severe acute respiratory syndrome coronavirus 2 or SARS-CoV-2. Although at least three vaccines were in the final phases of their trials in late 2020, no vaccine is widely available. Symptoms and their effects can range from mild to severe and in certain cases result in extreme health complications and death. The Centers for Disease Control and Prevention (CDC) has identified fever, cough, shortness of breath, a loss of taste or smell, sore throat, body aches and other symptoms associated with Covid-19.

With enactment of the federal Families First Coronavirus Response Act on March 18, 2020, the federal government took action to ensure access to Covid-19 testing. The legislation requires Medicare, Medicaid, all group health plans, and individual health insurance policies to cover testing and associated visits related to the diagnosis of Covid-19 with no cost sharing and prohibits plans from imposing prior authorization requirements on these services during the federally declared emergency period. In addition, the new law gives states the option to provide Medicaid coverage of Covid-19 testing for uninsured residents with 100 percent federal financing. New Mexico was an early leader in implementing policies to increase access to Covid-19 testing and treatment. New Mexico had some of the highest testing rates in the country during the early months of the outbreak.

Some states have already indicated they will require insurers to cover a Covid-19 vaccination, when one becomes available, with no cost-sharing, while other states will require state-certified insurance carriers to waive patient cost-sharing for Covid-19 treatment, as well as treatment for other related conditions, including pneumonia and influenza. States have also announced other actions, including extending special enrollment periods in state-based health insurance marketplaces, facilitating early prescription drug refills, and relaxing prior authorization and utilization review processes. A number of states have responded to the pandemic by expanding access to telehealth services as well.

For more info:

Human Services Department Performance
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Covid-19 Response Challenges. Covid-19 not only continues to negatively impact the physical health of many New Mexicans but also continues to severely impact people’s overall well-being. Families face financial challenges because of loss of employment, students face challenges because of school closures or in accessing quality educational instruction, and many face behavioral health challenges as they grapple with anxiety and depression.

Emergency declarations allow governors to exercise emergency powers that may include activating state emergency personnel and funds, supporting the needs of local governments, protecting consumers against price gouging, and adjusting regulations to maximize access to healthcare.

These tensions, health risks, and high economic stakes make it incredibly important for states to use data and sound expert guidance in guiding their next steps forward. To do this, many states are forming recovery task forces and regional coalitions to gatherer and disseminate the best-vetted directives moving ahead.

In accordance with the *2018 New Mexico Crisis Standards of Care Plan* and the declaration of the Covid-19 public health emergency, the Department of Health (DOH) activated the Medical Advisory Team (MAT), which serves as a science and medical advisory group to DOH to facilitate coordination and planning; develop recommendations, guidelines, or protocols; provide guidance; prepare to address emerging Covid-19 public health questions; and serve as an expert opinion and a source for identification of resources. MAT and its ad hoc subgroups

LFC Online: Understanding Government Finances

Finance Facts: Medicaid

Governor's Public Health Orders

In November, residents were ordered to stay at home except for essential activities, while in-person services at businesses deemed nonessential were shut down.

At the time of the order, the test positivity rate in New Mexico of 12.2 percent was far above the state's goal of 5 percent. The state reported a seven-day rolling average of 1,191 new cases in mid-November, seven times the target level of 168 or under. Daily case counts averaged nearly 1,400 in early November.

Nearly 1 in 5 people in the state who had been hospitalized with the disease as of mid-November had died, while hospitalizations rose 214 percent from October to November.

The November 16 public health order was aimed at reducing the rapid escalation in positive test results and the strain on the state's hospitals.

Individual counties were to be allowed to reopen based on how each was performing on a three-tiered system of Covid-19 gating benchmarks.

have included over 170 participants during peak activity, including staff from the state's national laboratories, state agency staff, healthcare providers, public health practitioners, data analysts, and legal and ethical experts.

Information from the modeling group has included forecasts of disease spread based on policy decisions and other assumptions derived from public behaviors including cell phone mobility. In a September LFC hearing, legislative staff noted incorporating the impact of policy decisions on the economy and education would be beneficial and LFC members pointed out to HSD officials that the MAT would benefit from the inclusion of an educator.

The state of New Mexico also organized entities to address economic aspects resulting from the Covid-19 pandemic, including the

- Mayor's Council, a bipartisan group of mayors from across the state to provide advice on plans to reopen New Mexico's economy. Council members also work with business owners to ensure they adopt Covid-19-safe practices to minimize the potential for renewed outbreaks of the disease.
- Economic Recovery Council, a group of business and labor leaders from across New Mexico advising on strategies for safely reopening New Mexico businesses. The council includes leaders from tech industries, tourism and hospitality, film, construction, energy, agriculture, and local retail. However, the council does not include economists important for leading the state's economic recovery efforts based on objective data.

In addition to the health and economic challenges presented by the pandemic, New Mexico faces other challenges, including limited staffing to conduct case investigations, contact tracing, case monitoring, hospitalizations, and mortality tracking; older data systems that require substantial upgrades; and poorly integrated healthcare data systems. The Department of Health received a disbursement of $65 million to implement contact tracing and other Covid-19-related efforts but found it difficult to expend all the funds. New Mexico and other states are also experiencing "pandemic fatigue," a condition where the public is less patient and tolerant with Covid-19-safe practices and less cooperative with investigation and contact tracing.

Recent studies are finding lower rates of intensive care unit hospitalizations and lower mortality rates as the pandemic progresses. A study conducted by New York University's Grossman School of Medicine found the chance a patient will die dropped from 25.6 percent at the start of the pandemic to 7.6 percent. Despite the decline Covid-19 is still a high risk disease and has a death rate higher than influenza with the potential for long-term complications. Research indicates better and quicker treatment along with decreased Covid-19 viral loads, due to mask wearing and social distancing, may explain declining ICU use and deaths.

NM Covid-19 Update
(cumulative based on NM DOH reported data)

	12/1	12/2	12/3	12/4	12/5	12/6	12/7	Daily Change	3-Day∆	7-Day∆
Total Tests	1,579,759	1,592,222	1,604,914	1,620,383	1,634,917	1,647,976	1,647,976	0	13,059	68,217
Net Tests	1,480,345	1,491,268	1,502,059	1,515,452	1,528,079	1,539,901	1,538,029	-1,872	9,950	57,684
Positive Tests*	**99,414**	**100,954**	**102,855**	**104,931**	**106,838**	**108,075**	**109,947**	**1,872**	**3,109**	**10,533**
Deaths	**1,589**	**1,629**	**1,673**	**1,706**	**1,738**	**1,749**	**1,756**	**7**	**18**	**167**
Hospitalized	909	940	947	934	925	919	935	16	10	26
Recoveries	33,458	34,411	35,179	35,781	36,388	37,041	38,131	1,090	1,743	4,673

* NM DOH may adjust daily positive tests from prior day reports that could vary +/- 3%.

Covid-19 Impact on the Social Determinants of Health. The outbreak of Covid-19 negatively impacted many of the social determinants of health, including challenges to maintaining adequate housing and transportation and ensuring sufficient access to safe drinking water and nutritious food. Many areas of New Mexico faced daunting challenges with access to food, water, and shelter, and Native American Tribes and Pueblos faced particular challenges. The state, along with nonprofit and faith-based organizations, continues to work hard to address these ongoing difficulties with food, water, housing, and transportation further exacerbated by the pandemic.

The governor issued public health orders from March through November 2020 to decrease spread of the virus as well as migitate the negative impacts on the social determinants of health.

Public Health Emergency Order Duration	3/11/2020 to 12/11/2020	
CRITERIA	TARGET	STATUS
10-Day Average Rate of Spread	1.05 or Less	Statewide 0.86 Metro 0.90 Northeast 0.80 Northwest 0.89 Southwest 0.74 Southeast 0.89
7-Day Rolling Average Confirmed Daily Cases Rate of Spread	168	1,427
Testing Capacity	5,000/Day	14,001
Test Positivity Rate (7-Day Average)	5% or Less	12.8%
Positive Test to Isolation	24 Hours or Less	29
Positive Test to Quarantine	36 Hours or Less	30
ICU Bed Capacity	439 or Less ICU Beds Occupied at HUB Hospitals	323
PPE Supply	7-day PPE Supply at 7 HUB Hospitals	7 of 7

Source: NM DOH Gating Link as of 12/6/2020

Covid-19 Morbidity and Mortality

As of early December, New Mexico experienced over 109,947 Covid-19 cases, over 1,756 Covid-related deaths, and over 38,131 people who have recovered from the virus. Case rates have been particularly pronounced among certain groups and in certain communities.

In New Mexico, the most Covid-19 cases are in the 20-year old age group (21,605 cases), and the 30-year old age group (19,191 cases). The most Covid-19 deaths are in the 70-year old age group (438 deaths), and the 80-year old age group (432 deaths). The counties with the highest percentage of Covid-19 cases are Bernalillo, McKinley, San Juan, and Dona Ana.

Covid-19 Funding

Congress provided several revenue streams to support Covid-19 relief funding for states. The "phase one bill" was the Coronavirus Preparedness and Response Supplemental Appropriations Act; the "phase two bill" was the Families First Coronavirus Response Act (FFCRA); the "phase three bill" was the Coronavirus Aid, Relief, and Economic Security (CARES) Act; and the "phase four bill" was the Paycheck Protection Program and Health Care Enhancement Act.

The FFRCA safeguarded Medicaid benefits and temporarily increased the federal Medicaid matching rate (FMAP) by 6.2 percentage points. The FFRCA also provided for free testing for Covid-19 and authorized states to extend Medicaid coverage for testing to the uninsured. The bill also strengthened food assistance, enhanced unemployment aid, and established paid sick leave. To date, this boosted federal Medicaid funding in New Mexico by approximately $70 million per quarter, a bump projected to last through March 2021.

The federal CARES Act provided $2.3 trillion in total and included $500 billion in financial assistance for companies in need; $380 billion in economic support for small businesses; $300 billion in various tax incentives; $290 billion in direct payments to taxpayers; $270 billion for the expansion of unemployment benefits; $150 billion in support to state, local, and territorial governments; and $150 billion in federal aid to hospitals and healthcare providers.

LFC Online: Understanding Government Finances

Finance Facts: Child Support

The total amount of CARES Act funding awarded to New Mexico was $1.25 billion, with a separate distribution to the city of Albuquerque and Bernalillo County of $188 million, leaving a balance for the state of $1.067 billion. Of this amount, the first special legislative session of 2020 used $750 million for the state budget. The Department of Health received $65 million, the Department of Information Technology received $11 million, the Secretary of State received $6 million, and localities and tribes received $178 million.

New Mexico healthcare providers received one or more payments from the federal CARES Act, Paycheck Protection Program, and Health Care Enhancement Act. Ten major hospitals in New Mexico received $74.5 million, and over 1,500 healthcare providers received over $400 million.

Access to Healthcare

Primary Care Healthcare Workforce Expansion Efforts in New Mexico

- Establish a primary care graduate medical education (GME) funding mechanism to develop new and expanded GME programs focusing on the specialties of general psychiatry, family medicine, general pediatrics, and general internal medicine.

- Establish an alternative Medicaid primary care payment methodology to support workforce development.

Many doctors' and dentists' offices were closed during the early months of the outbreak because of state public health orders limiting nonessential businesses. Concurrently, while some hospitals were at high capacity levels treating Covid-19 patients, other hospitals were substantially idle and decided to furlough healthcare workers because of fiscal concerns. Health professionals, particularly those in behavioral health, endeavored to pivot to providing services through telehealth when possible, but all of these transitions led to many challenges for New Mexicans trying to access healthcare during the pandemic. Coupled with patients avoiding hospitals because of the risk of Covid-19 infection, the barriers to access negatively affected health outcomes.

Medicaid Enrollment

As unemployment increased during the Covid-19 pandemic, enrollment increased within the state's Medicaid program. Between March and October 2020, overall Medicaid enrollment grew by 6.7 percent. By October 2020 and across all categories of eligibility including fee-for-service and long-term care, almost 870 thousand people were covered by Medicaid, representing 40 percent of all New Mexicans.

Growth in Medicaid Managed-Care Enrollment by Provider
January to August 2020

Medicaid MCO Enrollment 2020	Blue Cross Blue Shield of New Mexico	Presbyterian Health Plan	Western Sky Community Care	Total
January	238,513	374,027	60,116	672,656
February	238,984	374,207	60,233	673,424
March	239,639	374,324	60,380	674,343
April	244,827	380,402	61,662	686,891
May	249,313	385,192	63,044	697,549
June	252,167	387,757	65,255	705,179
July	255,056	390,742	67,590	713,388
August	257,689	393,429	68,829	719,947

For more info:
Behavioral Health Collaborative Performance
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Medicaid continues to be a major source of healthcare coverage for New Mexicans and a major driver of cost in the state's budget.

Declining Healthcare Utilization. The pandemic's effect on healthcare access and costs may result in shaping long-term healthcare trends. For example, changes in healthcare utilization, including expanded use of telemedicine and mail-order prescription services, may result in changes to individual's health insurance premiums. However, it remains to be seen what effect the pandemic may have for health outcomes broadly, especially because many patients have delayed or foregone routine and preventive care.

The federal Centers for Medicare and Medicaid Services (CMS) issued guidance for states to recoup funds from Medicaid managed care organizations (MCOs), which netted a windfall during two quarters of FY20 because of declining utilization of healthcare services. The Human Services Department (HSD) has not publicly supported this option, citing concerns about higher patient need for acute care, patients likely to increase use of services after the pandemic, timing issues with claims, and concerns about the viability of the new MCO, Western Sky Community Care. However, many insurers during the early months of the pandemic realized 30 percent and greater savings, and several passed these savings on to consumers through premium reductions and reduced copays.

Investment in primary care physician workforce yields significant economic returns.

- Each physician supports $3.2 million in output, an average of 17 jobs, approximately $1.4 million in total wages and benefits, and $126 thousand in state and local tax revenues.
- An increase in one primary care physician per 10 thousand individuals results in (1) 11 percent decrease in emergency department visits; (2) 6 percent decrease in hospital inpatient admissions; and (3) 7 percent decrease in surgery utilization.

Changing the Public Health Model

Prior to the passage of the federal Affordable Care Act (ACA), public health offices nationwide served as a safety net to provide some healthcare to populations without health insurance. However, with expansion of healthcare resulting from the ACA, public health offices began to shift. Public health offices still serve as a primary health safety net for the undocumented population, family planning, and immunization, among many other priorities. However, with more Americans insured, the system of public health offices could be leveraged to move in to more preventive care to increase long-term health outcomes for New Mexicans.

Public health offices are located statewide, including in rural communities, and employ healthcare professionals, such as nurses. The footprint of these offices is an opportunity for the state to expand critical services, such as substance use disorder treatment, cancer screening, and wellness checks. Early prevention and detection of healthcare conditions like cancer and diabetes may improve health outcomes and lower healthcare costs.

Developmental Disabilities Medicaid Waiver

In FY21, DOH and HSD, acting on recommendations from an LFC report regarding how the state system provides supports for people with developmental disabilities, began development and implementation of a community supports option to leverage a greater Medicaid match rate for people currently on the waiting list for comprehensive services. As of September 2020, 4,859 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 1,000 of those individuals on the waiting list with some services in FY21.

Supports waivers are designed to provide a limited array of services to individuals on the waiting list 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 waiting 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 access a broader service array. As revenues and provider network capacity grow with development of this waiver, the state hopes to expand this service to a majority of individuals waiting for the comprehensive waiver. However, due to the difficult financial constraints on the state resulting from the global pandemic, DOH requested to reduce funding for the DD waiver at this time.

Behavioral Health Collaborative Initiatives

- The Medicaid program expanded funding for residential treatment for individuals with severe mental illness/serious emotional disorder (SMI/SED).
- Institutions for Mental Disease (IMDs) allowed for inpatient recovery for individuals with SMI/SED and substance use disorder (SUD) in a supported environment for a maximum of 15 days.
- Individuals with no co-existing SUD between the ages of 21 and 64 are currently restricted from these residential services for treatment of SMI/SED.
- The 1115 Medicaid waiver amendment is intended to increase service availability by allowing admission without SUD comorbidity as well as extending allowable covered days.
- Anticipated outcomes include an increase in community reintegration as well as a decrease in re-admission.
- High-fidelity wraparound services, intensive case management, and intensive home-based services will be available to every child in state custody for whom they are medically necessary.
- High-fidelity wraparound services are currently provided by eight providers in nine counties: Bernalillo, Valencia, Sandoval, San Juan, McKinley, Las Cruces, Lea, Roosevelt, Chaves.
- Of children and youth who completed wraparound services, 76 percent are discharged to a family setting, as opposed to 46 percent of those who did not complete it; and 70 percent of children and youth who completed wraparound services stated their quality of life had improved greatly, as opposed to 4 percent of those who did not complete it.

Healthcare Outcomes

Medicaid service providers received multiple rate increases from FY19 through FY21, but despite the infusion of funding in the state's healthcare system, many overall health performance outcomes remain disappointing, particularly for children's prenatal and preventive care and in multiple areas of behavioral health. The LFC report cards for HSD, DOH, and the Children, Youth and Families Department illustrate these static or declining performance measures.

During the months of the outbreak, vaccination compliance was down 17 percent for New Mexicans in Medicaid, despite HSD reaching out to parents and caregivers of babies 15 months old and younger to keep babies up to date with their vaccines and schedule well-child visits.

Behavioral Health in New Mexico

The Covid-19 pandemic resulted in increased anxiety, depression, insomnia, and psychological distress, as well as increased prevalence and severity of substance use. Forty-five percent of adults in the United States reported their mental health was negatively impacted due to worry and stress over the virus. High rates of anxiety, depression, and post-traumatic symptoms have also been experienced by children. Closure of in-person schooling exacerbated the problem.

In New Mexico, 19 percent of adults experience mental illness, and as of 2018, New Mexico has the highest suicide rate in the nation at a rate of 25 per 100 thousand people. Data indicates many suicides are attributable to unemployment, and unemployment in New Mexico has soared with pandemic-related business closures. The Behavioral Health Services Division of the Human Services Department reports over 60 percent of adults with moderate mental illness and over 30 percent of adults with serious mental illness did not receive treatment in the past year.

HSD reported on a retrospective case-controlled study of electronic health records of 73 million unique patient encounters that 7.5 million patients had a substance use disorder (SUD) diagnosis and 12 thousand had a diagnosis of Covid-19. Patients with a diagnosis of SUD were at a significantly increased risk for Covid-19, an effect strongest for individuals with opioid use disorder, followed by individuals with tobacco use disorder. Patients with SUD had a significantly higher prevalence of chronic kidney, liver, and lung diseases, cardiovascular diseases, type 2 diabetes, obesity, and cancer, all underlying conditions that increase contagion risk and exacerbate symptoms of Covid-19. Black Americans with SUD had a significantly higher risk of Covid-19 than White Americans and worse outcomes (death and hospitalizations).

The pandemic has been shown to impact depression, anxiety, trauma, loneliness, and domestic violence. Young adults, women, and people in a precarious work situation struggled more, with marginalized groups doing worse. The effects were compounded by racism. The Centers for Medicare and Medicaid Services reported data indicated outpatient mental health services for children and adults declined through June 2020. Concurrently, telehealth behavioral health services increased, but not enough to offset the decline.

Behavioral Health and Criminal Justice Reforms. The main goals of justice-involved services are to reduce recidivism and the maladaptive use of substances; reunite, strengthen and heal inmate families; and support a successful and sustained recovery-oriented lifestyle. The Behavioral Health Services Division (BHSD) of the Human Services Department reports that justice-involved services entail working with individuals with a serious mental illness (SMI) or a co-occurring disorder, including a mental health condition and an intellectual or developmental disability when such individuals are at risk of or are already involved with the criminal justice system. Programs may offer individual and group counseling and intensive coordination of care.

During the 2019 and 2020 sessions of the New Mexico Legislature, a total $4 million was appropriated to BHSD to develop and implement services to reduce reincarceration and homelessness rates and to improve county jail reentry services and healthcare diagnoses for incarcerated nonviolent offenders. Five countes participated in the Reach, Intervene, Support and Engage (RISE) program: Grant, San Juan, San Miguel, Sierra, and Valencia.

For more info:

Aging and Long-Term Services Department Performance Page 137

Medicaid enrollment of inmates created requirements for correction facilities and HSD to implement an inmate recidivism reduction transition program. HSD collaborated with MCOs to develop transition-of-care guidelines, and MCOs established policies and procedures to ensure all eligible members are contacted and enrolled on a timely basis. The MCOs coordinate with discharge planning teams at hospitals, nursing facilities, jails and prisons, juvenile detention centers, residential treatment centers, psychiatric hospitals, and behavioral health facilties to address the need for home- and community-based services, follow-up appointments, medications, and therapies and treatments.

Universal Healthcare Coverage Options in New Mexico

New Mexico has studied and implemented multiple options to ensure individuals have access to adequate health insurance coverage.

New Mexico Health Insurance Exchange

New Mexico's official health insurance exchange, beWellNM, was authorized under the Affordable Care Act and allows individuals, families, and small businesses to compare health insurance plans and enroll for coverage. Six states, including New Mexico, are shifting in 2021 or beyond from the federal health insurance exchange to their own online marketplaces, which determine eligibility, assist with enrollment, and connect buyers with insurance companies. Along with New Mexico, Pennsylvania, New Jersey, Kentucky, Virginia, and Maine will join 12 other states and the District of Columbia with self-contained exchanges. The transitions come amid mounting evidence that state marketplaces attract more consumers, especially young adults, and hold down prices better than the federal exchange. State-based health insurance exchanges have also gained appeal since the federal administration reduced the enrollment period on healthcare.gov and reduced funds for advertising and helping consumers.

In 2021, health insurance premiums will decrease significantly for individuals and families purchasing their health insurance coverage through New Mexico's health insurance exchange. Average plan prices will drop in the bronze, silver, and gold plan categories across the state. Silver plans, the most common plan purchased on the individual exchange, will decrease between 8.1 percent and 13.5 percent on average. Small businesses will experience a 6.7 percent average premium decrease.

Lower premiums could also be associated with the ending of the federal tax on health insurance carriers in 2021. Legislators and the Human Services Department have initiated efforts to capture some of the cost-savings the carriers would realize with the elimination of the federal tax by increasing the health insurance premium surtax in New Mexico. Legislation was introduced in 2020 to use some of the revenue to help with affordability of premiums on the New Mexico health insurance exchange, as well as adding some revenue to the state general fund.

The Medicaid program financially supports about 80 percent of the exchange because Medicaid, as the state's largest insurer, pays a large percent of the health insurance surtax premiums, which are then used to support funding for the exchange.

New Mexico Medical Insurance Pool

The New Mexico Medical Insurance Pool (NMMIP) provides subsidized private health insurance coverage to high-need patients. In 2018, assessments on private insurers to fund the pool were about $71 million and the pool provided health insurance coverage for almost 5,000 people. Insurers who are members of the NMMIP are allowed to deduct from 50 percent to 75 percent of their assessments from their premium taxes as a tax credit, meaning a substantial portion of the assessments are simply diverted premium taxes.

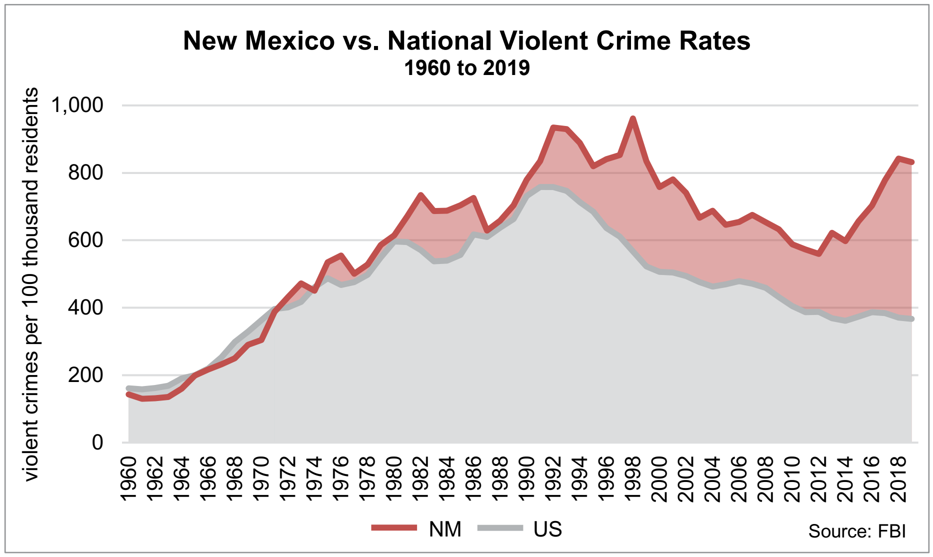
Fiscal Analysis of the Proposed Health Security Act

In July, KNG Health Consulting released *Fiscal Analysis of New Mexico's Health Security Plan: Final Report*, a quantitative and comparative analysis of the New Mexico Health Security Plan (HSP) as proposed in the 2019 Health Security Act (HSA). The Legislature during the 2019 session failed to pass the act, but requested LFC work with a contractor on a study and appropriated $114 thousand for the work.

The study found most of the cost of the HSP could be financed by redirecting public funding from duplicative health programs, requiring contributions from employers not offering coverage, and requiring enrollees with the means to pay a portion of their own premium costs. Key findings from the report:

- Under the HSP, the state's uninsured rate would likely fall well below 1 percent and the vast majority of the population would receive coverage through a public insurance program.
- Total state healthcare spending would be lower than under current law across all scenarios, because of low HSP administrative costs (as proposed in the HSA).
- Current revenue sources would not be sufficient to fully fund the HSP, with budget shortfalls ranging from $5.8 billion to $868 million over the initial five years of the HSP, depending on the scenario. However, the researchers found no additional state funding would be required for one scenario.

Public Safety



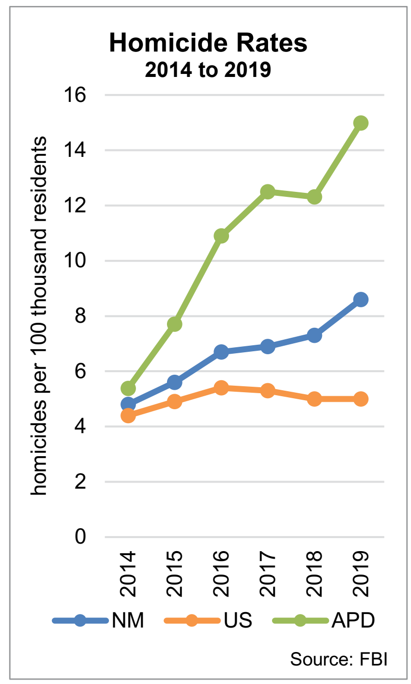
Violent crime rates have surged in recent years, driven by factors the public safety system is not equipped to address and accompanied by high rates of violent acts committed by law enforcement officers. Offenders are more likely to be back in prison within three years of release than to be rehabilitated and reintegrate into society. Substance abuse drives people into the correctional system as a root cause of crime and through the criminalization of addiction itself. Public safety agencies have not been able to resolve the deep-rooted issues that drive crime. Truly improving public safety may require looking beyond traditional crime-fighting solutions to prevent crime by addressing its causes, not just chasing its effects.

Crime

While New Mexico exceeds national rates of both violent and property crime, the state's extreme divergence from national violent crime trends in recent years is particularly concerning. Since 1992, the state's violent crime rate has remained at least 19 percent above the national average, and for the past three years, it has been more than twice the national rate. Although 2019 saw a small dip in the state's violent crime rate, this was a minor improvement after years of large increases, and preliminary data for 2020 suggest it might be short-lived. Poverty, drug use, and sustained unemployment are root causes of criminal behavior, and New Mexico's struggles in these areas are likely responsible for these troubling trends.

Recent Trends in Crime

In 2019, New Mexico had the highest overall crime rate of any state in the country and ranked second for its violent and property crime rates behind Alaska and Louisiana, respectively. After three years of increases, New Mexico's overall crime rate began dropping over the past two years, and violent crime decreased slightly in the past year; however, homicide rates rose 18.1 percent, with 28 more reported in 2019 than 2018. Homicide rates have increased in New Mexico every year since 2014, diverging from national trends. Albuquerque drives these high rates, with the number of homicides reported to the Albuquerque Police Department (APD) almost tripling between 2014 and 2019.



Albuquerque's violent crime rate almost doubled between 2012 and 2018. Homicides reported by APD grew from 29.7 percent of all reported homicides in the state in 2014 to 46.4 percent in 2019.

For more info:

Department of Public Safety Performance
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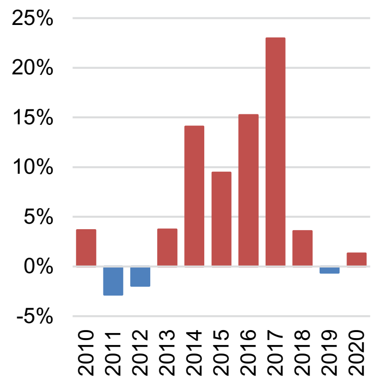
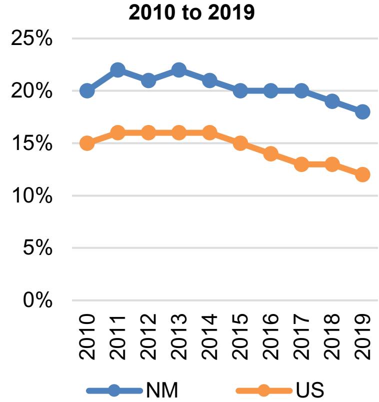
Year-Over-Year Change in Violent Crime Rates in Albuquerque
2010 to 2020*



*2020 change is estimated by comparing data from the first six months of 2019 and 2020.

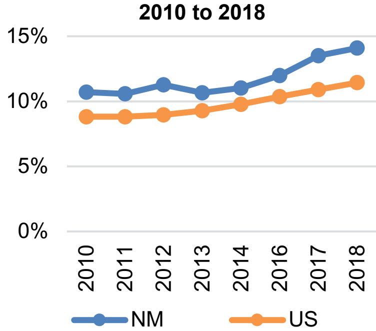
Source: FBI

Percent of Population Living in Poverty
2010 to 2019



Source: Annie E. Casey Foundation

Rates of Reported Illicit Drug Use in Past Month
New Mexicans Age 12 and Over
2010 to 2018



Source: NSDUH Dashboard

Preliminary data for the first half of 2020 show continued reductions in property crimes in Albuquerque but a possible uptick in violent crimes. The number of property crimes reported to APD from January through June was down 6.2 percent in 2020 compared with the same period in 2019, but the number of violent crimes reported increased 1.3 percent. Encouragingly, APD reported only 32 murders in the first six months of 2020, compared with 40 reported in the first half of 2019, a decline of 20 percent. However, data from other cities indicate the Covid-19 pandemic may result in rising crime in the second half of the year.

Root Causes of Crime

A 2018 LFC program evaluation on crime in Bernalillo County suggested increases in poverty and illegal drug use (particularly methamphetamines), along with sustained unemployment, likely contributed to rising crime rates in Albuquerque between 2010 and 2017. Analysis of key indicators of poverty, drug use, and unemployment show similar patterns persist across the state, with New Mexico falling behind the rest of the country on socioeconomic factors just as its violent crime rate sprints ahead. Failure to address these root causes of criminal behavior has likely prompted New Mexico's high violent crime rates.

Poverty. The share of New Mexicans living in families with incomes below the federal poverty level has improved slightly in recent years but remained significantly above the national average of 12 percent in 2019. Over the past decade, the percent of the state's population living in poverty has exceeded the national rate by an average of 6 percentage points.

Drug Use. In 2018, 14.1 percent of New Mexicans over the age of 12 reported using illicit drugs in the past month, compared with 11.4 percent nationally. Rates of illicit drug use in New Mexico exceeded the national rate every year between 2010 and 2018, but between 2016 and 2018, the rate of New Mexicans reporting illicit drug use increased at almost twice the rate of the national increase.

A 2019 LFC report on substance abuse treatment and outcomes in New Mexico cited anecdotal reports of rising methamphetamine use from behavioral health providers across the state, and data on overdose deaths from the Department of Health showed deaths related to methamphetamine use were increasing at a higher rate than deaths from prescription drugs or other illegal drugs. Between 2012 and 2018, the rate of methamphetamine-related overdose deaths in New Mexico increased 230 percent, comprising 36 percent of overdose deaths in 2018.

Unemployment. The 2018 Bernalillo County crime evaluation noted sustained levels of unemployment have been shown to raise crime rates on the county level and found unemployment in Bernalillo County since the recession was decreasing at a slower rate than the national average. According to the evaluation, while the country returned to what the Federal Reserve considers full employment (5.2 percent) in mid-2015, the county did not experience a return to full employment until late 2017. Similar trends are evident statewide, and the impact of the Covid-19 pandemic on unemployment will likely exacerbate the state's high crime rates.

Policing

Police can play a role in crime prevention by employing evidence-based practices and programming, including reducing crime by addressing the root causes of criminal behavior. Addressing such factors outside a law enforcement context also has the potential to decrease strain on law enforcement resources and reduce police uses of force, as well as crime. New Mexico leads the country in the rate of citizens killed by police and is second only to Alaska in violent crime. Alaska, interestingly, also has high-rates of police-involved fatalities.

Best Practices for Policing. Best practices for policing tailor actions to identifiable problems and facilitate civilian trust and confidence. The 2018 Bernalillo County crime evaluation also discussed supplementing the standard model of policing – a reactive model focused on responding to calls for service – with evidence-based programming and practices. Programs that potentially address root causes, such as Law Enforcement Assisted Diversion (LEAD), have seen some success in parts of New Mexico, while others proven to reduce violent crime (such as problem-oriented policing and community-oriented policing) have faced implementation challenges. The U.S. Department of Justice found APD failed to implement such best practices on a consistent or robust basis and cited a number of causal factors, including issues with staffing, leadership, and communication.

Supplementary or different approaches should be implemented with revised policies, procedures, tools, and accountability mechanisms. This can be a difficult task and may be met with resistance. Training is the primary approach to translate research into police practice; however, if training efforts are not sustained with accountability measures, police will likely defer back to the standard model of policing.

Police Violence

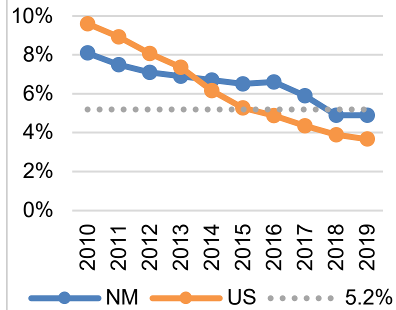
New Mexico had the highest per capita rate of people killed by police in the country over the past five years. From 2015 to 2019, 107 individuals were killed by police in New Mexico, a rate triple the national average. While increased research has clarified some of the causes of police violence, effective solutions remain elusive. What is clear, however, is that any efforts to implement reforms aimed at changing police practices or increasing police accountability will be hampered if the entity responsible for law enforcement oversight is unable to ensure law enforcement agency compliance with such reforms.

Causes of Police Violence. Although best practices for policing include increasing proactive interactions, focusing attention on serious offenders, and deploying more officers, these same practices may be more likely to lead to violent altercations between police and citizens. A 2015 analysis in the *American Journal of Criminal Justice* reviewed several studies of predictors of law enforcement officers' use-of-force decisions and found more serious offenses, suspect resistance, arrests, citizen conflicts, additional officers, and police-initiated encounters are more likely to result in the use of force. Notably, whether an offender was armed did not have a significant effect on officers' use-of-force decisions.

Minorities, males, and low-income suspects are also more likely to have force used against them. Officer race, education, and experience were not found to predict use of force, although male officers are more likely to use force than their female colleagues.

The relationship between violent crime and police-involved fatalities is unclear. LFC analysis of rates of violent crime and police-involved fatalities between

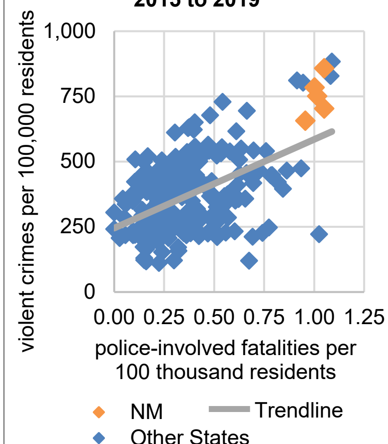
Unemployment Rate
2010 to 2019



Note: The Federal Reserve considers 5.2 percent unemployment "full employment."

Source: FRED, Bureau of Labor Statistics

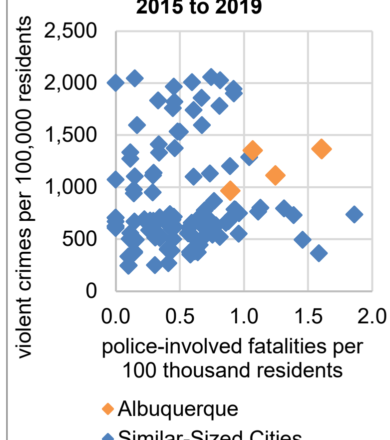
State Rates of Violent Crime and Police-Involved Fatalities
2015 to 2019



Note: R^2 = 0.2683

Source: FBI, *Mapping Police Violence*

City* Rates of Violent Crime and Police-Involved Fatalities
2015 to 2019



*Cities with populations between 500 thousand and 1 million, per FBI *Crime in the United States* reports from 2015 to 2019.

Source: FBI, *Mapping Police Violence*

Policing Best Practices

The standard model of policing is reactive, including patrols, responding to calls for service, and subsequent criminal investigations. The approach is often individual-focused and procedures-oriented, with training concentrated on actions needed for responses to calls for service, such as arrest, use of force, and dispute resolution. Officers may receive general briefings about problem people or places, but the focus is often on individual cases or arrests.

Research has identified four principles of evidence-based crime reduction strategies for police to follow:

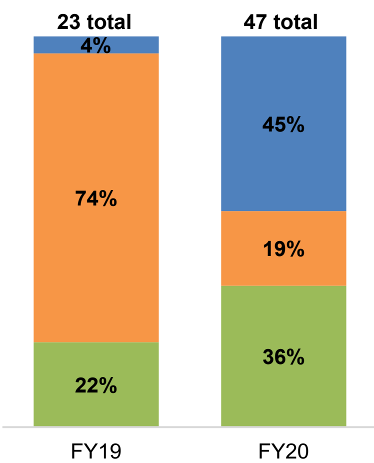
1. Be proactive, not reactive;
2. Focus on places, not just on people;
3. Tailor actions to identifiable problems;
4. Facilitate civilian trust and confidence.

Evidence-based policing strategies that supplement the standard model of policing include

- Law Enforcement Assisted Diversion (LEAD),
- Problem-oriented policing (POP),
- Community policing,
- Focused deterrence,
- Hot spots policing.

Source: Cynthia Lum and Christopher S. Koper, *Evidence-Based Policing: Translating Research into Practice* (2017)

Law Enforcement Academy Board Disciplinary Action
Outcomes as a Percent of Total Adjudications



Source: LFC analysis of LEAB meeting transcripts

2015 and 2019 found a correlation between the two factors on the state level but no significant relationship among Albuquerque and comparably sized cities. Additionally, the correlation at the state level is considerably more moderate if New Mexico and Alaska (outliers in both factors) are excluded. Several other cities and states demonstrate these factors are not intrinsically linked.

Proposed Solutions to Police Violence. Research suggests training policies regarding encounters with suspects are more likely to reduce rates of excessive force than policies regarding hiring practices of law enforcement officers. Common trainings aimed at addressing officer behavior include implicit bias training, de-escalation training, and crisis intervention training; evaluation of these programs' impact is limited, and initial research indicates they may not effectively alter long-term behavior without strong use-of-force policies and accountability. A new state law requires all law enforcement officers in New Mexico to wear body cameras and record much of their engagement with the public; however, research on the efficacy of body-worn cameras shows limited impacts on officer and citizen behavior or citizens' views of police.

Oversight and Accountability of Police. The state gives significant autonomy to local law enforcement agencies; however, it retains the authority to determine who can be certified as a police officer. Although the New Mexico Law Enforcement Academy Board (LEAB), tasked with developing the standards and training required of police officers, is established as an independent entity, it does not have its own budget, and its staff are employees of the New Mexico Law Enforcement Academy, part of the Department of Public Safety (DPS). As a result, the agency responsible for police officer oversight is functionally dependent on an agency that also includes the New Mexico State Police, a potential conflict of interest. A 2005 survey conducted by the International Association of Directors of Law Enforcement Standards and Training found police officer standards and training boards operate as independent agencies in 19 states.

The board also faces issues ensuring law enforcement agencies fulfill their statutory obligations. For example, statute requires all police officers to complete biannual in-service training, and the board is responsible for gathering reports from agencies certifying the completion of these requirements. However, during the last biannual training cycle, only 47 percent of law enforcement agencies complied with reporting requirements, with over half of agencies' compliance with statutory training requirements unclear.

Corrections

In the past decade, the share of inmates admitted to prison for drug possession offenses (distinct from drug trafficking offenses) has increased 18.2 percent. Opportunities for substance-use-disorder treatment within the correctional system are limited and might not be effective, yet the Corrections Department (NMCD) routinely revokes offenders' parole for substance-use-related violations. Sharp declines in prison population have left empty beds in aging, and expensive, facilities. Realizing the potential savings offered by population decreases by closing facilities would enable the reallocation of funds toward implementing and expanding effective recidivism reduction and drug treatment programs, but ensuring this is done successfully requires consistent monitoring and evaluation.

Recidivism

Over the past decade, the three-year recidivism rate of inmates released from NMCD's custody has increased 10 percentage points, from 44 percent in FY10 to 54 percent in FY19 and FY20. LFC research shows each percentage point of recidivism costs the state at least $1.5 million per year. Substance abuse and parole revocations for technical violations drive New Mexico's high recidivism rates, and NMCD's substance abuse treatment programs might not be effective.

Parole Revocation. Almost one third of offenders who are reincarcerated within three years of their release from New Mexico's prisons have had their parole revoked, often as a result of technical parole violations or drug use. Analysis of a random sample of parolee files from 2016 by LFC's program evaluation team found 90 percent of parole violations were related to substance abuse or absconding. In FY20, technical parole violations accounted for 71.9 percent of parole violations and comprised 22.6 percent of overall prison admissions. While high, these numbers were a decrease from FY19, when such revocations comprised 93.9 percent of parole revocations and 29.8 percent of prison admissions.

Drug Treatment. Reducing recidivism rates stemming from drug use requires evidence-based programs within prisons focused on mental health and substance abuse, along with transitional support to connect offenders to evidence-based services on reentry to the community.

Recidivism rates for graduates of the evidence-based Residential Drug Abuse Program (RDAP), one of NMCD's largest in-prison approaches, are extremely erratic, prompting data quality concerns and making it difficult to judge the program's efficacy. Although the approach is evidence-based, it is not known how well it has been implemented. Significantly, LFC reported in 2007 and 2012 that an evidence-based therapeutic communities (TC) program within NMCD was failing to produce expected outcomes because the implementation did not align with best practices. LFC's 2018 evaluation of NMCD's recidivism reduction programs noted RDAP is a type of TC, and NMCD could not demonstrate how

For more info:

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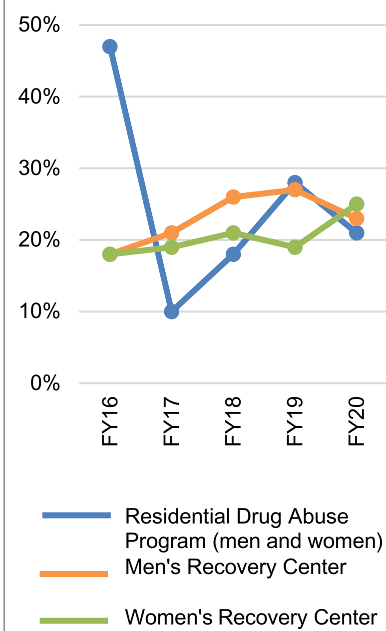
Recidivism Rates of NMCD Drug Treatment Programs



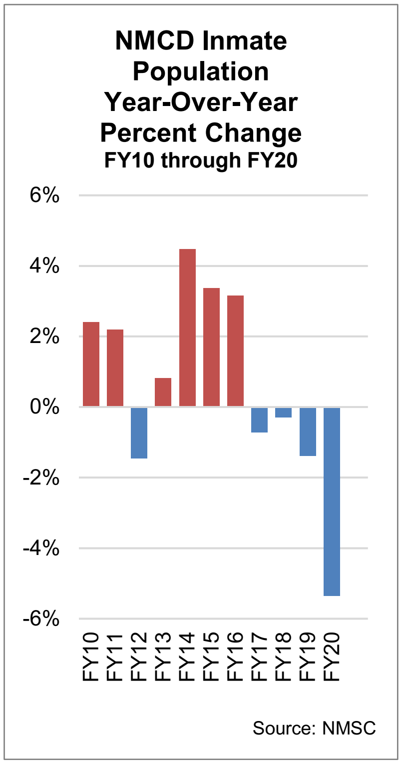
Source: LFC files

A Closer Look

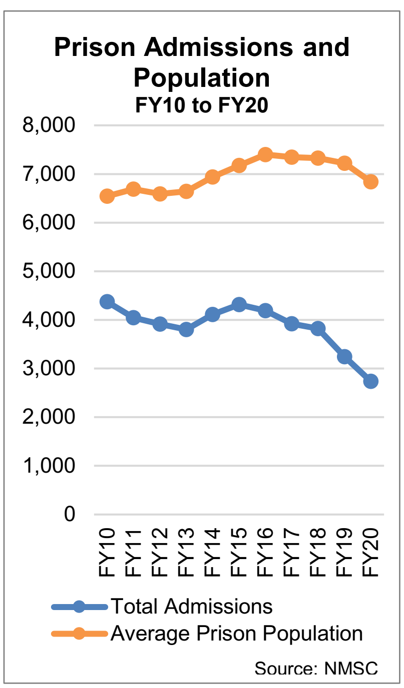
Inmate Classification

NMCD's classification processes may also contribute to recidivism. A **July 2020 *Policy Spotlight*** on inmate classification at NMCD by LFC's program evaluation team found the current system is not consistent with best practices and has not been validated. The system evolved in response to dangerous and violent prison conditions driven by underclassification (housing inmates at lower custody levels than warranted) but has not been revised in almost two decades, and now overclassification (housing inmates at higher, and more expensive, custody levels than warranted) may be driving up costs and hampering offender rehabilitation.

The report found that, while the majority of prisoners admitted to the system received initial custody scores classifying them as minimum security, more than half are housed in medium-security settings. Between 2014 and 2016, nearly 60 percent of classification decisions were either subject to overrides or resulted in inmates being housed at security levels inconsistent with their custody scores for unknown reasons. Inmates in more secure facilities tend to engage in institutional misconduct at higher rates and have higher rates of recidivism than inmates in lower-security prisons, so expanding access to minimum-security settings may help reduce recidivism and its associated costs. The report estimated deviations from the initial custody score could be costing the state up to $28 million annually. Because NMCD's scoring tool has not been validated, it is impossible to definitively say whether override decisions are appropriate or represent unnecessary overclassification; however, the potential costs of overclassifying even a small fraction of inmates are significant.



Between December 2018 and September 2020, New Mexico's prison population dropped 14.7 percent.



RDAP differs from the underperforming TC model. The 2018 report recommended routine evaluation of programs such as RDAP, but NMCD has not undertaken such efforts.

Supervised offenders in the community (those on probation or parole) lack sufficient substance-abuse treatment resources. In FY19, only 8.5 percent of the estimated 12.6 thousand offenders needing such treatment were served by community corrections substance-abuse programs. Substance abuse treatment outside NMCD also falls short of the state's needs, further limiting offenders' access to services. A 2020 Department of Health gap analysis of substance use disorder treatment estimated only 34.3 percent of the estimated 204.7 thousand New Mexicans needing treatment in 2018 received it.

The efficacy of NMCD's substance-abuse treatment services in the community is difficult to determine because the department only reports recidivism rates for the men's and women's recovery centers, which serve only a small fraction of offenders. These programs use a research-based, inpatient TC model, but using a research-based model does not guarantee success. A 2015 study by the Sentencing Commission found no statistically significant improvement on outcomes at the men's center, and since the department began reporting on recidivism of these programs' graduates in FY16, the recidivism rate has increased 5 percentage points at the men's facility and 7 percentage points at the women's.

Opportunities to Improve Offender Rehabilitation

Prison population has been falling year-over-year since December 2018 and had dropped 6.9 percent by March 2020, even before the impacts of the Covid-19 pandemic on court adjudications and early releases. These unprecedented but sustained reductions in population could provide significant cost savings because incarcerating an inmate costs an average of $40.4 thousand in FY19. Population declines also provide an opportunity for the state to explore closing housing units, and improvements to the classification system will likely compound these opportunities. These funds should be reinvested in programs proven to reduce recidivism and address root causes of criminal behavior, both inside and outside the prison system.

NMCD has reported persistent, unresolved errors in performance data related to in-house parole, inmate drug use, correctional education programs, and sex offender recidivism. Absent improved reporting and transparency, it will be impossible to know if savings are being realized, if NMCD is investing in evidence-based programs, or if such programs are implemented successfully.

Criminal Justice Reform

New Mexico's high violent crime rates demonstrate the state's criminal justice system is falling short of its primary goal to protect public safety. Efforts to fight crime have focused on punishment and incarceration, and crime rates remain high. Stigmatizing and criminalizing addiction has not improved New Mexico's rates of substance use disorders. Making our state safer requires a substantial change in the way we approach public safety. Such a transformation cannot occur overnight, but focusing on preventing crime by addressing its root causes, rather than relying on a costly and ineffective system of punishment, and ensuring the agencies entrusted with the safety of New Mexico's citizens are accountable for their performance and the actions of their employees are two clear starting points. Reducing incarceration for low-level crimes and supervision violations – especially related to substance abuse – will free up considerable resources to address the social conditions that drive crime in the first place and to address serious violent crime and violent offenders. Empowered, independent oversight entities can help ensure institutional accountability.

LFC Online: Understanding Government Finances

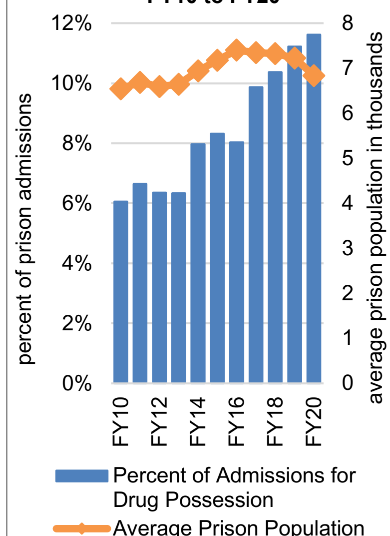
Finance Facts: Corrections

Probation and Parole. Reforming the state's system of probation and parole to ensure offenders are no longer reincarcerated for technical violations rooted in addiction and poverty could improve recidivism and reduce costs to the state. While NMCD has made some recent improvements, it is not solely responsible for the probation and parole system, and the impact of revocations on offenders' lives and the state's budget are significant enough that improvements should be insulated from administrative changes through statutory reform. Additionally, creating successful reentry plans for inmates is key to reducing future supervision needs and the costly practice of in-house parole.

Prison admissions fell 32.4 percent over FY19 and FY20. During the same period, however, prison admissions due to new drug possession offenses declined just 19.7 percent, while parole revocations (which are often connected to substance abuse) declined 27.1 percent.

Reforms should account for serious offenders for whom certain violations of supervision conditions could predict significant risk to the community. For example, contact between a sex offender and their victim may not constitute a new offense but could, nevertheless, represent a serious danger to that victim, and the entities responsible for overseeing supervision should be given the tools to address such concerns appropriately.

Prison Admissions for Drug Posession and Prison Population
FY10 to FY20



Source: NMSC

Low-Level Crimes. Offenders sentenced for drug possession offenses comprise a growing share of prison admissions, posing significant social and financial costs to the state. New Mexico's high rates of substance use disorders and increasing illicit drug use suggest these trends will continue absent legislative intervention. LFC's 2019 report on substance abuse in New Mexico found stigma associated with addiction is a significant obstacle to broadening access to effective treatment, despite substance use disorder being best understood as a potentially deadly but treatable chronic illness. Criminalization of drug possession likely exacerbates this stigma.

Root Causes of Crime. Funds accruing from reduced prison population, which could drop further with reforms to sentencing and the probation and parole system, could be reallocated to address the root causes of crime, such as poverty and substance use disorders. The Pew-MacArthur/LFC Results First initiative finds likely positive returns-on-investment for many drug treatment programs inside and outside of prison, particularly brief cognitive behavioral intervention for amphetamine users and outpatient or nonintensive drug treatment in the community. During the 2020 session, the Legislature appropriated an additional $1 million for LEAD programs and $1 million for medication-assisted treatment in correctional facilities, as well as additional funding for evidence-based community corrections programming.

While New Mexico's average prison population has declined 7.6 percent since FY16, admissions for drug possession offenses have grown from 8 percent in FY16 to 11.6 percent in FY20.

Law Enforcement Academy Board. LEAB is responsible for overseeing police officer training and conduct but has no power to enforce compliance with its reporting requirements or investigations. Making law enforcement agencies'

Potential Steps to Reform New Mexico's Criminal Justice System and Improve Public Safety

1. Reform the state's probation and parole system to ensure offenders are no longer reincarcerated for technical parole violations rooted in addiction.
2. Consider reforms to the criminal code and sentencing that deemphasize incarceration for low-level crimes, especially drug possession.
3. Reallocate resources from incarceration to address the root causes of criminal behavior.
4. Reconstitute the Law Enforcement Academy Board as a truly independent police oversight organization and leverage state funding to ensure law enforcement agencies comply with statutory requirements.
5. Establish independent oversight of the Corrections Department to ensure it effectively uses the tools at its disposal to aid in offender rehabilitation and decrease recidivism.

distributions from the law enforcement protection fund contingent on compliance with the board's directives would provide necessary leverage to ensure the board can successfully fulfill its mission. LEAB's limited staff, shared with DPS, are unable to conduct rigorous investigations or evaluations. An independent, full-time staff would allow the board to evaluate reform implementation and effectiveness and help preclude conflict-of-interest concerns in state police officers' disciplinary proceedings.

Oversight of the Corrections Department. Ensuring the success of recidivism reduction programs and protecting inmate health and welfare requires rigorous, continuous monitoring and evaluation, and the performance data NMCD provides are limited and unreliable. An independent body, empowered to compel the department's cooperation, could provide transparent and accurate analysis of department operations. With additional resources, the legislative Courts, Corrections and Justice Committee could further enhance oversight.

Courts and Justice

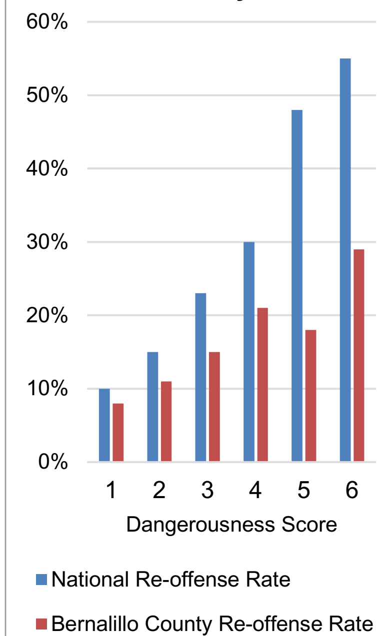
The criminal justice system continues to face challenges implementing ongoing reforms, ensuring legal access, and fostering collaboration among stakeholders. Judicial agencies, like all government agencies, face obstacles to providing crucial services while respecting public health orders and managing budget constraints. In order for courts, prosecution offices, and indigent defense systems to serve the public safely and effectively, justice partners must seriously consider reprioritizing resources to address a steadily shrinking workload and shifting focus to provide safe, timely, and equitable justice to New Mexicans.

For more info:

Courts and Justice Performance Page 146

Challenges and Opportunities for Reform

Over the last few years, the Legislature has prioritized equitable criminal justice reform through increased resources and targeted policy changes, such as improving access to pre-prosecution diversion programs, which reduce incarceration through rehabilitating offenders before formal entrance into the criminal justice system. While these reforms are productive, persistent racial and economic disparities within the legal system have proven hard to fully address. Exacerbating the problem, judicial agencies lack either the ability or the will to report certain program outcomes, making it difficult for the Legislature to track which investments are most effective. Regularly adopting research-based performance metrics and committing to timely, accurate reporting is fundamental to improving public safety outcomes and maintaining public trust in judicial institutions.



Source: UNM Institute for Social Reasearch, Santa Fe Institute

Disparities in the Criminal Justice System

Equitable Court Services. In light of growing national conversations on systemic racism, the New Mexico Supreme Court formed a commission to examine data, educate judges on implicit bias, and create policies relating to inclusion to address racial and economic disparities in the New Mexico justice system. According to the National Center for State Courts (NCSC), about a dozen other states have similar commissions, which are most successful when using a multi-tiered approach addressing not only training for judicial staff, but also community outreach, access to court services in multiple languages, diversified jury pool representation, and increased availability of legal representation for the poor. In 2018, New Mexico received a Justice for All Grant from NCSC to begin addressing inequities in the legal system, which has so far been used to create plain language forms and purchase court signage to help the public navigate courts. Though this is a promising first step, according to NCSC, such measures only begin to form foundational capacities necessary to provide truly equitable court services.

Algorithmic Safety Tools. While national tools and best practices provide a useful framework for reform, policymakers must stay cognizant of New Mexico's unique economic and racial conditions. A recent study from the University of New

PSA Risk Factors and Pretrial Outcomes

Risk Factor	Pretrial Outcome		
	Failure to Appear	New Criminal Activity	Nonviolent Criminal Activity
Age at current arrest		X	
Current violent offense			X
Current violent offense and 20 years old or younger			X
Pending charge at the time of the offense	X	X	X
Prior misdemeanor conviction		X	
Prior felony conviction		X	
Prior conviction (misdemeanor or felony)	X		X
Prior violent conviction		X	X
Prior failure to appear in the past two years	X	X	
Prior failure to appear older than two years	X		
Prior sentence to incarceration		X	

Source: UNM Institute for Social Research

The Arnold risk assessment tool employs several risk factors to assess arrestees for pretrial release to predict an individual's likelihood to appear for their court hearing, commit a violent crime while on pretrial release, or engage in other, nonviolent criminal activity on pretrial release. Different factors are more predictive of different risks. For example, a person who has previously failed to appear may fail to appear to a court hearing again but is not likely to commit a new crime. Conversely, someone with a prior violent or felony conviction is more likely to commit another crime but not to fail to appear.

Mexico Institute for Social Research and the Santa Fe Institute found that algorithms used for public safety assessments (PSAs), tools used to aid judges in deciding if a defendant should remain in custody before trial, often contain metrics that disproportionately affect minority and impoverished populations. For example, a public safety tool using an algorithm based on a state with widely available public transportation or rehabilitative housing will perform differently in New Mexico, which lacks those resources. This leads to New Mexican defendants being classified as more dangerous than their national counterparts, resulting in higher, possibly unnecessary, rates of detention. Courts should leverage the benefits of such tools by using "flags" in PSAs to refer individuals to behavioral health resources and consistently validate and adapt PSAs to suit the state's unique needs.

Pretrial Policies

National research illustrates the importance of the pretrial phase, wherein the state has the opportunity to increase community safety through either detaining individuals who pose a legitimate risk to public safety or by setting reasonable conditions of release that provide defendants with resources to be successful in the criminal justice process. A 2017 study published in the *Stanford Law Review*, "The Downstream Consequences of Pretrial Detention," found increased pretrial detention did not significantly reduce crime rates, but those detained were 43 percent more likely to be incarcerated than similarly situated released defendants. Research also indicates any amount of unnecessary detention comes with significant economic and behavioral health consequences, potentially worsening the rate of re-offense among already vulnerable individuals.

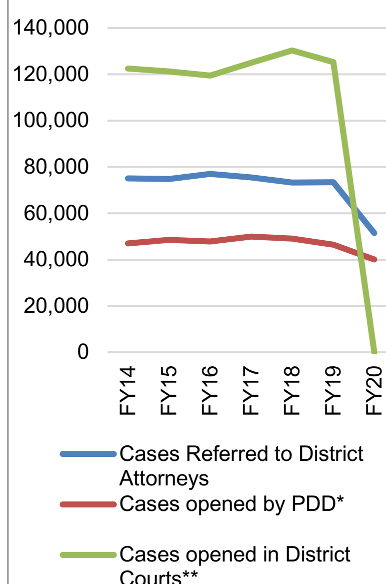
Ad Hoc Pretrial Release Committee. In 2016, voters overwhelmingly adopted a constitutional amendment reforming the cash bail process in New Mexico. The amendment, which prohibits imposing detention based solely on a person's ability to afford bail, also gave judges new authority to hold defendants deemed dangerous in custody. Not only did this increase judicial discretion, it increased prosecutorial responsibility by mandating the state submit a motion for pretrial detention displaying "clear and convincing" evidence the accused cannot safely remain in the community pending trial.

In the years since the constitutional amendment, prosecutors have struggled to file timely and sufficient pretrial detention motions, especially in rural areas where fewer attorneys are available to attend initial hearings. In response to criticism that the reformed pretrial timelines are too demanding, resulting in leniency for defendants likely to commit new crimes while awaiting trial, the Supreme Court formed the Ad Hoc Pretrial Release Committee, including stakeholders from all judicial agencies, to clarify and improve pretrial detention. Prosecutors proposed *rebuttable presumptions*, a policy that assumes detention is necessary for certain serious crimes (such as incidents involving a firearm), shifting the responsibility to defense attorneys to convince the court to implement lesser conditions of release. The committee ultimately rejected rebuttable presumptions, but recommended several rule changes, the most significant of which allows judges to detain individuals for 24 hours in the absence of a motion for detention, providing district attorneys more time to compile evidence and submit compelling motions. Though defense attorneys agreed with the committee's decision to reject rebuttable presumptions, some argue the new rule could result in detention that, even if brief, is ultimately arbitrary. The committee should continue to analyze the pretrial system and create data-driven policies that balance judicial discretion, prosecutorial responsibility, and the constitutionally guaranteed rights of the accused.

During the 2020 regular legislative session, the Legislature supported top priorities of the judicial unified budget, most notably through investments in pre-trial services and supporting the creation of five new district judgeships. In addition, the Legislature backed initiatives that address the root causes of crime and drug addiction through funding a court behavioral health specialist at the Administrative Office of the Courts (AOC), and mandating additional oversight and evaluation of existing specialty courts (such as drug courts and DWI courts) through AOC.

Pretrial Services. Pretrial services, including drug testing, social worker assessments, and court-date reminders, are a crucial element to defendant success. A 2020 report from the University of New Mexico Institute for Social Research found that something as simple as a text message reminder for a court hearing can reduce failure to appear rates by 25 percent to 36 percent. For the 2020 regular legislative session, the judicial unified budget prioritized setting up new pretrial services in rural jurisdictions and supporting existing programs through increased staff, social workers, and funds for drug testing supplies, which was largely funded by the Legislature. Still, the courts lack robust performance metrics to gauge the success of such programs. As the judiciary continues to build capacity for pretrial services in the state, embracing performance measures is paramount to tracking success rates of new initiatives and securing continued legislative investment.

Justice System Workload Over Time



*PDD Data does not include cases contracted out

**District Court Data for FY20 not yet available

Source: PDD

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 2020, though enrollment remains low. Currently, specialty court programs are implemented and tracked inconsistently throughout the state, making result analysis of specialty courts difficult. With standardized data collection practices and reporting, the state could focus investments on evidence-based mental health courts and drug courts abiding by best practices to fully realize specialty courts' potential to treat addiction.

District Attorneys

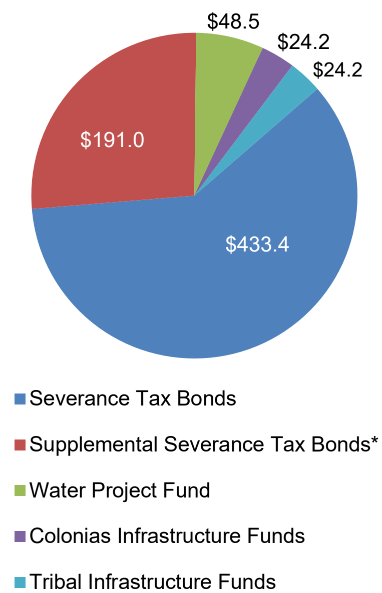
Though the 14 representative judicial district attorneys have struggled in past years to collaborate with justice partners and each other, responding to legislative pressure, the districts successfully submitted a unified budget request for FY22. However, the requests do not account for steady decreases in workload over the past few years or the sharp workload decrease in the second half of FY20 and beginning of FY21 after Covid-19 brought the criminal justice system to a halt. The district attorneys have failed to maintain timely and accurate performance reporting or submit action plans where outcomes need improvement, which has lead to a lack of consistency, transparency, and accountability in district attorney offices. Committing to performance-based budgeting would not only allow prosecutors to identify how to shift resources within judicial districts but allow the Legislature to invest state dollars where they will have the greatest impact on improving public safety.

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. PDD relies increasingly on contract attorneys to avoid conflict of interest, to manage heavy caseloads, and to provide indigent defense in the 18 counties without a public defender office. Though PDD encourages contract attorneys to report case outcomes, the performance reporting requirement that exists for in-house attorneys does not exist for contract attorneys, leading to contract attorneys consistently under performing in-house attorneys. PDD has successfully reduced vacancy rates through innovative recruitment programs and geographic pay differentials incentivizing attorneys to work in rural New Mexico, granting more indigent New Mexicans access to quality defence. PDD should leverage the success of these efforts and the resulting workload reductions by shifting focus away from increasing personnel costs, and towards building capacity for research-based services proven to reduce re-offense and recidivism rates for their clients, such as regular access to social workers and rehabilitative programs, especially in rural areas.

Declines in energy-related revenues combined with the impact of the Covid-19 pandemic led to a drop in funds available for state and local infrastructure needs. Prioritizing projects related to public health, public safety, and asset protection is a reasonable approach to allocate available funds. To achieve timely results in the priority areas, policymakers should carefully vet proposed projects for need, impact, and shovel-readiness.

Capital Outlay Bonding Capacity for 2021
Total Capacity: $721.3 (in millions)



Source: DFA, LFC

Capital Capacity and Landscape

Limited bonding capacity for capital outlay exacerbates the perennial challenge of allocating limited funds to the significantly greater infrastructure requests. As in past years, capital outlay requests from state and local entities for the 2021 legislative session are far greater than available funding, $1.7 billion in requests compared with $721.3 million in capacity from all sources. To date, requests include $201.2 million from higher education institutions and special schools, $313.5 million from state agencies, and $1.2 billion from local entities.

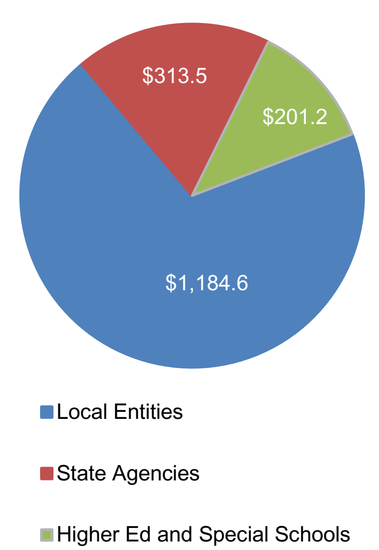
Importance of Unspent Appropriations

Construction activity, especially during a pandemic induced recession, provides statewide stimulus for architects, engineers, planners, contractors, builders, and material suppliers. Yet, 2,644 projects authorized in prior years remain outstanding. Prior capital outlay appropriations fund community-prioritized projects intended to improve the quality of life for New Mexicans. When these capital projects are completed, health, safety, and economic development are profoundly impacted.

With funds limited this year, legislators may want to consider redirecting inactive funds to projects that can be completed or for which a functional phase can be finished. Reauthorizations provide the mechanism to shift funding if community priorities have changed due to the Covid-19 pandemic. If capital projects remain inactive and weak revenues continue, unencumbered funds may be swept into the general fund or swapped for other funding sources as occurred during the 2020 Special Session.

Piecemealed Funding. Piecemealed funding, or allocating partial amounts required for a project over time, 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 because the funds to support major infrastructure projects across communities are not available.

Capital Outlay 2021 Requests
Total Requests: $1.7 billion (in millions)



Source: DFA, HED, LFC

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 struggle to accurately estimate the

Top Three Agency Annual Lease Cost (in millions)	
Human Services Department	$16.3
Children, Youth and Families Department	$7.0
Department of Health	$4.0
Total	$27.3

Source: LFC Files

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.

Right-Sizing the Government Footprint

While the state workforce has decreased, the space occupied by state agencies remains relatively unchanged. The state of New Mexico currently employs 22.1 thousand workers across the legislative, judicial, and executive branches. While this is an

Strategic Water Investments

The Covid-19 pandemic exacerbated the urgency for improvements that provide clean, reliable drinking water, but the funding mechanisms for capital projects are disjointed, unintentionally fragmenting statewide efforts for planning and coordination. Effective investments in water infrastructure require extensive planning and successful coordination among multiple public entities. New Mexico makes investments for drinking water, wastewater, and water management, which includes dam, agriculture, game, fish, habitat and drainage projects.

Communities access grants and subsidized loans for drinking water and wastewater from a multitude of state-level sources: public project revolving fund, drinking water state revolving fund, water project fund, colonias infrastructure fund, tribal infrastructure fund, local government planning fund, rural infrastructure loan program, clean water state revolving fund, community development block grants, and legislative appropriations. The New Mexico Finance Authority acts as an award or lending instrument for six of these funding sources, but even when the same entity distributes funds, co-management with independent governing boards or agencies hinders statewide coordination that could improve the efficiency and outcomes of infrastructure initiatives. Furthermore, communities are often reluctant or unable to use loans, even subsidized ones, when other funding options are available, historically resulting in underutilization of loan programs.

With nearly 2 million New Mexicans receiving drinking water from 1,100 community public water systems, expanding access and maintaining water quality are key considerations to strategic investments. Between FY15 and FY20, the Environment Department reported that between 92 percent and 98 percent of New Mexico residents received water that met health standards. Often, water quality violations are easily correctable, but serious violations may require major infrastructure improvements to treat contaminants. Reducing the siloed funding mechanisms should promote improved investments by targeting priority projects.

Given the near-consensus on the importance of water and wastewater throughout the state, policymakers must devote significant financial resources to addressing problems and focus efforts to rethink and restructure how the state of New Mexico uses these resources. Bringing all of the state's water- and wastewater-related resources under the jurisdiction of one decision-making body would, among many other benefits, provide a statewide investment plan, prioritize urgent needs, ensure resources are fully obligated, reduce the administrative burden on local governments, and eliminate the incentive that currently exists for one program to undercut another to "get money out the door."

2018-2020 Water, Wastewater and Water Management Projects

	Number of Allocations	Allocated Amount (in millions)	Balance (in millions)
Local Water & Wastewater	276	$82.2	$74.8
Local Acequias & Dams	159	$21.6	$18.6
OSE Statewide	13	$44.7	$26.2
DGF Statewide	8	$10.0	$5.2
EMNRD Statewide	6	$8.0	$4.8
NMED Statewide	3	$3.3	$3.3
Water Project Fund (NMFA)	70	$81.2	$57.0
Colonias Infrastructure Fund (NMFA)	57	$37.2	$30.4
Tribal Infrastructure Fund (IAD)	22	$27.5	$23.8
Total	**614**	**$315.7**	**$244.1**

As of November 2020

Source: DFA, LFC

increase from the 21.4 thousand employed in early 2019, it is still 3,500 or 14 percent, lower than the 25.7 thousand employed at the beginning of FY09. Government employment fell during the Great Recession as the state implemented fiscal austerity measures. However, after a decade of economic growth, state employment remains lower than it was prior to the recession, and it seems that state agencies were able to better leverage technology and create efficiencies to permanently reduce the size of the administrative workforce needed to carry out agency missions.

The Covid-19 pandemic has changed the picture even more dramatically; state facilities sit empty as government employees work remotely. Some agencies report telework arrangements are improving efficiency and are well-liked by employees. Just as agencies adapted to a smaller workforce following the Great Recession, work practices are likely to be permanently altered by the Covid-19 pandemic.

Recognizing the potential for remote work options to permanently change the number of employees in the workplace, the Facilities Management Division (FMD) began working with agencies to determine the need for space in the future. Right-sizing the government building footprint provides a savings opportunity by eliminating extraneous leases and guiding effective investment in state-owned facilities. FMD reported state agencies maintain 331 active leases totaling 5.2 million square feet at an annual cost of $44.7 million. LFC analysis found 29 facilities with cost per square foot over 20 percent higher than the average for the county in which the facility is located. Opportunities exist for the state to consolidate agencies into underutilized facilities as well as to pursue other options, such as creating hoteling arrangements in which staff from multiple agencies may occupy the same space on differing schedules.

Master Planning for the Contemporary Workforce

The process to achieve savings requires a comprehensive review of the leased inventory and of state-owned assets, an understanding of projected agency workforce needs, and a commitment to creating and abiding by standards for space assignment and agency relocation.

Attempts to plan state office space, leased and purchased, have met with challenges. For example, in 2019 the governor vetoed multiple appropriations for planning, including $500 thousand for FMD to conduct facility master planning, requested through the agency, and $300 thousand for the Corrections Department to conduct facility master planning. The vetoed appropriation for the Corrections Department would have been paired with a $200 thousand 2018 appropriation 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 needs. 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 and other items of historic and cultural significance. Accountability in Government Act measures on square-feet per FTE were also vetoed, data which would have been useful for planning.

In recognition of the need for planning, FMD included $548 thousand for Santa Fe facilities master planning in the 2019 capital building repair fund schedule of repairs, including an additional $165 thousand for security master planning. As reported by FMD, the process seeks to identify savings opportunities by

LFC Online: Understanding Government Finances

Finance Facts: Bonding Capacity

For more info:

General Services Department Performance Page 161

In 2011, the Capitol Buildings Planning Commission published goals and implementation strategies for locations with a significant state-owned presence. The principles include guidance on the locations for different types of agencies.

Main Capitol Campus

- Constitutionally created or statutorily attached agencies, including elected officials;
- Agencies with a high degree of legal or financial responsibilities;
- Agencies with a high degree of interaction with constitutional agencies; and
- Agencies with a special relationship to capitol area.

South Capitol Campus

- Agencies providing administrative functions and support, and
- Field offices.

West Capitol Campus

- Field offices, and
- Agencies that provide support functions.

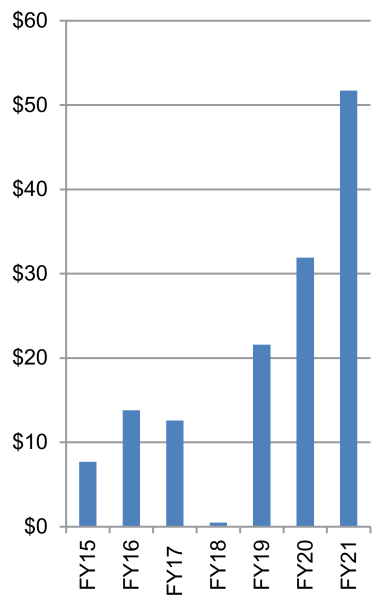
LFC Online: Understanding Government Finances

[Finance Facts: Capital Outlay Process]

eliminating extraneous leases and guiding effective investment in state-owned facilities. Further, this planning initiative must include long-standing master planning principles designed to locate critical government functions efficiently.

As part of the Santa Fe facilities master planning, the General Services Department proposed moving the client services of the Early Childhood Education and Care Department and the Children Youth and Families Department into the old Public Employees Retirement Association (PERA) building in the main capitol complex. The proposed addition of field offices to the main capitol campus directly conflicts with priorities adopted by the Capitol Buildings Planning Commission (CBPC). Furthermore, it is unclear how the move will improve public access to critical community services and how the security needs for the field offices will impact the current administrative uses occurring at the location.

General Fund IT Appropriations
(in millions)



Source: General Approriation Acts

Capitol Buildings Planning Commission

Nearly 10 years ago, the CBPC determined the state needs more office space in the main capitol complex in downtown Santa Fe. CBPC consultants developed siting principles for a new executive office building (EOB) including maintaining the New Mexico State Capitol as a focal point, respecting the ambiance of downtown Santa Fe and the historic district while at the same time maintaining the existing street network and the best use of available land.

Siting of the EOB depends on the anticipated size and functions within the building, and capacity of potential sites. The commission has identified two potential sites: one on the current site of the PERA building and the other across from the capitol in the parking lot of the Ortiz y Pino building.

The FMD director of General Services Department (GSD) and representatives of Architectural Research Consultants, Inc., provided few specifics during testimony before the commission in 2020. The discussion did not include a recommendation for the new building, a comprehensive review of the Santa Fe master plan, or an assessment of current space usage. As of this writing, GSD reports the results of the Santa Fe master plan to transition staff of the Children, Youth and Family Department and the newly created Early Childhood Education and Care Department to the PERA building will not be available until January 2021.

Information Technology

For more info:
Information Technology Projects Performance Page 168

Anticipated shortfalls in state revenue will likely constrain funding for future information technology projects, increasing the need for effective management and oversight by the Department of Information Technology (DoIT) to ensure expected returns on investment are realized for statewide IT projects. Demand for IT upgrades and replacements will continue to grow as old infrastructure becomes insufficient and agencies seek cost-effective solutions to upgrade or replace aging technology. The state and DoIT should prioritize projects with the highest returns on investment to best leverage the state's limited resources.

State Information Technology Priorities

Broadband. The Covid-19 pandemic exacerbated the urgent need for high-speed, reliable broadband connections statewide as demand continues to grow for remote work, telehealth services, and remote education. New Mexico made significant improvements in broadband deployment in libraries and schools in recent years through use of the federal service support E-rate program, and all New Mexico school districts now have access to broadband. However, many rural communities and households lack access to reliable broadband services, in part due to the high-cost of building infrastructure to those areas, and personal finance constraints to pay for broadband subscriptions.

DoIT should continue to target its existing resources toward the most cost-effective solutions for broadband infrastructure deployment given anticipated budget constraints and changing technology. In June 2020, DoIT delivered a statewide broadband strategic plan, but the plan did not outline specific actionable projects and provided exorbitant cost estimates for completing the project – between $2 billion and $5 billion. The plan also supported widespread fiber to the premise as the optimal broadband solution for households and businesses. However, recent developments in high-speed satellite and other wireless broadband technologies may obviate the need for such high-cost infrastructure in the near future.

To secure better cost-savings, in September 2020 DoIT contracted with Burger, Carroll & Associates for assistance in issuing a request for quotes and procuring a multi-year statewide price agreement by March 2021. The price agreement will allow DoIT and other eligible agencies to secure better pricing for the necessary infrastructure for rural broadband, including fiber optic and fixed-wireless solutions, as well as broadband grant writing services.

Since FY15, New Mexico has seen over $300 million in federal and state broadband investment. The state currently does not have laws or mandates for internet service providers (ISPs) to contribute to rural broadband investment projects, though some projects have had adequate private investment. The state should work to standardize agreements and requirements for ISP private investments to cover internet connection gaps in the state. There is also no single entity or agency tasked with attracting broadband investment as is often done in other states like Minnesota and Washington. Without a single entity for oversight or a required private investment from ISPs, the agency could experience additional deployment delays and potentially incur additional costs for the project.

IT Project Management. Best practices for managing high-cost, high-risk IT projects suggest implementing a formal governance structure to establish adequate IT project governance made up of leaders from key agencies and IT leadership to oversee investments. However, the Legislature abolished the Information Technology Commission (ITC) in 2017, leaving the executive branch without an independent entity responsible for oversight and strategic planning for statewide IT initiatives, including public/private needs like broadband access. DoIT established some best practices in IT governance, such as the use of transparent, up-to-date project data dashboards and monthly agency reporting requirements, but the agency has not yet fully replaced or taken over the role of the ITC, whose statutory authority was to provide strategic guidance, independent oversight, accountability, and transparency for significant statewide IT projects.

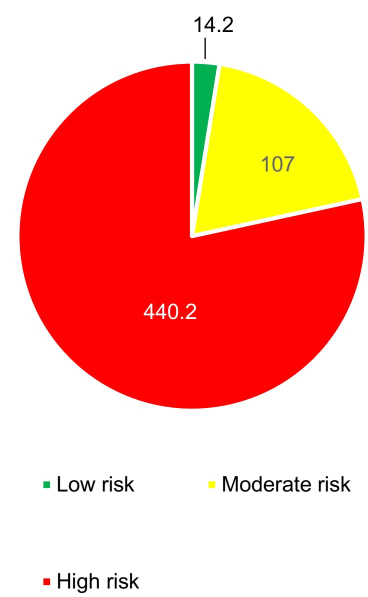
A 2012 McKinsey study revealed that, of IT projects budgeted at $15 million or higher, 17 percent are implemented poorly and more than 40 percent fail.

IT Project Status Report Ratings and Estimated Project Costs FY20 Q4

Agency and Project Name	Overall Rating	Cost (millions)
HSD's MMISR	Red	$211.80
DoIT's P25	Red	$176.70
HSD's CSESR	Yellow	$65.50
CYFD's CCWIS	Red	$44.70
DoIT's SWIRE	Green	$14.20
NMCD's OMS	Yellow	$14.20
DoIT's Broadband	Yellow	$10.00
SLO's RAPS	Yellow	$10.00
DPS's RMS	Yellow	$7.30
DoIT's ECU	Red	$7.00

The DoIT IT project data dashboard, available on the agency's website, has improved accountability and transparency within the agency for statewide IT project status reporting.

Estimated Project Costs by Risk Status (in millions)



Source: LFC IT Report Cards

Given this increased risk of failure among larger IT projects, the state and DoIT should increase their attention on IT projects that are high-cost high-risk and on those projects with anticipated federal funding participation to avoid significant implementation issues and additional state costs.

LFC Online: Understanding Government Finances

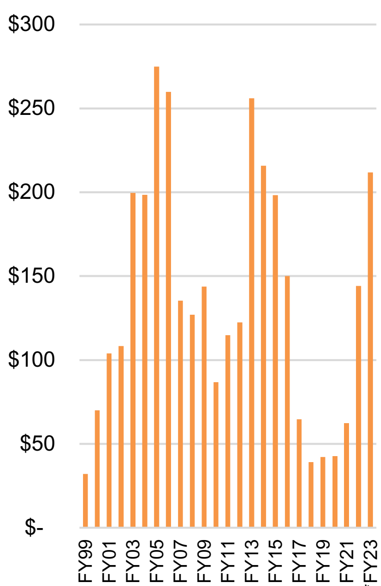
Finance Facts: Public School Capital Outlay

Selected IT Project Status

Medicaid Management and Information System Replacement Project. The Human Services Department's (HSD) $212 million Medicaid management information system replacement project (MMISR) aims to bring New Mexico's existing system into compliance with new standards and conditions set by the federal Centers for Medicare and Medicaid Services (CMS), required for the state to be eligible for enhanced match funding for Medicaid technology investments. Both independent verification and validation reports and LFC quarterly IT project status report cards continue to indicate the project's status as red, or high risk.

To manage project risk, HSD established an executive steering committee of relevant stakeholders in 2016 to serve as the decision-making body for the project. However, HSD is still in the process of completing an organizational change management plan as of October 2020, an IT best practice that will be essential due to the complexity of the project. HSD implemented several changes to its project management approach throughout the project timeline, which also posed risk, but the project has been managed by an enterprise project management vendor, Netlogx, since March 2019.

PSCOC Standards-Based Awards
(in millions)



*Estimated figures

Source: PSFA

Comprehensive Child Welfare Information System. The Children, Youth and Families Department's (CYFD) comprehensive child welfare information system (CCWIS) project will replace the legacy Family Automated Client Tracking System (FACTS) with a modular, integrated system intended to meet federal requirements from the U.S. Administration on Children and Families (ACF). The CCWIS project is highly dependent on a federal funding match to complete development but has moved forward prior to receiving necessary federal approvals, placing the project at high risk.

In June 2020, ACF outlined requirements CYFD had yet to meet to secure federal funding, stating Medicaid could not be used as the primary funding source for system components. CYFD submitted a response to ACF to address federal design requirements, but federal approval is still pending as of October 2020. Continuation of the project without federal approval could jeopardize the remaining planned federal funding match, including $12.3 million requested for FY22, and the state may have to cover the remaining costs of the project.

Public School Capital Outlay

Over the last two decades, the state has invested over $2.7 billion to improve school facility conditions in response to the *Zuni* lawsuit, which found the prior practice of locally-funded school construction was unfair to property-poor districts. Despite significant improvements to school buildings statewide, the *Zuni* lawsuit was never closed. In 2015, plaintiff school districts asked the court for a status hearing on new claims of inequity, contending that property-poor districts could not raise sufficient local capital outlay revenue to maintain capital assets and build facilities outside of the basic educational adequacy standards, while districts with available local revenues could do so.

Between FY19 and FY21, the Public School Capital Outlay Council (PSCOC) awarded over half of all standards-based construction awards, or $262.4 million, to districts that receive federal Impact Aid payments from the federal government to offset their reduced ability to generate local taxable revenue due to a significant federal presence (e.g., tribal lands, federal installations, etc.). The largest recipients of Impact Aid funding are also plaintiffs in the *Zuni* lawsuit.
Despite claiming a significant portion of state aid for facility construction and improvements in recent years and benefitting from a scheduled formulaic change that will shift more of the burden for public school capital outlay financing to property-rich districts, *Zuni* plaintiffs contend the capital outlay system remains inequitable. Rather than changing the structure of the capital outlay system, however, plaintiffs have recently sought changes to operational funding through the elimination of Impact Aid credits in the public school funding formula to address their capital needs.

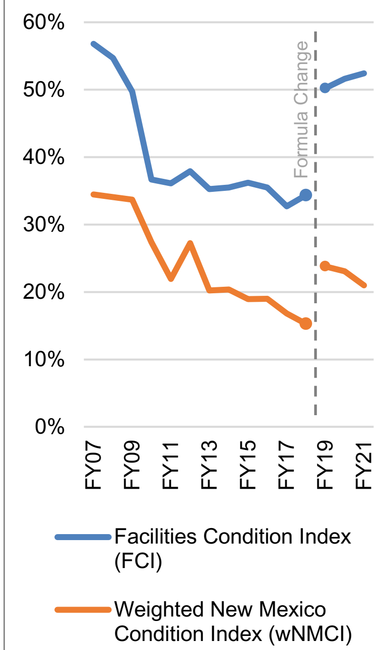
School Conditions. New Mexico's school facility conditions have significantly improved since the *Zuni* lawsuit. PSCOC uses two indices to measure the condition of a school building – the facility condition index (FCI) and the weighted New Mexico condition index (wNMCI). The FCI reflects a ratio of the cost of repair and improvement against the cost to replace the facility; a lower number reflects a building in better condition. Generally, PSCOC considers replacing rather than renovating and repairing a building if its FCI is greater than 60 percent. The wNMCI functions similarly to the FCI, but further considers the cost to correct deficiencies based on educational adequacy standards. PSCOC uses the wNMCI to rank and prioritize school facilities for project funding.

The state's investment has resulted in the reduction of the statewide average FCI from 70 percent in FY04 to 52.4 percent in FY21. Furthermore, the average wNMCI for all school districts has improved from 40.5 percent in FY05 to 21 percent in FY21. Additionally, more schools have leveraged tools provided by the Public School Facilities Authority (PSFA) to improve maintenance. PSFA's facility maintenance assessment report suggests that statewide average maintenance quality is meeting 71.4 percent of benchmark practices – meaning most facilities are maintained at a level that will help systems reach their full expected building life.

Public School Capital Outlay Initiatives

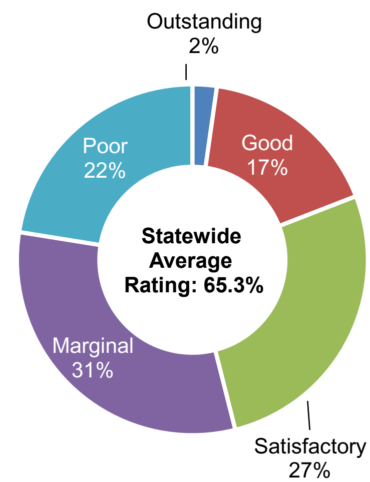
After years of addressing significant demand for school replacement and renovation, PSCOC began developing initiatives beyond the basic (standards-based) school construction projects to target specific school needs. Although the initiatives help address smaller capital issues, like replacing ventilation systems, the ad-hoc projects may detract from PSCOC's core mission of replacing and renovating schools. PSCOC began authorizing awards for charter school lease assistance, broadband deficiency, system replacement, school security, prekindergarten classroom, teacher housing, and outside-of-adequacy projects. The council also revised eligibility for standards funding to include special school spaces, essential school building systems, prekindergarten classes, teacher housing, and retroactive updates to school facilities.

School Facility Conditions



Source: PSFA

FY20 Statewide School Facility Maintenance Performance

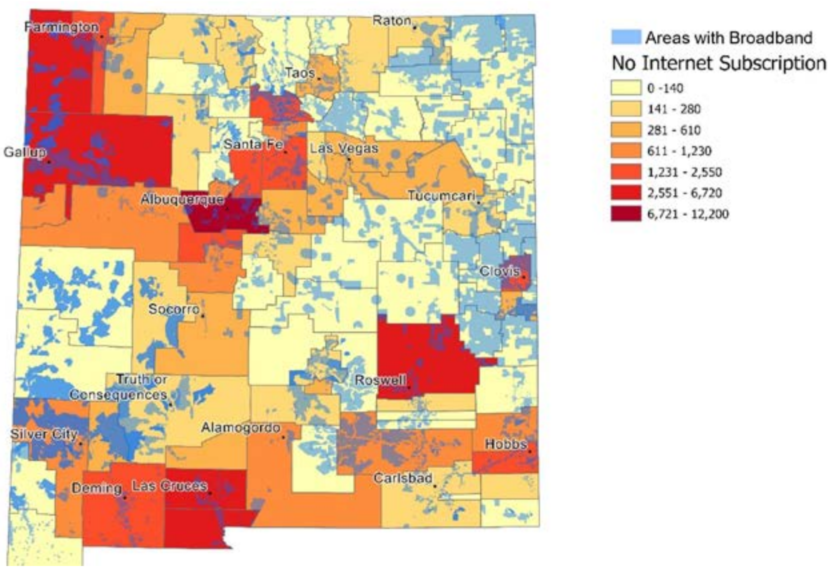


Source: PSFA

Impact Aid. The state modified its method of funding public school capital outlay projects in FY19, earmarked $34 million for school districts receiving federal Impact Aid payments to build teacher housing and facilities outside of the adequacy standards in FY20, and appropriated $18.9 million to Impact Aid districts for maintenance and infrastructure in FY21.

In June 2019, PSCOC awarded the teacher housing appropriation to the Gallup, Central, and *Zuni* districts to pay down existing debt for previously constructed projects. Impact Aid districts spent the remaining $24 million on teacher housing; heating, ventilation, and air conditioning (HVAC) systems; athletic fields; and other structures. Gallup-McKinley County Schools, the largest recipient of Impact Aid payments, also received $153 million for five standards-based projects. Although the significant investment in Impact Aid districts will help schools in areas with substantial tribal lands and federal property to update facilities, the appropriations do not address the needs of other rural districts that also have poor property valuations and difficulty generating local revenues for capital outlay.

Students with No Home Internet Subscription and Areas with No Broadband Access



Source: DoIT Broadband Project, March 2020 PSFA survey of districts and U.S. Census Bureau American Community Survey 2018

Broadband. The Legislature established the broadband deficiency correction program (BDCP) in FY14 to address statewide education technology needs. The pilot program helped New Mexico leverage state, local, and federal funding (particularly federal E-rate dollars, which can cover nearly 90 percent of costs) to connect virtually all schools to broadband. In addition to faster Internet speeds, schools are paying less for Internet services, especially for districts that have leveraged regional purchasing.

Although schools are connected to broadband, many households continue to lack access to Internet services. With the transition to remote learning due to the public health emergency, the need for broadband connectivity to households with students has become more urgent. A 2020 PSFA survey of school officials and U.S. Census data indicate about 66.2 thousand school-age children in New Mexico, or 21 percent of the student population, are living in a household without an Internet subscription.

According to DoIT, approximately 27 percent of the state's land area has broadband coverage and 95 percent has mobile wireless coverage, leaving about 3 percent of New Mexico with no broadband or mobile wireless coverage. Notably, school districts in the lowest coverage areas are also more likely to have enough classroom space for students to socially distance while attending in-person. PSFA's expertise in connecting schools to broadband could be leveraged to identify cost-efficient ways to connect students across the state, particularly in regions with significant demand and low coverage.

Systems Initiative. In FY17, PSCOC began piloting a systems-based award application process to address improvements in roofing, electrical distribution, electronic communication, plumbing, lighting, mechanical, fire prevention, facility shell, interior finishes, and HVAC systems. Approximately $56.9 million has been awarded to 49 districts since FY17. Although system improvements can extend the useful life of existing buildings and represent a more cost-effective means to improving facility conditions, districts may have greater incentive to wait for standards-based award to replace the building rather than invest in improvements that may be demolished during the replacement.

School reopening requirements in FY21 may increase demand for systems awards. To reopen, the Public Education Department required schools to install denser air filters in school ventilation systems, which will place greater strain on existing HVAC systems and reduce useful system life. Many schools also do not have HVAC systems compatible with advanced air filters, which could also increase the demand for system replacement.

Security Funding. Laws 2018, Chapter 80, (House Bill 306) and Laws 2018, Chapter 71, (Senate Bill 239) appropriated up to $6 million to plan, design, and install security systems in public schools in FY19 and up to $10 million for security awards between FY19 and FY22. Between FY19 and FY20, PSCOC awarded $24.4 million for 358 security projects, straining PSFA's capacity to carefully oversee each project. To date, no awards have been budgeted for FY21.

Transportation Infrastructure

The construction needs of the transportation network, 30 thousand lane miles of interstate corridors and U.S. and state highways maintained by the Department of Transportation (NMDOT), 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. The Legislature found persistent underfunding of infrastructure projects led to the need for both recurring and nonrecurring appropriations to pay for maintenance and construction statewide.

Road Conditions

NMDOT monitors road condition on an annual basis as part of federal reporting requirements. In FY19, the most recent year for which data are available, NMDOT reported 90 percent of New Mexico interstates were in fair or better condition while 88 percent of national highway system miles were rated fair or better. However, the department notes the pavement ratings cover only surface conditions and 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.

For FY20, the department estimated $317.8 million per year is needed for maintenance across the state while the FY20 budget provided only $214.6 million. The $103 million maintenance shortfall will trigger costlier repairs later. 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 requiring reconstruction cost up to $1.5 million per lane mile.

For more info:

Department of Transportation Performance
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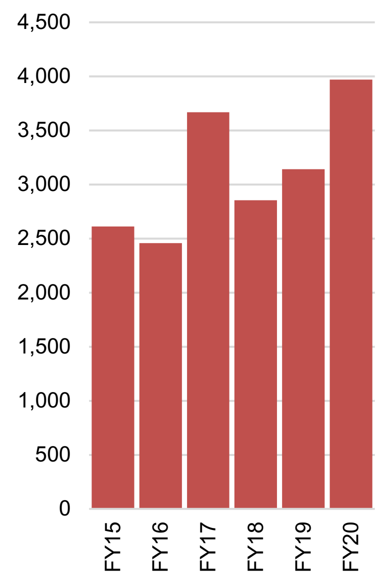
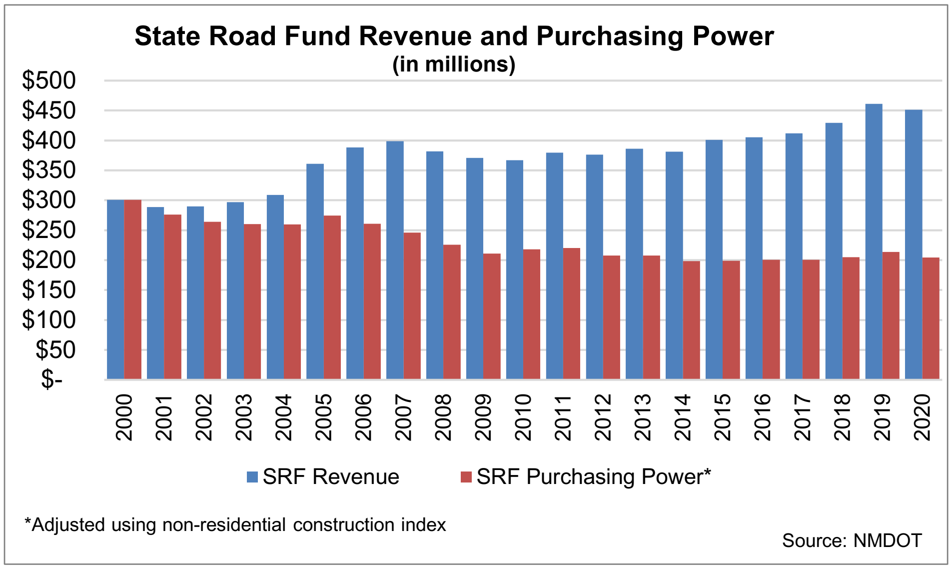
Number of Statewide Pavement Miles Preserved



Source: NMDOT

LFC Online: Understanding Government Finances

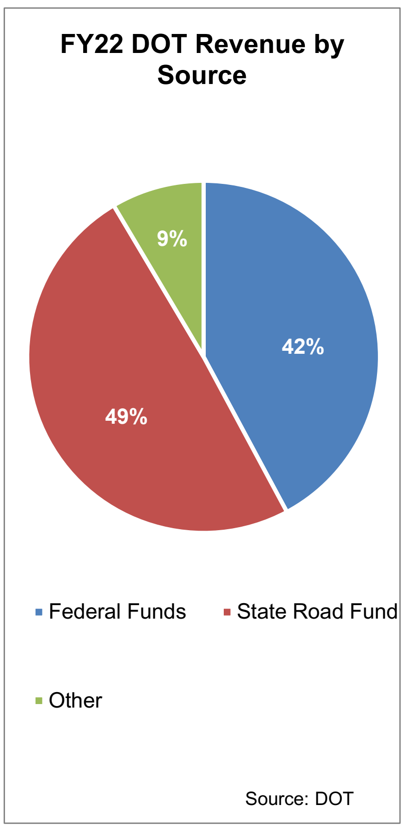
Finance Facts: Highway Funding



FY21 State Road Fund Revenue Sources
(in thousands)

Gas and Special Fuel Taxes	$207,000.0
Weight Distance Tax	$85,400.0
Vehicle Registration	$80,730.0
Other	$83,760.0
Total	**$456,890.0**

Source: NMDOT



Road Funding

The state road fund (SRF) accounts for approximately half of NMDOT operating revenue and is used to match federal funds for construction as well as pay for most road maintenance activity. For the past two decades, growth in SRF revenue has been outpaced by construction price increases.

The SRF is composed of revenues including gasoline and special fuel (diesel) taxes, taxes and fees on commercial trucking, and vehicle registration fees. SRF revenue growth has been outpaced by construction price inflation. Since 2011, SRF revenue increased by $72 million, or 19 percent. However, inflation over this time period increased by 27 percent resulting in the purchasing power of the SRF falling by 7 percent, or $16 million.

Slow SRF revenue growth 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.

In addition to other factors, electric vehicles (EV) are poised to further reduce revenue to the SRF. The falling price of electric vehicles and shifting consumer preferences have led to rapid growth of the EV market share. As charging infrastructure becomes more widespread and EV manufacturers begin producing additional vehicle types, like trucks and larger sport utility vehicles, more and more drivers are likely to transition away from internal combustion engines. Because there is currently no specific tax or registration fee on EVs, each additional EV on the road reduces revenue that would otherwise have been raised through fuel taxes.

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

The Legislature recognized the revenue shortfalls at NMDOT and increased motor vehicle taxes to bolster the road fund. Laws 2019, Chapter 270, (House Bill 6) increased the motor vehicle excise tax rate from 3 percent to 4 percent and directed the additional revenue, estimated at $56 million per year, to the NMDOT for road improvements in the southeastern portion of the state in FY20 and FY21, it then splits the revenue between the SRF and local governments beginning in FY22. Also beginning in FY22, the distribution to the general fund will fall from 3 percent to 2.5 percent, and the distribution to the road fund will increase from 1 percent to 1.5 percent.

Nonrecurring Revenue

The Legislature recognized the historic funding shortfall faced by NMDOT and prioritized additional funding for the agency. Between 2018 and 2020, $637 million in nonrecurring general fund appropriations were made for state and local roads. The revenue shortfalls brought on by the Covid-19 pandemic necessitated budget reductions during the 2020 special session and $120 million was cut from prior road appropriations. However, the Legislature provided NMDOT the authority to issue $75 million in bonds beginning in FY23 to ensure the projects would be fully funded by the time they are shovel-ready.

Revenue projections improved between the special session and the fall, resulting in the state having more nonrecurring revenue than anticipated. While the department has requested the authority to issue bonds be accelerated to FY21, it is possible that all, or a portion, of the rescinded appropriations could be restored during the next legislative session.

With many of the same natural resource issues coming up for policymakers year after year, often with an undertone of impending crisis, the need for long-term environmental and energy economy solutions is more apparent than ever. The rapid reversal of the state's fiscal outlook that occurred this year demonstrated the importance of reducing reliance on oil revenue. But even beyond recent events, shifting economic incentives coupled with environmental and public health concerns made broadening New Mexico's energy sector to include more renewables almost inevitable. Confronting the health and climate impacts of air pollutants also became unavoidable as new research and technology increased the information available to decision-makers and the public. And while water scarcity is by no means a new challenge for New Mexico, weather trends have intensified the situation in a perhaps permanent way, necessitating innovation in water management that will help the state adapt to its new reality.

New Mexico's Changing Energy Economy

Environmental and economic factors alike are driving a push to replace fossil fuel extraction with development of New Mexico's abundant renewable energy resources. In 2020, although the Covid-19 pandemic added new layers of uncertainty and economic distress, a familiar series of events unfolded as the state once again saw revenue estimates and employment take a sudden nosedive, driven in large part by losses in the oil and gas sector. While not an economic panacea, development of renewable energy infrastructure presents an opportunity for New Mexico to diversify and grow its economy, create new jobs and revenue streams, and inject capital into local communities across the state.

For more info:

Energy, Minerals and Natural Resources Performance
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Data from the National Renewable Energy Laboratory (NREL) shows New Mexico is among the states with the best renewable energy potential due to its high solar irradiance and average wind speeds. A Renewable Energy Transmission and Storage Study recently released by the New Mexico Renewable Energy Transmission Authority (RETA) identified 20,500 square miles of available land for commercially viable wind development, of which 18,500 square miles are state trust and private lands with a total of 137 thousand megawatts (MW) of wind potential. The total developable solar land area is 68,000 square miles, with 49,000 square miles on state trust and private lands for a potential 824 thousand MW available.

Reducing fossil-fuel-based energy production and consumption will also reduce emissions of carbon dioxide (CO_2), methane, nitrous oxide, and fluorinated gases – collectively known as greenhouse gases. The state Energy Transition Act of 2019 will dramatically increase the share of electricity produced by renewable sources in the next 10 years and require publicly regulated utilities to be completely carbon-free by 2045. New Mexico is one of just nine states in the country to enact a 100 percent clean energy target. The renewable portfolio standards, especially given that some nearby states have clean energy goals but many have less wind and solar potential, put New Mexico in a strong position to supply renewable energy to western and midwestern states.

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

Wind Power

New Mexico currently has 1,952 MW of installed wind power across 19 wind farms, enough to provide electricity for nearly 630 thousand homes, according to the American Wind Energy Association (AWEA). The most recent AWEA data also shows more than 2,400 MW of additional wind capacity is already under construction or in an advanced stage of development. LFC economists found large wind construction projects bolstered matched taxable gross receipts (MTGR) in Roosevelt and Torrance counties in the fourth quarter of FY20, a period when most counties experienced declines. MTGR declines were largest in Eddy and Lea counties due to falling rig counts and reduced drilling activity.

According to AWEA, New Mexico had between 2,000 and 3,000 wind industry jobs in 2019, annual state and local tax payments from wind projects average $8 million, and annual land lease payments average $12 million.

Pattern Energy expects to build 4,000 MW of wind generation in New Mexico over the next several years, which would be an investment of $8 billion. The company's Western Spirit Wind Development project, a 1,000 MW complex of wind farms in central-eastern New Mexico plus a 150-mile transmission line to carry the power to Western markets, is in the construction phase now and is expected to be operational in 2021. The project represents a $1.5 billion investment and will generate 1,000 construction jobs over the next year and more than 150 permanent jobs, according to Pattern. In addition to economic stimulation from new jobs, associated land leases will generate $16 million for the state over the life of the project. Individual landowners benefit from the construction of wind infrastructure as well; the majority of Western Spirit wind farms will be built on private property.

LFC Online: Understanding Government Finances
Finance Facts: State Land Trust

The State Land Office (SLO) currently has nine active leases and 19 lease applications for wind projects on state trust land. SLO approved leases for four new wind farms this year, equal to $80 million in revenue for the state over the life of those projects. The current wind lease applications have a combined capacity of 1,835 MW.

Solar Power

Although New Mexico's potential for solar energy production is even greater than its wind capacity, growth in the state's solar development has been slightly less robust and consistent. To date, there are 1,068 MW of solar power installed in New Mexico, or enough to power roughly 259 thousand homes, according to the Solar Energy Industries Association (SEIA), and solar industry investments total $2.1 million. The Solar Foundation, which releases an annual solar jobs census, reported 2,021 New Mexicans worked in solar jobs in 2019, a decline of 6.8 percent from 2018.

Another clean energy-related revenue issue legislators may need to consider in the near future is the loss of gasoline tax revenue the state would experience if the number of gasoline-powered vehicles driven by New Mexicans significantly decreases. California will ban all sales of new gasoline-powered cars by 2035, a policy that, if implemented in New Mexico, would have a negative revenue impact on road funding and local governments. Even without a mandate, if electric vehicles begin to make up a greater share of cars driven in the state, policymakers will likely need to look for taxation alternatives to offset revenue declines from the gasoline tax.

For more info:

Environment Department Performance
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In July 2020, the Public Regulation Commission approved a plan to replace the coal-fired San Juan Generating Station with 650 MW of solar farms and 300 MW of battery storage. Development of these resources is projected to create approximately 1,200 construction jobs and bring $1 billion worth of investments to northwestern New Mexico. The State Land Office has six active leases and 27 lease applications for solar projects on state trust land. The lease applications have a total capacity of nearly 3,000 MW.

Transmission Needs

Additional renewable energy development in New Mexico is dependent on expanded transmission capacity, which can be fraught with concerns about interrupting wildlife habitat and rural landscapes. This is the case with the SunZia Southwest Transmission Project, a planned 520-mile transmission line between central New Mexico and Arizona that still needs state and federal approval to proceed. According to the RETA transmission and storage study, the state could increase its renewable capacity by 9,000 MW over the next 10 years by adding transmission infrastructure to support exports to other states. This includes 3,100 MW already being developed.

The study estimates the development, construction, and operation of new renewables and transmission infrastructure will support between 3,300 and 3,700 jobs per year during the construction phase through 2032. To support the infrastructure beyond construction, between 600 and 800 permanent jobs are expected. The identified opportunities could equate to a total investment of $11.2 billion in New Mexico through 2032, plus up to $190 million per year thereafter related to operations and maintenance.

Economic Impact to the State

Although showing signs of growth, the renewable energy economy is unlikely to fully offset any significant, long-lasting declines in the oil and gas industry in New Mexico, even with more investment and maturity. According to the Workforce Solutions Department, the oil and gas industry was responsible for a peak of 20 thousand jobs in 2014 and 17.7 thousand jobs in 2019, the last year of available data. As renewable energy projects are constructed, the state experiences large, but temporary, gains in employment. Including both current employment and estimated job creation from future development, renewable energy jobs in New Mexico could total more than 10 thousand. However, less than half of those would be permanent, likely far fewer than the number of jobs that could be lost should the oil and gas industry face obsolescence in the energy market.

Furthermore, the renewable energy industry is unlikely to compensate for declining oil and gas revenues to state coffers. New Mexico's current gross receipts tax (GRT) structure is dependent on taxing goods and services of value. Unlike an extractive industry, which produces a commodity that has a market value (e.g., a barrel of oil) and is therefore taxable at the point of severance, renewable energy production does not draw on a raw resource that can be captured and assigned a market price. Hence, under current tax policy, the state has less opportunity to tax the renewable energy industry than the oil and gas industry. The majority of state revenue associated with renewable energy production comes from GRT related to the construction of wind and solar projects and property taxes on those structures.

However, construction revenues are nonrecurring, and companies frequently take advantage of industrial revenue bonds (IRBs) – funding mechanisms that may provide exemptions or deductions from property taxes and GRT – to finance projects. The state adopted a measure in 2020 to make electric transmission facilities eligible for IRBs, reducing a potential option for taxing renewable energy activity through transmission line development.

To capture additional renewable energy tax revenues, the state could consider adopting production taxes similar to other states. For example, Wyoming applies a $1 per megawatt hour tax rate to wind energy production, which would generate about $8 million per year in New Mexico, if implemented today. A comparable tax could be applied to solar energy production as well. Alone, renewable energy production taxes would not generate nearly as much revenue as the oil and gas industry currently does. Excluding contributions to statewide permanent funds and bonding capacity and GRT on drilling and associated activity, the oil and gas industry contributed $1.3 billion to the general fund in direct production taxes and royalties in FY20. However, as the energy economy moves away from oil and gas, renewable energy production may at least provide policymakers with an opportunity to diversify the state's revenue sources.

Methane and Ozone Precursors

Environmental and Health Impacts of Emissions

New Mexico is one of the top 10 states for greenhouse gas emissions per capita and per gross domestic product (GDP). The Environment Department's (NMED) Emissions Analysis Tool shows that in 2019, New Mexico's methane emissions totaled 607.7 thousand metric tons, oxides of nitrogen (NOx) emissions totaled 775.3 thousand tons, and volatile organic compounds (VOC) emissions totaled 6,400 tons. Methane is the primary component of natural gas, and natural gas and petroleum systems produce 62 percent of the state's methane emissions, compared with 28 percent nationally. According to the U.S. Energy Information Administration, venting and flaring of natural gas in New Mexico increased by more than 7,000 percent over the last decade.

According to the World Health Organization, methane is responsible for 230 thousand chronic respiratory disease deaths worldwide each year. Methane remains in the atmosphere for about 12 years, a relatively short lifetime, but it is highly efficient at trapping heat in the atmosphere. Methane's short lifetime in the atmosphere means targeting it for emissions reduction would have immediate benefits for the environment and human health.

NOx and VOCs are known as ozone precursors because chemical reactions between the two create ground-level ozone, an air pollutant harmful to human health and the environment. Nitrous oxide, one gas in the NOx family, stays in the atmosphere for 114 years on average and has nearly 300 times the impact carbon dioxide does on warming Earth's atmosphere. Even at relatively low levels, ozone in the air can cause the muscles in airways to constrict, leading to wheezing and shortness of breath and a variety of related health problems. Ozone poses the greatest risk to children, older adults, people with asthma or other lung diseases, and people who work or are otherwise active outdoors.

NMED's draft rules would

- Regulate oil and natural gas equipment that emits NOx and VOCs (ozone precursors), which would in turn reduce methane emissions;
- Establish requirements for monitoring, tracking, and controlling NOx and VOC emissions;
- Require more reporting for companies emitting more methane or using less efficient equipment; and
- Incentivize equipment upgrades that would result in less emissions.

EMNRD's proposed rule:

- Requires operators to report all venting and flaring during operations;
- Uses data collected to establish baselines and enforceable goals for natural gas waste reduction; and
- Requires operators to begin reducing waste by a fixed amount each year starting in 2022 to achieve a regional gas capture rate of 98 percent by the end of 2026.

New Mexico's Emissions Reduction Initiative

In FY20, NMED and the Energy, Minerals and Natural Resources Department (EMNRD) worked jointly on an initiative to create an emissions reduction strategy per the governor's executive order on addressing climate change and energy waste. This effort is limited to reducing methane emissions from the oil and gas industry, by far the state's largest source of methane emissions, and does not address other sources of methane emissions, such as coal mining or agriculture. Although the agriculture sector is the largest source of methane emissions nationwide, it is only responsible for 25 percent of methane emissions in New Mexico.

The Methane Advisory Panel (MAP), a group of industry representatives and environmental experts convened by NMED and EMNRD to study technical issues related to methane capture, produced a technical report that details various processes that can result in methane emissions and waste and identifies methane reduction strategies for consideration in agency rulemaking. Once regulations are finalized and adopted, NMED will regulate ozone precursor 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.

The agencies released draft rules for public comment in July 2020. Stakeholder feedback was considered as NMED and EMNRD further refined the draft regulations before submitting them to the Environmental Improvement Board and the Oil Conservation Commission for formal rulemaking. The rulemaking procedures of those regulatory bodies also include a public comment period, so stakeholders have the opportunity to provide feedback on the agencies' final proposals as well. Both proposals focus on incentivizing technological solutions to improve data collection, monitoring, and compliance.

Managing and Protecting Limited Water Resources

Long-Term Drought

Though New Mexicans are generally accustomed to water resource constraints, this has been an especially difficult year, and experts warn the conditions exacerbating the region's long-term drought are likely to be the new normal. In 2020, snowmelt runoff was one of the lowest on record and summer monsoons were almost nonexistent, putting a strain on the state's rivers and resulting in a water delivery debit to Texas under the Rio Grande Compact. Every reservoir in the state is far below historical averages.

For more info:

Office of the State Engineer Performance Page 158

State climatologist Dave DuBois says the effects of climate change and a semi-permanent high-pressure system over the West can be seen in New Mexico's intensifying drought and rising temperatures. The system keeps weather patterns from bringing more moisture to the region, a large-scale shift more than a decade in the making. Climate change in the Southwest equates to more frequent and intense drought, according to climate scientists. Statewide weather data and research from the University of New Mexico show temperatures in the state have risen rapidly over the past 50 years, and while precipitation varies, snowpack levels are declining. With higher temperatures resulting in precipitation falling as rain more frequently than snow, not only is snowpack lower but the predictions state water managers make about runoff from that snowpack are also less accurate. These conditions have a detrimental impact on the state's farmers, many of whom are now grappling with truncated irrigation seasons, and ranchers, who face insufficient forage, spikes in the price of feed, and subsequent drops in the price of cattle during drought. Drought has a significant impact on the economics of ranching, affecting decisions such as reducing herd size and leasing additional pasture.

Consequences of severe drought not only include limited water supply but also increased risk of wildfire and reduced recreational opportunities. The state loses revenue and opportunities to promote itself as a haven for outdoor enthusiasts when trails, camping spots, and lakes must close due to dry conditions.

Water Management and Planning

The executive branch and some legislators have begun advocating for the Office of the State Engineer (OSE) and Interstate Stream Commission (ISC) to develop a 50-year water plan. Proponents say taking a long-term approach is necessary if New Mexico is to adapt to emerging water challenges. During the 2020 regular legislative session, however, several lawmakers expressed doubt that such a project is feasible, given the state's difficulty with even short-term planning.

The Legislature appropriated $7 million to OSE to develop and implement a water conservation and management pilot project for the Lower Rio Grande basin in fiscal years 2020 through 2023. The aim of the project is to reduce water consumption in the Lower Rio Grande, promote aquifer health, and improve surface water deliveries by implementing water management strategies tailored for an era of extended drought and interstate conflict. OSE is tasked with evaluating and testing such strategies, which will include rotational, voluntary fallowing, aquifer recharge, infrastructure improvement, and supply augmentation.

OSE and ISC have also been engaged in litigation with Texas over two interstate water compacts, the Pecos River Compact and the Rio Grande Compact. The Pecos litigation was related to accounting for evaporative losses associated with water stored for Texas in New Mexico in 2014 and 2015. The U.S. Supreme Court heard the case and upheld the river master's decision to give New Mexico compact credit for 16,600 acre-feet that evaporated before Texas was ready to accept its delivery.

In the Rio Grande litigation, Texas is arguing that allowing New Mexican farmers to pump groundwater south of Elephant Butte Reservoir reduces deliveries of water at the state 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. OSE and the Attorney General will argue against Texas' demands to drastically cut New Mexico's groundwater pumping in a trial before the special master scheduled for summer 2021.

Water Contamination

Air Force Bases. New Mexico is currently in litigation with the U.S. Air Force over cleanup responsibilities for per- and polyfluoroalkyl substances (PFAS) near Cannon Air Force. PFAS, used in fire suppression, are a family of "emerging contaminants" with environmental and human health risks not yet fully understood. NMED is seeking proposals and procuring a contractor to delineate the contamination plumes at Cannon and Holloman Air Force bases using a $1 million 2020 special appropriation. In other litigation, NMED is in talks with Kirtland Air Force Base about how reviews can be streamlined to move past the facility investigation phase for the 1999 bulk fuel spill.

Gold King Mine. Despite the estimated $318 million economic loss resulting from the August 2015 Gold King Mine spill, where 3 million gallons of toxic wastewater were released into Animas watershed rivers, the U.S. Environmental Protection Agency (EPA) has been slow in reviewing 380 claims for damages. 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 near the end of the discovery phase.

State Employment and Compensation

The State of New Mexico faces high unemployment and an unstable economy as a result of the global Covid-19 pandemic. While this has reduced competition for workers, it has also severely constrained state finances, making employee hiring prioritization more important than ever. Additionally, the state must ensure it is offering a package of salary and benefits that reflects employee preference and does not increase state costs for benefits that are less valued by workers.

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State Personnel Office Performance
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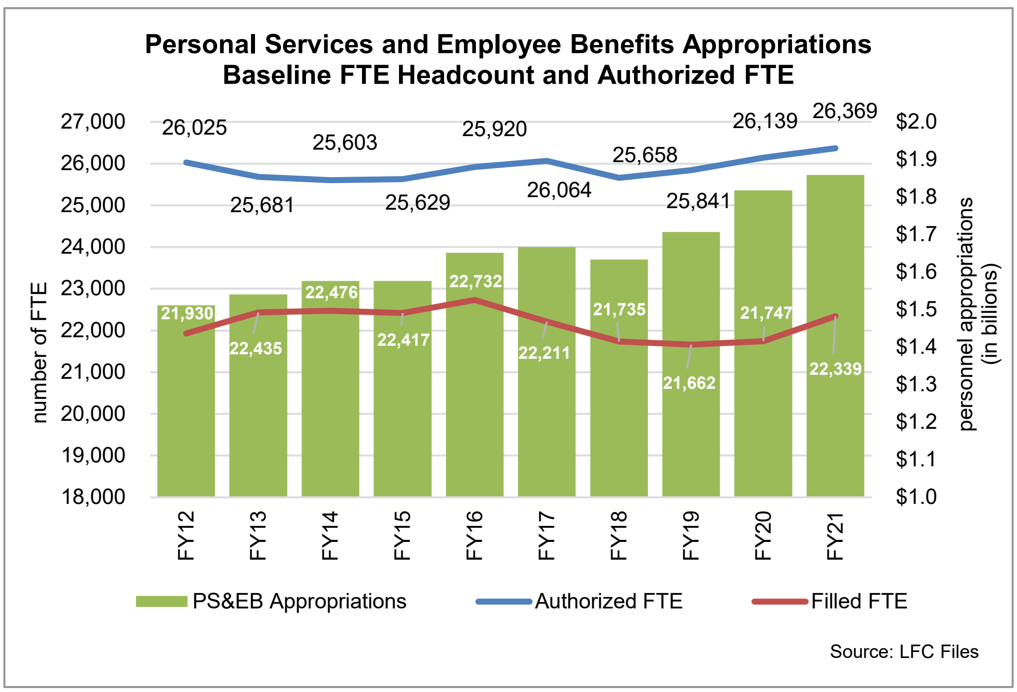
State Workforce

Since FY12, state funding for personnel increased as state finances 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 state government employed over 25 thousand people. From FY12 to FY21, government personnel appropriations grew by 30 percent while employment increased by 1.3 percent; there are 4,000 more authorized positions than filled positions.



Over the past six years, the state's workforce has gotten younger and less experienced on average. According to data from the Public Employees Retirement Association (PERA), 33 percent of the state workforce had less than five years' service credit in 2013, while 26 percent had been in the system between five and nine years. In 2019, 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

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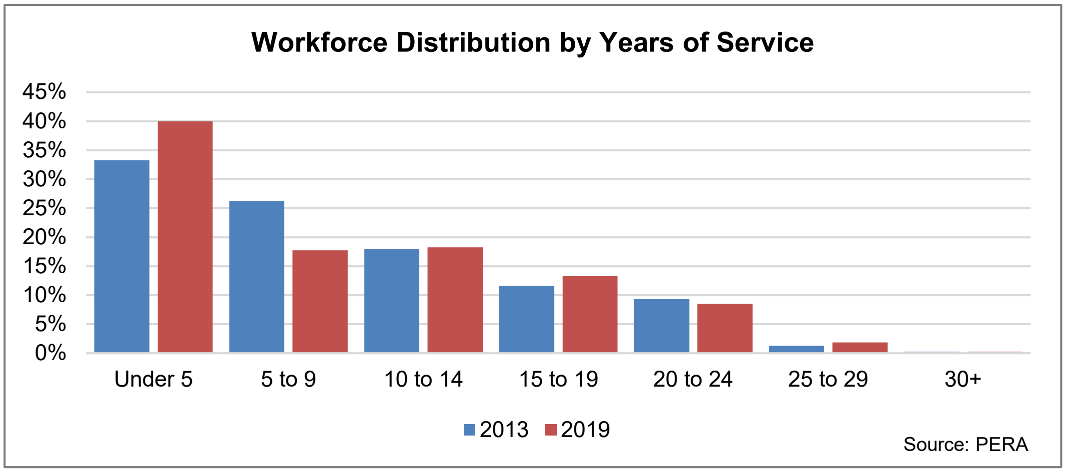
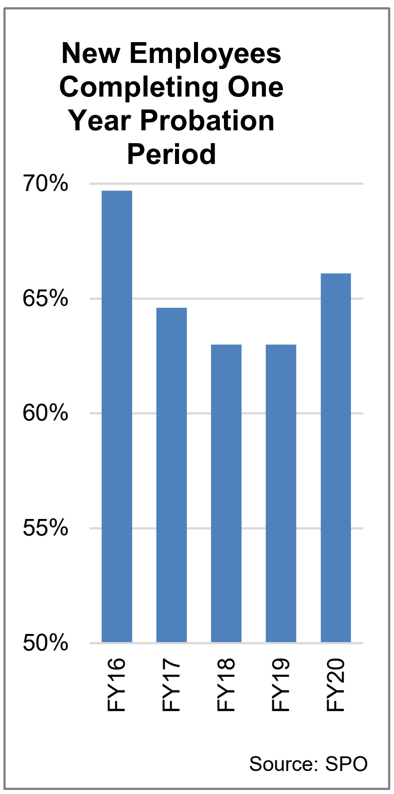
Finance Facts: State Employee Compensation

government workers appear less likely to view state employment as a long-term career than in the past. Additionally, 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 number of newly hired state employees completing their first year of service increased to 66 percent in FY20, an improvement from the 63 percent reported in FY18 and FY19 but well below the 75 percent target. The loss of 34 percent of new hires contributes to the state's high turnover rate. Approximately 27 percent of state employees left their jobs in FY20. Fourteen percent of employees left state government employment while 13 percent of employees left their positions due to promotion or transfer to another job within the state system. While turnover due to promotion is often positive because it indicates a career pathway, high turnover may also indicate individuals are not finding opportunities for career advancement at their agencies. SPO should study and provide to the Legislature a report on turnover, including the highest turnover positions and employees reasons for leaving, as well as recommendations to address this.



Impact of Covid-19

The Covid-19 pandemic has significantly changed the way government functions, from where employees work to how they interact with colleagues and the public. Since the issuance of a public health order in March 2020, state government has functioned largely remotely. While agencies report employees are generally satisfied and productivity does not seem to have suffered, data supporting this is scarce. The State Personnel Office conducted a survey of state workers on their satisfaction with remote work arrangements, and the General Services Department has incorporated some of the information gleaned into planning efforts for state facilities. However, results of the survey have not been shared with the Legislature.

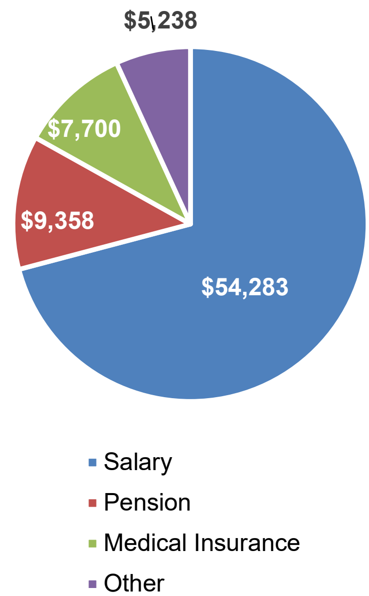
Based on anecdotal evidence, some work-from-home arrangements will likely persist after the pandemic is contained. Now that the state has invested in equipment and created processes to allow remote work, agencies face a challenge in tracking performance to ensure productivity does not erode and that workers continue receiving proper supervision and support in their jobs.

Salary 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, 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."

Total Average Employee Compensation by Component



Soruce: 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 71 percent of the cost of total compensation, the second lowest in the region.

Employer Cost of Employee Compensation

State	Salary	Pension	Social Security	Insurance	Other	Total	% Salary
New Mexico*	54,283	9,358	3,366	7,700	1,873	76,580	70.9%
Texas	47,994	4,799	3,671	9,000	1,135	66,599	72.1%
Colorado	62,956	9,758	-	9,970	-	82,684	76.1%
Nevada	52,007	7,541	-	8,916	2,065	70,529	73.7%
Arizona	47,988	5,663	2,975	8,245	696	65,567	73.2%
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%

*Based on filled positions in normal PERA retirement at time of budget submission.

Source: LFC Files

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*	76,580	54,283	42,485	55%
Texas	66,599	47,994	38,176	57%
Colorado	82,684	62,956	54,613	66%
Nevada	70,529	52,007	42,368	60%
Arizona	65,567	47,988	38,118	58%
Utah	75,982	55,547	47,118	62%
Wyoming	80,354	54,571	48,603	60%

Source: LFC Files

Personnel Surplus and Ad Hoc Raises. State agencies have historically maintained surplus funding in the personnel budget category. This funding is typically transferred to another budget category through a budget adjustment request or reverted to the originating fund at the close of the fiscal year. In FY19 and FY20, agencies transferred $35.9 million and $24.3 million from personnel to other categories. LFC analysis shows FY21 operating budgets contain $74 million in surplus personnel funding based on the level of spending as of the beginning of September 2020. This is a significant reduction from the $120 million estimated in FY20. The reduction is likely attributable to budget reductions passed during the 2020 special session.

LFC Online: Understanding Government Finances

Finance Facts: Public Employee Pensions

Agencies used surplus funding to increase pay outside of a regular salary increase schedule and in addition to increases appropriated by the Legislature. In FY19, SPO reports 2,854 employees, 17 percent of the classified workforce, received permanent raises and an additional 735 received temporary increases. In FY20, 812 employees received permanent raises and 776 received temporary increases. These raises are provided at the discretion of the agency on an ad hoc basis. While 60 percent of the raises provided in FY19 were related to healthcare and community service professionals, a large number were pursued independently by agencies.

GSD Health Insurance Contributions

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

Pay Plan Adjustment. To prevent the ad hoc salary increase strategy from creating disparities in the pay plan where employees are paid differently for similar work, SPO should develop statewide priorities for salary increases. 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 salary adjustments. Finally, SPO should conduct studies to determine how the state's compensation package could be altered, if at all, to better reflect employee preferences, improve recruitment efforts, and retain employees longer.

APS Health Insurance Contributions

Salary	Employee (EE)	Employer (ER)
< $39.5K	20%	80%
<$45K	30%	70%
$45K+	40%	60%

Benefits

Nationally, rising benefit costs mean wages are accounting for a smaller share of compensation. The Kaiser Family Foundation reports between 2014 and 2019, health insurance premiums increased by 22 percent while wages increased 14 percent. The rapid growth in health insurance costs forces employers to pay for benefits at the expense of salary increases.

NMPSIA Health Insurance Contributions

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

Health Insurance

The General Services Department (GSD), New Mexico Public School Insurance Authority (NMPSIA), 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, pays more than twice as much for insurance through NMPSIA versus a state employee with the same income through GSD.

The rising growth in health insurance costs forces employers to pay for benefits at the expense of salaries.

Comparison of Annual Health Insurance Premium Costs
Based on Single Coverage and income of $41 thousand

	NMPSIA-High Option	GSD-Blue Cross PPO	APS- BCBS Preferred
Deductible	$ 750	$ 500	$ 500
Max Out of Pocket	$ 3,750	$ 4,000	$ 3,000
State Cost	$ 5,513	$ 5,998	$ 4,324
Member Cost	$ 3,676	$ 1,500	$ 1,853
Total Premium	**$ 9,189**	**$ 7,498**	**$ 6,177**

Source: LFC Files

The disparities in cost are driven by several factors. The NMPSIA and GSD plans have different statutory contribution rates, while rates for APS are not set in statute. Further, the demographics of the individuals covered differs significantly, with 85 percent of NMPSIA membership lives in rural areas and all of APS's membership lives in urban areas with access to less costly treatment. Finally, GSD's rates have historically not kept pace with medical cost trends, resulting in the premiums being insufficient to cover program costs.

For more info:

General Services Department Performance
Page 161

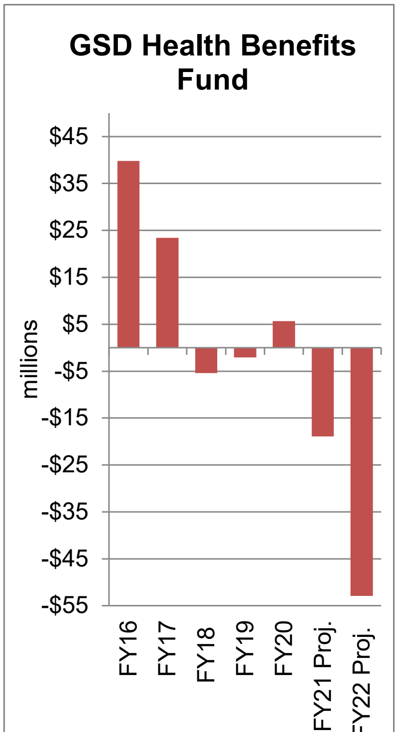
Of the three plans, GSD is in the most precarious financial position. The program's premium revenue has been insufficient to pay program costs for several years, resulting in an increasing deficit faced by the program. Despite the mounting deficits, GSD held health insurance rates flat for FY21 and FY22 and faces a projected deficit of $52 million by the close of FY22. This may be partially offset as healthcare utilization falls due to the Covid-19 pandemic. Without additional premium revenues, the program will be forced to either seek additional funding from the state or dramatically reduce benefits. Increased deductibles and copays, and other benefit reductions, will disproportionately affect members with higher healthcare utilization, such as individuals with chronic conditions, older individuals, and those facing high-cost events, such as child birth.

GSD Premium Increases and Medical Trend

Year	Premium	Trend
FY11	0%	3.5%
FY12	0%	5.0%
FY13	0%	3.5%
FY14	15%	3.5%
FY15	10%	5.0%
FY16	1%	6.0%
FY17	1%	4.5%
FY18	4%	4.5%
FY19	5%	5.0%
FY20	0%	5.0%
FY21	0%	5.5%

Source:GSD

Because approximately one-third of the GSD health benefits program is composed of local government employees, and GSD health insurance premium revenues are not sufficient to cover program costs, the state is effectively subsidizing health coverage for nonstate employees. Based on the proportion of nonstate employees in the GSD program, approximately $17.6 million of the anticipated $52.2 million FY22 shortfall is attributable to local governments. Additionally, inadequate rates result in the general fund subsidizing benefits for state employees in non-general fund agencies, such as the Department of Transportation.



Source: GSD, LFC Files

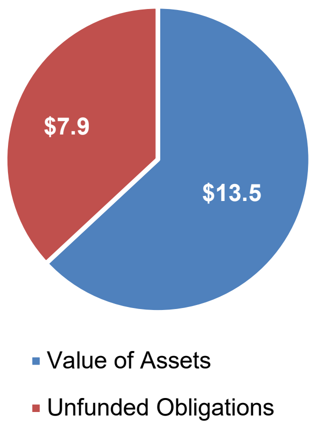
Controlling Costs. LFC analysis finds that New Mexico does not offer a wide variety of types of insurance coverage. GSD, NMPSIA, and APS all offer plans with similar deductible, maximum out of pocket, and copay costs with NMPSIA being the only sponsor to offer a high deductible plan. Other states provide a wider array of insurance options. For example, Colorado offers employees $720 per year in a health savings account if they choose to opt into a high-deductible health plan and Oklahoma offers a set subsidy amount for each plan type and allows employees to choose the plan that best suits them. This fixed subsidy is determined by family size and is sufficient to cover the entire cost of the most basic plan but is not sufficient to cover higher cost options.

For FY22, LFC and the Department of Finance and Administration worked with plan sponsors to create a more robust set of performance metrics to track not only plan spending but also progress toward cost-containment in certain populations. New Mexico insurance plans cover a large number of individuals suffering from chronic health conditions which, if not properly managed, deteriorate over time and have the potential to dramatically increase costs of care. For FY22, GSD, NMPSIA, and the Retiree Health Care Authority will begin reporting on success in managing and treating diabetes, as well as on the loss ratios experienced by their respective programs. Regular reporting on nationally benchmarked performance measures will help keep policymakers and agency staff focus on cost drivers and potential savings in benefits programs.

Pensions

New Mexico's pension funds have fallen short of the contributions required for full funding, resulting in a growing unfunded actuarially accrued liability. PERA reports that, as of June 2019, the increase needed to fully fund benefits would be 6.5 percent, while ERB reported a 5 percent contribution increase was needed. Underfunded pensions were a factor in the 2018 downgrade of New Mexico's credit rating by Moody's Investor Service. To address this, legislation improving pension plan solvency was enacted for both public pension plans, and the Legislature provided funding for a 0.25 percent increase to the employer contribution to both pension funds in 2019, as well as additional increases for PERA in 2020.

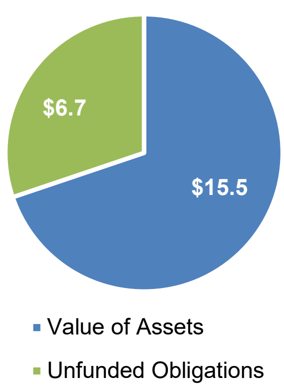
ERB Assets and Unfunded Obligations
(in billions)



Source: LFC Files

Education Retirement Board. Laws 2019, Chapter 258, (House Bill 360) reduced ERB pension benefits to improve plan funding. The legislation created a new pension benefit tier that calculates the pension benefit based on years of service, providing a larger benefit for workers as their careers progress. Workers in their first 10 years of service accrue service credit, or the proportion of salary they receive in retirement, of 1.35 percent per year, workers between 10 and 20 years receive 2.35 percent service credit, and workers with 20 to 30 years earn 3.25 percent. Currently, workers earn 2.35 percent service credit per year regardless of years of service. The bill also imposed a minimum retirement age of 58. Enactment of this legislation reduced the time to fully fund the ERB plan from 70 years to 44 years.

PERA Assets and Unfunded Obligations
(in billions)



Source: LFC Files

Public Employees Retirement Association. Laws 2020, Chapter 11 (Senate Bill 72) made changes to the PERA retirement plans. In contrast to the ERB solvency bill, the PERA bill relied primarily on increasing employer and employee contributions to improve PERA fund solvency. The bill increases employee and employer contributions by 0.5 percent per year for four years, from FY21 through FY24, for a total increase in contributions to the fund of 4 percent of payroll. The increased contributions are significant: FY20 employer contributions were 17.24 percent of employer salary, increasing to 19.24 percent, and employee contributions were 8.92 percent, increasing to 10.92 percent. These increases are set to occur regardless of whether or not new funding is made available.

Retiree Health Care

The Retiree Health Care Authority (RHCA) has a trust fund balance of approximately $778 million and a total liability of $3.9 billion, resulting in a funded ratio of approximately 20 percent. Based on current projections, RHCA estimates the trust fund will have a positive fund balance through 2050. Funding for retiree healthcare comes from an employer contribution of 2 percent of employee salary and an employer contribution of 1 percent, as well as a distribution from the tax suspense fund that grows at a rate of 12 percent per year, roughly doubling every six years. In FY21, the agency was appropriated $32 million from the tax suspense fund, up from $17.9 million in FY11.

Cost Comparison of Medicare Versus Non-Medicare-Eligible RHCA Participants

	Pre-Medicare	Medicare-Eligible
Cost, millions	$ 144.9	$ 137.8
Participants, thousands	14.6	40.3
Per-person Cost, dollars	$ 9,925	$ 3,419

Source: RHCA

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.

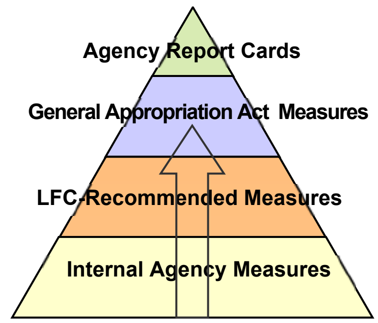
Beyond solvency concerns, the RHCA program's pre-Medicare benefit is harmful to the state's finances. For the pension systems to remain sustainable, employees must have an inducement to work longer careers to give invested funds longer to grow. By providing a pre-Medicare benefit, the state is subsidizing 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

Accountability in Government

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

Performance Measure Hierarchy

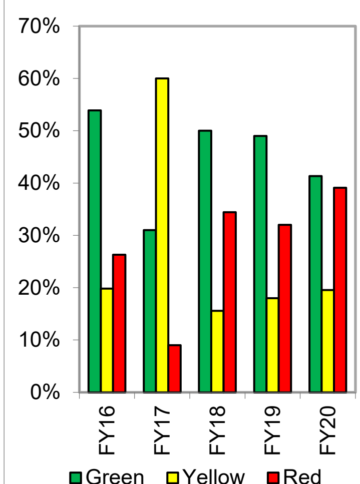


Collaboration Leads to Better Performance Measures

The AGA provides the Department of Finance and Administration (DFA) authority, with LFC consultation, to approve and change agency performance measures and program structure. The Legislature can also add or change performance measures in the General Appropriation Act. However, differing perspectives between the two branches over the value and extent of state government reporting creates issues with transparency and accountability.

The executive and legislative branches have developed better and more useful performance measures in recent years; however, the AGA continues to be more of a compliance exercise for agencies rather than a performance-based budgeting tool. A 2019 LFC review found most key agency performance *measures* were generally good, but agency *reports* were inconsistent in quality and usefulness. LFC and DFA are focusing efforts on leveraging performance data to inform decision making and refining measures and systems to make information readily accessible and meaningful.

Report Card Program Rating Performance Summary



Source: LFC Files

FY20 Performance and Future Outlook

The emergence of Covid-19 in the fourth quarter of FY20 affected many sectors of state government performance. However, many agencies continued to perform well in spite of the pandemic, indicating that some agency operations were independent of a public health emergency or the usefulness of reported metrics was limited. Notably, the public health emergency demonstrated the state's capacity to use real-time data (infection positivity rates and case counts) for policy and budget decisions (government stay-at-home orders and personal protective equipment purchases) to achieve specific performance outcomes (reduced virus transmission). Moving forward, the state should take best practices from FY20, such as increased frequency of data reporting, to boost performance in other sectors of government.

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 agencies are meeting performance targets; red ratings indicate a problem in the agency's performance or lack of reporting. Yellow ratings highlight a narrowly missed target or issues with performance validity.

LFC Online: Understanding Government Finances

Finance Facts: Accountability in Government Act

Performance Report Card Criteria

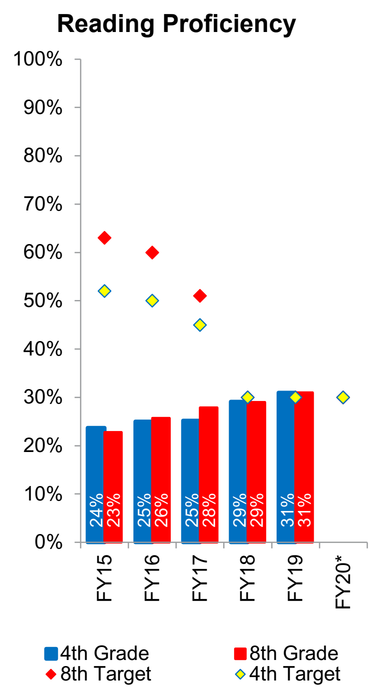
Process • Data is reliable. • Data collection method is transparent. • Measure gauges the core function of the program or relates to significant budget expenditures. • Performance measure is tied to agency strategic and mission objectives. • Performance measure is an indicator of progress in meeting 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.

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

Public Education

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



*Testing waived in FY20

Source: PED

Prior to FY15, New Mexico tested students on a state-developed standards-based assessment (SBA), which was replaced with the PARCC test. In FY19, PARCC was replaced with a transition test. For FY21, the state will begin using both a test developed by Cognia and the SAT, the third testing change in seven years.

To ensure accurate comparisons of academic performance over time, New Mexico should consider maintaining the same assessment over a longer period.

Because the Public Education Department (PED) ordered schools to switch to distance learning and waived standardized testing requirements for FY20, traditional measures of student performance like math and reading proficiency rates were not reported. This sudden loss of performance data came on the heels of the largest investment in public schools in recent decades and a monumental shift in the delivery of instruction, making FY20 an anomaly of a year in education. Additionally, the lack of information hampers the state's ability to demonstrate progress on addressing court findings from the *Martinez-Yazzie* education sufficiency case, which argued that dismal test scores, substantial achievement gaps, and poor graduation and college remediation rates were indicators of an inadequate education system, particularly for at-risk students.

With an entire generation of students projected to lose more ground on learning than usual and precipitous declines in state revenue, the state must assess the impact of the pandemic on educational outcomes and re-prioritize resources toward programs that will help students catch up on lost growth. With fewer schools projected to participate in prekindergarten and extended learning programs, and online programs being less effective, the state must ensure programmatic expansions are high quality rather than simply scaling up programs. Similar to the data-driven approach used to decide re-openings during the public health emergency, New Mexico should use data on student outcomes to evaluate and identify the ways in which the state can mitigate the Covid-19 slide and close the existing achievement gap.

Student Achievement

Reading and Math Proficiency. After schools closed to mitigate the spread of Covid-19, PED requested and received approval from the U.S. Department of Education to waive standardized testing requirements for FY20. Additionally, the department waived attendance intervention requirements and ordered schools to develop plans and implement distance learning for the fourth quarter. As such, PED did not report data for most annual FY20 performance metrics. Although student test data is necessary for most of the department's performance measures, PED also did not report on metrics relating budgeted expenditures to instruction.

LFC's 2020 evaluation on the impact of school closures found students were likely to lose three months to a year of learning over the summer, with greater losses expected for younger and at-risk student populations. The evaluation also found schools emphasized review rather than teaching new content and by the end of the year, teachers reported less than half of students were still actively participating in distance learning. Surveys of school officials further suggested that 22 percent of students lacked adequate access to Internet services at home and 32 percent lacked appropriate technology or devices for distance learning.

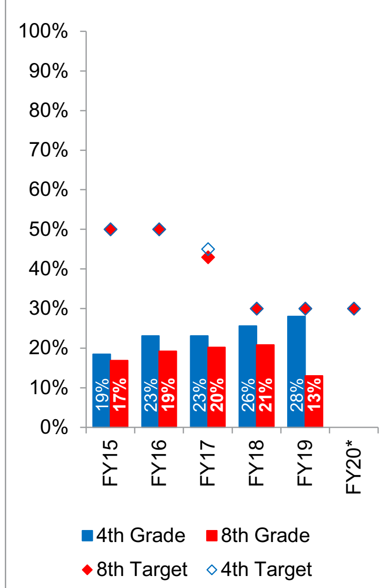
Budget: $3,198,572.9 **FTE: N/A**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Fourth-grade reading proficiency	29.1%	30%	30%	Not reported	R

Fourth-grade math proficiency	25.6%	27%	30%	Not reported	R
Eighth-grade reading proficiency	29%	31%	30%	Not reported	R
Eighth-grade math proficiency	20.8%	20%	30%	Not reported	R
Four-year high school graduation	73.9%	74.9%	75%	N/A	Y
Chronic absenteeism	New	New	<10%	Not reported	R
Large school district budget for instruction	73%	Not reported	75%	Not reported	R
Program Rating	Y	Y			R

PED has an opportunity to expand access to digital resources and improve the monitoring of student progress, given the substantial investment by schools to provide devices and Internet access to students for distance learning in the wake of Covid-19. PED's new learning management system, Canvas, could be used by educators as a hub for sharing resources and best practices. New Mexico Vistas, PED's school dashboard, replaces the school grading system and includes individual school data on historical performance, which the department can use to determine areas with the highest needs. After reopening, schools can also explore the possibilities of designing blended learning environments – a mixture of in-person instruction and online learning to maximize out-of-school instructional time.

Math Proficiency



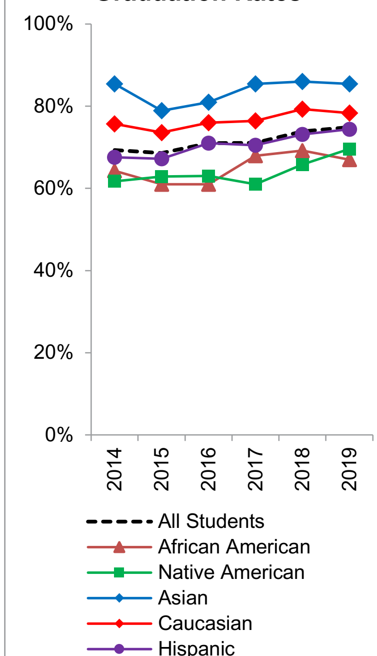
*Testing waived in FY20

Source: PED

The state is developing a new assessment, through Cognia, for grades three through eight and is using the SAT college entrance exam for high school assessment. The new Cognia test will include formative assessments, which could provide the state more frequent and standard information on student progress. Using the SAT will also align testing with college admission and provide all students with the opportunity to demonstrate college readiness. Given the extraordinary uncertainty surrounding student outcomes this year and substantial gap in performance data, PED should consider administering an early assessment in FY21 to understand the effects of school closures and identify other performance metrics that can help the state address areas with the greatest needs.

Graduation and College Readiness. The state's four-year high school graduation rate improved to 74.9 percent for the class of 2019. Although New Mexico still lags behind the 2018 national graduation rate (85.3 percent), the 1 percentage point increase from the prior year is in line with national trends.

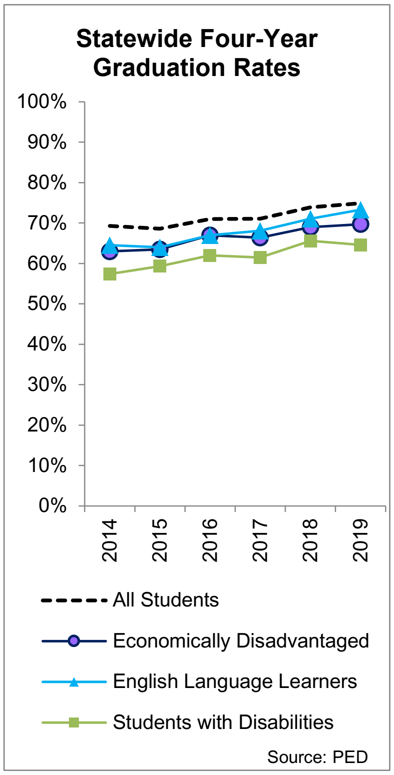
Statewide Four-Year Graduation Rates



Source: PED

Growth in the four-year graduation rate is driven primarily by Hispanic students (1.3 percentage point increase), the largest student subgroup. Native American students saw the greatest improvement in graduation rates from the prior year (3.8 percentage point increase) while graduation rates for African American students declined the most (2.2 percentage points). Graduation rates for students with disabilities also fell by 1 percentage point.

PED and the Higher Education Department stopped reporting on college remediation rates but will instead begin reporting on postsecondary pathway completion in FY21 – a measure of student matriculation into college and the workforce after high school. Currently, student data between the public school and higher education systems is poorly linked, resulting in little to no analysis of



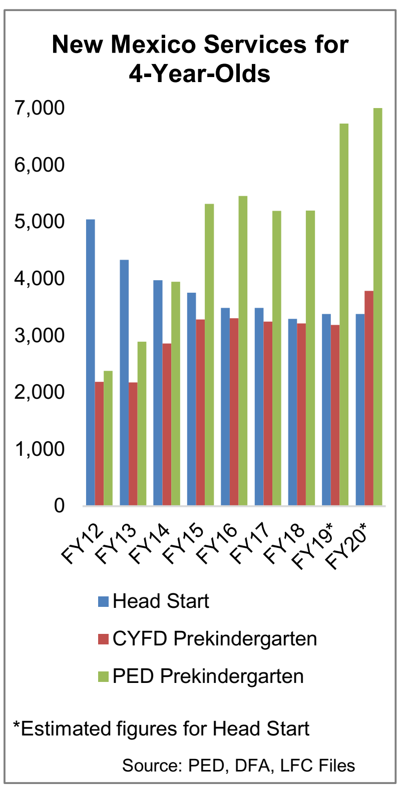
how students fare after high school. However, bridging this information will help the state better understand if New Mexico students are college and career ready.

Student Enrollment

Declining Membership. Statewide, student membership continues to fall. Due to school closures and hybrid reopenings, staff estimates indicate membership will likely fall to 308 thousand students in FY21, a 4 percent decrease from the prior year. Since FY16, membership has declined by about 1 percent each year. 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 ripples into later grades. As overall membership continues to shrink, more schools may begin establishing prekindergarten programs to fully utilize building spaces and generate operational funding.

Expanded Learning Opportunities. Significant investments in early childhood programs, such as prekindergarten, have resulted in substantially higher participation rates statewide. A 2020 LFC evaluation found prekindergarten participants had better high school graduation rates, lower chronic absenteeism, lower grade retention, and better matriculation out of special education. In FY20, nearly 11 thousand 4-year-olds participated in state prekindergarten programs, an increase of 11.2 percent from the prior year. The new cohort includes 7,048 children at PED school sites and 4,718 children participating in full-day programs.



Given the rapid increase in prekindergarten programs and shrinking student population, some districts are nearing full service levels for 4-year-olds and increasingly competing with other providers (like federal Head Start programs) for participants. While the establishment of an Early Childhood Education and Care Department may improve coordination of early childhood programs, the system remains bifurcated between PED and private providers, presenting challenges with quality standardization and cost-effective program delivery.

Despite providing sufficient funding to provide two-thirds of elementary school students K-5 Plus extended school year programs, participation in FY20 fell to 16 thousand students, or 31 percent from the prior year. PED projected an increase to 50 thousand students for FY21 K-5 Plus programs prior to Covid-19; however, the department canceled programs set to start in July and staff estimates suggest participation will continue to decline. Previous LFC evaluations found low-income students who participated in prekindergarten and K-3 Plus programs were able to close the achievement gap with their more affluent peers. Additionally, the court noted K-3 Plus should be made available to all at-risk students.

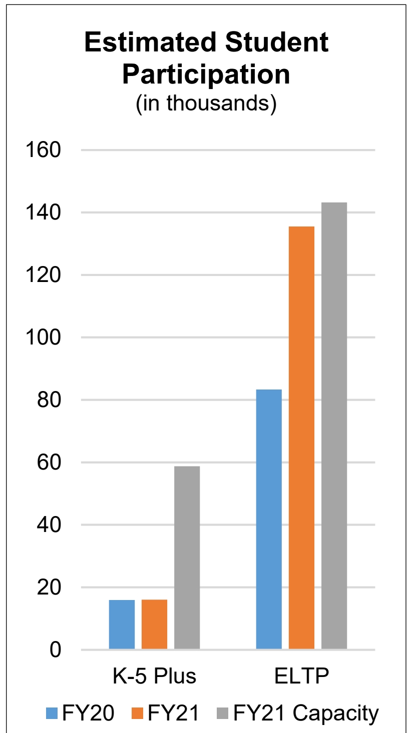
The Legislature established extended learning time programs (ELTP) in FY20, and 83.3 thousand students were scheduled to receive 10 additional school days and after-school programming. However, with school closures and the implementation of distance learning, it is unclear how schools complied with requirements for ELTPs and whether the additional time was applied to instruction that improved achievement. PED should consider monitoring and reporting on the efficacy of

ELTPs, given participation in the program is expected to stay relatively stable in spite of the Covid-19 pandemic.

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, such as data audits. For FY20, PED completed less than half of the number of audits expected, with none completed in the fourth quarter due to the public health emergency.

PED received budget and FTE increases for operations in FY20 to reduce the department's reliance on special program "below-the-line" funding for administration; however, the department's budget still diverts over $1 million in special program funding for administrative overhead. Of the amount remaining for initiatives, such as educator professional development and STEAM (science, technology, engineering, arts, and mathematics) programming, PED has not provided information on how the programs impact student outcomes or educator quality. The court also found PED special programs to be temporary and at an insufficient scale to be impact performance.



Source: PED, LFC Files

Budget: $13,618.8 **FTE: 282.2**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Children served in state-funded prekindergarten	8,427	9,757	N/A*	10,885	G
Students served in K-5 Plus	18,227	23,155	N/A*	17,827	R
Average days to process reimbursements	22.8	26.8	24	31	R
Data validation audits of funding formula	28	28	35	12	R
				Program Rating	R

Partnership for Student Engagement. PED waived student attendance intervention requirements for the fourth quarter. As such, many schools relaxed attendance policies, and LFC's evaluation found many students became less engaged as remote learning continued. PED collaborated with Graduation Alliance to develop Engage NM, a program providing individualized coaching and support to help students re-engage with school. Seventy-five school districts participated in the program, conducting 40 thousand outreach attempts and over 11 thousand interventions.

Engage NM found the top barrier to engagement was lack of structure and accountability. About 57 percent of the interventions focused on teaching students how to learn remotely and providing daily checks for engagement and consistent progress. The program also identified a "superclass" of at-risk students needing additional support, because only 25 percent of the students who participated in on-going coaching were succeeding academically prior to Covid-related barriers.

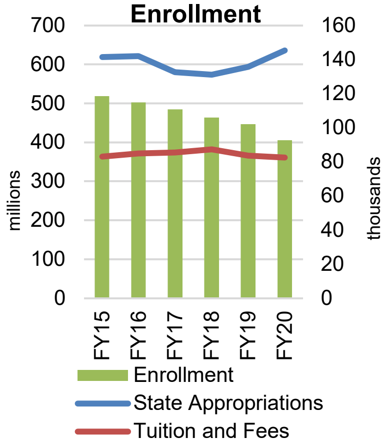
Higher Education

ACTION PLAN

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

Enrollment, retention, and graduation rates are proxies for institutional performance and effectiveness. New Mexico colleges and universities lag surrounding states in these measures. The conditions surrounding lagging performance are not well understood, and the differences among type of institution – four-year research universities compared with four-year comprehensive universities, for instance – can be stark. Students and institutions share responsibility to improve performance.

State Appropriations, Tuition and Fees Revenue Versus Enrollment



Source: LFC Analysis of HEIs Reports of Actuals

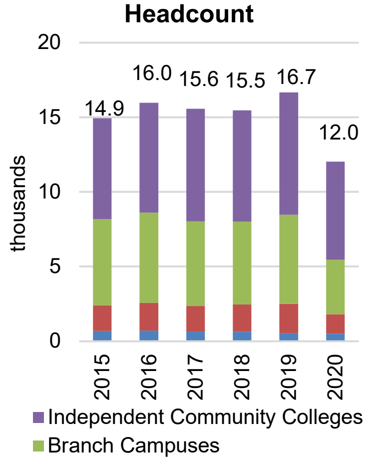
Academic research has consistently identified a student's college preparedness and finances as indicators for success, pointing to the need for institutions to provide stronger student financial aid and academic advising. New Mexico offers the third lowest cost of tuition and fees in the country because of the substantial state investment in higher education. The National Center for Higher Education Management notes the state of New Mexico is the sixth most generous financial supporter of higher education in the country.

Over the past five years, several trends reveal a glimpse of performance on college campuses:

- 13 percent fewer students have enrolled, and institutions report a 15 percent reduction in workload for instructors;
- 43 out of 100 students complete a degree at a four-year university when only 25 out of 100 complete a degree at a two-year college;
- Awards declined this year by 3.4 percent overall, but over the past five years, bachelor's degrees have dropped by 6 percent compared with 42 percent growth in sub-baccalaureate certificates; and
- Employment on campuses fell by almost 3,000 positions, mainly among part-time or non-instructional staff.

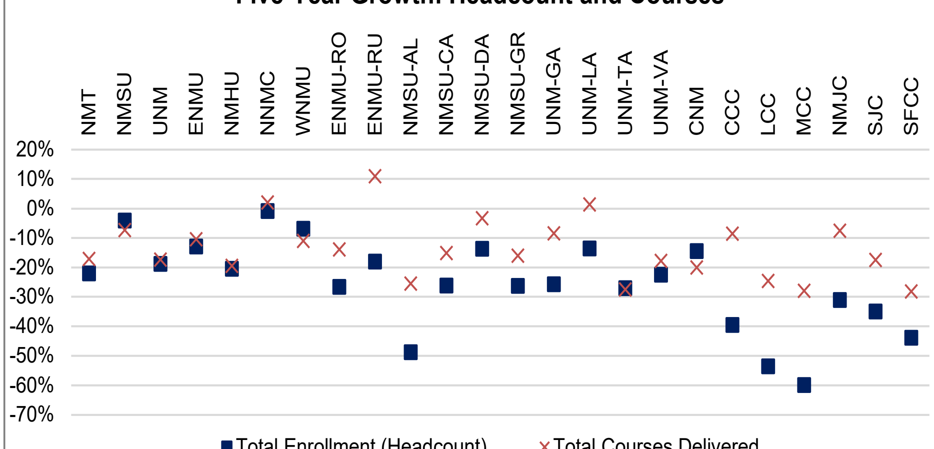
During the same time, state funding has outpaced other self-generated revenue sources at institutions mainly because of declining enrollment. Tuition and fee revenue remains flat even after annual tuition and fee increases.

Dual-Credit Enrollment, Headcount



Source: HED eDear Reports from Institutions

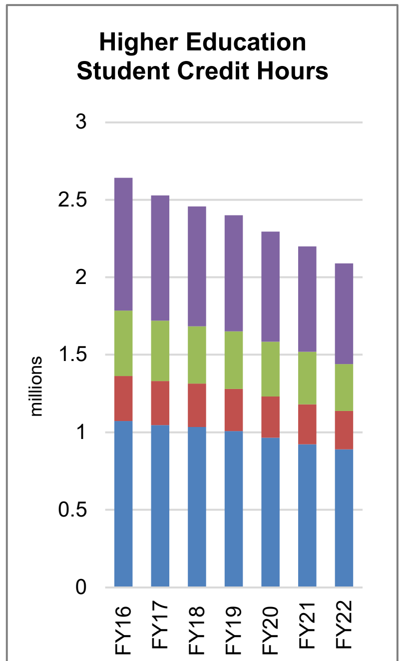
Five-Year Growth: Headcount and Courses



Source: HED Funding Formula Data, LFC Files

Graduation Rates

Improvement in postsecondary graduation rates in New Mexico remains mixed year-over-year, particularly at the four-year research universities, which comprise the largest volumes of students. 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). New Mexico still falls far behind the average graduation rates of peer institutions in surrounding states. The targets remain very low and will not help the state meet its workforce needs.

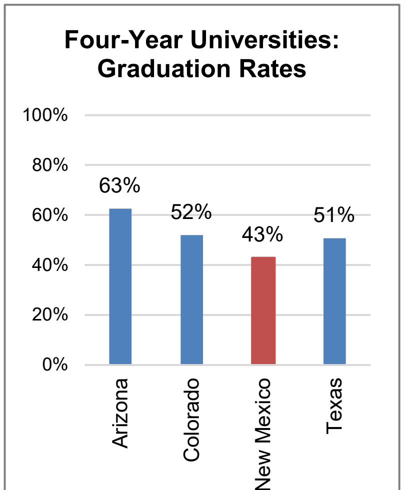


Source: HED Funding Formula

Four-Year Research Universities Six-Year Completion Rates. Important successes are happening throughout the system; UNM increased its graduation rate from 54 percent to 56 percent, significant given the enrollment challenges at the state's flagship university. New Mexico Tech reports significant improvement in its graduation rate, which according to the science and engineering research university is contributing to an overall decline in total enrollment. The momentum is needed particularly because the research universities trail their peers in other states. For comparison, Texas research universities average an 82 percent six-year graduation rate, according to the *2020 Texas Public Higher Education Almanac*.

Completion rates for first-time, full-time degree-seeking students	Fall 2012 to Summer 2018 Actual	Fall 2013 to Summer 2019 Actual	Fall 2014 to Summer 2020 Target	Fall 2014 to Summer 2020 Actual*	Rating
NM Tech	55.5%	50.5%	48%	54.4%	G
NM State University	50.4%	48.2%	48%	51.1%	Y
University of NM	49.9%	53.6%	50%	56.1%	G
			Research Universities Program Rating		G

*preliminary, unaudited



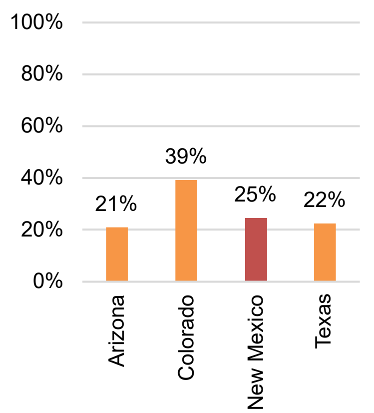
Source: IPEDS, FY18 Graduation Data, Public Institutions

Four-Year Comprehensive Universities Six-Year Completion Rates. Regional and local employers typically benefit from students – for example, teachers, social workers and nurses – completing degrees at the four-year comprehensive universities. However, the outcomes are weak, with fewer than 30 students out of 100 finishing. The four-year comprehensive universitites substantially trail the research universities. New Mexico Highlands University improved its graduation rate but also set a very low target. The comprehensive universities in New Mexico average a 27 percent graduation rate, when similar institutions in Texas achieve a 45 percent graduation rate.

Completion rates for first-time, full-time degree-seeking students	Fall 2012 to Summer 2018 Actual	Fall 2013 to Summer 2019 Actual	Fall 2014 to Summer 2020 Target	Fall 2014 to Summer 2020 Actual*	Rating
Eastern NM University	31.4%	32.9%	35%	29.3%	Y
Highlands University	23.8%	22.1%	22%	28.7%	Y
Northern NM College	25%	21.6%	25%	22%	Y
Western NM University	25.7%	32.6%	28%	27.1%	Y
			Comprehensive Universities Program Rating		Y

*preliminary, unaudited

Two-Year Colleges: Graduation Rates

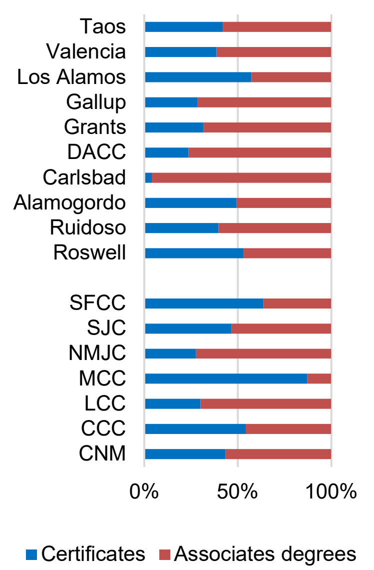


Source: IPEDS, FY18 Graduation Data, Public Institutions

Community College Three-Year Completion Rates. Two-year branch campuses are struggling at making significant improvements in graduation rates, though UNM Gallup, Los Alamos, and Taos showed strong growth this year. Several independent community colleges perform similarly to the four-year comprehensive sector but confer more certificates, which require less than two years to complete. New Mexico Junior College is an outlier, consistently graduating students at higher rates than its peers and awarding more two-year associate degrees. At Mesalands Community College, 87 percent of the awards conferred are certificates requiring less than a year to complete.

The two-year sector could be facing obstacles to completion; a substantial increase in workload for dual-credit programming offered to high school students may be diverting resources away from the core mission to prepare students in career and technical education (CTE) or to transfer students to four-year universities. The higher education funding formula may be overcompensating two-year institutions rewarding sub-baccalaureate certificates by rewarding a school more for students earning 30 credit hours than for students earning 60 credit hours. The factors in the formula are intended to support student progress toward earning a higher level degree, not a sub-baccalaureate certificate. Instead, institutions benefit from conferring an award that requires less than two years to complete and receive credit for momentum. The Council of University Presidents reports transfers from two-year colleges to four-year universities has decreased by 15.6 percent from 2015 to 2019.

Two-Year College Awards: Share of Associate Degrees to Certificates



Source: HED Funding Formula, 2020

Community College Branch Colleges

Completion rates for first-time, full-time degree-seeking students	Fall 2015 to Summer 2018 Actual	Fall 2016 to Summer 2019 Actual	Fall 2017 to Summer 2020 Target	Fall 2017 to Summer 2020 Actual*	Rating
Roswell	24.3%	24.3%	25%	34.5%	G
ENMU Ruidoso	16.7%	12.2%	18%	5.8%	R
NMSU Alamogordo	12%	8.1%	14%	17%	Y
NMSU Carlsbad	15%	15%	18%	14%	Y
NMSU Dona Ana	15%	12.1%	15%	15%	Y
NMSU Grants	23%	13.7%	20%	38%	Y
UNM Gallup	10%	15.1%	15%	24.8%	G
UNM Los Alamos	16.6%	11%	11%	24.3%	G
UNM Valencia	10%	13.8%	18%	19.9%	Y
UNM Taos	12.9%	12.9%	15%	31.9%	G
				Program Rating	Y

*preliminary, unaudited

Independent Community Colleges

Completion rates for first-time, full-time degree-seeking students	Fall 2015 to Summer 2018 Actual	Fall 2016 to Summer 2019 Actual	Fall 2017 to Summer 2020 Target	Fall 2017 to Summer 2020 Actual*	Rating
CNM	27.3%	27.4%	24%	30.6%	G
Clovis CC	54.5%	35.5%	30%	43%	Y
Luna CC	15.6%	20.7%	35%	19.2%	R
Mesalands CC	43%	50.9%	40%	35.3%	R
NM Junior College	37.9%	47.9%	34%	38%	Y
San Juan College	23.1%	27.9%	26%	24%	Y
Santa Fe CC	22%	25.4%	11%	24.8%	Y
				Program Rating	Y

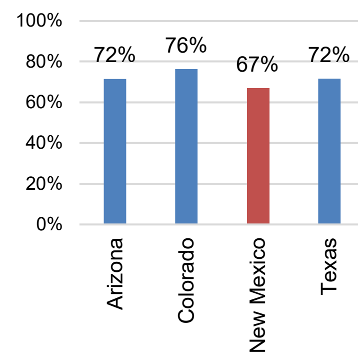
*preliminary, unaudited

Student Retention Rates

Retention rates track students who return to college after the first year. Students who do not return represent 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. Similar to enrollment, keeping students on campus earning degrees improves the financial position of colleges. In New Mexico, third-semester student retention data appear to show students return after the first year at levels consistent with surrounding states but drop out at high rates after that.

A persistent challenge for higher education is a lack of data on students, those who graduate from high school but do not enroll in college or those who enroll in college but drop out prior to completion. A lack of data obscures reasons students leave higher education. After the third semester – based on the gap between student retention data and graduation data – student enrollment abates greatly. Only when graduation rates are published are policymakers informed on the magnitude of the loss. For example, 65 percent of students return after the first year to NMSU Doña Ana Community College, yet only 15 percent graduate. At ENMU, 63 percent of students return after the first year and 29 percent graduate.

Four-Year Universities: Retention Rates



Source: IPEDS, FY18 Retention Data, Public Institutions

Four-Year 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.

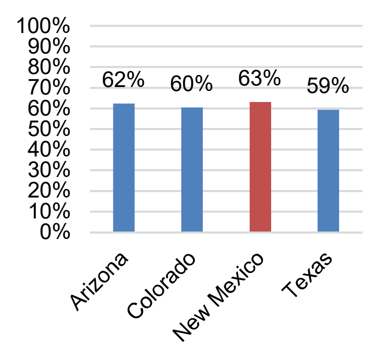
Four-Year Research Universities

Retention rates for first-time, full-time degree-seeking students to the third semester	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Actual	Fall 2019 to Fall 2020 Target	Fall 2019 to Fall 2020 Actual	Rating
New Mexico Tech	80.8%	76.7%	77%	80.8%	G
New Mexico State University	73.9%	74.8%	75%	75.5%	Y
University of New Mexico	73.7%	77.3%	80%	76.9%	Y
				Program Rating	Y

Four-Year Comprehensive Universities

Retention rates for first-time, full-time degree-seeking students to the third semester	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Actual	Fall 2019 to Fall 2020 Target	Fall 2019 to Fall 2020 Actual	Rating
Eastern NM University	62.4%	63.1%	64%	61.1%	Y
Western NM University	58.9%	59.6%	60%	61.8%	Y
NM Highlands University	51.6%	55.4%	53%	63.6%	G
Northern NM College	58%	53.5%	66.5%	48.1%	R
				Program Rating	Y

Two-Year Colleges: Retention Rates



Source: IPEDS, FY18 Graduation Data, Public Institutions

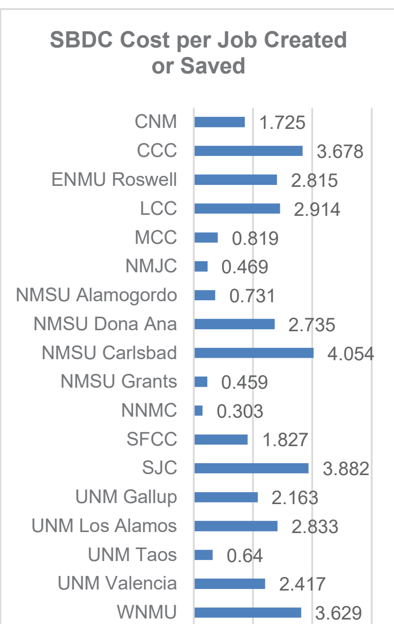
Community College Branch Campuses. At two-year colleges, 42 percent of first-time students leave after the first year. Of the 58 percent of students who persist through their first year, 23 percent of those students graduate within three years. Community colleges continue to experience significant variance in retention rates. Community college targets are low, and the results vary by institution and by year-over-year outcomes.

Retention rates for first-time, full-time degree-seeking students to the second semester	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Actual	Fall 2019 to Fall 2020 Target	Fall 2019 to Fall 2020 Actual	Rating
ENMU - Roswell	52.1%	49%	54%	41%	R
ENMU - Ruidoso	37.2%	43.8%	43%	31.5%	R

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.



Source: New Mexico Small Business Development Center Reports, 2020

NMSU - Alamogordo	52%	54.6%	55%	52%	Y
NMSU - Carlsbad	49.7%	50%	53.1%	64%	G
NMSU - Dona Ana CC	59.1%	62.7%	62%	65%	G
NMSU - Grants	52.5%	53.7%	53%	60%	G
UNM - Gallup	57.9%	63.1%	65.5%	49.6%	R
UNM - Los Alamos	58.8%	56%	57.5%	60.6%	G
UNM - Taos	60%	%	50%	42.7%	R
UNM - Valencia	61.2%	61.2%	65%	50.6%	Y
				Program Rating	

Independent Community Colleges. Independent community colleges showed the strongest performance among the two-year college sector. 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.

Retention rates for first-time full-time degree seeking students to the second semester	Fall 2017 to Fall 2018 Actual	Fall 2018 to Fall 2019 Actual	Fall 2019 to Fall 2020 Target	Fall 2019 to Fall 2020 Actual	Rating
Central NM Community College	63.1%	65.1%	67%	62.8%	Y
Clovis Community College	67.4%	65.9%	70%	64.2%	Y
Luna Community College	41.3%	54.6%	60%	40.7%	R
Mesalands Community College	72.1%	64.1%	60%	47.6%	R
New Mexico Junior College	59.6%	64.6%	65%	66.8%	G
San Juan College	57.7%	57.1%	60%	54%	Y
Santa Fe Community College	64.6%	67.7%	58.7%	53.4%	R
				Program Rating	R

Early Childhood Education and Care Department

During FY20, a majority of early childhood programs remained in the Children, Youth and Families Department, Department of Health, and Public Education Department. In FY21, the program transfers to Early Childhood Education and Care Department (ECECD).

Early Childhood Services

The Early Childhood Services (ECS) Program met a majority of annual performance targets for FY20. Due to the global pandemic, many early childhood services shifted services delivery, with numerous prekindergarten and home-visiting programs for new families shifting to a virtual delivery in late March. In addition, many childcare facilities closed or reduced capacity to decrease person-to-person interactions. ECS and ECECD staff directed significant support to procure personal protective equipment and safety protocols to enable families and children to access childcare services safely. In addition to operational support for childcare centers, the state received $29 million from the federal CARES Act to support childcare centers financially. The initiatives from this funding include wage incentive payments, which provided $700 a month for a full-time employee and $350 for a part-time employee for April, May, and June, and stabilization and recovery grants, which will provide grants to childcare centers ranging between $2,000 to $34.5 thousand. The program nearly achieved targeted performance for kindergarten children showing measurable progress on the preschool assessment tool and reported it is currently reviewing the New Mexico Program Early Learning Guidelines and piloting revisions. As one of the most successful programs to improving school outcomes, especially when coupled with the state's K-5 Plus extended school year program, it is essential prekindergarten standards remain high quality.

Budget: $293,149.6 **FTE: 196.5**

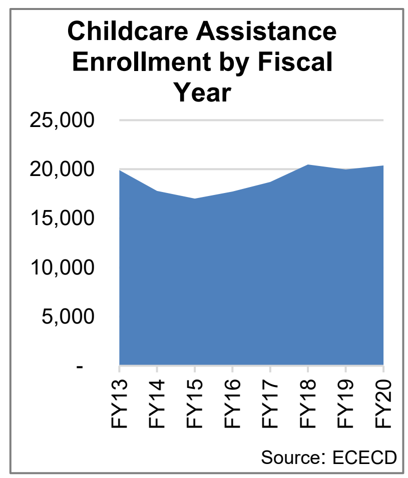
	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Children receiving subsidy in high-quality programs	60%	73%	60%	71 %	G
Children receiving state childcare subsidy, excluding Child Protective Services childcare, who have one or more protective-services-substantiated abuse or neglect referrals	1.2%	1.3%	1.3%	1.3%	G
Parents participating in home visiting who demonstrate progress in practicing positive parent-child interactions	48%	48%	45%	45%	G
Children in Children, Youth and Families Department funded pre-kindergarten showing measureable progress on the school readiness fall-preschool assessment tool	95%	95%	94%	93%	Y
Licensed childcare providers participating in high-quality programs	38%	43%	39%	47%	G
Children in childcare assistance who have attended four- or five-star programs for eight months or longer showing measureable progress on school readiness fall preschool assessment tool*	-	-	85%	-	N/R
Families receiving home-visiting services for at least six months that have one or more protective services substantiated abuse or neglect referral	1.9%	1.1%	5%	.9%	G
				Program Rating	G

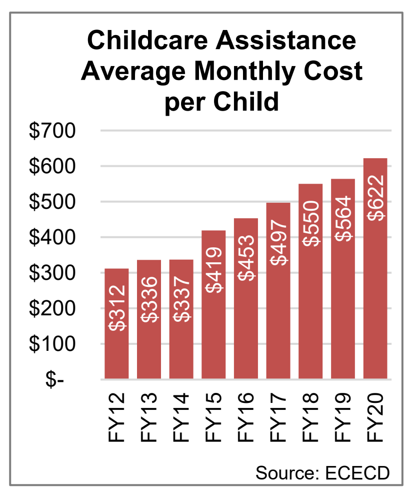
* Measure is reported annually based on testing dates

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

CHILDCARE DURING THE PANDEMIC

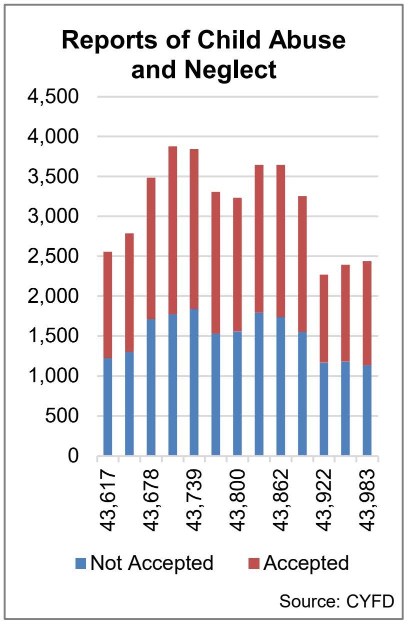
While many childcare centers closed temporarily due to the pandemic ECS continued to pay childcare assistance rates regardless if the child was attending. In addition, the program paid a significant differential for providers remaining open in the early months of the pandemic resulting in significant increased spending and the cost per child during those months. However, spending has normalized closer to previous quarters beginning in July.

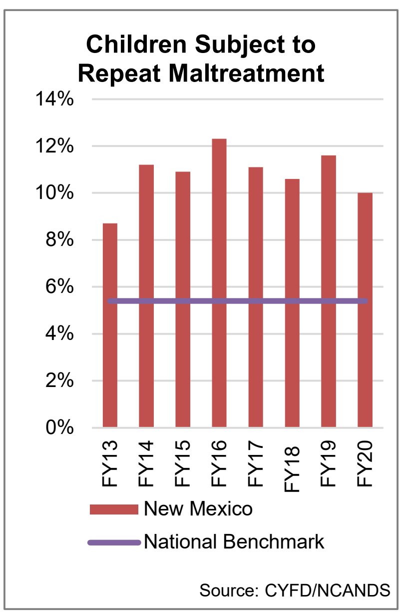




Children, Youth and Families Department

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





In FY20, the Legislature identified child well-being as a key strategy to improve long-term outcomes for New Mexico's children. Appropriations across the Children, Youth and Families Department's (CYFD) programs grew by more than 12 percent over FY19 levels. The results of this investment are as yet unclear.

The Protective Services program, while still performing below target on critical measures, has made incremental progress in some areas. As the program continues to implement new initiatives focused on preventive services, kinship placements, and improved staff training and support, performance should improve. The number of clients served through the Juvenile Justice Services program continues to decline, but leaves the program with the hardest-to-serve clients and half empty facilities. The Behavioral Health Services program continues to perform above its targeted levels but will face new challenges because the program is set to expand exponentially in FY21. BHS has a central role in the department's strategic plan to increase community-based mental health services and build a trauma-responsive system of care.

Performance over the last two quarters of FY20 was impacted by the Covid-19 public health emergency. Due to the breadth and scope of the pandemic, CYFD had to drastically alter normal business practices, including moving to telework and on-line visits. The department's capacity to ensure the safety and well-being of its vulnerable clients has been strained and staff and resources have been stretched to meet new demands and challenges. Since March, abuse, neglect, and domestic violence referrals and reports have declined. Concerns about underreporting and negative behavioral health outcomes continue to grow.

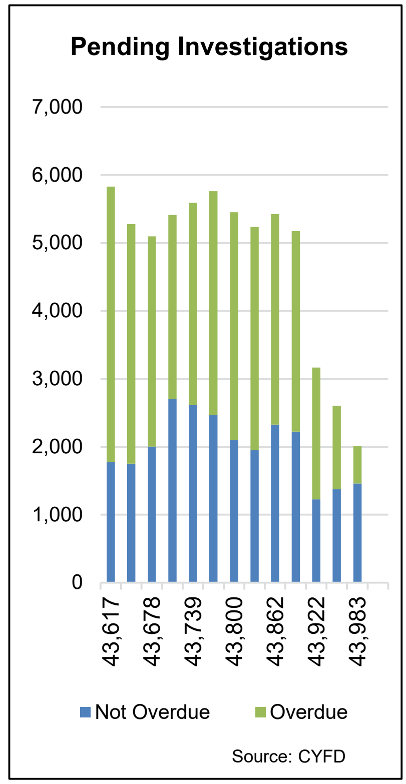
Protective Services

The Protective Services (PS) Program turned in a mixed performance for FY20, meeting targets for only three measures. Over the last six years, repeat maltreatment rates have remained stubbornly higher than the national average. However, the program ended FY20 with repeat maltreatment rates at their lowest levels since 2013. These measures are an indicator of whether CYFD is taking the appropriate actions when caregivers are found to maltreat their children, and whether agency interventions enable families to keep children safe in the long term. Improvements in the case planning involved in these types of interventions should have a positive impact on this measure. In the last year, PS has trained supervisors and field staff in behaviorally based treatment plans, designed to address the issue of "cookie-cutter" treatment plans for families involved in In-Home Services or foster care (I-HS/FSS). The program's new safety assessment is one year into implementation and an improved service matrix to aid investigators in making the right decisions about family needs based on safety and risk assessments has been disseminated. Families with risk require services through a "warm hand-off" between PS, families, and community service providers and the addition of 17 new I-HS/FSS contracts will give field workers better options for referring higher-risk families to services, whereas in some counties, these options were previously limited or nonexistent.

In the last quarter, referrals have been lower, largely attributed to the closure of school and other restrictions on activities imposed in response to the Covid-19 pandemic. Children are spending nearly all of their time at home and have less interaction with other adults, making it harder for youths to report abuse or for anyone outside the home to notice. While concerns about unreported abuse are serious and ongoing, the drop in cases has resulted in the program addressing the backlog of investigations. Currently, about 20 percent of investigations are overdue, meaning still open after 45 days.

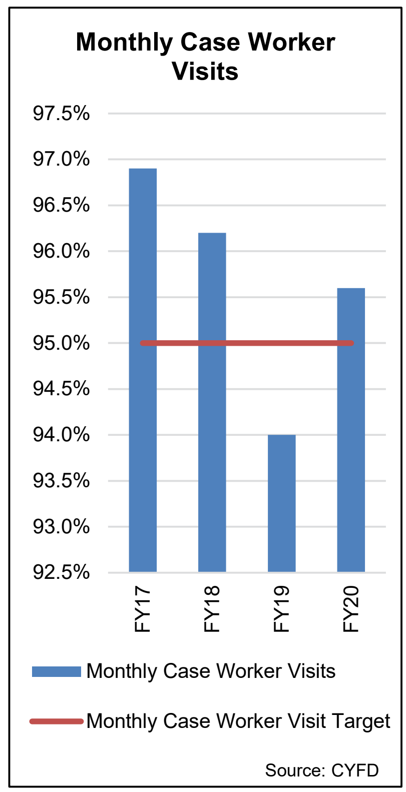
Regular, high-quality, face-to-face visitation with children in PS custody is vital to ensuring child safety and well-being. For FY20, CYFD achieved an over 96 percent visitation rate, exceeding the target. The program will need to continue to focus on improving and facilitating visits, because alternative visitation arrangements, such as video conferencing, were required due to the Covid-19 pandemic.

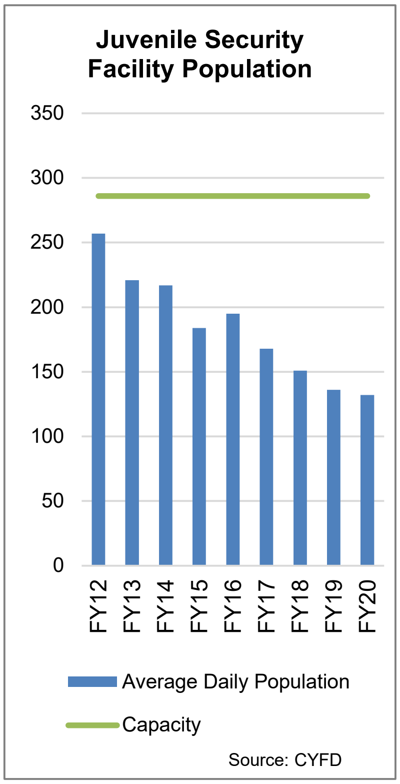
The program fell well under its targets related to placement stability and time to permanency. To see improvement in these measures, the program is working on reducing lateral moves and analyzing the needs of foster parent to ensure better referrals for foster parents (both relative and nonrelative) and foster children to prevent placement disruptions and improve foster parents' capacity to manage challenging behaviors. PS is also working to increase initial relative placements, inherently more stable. As placement stability is a rolling 12-month measure, the impact of more relative placements should continue to help drive improvement in these measures. In the last year, PS has emphasized the need for timely change of plans when reunification is no longer viable, improved case tracking, and the early identification of cases appropriate for permanent guardianship.



Budget: $177,835.1 **FTE: 816.5**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Children who are not the subject of substantiated maltreatment within six months of a prior determination of substantiated maltreatment	89.9%	89.6%	93%	90%	R
Rate of maltreatment victimizations 100 thousand days in foster care	21%	13.4%	8.5%	12.6%	R
Families with a completed investigation who engaged in prevention services for 30 days or more	-	4.5%	20%	6.4%	R
Children who have another substantiated or indicated maltreatment report within 12 months of their initial report	15%	17%	9.1%	14.1%	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 thousand 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	96.2%	94.1%	94.8%	95.6%	G
Of children who enter foster care during a 12-month period and stay for more than eight days, placement moves per 1,000 days of foster care	6.89	7.79	4.12	5.84	Y
Children in foster care for more than eight days, who achieve permanency within 12 months of entry into foster care	28.4%	32.3%	40.5%	29.3%	R
Children in foster care for 12 to 23 months at the start of a twelve-month period, who achieve permanency within that 12-month period	40.4%	36.5%	44%	40.2%	Y
Children in foster care for 24 months (or more) at the start of a 12-month period, who achieve permanency within that 12-month period	34.8%	36.6%	32%	34%	G
Turnover rate for protective services workers	26.3%	39.7%	20%	29.9%	Y
Program Rating	R	R			R





Juvenile Justice Services

For FY20, the Juvenile Justice Services (JJS) program met or nearly met four of its nine targets. JJS missed its target for physical assault (by only two incidents), largely due to a significant jump in physical assaults in the fourth quarter – 40 percent of the 287 total assaults for the year occurred during this quarter. This could be attributed to high levels of anxiety resulting from the pandemic, especially among JJS clients who have experienced significant trauma and can be impulsive and highly aggressive.

JJS struggled to meet its targets related to recidivism. The program has seen a significant (approximately 42 percent) drop in population from FY15 to FY20, and while the overall percentage of recidivism remains above targeted levels, the actual number of clients it represents remains almost flat. For FY20, in actual numbers, 15 clients out of 103 discharged from CYFD facilities entered an adult correctional facility. According to the National Reentry and Resource Center, recidivism rates are often reported at 50 percent or higher for youth released from secure facilities. The upward trend in recidivism numbers is concerning and research suggests youth at high risk of reoffending need to be identified and matched to the most appropriate service level and length of supervision earlier on in their system involvement. As reform efforts have progressed and juvenile referrals and those committed to secure facilities has declined, some evidence suggests intervention and diversion efforts have resulted in lower recidivism rates.

JJS exceeded its target related to the percentage of clients completing probation, ending the year with close to a 94 percent success rate. Since 2018, JJS has significantly improved its performance on this critical measure. CYFD's new Fostering Connections initiative will allow older youth who have left field supervision to receive supports, such as housing and medical insurance, that are factors in achieving long term success.

For FY20, JJS met it targeted turnover rate for youth care specialists, ending the year with a turnover rate just a percent higher than the rate for FY19 but 45 percent lower than FY18.

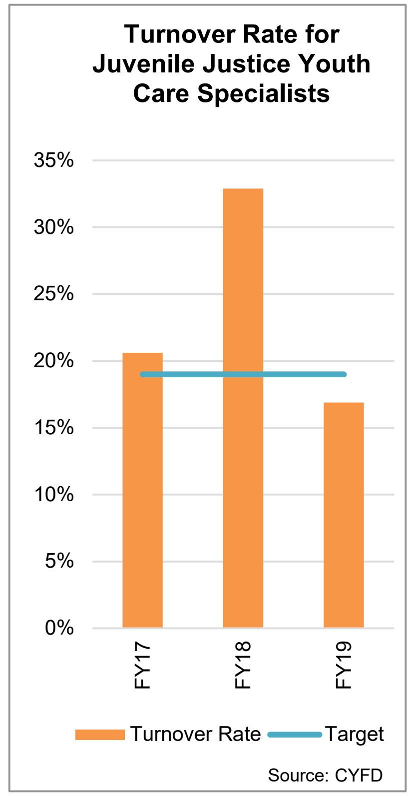
Budget: $74,603.8 **FTE: 882.8**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Physical assaults in juvenile justice facilities	284	235	<285	287	Y
Clients who successfully complete formal probation	85.6%	85.8%	86%	93.7%	G
Recidivism rates of clients discharged from field formal supervision	20.1%	20%	12%	20%	R
Recidivism rates for youth discharged from commitments	36.2%	44.5%	35%	45.7%	R
JJS facility clients who improve in math (NWEA MAP)	-	70,5%	60%	67.6%	G
JJS facility clients who improve in reading (NWEA MAP)	-	50%	60%	40.6%	R
Substantiated complaints of clients of abuse or neglect in juvenile justice facilities	10.7%	10%	10%	11%	Y
Turnover rate for youth care specialists	32.9%	16.9%	19%	18.1%	G
Program Rating	Y	Y			Y

Behavioral Health Services

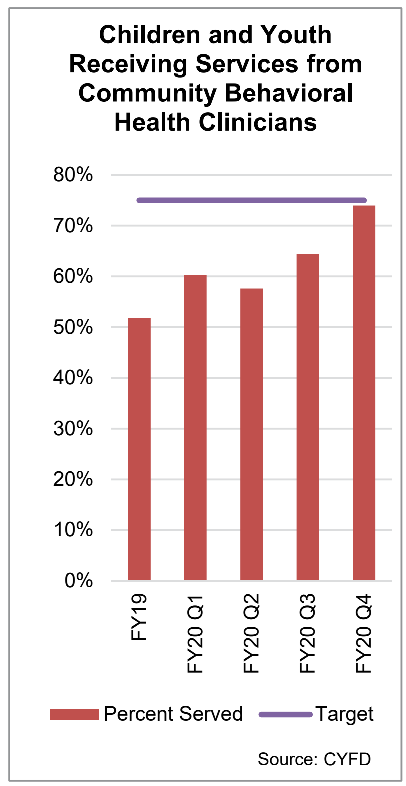
The Behavior Health program's infant and early childhood mental health program continued to perform above targeted levels for FY20. The program oversees mental health services offered by CYFD contracted agencies to parents or caregivers and their infants or young children, from birth to 5 years, in the custody of CYFD. During the fourth quarter of FY20, the program monitored six infants for additional referrals to protective services. None of the six infants have had an additional referral to protective services.

Community behavioral health clinicians (CBHCs) consult, assess needs, coordinate teams, and advocate internally and externally for the target population of children and youth involved with Protective Services and Juvenile Justice Services. Behavior health services are essential for system-involved children and youth, who often have high levels of acute trauma. In FY20, the program missed its target of providing services to 75 percent of all CYFD involved children and youth, but saw a 12 percent increase in the provision of services from FY19. BHS has filled several vacant positions, resulting in additional capacity, and CBHCs have taken on the role of overseeing and assigning all Protective Service involved youth placed in out-of-state residential treatment centers. In FY21, the number of CBHCs will grow by ten, allowing for more involvement and engagement in Protective Service cases and enhanced capacity to address urgent needs, such as disruption from foster homes and youth placed in emergency shelters.



Budget: $20,232.1 **FTE: 80.5**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 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	-	51.8%	75%	64%	Y
Infants served by infant mental health teams with a team recommendation for unification who have not had additional referrals to the Protective Services program	91%	100%	92%	94%	G
Program Rating	Y	G			G

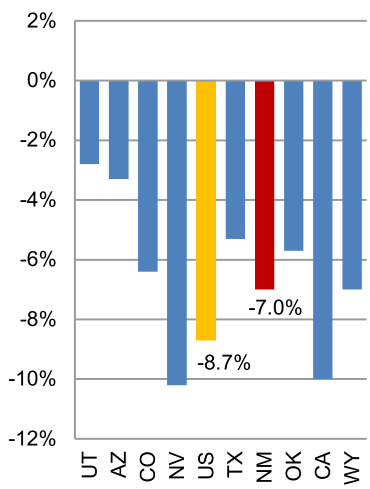


Economic Development Department

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

In the second half of FY20, the Covid-19 pandemic and resulting economic crisis temporarily halted momentum to recruit companies from out of state, and the Economic Development Department (EDD) shifted its efforts to supporting existing New Mexico businesses and providing them with direct access to information on an array of topics related to Covid-19. The unprecedented economic disruption resulted in some FY20 performance results that did not meet the targets, including those for overall jobs created, rural jobs created, and jobs created through the use of Local Economic Development Act (LEDA) funds. The Film Program also missed both targets for FY20, production came to a halt in March 2020 due to the pandemic.

June 2020 Year-Over-Year Job Growth by State



Source: Workforce

New Mexico's total nonagricultural employment decreased by 59.4 thousand jobs, or 7 percent, when comparing June 2019 with June 2020. Most of these losses were in the private sector, down 55.5 thousand jobs, while the public sector was down 3,900 jobs. All major industry sectors reported employment decreases over the year.

Economic Development

The department's shift to help local businesses during the pandemic resulted in repurposing two funds into Covid-19 relief funds. The department retooled an existing collateral assistance program and allocated federal funding into a Covid-19 business loan guarantee program. Through that program, EDD guaranteed $2.2 million in capital for businesses that otherwise would have struggled to receive financing.

EDD also re-tasked the LEDA program to temporarily operate as a zero percent interest loan program. The company must be a qualified entity (a manufacturer or nonretail service business with more than 50 percent of revenue generated out of state), and loans are limited to expenditures for land, building, and infrastructure. However, they can be used for lease abatement or mortgage assistance. The loan period is up to two years and must be secured. To date, EDD has $1.7 million of LEDA loans in process.

Finally, EDD has been hosting a series of webinars related to its funding programs, other state and federal programs, the Buy for Tomorrow Today website to help businesses reach customers, and other general business webinars for responding to the Covid-19 crisis.

The Economic Development Division awarded 15 companies $12.9 million in LEDA funds in FY20, and created 2,891 jobs. Of the 15 companies awarded LEDA funds, five were in rural areas: Cimarron, Big Dog Industries, W. Silver Recycling, High Plains Processing, and HAPSMobile/AeroVironment.

The funds matched for all LEDA projects in FY20 totaled $350 million, contributing to a 27-to-1 ratio of private sector dollars invested per dollar of LEDA funds awarded for FY20. As of August 2020, EDD reported $26 million in other state funds and severance tax bonds is available for LEDA projects.

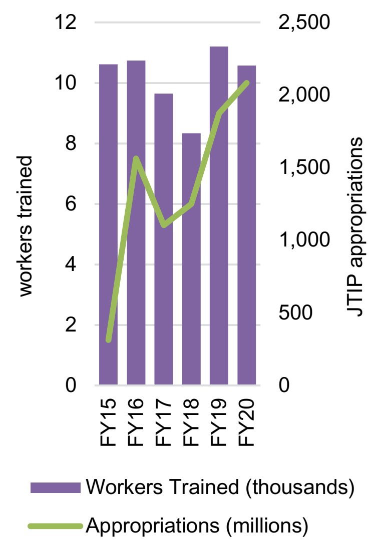
Budget $8,798.7 **FTE: 25**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Jobs created due to economic development department efforts	3,994	3,840	4,500	2,670	Y
Rural jobs created	2,414	1,376	1,750	460	R
Jobs created through business relocations and competitive expansions facilitated by the economic development partnership	1,415	617	2,250	812	R
Potential recruitment opportunities generated by the New Mexico Partnership marketing and sales activities	52	53	84	33	Y
Private sector investment in MainStreet districts, in millions	$53.9	$30.7	$11	$24.57	G
Private sector dollars leveraged by each dollar through Local Economic Development Act	36:1	32:1	12:1	27:1	G
Jobs created through the use of Local Economic Development Act funds	2,613	3,586	2,500	1,600	R
Workers trained by Job Training Incentive Program	1,736	2,326	2,050	2,202	G
Program Rating	Y	Y			Y

Overall, $24.57 million in private sector reinvestment in MainStreet was reported for FY20, with 306 building rehabilitations being reported from MainStreet communities. The largest investments were seen in the second and fourth quarters of the fiscal year, with $18 million of private investment. Los Alamos MainStreet reported six private rehabilitations in their district with a total investment of $560.2 thousand. Roswell MainStreet had five private building rehabilitations with a total investment of $307.5 thousand, leading to the opening of six new businesses and the creation of 55 new jobs. Las Vegas MainStreet reported eight building renovations for a total of $294 thousand in private sector reinvestment.

JTIP funds over the past six years total $45 million. The Job Training Incentive Program (JTIP) board approved 69 businesses for funding in FY20, including 20 in rural communities, with a total of $18 million in awards, and exceeded the target of workers trained, with 2,202. The average hourly JTIP wage was $19.32. The JTIP board obligated $5.5 million to rural companies in FY20, meeting statutory requirements for funding of rural communities.

JTIP Funding and Jobs Created



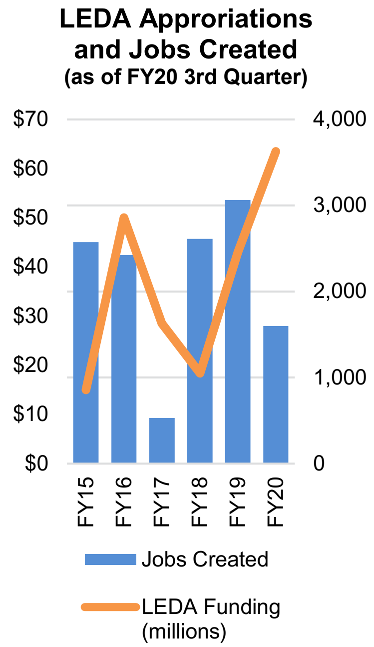
Source: EDD and LFC

New Mexico Film Office

Due to the Covid-19 pandemic, all production came to a halt in March 2020 and the shutdown continued through the end of FY20. Film and TV production remain halted in FY21, except for purely digital production.

Direct spending by the film industry missed the target for FY20, reaching only $257.3 million, a significant decrease from $525 million in FY19. The number of worker days also decreased to 102 thousand for FY20 from 319 thousand in FY19.

In response to Covid-19, the New Mexico Film Office is currently collaborating on the creation of a set of guidelines and an accompanying training video for entertainment industry workers regarding general health, wellness, and communicable disease prevention practices onset. The office is also in the process of moving to a digital platform for the tax credit workflow, increasing efficiency for the office and the end-user, the production company.



Source: EDD and LFC Files

As an additional incentive for the film industry, JTIP for Film and Multimedia reimburses companies 50 percent of the trainee wages for up to 1,040 hours. The program is capped at $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 while adhering to the statutory requirements.

Budget: $7,47.1 **FTE: 8**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Direct spending by film industry productions, in millions	$234	$525.5	$330	$257.3	Y
Film and media worker days	259,961	319,814	209,000	102,376	R
Program Rating	G	G			Y

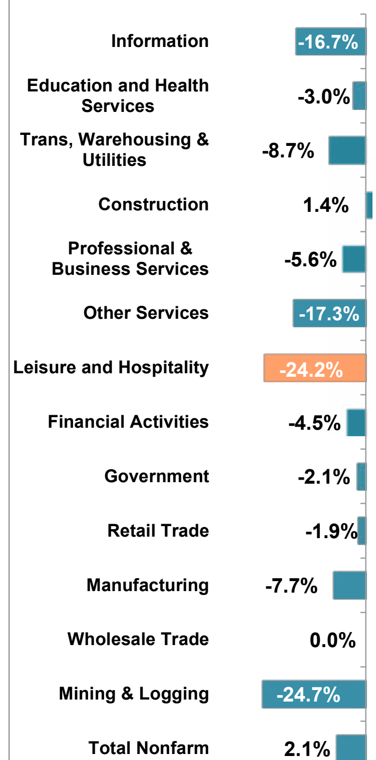
Tourism Department

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

The Workforce Solutions Department reports employment in the leisure and hospitality sector dropped by 24.2 percent, the second largest decline in jobs in the state in FY20. Job growth in leisure and hospitality slowed slightly in the second quarter, especially compared with the extremely high growth in the first quarter. Despite slowed growth, average growth for the first two quarters of FY20 still averaged 4 percent. In the third quarter, job growth dipped into the negative, primarily due to job losses in March. As expected, the fourth quarter resulted in substantial job losses in the leisure and hospitality sectors, as Covid-19 forced many leisure and hospitality businesses to operate at significantly lower staffing levels or to close down entirely.

Referrals to partner sites from the tourism website remained high during the fourth quarter of FY20, despite many events and businesses closing due to Covid-19. Despite the closures, this indicates visitors to NewMexico.org are still actively seeking information on tourism businesses.

June 2020
Year-Over-Year
Job Growth by Industry



Source: Workforce Solutions Department

Marketing and Promotion

The change in employment in the leisure and hospitality sector significantly missed the annual target, due to hotel capacity being capped at 50 percent during the pandemic. The Marketing and Promotion Program halted advertising in the fly markets in the fourth quarter and refocused funding for new campaigns across New Mexico to "Stay Home and Stay Safe, Don't Litter, and Wear Masks." 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 FY20 results will not be available until summer 2021. The data provided by the agency for "dollar amount spent per visitor per day" and "New Mexico's domestic overnight visitor market share" is based on calendar year 2019, prior to the Covid-19 pandemic.

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

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Change in New Mexico leisure and hospitality employment	3%	5%	3%	-27.5%	R
Dollar amount spent per visit per day	$78	$76.25	$80	$84.85	G
New Mexico's domestic overnight visitor market share	1.1%	1.1%	1.1%	1.1%	G
Referrals from newmexico.org to partner websites	188,921	201,835	170,000	250,943	G
Program Rating	Y	G			Y

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* barely missed its FY20 target of $75 thousand per issue. The department states they will continue to develop digital products to grow and diversify the advertising base and generate new revenue opportunities.

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

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Advertising revenue per issue, in thousands	$81	$73	$75	$67.8	Y
Program Rating	Y	G			Y

In FY20, the cooperative marketing grant program awarded $599 thousand to 33 different local partners, including

- Carlsbad
- Alamogordo
- Deming
- Gallup
- Lovington
- Roswell
- Truth or Consequences
- Tucumcari
- Edgewood Chamber of Commerce
- Farmington Convention and Visitors Bureau
- Grant County Commissioners Committee
- Las Vegas Independent Business Alliance
- Los Alamos County
- National Hispanic Cultural Center
- NM Council of Outfitters and Guides
- Parallel Studios
- Pecos Business Alliance
- 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
- Town of Taos
- Village of Cloudcroft
- Visit Albuquerque
- Visit Las Cruces
- Wildlife West Nature Park

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 awarding competitive grants for training, litter prevention, cultural heritage outreach, and financial support. The combined advertising spending of communities assisted in the co-op marketing grant program only reached $599.9 thousand, a quarter of the FY20 target.

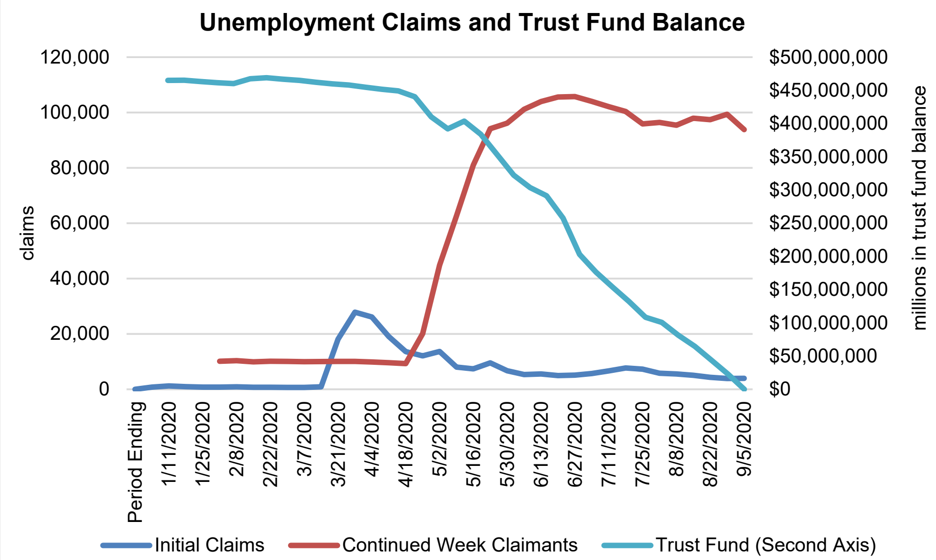
Budget: $2,262.6 **FTE: 5**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Combined advertising spending of communities and entities using the Tourism Department's current approved brand, in thousands	$1,464	$1,100	$2,200	$599	R
Program Rating	Y	R			R

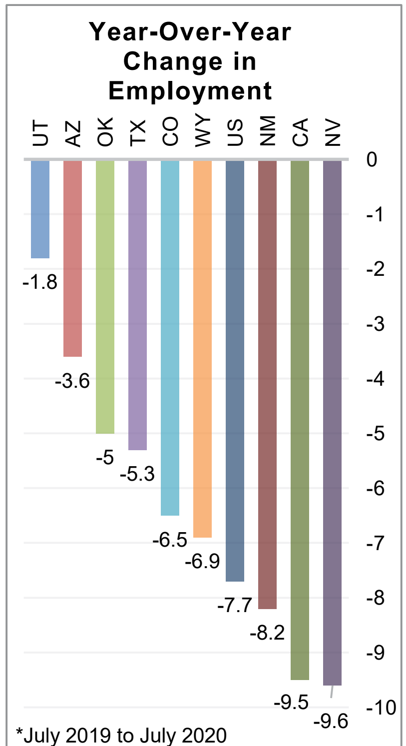
Workforce Solutions Department

The Covid-19 public health emergency in New Mexico has brought unprecedented challenges to the Workforce Solutions Department (WSD). The State ended FY20 with an unemployment rate of 12.6 percent, the highest rate since measurement began in 1976. Since March, over 70 thousand jobs have been lost, and there are now 44 thousand fewer people in the workforce than in July 2019. On March 13, the unemployment trust fund had a healthy balance of $458 million, but with the record unemployment claims, the fund was depleted and reached insolvency on September 8, 2020. New Mexico, like many other states, is now borrowing from the federal government to stand up the fund until it can be replenished through employer contributions. The Families First Coronavirus Response Act gives states access to interest-free loans until the end of 2020, but the future of the fund and the unemployment tax rate necessary to replenish it, is likely to be a thorny issue in the coming years.

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



Source: WSD

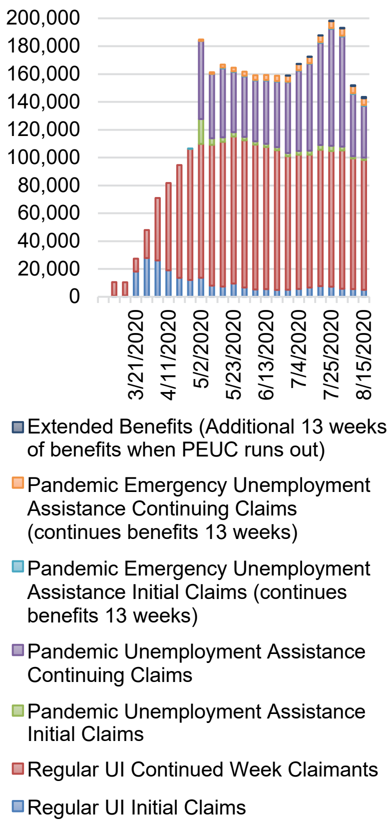


*July 2019 to July 2020

Source: WSD

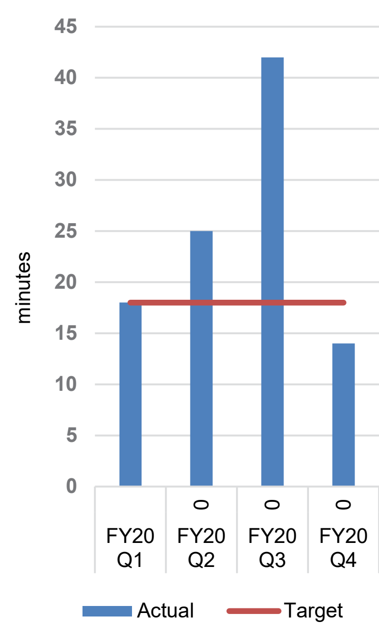
From early March until late April, Congress passed four bills to address Covid-19, including several measures that expanded states' ability to provide unemployment insurance. The relief bills extended unemployment insurance up to 13 weeks, provided temporary additional compensation of $600 per week through the end of July, and created a new federal program, Pandemic Unemployment Assistance, to provided benefits for self-employed, contract, and other workers ordinarily ineligible for unemployment benefits. Since the start of the pandemic, WSD has strived to respond to the unprecedented demand for assistance and compulsory changes to its operating model. The department hired new staff and retrained staff from the department's connection offices and other agencies to help with technical support and applicant assistance, initiated a series of town hall meetings to communicate with the public, and worked to reconfigure IT systems as quickly as possible to manage new requirements and the surge in applications. Moving forward the department will not only have to adapt to new federal unemployment relief programs, but it will also need to step up the delivery of reemployment services for the growing number of dislocated workers. The work of its employment services division and it oversight of the local workforce boards will be critical.

Total Regular and Pandemic Claims



Source: WSD

Average Call Center Wait Times
(in minutes)



Source: WSD

Unemployment Insurance

At the end FY20, over 130 thousand New Mexicans were receiving benefits, either through regular unemployment or the Pandemic Unemployment Assistance program. By comparison, at the start of March, prior to the pandemic, 9,851 claimants were receiving benefits. Nevertheless, the Unemployment Insurance Division was able to close out FY20 with over 89 percent of claims issued a timely determination and over 83 percent of all first payments made within 14 days. Average wait times to speak with a customer service agent in the unemployment insurance operation soared to over 40 minutes at the start of the pandemic, but over the fourth quarter, the division was able to bring call wait times down to 14 minutes for new claims and 12 minutes for weekly certifications, the lowest level for all of FY20. WSD did not report on the "percent accuracy rate of claimant separation determinations" measure in the third or fourth quarter, because, due to the Covid-19 pandemic, the U.S. Department of Labor granted all states a waiver from performing benefit timeliness quality audits until the first quarter of FY21.

Budget: $8,839.7 **FTE: 183**

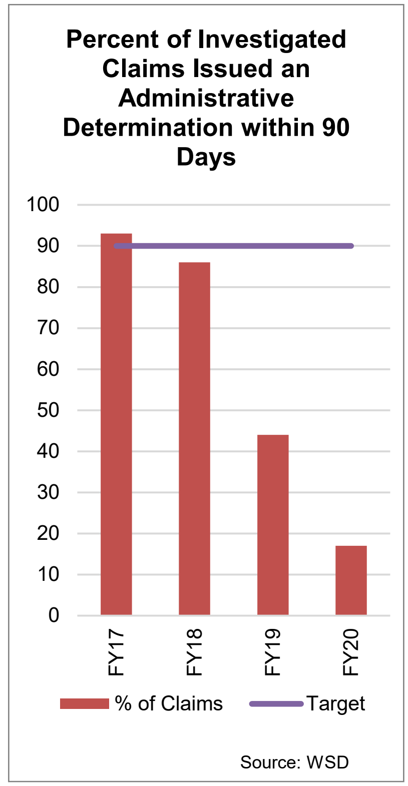
	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Eligible unemployment insurance claims issued a determination within 21 days from the date of claim	94.9%	93.1%	72.8%	89%	G
All first payments made within 14 days after the waiting week	92.7%	92.4%	90%	83.5%	Y
Accuracy rate of claimant separation determinations	95.2%	70.4%	91%	n/a	R
Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a new unemployment insurance claim, in minutes	16:38	17:07	18:00	24:48	R
Average wait time to speak to a customer service agent in the unemployment insurance operation center to file a weekly certification, in minutes	12:50	15:00	15:00	18:48	R
Program Rating	G	Y			R

Labor Relations

The Labor Relations Division, which provides employment rights information and other worksite-based assistance to employers and employees, has had a backlog of cases for several years now and was unable to make much progress in FY20. The number of investigated claims issued a determination within 90 days hit its lowest level since 2017, with only 17 percent of the cases being closed timely. The division's target was 90 percent. The division points to staff shortages and the difficulty of managing cases requiring litigation due to ongoing court closures and reduced caseloads. To reduce the backlog, the department is working to improve case management, promoting co-enforcement with the U.S. Department of Labor and private law firms, and updating its electronic case management system. In FY20, the division completed only 329 public works inspections, down over 70 percent from FY19 inspections of 1,011 and well under the target of 1,800. In the fourth quarter, largely due to Covid-19 related restrictions, the number of days to investigate and resolve the claims increased by nearly 60 percent. Overall, the program ended the year just at its target of 185 days. The division continued to exceed performance targets for apprentices registered and in training but did not complete any compliance reviews of registered apprenticeship programs. While Covid-related restrictions in place since March impacted the division's capacity to conduct in person meetings, no reviews were conducted in the first two-thirds of the year either. Moving forward, the department intends to explore the possibility of completing reviews virtually if necessary.

Budget: $4,494.0 **FTE: 39**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Investigated claims issued an administrative determination within 90 days.	85.8%	43.8%	90%	17%	R
Targeted public works inspections completed.	1,802	1,011	1800	329	R
Average number of days to investigate and issue a determination on charge of discrimination	176	n/r	185	185	G
Apprentices registered and in training	1,632	1,400	1,400	1,785	G
Compliance reviews and quality assessments on registered apprenticeship programs	6	5	6	0	R
Program Rating	Y	Y			Y

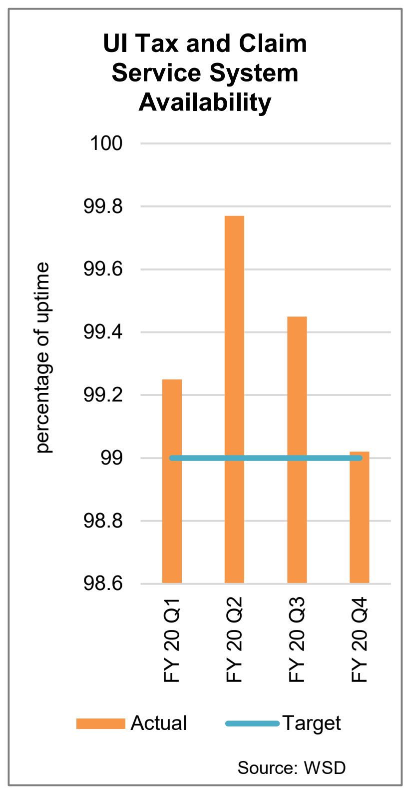


Workforce Technology

Despite significant challenges in processing the unprecedented surge in claims due to the health emergency and a series of system modifications required to manage new eligibility and certification requirements, the Workforce Technology division achieved a system "up-time" for FY20 of 99.4 percent. The division did not fare as well on timely restoration of the system from outages. Spikes in performance utilization across multiple layers of the system impacted recovery time.

Budget: $14,954.0 FTE: 44

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Time the unemployment framework for automated claims and tax services is available during scheduled uptime	99.6%	99.3%	99%	99.4%	G
Response time from system outage to restoration of service on unemployment framework for automated claims and tax services, in minutes	N/A	N/A	20	147	R
				Program Rating	Y



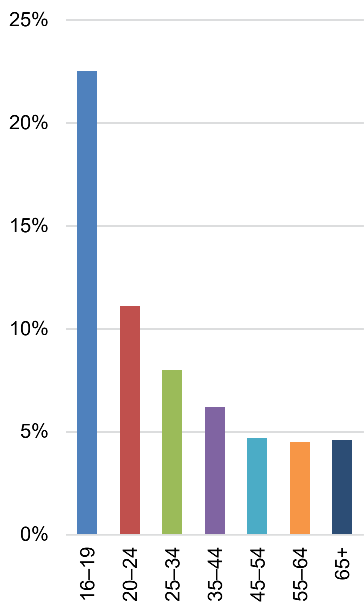
Employment Services

The Employment Services Division is moving toward a wrap-around service model that includes convening employers, implementing a universal program statewide, offering boot camps for employers and job seekers, and facilitating rapid-hire events. However, due to the Covid-19 pandemic and the governor's emergency health order, all NM Workforce Connection centers were closed to the public and plans for expansion of the department's new wrap-around model have been postponed. WSD is now focused on efforts to connect unemployed workers to currently available opportunities and is gearing up to provide a range of employment services as the economy reopens, including more options for re-training and new certification programs to meet workforce needs in high-demand sectors, such has public health, technology, and education.

Budget: $13,020.4 FTE: 145

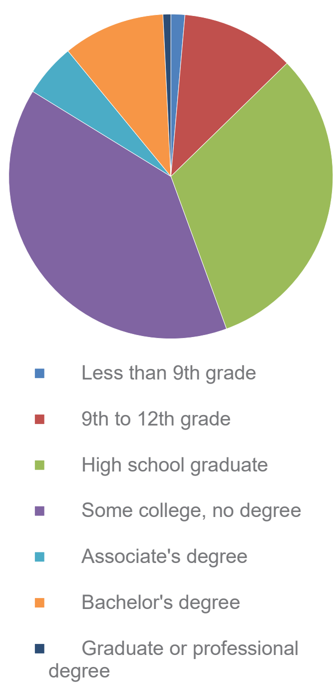
	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Average six-month earnings of unemployed individuals entering employment after receiving Connection Office employment services	$13,610	$13,740	$13,600	$11,936	R
Recently separated veterans entering employment	50%	50%	50%	49%	G

Unemployment Rate by Age, July 2020



Source: WSD

Education Level NM Population 18 and Over



Source: WSD

Unemployed disabled veterans entering employment after receiving workforce development services in a Connection Office.	41%	45%	40%	43.9%	G
Individuals receiving employment services in a Connection Office	245,453	113,347	100,000	91,743	R
Unemployed individuals employed after receiving employment services in a Connections Office	54%	56.3%	55%	67.2%	G
Unemployed individuals employed after receiving employment services in a Connections Office, retaining employment services after six months	79%	79%	78%	68.8%	R
Recently separated veterans retaining employment after six months	71%	75%	71%	52%	R
Average six-month earnings of veterans entering employment after receiving Connection Office veteran's services	$16,329	$16,886	$16,500	$9,478	R
Program Rating	Y	Y			Y

Program Support

Program Support's duties include overseeing the Local Area Workforce Boards, Opportunity Act funds and programs. The department has established expected service levels for each of the local workforce boards and will be monitoring performance quarterly. As the economy opens up, the local workforce boards will be tasked with responding to the needs of many dislocated workers, and should look to provide programs in partnership with continuing education programs and private sector employers.

Budget: $34,331.9 FTE: 100

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Annual independent state audit prior-year findings resolved	100%	100%	100%	85%	G
Youth receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce boards	3,282	4,978	1,400	5,145	G
Youth who enter employment or are enrolled in postsecondary education or advanced training after receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	60.2%	62.7%	59%	63.7%	G
Adult and dislocated workers receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	2,360	3,304	2,700	3,601	G
Individuals who enter employment after receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the Local Area Workforce Board	67.1%	74.4%	70%	75.7%	G
Individuals who retain employment after receiving supplemental services of the Workforce Innovation and Opportunity Act as administered and directed by the local area workforce board	88.7%	72.5%	73.5%	89%	G
Program Rating	Y	Y			G

As the Covid-19 pandemic surged and the economy declined, the Medicaid program enrolled 29,742 new members between March 30, 2020, and June 30, 2020. A total of 860,744 New Mexicans were enrolled in Medicaid as of July 1, 2020.

The federal Families First Coronavirus Response Act (FFCRA), signed into law on March 18, 2020, included a 6.2 percentage point increase in the regular Medicaid matching rate in response to the Covid-19 pandemic. States that received the 6.2 percentage point increase were required to continue Medicaid eligibility for any individuals enrolled as of March 18, 2020, or became enrolled during the public health emergency, unless the individual voluntarily terminated eligibility or was no longer a resident of the state. On July 23, 2020, the U.S. Department of Health and Human Services declared the national public health emergency be extended through the end of calendar year 2020.

The Human Services Department (HSD) joined the Department of Health and other agencies in managing the state's response to the Covid-19 public health emergency. HSD will continue working with its federal partners to obtain additional authority and regulatory waivers that will enable further flexibility while emergency conditions persist, with the goal of keeping clients covered through the termination of the Covid-19 emergency declaration.

HSD developed an improvement action plan to ensure every qualifying New Mexican receives timely and accurate benefits. HSD added performance measures to Centennial Care 2.0 Medicaid managed-care organizations' (MCO) contracts. MCO performance outcomes can result in annual monetary penalties should the MCO fail to meet the established HSD target. Blue Cross Blue Shield of New Mexico and Western Sky Community Care have also included quality metrics in their value-based purchasing agreements with providers. Each MCO continues to work on improving performance by conducting member service reminder calls, distributing informational newsletters, and providing scheduling assistance with members.

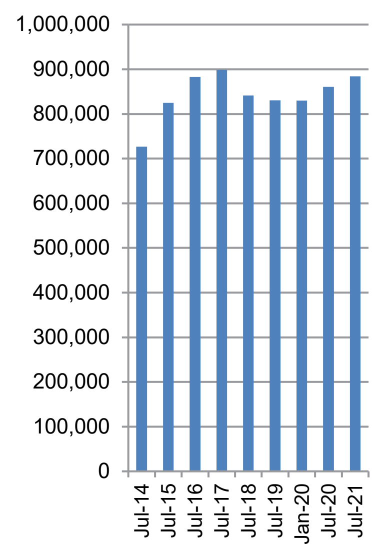
Medical Assistance Division

In response to Covid-19, HSD allowed its healthcare providers to offer telehealth services for physical health, behavioral health, and long-term care settings to ensure safe access to healthcare. HSD added new evaluation and management (E&M) telehealth codes and implemented payment rates equivalent to office visits in an effort to encourage the use of telephonic visits and e-visits in lieu of in-person care to reduce the risk of spreading Covid-19.

HSD's policy is that raising Medicaid payment rates strengthens partnerships with providers that deliver care and services to the most vulnerable New Mexicans and fortifies and protects the healthcare delivery network. HSD implemented provider rate increases in FY20 for outpatient settings, dispensing fees to community-based pharmacies, long-term services and supports providers, and supportive housing benefits for people with serious mental illness. Payment rates to governmental and investor-owned hospitals and hospitals serving a high share of Native American members also increased. HSD also implemented a minimum wage adjustment for personal care services providers because of statewide and regional changes in

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

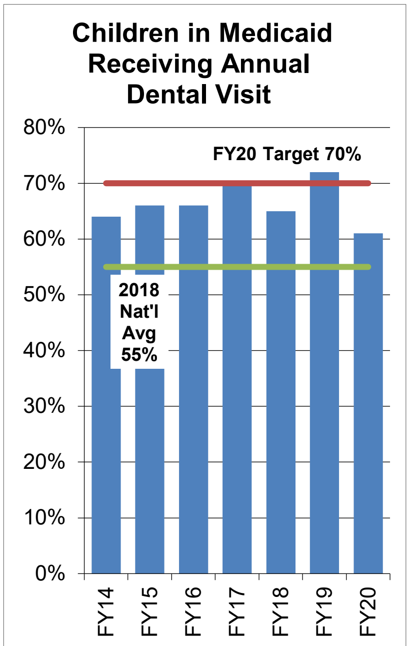
Total Medicaid Enrollment



Source: HSD
*July 2020 Projection

minimum wage. Further, HSD implemented increased payments for evaluation and management codes to a minimum of 90 percent of the 2019 Medicare fee schedule, effective July 1, 2019.

HSD suspended in-home supervisory visit requirements for all in-home care services. However, MCOs are required to coordinate with home-care providers to ensure continued in-person services for those who need them while using telephone visits to the extent possible. MCOs have also been directed to obtain, review, and ensure implementation of personal care services, respite, support broker, and home health aide service agency's emergency disaster plans. The agency disaster plans must include actions for in-person visits with members who have a confirmed diagnosis of Covid-19 and back-up plans for providing care when the member's caregiver has been diagnosed with Covid-19.



Source: HSD Quarterly Report

The Medicaid caseload in June was 860,744 individuals, a 4.4 percent increase from one year ago. The count of Medicaid recipients increased by 7,493, 0.9 percent, from May.

The annual number of children on Medicaid increased by 10,773 children – Medicaid served 355,059 children in June 2019 and 365,832 children in June 2020.

The Supplemental Nutrition Assistance Program (SNAP) caseload in June 2020 was 249,365, a 12.8 percent increase from one year ago and a 0.7 percent increase, or 1,691 cases, from May.

The Temporary Assistance for Needy Families (TANF) caseload was 12,036 in June, an increase of 19.9 percent from June 2019 and an increase of 0.8 percent, or 100 cases, from May 2020.

Budget: $5,676,802.9 **FTE:** 183

	FY18 Actual	FY19 Actual	FY20 Target	FY20 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*	44.5%	46.1%	N/A	46.1%	Y
Children and youth in Medicaid managed care who had one or more well-child visits with a primary care physician during the measurement year*	71.8%	75.1%	88%	73.2%	R
Children ages 2 to 21 enrolled in Medicaid managed care who had at least one dental visit during the measurement year[1]	67%	68%	70%	61%	R
Individuals in managed care with persistent asthma appropriately prescribed medication	60%	66%	50%	No Report	R
Hospital readmissions for children ages 2 to 17 within 30 days of discharge	5.6%	4.5%	<6%	5.3%	G
Hospital readmissions for adults ages 18 and over within 30 days of discharge	7.2%	7.4%	<10%	7.5%	G
Emergency room use categorized as non-emergent per 1,000 Medicaid member months[2]	60%	60%	0.45	59%	G
Individuals with diabetes in Medicaid managed-care ages 18 through 75 whose hospital admissions had short-term complications	16.7	24.6	16.4	16.7	Y
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*	77%	82%	83%	No Report	R
Medicaid managed-care members with a nursing facility level of care being served in the community	87%	86%	75%	86%	G
Program Rating	R	Y			Y

[1] HSD uses a rolling average; the most recent unaudited data available includes the last quarters of FY19 and the first quarters of FY20. The data for HEDIS measures is preliminary.

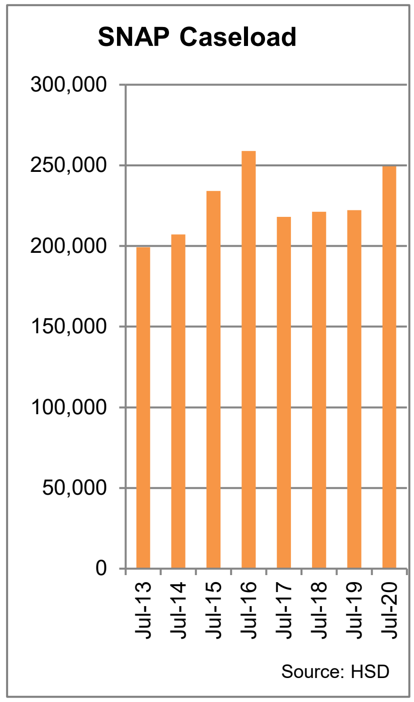
[2] The target was a per capita target, whereas the data is per 1,000 members. HSD previously reported it would use a consistent methodology in the future.

*Measures are Healthcare Effectiveness Data and Information Set (HEDIS) measures and represent a tool used by more than 90 percent of America's health plans to measure performance on important dimensions of care and service.

Income Support Division

The Income Support Division (ISD) added performance goals to the New Mexico Works (NMW) service provider's contract to improve employment outcomes; however, the percent of clients obtaining a job has not been greatly affected by these efforts. The NMW service provider delivers case management through coaching and mentoring to encourage online enrollment into education programs, specifically high school equivalency, identifies businesses willing to hire clients, and assists with job readiness.

ISD reports it exceeded the target for TANF federal works requirements as prescribed by the federal Administration for Children and Families (ACF). ACF permits states to use their excess maintenance-of-effort funds to reduce the required federal work participation rates, referred to as the regressed work participation rate. ACF reduced New Mexico's federal work participation two-parent rate from 90 percent to 22.9 percent. This reduction allows ISD to prioritize case management, including increased coaching and mentoring for participants and their families, promoting family stabilization, and removing barriers to employment.



Budget: $959,738.5 **FTE:** 1,149

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Regular supplemental nutrition assistance program cases meeting the federally required measure of timeliness of 30 days	99.1%	99.1%	98%	98.8%	G
Expedited supplemental nutrition assistance program cases meeting federally required measure of timeliness of seven days	98.1%	99%	98%	98.8%	G
Temporary assistance for needy families clients who obtain a job during the fiscal year	54.6%	48.5%	52%	No Report	R
Children eligible for supplemental nutritional assistance program participating in the program with family incomes at or below 130 percent of poverty level	No Report	88.5%	94%	No Report	R
Two-parent recipients of temporary assistance for needy families meeting federally required work requirements	59.5%	39.5%	62%	43%	R
All families recipients receiving temporary assistance for needy families meeting federally required work requirements	48.9%	31.1%	53%	35%	R
Program Rating	Y	Y			R

Due to the Covid-19 public health emergency due to Covid-19, ISD lifted all New Mexico Works (NMW) sanctions related to work participation and restored participants' benefits to their full benefits.

In addition to ensuring all newly approved TANF recipients received the proper orientation and assessments to identify and locate additional resources, the NMW service provider, Career Works Solutions, is actively re-engaging all previously sanctioned participants
.
This re-engagement effort ensures participants have access to the supports they need in their communities and remain engaged with NMW to avoid sanctions in the future.

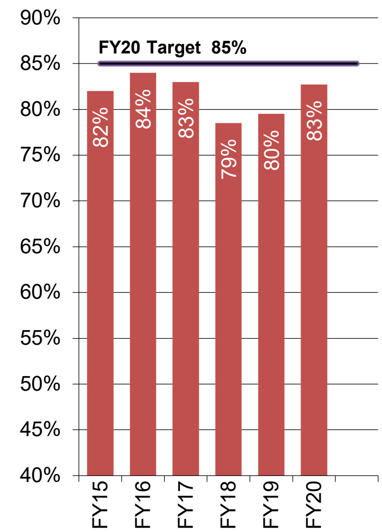
Child Support Enforcement Division

The Child Support Enforcement Division (CSED) reported it filled all of its budgeted positions and reduced caseworker attrition from over 35 percent in previous years to under 25 percent in FY19.

CSED reports it is successfully piloting modernization initiatives to improve performance and increase staff retention, and the Rio Rancho pilot resulted in a 5.2 percent increase in collections and a 4.9 percent increase in the percent of arrears collected.

Due to the Covid-19 pandemic, CSED escalated implementation of its child support prioritization tool to assist with managing for performance. CSED also worked on having parties agree to an establishment order, when possible, to avoid reliance on court hearings which could delay establishing court orders during the Covid-19 public health emergency.

CSED reported its child support collections for FY20 were up from about $138 million to $156 million due to intercepting federal CARES Act stimulus funds



Source: HSD Quarterly Report

checks that went out to noncustodial parents (NCPs). CSED encouraged NCPs to use electronic means to make payments, including mailing payments, rather than dropping off payments at the local offices because of the social distancing order. However, CSED kept limited daily office hours to allow NCP payments to continue to flow to the custodial parents during the pandemic. In addition, NCPs who apply for unemployment insurance will be automatically linked with the child support system and a portion of their unemployment benefit will pay for their child support obligation.

Budget: $31,871.1 **FTE:** 378

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Support arrears due that are collected	62.1%	60.7%	67%	66.2%	Y
Total child support enforcement collections, in millions	$139.8	$137.5	$140.5	$156	G
Child support owed that is collected	57.8%	57.7%	62%	58.7%	R
Cases with support orders	78.5%	79.5%	85%	83.2%	Y
Program Rating	R	R			Y

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

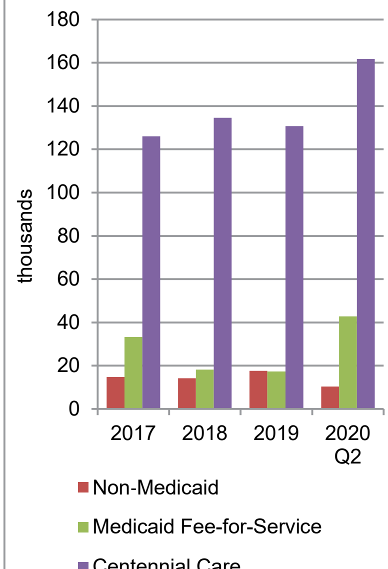
Behavioral Health Collaborative

New Mexico has among 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. 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 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.

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

However, according to the *2019 State of Mental Health in America*, which identifies a national common set of data indicators for mental health, New Mexico improved from 46th to 31st in the 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 to 32nd due to a drop in the state's overdose death rates, while other states overdose death rates rapidly increased.

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



Source: HSD

Behavioral Health Services Division

The Behavioral Health Services Division (BHSD) updated data for the number of individuals served in substance use or mental health programs. The methodology for this measure changed to capture behavioral health services delivered across the spectrum of healthcare providers, including behavioral health specialty providers, general acute care hospitals, Indian Health Services hospitals, federally qualified health centers, and physicians. In the second quarter of 2020, 214,935 clients received behavioral health services – with 161,712 clients in Medicaid managed care and 42,828 in Medicaid fee-for-service. The non-Medicaid population served through BHSD programs totaled 10,395 individuals.

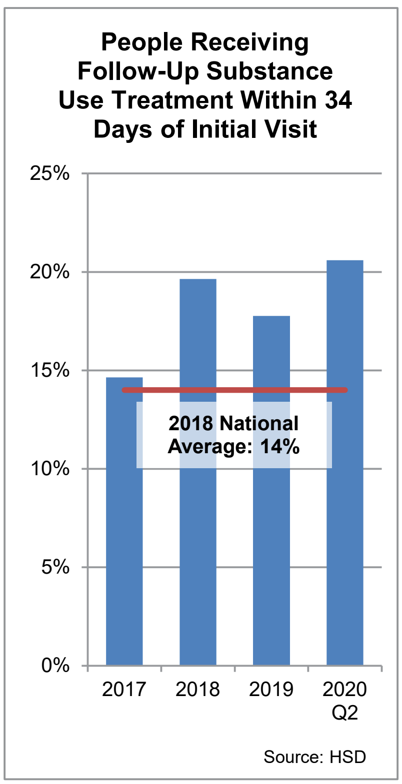
The Human Services Department (HSD) implemented strategies to grow the behavioral health provider network, including (1) expanding the substance use disorder (SUD) waiver to add Medicaid funding for screening, brief intervention, and referral to treatment, CareLink health homes, adult substance use residential treatment, medication assisted treatment, and use of peer supports; (2) implementing in October 2019 $78 million in FY20 Medicaid provider rate increases, including those for behavioral health providers; (3) launching implementation of a graduate medical expansion program for primary care, behavioral health physicians, and psychiatry; (4) settling in December 2019 with the remaining five behavioral health organizations that filed lawsuits against HSD when their Medicaid payments were frozen in 2013 due to largely unsubstantiated allegations of fraud; and (5) receiving a $2.4 million federal planning grant in September 2019 to increase the treatment capacity of Medicaid providers to deliver SUD treatment and recovery services. Finally, the 2020 Medicaid managed-care organization (MCO) contracts include a delivery system improvement performance measure to increase the number of unduplicated Medicaid members receiving behavioral health services from a behavioral health provider.

A 2018 LFC *Health Notes* found overall spending on behavioral health services for the expansion population has risen faster than the number of people using those services.

Pandemic Response

HSD has taken measures to ensure and improve behavioral health access during the Covid-19 pandemic. Medicaid MCOs have been directed to allow behavioral

People receiving follow-up substance use treatment within 34 days of their initial visit targets a cohort of individuals who initiated substance use treatment and were still engaged in care 34 days after initiation. Fourth quarter data reflects six months of 2020. For Medicaid, this measure is part of the National Healthcare Effectiveness Data and Information Set (HEDIS) reported annually by Medicaid MCOs and is reported for non-Medicaid and Medicaid managed care members. For half of calendar year 2020, 20.6 percent of people who initiated substance use treatment were still engaged in care 34 days later, which exceeds the Quality Compass 2018 national average for Medicaid performance and is an improvement over 2019 performance.



health providers to bill for telephone and video visits using the same codes and rates currently established for in-person visits. BHSD non-Medicaid providers are similarly allowed to bill using established codes for telephone and video visits through the duration of the pandemic. For the 12-month period July 1, 2019 through June 30, 2020, 22,575 unduplicated members were served through telehealth In April 2002, BHSD received a $2 million emergency grant to support treatment services for individuals with mental health and substance use disorders requiring care as a result of the pandemic. Priorities are to train and provide ongoing coaching to providers on evidence-based practices that can rapidly be delivered via telehealth; enhance the New Mexico Crisis and Access Line (NMCAL) to screen, assess, and serve the health workforce and others impacted by Covid-19; implement peer recovery supports; and support the network of crisis response, including telepsychiatry, crisis triage, and mobile outreach. NMCAL created a dedicated crisis line open 24/7 for healthcare workers and first responders to provide professional counseling and support for those on the front lines of the state's pandemic response, and launched NMConnect, a downloadable app that connects New Mexicans to crisis counseling.

Additionally, as part of an effort by the Emergency Operations Center, HSD is partnering with the Department of Health and Tourism Department to provide temporary housing and peer supports for homeless people and individuals displaced from their housing at risk for Covid-19, awaiting Covid-19 testing, or positive for Covid-19. BHSD's Office of Peer Recovery and Engagement trains and identifies peers to provide daily engagement and support for displaced individuals, to monitor for health and overall well-being, encourage participation in behavioral health services, and assist with any additional needs (e.g., food, clothing, medications, cell phones, laundry services and cleaning supplies).

Budget: $63,130.5 **FTE**: 45

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Adults diagnosed with major depression who receive continuous treatment with an antidepressant medication	33.8%	37%	35%	36.4%	G
Individuals discharged from inpatient facilities who receive follow-up services at seven days	45.5%	37.3%	50%	38.4%	R
Individuals discharged from inpatient facilities who receive follow-up services at 30 days	63.3%	53.5%	70%	55%	R
Readmissions to same level of care or higher for children or youth discharged from residential treatment centers and inpatient care	12.4%	8.6%	5%	8.9%	R
Suicides among 15- to 19-year-olds served by the behavioral health collaborative and Medicaid programs	7	6	N/A*	8	Y
Program Rating	R	R			R

*Measure was classified as explanatory and did not have a target.

Department of Health

The Department of Health (DOH) reported declines in performance targets across the agency during the third quarter of FY20. However, very few of the department's performance measures relate to the state's response to Covid-19, to which a significant portion of DOH's resources are now dedicated.

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

	New Mexico Health Indicators	2016	2017	2018	US 2018
1	Drug overdose death rate per 100,000 population	25	25	26.6	22
2	Births to teens ages 15-19 per 1,000 females ages 15-19	29.1	27.6	25.2	21.7
3	Alcohol-related death rate per 100,000 population	66	67	70.3	
4	Fall-related death rate per 100,000 adults ages 65 years or older	92	88	93.9	61
5	Heart disease and stroke death rate per 100,000 population	196	198	193	
6	Suicide rate per 100,000 population	22	23	24.8	
7	Pneumonia and Influenza death rate per 100,000 population	14.0	13.5	14.5	13.5
8	Diabetes hospitalization rate per 1,000 people with diagnosed diabetes	162	162	162	147
9	Third-grade children who are considered obese	19%	20%	23%	23%
10	Adults who are considered obese	29%	29%	30%	32%
11	Adolescents who smoke	No Data	10.6%		9%
12	Adults who smoke	17%	17.5%	15.2%	13.7%

Several U.S. measures for 2018 are not yet reported. Source: DOH

Public Health

The Public Health Program continues to be a cornerstone of the state's response to Covid-19. Since March, the Public Health Program has provided drive through testing sites and testing at long-term care facilities, tribal organizations, assisted living facilities, food processing facilities, grocery stores, childcare workers, first responders, and mining companies. The program reported over half of the 30 thousand statewide Covid-19 tests were performed by the program. On average Public Health is performing 800-1,000 tests per day. During the fourth quarter, the program reported meeting several performance targets. While health offices remained open during the pandemic, the department transitioned some services, such as youth engagement in smoking prevention and the Women, Infants, and Children Program (WIC) cooking clinics, to digital platforms to continue services while reducing person-to-person contact.

Budget: $178,297.4 **FTE:** 818.5

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Participants in the National Diabetes Prevention Program referred by a healthcare provider through the agency-sponsored referral system	0%	29%	25%	27%	G
Children in Healthy Kids, Healthy Communities with increased opportunities for healthy eating in public elementary schools	89%	99%	89%	97%	G
High school youth trained in the Evolvement youth engagement program to implement tobacco projects in their school or community	402	394	375	386	G

Quit Now enrollees who successfully quit using tobacco at seven-month follow-up	30%	32%	30%	30%	G
New Mexico adult cigarette smokers who access DOH cessation services	3.0%	2.7%	2.5%	2.6%	Y
Teens who successfully complete teen outreach programming	362	512	325	502	G
Female clients ages 15-19 seen in DOH public health offices who are provided most or moderately effective contraceptives	61%	82%	62.5%	86%	G
Preschoolers (19-35 months) fully immunized	61.8%	63.8%	65%	62.9%	R
Program Rating	G	R			G

The Epidemiology and Response Program reported from the rate of increase in suicide from 2009 to 2018 was 37 percent compared with a rate of 14.2 percent for the U.S. for this same time.

ERD reported reducing the high rate of suicide in New Mexico requires a comprehensive and multi-faceted approach involving both primary and secondary prevention. Individuals discharged from an emergency department following a suicide attempt are documented to have higher rates of suicide within the first six to twelve months following discharge. The program is implementing an evidence-based program for hospital staff who care for individuals presenting to the hospital Emergency Department with a suicide attempt, are treated, and are then discharged home.

Epidemiology and Response

The Epidemiology and Response Program (ERD) has also played a key role in the state's response to the pandemic, including case investigations of individuals who test positive for Covid-19 and contact tracing of individuals with direct exposure to Covid-19. The program has also mobilized 204 contact-tracing personnel. The program met annual performance targets for pharmacies dispensing naloxone, which support individuals with substance use disorders, and training community members on suicide prevention. The program reports the suicide rate in New Mexico has consistently been more than 50 percent higher than national rates. The state had the second highest age-adjusted suicide rate in 2018, and deaths by suicide increased by 6.7 percent compared with an increase across the nation of 1.4 percent. During this same time period, suicide in New Mexico was the ninth leading cause of death. To improve this health outcome, the state Office of Injury Prevention (OIP) will re-establish the statewide Suicide Prevention Coalition to build the *Strategic Plan for Suicide Prevention*. OIP is establishing a Secondary Prevention of Suicide Program to address the high rate of suicide by preventing suicide in individuals at particularly high risk, including those individuals seen for suicide attempts and then discharged home from emergency departments.

Budget: $28,649.8 **FTE:** 204

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Retail pharmacies that dispense naloxone	73%	83%	80%	93%	G
Community members trained in evidence-based suicide prevention practices	222	522	600	1,030	G
Opioid patients also prescribed benzodiazepines	13%	12%	5%	11%	Y
County and tribal health councils that include evidence-based strategies to reduce alcohol-related harms	11%	18%	20%	33%	G
New Mexico hospitals certified for stroke care	16%	16%	20%	14%	R
New Mexico population served during mass distribution of antibiotics or vaccinations through public/private partnerships in the event of a public health emergency	15%	15%	19%	15%	R
Program Rating	Y	R			Y

Health Facilities

The Facilities Management Division (FMD) provides services for mental health, substance abuse, long-term care, and physical rehabilitation in both facility and community-based settings. Priority admittance for clients in Turquoise Lodge Hospital (TLH) declined below FY19 performance actual but was still above annual targeted performance. TLH provides safety net services for consumers in New Mexico seeking detoxification from drugs or alcohol. Prioritized admission includes pregnant injecting drug users, pregnant substance users, and other injecting drug users, women with dependent children, parenting women, and men and women seeking to regain custody of children. The program stated the decline was due to operational changes related to the pandemic; however, the program is still meeting targeted performance for this measure. Eligible third-party revenue collections declined 2 percent below the previous fiscal year. The collection of this revenue is important for the facilities to remain financially secure. To improve performance for this measure the program is filling vacated billing positions and training staff to handle both current and aged accounts and reviewing services to ensure they are billable under contracts or negotiate new service rates.

Budget: $148,524.9 **FTE:** 2,003

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Priority request for treatment clients admitted to Turquoise Lodge Hospital	59%	68%	50%	66%	G
Turquoise Lodge Hospital detox occupancy rate	86%	83%	75%	68%	R
Long-term care patients experiencing one or more falls with major injury	3.9%	3.9%	4%	5%	R
Eligible third-party revenue collected at all agency facilities	88%	83%	93%	81%	R
Number of significant medication errors per 100 patients	New	2.4	2.0	.2	G
Residents successfully discharged	New	78%	80%	77%	R
Program Rating	Y	Y			Y

Scientific Laboratory

The Scientific Laboratory Program provides a wide variety of laboratory services to programs operated by numerous partner agencies across the state of New Mexico. The program provides a significant level of Covid-19 testing in the state. The program met all annual performance targets.

Budget: $13,580.5 **FTE:** 134.0

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Blood alcohol tests from DWI cases completed and reported to law enforcement within 30 calendar days	43%	44%	90%	91%	G
Public health threat samples for communicable diseases and other threatening illnesses completed and reported to the submitting agency within published turnaround times	99%	97%	90%	97%	G
Environmental samples for chemical contamination completed and reported to the submitting agency within 60 business days	95%	91%	90%	93%	G
Program Rating	Y	Y			G

Developmental Disabilities Support

DOH continued to increase the number of individuals receiving services under the developmental disabilities (DD) and Mi Via Medicaid waivers, and the

DD Waiver Confirmed Covid-19 Cases and Fatalities
(as of July 1, 2020)

	Individuals Tested	Individuals Positive	Deaths
DD Waiver	358	18	6
Mi Via Waiver	1	1	0
State General Fund	4	0	0
Medically Fagile Waiver	11	0	0
Total	**374**	**19**	**6**

Source: DOH

number of individuals registering for the program waiting list declined in FY20. In addition, the number of individuals waiting for services was less than the number of individuals receiving services, which has not been the case for several years. The Developmental Disabilities Support Program has struggled in reaching more than 30 percent of adults receiving employment services since FY18. Nationally, individuals with disabilities experience higher levels of unemployment. The program reported New Mexico has made steady progress toward increasing community-integrated outcomes and performs above the national average of 19 percent.

Budget: $188,943.6 **FTE:** 188	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Individuals receiving developmental disabilities waiver services*	4,618	4,638	N/A	4,934	
Individuals on the developmental disabilities waiver waiting list*	4,834	5,066	N/A	4.743	
Developmental disabilities waiver applicants who have a service plan in place within 90 days of income and clinical eligibility	73%	87%	90%	96%	G
Adults receiving community inclusion services through the dd waiver who receive employment services	26%	24%	34%	29%	Y
Percent of general event reports entered and approved in a timely manner	76%	65%	86%	84%	Y
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

Health Certification, Licensing, and Oversight

The department reported the Health Certification, Licensing, and Oversight Program is also dedicating significant resources to the state's Covid-19 response, including providing all 71 long-term care facilities comprehensive onsite visits and surveys focused on infection control surveillance protocols in March. DOH reported the program is also providing weekly surveillance reviews using video and photograph verification for all long-term care facilities and daily offsite surveillance reviews of nursing homes with positive Covid-19 cases. In FY19, the program reported an increase in the abuse rate of clients receiving DD waiver and Mi Via waiver services and the re-abuse rate remained above targeted performance, which could indicate interventions are not meeting their intended goal.

Budget: $14,917.7 **FTE:** 182	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Abuse rate for developmental disability waiver and Mi Via waiver clients	7%	11%	7%	13%	R
Re-abuse rate (within 12 months - same person) for developmental disability waiver and Mi Via waiver clients	7%	7%	6%	7%	R
Abuse, neglect, and exploitation investigations completed within required timeframes	New	49%	90%	82%	R
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

Aging and Long-Term Services Department

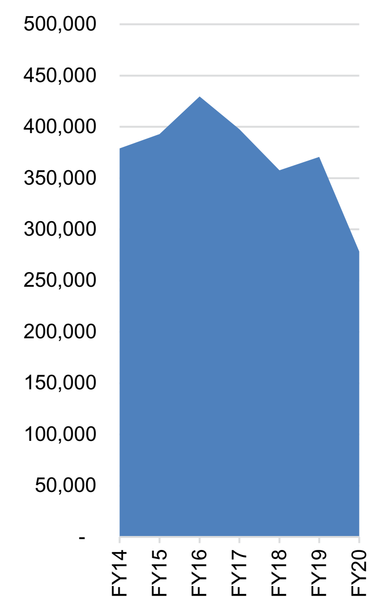
The Aging and Long-Term Services Department (ALTSD) missed most if its targets at the close of FY20. Its mission is to serve older adults and adults with disabilities so that they can remain active, age with dignity, be protected from abuse, neglect, and exploitation, and have equal access to healthcare.

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

Aging Network

The Aging Network did not meet targeted performance for the hours of caregiver support for FY20 and fell far below previous fiscal years. Services included in this measure are home care, adult daycare, respite care, and counseling and support groups. These services are provided by area agencies on aging (AAA) contract providers and the New Mexico chapter of the Alzheimer's Association. The agency reported the Covid-19 pandemic and executive emergency declarations closed adult daycare centers, and the remaining services were affected by the stay-at-home and social-distancing orders. This resulted in the significant decline in FY20 performance results. In addition, due to the pandemic, nutritional support by the Aging Network shifted from senior centers to home-delivered, grab-and-go, and pick-up meals and children's meals. In FY20, 107,862 unduplicated consumers were served 4,120,654 meals. In addition, the agency is also supporting home-delivered food and groceries boxes provided by meal sites, senior centers, and ALTSD. The number of new seniors accessing meal services (grab-and-go and home-delivered) has increased by 49 percent.

Caregiver Support Hours Provided



Source: ALTSD

Budget: $40,195.2 **FTE:** 16

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Older New Mexicans whose food insecurity is alleviated by meals received through the Aging Network	100%	86%	98%	100%	G
Hours of caregiver support provided	357,721	370,538	423,000	278,513	R
Program Rating	Y	R			Y

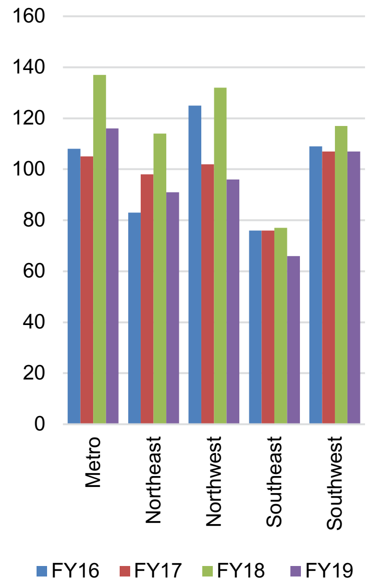
Consumer and Elder Rights

The percent of calls to the Aging and Disability Resource Center (ADRC) answered by a live operator continued to decline in the fourth quarter. With the onset of the pandemic during the third quarter, the program reported a decline in calls being answered by a live operator, due to personnel working remotely and an increase in calls. With over 32,981 calls per month, or an average of 550 per day in the fourth quarter, the agency reported the number of calls were over four times the typical munber of calls. During the fourth quarter, the majority of ADRC personnel were working remotely, taking calls via voicemail, and doing callbacks. The agency reported the top topics of concern for callers continued to be related to Medicaid or Medicare benefits, senior center services, prescription assistance, and Covid-19.

Budget: $5,150.3 **FTE:** 50

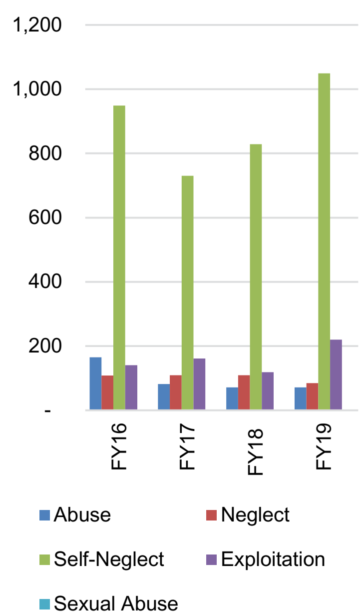
	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Ombudsman complaints resolved within 60 days	92%	96.8%	99%	100%	G
Residents requesting short-term transition assistance from a nursing facility who remained in the community during the six month follow-up	82%	84%	90%	82%	R

Average Annual Investigation per Case Worker
FY16-FY20



Source: ALTSD

Substantiated Allegations by Type



Source: ALTSD

Calls to the Aging and Disability Resource Center that are answered by a live operator	71%	79%	90%	55%	R
Program Rating	Y	Y			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 the fourth quarter, the program met the performance target for priority investigations, making face-to-face contact quickly. However, APS fell below targeted performance in investigations of abuse, neglect, or exploitation and adults receiving services because of an investigation. During the fourth quarter, APS completed 985 investigations, the previous three quarters were closer to 1,500. The department reported the decline from previous quarters was a result of the restrictions on in-person interactions resulting from the pandemic. Previously, APS would receive many of its referrals for potentially abused, neglected, or exploited adults from doctors or banks. However, during the pandemic, the way the public interacts with doctors and banks has changed, and the agency believes it is resulting less referrals for investigation.

Budget: $13,829.6 **FTE:** 132

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Adult Protective Services investigations of abuse, neglect, or exploitation	6,671	6,636	6,150	5,494	R
Emergency or priority one investigations in which a caseworker makes initial face-to-face contact with the alleged victim within prescribed timeframes	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	1,213	3,663	1,500	837	R
Program Rating	Y	G			Y

Corrections Department

New Mexico's prisons are more violent and more understaffed than last year, and the Corrections Department (NMCD) has shown no improvement in its ability to rehabilitate offenders and prevent them from reentering the prison system. With prison populations decreasing almost every month for over 18 months and unprecedented declines in prison admissions over the past two fiscal years, NMCD has had a unique opportunity to reallocate resources to improve its performance, but its Inmate Management and Control (IMAC) Program saw little improvement in its key metrics in FY20. Rates of inmate-on-inmate and inmate-on-staff assaults resulting in serious injury increased significantly in FY20 compared with FY19, on par with the 10-year high in assaults seen in FY18. Despite targeted pay increases, the average vacancy rate among public correctional officers in FY20 was 10 percentage points higher than in FY15. While the three-year recidivism rate for inmates released from NMCD's custody remained steady between FY19 and FY20, it has increased 10 percentage points over the past decade, from 44 percent to 54 percent. NMCD proposed discontinuing all these performance measures in FY22.

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

The department has faced criticism for its handling of the Covid-19 pandemic, particularly at Otero County Prison Facility (OCPF), where almost 90 percent of the inmates have contracted Covid-19. Of the 470 inmates diagnosed with Covid-19 at OCPF as of August 3, NMCD reported 435 had recovered, 31 were considered active but asymptomatic, and four passed away. Recovered inmates returned to the general population, while active cases were kept in medical isolation. NMCD is using a standard of two negative Covid-19 test results to establish if an inmate has recovered; however, this is a higher standard than the U.S. Centers for Disease Control and Prevention recommends for asymptomatic patients, meaning some inmates may be kept in isolation longer than is medically necessary.

Covid-19 Cases at NMCD Facilities
as of 8/14/2020

Facility	Number of Cases	Population	Percent of Population Infected
CNMCF	25	819	3.1%
LCCF	4	1,202	0.3%
NENMCF	1	415	0.2%
NWNMCC	1	385	0.3%
OCPF	472	533	88.6%
PNM	1	677	0.1%
WNMCF	4	370	1.1%

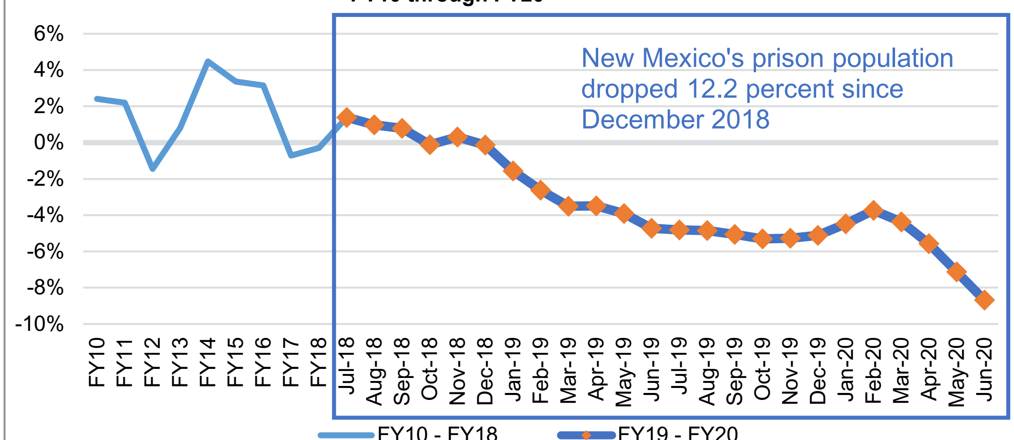
Note: No cases are reported at SNMCF, RCC, SCC, or GCCF.

Source: NMCD, Department of Health

Inmate testing remains relatively sparse, with NMCD conducting just two rounds of surveillance testing (in May and July) of 25 percent of the overall prison population since the beginning of the pandemic. While the scale of the outbreak at OCPF necessitates more widespread testing at that facility, it is unclear if the low number of cases observed at other prisons is due to low rates of infection or low rates of testing.

In FY20, total prison population averaged 6,837 (6,157 men and 680 women), a decrease of 5.4 percent over FY19's average

Inmate Population, Year-Over-Year Percent Change
FY10 through FY20



Source: Sentencing Commission

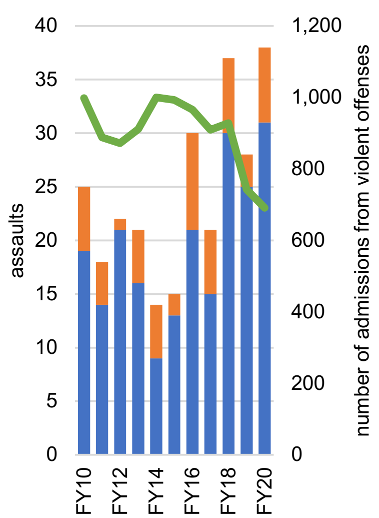
Executive Order 2020-021

Of the 76 inmates released under the governor's April 6 executive order for early release in FY20, 28 inmates (or 37 percent) were released less than a week before their planned release date, and seven were released just one day before.

population. Overall, the average number of inmates dropped by 608 during FY20; significantly, the governor's April 6 order for early release of some inmates accounts for only 12.5 percent of this decrease (76 inmates), while the remaining declines likely represent decreased adjudications due to the Covid-19 pandemic and continued trends in population decreases seen over FY19 and FY20. Since December 2018, each month's average prison population has represented a year-over-year decline, and overall prison population has declined 12.2 percent since then; between June 2019 and June 2020, New Mexico's inmate population dropped 8.7 percent. Prison admissions decreased 15.1 percent in FY19 compared with FY18, the largest year-over-year decline in two decades, and FY20 saw an even larger drop in admissions of 15.6 percent. With an average annual cost per inmate of $40.4 thousand in FY19, these population declines offer an opportunity for significant cost savings.

Inmate Management and Control

Prison Violence. New Mexico's prisons became more violent in FY20, slightly exceeding the 10-year high of inmate-on-inmate assaults seen in FY18 and matching that year's high rate of inmate-on-staff assaults. The high rate of inmate-on-inmate assaults for the year was driven by 14 assaults in the first quarter, the highest number of such assaults seen in a single quarter since before FY16. Throughout the rest of FY20, an average of six inmate-on-inmate assaults occurred each quarter, the same as FY19's average. The causes of the first quarter's assaults are not clear, but NMCD noted the majority of incidents were confined to two facilities. NMCD cites debts from the purchase of illegal drugs as a primary cause of inmate-on-inmate violence and notes mitigation of smuggling illegal drugs into facilities is their primary method of addressing this issue. However, the rate of positive inmate drug tests has decreased every year since at least FY17.



Source: LFC files, NMCD, Sentencing Commission

Release-Eligible Inmates. In the third quarter of FY20, NMCD achieved a significant drop in the percent of release-eligible inmates incarcerated past their scheduled release dates, and the department demonstrated sustained improvement in that area in the fourth quarter. Overall, the department reduced the percent of release-eligible men and women incarcerated past their scheduled release dates by 2.9 percentage points and 1.7 percentage points, respectively, compared with FY19.

NMCD cites increased housing for sex offenders (available as a result of the $750 thousand recurring increase in its FY20 budget for evidence-based community corrections programming) as a primary factor for this change because those offenders are generally the hardest to place. In FY20, NMCD increased the beds available at La Pasada (the only halfway house that houses sex offenders) from 40 to 60. However, despite receiving an additional increase of $500 thousand for evidence-based community corrections programming in FY21, NMCD plans to reduce the beds it pays for at La Pasada to 34, below FY19 levels. This will likely lead more release-eligible inmates to remain incarcerated. NMCD has chosen to reallocate those funds to other providers that do not provide housing for sex offenders.

Recidivism. The three-year recidivism rate has exceeded 50 percent every quarter since the fourth quarter of FY18, and FY20 saw no improvement over FY19's 54 percent rate. NMCD plans to employ a risk, needs, and responsivity assessment at intake to better match inmates with appropriate, evidence-based programming while incarcerated. The department also plans to enhance its prerelease services and states its Recidivism Reduction Division will work collaboratively with outside partners to increase opportunities for offenders on release. However, the department makes no mention of examining its policies related to technical parole revocations (which account for a significant share of reincarcerations) in its improvement action plan for this measure.

NMCD's classification processes may also contribute to high recidivism rates. A July 2020 examination of inmate classification at NMCD by LFC's program evaluation team found the current system is not consistent with best practices and has not been validated. Additionally, the report found that while the majority of prisoners admitted to the system received initial custody scores classifying them as minimum security, more than half are housed in medium-security settings. Inmates in more secure facilities tend to engage in institutional misconduct at higher rates and have higher rates of recidivism than inmates in lower-security prisons, so expanding access to minimum-security settings may help reduce recidivism and its associated costs. NMCD is currently working with the University of New Mexico's Institute for Social Research to validate its custody scoring tool.

Staffing. In the fourth quarter of FY20, vacancy rates among publicly employed correctional officers rose to 36 percent, a 4 percentage point increase over the third quarter. At the same time, vacancy rates among privately employed correctional officers fell 16 percentage points, to 31 percent. While the transition of Northeast New Mexico Correctional Facility in Clayton from private to public operation in the second quarter could account for such changes between the second and third quarters of this year, it cannot directly account for the change seen between the third and fourth quarters, when no positions were transferred between public and private facilities. NMCD erroneously claims the increase in public correctional officer vacancies was a direct result the transition of NENMCF in the second quarter and did not provide an alternative explanation when asked, but the department did state recruitment efforts have not been impacted by the Covid-19 pandemic.

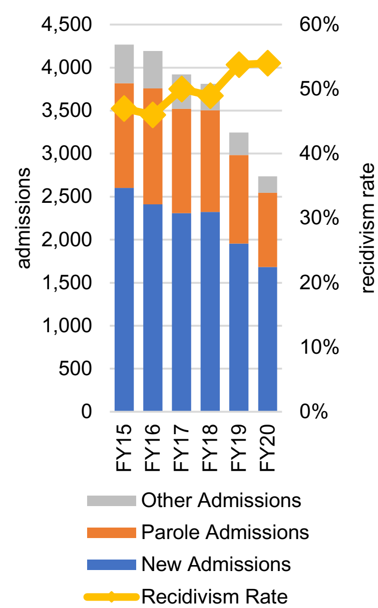
Budget: $275,007.4 **FTE: 1,869**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Inmate-on-inmate assaults with serious injury	30	25	8	31	R
Inmate-on-staff assaults with serious injury	7	3	2	7	R
Prisoners reincarcerated within 36 months	49%	54%	45%	54%	R
Participating inmates who have completed adult basic education*	78%	77%**	N/A	74%	
Release-eligible female inmates still incarcerated past their scheduled release date	8.9%	9.4%	6%	7.7%	Y
Release-eligible male inmates still incarcerated past their scheduled release date	9.2%	9.3%	6%	6.4%	Y
Residential drug abuse program graduates reincarcerated within 36 months of release*	18%	28%	N/A	21%	
Random monthly drug tests administered to at least 10 percent of the inmate population testing positive for drug use*	3.9%	2.9%	N/A	2.5%	
Vacancy rate of state-employed correctional officers	22%	25%	20%	31%	R
Vacancy rate of privately employed correctional officers	NEW	NEW	20%	46%	R
Program Rating	Y	R			R

*Measure is classified as explanatory and does not have a target.

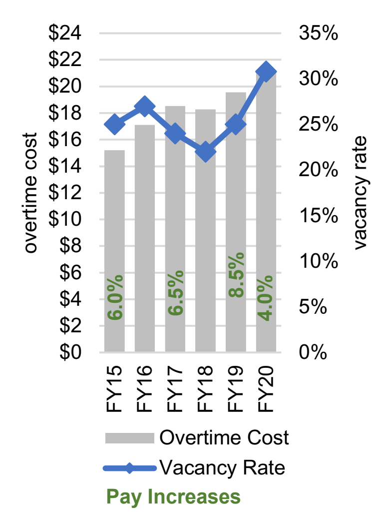
**Although the FY19 values reported quarterly for this measure averaged 62 percent, with a maximum of 67 percent, NMCD reported an FY19 year-end value of 77 percent. LFC and DFA staff have not yet resolved this discrepancy.

Prison Admissions and Recidivism Rates



Source: NMCD, Sentencing Commission, LFC files

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



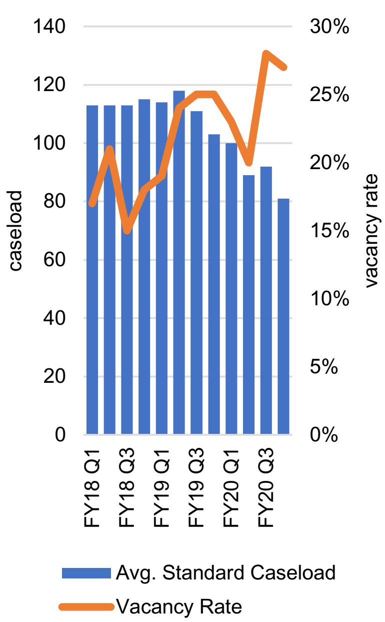
FY20 overtime costs are based on NMCD estimate.

Source: NMCD

Covid-19 Response: Probation & Parole

In response to the Covid-19 pandemic, probation and parole officers are holding virtual office visits with offenders. All officers have been provided with personal protective equipment, including N95 masks used only when conducting field operations or arresting individuals on supervision.

Probation and Parole Vacancies and Caseloads



Source: NMCD

Community Offender Management

The Community Offender Management Program performed well on several of its key performance measures in FY20, including the percent of required monthly contacts with high-risk offenders completed and the percent of absconders apprehended, continuing prior-year trends. This year also saw significant improvements in the average standard caseload per probation and parole officer, 19 cases lower than the FY19 average, and the three-year recidivism rates for graduates of the men's recovery center, which improved by 4 percentage points compared with FY19. However, the three-year recidivism rate for graduates of the women's recovery center was 6 percentage points higher than FY19, a significant decline in the program's demonstrated effectiveness.

Staffing. Vacancy rates among probation and parole officers remained high this quarter and averaged 25 percent overall for the year, an increase over FY19 (24 percent) and a significant increase compared with FY18 (18 percent). The department did not provide a specific, measurable action plan to reduce these vacancies. Despite such a drastic increase in vacancies, the Community Offender Management Program maintained the average standard caseload per probation and parole officer well below its target (decreasing to 81 in the fourth quarter and averaging 91 for the year), indicating that either the number of offenders on standard supervision is decreasing, vacancies are concentrated among officers who would handle specialized caseloads rather than standard caseloads, or both.

Technical Parole Violations. The recidivism rate due to technical parole violations would be a useful metric to collect on a quarterly basis to inform ongoing discussions about reforming sanctions for technical violations and to provide context for the overall recidivism rate. Despite the measure's inclusion in the 2019 General Appropriation Act and multiple requests from LFC staff, the department declined to report this measure quarterly in FY20; however, it has proposed to do so in FY21.

Budget: $36,008.2 **FTE: 377**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Percent of required monthly contacts with high-risk offenders completed	99%	98%	95%	96%	G
Average standard caseload per probation and parole officer	114	110	105	91	G
Male offenders who graduated from the men's recovery center and are reincarcerated within 36 months	26%	27%	23%	23%	G
Female offenders who graduated from the women's recovery center and are reincarcerated within 36 months	21%	19%	20%	25%	R
Absconders apprehended	29%	33%	30%	31%	G
Vacancy rate of probation and parole officers	18%	24%	15%	25%	R
Prisoners reincarcerated within 36 months due to technical parole violations	22%	15%	20%	No Report	R
Program Rating	Y	Y			Y

Department of Public Safety

The Department of Public Safety (DPS) and the New Mexico State Police (NMSP) were significantly impacted by the Covid-19 pandemic. NMSP reduced contact with the public by decreasing proactive policing, traffic operations, and investigations, while redirecting resources to enforce the governor's public health orders and emergency declarations and to respond to protests. As of August 9, state police officers had responded to over 4,600 calls for service related to noncompliance with public health orders, including over 400 related to masks. Additionally, between May 1 and May 10, the governor declared a state of emergency in Gallup under the Riot Control Act, during which time 16 to 35 officers were deployed to Gallup to enforce the emergency provisions.

Protests related to police violence have also impacted state police operations, as NMSP's emergency response team (ERT) has responded to 25 protests for police reform and to reopen New Mexico. Each deployment of the ERT involves between 15 and 50 officers, agents, and supervisors from across NMSP, taking those officers away from their regular duties.

Law Enforcement

DWI Arrests and Enforcement Operations. DWI arrests in FY20 decreased 24 percent compared with FY19. Although the 39 percent drop in arrests between the third and fourth quarters of this year was likely tied to the Covid-19 pandemic, with overall vehicle traffic decreasing and NMSP conducting just two DWI checkpoints (compared with 25 in the third quarter), FY20's overall decline in DWI arrests is part of a longer-term trend that precedes the pandemic. By the third quarter of FY20, DWI arrests were tracking 12 percent below FY19, and DWI saturation patrols were down 42 percent. Even with more patrols conducted in the fourth quarter than the third, overall the number of DWI saturation patrols conducted this year declined 43 percent compared with FY19.

These trends suggest decreased enforcement has resulted in fewer DWI arrests. If drunk driving is declining, such a reallocation of resources is prudent. However, data from the Department of Transportation (NMDOT) suggests this may not be the case. Although NMDOT reports alcohol-involved traffic fatalities declined 10 percent this year compared with FY19, FY20 fatalities totaled 142, just one less than FY18 (a decrease of less than 1 percent). Comparatively, DWI arrests in FY20 were 36 percent lower than FY18, and enforcement operations (both saturation patrols and checkpoints) were down 39 percent.

Manpower. Vacancy rates among commissioned state police officers improved in FY20, averaging 9 percent over the course of the year compared with 10 percent in FY19. NMSP employed 674 officers at the close of FY20, an 8 percent overall vacancy rate, with a 6 percent vacancy rate among state-funded positions and a 50 percent vacancy rate among federally funded positions (of

State Police Force Strength

Fiscal Year	Recruit and Lateral Officer Hires	Total Force Strength[1]
FY16	59	677
FY17	24	661
FY18	60	665
FY19	47	662
FY20	52	674

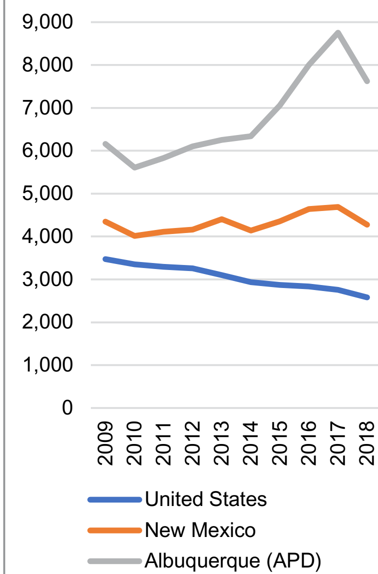
1. Reflects force strength at the close of the fiscal year.

Source: Department of Public Safety

ACTION PLAN

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

U.S., New Mexico, and Albuquerque Crime Rates (per 100 thousand residents)



Source: Federal Bureau of Investigation, U.S. Census Bureau

Police-Involved Fatalities

New Mexico had the highest per-capita rate of civilians killed by law enforcement officers in the country from 2015 to 2019. In FY20, State Police (NMSP) officers were involved in the deaths of six of the 22 civilians killed during interactions with law enforcement officers statewide. NMSP also led or aided investigations into 21 of those deaths.

State Police Investigations of Police-Involved Fatalities

NMSP Role	Number of Cases
Lead (Sole Agency)	10
Lead (Task Force)	1
Participant (Task Force)	9

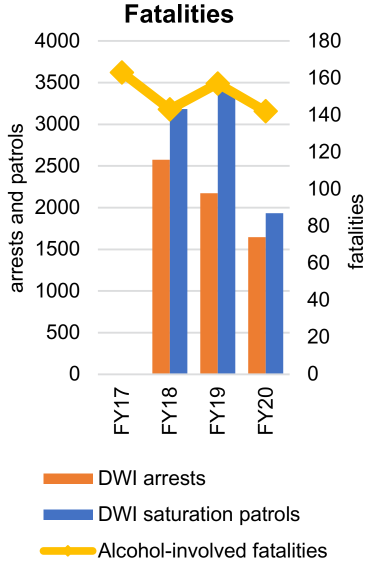
Note: Two individuals killed in a single incident were investigated as one case.

Source: DPS

State Police FY20 Stats

100% homicide clearance rate
9,962 cases investigated
3,049 felony arrests
5,555 misdemeanor arrests
132 crime scenes investigated
339 stolen vehicles recovered

DWI Enforcement Actions and Alcohol-Involved Traffic Fatalities



Note: DWI arrest and saturation patrol measures were new in FY18.

Source: DPS, NMDOT

Crime in New Mexico

In 2018, New Mexico had the second highest violent crime rate in the country and the highest property crime rate. Between 2017 and 2018, New Mexico's violent crime rate increased 8 percent, while its property crime rate fell almost 14 percent. The state also had the fifth highest rate of assaults on police officers (per officer).

which there are only 28). A targeted 8.5 percent pay increase implemented in FY19 likely helped to improve recruitment and retention among officers in FY20. Although planned appropriations to institute a new pay plan for state police officers, dispatchers, and transportation inspectors were reduced as part of the solvency measures passed during the 2020 special session, DPS's revised FY21 operating budget still represents a $2.7 million (or 3 percent) increase in general fund appropriations for personnel in the Law Enforcement Program; however, concerns regarding the stability of this funding and potential funding reductions in FY22 make the department hesitant to implement compensation increases that may not be sustainable.

Although the state police recruit school was suspended in March due to the Covid-19 pandemic, classes were able to resume during the fourth quarter of FY20 and 20 recruits graduated the school. Overall, 44 recruits graduated the NMSP recruit school in FY20 out of 60 who started, a 73 percent graduation rate.

Budget: $125,691.2 **FTE: 1,084.2**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Data-driven traffic-related enforcement projects held	1,926	3,308	1,900	2,851	G
Driving-while-intoxicated saturation patrols conducted	3,184	3,416	975	1,933	G
Commercial motor vehicle safety inspections conducted	88,078	95,041	88,000	68,378	Y
Driving-while-intoxicated arrests	2,574	2,171	2,250	1,647	Y
Program Rating	G	G			G

Statewide Law Enforcement Support

Forensic Laboratory. The forensic laboratory's productivity dropped significantly in FY20, with all but one of the units with measured case types completing fewer cases than either of the past two fiscal years. The number of backlogged cases increased by 31 percent, with 1,514 cases added to the backlog at the close of FY20. The overall vacancy rate among forensic scientists and technicians increased 7 percentage points between FY19 and FY20, and while high vacancy rates and turnover are often cited as the causes of lower laboratory productivity, a closer examination of FY20's results suggests more nuanced issues.

Notably, while the Latent Print Unit lost a highly productive scientist during the second quarter of FY20, it also experienced a 70 percent drop in case completions between the third and fourth quarters, while there was no staff turnover, because the three remaining staff members were impacted by needing to work from home and attending to other high-priority projects, such as the upgrade to the department's Laboratory Information Management System. As a result of only completing 29 cases during the fourth quarter (compared with an average of 132 per quarter over the rest of the year), the unit's fourth-quarter case completion rate was just 17 percent; overall, the unit completed analysis on 42 percent fewer cases in FY20 than in FY19.

On the other hand, the Chemistry Unit, which receives the highest volume of cases, achieved its highest rate of case completions since at least FY17, despite struggling with significant vacancy rates. Indeed, while average staffing levels were lower in FY20 than in FY19, the unit completed 29 percent more cases this year, and the fourth quarter was the unit's most productive in over two years. DPS cites decreased court appearances (a result of the Covid-19 pandemic) as the reason this unit was able to be so productive.

Department of Public Safety FY20 Q4 Forensic Cases Received and Completed

Case Type	Cases Received	Cases Completed	Completion Rate	Pending Cases	Scientist/ Technician Vacancy Rate
Firearm and Toolmark	178	130	73%	479	33%
Latent Fingerprint	167	29	17%	468	50%
Chemistry	1,039	1,217	117%	3,653	31%
Biology and DNA	475	322	68%	1,349	36%

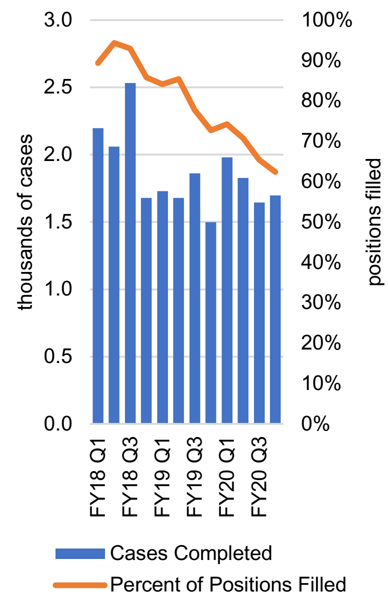
Source: Department of Public Safety

New Mexico Law Enforcement Academy Board. The New Mexico Law Enforcement Academy Board adjudicated 34 complaint cases against law enforcement officers statewide in FY20, an increase of 42 percent compared with the 24 it adjudicated in FY19 (during which the board lacked a quorum for at least two quarters). However, the board closed out FY20 with 140 open cases, 47 percent more than the 95 open at the end of FY19.

Budget: $20,475.4 **FTE: 162**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Forensic firearm and toolmark cases completed	96%	67%	100%	80%	Y
Forensic latent fingerprint cases completed	105%	118%	100%	65%	R
Forensic chemistry cases completed	91%	65%	90%	93%	G
Forensic biology and DNA cases completed	116%	87%	100%	73%	R
Program Rating	G	Y			Y

Forensic Lab Case Completions vs. Percent of Positions Filled



Source: DPS, LFC files

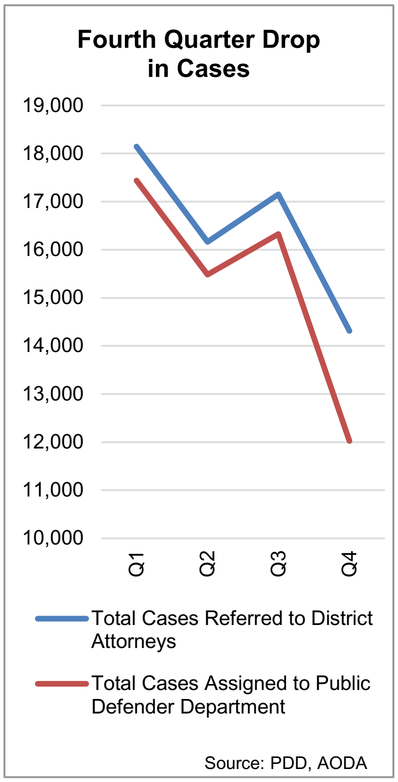
New Mexico Law Enforcement Academy Board

The New Mexico Law Enforcement Academy Board is charged with issuing, granting, denying, renewing, suspending, and revoking a peace officer's certification. Grounds for denying, suspending, or revoking an officer's certification include

- Being convicted of, pleading guilty to or entering a plea of no contest to any felony charge or certain other violations;
- Making false statements or giving any false information to the academy in connection with an application for admission or certification;
- Committing acts that indicate a lack of good moral character, or which constitute dishonesty or fraud;
- Committing acts of violence or brutality; and,
- Committing acts which would be grounds for denial of admission to the academy.

Courts and Justice

ACTION PLAN	
Submitted by agency?	PDD and AOC
Timeline assigned by agency?	PDD and AOC
Responsibility assigned?	PDD and AOC



All criminal justice partners saw a sharp decrease in cases in the fourth quarter of FY20 due to the Covid-19 pandemic. Cases referred to district attorneys and cases accepted by public defenders decreased, and though jury trials resumed in all judicial districts by mid July, in-person jury trials were down about 75 percent for the final quarter of FY20. As the criminal justice system adapts to the public health crisis, a significant increase in cases in FY21 is likely.

Since the district attorneys and the Public Defender Department joined the Administrative Office of the Courts (AOC) in a comprehensive report card format, the unequal reporting of data across the criminal justice system has become apparent. The courts have transitioned many measures to semi-annual reporting, reducing their reliability and value, and lack measures tracking benchmarks of a functioning criminal justice system, such as time to disposition. District attorneys lack critical performance measurements and have not provided action plans where outcomes are poor. The Public Defender Department has improved dramatically in the quality and consistency of reporting for in-house attorneys but continues to struggle with contract attorney reporting and outcomes.

Courts

Administrative Support. AOC has effectively reduced costs in the Adminsitrative Support program through centralized interpreter services and purchase of a new jury management tool that allows for uniform data collection. Though the average cost per juror remained below the target for FY20, the agency expects cost per juror to rise in the next fiscal year as the courts purchase masks and hand sanitizer to safely hold jury trials. The average interpreter cost per session fell dramatically in FY20, but that figure may be artificially low due to the drop in court hearings during the foruth quarter of FY20. According to agency reporting, courts held about one-fourth of the jury trials typically held in a quarter during the fourth quarter of FY20.

Budget: $13,169.1 **FTE: 49.8**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Average cost per juror	$44.65	$41.41	$50.00	$49.17	G
Number of jury trials*	902	955	N/A	725	
District*	650	602	N/A	524	
Magistrate*	181	301	N/A	153	
Metropolitan*	71	52	N/A	48	
Average interpreter cost per session	$154.70	$157.47	$100.00	$117.07	G
Program Rating	G	G			G

*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 FY19 to FY20, but unfortunately recidivism rates for drug-court participants also increased by 4 percent and by 1 percent for DWI-court participants over FY19. Program outcomes were only reported semi-annually in FY20 due to inconsistencies in data collection, case management, and filing practices across state courts. AOC received a $400 thousand special appropriation during the 2020 legislative session to purchase drug-court reporting software, which is now installed in 49 of the 53 special court programs, which will allow for better, more timely reporting in FY21.

Budget: $13,416.3 **FTE: 6.5**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Cases to which Cout Appointed Special Advocates volunteers are assigned*	2,668	2,413	N/A	1,050	
Monthly supervised child visitations and exchanges conducted	14.094	11,698	1,000	11,359	G
Average time to completed disposition in abuse and neglect cases, in days.*	84	85	N/A	61.5	
Recidivism rate for drug-court participant	21%	14%	12%	18%	R
Recidivism rate for DWI-court participants	6%	6%	12%	7%	G
Graduation rate for drug-court participants*	57%	51%	N/A	59%	
Graduation rate for DWI-court participants*	70%	76%	N/A	81%	
Cost per client per day for all drug-court participants*	$23.25	$25.39	N/A	25.38	
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

Statewide Judiciary Automation. AOC began reporting on new measures for the first quarter of FY20 to better gauge the success of the Statewide Judiciary Automation Program. Last year, complications with the Odyssey case management system caused times per service call to increase sharply. Previous targets, which measured call times in hours regardless of difficulty, were unattainable. The new measures track responses and resolutions to customer service requests in days, and AOC surpassed the targets for each quarter of FY20.

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Average time to resolve calls for assistance, in days	NEW	NEW	1	0.33	G
				Program Rating	G

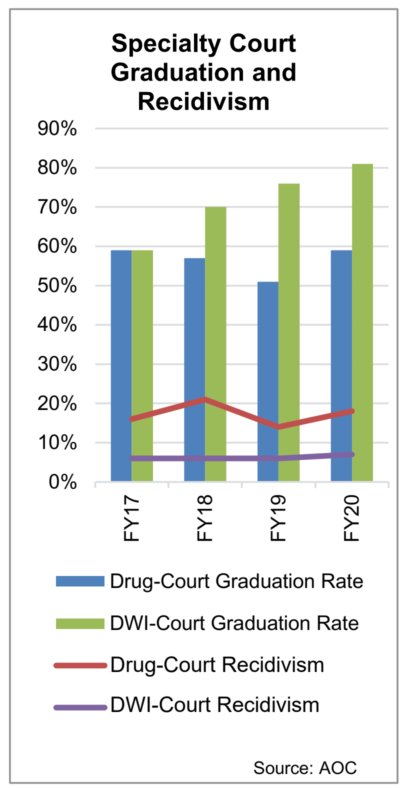
*Measure is classified as explanatory and does not have a target.

District Attorneys

The district attorneys submitted a unified priorities budget for the 2019 legislative session, highlighting common needs in prosecution offices across the state and which the Legislature largely funded. Despite the previous year's success, the Association of District Attorneys chose not to submit a unified priorities budget for FY21, resulting in inconsistent requests across judicial districts. Additionally, the district attorneys were not able to validate four out of five total measures for FY20 in time for the publishing of this report card, further demonstrating the inability to cooperate with each other and the Adminsitrative Office of the District Attorneys. The district attorneys adopted new performance measures for FY21 that examine elements of the agency's work outside of prosecution, such as

Additional Performance Measures Suggested for the Judiciary

- Appearance rate: percentage of supervised defendants who make all scheduled court appearances.
- Re-offenders: number (or percentage) of supervised defendants who are not charged with a new offense during the pretrial stage.
- Release success rate: percentage of released defendants who don't violate conditions of their release, appear for all scheduled court appearances, and are not charged with a new offense during pretrial supervision.
- Pretrial detainee length of stay: average length of stay in jail for pretrial detainees who are eligible by statute for pretrial release.



Performance Measures for District Attorneys Beginning in FY21

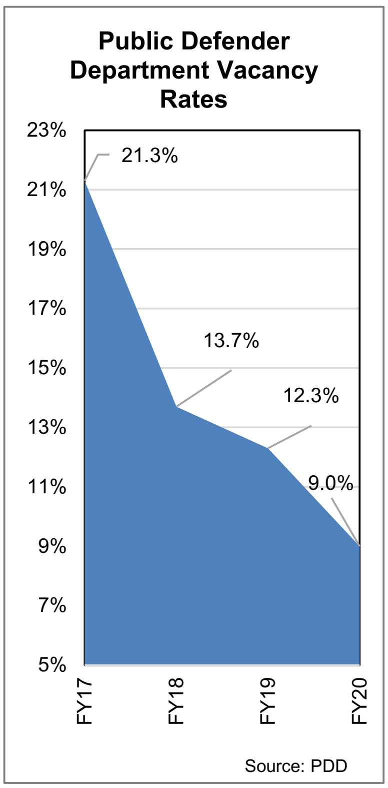
- Detention motion success rate: proportion of pretrial detention motions granted.
- Detention motion rate: proportion of defendants who are motioned for detention.
- Detention motions: number of detention motions made.
- Conviction rate: proportion of cases that result in conviction of those that make it to trial.
- Alternative sentencing treatment: proportion of cases identified as eligible for alternative sentencing treatment.
- Alternative sentencing treatment offers: proportion of cases diverted to alternative sentencing treatment.

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, but only if the agencies are able to commit to timely and accurate reporting.

Budget: $79,486.5 **FTE:954**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Cases prosecuted of all cases referred for screening*	89%	87%	N/A	No Report	R
Average cases handled per attorney	312	264	185	205	G
Average time from filing to disposition for juveniles, in months	4	4	1.75	No Report	R
Average time from filing to disposition for adults, in months	7	7	8	No Report	R
Average cases referred into pre-prosecution diversion programs*	NEW	287	N/A	No Report	R
Program Rating	Y	Y			R

*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 at the end of FY19 that facilitates the production of robust quarterly reports, especially for in-house attorneys. Like other criminal justice partners, PDD has difficulties recruiting and retaining 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 9 percent for the fourth quarter of FY20, the lowest vacancy rate in the last 10 years, significantly reducing attorney caseloads.

For the first year since FY17, PDD did not meet the target for total reduced charges in felony, misdemeanor, and juvenile cases. According to the agency, this is largely due to the dramatic change in how the criminal justice system operated during the Covid-19 pandemic, where limited in-person contact decreased the ability of attorneys to effectively communicate with clients and increased the likelihood that defendents accepted unfavorable plea deals for fear of contracting the virus in detention. Contract attorneys reduced originally filed charges in only 20 percent of assigned cases, according to data provided by PDD, which may be due in part to poor reporting practices and overwhelming caseloads.

PDD currently does not require contract attorneys to regularly close cases in the case management system, likely resulting in underreporting and contributing to low outcomes for contract attorneys. PDD began a pilot program in 2019 to compensate contract attorneys, typically paid a flat rate per case, hourly on designated cases, receiving additional funds and flexibility to use the funds for the same purpose in the 2020 legislative session. Many of those early pilot cases will be resolved in FY21 and will provide data linking the compensation rate for contract attorneys and case outcomes. This data will be critical to the agency because 18 counties with no public defender office rely solely on contract attorneys.

Budget: $55,488 **FTE: 439**

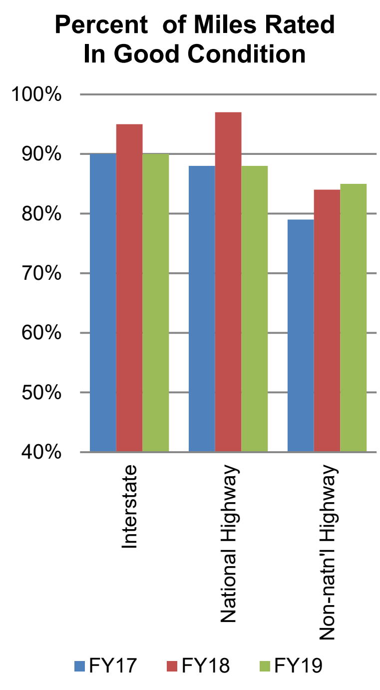
	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Felony, misdemeanor, and juvenile cases resulting in a reduction of original formally filed charges	75%	72%	70%	63%	Y
In-house attorneys	83%	84%	70%	78%	G
Contract attorneys	43%	31%	70%	21%	R
Felony, misdemeanor, and juvenile cases resulting in alternative sentencing treatment	11,548	13,900	5,000	8,003	G
In-house attorneys	10,130	12,281	4000	6956	G
Contract attorneys	1,454	1,169	1000	1047	G
Cases assigned to contract attorneys*	31%	34%	N/A	35%	
Average time to disposition for felonies, in days*	261	326	N/A	268	
In-house attorneys*	256	291	N/A	243	
Contract attorneys*	274	326	N/A	293	
Cases opened by Public Defender Department *	45,237	63,292	N/A	61,294	
In-house attorneys*	31,660	40,628	N/A	40,074	
Contract attorneys*	13,577	22,664	N/A	21,220	
Program Rating	G	G			G

*Measure is classified as explanatory and does not have a target.

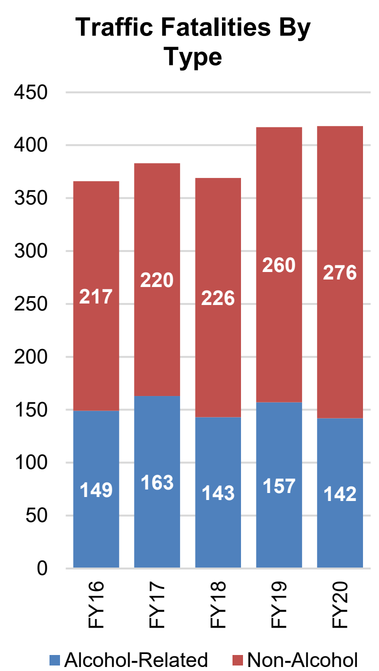
Department of Transportation

ACTION PLAN

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



Source: NMDOT



Source: NMDOT

Despite uncertainty caused by Covid-19, the Department of Transportation (NMDOT) reports project construction has largely been completed on time and within budget. Funding increases appropriated by the Legislature allowed maintenance crews to vastly exceed the target for roadway preservation. Following several quarters of decline, vacancy rates at the department increased as a statewide hiring freeze was implemented.

Despite a reduction in miles traveled resulting from pandemic restrictions, the department reports traffic fatalities matched the high levels experienced in FY19, with fatalities higher than the goal in every category.

The global Covid-19 pandemic has reduced revenue NMDOT receives through taxes on fuel and vehicle sales and significantly reduced use of transit systems, including Park and Ride and the Rail Runner. Despite this uncertainty, the department has continued to effectively administer programs and continue work on its core mission of maintaining and improving the condition of the state's transportation network.

Project Design and Construction

For the past several years, the department has done well in completing construction on time and within budget, though project preparation has been a concern. In FY20, NMDOT made consistent progress in improving its on-time rate for putting projects out to bid. In the first quarter, only 31 percent of projects were bid on time, but this improved to 92 percent by the fourth quarter. The department reports 75 percent of projects were put out to bid on-time, a significant increase over recent years.

Budget: $557,537,600 **FTE: 358**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Projects completed according to schedule	86%	86%	>88%	92%	G
Projects put out for bid as scheduled	54%	35%	>67%	75%	G
Bridges in fair condition or better, based on deck area	96%	96%	>90%	96%	G
Final cost-over-bid amount on highway construction projects	-0.2%	0.2%	<3%	1%	G
Program Rating	G	Y			G

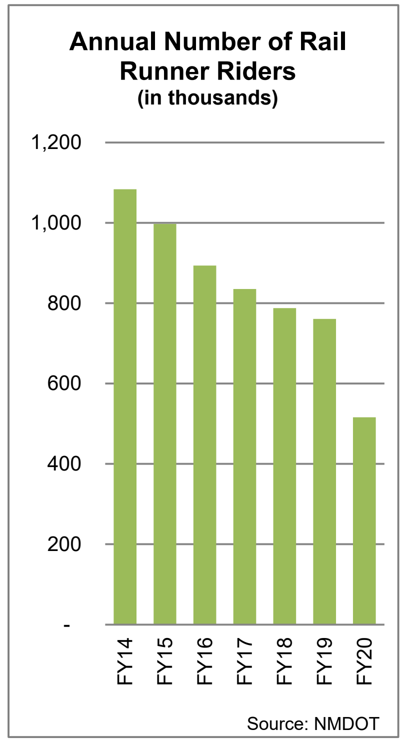
Highway Operations

Maintenance crews exceeded the annual target for pavement preservation by 44 percent in FY20. Meanwhile, road condition data suggests New Mexico roadways deteriorated significantly from the prior year. However, it is likely that FY18 survey data, which showed dramatic year-over-year improvements in road condition, was influenced by the technology, as well as the temporary impact of minor road repairs. Recognizing this, NMDOT partnered with other state DOTs in FY19 to pilot use of new condition assessment technology to better determine pavement distress.

Budget: $251,580,200 **FTE: 1,829.7**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Statewide pavement miles preserved	2,853	3,143	>2,550	3,970	G
Program Rating	G	G			G

FY19 Road Condition Survey	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Target	FY19 Actual	Rating
Interstate miles rated fair or better	95%	93%	95%	>90%	90%	G
National highway system miles rated good	91%	89%	97%	>86%	88%	G
Non-national highway system miles rated good	81%	79%	84%	>75%	85%	G
Lane miles in deficient condition	4,515	4,606	3,783	<5,500	4,420	G
Program Rating	G	G	G			G



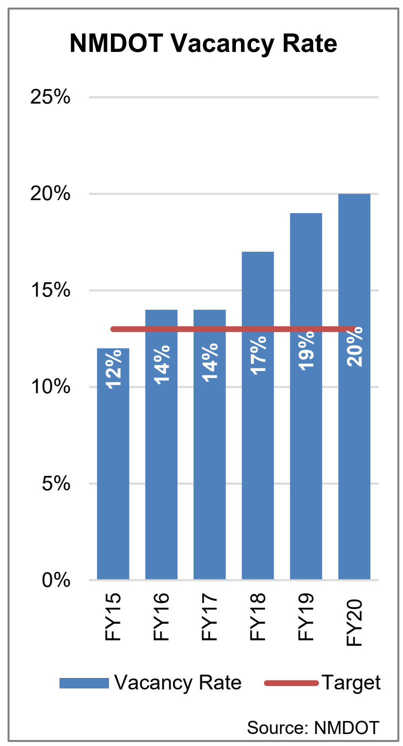
Modal

Despite the decline in driving resulting from public health restrictions, traffic fatalities remain significantly higher than the goals set by NMDOT and are very similar to the levels recorded in FY19. In response to the high fatalities, the department will launch a new television and social media campaign and continue to partner with law enforcement to increase compliance with traffic laws in FY21. Public transportation ridership was reduced significantly with the Rail Runner suspending operations in the fourth quarter and Park and Ride reporting a 77 percent decline between the third and fourth quarters.

Budget: $67,583,000 **FTE: 76**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Traffic fatalities	369	417	<355	418	R
Alcohol-related traffic fatalities	143	157	<135	142	Y
Non-alcohol-related traffic fatalities	226	260	<220	276	R
Occupants not wearing seatbelts in traffic fatalities	118	134	<133	153	R
Pedestrian fatalities	89	78	<72	84	R
Riders on Park and Ride, in thousands	240	230	>275	175	R
Riders on Rail Runner, in thousands*	788	761	N/A	516	R
Program Rating	R	Y			R

*Measure is classified as explanatory and does not have a target.



Program Support

The department reports the vacancy rate for all programs increased from 16.2 percent to 20.4 percent as a result of a hiring freeze imposed in April.

Budget: $43,606,700 **FTE: 242.8**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Vacancy rate in all programs	17%	19%	<13%	20%	R
Employee injuries	87	72	<90	54	G
Invoices paid within 30 days	92%	94%	>90%	93%	G
Employee injuries occurring in work zones	37	27	<35	13	G
Program Rating	Y	G			G

Department of Environment

ACTION PLAN

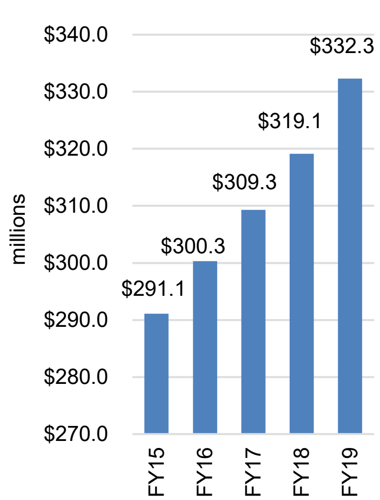
Submitted by agency?	Yes
Timeline assigned by agency?	No
Responsibility assigned?	No

Two bills were introduced during the 2020 legislative session to address some of NMED's revenue challenges.

Chapter 32 (House Bill 312), creates the environmental health fund to consolidate fees collected from four NMED programs.

Senate Bill 209, which did not pass, proposed to increase the maximum fees for food service licenses. NMED estimated that fee change would result in an additional $2.3 million in annual revenue for the agency.

Wastewater Facility Construction Loan Fund Ending Net Position
(FY15-FY19)



Source: State Auditor's Office

The Environment Department (NMED) adapted quickly to the circumstances of the Covid-19 pandemic, finding efficiencies through the technology required for telework and reassigning staff to keep up with the demands of protecting public health in food establishments and workplaces. NMED also developed Covid-19 resources for all employers, drinking water treatment plant operators, food manufacturers, infectious waste management, oil and gas operators, restaurants, and wastewater treatment operators.

NMED's overall performance is difficult to assess because nearly half of the measures are classified as explanatory and do not have a target to measure progress against, and other measures focus more on inputs and outputs than outcomes. To address this problem, NMED submitted revised and new performance measures for FY22. The new metrics emphasize environmental and economic benefits to the public, such as water and air quality, contaminated site remediation, and investments in water infrastructure..

Water Protection

Approximately 1.98 million New Mexicans receive their drinking water from community public water systems, and about 1.96 million, or 98 percent, receive water that meets all health-based standards. Of the community water systems that were issued health-based violations during the fourth quarter of FY20, 10 were issued violations based on a failure to correct deficiencies noted during sanitary survey inspections. In many cases, these deficiencies are easily correctable and only require the water systems to provide compliance documentation showing the issue has been corrected. Seventeen other community water systems were issued more serious violations that often require major infrastructure improvements to treat contaminants. The Drinking Water Bureau works to help water systems understand and comply with drinking water standards that protect public health rather than merely issuing violations.

In FY20, NMED inspected 47 percent of facilities operating under a groundwater discharge permit. The agency reports it was unable to meet its target because staff were occupied with hearing preparation, permit writing, and public engagement related to several controversial proposed permits, as well as the impact of Covid-19 on the ability to perform inspections. NMED plans to increase permit fees in FY21 to generate additional revenue that can be used to fund vacant positions. Current Ground Water Quality Bureau fee revenue covers approximately 10 percent of the program's costs.

Budget: $28,828.9 **FTE: 189**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Facilities operating under a groundwater discharge permit inspected annually	54%	68%	63%	47%	Y
Facilities in compliance with groundwater standards*	N/A	N/A	N/A	439	
Population served by community water systems that meet health-based drinking water standards*	92%	97%	N/A	99%	
EPA clean water state revolving loan fund capitalization grant and matching state funds that are for wastewater infrastructure	100%	100%	100%	100%	G

Capital outlay dollars disbursed, in millions*	$25.6	$8.9	N/A	$13.0	
Loan program dollars disbursed, in millions*	$25.7	$18.1	N/A	$17.7	
Program Rating	Y	G			Y

*Measure is classified as explanatory and does not have a target.

Resource Protection

There are 3,071 underground storage tank systems at 1,164 regulated facilities across the state, of which 176 have outstanding violations that can threaten groundwater. New Mexico's compliance rate is above the national average of 70 percent. Inspections of underground storage tanks stopped in mid-March to comply with the Covid-19 public health order, but staff continued to perform other regulatory and oversight activities remotely and are now gradually returning to field activities. In the fourth quarter of FY20, the Solid Waste Bureau shifted its focus to inspections of medical waste generators related to the public health emergency and conducted 41 inspections compared with the usual 12-15 per quarter. One hundred percent of medical waste generators inspected in the fourth quarter were in compliance with solid waste rules, indicating the state's medical facilities have been properly managing infectious waste during the Covid-19 pandemic.

New Mexico currently has 78 large quantity hazardous waste generators (LQGs), four of which were inspected during the fourth quarter of FY20. Only one inspected generator was found to be in compliance with permit requirements. When the Hazardous Waste Bureau finds an LQG in violation of regulations, it issues an enforcement document and conducts formal enforcement if the responsible party is recalcitrant or the violations are egregious; monetary penalties may be imposed if the enforcement action is elevated to an administrative compliance order.

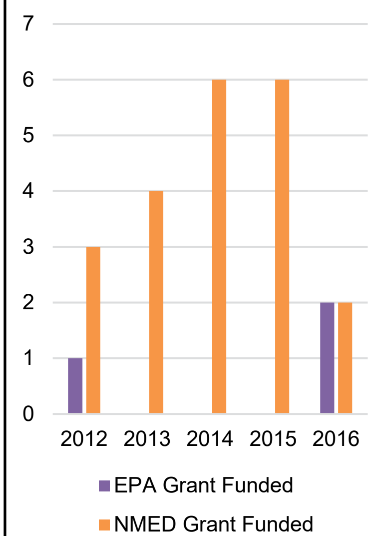
This year, NMED and the Attorney General's Office reached an agreement with ExxonMobil to settle a lawsuit that alleges the company obtained reimbursement from the state's corrective action fund (CAF) to clean up leaking petroleum storage tanks while collecting insurance money for the same costs. ExxonMobil will pay $500 thousand into the CAF as part of the settlement. In addition to holding the industry accountable with state and federal laws, NMED is evaluating options to ensure corrective action funds are primarily used for small, independent facilities and abandoned sites.

Budget: $14,031 **FTE: 133**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Large-quantity hazardous waste generators inspected and in compliance, cumulatively*	32%	39%	N/A	25%	R
Underground storage tank facilities compliant with release prevention and release detection requirements	88%	86%	90%	83%	R
Solid waste facilities and infectious waste generators found in compliance with solid waste rules	94%	95%	95%	95%	G
Landfills compliant with groundwater sampling*	96%	99%	N/A	97%	
Program Rating	Y	Y			G

*Measure is classified as explanatory and does not have a target.

Brownfield Cleanups Completed



Source: Environmental Council of the States

A brownfield is a property whose expansion, redevelopment, or reuse may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant.

Source: Environmental Council of the States

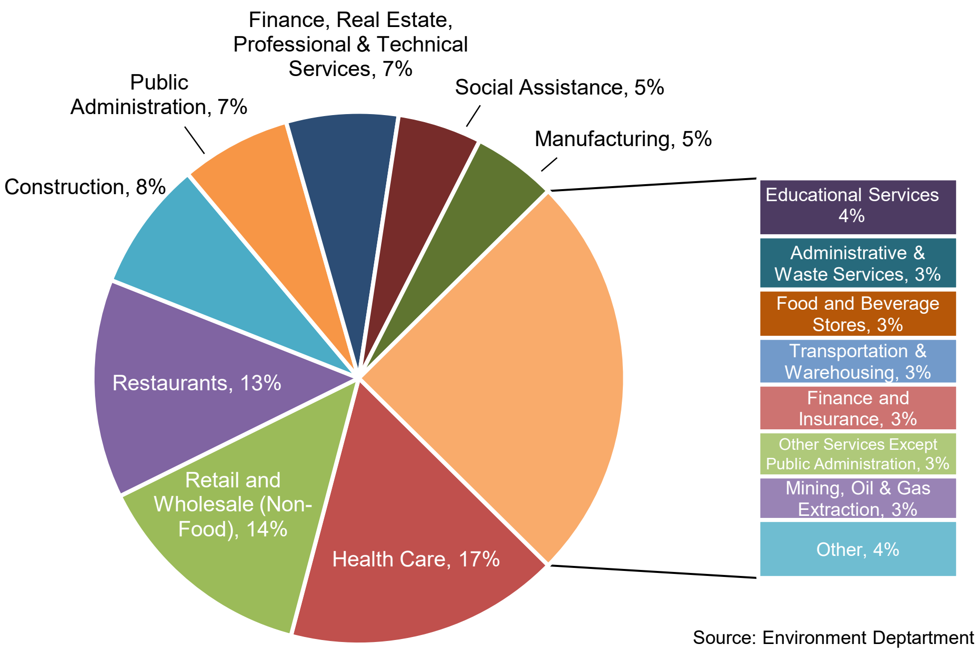
The Petroleum Storage Tank Bureau is increasing outreach and assistance to the regulated community to help improve compliance with regulatory requirements for underground storage tanks. Staff report tank owners may still be learning about new regulations passed in 2018.

New Mexico has 939 confirmed leaking petroleum storage tanks that require and are in various stages of corrective action, with the work potentially eligible for reimbursement from the corrective action fund. In FY20, NMED cleaned up 14 such sites using the fund.

Environmental Protection

The Environmental Protection Division, through its Food Program and Occupational Health and Safety Bureau (OHSB), has been heavily involved in managing the Covid-19 public health emergency. The Food Program is responsible for protecting employees, consumers, and the public from adverse health and safety conditions in food establishments, and thus enforces statewide restrictions on indoor dining per public health orders and provides guidance to food establishments on safely operating during the pandemic. OHSB is responsible for protecting employees of private industry and state, county, and city governments from workplace hazards. As a result, OHSB leads the majority of the state's rapid responses, which ensure employers are following proper safety precautions to prevent the transmission of Covid-19 within their workplaces. NMED has conducted 1,149 of the state's 1,871 rapid responses since May.

Covid-19 Rapid Responses by Economic Sector since May 2020



Source: Environment Deptartment

In the third quarter of FY20, 99 percent of days had good or moderate air quality ratings. 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 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 and violations are not addressed by Air Quality Bureau staff. NMED reports the larger impact on air quality, however, is the increased oil production and related facilities in the state.

Budget: $23,381.5 **FTE: 238.5**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Priority food-related violations from inspections that are corrected	100%	100%	100%	95%	Y
Days with good or moderate air quality index rating	90%	87%	100%	96%	Y
Radioactive material licensees inspected within timeframes due	NEW	100%	95%	95%	Y
Swimming pools and spas in compliance with state standards	100%	100%	100%	100%	G
Program Rating	G	G			Y

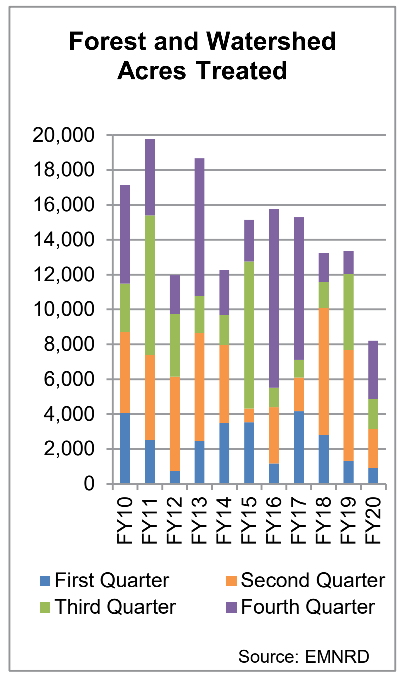
Energy, Minerals and Natural Resources Department

The Energy, Minerals and Natural Resources Department (EMNRD) pursued initiatives in FY20 to improve performance in key areas, such as a modernization and marketing plan to increase State Parks visitation and a reorganization of the Oil and Gas Conservation Division (OCD) that aims to address the agency's need to pay competitive salaries. EMNRD's operations have been significantly affected, however, by the Covid-19 pandemic. State parks were closed during part of the busiest season of the year, trainings and prescribed burns had to be canceled by the State Forestry Division, and positions the OCD planned to fill will likely remain vacant for some time.

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

Healthy Forests

The Healthy Forests Program, also known as the State Forestry Division (SFD), did not meet either of its performance targets for FY20. In the first half of the fiscal year, interest in firefighter training was low due to a slow fire season and fewer opportunities for firefighter deployment. Trainings increased in the third quarter, but once public health orders related to the Covid-19 pandemic went into effect, in-person trainings were canceled. Online trainings through the National Wildfire Coordinating Group were held, but SFD does not have participation data because it was not the organizer of those trainings.



The number of forest and watershed acres treated was also affected by Covid-19 in the third and fourth quarters of FY20. All prescribed burns that had been scheduled for spring were canceled to avoid stressing the respiratory systems of individuals infected with Covid-19 or at elevated risk due to preexisting respiratory illnesses. Some forest thinning operations were also halted until contractors received clarification that natural resource extraction is deemed an essential business and work could resume following Covid-19 safety guidelines. Even before the impact of the pandemic, forest thinning in the first half of the year was limited due to early snowfall and an injunction related to the Mexican spotted owl that stopped most work on national forest system lands. At the start of FY20, SFD had plans to treat roughly 3,000 acres of federal lands.

Budget: $13,828.8 **FTE: 78**

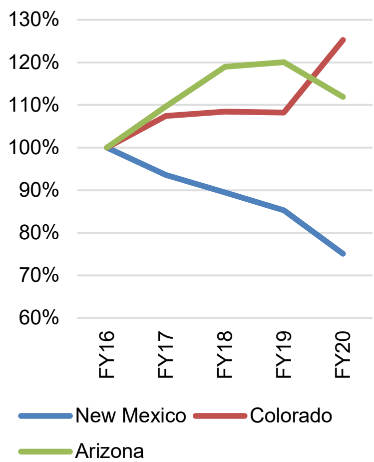
	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Nonfederal wildland firefighters provided training	1,205	1,454	1,500	1,229	Y
Acres treated in New Mexico's forest and watersheds	13,226	13,358	15,500	8,213	R
Program Rating	R	Y			Y

State Parks

State park visitation declined for the fifth year in a row in FY20, falling short of the target of four million visitors. The Covid-19 pandemic suppressed visitation in the third and fourth quarters, when state parks were first closed to the public and then reopened at limited capacity for day-use only. Self-generated revenue in FY20 was approximately $1.2 million less than it was in FY19.

In FY20, the State Parks program began implementing a modernization plan and promotional campaign called Next Generation of Adventure to reduce cash management, improve visitor experience through facilities upgrades and new amenities, and increase park visitation. Along with installing self-pay kiosks and WiFi that would allow for financial card payments, EMNRD may also consider changes to the State Parks fee structure based on the results of a fee study to improve revenue collection.

Regional State Parks Visitation: Percent Change from FY16



Source: EMNRD, Colorado Parks and Wildlife, Arizona State Parks and Trails, Arizona Office of Tourism

Budget: $26,609.9 **FTE: 241.4**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Number of visitors to state parks, in millions	4.7	4.5	4	3.9	Y
Self-generated revenue per visitor, in dollars	1.06	1.02	0.94	1.04	G
Program Rating	Y	Y			Y

Mine Reclamation

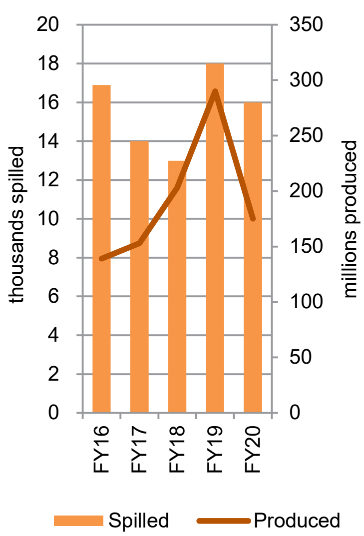
The Mining Act and the Surface Mining Act require that mines obtain a permit that includes an approved reclamation plan and financial assurance that would allow the state to complete the reclamation if the company owning the mine fails to do so. In FY20, all permitted mines were in compliance with this requirement.

Budget: $8,120 **FTE: 32**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Permitted mines with approved reclamation plans and adequate financial assurance posted to cover the cost of reclamation	99%	100%	98%	100%	G
Program Rating	G	G			G

Oil and Gas Conservation

Barrels of Oil Spilled and Produced



Source: OCD Data

The Oil and Gas Conservation Division (OCD) attributes fewer inspections and a lack of compliance with permits and regulations to compliance officer vacancies. For most of FY20, half of OCD's compliance officer positions were vacant. These positions are located in the department's various field offices, which increases the difficulty of hiring. OCD is engaged in a reorganization effort that will fix inconsistencies across district offices and streamline processes to improve compliance and enforcement. Performance data for this program will help determine the effectiveness of this reorganization.

The division continues to process most approved drilling permits within 10 business days but did not meet targets for inspections or abandoned well-plugging. Due to timing conflicts with OCD's well-plugging contractor, no wells were plugged during the first two quarters of FY20. The division issued 2,176 violations to operators in FY20, an increase over FY18 and FY19.

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. Both agencies released draft rules and will take public comment into consideration before proposing the regulations in a formal rulemaking process. 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. Well drilling and grout and sand injection began in fall 2019. The southern void has been stabilized, but additional roof collapse was discovered in the northern portion of the cavern and will require additional filling material and construction work to prevent a catastrophic collapse.

Budget: $11,238.1 **FTE: 70**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Inspections of oil and gas wells and associated facilities	42,880	31,043	42,000	36,852	Y
Application to drill permits approved within 10 business days	99.8%	92.9%	95%	94.6%	G
Abandoned oil and gas wells properly plugged	41	31	50	36	R
Violations issued*	2,081	1,620	N/A	2,176	
Program Rating	G	Y			Y

*Measure is classified as explanatory and does not have a target.

Renewable Energy and Energy Efficiency

The Renewable Energy and Energy Efficiency program, also called the Energy Conservation and Management Division (ECMD), is responsible for developing and promoting clean and renewable energy programs and for monitoring the safe transportation of radioactive waste. In FY20, a sustainability and resilience officer position was created to lead the state's efforts on climate change preparedness and mitigation. Thus far, the sustainability and resilience officer has created ten climate action teams with representatives from all state agencies working on policy proposals for issues, including transportation decarbonization and grid modernization.

ECMD met its goal of reviewing 90 percent of applications for clean energy tax credits within 30 days. FY20 is the first year the program is reporting on technical assistance provided to clean energy projects, which is an explanatory measure without a target. In FY20, ECMD provided technical assistance or contract review for 143 ongoing energy savings performance contract projects and information to seven solar and microgrid projects for potential development in New Mexico.

Budget: $3,009.4 **FTE: 17**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Applications for clean energy tax credits reviewed within 30 days	90%	90%	90%	90%	G
Clean energy projects to which the division provided information and technical assistance*	NEW	NEW	N/A	143	
Program Rating	G	G			G

*Measure is classified as explanatory and does not have a target.

ECMD operates the Energy Savings Performance Contracting program, which implements energy-efficient facility improvements without the need for upfront capital funding from state agencies. ECMD reviews and certifies investment grade audits that guarantee the energy savings will provide for the financing of construction costs.

ECMD also monitors project construction to ensure certified measures are implemented and evaluates monitoring and verification reports to assess the performance of the annual energy savings. LFC recommends EMNRD add performance measures to capture the energy and financial savings created by this program and demonstrate compliance with best practices.

Office of the State Engineer

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

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 to have high-hazard potential, have auxiliary spillway capacity less than 70 percent of the regulatory requirement, and are deficient based on safety criteria with a condition rating of unsatisfactory, poor, or fair.

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
Bear Canyon Dam	Irrigation, Recreation	$6M or more
San Mateo Dam	Irrigation	$3M or more
Nichols Dam	Water Supply	$3M
McClure Dam	Water Supply	$3M
Lower Vallecito Dam	Irrigation	$7M-$8M
Bonito Lake	Water Supply	$10M or more
Alto Lake Dam	Water Supply	$10M or more
Cimarroncito Dam	Water Supply	$10M or more

Source: OSE

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 Interstate Stream Commission and the Litigation and Adjudication Program generally met targets, but the Water Resource Allocation Program has backlogs and difficulty meeting some targets due to vacancies and increasing workload.

Using a special appropriation of $7 million for fiscal years 2020 through 2023, OSE will develop and implement a water conservation and management pilot program for the lower Rio Grande. The agency is working on developing hydrological studies to evaluate how effectively different management actions can reduce consumption, promote aquifer health, and improve surface water deliveries. Staff will also explore best practices in water conservation governance and operations with a focus on groundwater conservation and work to establish an entity to manage a longer-term program.

Water Resource Allocation

The Water Resource Allocation Program (WRAP) has an informal target to keep the number of backlogged water rights applications under 500, which it did not meet in FY20. The program also did not meet the target for water rights applications processed per month, reportedly due to 35 vacant positions in the Water Rights Division and the need to investigate complaints of illegal water use, which are higher due to limited water resources. WRAP staff made efforts in FY20 to increase the number of transactions abstracted in the water administration resource system and are on track to meet the target.

Given ongoing concern about statewide dam safety, OSE should consider revising the performance measure related to dam deficiencies. The current measure reports the number of notices for deficient dams issued each quarter, but this does not provide information on the actual number of dams with deficiencies or what proportion of all dams in the state that number represents. The 10 highest priority, publicly owned dams are currently undergoing rehabilitation work, and FY20 state capital outlay funds were used for four.

Budget: $14,650.9 **FTE:** 182

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Unprotested and unaggrieved water rights applications backlogged*	451	547	N/A	502	Y
Unprotested water rights applications processed, per month	27	30	50	39	R
Transactions abstracted annually into the water administration resource system database	15,612	24,946	20,000	20,432	G
Notices issued to owners of publicly owned dams notifying them of deficiencies or issues	NEW	84	45	58	G
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

Interstate Stream Commission

New Mexico's cumulative Pecos River compact credit continues to be positive. The U.S. Supreme Court's Pecos river master issued his report for water year 2019 on June 24, 2020. The report included an annual debit to New Mexico of 9,800 acre-feet, resulting in a cumulative Pecos River compact credit of 166,300 acre-feet. This credit is due in part to the State's investment in the implementation of the 2003 Pecos Settlement Agreement, including the purchase of water rights and construction of two well fields.

New Mexico's cumulative compact credit includes a 16,600 acre-foot credit associated with evaporation from water held for Texas in Brantley Reservoir between September 2014 and September 2015. That credit is currently disputed in the U.S. Supreme Court, which is scheduled to hear oral argument on October 5, 2020.

Another major interstate conflict is Texas' claim in the U.S. Supreme Court that pumping by New Mexicans from groundwater wells downstream of Elephant Butte Reservoir reduced 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.

Consensus on the accounting of the U.S. Bureau of Reclamation's unilateral release of credit water from Elephant Butte Reservoir in 2011 is part of the U.S. Supreme Court Rio Grande litigation. New Mexico's compact status for calendar year 2020 was an accrued debit of 38,800 acre-feet. The above-average snowmelt runoff for 2019, river sediment plugs that blocked the river channel after the runoff, and the associated very high delivery obligations under the compact made it more challenging for New Mexico to make compact deliveries. The state is required to retain Rio Grande water in storage at all times to the extent of its accrued debit. Consequently, significantly less storage water was available for release to meet middle Rio Grande demands in summer 2020 compared to other dry years.

Rio Grande Compact Article VII storage restrictions went into effect in June 2020 and Interstate Stream Commission (ISC) staff anticipate they will remain in effect through the 2021 snowmelt runoff. With extreme drought conditions persisting, ISC staff project New Mexico will have significant under-deliveries through 2020. The Rio Grande Compact Commission came to an agreement that approximately 38,800 acre-feet of accrued debit water being retained in El Vado Reservoir could be released on an emergency basis to provide flows in the middle valley to support endangered species and agricultural supply.

Reservoir Capacity Statewide

Reservoir	2018	2019	2020 (as of Aug.)
Abiquiu Reservoir	10%	6%	5%
Bluewater Lake	15%	11%	11%
Brantley Lake	3%	3%	2%
Caballo Reservoir	14%	8%	18%
Cochiti Lake	10%	9%	
Conchas Lake	79%	51%	
Costilla Reservoir	78%	23%	21%
Eagle Nest Lake	54%	43%	
El Vado Reservoir	43%	8%	23%
Elephant Butte Reservoir	18%	8%	8%
Heron Reservoir	38%	14%	27%
Lake Avalon	65%	33%	
Lake Sumner	28%	33%	11%
Navajo Reservoir	72%	51%	76%
Santa Rosa Reservoir	21%	12%	

Note: Annual reservoir capacity is reported as of December 31 each year.

Source: U.S. Natural Resources Conservation Service

Budget: $13,563.5 **FTE: 46**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Cumulative state-line delivery credit per the Pecos River Compact, in thousand acre-feet	137.9	170.8	> 0	166.3	G
Cumulative delivery credit per the Rio Grande Compact, in thousand acre feet	-0.7	5.4	> 0	-38.8	R
Cumulative New Mexico unit fund expenditures, in millions*	$9.02	$14.83	N/A	$20.1	
Program Rating	G	G			Y

*Measure is classified as explanatory and does not have a target.

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 FY20 reflects subfile activity in the Lower Rio Grande and Animas water rights adjudications. The percentage of water rights that have judicial interpretations represents the percentage of water rights adjudicated in open, active streams and basins. It does not reflect the total number of adjudicable water right subfiles in New Mexico because that number cannot be accurately ascertained before the entire state is adjudicated. This measure is therefore affected not only by new judicial determinations but also by the closure of completed streams and basins and opening of new adjudications. Such a change in the number of open, active streams and basins was the cause of the increase from 67 percent in FY18 to 75 percent in FY19. For FY20, 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.

Budget: $6,931.9 **FTE: 66**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Offers to defendants in adjudications	298	456	250	444	G
Water rights that have judicial determinations	67%	75%	70%	76%	G
Program Rating	G	G			G

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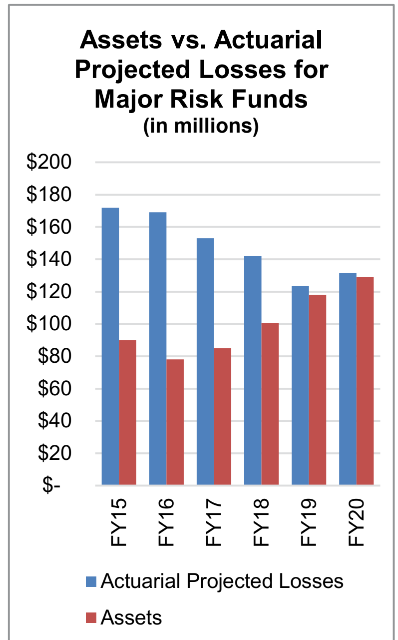
General Services Department

The General Services Department (GSD) has made significant progress in addressing the most pressing challenges facing the department, from master planning efforts at the facilities management division to reconstituting the risk management advisory board to provide greater transparency and accountability in the state's insurance program. However, performance measures often overlook these critical areas. For example, the report does not include measures of square footage per employee to better determine what facilities are over- or underutilized and the group health benefits measures do not focus on program cost-containment or identify drivers of medical expense, despite a projected FY21 deficit of nearly $30 million in the program.

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

Risk Management

The property, liability, and workers' compensation funds had a combined balance of $129 million at the close of FY20, up from $118 million in FY19. The Risk Management Program has a goal of maintaining sufficient fund balance to cover 50 percent of liability losses. The public liability fund is fully funded with assets of $72 million and liabilities of $70 million. The public property fund has assets of $21.4 million and liabilities of $2.9 million. The strong financial positions of the risk funds over the past several years show rates are more than sufficient to cover liabilities.



Source: GSD and LFC Files

Budget: $8,870,700 **FTE: 59**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Projected financial position of the public property fund*	697%	581%	N/A	736%	G
Projected financial position of the workers' compensation fund*	54%	52%	N/A	60%	G
Projected financial position of the public liability fund*	51%	89%	N/A	103%	G
Program Rating	G	G			G

*Measure is classified as explanatory and does not have a target.

Group Health Benefits

Health benefits spending was reduced significantly in the fourth quarter as a result of cancellations of elective procedures due to the Covid-19 pandemic. The Group Health Benefits Program reported a medical cost trend of -2.5 percent on a per member, per month basis. Despite the reduction, the program continues to face significant revenue shortfalls and ended the FY20 fiscal year with a balance of $5.6 million, significantly less than the industry-recommended fund balance of at least $31 million, or approximately one month's worth of claims. Projections show the program is on track for a $30 million deficit at the end of FY21; however, decreased utilization resulting from the pandemic may have a positive impact on the fund as fewer people receive care.

Premium revenue collected by the Group Health Benefits Program is not sufficient to cover the costs of providing medical care for the insured population. Additionally, the program lacks performance measures focusing on tracking the health of the fund and cost-containment strategies.

Budget: $385,147,000 **FTE: 0**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
State group prescriptions filled with generic drugs	89%	88%	90%	87.2%	Y
Change in premium (approximately $14 million increase)	4%	4%	4%	4%	G

Change in average per-member, per-month total healthcare cost	2%	0.4%	<5%	-2.5%	Y
Increase in the number of members designating the Stay Well Health Center as their primary care provider	NEW	2.7%	≥3%	7.2%	G
Program Rating	Y	R			G

Appropriations to GSD for Building Repair and Maintenance

FY20	$5,000,000
FY19	$1,500,000
FY18	$0
FY17	$4,000,000
FY16	$3,500,000
FY15	$0
FY14	$4,500,000
FY13	$500,000

Source: LFC Files

Facilities Management

Covid-19 has dramatically changed the way state agencies perform their work; state facilities sit empty as government employees work remotely. Some agencies have found telework arrangements are improving efficiency and are well-liked by employees. The Facilities Management Division (FMD) began working with other agencies to determine the extent to which telecommuting will continue after the pandemic and how that will impact the need for space. FMD is attempting to reduce the state's facility footprint by moving employees from leased space to state-owned facilities and reducing occupied square footage to account for telework.

FMD approved six new facility leases in the fourth quarter, all of which met the space standard of 215 square feet per employee. While the department has made progress in keeping new leases within the space guidelines, no measures capture cost-containment in the program. For example, LFC analysis found 29 facilities with cost per square foot over 20 percent higher than the average for the county in which the facility is located. The department should consider additional measures to track spending per square foot to ensure that lease costs are competitive.

GSD reports that 73 of the 579 state facilities measured had a facility condition index of 65 or greater, meaning it would be more cost-effective to demolish and rebuild the facility than to repair it.

Budget: $13,970,900 **FTE: 142**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Capital projects completed on schedule	97%	98%	97%	96%	G
Preventive maintenance completed on time	92%	57%	95%	75%	R
New office leases meeting space standards	64%	86%	75%	93%	G
Program Rating	G	G			G

FY20 Leased and State-Owned Office Space by Square Foot and FTE

Department	Leased Space	State-Owned Space	Total Space	Total FTE	Sq. Ft. Per FTE
Aging and Long-Term Services	38,780	32,403	71,183	196	363
Department of Environment	123,659	67,822	191,481	515	372
Department of Health	284,734	1,230,263	1,514,997	3,067	494
Human Services Department	677,575	115,720	793,295	1,705	465
Public Education Department	13,407	61,613	75,020	219	343
Regulation and Licensing Department	24,188	58,473	82,661	247	335
State Engineer	63,251	89,967	153,218	271	565
Superintendent of Insurance	7,270	26,918	34,188	85	402
Taxation and Revenue Department	207,582	171,526	379,108	808	469
Workers Compensation Administration	9,865	44,886	54,751	108	507
Other	649,979	3,279,802	3,929,781	5,450	721
Total	**2,100,290**	**5,179,393**	**7,279,683**	**12,671**	**575**

Source: LFC Files and GSD

State Purchasing

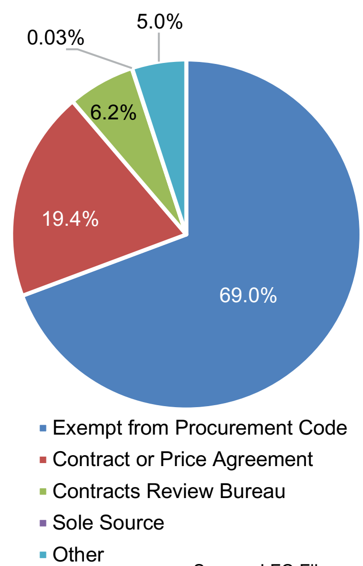
Many of GSD's performance measures are relative to prior fiscal years, resulting in targets becoming unattainable over time. For example, requiring 20 percent year-over-year growth in best value procurements is unsustainable in the long term. GSD should consider other metrics that would better capture program efficiency and effectiveness.

Agency purchasing slowed significantly in the fourth quarter as a result of the Covid pandemic. There were four best value procurements in the fourth quarter, down from nine in the fourth quarter of FY19, a decrease of 34 percent for the quarter and 2 percent for the year.

Budget: $2,351,100 **FTE: 28**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Procurement code violators receiving procurement code training, as compared with previous fiscal year	TBD	99%	90%	113%	G
Agencies with certified procurement officers	97%	91%	95%	92%	G
Percent increase in best value procurements, as compared with the previous fiscal year	23%	2.3%	20%	-2.0%	R
Program Rating	G	Y			Y

State Purchasing By Category



Source: LFC Files

Transportation Services

Of the 1,977 vehicles in the state fleet, 357 met or exceeded 750 miles per month or were used daily. The reduction in the percent of vehicles meeting target use is due to travel limitations imposed as a result of the Covid-19 pandemic. The program was rated as red for failure to meet the target, though the performance outcome was out of the control of the agency.

Budget: $8,866,400 **FTE: 33**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Vehicle operational cost per mile	$0.46	$0.49	<$0.59	$0.48	G
Vehicles used 750 miles per month	61%	65%	70%	56%	R
Program Rating	Y	G			Y

State Printing

The State Printing Program reports revenues exceeded expenses by $157 thousand, or 5 percent in FY20. The increase in sales revenue was well below the target, but the program continues to report high on-time deliveries and short project turnaround.

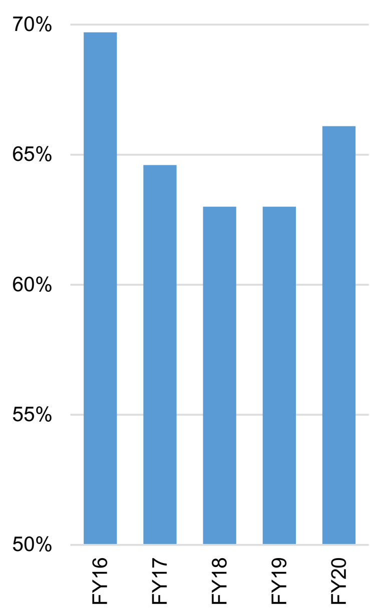
Budget: $1,750,300 **FTE: 9**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Revenue exceeding expenditures	NEW	NEW	5%	5%	G
Sales growth in revenue	36%	31%	15%	8.6%	R
Program Rating	G	G			Y

State Personnel Office

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

New Employees Completing One-year Probation Period



Source: SPO

The State Personnel Office (SPO) reports a slight increase in the statewide vacancy rate in the fourth quarter, likely resulting from a hiring freeze imposed in April. Over 800 new classified employees were hired in each of the first three quarters, but this fell to 409 new hires in the fourth quarter. The state vacancy rate has been inflated by a number of long-time vacant positions included in the employee roster. Many of these positions are no longer needed as government increased efficiency through the use of technology.

Salary increases awarded by agencies on an ad hoc basis fell from an average of 244 per quarter for the first three quarters to 80 in the fourth quarter. SPO reports current average total compensation of $88.7 thousand, composed of an average base salary of $50.7 thousand and benefits totaling $38 thousand. This compares favorably with the U.S. Bureau of Labor Statistics figures for May, 2019, which show an average salary in New Mexico of $47 thousand. However, the high cost of benefits for state employees erodes take-home pay and may make state employment less attractive.

The number of newly hired state employees completing their first year of service increased to 66 percent, an improvement from the 63 percent reported in FY18 and FY19 but well below the 75 percent target. The loss of 34 percent of new hires contributes to the state's high turnover rate. Approximately 27 percent of the state employees left their jobs in FY20. Fourteen percent of employees left state government employment while 13 percent of employees left their positions due to promotion or transfer to another job within the state system. While turnover due to promotion is often positive because it indicates a career pathway, high turnover may also indicate individuals are not finding opportunities for career advancement at their agency. The data available do not separate those employees who left a position as a result of promotion from those who moved from one agency to another or who pursued lateral moves within an agency.

Budget: $4,252,400 **FTE: 46**

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Classified service vacancy rate	18%	19%	13%	21%	R
Average days to fill a position from the date of posting	71	50	55	56	G
Average state classified employee compa-ratio	101%	103%	100%	103%	Y
Average state classified employee new-hire compa-ratio	100%	99%	95%	100%	R
New employees who complete their probationary period	63%	63%	75%	66%	R
Classified employees voluntarily leaving state service	14%	14%	15%	12%	G
Classified employees involuntarily leaving state service	1.4%	1.2%	5%	2%	G
State employee average overtime usage per month*	15.0 hours	15.3 hours	N/A	15.4 hours	
State employees receiving overtime*	18%	18%	N/A	19%	
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

Taxation and Revenue Department

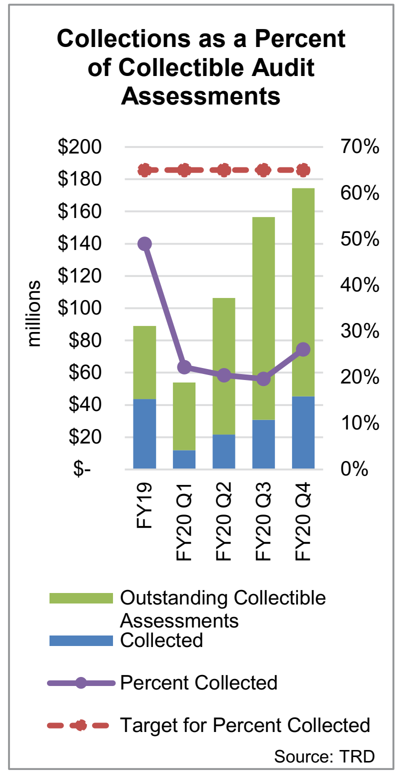
The Taxation and Revenue Department (TRD) fell short of its FY20 collection targets and targets for delinquency tax collection but made improvements in Motor Vehicle Division (MVD) call center and office wait times, as well as in resolving tax protest cases. Improvements in MVD processes and an increased focus on training and customer services led to improvements in performance.

The agency's overall vacancy rate fell from 27 percent to 20 percent during FY20, although a statewide hiring freeze will make it difficult to further reduce vacancies. The Property Tax Division had the highest vacancy rate at the end of FY20, at approximately 32 percent.

During FY20, TRD continued to implement changes to its information technology (IT) as required by 2019 legislation authorizing numerous tax code changes. For FY21, the agency received $8.4 million for enhancements to its combined reporting in GenTax, its tax administration software system, including required tax changes.

Due to the public health emergency, TRD district offices and MVD offices are open by appointment only, with a majority of the department's workforce working remotely. TRD has modified its enforcement efforts through the end of August, with no new liens and levies, and extensions to payment plans and audit deadlines.

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



Tax Administration

The Tax Administration Program fell short of collections targets in FY20. At the end of the fiscal year, the program had collected 19 percent of total outstanding balances of $723.7 million, similar to its prior years' performance and slightly short of a target of 23 percent. The program had collected 26 percent of $174.4 million of outstanding collectible audit assessments, falling short of its goal of maintaining collections at 65 percent. TRD indicates a high volume of audits initiated in the prior fiscal year made maintaining collection levels challenging. The performance measure was modified the 2020 General Appropriation Act to reflect what TRD believes is a more feasible timeline to collect outstanding assessments. The existing measure includes a 90-day protest period, during which collection actions are not taken. The new measure will be effective in FY21.

The Audit and Compliance Division (ACD) began using a new data analytics tool to identify the most collectible audit assessments and also implemented software that includes credit card processing and payment plan functionality. For FY21, ACD plans to implement enhancements to its collection manager tool as part of the GenTax upgrade. Given ongoing challenges with meeting collectible targets, ACD could benefit from a detailed improvement action plan.

As of April 2020, the amount of taxes under protest related to open cases was approximately $569 million.

Budget: $32,211 **FTE:** 495.8

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Collections as a percent of collectible outstanding balances from the end of the prior fiscal year	17%	19%	23%	19%	Y
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	50%	49%	65%	26%	R

Electronically filed personal income tax and combined reporting system returns*	87%	Not reported	N/A	90%	G
Program Rating	Y	Y			Y

*Measure is classified as explanatory and does not have a target.

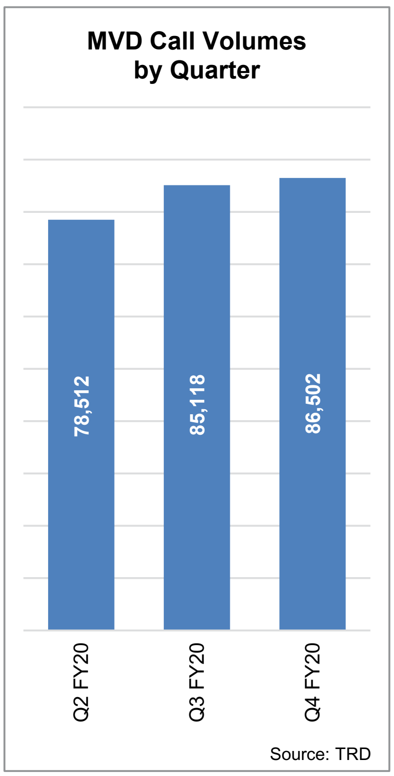
Motor Vehicle Division

The average wait time in MVD offices in FY20 was 16:29, slightly above the target wait time of 15 minutes. However, no data was reported for the fourth quarter of FY20, a period in which MVD offices were open by appointment only. MVD has made progress in decreasing wait times and implemented a queuing system in FY20 that streamlined customer processing. The agency also focused improvement efforts on offices with high customer volumes.

REAL ID Deadline Extended

Due to the public health emergency, the Department of Homeland Security extended the deadline for REAL ID enforcement to October 21, 2021, after which a REAL-ID-compliant license will be required for domestic air travel and entry to federal buildings. Approximately 70 percent of New Mexico licenses are REAL-ID-compliant

While offices are operating on an appointment-only basis, MVD is not emphasizing processing times and is focusing on maintaining social distancing and proper hygiene practices. Offices are operating with 50 percent of staff in office, while the other 50 percent telework. Limited capacity might be making it difficult for New Mexicans to secure appointments for in-person transactions. For example, for a driver's license appointment, the Santa Fe MVD office did not have any available appointments on its website, while the soonest available appointment at the Santa Fe MVD Express was on November 20. It is not clear whether transaction volume from the MVD has shifted to MVD Express offices.



The average MVD call center wait time was 10 minutes in FY20, above the target wait time of four minutes. However, the average wait time in the fourth quarter was just under four minutes. MVD has seen an increase in calls due to office closures, with call volumes increasing approximately 10 percent between the second and fourth quarters. MVD is implementing a new phone system that will allow customers to complete some basic transactions through an automated system, without needing to speak with an agent, and will also allow more calls to be placed on hold, which could increase average wait times but will ensure that more customers are able to connect to an agent.

The share of registered vehicles with liability was slightly below the target of 93 percent. MVD continues to face challenges in addressing late and erroneous reporting by insurance companies. In coordination with the Office of the Superintendent of Insurance, MVD should develop a clear action plan with target completion dates to remedy this ongoing issue.

Budget: $30,586 **FTE:** 338

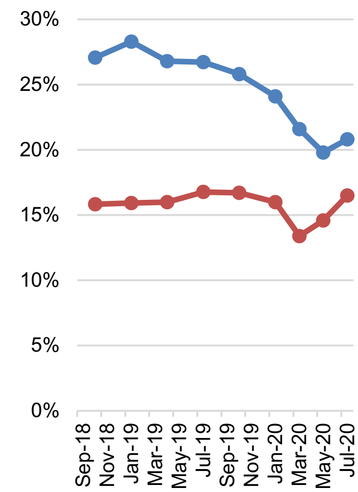
	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Registered vehicles with liability insurance	90%	90%	93%	91%	Y
Average wait time in offices with electronic queue management, in minutes	20:45	16:01	<15:00	16:29	Y
Average call center wait time to reach an agent, in minutes	3:55	14:09	<4:00	10:00	R
Program Rating	Y	Y			Y

Property Tax

The Property Tax Program collected and distributed a total of $10.4 million in delinquent property tax to counties in FY20, below its $13 million target, and collected 16.8 percent of total delinquent property taxes, slightly below its 18 percent target. Public sales of delinquent property did not take place in the fourth quarter of FY20, due to the public health emergency, adversely impacting delinquent property tax collections. TRD is working on a procedure to hold tax sales remotely.

Budget: $4,281 **FTE:** 41

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Delinquent property tax collected and distributed to counties, in millions	$14.6	$12.9	$13	$10.4	Y
Percent of total delinquent property taxes recovered	22.4%	21.2%	18%	16.8%	Y
Program Rating	G	G			Y



Source: SPO headcount reports

Compliance Enforcement

The agency met its FY20 target for referral of gross receipts tax, personal income tax, and corporate income tax investigations to prosecutors. During the fiscal year, TRD referred 114 percent of investigations to prosecutors. The number of tax investigations opened annually is small, causing this measure to fluctuate significantly between quarters and years, at times going above 100 percent. During FY20, seven cases were opened and eight were referred to the court system. Due to the public health emergency, the department is not conducting field audits.

Budget: $1,613 **FTE:** 21

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Tax investigations referred to prosecutors as a percent of total investigations assigned during the year	113%	61%	85%	114%	G
Program Rating	G	R			G

Program Support

The department exceeded its performance target in FY20 for the number of tax protest cases resolved, resolving 1,744 cases. The department also met its target for implementing internal audit recommendations, with 95 percent of recommendations implemented. However, the Internal Audit Division shifted its focus in FY20 to documenting procedures for all of TRD and is counting completed internal controls as part of the measure on implementation of internal audit recommendations. These efforts, while important, do not directly address the performance measure and should not be counted toward targets.

Budget: $20,925 **FTE:** 182

	FY18 Actual	FY19 Actual	FY20 Target	FY20 Actual	Rating
Tax protest cases resolved	1,315	1,003	1,550	1,744	G
Internal audit recommendations implemented	94%	61%	92%	95%	Y
Program Rating	G	R			Y

The estimated cost for 10 key projects included in the FY20 IT status report is currently over $561.4 million, including $211.8 million for the Human Services Department's (HSD) Medicaid management and information system (MMIS) replacement project and $65.6 million for the Children, Youth and Families Department's (CYFD) comprehensive child welfare information system project, both of which have some level of federal financial participation.

Medicaid Management and Information System Replacement Project. HSD reports this upgrade is expected to be fully functional and an overall improvement to the agency's ability to adequately provide Medicaid services, but replacing the state's more than 15-year-old MMIS continues to pose risks due to its high estimated cost, strict federal requirements to leverage matching funds, project delays, and changes to the project management methodology throughout the course of project implementation. At the end of FY20, HSD reported the MMISR project was behind schedule and would be delayed by 17 months with expected completion now in May 2023. HSD has spent over 61 percent of the overall project budget, and the project continues to be supported by a 90/10 federal funding match.

Comprehensive Child Welfare Information System. Replacing the legacy Family Automated Client Tracking System (FACTS) with a modular, integrated child welfare information system is estimated to be complete in August 2022, with an overall estimated budget of $44.7 million – 50 percent to 90 percent of which is intended to be federally funded from the U.S. Department of Health and Human Services and the U.S. Administration for Children and Families, with a cost to the state of between $4.5 million and $22.3 million over the course of the project. Currently, federal approval of the project plan and cost allocation methodology is still pending but is needed to ensure the system meets federal design requirements to receive federal funding. Risks to federal participation, a lack of project management or independent evaluation, and the overall system complexity leave the project at high risk.

Project Status Legend	
	Project is on track; scope, budget, schedule, and deliverables are being managed appropriately.
	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.
	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	**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):		$14,299.4			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$14,300.0	$0.0	$14,300.0	$13,990.4	$309.6	97.8%		
FY20 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget					Project is within budget. $1.65 million in appropriations from 2014 and 2015 will be reverted for Phase III implementation, in addition to the $5 million appropriated for Phase III from Laws 2016. An additional $100 thousand was appropriated in FY20.			
Schedule					Project is 99 percent complete but schedule delays due to weather and resource constraints are reported. Site surveys and engineering for the final phase are complete.			
Risk					Constraints reported by the agency include weather and available external and internal resources.			
Functionality					The SWIRE project provided infrastructure and equipment upgrades to 89 towers and replacement of over 900 of the 8,000 mobile and portable subscriber units. While all subscribers have access to the upgraded infrastructure, not all subscribers have access to the two-way radio system which will be addressed in the P25 project.			
Overall					Phase III is entering the final stages. Site surveys for the final stage have been completed, but equipment is still in the process of being ordered. Budget and risk status remain manageable.			

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	Implementation		**Estimated Implementation Date:**		6/30/2022; revised 6/30/2026			
			Estimated Total Cost (in thousands):		$150,000.0; revised $176,711.66			
	State	**Federal**	**Total Available Funding[1]**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$29,300.0	$0.0	$29,300.0	$21,708.6	$7,591.4	74.1%		
FY20 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget					DoIT increased the estimated cost by 17 percent, but has no unified strategic plan for completion of the remainder of the project. Spending to date includes $18.6 million awarded to Motorola Solutions.			
Schedule					Site surveys for Albuquerque and Bernalillo County have been completed and final site surveys are scheduled for Phase II. Schedule status remains yellow due to final implementation date of FY26. However, this phase is on track for completion in FY22.			
Risk					DoIT reports agency resource constraints, but no schedule delays as a result Covid-19 restrictions. Project support for DoIT's subject matter expert is limited, with only part-time project management services, posing risk to project prioritization and governance. Project relies on multi-year capital appropriations, posing risks for continued progress.			
Overall					Bernalillo County, a priority region, approved updated coverage maps. DoIT currently anticipates full deployment for ABQ and BernCo by November 2021. However, risk remains high due to lack of project governance and strategic planning. DoIT's ability to improve the state's communications network capacity through P25 radio system will rely on improvements to planning and project management.			

[1]Total available funding includes an additional $7 million appropriated through capital outlay in Laws 2020, with $5 million from the equipment replacement fund.

Agency	361	Department of Information Technology (DoIT)				
Project Name	Enterprise Cybersecurity Upgrade (ECU)					
Project Description	To establish framework and foundation for the state's cybersecurity structure, including identifying tools for compliance monitoring and cybersecurity management, and implement an enterprise cybersecurity operations center system.					
Project Phase	Initiation	Estimated Implementation Date:	6/30/2024			
		Estimated Total Cost (in thousands):	$7,000.0			

	State	Federal	Total Available Funding[1]	Spent to Date	Balance	% of Budget Expended
In thousands	$7,000.0	$0.0	$7,000.0	$1,000.0	$6,000.0	14.3%

FY20 Rating	Q1	Q2	Q3	Q4	Status
Budget					DoIT reassessed the ECU project and will not close-out the $1 million portion of the project. Instead, DoIT will submit a change request to the Project Certification Committee in November to include $6 million appropriation in the budget and request additional certified funds for a project manager.
Schedule					DoIT reported delays resulting from recruiting the new State Chief Information Security Officer (CISO) and new support contractor for the project, but reports project initiatives have continued. Having filled these positions, scheduling delays should be addressed but Covid-19 impacts are still yet to be determined.
Risk					DoIT hired a CISO in April and is seeking additional certified funds to establish a project manager. Given Covid-19 impact on working remotely, cyber risks are likely to increase and project management services will be required to mitigate project risk.
Overall					Analysis of state cybersecurity inventory is underway. Third-party vulnerability scans by RiskSense have been completed for 12 of 38 agencies, but results have not been reported. Risk is high due to lack of project governance and schedule delays. The functionality of the project is yet to be determined given delayed completion date.

[1]Total available funding includes an additional $6 million general fund appropriated through capital outlay in Laws 2019.

Agency	361	Department of Information Technology (DoIT)				
Project Name	New Mexico Rural Broadband					
Project Description	Maximize availability of broadband connectivity across the state's rural areas.					
Project Phase	Initiation	Estimated Implementation Date:	6/30/2023			
		Estimated Total Cost (in thousands):	$10,000.0			

	State[1]	Federal	Total Available Funding	Spent to Date	Balance	% of Budget Expended
In thousands	$10,000.0	$0.0	$10,000.0	$544.4	$9,455.6	5.4%

FY20 Rating	Q1	Q2	Q3	Q4	Status
Budget					Budget risks remain, pending federal reimbursement for Covid-19 broadband awards made through the project. In Spring 2020, DoIT awarded Cochiti Pueblo $2.9 million and Sacred Wind Communication $2.1 million for broadband expansion projects at the Pueblo and in Sierra County. DoIT has yet to award other project funds from the $10 million capital appropriation to date.
Schedule					Schedule status has improved given the deliverance of DoIT's state broadband strategic plan in June 2020. However, the plan did not outline specific actionable projects to prioritize in implementation. Lack of project manager may also contribute to schedule delays.
Risk					The release of the strategic plan should improve project direction and unify goals, but the plan provided cost estimates that are exorbitant ($2 to $5 billion), posing risk to continued progress pending further appropriations. DoIT also reports no longer receiving contract Project Management services which could impact oversight capabilities.
Overall					Given Covid-19 impacts on remote work, telehealth services, and online education, the project will focus on addressing urgent Covid-19 connectivity needs. It is unclear whether DoIT will need to reassess project schedule considering growing urgency of broadband availability.

[1]Laws 2018 appropriated $10 million general fund through the capital outlay process.

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):		$14,230.2		
	State[1]	Federal	Total Available Funding	Spent to Date	Balance	% of Budget Expended	
In thousands	$14,230.2		$14,230.2	$7,959.4	$6,270.8	55.9%	
FY20 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Current project funding is adequate for the COTS solution, and all funds are DoIT certified to date. Laws 2020 authorized an extension in FY21 for $2.3 million appropriated in Laws 2018.		
Schedule					The project continues to be behind schedule and delays in product development persist. Vendor has increased staff resources, but adjusted work locations for the department and unavailability of resources resulting from Covid-19 closures will likely further delay project schedule.		
Risk					NMCD reported the IT division vacancy rate is between 17 and 23 percent and the agency will not be filling these positions due to budget constraints. Covid-19 work constraints and competing priorities may further increase project risk.		
Overall					The overall project is 60 percent complete, while construction phase is 57 percent complete. The department plans to complete 2/3 of planned functionality by December 2020, anticipating full implementation by June 2021. Schedule delays pose continued risk.		

[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 nonpayer 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:	Planning		Estimated Implementation Date:		6/30/2021; revised 12/2022		
			Estimated Total Cost (in thousands):		$7,381.3		
	State	Federal	Total Available Funding	Spent to Date	Balance	% of Budget Expended	
In thousands	$7,381.3		$7,381.3	$756.7	$6,624.6	10.3%	
FY20 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Budget risk has decreased given that DPS did not request funding for FY20, but will use $166,340 in funds carried over from the original Computer Aided Dispatch (CAD)/Record Management System (RMS) project budget throughout FY20. DPS also secured an extension of $1.5 million in FY18 appropriations for use through FY21 in HB2.		
Schedule					The project is moving forward and DPS has secured vendors for Project management, IV&V and request for proposals (RFP) writing services which should improve oversight and monthly reporting. The project schedule was rebaselined to account for the project hiatus, but vendor selection may cause further delays.		
Risk					Organizational change management (OCM) remains a risk, as the new system will be a significant change for DPS. Effective implementation of the OCM plan is necessary to ensure effective system intergration. A new Chief Information Officer has been hired and briefed on the project, but IT vacancies remain. Impacts of Covid-19 closures have been reported to affect hiring.		
Overall					A COTS integrated records management solution will minimize or eliminate the need for standalone or specialized programs. Uncertainty remains about how Covid-19 may affect the project. Continued work with the Project Steering Committee for organizational change management planning will help ensure system is integrated effectively.		

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; revised 11/30/2020		
			Estimated Total Cost (in thousands):			$10,000.0		
	State[1]	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$10,000.0	$0.0	$10,000.0	$5,395.7	$4,604.3	54.0%		
FY20 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget					Project is within budget but SLO estimates a potential budget increase pending Go Live date; total increase is yet to be determined. Budget of $10 million for implementation has been certified, with 54 percent of total budget spent to date. SLO secured an extension of FY19 funding through FY21 in HB2.			
Schedule					User acceptance testing is delayed, originally extended to accommodate resource constraints resulting from Covid-19 and Deloitte personnel changes. Go live date is expected no earlier than November 2020. However, given significance of tracking and generating state revenue through the RAPS system, delays may grant agency more time to ensure proper functionality before system rollout. Despite schedule delays, agency continues to collect and distribute revenues on time.			
Risk					Potential risks remain due to overall project complexity and schedule delays. SLO reports staff training sessions are ongoing for system maintenance. Although Covid-19 has required the vendor and SLO staff to work remotely, ceasing travel of contractors,SLO team has compensated through use of daily video conferencing.			
Overall					Implementation planning has occurred but schedule delays persist. IV&V is currently in place which should improve quality assurance. SLO staff, given their management of system testing throughout and training sessions with the vendor, will have experience and familiarity with the system that should ease the agency's transition. Schedule should be monitored to estimate and address any further delays to implementation.			

[1]Laws 2018 appropriated an additional $5 million available for expenditure through FY20; the appropriation is from state lands maintenance fund.

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:**			12/2021; revised 5/2023		
			Estimated Total Cost[1] (in thousands):			$211,805.6		
	State	**Federal**	**Total Available Funding[2]**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$16,677.5	$149,735.6	$166,413.1	$101,949.2	$64,463.9	61.3%		
FY20 Rating	Q1	Q2	Q3	Q4	**Status**			
Budget					Project is currently within budget, with $206 million appropriated for use through SFY21 with just over 61% of total appropriations expended to date. Advanced planning documents that include outside agency spending for DOH, Children, Youth and Families Department and Aging and Long-Term Services Department have been approved. The project is supported by a 90 percent federal funding participation match.			
Schedule					Project is behind schedule to accommodate new procurement for system integration services and Business Transformation Council work. Schedule re-baseline is planned and project is set to complete in FY23. Contracts for a new system integrator are expected to be awarded in December 2020, slowing progress until completed.			
Risk					A mitigation plan has been developed for "stagnant risks," but the agency did not describe these risks. Resource constraints due to competing operation duties may impact project progress. Proposed schedule re-baseline could postpone estimated return on investments for the project until final completion, originally planned for 2021 now extended to 2023.			
Overall					Due to complexity, high cost, and high risks, the overall project status remains red. Progress has been made on updating deliverables timeline and securing system integrator contracts, but resource constraints and schedule delays persist.			

[1] CMS approved budget including HHS2020 partner agencies.
[2] 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.

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/Planning	Estimated Implementation Date:		Phase I 10/26/21; Overall 8/20/22			
		Estimated Total Cost (in thousands):		$36,000.0; revised $44,700.0			
	State	Federal	Total Available Funding¹	Spent to Date	Balance	% of Budget Expended	
In thousands	$6,000.0	$2,095.6	$8,095.6	$3,888.9	$4,206.7	48.0%	
FY20 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Project budget is at risk pending federal approval. The project has $4.94 million certified by the Project Certification Committee. Estimated project budget, with only 18 percent having been appropriated to date, adds to total risk considering reliance on continued appropriations. Federal funding status is currently under review.		
Schedule					Federal approval of the modules, project management vendor contract, change management plan and IV&V contracts are required and critical, and continues to impact the schedule. Contract for the pilot was executed in June 2020 but no anticipated project management or IV&V vendor has been reported.		
Risk					Continuation of the project without Federal approval will jeopardize the remaining planned Federal funding match, up to $12.3 million in FY22. Without approval, the state would have to cover the remaining costs of the project and reassess strategies for project continuation. Data validation issues also pose risk, having escalated to the Cabinet Secretary in July. Results of the escalation have not yet been reported.		
Overall					Due to the complexity and high risk, the overall status remains red. Federal approval for the implementation phase is critical and has delayed progress. Covid-19 response impacts delivery of laptops, hardware, User Acceptance Testing and training activities.		

¹Total available funding includes an additional $7 million appropriated in Laws 2019: $5.5 million from the general fund and $1.5 million federal.

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.						
Project Phase	Implementation	Estimated Implementation Date:		TBD			
		Estimated Total Cost:		$65,581.9			
	State	Federal	Total Available Funding¹	Spent to Date	Balance	% of Budget Expended	
In thousands	$5,710.9	$4,485.9	$10,196.8	$3,864.0	$6,332.8	37.9%	
FY20 Rating	Q1	Q2	Q3	Q4	Status		
Budget					Laws 2020 authorized an extension through FY21 for $3.4 million previously extended through FY20 in Laws 2019. HSD awarded a $7 million contract to Deloitte, having paid a total of $4.9 million to date.		
Schedule					Completion of the more current platform is etimated for August 2021. Project schedule is at risk as HSD is re-evaluating the project timeline to accommodate more leveraging of MMISR investment partners. The IV&V report continues to indicate impacts on schedule due to VDI procurement delays, up to 15 weeks.		
Risk					Resource constraints due to competing operation duties may impact project progress considering hiring freezes and move to remote work. Schedule impact and risk analysis is in progress, according to the agency.		
Overall					HSD awarded a $200 thousand IV&V contract to ReSpec under statewide price agreement. Having IV&V actively involved will continue to improve monthly project status reporting. Risks remain from project complexity and schedule delays. The system replacement should allow for cross-agency data collection and analysis of child support enforcement reporting.		

¹Total available funding includes an additional $5.2 million appropriated in Laws 2019: $1.8 million general fund and $3.4 million federal.

Other IT Projects of Concern

Agency	**420**	**Regulation and Licensing Department (RLD)**				
Project Name	**Permitting and Inspection Software Modernization Project**					
Project Description:	Modernize RLD's permitting and inspection software (replacing Accela).					
State Funding (in thousands):	$2,330.1	**Spent to Date:**	$1,138.5	**Project Phase:**	Implementation	

► RLD's Construction Industries Division (CID) permitting collects an estimated $4 million in revenue.

► The agency is at a high risk due to aggressive timeline and staffing and resource constraints. RLD submitted a change request to scope, schedule and budget to the PCC in August 2020. Adding Phase III (Boards and Commissions) has extended the timeline to complete Phase III until July 2022.

► RLD has finalized key contracts for a project management vendor, system integrator, and IV&V vendor, demonstrating progress in the fourth quarter. The Manufactured Housing Division (MHD) pilot will transition to production operation on 8/10/20.

► RLD is contracting with another vendor to complete the workflow documents for CID; agency reports CID requirements gathering is 90 percent completed. Payment of services are beginning to be submitted.

► RLD purchased licenses for the solution platform prior to completion of the requirements gathering. This practice was also followed in the prior failed project. LFC staff cautioned the department against repeating history.

► Stakeholder engagement for CID is critical to ensure workflow and business processes are adequately documented.

Post-Implementation Issues

Agency	**690**	**Children, Youth and Families Department (CYFD)**						
Project Name	**Enterprise Provider Information Constituent Services (EPICS)**							
Project Description:	Multi-phase/multi-year project to consolidate CYFD's legacy system (FACTS) and 25+ stand-alone systems into one enterprise wide web application. EPICS scope consists primarily of the Early Childhood Services program.							
Project Phase	Close-out pending		**Implementation Date:**		6/30/2018			
			Estimated Total Cost (in thousands):		$19,827.3			
			Total Cost (in thousands):		$19,111.7			
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**		
In thousands	$10,636.8	$9,190.5	$19,827.3	$19,111.7	$715.6	96.4%		

Post Implementation Rating		Status
Overall		EPICS project scope was scaled down, resulting in data silos, additional vendor costs, and program integrity concerns. No changes to overall project status have been reported. The system was intended to represent the state's early childhood learning data system, but the system did not consolidate all databases in EPICS as originally planned. Project remains under budget but final closeout is still pending.
Functionality		The web application provides the ability to determine eligibility for family services such as child care assistance, food services, and home visiting. While some elements of EPICS are working, the department did not succeed in developing an early childhood integrated system and no improvements to functionality have been reported for this quarter. Lack of clear program vision and IT governance structure early on likely contributed to revised scope.

Agency	394	State Treasurer (STO)					
Project Name	**SHARE Integrated Treasury Solution**						
Project Description	Implement the SHARE treasury management module to streamline the cash management and investment management processes by eliminating manual booking of investments into the SHARE general ledger. Implementation will improve accuracy, timeliness, and data integrity.						
Project Phase	Closed		**Implementation Date:**		4/30/2018		
			Estimated Total Cost (in thousands):		$1,950.0		
			Total Cost (in thousands):		$1,946.3		
	State	**Federal**	**Total Available Funding**	**Spent to Date**	**Balance**	**% of Budget Expended**	
In thousands	$1,950.0		$1,950.0	$1,946.3	$3.7	99.8%	
Post Implementation Rating		**Status**					
Overall		Implementation of the SHARE treasury module did not meet the full business needs of the agency in terms of participant balance tracking, with participant balances transferred back to QED effective July 1, 2019. The PeopleSoft software has a design flaw, and the vendor did not provide a timeline for remediation. With the exception of tracking participant balances, other SHARE modules are being used by the agency and project closed-out under budget.					
Functionality		STO is using the treasury module, but is relying on the legacy system for investment reporting. The QED vendor upgraded the system at no cost to STO, and implementing additional functionality for $43 thousand.The annual maintenance cost for the QED system is $145 thousand.					

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 requirements for management information systems and electronic benefits transfer delivery for WIC benefits.						
Project Phase	Closed		**Implementation Date:**		11/30/2018		
			Estimated Total Cost (in thousands):		$7,004.9		
			Total Cost (in thousands):		$7,089.9		
	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%	
Post Implementation Rating		Status					
Overall		Deployment of an enterprise web-based system and comprehensive clinic and participant case management system is fully operational, completed on time but over budget. No changes to overall project status are reported for the fourth quarter. The WIC program issues benefits to approximately 39.4 thousand state participants with deployment at 70 NM clinics.					
Functionality		While the department has corrected and validated the majority of its reports, impact of the improvements to the program is not clear. The status of overall data validation and reporting remains unknown and no changes to functionality have been reported.					

Tables

GENERAL FUND AGENCY RECOMMENDATION SUMMARY — TABLE 1

Business Unit	Description	FY21 Operating Budget	FY22 Agency Request	FY22 Recomm.	$ Over FY21 Oper.	Percent Change
Legislative						
111	LEGISLATIVE COUNCIL SERVICE	6,200.9	6,045.9	6,200.9	0.0	0.0%
112	LEGISLATIVE FINANCE COMMITTEE	4,432.8	4,315.0	4,432.8	0.0	0.0%
114	SENATE CHIEF CLERK	1,542.8	1,504.3	1,542.8	0.0	0.0%
115	HOUSE CHIEF CLERK	1,493.5	1,456.1	1,493.5	0.0	0.0%
117	LEGISLATIVE EDUCATION STUDY COMMITTEE	1,394.1	1,364.1	1,394.1	0.0	0.0%
119	LEGISLATIVE BUILDING SERVICES	4,315.8	4,186.3	4,315.8	0.0	0.0%
131	LEGISLATURE	1,843.2	1,850.6	1,843.2	0.0	0.0%
Total	**Legislative**	21,223.1	20,722.3	21,223.1	0.0	0.0%
Judicial						
205	SUPREME COURT LAW LIBRARY	0.0	0.0	0.0	0.0	0.0%
208	NEW MEXICO COMPILATION COMMISSION	529.9	504.0	504.0	-25.9	-4.9%
210	JUDICIAL STANDARDS COMMISSION	879.2	835.2	857.6	-21.6	-2.5%
215	COURT OF APPEALS	6,569.6	6,753.2	6,569.6	0.0	0.0%
216	SUPREME COURT	6,267.7	6,481.8	6,267.7	0.0	0.0%
218	ADMINISTRATIVE OFFICE OF THE COURTS	38,456.5	39,548.9	36,821.9	-1,634.6	-4.3%
219	SUPREME COURT BUILDING COMMISSION	0.0	0.0	0.0	0.0	0.0%
231	FIRST JUDICIAL DISTRICT COURT	10,310.6	10,602.6	10,586.6	276.0	2.7%
232	SECOND JUDICIAL DISTRICT COURT	25,826.3	26,788.7	26,304.3	478.0	1.9%
233	THIRD JUDICIAL DISTRICT COURT	9,942.3	10,223.2	10,164.3	222.0	2.2%
234	FOURTH JUDICIAL DISTRICT COURT	3,839.7	3,970.6	3,889.7	50.0	1.3%
235	FIFTH JUDICIAL DISTRICT COURT	10,428.0	10,715.9	10,528.0	100.0	1.0%
236	SIXTH JUDICIAL DISTRICT COURT	5,397.6	5,574.3	5,457.6	60.0	1.1%
237	SEVENTH JUDICIAL DISTRICT COURT	4,007.2	4,139.1	4,042.1	34.9	0.9%
238	EIGHTH JUDICIAL DISTRICT COURT	4,585.2	4,728.0	4,675.2	90.0	2.0%
239	NINTH JUDICIAL DISTRICT COURT	5,010.6	5,169.3	5,070.6	60.0	1.2%
240	TENTH JUDICIAL DISTRICT COURT	1,783.9	1,835.9	1,833.9	50.0	2.8%
241	ELEVENTH JUDICIAL DISTRICT COURT	10,417.7	10,746.3	10,532.7	115.0	1.1%
242	TWELFTH JUDICIAL DISTRICT COURT	5,120.6	5,297.7	5,242.5	121.9	2.4%
243	THIRTEENTH JUDICIAL DISTRICT COURT	10,667.5	11,042.1	10,797.2	129.7	1.2%
244	BERNALILLO COUNTY METROPOLITAN COURT	24,965.6	25,872.5	25,115.0	149.4	0.6%
249	JUDGESHIPS	0.0	0.0	0.0	0.0	0.0%
251	FIRST JUDICIAL DISTRICT ATTORNEY	6,085.7	6,318.4	6,075.7	-10.0	-0.2%
252	SECOND JUDICIAL DISTRICT ATTORNEY	24,499.9	25,440.6	24,609.9	110.0	0.4%
253	THIRD JUDICIAL DISTRICT ATTORNEY	5,411.8	5,620.3	5,381.8	-30.0	-0.6%
254	FOURTH JUDICIAL DISTRICT ATTORNEY	3,577.0	3,715.1	3,547.0	-30.0	-0.8%
255	FIFTH JUDICIAL DISTRICT ATTORNEY	6,023.7	6,256.7	5,993.6	-30.1	-0.5%
256	SIXTH JUDICIAL DISTRICT ATTORNEY	3,276.4	3,401.3	3,256.4	-20.0	-0.6%
257	SEVENTH JUDICIAL DISTRICT ATTORNEY	2,871.1	2,981.7	2,861.0	-10.1	-0.4%
258	EIGHTH JUDICIAL DISTRICT ATTORNEY	3,222.2	3,346.2	3,182.2	-40.0	-1.2%
259	NINTH JUDICIAL DISTRICT ATTORNEY	3,549.3	3,685.6	3,524.4	-24.9	-0.7%
260	TENTH JUDICIAL DISTRICT ATTORNEY	1,569.9	1,630.4	1,554.9	-15.0	-1.0%
261	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION I	5,044.5	5,239.1	5,009.5	-35.0	-0.7%
262	TWELFTH JUDICIAL DISTRICT ATTORNEY	3,736.4	3,879.3	3,731.3	-5.1	-0.1%
263	THIRTEENTH JUDICIAL DISTRICT ATTORNEY	5,913.6	6,140.4	5,853.3	-60.3	-1.0%
264	ADMINISTRATIVE OFFICE OF THE DISTRICT ATTORNEYS	2,443.9	2,541.1	2,393.9	-50.0	-2.0%
265	ELEVENTH JUDICIAL DISTRICT ATTORNEY, DIVISION II	2,831.2	2,940.0	2,811.2	-20.0	-0.7%
280	LAW OFFICES OF THE PUBLIC DEFENDER	56,191.4	58,439.2	56,191.4	0.0	0.0%

GENERAL FUND AGENCY RECOMMENDATION SUMMARY — TABLE 1

Business Unit	Description	FY21 Operating Budget	FY22 Agency Request	FY22 Recomm.	$ Over FY21 Oper.	Percent Change
Total	**Judicial**	321,253.7	332,404.7	321,238.0	-15.7	0.0%
	General Control					
305	ATTORNEY GENERAL	14,655.4	14,104.6	13,962.6	-692.8	-4.7%
308	STATE AUDITOR	3,220.8	3,059.2	3,149.7	-71.1	-2.2%
333	TAXATION AND REVENUE DEPARTMENT	64,065.5	62,827.0	64,665.5	600.0	0.9%
337	STATE INVESTMENT COUNCIL	0.0	0.0	0.0	0.0	0.0%
340	ADMINISTRATIVE HEARINGS OFFICE	1,817.1	1,726.6	1,726.6	-90.5	-5.0%
341	DEPARTMENT OF FINANCE AND ADMINISTRATION	21,625.6	20,544.4	21,189.5	-436.1	-2.0%
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	16,601.4	16,411.0	16,614.3	12.9	0.1%
352	EDUCATIONAL RETIREMENT BOARD	0.0	0.0	0.0	0.0	0.0%
354	NEW MEXICO SENTENCING COMMISSION	1,188.6	1,129.2	1,129.2	-59.4	-5.0%
356	GOVERNOR	4,411.7	4,191.1	4,280.0	-131.7	-3.0%
360	LIEUTENANT GOVERNOR	578.7	549.8	549.8	-28.9	-5.0%
361	DEPARTMENT OF INFORMATION TECHNOLOGY	835.9	794.1	794.1	-41.8	-5.0%
366	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION	52.8	48.9	48.9	-3.9	-7.4%
369	STATE COMMISSION OF PUBLIC RECORDS	2,553.9	2,415.1	2,415.1	-138.8	-5.4%
370	SECRETARY OF STATE	10,650.6	19,002.0	16,089.8	5,439.2	51.1%
378	PERSONNEL BOARD	3,885.4	3,700.1	3,700.1	-185.3	-4.8%
379	PUBLIC EMPLOYEE LABOR RELATIONS BOARD	243.7	231.5	243.0	-0.7	-0.3%
394	STATE TREASURER	3,696.3	3,999.8	3,696.3	0.0	0.0%
Total	**General Control**	150,083.4	154,734.4	154,254.5	4,171.1	2.8%
	Commerce and Industry					
404	BOARD OF EXAMINERS FOR ARCHITECTS	0.0	0.0	0.0	0.0	0.0%
410	ETHICS COMMISSION	947.7	900.3	900.3	-47.4	-5.0%
417	BORDER AUTHORITY	433.4	410.5	410.5	-22.9	-5.3%
418	TOURISM DEPARTMENT	17,146.2	16,288.9	16,588.9	-557.3	-3.3%
419	ECONOMIC DEVELOPMENT DEPARTMENT	13,802.4	13,112.3	13,462.3	-340.1	-2.5%
420	REGULATION AND LICENSING DEPARTMENT	13,364.0	12,677.5	12,961.5	-402.5	-3.0%
430	PUBLIC REGULATION COMMISSION	8,753.8	9,668.1	9,468.1	714.3	8.2%
440	OFFICE OF THE SUPERINTENDENT OF INSURANCE	0.0	0.0	0.0	0.0	0.0%
446	MEDICAL BOARD	0.0	0.0	0.0	0.0	0.0%
449	BOARD OF NURSING	0.0	0.0	0.0	0.0	0.0%
460	NEW MEXICO STATE FAIR	0.0	200.0	75.0	75.0	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	5,479.6	5,205.7	5,205.7	-273.9	-5.0%
469	STATE RACING COMMISSION	2,403.3	2,283.1	2,343.4	-59.9	-2.5%
479	BOARD OF VETERINARY MEDICINE	0.0	0.0	0.0	0.0	0.0%
490	CUMBRES AND TOLTEC SCENIC RAILROAD COMMISSION	251.3	238.7	238.7	-12.6	-5.0%
491	OFFICE OF MILITARY BASE PLANNING AND SUPPORT	247.3	234.9	234.9	-12.4	-5.0%
495	SPACEPORT AUTHORITY	1,920.5	1,824.5	1,824.5	-96.0	-5.0%
Total	**Commerce and Industry**	64,749.5	63,044.5	63,713.8	-1,035.7	-1.6%
	Agriculture, Energy and Natural Resources					
505	CULTURAL AFFAIRS DEPARTMENT	33,197.5	31,537.6	32,257.6	-939.9	-2.8%
508	NEW MEXICO LIVESTOCK BOARD	680.1	646.1	646.1	-34.0	-5.0%

Table 1: General Fund Agency Recommendation Summary

GENERAL FUND AGENCY RECOMMENDATION SUMMARY — TABLE 1

Business Unit	Description	FY21 Operating Budget	FY22 Agency Request	FY22 Recomm.	$ Over FY21 Oper.	Percent Change
516	DEPARTMENT OF GAME AND FISH	0.0	0.0	0.0	0.0	0.0%
521	ENERGY, MINERALS AND NATURAL RESOURCES DEPARTM	23,154.7	22,471.9	22,818.9	-335.8	-1.5%
522	YOUTH CONSERVATION CORPS	0.0	0.0	0.0	0.0	0.0%
538	INTERTRIBAL CEREMONIAL OFFICE	168.0	159.6	159.6	-8.4	-5.0%
539	COMMISSIONER OF PUBLIC LANDS	0.0	0.0	0.0	0.0	0.0%
550	STATE ENGINEER	20,276.9	19,265.3	20,276.9	0.0	0.0%
Total	**Agriculture, Energy and Natural Resources**	77,477.2	74,080.5	76,159.1	-1,318.1	-1.7%
	Health, Hospitals and Human Services					
603	OFFICE OF AFRICAN AMERICAN AFFAIRS	1,031.4	1,000.4	1,000.4	-31.0	-3.0%
604	COMMISSION FOR DEAF AND HARD-OF-HEARING PERSONS	480.4	456.4	690.8	210.4	43.8%
605	MARTIN LUTHER KING, JR. COMMISSION	343.1	366.6	325.5	-17.6	-5.1%
606	COMMISSION FOR THE BLIND	2,310.5	2,195.0	2,263.9	-46.6	-2.0%
609	INDIAN AFFAIRS DEPARTMENT	2,621.3	2,490.2	2,490.2	-131.1	-5.0%
611	EARLY CHILDHOOD EDUCATION AND CARE DEPARTMENT	193,588.2	183,588.1	191,588.2	-2,000.0	-1.0%
624	AGING AND LONG-TERM SERVICES DEPARTMENT	48,628.9	46,197.5	47,149.9	-1,479.0	-3.0%
630	HUMAN SERVICES DEPARTMENT	1,092,489.7	1,129,659.9	1,202,589.1	110,099.4	10.1%
631	WORKFORCE SOLUTIONS DEPARTMENT	9,879.4	9,385.4	9,385.4	-494.0	-5.0%
632	WORKERS' COMPENSATION ADMINISTRATION	0.0	0.0	0.0	0.0	0.0%
644	DIVISION OF VOCATIONAL REHABILITATION	6,407.6	6,373.8	6,281.4	-126.2	-2.0%
645	GOVERNOR'S COMMISSION ON DISABILITY	1,359.4	1,291.5	1,289.8	-69.6	-5.1%
647	DEVELOPMENTAL DISABILITIES PLANNING COUNCIL	5,233.8	4,972.1	5,483.8	250.0	4.8%
662	MINERS' HOSPITAL OF NEW MEXICO	0.0	0.0	0.0	0.0	0.0%
665	DEPARTMENT OF HEALTH	302,271.3	293,203.1	313,098.1	10,826.8	3.6%
667	DEPARTMENT OF ENVIRONMENT	13,146.2	12,488.8	13,146.2	0.0	0.0%
668	OFFICE OF THE NATURAL RESOURCES TRUSTEE	446.3	424.0	424.0	-22.3	-5.0%
670	VETERANS' SERVICES DEPARTMENT	5,227.0	4,965.6	5,165.6	-61.4	-1.2%
690	CHILDREN, YOUTH AND FAMILIES DEPARTMENT	213,570.7	202,892.2	210,224.9	-3,345.8	-1.6%
Total	**Health, Hospitals and Human Services**	1,899,035.2	1,901,950.6	2,012,597.2	113,562.0	6.0%
	Public Safety					
705	DEPARTMENT OF MILITARY AFFAIRS	7,209.2	6,848.7	6,848.7	-360.5	-5.0%
760	PAROLE BOARD	593.2	563.5	563.5	-29.7	-5.0%
765	JUVENILE PUBLIC SAFETY ADVISORY BOARD	8.0	7.6	7.6	-0.4	-5.0%
770	CORRECTIONS DEPARTMENT	329,837.9	316,005.1	326,241.1	-3,596.8	-1.1%
780	CRIME VICTIMS REPARATION COMMISSION	6,657.5	6,419.9	6,411.2	-246.3	-3.7%
790	DEPARTMENT OF PUBLIC SAFETY	128,750.5	122,313.0	128,750.5	0.0	0.0%
795	HOMELAND SECURITY AND EMERGENCY MANAGEMENT	3,348.2	3,115.6	3,115.6	-232.6	-6.9%
Total	**Public Safety**	476,404.5	455,273.4	471,938.2	-4,466.3	-0.9%
	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	14,364.5	13,648.4	14,364.5	0.0	0.0%
925	PUBLIC EDUCATION DEPARTMENT-SPECIAL APPROPRIATI	26,946.1	26,712.1	18,181.0	-8,765.1	-32.5%
930	REGIONAL EDUCATION COOPERATIVES	0.0	1,034.0	1,034.0	1,034.0	0.0%

GENERAL FUND AGENCY RECOMMENDATION SUMMARY — TABLE 1

Business Unit	Description	FY21 Operating Budget	FY22 Agency Request	FY22 Recomm.	$ Over FY21 Oper.	Percent Change
940	PUBLIC SCHOOL FACILITIES AUTHORITY	0.0	0.0	0.0	0.0	0.0%
949	EDUCATION TRUST BOARD	0.0	0.0	0.0	0.0	0.0%
Total	**Other Education**	41,310.6	41,394.5	33,579.5	-7,731.1	-18.7%
Higher Education						
950	HIGHER EDUCATION DEPARTMENT	40,049.7	36,740.5	38,112.7	-1,937.0	-4.8%
952	UNIVERSITY OF NEW MEXICO	316,503.7	316,799.8	325,533.4	9,029.7	2.9%
954	NEW MEXICO STATE UNIVERSITY	202,935.2	202,330.8	207,235.5	4,300.3	2.1%
956	NEW MEXICO HIGHLANDS UNIVERSITY	31,558.6	31,405.5	32,269.6	711.0	2.3%
958	WESTERN NEW MEXICO UNIVERSITY	21,739.3	21,734.6	22,403.7	664.4	3.1%
960	EASTERN NEW MEXICO UNIVERSITY	47,325.6	47,227.9	48,549.7	1,224.1	2.6%
962	NEW MEXICO INSTITUTE OF MINING AND TECHNOLOGY	37,833.5	38,361.5	39,335.0	1,501.5	4.0%
964	NORTHERN NEW MEXICO COLLEGE	11,013.4	11,113.9	11,329.8	316.4	2.9%
966	SANTA FE COMMUNITY COLLEGE	14,526.8	14,543.6	14,858.4	331.6	2.3%
968	CENTRAL NEW MEXICO COMMUNITY COLLEGE	56,558.8	58,475.8	60,284.9	3,726.1	6.6%
970	LUNA COMMUNITY COLLEGE	7,884.5	7,833.6	7,902.9	18.4	0.2%
972	MESALANDS COMMUNITY COLLEGE	4,356.3	4,328.0	4,400.6	44.3	1.0%
974	NEW MEXICO JUNIOR COLLEGE	6,282.7	6,504.5	6,651.3	368.6	5.9%
976	SAN JUAN COLLEGE	23,848.3	24,256.1	24,761.2	912.9	3.8%
977	CLOVIS COMMUNITY COLLEGE	9,672.4	9,755.0	9,976.7	304.3	3.1%
978	NEW MEXICO MILITARY INSTITUTE	2,907.2	2,950.8	2,994.5	87.3	3.0%
979	NEW MEXICO SCHOOL FOR THE BLIND AND VISUALLY IMP	1,474.1	1,435.7	1,460.8	-13.3	-0.9%
980	NEW MEXICO SCHOOL FOR THE DEAF	4,208.1	4,119.5	4,201.4	-6.7	-0.2%
Total	**Higher Education**	840,678.2	839,917.1	862,262.1	21,583.9	2.6%
Public School Support						
993	PUBLIC SCHOOL SUPPORT	3,170,640.0	3,298,434.6	3,283,724.1	113,084.1	3.6%
Total	**Public School Support**	3,170,640.0	3,298,434.6	3,283,724.1	113,084.1	3.6%
Other						
991	COMPENSATION	0.0	0.0	60,000.0	60,000.0	0.0%
992	JUDGES COMPENSATION	0.0	0.0	600.0	600.0	0.0%
Total	**Other**	0.0	0.0	60,600.0	60,600.0	0.0%
Grand Total		7,062,855.4	7,181,956.6	7,361,289.6	298,434.2	4.2%

Table 2: U.S. and New Mexico Economic Indicators

U.S. and New Mexico Economic Indicators

		FY20		FY21		FY22		FY23	FY24	FY25
		May 20 Forecast	**Dec 20 Forecast**	May 20 Forecast	**Dec 20 Forecast**	May 20 Forecast	**Dec 20 Forecast**	**Dec 20 Forecast**	**Dec 20 Forecast**	**Dec 20 Forecast**
	National Economic Indicators									
IHS	US Real GDP Growth (annual avg.,% YOY)*	-1.6	**-1.1**	-3.9	**0.6**	6.7	**2.2**	**2.7**	**2.7**	**3.0**
Moody's	US Real GDP Growth (annual avg. ,% YOY)*	-1.2	**-1.1**	-3.8	**0.7**	5.3	**4.2**	**4.3**	**2.8**	**2.2**
IHS	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.6	**1.6**	1.1	**1.7**	1.7	**2.6**	**2.4**	**2.1**	**2.1**
Moody's	US Inflation Rate (CPI-U, annual avg., % YOY)**	1.6	**1.6**	1.0	**1.4**	2.9	**2.3**	**2.7**	**2.6**	**2.4**
IHS	Federal Funds Rate (%)	1.3	**1.3**	0.1	**0.1**	0.1	**0.1**	**0.1**	**0.1**	**0.1**
Moody's	Federal Funds Rate (%)	1.3	**1.3**	0.1	**0.1**	0.1	**0.1**	**0.1**	**0.5**	**1.5**
	New Mexico Labor Market and Income Data									
BBER	NM Non-Agricultural Employment Growth (%)	-3.3	**-1.1**	-9.1	**-2.3**	6.2	**1.4**	**1.5**	**1.4**	**1.3**
Moody's	NM Non-Agricultural Employment Growth (%)	-1.7	**-1.2**	-3.2	**-4.4**	2.0	**2.2**	**2.7**	**1.9**	**0.7**
BBER	NM Nominal Personal Income Growth (%)***	5.8	**4.2**	3.5	**4.8**	-2.1	**0.0**	**2.6**	**4.3**	**4.3**
Moody's	NM Nominal Personal Income Growth (%)***	3.7	**8.7**	-0.3	**0.1**	3.0	**0.5**	**5.0**	**4.7**	**4.4**
BBER	NM Total Wages & Salaries Growth (%)	1.6	**3.1**	-6.0	**1.3**	7.2	**3.9**	**4.4**	**4.5**	**4.3**
Moody's	NM Total Wages & Salaries Growth (%)	1.2	**3.3**	-3.5	**0.4**	3.4	**3.3**	**4.7**	**5.3**	**4.3**
BBER	NM Private Wages & Salaries Growth (%)	0.5	**2.7**	-8.9	**1.7**	9.5	**4.8**	**5.0**	**4.9**	**4.7**
BBER	NM Real Gross State Product (% YOY)	-0.5	**1.6**	-4.7	**-0.9**	6.6	**2.3**	**2.0**	**1.9**	**2.5**
Moody's	NM Real Gross State Product (% YOY)	0.3	**0.3**	-1.8	**-0.1**	5.2	**3.3**	**3.9**	**2.5**	**1.8**
CREG	NM Gross Oil Price ($/barrel)	$42.50	**$44.01**	$31.00	**$38.00**	$41.00	**$43.50**	**$47.00**	**$47.50**	**$48.50**
CREG	NM Net Oil Price ($/barrel)*****	$37.32	**$38.64**	$27.22	**$33.36**	$36.00	**$38.19**	**$41.27**	**$41.71**	**$42.58**
CREG	NM Taxable Oil Volumes (million barrels)	355.0	**368.1**	255.0	**340.0**	225.0	**330.0**	**340.0**	**355.0**	**370.0**
	NM Taxable Oil Volumes (%YOY growth)	18.0%	**22.0%**	-28.0%	**-7.6%**	-12.0%	**-2.9%**	**3.0%**	**4.4%**	**4.2%**
CREG	NM Gross Gas Price ($ per thousand cubic feet)****	$2.00	**$1.90**	$2.20	**$2.55**	$2.35	**$2.65**	**$2.55**	**$2.65**	**$2.75**
CREG	NM Net Gas Price ($ per thousand cubic feet)*****	$1.20	**$1.01**	$1.44	**$1.61**	$1.57	**$1.72**	**$1.63**	**$1.72**	**$1.81**
CREG	NM Taxable Gas Volumes (billion cubic feet)	1,755	**1,829**	1,515	**1,760**	1,415	**1,715**	**1,755**	**1,785**	**1,815**
	NM Taxable Gas Volumes (%YOY growth)	17.0%	**17.0%**	-13.7%	**-3.8%**	-6.6%	**-2.6%**	**2.3%**	**1.7%**	**1.7%**

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 2020 FOR-UNM baseline. IHS Global Insight - November 2020 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 January 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: October 2020 Moody's economy.com baseline

GENERAL FUND CONSENSUS REVENUE ESTIMATE
December 2020
(millions of dollars)

Revenue Source	FY20		FY21		FY22		FY23	
	Dec 2020 Unaudited Actual	% Change from FY19	Dec 2020 Est.	% Change from FY20	Dec 2020 Est.	% Change from FY21	Dec 2020 Est.	% Change from FY22
Base Gross Receipts Tax	*3,104.1*	*11.9%*	*2,586.3*	*-16.7%*	*2,680.9*	*3.7%*	*2,818.3*	*5.1%*
F&M Hold Harmless Payments	*(162.0)*	*42.9%*	*(121.6)*	*-24.9%*	*(108.9)*	*-10.4%*	*(97.9)*	*-10.1%*
NET Gross Receipts Tax	2,942.1	10.6%	2,464.7	-16.2%	2,572.0	4.4%	2,720.4	5.8%
Compensating Tax	63.6	-18.8%	53.2	-16.4%	37.1	-30.3%	39.0	5.1%
TOTAL GENERAL SALES	3,005.7	9.8%	2,517.9	-16.2%	2,609.1	3.6%	2,759.3	5.8%
Tobacco Taxes	88.8	17.7%	91.5	3.0%	87.1	-4.8%	86.1	-1.1%
Liquor Excise	24.6	-2.7%	24.9	1.2%	24.5	-1.6%	24.7	0.8%
Insurance Taxes	259.2	19.8%	230.8	-10.9%	246.1	6.6%	261.7	6.3%
Fire Protection Fund Reversion	-	n/a	12.0	n/a	12.0	0.0%	12.5	4.2%
Motor Vehicle Excise	137.8	-9.7%	156.3	13.5%	130.3	-16.6%	134.6	3.3%
Gaming Excise	46.0	-29.1%	19.2	-58.3%	64.0	233.3%	65.2	1.9%
Leased Vehicle & Other	6.3	-28.4%	4.3	-31.3%	5.7	32.6%	5.9	3.5%
TOTAL SELECTIVE SALES	562.6	3.6%	539.0	-4.2%	569.7	5.7%	590.7	3.7%
Personal Income Tax	1,691.9	1.2%	1,570.6	-7.2%	1,669.9	6.3%	1,770.4	2.4%
Gross Corporate Income Tax	*139.5*	*-19.3%*	*101.6*	*-27.2%*	*119.8*	*17.9%*	*129.6*	*8.2%*
CIT Refundable Credits	*(76.3)*	*52.6%*	*(83.1)*	*8.9%*	*(99.8)*	*20.1%*	*(146.6)*	*46.9%*
NET Corporate Income Tax	63.2	-48.5%	18.5	-70.7%	20.0	8.1%	(17.0)	-185.2%
TOTAL INCOME TAXES	1,755.1	-2.2%	1,589.1	-9.5%	1,689.9	6.3%	1,753.4	3.8%
Gross Oil and Gas School Tax	*555.7*	*0.1%*	*473.3*	*-14.8%*	*517.0*	*9.2%*	*558.4*	*8.0%*
Excess to Tax Stabilization Reserve	*(166.1)*	*-9.2%*	*(52.9)*	*-68.1%*	*(49.3)*	*-6.9%*	*(48.2)*	*-2.3%*
NET Oil & Gas School Tax	389.6	4.6%	420.4	7.9%	467.7	11.3%	510.3	9.1%
Oil Conservation Tax	29.5	2.8%	24.7	-16.3%	27.0	9.3%	29.1	7.8%
Resources Excise Tax	7.1	-8.7%	6.7	-6.3%	7.7	14.9%	7.5	-2.6%
Natural Gas Processors Tax	14.8	-2.4%	8.2	-44.5%	9.6	17.1%	11.6	20.8%
TOTAL SEVERANCE TAXES	441.0	4.0%	460.0	4.3%	512.0	11.3%	558.5	9.1%
LICENSE FEES	49.5	-10.7%	52.7	6.6%	53.8	2.1%	54.1	0.5%
LGPF Interest	673.5	5.5%	719.9	6.9%	771.3	7.1%	817.8	6.0%
STO Interest	91.8	5.6%	31.0	-66.2%	23.5	-24.2%	16.5	-29.8%
STPF Interest	225.3	2.1%	234.0	3.9%	245.1	4.7%	254.2	3.7%
TOTAL INTEREST	990.6	4.7%	984.9	-0.6%	1,039.9	5.6%	1,088.5	4.7%
Gross Federal Mineral Leasing	*817.1*	-28.7%	*648.2*	*-20.7%*	*677.3*	4.5%	*750.0*	10.7%
Excess to Early Childhood Trust Fund	*n/a*	*n/a*	*-*	*n/a*	*-*	*n/a*	*-*	*n/a*
NET Federal Mineral Leasing	817.1	-28.7%	648.2	-20.7%	677.3	4.5%	750.0	10.7%
State Land Office	69.9	-47.2%	59.4	-15.0%	60.2	1.3%	61.2	1.7%
TOTAL RENTS & ROYALTIES	887.0	-30.7%	707.6	-20.2%	737.5	4.2%	811.2	10.0%
TRIBAL REVENUE SHARING	45.4	-42.1%	53.8	18.4%	68.6	27.6%	69.1	0.6%
MISCELLANEOUS RECEIPTS	41.9	-21.9%	47.5	13.4%	47.9	1.0%	40.0	-16.5%
REVERSIONS	81.1	-16.2%	50.0	-38.3%	50.0	0.0%	50.0	0.0%
TOTAL RECURRING	7,859.8	-1.9%	7,002.5	-10.9%	7,378.5	5.4%	7,774.8	5.4%
TOTAL NONRECURRING	322.4	-425.0%	17.0	-94.7%		n/a		n/a
GRAND TOTAL	8,182.2	3.4%	7,019.5	-14.2%	7,378.5	5.1%	7,774.8	5.4%

Table 4: General Fund Financial Summary

General Fund Financial Summary:
December 2020 Consensus Revenue Estimate and LFC Budget Recommendation
(millions of dollars)

December 9, 2020
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	Prelim. FY2020	Estimate FY2021	Estimate FY2022
APPROPRIATION ACCOUNT			
REVENUE			
Recurring Revenue			
December 2020 Consensus Revenue Forecast	$ 7,859.3	$ 7,002.5	$ 7,378.5
Total Recurring Revenue	$ 7,859.3	$ 7,002.5	$ 7,378.5
Percent Change in Recurring Revenue	*-1.9%*	*-10.9%*	*5.4%*
Nonrecurring Revenue			
June 2020 Special Session Legislation (SB5 Sweeps) [2]	$ 28.8	$ -	
June 2020 Special Session Legislation (SB5 Road Swaps) [2]	$ 75.0		
December 2020 Preliminary Update	$ 37.0	$ 17.0	
Enhanced FMAP/Medicaid Reversion	$ 135.4		
Transfers/offsets from Coronavirus Relief Fund	$ 46.2		
Federal Stimulus Funds	$ -	$ 750.0	$ -
Total Nonrecurring Revenue	$ 322.3	$ 767.0	$ -
TOTAL REVENUE	**$ 8,181.6**	**$ 7,769.5**	**$ 7,378.5**
APPROPRIATIONS			
Recurring Appropriations			
2019 Session Legislation & Feed Bill	$ 7,085.3	$ -	$ -
2020 Regular Session Legislation & Feed Bill	$ 6.8	$ 7,621.4	
2020 Special Session Solvency Savings [1]	$ -	$ (411.9)	
2021 Regular Session Legislation & Feed Bill Scenario		$ 11.6	$ 7,361.2
Total Recurring Appropriations	$ 7,092.1	$ 7,221.1	$ 7,361.2
2020 Special Session Federal Funds Swaps	$ -	$ (146.6)	
Total Operating Budget	$ 7,092.1	$ 7,074.5	$ 7,361.2
Nonrecurring Appropriations			
2019 Session Nonrecurring Appropriations	$ 431.9	$ -	
2020 Session Nonrecurring Appropriations & Legislation	$ 506.3	$ 320.0	
2020 First Special Session Solvency Savings [1]	$ (104.8)	$ (20.0)	
2020 Second Special Session Appropriations		$ 329.2	
2021 Session Nonrecurring Appropriations - Scenario		$ 805.4	$ -
Total Nonrecurring Appropriations	$ 833.4	$ 1,434.6	$ -
Subtotal Recurring and Nonrecurring Appropriations	$ 7,925.5	$ 8,509.1	$ 7,361.2
Audit Adjustments			
2020 GAA Undistributed Nonrecurring Appropriations [2]	$ (259.5)	$ 259.5	
2019 GAA Undistributed Nonrecurring Appropriations [3]	$ (2.1)		
TOTAL APPROPRIATIONS	**$ 7,663.9**	**$ 8,768.6**	**$ 7,361.2**
Transfer to (from) Reserves	$ 517.7	$ (999.1)	$ 17.3
GENERAL FUND RESERVES			
Beginning Balances	$ 1,834.1	$ 2,513.5	$ 1,590.6
Transfers from (to) Appropriations Account	$ 517.7	$ (999.1)	$ 17.3
Revenue and Reversions	$ 240.5	$ 190.7	$ 130.1
Appropriations, Expenditures and Transfers Out	$ (78.9)	$ (104.6)	$ (30.0)
Ending Balances	**$ 2,513.5**	**$ 1,590.6**	**$ 1,708.0**
Reserves as a Percent of Recurring Appropriations	*35.4%*	*22.0%*	*23.2%*

Notes:

1) Laws 2020 First Special Session, Chapter 3 and Chapter 5

2) Many nonrecurring appropriations, including specials and supplementals in the 2020 GAA, had authorization to spend in FY20 or FY21 - amounts that were not allotted in FY20 become encumbrances for FY21

3) Includes special appropriations of the 2019 GAA that had authorization to spend in FY19 or FY20 but were never requested for allotment by the agency - includes $350K State Engineer, $500K Office of Military Base Planning and Support, and $1.2M Department of Finance and Administration

* Note: totals may not foot due to rounding

General Fund Financial Summary:
December 2020 Consensus Revenue Estimate and LFC Budget Recommendation
RESERVE DETAIL
(millions of dollars)

December 9, 2020
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	Prelim. FY2020	Estimate FY2021	Estimate FY2022
OPERATING RESERVE			
Beginning Balance	$ 486.3	$ 507.2	$ 87.7
BOF Emergency Appropriations/Reversions	$ (2.0)	$ (2.5)	$ (2.0)
Transfers from/to Appropriation Account	$ 517.7	$ (999.1)	$ 17.3
Transfers to Tax Stabilization Reserve	$ (448.3)	$ -	$ -
Disaster Allotments [1]	$ (46.6)	$ (3.2)	$ -
Transfer from (to) ACF/Other Appropriations	$ -	$ (50.0)	$ -
Transfers from tax stabilization reserve [4,5]	$ -	$ 635.3	$ -
Ending Balance	$ 507.2	$ 87.7	$ 103.0
APPROPRIATION CONTINGENCY FUND			
Beginning Balance	$ 11.7	$ 8.7	$ 50.7
Disaster Allotments	$ (13.3)	$ (16.0)	$ (16.0)
Other Appropriations	$ -	$ -	$ -
Transfers In	$ 2.0	$ 50.0	$ -
Revenue and Reversions	$ 8.3	$ 8.0	$ 8.0
Ending Balance	$ 8.7	$ 50.7	$ 42.7
STATE SUPPORT FUND			
Beginning Balance	$ 19.1	$ 29.1	$ 39.0
Revenues [2]	$ 10.0	$ 9.9	$ -
Appropriations	$ -	$ -	$ -
Ending Balance	$ 29.1	$ 39.0	$ 39.0
TOBACCO SETTLEMENT PERMANENT FUND (TSPF)			
Beginning Balance	$ 228.6	$ 241.3	$ 251.4
Transfers In [3]	$ 33.9	$ 32.9	$ 12.0
Appropriation to Tobacco Settlement Program Fund [3]	$ (17.0)	$ (32.9)	$ (12.0)
Gains/Losses	$ (4.2)	$ 10.1	$ 13.8
Additional Transfers to/from TSPF	$ -	$ -	$ -
Ending Balance	$ 241.3	$ 251.4	$ 265.3
TAX STABILIZATION RESERVE (RAINY DAY FUND)			
Beginning Balance	$ 1,088.3	$ 1,727.0	$ 1,161.6
Revenues from Excess Oil and Gas Emergency School Tax	$ 166.1	$ 52.9	$ 49.3
Gains/Losses	$ 24.3	$ 26.9	$ 47.0
Transfers In (From Operating Reserve)	$ 448.3	$ -	$ -
Transfer Out to Operating Reserve [4,5]	$ -	$ (635.3)	$ -
Pre-Audit Adjustment [2]	$ -	$ (9.9)	$ -
Ending Balance	$ 1,727.0	$ 1,161.6	$ 1,257.8
Percent of Recurring Appropriations	*24.4%*	*16.1%*	*17.1%*
TOTAL GENERAL FUND ENDING BALANCES	**$ 2,513.3**	**$ 1,590.6**	**$ 1,708.0**
Percent of Recurring Appropriations	*35.4%*	*22.0%*	*23.2%*

Notes:

1) DFA using operating reserve to cover disaster allotments due to low balance in the appropriation contingency fund. Includes $35.5 million for COVID-19 related responses.

2) Laws 2019, Chapter 271 (HB2) contained a $10 million appropriation to the state support reserve fund. Laws 2020 First Special Session, Chapter 5 (HB1) provided for a reversion from the state equalization guarantee to the state support reserve fund - this reversion was supposed to occur at the end of FY20, but was not submitted before the audit, therefore is expected to book to FY21, currently estimated at $10 million.

3) DFA and LFC estimate $12 million in TSPF revenue due to expected arbitration ruling to affect FY22; LFC assumes legislation will be proposed to use 100% of revenue for tobacco program fund.

4) Laws 2020, Chapter 34 (House Bill 341) transfers from the tax stabilization reserve to the operating reserve if operating reserve balances are below one percent of appropriations, up to an amount necessary for the operating reserve to be at least one percent of total appropriations for the current year.

5) Special Session Laws 2020, Chapter 5 (HB1, Section 15-B) authorized a transfer of up to $750 million from the tax stabilization reserve to the operating reserve if FY21 revenues fall short of FY21 appropriations

* Note: totals may not foot due to rounding

Table 5: Special, Supplemental, and Deficiency Appropriations

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
1	5	218	Administrative Office of the Courts	To fund five new judgeships created in Subsections B.1, B.2, B.3 and B.12 of Section 4 of Chapter 83 of Laws 2020, and to fund associated staff, in the first, second, third and twelfth judicial district courts.	$1,236.9		$1,236.9				No
2	5	218	Administrative Office of the Courts	For security in magistrate courts in the seven districts with the highest caseloads.	$800.0		$800.0				No
3	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 8 of Section 5 of Chapter 271 of Laws 2019 to redact personally identifiable information from historical court case filings is extended through fiscal year 2022. The other state funds appropriation is from the electronic services fund.							Yes
4	5	218	Administrative Office of the Courts	The period of time for expending the five hundred sixty four thousand dollars ($564,000) from general fund and nine hundred thirty four thousand dollars ($934,000) from other state funds in Subsection 13 of Section 5 of Chapter 83 of Laws of 2020 for moving and related costs is extended through fiscal year 2022. The other state funds appropriation is from the consumer settlement fund at the office of the attorney general.							Yes
5	5	218	Administrative Office of the Courts	The period of time for expending the one million dollars ($1,000,000) appropriated from the developmental disabilities planning council in Subsection 5 of Section 5 of Chapter 73 of Laws 2018 for reforming the New Mexico guardianship system is extended through fiscal year 2022.							Yes
6	5	218	Administrative Office of the Courts	The period of time for expending the eighty thousand dollars ($80,000) appropriated from the general fund in Subsection 11 of Section 5 of Chapter 83 of Laws 2020 for temporary relocation and renovation costs for the magistrate court in Grant county is extended through fiscal year 2022.							Yes
7	5	218	Administrative Office of the Courts	The period of time for expending the one hundred thousand dollars ($100,000) appropriated from the general fund in Subsection 7 of Section 5 of Chapter 83 of Laws 2020 for a pro tem judge in McKinley county to clear driving-while-intoxicated case backlog is extended through fiscal year 2022.							Yes
8	5	218	Administrative Office of the Courts	The period of time for expending the two hundred thousand dollars ($200,000) appropriated from the general fund in Subsection 5 of Section 5 of Chapter 83 of Laws 2020 for a unified appropriation to the administrative office of the courts for equipment and vehicles at the district courts is extended through fiscal year 2022.							Yes

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
9	5	218	Administrative Office of the Courts	The period of time for expending the four hundred thousand dollars ($400,000) appropriated from the general fund in Subsection 10 of Section 5 of Chapter 83 of Laws 2020 to implement a statewide information management system for problem-solving courts is extended through fiscal year 2022.							Yes
10	5	218	Administrative Office of the Courts	The period of time for expending the one million dollars ($1,000,000) appropriated from the general fund in Subsection 8 of Section 5 of Chapter 83 of Laws 2020 to purchase and install furniture and equipment and convert permanent and long-term retention case files to digitization at magistrate courts, later reduced to five hundred thousand dollars ($500,000) in Subsection 1 of Section 7A of Chapter 5 of Laws 2020 is extended through fiscal year 2022.							Yes
11	5	218	Administrative Office of the Courts	The period of time for expending the five hundred thousand dollars ($500,000) appropriated from the general fund in Subsection 4 of Section 5 of Chapter 83 of Laws 2020 to upgrade information technology systems at district courts is extended through fiscal year 2022.							No
12	5	218	Administrative Office of the Courts	The period of time for expending the one million dollars ($1,000,000) appropriated from the general fund in Subsection 9 of Section 5 of Chapter 83 of Laws 2020 for a unified appropriation for magistrate court security personnel, later reduced to eight hundred thousand dollars ($800,000) in Subsection 2 of Section 7A of Chapter 5 of Laws 2020 is extended through fiscal year 2022.							Yes
13	5	218	Administrative Office of the Courts	For a subscription service for data-sharing platform to enable justice partners to share case management and jail management data.	$500.0		$500.0	$100.0		$100.0	Yes
14	5	218	Administrative Office of the Courts	To replace cameras in detention centers and the judicial information division.	$270.0		$270.0	$270.0		$270.0	Yes
15	5	218	Administrative Office of the Courts	To distribute to district courts to provide judges and magistrates a salary increase of two percent.	$585.0		$585.0	$585.0		$585.0	Yes
16	5	231	First Judicial District Court	The period of time for expending the one hundred thousand dollars ($100,000) appropriated from the general fund in subsection 15 of section 5 of Chapter 83 of laws 2020 to purchase and install network switches is extended through fiscal year 2022.							Yes
17	5	232	Second Judicial District Court	To replace desktops, servers and software.	$399.1		$399.1				No
18	5	234	Fourth Judicial District Court	To purchase furniture and equipment for the fourth judicial district court and magistrate courts within San Miguel, Guadalupe and Mora counties.	$303.3		$303.3				No

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
19	5	241	Eleventh Judicial District Court	For furniture in the eleventh judicial district and magistrate courts.	$124.5		$124.5				No
20	5	241	Eleventh Judicial District Court	To purchase a surveillance vehicle.	$28.4		$28.4				No
21	5	242	Twelfth Judicial District Court	For the twelfth judicial district court's veterans treatment court and information technology upgrades.	$66.8		$66.8				No
22	5	243	Thirteenth Judicial District Court	For the foreclosure settlement program in the thirteenth judicial district court.	$155.7		$155.7				No
23	5	244	Bernalillo County Metropolitan Court	For court recording systems.	$56.4		$56.4				No
24	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 through fiscal year 2022.							Yes
25	5	252	Second Judicial District Attorney	For two security personnel full-time equivalents to travel with and provide security for the second judicial district attorney.	$250.0		$250.0				No
26	5	252	Second Judicial District Attorney	For an independent bureau to investigate officer-involved shootings and alleged police misconduct.	$750.0		$750.0				No
27	5	252	Second Judicial District Attorney	For alternative sentencing programs such as drug court and restorative justice for low-risk defendants.	$1,000.0		$1,000.0				No

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
28	5	264	Administrative Office of the District Attorneys	Any unexpended balances remaining at the end of fiscal year 2021 from revenues received in fiscal year 2021 and prior years by a district attorney from any Native American tribe, pueblo or political subdivision pursuant to a contract, memorandum of understanding, joint powers agreement or grant shall not revert and shall remain with the recipient district attorney's office for expenditure in fiscal year 2022. Prior to November 1, 2021, the administrative office of the district attorneys shall provide the department of finance and administration and the legislative finance committee a detailed report documenting the amount of all funds received from Native American tribes, pueblos and political subdivisions pursuant to a contract, memorandum of understanding, joint powers agreement or grant that do not revert at the end of fiscal year 2021 for each of the district attorneys and the administrative office of the district attorneys.							Yes
29	5	264	Administrative Office of the District Attorneys	Any unexpended balances remaining at the end of fiscal year 2021 from revenues received in fiscal year 2021 and prior years by a district attorney or the administrative office of the district attorneys from the United States department of justice pursuant to the southwest border prosecution initiative shall not revert and shall remain with the recipient district attorney's office for expenditure in fiscal year 2022. Prior to November 1, 2021, the administrative office of the district attorneys shall provide to the department of finance and administration and the legislative finance committee a detailed report documenting the amount of all southwest border prosecution initiative funds that do not revert at the end of fiscal year 2021 for each of the district attorneys and the administrative office of the district attorneys.							Yes
30	5	280	Public Defender Department	For litigation related to personnel matters.	$550.0		$550.0	$550.0		$550.0	Yes
31	5	280	Public Defender Department	For case backlog and workload overflow deferred from fiscal year 2020 to fiscal year 2021 and fiscal year 2022 due to coronavirus disease 2019.	$725.0		$725.0				No
32	5	305	Attorney General	For extraordinary litigation expenses related consumer protection in context of the coronavirus disease 2019 public health emergency including civil and criminal enforcement of public health orders and instances of price gauging.	$500.0		$500.0		$250.0	$250.0	Yes
33	5	305	Attorney General	For extraordinary litigation expenses including officer misconduct cases, crimes against families and children and public corruption.	$2,000.0	$2,000.0	$4,000.0				No

Table 5: Special, Supplemental, and Deficiency Appropriations

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
34	5	305	Attorney General	For tobacco enforcement.	$975.0		$975.0	$500.0		$500.0	Yes
35	5	305	Attorney General	The period of time for expending the four hundred fifty thousand dollars ($450,000) appropriated from internal service funds/interagency transfers in Subsection 25 of Section 5 of Chapter 83 of Laws 2020 for a warrant round up initiative is extended through fiscal year 2022.The internal service funds/interagency transfers appropriation is from the consumer settlement fund.							Yes
36	5	305	Attorney General	For interstate water litigation costs	$6,400.0		$6,400.0		$3,000.0	$3,000.0	Yes
37	5	333	Taxation and Revenue Department	For significant changes to the tax code including the enactment of legislation in the first session of the fifty-fifth legislature that results in significant changes to the tax code and fiscal year 2022 operating expenditures of the tax administration act program.	$5,000.0		$5,000.0				No
38	5	333	Taxation and Revenue Department	For a statewide tax preparation assistance program for low-income or elderly taxpayers.	$150.0		$150.0				No
39	5	333	Taxation and Revenue Department	On certification by the secretary of the department of finance and administration that enactment of legislation in the first session of the fifty-fifth legislature resulted in significant changes to the tax code and that no other funding is available to implement the changes, the state board of finance may approve a transfer from the appropriation contingency fund to the taxation and revenue department up to five million dollars ($5,000,000) in fiscal year 2022.							No
40	5	341	Department of Finance and Administration	For information technology infrastructure upgrades.	$300.0		$300.0				No
41	5	341	Department of Finance and Administration	For FY22 operating costs for the New Mexico Renewable Transmission Authority.	$350.0		$350.0	$100.0		$100.0	Yes
42	5	343	Retiree Health Care Authority	To upgrade information technology systems. The internal service funds/interagency transfers appropriation is from retiree health care authority trust fund.		$100.0	$100.0		$100.0	$100.0	Yes
43	5	350	General Services Department	For the health benefit fund long term solvency in the risk management division.	$10,000.0		$10,000.0				No

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations
(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
44	5	350	General Services Department	To purchase vehicles.	$2,000.0		$2,000.0		$1,000.0	$1,000.0	Yes
45	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 2022. The other state funds appropriation is from the educational retirement fund.							Yes
46	5	361	Department of Information Technology	To plan, design, construct, furnish and equip a building for the Albuquerque radio communications building in Bernalillo county.	$1,500.0		$1,500.0				No
47	5	361	Department of Information Technology	For broadband expansion, including assessments and contracts, in rural areas statewide in compliance with the Anti-Donation Clause of the New Mexico state constitution.	$10,000.0		$10,000.0	$10,000.0		$10,000.0	Yes
48	5	361	Department of Information Technology	To purchase and implement the enterprise digital workplace solution. The other state funds appropriation is from equipment replacement revolving funds.		$8,000.0	$8,000.0				No
49	5	370	Secretary of State	For the purchase and installation of secure ballot containers and related surveillance in all counties in the state.	$387.0		$387.0				No
50	5	370	Secretary of State	To purchase and implement digital workspace hardware, software and licenses	$25.0		$25.0				No
51	5	417	Border Authority	To host Mexican officials in the state for the New Mexico-Chihuahua and New Mexico-Sonora commissions.	$50.0		$50.0	$25.0		$25.0	Yes
52	5	418	Tourism Department	For a revitalization strategy to restart the tourism economy.	$25,000.0		$25,000.0	$5,000.0		$5,000.0	Yes
53	5	418	Tourism Department	For branded partnerships between New Mexico true and the special olympics.	$300.0		$300.0	$150.0		$150.0	Yes
54	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 2022 and may be used for other purposes.							Yes
55	5	418	Tourism Department	For information technology equipment.	$40.0		$40.0				No

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
56	5	419	Economic Development Department	For grants administered through the New Mexico Film Division for Black filmmakers and Black-led film projects.	$150.0		$150.0				No
57	5	419	Economic Development Department	To the development training fund for the job training incentive program.	$7,000.0		$7,000.0	$10,000.0		$10,000.0	Yes
58	5	419	Economic Development Department	For grants administered through the New Mexico Film Division for Latinx and Latinx-led film projects.	$150.0		$150.0				No
59	5	419	Economic Development Department	For economic development projects pursuant to the Local Economic Development Act. Any unexpended balances remaining at the end of the fiscal year 2022 shall not revert and may be expended in future fiscal years.	$30,000.0		$30,000.0	$17,500.0		$17,500.0	Yes
60	5	419	Economic Development Department	For the outdoor equity fund to provide outdoor recreation opportunities to underserved-low-income communities.	$1,025.0		$1,025.0				No
61	5	419	Economic Development Department	To fund the outdoor recreation divisions investment in trails throughout New Mexico.	$3,220.0		$3,220.0		$500.0	$500.0	Yes
62	5	419	Economic Development Department	To support Native American filmmakers and Native American film projects in the state of New Mexico by providing funding, in the form of grants, via the New Mexico Film Division.	$150.0		$150.0				No
63	5	430	Public Regulation Commission	For moving and related costs.	$145.1		$145.1	$145.1		$145.1	Yes
64	5	430	Public Regulation Commission	To purchase and train staff on a grant tracking module in the statewide human resource accounting and reporting system to address a 2019 audit finding.	$300.0		$300.0				No
65	5	508	New Mexico Livestock Board	To purchase vehicles and body cameras.	$360.0		$360.0	$360.0		$360.0	Yes
66	5	521	Energy, Minerals and Natural Resources Department	For the continued remediation work of the Carlsbad brine well contingent upon a one hundred percent local match of expenditures. The other state funds appropriation is from the corrective action fund.	$8,000.0		$8,000.0	$3,000.0	$2,000.0	$5,000.0	Yes
67	5	538	Intertribal Ceremonial Office	For a commemorative documentary of Native American and indigenous performances for the one hundredth anniversary of the intertribal ceremonial event.	$95.0		$95.0				No
68	5	550	State Engineer	To develop a fifty-year water plan.	$750.0		$750.0				No

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations
(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
69	5	550	State Engineer	For interstate water litigation costs.	$5,375.0		$5,375.0	$1,500.0	$1,500.0	$3,000.0	Yes
70	5	550	State Engineer	For implementation of the Pecos river settlement agreement including required augmentation pumping.	$2,000.0		$2,000.0	$1,000.0		$1,000.0	Yes
71	5	550	State Engineer	For upgrades and replacements for the water administration technical engineering resource imaging system.	$300.0		$300.0	$300.0		$300.0	Yes
72	5	611	Early Childhood Education and Care Department	For network and information technology infrastructure.	$1,000.0		$1,000.0	$500.0		$500.0	Yes
73	5	624	Aging and Long-Term Services Department	For emergency advancements to aging network providers.	$600.0		$600.0	$600.0		$600.0	Yes
74	5	630	Human Services Department	For the graduate medical education expansion grants program.	$350.0		$350.0	$350.0		$350.0	Yes
75	5	630	Human Services Department	To purchase food and fund food banks.	$5,000.0		$5,000.0				No
76	5	647	Developmental Disabilities Planning Council	For a special education study project.	$15.0		$15.0				No
77	5	647	Developmental Disabilities Planning Council	To fund a task force to develop and recommend legislation around supported decision making.	$15.0		$15.0	$15.0		$15.0	Yes
78	5	647	Developmental Disabilities Planning Council	To provide professional guardianship services to income-eligible adults.	$950.0		$950.0	$950.0		$950.0	Yes
79	5	665	Department of Health	To plan, prioritize, store, distribute and administer vaccines for the corona virus disease 2019.	$8,900.0		$8,900.0				No
80	5	665	Department of Health	Any unexpended balances in the administrative services division in all categories remaining at the end of the fiscal year 2021 from appropriations made from federal indirect funds shall not revert and shall be expended in the fiscal year 2022 to support the administrative services division to ensure adequate staffing is available to support all business areas of Department of Health.							No

Table 5: Special, Supplemental, and Deficiency Appropriations

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations
(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
81	5	665	Department of Health	Any unexpended balances in the vital records and health statistics bureau of the epidemiology and response program of the department of health remaining at the end of fiscal year 2021 from appropriations made from the general fund and federal funds shall not revert and shall be expended in fiscal year 2022.							No
82	5	665	Department of Health	Any unexpended balances in the developmental disabilities support program of the department of health remaining at the end of the fiscal year 2021 from appropriations made from all funds shall not revert and shall be expended in the fiscal year 2022 to support the developmental disabilities waiver and support waiver.							No
83	5	665	Department of Health	Any unexpended balances in the heath certification, licensing and oversight division of the department of health remaining at the end of the fiscal year 2021 from appropriations made from all funds shall not revert and shall be expended in the fiscal year 2022 for receivership services.							No
84	5	667	Department of Environment	The period of time for expending the one million dollars ($1,000,000) appropriated from the general fund in Subsection 98 of Section 5 of Chapter 83 of Laws of 2020 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 is extended through fiscal year 2022.							Yes
85	5	667	Department of Environment	For expenditures related to the coronavirus disease 2019 public health emergency. Any unexpended balances from this appropriation remaining at the end of fiscal year 2022 shall not revert.	$1,680.2		$1,680.2				No
86	5	667	Department of Environment	The period of time for expending the seven hundred thousand dollars ($700,000) appropriated from the general fund in Subsection 100 of Section 5 of Chapter 83 of Laws of 2020 for personal services and employee benefits costs is extended through fiscal year 2022.							Yes
87	5	667	Department of Environment	For protection and restoration of the environment. The other state funds appropriation is from the consumer settlement fund. Any unexpended balances remaining at the end of fiscal year 2022 from this appropriation shall not revert.		$2,500.0	$2,500.0		$2,500.0	$2,500.0	Yes
88	5	667	Department of Environment	For the sample collection and analysis of drinking water quality at public water systems throughout New Mexico.	$1,200.0		$1,200.0	$600.0		$600.0	Yes

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
89	5	667	Department of Environment	For federal match and clean-up of superfund hazardous waste sites. Any unexpended balances remaining at the end of fiscal year 2022 from this appropriation shall not revert.	$1,416.0		$1,416.0	$1,416.0		$1,416.0	Yes
90	5	667	Department of Environment	For a cost share for clean up of the Pecos mine and El Molino operable units.	$180.0		$180.0	$180.0		$180.0	Yes
91	5	670	Veterans' Services Department	For laptops, docking stations, and other IT equipment.	$150.0		$150.0				No
92	5	670	Veterans' Services Department	For information technology upgrades.	$150.0		$150.0				No
93	5	690	Children, Youth and Families Department	The period of time for expending the one million dollars ($1,000,000) appropriated in Subsection 102 of Section 5 of Chapter 83 of Laws 2020 for behavioral health programs for continuing the multi-systemic expansion project is extended through fiscal year 2022.							Yes
94	5	705	Department of Military Affairs	For groundwater monitoring and site remediation at the Belen armory and operational maintenance shop.	$45.7		$45.7	$45.7		$45.7	Yes
95	5	770	Corrections Department	The period of time for expending the two hundred thousand dollars ($200,000) appropriated from the penitentiary income fund in Subsection 103 of Section 5 of Chapter 83 of Laws 2020 for a recidivism-reduction programming plan and supplies for programs to reduce recidivism is extended through fiscal year 2022. The corrections department shall present the recidivism-reduction programming plan for fiscal years 2023 through 2025, including a current program inventory, program capacity and enrollment, number of inmates whose risk-needs assessments indicate they should participate in each program but are not enrolled, incentives for participation, program cost and metrics of program effectiveness to the legislative finance committee and the department of finance and administration by September 1, 2022.							Yes

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations

(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
96	5	770	Corrections Department	The period of time for expending the three hundred thousand dollars ($300,000) appropriated from the general fund in Subsection 106 of Section 5 of Chapter 83 of Laws 2020 to pilot re-entry programming, including employment counseling, housing assistance and case management, with a randomized control trial in at least two counties is extended through fiscal year 2022. The corrections department shall report to the legislative finance committee and the department of finance and administration by October 1, 2023 on the results of the impact of programming on one-year recidivism rates							Yes
97	5	790	Department of Public Safety	To pay for post-employment benefits. Of this amount, two million four hundred fourteen thousand four hundred dollars ($2,414,400) is to be allocated for the payment of retirement benefits. One hundred ninety-four thousand seven hundred dollars ($194,700) is to be allocated for the payment of retiree health care costs contingent on enactment of legislation during the first session of the fifty-fifth legislature moving motor transit officers into an enhanced retirement plan.	$5,718.4		$5,718.4	$2,609.1		$2,609.1	Yes
98	5	790	Department of Public Safety	To purchase and equip law enforcement vehicles.	$9,900.0		$9,900.0				No
99	5	790	Department of Public Safety	To conduct a salary study including a market review, development of a career progression plan and staffing study for the department of public safety forensic laboratory bureau.	$50.0		$50.0				No
100	5	790	Department of Public Safety	For the purchase of in-car cameras, body cameras, modems, patrol vehicle routers and cloud based storage to house camera data.	$1,500.0		$1,500.0				No
101	5	790	Department of Public Safety	For review and certification of individual blocks of training comprising the New Mexico law enforcement academy's basic police officer training academy curriculum.	$52.0		$52.0				No
102	5	790	Department of Public Safety	For conducting a job task analysis for the instructor positions at the New Mexico law enforcement academy.	$100.0		$100.0				No
103	5	790	Department of Public Safety	For the purchase of a robotic platform for special operations.	$483.2		$483.2				No
104	5	790	Department of Public Safety	To purchase equipment for the New Mexico state police crash reconnaissance unit and crime scene team in Albuquerque and Espanola.	$163.3		$163.3				No
105	5	790	Department of Public Safety	The period of time for expending the three hundred fifty thousand dollars ($350,000) appropriated from the general fund in Subsection 111 of Section 5 of Chapter 83 of Laws 2020 for a data-sharing project with the administrative office of the courts is extended through fiscal year 2022.							Yes

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations
(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
106	5	805	Department of Transportation	Any unexpended balances in the project design and construction program, the highway operations program and the modal program of the department of transportation remaining at the end of fiscal year 2021 from appropriations made from other state funds shall not revert and shall be expended in fiscal year 2022.							Yes
107	5	924	Public Education Department	For a commercial off-the-shelf solution and professional services for managing education data. The other state funds appropriation is from the public education reform fund.	$723.0		$723.0		$723.0	$723.0	Yes
108	5	924	Public Education Department	For expenditures in fiscal years 2021, 2022 and 2023 associated with the department's support of local education agency efforts to remediate lost instructional time due to coronavirus disease 2019. The other state funds appropriation is from the public education reform fund		$95,339.7	$95,339.7				No
109	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.	$1,250.0		$1,250.0	$1,250.0		$1,250.0	Yes
110	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.	$3,000.0		$3,000.0				No
111	5	924	Public Education Department	For cybersecurity and data system upgrades. The other state funds appropriation is from the public education reform fund.		$500.0	$500.0				No
112	5	924	Public Education Department	To support the family income index through fiscal year 2023. The other state funds appropriation is from the public education reform fund.		$55,877.1	$55,877.1				No
113	5	924	Public Education Department	For education recruitment efforts. The other state funds appropriation is from the public education reform fund.		$1,500.0	$1,500.0				No
114	5	924	Public Education Department	For a tribal remedy framework to support Native American students through fiscal year 2023. The other state funds appropriation is from the public education reform fund.		$10,000.0	$10,000.0		$4,000.0	$4,000.0	Yes
115	5	924	Public Education Department	For Martinez-Yazzie regional accountability and technical support. The other state funds appropriation is from the public education reform fund.		$8,000.0	$8,000.0				No
116	5	924	Public Education Department	For community school initiatives pursuant to Section 22-32-4 NMSA 1978. The other state funds appropriation is from the public education reform fund.					$3,000.0	$3,000.0	Yes
117	5	924	Public Education Department	To the teacher residency fund. The other state funds appropriation is from the public education reform fund.					$1,000.0	$1,000.0	Yes
118	5	924	Public Education Department	For 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.					$2,000.0	$2,000.0	Yes

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119	5	924	Public Education Department	For an educator evaluation system. The other state funds appropriation is from the public education reform fund.					$1,000.0	$1,000.0	Yes
120	5	950	Higher Education Department	For teacher preparation affordability scholarships.	$2,200.0		$2,200.0				No
121	5	954	New Mexico State University	For the New Mexico department of agriculture to support the development of a local meatpacking cooperative.				$150.0		$150.0	Yes
122	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 2024. The secretary of public education may permit a school district or charter school to pilot K-12 plus programs at elementary schools, 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 total number of instructional days provided during the 2018-2019 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, 2021. The other state funds appropriation is from the public education reform fund. The public education department may use up to three hundred thousand dollars ($300,000) of this appropriation for marketing activities to promote K-12 plus and extended learning opportunities.					$15,000.0	$15,000.0	Yes
123	5	9922	Computer Systems Enhancement Fund	For transfer to the computer systems enhancement fund for system replacements or enhancements.	$36,112.2		$36,112.2	$17,637.4		$17,637.4	Yes
				Total Special Appropriations:	**$214,702.2**	**$183,816.8**	**$398,519.0**	**$77,388.3**	**$37,573.0**	**$114,961.3**	
124	6	215	Court of Appeals	To correct an over reversion in fiscal year 2016.	$2.5		$2.5	$2.5		$2.5	Yes
125	6	218	Administrative Office of the Courts	To replace cameras in detention centers and the judicial information division.	$270.0		$270.0				No
126	6	231	First Judicial District Court	To fund a new judgeship created in Subsections B.1 of Section 4 of Chapter 83 of Laws 2020, and to fund associated staff in the first judicial district court.	$189.0		$189.0	$90.0		$90.0	Yes

Special, Supplemental, and Deficiency Appropriations - Agency Requests and LFC Recommendations
(in thousands)

Item	GAA Sec.	No.	Agency Name	Language	General Fund Request	Other State / Fed / Transfer Funds Request	Total Request	General Fund LFC	Other State / Fed / Transfer Funds LFC	LFC Total	LFC Rec?
127	6	232	Second Judicial District Court	To fund a new judgeship created in Subsections B.2 of Section 4 of Chapter 83 of Laws 2020, and to fund associated staff in the second judicial district court.	$344.0		$344.0				No
128	6	233	Third Judicial District Court	To fund a new judgeship created in Subsections B.3 of Section 4 of Chapter 83 of Laws 2020, and to fund associated staff in the third judicial district court.	$151.0		$151.0	$90.0		$90.0	Yes
129	6	233	Third Judicial District Court	For shortfalls related to the magistrate court consolidation in Dona Ana county.	$42.8		$42.8	$30.0		$30.0	Yes
130	6	238	Eighth Judicial District Court	For furniture and equipment related to the fiscal year 2021 capital appropriation for colocation of the eighth judicial district and magistrate court consolidation.	$83.0		$83.0				No
131	6	238	Eighth Judicial District Court	For shortfalls in the contractual services and other categories for the Clayton and Raton magistrate courts.	$34.0		$34.0				No
132	6	240	Tenth Judicial District Court	For shortfalls in the personal services and employee benefits category for the magistrate courts in De Baca, Quay and Harding counties.	$20.0		$20.0	$20.0		$20.0	Yes
133	6	242	Twelfth Judicial District Court	To fund a new judgeship created in Subsections B.12 of Section 4 of Chapter 83 of Laws 2020, and to fund associated staff in the twelfth judicial district court.	$71.9		$71.9	$71.9		$71.9	Yes
134	6	263	Thirteenth Judicial District Attorney	To correct an over reversion in fiscal year 2016.	$22.2		$22.2	$22.2		$22.2	Yes
135	6	333	Taxation and Revenue Department	For shortfalls in the personal services and employee benefits category in the tax administration act program.	$1,250.0		$1,250.0	$1,250.0		$1,250.0	Yes
136	6	420	Regulation and Licensing Department	For a deficiency in the boards and commissions program. The other state funds appropriations is from the mortgage regulatory fund.	$284.2		$284.2		$284.2	$284.2	Yes
137	6	460	New Mexico State Fair	For prior year shortfalls in the personal services and employee benefits category due to the coronavirus disease 2019 shut down.	$200.0		$200.0	$200.0		$200.0	Yes
138	6	460	New Mexico State Fair	For current year operational shortfalls due to the coronavirus disease 2019 shut down.	$6,500.0		$6,500.0	$2,000.0		$2,000.0	Yes
139	6	469	State Racing Commission	For prior year budget deficits.	$125.0		$125.0	$125.0		$125.0	Yes

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140	6	630	Human Services Department	For costs associated with the Medicaid program.	$21,494.0	$94,627.0	$116,121.0				No
141	6	647	Developmental Disabilities Planning Council	For projected shortfalls for professional contract guardians.	$250.0		$250.0	$250.0		$250.0	Yes
142	6	667	Department of Environment	To restore funds to the New Mexico environment department air quality bureau title v after a legislative sweep.	$3,000.0		$3,000.0	$3,000.0		$3,000.0	Yes
143	6	770	Corrections Department	For a projected shortfall in operating costs in the inmate management and control program.	$2,500.0		$2,500.0				No
144	6	924	Public Education Department	For potential impact aid liabilities in fiscal year 2021.	$38,800.0		$38,800.0				No
145	6	924	Public Education Department	To the state-support reserve fund. If the secretary of public education determines that a final decision by the United States department of education prohibits the deduction of federal revenue pursuant to Paragraph (2) of Subsection C of Section 22-8-25 NMSA 1978 that includes payments to school districts and charter schools commonly known as "impact aid funds" pursuant to 20 U.S.C. 7701 et seq., and formerly known as "PL 874 funds" for fiscal year 2020, the state board of finance shall approve a transfer from the state-support reserve fund to make payments to impact aid school districts and charter schools affected by the decision.	$59,992.3		$59,992.3	$20,899.6		$20,899.6	Yes
146	6	993	Public School Support	Notwithstanding the provisions of Section 22-8-26 NMSA 1978, a state-chartered charter school that receives a transportation allocation that exceeds the amount required to provide to-and-from transportation, three- and four-year-old developmentally disabled transportation and vocational education transportation during fiscal year 2021 shall deposit one hundred percent of the remaining balance in the transportation emergency fund at the end of fiscal year 2021.							Yes
				Total Supplemental and Deficiency Appropriations:	**$135,625.9**	**$94,627.0**	**$230,252.9**	**$28,051.2**	**$284.2**	**$28,335.4**	

Table 6: Information Technology Requests and Recommendations

FY22 C2 Funding Request & Recs

FY22 - 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	Video Network Operations Upgrade and Integration	$270.0	$270.0			$270.0	$0.0			$0.00
2	218	Administrative Office of the Courts	NM Data Xchange	$500.0	$0.0			$0.0	$0.0			$0.00
3	341	Department of Finance and Administration	Infrastructure Upgrade	$300.0	$0.0			$0.0	$0.0			$0.00
4	343	Retiree Heatlh Care Authority	Web Portal	$100.0		$100.0		$100.0		$100.0		$100.00
5	355	Public Defender Department	Document Management System	$1,070.0	$1,070.0			$1,070.0	$1,070.0			$1,070.00
6	418	Tourism Department	Infrastructure and Disaster Recovery	$40.0	$0.0			$0.0	$0.0			$0.00
7	420	Regulation and Liscensing Department	Permitting and Inspection Software Modernization	$7,580.0	$580.0	$2,000.0		$2,580.0	$580.0	$2,000.0		$2,580.00
8	446	Medical Board	Licensing Software Modernization	$996.3		$500.0		$500.0		$500.0		$500.0
9	539	State Land Office	Land Office Accounts Payable	$868.0		$548.0		$548.0		$548.0		$548.0
10	611	Early Childhood Education & Care Department	Network Infrastructure	$700.0	$0.0			$0.0	$0.0			$0.00
11	611	Early Childhood Education & Care Department	Epics/MMIS Integration	$495.0	$49.5		$445.5	$495.0	$49.5		$445.5	$495.00
12	630	Human Services Department	Medicaid Management Information System Replacement (MMISR)	$12,021.7	$1,208.9		$10,812.8	$12,021.7	$1,208.9		$10,812.8	$12,021.70
13	632	Worker's Compensation Administration	IT Modernization	$2,000.0		$2,000.0		$2,000.0		$2,000.0		$2,000.00
14	665	Department of Health	Enterprise Electronic Health Records & Billing System	$15,000.0	$3,750.0			$3,750.0	$3,750.0			$3,750.00
15	665	Department of Health	Pharmacy System Replacement	$3,500.0	$3,500.0			$3,500.0	$442.0			$442.00
16	665	Department of Health	CDMS & MMISR Modularity	$5,000.0	$500.0		$4,500.0	$5,000.0	$500.0		$4,500.0	$5,000.00
17	665	Department of Health	All Payer Claims Database	$500.0	$500.0			$500.0	$500.0			$500.00
18	667	Environment Department	Vista Nueva (TEMPO ERP Replacement Project)	$3,114.5	$1,000.0			$1,000.0	$1,580.6			$1,580.58
19	670	Department of Veteran's Services	Infrastructure Modernization & Integrity	$150.0	$0.0			$0.0	$0.0			$0.00
20	690	Children, Youth and Families Department	Comprehensive Child Welfare Information System (CCWIS) Modernization System	$20,619.6	$3,523.7		$17,095.9	$20,619.6	$3,523.7		$17,095.9	$20,619.60
21	770	Corrections Department	Electrinic Health Records System Implementation	$1,530.0	$500.0			$500.0	$500.0			$500.00
22	924	Public Education Department	Business Intelligence, Integration and Reporting	$1,215.4		$806.0		$806.0	$607.7	$607.7		$1,215.40
23	924	Public Education Department	NMPED High Availability Infrastructure	$723.2	$0.0			$0.0	$0.0			$0.00
24	950	Higher Education Department	New Mexico Longitudinal Data System	$401.0	$200.0	$201.0		$401.0	$200.0	$201.0		$401.00
25	950	Higher Education Department	New Mexico Education Blockchain Initiative	$236.0	$0.0			$0.0	$0.0			$0
26	950	Higher Education Department	Shared Services Enterprise Resource Planning	$3,125.0	$3,125.0			$3,125.0	$3,125.0			$3,125.00
Total				**$82,055.7**	**$19,777.1**	**$6,155.0**	**$32,854.2**	**$58,786.3**	**$17,637.4**	**$5,956.7**	**$32,854.2**	**$53,323.3**

1 A revised DoIT/Executive recommendation was submitted on 11/18/2020

Fund Transfers and Special Transportation Appropriations - LFC Recommendations
(in thousands)

Item	Agency / Fund	Description	General Fund
1	Department of Finance and Administration	Upon enactment of this act, the department of finance and administration shall transfer fifty million dollars ($50,000,000) from the general fund operating reserve to the appropriation contingency fund.	
2	Department of Finance and Administration	For economic recovery efforts and income support, including for essential workers, in coordination with any future federal stimulus funding.	$75,000.0
3	Department of Finance and Administration	To the early childhood education and care fund.	$20,000.0
4	Workforce Solutions Department	To an unemployment suspense fund to be used by the department of workforce solutions as needed for ongoing unemployment insurance claims. Contingent on the enactment of any federal aid that raises the balance of the unemployment trust fund before June 30, 2021, the remaining balance of the suspense fund will revert to the operating reserve on June 30, 2021. Otherwise, the balance of the fund will be transferred to the unemployment trust fund on June 30, 2021.	$300,000.0
5	Public Education Department	To the national board certification scholarship fund.	$5,000.0
6	Public Education Department	To the community schools fund contingent on enactment of legislation in the first session of the fifty-fifth legislature authorizing the appropriation.	$10,000.0
7	Higher Education Department	To the teacher loan repayment fund.	$5,000.0
8	Higher Education Department	To the teacher preparation affordability scholarship fund.	$20,000.0
9	Higher Education Department	To the college affordability fund.	$15,000.0
		Total Fund Transfers:	**$450,000.0**

10	Department of Transportation	To be distributed equally among the six transportation districts statewide for roadway planning, design, construction and maintenance in accordance with projects identified on the statewide transportation improvement program. Up to five million dollars ($5,000,000) may be expended for essential air service, contingent on the enactment of legislation in the first session of the fifty-fifth legislature that authorizes such an expenditure. This amount is appropriated in fiscal year 2021. Any unexpended or unencumbered balance remaining from this appropriation at the end of fiscal year 2025 shall revert to the general fund.	$150,000.0
11	Department of Transportation	To the local government transportation project fund. This amount is appropriated in fiscal year 2021. Any unexpended or unencumbered balance remaining from this appropriation at the end of fiscal year 2025 shall revert to the general fund.	$100,000.0
		Total Special Transportation Appropriations:	**$250,000.0**