



Chapter I

Making New Mexico Better

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Chapter I:

Making New Mexico Better

New Mexicans don't want a bigger state government. They don't even necessarily want a smaller state government. What New Mexicans want is a *better* state government.

How could a better state government help build a better New Mexico? It could provide valuable, useful services at a reasonable price. It could avoid wasting tax dollars on programs that people don't use or can get cheaper somewhere else. And it could offer New Mexicans a modern public sector that reflects their traditional values while operating in the context of the new century.

A series of recommendations in this report, mainly in the areas of health and human services and transportation, would enhance New Mexico's long-term development by improving important aspects of both the economic and social infrastructure.

We recommend, for example, the creation of a system using the abbreviated 2-1-1 dialing code for free access to health and human services referrals. Adopting this system in New Mexico could provide a critical link to the appropriate state agencies for families in need of services ranging from child abuse intervention and in-home programs for the elderly to unemployment insurance, child immunizations, and homeless shelters.

Other recommendations include strengthening the state's health and human services by getting Washington to pick up the tab for programs and services currently paid for out of state funds. A series of specific suggestions would maximize federal revenues in the burgeoning Medicaid program, as well as for foster care, elder care, and food and nutrition programs for low-income New Mexico families.

Taxpayers should be able to count on strict accountability measures to make sure ineligible or unqualified recipients don't take advantage of these well-intentioned programs. This report lays out detailed plans for recovering improper public assistance payments so that scarce taxpayer resources will reach only those who truly need them.

Finally, a major series of recommendations in this report addresses the state's transportation infrastructure, a key ingredient in New Mexico's recipe for future economic prosperity. We propose new public-private funding options and other measures to meet the state's growing traffic and transportation needs.

Total recommendations:	5
Total five-year savings:	\$19.5 million

CHAPTER I - MAKING NEW MEXICO BETTER

(Dollars in Thousands)

Issue No.	Recommendation	2004		2005		2006		2007		2008		Cumulative Total	
		General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
HHs 3	Implement a Statewide 2-1-1 Network	-	-	39.0	-	260.7	-	260.7	-	372.7	-	933.1	-
HHs 4	Maximize Federal Revenue - Food Stamp Employment and Training Revenue	318.7	-	318.7	-	318.7	-	318.7	-	318.7	-	1,593.5	-
HHs 2	Maximize Federal Revenue - Performance Bonuses	-	-	-	-	-	-	-	-	-	-	-	-
HHs 12	Maximize Federal Revenue- Title IV-E	-	3,580.0	-	2,238.0	-	2,238.0	-	-	-	-	-	8,056.0
T 7	Create Public-Private Partnerships for Transportation Projects	-	2,000.0	-	7,000.0	-	-	-	-	-	-	-	9,000.0
Total		318.7	5,580.0	357.7	9,238.0	579.4	2,238.0	579.4	-	691.4	-	2,526.6	17,056.0

Implement a Statewide 2-1-1 Network

State agencies that provide health and human services should form public-private partnerships to support existing initiatives to implement a statewide 2-1-1 program.

BACKGROUND

2-1-1 is the national abbreviated dialing code for free access to health and human services information and referrals, and could replace most of the existing toll-free 800 numbers maintained by New Mexico health and human services (HHS) agencies. An easily recognized number, it makes a critical connection for individuals and families in need of services with the most appropriate services. Services that could be accessed through 2-1-1 include child abuse and neglect, in-home programs for the elderly, mental health services, unemployment insurance, child immunizations, and homeless shelters.

Once up and running, 2-1-1 would be an efficient and cost-effective way to support extensive community involvement in service delivery. Access to telephone information and referral services through a toll-free 2-1-1 telephone number would significantly reduce the total of misdirected calls and would help citizens receive appropriate, often critical services immediately and avoid more expensive, less desirable services resulting from the lack of an accurate initial referral. In addition, using 2-1-1 allows agency staff to focus on their primary responsibilities.

The 2003 Legislature designated the Developmental Disabilities Planning Council (DDPC) as the lead agency for implementation of a statewide 2-1-1 initiative, but lawmakers did not provide an appropriation for the initiative. An initial plan has been drafted, and a funding

source is all that's needed to make the initiative a reality.

The Department of Health (DOH), the Children, Youth and Families Department (CYFD), the Human Services Department (HSD), and the State Agency on Aging (SAOA) provide most health and human services in New Mexico. Yet, none of these agencies has been actively involved in developing 2-1-1, despite the fact that each could achieve significant taxpayer savings if 2-1-1 were fully implemented.

New Mexico HHS agencies operate 87 toll-free numbers costing \$315,860 annually. HSD estimates that its employees spend about 8,200 hours per year on information and referral calls. CYFD estimates about 60 percent of the calls it receives by the statewide abuse and neglect referral center are not for such referrals, but are requests for information on and referrals to health and human services. Finally, about 30 percent of the applicants for CYFD's childcare services are not eligible for such services; potential applicants could be pre-screened and ineligible candidates weeded out before they get too far in the application process via the 2-1-1 network.

In Texas, state lawmakers anticipated sufficient savings from replacing 800 numbers with 2-1-1 systems and they passed legislation preventing state agencies from implementing new toll-free numbers other than 2-1-1 numbers.

In addition to information and referral services, 2-1-1 systems may be eligible to receive funding for disaster-related services so that the systems could be used to identify volunteers, engage communities, and identify gaps in services and duplication of services through a centralized database.

FINDINGS

United Way organizations have been recognized for their work in creating 2-1-1

projects, most by means of public-private partnerships. These programs, often have been implemented and coordinated at community levels with a key national organization, the Association for Information and Referral Systems (AIRS), to develop solutions, including project development, database taxonomy, training, and project coordination. United Way and AIRS have a great deal of expertise and experience in setting up and operating 2-1-1 projects.

At least 20 potential funding sources have been identified to support the 2-1-1 initiative in New Mexico, including Local Public Assistance Cost Allocation Plans, e-government funds, and Community Fund Allocations. Other potential sources include the Bill Gates Foundation which recently supported a 2-1-1 project in Oregon and Washington through a \$450,000 donation for the technology development. New Mexico funding sources, which may be available for start-up costs, have also been identified.

New Mexico nonprofit agencies trying to establish 2-1-1 services have found that there is currently no statewide database containing all health and human services, by type and location, and have cited this missing component as a key obstacle to streamlining the process. Such a database, respectful of all state and federal privacy safeguards, could be created through a cooperative effort among New Mexico's HHS agencies.

The state is developing the technology that would allow a database to be hosted through the state's system and available via the Internet. Hosting such a database in the Information Systems Division of the General Services Department would make it accessible for all 2-1-1 centers as well as anyone who has Internet access. Hosting the database would allow agencies and providers to track calls, fill gaps in services, and eliminate duplication, with cost at a mere \$50 to \$100 per month. It would also reduce the number of 2-1-1 calls, as many citizens would use the Internet to obtain needed information.

In addition to hosting the database, agencies could provide assistance with project coordination, identify external funding for all aspects of implementation, develop and maintain the database content, and provide training for 2-1-1 staff.

RECOMMENDATIONS

The Governor should form a task force made up of state employees with decision-making authority from the General Services Department, Department of Health, Children, Youth, and Families Department, Human Services Department, and State Agency on Aging to establish a public-private partnership with nonprofit agencies already involved in 2-1-1 implementation. As a part of the partnership, clear expectations and strict accountability standards should be set for providing the following services:

- Identify external public and private funding to support the project, including any costs to nonprofit groups associated with developing and hosting a statewide database of services;
- Work with GSD's Information Systems Division to develop and maintain a statewide

HHS resources database, and include the project within one of the agencies' FY05 information technology plans. CYFD is the recommended agency to be responsible for the database, although the final decision should be made by the HHS cabinet secretaries in consultation with the Governor;

- Identify one vacant full-time position in CYFD (or whichever agency is ultimately given database responsibility) to be reclassified and funded as a database administrator to help develop and maintain the resource database on the Internet (By FY06, the funding for this position should be replaced with external funding.);
- Identify legislative support for the project, which may include legislation minimizing or eliminating any new 1-800 lines by HHS agencies once the 2-1-1 system is implemented;
- Provide assistance with project and train 2-1-1 staff members; and
- Eliminate 30 percent of the existing HHS toll-free phone lines, beginning in FY06, eliminating 10 percent in each in FY06, FY07, and FY08. A comprehensive study of the usage and staffing for the lines should be conducted to determine the proper plan for eliminating lines.

FISCAL IMPLICATIONS

Estimated Fiscal Impact (Dollars in Thousands)						
Fiscal Year	General Fund Cost	General Fund Savings	Other Funds Cost	Other Funds Savings	Net Cost/Gain To General Fund	Change in FTE
2004						
2005	84.5	123.5			39.0	
2006		260.7			260.7	
2007		260.7			260.7	
2008		372.7			372.7	
TOTAL	84.5	1,017.6			1,107.6	

- Texas has conducted a detailed cost-benefit estimate for 2-1-1 projects. Since the population of New Mexico is about 10 percent that of Texas, savings were computed for New Mexico at 10 percent of the Texas totals. Cost savings estimates for avoiding placements in foster care, juvenile detention, and nursing homes were based on current New Mexico general fund costs. Additional expected cost savings were based on personnel time and reducing the number of misdirected calls.
 - The recommendation provides one-time money from the general fund for a database administrator and challenges the program to find external funding sources for future years.
 - Elimination of toll-free lines, beginning in FY06: Nine per year, saving taxpayers \$30,249 per year.
- * FTE reductions may be recommended once information is available regarding the number of 800 numbers in state government and associated personnel who primarily respond to 800 number calls.

ENDNOTES

1. Doyle Smith, Medical Assistance Division, NM Human Services Department
2. Senate Bill 422, New Mexico Legislature, 2003
3. Karen Baltzley, Manager, General Services Division
4. Matt Onstott, Deputy Director, Income Support division, NM Human Services Department
5. Tina Soister, Manager, NM Children, Youth and Families Department
6. Donna Donsey, Bureau Chief, Child Care Services Bureau, NM Children, Youth and Families Department
7. Dorenda Morse, MAGportal Project Manager, NM General Services Department

Maximize Federal Revenue - Food Stamp Employment and Training Revenue

The Human Services Department (HSD) should take advantage of changes in federal legislation that allow states to allocate more program and administrative costs to federal grants thereby reducing the burden on state taxpayers.

BACKGROUND

Many of the Human Services Department's (HSD) programs are funded in large part by federal grants. For example, benefits under the Food Stamp Program (FSP) are entirely federally funded, although the federal government pays for 50 percent of administrative costs and 50 percent of employment and training costs if those costs exceed the federal grant award.

New Mexico received a federal grant for employment and training of more than \$637,000 in FY03. If the state were to spend over the amount of the federal grant, the federal government would match the amount exceeding the grant at 50 percent. The FSP is an open-ended federal entitlement program; administrative costs are "uncapped," meaning the federal government does not limit the amount it will match.

States are required to develop a federally approved Employment and Training (E&T) program as part of their FSP. New Mexico's E&T program serves food stamp recipients in all 33 counties. Each recipient must participate in the E&T program unless they are determined to be exempt. Failure to comply with the work requirements of the program may result in the loss of benefits.

The federal government also funds nutrition education and many other food assistance programs. In 2003, the food stamp caseload increased by 13.8 percent over April 2002, reaching

75,015. New Mexico's federal fiscal year (FFY) 2003 food stamp program and administrative budgets are expected to exceed \$200 million. The program budget is 100 percent federally funded. If the caseload continues to grow at the current rate, HSD expects to issue more than \$182 million in benefits. The administrative budget to support the food stamp program is matched by the federal government at a 50 percent match rate. The FY03 total administrative budget is \$21,457,603.

The Farm Bill

As a condition of administering a food stamp program, states must operate an approved Employment and Training (E&T) program. Significant changes to the way E&T grants are allocated and how the funds can be spent were made through the Farm Security and Rural Investment Act of 2002 — commonly known as the Farm Bill.

Many complex and cumbersome regulations regarding the participation in federally funded employment and training programs by able-bodied adults without dependents were eliminated. Before the rules were changed, 22 states were unable to spend all of their E&T grant funds. Previously, states funded federally mandated programs with state matched dollars because so many people were ineligible for participation in the entirely federally funded programs. In 2003, New Mexico spent just under \$870,000 in state general revenue on such programs because it could not spend all of its \$637,470 federal E&T grant.

FINDINGS

Under the Food Stamp program, states must submit expenditure reports to the federal Food and Nutrition Services (FNS) for approval, and the portion of the administrative costs that are funded by the general fund must be appropriated by the Legislature.

The federal government may impose monetary sanctions on states that have error rates exceeding the national average of benefits distributed in error to families and individuals. Washington also awards performance bonuses if quality control errors are below a specified threshold.

Included in the E&T state plan is a two-year operating budget that includes annual costs of the E&T program by category of funding. The categories of funding include the 100 percent federal grant, expenditures that exceed the 100 percent and are matched by the state at 50 percent, and participant-reimbursed costs such as transportation and dependent care, which are matched by the state at 50 percent.

Until the Farm Bill passed, 80 percent of the state's employment and training grant money had to be used to train or employ able-bodied adults without dependents, who were required to work 20 hours a week or participate in an approved activity to maintain their food stamp eligibility. Many states, including New Mexico, applied for and received waivers to exclude some able-bodied adults with dependents from having to participate. For instance, waivers were granted if a county or city had an unemployment rate over 10 percent, as well as for individuals residing on certain Indian reservations or pueblos.

During FY03, 1,844 of 3,460 eligible New Mexico able-bodied adults with dependents were exempt from participation. Between November 2002 and April 2003, the entire population of such New Mexicans qualified for exemption under a federally approved waiver. This made it increasingly difficult for the state to spend its E&T grant money because there were so few required to participate in an approved activity.

During the course of the year, there were 30,138 non-able-bodied New Mexicans participating in mandatory E&T programs. However, only 20 percent of the federal grant money was available to pay for the costs. Although grant money could not be spent on these individuals, the state still had to pay for employment and training

services. Not only did the state have to spend money from the general fund to cover E&T services, but the federal government reduced the grant amount from \$1,630,421 in FY02 to \$637,470 in FY03 because the state had not spent all of its grant money in the two previous fiscal years.

HSD contracts with New Mexico Works regional contractors to provide food stamp E&T services to E&T mandatory work participants. These contractors also serve Temporary Assistance for Needy Families (TANF) eligible recipients. The E&T agreements with regional contractors totaled \$1,738,918 during FFY2003. Because of the previous funding restrictions for able-bodied adults with dependents, regional contracts were charged to FNS at the allowable 50:50 match rate. In FFY 2003, \$869,457 from the state's general fund will be spent to draw down the additional \$869,457 of the federal grant.

Now that federal food stamp regulations have been altered to increase support for E&T programs, state taxpayers are on the hook for

less money to fund those programs. That means that a revised E&T plan should be resubmitted to FSN to adjust the budget categories.

RECOMMENDATIONS

HSD should submit the FFY2003 and FFY2004 state plan to FNS for the Food Stamp Program's employment and training efforts to ensure that work program contracts are funded to the fullest extent possible by the federal government — saving New Mexico taxpayers.

The FFY2004 E&T plan must be submitted to FNS by August 15, 2003.

HSD should resubmit FFY2003 quarterly fiscal reports to reflect increased use of federal funds, claim employment and training expenditures and reduce use of general funds for food stamp employment and training programs.

FISCAL IMPLICATIONS

By revising the state plan for E&T, the state can decrease its reliance on the general revenue fund under the Food Stamp program as follows:

Amount currently funded from the general fund	869,459
Total E&T contract expenditures	1,738,918
Less federal funds available under the 100% program	<u>(637,470)</u>
Remaining E&T expenditures	1,101,448
Less federal funds available under the 50% program	<u>(550,724)</u>
Amount needed from the general fund	<u>550,724</u>
 Annual savings to the general fund	 <u><u>318,735</u></u>

Estimated Fiscal Impact (Dollars in Thousands)						
Fiscal Year	General Fund Cost	General Fund Savings	Other Funds Cost	Other Funds Savings	Net Cost/Gain To General Fund	Change in FTE
2004		318.7			318.7	
2005		318.7			318.7	
2006		318.7			318.7	
2007		318.7			318.7	
2008		318.7			318.7	
TOTAL		1,593.5			1,593.5	

ENDNOTES

1. Food Stamp Program, FY 2003 E&T Allocation Table:
http://www.fns.usda.gov/fsp/rulesmemo/02/fy2003_et_alloc_table.htm
2. New Mexico Works Program, Food Stamp Employment and Training State Plan, Fiscal Year 2003, Revised October 2002. pg.1
3. New Mexico Human Services Department, Monthly Statistical Report, May 2003 Issue, pg. 1.
4. New Mexico Human Services Department, Monthly Statistical Report, May 2003 Issue, pg.48.
5. USDA, Food and Nutrition Services, Program and Budget Summary Statement, Part A Budget Project, August 15, 2002.
6. Federal Register: June 19, 2002 (Volume 67, Number 118)
7. New Mexico Works Programs, Food Stamp Employment & Training State Plan, FY 2003, Table 5.
8. Code of Federal Regulations 273.24(f)
9. New Mexico Works Programs, Food Stamp Employment & Training State Plan, FY 2003, Table 1
10. David Short, FNS, Region VI State Desk Program Manager, New Mexico Management Evaluation, April 2003 Exit Interview.

Maximize Federal Revenue - Performance Bonuses

The Human Services Department should compete more effectively for available federal financial incentives and bonuses to cover the costs of some services currently paid for with state funds.

BACKGROUND

Certain federal programs provide states with the opportunity to compete for financial incentives or bonuses available for programs that exceed or improve specific performance goals. The Temporary Assistance for Needy Families (TANF) block grant, for example, adds the high performance bonus to the annual block grant allocation to be used for any purpose detailed in the block grant regulations. The Food Stamp high performance bonus program also provides revenue to the state that can be matched for additional federal funds.

High or improved performance in either TANF or the federal food stamp program help further the twin goals of improving access by eligible families to these programs and bolstering public support for the programs by ensuring their efficiency and effectiveness.

New Mexico competed in federal fiscal year (FFY) 01 for a high performance bonus under the TANF block grant covering FFY 1999 and FFY00. Out of a total of \$200 million awarded to winning states, New Mexico received \$6.3 million ranking third among the states competing in the job entry rate measure for the 2001 competition.

States can compete on the following four rates:

- Job entry - unduplicated number who enter employment for the first time in the fiscal year;
- Success in the work force - combination of job retention rate and earnings gain rate;

- Increase in the job entry - comparing FFY 2000 to FFY 1999; and,
- Increase in the work force - comparing FFY 2000 to FFY 1999).

Section 4120 of the Farm Security and Rural Investment Act of 2002 (Pub. L. 107-171) authorized \$48 million each fiscal year, beginning in FFY 2003, to be awarded to states with high or improved performance in the administration of the Food Stamp Program (FSP). The USDA Food and Nutrition Service (FNS) was charged with setting the criteria for the performance measures. States can be awarded bonuses for more than one category.

The following are the four criteria FNS has identified to measure states' performance:

- Payment accuracy. \$24 million divided among seven states with the highest accuracy rate and three states with the most improved payment accuracy rate.
- Negative error rate. \$6 million divided among four states with the lowest and two states with the most improved negative error rate.
- Participation rate. \$12 million divided among four states with the highest and four states with the most improved participation rate.
- Application processing timeliness. \$6 million divided among the six states with the highest percentage of timely processed applications.

FNS tested the performance calculations based on FFY02 data and determined that if there had been financial incentive awards given out that year, New Mexico would have received an award for the lowest negative error rate in the nation. This means that New Mexico had the highest rate in the nation (99.67 percent) for correctly denying or closing food stamp cases based on federal quality control data. But there was no monetary award tied to winning the Food Stamp award at that time. The Farm Bill now measures states' achievements in this category, and state leaders are hopeful that New Mexico will receive such an award in FFY03.

FINDINGS

New Mexico Human Services Department (HSD)/Income Support Division (ISD) has excelled in two federal program performance measures and, as a result, may be eligible for financial performance bonuses. HSD/ISD may also be able to qualify for additional federal revenue including high performance bonuses, enhanced funding, and grants, thereby reducing the need to spend state general revenue funds and expanding capacity to serve more clients. By exceeding federal performance measures, the state demonstrates improved accuracy and timely issuance of benefits while helping more clients leave the public assistance rolls when they find jobs.

In June 2002, the federal Health and Human Services Secretary congratulated New Mexico for moving assistance recipients into jobs and announced that the state had been awarded a high performance bonus of \$6.3 million for FFY00. TANF high performance bonuses are awarded by means of an award letter that increases the State Financial Assistance Grant (SFAG). This means the \$6.3 million is added to the TANF SFAG and can be used in the TANF program.

Food stamp high or improved performance bonuses are awarded by means of a warrant issued to the state. These bonuses supplement the state's general fund unless otherwise appropriated. If the bonuses were to be appropriated to the administering agency for food stamps, the funds could be used to increase the amount of federal funding the state receives through awards. For example, if HSD were to receive a \$500,000 high performance bonus and that bonus were added to the general fund then appropriated to the Department of Transportation to build a new highway, the value of the bonus would remain at \$500,000. If the \$500,000 were appropriated to HSD, the value of the award could become \$1 million because it could qualify for an additional federal match.

Texas was awarded \$29.8 million from FNS in FFY02 for the Food Stamp program's highest

payment accuracy rate in the nation. The Lone Star State also received \$19.8 million in bonus TANF funds for reducing the state's out-of-wedlock birth rate and \$24.8 million for helping welfare recipients find jobs. Including the TANF and Food Stamp bonuses in FFY02, Texas has received \$190 million since 1999.

Louisiana was awarded \$1.3 million from FNS for its accuracy in administering the Food Stamp program in FFY02. This was the fourth year that Louisiana has received a Food Stamp payment accuracy bonus. The Bayou State also won a TANF high performance bonus in FFY02 for being the second-highest state in the nation for placing TANF recipients in the job entry category. Louisiana has added a total of \$9 million dollars to the state coffers this way since 1994.

Louisiana used the enhanced fund to help maintain and improve Food Stamp accuracy rates by providing for salary adjustments for the Office of Family Support (OFS) employees and information technology (IT) enhancements, such as Y2K, video conferencing and equipment upgrades. In FFY04, \$1.3 million of the funds will be used to substitute state general fund within the OFS and will be matched to draw additional federal funds. Approximately \$318,000 was appropriated to agencies other than OFS, namely the Office of Community Services and the Louisiana Rehabilitation Services for IT projects and various other programs.

RECOMMENDATIONS

HSD should support a work environment that encourages personnel to exceed federal performance standards by vigilantly monitoring monthly performance and using accepted best practices.

The Legislature should adopt legislation during the session in 2004 that appropriates to HSD any performance bonus or incentive award related to HSD programs that is eligible for additional federal match. Legislation should provide statutory authority for HSD to match any current or future awards to maximize use of federal revenue in lieu of state general funds.

All of this incentive money should be returned to HSD to be used as the state match to draw down additional federal funds. Incentive money should be used to reinvest in staff and other administrative resources that meet federal administrative guidelines.

FNS bonuses should be invested in the agency. Specifically, incentive funds should be added to or supplant existing appropriations to the information technology contract category that supports the current ISD2 system or its replacement eligibility and benefit issuance system.

By appropriating a portion of the federal incentive money to HSD, the department can use these funds to draw down an equal amount in federal dollars. This approach not only generates more federal funds to replace existing state general fund dollars, but it also provides a meaningful financial reward to employees. This would improve the working environment with better equipment and supplement the financing of a state-of-the-art eligibility and benefit issuance system.

Specific to the TANF program, HSD should develop a plan to increase needed support services for TANF recipients that will reduce barriers to employment and increase educational opportunities while obtaining, maintaining, and promoting higher wage employment.

FISCAL IMPLICATIONS

The increased revenues from these recommendations cannot be determined precisely at this time because the state does not know whether it will receive an incentive bonus or, if so, how much it will total. If an award is received, it should total several hundred thousand dollars. FFY03 performance awards will be announced June 2003.

ENDNOTES

1. HSD Press Release, July 3, 2002
2. ACF Office of Planning, Research & Evaluation, High Performance Bonus States Ranked in Each Category: July 9, 2002 <http://www.acf.hhs.gov/programs/opre/hpb/fy2000/table2.htm>
3. USDA/FNS – Implementing Information & Instructions: Food Stamp High Performance Bonuses by Kate Coler, Deputy Administrator, Food Stamp Program, October 9, 2002.
http://www.fns.usda.gov/fsp/rules/Legislation/2002_farm_bill/performance_measures.htm
4. APHSA Reauthorization Roundup Vol. 11, No.21 Food Stamp Program
5. El Diario Sin Nombre, Vol. 2, Issue 12, December 2002, pg. 2
6. DHHS Grant of Award Letter, July 10, 2002
7. Texas Press Releases, May 03, 2002 and October 1, 2002
8. LA Department of Social Services Press Release, September 4, 2002
9. LA Office of Family Support email from David Leblanc, May 22, 2003

Maximize Federal Revenue – Title IV-E

The State should provide taxpayers millions of dollars in savings by contracting for the services of a revenue maximization expert to identify available Title IV-E federal revenue that can be used to reimburse the state for part of the cost of foster care programs currently covered by the state.

BACKGROUND

As part of the first stage of the New Mexico Performance Review, a revenue maximization consulting company conducted a preliminary analysis to determine whether the Children, Youth, and Families Department (CYFD) has been receiving the maximum amount possible of Title IV-E federal revenue reimbursement for foster care services.

Under Title IV-E federal regulations, states are entitled to be reimbursed for a significant percentage of the cost of maintaining eligible children in foster care. CYFD is the state agency that provides foster care for abused and neglected children.

Our analysis determined that federal revenue is not currently being maximized in the area of foster care maintenance — the actual costs of maintaining a child in foster care, such as the room and board paid to foster parents.

FINDINGS

The preliminary New Mexico Performance Review analysis indicates that New Mexico is almost certainly entitled to additional Title IV-E reimbursement.

These preliminary findings include:

- CYFD may be entitled to retroactively recover between \$1 million and \$2 million for

expenses incurred by the state over the past two years for foster care maintenance.

- Over the next three years CYFD may be entitled to recover between \$2 million and \$3 million per year for foster care maintenance costs incurred by the state.
- Recovery of these Title IV-E reimbursements from the federal government would cost the state general fund nothing.

CYFD currently has a contract in place with a revenue maximization consulting firm that could begin more in-depth analysis of the issues in the immediate future and obtain additional federal reimbursement to which CYFD is entitled under the Title IV-E program.

RECOMMENDATION

CYFD should immediately complete a comprehensive analysis to determine whether it is entitled to any retroactive Title-IV funds and, if so, collect any allowed funds.

This analysis should be completed under the current consulting contract with CYFD. If it is determined that CYFD can be reimbursed for additional Title IV-E funds in the future by using different processes, those processes should be defined.

If CYFD is able to realize additional net increases in federal funding, additional appropriation authority from the New Mexico Legislature to spend the additional revenue may be required.

FISCAL IMPLICATIONS

Estimated Fiscal Impact (Dollars in Thousands)						
Fiscal Year	General Fund Cost	General Fund Savings	Other Funds Cost	Other Funds Savings	Net Cost/Gain To General Fund	Change in FTE
2004				3,580.0		
2005				2,238.0		
2006				2,238.0		
2007						
2008						
TOTAL				8,056.0		

- All estimates were based on preliminary analysis conducted by Strategic Government Solutions.
- The analysis estimated \$1 million to \$2 million could be recovered retroactively, so the average amount of \$1.5 million was used for FY04. Also included for FY04 was one-third of the estimated amount that could be recovered proactively for each of the next three years. The amount was reduced by 10.5 percent, which is the contingency fee CYFD pays to the consulting firm under the existing contract for any funds recovered.
- The analysis estimated \$2 million to \$3 million per year could be recovered for the next three years. The amount of \$2.5 million per year (the average) was used for FY04, FY05, and FY06.

ENDNOTES

1. Joe O'Hara, Strategic Government Solutions, June 11, 2003.
2. Danny Sandoval, Financial Services Division, NM Children, Youth & Families Department.

MAKING NEW MEXICO BETTER

Create Public-Private Partnerships for Transportation Projects

The state's Department of Transportation should expand the use of public-private partnerships to complete more highways and other transportation infrastructure by sharing the costs with the business community for projects that promote economic development.

BACKGROUND

Revenue from the state road fund has remained flat for the past six years. Gasoline tax and other dedicated state revenue sources have fallen short of traditional growth patterns by about three percent, while operating expenses and inflation have increased costs by about 4.5 percent.

Current practice provides direct revenue to the local government road fund, administered by the Department of Transportation (DOT) as part of the state road fund. Revenue also goes to the Indian road fund, administered through the Bureau of Indian Affairs; to Forest Service funds; and to other special funds, such as gross receipts tax and severance tax, that are designated to local and tribal governments for capital improvements.

Federal revenue is administered through the Federal Highway Administration (FHWA) and is primarily considered "dedicated" revenue. That is, the money can only be used for interstate highways, congestion mitigation, bridge replacement, and other designated highway projects. The money from Washington is also earmarked through the Statewide Transportation Improvement Program (STIP), which is contingent on FHWA certification and approval. The state is required to match all federal funds.

Because this federal revenue is dedicated to construction, all DOT operating costs must be paid with state funds. Moreover, state highways not eligible for federal funds and all highway

maintenance improvements are funded entirely by state taxpayers.

Increased operating costs and increased maintenance costs continue to affect the ability of the state road fund to match federal funds. Without the state match, infrastructure improvement projects are placed at risk.

FINDINGS

Studies consistently show that economic development is enhanced when transportation infrastructure is available or included as part of a comprehensive economic development strategy.

For FY03-FY04, the DOT reached an agreement with the city of Rio Rancho and the Intel Corporation whereby the city and Intel each contributed \$5 million and the DOT contributed \$10 million to advance improvements to NM 528, a critical project with economic development implications in Rio Rancho. This \$20 million project was made possible by the 50 percent public-private support.

In FY04, the DOT will negotiate an agreement with the Acoma Tribal Business Group to build an interchange project at Interstate 40 and Acoma Pueblo. In this agreement, Acoma and the DOT are expected to each contribute half of the costs of the \$14 million project.

These two projects combined represent \$17 million in non-state contributions to highway improvements that would otherwise not have been completed. When properly promoted and implemented, public-private partnerships like these can help New Mexico meet the growing traffic and roadway needs of the state.

RECOMMENDATIONS

The state should help facilitate the continued development of public-private partnership initiatives to share the costs of highway infrastructure improvement projects. The state should also identify new opportunities in long range planning and STIP for using public-private partnerships to advance highway construction.

FISCAL IMPLICATIONS

Estimated Fiscal Impact (Dollars in Thousands)						
Fiscal Year	General Fund Cost	General Fund Savings	Other Funds Cost	Other Funds Savings	Net Cost/Gain To General Fund	Change in FTE
2004				2,000.0*		
2005				7,000.0		
2006				**		
2007				**		
2008				**		
TOTAL				9,000.0		

* In FY03, the DOT collected \$8 million of the \$10 million public-private contribution for NM528. The remaining \$2 million is scheduled for collection in FY04.

** The DOT must develop processes to encourage public-private partnerships for infrastructure improvements. This process should demonstrate economic advantages gained through investment in the transportation system. Future contributions will be based on participation of public and private entities.

ENDNOTES

1. COMPASS (Measurement 5c, Percent of 6 year STIP funding compared to needs), NMSHTD Performance Management Plan
2. Road Fund Outlook, NMSHTD State Revenue Report
3. Operating Budget, NMSHTD OpBud in Brief, FY04

MAKING NEW MEXICO BETTER