

NLPES Excellence in Evaluation Award Submission
New Mexico Legislative Finance Committee Program Evaluation Unit Narrative

Introduction. The New Mexico Legislative Finance Committee’s (LFC) Program Evaluation Unit is the accountability arm of the New Mexico Legislature. The LFC has effectively integrated key legislative functions, budget and program evaluation, into a cohesive approach LFC calls “legislating for results.” Originally located at the Office of the State Auditor, the LFC moved the program evaluation unit to the legislative branch in 1991 to complement the full budget cycle and answer a key legislative question: did the appropriations made by the legislature get results as intended? Since then the program evaluation unit has built a record of well-respected, independent, objective, and relevant work on the most pressing public policy and finance issues facing the State of New Mexico. The work of the program evaluation unit is a key component of the LFC’s evidence-based policy and finance framework, which is a part of the state’s Accountability in Government Act and performance-based budgeting system. The approach identifies priority areas and performance issues; reviews program inventory and effectiveness; budget development; implementation oversight; and outcome monitoring. Do to this LFC incorporates, research, cost-benefit analysis, policy analysis, budget analysis, performance monitoring through agency report cards, and program evaluations. Work of the program evaluation staff is incorporated both formally, such as regular program evaluations, and informally, such as staff participation in developing agency performance measures, into each of these parts of LFC’s work. In addition, the Committee’s budget guidelines specifically include direction to incorporate the work of the program evaluation unit into building the state’s appropriations recommendations to the full Legislature. The result leads to better information and decision-making by the Legislature, and helping ensure the state provides the programs and services that New Mexico citizens want and need, and at a price taxpayers can afford.

The head of the unit is a deputy director of the LFC, and the unit has 12 staff members, including a program evaluation manager (see Attachment A). Program evaluators typically have graduate degrees in fields such as public administration, education, law, research methods, business administration, social work, or public health.

Body of Work. The Program Evaluation Unit’s body of work supports the overall LFC mission of providing the legislature with objective fiscal and public policy analyses, recommendations, and oversight of state agencies to improve performance and ensure accountability through the effective allocation of resources for the benefit of all New Mexicans. Through the four year period from January 1st 2011 to December 31st 2014 the Program Evaluation Unit released a total of 52 program evaluation reports, 24 program evaluation progress reports, and four Results First reports for a total of 80 work products, an average of 20 per year. (See Attachment B for complete list)

LFC Program Evaluations are targeted at the largest areas of the state budget and selection of projects is largely based on assessments of risk. The program evaluation team develops an annual work plan that is approved by the LFC with project topic recommendations coming from multiple sources including legislators, staff, state agencies, and constituents. Of these recommendations, the Committee has directed staff to focus on areas where the bulk of state taxpayer’s dollars are spent, particularly education, social services, and healthcare. Selection is also driven by the need for clarification or understanding in certain policy areas and the desire to assess performance issues that aid budget decisions.

Between 2011 and 2014 the unit had an average 9 full time employees working on projects in teams of two to three members per project, operating at a cost of between \$1.2 and \$1.3 million a year. During the four year period the Program Evaluation Unit was expanded from seven positions in 2011 to eleven positions in 2014 having received an additional position for 2015 (see Attachment A, Tab 3). Each project lasts between three to five months. Occasionally the Program Evaluation Unit will hire contractors to perform special work involving information technology reviews. On the occasions where the Unit has hired contractors, staff works closely with contractors learning new techniques to incorporate into future reports. The Program Evaluation Unit still holds ultimate responsibility for work products.

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The Program Evaluation Unit strives to ensure that project results are effectively communicated to stakeholders. LFC program evaluations are available to the public on the LFC website (<http://www.nmlegis.gov/lcs/lfc/lfcprogevalall.aspx>) and staff presents each project, upon completion, to members of the LFC at public hearings. Staff are routinely called to present reports to other legislative committees and outside groups. In keeping with evolving social media trends, program evaluations now reach a wider audience through the New Mexico's legislative Twitter feed, "@nmlegislature." Over the past four years, LFC program evaluation staff has made nearly 100 public presentations to interim and session committees of the Legislature, the National Legislative Program Evaluation Society, NCSL and other national organizations, local school boards, county advisory boards, and universities.

During the four year period the LFC also developed new types of reporting and new approaches to program evaluation. The program evaluation unit started issuing progress reports which assess the implementation status of previous program evaluation reports' recommendations and need for further changes. This process started in 2013 and 24 progress reports were issued in a two year period between the beginning of 2013, and end of 2014. Given the value these progress reports provides, LFC will continue with their production into the future.

Between 2011 and 2014 the Program Evaluation Unit issued a series of reports on funding evidence-based programming. Also developed and released during this period were reports using a cost benefit analysis to inform policy and budget decisions. The LFC has partnered with the Pew-MacArthur Results First Initiative to build the Results First cost benefit approach. This innovative cost benefit approach informs budget and policy decisions by using state-specific data to compare the costs and long-term benefits a menu of program options. Through this approach, LFC has been releasing reports using a complex cost-benefit analysis that allows New Mexico to appropriately target spending toward proven evidence-based programming. Four Results First reports have been issued and this work has also informed multiple evaluations. The Pew-MacArthur Results First Initiative conducted a two year case study of the New Mexico Results First approach finding that it has directed \$49.6 million to evidence-based programs that will deliver high returns for New Mexico residents (Attachment E).

Impact. The Program Evaluation Unit has positively affected state operations leading to taxpayer savings, improved program integrity, effective public policies, and led to targeted spending on evidence-based programs that will yield a positive return on taxpayer dollars.

LFC program evaluations save taxpayers money. One of the LFC's performance measures looks at amount of money that program evaluations have identified in the past five years. According to this measure the Program Evaluation Unit identified over \$100 million in cost savings during this time period. In addition to traditional cost savings approaches, the Program Evaluation Unit has recommended spending to be directed toward programs that will decrease future costs. The LFC Results First approach has changed the context of conversations around public policy in New Mexico toward spending money on programs proven to work in order to save taxpayer money and improve efficiencies. The Results First approach was used in a 2011 LFC program evaluation of the New Mexico's Corrections Department (Attachment C-1). In the evaluation the Program Evaluation Unit also found an evidence-based program in the Corrections Department that should have been reducing recidivism by seven percent and providing a return on investment of \$5 for every \$1 spent. However, after the Program Evaluation Unit assessed the program the program was found, due to poor implementation, to have increased recidivism costing the state over \$2 million annually. The Corrections Department eliminated the program shifting funding to another evidence-based program. The evaluation also identified \$10 million being spent on inmates serving parole in prison annually to due administrative issues and other factors. In response to the report the Corrections Department has responded by reducing the number of inmates serving parole in prison by 100 inmates saving the state about \$3.6 million a year. The report also identified \$2.3 million that the department had pre-paid to a behavioral health managed care organization that went unused. The

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department has recovered about \$1 million of this money so far and is in the process of recovering the rest.

LFC program evaluations also lead to major improvements in program integrity. For example, a 2013 LFC program evaluation of the Children, Youth, and Families Department (Attachment C-2) found three instances of convicted sex offenders (convicted child molesters) who shared addresses with home based child care homes. The Program Evaluation Unit immediately notified the department of the finding who confirmed the finding and revoked the child care registrations. The department subsequently addressed this issue in their database, ensuring that sex offenders no longer could provide state-based child care. Another strong example of this work comes from a 2013 LFC program evaluation of charter school lease assistance where the Program Evaluation Unit found several inappropriate relationships including one in which a charter school director was leasing property, including a building and an airplane, to himself profiting from the agreement. The Program Evaluation Unit forwarded the evidence to the Office of the State Auditor, which confirmed potential inappropriate relationships. An investigation into charter school by the Federal Bureau of Investigation is ongoing, and legislation has been proposed to further address the issue. A 2011 LFC evaluation into New Mexico's efforts to combat Medicaid fraud highlighted a convoluted process for investigating fraud, waste, and abuse in Medicaid programs across various state entities. The report discovered a low recovery rate for Medicaid fraud, revealing that the department responsible for recoveries was not recuperating enough money to justify their budget. The report also determined the state has outsourced the majority of fraud detection activities to managed care organizations with minimal guidance and performance measures. This report received considerable media coverage and was instrumental in spurring corrective agency action. In 2013 the LFC issued a progress report, finding that state has since improved its recovery rate and moved from operating at a loss to returning over \$2 dollars for every \$1 invested in the program.

LFC program evaluations lead to improvements in budgeting. The LFC has fully integrated program evaluations, cost-benefit analysis and progress reports into the budget making process. As a result the Program Evaluation Unit's work plays a major role in state government spending decisions. The LFC makes budgetary recommendations to the Legislature for funding state government, higher education and public schools. New Mexico is fairly unique because the program evaluation office is housed in the same organization as the budget office, providing the opportunity for program evaluations to be considered in developing the budget, as well as performance metrics and goals for state agencies. Additionally, budget challenges and fiscal resources are worked into agency evaluations since works in such close proximity to fiscal analysts facilitating collaboration. Having the Program Evaluation Unit housed in the same agency as legislative budget analysts provides the opportunity to have evaluations inform budget decisions. The LFC budget recommendation includes a volume on policy and performance analysis which informs budget decisions, called Volume I (available at <http://www.nmlegis.gov/lcs/lfc/lfcfiscalreports.aspx>). As an example the Volume I published this year incorporates program evaluations conducted in previous years into analysis and also includes closer look sections that specifically talk about how evaluations have addressed relevant policy areas. For example, a Results First report issued in 2014 found major issues in how behavioral health resources were distributed throughout the state and recommended prioritizing spending on evidence-based services in high risk high need areas of the states, also called investment zones. The final appropriation act incorporated this recommendation directing a new \$1 million investment in evidence-based programming in investment zones.

LFC program evaluations improve public policies. LFC program evaluations routinely recommend public policy improvements, particularly through statutory reform. Examples of the cumulative and long-term impact of LFC program evaluations on public policy are particularly evident in the field of education. Receiving nearly half of the state's annual general fund appropriation, K-12 education plays a critical role in improving the lives of New Mexicans. Over this period the LFC completed major

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evaluations of the state's public school funding formula, teacher evaluation and licensure, teacher and administrator preparation, efforts to improve early literacy, and dual credit initiative. These evaluations have applied innovative research approaches to identify promising practices and recommend concrete public policy changes. The funding formula evaluation, for example, shed light on the persistent achievement gap in the state, recommending an increased weight applied to the state's most at-risk students in the formula. The report found insufficient adjustments in the formula for the very smallest districts resulting in emergency funding for these small districts. The Legislature responded by enacting legislation to make significant changes to the public school funding formula for the first time in years. Similarly, both the teacher effectiveness evaluation and the teacher and administrator preparation evaluation focused on the opportunities and limitations of using student outcome data to measure educator effectiveness. The Public Education Department has updated recommendations to increase the use of student achievement in the evaluation system and streamlined the process for teachers to advance to higher pay levels. The Department is also overhauling oversight of teacher preparation programs focusing more on outcomes. The Legislature has appropriated additional funds for these changes. A 2012 evaluation of early literacy used third-grade standards-based reading data to quantify the impact of state-funded initiatives like prekindergarten and an extended school year for the poorest students and a 2014 LFC Results First report monetized the benefits of the prekindergarten initiative, finding it provided a positive return on investment for the state. These findings influenced the overall budgeting process, resulting in 265 percent appropriation increases for both programs since FY12.

Given the volunteer, part-time nature of New Mexico's legislature, LFC evaluations significantly influence the state's decision-makers. Program evaluation findings and recommendations continue to be implemented by agencies, recognized in the press (Attachment D), and monitored by the Program Evaluation Unit through progress reports.

Furthering the Field of Legislative Evaluation. The LFC and its staff are greatly committed to furthering the profession of legislative program evaluation. Our staff helps prove this through their active participation in professional associations, including the National Conference of State Legislatures (NCSL), and the National Legislative Program Evaluation Society (NLPES). The Deputy Director for Program Evaluation with the LFC is consistently involved with the NLPES executive committee where he has been a member since 2012. He also serves as the Staff Co-Chair for the Health and Human Services Committee for the NCSL. Our Program Evaluation Manager Jon Courtney is a member of the NCSL Law and Criminal Justice Standing Committee. Maria Griego, one of the LFC's more tenured Program Evaluators, serves on the NCSL Health and Human Services Committee. The LFC also sends a Program Evaluator to the NCSL Legislative Staff Management Institute each year which helps to develop and enhance their management and leadership skills. Our staff also regularly speaks at NCSL events. For example our Deputy Director Charles Sallee was a part of the NCSL Child Welfare Fiscal Policy Table, and Jon Courtney spoke at the National Association of Legislative Fiscal Offices in 2014. The LFC also has multiple evaluators who regularly speak at the NLPES Annual Meeting.

The New Mexico LFC has also collaborated with sister agencies to share information and improve operations. In 2014 the LFC volunteered for a peer review of our past work products through NCSL. This review by three different legislative offices led the LFC to rework certain notable processes of their report development. Based on the feedback received our reports are now more user friendly, branded more effectively, and do a better job of clearly communicating report findings. For example, our Results First reports have been redesigned based on the peer review feedback (Attachment C-3). The Program Evaluation Unit remains active in efforts to share this knowledge, along with any other information that could potentially aid other state's evaluation programs. This can be seen through the numerous articles that the LFC and its staff have contributed to the NLPES newsletter, or through the regular activity of LFC staff on the NLPES listserv with reliable and frequent responses to requests for information. Finally the Program Evaluation Unit has sought to expand professional development opportunities by working

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with the Western States Legislative Fiscal Officers Association and hosted the annual conference in Santa Fe in 2014. A major focus of the presentations included evaluator staff and integrating the work of evaluators into the budget process.

The New Mexico LFC has also helped further the field of legislative evaluation through the usage of unique and innovative research methodologies. In fact, our program was honored in 2014 for these efforts with the reception of the NCSL Excellence in Research Methods Award for a study on the impact of child care and Head Start on student achievement. LFC staff considered several methodologies for this study, including a review of early childhood best practices and a number of inferential statistical methods. To complete the selected inferential statistics, the LFC completed an unprecedented merging of data collected from multiple state agencies to link participants in child care and pre-kindergarten with public school performance data through the third grade. A stratified sample analysis was completed, along with propensity score matching to eliminate the existence of a selection bias. Hierarchical Linear Modeling was also used in order to reflect the multilevel nature of the data. Specifically this modeling determined the contributions child care providers, school level variables, and individual level variables had on outcomes and controlled for these contributing factors when looking at participation in child care and New Mexico pre-kindergarten. Ultimately, through these methods, the LFC found that participation in child care, regardless of quality level, is not associated with reductions in special education participation rates or improved third grade reading or math achievement. Usage of unique and innovative methodologies of this caliber can greatly help further the field as it provides a detailed example for other states to follow in order to perform evaluations of a similar nature. As a result, the Legislature has halted expanding funding for this program, and the program is undergoing major quality improvement initiatives.

Additionally, the Program Evaluation Unit's innovative work on cost-benefit analysis through the Results First Initiative has introduced a new way of doing business in New Mexico government by providing a comprehensive picture of the current situation along with monetized options of what has been proven to work to improve outcomes in numerous policy areas. New Mexico's two largest business groups have endorsed this approach. Additionally, the two year case study conducted by the Pew-MacArthur Results First Initiative (Appendix E) recognizes New Mexico as a national leader in using this innovative methodology stating in their overview:

“Since partnering with the Pew-MacArthur Results First Initiative in September 2011, New Mexico has become a leader in using sophisticated cost-benefit analysis to inform policy and budget decisions.” *Pew-MacArthur Results First Initiative, August 2014*