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FISCAL IMPACT REPORT

SPONSOR Hall ORIGINAL DATE 2/6/18
 LAST UPDATED 2/8/18 HB 234

SHORT TITLE Human Resources to State Personnel Office SB _____

ANALYST Esquibel

APPROPRIATION (dollars in thousands)

| Appropriation | | Recurring or Nonrecurring | Fund Affected |
|---------------|------------------------|------------------------------|---------------------------------|
| FY18 | FY19 | | |
| | \$4,398.0 - \$21,077.0 | Recurring | Human Resources Service Fund |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

| Estimated Revenue | | | Recurring or Nonrecurring | Fund Affected |
|-------------------|------------------------|------|---------------------------------|---------------------------------|
| FY18 | FY19 | FY20 | | |
| | \$4,398.0 - \$21,077.0 | | Recurring | Human Resources Service Fund |

(Parenthesis () Indicate Revenue Decreases)

Duplicates Senate Bill 235, State Personnel Office & Human Resources
 Relates to Appropriations in the 2018 General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Corrections Department
- Department of Health
- Department of Public Safety
- Department of Transportation
- Energy, Minerals and Natural Resources Department
- Office of the State Engineer
- Regulation and Licensing Department
- State Personnel Office

SUMMARY

Synopsis of Bill

House Bill 234 (HB234) proposes enacting changes to the State Personnel Act (Act) to allow the State Personnel Office (SPO) to render human resource services to all state agencies, boards and commissions under the governors control and consolidating human resource functions under SPO. HB 234 would create a Human Resources Service Rate Committee and establish a Human Resources Fee Fund.

HB 234 would create a new section in the State Personnel Act to enact a non-reverting Human Resources Service Fee Fund administered by SPO to collect a human resource fee charged to each agency, board and commission for rendering human resource services. The fee charged would be in accordance with the rate schedule approved by the Human Resources Service Rate Committee. SPO may adjust the rate schedule to reflect a reduction in the amount needed for the office with timely notification to the committee of the adjustment.

HB 234 would create a new section in the State Personnel Act to enact a Human Resources Service Rate Committee administratively attached to the General Services Department and would consist of five members appointed by the Governor and employed by an agency, board or commission. The Committee would be chaired by the Secretary of Finance and Administration. The SPO director would annually by June 1 propose an equitable rate schedule based on cost recovery to the rate committee which would review and approve the rate schedule and ensure its compliance with Federal Office of Management and Budget Circular A-87 or its successor directive.

HB 234 would amend the State Personnel Act, §10-9-2 NMSA 1978, to allow for the consolidated rendering of human resources services to state agencies and to administer the rendering of human resources services including by proposing a schedule of rates for those services.

HB 234 also includes language for the transfer of agency functions, personnel, appropriations, money, property, and contracts to SPO by November 1, 2018. SPO must ensure that the transfer is quick and least disruptive to agencies. The State Personnel Director shall certify to the State Personnel Board, the governors office and Legislative Finance Committee that the transfers are sufficient to continue the same level of services.

FISCAL IMPLICATIONS

The bill proposes creation of a non-reverting Human Resources Service Fee Fund administered by the State Personnel Office (SPO) to collect a human resource fee charged to each executive agency, board and commission for provision of human resource services. The fee would be in accordance with a rate schedule approved by the Human Resources Service Rate Committee created in the bill. SPO may adjust the rate schedule with notice.

SPO estimates the cost of the projected human resources (HR) consolidation would be \$21.1 million compared to a current cost of \$22.2 million (see attached).

On January 17, 2018, the Board of Finance via a consent agenda approved the transfer of \$4.4 million and 50 full-time equivalent (FTE) positions from 12 state agencies to the State Personnel Office (SPO).

The Department of Transportation indicates its current cost for HR personnel is \$2.1 million, and under the provisions of the bill, DOT's projected HR costs would be \$2.6 million. Corrections costs would go from \$1.9 million to a projected \$2.3 million, and CYFD's costs would go from \$1 million to a projected \$2.3 million under the provisions of the bill. The Department of Public Safety indicates its current cost for HR personnel is \$218 thousand, and under the provisions of the bill, DPS' projected HR costs would be \$417 thousand.

Based on SPO's projections, most of the estimated cost savings from the HR consolidation would be generated at the Department of Health which projects a savings under the provisions of the bill of approximately \$591 thousand, and at the Personnel Board itself which projects its costs will go from \$4.1 million to \$48 thousand under the provisions of the bill.

The Department of Health (DOH) reports there are no funds in its FY19 budget to cover the proposed SPO service fee and funding would need to be repurposed to pay the proposed human resource rate. Human resources functions for DOH are funded by \$987 thousand in federal funds.

In FY17 and FY18, SPO submitted budget adjustment requests to transfer \$500 thousand of general fund revenue generated from vacancies in its personnel and transferred these monies to fund planning, rent of new offices, telecommunication wiring, furniture and other operating costs associated with consolidating other agencies' HR personnel into SPO.

The House Appropriations and Finance Committee substitute for HB 2 et.al. contains budget adjustment request authority to allow SPO to increase its FY19 budget up to \$500 thousand in transfers from agencies for the HR consolidation.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

SPO indicates the creation of the Human Resources Rate Committee would ensure the rate charged to state agencies for HR services complies with federal law. Specifically, the committee will create a rate schedule that complies with the Office of Management and Budget's circular A-87 or its successor directive, and the committee will ensure the rate is equitable and based on cost recovery for the rendering of human resources services adhering to the federal requirements for such rate schedules. The bill proposes the Human Resources Rate Committee consist of five members appointed by the governor and that it be administratively attached to the General Services Department.

SPO reports the industry standard for HR administration is one human resources employee for every 100 employees. In 2017, executive agencies reported 347 FTE performing HR for 20,311

positions; a ratio of one HR employee for every 59 employees. Currently, SPO reports agencies have eliminated 112 HR positions through attrition, resulting in approximately 235 FTE performing HR for 21,595 positions; a ratio of approximately one HR employee for every 92 employees. SPO reports under the provisions of the bill, the goal is to have one HR employee for every 90 positions.

The Department of Health reports transfer of HR functions will need to comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

PERFORMANCE IMPLICATIONS

The Energy, Minerals and Natural Resources Department reports implementation of the provisions of the bill would require SPO maintain quick and effective communication with agencies otherwise it will have an impact on the hiring paperwork being processed by SPO leading to higher vacancy rates.

ADMINISTRATIVE IMPLICATIONS

The Corrections Department indicates the bill would codify Executive Order 2017-002, and make permanent the governor's transfer of employees that occurred at the New Mexico Board of Finance meeting on January 17, 2018.

The Department of Health reports 1.7.1 NMAC would need to be updated to reflect the consolidation of HR services within SPO under the provisions of the bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB234 is a duplicate of Senate Bill 235, State Personnel Office & Human Resources.

TECHNICAL ISSUES

The Energy, Minerals and Natural Resources Department reports some human resource functions specifically related to the operations of an agency such as required background checks for law enforcement positions may need to remain at the agency and will require agencies to still have human resource professionals within the agency to handle these types of functions.

OTHER SUBSTANTIVE ISSUES

SPO reports approximately six states have consolidated their HR under a shared services model within one agency.

The Corrections Department reports by having SPO administer employee disciplinary actions for NMCD, disciplinary actions are likely to become more consistent.

RAE/al

Attachment

The projected consolidation cost will be \$21,077.8¹. This compares to a current cost of HR, as presented by representative agencies to the Department of Finance and Administration, of approximately \$22,197.78. Please see chart below:

| BusUnit | Agency Name | Projected Cost | Current Cost |
|---------|---|----------------|--------------|
| 33300 | Taxation and Revenue Department | 1,106.7 | 843.1 |
| 33700 | State Investment Council (SIC) | 32.2 | 51.1 |
| 34000 | Administrative Hearing Office (AHO) | 16.6 | 26.4 |
| 34100 | Department of Finance and Administration | 152.5 | 208.7 |
| 34200 | Public School Insurance Authority | 11.4 | 15.5 |
| 34300 | Retiree Health Care Authority | 28.0 | 44.5 |
| 35000 | General Services Department | 302.5 | 366.0 |
| 36100 | Department of Information Technology | 213.8 | 315.4 |
| 37800 | Personnel Board | 48.8 | 4,082.0 |
| 40400 | Architects and Examiners Board | 4.2 | - |
| 41700 | Border Development Authority | 4.2 | - |
| 41800 | Tourism (TD) | 56.0 | 88.9 |
| 41900 | Economic Development Department | 51.9 | 75.1 |
| 42000 | Regulation and Licensing Department & Board of Engineers & Land Surveyors (8 FTE) | 334.6 | 228.9 |
| 44000 | Office of the Superintendent of Insurance | 96.5 | 79.8 |
| 44600 | Medical Examiners Board | 16.6 | 95.7 |
| 44900 | Board of Nursing (BON) | 24.1 | 38.7 |
| 46000 | EXPO | 36.3 | 20.0 |
| 46500 | Gaming Control Board (GCB) | 57.1 | 90.6 |
| 46900 | State Racing Commission (SRC) | 23.6 | 39.2 |
| 47900 | Board of Veterinary Medicine | 3.1 | - |
| 49100 | Military Base Planning Council | 1.0 | - |
| 49500 | NM Spaceport Authority | 20.8 | - |

¹ The projected cost was calculated by including salaries, benefits, equipment and related employee expenses for employees providing HR services. The projected rate was created by dividing the projected cost by the number of FTE required to service the participating agencies. The final rate will be created in accordance with the provisions of Section 2.

| | | | |
|-------|---|---------|---------|
| 50500 | Cultural Affairs Department | 507.8 | 368.6 |
| 50800 | Livestock Board | 77.8 | 43.0 |
| 51600 | Department of Game and Fish | 325.9 | 274.1 |
| 52100 | Energy, Minerals and Natural Resources Department & Youth Conservation Corps | 437.9 | 419.5 |
| 55000 | State Engineer | 353.9 | 174.1 |
| 60300 | Office of African American Affairs (OAAA) | 7.3 | 11.5 |
| 60400 | Commission for the Deaf/Hard of Hearing | 16.6 | 0.0 |
| 60600 | Commission for the Blind | 96.0 | 90.1 |
| 60900 | Indian Affairs Department (IAD) | 15.6 | 24.7 |
| 62400 | Aging and Long-Term Services Department | 246.5 | 233.5 |
| 63000 | Human Services Department | 2,030.3 | 1,543.3 |
| 63100 | Workforce Solutions Department | 528.2 | 373.3 |
| 63200 | Workers' Compensation Administration | 126.6 | 138.9 |
| 64400 | Division of Vocational Rehabilitation | 322.7 | 254.5 |
| 64500 | Governor's Commission on Disability (GCD) | 14.5 | 23.1 |
| 64700 | Development Disabilities Planning Council (DDPC) | 15.6 | 23.1 |
| 66200 | Miners' Hospital of New Mexico | 232.5 | 229.5 |
| 66500 | Department of Health | 3,653.4 | 4,244.4 |
| 66700 | Department of Environment | 658.4 | 623.2 |
| 67000 | Veterans' Services Department | 292.4 | 368.3 |
| 69000 | Children, Youth and Families Department | 2,349.0 | 1,069.2 |
| 70500 | Department of Military Affairs | 149.4 | 148.4 |
| 76000 | Adult Parole Board | 6.2 | - |
| 77000 | Corrections Department | 2,529.0 | 1,985.7 |
| 78000 | Crime Victims Reparation Commission (CVRC) | 23.9 | 37.9 |
| 79000 | Department of Public Safety | 417.2 | 218.6 |
| 79500 | Homeland Security and Emergency Management | 68.5 | 108.7 |
| 80500 | Department of Transportation | 2,598.0 | 2,182.6 |
| 92400 | Public Education Department | 284.5 | 197.5 |

| | | | |
|--------------|---------------------------------|--------------------|--------------------|
| 94900 | Education Trust Board (NMETB) | 2.1 | 3.3 |
| 95000 | High Education Department (HED) | 47.7 | 75.8 |
| Total | | \$ 21,077.8 | \$ 22,197.8 |