NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

PERFORMANCE REPORT CARD: Fourth Quarter, FY22

General Services Department

ACTION PLAN

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

Operations of the General Services Department (GSD) continue to be affected by the Covid-19 pandemic, from volatility in health insurance claims payments to the ability of the agency to conduct scheduled preventive maintenance at state facilities. Troublingly, the department reports a mounting deficit in the agency's largest program, employee group health benefits. Performance data indicate medical expenses are increasing while premiums have not increased to match expenses to revenues. Under these conditions, the department will be challenged to contain costs in FY23. Improved health benefits performance reporting is vital to provide insight into cost drivers, care quality, and employee satisfaction with the benefits offered.

In some cases the department indicated it was developing improvement action plans; however, the details of the plans are not yet available.

Risk Management Funds

Overall, the financial position of the three funds, determined by dividing the current assets by the current liabilities, is 78 percent, with projected assets short of projected liabilities by $31 million. In FY21, assets were short of liabilities by only $2 million, but the year-end results represent an improvement in earlier results where assets were short of liabilities by $67 million. The funds remain above the 50 percent target. Changes were driven mostly by the public liability fund, with a reduction in projected assets of $10.7 million and an increase in projected liabilities of $16.4 million versus FY21. The department has said it is developing an improvement action plan for the public liability fund, but deadlines for plan delivery have not been provided

Budget: $100,427.9 **FTE: 0.0**

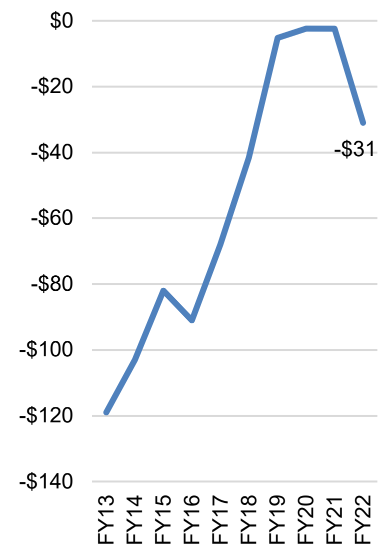
	FY20 Actual	FY21 Actual	FY22 Target	FY22 Actual	Rating
Projected financial position of the public property fund*	736%	523%	N/A	443%	G
Projected financial position of the workers' compensation fund*	60%	61%	N/A	60%	G
Projected financial position of the public liability fund*	103%	112%	N/A	66%	Y
Program Rating	G	G			G

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

Group Health Benefits

Despite provisions of state law designed to prevent agencies from spending without available funds (see Section 6-5-6 NMSA 1978), the employee group health benefits program has been operating at a deficit. LFC analysis indicates, given current spending patterns and rates, the fund could end FY23 with a deficit of more than $100 million. Despite persistent shortfalls, the department has not increased health insurance rates for participating employees resulting in mounting shortfalls. Although the Legislature authorized a 5 percent rate increase for FY23, the governor vetoed funding for the increase, stating there would be no premium increase for FY23. The department reports per-member-per-month increases in healthcare costs of 5 percent, in line with the amount appropriated by the

Net Position of Major Risk Funds
(in millions)

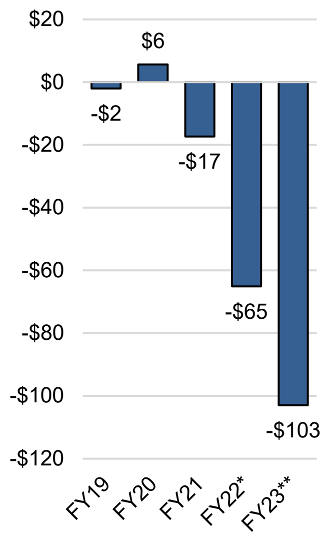


Source: GSD and LFC Files

Stay Well Health Center

The department reports fewer state employees are visiting the Stay Well Health Center, a state-funded clinic for members of the state's group health benefits program where members can access treatment for minor illnesses at no cost. The purpose of the center is to reduce health care costs by providing access to routine care internally, rather than through private providers billing the state's insurance system. However, to realize cost savings the program needs to operate at scale. Members designating the center as their primary care provider fell in FY22, from 535 FY22.

Health Benefits Fund Balance
(in millions)



*Projected; includes $25 million in special appropriations
**Projected by LFC; assumes FY22 expenditure and no rate increase
Source: GSD

Legislature. The financial position of the health benefits fund makes cost containment an even more pressing concern; however, a cost-containment strategy alone will not enable the department to close the funding gap in the absence of rate increases.

For FY24, the Department of Finance and Administration did not include an increase in FY24 health benefits rates in budget instructions for state agencies.

Budget: $419,936.0 **FTE: 0.0**

	FY20 Actual	FY21 Actual	FY22 Target	FY22 Actual	Rating
Change in average per-member-per-month total healthcare cost	-2.5%	5.9%	<5%	5%	G
Year-end fund balance of the health benefits fund, in millions*	NEW	-$17.3	N/A	-$65.1	R
Annual loss ratio for the health benefits fund	NEW	NEW	98%	-118%	R
State group prescriptions filled with generic drugs	87.2%	86.5%	80%	87%	G
Number of visits to the Stay Well Health Center	7,801	6,248	N/A	4,540	Y
Percent of available appointments filled at the Stay Well Health Center*	NEW	50%	N/A	81%	Y
Percent of eligible state employees purchasing state medical insurance*	NEW	81%	N/A	80%	
Rate per one thousand members of emergency department use categorized as nonemergent*	NEW	21.8	N/A	22.6	
Program Rating	G	R			R

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

Facilities Management

The Facilities Management Division (FMD) is responsible for maintaining 6.8 million square feet of state-owned and leased space. Recently, GSD prioritized moving employees from leased space to state-owned facilities; however, the state continues to lease 2.5 million square feet of private space. Efforts to consolidate state agencies and reduce leased space have been hampered by uncertainty about the future space needs of the state workforce, with space occupied on a daily basis reduced due to telework. Specifically, the lack of a consolidated set of criteria governing telework eligibility led to agencies pursuing differing strategies resulting in inconsistencies in estimated amount of space needed to house staff.

FY22 Leased and State-Owned Office Space by Square Foot and FTE

Department	Leased Space	Rent	State-Owned Space	State-owned Space Per FTE (Target 215)	Total Space
Human Services Department	716,989	17,045,290	61,456	325	778,445
Children, Youth & Families Department	419,432	8,593,213	282,759	361	702,191
Department of Health	274,835	4,315,346	245,776	180	520,611
Corrections Department*	73,273	1,386,037	299,424		372,697
Taxation and Revenue Department	184,566	4,239,764	149,838	289	334,404
Department of Environment	120,490	2,273,294	70,975	343	191,465
Workforce Solutions Department	25,163	475,187	162,160	375	187,323
Department of Public Safety	63,007	516,839	64,858	511	127,865
State Engineer	63,251	924,009	50,706	268	113,957
Regulation and Licensing Department	24,188	392,655	65,687	205	89,875
Total	**1,965,193**	**40,161,634**	**1,453,639**	**279**	**3,418,832**

FMD reports less than 60 percent of scheduled preventive maintenance activities were completed on time. The division reports long wait times for materials to complete projects; although the department report capital projects are mostly completed on time.

The department reports 100 percent of office leases met adopted space standards but notes leases with a space standard waiver are not included in this calculation. For example, the department excluded five of six leases processed in the fourth quarter, meaning only 20 percent of fourth quarter leases met space standards. The state has yet to realize projected cost savings from the green energy initiatives, with the department reporting $181.5 thousand in energy savings in FY22. In August 2019, FMD began a $32 million project to reduce energy use in state facilities, estimated to save at least $1.4 million per year, with guaranteed savings of $1.1 million.

The General Services Department has received $3 million in capital outlay funding for renovations to offices at the PERA building for the Chilren, Youth and Families Department and the Early Childhood Education and Care Department, but a recent site visit showed continued teleworking and staff vacancies led to underutilized office space.

Budget: $15,481.2 **FTE: 148**

	FY20 Actual	FY21 Actual	FY22 Target	FY22 Actual	Rating
Capital projects completed on schedule	96%	88%	90%	93%	G
Preventive maintenance completed on time	75%	48%	80%	59%	R
New office leases meeting space standards	93%	100%	85%	100%	
Amount of utility savings resulting from green energy initiatives, in thousands*	NEW	$281.4	N/A	$181.5	Y
Program Rating	G	R			

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

State Purchasing

The program reports all 76 executive agencies had designated chief procurement officers at the end of FY22, and the agency met targets for procurement completion and timely contract review. The department reported an uptick in revenue received from pricelist purchases, rising from $3 million in FY21 to $3.8 million in FY22, a 27 percent increase, pointing to a rise in the number of agencies using price lists for procurement.

Budget: $2,263.4 **FTE: 29**

	FY20 Actual	FY21 Actual	FY22 Target	FY22 Actual	Rating
Agencies with certified procurement officers	92%	95%	90%	100%	G
Procurements completed within targeted timeframes	NEW	NEW	80%	88.5%	G
Revenue generated through pricelist purchases, in thousands*	NEW	$2,988	N/A	$3,803	
Percent of estimated payments received from vendor sales	NEW	NEW	80%	99%	G
Percent of invitations to bid awarded in 90 days of assignment	100%	64%	90%	92%	G
Average number of days for completion of contract review	NEW	8.1	<5	4	G
Program Rating	Y	G			G

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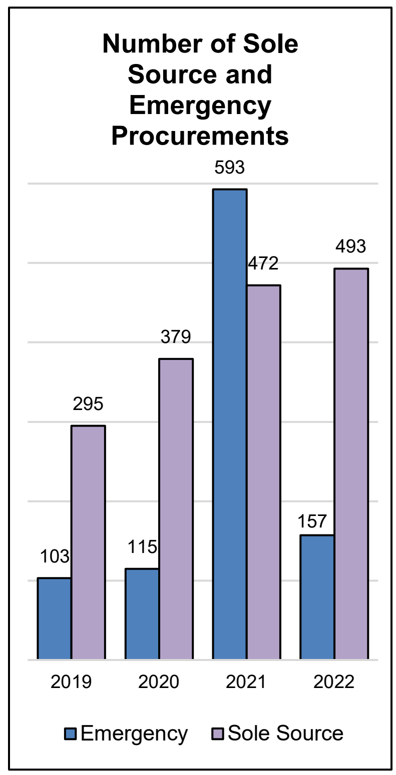

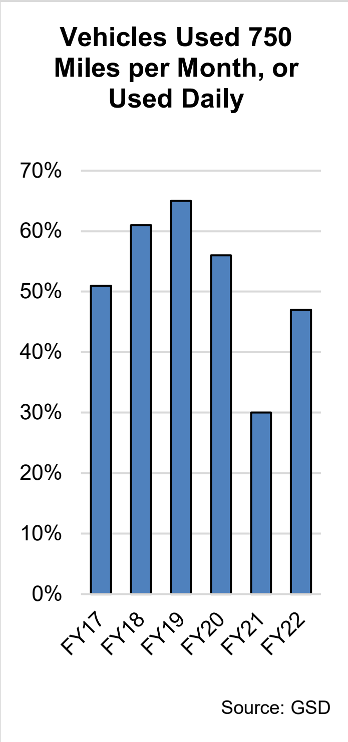

Transportation Services

Although the Legislature recently appropriated $1.3 million for GSD to replace state vehicles, agencies continue to underutilize vehicles, with only 47 percent of leased vehicles being used daily or for at least 750 miles per month. Although the agency states daily vehicle use will increase as state government returns to normal business operations, the agency may need to consider the impact of increased telework arrangements, which have the potential to permanently alter normal business operations. Additionally, even prior to pandemic-induced stay-at-home orders, vehicle use was below the 70 percent target level. The department reports cost per mile increased by 30 percent and is above the target of 59 cents per mile, likely due to an increase in fuel costs.

Budget: $9,426.5 **FTE:** 31

	FY20 Actual	FY21 Actual	FY22 Target	FY22 Actual	Rating
Vehicle operational cost per mile	$0.48	$0.49	$0.59	$0.64	R
Vehicles used 750 miles per month	56%	30%	70%	47%	R
Program Rating	Y	Y			R

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State Printing

The State Printing Program reported recovery in sales from the downturn caused by the Covid-19 pandemic, with revenue exceeding expenditures for the first time since the start of the pandemic. Although on a yearly basis the division continues to run a deficit, sales growth of 68 percent is an encouraging sign, although sales typically peak in the third quarter due to printing for the legislative session. The division continues to perform well, with all printing jobs delivered on time in the third quarter.

Budget: $2,038.9 **FTE:** 9	FY20 Actual	FY21 Actual	FY22 Target	FY22 Actual	Rating
Revenue exceeding expenditures	5%	-0.6%	5%	21%	G
Percent of printing jobs delivered on time	99%	100%	99%	100%	G
Sales growth in revenue	8.6%	-11%	20%	-2%	R
Program Rating	Y	Y		G	G