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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/05/10  
 LAST UPDATED 02/12/10    HB 237/aHAFC

SPONSOR Varela

SHORT TITLE Government Restructuring Task Force    SB \_\_\_\_\_

ANALYST Archuleta

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>	*Insignificant	*Insignificant	*Insignificant			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Finance and Administration (DFA)  
 State Personnel Office (SPO)  
 Office of the Lieutenant Governor (LtGov)  
 Department of Transportation (DOT)  
 Public Education Department (PED)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee Amendment to House Bill 237 deletes the \$100 thousand general fund appropriation contained in the original bill.

#### Synopsis of Original Bill

House Bill 237 creates a 17-member Government Restructuring Task Force to study the resources of the state's agencies' programs, services, funding and polices, and the public need served by them; and also seeks to examine the laws, constitutional provisions, rules and court decisions governing state government and reorganization. The task force must meet at the call of the chair at least one time per month beginning no later than April 22, 2010. The Department of Finance and Administration (DFA) and various state agencies must cooperate with the task force and provide them with information regarding budget, staffing, organizational structure and other requested information.

The task force can create subcommittees, which must contain one member from the senate and one member from the house.

The 17-member task force is comprised of the following:

- 5 members of the House of Representatives appointed by the Speaker;
- 5 members of the Senate appointed by the Committees' Committee unless appointments are made in the interim by the President Pro Tempore after consulting with a majority of the Committees' Committee member;
- 6 members from the public and private sector, 3 of whom are appointed by the Speaker and 3 of whom are appointed by the President Pro Tempore of the Senate. (These members should reflect the ethnic, cultural and geographic diversity of the state.)
- 1 member will be the Secretary of Finance and Administration.

The task force must study:

- recommendations of the governor's committee on government efficiency;
- need for consolidation of agencies and elimination or reduction of redundant, duplicative or overlapping programs or services;
- current and projected staffing needs of state agencies for full-time, part-time, term, temporary and contract employment; and
- current and projected revenue estimates for the next three to five fiscal years.

The staffing for the task force is provided by the following agencies:

Legislative Council Service (LCS);  
Legislative Finance Committee (LFC);  
Legislative Education Study Committee (LESC); and  
Department of Finance and Administration (DFA)

The task force must make a report of its findings and recommendations by December 1, 2010 to the Governor and Legislature, and must make presentations to the Legislative Council, the LFC and the LESC. A final report and proposed legislation must be made available to the Governor and legislators by December 31, 2010.

House Bill 237 contains an emergency provision.

## **FISCAL IMPLICATIONS**

\*Cost will be absorbed by impacted agencies.

## **SIGNIFICANT ISSUES**

New Mexico state government does not have sufficient resources to provide existing services at current levels, given the continued decline in available revenues. During this budget crisis the state has an unprecedented to make the state more efficient through the elimination of redundancy. The economic downturn has negatively impacted states previously strong revenues.

It is time to examine all state services – both new and old – as well as the cost and method of delivering those services. It is critical to use the state's limited resources efficiently and effectively to provide critical services in areas of public safety, health and education.

It has become necessary to consider restructuring and reorganizing state agencies and departments, consolidating similar state agencies, department, functions, services, overlapping and duplicative or similar purposes and services.

The Government Efficiency Task Force identified potential savings from the restructuring and reorganization of government activities projected to be over \$129 million. However, the details of how to achieve the projected savings are not clear and will require clarification and additional analysis to verify the purported projections.

DOT notes that although the bill requires executive agencies to provide information requested by the task force, it does not provide the agencies an opportunity to comment upon or otherwise give meaningful input regarding the findings or final report of the task force. Other than the Secretary of the DFA, only members of the legislature and general public are on the task force; no state agencies are included in its composition. If representative agencies were included as members of the task force, those agencies would be able to provide meaningful input to assist the task force in its mandate to study the current resources of the state's agencies, programs, services, funding and policies and the public needs served by them.

The Lieutenant Governor's Office suggests the bill should include a more equitable balance in representation from the legislative, judicial and executive branches of state government and from the general public. Members could include the Secretary of General Services Department, the Secretary of the Regulation and Licensing Department, and one at large member of the executive branch to be appointed by the Governor. The number of members from and appointed by the legislative branch could be reduced.

### **PERFORMANCE IMPLICATIONS**

DOT further notes that it is anticipated that NMDOT staff would be required to devote a significant amount of time and resources to be responsive to the task force's requests for information.

### **ADMINISTRATIVE IMPLICATIONS**

The bill would require varying levels of participation from state agencies. Depending upon the number and scope of requests, the requirements from each agency may or may not be significant. However, DFA notes that it is unclear as to the amount of time or amount of staff to be provided by each entity which could impact the entity's ability to perform its usual functions. In addition, the Department of Finance and Administration is subject to the Governor's hiring freeze which is already putting constraints on existing staff available.

### **OTHER SUBSTANTIVE ISSUES**

SPO notes the following:

- A similar study was just completed by the Committee on Government Efficiency. Their report titled *Recommendations of Improving Government Efficiency* was presented to Governor Richardson on January 14, 2010. In addition to reorganizing/restructuring government functions, the committee also made recommendations to modify the public school and higher education funding formula. The total potential savings from these items is projected to be over \$129 million. The committee also recommended an evaluation of the following:

- Aligning the Medicaid Benefit Plan more closely to private and other public plans.
- Reducing the number of institutions of higher education.
- Developing specific funding formulas for two year colleges, regional universities and research universities.
- Reducing the number of school districts.
- Further consolidating cabinet departments to increase efficiency and enhance management and control.
- Improving management of state assets, such as state owned buildings.
- Improving information technology and telecommunications, to include consolidation of support activities.
- Closing and/or consolidating field offices and/or co-locate government offices.
- Improving management of federal funds allocated to New Mexico.
- Modifying and/or incorporating the Training and Education factor into the Three Tier Salary system

Membership in the Task Force does not include the Director of the State Personnel Office (SPO), except in an ancillary capacity. Inclusion of the Director of SPO could add significant human capital analytics to the Task Force. It is important that the provisions of the merit system established by the Personnel Act that establish the merit system be considered and understood, as well as the importance of balancing any potential changes as a result of findings of this task force and the bargaining agreement established by the Public Employee Bargaining Act. Whether or not SPO is an official Task Force member, SPO stands ready to provide Human Capital expertise in these areas.

As relayed to the Committee on Government Efficiency, a thorough Human Capital study by the State Personnel Office entailing further in-depth analysis is required to identify specific savings from this merger, including a detailed review of position functions to pinpoint where and why duplications exist; how bureaus and sections can be combined to provide the utmost efficiency; organizational alignment and job measurement.

## **AMENDMENTS**

The Lieutenant Governor's Office suggests amending the bill to expand the composition of the task force from 17 to 21 members including one at large member to be appointed by the governor, the secretary of the general services department (or designee), secretary of the regulation and licensing department (or designee), and the secretary of the human services department (or designee). In addition, the proposed amendment would expand the study to all branches of government and accelerate the timeline for providing recommendations and findings to the governor and legislature.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

State agencies will continue to operate under existing constitutional and statutory mandates without any coordinated and external cross-agency review of current resources of the state's agencies, programs, services, funding and policies and the public needs served by them.