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FISCAL IMPACT REPORT

ORIGINAL DATE 1/27/10

SPONSOR Smith LAST UPDATED _____ HB _____

SHORT TITLE Merge Aging & Human Services Departments SB 118

ANALYST Chabot

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY10	FY11		
None	(\$777.8)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates HB 94

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY10	FY11	FY12	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		(\$777.8)	(\$777.8)	(\$1,555.6)	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

Aging and Long-Term Services Department (ALTSD)

Human Services Department (HSD)

New Mexico Health Policy Commission (HPC)

State Personnel Office (SPO)

Responses Not Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 118 would merge the Aging and Long-Term Services Department (ALTSD) programs, property and finances into the Human Services Department (HSD). The 17 sections of the bill amend existing authorizing statutes necessary and repeal authorizing statutes for ALTSD. The purpose of the bill is to implement the recommendation by the Committee on Government Efficiency. The committee estimates the size of HSD to grow to 2,450 FTE and have 10 divisions.

FISCAL IMPLICATIONS

The Committee on Government Efficiency in its report, *Recommendations of Improving Government Efficiency*, January 14, 2010, estimates \$1.5 million could be saved by merging ALTSD into HSD. Details of the savings are not provided. LFC estimates a recurring savings of \$780 thousand through the deletion of exempt and classified overhead positions in the ALTSD Office of the Secretary and administrative staff that would be duplicative of staff in HSD. Other potential savings through efficiencies would need to be evaluated during the merger.

SIGNIFICANT ISSUES

ALTSD was created in the 2004 Legislative Session to serve as “a single, unified department to administer all laws and exercise all functions formerly administered by the state agency on aging and to administer laws and exercise functions of the human services department, the department of health and the children, youth and families department that relate to aging, adults with disabilities or long-term services. The State Agency on Aging was administratively attached to HSD before being elevated to a cabinet agency.

ALTSD and HSD have overlapping functions in Medicaid related areas. The Coordinated Long-Term Services (CoLTS) Medicaid program is administratively managed in ALTSD but the Medicaid matching funds are appropriated to HSD which is the financial manager for the program. Even though CoLTS was phased in during FY09, there is no formal agreement between the departments covering management of the program. Other Medicaid programs having a similar relationship are Mi Via (also funded in part by the Department of Health (DOH)), the disability and elderly Medicaid waiver, and the personal care option. CoLTS has an overarching relationship for the medical services under these programs. An exception to this approaching is traumatic brain injury where the general fund is in ALTSD and the Medicaid match is in HSD.

Other programs of ALTSD (consumer and elder rights, the aging network, and adult protective services) are not related to current HSD programs and serve the older population of the state.

ALTSD suggests the merger could lead to greater efficiency and management control by moving programs into HSD. “Seniors and people living with disabilities could see increased access to services by having only one organization to contact or deal with instead of two agencies (or even three, as DOH has additional program for individuals with disabilities).” On the other hand, the merger would create a department of 2,500 FTE housed in over 60 different buildings.

ALTSD identifies a report by the American Association of Retired Persons Public Policy Institute recognizing New Mexico for its balanced approach to long-term services needs of the elderly. ALTSD states “the state and its citizens benefit from having human services agencies that focus on the needs of differing populations. This multi-disciplinary approach increases the state’s ability to develop programs and policies that best meet the unique needs of its citizens. A merger would diminish the state’s capacity to accomplish this.”

HSD concurs with ALTSD’s assessment and adds this merger will require a change to the agencies Public Assistance Cost Allocation Plan negotiated with the federal government and will alter the mix of state and federal funds for administrative costs. It states there could be benefits in CoLTS by placing administration and oversight in one department and potentially results in

reduced duplicative administrative work, clarification of staff roles, increased efficiencies and lead to a higher quality program.

SPO states a streamlined organizational structure would reduce operating costs and eliminate redundancy. A thorough human capital study by SPO would be required to identify specific savings in personnel from the merger.

PERFORMANCE IMPLICATIONS

ALTSD is concerned about maintaining current performance levels during the transition

ADMINISTRATIVE IMPLICATIONS

ALTSD, HSD, SPO and DFA would need to convene a planning and implementation group to coordinate the transition.

OTHER SUBSTANTIVE ISSUES

ALTSD is concerned about the implementation date of July 1, 2010. It assesses the creation of ALTSD was done over 18 months which allowed for adequate transition. The implementation of merger would need to be accomplished in approximately four months.

The federal Administration on Aging requires an executive level position be designated to ensure the requirements of the Older Americans Act are followed and a coordinated, consolidated system of services for older individuals is maintained. Presumably, designation of the HSD Secretary would fulfill the requirement.

The Committee on Government Efficiency recommended “the Governor’s Office and the Legislature cooperatively examine, over the next six months, with proper analysis and professional advice, the prospect of reengineering State Government.”

GAC/mt