

OFFICE OF THE STATE ENGINEER AND INTERSTATE STREAM COMMISSION
Presentation to the Interim Water and Natural Resources Committee
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SUBJECT: GOVERNMENT RESTRUCTURING TASK FORCE REQUEST

As you are aware, the Government Restructuring Task Force was created to help address the state's financial crisis (House Bill 237, passed by the New Mexico Legislature and signed by Governor Richardson; Laws 2010, Chapter 101). To aid the work of the task force, the New Mexico Legislative Council has directed all interim committees to examine the areas within their committee's purview for ways to increase efficiency and save money. Specifically, each committee has been asked to review all departments, agencies, boards and commissions within its area of expertise. To comply with that request, we are asking you for information to pass on to the task force. As you proceed with this request, please keep in mind the importance of the task before the task force. The current fiscal situation is extremely trying. The task force has been given a short time to provide concrete recommendations on addressing the financial crisis without detrimentally affecting the essential services of the state. Accordingly, please provide us with ideas that do not involve cutting essential services. Be creative. Be innovative. Although cutting services might save money, there should be better ways to make our state government more efficient and effective and, consequently, make the state more fiscally responsible.

Please address the following:

1) What was the total amount of the agency's appropriation reduction from fiscal 2010 for fiscal year 2011?

See attached Spreadsheet.

How is the reduction budgeted in each program of the agency, by expenditure category?

See attached Spreadsheet

How will the reductions affect program delivery to clients?

The following are potential impacts of the budget reductions:

- Curtailments in hydrologic ground water modeling
- Frequency of ground water level measurements in critical basins will be decreased
- Joint funding financial contribution for USGS stream gaging efforts in NM will be affected
- AWRM efforts would be curtailed by WATERS abstracting which will be slowed down significantly
- The WATERS abstracting curtailment will slow progression on adjudications
- Water master presence in the field will be reduced
- Water use measurements in AWRM basins will be negatively affected
- Evapotranspiration and irrigation efficiency analysis studies will not occur slowing down adjudications

- In-state travel including water master activities, water rights validity evaluations (field investigations), and meetings with water stakeholders will be curtailed
- The number of unprotested and unagrieved water right applications backlogged will increase
- The average number of unprotested and new applications processed per month will decrease
- Increased wait time for Walk-in Water Rights customer support
- Number of dams inspected per year will decrease
- Water conservation educational and public outreach materials will not be purchased, basically reducing the effectiveness of this program
- Endangered Species Act and river management activities will be reduced.
- Attorney and hydrographic survey staff resources available for water rights adjudications will be reduced.
- Requests for funding requests to update Regional Water Plans will be denied.
- Cost share contribution with various federal government programs will be reduced for:
 - Elephant Butte pilot channel work;
 - vegetation and phreatophyte removal;
 - habitat restoration projects for endangered species;
 - endangered species work;
 - floodway control work;
 - water salvage projects; and
 - stream gage monitoring.
- Engineering work for acequia capital projects will be reduced.
- Out-of-state travel will be reduced which will limit NM participation related to:
 - Colorado River water related issues;
 - Multi-state water management organizations (Association of Western State Engineers, Western States Water Council, etc.); and
 - Lobbying for water related federal legislation.

2) What options have been explored or are under consideration by your agency to become more efficient and cost-effective in the face of a continuing decline in revenue?

- Implementing a new collaborative approach by WRAP and LAP to the licensing of water rights to facilitate water rights administration. This initiative will make the licensing process more efficient by leveraging and building upon the complementary professional and technical strengths of the two programs. Faster and more frequent licensing of water rights will provide immediate benefits to the owners of the licensed water rights, and to the public through improved administration of water rights. Accurate and up-to-date water right licenses will expedite the future adjudication of the licensed water rights and could potentially save tens of millions of dollars over the course of future water rights adjudications.
- The Agency continues to renegotiate software and maintenance contracts with vendors to request a zero increase from year to year on maintenance fees or discounts if vendor past performance has been less than satisfactory.
- The Agency is removing some software from maintenance to address current budget challenges with the knowledge that sometime in the future the agency will have to make a large one time investment to repurchase software licenses.

- The Agency has made investments in server virtualization software over the past two years with significant cost savings (reduction in hardware costs) and productivity improvements as a result. The Agency will continue to invest in this technology to realize additional benefits.
- Continue implementing measuring/metering statewide in order to obtain real-time data to reduce field visits.
- Consolidating agency office locations from privately owned buildings to a state owned building is being reviewed as a potential way to reduce building lease costs. The agency currently leases one building in Santa Fe at a rate a little over \$400,000 per year.
- Obtaining the office space in the Concha Ortiz y Pino and Bataan Memorial buildings that becomes available as the NM Office of Recovery and Reinvestment and Department of Finance and Administration vacate those buildings so that the agency can improve efficiency and effectiveness by consolidating operations in fewer work locations.

The agency continues to employ the following cost cutting measures in order to operate more efficiently within declining budgets:

- Generate savings through frozen vacant positions and only requesting exceptions to hiring when detrimental to key agency processes.
- Travel has been curtailed to immediate travel required to address critical issues.
- Avoid overnight travel when possible.
- Mandating use of state vehicles for travel, reducing mileage reimbursements.
- Require carpooling when multiple employees traveling to same destination.
- Realigning priorities in contractual services to address most critical areas.
- Scrutinize/curtail supply orders.
- Significantly curtail IT equipment purchases.
- Renegotiating equipment lease costs where possible.
- Utilize electronic publishing instead of printing of documents.
- Utilize teleconferencing and videoconferencing in lieu of travel where possible.
- The OSE Hearings Unit continues to expand and refine its Alternative Dispute Resolution (ADR) process to facilitate negotiated resolution of disputed water use applications, enforcement actions and licensing actions. Continued expansion and refinement of ADR is currently being accomplished without the need for an increase in FTE's by having hearing examiners also serve as co-mediators. Although budget neutral, the efforts have increased efficiency, as reflected in the increasing number of cases that are resolved by the Hearings Unit annually, with associated cost savings to participants. Additionally, timely resolution of matters that are amenable to mediation allows staff to devote necessary time and resources to the increasing number of disputed matters involving large amounts of water, complex technical and legal issues, and multiple parties and interests.

Please report all possible options, including programmatic, fiscal and contractual modifications. For example:

(a) What technological changes could be instituted to make the agency more effective and efficient?

1. The opportunity to improve Agency performance by implementing a shared document and content management system are significant and include the following:
- Improve productivity of staff who routinely need to collect, access and reference documents related to adjudications, water rights, and interstate stream compacts
 - Improve internal and public access to agency documents and content
 - Reduce costs associated with responding to constituent requests for agency documents and information
 - Reduce the number of documents that are lost and misplaced
 - Improve compliance with IPRA and record management rules, regulations and standards
 - The return on investment related to this investment is compelling. Non-recurring costs to implement the system are estimated at \$1.0 million and annual cost savings are estimated at \$3.0 million. The Agency has submitted a IT special appropriation request (C2) request over the past two years to fund a project to implement an electronic document and content management system and will submit a IT special appropriation request (C2) in our FY12 IT Plan.
 - The OSE Hearings Unit is considering utilization of electronic data management systems for filing and distribution of documents and digital recording of proceedings. A complete change from a paper to an electronic filing system would require a significant upgrading of technical resources available to the Hearing Unit with corresponding fiscal implications. There may also be some legal considerations involved given the number of unrepresented parties appearing in OSE administrative hearings. Hearings Unit staff support and promote budget neutral options to minimize document management costs. For example, the Hearing Examiners currently encourage parties to accept service from one another by electronic transmission.
 - The Hearings Unit is considering upgrading the recording of proceedings from tape recording to digital recording on a laptop computer. This would involve an initial expenditure of approximately \$7,000.00, but recurring operational costs should be less than those involved in tape recording. Additional benefits would include increased efficiency, compatibility with reviewing court recording systems, and easier duplication of recorded material.

(b) Can changes be made to the agency's procurement/contracting services to save money?

- Add resellers of used IT equipment (servers, network equipment, printers, plotters) onto state price agreements for reduced costs.
- Negotiate lower software license and maintenance prices as a state enterprise, versus individual agencies, for common software products (GIS, Microsoft, Adobe, Cisco).
- Consolidate similar procurements/contracts within the OSE/ISC to reduce the number of RFP's and contracts issued by the agency.

(c) Is a program outdated, and can a major, or minor, overhaul of that program create a more efficient and effective state government?

None identified.

d) Is the program better suited to another governmental level (e.g., municipalities, counties, school districts) or is it a program that should not be provided by the public sector?

N/A

(e) Could the services be provided more effectively by another state agency?

NA

(f) Can some programs be consolidated with others to save on administrative costs?

None identified.

(g) Is there a new revenue source that should be examined for a program?

None identified.

3) When listing options, please include a brief discussion of the following:

(a) Does the option require legislative action to enact, amend or repeal a statute?

No.

(b) Does the option result in an increase or decrease in FTE's?

N/A

(c) What are the fiscal implications, including both costs and potential savings?

N/A

Are the costs or savings recurring?

No.

(d) How would the option be implemented?

No.

What are the obstacles to implementing this option?

N/A

(e) Has this option been tried before?

No.

If so, what was the result?

N/A

QUALITY NM PINON AWARD

- Last year we embarked upon the Quality New Mexico commitment to performance excellence process, applying for and receiving the Pinon Award (the ONLY state government agency to receive this award).
- Quality New Mexico is a non-profit organization that promotes, educates, and recognizes performance excellence in agencies, organizations and businesses in the state.
- This process required that we critically examine all our systems and operational processes with the intent of identifying strengths and areas for improvement.
- QNM recognized several areas of excellence in our agency:
 - Our Plan Do Check Act process for performance improvement
 - Technological expertise in data analysis, measurement, and knowledge management.
 - Our Visionary leadership
 - Interdisciplinary professional expertise in our employees
 - Superior project management in tracking progress and deliverables
 - Effective collaboration and communication with stakeholders and water users
- After receiving the award, we wanted to maintain the momentum generated by the QNM process to continue in improving our processes and making our systems more efficient and effective.
- To this end we created a Quality Council
- The first actions of the Council were to further evaluate the feedback from QNM on agency processes and to focus on the need to create systematic mechanisms to collect customer feedback throughout our agency operations, aligning the data collection with QNM criteria for performance excellence and with agency process improvement initiatives.
- Several areas in which data is now being collected for use in future process improvement initiatives include:
 - Water right office customer service performance
 - Leadership performance
 - Information technology performance
 - Outreach and communication performance

This is the information the task force needs to make its recommendations. If you have been asked to provide this or similar information to the Legislative Finance Committee or the Department of Finance and Administration in a different format, please feel free to use that format for this request. Thank you for your assistance.

Office of the State Engineer/ISC

Comparison of FY10 and FY11 Operating Budget Appropriations

Program/Category	FY10 Original Opbud	FY10 5.5% GF Reduction	FY10 Adjusted Opbud	FY11 Original Opbud	FY11 to FY10 Adjusted Opbud Diff
Water Resources Allocation Program					
Personal Services &					
Employee Benefits	11,129,300.00		11,129,300.00	10,770,900.00	(358,400.00)
Contractual Services	1,035,100.00	(363,000.00)	672,100.00	697,800.00	25,700.00
Other Costs	1,638,100.00	(268,100.00)	1,370,000.00	1,552,400.00	182,400.00
Total	13,802,500.00	(631,100.00)	13,171,400.00	13,021,100.00	(150,300.00)
Interstate Compact Compliance					
Personal Services &					
Employee Benefits	4,388,000.00	(143,200.00)	4,244,800.00	3,868,700.00	(376,100.00)
Contractual Services	6,270,600.00	(160,600.00)	6,110,000.00	5,428,000.00	(682,000.00)
Other Costs	3,964,000.00		3,964,000.00	3,643,500.00	(320,500.00)
Total	14,622,600.00	(303,800.00)	14,318,800.00	12,940,200.00	(1,378,600.00)
Litigation & Adjudication Program					
Personal Services &					
Employee Benefits	4,844,800.00		4,844,800.00	4,856,100.00	11,300.00
Contractual Services	1,731,000.00	(90,100.00)	1,640,900.00	1,466,500.00	(174,400.00)
Other Costs	375,600.00		375,600.00	359,100.00	(16,500.00)
Total	6,951,400.00	(90,100.00)	6,861,300.00	6,681,700.00	(179,600.00)
Program Support					
Personal Services &					
Employee Benefits	3,538,100.00	(193,000.00)	3,345,100.00	3,411,200.00	66,100.00
Contractual Services	212,400.00		212,400.00	167,500.00	(44,900.00)
Other Costs	468,200.00		468,200.00	491,500.00	23,300.00
Total	4,218,700.00	(193,000.00)	4,025,700.00	4,070,200.00	44,500.00
Agency Total Appropriation	39,595,200.00	(1,218,000.00)	38,377,200.00	36,713,200.00	(1,664,000.00)
Percentage Reduction FY11 Opbud to FY10 Adjusted Opbud					-4.3%
Percentage Reduction FY11 Opbud to FY10 Original Opbud					-7.3%

