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LEGISLATIVE EDUCATION STUDY COMMITTEE

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June 15, 2010

MEMORANDUM

TO: Legislative Education Study Committee

FR: David Harrell

RE: STAFF REPORT: GOVERNMENT RESTRUCTURING TASK FORCE

Introduction

Legislation enacted in 2010 (HB 237, or Laws 2010, Chapter 101, with the emergency clause) created the Government Restructuring Task Force, a 17-member body that has been charged to examine all of state government and to make recommendations leading to increased efficiencies and reduced costs. With particular attention to those points that may affect public education, this report will review the statutory provisions, summarize the meetings and activities of the task force thus far, describe the public comment that has been offered to the task force, note some final points about public education, and suggest some policy options for the Legislative Education Study Committee (LESC) to consider.

Statutory Provisions

Among its duties, the Government Restructuring Task Force (GRTF) is charged to:

- study “the current resources of the state’s agencies, programs, services, funding and policies and the public needs served by them”;
- study the recommendations, initiatives, and statutory changes that occurred between 1975 and 1978 in reorganizing state government;

- examine “the statutes, constitutional provisions, rules and court decisions governing state government and reorganization and recommend legislation or changes”;
- solicit public input; and
- make two reports:
 - a report of findings and recommendations to the Governor and the Legislature, including presentations to the Legislative Council, the Legislative Finance Committee (LFC), and the LESC, by December 1, 2010; and
 - a final report with proposed legislation, supported by a majority of the task force members, to the Governor and all legislators by December 31, 2010.

The resources, programs, and polices that the task force must study include:

- the recommendations of the Governor’s Committee on Government Efficiency (commonly known as the *Carruthers Report*, published in January 2010);
- the need for consolidation of agencies and elimination or reduction of redundant, duplicative, or overlapping programs or services;
- current project staffing needs of state agencies; and
- current and projected revenue estimates for the next three to five fiscal years.

The legislation prescribes the membership of the task force:

- five House members appointed by the Speaker of the House and five Senate members appointed by the President Pro Tempore of the Senate, in both cases so that the two major political parties in each house have the same proportional representation on the task force as in the respective house;
- six public members who possess expertise in public and private sector organizational structure and who reflect the ethnic, cultural, and geographic diversity of the state, three appointed by the Speaker of the House and three by the President Pro Tempore of the Senate; and
- the Secretary of Finance and Administration.

In addition to these members prescribed by law, the task force comprises eight advisory members: four representatives and four senators, appointed by the leader of each house, respectively. The Attachment, *2010 Approved Work Plan and Meeting Schedule for the Government Restructuring Task Force*, provides a list of all members.

Among its other provisions, the legislation:

- requires the task force to meet at least once and no more than twice per month, beginning no later than April 22, 2010;

- provides for the creation of subcommittees through majority vote of the members and prescribes the members of any subcommittees;
- requires the Department of Finance and Administration (DFA) and “the various agencies of the state” to cooperate with the task force “and provide the task force with information regarding budget, staffing, organizational structure and other information” as requested; and
- requires the Legislative Council Service (LCS), the LFC, the LESC, and DFA to provide the staff for the task force.

Meetings and Activities of the Task Force

The GRTF has met twice this interim – once each in April and May 2010 – with the third monthly meeting scheduled for June 21 and 22, 2010.

April Meeting

At the first meeting, on April 21, the task force elected Senator Tim Eichenberg as Chair and Representative Patricia A. Lundstrom as Vice Chair. The task force also began formulating a workplan and a meeting schedule (see the Attachment).

Tending to other operational business, the task force heard a summary by LCS and LFC of the legislation and a review of corresponding mandates and goals. Mr. Raúl E. Burciaga, Assistant Director for Drafting Services, LCS, reviewed the legislation in detail and noted that the task force staff was in the process of compiling basic information, such as statutory and constitutional provisions, as well as financial and other statistical data, in preparation for the next meeting. Mr. David Abbey, Director, LFC, suggested that permanent restructuring of state government is necessary to meet not only the current fiscal crisis but also the long-term economic realities of the future. He also encouraged the task force to take a broad view of its task, encompassing such topics as Medicaid funding; the public school and higher education funding formulas; biennial budgeting; and centralized agency administrative functions, like human resources.

In addition to its organizational functions, the April meeting afforded an occasion for the task force members to hear testimony providing a historical perspective of New Mexico government structure, funding, and previous restructuring initiatives.

- Dr. Luciano Baca, former chief of public school finance in DFA, reviewed the history of education in New Mexico, including the creation in the constitution of the State Board of Education; the proliferation and consolidation of local school districts (from more than 400 in the 1940s to the 89 in existence today); the creation of the equalized Public School Funding Formula in 1974 and the amendments to it since then; and the constitutional amendment creating the Public Education Department (PED) and the Public Education Commission (PEC).
- Mr. Chris Krahling, project director for Governor Jerry Apodaca’s reorganization study in the late 1970s, reviewed the history of the reorganization of state government, including the creation during the 1950s of DFA and the establishment of the state personnel system, as well as the creation of the LFC as a permanently staffed

interim legislative committee; the establishment of 12 cabinet-level departments in 1977, as recommended by the Apodaca study; and the *Carruthers Report*, on behalf of the Richardson administration, published in January 2010.

- Ms. Kay Marr, former Secretary of DFA, advised the task force that reorganization is not just a rearrangement of departments and units but also an alteration of governmental design and process to better serve the public. One example was a series of decisions from the 1950s through the 1970s that eliminated earmarked funds and pooled state revenues in the General Fund; another was the idea to use severance taxes to underwrite capital projects and promote economic development. Ms. Marr also cited the creation of the Children, Youth and Families Department to improve the coordination of services for children and families. To address the gap between revenues and expenditures, Ms. Marr encouraged the task force to examine the state's tax structure.

The informational presentations to the committee concluded with a summary by LFC of other states' recent efforts to restructure their governments. Based on a review of such efforts in eight other states – Colorado, Hawaii, Iowa, Michigan, Nevada, New Jersey, Utah, and Vermont – as well as the recommendations in the National Governors' Association publication *The Big Reset*, LFC analyst Mr. Brent Earnest presented a number of ideas for the task force to consider, among them:

- use the current fiscal crisis to propose major changes that may not have been supported in the past;
- focus not just on temporary cuts or reductions but on major structural changes that lower costs on a permanent basis;
- eliminate duplication of services and consider eliminating some services or programs;
- consider how technology can be optimized within and across agencies;
- include as many stakeholders as possible in the process; and
- solicit input from civil servants and the public at large, perhaps through a website to disseminate information and collect comments.

As the task force discussed the workplan and meeting schedule, Ms. Paula Tackett, Director, LCS, identified a number of points to consider and suggested the use of a facilitator to help the task force establish priorities and focus its work. As the discussion progressed, task force members generally agreed that all three branches of government and their respective agencies and programs are subject to review and possible restructuring. There was also broad agreement that the *Carruthers Report* could serve as an effective starting point. The Attachment provides more details about the workplan.

May Meeting

At the May meeting, the task force was introduced to the newly hired facilitator, Mr. Tim Karpoff, of Karpoff and Associates, who, along with the Chair, emphasized the importance of a transparent process and a robust conversation as the task force proceeded with its work.

Mr. Karpoff then guided the members through a discussion centered on such fundamental points as what essential services state government must provide and what values must be protected. Through this process, task force members identified eight priority areas in response to the question, “What core, essential services must state government provide?” The three areas receiving the most priority votes, in order of priority, were “Education – Focused on Students,” “Health Care,” and “Public Safety and Security.” The other areas identified were “Statewide Infrastructure,” “Fiduciary Responsibility and Best Practices,” “Economic Development,” “Social Safety Net,” and “Management of Environment and Natural Resources.”

The task force also heard several staff presentations. Ms. Dannette Burch, Deputy Secretary, DFA, and Ms. Cathy Fernandez, Deputy Director, LFC, reviewed the history and provisions of the *Accountability in Government Act* (1999) and the implementation of performance-based budgeting in New Mexico. Dr. Tom Clifford, Chief Economist, LFC, and Dr. Tom Pollard, Fiscal Analyst, LCS, reviewed the state’s revenue structure and revenue trends. While both of these presentations, especially the revenue review, have some bearing on public education, the direct references came in two other staff presentations.

- Ms. Jonelle Maison, Senior Bill Drafter, LCS, presented and discussed a comprehensive organizational chart of state government, including the cabinet departments, agencies, bureaus, and boards and commissions. New Mexico, she said, operates under the model called a “diffuse executive” in that such executive officers as Secretary of State, Attorney General, State Treasurer, State Auditor, and Commissioner of Public Lands are elected separately from the Governor. Among other points, Ms. Maison noted that the state constitution creates a number of postsecondary educational institutions are under the absolute control of their respective boards of regents; that the Department of Agriculture is under the control of the Board of Regents of New Mexico State University; that the uniform system of free public schools is one of the few direct mandates to the state; that local school boards are recognized although not created in the state constitution; and that PED is the only cabinet department created in the state constitution. She also noted that the number of cabinet-level departments has grown from 12 in 1978 to 23 in 2010.
- Mr. Jacob Candelaria, Program Evaluator, LFC, presented findings from an analysis of US Census Bureau data to compare the levels of government employment in New Mexico to those of 10 other selected states – Arizona, Arkansas, Colorado, Louisiana, Nebraska, Nevada, Oklahoma, Texas, Utah, and West Virginia – and to national averages. Among the findings, Mr. Candelaria reported that New Mexico has:
 - a higher proportion of full-time state employees (FTEs) per 1,000 residents than the group and national averages, with the largest gaps in this proportion in the categories “Health, Hospitals and Human Services” and “Judicial and Legal”;
 - a lower proportion of local government FTEs per 1,000 residents than the group and national averages;
 - a higher proportion of K-12 public education FTEs per 1,000 residents than the group and national averages; and

- a higher proportion of higher education FTEs per 1,000 residents aged 18 and above than the group and national averages.

To the state's credit, Mr. Candelaria added, the state's proportion of instructional to non-instructional staff in K-12 education is higher than the group and national averages; however, that ratio is reversed in higher education (a point also noted in the *Carruthers Report*). In fact, New Mexico has more non-instructional higher education FTE per instructional FTE than any other state in the cohort group.

June Meeting

The June meeting will focus on public education: K-12 on Monday, June 21, and higher education on Tuesday, June 22. In each case, the plan calls for a panel discussion by recognized experts in their respective areas who will be asked to take a system-wide view toward addressing improved outcomes and cost-savings. Also in each case, the panel discussions will be followed by small-group and then full-group discussions by task force members. As of this writing, the only confirmed participants in the panels are Dr. Veronica C. García, Secretary of Public Education, for the K-12 panel; and Dr. Viola Florez, Secretary of Higher Education, for the higher education panel.

Public Comment

At both task force meetings thus far, the public comment, in some cases voiced by the same observers, has raised questions or objections related to the premise, scope, deliberations, or membership of the task force. A number of themes have emerged, among them:

- that the GRTF is engaging in a superficial rather than substantive effort to restructure state government;
- that so far there has been little consideration of the consequences of proposed restructuring on the employees of agencies or the people served by them; and
- that frontline state employees have few, if any, opportunities to communicate their awareness of inefficiencies to the cabinet secretaries and thereby affect agency policies and practices.

Additional opportunities for public comment will soon be available through a link on the LCS website. There is also a plan to disseminate a survey to state employees.

Final Points on Public Education

Since the first meeting of the staff assigned to the GRTF, there has been a clear intent to include public education, both K-12 and higher education, within the purview of the task force. In addition to the points noted above, several other suggestions have emerged in discussions by both small groups and the full task force:

- merge PED and the Higher Education Department into a single department of education (a recommendation of the *Carruthers Report*);
- reduce the number of postsecondary educational institutions;

- consolidate selected school districts;
- employ memoranda of understanding or joint powers agreements to consolidate administrative functions in school districts;
- align school district boundaries with county boundaries, perhaps with county commissioners overseeing the public schools; and
- divide Albuquerque Public Schools into two or more districts.

For the LESC in particular, there is this directive from the Legislative Council, as expressed in a letter from Paula Tackett to all legislators:

. . . [G]iven the extreme financial situation, the council directed staff to inform the [interim] committees that they should focus their efforts primarily on examining the programs and missions of the agencies that the committees oversee with an eye toward making those agencies more efficient and by identifying the critical core functions provided by those agencies. Committees should rank the programs vis-à-vis core criticality and provide guidance and recommendations to the Government Restructuring Task Force, which is charged with making recommendations for restructuring state government, and the Legislative Finance Committee as it works to prepare the budget for the upcoming year.

While the LESC does not directly oversee school districts, PED, or the PEC, the committee does have statutory authority to “conduct a continuing study of all education in New Mexico, the laws governing such education and the policies and costs of the New Mexico educational system . . . [including] the training of certified teaching personnel in post-secondary institutions”

Policy Options

Given the need to reduce costs and raise revenues of state government, the time constraints under which the GRTF is operating, the directive of the Legislative Council, and the complexity of public education as a governmental service, the LESC may wish to consider such policy options as the following, categorized under cost-saving measures and restructuring measures. The committee may also wish to make formal recommendations to the GRTF along these lines or others.

Cost-saving Measures

Encourage district superintendents and building managers to increase community use of school facilities as long as that use does not compromise the educational program. Such practices may save capital expenses over both the short and the long term, as well as build a sense of community support for schools.

Amend duties of the school advisory council to include fundraising for school operational funds, perhaps through grants and through contributions (cash and in-kind) from local businesses.

Encourage school districts and charter schools to advise students about the dual credit program to provide richer academic opportunities, to produce short-term savings in students' educational expenses, and to produce long-term revenue for the state through a better educated work force with higher earnings.

Introduce a joint memorial requesting a study of the fiscal impact of charter schools, including an examination of the small school size adjustment factor in the public school funding formula.

Restructuring Measures

Encourage expansion of the role of regional education cooperatives in providing services – ancillary services, information technology, tutoring, and sharing ideas that work – to member districts.

Establish a clearing house – perhaps at PEC or PED – for the compilation and publication of success stories from local public schools, especially those that demonstrate student achievement or organizational efficiencies.

Introduce legislation and appropriate funds to develop a teacher and principal evaluation system that includes growth in student achievement as one of the major factors.

Introduce legislation and appropriate funds to study the possible consolidation of certain school districts in New Mexico.

**2010 APPROVED
WORK PLAN AND MEETING SCHEDULE
for the
GOVERNMENT RESTRUCTURING TASK FORCE**

Members

Sen. Tim Eichenberg, Chair
Rep. Patricia A. Lundstrom, Vice Chair
Patrick Baca
Rep. Paul C. Bandy
Rep. Keith J. Gardner
John Gasparich
Dr. Dan Lopez
Sen. Linda M. Lopez
Michelle Lujan Grisham

Rep. Rick Miera
Sec. Katherine B. Miller
Sen. Steven P. Neville
Jim O'Neill
David Ortiz
Sen. William H. Payne
Sen. John Arthur Smith
Rep. Luciano "Lucky" Varela

Advisory Members

Sen. Carlos R. Cisneros
Sen. Mary Jane M. Garcia
Rep. Joni Marie Gutierrez
Sen. Stuart Ingle

Sen. Lynda M. Lovejoy
Rep. James Roger Madalena
Rep. Al Park
Rep. Jeannette O. Wallace

Background

The current economic downturn is expected to last for some time. This situation has created an opportunity for the state to examine the structure and operation of state government, rethink priorities and ensure that programs are operated and services are provided in the most effective and efficient manner possible. The main questions to be asked are:

- What are the essential services the state must deliver?
- What is the most effective way to accomplish the state's goals with the funds available?

House Bill 237 (Laws 2010, Chapter 101) created the Government Restructuring Task Force. It required the first meeting to be held no later than April 22. The task force held a meeting on April 21 and selected a chair and vice chair. At that meeting, the task force received presentations on the requirements of HB 237; a historical perspective of New Mexico government structure, funding and previous restructuring initiatives; and a summary of other states' recent efforts to restructure their respective state governments.

The law directs the task force to "study the current resources of the state's agencies, programs, services, funding and policies and the public needs served by them, including the:

- (1) recommendations of the governor's committee on government efficiency;

(2) need for consolidation of agencies and elimination or reduction of redundant, duplicative or overlapping programs or services;

(3) current and projected staffing needs of state agencies for full-time, part-time, term, temporary and contract employees; and

(4) current and projected revenue estimates for the next three to five fiscal years". Additionally, the task force is charged with soliciting public input, studying the restructure of state government that occurred from 1975 to 1978, examining all laws governing state government and recommending legislation or changes. All state agencies are required to provide information to the task force as needed.

Work Plan

The task force proposes to study the specific areas outlined in HB 237, as noted above. At its first meeting, the task force members generally agreed that nothing is off the table; that is, all three branches of government and their respective agencies and programs are subject to review and possible restructuring. Specifically, the task force, in determining what essential services state government should provide, proposes to:

- have the New Mexico Legislative Council direct each interim committee to include, as a major part of each work plan, any findings and recommendations on the restructuring of any of the agencies or programs that each committee reviews or oversees;
- review the structure of state government as it exists and currently operates as well as how the structure is set out in law;
- identify areas of large expenditures;
- examine the inventory of state agencies, boards and commissions created in law;
- assess the effectiveness and efficiency of the various agencies and programs, particularly in light of the task force's consideration of what essential services should be provided;
- request presentations by agencies to help the task force identify redundancies or duplications and the benefits or consequences of consolidating or eliminating certain programs or services;
- explore the provision of online services to realize concomitant reduction in staff and offices; and
- review the sources of revenue, including efforts to better leverage existing funding and identify alternative revenue sources.

To accomplish its tasks by the December 2010 deadline established in HB 237, the task force may wish to consider the use of a facilitator or other consultants to assist the task force in prioritizing the areas to be reviewed.

2010 APPROVED MEETING SCHEDULE

<u>Date</u>	<u>Location</u>
April 21	Santa Fe
May 24-25	Santa Fe
June 21-22	Santa Fe
July 29-30	Santa Fe
August 19-20	Santa Fe
September 16-17	Santa Fe
October 14-15	Santa Fe
November 11-12	Santa Fe
November 22	Santa Fe
December 20	Santa Fe