

**Minutes  
of the  
First Meeting  
of the  
Government Restructuring Task Force  
Room 307, State Capitol  
April 21, 2010**

The first meeting of the government restructuring task force was called to order by Paula Tackett, director of the legislative council service, on April 21, 2010 at 10:20 a.m. in Room 307, State Capitol.

**Present**

Sen. Tim Eichenberg, chairman  
Rep. Patricia A. Lundstrom, vice chairwoman  
Mr. Patrick Baca  
Rep. Paul C. Bandy  
Rep. Keith J. Gardner  
Mr. John Gasparich  
Sen. Linda M. Lopez  
Ms. Michelle Lujan Grisham  
Rep. Rick Miera  
Secretary Katherine B. Miller  
Sen. Steven P. Neville  
Mr. Jim O'Neill  
Mr. David Ortiz  
Sen. William H. Payne  
Rep. Luciano "Lucky" Varela

**Absent**

Dr. Dan Lopez  
Sen. John Arthur Smith

**Advisory**

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

Sen. Stuart Ingle  
Sen. Michael S. Sanchez

**Guests:** The guest list is in the meeting file.

**Staff**

**Legislative Council Service (LCS)**

Paula Tackett  
Raúl Burciaga  
Jonelle Maison  
Kim Bannerman  
Leslie Porter

**Legislative Education Study Committee (LESC)**

Dr. David Harrel

**Legislative Finance Committee (LFC)**

David Abbey

Cathy T. Fernandez

Brent Earnest

**Department of Finance and Administration (DFA)**

Dannette Burch

Stephanie Lenhart

**Handouts**

Copies of all handouts and written testimony are in the meeting file.

Ms. Tackett served as temporary chairperson and requested that the election of officers be postponed until several more members arrived.

***Summary of House Bill 237 — Task Force Mandate and Goals — Raul Burciaga, LCS, and David Abbey, LFC***

Mr. Burciaga explained the provisions of House Bill 237 (Chapter 101), including task force membership, meeting requirements and the legislative charge of the task force. The law outlines the duties as follows:

B. The government restructuring task force shall 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 employment; and

(4) current and projected revenue estimates for the next three to five fiscal years.

C. The government restructuring task force shall solicit public input.

D. The government restructuring task force shall study the recommendations, initiatives and statutory changes that occurred between 1975 and 1978 in reorganizing state government.

E. The government restructuring task force shall examine the statutes, constitutional provisions, rules and court decisions governing state government and reorganization and recommend legislation or changes.

F. The department of finance and administration and the various agencies of the state shall cooperate with the task force and provide the task force with information regarding budget, staffing, organizational structure and other information as requested by the task force.

The legislation also allows for the creation of subcommittees by majority vote of the task force. The task force has until December 1 to complete its work and report to the New Mexico legislative council, LFC, LESC and the governor. Its final report and proposed legislation must be available to the governor and all legislators by December 31. Staff for the task force will be provided by LCS, LFC, LESC and DFA. Mr. Burciaga said staff is in the process of compiling basic information, such as statutory and constitutional provisions and financial and other statistical data, for the next meeting of the task force.

Mr. Abbey provided copies of the general fund financial summary and discussed the current fiscal crisis faced by New Mexico. He noted that the state is on better financial footing after the March special session, but the economic outlook remains shaky. The LFC is tracking revenue weekly to stay on top of the state's financial situation. After passage of the General Appropriation Act of 2010, general fund reserves are estimated to be at 4.2% for fiscal year 2011, down from 6.5% for fiscal year 2009 and 5.2% for fiscal year 2010; these figures represent an overall decline after more typical reserves of 10% in the 1990s and early 2000s. The state may be required to dip into the reserves if congress does not approve medicaid matching funds at the level the legislature relied on when crafting the budget. As it stands now, congressional action does not look promising. In addition, LFC is assuming there will be revenue shortfalls at least through fiscal year 2013. Mr. Abbey stressed the need for permanent action, not just a temporary movement of money. He asked the task force to think of its task as a complete government review and to look at all issues, not just the easy fixes. He recommended the members read the article provided in their notebooks, "The Big Reset", by the national governors association center for best practices, which discusses the need to reexamine core services of government. Mr. Abbey opined that permanent restructuring is necessary to meet not only the current fiscal crisis but the long-term economic realities of the future. He noted, however, that restructuring state agencies will not be sufficient and urged the task force to take a broader view toward eliminating state funding needs, including looking at the way medicaid funding is structured through the state and counties, the public school and higher education funding formulas, biennial budgeting and re-centralizing agency administrative functions such as human resources.

Representative Varela asked staff to provide copies of the lieutenant governor's white paper on government consolidation. He concurred with Mr. Abbey about the need to look beyond just state agencies under the control of the governor, noting there are efficiencies and cost-savings to be gained in areas other than reorganization. The secretary of state is interested in election reform, the attorney general is looking into stronger oversight of contracts and the state auditor is concerned about timely audits. He noted both public and legislative concerns about the public regulation commission and thought the task force should consider ways to streamline that agency. Representative Varela also suggested the task force look at how the state's oversight agencies, particularly the local government division of the DFA, might improve their oversight duties. As for the impetus behind House Bill 237, Representative Varela said the bill was the outgrowth of legislative concerns about the size of state government, concerns that were captured by the Carruthers report to the governor on improving government efficiency. He encouraged cabinet secretaries, agency heads and judicial representatives to be involved in the work of the task force over the interim.

Representative Park said he hopes everyone on the task force, and in government, understands that difficult choices will have to be made; the state is in the middle of a very ugly time that will require strong political will to make ugly decisions. He agreed with Ms. Tackett that the time for band-aid solutions had passed and the task force must do more than "rearrange the deck chairs on the Titanic". Representative Park pointed out that state government has expanded by 20% in the last eight years, and while some of that growth may be good, the task force must consider everything to meet its goal of having a responsive, efficient, cost-effective government. He mentioned that he had introduced many of the Carruthers task force recommendations during the last session, but none of the bills were heard. He said it appears that no one wants taxes raised and everyone wants smaller government, unless smaller government would affect their interests. However, he said, the task force and the legislature must make unpleasant decisions and there must be real systematic changes to state government. He concluded with a quote by Governor Garrey Carruthers: "Never let an economic crisis go to waste."

### ***Selection of Chair***

Ms. Tackett asked for nominations for chairperson. Ms. Grisham moved the nomination of Senator Eichenberg as chair and Representative Lundstrom as vice chair, if it was the pleasure of the task force to take both nominations in a single vote. Senator Payne raised concerns about both positions being voted on in a single motion. He said he would second Ms. Grisham's motion for Senator Eichenberg as chair, but wanted to submit a separate motion for John Gasparich as vice chair. Representative Miera suggested that each position be voted on separately, starting with separate motions for chair. Ms. Grisham withdrew her motion and moved the nomination of Senator Eichenberg as chair. Senator Neville moved the nomination be approved by affirmation. On a voice vote, the task force agreed. Senator Eichenberg took the chair and thanked the task force. He opened up the floor for vice chair nominations, and Ms. Grisham nominated Representative Lundstrom as vice chair. Senator Payne nominated Mr. Gasparich as vice chair. Senator Eichenberg asked for a show of hands of those in support of each candidate. By a vote of nine to four, Representative Lundstrom was elected as vice chair. Representative Lundstrom thanked the task force.

*A Historical Perspective of New Mexico Government Structure, Funding and Previous Restructuring Initiatives — Lou Baca, Kay Marr and Chris Krahling*

**Public Schools**

Mr. Baca, former chief of public school finance in DFA, began the presentation by speaking on the history of public schools in New Mexico. Public schools comprise approximately 43% of the state budget, so it is important to understand the public school system and its funding. He noted there are basically three issues in public education: (1) governance, whether it be local or statewide; (2) statutes mandating certain education requirements; and (3) funding sources.

Until 1891 there was no public schooling in New Mexico; whatever schooling was available was provided mainly by the Catholic church and other denominational schools. Governor Bradford Prince and the territorial legislature created a system of public education and the first territorial superintendent was appointed in 1891 and the first territorial board of education came into existence. When New Mexico became a state in 1912, the constitutionally created state board of education took over responsibility for public education, though it was limited to teacher certification and curriculum standards; school finances were handled by another agency. The first codification of a School Code occurred in 1923.

By 1950, the duties of the board of education had been enlarged to include making rules for the governing of schools; setting up and enforcing standard courses of study; approving or disapproving school district bonding proposals; selecting, adopting and purchasing textbooks; controlling the school transportation system; and working with the proper agencies to secure federal aid. In 1958, voters adopted a constitutional amendment that changed the structure of the state board of education to a 10-member elected board. In 1986, two constitutional amendments were passed that changed state governance. One amendment allowed for the addition of five members appointed by the governor with the consent of the senate; this was a compromise to resist placing both curriculum and finance under the control of the governor. The other amendment moved public school finance functions from DFA to the state department of education. Program and purse were now under the control of the state board and with it nearly 50% of the state's general fund appropriations. In 2002, the voters adopted an amendment that placed the state responsibility for public education under the control of the governor and converted the state board into the public education commission and gave it a mostly advisory role.

The history of school districts in the state is an interesting one as well. At one time, reportedly, there were close to 1,000 school districts; by 1941, after numerous consolidations, there were between 400 and 500 rural districts that were answerable to county boards of education, as well as municipal and independent districts. During the 1950s, the legislature directed the state board of education and the department of education to consolidate school districts. A department staffer was assigned the task and, using board-approved criteria, consolidated many school districts. By 1968, there were 89 school districts. In the early 1970s, the state board consolidated Dora and Causey, closing the Causey school district; in 1983, Encino and Vaughn were consolidated, closing the Encino school district. Both Causey and Encino essentially have ceased to exist as viable communities. The Encino closure became a highly emotional and public event that prompted the legislature to change the law. Now,

consolidating school districts has become a much more difficult, tedious, expensive and litigious process.

Federal funding for public schools did not occur until the National Defense Education Act of 1958 (NDEA), when the United States lost the "race to space" to Russia's Sputnik. Originally providing funding for curriculum specialists in math, science and foreign languages; student counselors; and the purchase of science and foreign language lab equipment, NDEA subsequently allowed the hiring of social studies and language arts curriculum specialists. These new positions gave the state department of education the ability to more closely monitor district activities. In 1965, the state department was further strengthened by the enactment of the Elementary and Secondary Education Act of 1965. That act radically changed federal education funding. The act consisted of Title 1, funding to schools based on poverty; Title 2, funding to improve school libraries; Title 3, funding to encourage innovation; Title 4, funding to encourage research to improve education; and Title 5, funding to strengthen state departments.

Local control has seen the same evolution as school districts, moving first from probate judges as the policymakers to county commissions through to elected boards. While local school boards still have tremendous latitude in running their school districts, in the 2003 school reform, the legislature gave the ability to hire and fire to school superintendents.

The foundations of contemporary public funding mechanisms for public schools were set initially in the period 1923-1941. The key elements were: the Public School Code was adopted in 1923; the 20-mill limit on property tax was instituted in 1933; the oil and gas emergency school tax was enacted in 1934; and the governor's citizen taxpayer's committee on educational finance in 1941. The year 1941 marked the beginning of a process to deal with financial crisis that was to be used several times after: the 1948 Peabody survey, the 1951-1952 state reorganization commission, the 1961-1962 governor's conference and the 1961-1965 Paul Mort study, to name the most important. While each of these concerted efforts yielded worthy recommendations, none came up with new revenue sources or distribution mechanisms that were acceptable to state policymakers.

Since school districts were expected to take the brunt of the 20-mill limit, the legislature adopted the gross receipts tax, which was earmarked for schools and distributed on an average daily attendance methodology; that continued until 1962 when, during another revenue crisis, the legislature decided to make the gross receipts tax part of the general revenue stream for the state. The use of local property tax to fund schools resulted in wide disparities among school districts, with Santa Fe, Albuquerque and the Oil Patch districts having sufficient revenue and rural districts having very little tax base.

In 1974, the legislature passed the public school funding formula, touted by many as a national model for funding public schools. The formula, and its attendant laws, equalized state funding based on student enrollment and student needs and also created an environment greatly different for school administrators, local school boards and students. Unlike many other states, New Mexico supports public schools through its state general fund and school districts do not rely on property taxes as a revenue source. New Mexicans have had a deep suspicion of property taxes since Mexican rule, which only deepened during the territorial "land grab" days;

so it was natural that early on the state made the choice not to use property taxes for educational purposes. In addition, because of New Mexico's historically low property tax rate, large tracts of public and tribal lands and the fact that the railroads did not pay property taxes, relying on such a tax for public school funding would not have been beneficial. The state's support of public schools is in the form of a guarantee that each school district will receive essentially the same amount based on the funding formula, minus the amount the state takes credit for in local revenue. What started as a relatively simple formula has become more complex over its 30-year history as more units and factors are added in an attempt to meet every need.

Up until the 1960s, public school capital improvements were a local issue, which resulted in as much disparity as local funding for educational programming. Property-poor school districts had poor facilities while the reverse held true for the property-rich districts. The legislature passed the School Construction Assistance Act in 1965 and provided \$2.5 million in severance tax bonds in 1965 and 1966. Over the last 30 years, funding levels for public school capital outlay have increased substantially, particularly after the successful lawsuit on behalf of the Zuni school district. The federal district court set a series of steps and criteria that must be followed in the allocation of capital funds and called for more funding from the legislature.

In response to questions from Senator Eichenberg, Mr. Baca provided a brief explanation of funding for higher education, the state portion of which is based on a nonstatutory funding formula. Article 12, Section 11 of the constitution of New Mexico confirms the state educational institutions, which include the university of New Mexico (UNM), New Mexico state university, eastern New Mexico university, western New Mexico university, New Mexico institute of mining and technology, New Mexico highlands university and northern New Mexico college, as well as New Mexico military institute (NMMI) and the special schools: New Mexico school for the blind and visually impaired and New Mexico school for the deaf. He noted that in addition to the 10 constitutional schools, there are 10 branch community colleges, seven community colleges (not counting NMMI) and various off-campus instruction sites. Distance learning is also becoming an important delivery mechanism.

Ms. Tackett said that staff will gather information on higher education funding for the next meeting.

Following Mr. Ortiz's line of questioning regarding school district reductions from near 1,000 to the current 89, Secretary Miller suggested that the task force should look at the basis of those 89 districts so it can be determined if further consolidation could occur. She noted it will be important to look at quality, financing and who controls the districts when making any changes to the current structure.

### **Reorganization of State Government — Chris Krahling**

Mr. Krahling, project director for Governor Jerry Apodaca's reorganization study, presented a history on the reorganization of New Mexico state government, beginning with what was popularly known as the Little Hoover committee of 1951-1952, created by the legislature during Governor Edwin Mechem's administration. The committee concluded that government should be restructured to reduce the number of small independent agencies by consolidating their functions into a few departments. As a result of the committee's report, the legislature created

the DFA and established the state's modern state personnel system. The legislature also created the LFC as a permanently staffed interim committee a few years later.

In 1967, during Governor David Cargo's administration, the legislature created the governor's committee on reorganization. In 1970, that committee recommended the establishment of 14 major departments, but only the corrections department was created.

Governor Apodaca, in cooperation with the legislature, undertook another government reorganization study, partly due to a lack of any significant implementation of the 1970 recommendation. The governor's team undertook a nine-month concentrated research and analysis of the executive and made recommendations to the 1977 legislative session. The study resulted in the enactment of the Executive Reorganization Act and the attendant specific department acts that established the overall framework of state government that is still in place. By the time the Apodaca study began, state government had become unwieldy, with 395 separate and identifiable boards, commissions, committees, etc., and 117 staffed agencies reporting to the governor. The proliferation of agencies, boards and commissions was inefficient, confusing, expensive and difficult to manage. It also lacked a coordinated approach to the delivery of services by agencies sharing similar responsibilities.

The 1976 reorganization study was helped by Governor Apodaca's executive order of 1975 that, as a piecemeal step, designated cabinet departments and instituted a cabinet system incorporating subcabinet agencies to improve communications and the coordination of service. The legislature provided funding for the study in 1976, and, in 1977, the reorganization package was introduced in the house and assigned to the house ways and means committee, the only bills that committee would review that session. After numerous debates, amendments and substitutions, the legislature established 12 cabinet-level departments and consolidated 95% of the functions of state government under the governor to those departments. The legislation had delayed effective dates of one year and the New Mexico legislative council created an oversight committee to work with the governor's office to develop implementation plans. The 1978 legislature made changes to the 1977 package and created the labor department.

Mr. Kraehling said the cooperative effort of the executive and the legislature, coupled with the understanding of both branches of government that the time had come to deal with the issue and the firm commitment of both branches to get the job done, was the reason for its success. The new structure:

- (1) provided greater accountability to both the governor and the legislature;
- (2) was easier to manage;
- (3) was easier to understand;
- (4) was easier to access;
- (5) coordinated the delivery of services; and
- (6) created efficiencies and had a positive effect on the cost of government.

Based on the reorganization plan as presented and enacted, Dr. Dorothy Cline, professor emeritus of UNM department of political science, specifically stated that money would be saved for the following reasons:

- (1) over a period of time, the acceleration and growth of state government would be halted;
- (2) fewer people would be employed; the consolidation and centralization of administrative services, now scattered among many agencies, would reduce the number of employees in each of the agencies;
- (3) the number of employees in exempt, policymaking positions would be halved; and
- (4) an immediate dollar savings would be realized with the elimination of boards and commissions.

Mr. Krahlung used the following analogy to describe how government structure changes over time: it is much like a bush one might have growing in the front yard; each year it grows a little and that seems like a good thing, until every once in awhile one looks and realizes the bush is overgrown and needs to be trimmed. He noted that growth is not, per se, a bad thing; times and needs change and the state must respond. He opined that the state appears to be again at that point where it needs to take a serious look at restructuring and reorganization — the bush needs trimming. He pointed out that Governor Gary Johnson's administration studied reorganization in 1996 and Governor Bill Richardson appointed the seven-member government efficiency task force last December, which made a number of recommendations for change, including department consolidations. As history has proven, Mr. Krahlung said, the task obviously can be done if approached rationally and with commitment.

#### **Major Issues to Examine in Restructuring Process — Kay Marr**

Ms. Marr, former secretary of finance and administration, said reorganization is not just a rearrangement of departments and units into different configurations; it takes place on a regular and often continuous basis. Restructuring must also be thought of as including a more substantive change of overall governmental design and process. As examples, she cited the decisions in the 1950s through 1970s to create a financial structure both on the revenue side and the administrative side that would give the state the flexibility to respond to changing needs, but also maximize the use of state and federal funds. One part of that structure was to eliminate earmarked funds and pool state revenue in the general fund. To ensure financial accountability, DFA took on much of its modern form as the central financial arm of the state. It processed most agencies' financial transactions, oversaw their budget expenditures and prepared revenue estimates on a regular basis. Unique among the states, DFA also approved and oversaw the budgets of local governments. Another example was the idea to use severance taxes to underwrite capital projects and promote economic development; thus, the severance tax bonding fund and the severance tax permanent fund were created. To comply with federal initiatives and ensure the state met national standards for clean air and water, a division in the department of health was expanded into the environmental improvement agency. The children, youth and families department was created to provide a holistic approach to the needs and problems of families and children by better coordinating services and measuring outcomes in behavioral health, child abuse and neglect and juvenile justice services. Residential treatment facilities were established to provide therapeutic foster care for children who for years had been sent out of state for treatment. Implicit in these and many other examples of the ongoing process of organizing and reorganizing governmental structures and services is a recognition of problems

and issues that need to be addressed to protect both the short- and long-term interests of the public.

It is a combination of process and substance. She then gave examples of restructuring. Ms. Marr also explained that some government growth is necessary, such as with the federal Clean Water Act of 1977 and how its implementation meant New Mexico had to meet national standards. In order to receive funding to meet those standards, the environmental improvement agency was created and became independent from the department of health.

Ms. Marr said it is well worth looking at the state's financial structure, both on the spending and revenue sides. She offered the following suggestions of areas that the task force might want to revisit:

- ▶ the personal income tax rate reductions from 8.2% to 4.9% diminish the state revenues by \$400 million annually;
- ▶ the tax lightning statute reduces revenue and limits the discretion of public officials in dealing with changing needs;
- ▶ earmarked accounts;
- ▶ the film industry credits may not be beneficial to the state, and the task force should examine a cost-benefit analysis of the credits to determine benefit; and
- ▶ registered vendors and state contracts with those vendors should be examined to make sure that privatization of state services has a positive effect; a comparison of the amount expended under contracts last fiscal year versus that spent several years ago should be done; and a thorough review of contracts to protect state interests should occur.

Given that the gap between revenues and expenditures is so great at the moment, Ms. Marr closed her presentation by encouraging the task force to look at the state's tax structure. She also advised the task force to identify the most pressing problems and prioritize its work.

Referring to the numbers in the Carruthers report, Senator Payne expressed his concern that New Mexico seems to have 40% more state employees than the national average and asked whether there was a historical reason for such high public employment. Mr. Krahling said he was surprised at the number and thought it might be the most important number in the report. State government is the major employer in the state. He said state government historically has had an interest in government jobs as economic development. He used the example of Santa Fe preferring the state penitentiary over UNM because it thought there would be more jobs in corrections than education. Ms. Marr offered another perspective, that New Mexico is the fifth-largest state geographically, with small municipalities and its relatively small population scattered over a wide area. If the demand for services is to be met for the rural as well as the urban population, government must expand. Mr. Patrick Baca wondered what was included in the state employee number, whether it included higher education and public schools, noting that New Mexico is one of the few states that funds public schools at the state level. Senator Payne

said he thought higher education was included in the public employee numbers, but public education was not. He also suggested that New Mexico has double the national average of non-academic employees in higher education.

Senator Lovejoy said there is an evolution to expansion as the state is required to meet new and complicated challenges such as climate change, transportation and energy. She also noted that some of the recent government expansion might be related to demographic shifts, changing technological needs and federal mandates. Mr. Krahlring said that all of those areas have affected government growth and it will be important for the task force to examine all of those areas in evaluating where government can be restructured or cut.

Mr. Ortiz asked about the general fund reserves when Ms. Marr was secretary. She answered that they were about five percent of the state's total budget.

Representative Lundstrom agreed that looking at the tax structure would be key for the legislature as it grapples with the current economic crisis, but it must also look at how services are delivered and how to design a system that is efficient and meets public demands.

***Summary of Other States' Recent Efforts to Restructure State Government — Brent Earnest, Analyst, LFC***

Mr. Earnest explained that many states are in their third year of financial crisis and, therefore, have already started looking at structural changes to improve efficiency. LFC researched other states' task forces and commissions, including Colorado, Hawaii, Iowa, Michigan, Nevada, New Jersey, Utah and Vermont. Along with these various states, LFC examined the national governors association center for best practices publication, "The Big Reset", which addresses how states can restructure to meet their financial needs during the great recession. LFC also reviewed a study by Deloitte public leadership institute and Ash institute at Harvard university. Based on their analysis of these studies, LFC came up with several ideas and comments for the task force to consider:

- ▶ use this financial crisis to propose major changes that would not have been supported in the past;
- ▶ the process needs sufficient time and political commitment;
- ▶ do not focus just on temporary cuts or reductions, but rather look at major structural change to permanently lower costs;
- ▶ may need to eliminate services and programs;
- ▶ must eliminate duplication of service;
- ▶ research how technology can be optimized within and across agencies;
- ▶ enlist as many stakeholders as possible to assist the task force;

- ▶ there must be bipartisan leadership and executive and legislative consensus;
- ▶ develop a strong deadline and implementation plan;
- ▶ examine and use past efforts at restructuring;
- ▶ choose a management scope and focus on widely recognized challenges;
- ▶ make sure to leave a review process in place;
- ▶ solicit input from civil servants;
- ▶ develop a process to receive public input from clients and other stakeholders; and
- ▶ create a web site to disseminate information and collect ideas from the public and other stakeholders.

Mr. Earnest provided information about the other states' efforts toward reorganization and efficiency. The states that have done similar work are: Colorado, Hawaii, Iowa, Michigan, New Jersey, Nevada, Utah and Vermont, and most of them have completed their work. Staff can request reports from individual states as the task force chooses.

Representative Lundstrom asked how other states define success in this effort. Mr. Earnest said that, although states have not really defined success, the most successful efforts have been the result of setting achievable goals and clearly defining pathways to those goals. Representative Lundstrom said two goals for the task force, and the state, should be to: (1) solve the current financial crisis; and (2) restructure government effectively for the future.

Senator Payne concurred with the need to establish goals and said those goals should be broader than just a simple restructuring of departments. He said finding efficiencies for the present should not be the goal; rather, the goal should be that state policymakers create a government that can be sustained regardless of economic swings. Senator Payne asked for performance metrics of government services, saying the task force needs a baseline matrix and an idea of best practices. The task force must determine the baseline for measuring success and needs to know what a model government looks like. Mr. Earnest said LFC has performance data gathered pursuant to the Accountability in Government Act that will be provided at the next meeting.

Representative Gardner reminded the members that the task force is not charged with looking at the budget, but the efficiency of government. The \$250 million shortfall the state is facing is the floor, not the goal, of the task facing them. He said the question is whether the state conducts business in the most efficient manner; as it tries to answer that question, the task force should look at other states as examples. He opined that the task force must deal with the beast that is state government, not just expenditures. He suggested the task force decide how it can make government most efficient and then look at the structure, because the task force is charged with looking at what government should look like in two, five and 10 years.

Secretary Miller agreed the big picture must be examined by the task force; however, she said, there will not be much savings in restructuring since agencies have already been cut substantially. One area for the task force to consider is a review of statutes and other mandates under which the executive must operate, since they affect the cost of government. But mostly, the task force must look at where the state spends its money; if it does not do that, the necessary savings will not be realized. She emphasized that cuts have been made only in parts of the state budget, and the task force will have to look at the big ticket expenditures to close the revenue-to-expenditures gap. She also noted that, while there has been growth in the last eight years, some of that growth was necessary. The task force cannot just cut that growth without determining what part of it was good and what part was unnecessary. The task force must look at structural issues that will help in the long term, like revenue collection, capping unstable revenue sources and ensuring adequate reserves. Secretary Miller said the task force must consider how to close the revenue-to-expenditures gap as well as look at where costs have occurred during growth. Secretary Miller noted that oil and gas revenue went from accounting for about 15% of the budget to 23% in the last boom years; it is now back to 16%, but the growth in government that occurred with that increased revenue has not declined with the revenue. She suggested the state needs to cap the amount of volatile revenues allowed to be used when budgeting.

Representative Lundstrom asked if the task force would have access to additional assistance such as the national conference of state legislatures (NCSL). Ms. Tackett said staff is looking at all options.

Representative Varela responded to Senator Payne regarding the number of public employees in New Mexico. He said there are two philosophies on providing government services: (1) use public employees; or (2) contract for services. Since a large amount of money goes to contractual services, that part of the budget should be examined as well.

Representative Gardner requested comparative data on state employees per capita and statistics on the ratio of contractors to state employees. Senator Eichenberg concurred with Representative Gardner's request for data on states similar to New Mexico and asked specifically that Montana be included as another geographically large, rural state. He also requested data on property taxes for education.

Mr. O'Neill said the Carruthers report is unclear about what makes up the "state employee" number in the per capita data. He and Representative Miera pointed out that states vary in who they consider state employees in their data. Since New Mexico funds public schools at the state level, some data collectors count school employees as state employees for New Mexico; some states do not include higher education employees, but others do. They recommended that staff investigate census or other national data that will be provided to the task force to ensure a compatible comparison.

Representative Bandy expressed the view that the task force also needs to look at where expansion of services may be needed. He used the workforce solutions department as an example. He offered that the interim committees with expertise in certain areas should be incorporated into the task force's studies.

Senator Lovejoy closed the conversation advising that the task force must keep accountability in mind, that neither government nor taxpayers can afford wasteful spending.

***Discussion of Work Plan and Meeting Schedule***

Ms. Tackett explained that in developing its work plan, the task force needs to think about the mission found in House Bill 237, although that mission is written broadly. To carry out the statutory mission effectively, she suggested the following:

- ▶ early on, review the existing government structure and the history of organization efforts to fully understand the policies underlying the existing government structure;

- ▶ give major consideration to the current resources of the state's agencies, programs, services, funding and core policies and the public needs served by them, including;

- (1) recommendations of the Carruthers report;

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

- (3) current and projected staffing needs and current and projected revenue estimates for the next three to five fiscal years; and

- ▶ after careful review of all necessary information, the task force should focus on restructuring, including the required statutory changes.

Ms. Tackett also suggested the use of a facilitator to help prioritize the many areas of review needed. Further, she asked the task force to consider using other interim committees with expertise in certain areas and state agencies. She then listed additional areas of study the task force may want to look into, including:

- (1) the impacts of capital funding on operation budgets;

- (2) co-location of agencies to provide better services while saving money;

- (3) streamlining the procurement process;

- (4) the use of more online services to help reduce staffing and need for offices;

- (5) identification and review of areas of large expenditures;

- (6) a determination of how the state could work with local governments to better utilize existing tax dollars; and

- (7) a review of revenue sources and the current tax structure.

Ms. Tackett reported that Representative Bandy had written a letter to the New Mexico legislative council asking that interim committees be directed to focus on government efficiency this interim.

Representative Gardner asked whether an agency-by-agency breakdown, including both agency core policy and financial information, existed. He wants the task force to be able to look at both policy and money issues to confirm efficiency is addressed, not immediate budget concerns. He also expressed concern about the New Mexico Administrative Code and wants to make sure the task force looks at agency rules as impediments to efficiency and drivers of budget increases. Mr. Abbey and Mr. Burciaga said staff would compile that information for the task force. Using human services department forms as an example, Representative Gardner said the task force should consider agency processes so it knows what residents have to go through for services. He told the task force that it should consider a clean canvas approach to reinventing state government.

Senator Lopez agreed that interim committees will be valuable in helping the task force, but said that hearing from departments and other agencies is just as important. She also agreed the task force, through interim committees and departments, should look at contractual work for efficiency and accountability. She stressed that the task force needs to agree on what "efficiency" means and how accountability is to be considered. She suggested the task force have an in-depth conversation about government's role.

Senator Neville harkened back to Representative Gardner's blank canvas idea and said the task force must set goals, e.g., to lower the number of state employees to a specific number, and then see how to get there.

Mr. Ortiz suggested the task force look to studies in other states as well as performance and state audits.

Representative Lundstrom agreed that the task force needs to pull together a lot of information, but she is concerned that it may duplicate the work of other interim committees. She cautioned that members should not be sidetracked by issues and information that can be requested from others; that the task force needs to focus on the long-range sustainability, which is equally important to the short-term budget discussion. She also voiced concerns regarding the context of the information the task force receives. She recommended that the task force look at external issues that affect the budget. Representative Lundstrom recognized the potential value of recommendations from other committees, but the task force should not lose sight of its two main jobs: ensuring short- and long-term sustainability of government. Again, she recommended the task force look to NCSL for assistance in the context of national trends.

Mr. Gasparich reminded the members that the task force legislation focused on structural changes to state government. He was of the opinion that the task force needs to choose a manageable scope.

Mr. O'Neill proposed that the task force begin with the Carruthers report and also look at functions that could be performed by local governments rather than the state.

Ms. Grisham supported the idea of a facilitator to assist the task force to work through its issues and questions. She recommended the task force look at administrative expenses at each department to determine if some are more efficient and why. In addition, she noted, it will be important to understand the demographics of each department's client base and what core services are being provided now and what should be provided in the future.

Senator Neville remarked that the numbers provided in the Carruthers report must include higher education, though he thinks the question of the number of state employees is a red herring; instead, the task force should look at more formulated questions, such as the dollar amount spent per high school graduate. He stressed that the task force needs to set specific goals and move forward from there. While a goal could be lowering the number of state employees per capita, the task force needs to make sure it understands how those numbers are determined. He does believe school employees should be included in the task force's study.

Senator Eichenberg said it appears from the conversation that most members want to look at a clean slate rather than simple reorganization. He suggested the task force use a facilitator at its next meeting and that all core issues be on the table.

Senator Cisneros agreed the task force should have a clean slate, but it should not overlook the recommendations in the Carruthers report. He wondered how practical it would be to do a time-on-task analysis of state employees. Senator Payne agreed that the Carruthers report should be the starting point for the task force. Senator Eichenberg asked all of the members to review the report, and they will determine at the next meeting how they want to use that report.

Representative Gardner voiced concerns about the task force's need to understand how state money is spent. For example, he would like to know how much the state spends to get a child through high school, compared to surrounding and comparable states. He recommended the task force appoint subcommittees and assign members outside their comfort zone; for example, he should not be assigned to a health subcommittee and Representative Miera should not be assigned to a public school subcommittee.

Mr. Baca initiated a discussion of reshaping government for the future. He reminded the members that government will need to look quite different 10 years from now as technology advances. Young children of today are far more comfortable with technology now and will be even more so when they become policymakers and users of services in the future. He recommended the task force look into studies on the subject.

Senator Lovejoy suggested that, when the task force looks at the legislative branch, there may be savings by going paperless, having fewer bills introduced, eliminating some interim committees and having all committees run effectively and efficiently. She also said there should be a requirement that a member stay in a meeting for a minimum time to collect per diem. She questioned whether the legislature runs effective meetings and whether the members get anything out of them. She said endorsed bills should have value but any value is lost if a committee endorses every bill before it or the members do not understand what is in a bill.

Secretary Miller stated that when the task force looks at restructuring, it should not just look at surrounding states but should look at the states with the best practices and use those as examples. She agreed with other members that it is more important that the task force consider best practices rather than a dollar amount to cut.

The task force members discussed meeting dates and agreed the next meeting will be on May 24 at 10:00 a.m. and May 25 at 8:30 a.m. Without setting dates beyond that, Senator Eichenberg asked Mr. Burciaga to look at scheduling task force meetings to begin every third Monday, recognizing that other interim committees may have already scheduled some of those dates and that the task force may need to meet at other times.

At the end of the agenda, Senator Eichenberg opened the meeting for public comment. One person suggested the task force have a dedicated web site for handouts and other information as well as a place for electronic comments. Mr. O'Neill commented that another task force he served on set up a web site, which had worked well in keeping the public apprised of task force activities and decisions. Senator Eichenberg asked staff to look into the matter.

There being no further business, the task force adjourned at 3:45 p.m.