

**Revised Minutes
of the
Second Meeting
of the
Government Restructuring Task Force
May 24-25, 2010
Room 307, State Capitol**

The second meeting of the government restructuring task force was called to order by Senator Tim Eichenberg, chairman, on May 24, 2010 at 10:05 a.m. in Room 307 of the State Capitol.

Present were:

Sen. Tim Eichenberg, Chairman
Rep. Patricia A. Lundstrom, Vice Chairwoman
Mr. Patrick Baca
Rep. Paul C. Bandy
Rep. Keith J. Gardner
Mr. John Gasparich
Dr. Dan Lopez
Sen. Linda M. Lopez (May 24)
Ms. Michelle Lujan Grisham (May 24)
Rep. Rick Miera
Sec. Katherine B. Miller
Mr. Jim O'Neill
Mr. David Ortiz
Sen. John Arthur Smith

Absent were:

Sen. Steven P. Neville
Sen. William H. Payne
Rep. Luciano "Lucky" Varela

Advisory Members:

Sen. Carlos R. Cisneros
Sen. Mary Jane M. Garcia
Sen. Lynda M. Lovejoy
Rep. James Roger Madalena
Rep. Al Park (May 24)
Rep. Jeannette O. Wallace

Rep. Joni Marie Gutierrez
Sen. Stuart Ingle

(Attendance dates are noted for those members not present for the entire meeting.)

Staff:

Legislative Council Service (LCS)

Raúl E. Burciaga, Director-Designate
Jonelle Maison, Senior Bill Drafter
Kim Bannerman, Staff Attorney
Leslie Porter, Research Assistant

Legislative Finance Committee (LFC)

David Abbey, Director
Cathy T. Fernandez, Deputy Director
Brent Earnest, Senior Fiscal Analyst

Legislative Education Study Committee (LESC)

Dr. David Harrell, Assistant Director

Department of Finance and Administration (DFA)

Dannette Burch, Deputy Secretary
Stephanie Lenhart, Policy Analyst

Guests: The guest list is in the meeting file.

The minutes were approved as submitted. Presentation and other handouts are in the meeting file.

Monday, May 24

Staff Report — Mr. Raúl Burciaga

Mr. Burciaga told the committee there were several information requests at the April 21 meeting and some of those would be presented during this meeting. At a future meeting, the lieutenant governor's office will be giving a presentation on its ideas for government consolidation. The agency-by-agency breakdown is still being compiled. The web site for anonymous, public comment will be up soon, and the IT staff is working to make sure it is completely anonymous. Mr. Burciaga will talk to Mr. Karpoff about the best way to proceed with a survey of public employees.

Overview of Facilitation Process — Guidelines and Ground Rules — Understanding Key Values and Interests — "What Are the Core Essential Services That State Government Must Provide?" — Mr. Tim Karpoff, Facilitator

Mr. Karpoff gave a brief overview of his background, which includes a planning, facilitation and mediation practice in which he has been involved in the community, private groups and government facilitation. He is currently working on abandoned mine mediation in Madrid, New Mexico, with the energy, minerals and natural resources department to develop a community-based plan. He recently worked with the central New Mexico community college foundation board on strategic planning and is also working with the city of Albuquerque on rail yard development. His interest is in designing and managing processes to enable groups to conduct important discussions on various topics.

Mr. Karpoff described his facilitation strategy, seeing his role as one of helping structure a procedure to aid the task force in the task at hand; he helps package ideas. He will be working with the chairman, the vice chairwoman and other members to determine where links of ideas are coming together. He will help the task force maintain focus on its objectives so it can move forward in a streamlined manner. He encouraged the members to communicate with each other

in robust conversations while positively challenging one another. The purpose of this meeting is to establish a road map and framework for the upcoming work of the task force. The members will need to determine key issues and how those issues should be organized and will need to focus on understanding the range of ideas, values and criteria that other members have. The day's goal is not to go immediately to solutions but to realize that big ideas start with values and criteria that will support each proposal. Through small groups and meetings of the whole, the task force will develop the list of core essential services that must be provided by state government. On the second day of the meeting, the task force will first take on big ideas that need further explanation and start the solution process. He offered an example of the reorganization of the 1970s, saying that Governor Jerry Apodaca had the "big idea" of creating the cabinet department structure and asked the task force to consider if there is something analogous this time, another big idea, around which the task force should organize its work. He encouraged the members to begin thinking of such concepts and to put them forward during the meeting. As part of the conceptual thought process, Mr. Karpoff asked the members to consider what information would be needed to develop and implement the concept.

To begin the facilitation process, Mr. Karpoff asked the task force to consider the core, essential services that state government must provide. He asked the members to be as specific as possible when answering that question. After the initial topics were selected, the members were then asked to vote, through the use of stick-on dots, on their three highest priorities. He assured the task force that the other topics would not be ignored, but this would be a way to begin focusing on the most important areas of state government.

Working in small groups at the table and as individuals, the members honed in on the topical categories in which they were interested. In table form, the task force selected the following core service categories and backup ideas:

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Table 1: "What core, essential services must state government provide?"

<i>Core Service Categories</i>	Education—Focused on Students <i>(16 priority votes)</i>	Health Care <i>(12 priority votes)</i>	Public Safety and Security <i>(11 priority votes)</i>	Statewide Infrastructure <i>(8 priority votes)</i>	Fiduciary Responsibility & Best Practices <i>(6 priority votes)</i>	Economic Development <i>(2 priority votes)</i>	Social Safety Net <i>(1 priority vote)</i>	Management of Environment & Natural Resources <i>(1 priority vote)</i>
<i>Backup Ideas</i>	<p>Education—streamlined—accountability</p> <p>Career prep—tracking</p> <p>Knowledgeable citizens and a prepared work force</p> <p>Public education—with minimal administration</p> <p>Not necessarily higher education</p>	<p>A health care delivery system (needs full analysis of the system)</p> <p>Assistance to low-income families for medicaid, mental disabilities, rehab, home care</p> <p>Incentives for health communities</p>	<p>Public safety & security—police, courts, corrections, rehabilitation & treatment</p> <p>Adequate law enforcement through state police, corrections, probation, parole and judiciary</p> <p>Emergency response</p> <p>Keep law & order,</p>	<p>A public infrastructure process that includes all infrastructure, e.g., building, water, education, roads</p> <p>Adequate infrastructure for healthy communities, e.g., roads, water, sewer, internet</p> <p>Road maintenance,</p>	<p>Meet its trust responsibilities re: state funds and pension funds</p> <p>Recognition of urban and rural community needs</p> <p>More accountability in service delivery</p> <p>PERA & ERB: Reform retirement program and funding issues</p> <p>A balanced budget and good financial management</p>	<p>Job creation! (Rather than job placement)</p> <p>Government support of business development</p> <p>Adequate law enforcement through state police, corrections, probation, parole and judiciary</p>	<p>Definition of and services to the truly needy</p> <p>Basic needs—health, safety, housing, etc.</p> <p>Social safety net</p>	<p>Protection of environment—water & natural resources</p> <p>Water management</p> <p>Protection of endangered species & air quality</p> <p>Erosion control</p> <p>Regulatory reform</p>

	<p>Early childhood educational reform</p> <p>Public vs. charter schools</p> <p>Close the achievement gap</p> <p>Develop the work force</p> <p>Effective education—what is taught and how well it is taught</p>		<p>rehabilitation and treatment, preventive services; reform corrections</p>	<p>infrastructure improvement, mass transit, maintenance of eroded dams</p>	<p>Coordination of state agencies' actions</p> <p>Effective, positive, evidence-based outcomes</p> <p>Non-duplicative, user-friendly, efficient services</p> <p>Promotion of democracy: citizen input and clean elections</p>			
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Organizational Chart — Constitutional Requirements — Boards and Commissions — Jonelle Maison, Senior Bill Drafter and Task Force Staff

Ms. Maison presented the state government organizational chart. New Mexico has what is known as a diffuse executive, meaning that control of executive functions is in the hands of several elected officials, not just the governor. The other elected officials that control portions of the executive are the secretary of state, state treasurer, state auditor, attorney general, commissioner of public lands and the public regulation commissioners. In addition, control is stretched further from the governor through the number of adjunct agencies. By statutory definition, adjunct agencies are those agencies, boards, commissions, offices or other instrumentalities of the executive branch that are not assigned to the elected constitutional officers, that are excluded from any direct or administrative attachment to a department and that retain policymaking and administrative autonomy separate from any other instrumentality of state government. Opponents of a diffuse executive argue that it dilutes the governor's ability to manage; compromises the legislature's appropriation process; and hinders the public's access to accountable, efficient and effective government. The 1952 and 1977 reorganization efforts were guided by the same problems the current task force is facing: too many departments and other agencies as well as too many executive boards, commissions, councils and committees. The plethora of government structures blurs the lines of authority, wastes taxpayer dollars and contravenes accountability. Between 1977 and today, the number of cabinet departments has grown from 12 to 23, not counting the military affairs and regulation and licensing departments, which are not cabinet departments.

The "Inventory of Statutory Executive Boards and Commissions", a publication of the legislative council service revised this year for the task force, is a companion document to the organizational chart. It corresponds to the administratively attached and adjunct lines on the organizational chart, as well as to the boxes to the left of individual departments on the chart. There are more than 250 entries in the inventory, although some of the entries are for multiple committees or councils. Ms. Maison emphasized that the inventory contains only statutory bodies and not the entities created as a result of federal law, departmental authority or executive order. A board created by executive order remains unless the order included an end date or the executive order is repealed by the next governor. The inventory includes each board's statutory reference; organizational structure; whether it is a policymaking or advisory body; whether it has rulemaking power; whether it is federally mandated; whether senate confirmation is required; how it is funded; its membership; its powers and duties; and whether the staff could identify duplication or connection with other agencies.

Ms. Maison discussed constitutional requirements and prohibitions. In the legislative article, Article 4, Section 24 is the section that restricts the legislature's power to pass local or special laws in myriad areas and provides that in every other case where a general law can be made applicable, no special law shall be enacted. There are other limitations on legislative power, but they are not applicable to the work of the task force. Other articles and sections of interest to the task force are:

▶ Article 5, Section 1 creates the executive: governor, lieutenant governor, secretary of state, state auditor, state treasurer, attorney general and commissioner of public lands.

▶ Article 11, Section 1 creates the public regulation commission, consisting of five elected members from statutory districts. The commission regulates: (1) public utilities, including electric, natural gas and water companies; (2) transportation companies, including common and contract carriers; (3) transmission and pipeline companies, including telephone, telegraph and information transmission companies; (4) insurance companies and others engaged in risk assumption; and (5) other public service companies. As to the current statutory organization of the public regulation commission, only the state fire marshal's office can be removed from the commission's jurisdiction without a constitutional amendment. There has been some legislative interest in the past to move the state fire marshal to the department of public safety.

In addition to the elected officials, there are provisions of the constitution related to state officers and other topics of interest to the task force's charge:

▶ Article 12 is the education article. Article 12, Section 1 requires a uniform system of free public schools. Article 12, Section 5 requires the attendance in school of every child of school age.

▶ Article 12, Section 6 creates the only cabinet department specified in the constitution, the public education department (PED). The 2003 change in governance gave the powers and duties of the old state board of education to the new PED, under the control of the governor. The constitution says that PED has the "powers and duties as provided by law", but that section goes on to say that the secretary of public education has "administrative and regulatory powers and duties, including all functions relating to the distribution of school funds and financial accounting for the public schools to be performed as provided by law".

That section also creates the public education commission, a 10-member elected body that has powers and duties provided by law. Its statutory duties are to: (1) assist the PED in creation of the five-year strategic plan for public elementary and secondary education; (2) serve as the governing authority for vocational education; and (3) assist charter schools that want to be chartered by the state.

There has been discussion of moving educational finance back to the DFA. That move will likely require a constitutional amendment. In 1986, the people approved an amendment to the constitution that made the state board of education responsible for school finance — giving the board control over both programs and finance, including budget approval. Prior to that time, school finance was under the control of the public school finance division of DFA (the office of education under the 1977 reorganization). Arguments for such a move centered around accountability; arguments against the move centered around the need to maintain checks and balances.

Interestingly, local school boards are not created in the constitution, though it does provide for the recall of elected members *as if* they were created constitutionally. A 1980 amendment to the constitution provides for districted seven-member boards for districts with a population of more than 200,000 people. There are other places in the constitution that recognize the existence of school districts as political subdivisions of the state, such as debt provisions and territorial obligations, but otherwise there is very little mention of school districts in the constitution. On a related note, if the legislature chooses to redistrict school districts, it will be the first time they are put into statute; all previous reorganizations of school districts have been done by the state superintendent or the school districts themselves. Ms. Maison emphasized that she is not advocating either for or against such a move by the legislature. She suggested the task force look to counties, which are named and their boundaries set by law, as an example of how school districts would be codified in the law.

- ▶ Article 12, Section 13 provides for the control and management of each of the state's educational institutions by a board of regents and provides for the board's membership. The state educational institutions are: the university of New Mexico, New Mexico state university (NMSU), New Mexico institute of mining and technology (NMIMT), eastern New Mexico university, western New Mexico university, New Mexico highlands university, northern New Mexico college, New Mexico military institute, New Mexico school for the blind and visually impaired and New Mexico school for the deaf. The community colleges are not state institutions; they were created by school boards.

- ▶ Article 13, Section 2 provides that the commissioner of public lands' duties "are to select, locate, classify and have the direction, control, care and disposition of all public lands under the provisions of the Organic and Enabling Acts and such regulations as may be provided by law.". There is a primary limitation on what the legislature can do in the provisions of the legislative branch, beginning with the fact that the legislature has plenary legislative power that is limited only by the state and federal constitutions.

- ▶ Article 14, Section 1 lists the state institutions, which are the state penitentiary, miners' hospital, state hospital, boys' school, girls' welfare home, Carrie Tingley crippled children's hospital and Los Lunas mental hospital. All but Carrie Tingley have specific grants of land from which they derive income, although that hospital does receive income from the state charitable, penal and reformatory institutions permanent and income funds.

- ▶ Article 15, Section 1 creates the New Mexico department of agriculture and places it under the control of the board of regents of NMSU. The director serves as a representative of agriculture in the executive cabinet.

- ▶ Article 17, Section 1 provides that a state mine inspector shall be appointed by the governor for a four-year term. The inspector's duties are as prescribed by law. Currently, the state mine inspector is an employee of NMIMT.

▶ Article 20, Section 15 requires the penitentiary to be a reformatory and industrial school that provides that all persons confined there be employed in some beneficial industry. In the case of a convict having a dependent family, the net earnings are paid to the family. Article 20, Section 18 prohibits the leasing of convict labor.

▶ Article 20, Section 21 declares that the legislature will control pollution of the air, water and other natural resources, yet allow these resources to be beneficial to the people.

▶ Article 6 is the judicial article of the constitution. The judicial branch contains the supreme court, the court of appeals, district courts, magistrate courts, probate courts and district attorneys. The supreme court has a minimum of five justices; the court of appeals has a minimum of seven judges; district courts are currently divided into 13 districts; and magistrate courts have 33 districts co-extensive with county boundaries. Metropolitan courts, of which there is currently only one, are magistrate courts, with additional jurisdiction for municipal ordinances. Magistrates need only a high school diploma, whereas metropolitan judges must be attorneys. In total, there are 67 magistrates and 19 metropolitan judges. There is a probate judge in each county paid for by the county, not the state.

Of potential interest to the task force and the legislature is that the legislature has the power to confer civil jurisdiction on probate courts, to a limit of \$3,000. Per the constitution, jurisdiction may be conferred on these judges to act as magistrates in "criminal cases and misdemeanors". This provision might be useful when stretching resources.

▶ Article 6, Section 24 provides for the qualifications and election of district attorneys, at least one for each judicial district. Currently, only the 11th judicial district has more than one district attorney, one in San Juan county and one in McKinley county.

▶ Article 6, Section 32 provides for the judicial standards commission, composed of two justices or judges, one magistrate and two lawyers selected as provided by law and six citizens, none of whom is a judge or attorney, appointed by the governor.

Ms. Maison concluded with the cabinet department structure. Section 9-1-3 NMSA 1978 creates the executive cabinet and lists the duties of the cabinet. Section 9-1-4 NMSA 1978 describes cabinet departments, which are headed by a secretary; that the principal unit of a department is a division headed by a director; that the principal unit of a division is a bureau headed by a chief; and that the principal unit of a bureau section is headed by a supervisor.

Senator Cisneros requested a list of constitutionally created versus statutorily created agencies so the task force could avoid problems when it considers reorganization. Ms. Maison said staff will provide the list, but cautioned that agencies with federal mandates might be as tricky as constitutional agencies, e.g., the department of environment is the federal agent for clean water. While it may not be easy to eliminate an agency with a federal mandate, there should not be a barrier to reorganization as long as some agency has the power and performs the

duties required by federal law. Reorganizing some federally required agencies might require new federal agreements. Others, like PED and the New Mexico department of agriculture, might need a constitutional amendment, depending on the proposal.

★ On questions from Mr. Gasparich, Ms. Maison said Los Lunas mental hospital is now closed as a result of the *Jackson* lawsuit. The boys' school is no longer in Springer, but would likely have to be identifiable as an institution to receive land grant permanent fund income. The attorney general has opined that the locations specified in the constitution are descriptive and not controlling, which is why Carrie Tingley crippled children's hospital was moved from Truth or Consequences to Albuquerque. Ms. Maison said staff would look into what happened to the land grant income when Los Lunas was closed. Mr. Gasparich followed up with questions about sunset provisions. Ms. Maison replied that sunsets are most often for licensing boards; there are some state agencies, such as the New Mexico livestock board and the oil conservation commission, that were originally given sunsets, but most of them have been repealed over time. She noted that there is a sunrise law, which requires a review process before a new licensing board or commission can be created, but it has not been used by the regulation and licensing department or required by the legislature.

Representative Miera asked what a compact executive might include. Ms. Maison responded that the state would have fewer elected officials, which in New Mexico would require a constitutional amendment to accomplish. Examples of offices not elected in a compact executive state might be any combination of New Mexico's elected officers, other than the governor and lieutenant governor. One argument in favor of a diffuse executive is that it limits gubernatorial power by not placing all the executive power in the hands of one person. On other questions from Representative Miera, Ms. Maison said that most of the members of boards and commissions are not paid, but all except a few are entitled to per diem and mileage. There are some instances in the statutes where board members are expressly prohibited from receiving any compensation, including per diem and mileage. Board and commission staffs are paid employees of the state.

★ Senator Eichenberg raised questions about the New Mexico athletic commission, which receives a direct distribution of the privilege tax on athletic events, asking if it has staff. Ms. Maison said she would find out. She noted that the commission is administratively attached to the regulation and licensing department, and that department provides administrative support to most of the professional and occupational boards. Senator Eichenberg observed that the commission could appoint a medical advisor and asked if that is usual for a board or commission. Ms. Maison said that it is not.

★ Representative Lundstrom requested a color-coded organizational chart depicting general fund and other state funds and exempt and classified employees. Ms. Maison said staff is working on the growth of exempt employees from 1996 to 2010, as requested at the last meeting. It will be difficult to put the information sought on the organizational chart because of spatial

and software limitations, but she said staff would try to develop a visual representation of the information requested.

★ Senator Smith observed that while some agencies are funded by other state funds, the state still has exposure on retirement funds. Representative Bandy requested the budget for each board and commission. Ms. Maison said staff would work on that, but the information may not be ready for the June meeting. Representative Gardner asked which boards and commissions are self-sufficient. Ms. Maison stated that nearly all of the professional and occupational boards are self-sufficient in that they are supported by license fees. He reminded the task force that although it did not have statutory authority to do so, the legislature swept most of the funds of boards and commissions in the solvency bill. Senator Eichenberg said the legislature took \$200,000 from the New Mexico real estate commission, which were dues paid by Realtors for continuing education for new Realtors.

Senator Garcia asked what percentage of boards and commissions do not get per diem. Ms. Maison said she does not know, but it is relatively few. She noted that this year's enabling legislation for the new Hispanic education advisory council specified no per diem and mileage.

Mr. Ortiz wondered how many boards and commissions fall under the authority of, or answer to, the regulation and licensing department. Ms. Maison pointed them out on the organizational chart, saying the regulation and licensing department provides administrative support for most of the professions and occupations, but does not really have much authority over them. She pointed to the list of independent boards on the chart, which have their own administrative staff that they pay from their funds that are appropriated as other state funds in HB 2. On further questions from Mr. Ortiz, Ms. Maison said adjunct boards submit separate budgets to the legislature, as do most administratively attached agencies. Like any other state agency, boards and commissions are required by law to have annual audits.

★ Representative Madalena asked if the governor is limited by state law as to the number of exempt employees and if the positions determine their salaries. Ms. Maison said the Personnel Act specifies statutory exempt positions, but then allows the personnel board to classify other positions as policymaking and, therefore, exempt. The exempt salaries plan is included in the governor's budget book each year. However, the ranges have grown so wide that it is difficult to glean any information about the salaries of incumbents. There is nothing in law that sets the limit on exempt salaries. Secretary Miller said that there is some misunderstanding about exempt employees. For example, under Governor Gary Johnson, there were about 300 exempt positions existing at the end of his term, and about that many exist now under Governor Bill Richardson. Most of those are created statutorily. Cabinet secretaries and division directors are exempt, and others that have been created in the law are considered policymakers. Fewer than 2% of all state employees under the governor's control are exempt. Representative Lundstrom said she is very interested in seeing the difference between classified and exempt employees by department.

Personnel — Comparison with Other States — Jacob Candelaria, Program Evaluator, LFC

Mr. Candelaria explained that LFC staff had identified a cohort of 13 other states for comparison that were selected based upon demographic, geographic and fiscal variables. LFC used the U.S. census bureau's *Government Employment and Payroll Data Set* (EPD) to compare the number of government employees per capita for the cohort group. The state- and local-level analyses were done and then further divided by government function. Finally, education sector employees were put into a separate category since they are not usually included in government employee figures. Mr. Candelaria said that in fiscal year 2008, New Mexico had 14.16 full-time-equivalent employees for every 1,000 residents (FTE/1,000), which is higher than the cohort average of 10.01 FTE/1,000 and the national average of 8.31 FTE/1,000. In local government, New Mexico has a below average FTE/1,000 at 14.7, with the cohort group average of 15.23 and the national average of 20.93. New Mexico has an above average FTE/1,000, with the largest gaps in the health, hospitals and human services category and the judicial and legal category. He noted that New Mexico's ratio may be due to funding of state hospitals, whereas other states fund their equivalent at the local level.

Referring to Attachment B, Mr. Candelaria explained that local government in New Mexico (14.70) is below the cohort average of 15.23 FTE/1,000 and national average of 20.93.

Attachment C illustrates that when state and local governments are put together, New Mexico has a ratio average of 28.86 FTE/1,000, which is close to the national average ratio of 29.24. It is lower than the national average, but higher than the cohort average ratio of 25.31 FTE/1,000. Again, he noted that differences might be explained, at least in part, by differences in how each state operates and the respective differences in state or local responsibility.

Attachment D displays that New Mexico has an above average per capita employment in the public education sector of 135.75 FTE/1,000, relative to the cohort at 128.47 FTE/1,000 and 128.55 FTE/1,000 for the national average. The increase is driven by the above average ratio of instructional employees versus non-instructional employees.

Attachment E illuminates higher education, where New Mexico has above average employment, with a ratio average of 15.38 FTE/1,000, which is relative to the group average of 10.11 FTE/1,000. These figures show that New Mexico has a high instructional ratio (3.84), but the highest ratio of the cohort for non-instructional staff (11.55). The ratio of non-instructional to instructional staff is 3.01 FTE/1,000, higher than the cohort average of 2.00 FTE/1,000 and the national average of 1.94.

★ Given these preliminary findings, LFC recommends taking a deeper look at the health, hospitals and human services and the judicial and legal frameworks as well as the higher education system for an in-depth understanding of why New Mexico is on the high end of distribution.

★ Senator Smith asked for clarification on how New Mexico compares to the cohort group in regard to the number of higher education institutions. Mr. Candelaria said he will provide that information. He mentioned that New Mexico appears to have a high number of institutions relative to the number of students actually served.

★ Regarding the public safety area, Secretary Miller pointed out that many of New Mexico's prisons are older and not efficient, which requires a higher level of staffing to operate than newer designs. She asked if that was a factor in the public safety FTE figure. Mr. Candelaria replied that in theory, the fundamental underlying infrastructure requires a higher demand for labor capital, and he will look into the issue. Secretary Miller suggested that the LFC separate corrections officers from other law enforcement.

★ Representative Bandy, remarking on New Mexico's higher percentage of non-instructional FTE/1,000 in higher education, asked if this is due to administration and personnel such as groundskeepers. Mr. Candelaria said the statistic includes institutional support, maintenance, etc., and the census bureau defines the category broadly. Representative Bandy asked for information on why the ratio is so high and said he would like more in-depth information. Mr. Candelaria agreed to provide the information.

Representative Miera posed a question in regard to instructional versus non-instructional FTE/1,000, wondering if the data are the raw aggregate, or if the data are reflecting the funding sources. Mr. Candelaria assured him that they were reported as a raw aggregate. Representative Miera asked if New Mexico receiving more federal grants would change the number. Mr. Candelaria replied that it would.

★ Senator Smith requested that the level of general fund money put toward each department be reviewed.

★ Representative Lundstrom emphasized the importance of understanding the variables between states in Attachment C. She requested an analysis of forms of government of each of the states examined in the cohort group.

Governing for Results — Accountability Data — Dannette Burch, Deputy Secretary and State Budget Division Director of DFA, and Cathy Fernandez, Deputy Director of LFC

Ms. Fernandez began by noting that LFC and DFA have been working on performance-based budgeting for quite some time. Governing for results means a system that government uses to focus its decisions and activities on the results, as well as the costs and physical outputs, of government activities and actions. The system ensures taxpayer dollars are spent wisely, requires accountability, identifies necessary steps to achieve results and focuses on what is important to citizens. The system begins with strategic planning to look toward goals to be accomplished and ends with performance measurement and evaluation that looks back to see what was achieved. These elements form a continuous process of governing for results. Ms. Fernandez and Ms. Burch spoke briefly on the history of the pilot program, which began in

earnest in 1993. In 1999, the legislature passed, and the governor signed, the Accountability in Government Act (AGA). Performance-based budgeting is predicated on a statewide strategic plan. Program planning is based on the strategic plan, with agencies restructured from functions and entities to programs and expenditure categories to provide more budget flexibility. Performance measures are determined prior to budget submission and adoption by the legislature in HB 2. Implementation is based on monitoring, reporting and evaluation. The executive developed six papers organized around important policy areas of: (1) schools; (2) economic development; (3) public safety; (4) health; (5) environment; and (6) services. The papers included goals, tasks and measures. Examples given were:

- ▶ health solutions, including ensuring that more people were covered and more children were enrolled in medicaid;
- ▶ energy efficiency and a clean energy economy, including investments in weatherization and smart energy programs; investment in green buildings; and implementation of several tax credit programs; and
- ▶ juvenile justice system improvements, which resulted in Cambiar New Mexico, based on regionalization; retrofitting existing facilities to create smaller, safer and more nurturing living units; developing individualized service plans to address needs, strengths and risks; staffing facilities with youth care specialists and retraining staff with clinical and therapeutic skill sets; and improved programming, including education and medical/behavioral health services.

Agency report cards add greater emphasis and clarity to the reporting process. They are a tool for the legislature to assess quarterly activity and have a dialogue with each agency on its performance. The report cards use the federal office of management and budget's model of a green, yellow and red rating system to highlight areas of success (green), opportunities for improvement (yellow) and areas in need of attention or improvement (red). The rating criteria are published and report cards are reviewed by senior staff and management at LFC. They are then provided to the agencies for comment and input.

While DFA and LFC have narrowed their focus to key agencies and key measures, they do look at all agencies' and higher education institutions' compliance with the AGA. The key agencies are (in agency code order): administrative office of the courts, taxation and revenue department, state investment council (investments), DFA, general services department, educational retirement board (investments), department of information technology, public employees retirement association (investments), state personnel office, state treasurer (investments), economic development department, energy, minerals and natural resources department, state engineer, aging and long-term services department, human services department, workforce solutions department, department of health, department of environment, children, youth and families department, corrections department, department of public safety,

department of transportation, PED, higher education department (HED), higher education institutions and public school support.

The state comparative performance measurement project, conducted by the council of state governments and the urban institute, is an initiative that collects, analyzes and publishes comparative outcome data. Initial data collection is in two areas: transportation, meaning roads and bridges; and human services, meaning child welfare and public assistance. Examples of outcomes were:

- ▶ traffic fatalities per 100 million annual vehicle miles traveled;
- ▶ percent of children reunited with their families in less than 12 months; and
- ▶ earnings gain for employed temporary assistance for needy families recipients.

Ms. Fernandez said it is helpful to have this data to see where New Mexico stands against other states. LFC has concluded that New Mexico is a trailblazer in its efforts to implement performance-based budgeting. She added that LFC has not been able to make the critical link between performance and resources, and that should be improved.

Mr. Baca asked what state has been able to make that critical link. Ms. Fernandez replied that some states have had success in certain areas, but no state has been successful across a state budget. Florida has been successful in work force issues, for example.

Mr. Gasparich inquired about report cards. Ms. Fernandez said they were started in 2006. Report cards help provide a forum for the legislature to conduct a dialogue with various agencies. LFC is seeing that the hiring freeze and furloughs are affecting the ability of some agencies to meet their performance targets. Mr. Gasparich remarked that he had been involved in the project a few years ago and this is a big accomplishment; he had doubted the state would make such progress. Ms. Burch pointed out that sometimes if an agency does not meet a target, it may be because it is not the right target or the right performance measure or not enough money was appropriated to do what was expected. She agreed with Ms. Fernandez that the last reason probably accounts for more yellows and reds in agency report cards this year.

Mr. Ortiz asked if performance-based budgets are department-wide. Ms. Burch answered in the affirmative. On further questions from Mr. Ortiz, Ms. Burch said performance measures were tracked for PED, as well as student success measures. Student success measures are statewide. Strategic planning is provided agency by agency. SHARE, the state human resources and accounting system, tracks expenditures at the program level, but not by specific performance measure.

Representative Bandy asked if there was any attempt to coordinate activities and performance. As an example, he cited the oil conservation division's adoption of new pit rules,

which requires oil field materials to be transported off-site; however, the increased traffic, with increased emissions, works counter to the purpose of the department of environment's clean air rules. Ms. Burch said the state is still in the early stages of the AGA implementation and it brought some agencies, but not all, to the table to coordinate functions. The executive does try to coordinate policy planning, and that has worked on specific issues. Ms. Fernandez noted that there were attempts to coordinate DWI policies, but administration changes often halt progress, and the budget is hard to deal with because funding crosses over agencies. Senator Eichenberg suggested that varying funding sources are an issue when trying to coordinate the state's response to any issue. For example, the governor talks about DWI, while federal money is going to domestic violence programs as a subset of DWI. The result is domestic violence funding in the department of transportation. Representative Miera discussed the link between drinking and domestic violence.

Recognizing the importance of statewide strategic planning, Mr. Baca asked how government has been hampered by not having it. Ms. Fernandez discussed the lack of coordination between resources and noted the difficulty of agencies to collaborate because each one is concerned with a specific segment of a problem. Ms. Burch said having such a plan in place is the ideal model, but since the state does not have one, it has done the next best thing, which is planning at the agency level. There is no question that the state would benefit from such a plan. Mr. Baca offered that at the funding level, strategic planning could bring agencies together. Ms. Fernandez agreed, saying that most success occurs when all stakeholders come to the table, including citizens and the three branches of government. Stakeholders are not involved when only the executive is involved.

★ Senator Lovejoy expressed concern about the number of bills that are passed by the legislature every session that alter public policy but do not mesh with the missions and objectives of state agencies. She asked for copies of report cards.

After the presentations, Mr. Karpoff explained the next day's agenda. After a briefing, the task force will return to the discussion format. Members will take the ideas expressed in the core services exercise to see if they can decide on the big, sufficiently bold initiatives that will lead to restructuring state government. The format will be café style.

Chad McQuigg, Glen Carlberg, Mark Bralley and Bob Walsh presented public comments, notes of which are included in the meeting file.

The task force recessed at 4:45 p.m.

Tuesday, May 25

Senator Eichenberg reconvened the meeting at 8:40 a.m. Mr. Burciaga went over the task force's calendar for the remainder of the interim. The meeting dates are:

- ▶ June 21-22
- ▶ July 29-30
- ▶ August 19-20
- ▶ September 16-17
- ▶ October 14-15
- ▶ November 11-12
- ▶ November 22
- ▶ December 20

All meetings will be in Santa Fe.

The task force will work on the preliminary report and proposed legislation at the November 20 meeting so the report will be ready by December 1, as required by law. The final report will be voted on at the December meeting. In shaping the work plan, Mr. Burciaga explained that he took what is required by statute and included major themes from the first meeting. Senator Cisneros encouraged the task force to coordinate its work with the LFC and LESC. Representative Lundstrom recommended that the task force provide updates to other interim committees that have overlapping jurisdiction. Mr. Burciaga explained that the New Mexico legislative council had directed the interim committees to focus on restructuring this interim. Task force staff is discussing how to coordinate presentations with other committees and agencies. Representative Lundstrom observed that three voting members on the Indian affairs committee are also voting members on the task force. Mr. Burciaga said he will look at that.

★ Senator Smith said that every year the legislature looks to reduce the number of committees, but that does not happen. He suggested that Mr. Burciaga ask the legislative council to reduce the number of committees if it wants to mitigate calendar and subject conflicts every year. He pointed out the difference in the number of senators versus the number of representatives on committees and the hardship put on senators having to attend so many meetings. Senator Eichenberg concurred.

Representative Miera asked Dr. Harrell to speak briefly about the LESC involvement with the task force. Dr. Harrell said LESC will hear an update on the task force's work at its June 15 meeting.

Mr. Baca noted that the Carruthers report is not on the agenda or acknowledged as the launching point for the task force's work. Senator Eichenberg said he plans to meet with Governor Garrey Carruthers again and get that committee's working papers; he will report back to the task force. Mr. Burciaga said the Carruthers report is included in the work plan. Mr. Karpoff advised that the Carruthers report could be part of the task force's discussions of the day.

Revenue Structure — Dr. Tom Clifford, LFC Chief Economist, and Dr. Tom Pollard, Legislative Fiscal Analyst

Dr. Clifford began his presentation by noting the boom-and-bust cycle in the state's revenues: after increasing by 50% from fiscal year 2003 to fiscal year 2008, the recurring revenue fell by 20% from fiscal year 2008 to fiscal year 2010. When looking at the measure of state revenue to total personal income, the ratio is at its lowest level in 20 years. Oil and gas revenues contributed the most to general revenue volatility, but income and gross receipts taxes are down substantially from peak levels. Tax relief totaling over \$400 million per year was adopted over the last 10 years. New Mexico's tax burdens on most households and businesses are comparable to those in neighboring states. As part of the federal stimulus package, temporary federal funding and American Recovery and Reinvestment Act of 2009 (ARRA) funds reduced spending cuts in fiscal year 2009 through fiscal year 2011, but that means fiscal year 2012 revenue is about \$220 million short of current spending. The general fund recurring revenue chart on page 3 of the handout illustrates the boom-and-bust cycle. He noted the rapid growth from fiscal year 2004 through fiscal year 2008, adding that in fiscal years 2004 through 2006, the general fund revenue experienced phenomenal growth, increasing by over 40%. The decline is just as remarkable, however, with a cumulative revenue decrease in fiscal years 2009 and 2010 of over 20%. The state experienced long-term growth rates of 6% to 7% from the mid-1990s to 2008, but that has fallen to 5.1% now. Data demonstrate a major revenue reset. He presented a table showing general fund revenue as a percent of personal income from 1990 through 2013. Revenue rose above the historic average in fiscal years 2005 through 2008, but fell well below average in fiscal years 2009 and 2010. The economic forecast is for modest recovery through fiscal years 2011 through 2013, and it is reasonable not to expect another housing boom. With that forecast, he said New Mexico still remains at a revenue level that is significantly below average.

Representative Lundstrom pointed out that for fiscal years 2010 through 2013, it looks like equal growth is expected on both lines of the chart, total recurring revenue and total revenue excluding oil and gas, which is good news for planning purposes. Dr. Clifford agreed with her analysis, explaining that energy prices are recovering, and the figures reflect the assumption that energy prices will come up but stay at a basic level and no significant trend exists. Dr. Pollard added that in the past, energy taxes have buffered the state against the ups and downs of the economy; however, in this recession, they have moved together. For example, in the 2001-2002 recession, the California energy crisis cushioned the state. He also noted that the gap between the lines reflects that the revenue is down from peak years in 2006, but above levels from the 1990s.

Dr. Pollard presented the chart on recurring general fund revenue by source. Energy-related taxes are the largest single contributor to the rise and fall in revenues. In past recessions, those have acted as a buffer from the U.S. economic fluctuations, but not this time. Corporate income tax is the most volatile revenue during an economic bubble, due in large part to the oil and gas industry. He noted that film credits increased from zero to \$75 million per year. He observed that there is a balance that any government has to make when trying to raise revenue for vital services and economic growth but not setting taxes so high that they stifle growth. In 2003, the personal income tax cuts accounted for a drop in revenue of \$400 million. The food

gross receipts tax deduction accounted for \$228 million, and the medical deductions/credits were \$100+ million. Film production credits and low-income tax credits/exemptions amount to about \$70 million each. For fiscal year 2011, the 13 revenue-increasing provisions that were enacted between 2001 and 2010 result in \$530 million, but the 73 revenue-decreasing provisions during the same period result in a negative \$975 million, for a net impact of cumulative annual impacts of significant general fund tax measures of minus \$445 million.

New Mexico's 2008 ranking of Albuquerque against the largest cities in several states in terms of state and local taxes as a percent of household income shows that the burden on most households is above average, the burden on low-income households is below average and the burden on high-income households is slightly above average. Dr. Clifford pointed out that some of the ranked metropolitan areas do not have personal income taxes, which skews the average. A ranking of a selection of business taxes indicates that New Mexico is below the surrounding states in property tax and personal income tax, high on gross receipts tax, corporate income tax and severance taxes and the same on business activity taxes and unemployment insurance. The total for New Mexico is 6.0%; the average is 5.0% for all taxes; excluding severance taxes, New Mexico is 3.9% compared to the average of 4.1%.

Representative Lundstrom asked for the average household income in New Mexico. Dr. Clifford answered that it is approximately \$38,000. Representative Lundstrom pointed out that property taxes look much different in rural areas. Dr. Clifford said that there is a regressive element to the state's tax rate. The tax profile is flatter when the middle income group is analyzed. He opined that more attention should be on the lowest income group and mentioned that New Mexico's lower income drops off less than other states.

Representative Gardner asked if tax credits were taken into account in the figures. Dr. Clifford said they were, and due to tax law in each state, these rankings are difficult to do. He mentioned that the District of Columbia, which does the rankings, is not biased, but it is difficult to understand the tax laws in each state. Representative Gardner mentioned that the taxation and revenue department does provide a similar analysis for the region and municipalities and asked for that information. He also suggested having the revenue stabilization and tax policy committee contribute to the task force.

★ Dr. Clifford recommended that the task force request the taxation and revenue department to do a study for the state of taxes and revenue by location.

Dr. Clifford explained the LFC principles of good tax policy, which are:

- ▶ adequacy: revenue should be adequate to fund government services;
- ▶ efficiency: a broad tax base with low rates that minimizes distortion and avoids reliance on one tax;
- ▶ equity: fairness to taxpayers in similar circumstances; fairness to taxpayers with different incomes;

- ▶ simplicity: encourage compliance and minimize administrative costs; and
- ▶ accountability: tax preferences should be easy to monitor and should be reviewed periodically.

He noted that implementing these principles requires making tradeoffs. For example, in trying to be progressive, the state could discourage economic efficiency.

Representative Miera observed that equity is much harder to achieve for low-income taxpayers because they pay much more of their income in taxes. Dr. Clifford agreed, with two qualifications: (1) the distribution of benefits is progressive, which means that low-income households get more benefits for their level of income; and (2) very high income taxes can serve as a disincentive to invest in New Mexico's economy, and the state must be careful to remain competitive.

Senator Garcia asked if surrounding states give similar tax incentives. Dr. Clifford answered that industry-specific incentives have been appearing in many states, such as Arizona. Following on Representative Miera's line of questioning, Senator Garcia asked if the regressivity of taxes is similar around the country or just in the southwest. Dr. Clifford said it is a general trend nationwide; given that the federal government has a progressive income tax, states tend to be more regressive.

★ Senator Smith asked how a film tax credit would factor into the business tax chart. Dr. Clifford said the business tax chart is misleading because individuals pay taxes, not businesses. The state's economists would need more information on the businesses to put together accurate, reflective data and to see if public policies are achieving what they were intended to achieve. Senator Smith asked how the higher income numbers would change if an incentive is not offered. Dr. Clifford explained that the incentives are not a large enough component to sway the figures. He did agree that capital gains changes would affect the numbers.

Dr. Pollard discussed solvency and the use of other state funds and ARRA funds to supplant the general fund beginning in fiscal year 2009. In fiscal year 2007, the state had over \$5.7 billion in recurring revenue and spent \$5.1 billion, resulting in a \$600 million surplus. Fiscal year 2008's revenue was also greater than spending. Surpluses were either spent on capital outlay projects or special appropriations or were added to the state's reserve. However, in fiscal year 2009, the state caught up with the nation in feeling the effects of the recession. Revenue fell well below spending, creating a gap. The gap was filled by canceling unspent or non-progressing capital outlay, by drawing down cash balances and by bringing in other state funds and federal funds. Fiscal year 2010 illustrates the same pattern, with recurring revenue at \$4.8 billion and spending needs of \$5.7 billion. The governor issued executive orders instituting a hiring freeze, budget cuts and furloughs. For fiscal year 2011, general fund revenue was estimated to increase to just under \$5.3 billion, but in the March special session, legislators still faced a spending gap and had to continue to use ARRA and other state funds to make up the difference. In fiscal year 2011, total spending was down 1.7% from fiscal year 2010 and 6.9%

from fiscal year 2009. Dr. Clifford added that the state cannot expect to reach fiscal year 2008 levels until fiscal year 2015.

General fund reserves had begun growing in fiscal year 2004, to a high of 17% of recurring appropriations in fiscal year 2006, but plummeted from 13% in fiscal year 2008 to 4.2% in fiscal year 2011. They would have fallen well below zero except for the \$1.1 billion in solvency measures. Dr. Clifford talked about the fiscal year 2012 budget challenge. The consensus revenue forecast assumes a 6% growth totaling \$5.426 billion; adding revenue from 2010 bills is \$172 million, for total revenue of \$5.598 billion. However, the state is looking at a \$236 million shortfall right now, primarily because the state has to replace one-time funds like ARRA. Total spending needed for current services is \$5.833 billion.

Dr. Clifford discussed the U.S. and New Mexico economic indicators. The U.S. outlook has improved slightly since December, but the New Mexico outlook is delayed. For fiscal year 2012, the U.S. real gross domestic product growth is estimated to be about 3.3%, up from 0.4% for fiscal year 2010; with a 2.3% inflation rate and a 2.69 federal funds rate. He is optimistic over time, due to manufacturing, replacement of inventory, fuels and export activity. Inflation is modest, which is an important indicator for gross receipts tax. The picture for New Mexico is not quite as rosy. New Mexico's non-agricultural employment growth is estimated at about 1.5%, though that is up from a negative 3.5% in fiscal year 2010; personal income growth is pegged at about 3.6%, up from negative 0.5%; and private wages and salaries growth is at 4.1%, up from negative 3.1%. Granted, the April estimates in both fiscal year 2011 and fiscal year 2012 have been revised downward from the December estimates in all categories but private wages and salaries growth — that stayed flat at 4.1% for fiscal year 2012. The reductions were based partly on revisions to federal databases, but mainly the state is still foundering in a weak economy.

Representative Miera asked if there was any good news with bond ratings. Dr. Clifford said better ratings will reduce the cost of issuing bonds. Representative Miera asked if the bond rating will go down as easily as it went up. Dr. Pollard replied that, historically, rating agencies were harder on states than on businesses, which made it more difficult for states to achieve higher ratings. However, under federal pressure, rating agencies are raising bond ratings for all states so they will more closely match private businesses. Dr. Clifford and Dr. Pollard discussed the issue, saying that New Mexico's rating is better than other states primarily because of the dedicated severance taxes and its general obligation bonds backed by property taxes. In many states, bonds are paid by the general fund; if the general fund gets weak, the ratings go down.

Building an Initial Framework of Major Initiatives — Four or Five "Big Ideas" for Government Restructuring — Tim Karpoff

Mr. Karpoff said the remainder of the day would be dedicated to direct discussion by the task force members to develop ideas and review the previous day's discussion. He cautioned that there is a danger in sub-optimizing or too narrowly interpreting ideas, and there is a certain paradox in this laying out of core services. The task force's task is inherently complex, and it

takes new thinking. Mr. Karpoff reminded the task force of the Carruthers report and the specific recommendations it made. Using the café model, the task force will be conducting three small group breakout discussions. The objective is to set out a framework for the task force's work and to develop criteria on which to base solutions. After the first groups meet, each group's composition will shift twice, with one member remaining in the room for all three and the others moving to one of the other two rooms. To make the groups work, the members need to determine a set of qualities that is necessary to find solutions. Provisional ideas, exploratory thinking, encouragement of discussion and a range of ideas should be brought into the discussion. Representative Miera expressed concern about the groups not having information on the nine categories as a focus in front of them and not being able to use that information. Mr. Karpoff said he would put the topics in the three meeting rooms. Senator Eichenberg invited the public to sit in on meetings but to reserve comments until the public comment period.

Reports and Discussions

Based on the discussions and decisions in the groups, Mr. Karpoff asked for one idea from each member on the task force.

Senator Cisneros: merge the PED with the HED.

Mr. Gasparich: consider all the mergers in the Carruthers report.

Mr. Baca: strategic statewide planning.

Representative Miera: review contract employees and consolidate legal representation on lawsuits against the state.

Representative Lundstrom: one system of infrastructure development for state agencies.

Senator Eichenberg: combine information and technology systems; move human services department and department of health responsibilities to the local level.

Senator Smith: move education funding under DFA and ensure funding accountability.

Stephanie Lenhart, sitting in for Secretary Miller: reduce administration costs at school district levels.

Representative Gardner: identify essential boards and commissions, place sunset provisions on the remainder and remove rulemaking authority from boards and commissions.

Mr. O'Neill: consolidate agency hearing officers to increase efficiency and transparency.

Representative Bandy: identify ways to make boards and commissions more accountable.

Mr. Ortiz: consider a constitutional convention to look at consolidating constitutionally mandated officers and funds and eliminating certain constitutional obligations.

Senator Garcia: change the public school funding formula (adopt the American institutes for research funding formula) and provide more transparency and accountability in statewide infrastructure needs.

Senator Lovejoy: review health maintenance organization contracts.

Representative Madalena: consolidate school districts.

Representative Wallace: regulation review.

Senator Cisneros: a new capital outlay process designed to ensure funding is spent on a timely basis and administered correctly.

Representative Lundstrom: full cost analysis on legislation prior to committee-endorsed introduction.

Senator Eichenberg: examine how charter schools are funded.

Senator Smith: boards and commissions should be advisory, not set policy.

Representative Gardner: legislative oversight of rulemaking.

Representative Lundstrom: full-cycle performance-based budgeting.

Representative Madalena: review behavioral health contracting.

Senator Smith: conflicts of interest by legislators; capital outlay funding should be used for state assets and projects, not local projects; reserve capital outlay for state, not local, projects; and allow the money not bonded to flow to the severance tax permanent fund.

Related to the point about conflicts of interest, Paula Tackett, LCS, reminded the task force that there is a difference between interests and conflicts. As a citizen legislature, all members have interests and they must support constituents. An example of an interest might be a banker legislator who votes for a bill that improves banking services throughout the state; that vote benefits all bankers, including the legislator. An example of a conflict is when a member votes for a bill that benefits the legislator more than, or at the expense of, others.

Mr. Baca: identify the fundamental causes of the current fiscal crisis and find a solution.

Representative Lundstrom: change the higher education instructional/non-instructional ratio.

Senator Smith: restrain mission creep; place limits on degree programs at multiple institutions.

Ms. Tackett said there are other budget changes the task force could look at in higher education; for example, eliminating duplicative payments for two- and four-year schools offering the same basic courses.

Senator Cisneros: review and limit or repeal tax credits and loopholes.

Representative Lundstrom: track tax policy in surrounding states.

Representative Gardner and Mr. Ortiz: use the public school facilities authority model for funding and maintaining infrastructure and assets.

Representative Madalena: look at Railrunner costs.

Mr. Karpoff opened the discussion to ideas to save money. He noted that task force members should keep long-term and short-term goals in mind.

Senator Smith told the task force that the New Mexico legislative council wants interim committees to find savings and the task force should receive feedback from the other committees. He gave as an example that the courts, corrections and justice committee could look at savings related to making the magistrate courts a court of record. The legislative health and human services committee will be vital to the task force in understanding the federal health care reform and its effect on New Mexico. Ms. Tackett confirmed the council's request of the other interim committees and said she and Mr. Burciaga are beginning to make presentations to committees about the task force. LCS staff is researching the federal health plan.

Representative Lundstrom said one area of real investigation will be the restructuring of departments and moving educational funding to DFA. She noted that once interim committees come forward, they may have further ideas. Representative Miera suggested the task force use studies already done on the topics on the board; for example, there is a 1987 study on school redistricting that might be helpful to the committee.

Senator Garcia suggested that the task force hear about health care first and that it needs substantive insight on health care from the legislative health and human services committee. Representative Lundstrom added boards and commissions as another area, eliminating rulemaking power. Representative Gardner countered, saying they fall under merger of agencies. He said licensing boards are attached to agencies. Mr. Gasparich said the idea of moving educational funding to DFA is part of the PED and HED merger. Representative

Lundstrom said another area is contracting. Mr. Ortiz suggested combining attorneys and information systems and combining hearing officers. Representative Lundstrom added that capital outlay infrastructure and building services review should be one area.

Wrap-Up — Next Steps

Mr. Karpoff reviewed the identified categories: consolidation of major departments; the review of contracting processes; considering consolidating attorneys and hearing officers; identifying essential boards and commissions and adding sunset provisions; and consolidating school districts. He said the task force has a couple of ways to proceed: subcommittees could be created and take one topic at a time or the task force can simply break into groups. He asked for ideas.

Representative Miera said he does not want to tackle the issues one at a time. He proposed that the task force not silo items too early without getting more feedback from agencies. Mr. Karpoff advised that the task force will have to put the topics into manageable form. Representative Lundstrom mentioned that while she gave suggestions on where she believes topics should go, the task force needs more staff input first. Mr. Karpoff suggested that in a two-day meeting, the task force could tackle four topics. Representative Miera agreed, but cautioned the task force not to go so fast that it outstrips the recommendations of the other interim committees. Mr. Karpoff clarified that Representative Miera prefers more briefings on all topics before developing proposals. Mr. O'Neill noted that staff should have priorities on what to do first.

After further discussion, Mr. Karpoff said he inferred from comments that the task force conversation is moving toward long-term structural changes. He reminded the task force not to forget about short-range cost-saving measures. Mr. Gasparich said there is room for both. The idea of a constitutional convention is a long-range fix; using the recommendations of the Carruthers report for restructuring is the low-hanging fruit. Senator Smith recommended that the task force give the latitude to the chairman and vice chairwoman to speed up the process.

Following is the table of the second day's discussion.

State of New Mexico ● Government Restructuring Task Force ● May 24-25, 2010

Table 2 : "What 'big ideas' to restructure government should be explored as potential proposals?"

<i>Areas to Explore Further</i>	Merge/ Consolidate Departments	Reform Contracting Processes	Identify Essential Boards & Commissions	Consolidate/ Streamline Operations	Convene a Constitutional Convention	Institute Statewide Strategic Planning	Establish One System of Infrastructure Development	Change the Educational Funding Formula
<i>Backup Ideas</i>	<p>Merge PED and HED</p> <p>Consolidate Commerce and Tourism</p> <p>Merge DFA, GSD and DOIT</p> <p>Decentralize DOH and HSD operations</p> <p>Move education funding to DFA</p> <p>Eliminate mission creep and duplication in higher education</p> <p>Any other mergers suggested by the Carruthers report</p>	<p>Review and reform contracting processes</p> <p>Review HMO contracting</p> <p>Review all major contracts</p>	<p>Identify essential boards and commissions</p> <p>Sunset all boards and commissions</p> <p>Remove rulemaking authority from boards and commissions</p> <p>Establish more oversight over boards and commissions</p> <p>Hold boards and commissions more accountable to the legislature</p> <p>Any other mergers suggested by the Carruthers report</p>	<p>Combine legal staffs for certain lawsuits</p> <p>Combine IT operations</p> <p>Place all agency hearing officers under one "roof"</p> <p>Conduct cost analyses on legislation before introduction</p> <p>Review tax credits and loopholes</p> <p>Assess Railrunner costs</p>	<p>Convene a constitutional convention and consolidate/eliminate unneeded agencies</p> <p>Track tax policies of surrounding states</p> <p>Ensure that conflicts of interest are avoided in the budget approval process</p> <p>Analyze causes of the current situation</p>	<p>Institute statewide strategic planning</p> <p>Conduct full-cycle performance-based budgeting</p>	<p>Establish one system of infrastructure development</p> <p>Develop a new capital outlay process</p> <p>Use public school facilities for a wide range of community activities</p> <p>Reserve capital outlay projects to state projects</p>	<p>Change the educational funding formula, with a small-size adjustment</p> <p>Reduce administrative costs at the school district level</p> <p>Consolidate schools systems</p> <p>Change the administration-to-instruction ratio</p>

In public comment, Sylvia Bowker, Chad McQuigg, Susan Loubet, Tasha Young, Glenn Carlburg, Thomas Espinosa and Mark Bralley spoke, and notes of comments are included in the meeting file. Secretary Miller urged staff to finalize the task force web site for public comment. Mr. Burciaga assured the task force that staff is working on it.

There being no further business, the task force adjourned at 3:30 p.m.