F I S C A L I M P A C T R E P O R T

	ORIGINAL DATE 02/02/11		
SPONSOR Varela	**LAST UPDATED** 02/11/11	**HB**	66/a HHGAC
SHORT TITLE Transfer Departments and Services to DFA		**SB**	
		ANALYST	Graeser

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	$0.0	$1,141.3	$1,141.3	$2,282.6	Recurring	General Fund (DFA operating)

(Parenthesis ( ) Indicate Expenditure Decreases)

Note: this estimate ignores four possible cost issues: (1) the possibility that GSD would increase administrative cost component for other services provided to the agencies to compensate for the loss of an administrative cost override on services provided by State Purchasing Division; (2) the possibility of cost and FTE reductions in the smaller agencies that would avail themselves of the services provided by the new executive services division of DFA and (3) startup and transition costs – particularly of the educational finance and accountability division which would increase from an office with eight authorized FTE to a division with 18 authorized FTE and the completely new executive services division which would initially require office space, furniture and IT equipment, in addition to the personnel and operating costs; (4) the possibility that the transfer of SPO to DFA would result in some consolidation of administrative support functions and positions. On net, the short-term net costs would probably increase over the amount shown in the table and the long-term costs could be significantly less than the table amount.

SOURCES OF INFORMATION

LFC Files

Responses Received From
State Personnel Office (SPO)
Higher Education Department (HED)
General Services Department (GSD)

Responses Not Received From
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of HHGAC Amendment

The HHGAC amendment to House Bill 66 restores the General Services Department to Cabinet status and reverses the proposal to move State Purchasing to DFA, leaving State Purchasing at

GSD. The amendment also restores the governor's residence advisory commission and restores the authority and control over the governor's residence preservation fund to the commission. The merger of State Purchasing and the management and contracts review bureau as the purchasing division of DFA is cancelled, leaving contracts review in the Administrative Services Division by default.

The Secretary of DFA may organize the department and the divisions as listed in the bill and may transfer or merge functions between divisions. This authority will probably be exercised in retaining the contracts review bureau as a bureau of Administrative Services.

There was no budgetary or FTE savings estimated to occur from moving State Purchasing from GSD to DFA, so this amendment creates no change in fiscal impact.

After the FIR on the original bill was released, the LESC released an analysis highly critical of the expansion of the Office of Educational Accountability to the Educational Accountability and Finance on cost, efficiency, leadership, financial control and constitutional grounds.

Synopsis of Original Bill

House Bill 66 reorganizes and expands the services provided by the Department of Finance and Administration (DFA).

- transfers and consolidates the State Personnel Office (SPO) and State Personnel Board (SPB) into the DFA as the State Personnel Division of DFA;
- transfers the Procurement Services Program (State Purchasing Division) of the General Services Department (GSD) to DFA as the purchasing division of DFA, which includes the management and contracts review bureau;
- creates in DFA an executive services bureau to provide administrative services for small agencies;
- creates in DFA an educational finance and accountability division to provide oversight and monitoring of public education and higher education institution finances. This expands the existing Office of Educational Accountability (OEA -- created in 2003) to division status.
- Transfers existing bureaus among the divisions of DFA.

Divisions within DFA would total nine as follows:

(1) Office of the Secretary;
(2) Administrative Services Division, including:
  (a) Executive Services Bureau (new creation); and
  (b) Capital Outlay Planning and Monitoring Bureau (internal transfer from Local Government Division);
(3) Board of Finance Division;
(4) Educational Finance and Accountability Division (expanded from the OEA);
(5) Financial Control Division;
(6) Local Government Division;
(7) Purchasing Division (from GSD), which includes the Management and Contracts Review Bureau (moved from ASD);
(8) State Budget Division; and
(9) State Personnel Division (from SPO).

HB66 also administratively attaches the following agencies to DFA: the Acequia Commission (73-2-65 NMSA 1978); the State Board of Finance; the Personnel Board (new); the New Mexico Community Development Council (new in statute, but existing relationship with the Local Government Division of DFA); the Civil Legal Services Commission (new in statute, but existing relationship with the Local Government Division of DFA); and the Land Grant Council (49-11-3 NMSA 1978).

The residual General Services Department would become a non-cabinet department. The executive head of the Department would be a Superintendent rather than a Cabinet Secretary.

FISCAL IMPLICATIONS

The fiscal impact of this bill was thoroughly studied by LFC and DFA analysts working jointly working as staff to the Government Reorganization Task Force (GRTF). With the modification noted for savings from the transfer of SPO, the following is copied from the final LFC/DFA/GRTF analysis.

Purchasing Division. Moving the purchasing division, as currently structured, to DFA is not estimated to generate significant savings. The 29 FTE and $1,475.9 thousand general fund associated with the purchasing division would simply be moved to DFA. A potential savings of the indirect charge GSD currently applies to the purchasing division of $70 thousand might be a savings, although it is more likely that DFA would need to add 1 FTE at Program Support as part of its new administrative responsibilities associated with this reorganization. Restructuring the remaining GSD as a non-cabinet agency would have minimal fiscal impact, assuming the administrator would be similarly paid and the remaining divisions remained as currently structured.

Estimated Savings, Transfer state purchasing to DFA (in thousands of dollars)

FY11	FY12	FY13	Recurring or Nonrecurring	Fund Affected
None	None	None	Recurring	General Fund

State Personnel. The preliminary estimated savings of $800.8 thousand general fund was primarily produced by eliminating 13 FTE. On later review, dropping 13 FTE was considered overly aggressive and more administrative FTE would have to be transferred to DFA to effectively manage a state personnel system. The SPO operating budget for FY11 is $4,022.8 thousand. For the purpose of this FIR, no savings are claimed.

Estimated Savings, Transfer State Personnel to DFA (in thousands of dollars)

FY11	FY12	FY13	Recurring or Nonrecurring	Fund Affected
None	$0.0	$0.00	Recurring	General Fund

Other Savings. Other savings associated with indirect costs of the reorganization related to overhead are indeterminate without a final FTE count and defined structure for each agency. It is conceivable that GSD would even have to increase overhead charges to other divisions within the department for program support, which would in turn require those divisions to raise rates in their other enterprise funds, to offset the elimination of indirect charge to the purchasing division of $70 thousand from the procurement services program.

Potential Costs. Creating an Executive Services Bureau and the Education Finance and Accountability Bureau would not generate any savings but would add costs to implement. Estimated costs are shown below.

Executive Services Bureau. The Executive Services Bureau estimate is based on adding eight FTE – a bureau chief, two financial coordinators, a purchasing agent, a financial specialist, a technology specialist, and HR specialist – as well as additional operating costs of $25 thousand, which is a conservative estimate and does not include transition and startup costs. The wide variety of specialists would be required to meet all the administrative needs of the small agencies. It is possible that the elimination of related FTE in the small agencies would more than offset the cost of creating the bureau. The final net cost or savings would depend on the final list of small agencies affected by the bill. In addition, this analysis does not consider another alternative in which services would be required to be provided to administratively attached agencies by the host agency.

Cost to Implement, Create Executive Services Bureau
(in thousands of dollars)

FY11	FY12	FY13	Recurring or Nonrecurring	Fund Affected
None	$405.8	$405.8	Recurring	General Fund

Note: this fiscal estimate does not include any potential savings in the smaller agencies no longer required to prepare budgets or process vouchers, run IT services or HR functions. It is reasonable to assume that some FTE in the small agencies, once determined, could make this feature of the proposal cost neutral to the general fund.

Education and Accountability Bureau. Creating the Education and Accountability Bureau would presumably be orchestrated using the current Office of Educational Accountability as the base. OEA has 5 FTE and an FY11 operating budget of $422.3 thousand. A more modest proposal than the $1.9 million cost offered by the OEA increases the OEA's budget by $735.5 thousand and 10 FTE.

Cost to Implement, Create Education and Accountability Bureau
(in thousands of dollars)

FY11	FY12	FY13	Recurring or Nonrecurring	Fund Affected
None	$735.5	$735.5	Recurring	General Fund

Assuming no offsetting reductions from reducing personnel in the small agencies, the net fiscal impact of the bill is a $1,141.3 thousand increase in costs to the general fund.

SIGNIFICANT ISSUES

<u>Educational Finance and Accountability Division</u>: the taskforce found the need for additional oversight of finances for public education and higher education institutions. The apparent lack of transparency and accountability regarding these issues remains a concern, particularly because education accounts for about 60 percent of the state's entire budget.

Therefore, HB 66 creates and tasks the Educational Finance and Accountability Division of DFA with monitoring and overseeing public school and higher education finances and budgets and providing an independent evaluation of how well the two public education systems are performing and how well the Public Education Department and Higher Education Department are performing in holding those systems accountable to students, taxpayers and citizens. These latter functions are currently required of the Office of Educational Accountability by 9-6-15 NMSA 1978.

- The office shall provide an independent evaluation of the Assessment and Accountability Act [Chapter 22 Article 2C NMSA 1978] and the School Personnel Act [Chapter 22, Article 10A NMSA 1978];
- periodically reviewing school district and school-based decision-making policies relating to the recruitment and retention of school employees;
- verifying the accuracy of reports of public school, school district and state performance; and
- conducting studies of other states' efforts at assessment and accountability and other educational reforms and report its findings to the legislative education study committee and legislative finance committee.

This bill changes the emphasis of the new Educational Finance and Accountability Division to include:

- overseeing and monitoring public school and post-secondary educational institution budgets and finances;
- ongoing evaluation of the unified pre-kindergarten through post-graduate education accountability data system;
- ongoing evaluation how well the public education department monitors public schools and compliance with the Public School Code, including the Assessment and Accountability Act, in particular the success of interventions made for schools in need of improvement; the School Personnel Act, in particular the three-tiered licensing system or teachers and school administrators and the evaluation system that is required for continued licensure; the Compulsory School Attendance Law; compliance with the Audit Act; implementation of federal laws, including the Individuals with Disabilities Education Act; and other requirements and measures intended to improve the administration and delivery of public education and improve outputs and outcomes, including decreasing dropout rates, increasing graduation rates, preparing students for college or careers and decreasing the need for remediation in higher education;
- for higher education, how well the higher education department monitors post-secondary educational institutions; the Post-Secondary Education Articulation Act; the use of common student identification numbers and participation in the unified pre-kindergarten through postgraduate education accountability system; higher education department annual accountability reports; the review process by the higher education department and the state board of finance regarding capital expenditures; the system of accounting and reporting provided for in Section 21-1-33 NMSA 1978; and other requirements and measures intended to improve the administration and delivery of post-secondary education and improve outputs and outcomes, including decreasing dropout rates, increasing graduation rates, particularly baccalaureate graduation within four or five years, and preparing students for professional or vocational careers;

Executive Services Bureau: HB66 creates, and tasks the Executive Services Bureau (Administrative Services Division) with providing budgeting, recordkeeping and related administrative and clerical assistance for small agencies of the Executive Branch that have 20 or fewer full-time equivalents or a budget of one million dollars ($1,000,000) or less. The problem to be solved (from the GRTF final briefing document):

> Establishing an executive services bureau to provide financial, budgetary and human resource services would provide better accountability and cleaner audits for small agencies and provide assurance that resources are properly expended and accounted for.
>
> The central office could perform these financial, budgetary and human resource functions through a Joint Powers Agreement (JPA) with the small agency. Agencies have various levels of fiscal/administrative expertise and the office would provide services depending on the skill level of existing staff. A central office would need to be established independently of existing staff in DFA so as not to conflict with the oversight responsibilities of the State Budget Division and Financial Control Division. Potential participants in the program include the following agencies with less than 20 FTE as the threshold size as shown in Table 1.

Table 1 – Potential Agencies Based on FTE

AGENCY CODE	DESCRIPTION	FY11 FTE/ TOOL FTE (if different)	FTE Titles (8/1/2010 TOOL)
491	Office of Military Base Plan	1.00	Division Director II
379	Public Employee Labor Relations	2.00	Agency Director, Admin Asst II
522	Youth Conservation Corps	2.00	Gen I, Bus Ops Spec A
490	Cumbres & Toltec Scenic RR	2.90	No description available-not in TOOL.
479	Board of Veterinary Medicine	3.00	Agency Director, Office & Admin Sup-A, Office Clerk Gen-O
605	MLK, JR.	3.00	Exec Director, Secretary I, Admin Asst (vacant)
668	Natural Resources Trustee	3.80	Exec Director, Bus Ops Spec-O, Environ Sci & Spec- A
404	Architects' Board	4.00	Agency Director (vacant), Admin Asst I, Admin Serv Coord-O, Public Relation Spec-O
417	Border Authority	4.00/5.00	Agency Director, Deputy Agency Director I, Exec Sec & Asst-A (vacant), Staff, Mgmt Analyst-A
569	Organic Commodity Commission	5.00	Agency Director (vacant), Financial Coord-O, Agri Insp-A, Agri Insp-O, Public Relation Spec-O
603	Office of African American Affairs	5.00	Agency Director, A/O I, Budget Analyst-A, Soc/Com Sv Coord-O, Soc/Com Sv Coord-B
208	NM Compilation Commission	6.00	Director, Dpty Dir, Admin Asst 2, Procurement Spc, Financial Spec Sr,

			Financial Specialist
760	Adult Parole Board	6.00	Agency Director, A/O II, Info/Rec Clrk, AO-O, Bus Ops Spec-B, Info/Rec Clrk AO-O, Admin Serv Coord-O
765	Juvenile Parole Board	0.00/2.00	Consumer Spec Spuer (vacant), Sec, Ex LGL/MED/EXE-A (vacant)
464	Engineers and Land Surveyors	7.00/9.00	Agency Director, Info/Rec Clrk, A/O I, Bus Ops Spec-O, Complnce Officer-B, Exec Sec & Adm Asst-O, Bookpg,Actg & Audit-O, Det&Crim Invest-O, Fin Spec, AO-B
360	Lieutenant Governor	8.00/9.00	Lt Gov, Chief of Staff, Ombudsman I, Dir of Media (vacant), Staff Asst, Sr Policy Analyst, Staff Asst, Special Projects Coord II, Scheduler
495	Spaceport Authority	9.00/6.00	Exec Director, Line II, Gen Counsel, Dep Director (vacant), A/OII, Exec Sec & Admn Asst-A, 3 FTE authorized but not created
669	NM Health Policy Commission	9.00	Agency Director (vacant), Line I, Staff (vacant), MGT Analyst-A (vacant), MGT Analyst-A (vacant), MGT Analyst-A (vacant), Economist-A, IT Generalist 2 (vacant), IT Database Admin 2 (vacant)
114	Senate Chief Clerk	10.00	
240	10th Judicial District Court	10.00	
645	Governor's Commission on Disability	10.00	
115	House Chief Clerk	11.00	
342	Public School Insurance Authority	11.00	
601	Commission on Status of Women	12.00	
117	Legislative Education Study	13.00	
260	10th Judicial DA	13.00	
264	Administrative Office of DA	13.00	
446	Medical Examiners Board	14.00	
604	Commission for the Deaf & Hard of Hearing	15.00	
609	Indian Affairs Department	15.00	
647	Development Disabilities Planning Council	15.00	
219	Supreme Court Building Commission	15.80	
449	Board of Nursing	19.00	
469	State Racing Commission	19.70	
780	Crime Victims Reparation	20.00	

The threshold for “small agency” is defined in the bill as 20 or fewer full-time equivalents or a budget of one million dollars ($1,000,000) or less. The Financial Control Division has pointed out that some larger agencies than listed struggle to meet standards of financial management. While other options to address this issue were considered -- such as having parent agencies of administratively-attached agencies perform these functions – the bill proposes the executive services division provide the services based on the $1 million budget or 20 FTE authorized. For most agencies in the size range, average Op Bud amount per FTE averages in excess of $100,000. Thus, the “$1 million budget” will not increase the size of the list based on 20 FTE. This analysis also does not consider the elimination or consolidation of the agencies in Table 1 in separate legislation. It is possible that other legislation impacting small agencies would eliminate the need for establishing, or at least reduce the required staffing levels of, a new bureau at DFA.

State Personnel Office: The LFC/DFA briefing report to GRTF reports that, “…**.** The State Personnel Office (SPO) has struggled to find an effective and efficient balance between the critical objectives of centralization and decentralization, uniformity and flexibility, on personnel actions. Of particular concern has been the tendency to react immediately to specific requests from elected and appointed officials rather than reviewing and responding to these requests in a manner that more adequately reflects SPO’s oversight responsibilities. It should be emphasized that these oversight responsibilities may not be best achieved through consolidation with DFA, as autonomy from political influence is not guaranteed. Of absolute importance is the creation of an administrative framework that ensures that SPO meets its obligations under the State Personnel Act as it relates to recruitment and selection, affirmative action and sexual harassment, retention and termination, and other actions required by state law.”

SPO comments extensively on the theme of independence and efficiency. Because of the voluminous nature of these comments, this review can only summarize the comments and extract the flavor of the remarks.

> Section 4 of HB66 amends §9-6-3 NMSA 1978 and creates a State Personnel Division (SPO) of DFA. Section 5 would administratively attach the State Personnel Board (SPB) to DFA.
>
> Historically, the SPB has been administratively attached to an executive department. In 1977, the SPB was administratively attached to the DFA pursuant to the Executive Reorganization Act. In 1983, the SPB was administratively attached to the General Services Department. Currently, the SPB is still administratively attached to the GSD.
>
> … the creation of one large department, DFA, with one secretary responsible for the operation of the entire department, comprised of nine divisions one of which would be the SPO, and six other administratively attached agencies, one of which would be the SPB, would effectively eliminate efficiency, accountability and consistency, and fails to account for the oversight and review functions, all of which are currently performed by the SPB and SPO. Additionally, HB66 eliminates the checks and balances provided by the SPB as well as eliminating the SPB’s authority and duties necessary to effectuate the State Personnel Act.
> … section 16 of HB66 diminishes the powers of the State Personnel Board. This section strikes language requiring the SPB to promulgate regulations to effectuate the Personnel Act, hire a director experienced in the field of personnel administration with the approval of the Governor, review budget requests prepared by the state personnel director for the

operation of the personnel program and make appropriate recommendations thereon, make investigations, studies and audits necessary to the proper administration of the Personnel Act. The powers of the SPB would then be limited to hearing appeals, creating an annual report and representing the public interest in the improvement of personnel administration in the system.

…currently, the SPB acts in both, a policy-making capacity, when promulgating rules, as well as in a quasi-judicial capacity when hearing administrative appeals by employees. Such dual responsibility helps to ensure the checks and balances and oversight necessary to ensure the Personnel Act is being administered fairly and properly to all classified employees.

…without the SPB's ability to promulgate and implement its own rules of coverage, it is unable to meet its statutory requirements under §10-9-13 NMSA 1978.

…while the DFA Secretary has full authority to adopt reasonable and administrative procedural rules as may be necessary to carry out the duties of the department of finance and its divisions (Subsection E of Section 7), this bill proposes that the sole authority to promulgate rules that the SPO director considers necessary or desirable to effectuate the Personnel Act lie with the director (proposed state personnel division director). This means that the proposed state personnel division director can directly promulgate rules with full legal authority, and without consideration, authority or oversight of the DFA Secretary.

…section 6 of HB66, indicates the sole requirement for the secretary of DFA is to be well versed in governmental finance. This section has not been amended to require any type of qualification in personnel administration. While all of the other divisions are related to finance – personnel clearly does not fit into this organizational model.

…as proposed in HB66 the consolidation of the core human resource function of the state into the central finance function is in a direction that is contradictory of what is transpiring in both the public and private sectors. Over the past two decades, private sector corporations have clearly seen the value of having the human resource function at a level similar to finance, opting for an Executive Vice-President of Human Resources to sit at the executive management table alongside the Executive Vice-President of Finance. This development has taken place in the public sector at the municipal, county and state levels as well. The trend has been to elevate the human resource function to be on the same level as finance, not to bury it many layers down in the financial function.

<u>Purchasing Division:</u> GSD was established by statute in 1983 to make state government more efficient and responsive through consolidating certain state government service functions; and to establish a single, unified department to administer laws relating to services for governmental entities. Currently, GSD consists of the following divisions: administrative services division, building services division, property control division, purchasing division, risk management division and the transportation services division. Since 2006, the Legislative Finance Committee Program Evaluation unit has conducted three program evaluations of GSD's divisions, including risk management, state purchasing division and employee group health benefits. All of the evaluations revealed a significant number of deficiencies in each of the operations. Several of the findings have been addressed; however, it is unclear whether or

not any significant progress has been made in resolving the issues identified by the evaluations.

Transferring the purchasing division to DFA would repair a, perhaps, inefficient allocation of resources, whereby the management and contracts review bureau, now within the Administrative Services Division of DFA, would become a bureau of the Purchasing Division of the new DFA. Contracts review would become more efficient and eliminate delays in receiving and processing contracts.

PERFORMANCE IMPLICATIONS

The purpose of this bill is to improve efficiency and effectiveness of financial and management functions within state government and to improve the review of educational finance and accountability. Many performance measures at HED, PED, GSD and the new DFA will be reviewed and, perhaps, revised from different perspectives.

ADMINISTRATIVE IMPLICATIONS

GSD notes that, "…the governor's residence preservation fund will be managed by the general services department rather than the governor's residence advisory commission."

GSD also notes that, "… there will need to be a full accounting of the furniture, equipment and other property of the State Purchasing Division (SPD) before and after the merger of SPD with the Department of Finance and Administration (DFA) so that the books and records maintained by DFA accurately reflect the assets that are being removed from the books maintained by GSD."

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

HB 29 abolishes certain boards and commissions related to commerce. To the extent that these small boards are independent and have budget or staff, they may or may not be on the list of client agencies for the new executive services bureau. However, the client list is generic, not specific (20 FTE or $1 million or less operating budget), so any conflict is nominal.

HB 80 merges or abolishes boards and commissions related to the reorganization of the energy, minerals and natural resources department into the Energy and Natural Resources Department (ENRD).

SB 158 abolishes a number of boards and commissions and, in some cases, transfers duties to another executive agency. To the extent that these small boards are independent and have budget or staff, they may or may not be on the list of client agencies for the new executive services bureau. However, the client list is generic, not specific (20 FTE or $1 million or less operating budget), so any conflict is nominal.

TECHNICAL ISSUES

For most small agencies, average Operating Budget amount per FTE averages in excess of $100,000. Thus, the "$1 million budget" will not increase the size of the list based on 20 FTE. A more appropriate "either/or" amount of operating budget might be $2 million or less or 20 FTE or less.

Because DFA/Financial Control Division notes that some larger agencies have difficulty with financial management or accounting, perhaps the bill could be adjusted to allow the executive services bureau to execute JPAs with any executive agency for budgeting, accounting, procurement or contracting services.

OTHER SUBSTANTIVE ISSUES

GSD notes that HB 66 continues to require the maintenance of a Contracts Database. The legislation should sunset the provisions of Section 13-1-97.1. The Sunshine Portal, a transparency database for the State of New Mexico, maintains the same information as the Contracts Database. To prevent any misstatement of data, all contracts information should be supported on one database. Now that the Sunshine Portal is operational, there is no longer a need to maintain the Contracts Database.

GSD also notes that, "…generally accepted auditing practice (GAAP) provisions may be challenged with the organizational alignment of SPD reporting directly to DFA. One organization will be responsible for budgeting, letting contracts, and paying vendors. Such an organizational realignment is inconsistent with the recommendations of the National Association of State Procurement Officials (NASPO).

NMHED identifies the following two issues:

> The NMHED programs for enforcement of planning and cooperation among higher education institutions is rooted in fiscal control, not through direct legal authority over various institutions. Thus, moving the financial control to the authority of DFA will effectively gut the policy-making authority of the secretary of NMHED. If the intent of the bill is to subsume vital policy functions of higher education within the overall financial priorities of the state, the move could be a sound one. If the intention is simply to consolidate the nuts and bolts fiscal functions of NMHED with DFA, the bill should be rewritten to eliminate the director's evaluation functions (i.e., eliminating the responsibility of the director to evaluate "how well" a programmatic initiative is doing).
>
> NMHED and its chart of accounts was created only six years ago, elevating the decision-making and policy planning authority of the commission on higher education (CHE) to a full-fledged department with a cabinet-level secretary in 2005. Prior to creation of the CHE, the entirety of planning and fiscal control was housed at the state board of educational finance. Separating the fiscal and policy-making functions of NMHED indicates a shift of direction, returning to a system that at one point was found inadequate to the challenges of higher education.

NMHED also questions both the timing and appropriateness of the proposal.

> Generally, it might be helpful to pin down more directly the grounds on which the director of the division should use in evaluating such an array of NMHED programs that emerge from varying funding streams. Also, Section 9-25-4 NMSA 1978 establishing divisions within NMHED may need amendment if NMHED's financial aid functions and the administrative services move to DFA too.
>
> The bill should amend Section 21-1-26 NMSA 1978 insofar as that section grants NMHED, not DFA, administrative authority over funds furnished under acts of congress for post-secondary educational institutions and amend Section 9-25-12 NMSA 1978

granting NMHED single state agency status for fiscal administration of federal programs.

Finally, the consolidation should be contingent of passage of a constitutional amendment giving DFA's secretary control over the public education department.

ALTERNATIVES

SPO's analysis suggests an alternative for the state's personnel functions:

Leave the SPB and office as an independent agency administratively attached to the GSD or administratively attach the SPB and office to the DFA, rather than creating a new personnel division in DFA. The current process and organizational structure of the SPB and the SPO promotes efficiency, proper accountability and checks and balances within both the State's executive branch and SPB's functions and services.

POSSIBLE AMENDMENTS

For most small agencies, average Operating Budget amount per FTE averages in excess of $100,000. Thus, the "$1 million budget" will not increase the size of the list based on 20 FTE. A more appropriate "either/or" amount of operating budget might be $2 million or less or 20 FTE or less.

Because DFA/Financial Control Division notes that some larger agencies have difficulty with financial management or accounting, perhaps the bill could be adjusted to allow the executive services bureau to execute JPAs with any executive agency for budgeting, accounting, procurement or contracting services.

LG/bym:mew