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FISCAL IMPACT REPORT

ORIGINAL DATE 01/25/11

SPONSOR Varela LAST UPDATED _____ HB 130

SHORT TITLE Extend Government Reorganization Task Force 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	15.0	30.0		45.0	Nonrecurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

SUMMARY

Synopsis

House Bill 130 extends the Government Reorganization Task Force (GRTF) until December 31, 2011 from December 31, 2010. In most particulars, HB130 is similar or identical to last year's enabling HB 237/Chapter 101. This bill increases the membership of the task force from 17 members to 18 members by adding "a member of the governor's staff." The scope of the committee is also expanded to the following:

1. recommendations from the first year of the task force and from any committees on government efficiency appointed by the governor (including residual recommendations of 2009's Carruther's committee);
2. need for **continued** consolidation of agencies and elimination or reduction of redundant, duplicative or overlapping programs or services, in addition to any such changes enacted during the 2011 session;
3. further scrutiny of cost-savings and efficiencies in the judicial and legislative branches;
4. monitoring of the higher education funding formula task force's work to redesign that formula;
5. monitoring of public school and higher education implementation of articulation and credit transferability statutes and performance of college freshmen from New Mexico high schools; and
6. monitoring of executive reorganizations.

HB130 drops the requirement of HB 237/Chapter 101 that the task force further review executive reorganization in the 1975 to 1978 period.

The bill does not contain an appropriation and contains the requirement that the task force

prepare and present a final report to the Governor and the Legislature by December 31, 2011. HB130 contains an emergency clause and would be effective on signing by the Governor.

FISCAL IMPLICATIONS

According to the Legislative Council Service, the per diem and mileage cost of the 2010 GRTF was about \$45,000. A number of private and government members did not claim the per diem or mileage to which they were entitled. The total cost of the 2010 effort included the cost of a facilitator. This cost will not be repeated for the 2011 effort.

Legislative Council Service, Legislative Education Study Service, Legislative Finance Committee and Department of Finance and Administration staff contributed an enormous amount of time, effort and knowledge to the deliberations and product of the task force. This resource cannot be quantified. At minimum total effort exceeded 3,000 staff hours. These staff agencies will bear the cost of contributing to the activities of the task force.

The fiscal impact assumes roughly a similar effort in 2011 as in 2010.

SIGNIFICANT ISSUES

From DFA's 2010 FIR:

“New Mexico state government does not have sufficient resources to provide existing services at

current levels, given the continued decline in available revenues. During this budget crisis the state has an unprecedented opportunity to make the state more efficient through the elimination of redundancy. The economic downturn has negatively impacted states previously strong revenues.”

“It is time to examine all state services – both new and old – as well as the cost and method of delivering those services. It is critical to use the state's limited resources efficiently and effectively to provide critical services in areas of public safety, health and education.”

“It has become necessary to consider restructuring and reorganizing state agencies and departments, consolidating similar state agencies, department, functions, services, overlapping and duplicative or similar purposes and services.”

“The Government Efficiency Task Force identified potential savings from the restructuring and reorganization of government activities projected to be over \$129 million. However, the details of how to achieve the projected savings are not clear and will require clarification and additional analysis to verify the purported projections.”

“DOT notes that although the bill requires executive agencies to provide information requested by the task force, it does not provide the agencies an opportunity to comment upon or otherwise give meaningful input regarding the findings or final report of the task force. Other than the Secretary of the DFA, only members of the legislature and general public are on the task force; no state agencies are included in its composition. If representative agencies were included as members of the task force, those agencies would be able to provide meaningful input to assist the task force in its mandate to study the current resources of the

state’s agencies, programs, services, funding and policies and the public needs served by them.”

ADMINISTRATIVE IMPLICATIONS

Three legislative agencies – LFC, LESC and LCS – will provide the bulk of staff effort for the 2011 GRTF. No appropriation has been provided so the agencies will staff the 2011 GRTF with current resources. DFA is the only executive agency required to provide data and staff resources. Although this effort will be accomplished by current staff, there may be other administrative duties that will be affected by this bill’s requirements.

OTHER SUBSTANTIVE ISSUES

In last year’s review, SPO noted the following:

“A similar study was just completed by the Committee on Government Efficiency. Their report titled *Recommendations of Improving Government Efficiency* was presented to Governor Richardson on January 14, 2010. In addition to reorganizing/restructuring government functions, the committee also made recommendations to modify the public school and higher education funding formula. The total potential savings from these items is projected to be over \$129 million. The committee also recommended an evaluation of the following:

- Aligning the Medicaid Benefit Plan more closely to private and other public plans.
- Reducing the number of institutions of higher education.
- Developing specific funding formulas for two year colleges, regional universities and research universities.
- Reducing the number of school districts.
- Further consolidating cabinet departments to increase efficiency and enhance management and control.
- Improving management of state assets, such as state owned buildings.
- Improving information technology and telecommunications, to include consolidation of support activities.
- Closing and/or consolidating field offices and/or co-locate government offices.
- Improving management of federal funds allocated to New Mexico.
- Modifying and/or incorporating the Training and Education factor into the Three Tier Salary system

The 2010 GRTF discussed many of these items, but were unable to reach consensus over recommending efficiencies in the areas named. The 2011 GRTF might be able to bring a few more of these recommendations to the fore.

ALTERNATIVES

For this phase of the GRTF project, consider adding other executive agency heads or designees, including representatives from HED, PED, Reg and Lic and TRD.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The enormous effort of the 2010 GRTF may be obviated and tentative results not maintained.

LG/ bym