

REPORT TO GOVERNOR BILL RICHARDSON

**RECOMMENDATIONS OF IMPROVING GOVERNMENT
EFFICIENCY**

BY

COMMITTEE ON GOVERNMENT EFFICIENCY

January 14, 2010

INTRODUCTION

On December 4, 2009, Governor Bill Richardson appointed a Committee on Government Efficiency, asking them for recommendations on efficiency measures that could be taken in the 2010 Legislative session which would reduce governmental expenditures by at least \$50 million. Members of the Committee include:

Garrey Carruthers, Chairman and former Governor of New Mexico

Dan Lopez, former Secretary of DFA

Willard Lewis, former Secretary of DFA

Chris Krahling, architect of the government reorganization in the Apodaca Administration,

David Harris, former Secretary of DFA,

John Gasparich, former DFA Budget Director

Katherine Miller, current Secretary of DFA

The committee was ably staffed by Dannette Burch and Stephanie Lenhart from the Department of Finance and Administration; Dr. Jim Peach, Dr. Tony Popp, Leo Delgado and Sharon Jones from the Arrowhead Center at New Mexico State University; and Peter Winograd of the Governor's office. Sandy Perez and Reese Fullerton of the Personnel Office were substantial contributors to the Committee's review of personnel cost savings resulting from recommended mergers and consolidations of agencies.

The relatively short time frame, from the appointment of the committee until the report was to be issued to the Governor, allowed the Committee to evaluate and identify "the low hanging fruit" but the Committee could not undertake an in-depth analysis of an overall restructuring of New Mexico government.

The committee reviewed the report from the Apodaca Administration and using this as a guide established the following criteria for evaluating cost saving opportunities:

- The amount of money to be saved if adopted
- Ease and timing of implementation
- Mandatory obligations
- Economic impact of implementing change
- Span of control and agency size
- Better alignment with corresponding/related federal agencies

The Governor's Office and the Department of Finance and Administration surveyed state government officials for their recommendations for cost savings and these findings were used to support several of the recommendations of the Committee.

The Arrowhead Center staff compared New Mexico State Government employment per thousand population by category to evaluate if our government was the "right size" as compared to surrounding states (see Appendix A). While the analyst warn that full interpretation of these 2008 data require a much more in depth analysis as compared to Arizona, California, Colorado, Oklahoma, Texas, and Utah, there are some noteworthy observations:

1. New Mexico has a substantially higher number of FTE employees per thousand population (24.50) than any of these states and much higher than the United States average of 14.30.
2. With the exception of New Mexico and Oklahoma, the trend in employment per thousand population has trended down from 2000 to 2008. Some of the downtrend in some states may be attributed to outsourcing prison services.
3. New Mexico appears to have relatively high non instructional employment in higher education per thousand population (7.30) relative to other states and the U.S. average (3.60). Arizona has 2.80 employees in this category. The top of mind interpretation is that this is the result of New Mexico having a far greater number of higher educational institutions than Arizona.
4. New Mexico has slightly higher employment in corrections than in surrounding states and relative to the U.S. average but the magnitude of the gap in not as great as in higher education or overall employment.
5. New Mexico also has relatively high employment per thousand population in state supported hospitals.

These data suggest a definite need to research why New Mexico has a relatively high state employment per thousand population, relative to the U.S. average or surrounding States.

The committee met three times to discuss recommendations and all members were present at each meeting.

RECOMMENDATIONS

Governmental Reorganization

1. Merge the Higher Education Department into the Public Education Department and return the finance component to the Department of Finance and Administration.
 - Exempt personnel cost savings, including benefits \$ 756,200
 - Other potential savings – all sources* \$1,101,000
 - Size of the merged department 370
2. Establish a Department of Commerce by merging Economic Development, Workforce Solutions, Tourism, Regulation and Licensing, Workers Compensation, Border Authority, and Space Port Authority.
 - Exempt personnel cost savings, including benefits \$2,621,800
 - Other potential savings – all sources \$1,689,600
 - Size of merged department 1200
3. Merge Aging and Long Term Services Department into the Human Services Department.
 - Exempt personnel cost savings, including benefits \$ 431,800
 - Other potential savings - all sources \$ 1,101,000
 - Size of merged department 2450
4. Transfer function of the Health Policy Commission to the Department of Health.
 - Personnel cost savings \$ 500,000
5. Merge Homeland Security into the Department of Public Safety.
 - Exempt personnel cost savings, including benefits \$ 131,200
 - Other potential savings - all sources \$1, 101,000
 - Size of merged department 1375
6. Establish a Department of Natural Resources and Environment by merging Energy, Minerals, and Natural Resources, Environment, and Natural Resource Trustee functions.
 - Exempt personnel cost savings, including benefits \$ 536,300
 - Other potential savings - all sources \$ 950,400
 - Size of merged department 1200

**Other Potential Savings are estimates requiring much more analysis as circumstances vary among departments with regard to current efficiency and redundancy of positions.*

7. Eliminate the following boards and commissions as they may have outlived their original purpose, no longer active or effective, and require administrative oversight attention.

- Natural Resource Revenue Recovery Task Force
- Crime Stoppers Advisory Council
- Search and Rescue Review Board
- Storage Tank Committee
- Emergency Medical Services Task Force
- Local Growth Management Organization
- Governor's Finance Council
- Governor's Prison Reform Task Force
- Nutrition and Dietetic Board
- Interior Design Board
- Fair and Equal Pay for all New Mexicans Initiative
- Intertribal Ceremonial Board
- County Maternal and Child Health Councils
- Women's Health Advisory Council
- Governor's Blue Ribbon Water Task Force
- Water Cabinet
- Green Jobs Council
- Acequia Commission
- County Maternal and Child Health Councils

Estimated general fund savings

\$ 148,400

8. Consolidate boards and commissions with overlapping or similar purposes and align membership with proposed agency restructuring.

- Consolidate OSHA Review Board and Water Quality Control Commission into the Environmental Improvement Board
- The Economic Development Commission would encompass the Border Authority, Film Commission, Sports Authority, Sports Advisor, Athletic Commission, Tourism Board, Bicycle Racing Commission, Main Street Revolving Loan Committee, Tribal Economic Development Task Force and Small Business Regulatory Advisory Commission
- Combine State Parks Board and Recreational Trails Advisory Board
- Combine Coal Surface Mining Commission and Mining Commission
- Incorporate Tribal DWI Task Force and DWI Grant Council into the Traffic Safety Bureau Advisory Committee
- Establish a Medical Board to include osteopathy, nursing, pharmacy, dental, chiropractic, acupuncture, massage, naprapathy, optometry, physical therapy, podiatry, and respiratory
- Establish a Mental Health Board by vesting rule making in Regulation and Licensing and combining counseling and therapy, occupational therapy, psychology, and social work

- Combine Animal Sheltering and Veterinary Board
 - Combine Athletic Trainer Practice Board with Physical Therapy Board
 - Combine Landscape Architects with Board of Examiners for Architects
 - Combine Real Estate Appraiser Board with Real Estate Commission
 - Transfer Drought Task Force to State Engineer
 - Transfer Organic Commodity Commission to the Department of Agriculture
 - Combine Martin Luther King Commission and Office of African American Affairs
- Estimated Savings \$ 535,500

TOTAL SAVINGS FROM REORGANIZATIONS **\$11,604,200**

Medicaid Benefit Changes

1. Implement Personal Care Option Waiver
 - State Savings – low range \$18,653,000
 2. Increase State Coverage Insurance Premiums
 - State Savings- low range \$35,310,000
 3. Move to generics for some pharmacy
 - State Savings- low range \$ 9,114,000
- TOTAL GENERAL FUND MEDICAID SAVINGS** **\$63,077,000**

Modification of Public School Funding

1. Remove small school size and small district size incentives from the public school funding formula and encourage the use of regional cooperatives for overhead services.
 - Potential savings \$20,000,000
 2. Reduce the unit value for seniors in high school to 1.045.
 - Potential savings \$15,700,000
 3. Defer ERA contribution by the State for one year \$11,910,400
- TOTAL SAVINGS FOR PUBLIC EDUCATION** **\$47,610,400**

Higher Education

1. Develop a funding formula for (1) two year colleges, (2) regional universities, and (3) the science universities and/or recognize differences in cost factors within the current funding formula.
 - Savings unknown
2. Transfer workforce development money from the current system to the two year college system and assign the responsibility for workforce development programs solely to two year colleges.
 - Would be a transfer of about \$10,000,000 to two year colleges

3. The Committee recognizes the need to increase tuition at institutions of higher education but made no recommendations on amount.
 4. Defer ERA contribution by the State for one more year. \$ 6,791,300
- TOTAL SAVINGS FROM HIGHER EDUCATION \$ 6,791,300

GRAND TOTAL POTENTIAL SAVINGS **\$129,082,900**

SUMMARY AND RECOMMENDATIONS FOR FUTURE CONSIDERATION OF EFFICIENCY IN STATE GOVERNMENT

The Committee is comfortable, based upon member experience and some limited analysis, in recommending to the Governor and the Legislature their consideration of the recommended reductions in state government budget. This report, however, is just the beginning of what should be a more careful and analytical evaluation of "right sizing" New Mexico's government to be affordable yet meet the needs of the citizens. Governments tend to expand in both cost and programs in the "good times" and rarely reengineer the enterprise until financial exigencies require. New Mexico is there! The Committee recommends that the Governor's Office and the Legislature cooperatively examine, over the next six months, with proper analysis and professional advice, the prospect of reengineering State Government to meet modern times and conditions. It would seem imperative to better align our state employee per thousand population to the levels of peer states.

Specifically, the Committee recommends 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 committee stands ready to be of assistance should the Governor and Legislature decide to undertake a more complete analysis of government efficiency in New Mexico.