PERFORMANCE REPORT CARD
General Services Department
Third Quarter, Fiscal Year 2022

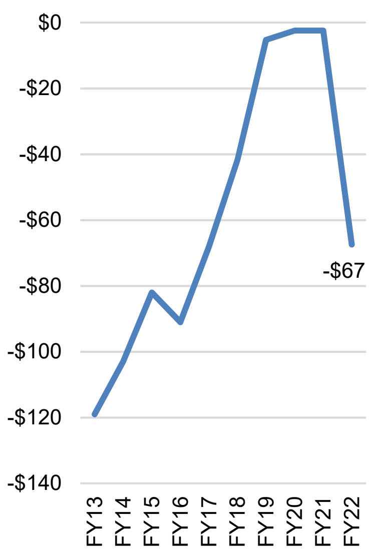
ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	No
Responsibility assigned?	No

Operations of the General Services Department (GSD) continue to be affected by the Covid-19 pandemic, from volatility in health insurance claims payments to the ability of the agency to conduct scheduled preventive maintenance at state facilities. Troublingly, the department reports a mounting deficit in the agency's largest program, Employee Group Health Benefits. Performance data indicate medical expenses are increasing faster than projected while premiums have not increased to match expenses to revenues. Under these conditions, the department will be challenged to contain costs in FY22. Improved health benefits performance reporting is vital to provide insight into cost drivers, care quality, and employee satisfaction with the benefits offered.

In some cases the department indicated it was development improvement action plans; however, the details of the plans are not yet available.

Net Position of Major Risk Funds
(in millions)



Source: GSD and LFC Files

Risk Management Funds

The financial position of a fund is determined by dividing the current assets by the current liabilities. Overall, the financial position of the three funds is only 55 percent, with projected assets short of projected liabilities by $67 million. In FY21, assets were short of liabilities by only $2 million and in the second quarter assets were short of liabilities by $40 million. Although all funds remain above the 50 percent target, this represents a significant pullback in a single year, warranting additional monitoring. Changes were driven mostly by the public liability fund, with a reduction in projected assets of $23.1 million and an increase in projected liabilities of $16.4 million versus FY21. The department has said they are developing an improvement action plan for the public liability fund, but deadlines for plan delivery have not been provided.

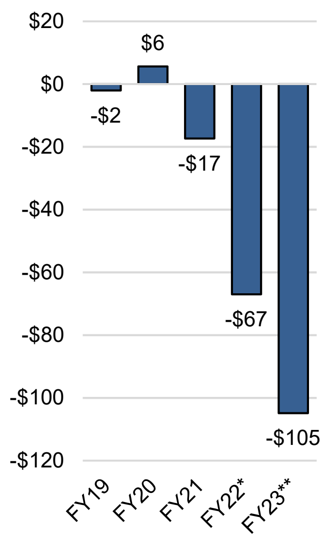
Budget: $100,427.9 **FTE:** 0.0	**FY20 Actual**	**FY21 Actual**	**FY22 Target**	**FY22 Q1**	**FY22 Q2**	**FY22 Q3**	**Rating**
Projected financial position of the public property fund*	736%	523%	N/A	379%	463%	451%	G
Projected financial position of the workers' compensation fund*	60%	61%	N/A	54%	60%	60%	G
Projected financial position of the public liability fund*	103%	112%	N/A	73%	62%	58%	Y
Program Rating	G	G					Y

*Measure is classified as explanatory and does not have a target.

Group Health Benefits

Despite provisions of state law designed to prevent agencies from spending without available funds (see Section 6-5-6 NMSA 1978), the Employee Group Health Benefits Program has been operating at a deficit. LFC analysis indicates, given current spending patterns and rates, the fund could end FY23 with a deficit of more than $100 million. Despite persistent shortfalls, the department has not increased health insurance rates for participating employees resulting in mounting shortfalls. Although the Legislature authorized a 5 percent rate increase for FY23, the governor vetoed funding for the increase, stating there would be no premium increase for FY23. In FY22, the Legislature authorized $25 million in nonrecurring appropriations to stabilize the fund, but despite this intervention GSD projects shortfalls will grow.

Health Benefits Fund Balance
(in millions)



*Projected; includes $25 million in special appropriations
**Projected by LFC; assumes FY22 expenditure and no rate increase
Source: GSD

While the Covid-19 pandemic initially reduced program costs per-member, per-month (PMPM), easing restrictions resulted in increasing PMPM costs in FY21. For FY22 PMPM costs spiked in the second quarter, as members met their annual deductible and dropped in the third quarter as members picked up a larger share of costs. The financial position of the health benefits fund makes cost containment an even more pressing concern; however, a cost containment strategy alone will not enable the department to close the funding gap in the absence of rate increases.

Budget: $419,936.0 **FTE:** 0.0	FY20 Actual	FY21 Actual	FY22 Target	FY22 Q1	FY22 Q2	FY22 Q3	Rating
Change in average per member per month total healthcare cost	-2.5%	5.9%	<5%	7.3%	23.1%	-13%	G
Year-end fund balance of the health benefits fund, in millions*	NEW	-$17.3	N/A	-$24.9	-$35.3	-$67	R
Annual loss ratio for the health benefits fund	NEW	NEW	98%		Annual		
State group prescriptions filled with generic drugs	87.2%	86.5%	80%	87%	87%	87%	G
Percent of available appointments filled at the stay well health center*	NEW	50%	N/A	90%	87%	86%	G
Percent of eligible state employees purchasing state medical insurance*	NEW	81%	N/A		Annual		
Rate per one thousand members of emergency department use categorized as non-emergent*	NEW	21.8	N/A	24.4	33	12.9	
Program Rating	G	R					R

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Facilities Management

The Facilities Management Division (FMD) is responsible for maintaining 6.8 million square feet of state-owned and leased space. Recently, GSD has prioritized moving employees from leased space to state-owned facilities; however, the state continues to lease 2.5 million square feet of private space. Efforts to consolidate state agencies and reduce leased space have been hampered by uncertainty about the future space needs of the state workforce, with space occupied on a daily basis reduced due to telework. Specifically, the lack of a consolidated set of criteria governing telework eligibility led to agencies pursuing differing strategies resulting in inconsistencies in estimated amount of space needed to house staff.

FY22 Leased and State-Owned Office Space by Square Foot and FTE

Department	Leased Space	Rent	State-Owned Space	State-owned Space Per FTE (Target 215)	Total Space
Human Services Department	716,989	17,045,290	61,456	325	778,445
Children, Youth & Families Department	419,432	8,593,213	282,759	361	702,191
Department of Health	274,835	4,315,346	245,776	180	520,611
Corrections Department*	73,273	1,386,037	299,424		372,697
Taxation and Revenue Department	184,566	4,239,764	149,838	289	334,404
Department of Environment	120,490	2,273,294	70,975	343	191,465
Workforce Solutions Department	25,163	475,187	162,160	375	187,323
Department of Public Safety	63,007	516,839	64,858	511	127,865
State Engineer	63,251	924,009	50,706	268	113,957
Regulation and Licensing Department	24,188	392,655	65,687	205	89,875
Total	**1,965,193**	**40,161,634**	**1,453,639**	**279**	**3,418,832**

FMD reports less than half of scheduled preventive maintenance activities were completed on time. The division reports long wait times for materials to complete projects; although the department report capital projects are mostly completed on time. The department declined to provide information on the number of new leases meeting space standards and the amount of utility savings from green energy initiatives. The department points out only a small number of leases are completed each quarter, making it more appropriate to judge these on an annual, rather than quarterly basis. Additionally, performance contracts for green energy savings are based on annual, rather than quarterly amounts. In August 2019, FMD began a $32 million project to reduce energy use in state facilities, estimated to save at least $1.4 million per year, with guaranteed savings of $1.1 million. Data from prior quarters indicate the project has not yet produced promised cost savings.

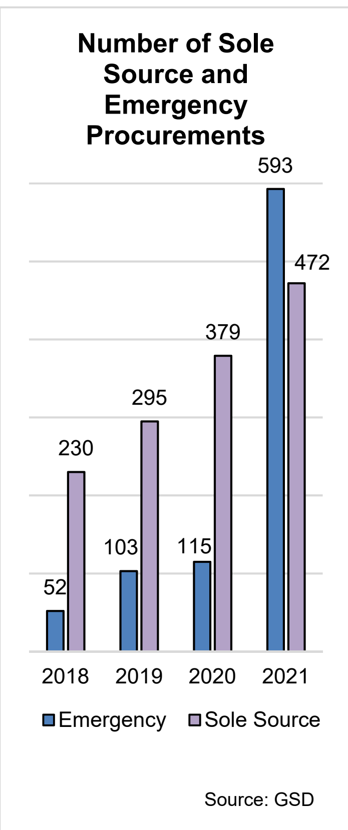
Several agencies have recently located to new facilities in Santa Fe, which was not considered by the Legislature during the FY23 budget process. FMD should consider developing a strategy for effectively utilizing state facilities in Santa Fe.

Budget: $15,481.2 **FTE:** 148	FY20 Actual	FY21 Actual	FY22 Target	FY22 Q1	FY22 Q2	FY22 Q3	Rating
Capital projects completed on schedule	96%	88%	90%	95%	90%	91%	G
Preventive maintenance completed on time	75%	48%	80%	56%	86%	41.5%	R
New office leases meeting space standards	93%	100%	85%	80%	50%	NR	
Amount of utility savings resulting from green energy initiatives, in thousands*	NEW	$281.4	N/A	$31.5	$42.3	NR	
Program Rating	G	Y					Y

*Measure is classified as explanatory and does not have a target.

State Purchasing

The program reports all 76 executive agencies had designated chief procurement officers in the second quarter and stated 98 of 119 procurements submitted to the program for approval were completed within the target timeframe. Additionally, the program met the target for timely contract review. Improvement in the measure for receiving payments from vendor sale are the result of measurement changes. The department typically reported poor performance due to misalignment of payment deadlines and quarterly reporting deadlines. Department staff indicate 90 percent receipt rate is more typical of collection rates.



Budget: $2,298.2 **FTE:** 29	FY20 Actual	FY21 Actual	FY22 Target	FY22 Q1	FY22 Q2	FY22 Q3	Rating
Agencies with certified procurement officers	92%	95%	90%	99%	99%	100%	G
Procurements completed within targeted timeframes	NEW	NEW	80%	100%	90%	82%	G
Revenue generated through pricelist purchases, in thousands*	NEW	$2,988	N/A		Annual		
Percent of estimated payments received from vendor sales	NEW	NEW	80%	31%	21%	90%	G
Percent of invitations to bid awarded in 90 days of assignment	100%	64%	90%	80%	100%	100%	G
Average number of days for completion of contract review	NEW	8.1	<5	5	4.7	3.1	G
Program Rating	Y	G					G

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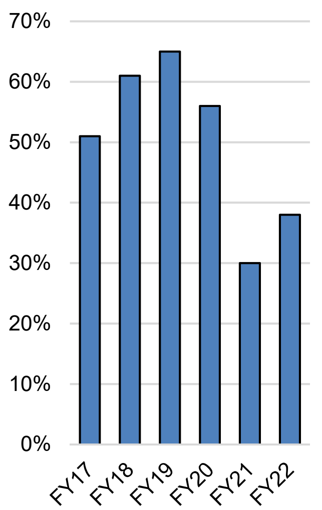
Vehicles Used 750 Miles per Month, or Used Daily



Source: GSD

Transportation Services

Although the Legislature recently appropriated $1.3 million for GSD to replace state vehicles, agencies continue to underutilize vehicles, with only 37 percent of leased vehicles being used daily or for at least 750 miles per month. Although the agency states daily vehicle use will increase as state government begins to return to normal business operations, the agency may need to consider the impact of increased telework arrangements, which have the potential to permanently alter normal business operations. Additionally, even prior to pandemic-induced stay-at-home orders, vehicle use was below the 70 percent target level. While the program has typically been rated yellow because of Covid-related restrictions outside of agency control, the rating has been changed to red to highlight the need for a plan to improve performance.

Budget: $9,426.5 **FTE:** 31	**FY20 Actual**	**FY21 Actual**	**FY22 Target**	**FY22 Q1**	**FY22 Q2**	**FY22 Q3**	**Rating**
Vehicle operational cost per mile	$0.48	$0.49	$0.59		Annual		
Vehicles used 750 miles per month	56%	30%	70%	39%	38%	37%	R
Program Rating	Y	Y					R

State Printing

The State Printing Program reported recovery in sales from the downturn caused by the Covid-19 pandemic, with revenue exceeding expenditures for the first time since the start of the pandemic. Although on a yearly basis the division continues to run a deficit, sales growth of 68 percent is an encouraging sign, although sales typically peak in the third quarter due to printing for the legislative session. The division continues to perform well, with all printing jobs delivered on time in the third quarter.

Budget: $2,038.9 **FTE:** 9	**FY20 Actual**	**FY21 Actual**	**FY22 Target**	**FY22 Q1**	**FY22 Q2**	**FY22 Q3**	**Rating**
Revenue exceeding expenditures	5%	-0.6%	5%	-76%	-34%	10%	G
Percent of printing jobs delivered on time	99%	100%	99%	100%	100%	100%	G
Sales growth in revenue	8.6%	-11%	20%	-42%	34%	68%	G
Program Rating	Y	Y					G