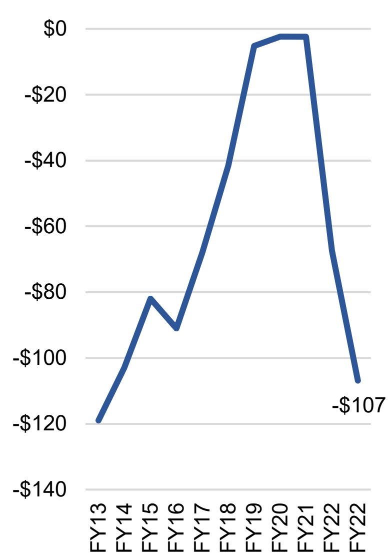
PERFORMANCE REPORT CARD
General Services Department
Second Quarter, Fiscal Year 2023

NEW MEXICO LEGISLATIVE FINANCE COMMITTEE

ACTION PLAN

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

Net Position of Major Risk Funds (in millions)



Source: GSD and LFC Files

The General Services Department (GSD) continues to report a mounting deficit in the agency's largest program, employee group health benefits. Performance data indicate medical expenses are increasing while premiums have not increased to match expenses to revenues. Under these conditions, the department will be challenged to contain costs in FY23. Improved health benefits performance reporting is vital to provide insight into cost drivers, care quality, and employee satisfaction with the benefits offered.

Risk Management Funds

The department's Risk Management Division oversees the state's share risk pools, including the public property fund, the workers compensation fund, and the public liability fund. Overall, the financial position of the three funds, determined by dividing the current assets by the current liabilities, is 42 percent, down from 56 percent in the first quarter. Projected assets are short of projected liabilities by $107 million. In FY21, assets were short of liabilities by only $2 million and in FY22, assets were short of liabilities by $67 million. The public property fund remains above the 50 percent target, and the workers' compensation fund remains only slightly below the target. Changes were driven mostly by the public liability fund, with projected liabilities of $105 million on assets of $27 million, or only 26 percent.

Budget: $102,700.7 **FTE:** 0	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Projected financial position of the public property fund*	523%	443%		225%	229%		G
Projected financial position of the workers compensation fund*	61%	60%		69%	50%		Y
Projected financial position of the public liability fund*	112%	66%		33%	26%		R
Program Rating	G	G		Y			Y

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

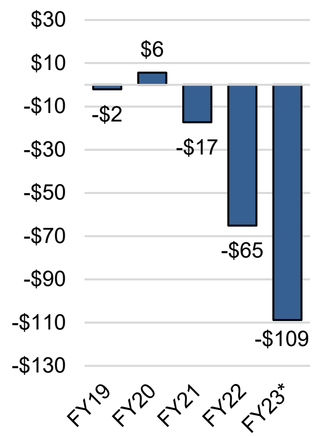
Group Health Benefits

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 since FY21. As a result, the Legislature appropriated $96 million to resolve deficits in the fund, including $35 million from the general fund. At time of budget submission, the department was projecting the $96 million would fully cover fund deficits. However, the department now projects a FY23 year end fund deficit of $109 million, not counting the appropriation.

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. For FY24, the Legislature included funding for a 10 percent rate increase, although the governor vetoed the requirement to raise rates for FY24.

The department reports per-member-per-month increase in healthcare costs of 13 percent. 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.

Health Benefits Fund Balance
(in millions)



*Projected

Source: GSD

Budget: $421,493.3 **FTE:** 0	**FY21 Actual**	**FY22 Actual**	**FY23 Target**	**FY23 Q1**	**FY23 Q2**	**FY23 Q3**	**Rating**
Change in average per-member-per month total healthcare cost	5.9%	5%	5%	-6%	13.8%		G
Year-end fund balance of the health benefits fund, in millions*	-$17.3	$-65.1	N/A	$-94.3	$-108.8		R
Annual loss ratio for the health benefits fund	NEW	-118%	98%		Annual Measure		
State group prescriptions filled with generic drugs	86.5%	87%	80%	86.2%	82.5%		G
Number of visits to the Stay Well Health Center*	6,248	4,540	N/A	1,691	2,155		Y
Percent of available appointments filled at the Stay Well Health Center*	50%	81%	N/A	62%	73%		R
Percent of eligible state employees purchasing state medical insurance*	81%	80%	N/A		Annual Measure		
Program Rating	R	R		R			R

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

Facilities Management

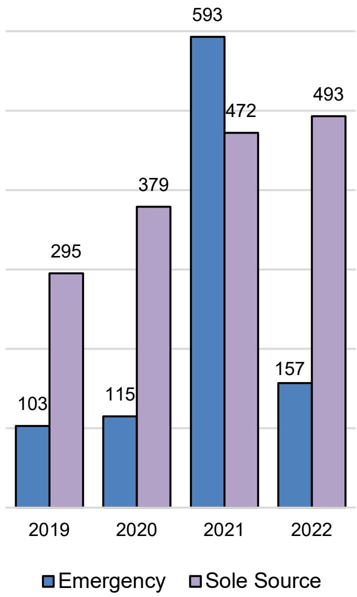
The Facilities Management Division (FMD) is responsible for maintaining 6.8 million square feet of state-owned and leased space. Recently, GSD prioritized moving employees from leased space to state-owned facilities as a cost savings measure; however, the state continues to lease 2.5 million square feet of private space. FMD reports only 74 percent of scheduled preventive maintenance activities were completed on time and only 80 percent of capital projects were completed on schedule. The division reports long wait times for materials to complete projects.

The department reports 100 percent of office leases met adopted space standards; however the department continues to exclude certain leases from this calculation. In the second quarter, the department excluded all six of the leases processed. Routine exclusion of leases from the performance data negates the usefulness of this performance measure.

The state has yet to realize projected cost savings from the green energy initiatives, with the department reporting $85 thousand in energy savings in FY22. 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.

Budget: $2,692.9 **FTE:** 28	**FY21 Actual**	**FY22 Actual**	**FY23 Target**	**FY23 Q1**	**FY23 Q2**	**FY23 Q3**	**Rating**
Capital projects completed on schedule	88%	93%	90%	91%	79.5%		R
Preventtive maintenance completed on time	48%	59%	80%	34.7%	73.5%		R
New office leases meeting space standards	100%	100%	85%		See Narrative		

Number of Sole Source and Emergency Procurements



	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Amount of utility savings resulting from green energy initiatives, in thousands*	$281.4	$85	N/A	$102.7	$62.2		R
Program Rating	R	Y		Y			R

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

State Purchasing

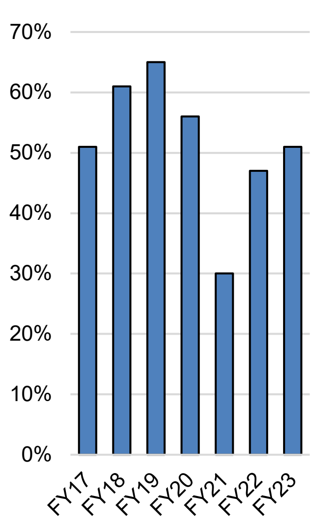
The program reports all 77 executive agencies had designated chief procurement officers, and the agency met targets for procurement completion and timely contract review, sustaining improvement gained in FY22. The department reported an uptick in revenue received from pricelist purchases, rising from $3 million in FY21 to $3.8 million in FY22, a 27 percent increase, pointing to a rise in the number of agencies using price lists for procurement. Year-to-date, the purchasing division has collected $3.5 million in revenue, according to information from the state's accounting system.

In the 2023 session, the LFC-endorsed Senate Bill 76 proposed several changes to the Procurement Code as recommended by past LFC evaluations. These included repealing some widely used purchasing exemptions that circumvent competition and adding guardrails to the use of statewide price agreements. The bill received one hearing but no votes, and the recommended Procurement Code changes remain unaddressed.

Budget: $2,692.9 **FTE:** 28	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Agencies with certified procurement officers	95%	100%	100%	100%	100%		G
Procurements completed within targeted timeframes	NEW	88.5%	100%	94%	100%		G
Revenue generated through pricelist purchases, in thousands*	$2,988	$3,803	N/A		Annual Measure		
Percent of estimated payments from vendor sales	NEW	99%	80%	66.6%	99.9%		G
Average number of days for completion of contract review	8.1	4	5	3.4	3.1		G
Program Rating	G	G		G			G

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

Vehicles Used 750 Miles per Month, or Used Daily



Source: GSD

Transportation Services

State agencies continue to underutilize vehicles, with only 51 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 returns to normal business operations. However, even prior to the shift in state government operations to remote work, vehicle use was below the 70 percent target level.

Budget: $9,874.5 **FTE:** 31	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Percent of leased vehicles used for 750 miles per month or are used daily	30%	47%	70%	48%	51%		R
Average vehicle operation costs per mile*	$0.49	$0.55	$.59		Annual Measure		
Program Rating	Y	R					R

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

State Printing

The State Printing Program reported recovery in sales from the downturn caused by the Covid-19 pandemic, with revenue exceeding expenditures in FY22. Sales typically peak in the second and third quarters because the program completes print jobs related to the legislative session. The division continues to perform well, with all printing jobs delivered on time in the second quarter.

Budget: $2,045.4 **FTE:** 9	FY21 Actual	FY22 Actual	FY23 Target	FY23 Q1	FY23 Q2	FY23 Q3	Rating
Revenue exceeding expenditures	-0.6%	21%	5%		Annual Measure		
Percent of printing jobs delivered on time	100%	100%	99%	100%	100%		G
Sales growth in revenue	-11%	-2%	10%	2%	24%		G
Program Rating	Y	G		G			G