PERFORMANCE REPORT CARD: Fourth Quarter, FY23

General Services Department

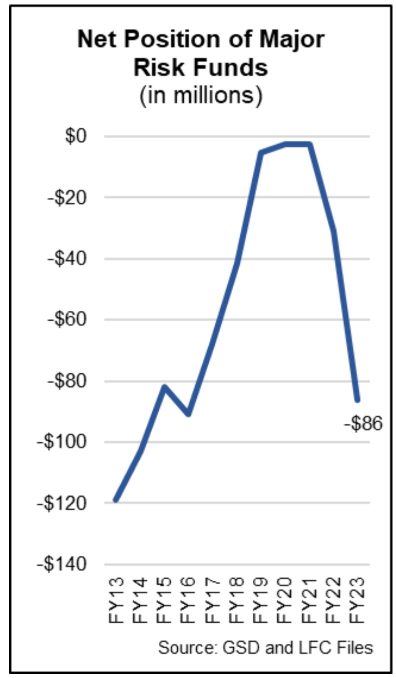
The General Services Department (GSD) continues to report a deficit in the agency's largest program, employee group health benefits, despite sizeable one-time transfers to stabilize the fund. Performance data indicate medical expenses are increasing while premiums have not increased to match expenses to revenues. For FY25, group health benefits will transfer to the newly created Health Care Authority Department, which will need to address continued deficits in the program.

ACTION PLAN

Submitted by agency?	Yes
Timeline assigned?	Yes
Responsibility assigned?	Yes

Risk Management Funds

The department's Risk Management Division oversees the state's shared 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 54 percent, down from 78 percent at the end of FY22. Projected assets are short of projected liabilities by $86 million. In FY21, assets were short of liabilities by only $2 million, and in FY22, assets were short of liabilities by $31 million. The public property fund remains well above the 50 percent target, and the workers' compensation fund remains slightly above target. Changes were driven mostly by the public liability fund, with projected liabilities of $105 million on assets of $43.9 million, or only 44 percent.



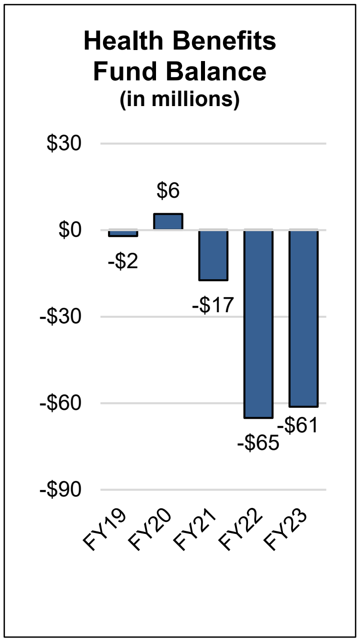
Budget: $102,700.7 **FTE: 0**

	FY21 Actual	FY22 Actual	F23 Target	F23 Actual	Rating
Projected financial position of the public property fund*	523%	443%		215%	G
Projected financial position of the workers compensation fund*	61%	60%		56%	Y
Projected financial position of the public liability fund*	112%	66%		42%	R
Program Rating	G	G			Y

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

Group Health Benefits Fund

The Risk Management Division of GSD operates a self-insured group health benefits pool, providing health coverage to employees of the state, local governments, and some higher education institutions. Despite provisions of state law designed to prevent agencies from spending without available funds (Section 6-5-6 NMSA 1978), the employee group health benefits program has been operating at a deficit since FY21. For several years, the department did not increase health insurance rates for participating employees, resulting in mounting shortfalls. To mitigate these shortfalls, the Legislature allocated $34.5 million from the general fund to cover the costs of general-fund-covered employees, contingent on the department instituting a special assessment to cover for non-general fund-covered employees. In total, GSD collected $57 million to offset the



deficits. For FY24, the Legislature included funding for a 10 percent rate increase, which went into effect in July for state employees and will go into effect in January for local government and higher education employees.

GSD reports per-member-per-month cost increases averaged 3 percent in FY23, lower than national trends and the trends for other public funds, which points to the extent current defects have been caused by rate decisions rather than increases in costs. A cost-containment strategy alone will not enable the department to close the funding gap in the absence of rate increases that recognize the true costs of the current plan.

Additionally, the percentage of workers purchasing health coverage continues to fall—from 81 percent in FY21 to 79 percent in FY23. Participation could continue to fall as premiums increase to recognize costs, with most of the losses likely to come from relatively healthy and lower cost individuals. The state may need to consider health plan alternatives, such as high deductible plans, which other public employers have used to moderate premium costs.

Budget: $421,493.3 **FTE:** 0

	FY21 Actual	FY22 Actual	FY23 Target	FY23 Actual	Rating
Change in average per-member-per-month total healthcare costs	5.9%	5%	5%	3%	G
Annual loss ratio for the health benefits fund	NEW	118%		118%	R
State group prescriptions filled with generic drugs	86.5%	87%	80%	83.6%	G
Number of visits to the Stay Well Health Center*	6,248	4,540		7,375	
Percent of eligible state employees purchasing state medical insurance*	81%	80%		78.5%	R
Year-end fund balance of the health benefits fund, in millions*	-$17.3	$-65.1	N/A	$-61.2	R
Program Rating	R	R			G

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

Stay Well Health Center

Employees on the group health benefits plan have access to the Stay Well Health Center for some basic healthcare services, including health screenings, physicals, and treatment for minor injuries. GSD currently contracts with Proactive MD to operate the clinic, with total payments in FY23 of $2.2 million, or about $300 per visit. GSD reported an uptick in the number of visits, but the facility continues to be underutilized. The department reports only 22 percent of available appointments were filled in FY23.

Facilities Management

The Facilities Management Division (FMD) is responsible for maintaining 6.8 million square feet of state-owned and leased space. FMD reports only 70 percent of scheduled preventive maintenance activities were completed on time due to a lack of maintenance staff. On-time completion of capital projects also fell short of target. The department reports 100 percent of office leases met adopted space standards; however, the department continues to exclude certain leases from this calculation. For example, in the fourth quarter, the department excluded seven of the 17 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. The department reports year-to-date savings of $240 thousand.

Budget: $17,380.9 **FTE:** 148

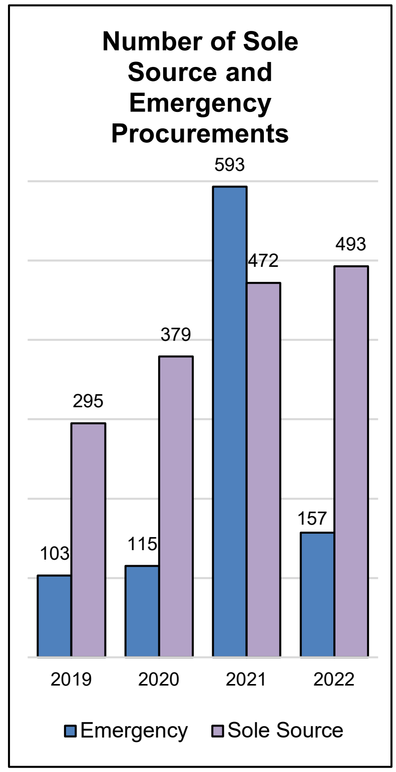
	FY21 Actual	FY22 Actual	F23 Target	F23 Actual	Rating
Capital projects completed on schedule	88%	93%	90%	87%	Y
Preventive maintenance completed on time	48%	59%	80%	70%	R
New office leases meeting space standards	100%	100%	85%		
Amount of utility savings resulting from green energy initiatives, in thousands*	$281.4	$85		$-38.2	R
Program Rating	Y	R			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, and $4.6 million in FY23, pointing to a rise in the number of agencies using price lists for procurement. State agencies have increased their reliance on price agreements for purchasing services: monthly reports from the GSD's Contracts Review Bureau show a quarter of professional services contracts valued at more than $500 thousand were purchased using a price agreement rather than through a competitive proposal.

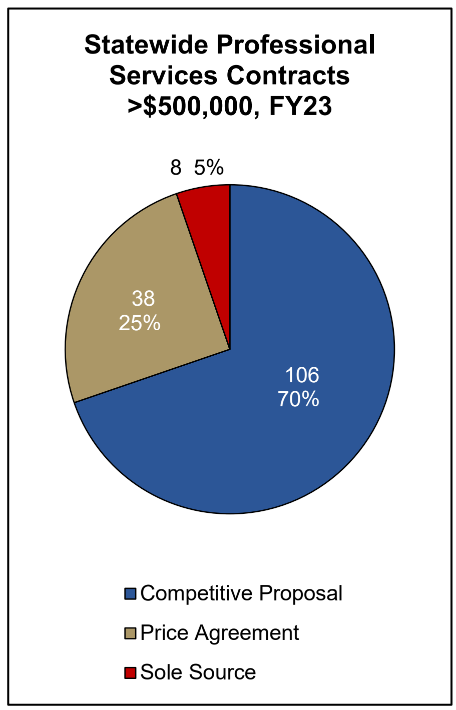
In the 2023 session, the LFC-endorsed Senate Bill 76 proposed several changes to the Procurement Code as recommended by past LFC evaluations. These included repealing some widely used purchasing exemptions that circumvent competition and adding guardrails to the use of statewide price agreements. The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



Budget: $2,692.9 **FTE:** 29

	FY21 Actual	FY22 Actual	F23 Target	F23 Actual	Rating
Agencies with certified procurement officers	95%	100%	100%	96%	Y
Procurements completed within targeted timeframes	NEW	88.5%	80%	87%	G
Revenue generated through pricelist purchases, in thousands*	$2,988	$3,803		$4,641	
Percent of estimated payments from vendor sales	NEW	99%	80%	99%	G
Average number of days for completion of contract review	8.1	4	5	3	G
Program Rating	G	G			G

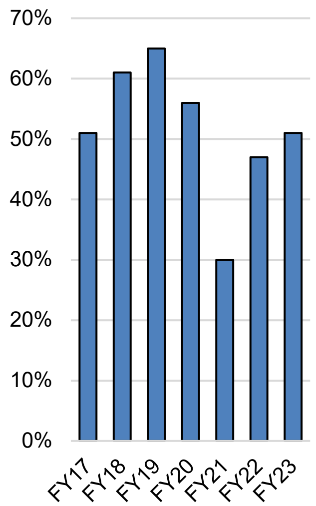
*Measure is classified as explanatory and does not have a target.



Transportation Services

State agencies continue to underutilize vehicles, with only 54 percent of leased vehicles being used daily or for at least 750 miles per month. Although the agency encourages agencies to return leased vehicles that are underutilized, many agencies are reluctant to do so. As an alternative, the department offers agencies short-term (daily) leases to meet their transportation needs.

Vehicles Used 750 Miles per Month, or Used Daily



Source: GSD

Budget: $9,874.5 **FTE:** 31

	FY21 Actual	FY22 Actual	F23 Target	F23 Actual	Rating
Percent of leased vehicles used for 750 miles per month or used daily	30%	47%	70%	54%	R
Average vehicle operation costs per mile*	$0.49	$0.55	$0.59	$0.52	G
Program Rating	Y	R			Y

*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 FY23. Sales typically peak in the second and third quarters because the program completes print jobs related to the legislative session, but the agency has reported an influx of printing jobs late in the fiscal year, suggesting continued sales growth. The division continues to perform well, with all printing jobs delivered on time, even in light of a high division vacancy rate.

Budget: $2,045.4 **FTE:** 9

	FY21 Actual	FY22 Actual	F23 Target	F23 Actual	Rating
Revenue exceeding expenditures	-0.6%	21%	4%	7%	G
Percent of printing jobs delivered on time	100%	100%	99%	100%	G
Sales growth in revenue	-11%	-2%	10%	29%	G
Program Rating	Y	G			G