

Core Services Category: Business and Industry

Study Area: Consolidation and Efficiency

High Level Recommendation: Create a Commerce Department by combining the functions of the Economic Development Department, Tourism Department, and Workforce Solutions Department. In addition, the bill abolishes and transfers certain functions of the Border Authority to the International Trade Bureau of the new Commerce Department.

The Commerce Department will provide administrative support services to several boards, commissions, councils, committees, and administratively attached agencies including the Spaceport Authority, State Fair Commission, and Workers' Compensation Administration.

Problem Statement: Consolidating state agencies and functions that are geared toward increasing the level of commerce within the state may remove duplication, leverage resources, and streamline functions. Consolidation into a unified economic development, tourism, and workforce agency could result in considerable cost savings while at the same time improve accountability and interagency coordination.

Background and Findings: According to research by the Legislative Council Service (LCS):

A 1977 reorganization included a commerce and industry department with the responsibility to ensure stability and encourage growth in New Mexico's economy. The department had a three-fold responsibility: regulation of those commercial enterprises that have a direct impact on the state's economy; promotion of the economic climate to encourage growth in the commercial and industrial sectors; and carrying out economic development planning. The department included the export marketing, economic development, financial institutions, tourism and construction industries division, with the state fair and the state racing commission administratively attached.

The 1978 changes to the department included adding the New Mexico Magazine and mobile house (now manufactured housing) divisions and subsuming tourism under economic development.

In 1983, the commerce and industry department was split into the Regulation and Licensing Department (RLD) and the Economic Development and Tourism Department.

In 1991, the Economic Development and Tourism Department were split into two cabinet departments.

The 2010 Legislature introduced a bill, Senate Bill 242, to reorganize certain departments, into a Commerce Department. The bill proposed to create the Commerce and Economic Development Department by combining the existing Economic Development Department, the Tourism Department, the Regulation and Licensing Department, and the Workforce Solutions Department. The bill also proposed to administratively attach sixteen boards or commissions including; (1) apprenticeship council; (2) athletic commission; (3) border authority; (4) construction industries commission; (5) economic development and tourism commission; (6)

human rights commission; (7) labor and industrial commission; (8) manufactured housing committee; (9) New Mexico-Chihuahua commission; (10) New Mexico-Sonora commission; (11) small business regulatory advisory commission; (12) spaceport authority; (13) state fair commission; (14) state racing commission; (15) workers' compensation administration; and (16) state workforce development board. However, this bill contained a potential span of control issue attributable to the size of the proposed 'super' commerce department and a conflicting mandate to promote job growth, protect employees, and regulate business.

Economic, Tourism, and Workforce Development - Traditionally, economic development policy has focused on attracting new business through incentives and subsidies. However, newer approaches to economic development emphasize community and workforce development and an "open for business climate."

In New Mexico, both the Tourism and Economic Development Departments work to develop policies and strategies to improve the economic well being and quality of life for the citizens of the state. Both departments support existing business, work to attract new businesses, and market and promote the state's assets; however, the Tourism Department (TD) has tended to focus on developing and protecting the leisure and hospitality industry leaving the Economic Development Department (EDD) to focus on all other sectors of the state's economy.

- Essentially, the primary function for both departments is to market and promote the state by creating a "brand" or "image" for the state as a place to visit or do business. However, the departments don't leverage promotional efforts and campaigns to support on another. The tourism "brand" for New Mexico is not consistent with the economic development "brand."
- Until recently, both departments provided cooperative grants to local communities to promote tourism or economic development, and in doing so, each department maintained separate administrative support for this function.
- Even today, the line between these two departments is not so distinct. The Arts and Cultural District Program, administered by the Economic Development Department, works to develop community-based cultural development and art into a sustainable economic event. However, the Arts and Cultural District Program is similar to the Tourism Department's art and cultural tourism promotion.
- A key factor in business recruitment is the quality of the workforce. The Job Training Incentive Program (JTIP) is administered by EDD; however, the federal Workforce Investment Act (WIA) is administered by the Workforce Solutions Department through regional WIA boards. This dual system of state versus federally funded local workforce development is duplicative and wastes administrative expenditures.
- EDD and the Tourism Department do not collect much economic data. Almost all economic research is prepared by the state's colleges and universities while labor market data is prepared by the Workforce Solutions Department.

Fiscal Implications: Compared to the governor's Committee on Government Efficiency report, also known as the Carruthers report, which identified \$4.3 million of potential savings but did not specify the revenue source, analysis of the GRTF proposal identified \$2.1 million of general fund revenues that could be saved by consolidating these three cabinet departments.

General fund savings primarily come from eliminated administrative exempt positions (deputy secretaries, ASD directors, etc) and duplicative positions (executive secretaries, HR staff, purchasing, etc). Analysis identified 44 positions that could be eliminated. Exhibit A1 identifies the number of positions by agency. The analysis is based on the FY11 adjusted operating budget and took into account savings already assumed in the operating budget. The savings for the general fund from the Workforce Solutions Department are smaller than other agencies due to the high percentage of federal funding for WSD programs. This federal funding would flow into the new Commerce Department for the same programs.

Table A1				
Potential Eliminated Positions				
Economic Development Department	Tourism Department	Workforce Solutions Department	Border Authority	Total Eliminated FTE
7.0	15.0	18.0	4.0	44.0

Consolidated Commerce Department Potential General Fund Cost Savings				
Economic Development Department	Tourism Department	Workforce Solutions Department	Border Authority	Total Savings
403.6	1,333.3	139.4	317.3	2,092.9

The nonrecurring cost to consolidate these departments would be minimal. Currently, both EDD and Tourism Departments reside in state owned buildings. The analysis assumes the Border Authority function would likely continue with an office in the southern part of the state.

