

Core Services Category: Fiduciary Responsibility and Best Practices

Study Area: Efficiency

High Level Recommendation: Amend statute to require executive departments to provide administrative and clerical services to some administratively attached agencies, remove language that potentially grants the administratively attached agency total autonomy, and prevent hiring of administrative personnel in those agencies. The bill also makes the Public Defender Department, currently administratively attached to the Corrections Department, an independent (adjunct) agency.

Problem Statement: As currently worded, the Executive Reorganization Act potentially allows administratively attached agencies (agencies) to act completely independent from the "parent" departments (departments). This potentially could lead to an inefficient duplication of resources for administrative functions if agencies hire their own personnel to perform these tasks. In some cases, it may also lead to poor financial management due to a lack of financial expertise. Finally, there appears to be a lack of oversight by the departments.

Background and Findings: Section 9-1-7 NMSA 1978 (Laws 1977, Chapter 248, Section 7) qualifies the relationship for an agency attached to an executive department for administrative purposes (underlines added for emphasis):

- (1) Exercise its functions independently of the department and without approval or control of the department;
- (2) Submit its budgetary requests through the department; and
- (3) Submit reports required of it by law or by the governor through the department.

The statute also qualifies the responsibilities of the department to the attached agency for administrative purposes:

- (1) Provide budgeting, record-keeping and related administrative and clerical assistance to the agency if mutually agreed; and
- (2) Include the agency's budgetary requests as submitted and without changes in the departmental budgets.

Requiring the parent departments to provide administratively attached agencies administrative services could reduce duplication of costs and ensure the financial functions are performed adequately. This analysis does not review attached boards and commissions or other agencies that do not have separate agency codes. Their administrative function is already absorbed in the main agency and so there would be minimal savings if any. Table 2 lists these entities.

Options to Consider:

Option 1: Require the department to provide administrative services to the agency, including all budgetary matters, and prevent the agency from hiring its own administrative staff. Remove the language that allows that agency to exercise its functions independently of the department and without approval or control of the department. Require all attached agencies comply with statute to submit their budgets through the "parent" department.

Option 2: Keep status quo.

Option 3: Implement Option 1 but move those agencies that are sufficiently large enough or specialized enough to the status of being an adjunct agency. An example would be the Public Defender's Department. Better align the agencies with parent departments. An example would be the New Mexico Health Policy Commission from the Department of Finance and Administration to the Health Department.

Table 1 looks at the 16 agencies that are administratively attached, have their own agency code, and potentially would be affected by Options 1 or 3.

Table 1 – Attached Agencies

				POTENTIAL GF SAVINGS		
ATTACHED AGENCY	Administratively Attached To Parent Department	Parent Department Currently Performs Admin Functions	# Agency Admin FTE	Admin Type		Admin ETE Cost (in thousands)
				Budget/HR/IT	Budget/Other	
35500	Public Defender Department	Corrections	No	31	Budget/HR/IT	\$1,344.1
37800	Personnel Board	General Services Department	No	5	Budget/IT	\$299.5
46000	New Mexico State Fair	Tourism	No	12	Budget/HR/IT	\$621.5
46900	State Racing Commission	Tourism	No	2	Budget/Other	\$190.0
49100	Office of Military Base Planning and Support	Economic Development Department	Yes			
49500	Spaceport Authority	Economic Development Department	Yes for budget; agency does own contracting and purchasing.	1	Purchasing/contracts	\$80.0
51600	Department of Game and Fish	Energy, Minerals & Natural Resources	No	N/A	N/A	N/A
52200	Youth Conservation Corps	Energy, Minerals & Natural Resources	Yes			
53800	Intertribal Ceremonial Office	Tourism	No	0	N/A	N/A
60100	Commission on the Status of Women	Human Services	No	1	Budget is funded by GF	\$55.9
60300	Office of African American Affairs	Human Services	Yes for IT but not budget	1	Budget	\$42.4
64500	Governor's Commission on Disability	Department of Finance and Administration	No	2	Budget	\$133.8
66800	Office of the Natural Resources Trustee	Department of Environment	No	1	Budget	\$39.2
66900	New Mexico Health Policy Commission	Department of Finance and Administration	No	1	Budget/HR/IT	\$37.3
76000	Parole Board	Corrections	No	2	Budget/Case Tracking	\$110.0
76500	Juvenile Public Safety Advisory Board	Children, Youth and Families Department	Yes			
TOTAL POTENTIAL GENERAL FUND SAVINGS						\$2,933.7

Other Significant Issues. Various mitigating circumstances argue against implementing Option 1, leading to Options 2 and 3, which would essentially preserve the status quo for most of the agencies. These factors include the size of the agency, potential conflict of interests, the funding source being other than general fund, significantly different accounting issues, specialized financial functions not replicated at the parent department, and high volume or velocity of payments requiring in-house management. In some cases, the Government Restructuring Task Force is already recommending alternative realignment solutions.

Thus, although Table 1 shows that 16 attached agencies, representing approximately \$3 million general fund for administrative personnel, only three agencies are likely to have their administrative functions performed by the parent department as proposed under Option 1: Office of African American Affairs (OAAA), Governor’s Commission on Disability (GCD) and Office of the Office of Natural Resources Trustee (ONRT). Other bills before the Government Restructuring Task Force would deal alternatively with these agencies, effectively eliminating potential savings achievable through this bill.

Fiscal Implications: Theoretically, savings could accrue from the elimination of administrative-type positions in the administratively attached agencies. Parent departments most likely could absorb the added workload. However, where workloads are substantial due to the number of vouchers, transactions, and contracts or the size of the agency, adding or transferring personnel to the department to cover these functions may be required. In this case, the savings would be offset. Based on the potential savings presented in Table 1, savings could range as high as \$3 million by eliminating financial personnel in all 16 agencies. However, based upon further analysis, Option 1 and Option 3 would impact three agencies, with a total general fund savings of about \$215 thousand beginning in FY12. It appears that most of these costs could be absorbed by the associated parent departments, although making an allowance for 2 FTE being added presents a more realistic picture and reduces the projected savings by an estimated \$120 thousand to \$95.4 thousand.

Estimated Savings, Option 1 and Option 3 (in thousands of dollars)

FY11	FY12	Recurring or Nonrecurring	Fund Affected
	\$215.4	Recurring	Elimination of ASD positions in the three attached agencies: OAAA, GCD, ONRT.

Cost to Implement, Option 1/Option 3 (in thousands of dollars)

FY11	FY12	Recurring or Nonrecurring	Fund Affected
	\$120.0	Recurring	General Fund

There would be no saving or cost differences in Option 2.

It appears that the proposal would not lead to significant savings. Most agencies already have their administrative functions performed by the departments and do not retain that staffing within their own budgets. For the few cases where administrative staffing is located within the agency, it appears that the agency is sufficiently large or complex enough to require substantial administrative support—in which case moving those FTE or adding FTE to the parent department would not lead to substantial cost savings. In addition, there may be specialized

expertise unique to that agency that could be curtailed, leading to less efficient management of the financial functions. Potential conflicts of interest, such as between the Public Defender Department and Corrections, also need to be considered.

Table 2
Attached Agencies Without Budget Codes

Attached Agency	"Parent" Department
Acequia Commission	Department of Finance and Administration
State Board of Finance	Department of Finance and Administration
Land Grant Council	Department of Finance and Administration
Disability Adv Council	Department of Finance and Administration
Health Care Providers Licensing & Credentialing Task Force	Department of Finance and Administration
Health Policy Commission	Department of Finance and Administration
Domestic Violence Leadership Com	Children, Youth and Family Department
Juvenile Public Safety Advisory Bd	Children, Youth and Family Department
Youth Alliance	Children, Youth and Family Department
Human Rights Comm	Workforce Solutions
Labor and Industrial Com	Workforce Solutions
Workforce Dev Board	Workforce Solutions
Fort Stanton Dev Com	Cultural Affairs
Tourism Commission	Tourism
Economic Dev Comsn	Economic Development Department
NM-Chihuahua Comsn	Economic Development Department
NM- Sonora Comsn	Economic Development Department
Small Business Regulatory Advisory Comsn	Economic Development Department
Gov Residence Adv Comsn	General Services Department
Public Education Comsn	Public Education Department
Law Enforcement Academy Board	Public Safety
Athletic Commission	Regulation and Licensing
Tribal Infrastructure Board	Indian Affairs
Interoperability Planning Comsn	Homeland Security
Education Trst Bd	Higher Education
Higher Education Advisory Bd	Higher Education
Compulsive Gambling Council	Health
Gov's HIV & AIDS Policy Comsn	Health
Telehealth Comsn	Health
Trauma System Fund Authority	Health