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## FISCAL IMPACT REPORT

SPONSOR: Varela DATE TYPED: 02/22/01 HB 91/aHGUAC  
 SHORT TITLE: ONGARD Service Center Created SB \_\_\_\_\_  
 ANALYST: Hayes

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY01	FY02	FY01	FY02		
		NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

Duplicates Appropriation in The General Appropriation Act to the Taxation and Revenue Department, Administrative Support Program totaling \$1,596.9

### SOURCES OF INFORMATION

- LFC files
- Taxation and Revenue Department (TRD)
- General Services Department (GSD)
- State Personnel Office (SPO)
- Energy, Minerals and Natural Resources Department (EMNRD)
- State Land Office (SLO)

### SUMMARY

#### Synopsis of HGUAC Amendment

The House Government and Urban Affairs Committee amendment strikes all of Section 1 of HB91 and replaces it with new material for the Taxation and Revenue Department Act . Section 1 of the bill now reads: “The ONGARD service center is administratively attached to the taxation and revenue department.” In the original bill, ONGARD was being transferred from TRD’s Administrative Support Program and into the General Services Department as an administratively attached agency.

However, being “administratively attached” pursuant to 9-1-7 NMSA 1978 means that ONGARD will exercise its functions independently of the department without its control or approval. Its budget requests will be submitted through TRD but without changes to its submission. And, ONGARD will hire its own personnel.

Synopsis of Original Bill

HB91 amends Section 9-17-6 NMSA 1978 of the General Services Department and repeals and enacts a new section in the ONGARD System Development Act (19-10B-1 to 19-10B-8 NMSA). The ONGARD Service Center is created and administratively attached to the General Services Department instead of the Taxation and Revenue Department. The legislation provides for the transfer of personnel, appropriations, property, contracts and operating costs from TRD to the ONGARD Service Center as a separate unit under GSD.

In addition, new language for enactment states that the ONGARD Service Center will manage the daily operations, maintenance and enhancement of the ONGARD system pursuant to a joint powers agreement between the Commissioner of Public Lands, TRD, EMNRD, ONGARD Service Center and GSD. All parties to the agreement are responsible for supporting the necessary appropriations to retire the ONGARD system development bonds.

The effective date of the ONGARD Service Center transfer is July 1, 2001.

Significant Issues

The Oil and Natural Gas Administration and Revenue Database (“ONGARD”) is an automated information system related to the state’s agencies that deal with oil and natural gas, including oil and gas leases on state-owned land, and revenue from that industry. The system plays a vital role in monitoring the oil and gas industry and taxes owed from its operations in New Mexico.

The intent of the proposed bill is to have the ONGARD Service Center located in a neutral department in an effort to address ongoing automation and data processing issues and to prioritize needs among the three user agencies. The service center’s goals and objectives would be solely determined by ONGARD.

Other issues and questions regarding the ONGARD transfer are addressed below:

1. *Expense and risk of disruption.* ONGARD would remain in its same location at the State Land Office. There should be no disruption or break in services nor additional costs incurred for the transfer.
2. *Technical expertise of ONGARD.* The General Services department has not been involved in development and operation of the ONGARD system since its creation in 1990. Individuals in TRD have developed an expertise of the system, but there are also contractors who have been working with ONGARD for the last three years. The question arises: What expertise have ONGARD Service Center employees gained over the years? What level of expertise and services can they provide? What training is necessary? None of the agencies responding to this bill analysis addressed this question.
3. *GSD workload and commitment to ONGARD.* The proposed changes may add new layers of responsibilities to GSD and/or create a new organizational structure. Is the General Services Department willing and able to commit certain resources and be responsible for ONGARD?
4. *Responsiveness to and cooperation of tri-agency users.* Operations of ONGARD and its interlinking functions with other agencies should not be directly affected by this transfer. It is assumed that the agencies will continue to cooperate and coordinate in ongoing ONGARD functions.

## **FISCAL IMPLICATIONS**

An appropriation of \$1,596.9 is contained in House Bill 2 for the ONGARD Service Center under the Taxation and Revenue Department Administrative Support Program. Of that amount, \$927.2 is a recurring expense to the general fund and the remaining \$669.7 is recurring from other state funds. The total, \$1,596.9, would be transferred to GSD if HB91 is enacted. Any unexpended or unencumbered balance remaining at the end of fiscal year 2002 shall revert to the appropriate funds.

## **ADMINISTRATIVE IMPLICATIONS**

Being “administratively attached” means that the attached agency “exercises its functions independently of the department and without approval of control of the department” (Section 9-1-7 NMSA 1978).

The ONGARD Service Center shall remain in its current location in the State Land Office. However, all records concerning personnel (14 FTE), budget, equipment, furniture, supplies and other property related to ONGARD will be transferred to the ONGARD Service Center under GSD. All contracts and agreements shall be binding on the ONGARD Service Center.

As part of the SPO’s regular responsibilities, the State Personnel Office states that it will assist the affected agency personnel officers with this transfer.

## **OTHER SUBSTANTIVE ISSUES**

The ONGARD system affects TRD’s ability to collect and distribute approximately \$50 million in taxes on a monthly basis. This process requires legal, accounting and management experience and expertise with the tax system as well as the manner in which it is affected by ONGARD. Any fundamental change in the ONGARD system may affect TRD’s ability to collect and distribute large sums of mineral extraction taxes at risk. Therefore, planning and detailed analyses of all affected processes and system links need to be considered in order to ensure that all ONGARD operations and its administration are unaffected.

## **POSSIBLE QUESTIONS**

1. The longtime director of ONGARD informed TRD of his impending December retirement in summer 2000. As of this date, TRD has not yet filled the director position. Will GSD be responsible for hiring the director if it has control over the ONGARD system? What is the authority and responsibility of GSD in regards to ONGARD?
2. Will TRD auditors continue to perform audits in the oil and gas industry if ONGARD is transferred? Will revenue be affected by this transfer?
3. How will industry and/or the agencies involved gain from the transfer of ONGARD?

CMH/ar