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FISCAL IMPACT REPORT

	ORIGINAL DATE 2/23/09		
SPONSOR Varela	LAST UPDATED	HB 837	
SHORT TITLE	Transfer State Personnel Office to the Department of Finance and Administration	SB	
		ANALYST Patel	

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	\$4,599.7	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC File

Responses Received From
State Personnel Office

SUMMARY

Synopsis of Bill

House Bill 837 relates to executive reorganization, transfers the state personnel office to the Department of Finance and Administration and creates the State Personnel Division, including transferring the personnel board to the Department of Finance and Administration. This bill includes temporary provision to transfer all personnel, property, contracts and references in law and rules effective on July 1, 2009 from the state personnel office to the department of finance and administration.

FISCAL IMPLICATIONS

House Bill 837 includes \$4,599.7 general fund appropriation which also is proposed in the general appropriation act of 2009.

SIGNIFICANT ISSUES

According to the State Personnel Office (SPO) currently, there is an independent fiscal review being conducted by DFA to determine if the agency has sufficient budget to process certain human resource transactions. SPO has the sole responsibility to review these proposed

transactions from a human resource perspective. This bill would create a “checks and balances” conflict if the DFA Cabinet Secretary has approval over both financial expenditures and human resource capital decisions.

Rather than exempting the SPO outright from the authority of the DFA Secretary or administratively attaching it to the department, the bill appears to leave it with some degree of autonomy by stating that it “shall not be construed to affect the exercise of any board power or duty,” but however does link the caveat to the Executive Reorganization Act rather than the enabling act that creates DFA and all its organizational units.

HB837 proposes the consolidation of the central human resource function of the state in a direction “exactly opposite” of what is transpiring in both the public and private sector. Over the past two decades private sector corporations have clearly seen the value of having the human resource function at a level similar to finance, opting for an Executive Vice-President of Human Resources to sit at the executive management table along side the Executive Vice-President of Finance. This development has taken place in the public sector at the municipal, county and state levels as well. The trend has been to elevate the human resource function to be on the same level as finance, not to bury it many layers down in the financial function.

Followings are major observations noted in the State Personnel Office (SPO) review report issued by LFC during May 2007.

- SPO has not consistently enforced personnel policies within its own organization and across state government in the areas of hiring, exception to open recruitment, promotion, lateral transfer, temporary pay increases, etc., and lacked documentation and justification for many of its personnel actions.
- SPO did not conduct quality assurance reviews during 26- month period prior to LFC review.
- SPO functions have decreased by decentralization of many human resources functions.

Followings are major observations noted in the selection and hiring process report issued in April 2008 by the Quality Assurance Bureau of the State Personnel Office (SPO).

- Statewide recruitment efforts by SPO and agencies are passive and a documented collaborative recruitment plan does not exist.
- The only viable method for applying for classified state employment is on-line through Statewide Human Resources, Accounting, and Management Reporting system (SHARE).
- Agencies generally followed the Personnel Act, rules and established best practices.
- Many agencies policies regarding recruitment, interviewing, selection, and hiring are outdated and do not reflect the changes associated with SHARE implementation.
- Agencies were not consistently conducting reference checks, education validations, or licensure verifications.
- Many agency staff that conduct interviews have not been trained on proper interviewing techniques.

- SPO’s guidance efforts to agencies are largely sufficient, however need improvement in consistency.
- SPO is not adequately measuring the effectiveness of their training and recruitment efforts.
- SPO is meeting its statutory training requirement, however is providing inconsistent guidance in the recruitment and hiring process.

Above observations are indicative of the so called preferred “check and balances” system advocated by SPO is neither preventing non-compliances with laws, rules and regulations nor has it proved to be effective and efficient. House Bill 837 is proposing to create one more division within DFA which will maintain the necessary checks and balances and provide effective and timely communications between all divisions to resolve issues and problems as they come up. The surrounding states research conducted by LFC indicate that they have maintained effective and efficient functional integrity of financial, human resources, purchasing, budgetary operation without compromising any internal and managerial controls (check and balances). The surrounding states websites research conducted by LFC staff indicate six states have its state personnel (Human Resources) within its finance and /or administration agency as listed below.

State Personnel		
State	Finance and/or Administration <i>(Administrative Services)</i>	Independent Agency
Idaho		http://www.dhr.idaho.gov/
Nevada		http://dop.nv.gov/
Wyoming	http://personnel.state.wy.us/	
Utah		http://www.dhrm.utah.gov/
Arizona	http://www.hr.state.az.us/	
Colorado	http://www.colorado.gov/DPA/dhr/train/index.htm	
Kansas	http://www.da.ks.gov/ps/	
Nebraska	http://www.das.state.ne.us/personnel/	
Oklahoma		http://www.ok.gov/opm/index.htm
Arkansas	http://www.state.ar.us/dfa/personnel_mgmt/opm_index.html	
New Mexico		http://www.spo.state.nm.us/index.html

PERFORMANCE IMPLICATIONS

The proposed reorganization has greater possibilities to increase performance, efficiency and effectiveness of services provided by various divisions within DFA, if implemented correctly.

ADMINISTRATIVE IMPLICATIONS

The proposed reorganization will result in consolidation of duplicate functions such as merging

of financial services related resources of SPO with the administrative services division resources of DFA to create an economy of scale to provide the support services in a cost effective environment.

MP/svb:mc