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FISCAL IMPACT REPORT

ORIGINAL DATE 01/27/09

SPONSOR Rue LAST UPDATED _____ HB _____

SHORT TITLE Track Productivity Of Public Employees SB 158

ANALYST Moser

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY09	FY10		
	None		

(Parenthesis () Indicate Expenditure Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY09	FY10	FY11	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total	\$375	\$375	\$375	\$1,125	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

State Personnel Office (SPO)

Workforce Solutions Department (WSD)

Energy, Minerals and Natural Resources (EMNRD)

SUMMARY

Synopsis of Bill

Senate Bill 158 would add a section to the Workforce Solutions Department Act requiring the Secretary of Workforce Solutions to collect annual data on the labor productivity of state and local government employees, excluding elected and appointed officials. Beginning in fiscal year 2011, the Secretary would be required to publish data on the state and local government employee labor productivity, including the status and trends of the workers and to submit a report to an appropriate legislative committee a report prior to December 1 of each year on the status and trends in state and local government worker productivity.

Labor productivity would be calculated using Bureau of Labor Statistics methodology. Each local government would be required to submit data on local government worker productivity through the department's website beginning in 2011.

Labor productivity is defined in the bill as the output per worker-hour of labor. State government is defined to include an agency, board, commission, university, authority, fair or any entity created in state statute or created by an authorization found in state statute that employs workers, regardless of whether the workers are considered state employees. Local government is defined to include a political subdivision of the state, including incorporated municipalities, counties, school districts, special districts that have paid workers, which districts are authorized or created by the legislature, and any other entity considered to be a subdivision of the state that has one or more paid workers.

FISCAL IMPLICATIONS

No appropriation is attached to the bill even though the bill imposes comprehensive statewide new duties on WSD. The department is prohibited by federal law from using its federal BLS grant dollars to conduct activities not specifically authorized in the grant. An appropriation of state funds would be required to perform the activities identified in this bill.

EMNRD, as a state agency that would be required to report data, states that an expectation that the measuring and reporting could be done without the dedication of man-hours is unrealistic. EMNRD estimates that it will have to hire at least three positions to track and analyze its labor productivity and track the status and trends of the work force in order to report the information to the legislative committee.

The operating budget impact estimated above is based on employment of two staff within WSD and at least 5 staff throughout the remainder of state government. These would be staff with statistical backgrounds and experience and the benefits and overhead associated with those positions (\$375 thousand).

SIGNIFICANT ISSUES

WSD indicates that Senate Bill 158 requires the department to use federal bureau of labor statistics methodology to measure productivity. However, even assuming a one-to-one correspondence of measurable for all federal and state/local workers, this assumed existing methodology may not exist or is outdated. According to the Bureau of Labor Statistics, the Federal Productivity Measurement Program produced labor productivity indexes and related statistics covering about two-thirds of the entire Federal Government from the late 1960's until 1994. Indexes of output per employee year, output, employee years, compensation per employee year, and unit labor cost have not been produced in fifteen years for most functional areas of government. With the exception of productivity measurement of the Postal Service, the entire program, which was part of the Division of Industry Productivity Studies, was terminated in 1996.

WSD also reports that a detailed study of units of production would be required to determine a measurable baseline from which to start. New Mexico has almost 160,000 government workers employed in about 1,790 local government-reporting entities and about 715 state government

entities. A study of such a large workforce over a highly dispersed geography might require extensive travel and resources for performance measurement.

This bill requires the Department to begin collecting data from the approximately 2,500 reporting governmental entities beginning in fiscal year 2010, or July 1, 2009. WSD indicates that it would be extremely difficult for the Department to create measuring methodologies and get these to all the reporting entities and train them in the span of a few months.

If other states are not reporting this data to their equivalent agencies, or do not have this type of program in place, a comparison could not be made between states. If enacted, trends could be established over time, but without a baseline it would be meaningless information only showing annual changes for New Mexico State and local government.

TECHNICAL ISSUES

Selection of the proper measure of output will require an analysis of a service-by-service and product-by-product approach. When a government entity provides a single service, such as solid waste disposal or supply of drinking water, the output could be simply a count of the units of service. However, most governments produce heterogeneous services, and it is sometimes difficult to even identify the basic services. Furthermore, most services are composed of a number of different subservices or products that may also be difficult to identify. In addition, services provided may involve quality and timeliness as a measure of productivity. A mechanism to permit periodic review of units of measure will be needed to ensure that productivity measurements remain current.

The most frequently used measure of input is labor. Constituting a significant portion of all state and local government operating expenditures, labor is important for public policy considerations, and is easy to calculate compared with other factors of production, and is the most accessible of state and local government factor inputs. The preferred labor measure would be labor hours.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

State government productivity would continue to be monitored through state and local performance budgeting systems. Accountability measures already in place would continue and departments would report on those measures, as is currently the case.

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