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FISCAL IMPACT REPORT

SPONSOR Payne **ORIGINAL DATE** 2/6/18
LAST UPDATED 2/8/18 **HB** _____

SHORT TITLE State Personnel Office & Human Resources **SB** 235

ANALYST Esquibel

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Nonrecurring	Fund Affected
FY18	FY19		
	\$4,398.0 - \$21,077.0	Recurring	Human Resources Service Fund

(Parenthesis () Indicate Expenditure Decreases)

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY18	FY19	FY20		
	\$4,398.0 - \$21,077.0		Recurring	Human Resources Service Fund

(Parenthesis () Indicate Revenue Decreases)

Duplicates House Bill 234, Human Resources to State Personnel Office
 Relates to Appropriations in the General Appropriation Act

SOURCES OF INFORMATION

LFC Files

Responses Received From

- Corrections Department (CD)
- Department of Health (DOH)
- Department of Public Safety (DPS)
- Department of Transportation (DOT)
- Energy, Minerals and Natural Resources Department (EMNRD)
- Office of the State Engineer (OSE)
- Regulation and Licensing Department (RLD)
- State Personnel Office (SPO)

SUMMARY

Synopsis of Bill

Senate Bill 235 proposes enacting changes to the State Personnel Act (Act) to allow the State Personnel Office (SPO) to render human resource services to all state agencies, boards and commissions under the governor's control and consolidating human resource functions under SPO. SB 235 would create a Human Resources Service Rate Committee and establish a Human Resources Fee Fund.

SB 235 would create a new section in the State Personnel Act to enact a non-reverting Human Resources Service Fee Fund administered by SPO to collect a human resource fee charged to each agency, board and commission for rendering human resource services. The fee charged would be in accordance with the rate schedule approved by the Human Resources Service Rate Committee. SPO may adjust the rate schedule to reflect a reduction in the amount needed for the office with timely notification to the committee of the adjustment.

SB 235 would create a new section in the State Personnel Act to enact a Human Resources Service Rate Committee administratively attached to the General Services Department and would consist of five members appointed by the Governor and employed by an agency, board or commission. The committee would be chaired by the Secretary of Finance and Administration. The SPO director would annually by June 1 propose an equitable rate schedule based on cost recovery to the rate committee which would review and approve the rate schedule and ensure its compliance with Federal Office of Management and Budget Circular A-87 or its successor directive.

SB 235 would amend the State Personnel Act, §10-9-2 NMSA 1978, to allow for the consolidated rendering of human resources services to state agencies and to administer the rendering of human resources services including by proposing a schedule of rates for those services.

SB 235 also includes language for the transfer of agency functions, personnel, appropriations, money, property, and contracts to SPO by November 1, 2018. SPO must ensure that the transfer is quick and least disruptive to agencies. The State Personnel Director shall certify to the State Personnel Board, the governor's office and Legislative Finance Committee that the transfers are sufficient to continue the same level of services.

FISCAL IMPLICATIONS

The bill proposes creation of a non-reverting Human Resources Service Fee Fund administered by the State Personnel Office (SPO) to collect a human resource fee charged to each executive agency, board and commission for provision of human resource services. The fee would be in accordance with a rate schedule approved by the Human Resources Service Rate Committee created in the bill. SPO may adjust the rate schedule with notice.

SPO estimates the cost of the projected human resources (HR) consolidation would be \$21.1 million compared to a current cost of \$22.2 million (see attached).

On January 17, 2018, the Board of Finance via a consent agenda approved the transfer of \$4.4 million and 50 full-time equivalent (FTE) positions from 12 state agencies to the State Personnel Office (SPO).

The Department of Transportation indicates its current cost for HR personnel is \$2.1 million, and under the provisions of the bill, DOT's projected HR costs would be \$2.6 million. Corrections costs would go from \$1.9 million to a projected \$2.3 million, and CYFD's costs would go from \$1 million to a projected \$2.3 million under the provisions of the bill. The Department of Public Safety indicates its current cost for HR personnel is \$218 thousand, and under the provisions of the bill, DPS' projected HR costs would be \$417 thousand.

Based on SPO's projections, most of the estimated cost savings from the HR consolidation would be generated at the Department of Health which projects a savings under the provisions of the bill of approximately \$591 thousand, and at the Personnel Board itself which projects its costs will go from \$4.1 million to \$48 thousand under the provisions of the bill.

The Department of Health (DOH) reports there are no funds in its FY19 budget to cover the proposed SPO service fee and funding would need to be repurposed to pay the proposed human resource rate. Human resources functions for DOH are funded by \$987 thousand in federal funds.

In FY17 and FY18, SPO submitted budget adjustment requests to transfer \$500 thousand of general fund revenue generated from vacancies in its personnel and transferred these monies to fund planning, rent of new offices, telecommunication wiring, furniture and other operating costs associated with consolidating other agencies' HR personnel into SPO.

The House Appropriations and Finance Committee substitute for HB2 contains budget adjustment request authority to allow SPO to increase its FY19 budget up to \$500 thousand in transfers from agencies for the HR consolidation.

Continuing Appropriations

This bill creates a new fund and provides for continuing appropriations. The LFC has concerns with including continuing appropriation language in the statutory provisions for newly created funds, as earmarking reduces the ability of the legislature to establish spending priorities.

SIGNIFICANT ISSUES

SPO indicates the creation of the Human Resources Rate Committee would ensure the rate charged to state agencies for HR services complies with federal law. Specifically, the committee will create a rate schedule that complies with the Office of Management and Budget's circular A-87 or its successor directive, and the committee will ensure the rate is equitable and based on cost recovery for the rendering of human resources services adhering to the federal requirements for such rate schedules. The bill proposes the Human Resources Rate Committee consist of five members appointed by the governor and that it be administratively attached to the General Services Department.

SPO reports the industry standard for HR administration is one human resources employee for every 100 employees. In 2017, executive agencies reported 347 FTE performing HR for 20,311

positions; a ratio of one HR employee for every 59 employees. Currently, SPO reports agencies have eliminated 112 HR positions through attrition, resulting in approximately 235 FTE performing HR for 21,595 positions; a ratio of approximately one HR employee for every 92 employees. SPO reports under the provisions of the bill, the goal is to have one HR employee for every 90 positions.

The Department of Health reports transfer of HR functions will need to comply with the Health Insurance Portability and Accountability Act of 1996 (HIPAA).

PERFORMANCE IMPLICATIONS

The Energy, Minerals and Natural Resources Department reports implementation of the provisions of the bill would require SPO maintain quick and effective communication with agencies otherwise it will have an impact on the hiring paperwork being processed by SPO leading to higher vacancy rates.

ADMINISTRATIVE IMPLICATIONS

The Corrections Department indicates the bill would codify Executive Order 2017-002, and make permanent the governor's transfer of employees that occurred at the New Mexico Board of Finance meeting on January 17, 2018.

The Department of Health reports 1.7.1 NMAC would need to be updated to reflect the consolidation of HR services within SPO under the provisions of the bill.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

SB235 is a duplicate of House Bill 234, Human Resources to State Personnel Office.

TECHNICAL ISSUES

The Energy, Minerals and Natural Resources Department reports some human resource functions specifically related to the operations of an agency such as required background checks for law enforcement positions may need to remain at the agency and will require agencies to still have human resource professionals within the agency to handle these types of functions.

OTHER SUBSTANTIVE ISSUES

SPO reports approximately six states have consolidated their HR under a shared services model within one agency.

The Corrections Department reports by having SPO administer employee disciplinary actions for NMCD, disciplinary actions are likely to become more consistent.

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Attachment

The projected consolidation cost will be \$21,077.8¹. This compares to a current cost of HR, as presented by representative agencies to the Department of Finance and Administration, of approximately \$22,197.78. Please see chart below:

BusUnit	Agency Name	Projected Cost	Current Cost
33300	Taxation and Revenue Department	1,106.7	843.1
33700	State Investment Council (SIC)	32.2	51.1
34000	Administrative Hearing Office (AHO)	16.6	26.4
34100	Department of Finance and Administration	152.5	208.7
34200	Public School Insurance Authority	11.4	15.5
34300	Retiree Health Care Authority	28.0	44.5
35000	General Services Department	302.5	366.0
36100	Department of Information Technology	213.8	315.4
37800	Personnel Board	48.8	4,082.0
40400	Architects and Examiners Board	4.2	-
41700	Border Development Authority	4.2	-
41800	Tourism (TD)	56.0	88.9
41900	Economic Development Department	51.9	75.1
42000	Regulation and Licensing Department & Board of Engineers & Land Surveyors (8 FTE)	334.6	228.9
44000	Office of the Superintendent of Insurance	96.5	79.8
44600	Medical Examiners Board	16.6	95.7
44900	Board of Nursing (BON)	24.1	38.7
46000	EXPO	36.3	20.0
46500	Gaming Control Board (GCB)	57.1	90.6
46900	State Racing Commission (SRC)	23.6	39.2
47900	Board of Veterinary Medicine	3.1	-
49100	Military Base Planning Council	1.0	-
49500	NM Spaceport Authority	20.8	-

¹ The projected cost was calculated by including salaries, benefits, equipment and related employee expenses for employees providing HR services. The projected rate was created by dividing the projected cost by the number of FTE required to service the participating agencies. The final rate will be created in accordance with the provisions of Section 2.

50500	Cultural Affairs Department	507.8	368.6
50800	Livestock Board	77.8	43.0
51600	Department of Game and Fish	325.9	274.1
52100	Energy, Minerals and Natural Resources Department & Youth Conservation Corps	437.9	419.5
55000	State Engineer	353.9	174.1
60300	Office of African American Affairs (OAAA)	7.3	11.5
60400	Commission for the Deaf/Hard of Hearing	16.6	0.0
60600	Commission for the Blind	96.0	90.1
60900	Indian Affairs Department (IAD)	15.6	24.7
62400	Aging and Long-Term Services Department	246.5	233.5
63000	Human Services Department	2,030.3	1,543.3
63100	Workforce Solutions Department	528.2	373.3
63200	Workers' Compensation Administration	126.6	138.9
64400	Division of Vocational Rehabilitation	322.7	254.5
64500	Governor's Commission on Disability (GCD)	14.5	23.1
64700	Development Disabilities Planning Council (DDPC)	15.6	23.1
66200	Miners' Hospital of New Mexico	232.5	229.5
66500	Department of Health	3,653.4	4,244.4
66700	Department of Environment	658.4	623.2
67000	Veterans' Services Department	292.4	368.3
69000	Children, Youth and Families Department	2,349.0	1,069.2
70500	Department of Military Affairs	149.4	148.4
76000	Adult Parole Board	6.2	-
77000	Corrections Department	2,529.0	1,985.7
78000	Crime Victims Reparation Commission (CVRC)	23.9	37.9
79000	Department of Public Safety	417.2	218.6
79500	Homeland Security and Emergency Management	68.5	108.7
80500	Department of Transportation	2,598.0	2,182.6
92400	Public Education Department	284.5	197.5

94900	Education Trust Board (NMETB)	2.1	3.3
95000	High Education Department (HED)	47.7	75.8
Total		\$ 21,077.8	\$ 22,197.8