Moving New Mexico Forward:

FURTHER ALONG

A Report From The
New Mexico Performance Review

August 2004

New Mexico Performance Review State Team

Office of the Governor

Bryon Paez, Director of Cabinet Affairs

Project Director

Dannette K. Burch, Deputy Secretary, Department of Finance and Administration

Project Manager

Karen Price, Regulation and Licensing Department

Project Support

Lorraine McGuinness, Department of Finance and Administration
Rose Apodaca, Department of Finance and Administration
Claudette Miller, Department of Finance and Administration
Francis Martinez, Department of Finance and Administration

Alphas

Anne deLain W. Clark,
Energy, Minerals and Natural Resources Department
James Bearzi, Department of Environment

Criminal Justice

Brandon Dyer, Department of Public Safety
Pat S. Lopez, Department of Corrections

Health and Human Services

Elinor Dickson, Human Services Department
Barak Wolff, Department of Health

Human Resources

Janelle Gonzales, Department of Labor

Information Technology

Don Gleason, Taxation and Revenue Department
David McCutcheon, General Services Department
Tom Sata, Human Services Department

Reorganization

Donna Dossey,
Children, Youth, and Families Department
Al Duran, General Services Department
Maryellen Strawniak,
Children, Youth, and Families Department

Transportation

Prakash Bhakta, Department of Transportation
William A. Gregoricus, Department of Transportation
Keith Perry, Motor Vehicle Division

Table of Contents

Executive Summary

Chapter I
Putting Customers First

Chapter II
Saving Taxpayers Money

Chapter III
Making New Mexico Better

Chapter IV
Protecting Our Water and the Environment

Chapter V
Ensuring Health and Safety

Chapter VI
Making the Workforce Development System Work

Executive Summary

BILL RICHARDSON
NEW MEXICO PERFORMANCE REVIEW

July 2004

The Honorable Richard Romero, President Pro Tem of the Senate
The Honorable Ben Lujan, Speaker of the House of Representatives
Members of the Legislature
State Capitol Building
Santa Fe, New Mexico 87501

Ladies and Gentlemen:

Eleven months ago, I submitted to you the first of a two-phase performance review designed to give you a wide range of ideas for saving money, increasing efficiency, collecting delinquent taxes, and improving customer service throughout state government.

That report, MOVING NEW MEXICO FORWARD, featured 92 specific recommendations that would save taxpayers $379 million over the next five years — including $74 million during the FY05 budget period.

Today, I am pleased to transmit the second report, MOVING NEW MEXICO FORWARD: FURTHER ALONG, with an additional 56 recommendations totaling more than $90 million over the next five years. Just as our previous report targeted savings to help ease the burden on the taxpayers who foot the bills, this new report suggests significant savings. But the focus this time is more long-term, focusing on ways to increase the efficiency and effectiveness of state government.

Some of our proposals are common-sense suggestions and others are unusual solutions to long-standing problems. All of them, however, contain an underlying faith in the power of our public life to help make a positive difference in our private lives.

I encourage you to view these two reports as twin pillars of a strategic plan to position New Mexico for the future. State government, trapped in the ongoing attempt to balance the next budget by taking nips in taxpayer spending here or tucks in taxpayer-funded programs there, needs to concentrate on delivering services that people want at a price they can afford.

That's what these two reports offer — a new way to look at how we can make New Mexico a better place to live and do business by making sure our citizens are satisfied customers and proud owners of their state government.

Sincerely,

Bill Richardson

BILL RICHARDSON
Governor of New Mexico

Introduction:

Further Along

Nearly two million of us call New Mexico home, each an important shareholder in this unique enterprise known far and wide as the Land of Enchantment. With nearly $10 billion a year in state revenues and more than 20,000 state employees, we have become an important power on the national stage and around the world.

If we were a sovereign country, our economic and cultural influence would outpace those of many established nations.

The stakes are so high and so many families, businesses, and communities are counting on our leadership that surely we must have a comprehensive, detailed state plan for moving New Mexico forward, right?

Wrong.

Every ordinary family has some sort of household budget they use to help them save for their children's college, a new home, or that long-cherished vacation. Every responsible business sets general objectives for the future, surveys its strengths and weaknesses, identifies areas for potential growth, and then assesses the needs of its customers and workers to make a play for lasting success.

In short, most New Mexicans in their private lives guide themselves by formal or informal plans designed to help them meet the challenges of the future head-on. It is time for their state government to do the same.

Last year, the *New Mexico Performance Review* released the first of its reports to help begin that process in a manner that makes sense for the new century. The focus of that effort, MOVING NEW MEXICO FORWARD, was to produce straightforward taxpayer savings immediately and recommend ways to avoid a budget shortfall in the near term, as well as to achieve additional savings over the next five years. If enacted, the 92 suggestions in that report will save $379 million — including $74 million during the next budget period.

This new report, FURTHER ALONG, is based on the premise that longer-term reforms are needed throughout the state bureaucracy to institutionalize the savings ideas presented in the previous effort. We present 56 new recommendations for improving state government's performance with total savings of more than $90 million over the next five years. As the total indicates, some would produce significant tax savings but that is not really the main goal of these ideas. Rather, the goal in this report is to identify specific ways to improve the level of customer service New Mexicans have a right to expect from their state government.

MOVING NEW MEXICO FORWARD and FURTHER ALONG should be viewed as two halves of a whole that serves as a strategic blueprint for lawmakers to use in turning state government into what it must be in the years ahead — a cost-effective tool for helping New Mexicans lay the groundwork to provide for our ongoing basic needs as a society, find the most effective answers to a wide range of questions, and achieve, in community, what we cannot as individuals.

Again, not enough space exists in this brief summary volume to discuss, in detail, every one of the *New Mexico Performance Review*'s 56 new recommendations. That's what we do in the following chapters, where interested readers can find more complete discussions of the ideas in this report covering the three broad categories that underscore our goals — putting customers first, saving taxpayers money, and making New Mexico better.

What follows here is a selection of some of those ideas, which we hope state leaders will take to heart to help us create, together, a strategic plan for making sure state government is as good as the people of New Mexico.

Putting Customers First

All government agencies can stand a little shaking up now and then, if only to dislodge the cobwebs that inevitably develop in the corners of any bureaucracy.

A primary target of the *New Mexico Performance Review's* previous report was to recommend ways to save taxpayers their hard-earned dollars. This new report, while still offering suggestions for substantial taxpayer savings, shifts the focus slightly to more long-range proposals for making state programs more efficient for the citizens and the taxpayers who foot the bills.

We believe that, as with most successful private businesses, state government should periodically redefine its objectives for the future and make sure that it is taking care of its top priority — putting customers first.

Protect our most vulnerable citizens. Sometimes, better customer service can save lives. A series of recommendations in FURTHER ALONG carry that potential by cutting the paperwork requirements of caseworkers dealing with abused or neglected children and by beefing up the state's ability to monitor and investigate allegations of abuse in nursing homes.

The Protective Services Division of the state's Children, Youth and Families Department (CYFD) is filled with dedicated employees trying to cope with an outdated and inefficient method of recording important tracking information. Caseworkers spend most of their time in the field conducting home visits, investigations, appearing in schools, and placing children in safer environments. Yet, they are forced to spend valuable hours sitting at computers in the nearest county office to record case data gathered over several days. This time-consuming task not only takes them out of the field, but it means that often critical information goes unrecorded until case workers have found the time to travel to an office with a computer.

Other states have tested voice-recognition technology to allow caseworkers to enter important information from the field using hand-held digital recorders. This makes it possible to keep databases up-to-date, frees employees from paperwork burdens — and, not incidentally, increases job productivity and satisfaction while reducing turnover rates among caseworkers. New Mexico should follow suit, beginning with a six-month pilot project, followed by statewide implementation if the outcomes of the pilot project are as favorable as we predict.

Nursing home oversight should also be strengthened. At least one dozen federal, state, and local agencies share the responsibility for licensing and certification, monitoring, complaint investigation, and safety enforcement in nursing homes. Duplication is inevitable, with frequent reports of different agencies conducting on-site investigations of the same complaint on successive days. The costs for this inefficiency are borne by taxpayers — and by nursing homes, too; three New Mexico facilities shut their doors in 2003 in the face of rising economic pressures that were no doubt exacerbated by the apparent lack of coordination among agencies with oversight of their highly regulated industry.

The *New Mexico Performance Review* recommends a thoughtful approach to maintain the balance among vulnerable populations, a financially fragile industry, and the need for government oversight.

Eliminate Motor Vehicle Division backlogs. The state's Motor Vehicle Division is swamped by requests from businesses, courts, law enforcement, and individual New Mexicans to do drivers' records and vehicle title searches — more than $130,000 a year in unbudgeted expenses shouldered by the agency. Increased workloads and high turnover rates among agency personnel have combined to create a significant backlog in posting traffic citations and other labor-intensive operations.

Some of the backlog even poses a security threat. Citation posting delays, for example, mean that law enforcement officers may be unable to access important driving records in a timely manner. Out-of-state citation postings, currently lagging between one and two years, can impede the delivery of justice in a driver's home state.

To eliminate these backlogs, the Motor Vehicle Division should be authorized to charge a fee for title and records searches. The new revenue — over $900,000 a year — should be used to eliminate the current backlogs in posting drivers' records and to handle to increasing workloads from title and records search requests.

Streamline state purchasing process. State government is one of the biggest consumers of goods and services in New Mexico. Our previous report, MOVING NEW MEXICO FORWARD, contained recommendations for leveraging the state's purchasing power into discounts and price breaks. Along with that previous proposal, we recommend here that state agencies take a number of steps to maximize efficiency and save tax dollars while still assuring accountability to taxpayers.

While technology has revolutionized many areas of government, purchasing operations have sometimes lagged behind the curve. Small purchases in some state agencies can take as long as three months, and larger purchases can drag on for nearly half-a-year, especially for field offices around the state. Longer payment cycles (from purchase requests to vendor payments) reduce employee productivity and add to the total cost.

The 28 cabinet level and other state offices reporting directly to the Governor should immediately limit the number of signatures needed for purchase order approvals, change regulations to allow electronic storage of procurement documents, and be required to standardize their internal processes across agencies. The resulting $600,000 in taxpayer savings a year will be great. The increased efficiency, heightened productivity, and improved customer service will be even better.

Enhance on-line government services. The Internet offers a cost-effective way to improve customer service with the click of a mouse. As we pointed out in our previous report, it's time for New Mexico state government to have a cutting-edge presence on the Web. State agencies currently operate 1,200 Web sites of varying quality, few of which are interactive beyond the ability to file personal and corporate income taxes, renew vehicle registrations, or purchase fishing licenses.

Better on-line services would benefit taxpayers by allowing them to interact with the state government they pay for, and the state would benefit from increased revenues flowing from convenience fees, lower postage costs, and reduced paper processing. A particular area of focus should be on-line motor vehicle registration and renewal of drivers' licenses.

Improve bingo and raffle administration. Licensing and enforcement of bingo and raffle games in New Mexico have been divided for more than two decades between the Alcohol and Gaming Division of the state's Regulation and Licensing Department and the Special Investigations Unit of the Department of Public Safety. But with the creation of the Gaming Control Board in 1997, the need to streamline state administration of bingo and raffle activities has become more apparent.

The Gaming Control Board maintains a sophisticated electronic monitoring system of non-Indian gaming and works closely with tribes to oversee existing gaming compacts to make sure the public is protected and the state receives the revenues it is due. The number of bingo and raffle licenses issued in 2002 fell 24 percent from five years earlier, and state revenues from those activities dropped 33 percent over the same period.

It makes sense to merge licensing and enforcement of bingo and raffle games into the Gaming Control Board, which can absorb the increased functions without additional employees. State law should be amended to reflect these changes, renaming the Alcohol and Gaming Division as the Alcohol Division and relieving the Department of Public Safety of the responsibility of enforcing the state's Bingo and Raffle Act.

Conserve New Mexico's natural resources. Like most states, there is a collection of competing interests in New Mexico, each sometimes more concerned with short-term payoffs than long-term results. For communities and businesses that depend on our state's rich natural heritage, it is increasingly difficult to balance the needs of environmental protection and natural resource renewal with economic development.

State government is already directly involved in a wide variety of areas with environmental impacts, from public lands administration to highway construction and the specific missions of such state agencies as the Department of Game and Fish, the Energy, Minerals and Natural Resources Department and others. A package of proposals in FURTHER ALONG builds on our previous recommendations to give state government a more effective and efficient system for addressing the environmental concerns that face all New Mexicans.

The first step is for state government to set the standard by putting an environmental management system (EMS) in place to coordinate state government's efforts. The Environment Department and the Department of Transportation should adopt a pilot EMS program by mid-summer 2005 with the goal of expanding it throughout state government before the end of calendar 2006. Statewide implementation will require larger agencies to designate a full-time employee to lead the planning and development of the system. But the savings in lower waste disposal costs and water and energy consumption will be worth it.

State government also needs more effective authority over the permitting process for new domestic well applications at the Office of the State Engineer. More than 90 percent of all New Mexicans get our drinking water from ground water sources that domestic wells significantly deplete, and thousands of new permits are issued each year to support residential and light commercial interests. Many of these are installed in areas already struggling with dwindling water resources, bringing into question the long-term sustainability of development there.

New Mexico's $5 domestic well permit fee is substantially lower than those charged by neighboring states. Arizona recently raised its fee to $150. Colorado charges $480, Utah $75. Moreover, fee revenues in New Mexico — about $25,000 a year — do not get reinvested in the program but go to the state's general revenue fund instead.

The Office of the State Engineer, which currently spends about 10 minutes on perfunctory reviews of new permit applications, should be given the resources to hire five full-time employees — one for each of four district offices and one in Santa Fe. These new staff members should be trained to scrutinize new well applications for environmental impacts and to conduct the kinds of geohydrological evaluations needed to provide a sound basis for approving or denying applications. This increased expertise should be paid for through a minimum permit application fee of $120.

The process for appealing state decisions on water and air permits should be retooled to ensure the protection of these vital resources. Current state law calls for hearings on permit applications to be held before the Secretary of the New Mexico Environment Department. Appeals of the Secretary's decisions then go before the Environmental Improvement

Board or the Water Quality Control Commission. So far, so good.

Trouble is, these appeals are *de novo*, Latin legalese for "of new." In other words, they are based on an entirely new record of evidence and often new testimony rather than on a review of the entire record beginning with the first permit hearing. Not only are *de novo* appeals costly — one in 2002 cost New Mexico taxpayers $249,000 — but they call for technical expertise among board members and their support staff that is simply unreasonable for appointees not otherwise required to have special training.

State lawmakers should both eliminate *de novo* appeals to the Environmental Improvement Board and the Water Quality Control Commission, and preserve New Mexicans' right to appeal to the Court of Appeals based upon a review of the record made during the original permit hearing.

Create an Economic Crimes Council. One area in which state government needs to be expanded is in the effort to detect, investigate, and prosecute white-collar crimes. From money laundering to identity theft, credit-card fraud to securities fraud, the spread of Internet-based transactions and information flows has given rise to a whole new realm of criminals who prey on honest New Mexicans.

One-third of all U.S. households have been victimized by white-collar crimes, according to a national survey, costing more than $1 billion. In New Mexico, the full extent of economic crimes is unknown, although anecdotal evidence suggests that it is serious and growing. Not only is there no comprehensive database to record allegations, investigations, or prosecutions, but many agencies do not even bother to try to track such information, relying instead on the institutional memory of key employees.

The result? Those who commit economic crimes find it easy to move from jurisdiction to jurisdiction, from one scam to another, without much fear of detection.

The state should create an Economic Crime Council made up of representatives from key agencies, including the Regulation and Licensing Department, the Attorney General, the Department of Public Safety, and others. The new council should report directly to the Governor's crime advisor and the first step should be to set up a shared database.

Saving Taxpayers Money

As we noted in MOVING NEW MEXICO FORWARD, state government's mission is fundamentally different from that of the private sector. Our responsibility in the public sector, to provide help to those who need it most, prevents us from single-mindedly concentrating on the bottom line.

Still, if we expect taxpayers to continue funding vital state programs, it is our duty to prove to them that we are using their resources as wisely and effectively as possible. So while the primary focus of FURTHER ALONG is on ways to make state government work better, we have not neglected opportunities to show that state government can also cost less.

Besides, when you get right down to it, most recommendations designed to inject more common sense into the way state government goes about its business will also save taxpayers a bundle in the bargain.

Reduce Medicaid Fraud. Leading newspapers, last year, reported on a projected $125 million shortfall in the state's Medicaid program, the joint state-federal initiative to provide basic medical care for poor and low-income New Mexicans. The challenge facing state leaders is to find a balance between rising caseloads and limited resources.

That challenge is made more acute by a generalized perception that public assistance has become a hodge-podge of programs that often miss their mark and policies that miss the point. Tales of fraud and abuse abound. Rules and regulations are seen by many as discouraging self-reliance. Welfare often seems like a treadmill with no "off" switch as temporary relief turns into permanent despair. Even the word itself has acquired lurid connotations. More often than not in the public view, "welfare" is neither "well" nor "fair."

Meanwhile, New Mexico spent an estimated $2.2 billion on Medicaid in fiscal year 2003 — nearly 25 percent of the entire state budget. An additional $75 million or so in state funds were spent on the federal Temporary Assistance for Needy Families (TANF), and nearly $150 million in federal Food Stamps benefits were distributed to needy New Mexicans. While the great majority of recipients and providers are honest, valuable taxpayer resources are inevitably lost through fraud and abuse in these critical programs.

To help meet this challenge, our previous report proposed that the state adopt advanced technology to detect fraud, waste, and abuse in the Medicaid and welfare programs. However, detecting lost resources is only half the battle. State agencies charged with controlling public assistance fraud also need adequate investigative resources to prepare cases for prosecution and recovery of the lost taxpayers' dollars.

In this new report, the *New Mexico Performance Review* recommends merging the existing Human Services Department (HSD) Office of Inspector General with the HSD Quality Assurance Bureau to bring more resources to bear on priority cases. The creation of this new Investigations and Enforcement Bureau should be accompanied by a shift away from the current emphasis on total number of cases worked to a new focus on working high-dollar cases. Our recommendations will save up to $50 million in state and federal funds through fiscal year 2009 as a result of better enforcement in the Medicaid program so that scarce taxpayer dollars will go to those who truly need them.

Increase Medicaid recoveries. A closely related proposal concerns the need to do a better job of recovering Medicaid payments made in error to ineligible recipients or, more importantly, fraudulent providers. With Medicaid costs up by 14 percent in 2003 and second only to education spending in the state budget, the sums are not insignificant. Indeed, the U.S. General Accounting Office estimates that fraud and abuse may account for as much as 10 percent of Medicaid spending — $220 million dollars in New Mexico's case.

Medicaid fraud includes unscrupulous providers billing for services never delivered, ordering unnecessary medical procedures, charging for full prescriptions when only partial prescriptions are dispensed, falsifying income or insurance coverage information on eligibility forms, and billing for diagnostic tests never performed. And an effective way at least 12 other states have found to combat these scams is to enact *Qui Tam* laws.

Qui Tam — a Latin phrase that translates roughly as "he who brings an action for the king as well as for himself" — is provided for under the federal civil False Claims Act and allows private citizens, in exchange for a share of any recovery, to file suit against an entity that misuses federal funds. In this way, *Qui Tam* enlists both public support and private resources to fight fraud, essentially broadening government's investigative powers.

New Mexico enacted *Qui Tam* statutes during the 2004 legislative session. Now, a media and press campaign should be undertaken to inform the public of the new financial incentives available to them through the New Mexico *Qui Tam* law to maximize fraud recovery opportunities and recoveries. Because of the time it takes to investigate, prosecute, and settle cases, the first fraud recoveries would not actually be seen for three to five years. But the wait would be worth it to taxpayers, who stand to save millions a year in recoveries.

Boost recoveries from managed care organizations. Some low-income elderly or disabled New Mexicans are eligible to receive payments under both the Medicaid program and Medicare, the federal health insurance program for individuals age 65 or older. These so-called "dual eligible" recipients are currently exempt from the state's Medicaid managed care program known as *Salud!*

A 2002 report by the Legislative Finance Committee found that Medicaid overpaid managed care organizations between $2.6 million and $5.8 million for citizens with dual eligibility who were not removed from the *Salud!* roster in a timely manner. Only about $350,000 was recouped in 2002, 13 percent of the lower figure. State officials are currently working to redesign the process.

Meanwhile, the state should work with the appropriate federal agencies to identify dual eligibles more quickly, automate the system as much as possible, shorten the time span for identifying individuals who qualify for both Medicaid and Medicare, and set a target goal for recovering 100 percent of all overpayments. If Medicaid could double its recoveries every year, it would reach the target goal in only three years.

Recover Electronic Benefit Transfer card replacement costs. While we are on the subject of recovering taxpayer costs for public assistance programs, the state should take steps to limit the expense of replacing the electronic benefits transfer (EBT) cards by which eligible New Mexicans access their benefits under the federal Food Stamps or Temporary Assistance for Needy Families (TANF). These plastic ATM-like cards have dramatically reduced the fraud and abuse associated with the old paper food stamp coupons. But a relative rash of requests for replacement cards has, nonetheless, continued to cost taxpayers.

During the first eight months of calendar year 2003, the New Mexico Department of Human Services issued more than 60,000 cards, of which fewer than 17,000 were to new recipients. The remainder — 43,638, or 72 percent — were replacements for cards that had been reported lost (fewer than 10 percent were reported stolen). Recipients get their replacement cards free of charge. The cost to taxpayers is about $2 per card.

A number of other states have begun charging recipients a small fee to re-issue cards in hopes of injecting more accountability into the system. Ohio charges $10, Massachusetts charges $5, and the remainder charge $2.

New Mexico should join the list, charging a flat $2 for each replacement card — the cost to taxpayers, no more and no less. The electronic benefits transfer system is similar to commercial credit cards and should feature similar consumer safeguards and responsibilities — not to mention saving taxpayers an estimated $131,000 a year.

Leverage drug purchases. Our previous report looked, specifically, at pharmacy purchases in the state Health Department, concluding that there is a lack of coordination and no real leveraging of the power that the state has, as a major purchaser, to drive down costs or maximize the use of less expensive generic drugs. The package of proposals stemming from this look at pharmacy purchases led to a reorganization and consolidation that promises to improve the situation.

But more can be done. The state's Medicaid Unit of the Human Services Department, the Corrections Department, and the Interagency Benefits Coordinating Council are all prime targets for broadening the proposals in the *New Mexico Performance Review*'s first report and the lessons learned since then. Efforts to control drug costs fall into three broad categories:

- Bulk and preferred purchasing agreements
- Preferred drug lists
- Generic and therapeutic substitutions

Each offers the state a rich target of opportunity for cutting the costs of drugs in Medicaid and other critical programs through a tried-and-true equation — the greater the volume, the deeper the discount.

The state should improve the purchase of pharmaceuticals through a coordinated strategy to leverage buying power. Specifically, the Governor should establish a Prescription Drug Improvement Committee to oversee and ensure the implementation of recent reforms as well as to explore other ways to reduce drug costs, such as purchasing pharmaceuticals in Canada. The Medicaid dispensing fee currently in state law should be removed and replaced with a regulation, a technical change designed to give officials greater flexibility in obtaining the lowest possible drug costs.

Potential savings from these and related reforms are dramatic. A preferred Medicaid drug list alone could net taxpayers up to $2.4 million a year. Add to that increased use of preferred drug lists by other state agencies, along with increased participation in multi-state alliances, and an additional annual savings of $3.9 million could be achieved. In all, implementation of this recommendation in its entirety could save New Mexico taxpayers nearly $7.5 million each year — year after year after year.

Enhance cost sharing in Medicaid and SCHIP. Spending is rising at record rates in both Medicaid and the State Children's Health Insurance Program (SCHIP), a combination of uncontrolled health care cost increases and burgeoning enrollment.

During the previous fiscal year, 49 states were planning or had already taken measures to cut Medicaid and SCHIP spending. Thirty-seven states have instituted some combination of premiums or co-payments, while 32 report that they planned to raise existing premium or co-pays in fiscal year 2004. Twenty-one states are seriously considering mid-year fee hikes to maintain their current levels of service. Most states have been careful to implement fees equitably across all programs on a sliding scale that takes income and family size into account. They have also gone to lengths to make sure premiums and co-pays are not barriers to service and are as administratively simple and cost-effective as possible.

Still, advocates have vigorously opposed most cost-sharing initiatives in states trying, like

New Mexico, to protect these vital safety-net programs for their most vulnerable citizens. The *New Mexico Performance Review* agrees: needy families must be able to continue to count on these critical services. That's why we recommend that the Department of Human Services structure a careful premium and co-payment plan, as allowed under federal law, with the goal of saving $9 million — and, just possibly, the Medicaid and SCHIP programs themselves.

Cut inmate health costs. The New Mexico Corrections Department spends some $28 million a year to provide medical services to those who are behind bars, an average annual cost of about $4,000 per inmate — among the highest in the nation, and escalating. If the state is going to ask needy families to share a small percentage of the expense for their health care programs, the expense of treating convicted criminals should at least be brought under control. A Corrections Department cost containment committee has identified a number of ways to reduce medical expenses, but the department has been slow to adopt most of its recommendations.

The state should direct the prison system to implement these recommendations, beginning with five specific areas. Offenders requiring more intensive levels of treatment should be relocated to one of two facilities near Albuquerque to allow for reductions in medical care staffing — a taxpayer savings of $1.3 million a year. The use of telemedicine should be expanded, especially for mental health treatment, a move that could result in cost savings of 30 percent for every case that can be handled via telemedecine.

The Corrections Department should also modify current medical contracts with outside vendors to institute a so-called stop-loss provision, with shared risks for expenditures above a certain amount. In addition, the department should contract out its current excess dialysis service capacity for use by other corrections facilities. And vendors should be required to provide audited financial statements to make sure they are being held strictly accountable to New Mexico taxpayers under the terms of their contracts. These changes would save more than $7.1 million over the next five years.

Escrow bid documents. High-dollar, major state transportation project contractors can, and do, file claims against the state when disputes arise about the original scope of the project that was bid. Other states have discovered that placing in escrow – in the custody of a third party until certain conditions are met -- the documents used to generate the original winning bid can make it possible, when disputes arise, for state personnel to determine whether contractors intentionally misled the state during the process or simply failed to understand the true requirements in preparing their bid.

A glance at the New Mexico Transportation Department's claims settlement and legal expense history over the past six years underscores the case for escrowing bid documents:

- 32 projects with a total value of $369 million
- Contractor claims totaling $40 million
- Claims paid by the state totaling $5.9 million
- A $29 million claim still pending

The state should adopt a set of administrative decision-making guidelines to require escrowing a winning bidder's bid preparation documents on projects valued at more than $5 million for prime contractors and $200,000 for sub-contractors. With the recent passage of a $1.5 billion bond authorization package and more than 40 projects in the planning stage, this is an opportune time to protect taxpayers from expensive litigation.

Increase fines for oversized loads. To improve traffic safety and prolong the life of costly roads, the state should double fines for commercial motor vehicles and oversize loads. The last time the state reassessed how much it charges for these violations was in 1989, when truck traffic on state highways was half what it is today.

Moreover, New Mexico's penalty assessments are far below surrounding states. The fine for an oversize load up to 3,000 pounds is just $25, compared to $500 in Arizona, $238 in California, and $150 in Texas for the same offense. Increase the oversize load to 5,000 pounds and offenders in New Mexico pay a mere $75. The same offense costs carriers in Arizona a whopping $1,400, while California and Texas charge $481 and $300, respectively.

Doubling the current fines would bring New Mexico closer in line with surrounding states, increase compliance, and provide at least $1 million in additional revenue each year.

Cut state energy costs. New Mexico state workers are not required to turn off their computers and other office equipment when they leave at the end of the day. But taxpayers are asked to pay the bills for leaving that equipment on overnight.

Figures from the State Personnel Office and the Department of Finance and Administration show the state's 23,500 employees use some 20,000 computers. If the state work force mirrors the nationwide work force, 54 percent of them leave their computers on overnight, according to the Lawrence Berkley National Laboratory. The cost to taxpayers? Just under $194,000 a year for computers left on, plus another $151,000 a year if their monitors are left on, too.

Add another $81,648 annually for printers that don't get turned off, and taxpayers could save a total of just under $2 million each year if state employees would simply flip the switch when they head for home.

File state taxes on-line. New Mexico offers on-line tax filing for businesses and individuals, a service that started in 1996 and was significantly expanded in 2000. Not all taxpayers are eligible to file on-line. But many more currently qualify than take advantage of the opportunity. And with potential savings of some $2 million over the next four years, everyone who is eligible to file on-line should be encouraged to do so.

The state's Taxation and Revenue Department spends $3.02 per individual tax return and $1.80 per business tax return. Hard-copy tax returns tend to contain more errors, adding to the overall cost of processing. If New Mexico were to set a goal of increasing on-line returns for businesses to 25 percent over the next four years, taxpayers could save more than $875,000. A similar goal for increasing the number of individuals filing on-line would net taxpayers savings of $1.5 million over the same period.

The *New Mexico Performance Review* strongly recommends a marketing initiative to increase the numbers of on-line tax filers as a way to improve customer service and reduce the cost of tax collection.

Recover clean-up costs from polluters. Finally, FURTHER ALONG features several suggestions for streamlining the process for recovering the costs of remediating sites polluted by leaky storage tanks, primarily around gasoline service stations. New Mexico, some years ago, established the Corrective Action Fund to pay tank owners and operators for the costs they incur to clean up their contaminated sites or to hire environmental contractors to perform the work. Of the nearly $125 million spent to date from the fund, the state has recovered its costs in only a small handful of cases — and none since 1994.

State government should develop and implement policies for the systematic collection of insurance data from tank owners and operators whenever a release is reported, and make a compliance determination early on during the corrective action so that a timely cost recovery can be filed against responsible parties.

Based on the experience of other states that have taken such steps, New Mexico can expect to recover at least $250,000 in the first three years of a cost recovery program. These revenues should go into the Corrective Action Fund to pay for cleaning up other sites.

Market New Mexico

. A review of more than 100 ***separate*** marketing and advertising contracts for eight state agencies reveals that taxpayers spent about $4.8 million over the past three years on ad campaigns ranging from public service announcements to selling the state. While these separate contracts give individual agencies the flexibility to develop media campaigns tailored to their needs, they also result in agencies spending scarce taxpayer resources on similar services that might be less expensive if purchased together.

In fact, state agencies are paying anywhere from 15 percent to 30 percent for overhead, media fees, and commissions to private marketing firms — more than double the industry standard, in many cases.

Meanwhile, the Marketing Division of the state's Tourism Department boasts an excellent production team with up-to-date equipment and the expertise to provide most, if not all, radio and television ads in-house. This state resource should be offered to other agencies to limit the need for costly outside contracts. A series of proposals in this report would save taxpayers an estimated $500,000 a year and give the state more control over the message it sends the world about the advantages of visiting or doing business in the Land of Enchantment.

Making New Mexico Better

Many of the ideas in MOVING NEW MEXICO FORWARD were designed to save taxpayers money. Many of the ideas in FURTHER ALONG will improve customer service for those same taxpayers. Many of the ideas in both reports would do both, because recommendations for retooling state government into a high-quality customer service operation also tend to save money.

But there are proposals in this report and the previous one that go beyond dollar savings or improved customer service to suggest ways of making New Mexico a better place to live for future generations. These proposals attempt to change the culture of complacency that exists in large bureaucracies and to put in place structural reforms that will help the state position itself for the challenges ahead.

Secure federal highway funding streams. A major series of recommendations in MOVING NEW MEXICO FORWARD addressed the state's transportation challenges, including ways to ease the financial strain on critical infrastructure links — roads, airports, rail links, telecommunications — that will continue to play important roles in shaping New Mexico's future mobility and prosperity. Another critical challenge should be added to the list: securing a steady stream of federal funding for such projects.

States that fall out of compliance with mandatory federal regulations from either the Federal Motor Vehicle Safety Administration (FMVSA) or Transportation Security Administration (TSA) risk losing significant portions of their funding. In 2003, the New Mexico Legislature passed two bills designed to bring the state into compliance with two unresolved requirements dating from 1990 and 1999 and involving the potential loss of $16.8 million a year in federal highway construction funds.

Yet, even as these old issues were being addressed, the FMVSA issued 15 new mandatory requirements with a deadline of September 2005. These new requirements are labor intensive and demand extensive coordination among the state's Motor Vehicle Division, federal agencies, commercial carriers, commercial drivers, and other states. The Legislature debated a bill to help meet the new deadlines, but the proposed legislation died in committee. Now, New Mexico faces a renewed round of non-compliance issues that could cost the state tens of millions in federal funding — a situation complicated even further by passage of the U.S. Patriot Act, which placed additional burdens on state government.

A series of recommendations in FURTHER ALONG would, if implemented, increase staffing in the state's Motor Vehicle Division to help meet the new federal deadlines and amend state law to allow for the new finger-printing of commercial driver applicants as mandated by the U.S. Patriot Act. These are proactive recommendations designed to prevent the loss of millions in federal highway construction and other transportation funds.

Adopt biennial state budgets. In the modern world, state governments are called upon to respond more nimbly than ever to shifting economic and social circumstances. Planning and long-range vision have taken on added significance.

Yet, each year, New Mexico state agencies, large and small, spend inordinate amounts of time preparing and submitting budget requests. Large agencies with complex funding streams and annual budgets of more than $1 billion maintain entire units or divisions to develop their budgets. Small agencies with relatively stable revenues and expenditures and annual budgets as low as $75,000 also participate on an equal basis.

Nearly half of all states have turned to two-year budget cycles to free their agencies to concentrate on their core missions while giving state leaders the space to consider major policy issues without staring down the face of continuous budgeting processes. Studies in those states have found that biennial budgeting reduces executive branch costs. In Arizona, they have developed a system that incorporates elements of both annual and biennial budgeting.

New Mexico should allow 34 smaller agencies with stable revenues and expenditures to begin preparing two-year budgets to provide more time for state leaders to develop strategic plans and implement initiatives over time.

Streamline the state bureaucracy. The proliferation of state boards and commissions over the years has led to questions about the relevance of many of them, especially the 109 so-called discretionary boards and commissions. Taxpayers spend an estimated $1.8 million a year, almost entirely in per diem for members, to support those discretionary boards and commissions.

New Mexico appreciates the willingness of so many good citizens to serve. But the state should develop specific standards for judging whether or not these discretionary boards and commissions should be retained, combined, or eliminated.

Use inmate fire crews. An agreement is in place between the Corrections Department and the Energy, Mineral and Natural Resource Department to operate two inmate work camp programs. The first has been in operation since 1997 at Los Lunas and features six crews with a total of 72 inmates. The second is in Grants, where 24 inmates in two crews are deployed five days a week to respond to wildfires, thin forests, plant trees, and work on other forestry projects.

These programs provide non-violent inmates with meaningful training and outdoor skills that often lead to productive jobs in landscaping, plant nurseries, and forestry when they complete their sentences. The crews are also cost-effective for taxpayers, with hourly wages ranging from 50 cents to $2.50.

The state should add at least two new crews at Los Lunas and another at Grants to defray the costs of fighting wildfires and provide non-violent inmates with rehabilitative job training.

Ease prison overcrowding and increase public safety. Current "good time" laws for state prison inmates allow officials to reduce the total time served on a sentence in exchange for participation in prison treatment or training programs and exceptional conduct. With capacity at a premium in the state's five public and three private prisons, the Corrections Department is housing excess inmates in county jails, including 203 in Torrance County and 141 in Santa Fe.

Because of tough sentencing laws, the total inmate population continues to grow even though crime rates statewide have declined slightly. Over the past five fiscal years, the prison population has increased by nearly 20 percent.

Experts agree that good time eligibility is essential for sound prison management, giving inmates meaningful incentives to behave and engage in rehabilitation programs. To free up costly prison space, the *New Mexico Performance Review* recommends expanding good time credits for non-violent, technical parole violators. This change would save taxpayers more than $275,000 a year and free up space for violent offenders who need to be kept behind bars.

Improve childhood immunization rates. New Mexico has no standardized mechanism for recording immunization data and, therefore, no way to monitor how many citizens have had their shots and how many others are exposed to infectious or communicable diseases. Some 375 New Mexicans lose their lives each year to preventable flu or pneumonia — the state's seventh leading cause of death.

The lack of an immunization registry limits efforts in clinics across the state, where medical staffers must rely on parents to provide them with hard copies of their children's records. In the absence of an automated system, it is impossible to determine who needs shots or actively schedule them for immunizations.

The state should establish a standardized registry to increase efficiency, allow for more effective assessment and monitoring, and improve immunization rates for both children and adults.

Ensure food safety. Recent scares about the safety of the food we eat and potential bioterrorism attacks have focused experts on a variety of strategies for ensuring the security of public health and preventing food-borne outbreaks from threatening New Mexicans. One thing that has become clear because of this renewed scrutiny is that the state should consolidate its food safety programs.

In 1991, the old Health and Environment Department was split into today's Department of Health and the Environment Department. The fact that the split also separated the state's food safety programs from the state's inspection and permitting of food services did not, then, seem like an inefficient way to do business. That was then, this is now.

The state should transfer the food safety program from the Environment Department to the Department of Health so that its efforts can be coordinated with other public health initiatives. This consolidation should be accompanied by a campaign to raise general public awareness about food safety.

Improve water management. New Mexico is in the midst of a 20-year dry cycle. And as the state's population swells, increased demands are placed on the state's dwindling water supply.

State government has already taken a leadership position in limiting water use. Agencies are required to establish water efficiency goals and set up water conservation programs. More must be done, though, especially on the 220 acres of landscaped land owned or controlled by state agencies, and the 1,300 irrigated acres under the management of state universities and colleges.

All caretakers of state-owned lands should be trained in how to assess their water needs and how to maintain adequate landscaping with minimum water use. Agencies and institutions of higher learning should develop plans to convert appropriate landscaping to drought-resistant vegetation. New state buildings should feature xeriscaping. And state-of-the-art, water-efficient irrigation systems should replace current systems in all state agency facilities beginning no later than fiscal year 2006.

New Mexico can achieve immediate savings by implementing these low-cost recommendations. Minimal staff training expenses and the cost of slowly converting more and more state-owned or -controlled landscaping to drought-resistant varieties should be absorbed through agencies' regular land-maintenance budgets.

Not only is there a limited amount of water in New Mexico, but the rights have been over-appropriated to what water does exist. The greatest obstacle to better water management is a continuing focus on immediate, short-term solutions to long-term problems rather than more comprehensive efforts to position the state to meet the challenges of the future.

FURTHER ALONG underscores the urgent need for accurate projections of future water needs based on expected population growth, economic activity and sustainability, the ongoing effects of the drought, and other factors. The State Water Plan, currently under development, provides a good framework to incorporate strategies for determining the gap between future needs and future availability with an eye toward closing that gap over the next 25 years.

Improve state personnel management. Last year, more than 120,000 New Mexicans applied for jobs with their state government.

Our previous report underscored ways to reduce the average waiting time of four months to hear whether or not they have been hired, and presented suggestions for improving their working conditions and training opportunities once they are hired. FURTHER ALONG features a series of new recommendations, based on our belief that additional personnel management improvements will contribute significantly to making New Mexico better.

One way to save state employees' time and increase accountability to taxpayers is to standardize attendance tracking systems throughout state government. Some agencies use automated systems, others use manual processes. The use of paper timesheets is particularly inefficient because it is time-consuming and prone to errors.

The state's General Services Department provides a Web-based automated timesheet system for some 8,000 employees in 30 state agencies and actively markets its system to other agencies at no additional cost. Still, more than 60 state agencies are not yet participating in the automated system.

The *New Mexico Performance Review* recommends that all state employees be converted to the automated timesheet system before the end of fiscal year 2005. The change will increase productivity, save on paper, toner, and copier lease costs, and increase accountability to the taxpayers who pay our salaries.

Speaking of salaries, the state should also streamline and standardize the process for setting appropriate wage levels for state employees. To help recruit and retain the highest-quality work force, state government uses a variety of tools, including a salary methodology known as "appropriate placement," which allows managers to assign salaries according to a minimum, midpoint, and maximum value in each pay grade. The methodology is not used as intended in some agencies, to judge by the inconsistencies that currently exist across state government.

Part of the problem seems to be a lack of clarity in the way State Personnel Office rules are written. Those rules should be revised and clarified. Human resources professionals should have increased training to make sure they understand the "appropriate placement" system. And an unbiased third-party responsible for reviewing salary decisions to ensure fairness and efficient use of taxpayer resources should be designated in each agency.

Finally, the *New Mexico Performance Review* employee survey conducted for our previous report found that 57 percent of state employees give management in their agencies a fair or poor ranking. Another 45 percent reported that low morale gets in the way of their agencies' missions and contributes to high employee turnover rates.

Budget cuts over the past decade did away with a human resource development division in the State Personnel Office, reducing the number of staff trainers available to help keep managers abreast of the latest techniques. The state should take immediate steps to offer more training opportunities for agency managers to learn new ways to provide the highest-quality customer service at the lowest-possible cost.

Chapter I:

Putting Customers First

Total recommendations: **6**
Total five-year savings: **$2.4 million**

Fiscal Table

(numbers in thousands)

Recommendation	2005		2006		2007		2008		2009		Cumulative	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Reduce White Collar Crime	-	-	-	-	-	-	-	-	-	-	-	-
Eliminate Motor Vehicle Division Records Request Backlogs	-	-	107.5	-	116.2	-	116.2	-	116.2	-	456.1	
Expand and Promote Online State Services	-	-	31.2	-	31.2	-	31.2	-	31.2	-	124.8	
Streamline State Purchasing Process	-	-	-	-	-	-	-	-	-	-	-	-
Consolidate Gaming Administration	-	-	-	-	-	-	-	-	-	-	-	
Increase Auction Revenue	-	-	455.1	-	455.1	-	455.1	-	455.1	-	1,820.4	
TOTALS	-	-	593.8	-	602.5	-	602.5	-	602.5	-	**$ 2,401.3**	**$ -**

Reduce White Collar Crime

New Mexico should facilitate the detection, investigation, and prosecution of white-collar crime by establishing a shared database and an Economic Crime Council.

BACKGROUND

According to the National Public Survey on White Collar Crime, one-third of all U.S. households are victimized by white-collar crimes — money laundering, identity theft, and fraud that includes credit card, tax, health care, insurance, securities, and telecommunications — yet only 41 percent of those actually report it. Of those reported crimes, only 21 percent make it into the hands of a law enforcement or consumer protection agency or just over 8.5 percent of the crimes committed. The National Fraud Center reports that economic crime cost the nation $1 billion in 1990. In New Mexico, only partial or anecdotal information is available.

The information age and globalization of Internet commerce have altered both the frequency and number of economic crimes are committed, and made apprehending the perpetrators more difficult.

A number of federal and state government agencies as well as law enforcement and prosecutory agencies have some and varied responsibility for preventing or prosecuting white-collar crime. Federal agencies include the Federal Bureau of Investigation (FBI), U.S. Attorney General's Office, U.S. Customs Service, and U.S. Postal Service. State agencies include the Securities and Financial Institutions Divisions of the Regulation and Licensing Department, the Insurance Fraud Bureau in the Public Regulation Commission, the Tax Fraud Division in the Taxation and Revenue Department, and the State Attorney General. Law enforcement and prosecutory agencies include the state police, local sheriff's departments, municipal police departments, and district attorneys.

The Securities Division of the Regulation and Licensing Department (RLD) is responsible for registration of stocks and bonds, licensing security professionals, and civil enforcement. The Financial Institutions Division of RLD is responsible for regulating and civil enforcement of banks, credit unions, and mortgage companies. The Insurance Fraud Bureau in the Public Regulation Commission investigates and prosecutes insurance fraud. The Taxation and Revenue Department recently created a Tax Fraud Division to investigate state tax fraud.

Various law enforcement agencies across the state — the state police, local sheriff's departments, municipal police departments — are responsible for criminal investigation and arrests, while district attorneys (DAs) have the job of prosecuting white-collar crime. The state Attorney General's (AG's) Consumer Protection Division addresses civil matters referring criminal prosecution to local DAs. The AG pursues criminal prosecution only when the DA declines to do so, excepting criminal activities involving banks and credit unions. Because funds in these institutions are insured by the federal government, these cases of alleged wrongdoing are investigated by the FBI and prosecuted by the U.S. Attorney General.

FINDINGS

How much white-collar crime is there in New Mexico? No one knows for sure. Not only is there no centralized database to record information about allegations, investigations, or prosecutions, but many agencies also do not track allegations and investigations, relying instead on the institutional memory of staff. While anecdotal evidence suggests the problem in New Mexico is serious and getting worse — including a recent incident in which the owner of a telemarketing agency discovered that his employees were involved in identity theft — most local law enforcement professionals concede they lack the expertise or resources to pursue such cases.

District Attorney (DA) Offices, the Securities Division (SD), and Financial Institutions Division (FID) of the Regulation and Licensing Department, and the Attorney General (AG) recognize the need for tracking and sharing information among the agencies. Crucial information, such as the number of prosecutions compared to the number of cases referred for prosecution remains unknown without a mechanism to monitor cases referred from law enforcement to the DAs, or from the DAs to the AG.

The General Services Department (GSD), the state agency providing database development and support to other state agencies, reports that creating a platform to share information among appropriate agencies is possible and that agencies might be able to link into the existing Criminal Justice system used by the courts, public defender, Adult and Juvenile Parole boards, and local DAs. A study of system requirements would be necessary before GSD could make a recommendation about the precise nature and cost of such a database. GSD estimates study cost at about $5,000.

In an effort to reduce Securities fraud, one type of white-collar crime in New Mexico, state lawmakers created the Securities Education and Training Fund to provide education and training on securities laws and investment issues. Civil penalties, investigation cost reimbursements, and other administrative assessments collected by SD may be deposited into this fund.

Another challenge for the state is the lack of a forum to routinely share information and expertise among all the state agencies with responsibility for regulating or investigating economic crimes. On an informal basis, FID and SD occasionally meet with the Bernalillo County Attorney's office and local law enforcement, but the group does not have the statutory authority to investigate, subpoena information, or arrest suspects.

State agencies universally cite insufficient resources and expertise as the primary reason for the lack of investigation or prosecution of white-collar crime. These cases are exceedingly complex and require significant time and money to research and prosecute. Paradoxically, there is a wealth of individual talent and experience within many of the agencies that is not being used effectively due to the lack of coordination.

The result? Individuals committing economic crime find it easy to move undetected from one area of the state to another, from one type of fraudulent activity to another, or from one industry to another.

No single group or agency will be able to address the complex challenge of white-collar crime in New Mexico. All enforcement agencies will have to work collaboratively to effectively identify the extent of such crime and attack it, as well as to collect and share fraud enforcement information.

RECOMMENDATIONS

New Mexico should establish an Economic Crime Council (ECC) and a shared database to facilitate the detection, investigation, and prosecution of white-collar crime. The council should meet at least quarterly and report directly to the Governor's crime advisor. The Council's membership should include representation from the following agencies:

- Securities Division of RLD
- Financial Institutions Division of RLD
- Special Investigations Unit of the Department of Public Safety
- Gaming Control Board
- New Mexico Lottery Authority
- Insurance Fraud Bureau of the Public Regulation Commission
- New Mexico Attorney General's Office
- Tax Fraud Division of the Taxation and Revenue Department
- District Attorney's Offices

Participating state agencies should be required to assume the costs related to their ECC membership.

A database also should be developed to track and share information about allegations, investigations, and prosecutions of economic fraud. One of the first tasks of the ECC should be to work with GSD to develop the design requirements necessary to establish a shared database and the data elements that each agency should collect and maintain. GSD should examine the feasibility of building upon the existing system used by the state's criminal justice network. The design requirements must identify each agency's current management information system and data capacities as well as identifying and addressing privacy issues.

Statutory language describing the Securities Education and Training Fund should be expanded to support using the fund in support of the design and development of the economic crime database. Investors and citizens alike would be better protected from white-collar crime if data about perpetrators were collected and shared among enforcement agencies.

Finally, the Governor should direct SD to deposit funds from the next SD settlement or prosecution into the Securities Education and Training Fund to fund the design and development of the economic crime database.

FISCAL IMPLICATIONS

The cost of participation in the Economic Crime Council should be absorbed by agencies. The cost of design and development of the economic crime database should be funded from the expanded Securities Education and Training Fund according to the statutory amendment proposed above. The cost of research and analysis is estimated at about $5,000. Given the scope of the project and number of agencies involved, the cost of development and implementation cannot be determined at this time.

ENDNOTES

1. Bruce Kohl, Acting Director Securities Division, Regulation and Licensing Department
2. William Verant, Director, Financial Institutions Division, Regulation and Licensing Department
3. Michael Cox, Investigator, Attorney General's Office
4. Stuart Bluestone, Assistant Attorney General, Attorney General's Office
5. Janice Rutschman, Deputy Director, Financial Institution Division, Regulation and Licensing Department
6. Alvan Romero, Director, Tax Fraud Division, Department of Taxation and Revenue
7. Larry Naranjo, Director, Information Services Division, General Services Department
8. Art Weidemann, Assistant Attorney General, Special Prosecution Division, Attorney General's Office
9. Bob Swartz, Governor's Crime Advisor, Office of the Governor

Eliminate Motor Vehicle Division Records Request Backlogs

The Motor Vehicle Division should charge for title and record searches, and hire staff to eliminate the existing backlog then keep up with records and title search requests.

BACKGROUND

By state statute, all records of the Taxation and Revenue Department (TRD) relating to the administration and enforcement of the Motor Vehicle Code are available to the public upon request, other than those declared by law to be confidential for the use of the department. As a result and in addition to law enforcement-related requests, the Motor Vehicle Division of TRD receives hundreds if not thousands of requests from the public each year for driver and vehicle records.

The requests are processed and records retrieved at no charge to the requestor. However, the limited number of staff available to process the requests relative to the tens of thousands of requests per year, between law-enforcement and the public, has created a backlog that results in delays in other services including, for example, posting DWI citations.

FINDINGS

One employee at the Motor Vehicle Division (MVD) processes title searches and histories for individuals, title companies, attorneys, and towing companies. This person processes more than 18,000 title searches and more than 4,500 title histories a year. Title searches take about five minutes once the microfilm canister is in the microfilm reader, while title histories take from 20 minutes to 3 hours or more, depending on whether or not multiple microfilm canisters must be searched. Ten percent of these non-chargeable searches are for law enforcement, courts, and other states, and take precedence over all other searches.

This single state employee cannot possibly keep up with the title search volume, and the result is a backlog of at least one month at any given time. Such a backlog causes delays in issuing new tags from vehicle sales, often forcing customers to obtain 30-day temporary tags.

Two MVD employees are assigned to process certified driver record and confidential driver record searches — totalling nearly 35,000 and 7,000 per year, respectively. These searches are in response to court requests and court actions.

As of August 2003, MVD's Driver and Vehicle Bureau staffing was at 87.5 percent of full capacity. Seventeen positions have since been transferred to form a phone bank to centralize incoming calls and allow other employees to handle customer paperwork. This change brought the overall staffing level down to approximately 65 percent of full capacity. Subsequent employee turnover has further reduced staffing levels and eroded productivity.

Driver record and title searches are not funded as a part of the MVD's annual budget. It costs taxpayers about $130,500 per year for the three MVD employees to do the searches. Combined with the reorganization resulting from creation of the phone bank and the high turnover rate in the division, the system is overwhelmed by these requests for free services.

RECOMMENDATIONS

To eliminate the Motor Vehicle Division's (MVD's) backlogs, MVD should be authorized to charge for title and record searches -- $5 per request plus one dollar per page of the completed search report.

Some of these funds should be used to increase the number of full-time employees by three to handle the additional title history workload.

FISCAL IMPLICATIONS

The state could realize over $456,000 over four years in recurring revenue based on a $5 charge per request plus one dollar per page (assuming a three-page average).

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	
2006	118.2	225.7	107.5	-	-	3
2007	109.5	225.7	116.2	-	-	
2008	109.5	225.7	116.2	-	-	
2009	109.5	225.7	116.2	-	-	
TOTAL	**446.7**	**902.8**	**456.1**	**0.0**	**0.0**	**3**

ENDNOTES

1. Curt Sanchez, Chief, Driver and Vehicle Bureau, Motor Vehicle Division, Taxation and Revenue Department
2. Jan Goodwin, Cabinet Secretary, Taxation and Revenue Department
3. Motor Vehicle Division of Taxation and Revenue Department: Records of the Department – Section 66-2-7 NMSA 1978
4. Taxation and Revenue Department Act – Section 9-11 NMSA 1978
5. Barbara Romero, Supervisor, DWI Unit, Driver and Vehicle Bureau, Motor Vehicle Division, Taxation and Revenue Department
6. Cassandra Sena, Vehicle Microfilm Clerk, Driver and Vehicle Bureau, Motor Vehicle Division, Taxation and Revenue Department
7. Jim McGiffin, Management Analyst, Data Analysis Unit, Office of the Deputy Director, Motor Vehicle Division, Taxation and Revenue Department

Expand and Promote Online State Services

The state should expand online services for taxpayers and promote enhanced use of the Internet for state services to improve customer access and service.

BACKGROUND

New Mexico lacks a robust suite of Internet services and online information available to the public and businesses. Better online services would benefit taxpayers by allowing them to interact with state government more efficiently, more effectively, and at their convenience. The state can also benefit from increased revenues flowing from convenience fees and reduced costs of paper processing.

Some common services other states have made available through the Internet include ordering copies of birth or death certificates, filing consumer complaints, renewing driver's licenses, registering to vote, purchasing sporting licenses, paying traffic tickets, and renewing vehicle registration. States continue to add and improve services available through the Internet.

As new and improved online services become available, more and more taxpayers are likely to choose the Internet instead of standing in line. The Internet is destined to become an evermore effective contact point for taxpayers to interact with their state government. The result will be improved services to taxpayers and increased support of a state government that provides them with services they need in a way that is easy to access.

The Governor's *Moving New Mexico Forward* report in 2003 addressed planning for a new statewide portal. While the portal is still a work in progress, creation of new online services can and should proceed. It is important to offer new services as rapidly as possible to improve taxpayer accessability and to take advantage of revenue opportunities.

Development of new online services may be accomplished through a "self-funded" approach in which vendors build and implement online services for the state with no upfront cost to taxpayers. In return, vendors receive a small percentage of the revenue generated by the services.

FINDINGS

The Center for Digital Government recently announced the latest ranking of the top five state websites – Utah, Maine, Indiana, Washington, and Arkansas. Washington is the only state to be in the top five for the last four years, having begun work on its new portal in 1998. Washington state officials consider improvements to the site to be an ongoing process.

New Mexico's website and portal has never ranked in the top 25. In fact, a Brown University portal review in 2003 ranked New Mexico next to last among the 50 states. Fortunately, efforts are underway to both improve that standing and service to New Mexico citizens through development of a plan to implement a state electronic government portal that will provide information and services to citizens and state employees. The plan is targeted for completion in September with identification of the funding model targeted for late March 2005 with concurrence from the Legislature. A Request for Proposal (RFP) will then be issued in April 2005 to begin development and implementation of the portal.

According to a recent Brown University study, the top three online services desired and used by taxpayers are motor vehicle registration, business licensing and permitting, and tax filing. While New Mexico offers each of these services online, their accessibility, usefulness, and revenue-generation capacity could be expanded through the central point of service that is a well-designed portal.

New Mexico online motor vehicle registration includes a $1 convenience fee for a one-year registration and $2 for a two-year registration. FY03 saw approximately 54,500 online registrations out of a total of 658,000 total registrations. New Mexico also offers online licensing for a number of permits and licenses. An example of the convenience fees charged for these services is the five-dollar credit card fee that is charged for construction permits.

New Mexico also offers online tax filing, with approximately 75,000 individuals filing online in tax year 2002. The remaining 600,000 taxpayers filed paper forms, representing a significant opportunity to save time and money by converting them to online filing.

The state could generate new revenues and improve customer service by increasing the number of users of the services described above and by offering new online services. In particular, motor vehicle, business licenses, and permits are services taxpayers would find valuable.

Renewing driver's licenses online is one service offered by a number of other states, including Texas, Georgia, Pennsylvania, Tennessee, South Carolina, and Virginia among others, that New Mexico does not currently offer. Security concerns around others being able to misuse online renewal are being addressed through a variety of means. Most, if not all, states require in-person renewal prior to online renewal and Georgia goes so far as to identify those driver's eligible for online renewal and notify them by mail issuing a Resident Identification Number "that the customer must use along with the month and day of your last exam date from the current license or ID card" allowing them to confirm identity.

Typically, a nominal convenience fee (one to five dollars) is charged in other states for this service. In FY03, approximately 250,000 New Mexico drivers renewed their licenses. By providing this service and others online, the state could realize both additional revenues and shorter customer lines at physical locations.

RECOMMENDATIONS

The state should promote the use of existing online services and new services as they are introduced, as well as developing new service options such as online driver's license renewal.

Posting signs at point-of-service offices, advertisements in mailings, and voice response messages are a few inexpensive methods of alerting citizens to online alternatives.

Security should be a primary concern in developing and implementing online services where personal information could be misappropriated. For example, online driver's license renewal should be modeled on the state(s) with the most comprehensive system addressing the potential for identify theft.

FISCAL IMPLICATIONS

Revenue from online driver's license renewals would bring in a projected $37,500 annually if only five percent of all renewals were completed every other time with a three-dollar convenience fee. Costs would include printing for signs and advertisements, development of the online service, and credit card acceptance fees charged by the card companies.

Estimated Fiscal Impact
(in Thousands)

Fiscal	General Fund			Other Funds		Change in
Year	Cost	Savings	Net	Cost	Savings	FTE
2005	-	-	-	-	-	
2006	6.3	37.5	31.2	-	-	
2007	6.3	37.5	31.2	-	-	
2008	6.3	37.5	31.2	-	-	
2009	6.3	37.5	31.2			
TOTAL	**25.2**	**150.0**	**124.8**	**0.0**	**0.0**	**0**

ENDNOTES

1. State of New Mexico website, www.state.nm.us, September 2003
2. "State and Federal E-Government in the United States, 2003" by Darrell M. West, Center for Public Policy Brown University
3. "Study: State Web Sites Fall Short on Readability" by John Martin, www.Governing.com, September 15, 2003
4. Issue IT11, Governor's Performance Review Phase I, August 2003
5. "Digital States Survey", www.centerdigitalgov.com, October 2003
6. Rhonda Polidori, Manager, Digital Government Web Properties, State of Washington
7. New Mexico Statistical Report for Driver Licenses and Motor Vehicle Registrations, FY01- FY03
8. Kathy McMath, IT Manager, Regulation and Licensing Department
9. Form C-3 MAGPortal, Special Appropriation Request, June 2003
10. State website of Florida, www.myflorida.com, November 2003
11. State website of Tennessee, www.tennesseeanytime.org, November 2003
12. State website of Virginia, www.myvirginia.org, November 2003
13. State website of Washington, www.access.wa.gov, November 2003

Streamline State Purchasing Process

State agencies should transition to an internal, electronic-approval process for procurement and payment of purchases.

BACKGROUND

Nineteen state agencies and nine other state offices each use their own internal purchasing and vouchering processes. As a result, the procurement to payment cycle – the amount of time between when a request to purchase is made and the point when a vendor receives payment for goods or services rendered – varies from agency to agency.

In some larger departments, multiple levels of approval are required negatively affecting the efficiency of the process. Some state agencies take one to three months from request to delivery, even for small purchases such as office supplies. For computers and other larger purchases, the time can be three to five months. In many instances, additional delays can occur if the requesting office is a field office or even in a different building than the central office.

The majority of agencies using their own purchasing and vouchering processes are linked to the Department of Finance and Administration (DFA), where encumbering – setting the money aside for that purpose – is executed, and warrants – checks – are written using yet another accounting system.

In 2002, state lawmakers approved funding to study the cost and means for replacing and integrating the central accounting information technology (IT) systems, human resources database, and payroll management, all currently maintained by the General Services Department. Replacement of these systems has become important because each department now operates outdated systems that can no longer be supported by General Services IT staff.

The report to the 2003 New Mexico Legislature generated by this study concluded that integrating these systems, along with the central accounting system used by DFA, makes sense and would not cost significantly more than to replace the existing systems needing replacement today. The Legislature appropriated $10 million to build a comprehensive, integrated IT system that will tie all functions of the three existing systems together, allowing for true enterprise accounting and accurate cost allocations for state programs.

FINDINGS

The Department of Finance and Administration (DFA) requires that all agencies transmit their procurement data electronically, has web-enabled its accounting application, "Advantage", and uses it to handle the process. The system takes care of approvals for authority to access the appropriate budget, checks the sufficiency of budgets, updates remaining available budgets, validates vendor data, checks the accuracy of the form for both procurement and payment documents, and checks for consistency with encumbrance records (created by the procurement document) for all payment documents.

A number of large state agencies are not using DFA's system as their accounting application. In these agencies, multiple signatures for a single document are required, and for some purchase documents and vouchers, as many as half-a-dozen copies of the same document must be signed. Although the State Procurement Code only requires one signature on a purchasing and vouchering document from an agency, many continue to maintain approval layers that are five or six levels deep.

In agencies requiring more than two approvals, most of the other approvals simply correspond to each layer of management acknowledging the appropriateness of the purchase. The State Controller suggests that this may be an internal management problem in the agencies, where the authority already exists to streamline their processes for internal approvals for both purchase documents and payment vouchers.

Longer procurement to payment cycles reduce employee productivity. In the case of travel, because of the unnecessarily long lag times in receiving payment, some travel agencies now decline to contract with state government. This results in state employees spending time obtaining three bids for every flight reservation made and diverting time and effort away from customer-oriented activities adding a hidden cost to travel arrangements. Additionally, the state employee, as opposed to the vendor, then has to wait weeks — in some cases, months — before receiving reimbursement.

A few New Mexico state agencies are successfully managing this challenge including the Department of Transportation (DOT), Department of Environment (ED), and Energy, Minerals and Natural Resources Department (EMNRD). EMNRD maintains an average procurement to payment cycle of fewer than 30 days. The agency's system is fully automated with online entry of procurement and payment documents at the front-line level. It also includes an immediate check for budget availability and authorization to access that budget for the document preparer. Additionally, EMNRD requires only two signatures on procurement documents.

RECOMMENDATIONS

State agencies should streamline their current internal document processes and approvals, and initiate practices that will dovetail with the new accounting system. Specifically, the state should:

- Require all agencies to use the central accounting system.
- Standardize internal procurement and payment processes across all agencies utilizing

"best practices" models such as those used at EMNRD, DOT, and ED.

- Limit agency approval signatures on procurement documents to one for Direct Purchase Orders (DPOs) and two for purchases over the allowable DPO amount.

- Limit agency approval signatures to two for all payment documents (vouchers).

- Eliminate requirements to sign duplicate copies of the same purchase documents and vouchers. For DPOs, agencies are only required to keep an electronic copy of the DPO.

FISCAL IMPLICATIONS

The New Mexico Performance Review report *Moving New Mexico Forward* estimated that each purchase transaction costs taxpayers $100. According to the State Controller, agency efficiencies and cost avoidance savings totaling possibly as much as $600,000 annually could be achieved by reducing the number of signatures needed for each purchase transaction by using the electronic approval system already available through DFA, and by approving and keeping records of DPOs electronically.

ENDNOTES

1. Anthony Armijo, Director, Financial Control Division, Department of Finance and Administration
2. Robert Castillo, Director, Administrative Services Division, Energy, Minerals and Natural Resources Department
3. Esther Varela-Lopez, Bureau Chief, Fiscal Operations, Administrative Services Division, Energy, Minerals and Natural Resources Department
4. Marcella Ortega, Bureau Chief, Office of Financial Management, Administrative Services Division, Children, Youth, and Families Department
5. Renee Turner, Accountant Auditor, Financial Control Division, Department of Finance and Administration
6. Margaret Trujillo, Chief, Purchasing Bureau, Administrative Services Division, Department of Environment
7. Dannette Burch, Deputy Secretary, Department of Finance and Administration
8. Diane Naranjo, Chief, Office of Policy and Program Development, Department of Environment
9. Bernice Gallegos, Chief, Contracts Bureau, Administrative Services Division, Department of Finance and Administration
10. Alex Cannett, Computer Specialist, Information Technology, Department of Finance and Administration
11. Purchase documents, vouchers, and travel vouchers from Children, Youth, and Families Department, Department of Health, Human Services Department and Department of Environment
12. "Small Purchases" Procurement Code, Section 13-1-125 NMAC
13. Procurement Re-engineering Project Report 1997, pages17-20
14. "Increased Procurement Card Use", Moving New Mexico Forward, New Mexico Performance Review
15. Anne deLain W. Clark, Coordinator, New Mexico Radioactive Waste Consultation Task Force, Energy, Minerals and Natural Resources Department

Consolidate Gaming Administration

Administration and enforcement of the Bingo and Raffle Act should be transferred to the Gaming Control Board from the Alcohol and Gaming Division of the Regulation and Licensing Department and the Department of Public Safety.

BACKGROUND

The Bingo and Raffle Act was enacted in 1981 to regulate the conduct of certain games of chance by non-profit organizations. Regulation consists of two functions: licensing and enforcement. The Alcohol and Gaming Division (AGD) of the Regulation and Licensing Department issues licenses and collects fees from organizations operating bingo games or raffles. AGD conducts no monitoring, regulatory, or auditing activities, but receives complaints from citizens about suspect activities by organizations running raffles and bingo games. These complaints are referred to the Special Investigations Unit (SIU) of the Department of Public Safety. SIU enforces the Act and receives complaints about bingo and raffle operators.

Information about licensure and enforcement activities is maintained separately in each agency with minimal sharing of information. Neither AGD nor SIU regulates or monitors individuals or companies that manufacture the equipment used in bingo and raffles.

The Gaming Control Act was enacted in 1997 and created the Gaming Control Board (GCB) to implement the state's policy on gaming and regulate gaming activities, with the exceptions of bingo and raffles conducted by non-profit organizations. Non-profit organizations were excluded from the Gaming Control Act in part because, at the time, their involvement in gaming activities tended to be limited only to bingo and raffle.

GCB's duties include all of the same duties AGD and SIU perform and others including issuance, denial, suspension, and revocation of all gaming licenses; regulating gaming equipment, imposing fines; seizing illegal equipment; arresting alleged violators of the Gaming Control Act; and monitoring all authorized gaming including gaming under the Indian Gaming Compacts. Since enactment of the Gaming Control Act, some non-profit organizations have sought to operate other gaming activities regulated by GCB.

FINDINGS

In 2002, 164 bingo and raffle licenses were issued by AGD, bringing in revenues of $143,024 — a 24 percent decrease in the number of licenses issued and a 33 percent decrease in revenues from five years earlier. This decline has been attributed to the availability of other gaming opportunities. As a result, AGD dedicates just one-quarter of one full-time position to issuing bingo and raffle licenses and collecting licensure fees.

During the first nine months of 2003, AGD received 14 complaints about organizations running bingo and raffle games and provided this information to SIU. AGD does not know the outcomes of these complaints, as there is no formal process for SIU to routinely share information on its investigations with AGD. AGD cannot apply this information to its licensure activities, such as denying a future license to an organization that may have violated the Bingo and Raffle Act.

SIU has 25 full-time employees across the state responsible for investigating alleged violations of the Bingo and Raffle Act and alcohol-related offenses. The unit's focus and specialty is the investigation and enforcement of the Liquor Control Act, with collectively less than one full-time position allocated to enforcement of the Bingo and Raffle Act.

GCB maintains a sophisticated electronic monitoring system of non-Indian gaming and works with tribes to monitor existing gaming compacts to ensure both protection of the public and accurate assessment of revenues. Fees and revenues are collected by the state's Taxation and Revenue Department. To enhance customer service, licensure application and processing of a license are available electronically.

GCB conducts additional monitoring, investigations, and sanctioning functions. Because GCB has the responsibility to license and regulate other forms of gaming, it is already monitoring a number of the same organizations that AGD licenses for bingo and raffle. Given the scope of effort, GCB believes it would be able to assume the licensing and enforcement activities without the need for additional employees.

By assuming both the licensure and enforcement function of the Bingo and Raffle Act, GCB could more aptly facilitate the sharing of information among enforcement and licensing actions and offer a single point of contact for complaints.

RECOMMENDATIONS

The administration of the Bingo and Raffle Act should be transferred from AGD and SIU to GCB. The Bingo and Raffle Act should be amended to:

- Assign responsibility for the administration and enforcement of the Bingo and Raffle Act to GCB; and
- Allow GCB to regulate bingo and raffle equipment and the distributors of such equipment.

Regulations specific to Bingo and Raffle should also be amended to reflect the transfer and improve oversight.

The Department of Public Safety Act, Section 19-19-7.C NMSA 1978 should be amended to delete the agency's responsibility for the Bingo and Raffle Act, and the Regulation and Licensing Department Act should be amended to change the name of the Alcohol and Gaming Division to the Alcohol Control Division.

FISCAL IMPLICATIONS

The Gaming Control Board can absorb the licensing and enforcement functions of the Bingo and Raffle Act without additional employees. Moreover, improved oversight and enforcement of Bingo and Raffle Operators is likely to result in increased revenues to the state, although these cannot be determined at this time.

Because the staff time currently devoted to administering the Bingo and Raffle Act has been minimal, the quarter-time position in the Alcohol and Gaming Division and the less than full-time position at the Special Investigations Unit should be re-directed to other work within those units.

ENDNOTES

1. Camille Trujillo, Auditor, Alcohol and Gaming Division, Regulation and Licensing Department
2. Lillian Martinez, Director, Alcohol and Gaming Division, Regulation and Licensing Department
3. Brett Woods, Executive Director, Gaming Control Board
4. Catherine Scott, Management Analyst, Legal Division, Gaming Control Board
5. Jim Plagens, Deputy Director, Special Investigations Unit, Department of Public Safety
6. Gaming Control Act – Section 60-2E NMSA 1978
7. Bingo and Raffle Act – Section 60-2B NMSA 1978.
8. Department of Public Safety Act – Section 9-19 NMSA 1978
9. Regulation and Licensing Act – Section 9-16 NMSA 1978

Increase Auction Revenue

The state should consolidate auction efforts and sell surplus state property using online auctions.

BACKGROUND

New Mexico state government currently uses traditional live auctions to reduce inventories of state surplus in automobiles, trucks, heavy equipment, and other property. Three agencies generate revenue through these auctions: the Department of Transportation (DOT), the Department of Public Safety (DPS), and the State/Federal Surplus Property (SFSP) program in the General Services Department.

Because three separate agencies each run their own auctions, the state may not be achieving the economies of scale that are possible with a centralized, consolidated auction. Further, none of the agencies use online auctions, such as those offered by eBay.com, to unload surplus property. Other states report that they generate more revenue from online auctions than from traditional live auctions.

Nationwide, state and local governments are using Internet auctions to generate additional revenues from surplus property. Fourteen states and hundreds of cities use eBay to sell surplus property. According to published reports, public agencies can earn two to ten times as much revenue from online auction sales than they can from traditional, live auctions.

FINDINGS

Revenue generated by DOT, DPS, and SFSP totaled more than $2.5 million over the previous three fiscal years (FY01-FY03) for an average of over $900,000 per year.

DOT auctions vehicles and heavy equipment, such as bulldozers and backhoes, at three annual auctions. The first two, both held in

July, are limited to qualified government entities such as municipalities and other governments, to allow them to buy used, affordable equipment. The third auction, held each September, is public and designed to dispose of remaining surplus property not sold at the earlier auctions. In general, about half of the agency's surplus is sold at the July auctions. DOT states that the equipment sold at the third auction is in great demand and brings good prices.

In FY03, according to preliminary figures, DOT generated $195,983.17 from its traditional public auctions. A year earlier, it generated $258,647.76, and in 2001, it sold surplus property for $342,140.60. Funds generated from the DOT auctions are deposited in the State Road Fund.

While DOT has no direct costs with traditional auctions because it contracts with a private auctioneer, who pays for actual auction costs and marketing out of the commission generated – five to 15 percent of sales, revenue generated is reduced by the amount of the auctioneer's commission. DOT's indirect costs of about $15,000 cover staff members conducting inventory and managing stock, and do not include shipping since it is the purchaser's responsibility for delivery. With online auctions, the indirect costs would remain because the state would still be required to conduct inventory and manage stock.

The Department of Public Safety (DPS) auctions older State Police fleet vehicles, some seized and confiscated vehicles, vehicles from other government agencies, office furniture, and other miscellaneous items. DPS reports it gets a good value for citizens through its annual traditional auctions held in July.

In 2003, DPS sold 133 fleet vehicles and other vehicles at a live auction and generated net revenue of $337,950, which was returned to its budget for the purchase of replacement vehicles. In 2002, the agency sold 282 vehicles at auction, netting $625,015. In 2001, it sold 188 vehicles at auction, for a total of $349,983. The average price per vehicle over this three-year period was $2,177.36, with police vehicles averaging $3,500 and seized vehicles generally bringing in a lower price. DPS reported no direct state costs associated with the auctions including shipping, as the purchaser is responsible for delivery.

Officials from SFSP reported that they auction an array of automobiles and trucks when it has sufficient inventory. In June 2003, SFSP generated $275,979.42 from a traditional auction of 380 vehicles in various conditions. In 2002, the agency did not take any vehicles to auction. In 2001, the agency generated $338,849.36 from the sale of 340 vehicles in two auctions run by the other two state agencies described earlier. SFSP reports no direct costs associated with the auctions including shipping; purchasers must make their own arrangements for delivery. Revenues it receives from the auctions remain in the SFSP's budget.

Oregon sells all surplus vehicles online and generates, on average, twice the revenue compared to when it used traditional auctions. While switching to online auctions resulted in slightly higher administrative costs, those costs approximate the commission costs incurred by New Mexico and have been more than recovered in the increased revenue generated. For example, the administrative cost of a vehicle sold on-line was approximately $80 more than for the same vehicle sold at traditional auction. However, because the state was able to sell the vehicle on-line for more than twice the price of traditional auction, the overall revenue to the state was doubled. To accommodate the administrative functions of on-line sales, Oregon modified its processes and accounting systems and did not need to hire additional employees.

North Dakota uses eBay.com and Bid4Assets.com to dispose of surplus property valued at $400 or more. North Dakota has determined that items meeting that threshold typically generate more money through online auctions.

PropertyRoom.com reports that police departments can generate revenue 10 times what can be made at one-day public auctions for items from their property rooms. For example, the Sacramento, California Sheriff's Department reported making $22,000 on seized property before using PropertyRoom.com. In the first 11 months of using the service, it generated $167,000. Sunnydale, California generated $10,000 in revenue in the first year it used PropertyRoom.com — three times the amount it generated from traditional auctions. In its second year, it generated $17,000.

RECOMMENDATIONS

The state should centralize auction functions by using the Internet to sell surplus property, particularly for big-ticket items such as automobiles, trucks, and heavy equipment.

The three auctioning agencies should develop a single protocol for one agency to handle online auctions. For example, if SFSP is charged with developing an online auction system for the state, it should coordinate with other auctioning agencies to post their surplus equipment and vehicles online. If any property posted online can't be sold for a minimum price set by the agency, the state should use the traditional auction to dispose of the property.

It may not be feasible to consolidate traditional auctions at one place and time due to space concerns at the auctioning agencies. However, agencies should consolidate auctions as much as possible to avoid duplication and to ensure a large stock for live auctions.

FISCAL IMPLICATIONS

The state can expect to generate up to twice the revenue it currently generates through traditional sales by selling vehicles through the Internet. For purposes of this analysis, a more conservative estimate assumes that the state can increase its revenues by 50 percent by auctioning vehicles online. Based on this estimate, the state can expect to generate $454,091.38 annually by switching to online vehicle auctions. Over a five-year period, the state will increase revenue through online vehicle auctions by more than $2.2 million.

Estimated Fiscal Impact

(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	-	-	-	455.1	-
2007	-	-	-	-	455.1	-
2008	-	-	-	-	455.1	-
2009	-	-	-		455.1	
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**1,820.40**	**0**

Administrative costs to run online auctions could increase eight percent to fourteen percent, according to Oregon officials. In New Mexico, the agencies that conduct traditional sales incur auctioneer commissions of five percent to fifteen percent, depending on what is sold and no shipping costs, as the purchaser is required to arrange for delivery. Therefore, any administrative increases from online auctions should be reflected in savings from the elimination of auctioneer commissions.

ENDNOTES

1. "Cities Ring Up Sales on eBay", Edyth Jensen, Arizona Republic, October 18, 2003
2. Nole Bullock, Online Sales Coordinator, State of Oregon's Surplus Department
3. Linda Belille, Director, North Dakota's Surplus Office
4. Tom Trujillo, Fleet Management Bureau, Department of Transportation
5. Matthew LaCome, Transportation Services Division, General Services Department
6. Major Randall Bertram, State Police, Department of Public Safety
7. Tom Fegan, Vice President for Sales, PropertyRoom.com
8. Porfirio Perez Jr., Bureau Chief, State/Federal Surplus Property program, General Services Department
9. Theresa Sena, State/Federal Property program, General Services Department
10. Elias Martinez, Financial Manager, Finance Bureau, Administrative Services Division, Department of Transportation
11. Tom Trujillo, Section Chief, Maintenance Section, Highway Maintenance Bureau, Highway Operations Division, Department of Transportation

Chapter II:

Saving Taxpayers Money

Total recommendations:	**17**
Total five-year savings:	**$23.6 million**

Fiscal Table

(numbers in thousands)

Recommendation	2005 General Fund	2005 Other Funds	2006 General Fund	2006 Other Funds	2007 General Fund	2007 Other Funds	2008 General Fund	2008 Other Funds	2009 General Fund	2009 Other Funds	Cumulative General Fund	Cumulative Other Funds
Increase Fraud Recoveries: Publicize *Qui Tam* Law	-	-	-	-	-	-	-	-	-	-	-	-
Increase Medicaid Overpayment Recoveries	-	-	87.8	263.4	175.6	526.8	263.4	790.2	351.2	1,053.6	878.0	2,634.0
Maximize Medicaid Third Party Collections	-	-	250.0	750.0	675.0	2,025.0	675.0	2,025.0	675.0	2,025.0	2,275.0	6,825.0
Consolidate Public Assistance Fraud and Abuse Investigation	-	-	-	-	-	-	-	-	-	-	-	-
Charge for Electronic Benefits Transfer Card Replacement	-	-	2.1	128.9	2.1	128.9	2.1	128.9	2.1	128.9	8.4	515.6
Cut Inmate Health Care Cost	-	-	-	-	-	-	-	-	-	-	-	-
Minimize Inmate Occupancy Costs	-	-	-	-	-	-	-	-	-	-	-	-
Maximize State Pharmaceutical Buying Power	-	-	(76.7)	(25.6)	(76.7)	(25.6)	(47.1)	(15.8)	(47.1)	(15.8)	(247.6)	(82.8)
Require Vendor Payment Direct Deposit	-	-	-	-	160.3	-	160.3	-	160.3	-	480.9	-
Increase Fines for Commercial Vehicle Violations	-	-	-	1,026.0	-	1,026.0	-	1,026.0	-	1,026.0	-	4,104.0
Reduce State Advertising and Marketing Costs	-	-	-	-	-	-	-	-	-	-	-	-
Increase Online Tax Filing	-	-	(199.9)	-	618.0	-	909.6	-	1,202.3	-	2,530.0	-
Safeguard Federal Transportation Funding	-	-	(249.2)	40.8	(194.8)	40.8	(194.8)	40.8	(194.8)	40.8	(833.6)	163.2
Require Escrowing of Bid Preparation Documents	-	-	-	-	-	-	-	-	-	-	-	-
Reduce Tax and Fee Fraud in Vehicle Sales	-	-	(87.2)	-	1,495.7	-	909.7	-	909.7	-	3,227.9	-
Cut State Government Utility Costs	-	-	270.5	-	270.5	-	270.5	-	270.5	-	1,082.0	-
Minimize Litigation Costs: Expand Use of Conflict Resolution	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS	-	-	(2.6)	2,183.5	3,125.7	3,721.9	2,948.7	3,995.1	3,329.2	4,258.5	**$ 9,401.0**	**$ 14,159.0**

Increase Fraud Recoveries: Publicize *Qui Tam* Law

The state should better inform the public of the incentives to report fraud in order to increase fraud recoveries.

BACKGROUND

Since the 1986 the federal False Claims Act (31 U.S.C. §§ 3730 *et.seq*) Amendments were enacted, *Qui Tam* actions for both defense and health care have returned nearly $6.35 billion to the U.S. Treasury according to the U.S. Department of Justice (DOJ). *Qui Tam,* a provision of the False Claims Act, allows private citizens to file a suit charging an entity that receives federal dollars with committing fraud in exchange for a portion of recoveries. In this way, *Qui Tam* suits enlist public support and private resources to combat fraud essentially broadening governments' investigative powers by privatizing a portion of them.

For health care alone, the federal government has recovered $3.9 billion, including $583.9 million, or about 15 percent, in relators' – the citizens who filed suit – shares. Recoveries have steadily increased since 2000 to an average of about $1 billion per year. *Qui Tam* health care fraud related cases have steadily increased from 12 percent of all *Qui Tam* cases filed in 1987 to 54 percent in 1997.

Twelve states have *Qui Tam* laws: Florida, Louisiana, Tennessee, Texas, Illinois, California, Nevada, Delaware, Hawaii, Massachusetts, Virginia and the District of Columbia. New Mexico, as of the 2004 legislative session, now also has a *Qui Tam* statute, the Medicaid False Claims Act.

FINDINGS

Recoveries in *Qui Tam* cases are split between the relator who brought the charge and the affected government(s) – state, federal, or both. The amount relators receive in a *Qui Tam* case depends on whether the government participates in the suit and the degree of the relator's contribution. In addition to a percentage of the recovery, the relator also receives payment for all legal fees and court costs, an important incentive for individuals taking on the expense and risk of filing a lawsuit.

Another important provision of the federal False Claims Act provides remedies for relators whose employers retaliate against them for participating in a *Qui Tam* action. Such protection is an essential part of any *Qui Tam* statute, since many employees understandably will not risk exposing fraudulent actions if their livelihood is at stake. Moreover, *Qui Tam* filings remain confidential for up to 60 days while the government reviews and considers joining the suit. This protects not only the plaintiff, but the defendant as well, by giving the government time to review a suit and ensure that is it not frivolously brought by disgruntled employees or business competitors.

Under the 1986 amendments to the False Claims Act, state agencies may act as relators and recover the relator's portion of any recovery. In these instances, a state may recover both the relator's share as well as the state's share of restitution in a successful suit. Under these circumstances, states have recovered more by acting as a relator under the False Claims Act than by filing suits separately.

RECOMMENDATIONS

A media and press campaign should be undertaken to inform the public of the new financial incentives available to them through the passage of the New Mexico *Qui Tam* law. In addition, *Qui Tam* information should be added to the existing Human Services Department (HSD), Medicaid, and Attorney General's websites, and included in provider and consumer information, publications, and newsletters.

The Attorney General should be required to analyze the results of enacting the *Qui Tam* law. Expansion to other state programs or contracts should occur when the amount of recoveries relative to investment warrants.

FISCAL IMPLICATIONS

New Mexico can expect to see actual gains in Medicaid fraud recoveries within three to five years – the amount of time it takes to investigate, prosecute, and settle cases – as a result of the passage of the Medicaid False Claims Act, New Mexico's *Qui Tam* law. Based on Department of Justice statistics through September 2002, New Mexico could expect to settle one case in FY07 for about $915,000, of which 75 percent would be returned to the federal government. Conservatively, the state could expect to increase the number of cases settled by approximately one each year after FY07. Recoveries over time are dependent upon several variables, including the number of relators forthcoming, what relator fees are permitted, and the types and amounts of settlements to which New Mexico might be a party.

Cost to the agencies for the media and press campaigns, website additions, and inclusion in provider and consumer information, publications, and newsletters will be negligible.

ENDNOTES

1. Matt Onstott, Deputy Director, Medical Assistance Division, Human Services Department
2. "Medicaid Shortfall to Hit $125 Million", Winthrop Quigley, Albuquerque Journal, September 11,2003
3. Robert Peters, Analyst, Budget Division, Department of Finance and Administration
4. "Solutions to the Medicaid Crisis in New Mexico", The Rio Grande foundation, January 2003
5. "Medicaid Hemorrhages Money", August 2000, *from* Government Technology Magazine, www.govtech.net/magazine, November 5, 2003
6. New Mexico Attorney General, www.ago.state.nm.us, October 7, 2003
7. All About Qui Tam, www.all-about-qui-tam.org, September 16, 2003
8. "Health Care Fraud: How Far Does the False Claims Act Reach?", Shelley R. Slade, Esq., 2000, *from* Quackwatch Consumer Protection, www.quackwatch.org/03ConsumerProtection, September 4, 2003
9. The Qui Tam Information Center, www.quitam.com, presented by The Bauman & Rasor Group, Inc., September 4, 2003
10. Qui Tam FYI, www.quitamfyi.com, November 6, 2003
11. False Claim, www.falseclaim.com, November 6, 2003
12. "Qui Tam Statistics through September 30, 2002", Department of Justice, www.all-about-qui-tam.org/fca, November 7, 2003
13. "Frequently Asked Questions", Taxpayers Against Fraud *from* The False Claims Act Legal Center, Washington, D.C., www.taf.org/faq, November 20, 2003
14. "Statistics", Taxpayers Against Fraud" *from* The False Claims Act Legal Center, www.taf.org/statistics, October 20, 2003
15. False Claims Act, 31 U.S.C. §§ 3730 *et.seq.*
16. False Claims Act, 31 U.S.C. §§3733(l)(4)
17. "The False Claims Act", "How It Works", "State Laws" and "Qui Tam Statistics", *from* All-about-qui-tam, www.all-about-qui-tam.org, November 7 &10, 2003

Increase Medicaid Overpayment Recoveries

The state should improve management and processing of Medicare-Medicaid reconciliation to increase recovery of Medicaid overpayments.

BACKGROUND

Every year, Medicaid providers are double-paid, to the tune of millions of dollars, for the same service provided on the same date at the same time for which Medicare is also paying. This happens because a number of low-income, elderly, and disabled individuals are eligible to receive services under both the federal Medicare program and the state-run Medicaid program.

Medicare and Medicaid both provide health insurance coverage for specific populations: Medicare covers individuals age 65 and older, some disabled individuals, and those suffering from end-stage renal disease while Medicaid covers individuals meeting specific income criteria. Eligibility for the programs is determined by either the Social Security Administration, for Medicare, or county Human Services Department (HSD) Income Support Division offices, for Medicaid.

Due to the complexity of Medicare funding, most states exclude dual-eligible individuals – those who qualify for both Medicare and Medicaid – from managed care arrangements. In New Mexico, dual-eligible recipients are excluded from enrollment in *Salud!,* the New Mexico managed care program for Medicaid recipients. As of July 2003, 407,700 individuals were enrolled in the Medicaid program. Approximately nine percent, or about 35,000 Medicaid enrollees, were dual-eligible.

Since July 1997, Medicaid-eligible individuals and families access health benefits through *Salud!*. Members enroll in one of the three managed care organizations (MCOs) contracted with the state to administer the

Medicaid program. HSD manages the contracts on behalf of the state. The three MCOs receive Medicaid capitation payments, a fixed or "capped" amount, for each member at the beginning of each month to cover the cost of health care for that individual. Historically, those payments have included payment for Medicare-eligible, and therefore Medicaid-ineligible, members.

FINDINGS

According to a March 2002 Legislative Finance Committee (LFC) report to the Human Services Department (HSD), managed care organizations (MCOs) were overpaid some $5.8 million for dual-eligible recipients who were not identified and removed from the *Salud!* enrollment roster in a timely manner. The report also found the exact amounts of overpayment were not easily determined due to inadequacies in the accounting system for dual-eligibles at HSD's Medical Assistance Division (MAD).

Prior to the March 2002 report, the LFC had reported that MCOs received an estimated $3.6 million in error in 2000 and that HSD had lost the opportunity to collect an estimated $2.6 million because the deadline had passed for recoupment of these funds. As of June 2001, the estimated payment error from July 1, 1997 through June 30, 2001, had grown to approximately $5.8 million, with Medicaid losing the opportunity to collect $5.2 million.

HSD's Contract Administration Bureau reports more than $166,000 was recouped for dual-eligibles in FY02 and $185,000 in FY03. All recouped funds reverted to the state's general fund.

Between July 1, 1997 and June 30, 2001, MCO *Salud!* contracts required HSD to request recoupment of dual-eligible recipients capitation payments within 12 months. The new contract that began July 1, 2001, allows HSD up to 24 months to request recoupment. MCOs are not liable for HSD's recoupment requests made after the time limit has expired.

The process at HSD for identifying individuals who are dual-eligible recipients is resource and time intensive. Each month, the Social Security Administration (SSA) sends files with the names of Medicare recipients to one division of HSD, which forwards it to other divisions where manual crosschecking of the 600 to 1,800 names occurs to identify dual-eligible recipients and make corrections. The corrected list is then sent back to the original receiving division who, in turn, sends it back to SSA for updating. SSA then returns the corrected list to HSD.

Once dual-eligible recipients are identified, HSD's Medicaid Client Services Bureau (CSB) determines whether medical services were rendered on behalf of the dual-eligible recipient by the MCO. If a payment has been made for services rendered, HSD cannot request recoupment of the dual-eligible recipients capitation payment.

This bureaucratic process results in the final Medicare eligibility file being received back at Medicaid several months after the date the recipient becomes eligible for Medicare resulting in an untimely recognition of dual-eligibles and enables non-eligible enrollees to continue to be included in the *Salud!* roster, often for several months, before being detected.

Once the corrected dual-eligible list is returned from SSA, CSB staff manually enter the dual-eligible segment into the Medicaid management information system. MCO claims files must then be reviewed to determine if the identified individual received services from the MCO during the months of enrollment. Only then can the recoupment process begin.

A desktop application identifies the recipients with potential Medicare recoupments and searches the claims history file for any MCO encounters with dates of service within the recoupment period. If an MCO service is on file, capitation payments already made will not be recouped. If there is not a service on file, any capitations paid are automatically recouped. The entire process of recoupment can take as much as eight months.

State Medicaid officials are working on a redesign of the entire process, in conjunction with HSD's Division of Information Technology staff, the federal Centers for Medicare and Medicaid Services, and SSA. Their goal is to automate parts of the process and shorten the time span for identifying dual-eligibles through the SSA from three months to one.

RECOMMENDATIONS

The state should take further steps to recoup capitation payments made to Managed Care Organizations (MCOs) for New Mexico citizens eligible for both Medicare and Medicaid. The Medical Assistance Division of the Human Services Department (HSD) should:

- Develop and implement formal written HSD/MCO recoupment policies and procedures;
- Set a target goal for recoupments of 100 percent of all identified dual-eligibles who did not receive MCO services and credit recoupments to Medicaid;
- Create a team within HSD, from all bureaus and divisions involved both in this process and other MCO third-party liability-related recoupments, to discuss and resolve issues, and provide ongoing oversight to the recoupment process;
- Prioritize MCO recoupments by working with SSA and the Centers for Medicare and Medicaid Services to create and implement a redesigned interface to identify dual-eligibles in a more timely manner;
- Expedite the process through technological rather than manual means; and
- Continue streamlining desktop applications to manage, monitor, and collect dual-eligible and other MCO recoupments in a more timely fashion.

FISCAL IMPLICATIONS

With the estimates of payment error ranging from as little as $1.45 million per year – $5.8 million over 4 years – to as much as $3.6 million per year and actual annual recoveries of just over $350,000, there is a significant amount yet to be collected. If Medicaid were to increase its recoupments each year by its current annual collections, recoveries could meet or exceed the most conservative estimate of errors in just over four fiscal years.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund Cost	General Fund Savings	General Fund Net	Other Funds Cost	Other Funds Savings	Change in FTE
2005	-	-	-	-	-	-
2006	-	87.8	87.8	-	263.4	-
2007	-	175.6	175.6	-	526.8	-
2008	-	263.4	263.4	-	790.2	-
2009	-	351.2	351.2	-	1,053.6	-
TOTAL	**0.0**	**878.0**	**878.0**	**0.0**	**2,634.0**	**0**

ENDNOTES

1. Centers for Medicare and Medicaid Services Health and Human Services, www.cms.hhs.gov/medicare, November 7, 2003
2. Centers for Medicare and Medicaid Services Health and Human Services, www.cms.hhs.gov/medicaid, November 7, 2003
3. Human Services Department Medical Assistance Division, www.state.nm.us/hsd/mad, November 7, 2003
4. "Managing Medicaid Costs: A Legislator's Tool Kit" *from* National Conference of State Legislators, www.ncsl.org, September 17, 2003
5. Henry J. Kaiser Family Foundation State Health Facts Online, www.statehealthfacts.kff.org, October 20, 2003
6. Roy Burt, Administration Operations Manager, Client Services Bureau, Medical Assistance Division, Human Services Department
7. Manu Patel, Performance Audit Manager, Legislative Finance Committee
8. "Audits of Human Services Department's Medicaid Managed Care Program (Salud!): Cost Effectiveness and Monitoring", Legislative Finance Committee, May 25, 2000
9. "Managed Care Encounter Data", Legislative Finance Committee, March 18, 2002
10. Marla Maestas-Valdez, Fiscal Manager, Contract Administration Bureau, Medical Assistance Division, Human Services Department
11. Michael Aragon, Administration Operations Manager, Contract Administration Bureau, Medical Assistance Division, Human Services Department
12. Abron Gallegos, State Medicaid Buy-In Coordinator, Client Services Bureau, Medical Assistance Division, Human Services Department
13. Henry Romero, Systems Analyst, Application System Bureau, Division of Information Technology, Human Services Department

Maximize Medicaid Third Party Collections

The state should require commercial health insurance carriers and related companies to provide enrollment information to increase third party liability collections.

BACKGROUND

Over 400,000 New Mexicans rely on Medicaid, the joint federal-state health care program for low-income and disabled individuals and families. Current Medicaid spending is about $2.2 billion in New Mexico and expected to increase by between nine and 15 percent per year for the foreseeable future. It is the largest state budget expenditure after public and higher education.

Medicaid is an entitlement program, meaning anyone meeting the eligibility requirements must be enrolled and receive services. Medicaid is also the "payer of last resort" by federal law and, therefore, not responsible for claims if other insurance coverage – third-party coverage – is available to a consumer. Medicaid consumers sign their rights, to both third-party payments and payments received through casualty or estate settlements, over to the state when they become eligible for Medicaid.

Nationally, third party collections have increased dramatically over the last several years while state recoveries have been significant as well. New Mexico, however, ranks second to last in third party recoveries.

FINDINGS

All states are required to implement a system, known as Third Party Liability (TPL), to recover Medicaid funds paid for services rendered and for which another entity is liable. Third parties that may be liable for payment for health services include commercial plans provided through employment, companies providing coverage through court-ordered health insurance, companies providing health services through workers' compensation, as well as estates of deceased Medicaid beneficiaries in certain instances, and settlements resulting from accidents or injuries. Once a determination is made that TPL exists, states are required to either ensure that payments are not made – avoid costs – or "pay and chase" claims to recover payments from liable third parties.

Improved technology has provided new mechanisms to identify and track an individual's membership in a health plan, and medical claims associated with this membership. Nationally, over the last four years, TPL recoveries in the Medicaid program have increased over 29 percent, to more than $1.1 billion.

In FY03, the Medical Assistance Division (MAD) of the Human Services Department (HSD) collected $2.3 million in recoveries from other health insurance companies, Medicare, and casualty settlements combined. In comparison, states with similar-sized Medicaid programs, Arkansas, Colorado, Iowa, Mississippi, Oklahoma, and Oregon, collected two to 24 times as much — $5.1 million in Arkansas and more than $23.6 million in Oregon. In total annual TPL collections, New Mexico' ranks second from the lowest only ahead of Delaware.

States with successful TPL collection programs attribute their success to a combination of factors. States have enacted legislation to require commercial insurance carriers and others to provide information on their membership to Medicaid in order for the agency to conduct data matches. This foundation in law has permitted Medicaid agencies to enter into specific agreements with companies requiring, in some instances, that files be submitted on a monthly basis. In addition, legislation has provided an opportunity to levy penalties for non-compliance. States have also developed in-house expertise, as well as relying on vendors, such as the state fiscal agent, to conduct some data matches.

Currently, MAD does not conduct any data matches nor does it have the capacity to do so. MAD recently selected a vendor, through the Request for Proposals (RFP) process, to assist in establishing new approaches for identifying TPL and collecting from responsible parties. Through the RFP process for the re-bid of the fiscal agent contract currently in progress, officials have also included a requirement that the vendor be required to set up these data matches. This is an important first step. MAD must also, however, have the legal and regulatory authority to require the submission of data from relevant companies to achieve significant improvement in TPL collections.

RECOMMENDATIONS

New Mexico should enact legislation requiring commercial health insurance carriers and other related health care companies to provide their membership roster to the Medical Assistance Division (MAD) of the Human Services Department to assist in identifying third-party liability. The legislation should:

- Require health insurance companies, claims processing companies, managed care organizations, prescription benefits management companies, and other similar types of companies to provide membership rosters on a monthly basis;
- Ensure that sufficient information is provided, in a format determined by MAD, so that adequate recovery activities can be initiated. Information should at least include name, address, date of birth, social security number, claims address information, group policy number, and such information for all dependents;
- Include requirements for provision of data from Workers' Compensation companies, casualty insurance companies, attorneys, and probated estates; and
- Provide for penalties for non-compliance.

FISCAL IMPLICATIONS

Based on collection levels from similar-sized Medicaid programs, New Mexico can conservatively target increased collections ranging from $5 million to $10 million. Increased TPL collections are projected for FY05 based on the work of the new vendor recently selected by HSD. Allowing for six months to design and develop a new data match system, related savings can begin in FY05.

If legislation is enacted in FY05, regulations and systems can be in place to begin implementation by FY06. This will provide an opportunity for more substantial increases starting in FY06.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund Cost	General Fund Savings	General Fund Net	Other Funds Cost	Other Funds Savings	Change in FTE
2005	-	-	-	-	-	-
2006	-	250.0	250.0	-	750.0	-
2007	-	675.0	675.0	-	2,025.0	-
2008	-	675.0	675.0	-	2,025.0	-
2009	-	675.0	675.0	-	2,025.0	-
TOTAL	**0.0**	**2,275.0**	**2,275.0**	**0.0**	**6,825.0**	**0**

Seventy-fice percent of total recoveries must be returned to the federal government.

ENDNOTES

1. Center for Medicare and Medicaid, Medicaid Information on Cost Avoidance and Collections, www.cms.gov, October 28, 2003
2. Center for Medicare and Medicaid, Third Party Liability Trend Analysis, www.cms.gov, November 8, 2003
3. Texas Performance Review, Chapter 6, Enhance Medicaid Third-Party Recoveries, www.state.tx.us, September 25, 2003
4. Carolyn Ingram, Director, Medical Assistance Division, Human Services Department
5. Matt Onstott, Deputy Director, Medical Assistance Division, Human Services Department
6. Robert Stevens, Bureau Chief, Benefit Services Bureau, Medical Assistance Division, Human Services Department
7. Ron Hill, Director, Pennsylvania Recovery Section Manager, Office of Administration

Consolidate Public Assistance Fraud and Abuse Investigation

The Human Services Department should consolidate its public assistance fraud and abuse investigation functions into a single Investigation and Enforcement Bureau.

BACKGROUND

Last fall, the Human Services Department reported the state general fund portion of the Medicaid program, a joint state-federal funded program that provides medical care for indigent and low-income New Mexicans, would grow by over $100 million in fiscal year 2005 over fiscal year 2004. The state has been working to stem rising Medicaid costs and identify ways to save money in the program. Some of the options being considered include changes to eligibility re-certification, decreases to provider payments, and reductions to certain services.

The Human Services Department (HSD) administers Medicaid as well as the Food Stamp, and Temporary Assistance to Needy Families (TANF) programs. The vast majority of Medicaid providers and Food Stamp and TANF recipients are honest. Unfortunately, however, valuable taxpayer resources are still lost through fraud and abuse in these programs, possibly up to $200 million annually in New Mexico, based on national estimates.

HSD is also responsible, through its Office of the Inspector General (OIG) and the Quality Assistance Bureau (QAB) of the Medical Assistance Division (MAD), for preventing, detecting, and investigating fraud and abuse. Existing efforts include the Payment Accuracy Measurement Project, the Fraud and Abuse Detection and Recovery Plan, and the Revenue Maximization/Fraud and Abuse Detection Contract. However, disproportionate allocation of resources between the two units combined with little case prioritization and a lack of priority for fraud detection or control has limited the effectiveness of those efforts.

FINDINGS

The Human Services Department (HSD) estimates that it spent $2.2 billion in state and federal funds on Medicaid in FY03 — nearly 20 percent of the entire state budget. In FY02, the state spent about $75 million on Temporary Assistance for Needy Families (TANF) and distributed nearly $149 million in federal Food Stamp benefits.

Medicaid

While the exact amount of health care related fraud is unknown, national health care industry experts estimate this loss at five to six percent of total program costs per year. The U.S. General Accounting Office estimates that losses may be as high as 10 percent. While New Mexico officials believe these estimates are high, the potential loss to the state and federal government is still estimated to be as much as $200 million.

Provider fraud occurs when a health care provider deceives the system by submitting false Medicaid claims. It is difficult to recover the disbursed funds once an ineligible recipient receives benefits or a provider receives payments to which they are not entitled.

Recipient fraud can occur when an individual who is ineligible for public assistance receives Medicaid, TANF, or food stamps through deceit. Like Medicaid providers, the vast majority of food stamp and TANF recipients are honest. Unfortunately, some are not, costing hundreds of thousands and, possibly, millions of tax dollars a year in New Mexico.

Two divisions within HSD play a role in Medicaid and welfare program integrity: the Quality Assurance Bureau (QAB) and the Office of the Inspector General (OIG). In addition, the Attorney General's Office Medicaid Fraud Control Unit (MFCU) has a role in New Mexico's Medicaid fraud control and enforcement efforts.

QAB has 15 full-time employees as of late September 2003 — only three of whom, plus one part-time employee, were dedicated to preventing, detecting, and investigating fraud and abuse in the state's $2.2 billion Medicaid program. In FY02, the QAB opened 125 cases, or about 41 cases per full-time employee. The QAB recovered $246,000 in overpayments. In 2003, this amount increased to $405,000.

Beginning in July 2004, HSD had an additional six full-time employees dedicated to the Medicaid Fraud Unit as a result of legislation passed and signed during the 2004 legislative session.

In addition to the amounts QAB recovered, its investigative efforts led to another $2 million in savings related to removing fraudulent providers from the state's Medicaid program. For example, QAB identified a dental provider who had found a loophole in the Medicaid program's billing regulations and promptly took advantage of it — resulting in hundreds of thousands of dollars in inappropriate billings. In addition to recouping funds from the provider, QAB's investigations led to a revision of the billing codes that closed the loophole and prevented others from bilking the state in the future.

MFCU conducts criminal investigations into allegations of fraud, abuse, and neglect by Medicaid providers. MFCU has 13 staff members to investigate fraudulent filings, misappropriations of patient trust funds, illegal sales of prescription drugs, and assaults on and neglect of patients in Medicaid-funded facilities. MFCU presents its cases to state and federal prosecutors. Penalties can include imprisonment, fines, and exclusion from the Medicaid program. In FY03, QAB referred 12 cases, or approximately 10 percent of the cases opened, to MFCU for additional investigation and prosecution.

TANF and Food Stamps

OIG oversees the TANF and food stamp fraud control efforts. In FY04, the OIG had a budget of $3.4 million and a staff of 39, including the Inspector General, nine investigators, and one administrative law judge. The table below describes the Food Stamp and TANF related recovery amounts for both fraud and non-fraud (such as case worker or client error) by OIG in FY01 and FY02.

OIG Food Stamp and TANF Recoveries

	Fraud	Non-Fraud
FY01	$326,126 (181)	$3,117,005 (5997)
FY02	$256,221 (209)	$2,652,715 (4706)

In those fiscal years and in addition to the above recoveries, the OIG also established nearly 24,000 new Food Stamp cases — including 222 fraudulent cases worth $263,165, and 23,363 non-fraud claims totaling $3,154,842. In addition, the OIG identified more than 12,000 new TANF cases, including 182 fraudulent cases worth $101,658, and 11,822 non-fraud cases worth $3,965,262.

OIG attempts to work all cases. An emphasis is placed on volume of cases worked rather than on total funds recovered. As noted elsewhere, Food Stamp and TANF cases average about $1,000 a piece. The OIG has more than 60,000 cases that are over three years old. These cases remain on their caseload, but the likelihood of recovering funds related to these older cases grows dimmer everyday.

OIG has considerably more investigative resources than the QAB, although the latter is responsible for a much more costly program. OIG has a larger caseload than QAB and, in FY01 and FY02, cases averaged about $1,000 each. In contrast, a recently prosecuted Medicaid provider case found that more than $19 million in funds had been stolen from the state.

Combined Investigation and Enforcement

Several states, including Texas, New York, Oregon, and North Dakota, combine their investigative and enforcement functions under an umbrella entity and use their combined resources to investigate both Medicaid providers and welfare recipients. New Mexico's OIG already conducts some Medicaid fraud investigations in cases involving food stamp or TANF recipients. If OIG and QAB were combined, more resources could be brought to bear on more costly cases.

Texas, Florida, and Colorado have established specific objectives for their fraud investigations divisions emphasizing aggressive recovery of funds and sanctions for fraudulent and abusive providers. These, too, should serve as a model for New Mexico’s efforts.

Georgia includes a portion of collections in the method of finance for its OIG as an incentive to increase collections. About $1 million of the OIG's $6 million budget comes from recovered TANF and Food Stamp program money. This represented about half of the $2 million in fraud and abused-related collections in FY97. Recovered money is used as state match for federal funding received by the program.

QAB staff funding is provided by a mix of state and federal funds. The federal government pays 75 percent of the cost of licensed staff. All other QAB staffers are funded at a 50:50 match rate. Historically, the HSD general fund budget has been reduced by recovered Medicaid and TANF overpayments. With the passage and signing of Senate Bill 213 in 2004, HSD is authorized to retain a share of the recoveries up to $250,000 in FY04, $125,000 in FY05 and $75,000 in FY06 to further support investigation and enforcement efforts.

RECOMMENDATIONS

HSD's OIG and MAD's QAB should be consolidated into a single investigative unit, the Investigations and Enforcement Bureau (IEB), no later than January 1, 2005.

HSD should develop clear objectives for IEB that emphasize aggressive recovery of funds and sanctions for fraudulent and abusive providers. HSD should establish and apply performance targets to the coordinated investigative efforts to maximize recoveries. Emphasis should be placed on working cases with the strongest supportive evidence and the greatest potential for recoveries. HSD should cross-train IEB investigators to enable them to pursue priority Medicaid and welfare fraud and abuse cases as needed.

FISCAL IMPLICATIONS

Improved quality of cases and better coordinated referrals would dramatically increase the amount of money recovered from fraudulent and other inappropriate claims payments. These recommendations would, through more efficient use, increase investigative resources needed to develop the cases for the recovery of funds.

In addition, QAB and MFCU estimate that identifying fraudulent and abusive providers, removing them from the Medicaid program, and revising billing regulations to stop others from taking advantage of the system will save at least $2 million per year, a figure incorporated in HSD's FY2005 budget. Over five years, at least another $10 million in general revenue and $40 million in federal funds could be saved through improved enforcement activity.

ENDNOTES

1. "N.M Facing Tighter Budget", Barry Massey, Albuquerque Journal, October 1, 2003
2. "Medicaid Redesign Ideas and Possibilities: A Draft Discussion Paper", Human Services Department, June 2003
3. "Husband and Wife Plead Guilty in Medicaid Fraud Case", Associated Press, Albuquerque Tribune, December 4, 2003
4. "Medicaid Hemorrhages Money", Government Technology, August 2000 *from* http://www.govtech.net/magazine/gt/2000/aug/Medicaid/medicaid.phtml, October 28, 2003
5. Martin Rosenblatt, Bureau Chief, Quality Assurance Bureau, Medical Assistance Division, Human Services Department
6. Ken Alessio, Director, Office of Inspector General, Human Services Department
7. Elizabeth Bradley, Supervisor, Program Integrity Unit, Human Services Department

Charge for Electronic Benefits Transfer Card Replacement

The state should recover the cost of replacing lost, stolen, or damaged Electronic Benefits Transfer (EBT) cards by charging the recipients of the benefits for replacement costs.

BACKGROUND

An April 2003 Human Services Department (HSD) report noted that 196,000 New Mexicans receive federal Food Stamp benefits to help them feed themselves and their families. Another 42,000 individuals receive cash assistance under the federal Temporary Assistance for Needy Families (TANF) program to help them meet family housing, utilities, and other basic needs. Approximately 98 percent of those receiving cash assistance also receive food stamps.

Individuals access benefits through Electronic Benefits Transfer (EBT) technology, a financial data processing system in which funds are distributed through a contracted commercial banking system via automated teller machines (ATMs). EBT cards have replaced the need for the production and distribution of hard-copy checks and paper food stamp coupons, dramatically reducing the fraud and abuse associated with the old system and improving security for New Mexicans who depend on the public assistance programs.

EBT cards are distributed to individuals through the local Income Support Division (ISD) offices of HSD enabling eligible consumers to withdraw cash from commercial ATM machines or make debit card purchases for eligible food items at grocery stores. When an individual loses an EBT card, or if the card is stolen or damaged, a new card is provided at no charge.

In a national survey of EBT card users receiving replacement cards, many respondents reported that they had already received multiple replacements. The leading causes for a replacement card are loss of or damage to the previous card. Fewer than 10 percent of replacement cards were issued due to theft of the original card, according to the survey. On average, EBT cards were reported as lost, damaged, or stolen about two weeks after initial benefits had been issued.

FINDINGS

HSD administers the federal system to distribute and activate cards for initial eligibility and replacement cards. From January through August 2003, HSD issued 60,559 Electronic Benefits Transfer (EBT) cards, of which 43,638, or approximately 72 percent, were replacement cards. Based on these numbers, the HSD projects that approximately 65,500 replacement cards will be issued in 2003, at a cost of approximately $2 per card.

Receiving a replacement card required benefit recipients to go to an HSD Income Support Division office. The EBT contractor in New Mexico will be required to mail replacement cards directly to consumers.

At least eight states charge from $2 to $10 for replacement cards. Ohio is conducting a pilot project to charge $10, while Massachusetts charges $5 after the first replacement card in a 12-month period. The remaining states charge $2. This charge is a flat fee to consumers for each replacement card without regard to the number of replacements.

New Mexico taxpayers deserve accountability in the system. Because the EBT system is similar to commercial credit card systems, it is logical that it should feature similar consumer safeguards and responsibilities.

There are no federal restrictions on states charging consumers for replacement cards, but HSD reports it could result in an increase in administrative costs to implement. For example, there might be a need for updating computer systems; increased program monitoring; contract amendments initiating new rules, regulations, policies and procedures; and providing state-wide consumer training.

The Food Stamps Program is supported 100 percent by federal funds. TANF is a federal block grant that requires the state to match funds based upon the percentage established in the predecessor to the TANF program, Aid to Families with Dependent Children. Any monies that would be generated from charging individuals for EBT replacement cards would be used to offset claims to the federal government.

RECOMMENDATIONS

The state should charge public assistance consumers who access benefits via the EBT system $2.00 for the cost of replacing their lost, stolen, or damaged cards.

The charge should be deducted from the consumer's benefits before the final amount of the consumer's benefits are transferred to the contractor for dispersal.

FISCAL IMPLICATIONS

Money collected for the cost of replacement cards would be deducted from an individual's benefits. The majority of those benefits are funded by federal dollars with a small percentage funded by General Fund revenue (15% of TANF cash assistance benefits). Recovering the cost of replacing the estimated 65,500 EBT cards per year would offset both the state's claim to the federal government and general fund expenditures by over $128,000 and $2,000 per year, respectively.

Estimated Fiscal Impact

(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	2.1	2.1	-	128.9	-
2007	-	2.1	2.1	-	128.9	-
2008	-	2.1	2.1	-	128.9	-
2009	-	2.1	2.1	-	128.9	-
TOTAL	**0.0**	**8.4**	**8.4**	**0.0**	**515.6**	**0**

ENDNOTES

1. "Monthly Statistical Report April 2003 Data", Human Services Department, May 2003
2. Marise McFadden, Deputy Director, Income Support Division, Human Services Department
3. Human Services Department, www.state.nm.us/hsd, September 3, 2003
4. U.S. Department of Agriculture Food and Nutrition Services, www.fns.usda.gov, November 3, 2003
5. Sandy Davis, EBT Manager, Income Support Division, Human Services Department
6. "Effects of EBT Customer Service Waivers on Recipients: Executive Summary/FANRR-23", John Kirlin and Christopher Logan, Economic Research Service, U.S. Department of Agriculture, April 2002
7. John Garcia, Management Analyst, Income Support Division, Human Services Department
8. Katie Falls, Director, Income Support Division, Human Services Department
9. Helen Nelson, Deputy Director, Income Support Division, Human Services Department
10. Cathy Sanchez, Director, Product Promotion Division, Food and Nutrition Service, U.S. Treasury Department
11. Federal Register, Vol. 66, No. 134, U. S. Department of Agriculture, Food and Nutrition Service, 7 CFR Parts 274, Amendment No. 392, July 12, 2001
12. Federal Register, Vol. 65, No. 193, U.S. Department of Agriculture, Food and Nutrition Service, 7 CFR, Parts 272 and 274, Amendment No. 390, October 4, 2003
13. Phil Swain, EBT Coordinator, Federal Food and Nutrition Service, Department of Health and Human Services, November 4, 2003

Cut Inmate Health Care Cost

The Corrections Department should consolidate specialty care, expand telehealth, contract out excess dialysis capacity, and renegotiate its medical services contract to include shared-risk provisions.

BACKGROUND

The Corrections Department (CD) spends some $28 million a year to provide medical services to those who are behind bars, an average annual cost of nearly $4,000 per inmate. These per capita costs are among the highest in the nation. Three years ago, a comprehensive study of correctional health care costs published by the National Institute of Corrections ranked New Mexico as the sixth highest cost provider of medical care among state correctional systems.

Moreover, the cost for this care is escalating. Over the last five fiscal years, CD's contract budget for medical services increased from $18 million to $28 million — an increase of 55 percent. About 40 percent of this increase is attributed to the growth of the prison population, while the remainder of the increase reflects the rise in the cost of medical care.

For years, CD has contracted with private vendors to manage health care services for the inmates in all of its facilities. These contracts require vendors to provide comprehensive on-site medical care, manage hospitalization and off-site clinical treatment, and administer required ancillary services such as pharmacy, laboratory, dental, and optometry. The contracts also provide for administrative functions such as utilization review, quality assurance, and staff administration.

During FY02, a new vendor assumed responsibility for medical services. A new component of CD's contract with this vendor is the establishment of a Cost Containment Committee. The committee is composed of staff from CD and the vendor, and meets monthly to identify opportunities for improving the efficiency of medical services. While the committee has been active in identifying potential initiatives to reduce costs, CD has been slow to adopt many of its recommendations.

FINDINGS

A review of the Cost Containment Committee's recommendations revealed the following issues that hold great potential for producing significant cost savings:

Telehealth

Bringing specialists into prisons is difficult, costly, and requires special liability coverage. Telehealth helps alleviate those issues by using telecommunications to link inmates with providers. Particularly in the area of mental health treatment, telehealth provides an effective means for initial case review, diagnosis, and treatment by the limited number of mental health professionals available. Texas, Florida, California, and Pennsylvania all use telehealth extensively to make the most effective use of limited medical resources in treating an inmate population widely dispersed among remote facilities.

CD, in collaboration with University of New Mexico and the Department of Health has begun incorporating telehealth in its facilities. The potential remains for more aggressive use of this technology. The necessary hardware and software is available in all correctional facilities and full telehealth implementation could be completed by the end of the calendar year.

Specific savings from telehealth come from a reduction in required physician hours at facilities and reduced trips to clinics for specialty consultations. New Mexico could expect savings similar to those cited in research from the Federal Bureau of Prisons who determined that telehealth consultations cost only $71 per patient on average, compared with $108 for a conventional patient consultation — a savings of 34 percent.

Hospitalization Risk-Sharing

CD's current medical contract requires the vendor to assume all costs of inmate hospitalization, with a few noted exceptions. While this relieves CD of uncertainty regarding inmate hospitalization costs, hospitalization expenses are ultimately passed back to CD, as the vendor factors the expense of hospitalization into its contract with CD.

The key to effectively controlling hospitalization expenditures is to establish reasonable treatment guidelines in combination with aggressive utilization review and appropriate incentives to manage care responsibly. Many states have found that shared-risk provisions in comprehensive medical care contracts are an effective means of controlling hospitalization expenditures. Currently, CD has no real incentive to encourage good utilization review because the vendor bears all of the direct bills. The current system also creates an incentive for vendors to discourage hospitalization, despite its appropriateness as a treatment, diminishing the quality of care provided.

While there are variations in contract risk-sharing mechanisms, the general approach is to establish a stop-loss mark, either on a per case basis, for example, $25,000 per hospital admission, or on an aggregate basis. Up to that level, the vendor is responsible for all costs. Beyond that level, costs are shared based upon a negotiated formula. The goal is to create shared responsibility and incentives to efficiently manage hospital utilization. Moreover, other states have successfully negotiated Medicaid rates for inmate hospitalization to further reduce costs.

Immediate cost savings can be produced by the vendor reducing its contract to reflect its diminished responsibility for hospitalization. While this reduction will be somewhat offset by increased state responsibility for hospitalization costs, the expectation is that over the long run, more effective hospital utilization management and better rates will result in significant cost savings.

In an effort to begin reducing costs in these areas immediately, the state issued a Request for Proposal (RFP) for inmate healthcare services covering both of these areas. The new contract has been issued and took effect July 1, 2004 with built-in savings of $2.0 million.

Specialty care consolidation

The current vendor estimates that approximately 20 percent of the Corrections Department's (CD) population has a chronic medical condition, with Type II Diabetes and Asthma being the most common. Each CD facility is staffed and equipped to provide the full range of medical treatment. Inmates with chronic conditions are housed throughout all CD facilities. As a result, each CD facility may have a small number of inmates that require chronic care, yet they all must maintain a high level of specialty services and health care unit staffing.

Offenders in need of mental health treatment have a similar impact in driving up health care costs across the system. Every institution currently offers a full complement of mental health services to a population that is dispersed throughout CD's facilities. Consolidation of acute mental health treatment services into one or two facilities would enable a reduction in specialty staffing in the remaining facilities while providing comprehensive treatment in the designated facilities.

Relocating special inmate populations to those facilities where comprehensive treatment has been established would create some initial costs. Savings, however, in staffing and specialty contracts throughout the system should outweigh these expenses. CD spends approximately $13 million on contracted medical staff. A 10 percent reduction in staff created by consolidation of specialty care could save up to $1.3 million in contract expenditures.

Dialysis capacity

New Mexico's correctional medical system is somewhat unique in that it maintains a significant excess capacity in its dialysis program. The system currently maintains four dialysis stations that could serve up to 24 patients per week. On average it is providing service to only four or five patients per week.

Many correctional systems find it difficult to provide dialysis services for the growing number of inmates in need of treatment. CD should consider contracting out access to its dialysis program to other correctional systems as a means to generate income. If the CD could treat just two additional offenders from other systems at an average rate of $400 per treatment session with three sessions per week as typically required, CD could generate up to $124,800 annually.

RECOMMENDATIONS

The state should implement the ideas identified by the Corrections Department's (CD) Cost Containment Committee to cut costs and improve medical service among the inmate population. Specifically, CD should:

- Expand the use of telehealth to leverage resources at a few facilities to serve the entire correctional system.
- Institute shared-risk provisions for hospitalizations. CD should negotiate with its vendor an amendment to its contract instituting a process for shared responsibility for hospitalization decisions combined with aggressive utilization management review.
- Consolidate specialty care into one or two facilities in proximity to the Albuquerque metropolitan area and relocate offender populations requiring more intense levels of treatment and care to those facilities. This would concentrate expensive services in the one area of the state where the medical professionals and facilities are most readily available at reasonable prices, and eliminate the need for duplication of high intensity staffing and services in all CD institutions.

- Contract out excess dialysis program capacity to other correctional agencies, thereby generating revenue to support the cost of the program.

FISCAL IMPLICATIONS

Implementation of these recommendations holds great potential for producing significant cost savings. A 10 percent reduction in staff through consolidation of specialty care could save up to $1.3 million in contract expenditures. Full implementation of the telehealth proposal would save $200,000 in the first year, rising to $700,000 in the fifth year — simply by reducing the cost of transportation and custodial officer salaries involved in medical transports. CD could generate up to $124,800 annually by contracting out excess dialysis capacity.

ENDNOTES

1. Dr. Michael Puisis, Medical Director, Addus Healthcare
2. Mark Heanney, Vice President, Addus Healthcare
3. Dr. Ron Shansky, Correctional medical consultant
4. Dr. Frank Pullara, Director, Health Services Division, Corrections Department
5. Draft report on Telehealth in Corrections
6. Excerpt from the Corrections Health Services subcontract
7. National Institute of Corrections
8. 2001 Corrections Yearbook, George and Camille Camp, Editors, published by Criminal Justice Institute, 2001
9. "Prison Healthcare Survey: An Analysis of Factors Influencing Per Capita Costs," Deborah Lamb-Mechanick & Julianne Nelson, published by the National Institute of Corrections, 2000
10. "Telemedicine Can Reduce Correctional Healthcare Costs: An Evaluation of a Prison Telemedicine Network," Abt Associates, published by the National Institute of Justice, 1999

Minimize Inmate Occupancy Costs

For non-violent, technical parole violators, the state should increase the amount of "good time" credit available to earn towards early release.

BACKGROUND

In 1994, the federal Violent Offenders Incarceration and Truth in Sentencing Grant Program was created to encourage states to both increase the capacity of traditional prison facilities to lock up violent criminals and adopt new statutes requiring inmates convicted of violent crimes to serve at least 85 percent of their sentence in prison.

In recognition of these federal grants, in 1999 the New Mexico Legislature modified the "Good Time Law" (Section 32-2-34 NMSA 1978) that enables inmates to earn the reduction of time served on a sentence in exchange for participation in programs and exceptional conduct. That modification reduced the amount of "good time" credits available for serious violent offenders, violent parole violators, and non-violent parole violators.

The current "Good Time Law" defines serious violent offenses as murder, manslaughter, aggravated battery, first degree kidnapping, rape, and first and second-degree degree robbery. Nonviolent offenses include crimes such as driving under the influence, larceny, breaking and entering, possession of a controlled substance, forgery, and embezzlement.

Prior to July 1999, all inmates could earn a maximum of 30 days of good time per month. This changed after July 1999 when the following provisions were included in the amended law:

- A prisoner confined for committing a serious violent offense can earn up to a maximum of four days of good time per month.

- A prisoner confined for committing a nonviolent offense can earn up to a maximum of 30 days per month (same as previous law).
- Parole violators returning to prison for new charges or absconding from parole can earn a maximum of four days of good time per month.
- Technical parole violators returning to prison can earn up to eight days per month.

In 2001, Congress ended funding to states for this purpose. While the funding was available, the Corrections Department (CD) received $27 million under these programs that were used to expand existing bed space or increase security for violent offenders.

FINDINGS

The Corrections Department (CD) is at or near capacity at its five public and three private prisons. Because of inmate bed shortages, CD must house its excess inmates in New Mexico County Jails. As of December 1, 2003, CD housed 203 inmates at the Torrance County Jail and 141 inmates at the Santa Fe County Jail.

Even though New Mexico crime rates have declined recently and new prison commitments have flattened out, inmate population continues to grow because of tough sentencing laws. The New Mexico inmate population has grown from 5,162 inmates in FY99 to 6,173 inmates in FY03 — an increase of 19.6 percent. The average annual rate of increase for these years had been 4.9 percent. The largest increase came in FY02, when the state's prison population jumped by 380 inmates, or 6.8 percent.

Most parole violations come under the category of technical violations. The New Mexico Parole Board reports that the most commonly alleged technical violations are failure to report to the probation officer, changing residence or employment without notifying the probation officer, failure to participate in treatment, failure to pay probation fees, and substance abuse.

RECOMMENDATIONS

A substantial and meaningful amount of good time eligibility is essential for sound prison administration. Inmates should be given an incentive to behave appropriately and engage in rehabilitative programs.

The Corrections Department (CD), in conjunction with the New Mexico Sentencing Commission and the Corrections Population Control Commission, should submit legislation during the next 60-day session to amend the "Good Time Law" to increase the amount of good time credits available to nonviolent technical parole violators to the pre-1999 level. This would increase the amount of good time credits to 30 days per month for nonviolent technical parole violators. This increase should not extend to either nonviolent parole violators who commit new crimes or serious violent offenders.

.

FISCAL IMPLICATIONS

Implementation of this recommendation will have a dramatic impact on the growth rate of inmate population and related costs. Beginning in FY05, the average annual population growth rate would be approximately 31 inmates if the law were amended. The Corrections Department (CD) would avoid costs estimated at $277,410 annually.

ENDNOTES

1. Nick D'Angelo, Chief Legal Counsel, Corrections Department
2. "New Mexico Grant for the Violent Offender Incarceration and Truth-in Sentencing Incentive Program, U.S. Department of Justice, September 29, 1988
3. "Good Time Act", Section 32-2-34 NMSA 1978
4. Charles Schroeder, Budget/Statistical Analyst, Corrections Department
5. Wendy Naro, Vice President, James F. Austin Associates
6. "Rothstein Catalog on Disaster Recovery New Mexico Crime Rates 1960-2000" *from* The Disaster Center, www.disastercentre.com/crime/nmcrim.htm, October 16, 2003
7. Sherry S. Stephens, Deputy Director, New Mexico Adult Parole Board

Maximize State Pharmaceutical Buying Power

The state should develop and implement a coordinated strategy that maximizes pharmaceutical buying power to reduce costs and improve service delivery.

BACKGROUND

Skyrocketing drug costs are a major challenge to Medicaid programs, private insurance programs, and individual citizens. In 2000, spending for prescription drugs was estimated to be 8.5 percent of total health care costs — up from 5.4 percent in 1990. Costs continue to rise along with the number of prescriptions due to the availability of new drugs, aggressive marketing by the pharmaceutical companies, and higher drug prices.

Since 2000, all 50 states have introduced pharmacy-related legislation. In 2003, substantial changes were enacted in more than 20 states, including New Mexico. States have multiple goals with respect to pharmaceuticals: to save state funds, increase access or coverage, assure accountability and good management, and strike a balance between government regulation and private enterprise. Unfortunately, these goals are not always compatible.

The New Mexico Performance Review Report, *Moving New Mexico Forward*, examined the pharmaceutical purchasing process at the Department of Health (DOH). The report identified lack of coordination, no significant leveraging of buying power to reduce costs, and failure to maximize the use of less expensive generic drugs as glaring weaknesses. Efforts are currently underway at DOH to implement the recommendations to improve the situation.

Now is the time to broaden the scope of the report to other state agencies, such as the Human Services Department, Corrections

Department, and Interagency Benefits Coordinating Council.

FINDINGS

Efforts to control pharmaceutical costs fall into two general areas: bulk and preferred purchasing agreements, and preferred drug lists (PDLs), a list of preferred generic and brand name prescription medications.

Developing bulk-purchasing agreements among state agencies and other states to increase the public sector's purchasing power is a proven tool for reducing the price of prescription drugs. The Department of Health (DOH) participates in the Minnesota Multi-state Contracting Alliance and earns discounts ranging from 25 to 45 percent off retail costs for drugs. However, not all entities within DOH, much less other eligible state programs, are currently using such discounted sources.

New Mexico has joined with other states to enhance its negotiating position in providing cost-effective pharmacy coverage for its current workforce and retirees. The current contract for pharmaceuticals, negotiated by the Interagency Benefits Coordinating Council (IBAC), resulted from a competitive bid process involving five states. There is great potential to expand on these efforts.

The federal 340B program allows certain public health related entities to purchase drugs at the significantly discounted rate of less than 50 percent of the average wholesale price. Although the 340B program is used by DOH, the University of New Mexico, and many primary care centers, it is not being used by all eligible entities. Even those that are participating often do not bill Medicaid at their reduced acquisition cost to allow Medicaid to benefit from these discounts.

The Corrections Department (CD) currently "carves out" the purchase of prescription drugs for Hepatitis C and HIV/AIDS from its comprehensive medical services contract. Drugs used to treat these illnesses are purchased under an agreement with DOH using 340B prices. CD has expressed a willingness to do the same for all pharmacy services in order to participate in any PDL, state preferred purchasing agreement, or other creative partnership that might reduce costs and improve services.

A PDL recognizes that there are many brands of the same or therapeutically equivalent drugs. Pharmaceutical companies are typically willing to provide "supplemental rebates" for placement of their drugs on a PDL thereby offsetting costs. Additionally, creating PDLs provides an opportunity for advantageous purchasing while reducing administrative burdens — all without compromising quality. The savings from implementation of PDLs is significant, especially if it is implemented across multiple programs such as Medicaid, public employees, public health, corrections, and others that provide critical state services.

New Mexico has recognized the effectiveness of these strategies and, through legislative action, has made efforts to implement all or parts of them.

HSD has been directed to study the cost/benefit of "carving out" the pharmacy benefit from the Medicaid managed care contracts and to undertake an independent study of prescription drug use and costs. A Request for Proposal for this study is pending.

HSD was also asked to implement a PDL for Medicaid and to facilitate the creation of a PDL throughout all of state government. The agency was encouraged to work toward the development of a purchasing cooperative to include Medicaid, IBAC, DOH, CD, and other public and private entities and states. HSD has also been directed to assist eligible entities to enroll and participate in the federal 340B program.

The Medicaid Reform Committee, in conjunction with the Legislative Council Service, has estimated a range of general fund savings for each of the strategies:

- Implementation of a preferred Medicaid drug list — $800,000 to $2.4 million;
- Use of the PDL by other state agencies — $800,000 to $2.4 million;
- Increased use of 340B program by all eligible entities — $500,000 to $1.5 million; and
- Implementation of a prescription drug purchasing cooperative involving all state agencies and other public and private purchasers — $375,000 to $1.125 million.

An additional issue related to Medicaid pharmaceutical costs is the dispensing fee paid for each filled prescription. In New Mexico, this fee is set statutorily as "at least $3.65." Many states have taken a more flexible approach and placed such fees in regulation rather than law so that they can achieve cost savings, recognize rural and urban differences, and differentiate between various kinds of pharmacies, retail versus institutional for example.

RECOMMENDATIONS

The state should improve the purchase process of pharmaceuticals through a coordinated strategy to leverage buying power to achieve the lowest cost and improve the delivery of pharmaceutical services.

Specifically:

- The Governor should establish a Prescription Drug Improvement Committee and charge it with overseeing and ensuring the timely implementation of these strategies.
- The committee should be convened by the Human Services Department and include decision-making representation from each of the appropriate state agencies, the Legislature, the University of New Mexico Health Sciences Center, the New Mexico Pharmaceutical Association, the New Mexico Primary Care Association, the Managed Care Organizations, the Insurance Commission, and the Interagency Benefits Coordinating Council.
- The committee should have a dedicated program coordinator and administrative assistant drawn from existing staff to ensure accountability. The McCune Foundation, a private family foundation based in Santa Fe, has offered to support work with the Human Services Department in developing these efforts and has, in the past, brought consultants to New Mexico to assist in these efforts.
- Section 27-2-16 NMSA 1978 should be amended to remove the Medicaid dispensing fee and authorize the rule-making body to set the fee by rule to provide greater flexibility for determining, targeting, and changing this fee as appropriate.

FISCAL IMPLICATIONS

Implementation of these recommendations should generate significant cost savings for the state far outweighing the expenditures. For example, the Human Services Department is projecting Medicaid savings in FY05 at $1.8 million from the implementation of preferred drug lists; $1.7 million from lowering costs per prescriptions and dispensing fees; $127,800 for implementing 350B requirements. The Medicaid Reform Committee has estimated savings from the full implementation of these strategies from $2.5 million to $7.4 million a year.

Costs associated with implementation of the recommendations are reflected above.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	76.7	-	(76.7)	25.6	-	2.0
2007	76.7	-	(76.7)	25.6	-	-
2008	47.1	-	(47.1)	15.8	-	(1.0)
2009	47.1	-	(47.1)	15.8	-	-
TOTAL	**247.6**	**0.0**	**-247.6**	**82.8**	**0.0**	**1**

ENDNOTES

1. National Conference of State Legislatures, www.ncsl.org/programs/health/pharm.htm, October 14, 2003
2. "Presentation Prescription Drugs: Critical Issue for the States in 2003-04", National Conference of State Legislatures PowerPoint Presentation, Richard Cauchi, September 23, 2003
3. "Recent Medicaid Prescription Drug Laws and Strategies, 2001-2003" *from* National Conference of State Legislatures, www.ncsl.org, October 16, 2003
4. Jack Churchill, Head Pharmacists, Public Health Division, Department of Health
5. "Pharmaceutical Bulk Purchasing: Multi-state and Inter-agency Plans" *from* National Conference of State Legislatures, www.ncsl.org/programs/health/bulkrx.htm, October 14, 2003
6. "Pharmaceutical Cost Control Measures", *from* National Conference of State Legislatures, www.ncsl.org/programs/health/hptspharm.htm, October 14, 2003
7. Karen Wells, Legislative Council Service staff person
8. Summary of SB 332/HB412, Omnibus Medicaid Study Bill
9. Summary of SB338/HB384, Omnibus Medicaid Program Bill and Fiscal Impact Report from Legislative Council Service.
10. Neal Solomon, Head Pharmacist, Medical Assistance Division, Human Services Department
11. Roger Gillespie, Deputy Director for Programs, Medical Assistance Division, Human Services Department
12. Frank Pullara, MD, Director of Health Services, Corrections Department
13. "Medicaid Dispensing Fee", Section 27-2-16 B NMSA 1978
14. Dr. Norty Kalishman, Health Advisor, McCune Foundation
15. Robert Peters, Budget Analyst, Department of Finance and Administration

Require Vendor Payment Direct Deposit

The state should mandate direct deposit for all payments to vendors and contractors to cut the cost of payment processing and postage.

BACKGROUND

The Department of Finance and Administration (DFA) processes thousands of vendor payments each month. These payments take the form of paper checks that are mailed through the U.S. Postal Service. For the taxpayer, a more effective alternative is direct deposit, a commonly accepted method for paying employees in both the public and private sectors.

The benefits to the state of direct deposit over paper checks include elimination of the cost of generating and mailing paper checks. Benefits to vendors include:

- Confidentiality – paper checks pass through far more hands than electronic transfers;
- Elimination of trips to the bank to deposit checks; and
- Access to funds one to four days earlier than with a paper check.

To initiate a vendor payment by direct deposit, the vendor would have to provide DFA with a bank routing and account number to which the direct deposit is to be made. New vendors would provide this information along with the regular information when setting up an account with the state. Existing vendors could be notified to provide this information through a notice in the mailings they already receive. DFA would provide a daily file of approved payments to the State Treasurer, who acts as the state bank and provides the fiscal agent with the file of payments to be made electronically. Employee paychecks are distributed this way; vendor payments should follow the same process.

FINDINGS

DFA processes an average of about 30,000 vouchers a month of which approximately 90 percent are for vendor payments. Checks are distributed to the various agencies and mailed by the agencies at the standard postage rate.

The Labor Department (DOL) processes approximately 70,000 payments of unemployment insurance benefits per month. All payments are mailed. Recognizing the potential savings from direct deposit, DOL is working on offering direct deposit to applicants and is targeting mid-2004 for implementation. Other states, including Alabama, Georgia, Kansas, and Utah offer direct deposit of unemployment checks.

The Department of Transportation (DOT) processes some 5,000-voucher payments to vendors each month. These payments are made both by paper check and direct deposit. Vendors are offered direct deposit, but it is not mandatory. Vendors who receive large payments prefer direct deposit while other vendors prefer warrants with descriptions of what the payment is for. Some vendors who have chosen direct deposit call DOT to determine the reason for the payments.

The U.S. Senate Disbursement Office uses direct deposit for employee paychecks, employee reimbursements, and vendor payments. Many vendors prefer direct deposit for convenience and faster access to payments. Even vendors who may only do business with the federal government once are paid by direct deposit, with only a few exceptions. The Office prefers direct deposit because of the elimination of paper check and postage costs. It is investigating email notification to vendors when payment is made.

According to New Mexico's state controller, several factors pose challenges to direct deposit of vendor payments by DFA, including:

- Upgrades necessary to software to facilitate direct deposit of vendor payments. Although no official time or cost has been calculated for upgrading the current software to facilitate direct deposit of vendor payments, it is likely to be a three- to six-month project;
- The State Treasurer's Office needs to modify its internal processes to handle a direct deposit file from DFA; and
- Direct deposits going to the wrong accounts.

Fortunately, all payments made to the wrong accounts, except those overdrawn, have been recovered. While payments made to overdrawn accounts cannot be recovered, this has happened very infrequently and could be addressed through adjustments made to qualifying criteria for direct deposit candidates according to Anthony Armijo, State Controller.

An integrated accounting system currently in development, the Statewide Human Resources, Accounting, and Management Reporting (SHARE), could include direct deposit capability. Implementation is projected for 2006.

RECOMMENDATIONS

Direct deposit of vendor payments should be included as a design requirement in the SHARE system to save taxpayers money by eliminating paper check processing and postage.

New vendors should be required to provide bank routing and account numbers in addition to regular information when setting up an account with the state. Existing vendors should be notified to provide this information through a notice in the warrant mailing they already receive.

FISCAL IMPLICATIONS

By converting vendor payments made by DFA to direct deposit, the state can realize significant savings through the elimination of checks and postage costs. Elimination of postage carries a potential savings of $119,880 annually. In general, vendor payments are mailed at the standard postage rate. Eliminating paper checks and envelopes will save the state an estimated $40,000 annually. Savings will not be fully realized until FY07 when the new SHARE system is fully implemented.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund Cost	General Fund Savings	General Fund Net	Other Funds Cost	Other Funds Savings	Change in FTE
2005	-	-	-	-	-	
2006	-	-	-	-	-	
2007	-	160.3	160.3	-	-	
2008	-	160.3	160.3	-	-	
2009	-	160.3	160.3			
TOTAL	**0.0**	**480.9**	**480.9**	**0.0**	**0.0**	**0**

Additionally, DOL anticipates that half the eligible unemployment insurance applicants will choose direct deposit, saving an estimated $8,000 per month in checks and postage as well as savings in bank fees.

ENDNOTES

1. The Electronic Payments Association, http://www.nacha.org, November 2003
2. Vivian Montoya, Accountant & Auditor-A/Supervisor, Department of Finance and Administration
3. Victor Vigil, Financial Manager, State Treasurer's Office
4. Mark Valdes, Director State Board of Finance, Department of Finance and Administration
5. Mike Vaisa, Department of Finance and Administration
6. Leo Hunt, Administrative Operations Manager, Department of Finance and Administration
7. Anthony Armijo, State Controller, Department of Finance and Administration
8. Lynda Trujillo, Business Operation Specialist, Administrative Services Division, General Services Department
9. Art Martinez, Unemployment Insurance Bureau Chief, Department of Labor
10. Nancy Tenbroek, Accounts Payable Supervisor, Department of Labor
11. Larry Viarreal, Accounting Services Manager, Transportation Department
12. Ted Ruckner, Senior Systems Accountant, U.S. Senate Disbursement Office
13. State website of Alabama, www.alabama.gov, November 2003
14. State website of Georgia, www.georgia.gov/00/home/0,2125,4802,00.html, November 2003
15. State website of Kansas, www.accesskansas.org, November 2003
16. State website of Utah, www.utah.gov/main/index, November 2003
17. Proposal to the Cabinet for Enterprise Accounting, July 2003
18. State Purchasing Division, Statewide Purchasing Agreement, www.state.nm.us/spd/swpa.html

Increase Fines for Commercial Vehicle Violations

The state should double the fines on commercial motor vehicles for violations of the Motor Carrier Act to promote increased compliance and improve traffic safety.

BACKGROUND

The "Motor Carrier Act" (Sections 66-8-116.1 and 66-8-116.2 NMSA 1978) contains the New Mexico penalty assessment schedule for oversize load violations and a variety of commercial motor vehicle safety and driver violations. The Motor Transportation Division (MTD) of the Department of Public Safety (DPS), the New Mexico State Police, and a variety of other law enforcement agencies enforce this schedule. The current citation schedule has not been amended since its inception in 1989.

Violators of traffic offenses have the option of pleading guilty on the roadway and mailing in a fine according to the penalty assessment schedule. For example, a violator who is charged with a defective steering column violation on a commercial motor vehicle may plead guilty to the officer and pay a fine of $139 by mail within 30 days.

FINDINGS

On average, MTD issues 30,000 citations per year including penalty assessments, court appearances, and warning citations. MTD estimates a conviction rate of approximately 30 percent. The current average penalty assessment fine for violations is $114. MTD estimates that it generates $1 million to $1.5 million per year in revenue from citation issuance.

The current citation schedule falls well below similar penalties in surrounding states. For example, the New Mexico penalty for an oversize load up to 3,000 pounds is $25 and up to 5,000 pounds is $75, compared with $500 and $1,400 in Arizona for the same offense. Both Texas and California also have fines significantly higher than New Mexico's Commercial Motor Vehicle (CMV) oversize load fines, as illustrated below.

Oversize Load CMV Fines

State:	+3,000 lbs	+5,000 lbs
New Mexico	$25	$75
Arizona	$500	$1,400
California	$238	$481
Texas*	$150	$300

* Fine doubles for two convictions within a year

Fines that do not provide an incentive to properly load or maintain a vehicle pose a threat to New Mexico's citizens. An improperly maintained vehicle or an unsecured or overweight load has a greater potential to cause serious accidents or fatalities. Doubling the existing penalty assessment schedule could improve compliance and public safety, as well as adding to the state's revenue.

RECOMMENDATIONS

The state should amend the "Motor Carriers Act" (Sections 66-8-116.1 and 66-8-116.2 NMSA 1978) to double fines for the penalty assessment schedules. This would also require communication and training with the motor carrier industry, judiciary, and law enforcement agencies on the amended penalty assessment schedule. This training should be performed within existing resources and methods already in place with the industry.

FISCAL IMPLICATIONS

Within the first fiscal year, the Road Fund could receive an additional $1 million to $1.5 million resulting from the increased fine amounts based on doubling the current penalty revenue of the Motor Transport Division. The actual increase in revenue could be higher due to increased revenue from enforcement of the "Motor Carrier Act" (Sections 66-8-116.1 and 66-8-116.2 NMSA 1978) by other law enforcement agencies throughout the state. There is a possibility that the number of citations could decline within a few years of implementation due to increased compliance with traffic safety laws — which is the ultimate objective. Even with an increase in compliance, the expected revenue would surpass $1 million annually.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	-	-	-	1,026.0	-
2007	-	-	-	-	1,026.0	-
2008	-	-	-	-	1,026.0	-
2009	-	-	-	-	1,026.0	
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**4,104.0**	**0**

ENDNOTES

1. Mark Rowley, Deputy Chief, Motor Transportation Division, Department of Public Safety
2. Ronnie Smallwood, Lieutenant, Texas Department of Public Safety
3. Gail Spore, Officer, Arizona Department of Public Safety
4. Uniform Bail and Penalty Schedules, California Rules of Court, Rule 850, January 2000 Edition
5. Motor Carrier Act, Sections 66-8-116.1 and 66-8-116.2 NMSA 1978

Reduce State Advertising and Marketing Costs

The state should use the expertise of the Tourism Department's Marketing Division to retool its marketing campaigns to save money and increase their effectiveness.

BACKGROUND

State agencies as dissimilar as the Department of Health, Department of Transportation, Tourism Department, and Office of Cultural Affairs use advertising or marketing agencies to promote awareness and use of state programs, and to inform potential visitors or investors of opportunities available in New Mexico.

The state's advertising and marketing campaigns are used for a variety of purposes. The Department of Health uses them to inform consumers about a wide variety of health and safety issues. The Tourism Department uses them to promote New Mexico as a tourist destination. The Economic Development Department uses them to promote New Mexico as a good place for businesses to relocate. The Children, Youth, and Families and Human Services departments use them to raise consumer awareness about helpful state and federal programs, such as the Low Income Home Energy Assistance Program, State Children's Health Insurance Program, child care assistance, and the summer food program, as well as to solicit foster care parents and adoptive families.

FINDINGS

A review of more than 100 separate marketing and advertising contracts for eight state agencies that use advertising and marketing campaigns revealed that the state spent nearly $4.8 million per year on marketing between FY01 and FY04. Careful review of several of the media contracts with advertising or marketing companies for some of these campaigns shows that many have not been cost effective for New Mexico taxpayers. Advertising agencies and media entities often charge production costs, media fees, media placement fees, and commission placements; costs that can quickly add up. In many contracts, these charges are not clearly defined.

Most state agencies are separately contracting with advertising or marketing companies for their various campaigns. While this allows each agency to develop its own agency-specific media campaign, it also means that each agency is spending money on similar services that could be less expensive if purchased all together. For example, the cost to purchase airtime on a prominent Albuquerque radio station is as much as 26% higher for some state agencies than others. Agency marketing campaigns are important, but there are also more cost effective and efficient ways for the state to produce advertising and promote itself.

Another example recently occurred: two state agencies were running ads with an Albuquerque radio group but paying on separate contracts thus increasing the rates for both of them. This radio group also charged a premium based on their high socioeconomic demographics that, for a campaign specifically targeting lower income listeners, was inappropriate. Also, only one of the group's stations has significant reach outside of Albuquerque and thus many targeted markets were not serviced.

The Tourism Department's Marketing Division (MD) has the production equipment, staff experience, and expertise to provide most, if not all, radio and television advertising productions in-house. They plan to bolster their capabilities further by hiring two professional brokers to deal directly with media outlets for the volume purchase of print space and airtime. By pooling funds from several state agencies targeting similar specific audiences or trying to deliver similar messages, MD could leverage the best prices for state agencies. MD also believes it can save tax dollars on print material, such as brochures, banners, and flyers, by purchasing print jobs in volume.

A joint-agency campaign that used MD as the lead brokering agency has already had some success. The Department of Transportation's Traffic Safety Bureau, Department of Public Safety, and the Regulation and Licensing Department's joint effort to coordinate an underage drinking campaign was widely viewed as a great success. This effort required each agency to contribute funding for the campaign, with MD negotiating a three-for-one deal for the media spots. This brought the state a $120,000 media campaign for $30,000.

Given the resources that already exist in MD, it would be more cost effective for other agencies to use MD rather than outside contractors to provide these services, especially given the amount and multiplicity of fees that many marketing and media agencies charge.

The Traffic Safety Bureau, for example, had a contract to conduct a four-year, multi-media campaign dealing with impaired driving, occupation protection, speeding, and underage drinking. The state was charged a total of $1,492,600 over the four years, including "media" and "media fees" as separate line items, "administrative expenses" totaling $36,649, "campaign production fees" that totaled $248,201, and "staffing of the account fees" for $469,065 over the course of the contract. This cost breakdown indicates that a significant portion of the contract's final costs was directly linked to account staffing, media placement, and commission fees. These costs could have been spent on other agency activities such as enforcement or community-based prevention activities.

The Procurement Code requires that agencies use the request for proposals (RFP) or sole source process to hire marketing and advertising agencies. During the 2004 legislative session, House Bill 239 was passed and signed amending the Procurement Code to exclude "purchases of advertising in all media, including radio, television, print and electronic" as well as "procurement of items … or services by a state agency … from a state agency…" thereby enabling agencies to purchase media time and print space in volume as well as from another agency such as the Tourism Department.

A collaborative effort among agencies, while still keeping them in control of their available marketing dollars, is crucial to the success of this approach. It is also vital that state agencies be able choose between MD or outside marketing or advertising agencies. State agencies could bring their marketing ideas to MD at the conceptual stage and work together from the initial concept to final script or copy writing, production, editing of the final product, and targeted placement in the appropriate media.

The American Association of Advertising Agencies (AAAA) recommends that the components of any fees charged should be clearly defined and that overhead rates should be fixed for the term of the contract. AAAA also suggests that agencies define, up front, what costs are subject to commission and the basis for setting the commission fees. Media schedule verifications should be accurately invoiced based on actual spots run by time, frequency, and demographics.

RECOMMENDATIONS

The state should retool its marketing campaigns to save money and increase the campaigns' effectiveness. Specifically:

- MD should be designated as the lead agency for reviewing marketing campaigns planned by state agencies. State agencies should be required to present their marketing campaign ideas to MD to determine if the division could produce and broker the air and print space more efficiently and save taxpayers' money. This process would also help strengthen the expertise in state agencies in developing their own marketing concepts.

- State agencies should be required to submit all RFPs and subsequent contracts for marketing or advertising campaigns to MD for review for potential cost savings or duplicative fees.

- MD should be able to charge agencies for the production costs they incur and, if needed, a small fee not to exceed five percent to cover brokering costs.

The state should also require that all state marketing or advertising campaign contracts include the retention of ownership of everything used to plan, develop, produce, and promote the campaign. The contract should also require a media plan that includes:

- A time schedule including frequency, and length of placement;
- Justification for placement — pre-analysis and research on the targeted audiences;
- Allocation of placement dollars among the media outlets selected;
- A complete breakdown of media costs and clear definitions of the fees or commissions to be charged;
- A report on the penetration of the campaign with the targeted audience including when and how many times the spots were run, and demographic information showing that the targeted audience was reached;
- Monthly status reports and review of progress on deliverables;
- Press events related to the campaign be the sole jurisdiction of the state agency;
- All deliverables are pre-approved by the state agency;
- A requirement that materials and placements must credit the state agency and not the contractor; and
- A mandate that state agencies pay no more than eight to 10 percent in commissions and that no mark-up fees be allowed to purchase space or time with state or federal funds.

FISCAL IMPLICATIONS

Based on the contracts reviewed, agencies are paying from 15 to 30 percent for overhead, media fees, and commission fees through private media and marketing entities. The percentages vary greatly across contracts reviewed, but the industry standard is 15 percent per contract for all types of fees. Based on the state's annualized cost estimate of nearly $4.7 million spent on marketing campaigns, the state would have paid $703,581 assuming the industry standard of fifteen percent of fees. At five percent, the state would have paid only $234,527. This would bring estimated savings of $469,054 a year.

ENDNOTES

1. Jon Hendry, Director, Marketing Division, Tourism Department
2. Fred Peralta, Secretary, Tourism Department
3. Christine Thomas, Public Information Officer, Traffic Safety Bureau, Department of Transportation
4. Beverley Friedman, Public Information Officer, Department of Transportation
5. Doris Trujillo, Budget Analyst, Department of Finance and Administration
6. Patsy Nelson, Deputy Director, Department of Health
7. Yvette Valdez, Finance Manager, Protective Services Division, Children, Youth, and Families Department
8. Jonas Snyder, Staff Manager, Family Services Division, Children, Youth, and Families Department
9. "RFP #: 04-X-36353 RFP Title: Advertising and Public Relations, Department of Health and Senior Services", Purchasing Bureau, Division of Purchase and property, New Jersey Department of the Treasury, October 17, 2003
10. "Guidelines for Effective Advertiser/Agency Compensation Agreements," American Association of Advertising Agencies and the Association of National Advertisers, Inc., November 2002
11. "AAAA Unveils Media Verification Initiative," American Association of Advertising Agencies, http://www.aaaa.org/news, November 18, 2003
12. Martin Leger, Advertising Manager, Tourism Department
13. "Media Planning and Buying: Secrets of an Ad Agency Insider," Doug Hay, ExpansionPlusInc. website, http://expansionplus.com/marketing_tips/media_ad_agency_insider.html, November 18, 2003
14. "Getting Agencies to Buy your Banners," David Radin, eBusinessNews, http://ebusiness.dci.com/articles/1998/06/25radin.htm, November 18, 2003
15. "Ad Agencies Stick to 15 Per Cent Commission Mode: AAAI," Responservice September 2002 Issue 2: Media: Ad Agency News, http://www.responservice.com/archives/sep2002_isssue2/media/agencies.html, November 18, 2003
16. Department of Tourism Transition Report, December 9, 2002

Increase Online Tax Filing

The state should increase the number of businesses and individuals who file their tax returns online to improve customer service and reduce the cost of tax collection.

BACKGROUND

The Taxation and Revenue Department offers online tax filing for businesses and individuals, a service that began in 1996 and was expanded in 2000. While not all taxpayers are eligible to file online, many more qualify than take advantage of the service. Other states have acted to increase online filing because of its reduced costs and ease for taxpayers. New Mexico could achieve savings and improve service by using similar methods.

FINDINGS

The Taxation and Revenue Department (TRD) spends $3.02 per individual return and $1.80 per business return to process paper tax returns. There is an additional expenditure of $1.05 for individual returns and $0.37 for business returns containing errors. More errors are introduced processing paper returns than online returns. There is no measurable cost associated with filing returns online. Encouraging filing online would increase efficiency for the state and its customers and save money. In addition, those individual taxpayers filing online receive their refunds faster.

Over the last two years, business returns have averaged about 70,000 per month. In addition to the processing expense of $1.80 per return, almost entirely in temporary personnel costs, it costs the state $0.70 per return for packet production and $0.36 for postage, bringing the total cost to $2.86 for each error free return.

Online filing of business tax returns through July of 2003 represented only 8 percent of all returns filed. Increasing that rate by a little more than four percent each year for the next four years, to 25 percent, would result in total savings to the state of over $875,000 over that period.

The number of individual tax returns filed over the last two tax years averaged 863,966 per year. In addition to the processing fee of $3.02 per individual return, it costs the state $0.48 per return for packet production and $0.31 for postage, bringing the total cost to $3.81 for each error free return.

Online filing of individual tax returns increased 2.5 percent between tax years 2001 and 2002 totaling 8.6 percent of all returns filed in 2002. This resulted in savings of about $65,000 in processing costs. Increasing that rate by a little more than four percent each year for the next four years, to 25 percent, would result in total savings of more than $1.5 million over that period.

The State of Washington increased online filing for businesses to 20 percent over a two-year period. Washington promoted the benefits of online filing using a variety of marketing techniques. The cost of the marketing, including printing and postage, was $35,673 for the first year and $37,396 for the second year, for an average annual cost of $36,534. Annual marketing costs for New Mexico would be similar and total under $150,000 for a four-year period

Examples of successful marketing techniques tried in Washington that could be duplicated in New Mexico include:

- Direct mailings to taxpayers and tax preparers promoting the convenience of online filing and its potential for reducing errors,
- Providing additional training for state employees to administer the online tax service, and
- Instructing state employees to promote online filing at each point of contact with taxpayers.

In Louisiana, several marketing techniques have led to an increase in online tax filing for individuals and businesses. For tax years 2000 and 2001, the number of online returns more than tripled. The number of online returns continued to increase in tax year 2002 by nearly doubling. Louisiana's marketing budget was $65,688 for tax year 2000 through tax year 2001 and $143,858 for tax year 2001 through tax year 2002, for an annual average of $104,773. A similar campaign in New Mexico would create costs of $68,239 annually or $272,956 over a period of four fiscal years.

Louisiana's successful marketing techniques included radio and newspaper ads. It began with a press conference in the Governor's office, followed by press releases, E-file posters and brochures, public service announcements, and a statewide interview tour by the cabinet secretary in charge of the state's revenue department.

In South Carolina, marketing efforts included postcards mailed to filers asking them to indicate whether they want a paper return form mailed to them. As a result and in addition to other electronic filing methods, South Carolina has seen a reduction of almost 65,000 paper returns filed.

According to TRD, no money is currently spent to advertise online tax services. TRD currently relies on the significant news coverage it receives as the deadline for filing taxes approaches. The online service for personal income taxes is also advertised in the tax forms mailed out each tax year, as well as online under the PIT-NET category. The online service for business taxes is advertised in tax forms mailed out twice a year.

RECOMMENDATIONS

The state should take steps to increase the number of businesses and individuals who file their tax returns online to improve customer service and reduce the cost of tax collection. Specifically, the Taxation and Revenue Department (TRD) should do more to market and advertise both business and personal online tax services.

TRD should send taxpayers, who filed using an agency-produced return form in the previous tax year, a postcard notifying them of the online options to either file online or download forms instead of automatically mailing taxpayers the more expensive paper return packets. Additionally, the postcard should give taxpayers the option, in the first year, of requesting a packet be mailed to them and, in subsequent years, to pickup a packet at agency locations.

All packets mailed and forms available online should include prominent check boxes near the signature line of the return asking taxpayers to indicate whether they plan to pick up a paper form, download forms, or file electronically next year.

FISCAL IMPLICATIONS

New Mexico could realize a net savings of more than $2.5 million over the next four fiscal years, beginning in FY05 by increasing business and personal online tax filing through better marketing and advertising.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	375.1	175.2	(199.9)	-	-	-
2007	104.7	722.7	618.0	-	-	-
2008	104.7	1,014.3	909.6	-	-	-
2009	104.7	1,307.0	1,202.3	-	-	-
TOTAL	**689.2**	**3,219.2**	**2,530.0**	**0.0**	**0.0**	**0**

ENDNOTES

1. Aurora Sanchez, EDP Auditor, Information Systems Bureau, Administrative Services Division, Taxation and Revenue Department.
2. Paul Mann, Manager, Information Systems Bureau, Administrative Services Division, Taxation and Revenue Department
3. Libby Gonzales, Director, Revenue Processing Division, Taxation and Revenue Department
4. GenTax Intranet Statistics, Information Systems Bureau, Administrative Services Department Division, Taxation and Revenue Department
5. Tomas Gonzales, Techmaster III, Information Systems Bureau, Administrative Services Department Division, Taxation and Revenue Department
6. Debbie Young, Information Technology Systems Specialists, Taxpayer Account Administration, Revenue Department, Washington State
7. Tomas Gonzales, Techmaster III and GenTax Intranet Statistics, Information Systems Bureau, Administrative Services Department Division, Taxation and Revenue Department
8. Kathleen Baca, Public Information Officer, Office of the Secretary, Taxation and Revenue Department
9. Joyce Spray, Office of the Secretary, Taxation and Revenue Department

Safeguard Federal Transportation Funding

The State should improve compliance with federal motor carrier and transportation laws to avoid losing federal highway and safety assistance funds.

BACKGROUND

The Federal Motor Carrier Safety Administration (FMCSA) and the newly formed Transportation Security Administration (TSA) each issue federal regulations concerning commercial driver requirements. States must comply with these rules or risk losing federal highway and safety assistance dollars.

FMCSA recently notified the state's Motor Vehicle Division (MVD) of two unresolved commercial driver requirements from the 1990 and 1999 FMCSA rulings. New Mexico's noncompliance with these rulings – alcohol concentration of 0.04 percent or higher and a driver violating an out-of-service order – placed New Mexico into "substantial noncompliance" status.

According to Title 49 of the US Code of Federal Regulations addressing "withholding of funds based on noncompliance", the consequences for a state in non-compliance with the Commercial Driver's Licenses regulations include withholding five percent of federal highway construction funds following the first year of noncompliance. Following the second and each subsequent year of noncompliance, the amount withheld is raised to 10 percent. For New Mexico, this represents substantial sums — $8.4 million the first year and $16.8 million in subsequent years.

The Legislature, in 2003, passed two bills (House Bills 117 and 250) designed to bring New Mexico into compliance with the two unresolved requirements. But even as the 1990 and 1999 compliance issues were being addressed, the FMCSA issued 15 new mandatory requirements and an implementation date of September 30, 2005. These new federal requirements are labor intensive and demand extensive coordination among the FMCSA, the TSA, commercial carriers, commercial drivers, and other state commercial vehicle and driver bureaus.

To prevent a repeat of earlier noncompliance problems, the Legislature in 2003 considered a bill (Senate Bill 858) to help MVD meet the 2005 mandatory implementation date. The bill died in committee, leaving New Mexico on a path toward non-compliance with no immediate plans to address the situation and avoid the loss of millions of dollars in critical federal highway funds.

Complicating the situation even further, passage of the U.S. Patriot Act imposed new burdens on states, including a requirement to implement finger printing for all initial applications, renewals, or transfers of a commercial driver Hazardous Material (HAZMAT) endorsement by April 1, 2004, as well as a requirement to coordinate state and federal background checks for those drivers all without additional federal financial support. Fortunately, during the 2004 Legislative session, Senate Bill 40 was passed to “require an applicant requesting a hazardous material ("H") endorsement to be subject to a background check pursuant to the federal Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001."

FINDINGS

The latest series of FMCSA rulings created the need for new units within the MVD Commercial Licensing Section to process the increased workload, including:

- The Medical Unit — to coordinate, track, and take any medical disqualification action on approximately 50 commercial drivers per week. Actions include forwarding medical waiver requests to the MVD Medical Board, notifying drivers of the board’s decisions, issuing medical waiver cards, and posting medical information to the driver’s record.
- The Social Security Verification Unit — to verify the State’s 1.8 million commercial and non-commercial driver social security numbers, provide guidance to drivers to correct inaccuracies, and handle approximately 312,000 driver license annual initial issuance and renewals.
- The Commercial Driver Citation Unit — to process between 2,000 and 4,000 in-state and out-of-state citations per week. Processing includes editing citations for completeness, coding the violation, posting citations to New Mexico commercial driver records and sending out-of-state citations to the commercial driver’s home state for posting to his or her driver record.
- The Licensing Unit — to coordinate the licensing of New Mexico’s 97,000 commercial vehicle drivers. This includes initial commercial driver license issuance, renewal, and endorsement application and processing. Duties also include processing driver documents for microfilming and posting microfilm numbers to driver records once documents have been microfilmed.

In addition to the FMCSA requirements, the TSA drafted new HAZMAT regulations. To fund the TSA, states were docked a portion of their expected 2003 grant revenues — including a $2.2 million grant for New Mexico that would have provided the initial funding for the MVD Commercial Licensing Section’s additional employees.

New Mexico estimates that over 4,000 drivers will renew their HAZMAT endorsement each year. This will require meeting mandatory federal finger printing of any commercial driver making initial or renewal application for a HAZMAT endorsement. TSA has issued the final, mandatory requirements and instructions for implementing the HAZMAT portion of the Patriot Act with full implementation due by January 2005. However, the Transportation Security Administration still has to develop the standardized application and final fee structure as well as the final instructions for the process. Until then, the workload requirements and time parameters involved as well as whether current staffing can meet the new requirements will be indeterminate.

The current staffing of two full-time permanent employees and five grant-funded positions cannot handle the known new requirements of medical certificates and qualifications, Social Security Number verification, commercial citation recording, HAZMAT endorsement, finger printing and background checks, and knowledge test oversight, for the state's 97,000 commercial vehicle drivers. The challenge will be even greater after grant funding expires over the next year, leaving only two staff members to address the increased workload.

If New Mexico falls into non-compliance by December 1, 2004, it stands to lose $8.4 million in the first sanction year and as much as $16.8 million in each subsequent year. In addition, non-compliance and backlogs could have a direct impact on New Mexico's commercial drivers and their ability to earn a living, to say nothing of the companies that rely on the drivers' deliveries to maintain their businesses.

RECOMMENDATIONS

New Mexico risks losing substantial federal revenue if it does not move aggressively to meet the mandates detailed above. Without additional staffing, it will be difficult to meet those requirements within the time period allowed. To address these challenges, MVD should:

- Increase the number of full-time positions in the Medical Unit by two to coordinate, track, and take any medical disqualification action on approximately 50 commercial drivers per week.
- Increase the number of full-time positions in the Social Security Verification Unit by two to verify the state's 1.8 million commercial and non-commercial driver social security numbers, provide guidance to drivers to correct inaccuracies, and handle the approximately 312,000 driver's licenses annual initial issuance and renewals.
- Increase the number of full-time positions in the Commercial Driver Citation Unit by two to process between 2,000 and 4,000 in-state and out-of-state citations per week.
- Increase the number of full-time positions in the Licensing Unit by two to coordinate the licensing of New Mexico's 97,000 commercial vehicle drivers.
- Implement a $75 application and processing charge to cover the cost of background checks by the FBI and DPS ($34), and MVD doing the actual fingerprinting, maintenance of the machines, and purchasing any replacement machines ($41).

Additionally, the number of DPS' Law Enforcement Records Bureau full-time employees should be increased by one to conduct in-state background checks. This includes initial commercial driver license issuance, renewal, and endorsement application and processing.

FISCAL IMPLICATIONS

This staffing adjustment will make it possible for the state to meet FMCSA and TSA regulation requirements. It will also help New Mexico avoid sanctions that could cost the state $8.4 million in the first year and $16.8 million in each subsequent year.

Once the program is established, the state will bring in $204,000 a year ($163,000 from the MVD finger printing processing charges and $40,800 from the DPS in-state background checks). The projected five-year total is $867,000.

This is a proactive recommendation designed to prevent the loss of tens of millions of federal dollars that would result from being out of compliance with federal requirements. It would also improve customer service for the state's commercial vehicle drivers.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	
2006	412.4	163.2	(249.2)	-	40.8	9
2007	358.0	163.2	(194.8)	-	40.8	
2008	358.0	163.2	(194.8)	-	40.8	
2009	358.0	163.2	(194.8)	-	40.8	
TOTAL	**1,486.4**	**652.8**	**-833.6**	**0.0**	**163.2**	**9**

ENDNOTES

1. Federal Motor Carrier Safety Administration Letter, June 12, 2002
2. Federal Register, Part II, Department of Transportation, 49 CFR Parts 350, *et seq.*, Wednesday, July 31, 2002
3. Franklin Garcia, Safety Bureau, Department of Transportation
4. Federal Motor Carrier Safety Administration, Memorandum CDL-03-001, November 21, 2002
5. Jan Herber, Commercial Driver License Administrator, Motor Vehicle Division, Taxation and Revenue Department
6. Senate Bill 858, Senator Mary Kay Papen, New Mexico 2003 Legislative Session
7. Donna West, Region IV Vice President, Operations, AAMVA
8. Frank Estrada, Bureau Chief, Plans and Programs Bureau, Motor Vehicle Division, Taxation and Revenue Department
9. Paul Herrera, Bureau Chief, Law Enforcement Records Bureau, Department of Public Safety

Require Escrowing of Bid Preparation Documents

The state should require the escrowing of bid preparation documents for major transportation projects to reduce claims expenses and promote timely claim resolution.

BACKGROUND

New Mexico road construction contracts contain provisions enabling contractors to file claims against the state should the contractor believe it is due additional compensation outside the scope of the contract. These claims usually arise when contractors have to conduct more work than was originally bid. Under the current New Mexico Department of Transportation (DOT) policy, the information and calculations used to develop the winning bid on contracts awarded to private firms is not, as a rule, retained after the contract is awarded.

Bid escrowing, or the practice of keeping bid-preparation documents confidential until certain conditions are met for their release, has proven helpful in other states when dealing with claims on large and complex projects, or where design errors or changed site conditions may have led to costly and protracted legal actions. Bid escrowing makes it possible for the state to verify whether or not contractors were misled early on in the process, or if they simply failed to understand the true conditions and requirements of the job.

While these materials can be obtained through discovery once in litigation, having this information early on would help resolve claims quickly and minimize the likelihood of litigation.

FINDINGS

Bid escrowing can protect taxpayers from contractors who might seek to revise or destroy bid-preparation materials unfavorable to their position. A review of DOT's claims settlement and legal expense history from 1997 to present underscores the need for consistent escrowing of bid documents. Since 1997 there have been:

- Contractor claims totaling $40 million out of 32 projects valued at $369 million;
- Claims paid to date totaling $5,885,485, with a major case involving a $29,000,000 claim still pending; and
- Past cases costing up to $2 million *before* trial for attorney fees, expert witness fees, and deposition costs.

DOT's current process to determine whether to escrow bid-preparation documents is subjective and does not follow prescribed policies. The need for escrowing bid documents is dependent on a project's complexities, including:

- The need for extensive traffic control measures;
- The need for detour scheduling requirements;
- Significant environmental issues;
- The number and complexities of physical structures on the project;
- Overlapping or proximity of projects with conflicting construction schedules;
- Unknown hazardous materials that could change the scope of work; and
- Involvement of multiple state, local, and Native American jurisdictions.

Many experts believe that the larger the project's dollar value, regardless of any unusual project requirements that may be present, the higher the likelihood that claims might arise.

In the event of a claim, having clear access to the information on which the contractor's written bid response is based is likely to create and sustain an earlier and more meaningful dialogue between the contractor and DOT, minimizing the need for legal recourse by the contractor or the state.

Escrowing procedures would automatically provide the contractor with confidentiality and involve the physical or electronic placement of the original bid-preparation documents, or suitable copies, of all bid records used by the contractor to prepare its bid. The records are placed in escrow with an approved banking institution or bonded document storage facility and access to the documents by either party is well prescribed and controlled to ensure document integrity.

Escrowing costs are dependent on the scope of the project's documents, whether they are physical or electronic media including CDs, DVDs, or other storage media. Costs run about $1,000 to $3,000 and are the responsibility of the winning bidder.

While escrowing bid-preparation documents does not guarantee a reduction in the number of lawsuits and claims, having access to the contractor's bid-preparation documents enhances the state's legal position in the event a claim is filed.

Other states have realized the advantages of bid escrowing. Colorado's transportation department has an escrow policy in place, and reports that it had a $700,000 claim reduced to $50,000 after the escrow bid documents were opened and it was revealed that the contractor misbid the project. Specifically, the claim was that the state had delayed the contractor and forced it into an additional work season. When the escrow bid documents were examined, it became clear that the schedule provided at the beginning of the project did not match the schedule escrowed at the time of bid.

RECOMMENDATIONS

DOT should immediately develop and implement a policy defining the criteria that must be met for escrowing bid-preparation documents. DOT should consider establishing a project dollar value that would automatically require the escrowing of bid documents.

Any new policy should make it clear that documentation is to be held in escrow for the duration of a contract so that it can be used for the purpose of determining the contractor's proposal concept, the validity of price adjustments as provided for in the contract, or to resolve any dispute or claim by the contractor.

FISCAL IMPLICATIONS

In addition to the potential for savings in legal expenses, reducing claims costs could save the state millions of dollars that could then be redirected to construction and maintenance programs.

With the recent passage of a $1.5 billion bond authorization and more than 40 projects on the drawing board, an estimate of taxpayer savings could conservatively reach between $10 million and $20 million in avoided claims over a five year period. If only half of these claims were to go to court, legal fees alone could total as much as $2 million. Millions more could be realized in claims that are settled without a trial.

ENDNOTES

1. MV Construction Claims Status Report, Construction Bureau, Department of Transportation, July 8, 2003.
2. Kendall Fischer, Assistant General Counsel, Department of Transportation
3. Dean VanDeWege, Colorado Department of Transportation

Increase Excise Tax and Fee Compliance on Motor Vehicle Sales

The state should improve collection of lost taxes and fees by reducing illegal activities in vehicle sales.

BACKGROUND

The state's Motor Vehicle Division (MVD) is charged with monitoring approximately 1,450 licensed dealers, and an unknown number of individuals posing as licensed dealers. Dealers, as a service to their customers, collect and remit to the State, excise taxes and registration and title fees.

The state loses excise taxes, and title and registration fees from licensed dealers through such activities as:

- Unintentional, inaccurate bookkeeping and revenue reporting;
- Fraudulent activities; and
- Unreconciled records and deposits from dealers who fail to submit revenue to the state within the 72-hour period as required by state law.

There are also significant indirect effects of fraudulent private party and dealer sales. New Mexico consumers risk potential losses of $400 million each year due to non-dealer bond protection. Bond protection loss occurs when action is taken against a dealer's required $50,000 surety bond and the bond does not cover the full extent of the fraudulent activities. In FY02, six cases were prosecuted involving fraudulent sales and the lack of sufficient bond amounts. These cases cost financial institutions, legitimate vehicle dealers, and individual customers approximately $5.1 million.

Economic losses are also the result of:

- Counterfeit printing of dealer vehicle demonstration tags.

- Counterfeit printing of vehicle temporary tags.

FINDINGS

The Motor Vehicle Division (MVD) has a single detective, and no auditors, to monitor and investigate dealer sales throughout the state. This staffing level means that oversight of dealer sales is virtually non-existent.

Many motor vehicle transactions therefore occur in an increasingly unregulated environment costing taxpayers an estimated $1.7 million in lost excise tax, and registration and title fees each year.

Other states have developed initiatives to combat these problems:

- Arizona implemented a "Registration Compliance" program, targeting individuals not in compliance by adding enforcement employees and computer program changes to track sales. The program costs less than $700,000 a year but is expected to bring in $3.5 million in FY04.
- Washington has saved $2 million per year as a direct result of its "Automated Valuing System" to track vehicle sales.

Over 260,000 dealer demonstration tags are issued each year to new and used car dealers "for the limited purpose of testing, demonstrating or preparing vehicles for sale." These demonstration tags do not have tracking numbers or security features to be able to determine their validity. Closer monitoring of the issuance and use of these tags will decrease the prevalence of using counterfeit tags with the corresponding loss in revenue to the state in excise tax and title and registration fees when the tags are used to avoid the required title and registration actions and proper insurance. By reducing the use of fraudulent tags, the vehicle insurance rate should increase due to having to have insurance at the time of issuance.

Dealers purchase approximately 350,000 temporary tags each year. These tags, good for 30-days, allow the new owner to drive while the vehicle registration and title paperwork are being finalized. These temporary tags are subject to widespread abuse as they are either illegally sold or stolen from dealers or counterfeited. A conservative estimate is that for every 10,000 temporary tags in illegal use; the State looses $350,000 in registration fees and an unknown amount in excise tax.

RECOMMENDATIONS

New Mexico should strengthen its oversight and auditing of motor vehicle sales to reduce fraud and provide better protection for law-abiding consumers.

The state should address the inability of the Motor Vehicle Division's (MVD's) lone detective to provide dealer oversight. New Mexico should add two auditors to the MVD's Third Party Oversight Staff. In addition, two detectives should be added to the Taxation and Revenue Department's Office of the Inspector General office staff. The detectives and auditors should develop contracts, policy, and procedures for dealers to follow in conducting vehicle sales and remittance of funds to the State. They also should develop inspection and auditing procedures that they will then use during visits to both new and used car dealers, and to address unauthorized vehicle sales by non-dealers.

One year after implementation, an assessment should be conducted of the success of the increased staffing relative to the collection of excise taxes and fee compliance. If taxes and fees collected have increased by 5% or more, additional staff should be authorized to further increase collections. If collections have increased by less than 5%, staffing levels should remain the same.

FISCAL IMPLICATIONS

The addition of detectives and auditors will establish the needed dealer vehicle sales oversight to begin recovering excise tax, and registration and title revenues due the state. In FY06, recoveries will be low due to having to hire staff and establish the unit. Subsequent year recoveries will level off as offenders are discovered and action is brought against them.

A reasonable estimate of annual recoveries is 80 percent, based on the time needed to prosecute a case from recovery to closure. Over a four-year period (FY06 through FY09), the estimated recovery would be \$4.3 million with a staff cost of approximately \$1.16 million, leaving a net recovery of \$3.13 million. This does not include any revenue that might be recovered from dealers due to inaccurate bookkeeping and revenue reporting or outright fraudulent activities. Moreover, by curbing fraudulent activities, the state could cut New Mexico customers' potential \$400 million loss due to non-dealer bond protection.

In FY10, an additional \$5.4 will be needed for computer upgrade/replacements.

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	
2006	253.9	477.0	223.1	-	-	4
2007	301.7	1,272.0	970.3	-	-	
2008	301.7	1,272.0	970.3	-	-	
2009	301.7	1,272.0	970.3	-	-	
TOTAL	**1,159.0**	**4,293.0**	**3,134.0**	**0.0**	**0.0**	**4**

ENDNOTES

1. State of New Mexico Table of Organizational Listing Detail Report, Agency 333-Department of Taxation and Revenue, Division:60-Motor Vehicle Division, October 1, 2003, Program: NMPTMOO1 R9.5.
2. Linda Riley-Warren, Bureau Chief, Dealer Bureau, Motor Vehicle Division, Taxation and Revenue Department
3. Charles Hensen, President, New Mexico Automobile Dealers Association
4. Guy Appelman, Executive Director, New Mexico Independent Automobile Dealers Association
5. Gorden Eden, United States Marshal, New Mexico District
6. John Sides, Sergeant, New Mexico State Police
7. Drug Enforcement Agency Web Site, http://www.usdoj.gov/dea/concern/concern.htm, October 24, 2003
8. Douglas Wood, Detective and Criminal Investigator, Dealer Bureau, Motor Vehicle Division, Taxation and Revenue Department
9. Richard Maag, Inspector General, Inspector General Bureau, Taxation and Revenue Department
10. Richard Schweinsburg, Arizona MVD Management Analyst
11. Denise Movius, Director, Driver Services, Washington Department of Motor Vehicles
12. Jerry Dike, Director, Texas Vehicle Titles & Registration Division, Texas Department of Transportation

Cut State Government Utility Costs

The state should purchase energy-efficient office equipment and take other energy saving steps to reduce electricity costs.

BACKGROUND

U.S. workers leave about 54 percent of personal computers, 30 percent of monitors, and 42 percent of printers on overnight according to a survey by the Lawrence Berkeley National Laboratory.

New Mexico state employees are not required to turn off their computers and other office equipment when they leave at the end of the day. When office equipment is left on during non-business hours, taxpayers are asked to foot the bill.

FINDINGS

It has been estimated that approximately 85 percent of state employees, or 19,950, use computers as part of their job. If 54 percent of state government's computers, 30 percent of monitors, and 42 percent of printers are left on at the end of the workday, taxpayers are being asked to pick up the electric bill for about 10,773 computers, 5,985 monitors, and about 4,536 printers. In total, it is estimated that the state is spending well over $200,000 annually for unneeded electricity.

Annual energy savings, when office equipment is turned off at night, can be dramatic. An Arizona energy-efficiency study found potential annual savings of $24 per computer, $34 per monitor, and $27 per laser printer (based on $0.10 per kilowatt hour of electricity). Based on these findings, New Mexico's potential annual savings (based on $0.06 per kilowatt hour) translates to $14 per computer, $20 per monitor, and $16 per laser printer totaling over $250,000 per year.

Energy costs have increased an estimated 10 percent over the past decade due to increased use of office technology. However, the American Council for an Energy-Efficient Economy has stated that electricity use can be cut by as much as 50 percent by using energy-efficient office equipment. Energy-efficient office equipment is competitively priced. The Arizona Public Service Company reports that purchasing energy-efficient office equipment generally costs about the same as standard-efficiency office equipment.

RECOMMENDATIONS

State employees should be required to turn office equipment off during non-work hours. Additionally, agencies should be directed to set all computers and monitors to activate the automatic sleep mode when staff are away from their machines for more than 15 minutes. Finally, the state procurement process for buying new office equipment should be revised to require the purchase of energy-efficient office equipment.

FISCAL IMPLICATIONS

If state employees were mandated to turn off computers, monitors, and printers during nonworking hours, taxpayers could save more than $1.0 million over the next five fiscal years.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	81.2	81.2	-	189.4	-
2007	-	81.1	81.1	-	189.4	-
2008	-	81.1	81.1	-	189.4	-
2009	-	81.1	81.1	-	189.4	
TOTAL	**0.0**	**324.5**	**324.5**	**0.0**	**757.6**	**0**

ENDNOTES

1. "Field Surveys of Office Equipment Patterns", Lawrence Berkeley National Laboratory, September, 2001, http://enduse.lbl.gov/Info/LBNL-46930.pdf, October 22, 2003
2. "Make your office and home energy efficient and save – big", Monte Enbysk, www.bcentral.com/articles/enbysk/121.asp, September 29, 2003
3. "Office equipment", www.aceee.org/geec/ch5_officeequip.htm, October 8, 2003
4. "Cost of Energy-Efficient Office Equipment", www.aps.com/apsservices/business/waystosave/BusWaystoSave_33.html, October 14, 2003
5. "How Much Does Office Equipment Cost To Run", www.aps.com/images/pdf/OfficeEquipment.pdf, October 15, 2003
6. Arizona Public Services Representative, Arizona Public Services, November 5, 2003
7. Harold Trujillo, Energy Manager, Energy, Minerals and Natural Resources Department, November 4, 2003
8. Maureen Nash, Central Payroll Supervisor, Department of Finance and Administration
9. Cynthia Trujillo-Herrera, Compensation and Classification Analyst, State Personnel Office
10. Margi Robison, IS Manager, State Personnel Office
11. FY03 IS Plans from Department of Environment, Children, Youth and Families Department, Education Department, Public Regulation Commission, Taxation and Revenue, Department of Health, Office of the Courts, Department of Labor, Department of Transportation, Human Services Department, and Corrections Department, October 9, 2003

Minimize Litigation Costs: Expand Use of Conflict Resolution

State government should increase use of Alternative Dispute Resolution and other facilitation techniques to prevent or resolve legal complaints.

BACKGROUND

According to the New Mexico Legislature, "Alternative Dispute Resolution" (ADR) means, "a process other than litigation used to resolve disputes, including mediation, facilitation, regulatory negotiation, fact-finding, conciliation, early neutral evaluation, and policy dialogues." Dispute resolution approaches cover a wide range and are used by many public agencies around the country to speed up the resolution of claims, promote efficient decision-making, and avoid litigation. The U.S. Army Corps of Engineers Institute for Water Resources has organized these approaches into three basic categories: unassisted procedures such as informed discussion and negotiation, third-party assistance such as mediation and non-binding arbitration, and third-party decision making, including administrative hearings, binding arbitration, or litigation.

The majority of disputes in New Mexico state government fall into one of two categories: employment or policy and administrative. Both types consume a lot of time and financial resources. Employment disputes include conflict over supervisory decisions, management policies, working conditions, pay and benefits, and discipline. Policy and administrative disputes include regulatory issues, contract disputes, and vendor disputes among others.

Employment Disputes

Over the past decade, the U.S. Postal Service (USPS) has emerged as a leader in the use of alternative dispute resolution in employment disputes. The USPS's innovative program for employment disputes, REDRESS® (Resolve Employment Disputes Reach Equitable

Solutions Swiftly), provides mediation for Equal Employment Opportunity (EEO) disputes, specifically those arising out of a claim of discrimination under federal law.

USPS's formal EEO complaint filings were 7,000 in 1990 and climbed steadily to a peak of 14,000 in 1998. Since the peak of 1998, claims have steadily declined to 9,612 in 2002, a 25 percent decline in total claims over a four-year period.

In addition to the decline in the number of EEO complaints, the USPS has seen evidence of changes in the way supervisors handle conflict in the workplace subsequent to receiving REDRESS mediation training, including better listening, more openness to expressions of emotion, and less top-down hierarchical response to conflict. There has also been a gradual increase in efforts by disputing parties to resolve their problems after a request for mediation is made and before any formal proceedings.

In another example, the Equal Employment Opportunity Commission (EEOC), in January 2000, began implementing reforms to the federal EEO complaint process to reduce the number of claims filed and improve workplace relations. In July 2003, the EEOC released a report concluding that the number of EEO complaints in the federal government dropped by 10.6 percent from calendar year 2000 to 2002 as a result of the reforms. The reforms included requiring agencies to make ADR services (primarily mediation) available at both the pre-complaint and complaint stages and the use of trained counselors (such as employee ombudsmen) to help resolve complaints before they are formalized. The report concluded that the drop in EEO complaints resulted from improved work environments based on more effective communication between staff and management.

Policy and Administrative Disputes

In addition to the improvements in employment dispute resolution, similar techniques have led to savings and efficiency in policy and administrative dispute resolution as well.

According to the Policy Consensus Initiative (PCI), a national non-profit program working with government leaders at the state level, at least 46 states have established some sort of state-supported public policy ADR program. Of these, seven have court-based programs, two have university-based programs, four have state agency-based programs, and 33 have some combination of two or more. Based on data provided by a sample of state programs, it appears that states using two or more options are successful in improving public policy development and in reducing costs. For example, during the past 15 years the Florida Conflict Resolution Consortium has saved that state over $3 million dollars by using mediation in 35 administrative dispute resolution pilot cases.

New Mexico Alternative Dispute Resolution

Conflict management and ADR programs are still in their infancy in New Mexico. Just over three years ago, the Legislature enacted the Governmental Dispute Resolution Act (Sections 12-8A-1 through 12-8A-5 NMSA 1978) enabling any agency to "use an alternative dispute resolution procedure to resolve any dispute, issue or controversy involving any of the agency's operations, programs or functions, including formal and informal adjudications, rulemakings, enforcement actions, permitting, certifications, licensing, policy development and contract administration." Additionally, Executive Order 00-08 was issued requiring that "Each Executive Agency … [implement] each provision of the Dispute Resolution Act …."

In 2001, the New Mexico Office of Public Facilitation (OPF) was created through a Hewlett Foundation Grant. Its work focuses on facilitation of public policy development and community problem solving. During the 2003 regular legislative session, Senate Bill 288 was introduced, though not enacted, to establish the office in statute; OPF is currently seeking permanent funding from the Legislature.

In December 2001, the Regulation and Licensing Department (RLD) launched a comprehensive and integrated conflict management and ADR program. RLD's program has successfully resolved a number of both licensee and employee disputes saving the time and expense that would have been incurred through the litigation process.

During the 2003 regular legislative session, Senate Memorial 57 (SM57) was adopted creating an ADR advisory group to develop a recommendation for the 2004 Legislature regarding establishment of a statewide ADR office. The *SM57 Report on Dispute Resolution (DR) Programs, Cost Savings and Customer Services Accomplishments*, prepared by the advisory group, notes at least seven well-established ADR programs functioning within the state. Three are based in state agencies, two are court-based, one is a centralized program for the City of Albuquerque, and the seventh serves the faculty of the University of New Mexico. Further, the report recommends the creation of the Commission on Dispute Resolution and Conflict Management.

FINDINGS

In FY98, New Mexico spent $6.3 million (including all process costs, settlement amounts, and judgment awards) to settle or defend against 273 state employee workplace civil rights claims against the state. Over the next three years, the number of claims and total associated costs remained relatively constant at an average of 269 and $6.7 million, respectively. Also in FY98, the Loss Control Bureau (LCB) of the General Services Department implemented the Civil Rights Training Program to increase manager sensitivity to EEO-related issues, improve fairness in discipline cases, and develop a network of qualified internal mediators. The funding for this training came from money set aside out of the civil rights insurance premiums paid to the GSD by other state agencies.

From FY99 through FY02, 3,937 people were trained in "Civil Rights in the Workplace" and 2,632 in "A Practical Guide for Documenting Discipline." Beginning in FY02, the numbers of claims dropped dramatically, from an average of 269 to 183, a 31 percent decline over the three-year average, with reduced costs of $4.3 million, a 36 percent decline. In FY03, the lower numbers held steady at 182 and $4.8 million, resulting in $3.5 million in savings over the two years.

In FY02, LCB continued the civil rights training and added mediation training. The cost of all trainings to date has been $606,000; with total documented savings of $4.3 million in FY02 and FY03, the return on investment is clear. GSD obtained high participation in the training program from other state agencies by offering to cut each agency's civil rights insurance deductible by between 50 percent and 62.5 percent, if 90 percent or more of that agency's identified managers attended the specified trainings.

At RLD in FY03, 13 cases between the licensing authority – RLD – and a licensee were referred to mediation and resolved without going to administrative hearing. With RLD's cost of an administrative hearing ranging from $2,000 to $4,000 and cost for an agency/licensee mediation averaging $140, the agency saved between $24,180 and $50,180 in FY03.

In addition, the RLD program has expanded its capacity for reviewing complaints against licensees. In the past, many license violations were investigated but not formally acted upon, as they were often deemed too minor to warrant the revocation or denial of a license. Now, mediation allows the agency and licensees to come to agreement on intermediate measures that allow licensees to keep their license as well as provide appropriate corrective measures and relief for any victims of the license violation.

RLD has also created a three-tiered employee conflict management program consisting of "Safe Conversations" (informal conversations between the parties in a conflict, with a third-party neutral present), formal employee/employee or employee/supervisor mediation, and the traditional personnel grievance process. Safe Conversations and employee mediations cost an average of $200 per use (based on the regular compensation of the disputants, co-mediators and the convener for a two-hour mediation). Filing a formal personnel grievance costs an average of $1,050 (based on the regular compensation of the disputants, investigators, and the RLD superintendent). Since the inception of the RLD conflict management program, 100 percent of the Safe Conversations and employee mediations have been settled with positive results reported by all disputing parties.

According to an Oregon Department of Justice study comparing costs for dispute resolution across a diverse range of options, the average cost of resolution through litigation (a court trial - the most evaluative approach) is $60,557. Resolving a comparable case through mediation (the least evaluative approach reviewed in the study) costs about $9,537. Although substantial savings are available through all forms of dispute resolution short of court trial, the greatest cost savings are available through the least evaluative and least adjudicative approaches.

The Florida Department of Environmental Protection (DEP) evaluated 19 mediated environmental enforcement cases and found "[The] estimated median savings was $75,000 per party, and with at least two parties per dispute this amounts to an estimated median savings of $150,000 per case."

The USPS REDRESS program generated a decrease in EEO claims of 2000 from 1997 to 1999, with an estimated savings of $20 million in 1999 compared to costs incurred in 1997. According to Brenda Hilton of the USPS EEO Program for the Western States, the average cost of processing an EEO complaint is $10,000. For each 100 case drop in EEO claims, therefore, USPS saves $1 million. By 2002, the annual savings climbed to $43.9 million. While the pilot phase of REDRESS cost $11 million, the annual costs associated with REDRESS dropped to the cost of running the original EEO program (existing EEO staff were retrained in administering REDRESS).

According to the Policy Consensus Initiative Directory of State Dispute Resolution Programs, 23 states have already implemented some form of an integrated conflict management system for civil rights complaints at the pre-complaint and complaint stages (that may include mandatory referral to ADR) and a system of EEO counselors or employee ombudsmen to reduce the number of complaints.

One particularly promising model is the Maryland Mediation and Conflict Resolution Office (MACRO), a court-based ADR program located within the state's judiciary. It serves Maryland's ADR and conflict management needs across the state by helping establish and support public policy and ADR programs in courts, state agencies, local agencies, public schools, and universities. These programs range from internal conflict management to facilitation of government policy development with public participation.

One final note: There are three essential components to the successful implementation of any conflict management and ADR program: promotion of general workplace acceptance of mediation as a dispute resolution mechanism, use of mediator skills as effective tools in day-to-day conflict management, and an understanding that participation in mediation is strictly voluntary on the part of the disputing parties. To maximize trust and program use, the USPS trained over 20,000 people in over a hundred cities before implementing REDRESS. Any successful expansion in New Mexico would require the same commitment to training.

RECOMMENDATIONS

RMD should work with MACRO, the Policy Consensus Initiative (PCI), and key stakeholders in all branches of government — including a sampling of human resources staff, current EEO staff, regulatory staff, customer services staff, and contract negotiators, as well as union representatives — to design and implement an effective dispute resolution system in New Mexico.

Program design resources available at minimal or no cost from both MACRO and PCI should be used. The program should include:

- A centralized office for ADR, public policy facilitation, and internal conflict management. This office should be administratively attached to the General Services Department. The office should provide basic conflict management training to all other state employees and commit the first six months of its tenure to firmly establishing the training program.
- A statewide employee ombudsman system for internal conflict management. This would include at least one ombudsman in each agency with 500 employees or more. Agencies with fewer than 500 employees would use the services of the centralized office. Agency employee ombudsmen could be converted from the agency's current EEO coordinators or from existing agency human resources staff. Each ombudsman would be charged with shepherding the internal agency changes necessary to coordinate the conflict management program of the agency, and evaluate its effectiveness.
- Mandatory referrals. Ombudsmen and other state personnel dealing with employment and work-related complaints and conflicts, including employee performance evaluations, should be required to refer parties to complaints to the least evaluative level of ADR appropriate — usually mediation or some form of informally moderated conversation between the affected parties — as the first approach to conflict resolution. Notification should be made to the parties of the voluntary nature of the process as part of the referral.
- Mandatory training in conflict management for all state employees including awareness of cultural differences and effective listening skills. The training should be implemented through a tiered plan where all managers would be trained in the first year, all supervisors who are not managers the second year, and remaining staff in the third year. This should be a half- to one-day course with a shorter refresher workshop given annually.
- Training volunteer mediators and facilitators to handle internal mediations and meeting facilitation throughout state government, and centrally coordinating their activities.
- Training for identified stakeholders (e.g., bureau chiefs, human resources staff, a sample of front line managers) in basic mediation.
- Incentives to agencies to comply with the new program. These incentives should include reduced employee liability insurance premiums similar to the reductions already offered by LCB for participating in its currently offered trainings.
- Detailed plans for program evaluation and measurement of impact on the operations of state government based on user satisfaction and financial savings using the USPS's program evaluation for REDRESS as model.
- Expansion of the University of New Mexico conflict management academic program to include a training program for public servants.
- Revival of the ADR Advisory Council to be led by the director of the centralized ADR office recommended above. The council should be expanded to include both the judicial (the Chief Justice of the Supreme Court and the President of the District Attorneys' Association) and legislative (the Director of the Legislative Council Service and the Director of the Legislative Finance Committee) branches of government, as well as state universities and colleges (presidents and provosts).

- Adoption of the "best practices" of existing programs at the Department of Environment's Office of Public Facilitation (OPF) and RLD's ADR Program.

FISCAL IMPLICATIONS

The direct savings from using ADR in contracting disputes and public policy facilitation are difficult to estimate because each applicable situation is different, making overall trending nearly impossible. However, the experience of the Florida Conflict Resolution Consortium suggests that those savings could be significant for the parties involved at an estimated $85,700 per party per case.

Potential savings for internal conflict management programs are a bit easier to predict because internal conflict follows more identifiable patterns, and trending has been documented both at the federal level at the USPS and at the state level within the Regulation and Licensing Department (RLD) as well as by the Loss Control Bureau (LCB) at the General Services Department (GSD). RLD estimates saving over $800 per grievance, which could result in substantive annual savings following full implementation.

Anticipated savings would total $860,000 annually and take three years to reach with incremental savings in each of the first two years, $286,667 and $573,334, respectively. Anticipated costs include an upfront General Fund appropriation of $305,000 for initial training, $270,000 in set-aside from state employee liability premiums to establish and run the centralized office for conflict management, and recurring training costs of $30,500 in the second and subsequent years. Deducting the set-aside funding from the expected first-year savings leaves $16,667 in General Fund savings that should be reflected in reduced employee liability premiums in the first year. Deducting the set-aside funding plus recurring training costs from the expected second-year savings leaves $272,834 to be reflected in reduced employee liability premiums. In the third and subsequent years, EEO claims savings would be $860,000, costs would be $300,500, and employee liability premium reductions would be $559,500.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	305.0	-	(305.0)	270.0	270.0	4.0
2007	-	-	-	300.5	300.5	-
2008	-	-	-	300.5	300.5	-
2009	-	-	-	300.5	300.5	-
TOTAL	**305.0**	**-**	**(305.0)**	**871.0**	**871.0**	**4.0**

ENDNOTES

1. US Army Corp of Engineers, Institute for Water Resources website, Alternative Dispute Resolution page, http://www.iwr.usace.army.mil/iwr/alternativedisputeresolution/adr.htm, November 11, 2003
2. "Mediation at Work: Transforming Workplace Conflict at the United States Postal Service," Lisa B. Bingham, to be published by the IBM Center of The Business of Government, October 2003 DRAFT
3. "A Kinder Workplace?" Tim Kaufman, *Federal Times*, August 11, 2003
4. Policy Consensus Initiative, PolicyConsensus.org – Directory of DR Programs, http://www.policyconsensus.org/directories/statelist.shtml, 11/9/2003
5. Judy Keegan, Executive Director, Alabama Center For Dispute Resolution
6. "Alternative Dispute Resolution (ADR) Annual Report Fiscal Year 2001-2002," Florida Department of Business and Professional Regulation, 2002
7. "Department of Health Alternative Dispute Resolution Project Needs Assessment Report," Linda A. Keen, R.N., J.D., Office of Inspector General, Florida Department of Health, July 12, 2002
8. "Annual Alternative Dispute Resolution Report," Bruce R. Conroy, Florida Department of Transportation
9. "Practical Action Plan," Maryland Alternative Dispute Resolution Commission, October 8, 1999
10. "Governmental Dispute Resolution Act," Section 12-8A-3.A
11. "Executive Order 00-08," Governor Gary Johnson, April 14, 2000
12. "RMD/Loss Control Bureau Civil Rights Training Program," Mary Jo Lujan, Loss Control Bureau, Risk Management Division, General Services Department
13. Report to William and Flora Hewlett Foundation Oversight Committee and Consortium for Public Collaboration, Julia Hosford Barnes, Office of Public Facilitation, September 15, 2003
14. Julia Hosford Barnes, Director, Office of Public Facilitation
15. New Mexico Legislature website, Bill Finder for Session 2003 Regular, Bill Search Results for SB288, http://legis.state.nm.us/session03.asp?chamber=S&type=++&number=288&Submit=Search, January 8, 2004
16. "SM57 Report on Dispute Resolution (DR) Programs, Cost Savings and Customer Services Accomplishments," JoEllen Hayworth, ADR Coordinator, City of Albuquerque ADR Office, November 2003
17. Willard H. Davis, Administrative Law Judge and ADR Counsel, Regulation and Licensing Department
18. State of Oregon Department of Justice,"Collaborative Dispute Resolution Pilot Project," a report submitted January 30, 2001 to The Honorable Gene Derfler, Senate President, The Honorable Mark Simmons, House Speaker, and The Honorable Members of the Legislature, as cited in "ECR Cost Effectiveness: Evidence from the Field," Patricia Orr, Program Evaluation Coordinator, U.S. Institute for Environmental Conflict Resolution
19. Sipe, Neil G. and Bruce Stiftel, "Mediating Environmental Enforcement Disputes: How Well Does it Work?" *Environmental Impact Assessment Review*, 15 (1995): 166-183, as cited in "ECR Cost Effectiveness: Evidence from the Field," Patricia Orr, Program Evaluation Coordinator, U.S. Institute for Environmental Conflict Resolution
20. Lisa B. Bingham, Director, Indiana Conflict Resolution Institute, Indiana University School of Public and Environmental Affairs
21. Andrew Colsky, ADR Counsel, U.S. Postal Service Law Department
22. Patricia Bass, ADR Coordinator, REDRESS Program, U.S. Postal Service
23. "Summary of Selected Studies of ADR Effectiveness," Exhibit 7 to final Report of Governor's Task Force on Civil Justice Reform, www.state.co.us/cjrtf/report/exhibit7.htm, 11/22/03
24. "ADR Growth in Maryland 1998-2003," Power Point Presentation, Maryland Judiciary's Mediation and Conflict Resolution Office (MACRO)
25. Mary Jo Lujan, Training Coordinator, Loss Control Bureau, Risk Management Division, General Services Department

26. "Mediation of Workplace Tiffs Is the Way of the Future," from *The Practitioner* by Laura Farrow, Mediates.com, www.mediates.com/drs-tiffs.html, 11/19/03
27. Rachel Wohl, Executive Director, Maryland Mediation and Conflict Resolution Office (MACRO)
28. Policy Consensus Initiative, PolicyConsensus.org – About PCI – Mission and Services, www.plocyconsensus.org/pci/about/pci_mission.html, November 9, 2003
29. Denise Lofton, Management Analyst, U.S. Internal Revenue Service
30. "AWSS Workplace Conflict Initiative: Root Cause/Cost of Conflict Analysis Report," U.S. Internal Revenue Service, September 20, 2002
31. Charles Michael Turpenoff, Chair, The Ombudsman Association Communications Committee
32. "Florida Conflict Resolution Consortium, The Record of Excellence and Quality over the Past 15 Years," Florida Conflict Resolution Consortium website, http://consensus.fsu.edu/press/factsheet.html, 11/10/03
33. "Operating Statistics," *USPS 2002 Annual Report*, www.usps.com/history/anrpt02/, 11/23/03

Chapter III:

Making New Mexico Better

Total recommendations:	**4**
Total five-year savings:	**$9,800**

Fiscal Table

(numbers in thousands)

Recommendation	2005		2006		2007		2008		2009		Cumulative	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Adopt Two-Year Budgets	-	-	-	-	-	-	-	-	-	-	-	-
Standardize State Employee Pay	-	-	-	-	-	-	-	-	-	-	-	-
Improve Manager Training	-	-	-	-	-	-	-	-	-	-	-	-
Automate State Employee Time and Attendance System	-	-	1.4	-	2.8	-	2.8	-	2.8	-	9.8	-
TOTALS	-	-	1.4	-	2.8	-	2.8	-	2.8	-	**$ 9.8**	**$ -**

Adopt Two-Year Budgets

Smaller state agencies with stable revenues and expenditures should prepare biennial budgets to provide additional time for planning and implementing of initiatives, and allow the executive and legislative branches additional time to consider major state policy issues.

BACKGROUND

New Mexico's overall state budget is made up of approximately 115 separate state agencies excluding the public school and higher education components. State agencies vary in size from 1,000 employees or more to fewer than five. Agency budgets range from more than $1 billion a year to less than $75,000. Over 60 percent of the budgets are small, defined as $5 million or less.

Each year, state agencies begin to prepare their budget requests for the next fiscal year at least fourteen months prior to the start of that fiscal year. The Department of Finance and Administration (DFA) develops the Executive Recommendation and the Legislative Finance Committee (LFC) develops its own recommendation, both of which are presented to the Legislature for consideration. Every state agency, regardless of size and function, participates in an identical budgetary preparation and implementation process.

Larger agencies with complex budgets involving multiple funding streams have units and even divisions dedicated to developing and implementing their budgets. In smaller agencies, staff members with budget responsibilities are typically the same individuals as those with expertise in implementing programs. Time spent on preparing each year's budget means time spent away from program analysis and implementation.

Agencies also participate in the annual budget cycle even when the agencys' budgets remain at zero growth and there are no substantive policy issues to address.

DFA must apply the same processes to the review of small agency budgets as it applies to large agency budgets, including but not limited to:

- Examining current budget requests;
- Reviewing prior year expenditures, including budget adjustments and requests for supplements, in light of budget requests;
- Reviewing documents for accuracy and compliance with guidelines;
- Identifying and requesting missing items;
- Assisting agencies in documenting needs;
- Reviewing certifications;
- Adjusting recommendations in light of revenue projections; and
- Developing recommendations.

In addition to the hours spent assisting smaller agencies with their budget preparation, analysts also frequently spend a significant amount of time assisting the smaller agencies with their accounting, budgeting, personnel actions, and procurement issues.

Each agency's budget is a variable within the overall state's budget and, therefore, DFA examines multiple renditions of budget requests and participates in multiple meetings with the agency to develop the final recommendation by the end of December each year. LFC also participates in a similar process.

State agencies' staffs, in addition to participating in their own internal process to develop budget requests, spend time working with or responding to requests for information from both DFA and LFC.

In addition, the House Appropriations and Finance Committee (HAFC) holds budget hearings for every single state agency (over 100 when each district court and district attorney is counted separately). Each of the smaller to mid-sized agencies is considered up to three times during HAFC's hearing process: once for the hearing on the budget, once for HAFC subcommittees to review subcommittee reports, and once for subcommittee report presentations to the full HAFC.

Accuracy in forecasting is essential to the budget preparation process. Forecasting can be affected by economic cycles, but smaller agencies with singular program functions are less influenced by these external factors. These smaller agencies are also less susceptible to sweeping changes in funding levels and program designs, thereby increasing the accuracy of forecasting.

FINDINGS

The current budget process inhibits the executive and legislative branches' ability to develop the state budget by not allowing prioritization of their time and attention. While an effort is made to concentrate on larger budgets with larger issues, such as Medicaid and education, the process does not allow for differentiating between negligible and substantive policy or funding issues.

Larger state agencies with multiple programs have an internal process to identify and bring forward critical policy issues that might have a significant impact on state resources. The issues identified by the smaller agencies typically do not have the financial magnitude of the larger state agencies, and yet the executive and Legislature are required to give equal weight to them in time and attention.

These efforts detract from the time needed to assist these smaller agencies in managing their current budgets, as well as from the time needed to review and consider the policy decisions inherent in the budgets of the larger agencies.

The current one-size-fits-all approach to budgeting fails to consider these factors and results in a missed opportunity to focus attention on those policy issues with significant fiscal impact while allowing smaller state agencies, the Department of Finance and Administration (DFA), and the Legislative Finance Committee (LFC) more time to focus attention on successful budget implementation and program evaluation.

Biennial budgeting, or the enactment of a budget for two fiscal years at one time, is a budgeting strategy currently employed by 22 states. Studies conducted by the Council of State Governments and Texas A&M University concluded that biennial budgeting may reduce the executive branch costs of preparing budgets when compared to the annual budgeting process.

Arizona currently uses a system that incorporates elements of both biennial and annual budgeting. There, smaller state agencies complete and submit budget requests every two years, while the larger agencies complete budget requests on an annual basis. While the additional work related to ongoing budget-related assistance continues under this system, setting up budgets for two consecutive years will reduce that work by 50% every other year enabling more time to be spent assisting the smaller agencies with ongoing budget management.

RECOMMENDATIONS

Smaller state agencies with stable revenues and expenditures should prepare biennial budgets to provide additional time for planning and implementing of initiatives, while allowing the executive and legislative branch additional time to consider major state policy issues.

Specifically, the State Budget Act (Sections 6-3-1 through 6-3-25 NMSA 1978) should be amended to:

- Define the criteria used to determine whether state agencies participate in biennial or annual budgeting. Initially, agencies with budgets of less than $5 million – 72 agencies, total – should prepare biennial budgets, with the possible exception of Cabinet agencies and elected officials.
- Require biennial agencies to prepare their budget requests for submission in September of even-numbered years for deliberation by the executive and Legislature during legislative sessions taking place during odd-numbered years.
- Incorporate procedures allowing for an abbreviated budget review process to request and complete budget adjustments and supplement requests for those agencies that participate in biennial budgeting.

Candidates for biennial budgeting include legislative agencies, judicial agencies, the Architects Board, Youth Conservation Corps, Commission for the Blind, Juvenile Parole Board, Commission of Public Records, and Military Affairs among others. In FY04, the budgets for these agencies totaled $138.8 million representing 1.4 percent of the total state budget.

FISCAL IMPLICATIONS

Adopting a biennial budget cycle for 72 state agencies would save significant amounts of time for state employees involved in the budgeting process. Within DFA, these savings would translate to thousands of hours every other year. The LFC would also realize similar time savings. These additional hours should be re-directed towards working on the larger state agency budgets and the significant policy issues affecting the state.

ENDNOTES

1. David Abbey, Director, Legislative Finance Committee
2. Dannette Burch, Deputy Secretary, Department of Finance and Administration
3. Dona Wilpolt-Cook, Director, State Budget Division, Department of Finance and Administration
4. Michael Spanier, Deputy Director, State Budget Division, Department of Finance and Administration
5. "Annual and Biennial Budgeting: the Experience of State Governments" Robert K. Snell, August, 2002, *from* National Conference of State Legislatures website, http://www.ncsl.org/programs/fiscal/annlbien.htm, September 8, 2003.
6. "State Budget Act", Section 6-3 NMSA 1978
7. David P. Janofsky, Director, Office of Strategic Planning, State of Arizona

Standardize State Employee Pay

State Personnel Board rules should be revised to include clear, well-defined standards, an unbiased third-party review process for salary administration, and training for state human resources professionals to ensure consistent salaries across state government.

BACKGROUND

Well-trained, dedicated state employees determine the quality of service New Mexico taxpayers receive from their state government. To help recruit and retain the best work force, state government uses a variety of tools including a salary methodology known as "appropriate placement."

"Appropriate placement" is defined, by the State Personnel Board (SPB) rule regarding pay, as "a value, established or anticipated, of an individual employee's contribution relative to the value of the full scope of duties and responsibilities of the job as represented by the midpoint of the Pay Band or Pay Opportunity." The SPB rule is designed to help agencies determine proper salary administration for various actions within a Technical Occupational Group (TOG) or Manager Category (MC). For example, a salary increase as a result of a promotion may range between 5 percent and 15 percent. In contrast, an in-pay band or in-pay opportunity increase may be up to 10 percent during a single fiscal year.

All classifications within state government have been evaluated and assigned a relative value known as a Pay Band for TOGs or a Pay Opportunity for MCs. The board rule states that all salary actions, including new hires, actions resulting in a promotion, actions resulting in a classification reduction, and in-pay band or in-pay opportunity salary increases, are subject to budget availability, and should reflect appropriate placement within the Pay Band or Pay Opportunity.

Each pay band contains a minimum, midpoint, and maximum value and is broken into three Contributor Proficiency Zones: Associate, Independent, and Principal. The contributor proficiency zones are subdivisions of the pay band for TOGs that designate an employee's contribution in their job role.

Currently, state agency managers have the flexibility to approve certain entrance salaries for newly selected employees, as well as determine an appropriate salary for a current employee as a result of a promotion. Each agency has its own internal policies and standards, which are based on the agency's interpretation of SPB rules. Inconsistencies in the interpretation of the SPB rules suggest that some agencies are not using the "appropriate placement" methodology as intended.

FINDINGS

A few agencies have established a pay scale for certain classifications that may or may not be within appropriate placement. For example, the Regulation and Licensing Department has established a pay scale for inspectors that allow them to pay new hires 15 percent above the minimum salary. This automatic pay scale may not be within appropriate placement standards and has created internal inequities, which the agency recognizes.

The Department of Transportation (DOT), for instance, in most cases grants an automatic 15 percent promotional increase, which again may or may not reflect "appropriate placement" goals. An FY03 comparison between two agencies — DOT and the Labor Department (DOL) — showed that a disproportionate amount of the full 15 percent promotional increase was granted to DOT employees, while the majority of DOL employees received a smaller increase, about 13 percent or less.

Agency-specific standards used to determine appropriate salaries seem to have caused a lack of uniform understanding of the appropriate placement methodology, leading to inequities of salary administration among agencies. One example of this inequity can be found at the Taxation and Revenue Department. Due to improper salary administration, a deputy director with several years of tenure is currently making less than some of the employees the deputy director supervises.

Salary administration training has not been reinforced to ensure that human resources professionals or agency managers understand and interpret appropriate placement methodology correctly and apply it consistently. This is another example where inconsistencies occur, suggesting that "appropriate placement" is not being used as intended. During a recent quality assurance review at the State Personnel Office, the "appropriate placement" concept was found to be "widely misunderstood."

At the Children, Youth, and Families Department, the agency's human resources staff has given managers the authority to determine salaries within their respective departments. This means that the human resources office does not review the action and no third-party review is conducted to ensure that the determined salary is within "appropriate placement." At DOL, there are a number of factors that are reviewed when determining an appropriate salary, including education, experience, retention or recruitment issues, internal comparison of staff currently in the same job, and the expected learning curve of the prospective employee. In certain circumstances, retention or recruitment issues are not always a factor, because of the position's classification and/or location.

RECOMMENDATIONS

The State Personnel Board (SPB) rule regarding pay should provide a clear standard for agencies to follow to ensure consistent salaries across state government.

To reinforce the existing SPB rule and provide agencies a clearer understanding of the appropriate placement methodology, board rules should be re-written to present well-defined standards all staff can follow. Those standards should include:

- Education,
- Experience,
- Recruitment or retention issues, if applicable,
- Current salary of prospective employee,
- Expected level of contribution of prospective employee,
- Internal comparison among employees of same classification, if applicable, and
- Comparison of the salary of the prospective employee to that of the supervisor.

To maintain the integrity and fairness of this methodology, the revised board rule should also require each agency to establish a review process for salary administration before final authorization is granted by the agency. This process should include the authority to veto inappropriate recommendations and, in the event of a disagreement, a way to negotiate and make a final recommendation.

In addition to the board rule change, training should be provided to human resources professionals to ensure they understand and follow the appropriate placement methodology.

FISCAL IMPLICATIONS

Inappropriate salary administration can result in inefficient use of state funds, as shown with the comparison between the Department of Transportation (DOT) and the Labor Department (DOL).

Of the 96 employees that were promoted at DOT during FY03, 67 (70 percent) received a 15 percent or more increase. Of the 41 employees promoted at DOL during the same period, 20 (49 percent) received increases of 15 percent or more. The difference between the two agencies was 21 percent. This comparison shows how a lack of understanding of the appropriate placement rule can create wide disparities in salary administration by state agencies.

The exact taxpayer savings this recommendation could bring are impossible to determine at this time but likely to be at least tens of thousands of dollars each year.

ENDNOTES

1. State Personnel Board Rules and Regulations, 1.7.4.7.B, 1.7.4.13.A, 1.7.4.13.C, and 1.7.4.13.D NMAC (11/14/02)
2. Liz Lynch-Gonzales, Human Resources Manager, Administrative Services Division, Regulation and Licensing Department
3. Human Resources Management System report provided by Ray Baca, Computer Specialist, Payroll Support, Office of the Chief Information Officer, Department of Transportation, October 23, 2003
4. Patricia Jauregui, Human Resources Supervisor, Human Resource Management Bureau, Department of Transportation
5. "Promotional Salary Increase Percents Granted at NMDOL for FY 07/01/02 through 06/30/03 in % Increase Order," Jim Shelton, Human Resources Bureau, Administrative Services Division, Department of Labor, October 28, 2003
6. Dianna DeJarnette, Bureau Chief, Quality Assurance Bureau, State Personnel Office
7. Keith Perry, Deputy Director, Motor Vehicle Division, Taxation and Revenue Department

Improve Manager Training

The State Personnel Office should develop, with agency input, a centralized, mandatory Manager-Training Program including such topics as basic management, performance appraisals, corrective action, documenting discipline, strategic planning, and conflict resolution.

BACKGROUND

In the early- to mid-1990s, a Human Resource Development Division (HRDD) was part of the State Personnel Office (SPO) and was responsible for providing a centralized delivery mechanism for training, and developing, and coordinating interagency training among state agencies. In 1996, HRDD was eliminated due to budget constraints, reducing the number of staff trainers at SPO to two. The remaining trainers currently are responsible for administering two courses, Managing Organizational Performance and Employee Development and Appraisal (EDA), mandated by the State Personnel Board (SPB).

As a result, the responsibility for training managers and all other staff was transferred to agencies, which were required to develop their own training plans. In smaller agencies, this was neither feasible nor efficient, because their staffs were too small. The larger agencies were capable of completing this task, but doing so created inconsistent training across agencies as they developed their own specific plans and provided their own training.

The only exception to this is the "Documenting Discipline" curriculum offered by the Risk Management Division of the General Services Department (GSD). All managers in an agency are mandated to receive the training in order to obtain a rate reduction in their employee liability insurance.

To address the inefficiencies and training inconsistencies, SPO established a rule on training and development to include more management training. The rule specifically states that newly appointed managers must complete a board-approved core course of study within nine months of appointment, and existing managers must complete the course within 18 months. The purpose of the rule is to offer agencies a consistent, basic management-training guide to provide managers with the knowledge and skills needed to effectively manage staff members in accordance with new rules and policies, and classification and compensation systems.

The rule also requires agencies to submit training plans to SPO detailing how the agency intends to implement a training program that meets state requirements. The rule instructs each agency to submit its plan annually and include implementation steps, content, and anticipated resources needed to provide training.

SPO estimates that between 50 and 60 percent of the agencies complied with submitting their plans in 2001. That is, each agency that complied with the rule's requirements developed and introduced agency-specific training plans. This alone seems to be a duplication of efforts on the part of the agencies and suggests that there is still a lack of uniform training programs across state government.

More troubling is that the current rule has not been enforced due to changes in administration and anticipated changes in the board's rules and policies, nor has there been adequate follow-up to confirm whether agencies are in fact in compliance.

All of this points to a significant need for a uniform manager training program focusing on such knowledge and skills as management techniques, performance appraisals, corrective action, documenting discipline, strategic planning, and conflict resolution. Currently, this type of uniform training program is not available.

FINDINGS

A 1996 survey of 63 executive state agencies conducted by the State Personnel Office (SPO) concluded, "All agencies see a need for centralized training. Some agencies require courses in managerial, computers, customer service, and agency-specific topics. All agencies look to SPO to offer a training facility to provide standardized, core courses, a training coordination function, and more active agency involvement in development of training programs."

More recently, Governor-elect Richardson's personnel transition team reported that, "[W]hile the State of New Mexico and [the] SPO have some fine employees dedicated to training, they are suffering due to the lack of a consolidated system."

The New Mexico State Employee Performance Review Survey conducted in mid-2003 found that management training is greatly needed in state government. While there are currently three core management courses offered by the state — Managing Operational Performance, Performance Appraisal and Development, and Documenting Discipline — according to the survey, 57 percent of state employees give management a fair or poor rating. Another 45 percent believe that low employee morale "very much" creates obstacles that prevent their agency from getting the job done. In particular, a majority of respondents said, "more management training is needed to reduce hostility in the workplace and to reduce employee turnover." These results confirm that a more complete management training program is needed to provide guidance for managers on dealing with conflict in the workplace, as well as the necessary resources to help enhance a manager's skills.

State government's current accounting practices make finding the true cost of training throughout the bureaucracy impossible. Few agencies have specific data on training costs. Contracts to provide training tend to be commingled with professional services contracts. There is no coding or account differentiation for employee salaries while attending training courses, because salaries are considered a fixed cost. Travel related to training may be recorded in as many as four different accounting categories.

This inefficient accounting system is an issue that was addressed in the New Mexico Performance Review's previous report, *Moving New Mexico Forward*. As of this writing, state government is still unable to estimate the costs associated with training. There is no system in place for assessing training needs, analyzing the resources available to meet those needs, tracking spending for training, or — most importantly — measuring whether taxpayers are getting full return on their money.

RECOMMENDATIONS

The state should provide increased training opportunities for agency managers to help them provide the highest-quality customer service at the lowest-possible cost. Specifically:

▪ Documenting Discipline, currently offered by the Risk Management Division of the General Services Department (GSD), should continue to be offered by GSD as it is directly related to risk management issues.

▪ The existing Board Rule, 1.7.1.15 NMAC, should be revised to include a core curriculum for management training administered by the State Personnel Office (SPO). In addition, all agencies should be required to develop a plan each year, detailing the number of managers who will be attending the program and related costs. The development of such plans should be included in each agency's budget preparation process.

▪ SPO, with agency input, should develop a centralized, mandatory Manager-Training Program to include an initial training and an annual refresher training covering:

- Basic management,
- Performance appraisals,
- Corrective action,
- Strategic planning, and
- Conflict resolution.

SPO trainers should conduct all training relevant to the program. The training program should be provided to all employees in a manager category. All agencies should be required to send their employees to this program within nine months of appointment and to an annual refresher course in each year following.

▪ The Manager-Training Program should provide all managers with consistent training and create accountability on the part of both the agencies and the state. Funds should not be additional, but a partial reallocation of agencies' current training budgets to SPO for the purposes of training managers.

▪ The state should evaluate the former HRDD's centralized training program to estimate administrative and operating expenses associated with the creation of a Manager-Training Program.

▪ The state should also determine whether other staff members, such as first-line supervisors, could benefit from participating in this program. If so, training for first-line supervisors should be phased in.

FISCAL IMPLICATIONS

The Professional Development Center, Colorado's centralized state employee training program, has an annual budget of $312,000 to support 4 staff and all administrative and operating costs associated with running a program with seven topic areas. In FY03, the Professional Development Center trained 2,074 state employees resulting in an average cost of $150 per employee trained. Additionally, Colorado's experience in course development indicates that for each hour in a course it takes 18 hours of research to develop that course.

Implementing a similar management-training program to Colorado's would result in startup and recurring costs, detailed below, for curriculum development, trainers, and training. Ongoing operation of this management-training program would be cost neutral, because state agencies would be required to pay for their managers to attend this program out of their existing training budgets. Costs associated with this program would include only those associated with the two new part-time temporary trainers hired in the event that the current staffers assigned to developing and administering this program were unable to handle the workload.

Startup Costs

Curriculum Development	**$1,376**
Hours of Research per Course Hour	9
Topic Areas to be Developed	3
Hours per Course	2
Hourly Staff Cost to Develop	$25.48
Trainers	**$40,768**
Part-time Trainers	2
Hourly Staff Cost	$19.60
Total Hours	1040
Training	**$270,000**
First Year – existing managers	1,800
Cost per course per manager	$150
TOTAL	**$312,144**

Annual Recurring Costs

Training for new managers	**$32,400**
Subsequent years – new managers	216
Cost per course per manager	$150
Training for incumbent managers	**$158,400**
Subsequent years	1584
Cost per course per manager	$100

Curriculum Development

Based on New Mexico state agency input, nine hours of research is needed to prepare each hour of curriculum per topic area (Colorado program model divided in half). Since curricula for two of the planned topic areas — basic management and performance appraisal — already exist, curricula need to be developed only for the three remaining topic areas of corrective action, strategic planning, and conflict resolution. Two hours of course time would be devoted to each of those three topic areas. Existing staff could develop the course work. The hourly cost of salary at $19.60 and benefits (30% of salary) at $5.88 for a "Human Resources Relations, Labor and Training Specialist – Advanced" (Pay Band 65) at midpoint was used in order to estimate the opportunity cost to the state for assigning staff to this coursework development.

Trainers

SPO recently restructured its office and merged staff from the Training and Development Unit and Classification and Test Development Unit into a Training and Organization Development Unit. The staff from what was the Classification and Test Development Unit has been charged with assisting SPO in its training efforts and could help with the development and implementation of the manager training program. In the event that the combination of existing trainers and personnel recently incorporated into the unit cannot meet the demand for the manager training program, particularly during its first year of inception, two temporary half-time employees could be hired to provide training. The cost of the two part-time temporary trainers, at the same classification and pay rate as specified above, for six months would be $19.60 per hour times 1040 hours (the number of working hours in six months) times two trainers equals $40,768. Since temporary employees are not eligible for benefits, salaries would be the only direct costs.

Training

Using Colorado's average cost per person trained at $150 (including materials) as a standard, the cost of training all existing managers in state government in the first year would be at a rate of $150 per person for a full day course, totaling $270,000. Training new managers in subsequent years could cost $43,200 per year (216 new managers based on a 12% turnover rate times $150 each). The cost of providing the refresher course to incumbent managers in subsequent years would be $100 per person for a half-day course totaling $158,400. The tuition cost per new or incumbent manager would be born by the state agencies out of their existing training budgets. If the Legislature has provided the appropriate budget adjustment authority in the General Appropriation Act, SPO may request approval from the State Budget Division to adjust its budget for the transfers from other agencies and use the funds to defray the cost of the training programs.

SPO has a conference room available for training, which accommodates up to 24 individuals. No additional funds should be needed for a training room. The cost of training per person trained already includes the cost of materials.

ENDNOTES

1. Total Agency Training Survey Summary: The Role of State Personnel Office in Training. August 14, 1996. Prepared by Susan C. Nutter, State Training Coordinator
2. Jeff Varela, Director, State Personnel Office
3. "State Personnel Office TRANSITION REPORT," Governor Richardson's Transition Team, December 9, 2002, p. 9
4. "New Mexico State Employee Performance Review Survey," conducted in accordance with the New Mexico Performance Review, Spring 2003, question numbers 6 and 9
5. Jim Cooper, Trainer, State Personnel Office
6. Susana Villescas, Director, Professional Development Center, Division of Human Resources, Department of Personnel and Administration, State of Colorado
7. Margi Robinson, Information Systems Manager 2, Systems Bureau, State Personnel Office
8. State Personnel Board Rules and Regulations, 1.7.1.15 NMAC (11/14/02)
9. "The Rules for Supervisors and Managers," State of Colorado, Department of Personnel Administration, www.colorado.gov/dpa/dhr/train/docs/rules.pdf, November 20, 2003

Automate State Employee Time and Attendance System

The state should implement a single automated time and attendance system for state employees to cut costs, improve efficiency, and ensure accurate employees records.

BACKGROUND

Within state government, some agencies require their employees to use an automated system to keep track of their time and attendance and leave balances, while other agencies depend upon a paper system. The use of paper timesheets is especially inefficient because it is time consuming and prone to errors.

The typical method for processing a paper timesheet for each pay period is complex and involves a minimum of three staff people. The process begins with the employee who completes the paper timesheet, signs it and submits it to a manager for review, approval and signature. The manager forwards the paper timesheet to an administrator, who enters the data from the timesheet into a computer. Prior to entering the information into the computer, the admistrator reviews the time sheet for calculation errors, validates hours against the employee's leave balances, and contacts the employees to make corrections or adjustments. Any corrections or adjustments must also be reviewed and approved by the manager. Accounting for paid sick, annual, personal and other leave balances is a whole other process.

FINDINGS

As recently as last fall, more than 1,500 Human Services Department (HSD) employees were using paper timesheets for every biweekly pay period. Each employee filled out and signed a paper timesheet that was then passed to a supervisor for approval and signature before being transmitted to "leave monitors", who manually entered the information into the computer, validated hours, and made corrections. There were approximately 48 "leave monitors" within HSD. Timesheets had to be turned in at least two days before the end of a pay period to allow time for manual entry and validation. If an employee had an unexpected modification in his attendance after the timesheet was submitted, the employee had to submit an amended paper timesheet to his supervisor for review and approval prior to it being re-submitted to the "leave monitor" for validation and re-entry into the computer. A number of other agencies still follow similar procedures each pay period.

The General Services Department (GSD) provides a web-based Automated Timesheet System (ATSS). Approximately 5,600 employees in 38 state agencies are actively using ATSS and an additional 8 state agencies are in the process of being trained. Features of ATSS include:

- Email notification to employees when timesheets are due,
- Email notification to supervisors when timesheets or leave requests need approval,
- Individual employee work schedule profiles that allow entering only those hours outside the normal work schedule,
- Ability to submit future timesheets,
- Ability to view past timesheets,
- Reports available to supervisors and human resources personnel,
- Automated approval of leave requests and time sheets, and
- Tracking of leave balances.

GSD actively markets ATSS to other state agencies, adding new agencies on a quarterly basis. There is no additional cost to the agency to convert to ATSS. The cost of on-going production support is covered by the Human Resource Management System annual assessment per employee that agencies currently pay. Large agencies are converted division-by-division or office-by-office. GSD does customization for agencies with unique timekeeping rules to accommodate such things as standby time or overtime including allocating personnel costs to different federal programs. ATSS interfaces directly with the Department of Finance and Administration (DFA) payroll system that pays state employees. Adding an agency to ATSS involves the following:

- Adding employees to ATSS database,
- Training human resource staff who in turn train employees, and
- Testing the system in the individual agencies, GSD, and DFA.

As of early FY05, over 10,000 state employees in agencies already using ATSS were not on the system.

Using ATSS would result in a significant taxpayer savings. These savings could be achieved through reduction in paper usage and toner costs. In addition, significant productivity gains could be possible through the time saved by converting from a paper timesheet to an automated system; for example, the Energy, Minerals and Natural Resources Department estimates that it could increase productivity by 265 person hours per pay period by using ATSS. GSD estimates potential savings of 6,500 person hours per pay period by using ATS. Additionally, there are significant efficiencies to be gained in accounting of leave balances.

ATSS greatly reduces the human error that occurs when timesheets are filled out incorrectly or data is not entered accurately. It is difficult to determine the cost of inaccurate paychecks to New Mexico taxpayers that result from human error. What is known is that implementing ATSS would significantly reduce human error. Also known, according to the Workforce Softare website (www.workforcesoftware.com), is that accuracy is improved because an automated system can immediately validate hours and identify calculation errors.

RECOMMENDATIONS

The state should mandate that all state employees be converted to the Automated Timesheet System (ATSS). GSD should develop an implementation plan and timetable to convert all state employees to ATSS by the end of FY05.

FISCAL IMPLICATIONS

Converting to ATSS is a textbook example of how an organization can improve productivity. While implementing the system won't generate savings to the state's general fund, employees using the ATSS will spend less time filling out paperwork and more time doing their jobs, and employees tracking leave balances will no longer need to do that either as it is automated.

On average, the state could save approximately one hour per employee per pay period. This estimate includes employees only who fill out timesheets and administrative staff who do data entry and validation. Based on 10,000 employees, this would save 260,000 hours, or 10,000 hours for 26 pay periods each year. At a $15 per hour pay rate, this would total $3,900,000 annually in increased productivity.

By converting to an automated system, the state would also save on paper and toner. Ten thousand timesheets per pay period, or 260,000 timesheets a year could be eliminated. This would result in an annual savings of about $1,170 or 520 reams at $2.25 per ream. Based on a $125 toner cartridge cost with a 20,000-sheet yield, toner costs of approximately $1,625 annually would be saved.

Estimated Fiscal Impact

(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	
2006	-	1.4	1.4	-	-	
2007	-	2.8	2.8	-	-	
2008	-	2.8	2.8	-	-	
2009	-	2.8	2.8			
TOTAL	**0.0**	**9.8**	**9.8**	**0.0**	**0.0**	**0**

Savings would not be fully realized until all employees are converted to ATSS. All agencies could be completely converted by the end of FY05.

ENDNOTES

1. White papers, www.workforcesoftware.com, October 2003
2. Darlene McKnight, Payroll Supervisor, Human Services Department
3. Cathy Meyer, Account Manager, General Services Department
4. Sue Armstrong, Computer Specialist, Information System Division, General Services Department
5. Chris Pacheco, Computer Specialist, Information Systems Division, General Services Department
6. Lynette Trujillo, Human Resource Administrator, Taxation and Revenue Department
7. Renee Manley, Human Resources Manager, Energy, Minerals and Natural Resources Department
8. Larry Naranjo, Director, Information Systems Division, General Services Department
9. General Services Department, GSD Purchasing Division, www.state.nm.us/spd/swpa.html, 2003

Chapter IV:

Protecting Our Water and the Environment

Total recommendations: **10**
Total five-year savings: **$20.8 million**

Fiscal Table

(numbers in thousands)

	2005		2006		2007		2008		2009		Cumulative	
Recommendation	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Reduce State Landscaping Water Use	-	-	-	-	-	-	-	-	-	-	-	-
Conserve Ground Water: Evaluate Domestic Well Applications	-	-	-	(172.8)	-	147.2	-	147.2	-	147.2	-	268.8
Strengthen Long-Term Water Resources Planning	-	-	-	-	-	-	-	-	-	-	-	-
Improve Forest Conservation and Protection	-	-	(340.2)	-	(157.2)	-	(157.2)	-	-	-	(654.6)	-
Improve Air and Water Quality Appeals Process	-	-	8.5	-	8.5	-	8.5	-	8.5	-	34.0	-
Improve State Agency Environmental Performance	-	-	-	-	-	-	-	-	-	-	-	-
Require Results from Environmental Cleanup Contractors	-	-	-	34.8	-	34.8	-	34.8	-	34.8	-	139.2
Recover Cleanup Costs from Polluters	-	-	-	-	-	-	-	-	-	-	-	-
Reduce Environmental Cleanup Costs: Require Private Insurance	-	-	-	3,000.0	-	3,000.0	-	7,500.0	-	7,500.0	-	21,000.0
Streamline Solid Waste Permit Hearings	-	-	1.5	-	1.5	-	1.5	-	1.5	-	6.0	-
TOTALS	-	-	(330.2)	2,862.0	(147.2)	3,182.0	(147.2)	7,682.0	10.0	7,682.0	**$ (614.6)**	**$ 21,408.0**

Reduce State Landscaping Water Use

State buildings, properties, and facilities should employ the best available water management practices to save water and money.

BACKGROUND

New Mexico, according to many, is in the midst of a 20-year dry cycle even as the state population increases, placing more demands on the state's dwindling water supply.

"New Mexico has been in a drought for the past four years, and conditions may continue for several years to come," New Mexico Interstate Stream Engineer Estevan Lopez said. "We must — as a state — work together to prepare for that. It is important to balance the needs of all water users in the state."

State government already has taken some steps to be a leader in limiting water use. A 1996 Executive Order requires state agencies to establish water efficiency goals and conduct water conservation programs consisting of such measures as education and training, leak repair, installation of efficient plumbing fixtures, appliances, heating and cooling systems, and water conserving landscaping. The Office of the State Engineer also provides assistance to state agencies in their water conservation efforts.

Local governments have also taken steps to address the challenge of water conservation. The City of Santa Fe requires existing buildings to be retrofitted with water conserving fixtures such as low flow toilets, faucets, and showerheads. Legal counsel at the General Services Department (GSD) has advised that state government is exempt from this requirement because state-owned property is only subject to state law. However, GSD has vowed to do its best to comply with the ordinance, and already complies with the outdoor watering restrictions specified by the City of Santa Fe.

FINDINGS

State government efforts to improve water conservation seem poised to intensify as a result of New Mexico's increasing water shortage. In 2001, the State Land Office (SLO), located in downtown Santa Fe, initiated a full-scale renovation of one half-acre of its formal landscaping and plans to convert a remaining quarter acre to xeriscaping. The grounds were converted from fescue grass, juniper trees and bushes, and annual flowers to New Mexico native perennial flowers and shrubs; the automatic sprinkler system was replaced by drip irrigation and targeted hand watering. The original estimated cost for this project was about $40,000, and by utilizing free labor from the Santa Fe River Shed Project and Youth Works, the final cost was held to just half that amount, about $20,000. The final costs include the price of materials (plants and drip irrigation infrastructure) and a $2,000 custom designed xeriscape plan. Since converting the half-acre to xeriscaping and adjusting its standard watering practices, annual water use at the State Land Office has been cut by 50 percent.

A recent survey of landscaping and water use on state-owned property conducted by GSD revealed a wide range of knowledge and expertise in horticulture among property caretakers, including efficient use of landscape irrigation. State education institutions such as the New Mexico State University and the University of New Mexico have sophisticated knowledge of landscaping with precise measures of water use while small state agency offices often know little about their landscaping or watering practices.

State agencies own or control in excess of 220 acres of landscaped land. In addition to this, state universities and colleges control another 1,300 irrigated acres. Respondents to a recent GSD survey estimated their annual water bills at a total of $706,000, a figure that may be lower than expected due to the fact that 80 percent of the acreage reported in the survey is watered by private well or effluent.

There are approximately 36 acres of landscaped land maintained and watered by state agencies in Santa Fe. Water use at state-owned buildings and properties in Santa Fe is approximately 60 million gallons per year at an annual cost of approximately $400,000. Based on the experience of the State Land Office, xeriscaping the remaining state-owned properties in Santa Fe could save the state $200,000 per year after the initial year (to establish new plantings, xeriscapes must be watered at the same rate as traditional landscaping for the first year). Annual water consumption could be cut by 30 million gallons.

There are also a number of simple measures the state can take right away, with little or no financial investment, including:

- Shrinking lawn areas by expanding mulch, shrub, hardscape (walkways and driveways), and ornamental areas;
- Mulching shrub and flower beds;
- Aerating the soil;
- Replacing existing landscaping, as it dies back, it with xeriscape planting and native grasses;
- Collecting rainwater;
- Reducing chemical fertilization;
- Watering deeper (longer at a slower rate) and less often;
- Adding water absorbing polymer crystals to bedding soil;
- Creating more shade for plants and lawns;
- Building wells around plants;
- Watering at night;
- Mowing lawns higher (grass blades longer);

- Modifying existing sprinkler systems to maximize their effectiveness and minimize waste;
- Improving soil by adding composted materials;
- Using soil moisture meters or take daily plug samples to gauge soil moisture; and
- Creating windbreaks.

When building and landscaping new state facilities, the actual cost of xeriscaping the bare land is dependant on plant density, the area dedicated to lawn, and the specific plants selected. However, a number of Santa Fe landscape specialists report that it is generally equal to or less than the cost of installing traditional landscaping.

RECOMMENDATIONS

The General Services Department and all other state agencies and educational institutions receiving state funding should:

- Require all caretakers of state-owned lands to be trained in assessing their water needs and in the proper techniques to maintain current landscaping with minimum water use.
- Require all state agencies, colleges, and universities to develop comprehensive plans for updating any landscaping that could be converted to drought resistant vegetation. Plans should include detailed assessments of current vegetation, its appropriateness to the climate and soil conditions of the area, and current levels of water use.
- When implementing the landscape revision plans, require all state buildings, facilities, and properties to install water-conserving devices such as cisterns for rainwater.
- Require all new state buildings, facilities, and properties to start with xeriscaping appropriate to their area along with irrigation systems designed to match, and to have separate water metering for buildings and landscaping.

Mandate that all state leases for office space require lessors to assure that the building uses water-conserving fixtures and associated grounds are xeriscaped.

Beginning in FY06 and continuing over a three-year period, traditionally landscaped and irrigated properties maintained by state agencies in Santa Fe should be renovated to xeriscaping, including state-of-the-art water-efficient irrigation systems. Funding for this project should be included in the Executive Capital Outlay Recommendation to the 2005 Legislature.

FISCAL IMPLICATIONS

The state can achieve immediate savings by implementing the low-cost recommendations above. The minimal costs for staff training and slow conversion of more and more state-owned landscaping to xeriscaping could be absorbed through agencies' regular land maintenance budgets.

The upfront cost of renovating 36 acres of traditional landscaping in Santa Fe to xeriscaping could be funded as a capital improvement through severance tax bonds. At a cost of $1 per square foot or $43,560 per acre, the materials costs for renovating the landscape and watering systems to xeriscaping would be about $1,570,000. To reduce labor costs, the Corrections Department could provide inmate work crews to perform the renovations at $1.86 per man-hour. It takes about 4,705 man-hours to renovate one acre of land for a labor cost of about $315,100, bringing the total cost for renovations to $1,885,100. Over the recommended three-year period, costs per year would be just over $628,000 per year.

Upon completion, converting traditional landscaping in Santa Fe to xeriscaping would avoid $200,000 a year currently spent on landscape irrigation and reduce landscape water use by approximately 30 million gallons per year.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	-	-	628.3	-	-
2007	-	-	-	628.3	-	-
2008	-	-	-	628.5	-	-
2009	-	-	-	-	-	-
TOTAL	**0.0**	**0.0**	**0.0**	**1,885.1**	**0.0**	**0.0**

ENDNOTES

1. "Report Predicts Severe Water Shortage," by Ben Neary, *The Santa Fe New Mexican*, Monday, May 05, 2003
2. *New Mexico Water Conservation Program: Technical Assistance, Research, and Demonstration,* New Mexico Office of the State Engineer website, http://www.seo.state.nm.us/water-info/conservation/h2o-tech-assist.html, September 8, 2003 (last updated 02/2003).
3. Larry Miller, Deputy Director, Building Services Division, General Services Department, 9/10/03 phone conversation
4. Steve Trujillo, Head of Building Maintenance, State Land Office
5. "GSD 2003 Landscape Survey Responses," obtained from Larry Miller, Deputy Director, Building Services Division, General Services Division
6. Jim Mallory, President, Santa Fe Landscaping Company
7. *Low Water Gardening: 22 Xeriscaping Tips to save you water and money*, Ken Wooten, e-book published by www.landscapingsecrets.com, © 2002
8. Allison Moore, Landscape Designer, Santa Fe Permaculture

Conserve Ground Water: Evaluate Domestic Well Applications

The state should evaluate Domestic Well Permit applications for environmental impact, and monitor domestic wells to improve water conservation.

BACKGROUND

Water is a precious resource in New Mexico, and our reliance on ground water to meet the citizenry's needs is ever increasing, as over 90 percent of New Mexicans derive their drinking water from ground water. Domestic wells withdraw significant amounts of the state's water resources. Thousands of wells are permitted each year that support residential, development, and light commercial interests. Many are installed in water-deficient areas, bringing long-term sustainability of development in these areas into question.

Other states track, monitor, and meter domestic well usage as a crucial component of effective water management. Support for these water management program activities is commonly achieved through ground water well permit fees.

FINDINGS

The Office of the State Engineer (OSE) issues about 5,000 domestic well permits each year. OSE estimates that more than 200,000 domestic wells currently exist in the state, 140,000 of which have been issued since 1953, when the original statute was enacted. Although ground water withdrawals for domestic wells constitute less than one per cent of total withdrawals (agriculture alone accounts for approximately 75 percent of all ground water usage), they are nonetheless a critical component of municipal and industrial water use. Each well is entitled to withdraw up to three acre-feet per year (approximately one million gallons), although OSE believes that only a small percentage actually approaches the withdrawal limit. In areas that are especially sensitive because of such factors as thin aquifers, significant draw down, degraded water quality, or riparian impacts, the effect of ground water withdrawal from domestic wells can be particularly significant.

The State Engineer is responsible for tracking and monitoring withdrawals from domestic wells. However, hiring the technical experts needed to fulfill this responsibility has been challenging due to insufficient budget. In addition, because the state engineer has no authority to deny a well permit, the office is powerless to take action when it finds that additional ground water withdrawals might harm a sensitive area. Without discretion to deny a permit for domestic wells and without staff to monitor and track ground water usage, OSE has little leverage to control the mining of ground water resources for residential and small commercial purposes.

OSE currently spends about 10 minutes on a perfunctory review of each permit application to determine whether the application forms are complete. No effort is made to assess the information for environmental or resource impacts.

New Mexico's domestic well permit application fee is dramatically lower than the fees charged for similar permits in surrounding states, and the fee revenues that are generated do not get reinvested in the program. The current $5 permit fee brings in $25,000 to $30,000 per year, all of which is deposited directly into the state's general revenue fund.

Permit fees in the other "four corners" states support water management programs and are significantly higher than New Mexico's fee. Arizona's fee, while $10 for many years, was recently raised to $150. Colorado charges $480, Utah $75. Arizona and Colorado are similar to New Mexico in that there are few restrictions to domestic well drilling or appropriations. Utah, on the other hand, has actively managed its water resources for many years, and new domestic wells can only be drilled if the owner secures already-existing water rights in areas closed to new appropriations.

RECOMMENDATIONS

State law should be amended (Section 72-12-1.1 NMSA 1978) to give OSE the authority to deny permit applications for domestic wells in certain instances. OSE should also use its existing rule-making authority under Sections 72-1-1 through 72-1-9 NMSA 1978 to adopt rules that specify the bases for denial including:

- The land owner already owns water rights adequate for domestic use;
- The lot on which the proposed well will be located already has a domestic well;
- The well is located in an area with existing contamination such that a new well would not be protective of human health and the environment;
- The well is located on a parcel less than .75 acres and an on-site liquid waste disposal system will be used as wastewater treatment; and
- If the applicant has not secured existing water rights in sufficient amounts to support the proposed use in certain areas, as identified by the state engineer, along streams or rivers that are likely to negatively affect the state's obligations under an interstate compact or impair existing surface or ground water rights.

OSE should use its existing rule-making authority under Sections 72-1-1 through 72-1-9 and Sections 72-8-1 through 72-8-6 NMSA 1978 to establish permit fees for domestic wells. The application fee should be set at up to $120. The fee should be deposited into a fund, established by law and administered by the state engineer, for administration of water rights, tracking, monitoring, and metering domestic wells, and for other activities and programs directly related to water conservation and water supplies in New Mexico.

Once the legislation is passed and the fee implemented, OSE should increase its staffing by at least five full-time employees — one for each district office and one in Santa Fe — to handle the added responsibility of developing complex technical assessments of the environmental impacts of proposed wells including conducting the geohydrological evaluations necessary to provide a sound basis for approval or denial of a permit.

FISCAL IMPLICATIONS

Based on historical annual application rates, the state could expect to generate $600,000 per year from a $120 Domestic Well Application fee. OSE's Water Rights Division would require additional staff at a senior technical level classification. Because most of the staff are best located in field offices, sufficient operating costs, particularly for additional rent, telecommunication, or vehicles, would be required to support the positions.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	-	-	472.8	300.0	5
2007	-	-	-	452.8	600.0	-
2008	-	-	-	452.8	600.0	-
2009	-	-	-	452.8	600.0	-
TOTAL	**0.0**	**0.0**	**0.0**	**1,831.2**	**2,100.0**	**5**

ENDNOTES

1. John R. D'Antonio, State Engineer
2. D.L. Sanders, General Counsel, Office of the State Engineer
3. Paul Saavedra, Director, Water Rights Division, Office of the State Engineer
4. Amy Lewis, Private Consultant, Santa Fe, New Mexico
5. 2003 New Mexico State Water Plan (draft), New Mexico Interstate Stream Commission, October 21, 2003.
6. Office of State Engineer and Interstate Stream Commission Audit of Operations, Legislative Finance Committee, April 29, 2002
7. Water Use by Categories in New Mexico Counties and River Basins, and Irrigated Acreage in 2000, Wilson, B.C., Lucero, A.A., Romero, J.T., and Romero, P.J., 2003, New Mexico Office of the State Engineer, Technical Report 51, February 2003.
8. Adam Shaw, Water Rights Specialist, Utah Department of Water Resources
9. Utah Division of Water Resources, http://nrwrt1.nr.state.ut.us, November 10, 2003.
10. Diane Kusel, Water Resource Specialist, Arizona Department of Water Resources
11. Arizona Department of Water Resources, http://www.water.az.gov, November 10, 2003.
12. State of Colorado Division of Water Resources, http://www.water.state.co.us, November 10, 2003.
13. Consuelo Bokum, Water Project Director, 1000 Friends of New Mexico

Strengthen Long-Term Water Resources Planning

The state should develop and implement a comprehensive, 25-year water management plan to meet the state's future water needs.

BACKGROUND

New Mexico's water supply is limited, and its current water resources are being challenged by population growth, the high cost of water treatment and resource development, ground water mining, water pollution, persistent drought conditions, and the requirements of interstate water delivery agreements.

Water quality and quantity are addressed by six different state agencies and a number of other entities across the state. Water quality functions are primarily, although not exclusively, administered by the Department of Environment. The Office of the State Engineer (OSE) and the Interstate Stream Commission (ISC) are the two primary state agencies with jurisdiction over water quantity. Tribal governments, irrigation and conservancy districts, and counties and municipalities also play significant roles in the management of water resources in the state.

Recent efforts to address the management of water resources in New Mexico include the formation of task forces, commissioning of studies, development of water plans based on regional needs or designed to address specific issues like drinking water, and the introduction of legislation proposing to create a state Department of Water Resources. Although some of these initiatives have enjoyed a limited degree of success, they have not led to a statewide water management plan, in part because they:

- Attempted to address water resource management either in a fragmented way rather than including all entities with responsibility for water resource management, or by focusing on only one aspect of water management;

- Failed to challenge the basic tenets that current water management activities are based on — treating water rights as property rights, for example — and did not promote options for expediting water right adjudication; and
- Did not effectively recognize water quality as an integral part of water resource management.

Current efforts include both the development of a five-year State Water Plan, and the re-formation of the Governor's Blue Ribbon Task Force. As the task force is newly re-formed, its purpose is still not clearly defined.

FINDINGS

Not only is there a limited amount of water in the state, but the rights to what water does exist have been over-appropriated according to multiple sources, including the State Engineer and the Governor's Director of Policy and Strategic Planning.

OSE determines the quantity of water to which an individual has a right through the formal legal process of adjudication. Since only 20 percent of state water rights have been adjudicated, the full extent of the over-appropriation is unknown. The amount of water needed and the amount of water available to meet that need are also unknown. The most recent inventory of statewide water use was completed in 2000 and brought together data from the state's 16 water-planning regions. Since then, New Mexico has suffered continuous below-average precipitation.

There is an urgent need for accurate projections of future water needs based on population growth, economic growth and sustainability, impact of drought, and other factors. Economic development in New Mexico depends on the availability of water. Businesses that require considerable water usage are less inclined to locate in New Mexico if access to reliable water sources is questionable or if the cost of the water is prohibitive. Meanwhile, the State Engineer has threatened a priority call to shut off junior water rights users such as municipalities and domestic well owners. Watering lawns or landscaping is now illegal in some areas, and the Governor recently mandated the release of water from the state's largest reservoir to meet New Mexico's interstate compact requirements.

State agencies are not in a position to effectively manage water resources for a number of reasons. The primary reason for this is the lack of coordination between agencies responsible for water quality (primarily the Department of Environment) and those responsible for water quantity (primarily OSE and ISC). Exacerbating the problem is the number of other agencies such as the Interstate Stream Commission, the Water Trust Board and the Legislative Interim Water and Natural Resources Committee, among others, with some role in water resource management but no integrated or comprehensive forum in which to identify or discuss water management policies.

Water measuring and metering tools are not in place in all areas of the state, even though such tools are essential for enforcing water consumption limits. New Mexico lacks an adequate infrastructure to physically store water during good years for use in times of drought. Nor does the state have a "banking" system that allows those with senior water rights to save, sell, or trade water rights in an expedited fashion.

Current water regulations contain loopholes such as the domestic well process that allow for the depletion of stressed water resources and fail to provide state agencies with the authority they need to manage water resources.

RECOMMENDATIONS

The greatest obstacle to effective management of New Mexico's water resources has been a focus on identifying immediate fixes to long-standing problems rather than more comprehensive efforts to position the state to meet the challenges of the future. To improve the state's water management, the focus must be shifted to a management strategy that takes a longer and more comprehensive view. It is from this perspective that the various state agencies, state entities, political subdivisions, and the public must consider water policies and practices.

Completion of water adjudication, metering and measuring, water banking, water storage, and water as a property right are important as long as they enable New Mexico to meet the needs of future generations.

The State Water Plan represents a good first step in this direction, and should be expanded and re-evaluated at least every five years to keep it relevant and strategically useful.

The Governor should direct the existing Blue Ribbon Task Force to develop and implement a comprehensive, long-term water management plan based on the State Water Plan. This initiative should:

- Emphasize and augment the linkage between water quality and water quantity;
- Identify current water needs and water availability;
- Use current needs and availability to project future needs and availability over a 25-year timeline;
- Determine the gap between future needs and future availability;
- Develop and implement strategies to reduce and eventually eliminate the gap within 25 years; and
- Provide for re-evaluation of the plan every five years.

FISCAL IMPLICATIONS

This recommendation speaks primarily to developing and implementing a water management policy that ensures that New Mexico will have an adequate supply of water to support its high quality of life and economic sustainability for future generations. This should be the mission of the Blue Ribbon Task Force and would, therefore, cost no additional money.

ENDNOTES

1. "Evaluation of Water Resources Management in New Mexico" – Preliminary Report, Daniel B. Stephens & Associates, Inc., June 26, 2000
2. Bill Hume, Director of Policy and Strategic Planning, Office of the Governor
3. John R. D'Antonio, Jr., State Engineer, Office of the State Engineer
4. Rhea Graham, Planning and Communications Director, Interstate Stream Commission
5. "State Water Plan – Draft," New Mexico Interstate Stream Commission and Water Trust Board, October 22, 2003
6. Barbara Giesler, Water Operator Certification Manager, Field Operations Division, Department of Environment
7. Kathy Keith, Director, Economic Development Division, Economic Development Department

Improve Forest Conservation and Protection

The state should add three inmate forestry crews to the existing Forestry Work Camp program.

BACKGROUND

The Energy, Minerals and Natural Resources Department (EMNRD) currently operates two inmate Forestry Work Camp programs through a Joint Powers Agreement (JPA) with the Corrections Department (CD). Minimum-security inmates work on forest resource conservation projects as well as forest fire prevention and suppression on public land through these programs.

The two camps exist separately with one staffed by male inmates from the Central New Mexico Correctional Facility (CNMCF) in Los Lunas and the other staffed by female inmates from the private female correctional facility in Grants. The forestry camp in Los Lunas has been in operation since 1997 and features six crews comprised of 72 inmates. The forestry camp in Grants has been in existence since 2002 and features two inmate work crews with 24 inmates.

The crews are deployed five days a week for this program. EMNRD is responsible for the camp office, work facility, personnel, and the purchase of equipment. CD is responsible for inmate labor.

FINDINGS

Since the beginning of the program through June of 2004, inmate work crews have provided a number of forest conservation, and fire prevention and suppression services including:

- Responding to 68 wildfires,

- Providing support on prescribed fire projects for 3,670 acres,
- Conducting 14 wildfire rehabilitation projects that restored 400 acres,
- Improving 8,049 acres of wildlife habitat,
- Reducing tree-overcrowding by thinning 9,485 acres, and
- Planting 17,245 trees.

In FY02, the State Forestry Division (SFD) of the Energy, Minerals and Natural Resources Division (EMNRD) spent $23 million fighting forest fires around New Mexico and an additional $4 million in FY03. The fire in June 2003 at the Rio Grande *Bosque* in Albuquerque cost $2 million to suppress and led to the evacuation of homes and businesses as well as traffic tie-ups from street closures. Projections are that it will cost state taxpayers an additional $1 million and the U.S. Army Corps of Engineers $6 million to clean up and rehabilitate the burned out areas.

The use of inmates in New Mexico for firefighting and fire prevention has proven cost effective. Hourly wages for inmates range from $0.80 per hour to $1.00 per hour for conservation projects such as thinning forests, and $1 per hour to $2.50 per hour for firefighting. Currently, EMNRD and CD are funded for eight forestry work crews and 96 inmates. By comparison, Nevada has some 1,700 inmates participating in its state forestry program.

Inmate labor was critical during the recent wildfires that engulfed nearly three-quarters of a million acres in Southern California. About 2,150 of California's 3,800 full time public land firefighters are prison inmates.

SFD enters into agreements with federal, state, or local entities to provide thinning, rehabilitation, and other natural resource projects. It costs these public entities approximately $1,000 per acre to privately contract for natural resource and thinning projects. Inmate labor can provide the same service for public entities at $500 per acre. Existing work crews made up of non-violent inmates from Los Lunas treated 215 acres of land in 2003 saving New Mexico taxpayers over $107,000.

Post fire rehabilitation is more costly and time-consuming. Public entities pay private contractors about $8,000 an acre to rehabilitate burned forests, while inmate labor can provide the same service for public entities at $4,000 per acre. Existing inmate work crews from Los Lunas treated 400 acres of land in 2003, saving public entities and New Mexico taxpayers $1.6 million.

Inmates can provide labor for watershed improvements in the Santa Fe National Forest. Healthy watersheds create more water, which is in short supply in Santa Fe because of the area's ongoing drought conditions.

Inmate forestry programs provide non-violent inmates with meaningful training experience and critical outdoor skills that help them seek productive employment in fields such as landscaping, nursery work, and forestry upon completion of their sentences and return to society. For example, the Albuquerque Bosque rehabilitation project already has inmate work crews and pays its non-inmate work crew members over $11.50 per hour.

RECOMMENDATIONS

Two inmate forestry crews of 24 inmates from CNMCF and one crew of 12 inmates from the private female correctional facility in Grants should be added to the existing Forestry Work Camp Program.

CD and EMNRD should work with the State Budget Division of the Department of Finance and Administration to amend its FY05 capital (start-up costs) and operational budget requests (recurring costs) to reflect the additional work crews.

FISCAL IMPLICATIONS

For SFD, the start-up cost to expand this program would be $183,000, and the recurring cost would be $205,180. The recurring cost to CD for inmate wages would be $27,000.

Using inmate labor for forest thinning projects will help defray future costs, although the precise savings cannot be determined at this time.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	415.2	75.0	(340.2)	-	-	3
2007	232.2	75.0	(157.2)	-	-	-
2008	232.2	75.0	(157.2)	-	-	-
2009	-	-	-	-	-	-
TOTAL	**879.6**	**225.0**	**-654.6**	**0.0**	**0.0**	**3**

ENDNOTES

1. Arthur "Butch" Blazer, Director, State Forestry Division, Energy, Minerals and Natural Resources Division
2. Greg Fitch, Deputy Director, State Forestry Division, Energy, Minerals and Natural Resources Division
3. Joint Powers Agreement between the Energy, Minerals and Natural Resources Division and Corrections Department, JPA No. 98-521-04-043 and amendments
4. Energy, Minerals and Natural Resources Department, State Forestry Division website, www.emnrd.state.nm.us/forestry/IWC/INMATE, November, 2003
5. Minute of the Meeting of the Assembly Committee on Government Affairs, Nevada Department of Corrections, Seventy-Second Session, April 24, 2003
6. "Californians Owe Homes, Lives to Inmates", Don Thompson and Alexandria Sage, *from* State College's Home Page website, www.centredaily.com/mld/centredaily/news/nation/7169982.htm, November 24, 2003
7. Elmer Bustos, Director, Adult Prisons Division, Corrections Department
8. Erma Lucero, Deputy Director for Female Offenders, Adult Prisons Division, Corrections Department

Improve Air and Water Quality Appeals Process

Appeals of decisions on air and water quality permits should be limited to the record of the original hearing instead of allowing a completely new hearing.

BACKGROUND

The New Mexico Air Quality Control and Water Quality acts require that hearings occur for air quality construction, air quality operating, and ground water discharge plan permits when there is both a request for a hearing and "significant public interest". The acts also require those hearings to be held before the Secretary of the New Mexico Department of Environment (NMED). When the Secretary's decision is appealed, either the Environmental Improvement Board (EIB), in the case of air permits, or the Water Quality Control Commission (WQCC), in the case of ground water permits, hears those appeals. The appeals, known as *de novo* meaning "of new," are based on new evidence and testimony instead of a review of that generated during the original permit hearing.

In effect, the process starts all over again requiring that NMED and any other parties present their case and evidence twice, once at the permit hearing before the NMED Secretary and then again at the appeals hearing before the EIB or WQCC. Further appeals are heard by the New Mexico Court of Appeals and are based on a review of the record of the evidence generated during the first appeal of the Secretary's decision.

FINDINGS

De novo appeals are mandated by Sections 74-2-7.I and 74-6-5.O NMSA 1978, which also allow unfettered cross-examination of witnesses during permit hearings and appeals, even of those who do not present technical testimony. New Mexico's environmental permit and appeals hearings are unusual in this respect. Many argue that cross-examination of witnesses, in particular, restricts public involvement by fostering an atmosphere of intimidation at hearings and limiting effective public participation.

Costs of conducting an appeal vary depending on a number of factors including which type of permit, length of the hearing, the size and complexity of the permit application, and the number of parties involved. In 2002, NMED spent $249,000 on a ground water permit hearing before the NMED Secretary. Regardless of the outcome, the decision was destined for appeal to the WQCC and then to the Court of Appeals since the parties on opposite sides of the issue were extremely committed to their position. Air permit appeals are less expensive with the most recent costing NMED approximately $30,000.

EIB and WQCC are appointed bodies, and their members have no required qualifications beyond their willingness to serve as responsible citizens. One of their members must be designated hearing officer in appeals cases even though the designee receives no special training. Additionally, neither body has technical support staff to help it sort through the complex environmental, technical, and legal issues involved with permit appeals.

NMED does not receive a budget for preparing for or participating in appeals hearings. When an appeals hearing is called for, the agency must borrow from existing resources to ensure that the agency is adequately represented. The same staff members who work on permit and appeal hearings also write permits and monitor compliance. As a result, the growing number of appeals hearings inhibits the department's ability to review permit applications and issue permits in a timely manner.

Other permitting programs administered by NMED (including Solid Waste and Hazardous Waste) are structured so that a permit hearing is held before the Secretary, and the sole appeal is a review of the record before the Court of Appeals.

RECOMMENDATIONS

The Air Quality Control and Water Quality acts should be amended to eliminate *de novo* appeals to the EIB and the WQCC and to limit cross-examination of witnesses to expert testimony and agency official testimony only. A single opportunity for appeal should occur before the Court of Appeals and be based on a review of the record made during the original permit hearing.

To make sure all parties have ample opportunity to lodge an appeal and prepare a case, NMED should bolster public participation requirements by extending the public notice period for pending actions from 30 days to 45 days, a period consistent with other permitting programs in NMED.

FISCAL IMPLICATIONS

Elimination of the appeal step before EIB and WQCC will save taxpayers thousands of dollars per year in mileage and per diem expenses, and eliminate the need for NMED technical staff members to support those bodies.

NMED has at least eight appeals currently lodged and scheduled for hearing over the next two years. The Ground Water Quality Bureau (GWQB) estimates that about half will actually go forward and that each constitutes about one-half the level of effort for the permit hearing noted above, or about $125,000 each. For the 2002 ground water permit hearing mentioned above, the GWQB spent $240,780 in staff time. Elimination of the *de novo* hearing would save approximately $125,000 per appeal under the Water Quality Act, or about $250,000 per year.

GWQB's savings for out-of-pocket expenses, $8,500 in mileage, per diem, and other expenses, should be returned to the state's general fund while its staff time savings should be devoted to timely permit review and facility inspection, a requirement that is currently under funded — and has a direct impact on the environment.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	8.5	8.5	-	-	-
2007	-	8.5	8.5	-	-	-
2008	-	8.5	8.5	-	-	-
2009	-	8.5	8.5	-	-	-
TOTAL	**0.0**	**34.0**	**34.0**	**0.0**	**0.0**	**0.0**

ENDNOTES

1. Sandra Ely, Chief, Air Quality Bureau, Department of Environment
2. Marcy Leavitt, Chief, Surface Water Quality Bureau, Department of Environment
3. Tracy Hughes, General Counsel, Department of Environment
4. Mary Ann Menetry, Mining Act Program Manager, Department of Environment
5. Mark Turnbough, Private Consultant, Houston, Texas
6. Tannis Fox, Deputy General Counsel, Department of Environment
7. Bruce Jones, Associate Regional Counsel, EPA Region 6
8. William Hill, Chief of Enforcement, Air & Waste Management Division, Delaware Department of Environmental Control
9. Janice Deshais, Director, Office of Adjudications, Connecticut Department of Environmental Protection
10. Maura Hanning, Manager, Pollution Prevention Section, Ground Water Quality Bureau, New Mexico Department of Environment
11. Nancy Long, Senior Staff Counsel, California Department of Toxic Substance Control
12. Cindy Berndt, Director of Regulatory Affairs, Division of Policy, Virginia Department of Environmental Quality

Improve State Agency Environmental Performance

State agencies should develop and implement Environmental Management Systems that meet international standards.

BACKGROUND

An environmental management system (EMS) has been defined as "a formal set of policies and procedures that define how an organization manages its potential effect on the natural environment and the health and welfare of the people who depend on it." Although there is a variety of EMS approaches in different industries, an international standard for EMSs, the "ISO 14001 standard" has emerged as the consensus system throughout the U.S. and abroad.

Some advocates of an EMS approach argue that, in business, environmental impacts are signals of economic inefficiency in production, which should be corrected in the interest of business efficiency as well as society's environmental goals. And, although the U.S. Environmental Protection Agency (EPA) has actively encouraged pollution prevention and adoption of EMSs in the private sector, it was not until a presidential executive order mandating adoption of EMSs for all federal agencies by December 31, 2005, that the public sector began looking at EMSs as a way for government to improve itself.

Few state agencies in any state have adopted an EMS. Government agencies cite several obstacles: government facilities have more limited pre-existing capabilities and resources for environmental management than private-sector businesses; government agencies face more difficult procurement processes for the capital investments; and savings from an agency's EMS are likely to be returned to a general fund — in effect, penalizing individual agency budgets.

An emerging body of evidence shows that facilities with an EMS in place can demonstrate more reliable environmental performance, more efficiently meet their reporting requirements, be inspected by regulators more quickly, and be far more likely to have effective training and emergency plans in place to reduce the frequency and impact of accidents, spills, and other environmentally damaging events. EMS facilities are also more likely to improve their environmental performance and to reduce unregulated environmental impacts such as energy and water use.

FINDINGS

New Mexico state government is involved in direct management of a wide variety of facilities and activities that have environmental impacts. These include management of public lands and waters, construction and maintenance of highways and buildings, the use and ownership of large fleets of motor vehicles, and managing the waste streams of state buildings, hospitals, and universities. Many agencies also have environmental goals as one of their core missions including the Department of Game and Fish, Department of Environment (NMED), Department of Health, and Energy, Minerals, and Natural Resources Department.

While the New Mexico Department of Environment is already aware of many of the issues addressed in a typical EMS, the New Mexico Department of Transportation (DOT) already has the basic quality management tenets in place to adopt an EMS. In addition, DOT has been recognized with the highest *Quality New Mexico* award. DOT advocates securing ISO certification for quality (ISO 9000) for a portion of its operations. This would be a logical precursor to achieving ISO 14001 certification for environmental management.

Despite the benefits of implementing an EMS, it is sometimes difficult to show the actual savings that accrue because much of the money is in cost avoidance. Typically, reported savings consist of: reduced waste disposal costs, reduced regulatory fines, and reduced water and energy costs. These savings generally are sufficient to more than offset the increased labor hours of the workforce.

RECOMMENDATIONS

NMDOT, in partnership with NMED, should pilot development and adoption of an EMS by the end of 2005, which should be expanded to all executive agencies by December 31, 2006.

The pilot program should be designed to determine how New Mexico could best overcome obstacles unique to state government agencies in order to facilitate the implementation of an EMS in each state agency. One specific focus of the DOT pilot program should be the development of "metrics," or measures for calculating and reporting EMS-driven cost savings.

EMS training should be obtained by partnering with federal agencies.

FISCAL IMPLICATIONS

Adoption of EMSs for state government will require larger agencies to designate at least one full-time employee from the agency's planning, policy, or quality office to lead the development of the agency's EMS. It is not necessary to hire outside EMS consultants in the pilot project. Significant savings will be realized after effective implementation of an EMS in each agency, although it is impossible to determine precise savings until completion of the pilot program.

ENDNOTES

1. Elza Cushing, Chief, Compliance Division, Directorate of Environment, Fort Bliss, Texas
2. Dianne Williams Wilburn, Pollution Prevention Team Leader, Los Alamos National Laboratory
3. "Environmental Management Systems: Do They Improve Performance?" National Database on Environmental Management Systems, Project Final Report; University of North Carolina – Chapel Hill; Jan. 30, 2003. http://ndems.cas.unc.edu
4. Draft Meeting Report: EO 13148 Interagency Working Group Meeting, 10/21/03
5. "Voluntary Environmental Management Systems/ISO 14001", EPA Webpage, http://www.epa.gov/ovm/iso14001/
6. "The ISO 14000 Information Center", ISO Webpage, http://www.iso14000.com
7. Bill Gregoricus, Director, Quality & Business Performance Division, New Mexico Transportation Department
8. International Organization for Standardization Webpage, http://www.iso.ch, November 20, 2003.

Require Results from Environmental Cleanup Contractors

The state should require achievement of specific environmental restoration results before disbursing funds from the Corrective Action Fund.

BACKGROUND

Water is a precious resource in New Mexico, and the state's reliance on ground water to meet the needs of communities, businesses, and families is on the rise. More than 90 percent of New Mexicans get their drinking water from ground water that is increasingly at risk from leaks in petroleum storage tank systems — the second-most prevalent cause of ground water pollution in New Mexico. Once ground water is polluted, it is no longer available until cleaned up, a process that is expensive at best and sometimes impossible altogether.

New Mexico created the Corrective Action Fund in 1990 to pay for investigating and cleaning up pollution caused by leaks from underground storage tanks, such as those at retail gasoline stations. Administered by the New Mexico Department of Environment (NMED), the fund functions in two ways: contracting directly with environmental consulting firms to conduct the cleanups needed at contaminated sites and reimbursing tank owners for the costs of cleanups. Tank owners may assign payment directly to environmental consulting firms engaged in the cleanup at their sites.

FINDINGS

The New Mexico Department of Environment makes payments from the fund to contractors and storage tank owners based on criteria related only indirectly to the effectiveness of the cleanup conducted at the contaminated site. The department awards contracts based on a combination of the low bid and the engineering design for the proposed work. Once the contracts are awarded, payments to contractors are not related to the actual results achieved.

The current NMED approach rewards firms that submit bids proposing systems that may be relatively inexpensive up-front but take a long time to complete. The current approach also unintentionally encourages contract or work plan change orders that often add incremental costs not approved at the outset. Change orders can cause the ultimate costs of the cleanup to be much higher than the original bid. Perhaps most important, the current approach does not verify whether the cleanup has been successful before payments are made from the fund.

New Mexico has nearly 2,500 petroleum contamination sites from leaking storage tank systems. Of these, 890 have ground water contamination. While NMED has spent nearly $125 million to date, only 17 percent of all sites with ground water contamination have actually been cleaned up as defined by standards set by the Water Quality Control Commission (WQCC). At some sites, "aggressive cleanup" has been completed, although contaminant levels may still not meet WQCC standards. New Mexico's system for paying contractors and providing reimbursements seems to have contributed to this poor cleanup rate.

Basing payment to environmental contractors on environmental results is known as pay-for-performance (PFP) contracting. Fourteen states employ some form of PFP for their state clean up funds. Nebraska, Oklahoma, Florida, South Carolina, and Vermont are considered the leaders, and have achieved millions of dollars of cost savings using PFP contracts for site assessment and environmental remediation. All PFP states claim at least some small administrative savings, from streamlined invoicing if nothing else. Some states compare the average cost of cleanups before and after PFP was implemented. Regardless of how the savings are calculated, all PFP states report a significant "quality of service" benefit and reduced costs resulting from PFP.

South Carolina has seen a 60 percent decrease in costs for cleanups since 1997, with a simultaneous drop in cleanup time (from seven years to two years). Florida estimates that it has reduced cleanup to 72 percent of non-PFP costs, and accomplished cleanup in 58 percent of the time. Oklahoma has made PFP cleanups mandatory and realized immediate administrative savings by reducing their financial section from nine auditors and a comptroller to just two auditors. They attribute this to no longer needing to review volumes of timesheets and receipts. PFP requires technical and environmental performance — goals verified by scientists, not financial specialists.

Some states, like South Carolina, require contractors to secure performance bonds, even though the fund "buys" the bond insurance, to ensure the cleanup is completed if the contractor walks away from the site. All PFP states report significant administrative savings as contractor invoices are paid only after technical reports documenting environmental restoration have been submitted.

RECOMMENDATIONS

NMED should adopt PFP contracting using contracts that require achievement of specific environmental results before the contractor receives payment. The new contracting process should be modeled on successful programs in South Carolina, Florida, Oklahoma, Nebraska, and Vermont.

NMED should "bundle" sites to send out for a single contract bid, an approach used by South Carolina, to spread out the risk for contractors bidding on PFP sites. In this way, a single contractor or consortium of contractors may be awarded a contract to clean up multiple sites. Contractors may be more willing to submit bids on more difficult or technically challenging sites if they are bundled with more predictable cleanup sites. This would lead to additional savings in New Mexico.

NMED should also require contractors to secure a performance bond. This will help ensure that cleanups are completed even if some contractors "walk away" from the site when the actual cleanup costs exceed the anticipated costs.

As a first step toward implementing the program, NMED should immediately assess all its sites to determine which are suitable for a PFP approach. NMED should bid at least 50 sites with PFP contracts by 2005. The agency will have to estimate life-cycle costs, what it costs from beginning to end of clean-up, for each potential PFP site under traditional time and materials methods, and use cost savings figures developed in other states as a basis for PFP bidding.

As the PFP approach is implemented, the need for scientists to verify technical and environmental performance will grow, while the need for financial specialists will shrink. NMED should begin to reallocate human resources, eliminating some financial specialist positions and reclassifying others as the program grows.

FISCAL IMPLICATIONS

Based on Florida's studies, and accounting for the difference in the size of the tank universe in New Mexico, the state can expect significant savings in both cleanup costs and in state employee costs due to the administrative savings inherent in PFP contracting. For cleanup costs, states that have analyzed savings through the PFP approach report a range of 20 percent to 60 percent. Assuming an average cost of cleanup of $76,570 per site based on the number of cleanups initiated since the inception of the program relative to the total amount spent by the fund, savings of between $765,700 and $2,297,050 on the first 50 sites could be achieved and more could be expected on future sites.

Equally important are the reductions reported in the time it takes to clean up a site under the PFP approach. Without conducting a study on potential PFP sites, the precise cost savings cannot be determined. Administrative savings from reduced full-time state employee positions are calculated below.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	-	-	-	34.8	(1.0)
2007	-	-	-	-	34.8	-
2008	-	-	-	-	34.8	-
2009	-	-	-	-	34.8	-
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**139.2**	**-1.0**

ENDNOTES

1. Stan Clark, Assistance Chief, Land and Waste Management Bureau, South Carolina Department of Health and Environmental Control
2. Chuck Schwer, Chief, Sites Management Section, Vermont Agency for Natural Resources
3. State Cleanup Fund Annual Survey (2003); *compiled by* Chuck Schwer, Chief, Sites Management Section, Vermont Agency for Natural Resources
4. "Performance-Based Environmental Cleanups", National Governors Association, Center for Best Practices, http://www.nga.org, September 9, 2003.
5. Anna Richards, Program Manager, Petroleum Storage Tank Bureau, New Mexico Department of Environment
6. Richard McKay – Oklahoma Corporation Commission, Supervisor, Special Projects, Petroleum Storage Tank Division
7. Dave Charter, Chief of Technical Unit, UST Cleanup Fund, State Water Resources Control Board, California
8. Dave Chambers, Section Supervisor, Petroleum Remediation Section, Water Division, Nebraska Department of Environmental Quality
9. Bob Cohen, Private Consultant, Gainesville, Florida
10. Ferda Yilmaz, PFP Point of Contact, Florida Department of Environmental Quality
11. "A Comparative Study of the Relative Success of Site Cleanups Under Preapproval and Pay For Performance Contracting", Florida Department of Environmental Protection, November 15, 2002.
12. Pay for Performance (PFP) Contracting and Underground Storage Tanks, U.S. Environmental Protection Agency, http://www.epa.gov/swerust1/pfp/, November 4, 2003.
13. "When RBCA is not RBCA", Cohen, R.S., Charter, D., Cook, G, and Graves, K, LUSTLine Bulleting 43, p. 25-27, March 2003.

Recover Cleanup Costs from Polluters

The state should use its existing authority to recover the costs of cleaning up ground water contamination from polluters.

BACKGROUND

No one disputes that water is a precious resource in New Mexico or that the state's reliance on ground water to meet the needs of families and businesses is increasingly a challenge. More than 90 percent of New Mexicans derive their drinking water from ground water. Leaks from petroleum storage tank systems are the second-most prevalent ground-water pollution problem in New Mexico. Once the ground water resource is polluted, it must be cleaned up before it can be used, a goal that is exceedingly expensive and sometimes impossible to achieve.

New Mexico has established the Corrective Action Fund to pay for the costs of investigation and cleanup of pollution caused by leaks from aboveground and underground storage tanks. These costs are paid either to tank owners and operators or to environmental contractors. Payment is made to the owners or operators when they incur costs to assess and clean up their own contaminated sites. Payment is made to environmental contractors when they are hired — either by tank owners or, when no responsible party has been identified, the state — to clean up high-priority sites.

Although state government is prohibited from reimbursing anyone for third-party claims, the state does pay to mitigate impacts to third parties in some cases — for example, well contamination — when there is an immediate threat to human health. In cases where the responsible party is not in "substantial compliance" with environmental regulations (see Section 74-6B-8.B(1)(a) NMSA 1978), the state has broad authority to recover disbursed funds (see Section 74-6B-8.C NMSA 1978).

State government also has rights of "subrogation" to any insurance policies in existence at the time of the release (see Section 74-6B-8.D NMSA 1978). These "subrogation" rights allow the state to sue insurance companies on behalf of tank owners who have received payments from the Corrective Action Fund to recover the costs of corrective action.

FINDINGS

The New Mexico Department of Environment's (NMED) record of recovering the costs of storage tank cleanups could be improved. Of the nearly $125 million spent to date on storage tank cleanups by the Corrective Action Fund, the state has recovered costs in no more than a handful of cases — and none initiated since 1994.

NMED only recently began to collect pertinent information regarding insurance policies held by tank owners or operators that might cover the costs of corrective action. Although the Corrective Action Fund is certified as a financial responsibility mechanism for use by tank owners and operators to meet federal and state financial responsibility requirements to cleanup leaks or spills, some tank owners own private insurance policies for cleanup costs. In addition, because state law prohibits the use of the fund to cover third-party claims, all tank owners and operators must buy private insurance to cover such claims.

The statutory subrogation language is broad and does not distinguish between subrogation to insurance policies covering corrective action and those covering third-party damages. Subrogation allows the state to "step into the shoes" of the insured to make a claim against an insurance policy. To date, NMED has not exercised its legal rights of subrogation for leaking storage tank claims.

Other states have similar authority to recover costs, although this authority is generally not as sweeping as New Mexico's. Most states with subrogation rights have low recovery rates. Many of these "subrogation rights" states, including New Mexico, lack the specialized legal expertise required to pursue these claims.

Montana has secured outside legal counsel with expertise in environmental and insurance law to overcome this barrier. In the past three years, Montana has recovered $250,000 for its tank fund and expects to recover additional funds next year. Montana has spent just over $45 million since the creation of its fund, while New Mexico has spent nearly $125 million from its fund.

RECOMMENDATIONS

NMED should develop and implement policies for the systematic collection of insurance information from tank owners and operators whenever a release is reported. A compliance determination should be made early in the corrective action process so that a timely cost recovery claim can be filed against responsible parties.

NMED should also contract out legal services for pursuing cost recovery claims against tank owners and subrogation claims against insurance companies. These contracts should pay outside legal experts on a contingency fee basis, thus eliminating any up-front costs to the state and encouraging aggressive cost recovery.

FISCAL IMPLICATIONS

Based on the Montana example, New Mexico can expect to recover at least $250,000 in the first three years of an outsourced insurance and liability tank owner/operator cost recovery program. In fact, it is likely that New Mexico could recover much more than Montana because New Mexico, to date, has spent three times what Montana has on tank cleanups. In addition, New Mexico's statutory authority to file subrogation claims is stronger than Montana's.

However, because NMED has not begun to assess the viability of any direct or indirect actions in district court, an estimate of the potential return from these claims to the Corrective Action Fund cannot be determined at this time. Recovered funds should be returned to the Corrective Action Fund for cleanup of other sites as required under Section 74-6B-8.C NMSA 1978.

ENDNOTES

1. Judy Flynn-O'Brien, Senior Attorney, Institute for Public Law, University of New Mexico
2. Tracy Hughes, General Counsel, New Mexico Department of Environment
3. Donna Gary, Deputy Director, Office of Finance and Budget, Environmental Protection Division, New Mexico Department of Environment
4. Kalvin Martin, Manager, Prevention/Inspection Program, Petroleum Storage Tank Bureau, New Mexico Department of Environment
5. Alan Payne, Special Assistant Attorney General (in private practice) for the State of Montana
6. Terry Wadsworth, Executive Director, Montana Petroleum Tank Release Compensation Board
7. Anna Richards, Manager, Regulations, Data, & Information Program, Petroleum Storage Tank Bureau, New Mexico Department of Environment
8. Bob Cohen, Private Consultant, Gainesville, Florida
9. Tom Schruben, American Cost Recovery Management, LLC

Reduce Environmental Cleanup Costs: Require Private Insurance

The state should require private insurance coverage for petroleum storage tank systems and shift liability for cleanup costs to private insurance companies for future contamination problems.

BACKGROUND

Water in New Mexico is a resource that is becoming more and more precious with each passing year. Reliance on ground water to meet the needs of families, communities, and businesses continues to increase, even as more than 90 percent of New Mexicans derive their drinking water from ground water that is at an increasing risk of pollution. Leaks from petroleum storage tank systems are the second-most prevalent cause of ground water pollution in the state. Once ground water is polluted, it is no longer available as a resource until cleaned up, a process that is exceedingly expensive and sometimes impossible to achieve.

To help address this issue, New Mexico created the Corrective Action Fund in 1990. The fund pays for the costs of investigation and cleanup of pollution caused by leaks from underground storage tanks such as those at retail gasoline stations. These costs are paid to tank owners and operators who incur costs to assess and clean up their contaminated sites, or to environmental contractors for sites with high environmental priority or with no readily identifiable responsible party. The fund has no upper limit on coverage and entities making a claim against the fund pay a deductible of no more than $10,000 per site.

Under current law, tank owners and operators are not required to secure private pollution liability insurance to cover cleanup costs because they are covered by the fund, a state-certified financial responsibility mechanism. The revenue for the fund is provided through collection of the Petroleum Products Loading Fee, assessed on petroleum products loaded into cargo containers on a sliding scale based on the fund balance. The fee per "load", defined as 8,000 gallons, can be as much as $150 (as long as the unobligated fund balance, as certified by the Department of Environment, is less than $6 million, as it is now) and as little as $40 (if the fund balance is equal to or exceeds $18 million). This amounts to between $0.005 and $0.01875 per gallon passed on to the consumer generating, at $40 per load, approximately $6 million per year. Regardless of the fee level, the net receipts attributable to the first $40 per load are distributed to the Local Governments Road Fund, and the balance, if any, is distributed to the Corrective Action Fund.

FINDINGS

New Mexico's tank cleanup fund is one of the most robustly funded in the nation when measured on a per facility basis. Since its creation, more than $165 million has been distributed to the fund, with nearly $125 million paid to contractors for cleanup; most of the remainder has been appropriated for the New Mexico Department of Environment's administration of the fund.

Despite this healthy revenue stream, it is difficult to estimate the long-term liabilities of the fund because the fund must be responsible for all future leaks and spills. The lack of a deadline for cleanup of releases to be covered by the fund puts no time limit on the extra financial burden passed on to motorists through the Petroleum Products Loading Fee. Additionally, estimating future liabilities became especially difficult when aboveground storage tanks were added to fund coverage two years ago. Moreover, NMED does not estimate the life-cycle cost of the sites that are currently being cleaned up but have not yet been completed.

To set the fee, each year NMED certifies the "unobligated balance" of the fund to the state's Taxation and Revenue Department. To determine this balance, NMED determines the amount of future expenditures in approved work plans. All future expenditures are debited to the fund for the current year, even if the work won't be conducted until sometime in the future. Also, future expenditures are treated as obligations each year until the year after the work is done, rather than as an obligation only in the year the work is actually conducted. This method of accounting artificially inflates annual obligations, resulting in an unrealistic yearly establishment of the fee.

Like New Mexico, other states created storage tank cleanup funds in the 1980s and 1990s to protect water resources and public health from leaking tank systems. One of the main reasons for creating storage tank cleanup funds was the absence of affordable environmental insurance coverage for tank owners in the private sector. After the passage of the Comprehensive Environmental Response, Compensation, and Liability Act of 1980 — better known as Superfund — many private sector insurance companies stopped writing environmental insurance policies or inserted pollution exclusion clauses into existing general liability policies.

Since the Corrective Action Fund was created in 1990, market forces have changed significantly in New Mexico. Today, environmental liability insurance is both affordable and available to tank owners throughout the state. Given these changes in the private insurance marketplace, tank owners now receive unusual benefits from the fund. Unlike other business entities, for example, tank owners are not required to purchase insurance for one of their core business activities. Tank owners have few financial incentives to report tank leaks and spills promptly. And tank owners have few incentives to control the costs of tank cleanups.

RECOMMENDATIONS

The state should establish coverage limitations to encourage prompt reporting of environmental leaks and spills, and to shift liability for cleanup costs for future contamination problems to private insurance companies. This would also allow the state to better estimate long-term Corrective Action Fund liabilities to assure the long-term solvency of the fund and facilitate fund management decisions.

The Ground Water Protection Act should be amended to cover only those underground storage tank releases discovered and reported to New Mexico Department of Environment (NMED) prior to December 31, 2005, and those aboveground storage tank releases discovered and reported to NMED prior to July 1, 2011 (the regulatory deadline for upgrading all such systems).

The Corrective Action Fund should no longer be certified as a financial responsibility mechanism for underground storage tank owners and operators after December 31, 2005, or for aboveground storage tank owners and operators after July 1, 2011. Tank owners and operators should be required to secure private insurance for those releases that fall outside of fund eligibility.

Funding of cleanups should be capped at $1 million per site, and deductibles should be increased to as much as $100,000 based on ability to pay and a history of compliance. Cleanups costing more than $1 million should require special approval from the Legislature.

The Petroleum Products Loading Fee should remain at the $150-per-load level regardless of the balance in the Corrective Action Fund, eliminating the need for NMED's yearly certification of unobligated balance. The first $40 per load should continue to be distributed to the Local Governments Road Fund; $20 per load can be diverted elsewhere immediately; and $90 per load should be distributed to the fund. The fiscal health of the fund should be protected by immediately implementing aggressive cost control and cost recovery programs, as outlined elsewhere in this report.

In 2006, a thorough analysis of the fund's fiscal soundness should be conducted, focusing on assessment of the life-cycle costs of ongoing cleanups. The study should present a plan for reducing the distributions to the fund to net receipts from $60 per load by FY08 and $40 per load by FY10.

FISCAL IMPLICATIONS

Retaining the revenue stream for the fee but diverting a portion of it immediately will provide approximately $3 million per year indefinitely. After the 2006 study, the fee can either be reduced or its receipts distributed to the Local Governments Road Fund or the state's general revenue fund.

Estimated Fiscal Impact
(in Thousands)

Fiscal	General Fund			Other Funds		Change in
Year	Cost	Savings	Net	Cost	Savings	FTE
2005	-	-	-	-	-	-
2006	-	-	-	-	3,000.0	-
2007	-	-	-	-	3,000.0	-
2008	-	-	-	-	7,500.0	-
2009	-	-	-	-	7,500.0	-
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**21,000.0**	**0.0**

ENDNOTES

1. State Cleanup Fund Annual Survey (2003); Chuck Schwer, Chief, Sites Management Section, Vermont Agency for Natural Resources, 2003.
2. Dennis Rounds, Executive Director, Petroleum Response Cleanup Fund, South Dakota Department of Revenue and Regulation
3. Donna Gary, Office of Finance and Budget, Environmental Protection Division, New Mexico Department of Environment
4. Tracy Hughes, General Counsel, New Mexico Department of Environment
5. Judy Flynn-O'Brien, Senior Attorney, Institute for Public Law, University of New Mexico
6. Anna Richards, Manager, Regulation, Data, & Information Program, Petroleum Storage Tank Bureau, New Mexico Department of Environment
7. Joyce Shearer, Manager, Remedial Action Program, Petroleum Storage Tank Bureau, New Mexico Department of Environment
8. Kal Martin, Manager, Prevention/Inspection Program, Petroleum Storage Tank Bureau, New Mexico Department of Environment
9. Jerry Schoeppner, Chief, Ground Water Quality Bureau, New Mexico Department of Environment
10. Pat Rounds, President and CEO, Petroleum Marketers Mutual Insurance Corporation, Waukee, IA
11. *Taking On Today's Challenges,* Rothenstein, C., LUSTLine, NEIWPCC, p.19-20., July, 2003.
12. Terry Wadsworth, Executive Director, Montana Petroleum Tanks Release Compensation Board
13. Dave Charter, Chief, Technical Unit, Underground Storage Tank Cleanup Fund, State Water Resources Control Board, California
14. Richard McKay, Supervisor, Special Projects, Petroleum Storage Tank Division, Oklahoma Corporation Commission

Streamline Solid Waste Permit Hearings

The state should revise the requirement for mandatory public hearings on solid waste permits to eliminate hearings when there is no significant public interest.

BACKGROUND

The State Solid Waste Act and the regulations promulgated under its authority are intended to establish environmental and public health protections. The Act requires entities engaged in solid waste management to secure permits to haul, transfer, or operate a disposal facility, and is designed to assure that the public is notified and has the opportunity to participate in the permitting process.

One unusual aspect of the Act is that it requires the New Mexico Department of Environment (NMED) to hold public hearings even when the public does not express an interest or attend the hearings. All other New Mexico environmental statutes and most federal and other state environmental statutes require mandatory hearings only when there is significant public interest. Examples of permit actions requiring mandatory hearings under the act include permit issuance, modification, renewal, and revocation; refusal to issue a permit; petition for suspension of ground water monitoring; administrative enforcement actions; and requests for exemptions and variances.

FINDINGS

From 1997 through 2002, NMED's Solid Waste Bureau held 31 adjudicatory hearings on permitting issues. In 22 of those cases – 71 percent – there was no opposition. In 13 of these 22 cases, no members of the public attended the hearing.

Each uncontested hearing costs taxpayers between $2,000 and $3,000 in travel for officials to attend the hearings, hearing officer and court reporter costs, and time and resource expenses to develop and present testimony. The Solid Waste Bureau has spent between $44,000 and $66,000 in the past six years on uncontested hearings.

Public hearings under the New Mexico Water Quality, Air Quality Control, and Hazardous Waste acts are based on a determination from the Secretary that "significant public interest" exists. This discretionary authority to schedule public hearings under these other state statutes has not been controversial nor has it been subject to legal challenges. This is also a standard that Texas uses, although most other states and the U.S. Environmental Protection Agency grant hearings only if requested by the applicant. In those cases, the public is only invited to submit comments for consideration by the agency.

The Solid Waste Bureau currently provides public notice of hearings as follows:

Legal and display ads in local papers at least 30 days in advance,

Mailing to landowners within one-half mile of facility, and

Mailing to government entities within 10 miles of facility.

The bureau expects to continue to hold approximately five hearings per year (the rate for the past 6 years) for the foreseeable future, with a similar number of those – about 71 percent – being uncontested.

NMED does not receive a budget for preparing for or participating in appeals hearings. When a mandatory, unattended public hearing is required, the agency must take staff resources away from other program activities. The same staff members who work on permit and appeal hearings also write permits and monitor permit compliance. Thus, mandatory hearings inhibit the agency's ability to review permit applications and issue permits in a timely manner.

RECOMMENDATIONS

Public hearings on solid waste permitting issues should be held in the same manner as other state environmental laws – if requested – and the Secretary determines that there is "significant public interest."

The New Mexico Solid Waste Act (Sections 74-9-23 and 74-9-28 NMSA 1978) should be amended to eliminate mandatory hearings and authorize the Secretary to grant a hearing if one is requested, similar to other state environmental laws. After the statutory change, the Solid Waste Bureau should provide public notification for pending permitting actions under the Solid Waste Act also similar to other state environmental statutes.

Savings from the bureau's travel expenses and other hard costs should be about $500 per uncontested hearing ($2,500 per year) and be returned to the state's general fund. Staff-time savings (equivalent to $1,500 to $2,500 per uncontested hearing, or $3,500 to $6,500 annually) should be redirected to permit application reviews.

FISCAL IMPLICATIONS

Elimination of the mandatory hearing will save several hundred dollars per year in mileage and per diem expenses, and eliminate the need for NMED technical staff to support these hearings.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	-	-	-
2006	-	1.5	1.5	-	-	-
2007	-	1.5	1.5	-	-	-
2008	-	1.5	1.5	-	-	-
2009	-	1.5	1.5	-	-	-
TOTAL	**0.0**	**6.0**	**6.0**	**0.0**	**0.0**	**0.0**

ENDNOTES

1. Don Beardsley, Manager, Permitting Program, Solid Waste Bureau, New Mexico Department of Environment
2. Tracy Hughes, General Counsel, New Mexico Department of Environment
3. Gary King, Private Attorney, Moriarty, NM
4. Mark Turnbough, Private Consultant, Houston TX
5. Bruce Jones, Associate Regional Counsel, EPA Region 6
6. William Hill, Chief of Enforcement, Air & Waste Management Division, Delaware Department of Environmental Control
7. Janice Deshais, Director, Office of Adjudications, Connecticut Department of Environmental Protection
8. Nancy Long, Senior Staff Counsel, California Department of Toxic Substance Control
9. Cindy Berndt, Director of Regulatory Affairs, Division of Policy, Virginia Department of Environmental Quality

Chapter V:

Ensuring Health and Safety

Total recommendations:	**4**
Total five-year investment:	**$5.3 million**

Fiscal Table

(numbers in thousands)

Recommendation	2005		2006		2007		2008		2009		Cumulative	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Reduce Protective Services Division Turnover and Case Backlog	-	-	-	-	-	-	-	-	-	-	-	-
Improve Nursing Home Oversight	-	-	-	-	-	-	-	-	-	-	-	-
Increase Immunization Rates	-	(1,975.0)	-	(1,052.5)	(211.3)	(538.8)	(211.3)	(538.8)	(211.3)	(538.8)	(633.9)	(4,643.9)
Consolidate Food Safety Programs	-	-	-	-	-	-	-	-	-	-	-	-
TOTALS	-	(1,975.0)	-	(1,052.5)	(211.3)	(538.8)	(211.3)	(538.8)	(211.3)	(538.8)	**$ (633.9)**	**$ (4,643.9)**

Reduce Protective Services Division Turnover and Case Backlog

The Protective Services Division should reduce turnover by reducing the number of pending investigative cases through implementation of voice recognition technology.

BACKGROUND

One of the most critical jobs in all of state government is performed by caseworkers in the Protective Services Division (PSD) of the Children, Youth, and Families Department (CYFD). Yet, these dedicated individuals lack an efficient method of recording required data in the Family Automated Client Tracking System (FACTS) while performing their duties in the field. This has resulted in hundreds of investigative cases pending for over 30 days due to unrecorded documentation.

PSD is the designated state agency to investigate all child abuse and neglect allegations, and conduct family monitoring and interventions to ensure children's safety when there is proven or suspected child abuse or neglect. In 2002, PSD workers conducted about 15,000 investigations statewide, and the division oversees about 2,000 families in the protective services program.

PSD workers spend the bulk of their time in the field doing outreach, home visits and studies, appearing in court or schools, conducting investigations, gathering placement information, communicating with related programs such as Guardians ad Litem (GALs), a person appointed by the court to look out for the best interests of the child during the course of legal proceedings, and providing case management services. There are currently 356 PSD workers performing these duties in the field — investigators, placement specialists, treatment workers, and family preservation workers. Every interaction with children and families must be recorded to provide accountability and ensure compliance with state and federal funding requirements.

Prior to the FACTS system, caseworkers wrote or typed case notes and filed them in hard-copy files. In 1997, PSD implemented the FACTS system to increase efficiency and accuracy, provide up-to-the-minute information on the status of a child or family, and comply with federal mandates. Now, all information collected is entered into this system by use of personal computers located in county offices.

While the system was implemented to improve services, it requires workers to physically go into county offices and record relevant case data and notes directly into FACTS. Workers now spend hours recording information on case activity conducted over several days of fieldwork. Not only is this time-consuming, it also defeats the purpose of implementing the FACTS system — that is, to have the most current information available throughout PSD so that children can be protected.

FINDINGS

The National Child Welfare Resource Center reports that retention of caseworkers is a chronic problem throughout the country; a study of caseworkers in Louisiana in 1996 indicated that paperwork, lack of clerical support, and resulting low morale were the principle sources of job dissatisfaction. A 1982 study of caseworkers in Maine reflected a similar level of frustration at not being able to meet the demands of the job due to high caseloads, long hours, and lack of time to do a quality job. Caseworkers there recommended increased clerical support and less paperwork.

Nationally, the challenges facing protective services caseworkers have been well documented over the past two decades. New Mexico is no different. The Children, Youth, and Families Department (CYFD) reports an annual turnover rate of about 22 percent among Protective Services Division (PSD) caseworkers.

Caseworkers say they lack sufficient time to complete paperwork at the office. Workers report high caseloads, burdensome fieldwork requirements, and documentation and reporting requirements that contribute to making their jobs very difficult and stressful. They also cite heavy caseloads, stress, burnout, and lack of resources to do their job as contributing to job dissatisfaction. Additionally, workers are not paid overtime for completing paperwork.

CYFD policy requires workers to record and document the results of all investigation assignments within 30 days of the report. As of September 2003, PSD had 437 investigative cases pending for more than 30 days — not because the child, family, and home visits had not been done, but because paperwork documentation had not yet been entered in the FACTS system.

Voice recognition technology, software that recognizes speech and converts it to text, has been used successfully in a number of environments to address just such issues. Voice recognition systems speed up personal computer tasks such as creating documents, entering data, completing forms, and sending email. Tasks can be completed over eight times faster than typing at 55 words per minute. Productivity is increased when away from the office by transcribing recorded dictation from a digital voice recorder device using voice recognition technology.

The Texas Department of Protective and Regulatory Services (DPRS) implemented a speech recognition system with 30 workers as a pilot project for 60 days in late 2002. Training was provided to minimize errors and ensure proper use. According to pre- and post-surveys, workers were pleased with the outcomes, especially with the ease of use and timesavings. The total cost of the pilot was $23,000. Texas has recommended it for statewide implementation. The Texas Juvenile Probation Commission (JPC) also has implemented this system for its commissioners. They report that the system is useful, enabling them to upload interviews with clients quickly.

Southern California Edison has implemented speech recognition technology for 100 of its rehabilitative employees suffering from carpel tunnel syndrome and is planning to implement it company wide. The company reports that staff members have found it cuts work time in half, increases productivity, and cuts overtime expenses.

RECOMMENDATIONS

The Children, Youth, and Families Department (CYFD) should implement a pilot project for 30 Protective Services Division (PSD) workers for a minimum of six months to assess the use of speech recognition technology and handheld digital recorders.

The agency should perform pre- and post-surveys to measure outcomes such as job satisfaction, retention, turnover, amount of work time saved, and stress reduction. Favorable results of the pilot project should result in full implementation of this technology across CYFD in FY06.

FISCAL IMPLICATIONS

With the successful implementation of this recommendation, the state could avoid costs of $276,000 per year or more related to turnover of Children, Youth, and Families Department (CYFD) Protective Services Division (PSD) staff. CYFD estimates the cost of turnover at approximately 50 percent of the salary. Implementation of this new technology could reduce the current turnover rate of 22 percent by a modest five percentage points resulting in the savings.

According to industry providers of this technology, pilot projects of this nature involving 30 users should cost approximately $25,000. Given CYFD's FY05 Program Support Budget of $14.9 million, the cost can and should be absorbed by the agency.

ENDNOTES

1. Maryellen Strawniak, Deputy Director, Protective Services Division, Children, Youth and Families Department,
2. "Fact Book, Fourth Quarter and Annual 2002", Children, Youth and Families Department, Protective Services Division, February 2003
3. Trish Ortiz, Administrative Manager, Protective Services Division, Children, Youth and Families Department
4. Pauline Garcia, Management Analyst, Protective Services Division, Children, Youth, and Families Department
5. Tracy Fava, Research and Evaluation Manager, Protective Services Division, Children, Youth and Families Department
6. ScanSoft, Inc. Dragon Naturally Speaking, www.dragonsys.com, September 12, 2003
7. Monica Cabrera, Special Projects Administrator, Texas Protective and Regulatory Services
8. Leslie Jacobs, Probation Commissioner, Texas Department of Juvenile Probation Commission
9. Pat Thompson, Administrative Assistant, Southern California Edison
10. "Retention of Child Welfare Caseworkers, A Report" Freda Bernotavicz of Edmund Muskie School of Public Service, *from* National Child Welfare Resource Center for Organizational Improvement http://muskie.usm.maine.edu/helpkids, October 28, 2003
11. Kimberly Hamerdinger, Recruiting and Retention Manager, Administrative Services Division, Children, Youth and Families Department
12. Yvette Valdez, Financial Manager, Protective Services Division, Children, Youth and Families Department
13. "Children Protective Services (CPS) Investigations by County", Children, Youth and Families Department, October 2003
14. Child Protective Services Investigations, NMAC 8.10.3.17, NMAC 8.10.3.18 and NMAC 8.10.3.19
15. Misty Daniels, Government Sales, CompuCom
16. Jennifer Ruddle, SW Regional Sales Manager, Scansoft
17. "Costing Child Protective Services Staff Turnover", Michelle I. Graef and Erik L. Hill, Child Welfare, Volume 79, #5, September/October 2000
18. Barbara Roe, Deputy Division Director, Employee Support Services, Administrative Services Division, Children, Youth & Families Department

Improve Nursing Home Oversight

State agencies involved in the oversight of nursing homes and long-term care facilities should improve communication and exchange of information.

BACKGROUND

Nursing homes and other long-term care facilities provide care and housing for some of New Mexico's most vulnerable citizens – the frail, elderly, and disabled. It is critical that nursing homes and other long-tem care facilities be well monitored and held accountable for the quality of care and services provided to this group of New Mexicans.

The nursing home industry is one of the most heavily regulated in the nation. While stringent regulations are required to ensure appropriate care and safety of residents, marginal reimbursement rates from public and private insurance coupled with exacting regulatory demands can place some facilities in financial jeopardy.

Many state agencies including the Department of Health (DOH), the Human Services Department (HSD), the Children, Youth, and Families Department (CYFD), the Aging and Long Term Care Department (ALTCD), the Attorney General's Office (AGO), and the Department of Environment share some responsibility for different aspects of the oversight of nursing homes, long-term care facilities, and the people who live in them. In addition to these state agencies, local law enforcement as well as state and local fire marshal offices all have defined responsibilities and roles to play.

Many of these responsibilities overlap, and the agencies often do not work well together, resulting in a costly burden to the facilities. More important is that the current framework is not effective in protecting the interests of nursing home residents.

Providing nursing home services is a tough challenge. New Mexico has recently witnessed the closing of three nursing homes within the last year due to economic pressures, despite the significant public monies that fund the majority of costs for services and care provided by these facilities. In New Mexico, the closure of a nursing home is often traumatic for the residents, their families, the employees, and the community. This is an area where the responsibility for ensuring the safety and well being of a vulnerable population must be carefully balanced with the financial and administrative impact created by governmental oversight of a fragile industry.

FINDINGS

Of the core group of state agencies responsible for regulation and oversight of the nursing home industry, DOH has statutory responsibility for the licensing and certification of nursing homes allowing a facility to operate within the state and to receive payment for services from state and federal health insurance programs. DOH has the authority to revoke or suspend a license or certification, or to require corrective action of the facility to return to compliance. Currently, one unit conducts the licensing and certification functions while another handles the investigation of incidents. DOH intends to combine the two units responsible for this work. DOH maintains information concerning licensure, certification, and incidents within several electronic databases.

The Adult Protective Services Program (APS) within the Protective Services Division of CYFD is statutorily responsible for investigating allegations of abuse, neglect and exploitation of vulnerable adults, including those who reside in nursing homes. CYFD maintains information concerning allegations, investigations, and investigation findings within its own electronic database.

The newly created ALTCD includes an ombudsman program whose volunteers visit nursing homes and other long-term care facilities on a regular basis to assure that residents are receiving the care they deserve. ALTCD also maintains information electronically. Efforts are under way to consolidate APS services currently housed at CYFD with ALTCD. It is possible that this significant yet potentially costly endeavor could result in some streamlining of the oversight of nursing home.

HSD's Medical Assistance Division is the state agency responsible for the administration and integrity of the Medicaid program. HSD is involved with nursing homes for payment purposes, as much of nursing home care is paid for with public funding. HSD investigates nursing homes when Medicaid fraud is alleged. MFCU of the Attorney General's Office investigates and has responsibility for criminal prosecution of those cases. Finally, the Department of Environment is responsible for food inspection and worker safety at these facilities. Each of these agencies maintains information in their own separate electronic databases.

Each agency involved in the oversight of nursing homes and long-term care facilities has clear statutory authority. However, the significant overlap means the work of one agency can significantly impact the actions of another. For example, CYFD may be investigating an incident resulting in a determination that a resident has been neglected. DOH may have been investigating the same incident to determine if any certification or licensing regulations have been violated. At the same time, HSD and MFCU could be looking at the same incident to determine if the neglect resulted in Medicaid fraud and if re-payment is required or criminal charges should be pursued. As is often the case, each of these agencies may conduct separate investigations at different times. Therefore, a nursing home operator may have to provide the same or similar information to multiple sources over a period of time that could last six months or more.

A Joint Protocol between the key agencies that outlines mandated responsibilities, working relationships, and exchange of information has been in place for over ten years. During the 2003 legislative session, amendments to the Public Health Act enhanced the expectations for the Protocol. As a result, the Protocol is being renegotiated.

While the new Protocol will provide a more thoughtful, streamlined, and collaborative approach to the regulation and oversight of nursing home and long-term care facilities, it still relies upon paper and verbal communications when it comes to information sharing. Currently there is no common or shared electronic mechanism to provide for the accurate and timely sharing of information resulting in:

- The potential continuation of preventable health and safety risk factors as state agencies wait for valuable information;
- Misinformation or delays in the receipt of information as a result of human error;
- Duplication and redundancies in state employees' efforts;
- Increased administrative burden for the nursing home operator who must respond to multiple requests for identical or similar information;
- Delays in the state's ability to recoup fraudulent payments; and
- Delays in the timely arrest and prosecution of cases involving criminal activities.

Computer software engineers have designed programs that can integrate data sources from multiple and different systems. At Presbyterian Hospital in New York City, implementation of this technology has eliminated paper work backlogs, saved over $750,000 on the printing of paper forms and documents, and abolished wait times for admission to the hospital from the Emergency Room. Presbyterian estimates that it will see at least $15 million in savings in the first year alone.

New Mexico currently owns a software package capable of achieving these results and has already demonstrated success. The federal Health Insurance Portability and Accountability Act of 1996 (HIPAA) required the electronic transaction of health care information across agencies, providers, and public and private insurance companies. New Mexico was able to meet the demands of the federal legislation quickly by integrating systems from four state agencies while maintaining the integrity of each. The HIPAA Project uses Microsoft's Biz Talk to integrate data from the General Services Department, CYFD, HSD, and the Retiree Health Care Authority. DOH also currently uses the Biz Talk program to integrate its data systems internally.

Biz Talk works by searching each agency's system to identify specific pieces of information to be shared. Biz Talk can either automatically send an immediate electronic message to other state agencies making them aware of the information and allowing them to review it, or send immediate electronic notification while simultaneously sending the information to the other agencies. Nursing homes and other long-term care facilities can use secure Internet pathways to furnish information thus expediting the investigative process and enhancing oversight.

In combination with other software packages such as Info Path – a program that creates forms so that each agency receives the information in its desired format – Biz Talk can create numerous benefits and savings, including:

- Elimination of manual processing and transmittal of information;
- Minimization of the administrative impact on nursing home operators who now have to provide information many times to many agencies; and
- More effective and efficient use of state employee time.

Coordinated and timely sharing of information between state agencies will do much to accomplish the purpose of all the state regulations and oversight functions — promote the safety and well being of New

Mexico's vulnerable, frail, elderly, and disabled citizens who rely on nursing home care.

RECOMMENDATIONS

The state should improve the communication and exchange of information among state agencies involved in oversight of nursing homes and long-term care facilities.

The first step should be a complete study of the key agencies to identify the specific information requirements and core components each agency maintains to accomplish their mission with respect to regulation and oversight of nursing homes and long-term care facilities. The study should include the Department of Health; Children, Youth and Families Department; Aging and Long Term Care Department; Human Services Department; and Medicaid Fraud Division of the Attorney General's Office. This information, in combination with the Biz Talk software application, would enable the state to determine what other technologies and program components can best meet the state's needs and at what cost.

FISCAL IMPLICATIONS

Completion of the study has been estimated to cost $350,000 and should be shouldered by the included agencies of Department of Health; Children, Youth and Families Department; Aging and Long Term Care Department; Human Services Department; and Medicaid Fraud Division of the Attorney General's Office. Given the scope of the project in light of similar efforts – for example, the HIPAA Project – the state could expect a cost of from one to two million dollars to move the system into full operation.

The state would receive savings in terms of improved effectiveness and efficiency of state workers, reduction and/or elimination in costs related to producing paper documents, and potentially an enhanced ability for the more timely collection of state funds related to fraudulent or inappropriate Medicaid billing which cannot yet be determined.

ENDNOTES

1. Wilma Hammar, Licensing and Certification Chief, Division of Health Improvement, Department of Health
2. Linda Sechovec, Executive Director, New Mexico Health Care Association
3. Maria Romero, Facility Management, Department of Health
4. Shelly Valencia, Program Manager, Protective Services Division, Children, Youth, and Families Department
5. Catrina Hotrum, State Ombudsman, Aging and Long Term Care Department
6. Martin Rosenblatt, Chief, Quality Assurance Bureau, Medical Assistance Division, Human Services Department
7. Draft Joint Protocol dated June 20, 2003
8. Cathy Vincent, Medicaid Fraud Unit, Attorney General's Office
9. Mickey Rogers, Chief, Incident Management Bureau, Division of Health Improvement, Department of Health
10. Lynne Anker-Unnever, Deputy Director, Aging and Long Term Care Department
11. Gerald McBride, Legal Counsel, Protective Services Division, Children, Youth, and Families Department
12. Dale Atkinson, Chief Technology Officer, POD, Inc.

Increase Immunization Rates

The state should make establishment of a standardized immunization registry a priority to increase immunization rates for children and adults.

BACKGROUND

Immunizations to protect against infectious and communicable diseases are one of the greatest public health achievements in recent history. Polio, measles, smallpox, diphtheria, and other once-deadly diseases have either been eliminated or largely reduced from every day life in the United States. Still, inadequate immunization rates leave New Mexicans vulnerable to outbreaks of potentially life-threatening, expensive, and preventable diseases including whooping cough, influenza, and pneumonia. In 2001 in New Mexico, preventable flu and pneumonia claimed 381 lives and was the seventh leading cause of death.

Outbreaks of preventable disease can be costly. California estimates that, during the measles outbreak of 1989-90 when 135 people died and thousands became ill, direct medical expenses and emergency response costs totaled more than $31 million.

Preventable diseases not only affect the patients directly, but may also compromise the ability of families to continue to work because of the need to care for their children or other loved ones. According to a *National Immunization Survey* from the Centers for Disease Control and Prevention (CDC), New Mexico currently has fully immunized only 65 percent of children age 19 months to 35 months, ranking the state 49th in childhood immunization rates. The study also reported that 21 percent of 19-35 month-old children receive at least one dose of vaccine that they do not need because manual records are not available or are not current. This unnecessary cost surpasses an estimated $15 million nationally.

About one-quarter of all children see more than one immunization provider in their first two years of life. Each change of provider requires a manual record pull and review, at an estimated national cost of $16 million — money that could be saved if every state had an on-line registry in place.

The national *Behavioral Risk Factor Surveillance Survey* reports that about 68 percent of the state's adults receive annual flu shots, which is slightly above the national average of 65 percent. According to CDC, every year about 36,000 people die, 114,000 are hospitalized, and tens of millions miss work or school during the flu season. These numbers could be dramatically improved if more adults got annual flu shots. For example, a large HMO in Minnesota implemented an on-line registry and improved the influenza coverage rates from 64 percent to 82 percent and the pneumococcal coverage from 65 percent to 85 percent.

FINDINGS

An Immunization Registry is a proven strategy to facilitate individual and collective record keeping about child and adult immunizations. Implementation of a Statewide Immunization Information System (SIIS) for children and adults in New Mexico is a top priority for First Lady Barbara Richardson, state health officials, and other stakeholders.

A registry is a confidential, often Web-based tool that allows critical public health information to be made available to authorized parties — clinicians, public health officials, schools, and parents. Nationally, 44 states have immunization registries at various stages of implementation. Others have planning and development efforts underway. The CDC supports registry development by providing technical assistance, funding, and registry standards.

New Mexico has no standardized mechanism for recording immunization data and, therefore, no ability to monitor the immunization status of residents. This also means that efforts to provide immunization clinics are hampered because clinics must rely upon the parents to have the hard copy immunization records to know what vaccines the child needs. In the absence of an automated system, medical professionals cannot easily determine who needs what vaccines or pro-actively contact them for scheduling.

An online registry could allow New Mexico children to be appropriately immunized at any time, at any location, even if the hard copy immunization records were not present. A registry could also produce reminders and notices to help parents and providers know when shots are needed. Once operational, a registry could be an efficient and effective mechanism for recording immunization data – saving time and money for most medical practices.

More than 450 public and private providers in New Mexico are Vaccine for Children (VFC) providers. VFCs have agreements with the state Department of Health (DOH) to receive free vaccines and to provide them to children in exchange for a small administrative fee. The current system requiring hard copy documentation for these vaccines is inefficient — compliance is incomplete and data entry is backlogged by more than a year. The Adult Immunizations Initiative (AII) for flu and pneumococcal vaccines is fragmented, with individual providers purchasing vaccines and no tracking system beyond an individual's personal medical records.

The design and development of the New Mexico Statewide Immunization Information System (SIIS) has been under discussion for many years, but progress has been slow. In 2001, a decision was made to finance the SIIS through the state's Medicaid program to maximize federal matching dollars. In 2002, the Legislature appropriated $500,000 as an initial state match to begin the implementation of this project.

The SIIS Steering Committee has now completed a definition of requirements and analyzed several alternative approaches to implementing a system. A final evaluation of alternatives was conducted and a selection made in November 2003. Installation and implementation of the Wisconsin Immunization Registry, the selected alternative, is underway with a targeted implementation in early Fall 2004. Over time, the costs for the SIIS initiative will be borne by state taxpayers, federal Medicaid matching funds, and grants from the CDC.

RECOMMENDATIONS

The state should establish the Statewide Immunization Information System (SIIS) as the standardized registry to record immunization data to increase efficiency, allow for assessment and monitoring, and improve immunization rates for children and adults.

The Governor should issue an Executive Order to make establishment of the registry a priority and establish a timeline for implementation of the SIIS in FY05, including the hiring of an SIIS project leader and dedicated technical staff, using the previously appropriated state funds. A recurring general fund appropriation of $210,000 annually to match federal funding from Medicaid and CDC will be required beginning in FY07.

FISCAL IMPLICATIONS

Since savings are achieved by avoiding the costs related to treatment of illness and disease outbreaks, specific savings from implementing an Immunization Registry cannot be calculated.

A *Public Health Report* study in August 2002 compared the operational costs of maintaining immunization data in various office settings. The research showed that electronic immunization registries "offer an efficient tool for the delivery of immunization services" and that costs were about half of those associated with obtaining data without a registry. A separate study by *All Kids Count* showed the cost of maintaining immunization registries is about $3.90 a year per child, compared to $14.50 to manually retrieve, review, update, and re-file each record. Applying these savings to the approximately 78,000 New Mexico children who are three years or younger yields a potential savings of more than $2.5 million a year in New Mexico's health care system.

Additional savings could be achieved at the beginning of each school year when nurses must assess every new child's immunization status. This is currently done manually at great time and expense for parents and school nurses. With a registry, these costs would be minimized.

Estimated Fiscal Impact
(in Thousands)

Fiscal Year	General Fund			Other Funds		Change in FTE
	Cost	Savings	Net	Cost	Savings	
2005	-	-	-	1,975.0	-	6.0
2006	-	-	-	1,052.5	-	2.0
2007	211.3	-	(211.3)	538.8	-	(1.0)
2008	211.3	-	(211.3)	538.8	-	-
2009	211.3	-	(211.3)	538.8	-	-
TOTAL	**422.6**	**0.0**	**-422.6**	**4,643.9**	**0.0**	**7**

ENDNOTES

1. "Ten Great Public Health Achievements – United States, 1990-1999", Morbidity and Mortality Weekly, December 24, 1999 *from* Centers for Disease Control and Prevention, http://www.cdc.gov/mmwr/preview/nmwrhtml/mm4850bx.htm, November 17, 2003
2. "2001 Annual Report", New Mexico Health Statistics and Vital Records, Department of Health, 2002
3. "Public Health – Statewide Immunization Information System", 2000-01 Legislative Analyst's Office, State of California
4. "National, State, and Urban Area Vaccination Coverage Levels Among Children Aged 19—35 months---United States, 2001", Morbidity and Mortality Weekly Review, August 2, 2002 from Centers for Disease Control and Prevention, http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5130a2.htm, November 17, 2003
5. "Behavioral Risk Factor Surveillance System data, 1997 and 1999 combined" *from* Centers for Disease Control and Prevention, http://www.cdc.gov/nip, November 17, 2003
6. "Immunization Registry Progress --- United States, 2002", Morbidity and Mortality Weekly, August 30, 2002 *from* Centers for Disease Control and Prevention, http://www.cdc.gov/mmwr/preview/mmwrhtml/mm5134a2htm, November 17, 2003
7. Centers for Disease Control and Prevention website: www.cdc.gpv/nip/registry/ir-whatare.htm, November 18, 2003
8. Steve Nickell, Ph.D., Immunization Program Manager, Public Health Division, Department of Health.
9. "Immunization Registries: Costs and Savings", Verna B. McKenna, MA, Alan Sager, Ph.D., Julia E. Gunn, R.N., M.P.H., Pat Tormey, R.N., M.P.H., and M. Anita Barry, M.D., M.P.H., Public Health Reports, Volume 117, July-August 2003
10. Every Child By Two, www.ecbt.org/registrybooks5.html, October 21, 2003
11. "Ask the Experts - Influenza", William L. Atkinson, M.D., M.P.H., Needle Tips, October 2003
12. "Focus on Immunization Registries", All Kids Count, Winter 2000
13. Thomas Romero, Deputy Secretary, Human Services Department

Consolidate Food Safety Programs

The state should consolidate food safety programs to enhance its ability to ensure public health and guard against potential bioterrorism.

BACKGROUND

In 1991, the Health and Department of Environment was split into two agencies, the Department of Health (DOH) and the Department of Environment (NMED). At that time, some public health programs, including the Food Safety Program, were housed within NMED. NMED's Food Safety Program administers the inspection and permitting functions for food service and processor entities, and investigates food-borne illness outbreaks. The Food Service Sanitation Act provides the authority to the "environmental improvement agency" (NMED's predecessor agency) for food safety issues.

DOH's Office of Epidemiology also investigates food-borne illness outbreaks in addition to responding to them as a public health agency. Under the auspices of the Centers for Disease Control and Prevention (CDCP), the State Epidemiologist is responsible for both investigation and reporting of food-borne illness outbreaks.

While state practices vary widely when it comes to where food safety programs are housed, the CDCP perceives food-borne illness outbreak investigations as a vital public health activity and provides funds to health departments around the country to respond to this issue. At least 30 states have this activity as part of their health or health-related agencies.

FINDINGS

The Department of Health (DOH) deals with a broad range of health and safety issues. DOH's Office of Epidemiology has the primary role, under the auspices of the

Centers for Disease Control and Prevention (CDCP), to investigate outbreaks of food-borne illness. The Office of Epidemiology also houses the Bioterrorism Unit responsible for preventing and investigating bioterriorism and homeland security issues related to food safety and public health.

According to a 2003 report on food-borne illness outbreaks by the Association of State and Territorial Health Officials (ASTHO), CDCP has stated that preventing and responding to food-borne illness outbreaks is a critical public health activity. CDCP has also stressed that a work force dedicated to food safety issues is critical for effective prevention and control of such outbreaks.

Since the terrorist attacks on September 11, 2001 and the anthrax scare later that year, CDCP has heightened its concern about the security of the nation's food supply and whether it could be a potential vehicle for introducing biological or chemical agents into the population. These challenges require a significant public health response, and CDCP has encouraged state public health agencies to expand their role in responding to changes in food production and importation.

DOH has tremendous capacity to incorporate and strengthen the current food safety program. For example:

- New Mexico is considered a "centralized" state in that local public health offices are under the direct authority of the state's public health agency. This makes it easier for direct communication and coordination of all types of health issues, including those related to food-borne illness outbreaks. In most centralized states, the state health department has the primary responsibility for all aspects of outbreaks, including inspection, licensing, and regulation, as well as investigation of food-borne illness outbreaks.

- DOH's Office of Epidemiology is responsible for investigating and reporting food-borne illness outbreaks. The office also submits the food or food service equipment to the State Laboratory for analysis, writes up the epidemiological study related to the incident, and makes recommendations for actions to be taken. These reports are generally sent to CDCP.

- The State Epidemiologist frequently uses the media to inform the public about a wide variety of health and safety issues, from Hantavirus outbreaks and plague cases to injury-related issues such as drinking and driving. DOH has enjoyed considerable access to the media over the years on these and other health and safety issues.

- The Office of Epidemiology has received funding from CDCP to establish an Emerging Infections Program (EIP) and is part of the Foodborne Diseases Active Surveillance Network (FoodNet). The goals of these two programs are to extend traditional public health activities to address the surveillance, prevention, and control of emerging infectious diseases. The Office of Epidemiology also has a CDCP cooperative agreement specifically for food safety activities, which includes funding for electronic reporting, collection and transport of specimens, personnel and equipment, and expanding infectious disease training to physicians and institutions statewide.

- DOH's Public Health Division operates four district offices and 50 field offices with staff that include public health nurses, epidemiologists, health educators, physicians, and other medical and clinical level staff. The varied expertise among staff allows DOH to form a public health team to respond to bioterriorism or disease outbreaks under the direction and with the technical assistance of the Office of Epidemiology. In addition, DOH central and field office staff conduct community health awareness activities on a variety of public health issues including food safety.

- As explained above, the Food Safety Program administers the inspection and permitting functions for food service and processor entities, and investigates food-borne illness outbreaks.

- Food Safety Program funding in the Department of Environment (NMED) is primarily from the state's general fund.

Funding is augmented by food service and processor fees that support two central office staff members, four field district staffers, and some operating costs. Forty-eight NMED field staff generalists spend about 30 percent of their time on the Food Safety Program.

Since the NMED Food Safety Program is both a central office and field office program, DOH's Public Health Division would be the best organization to house the program because it also has central office programs and field offices statewide. The Office of Epidemiology would then be able to mobilize statewide teams of public health professionals in case of a food-borne illness outbreak, bioterriorism, or other security threat potentially involving the nation's food supply.

RECOMMENDATIONS

The Department of Environment's Food Safety Program and operations should be transferred to the central and district offices of the Department of Health (DOH) to:

- Consolidate and enhance the state's capacity to deal with food safety issues around the state, especially in cases of potential bioterriorism or security threats that could involve food-borne illness outbreaks.
- Improve the state's ability to respond to widespread food-borne illness outbreaks. The Food Safety Program would be enhanced by coordinating it with other DOH public health issues both in the central office and in the district and field offices.
- Improve customer service. In the case of a food-borne illness outbreak related to a bioterrorism or security incident, a single agency would be responsible for investigations, coordination of responses, information dissemination, and reporting for the entire state. Food service establishments and their clientele would enjoy the benefits of
- a single agency to deal with permits, inspections, violations, complaints, and investigations.
- Raise awareness about food safety, as DOH's better access to the media on public health issues would enable timely dissemination of food safety information to the public. Field personnel would also be better able to interact with local interests on food safety issues, as sources of public and environmental health information would be consolidated.
- Make it easier to develop a public health team for the Food Safety Program. Under the direction of DOH and the Office of Epidemiology, cross-training with other DOH central and field office personnel would expand the state's role in food safety throughout the state.

The following steps should be taken to achieve full implementation:

- Amend the Food Service Sanitation Act to reflect transfer of responsibilities to DOH.
- Transfer to DOH from NMED two central office full-time employees, four district food safety specialists, and the food service and processor permit fee dollars that support them.
- Transfer 15 full-time "Generalists" (30 percent of the total) from the NMED field offices to DOH's Public Health Division field offices, and 30 percent of the Field Operations general fund budgets allocated to field offices. It is important to transfer field workers from the larger district offices to avoid causing overload of duties to the offices with only one to three total workers.

The two agencies should cooperate fully in transferring the necessary vehicles, equipment, computers, and furniture to provide central office and field staff in both agencies with sufficient resources to do their jobs.

FISCAL IMPLICATIONS

Based on the FY04 operating budget for the Department of Environment's (NMED's) Field Operations Division, $2.1 million should be transferred from NMED to the Department of Health in FY05 to support the Food Safety Program. This amount includes the entire food service and processor permit fee budget for NMED ($589,400 for FY04) and the 2 central office and 4 four field office full-time employees funded through fees, as well as 30 percent of the general fund budget from each of the four NMED districts, including 15 full-time employees who function as "generalists" in the field.

Some other nonrecurring costs are likely to be incurred by the agencies during the year the functions of the Food Safety Program are transferred. These costs should be absorbed within the agencies' operating budgets.

ENDNOTES

1. James Bearzi, General Manager, Department of Environment
2. Mack Sewell, State Epidemiologist, Department of Health
3. "Putting the Pieces Together: An Analysis of State Response to Foodborne Illness," Association of State and Territorial Health Officials, www.astho.org, August, 2003.
4. Lorie Stoller, Manager, Food Safety Program, Field Operation Division, Department of Environment
5. Patsy Nelson, Deputy Director, Public Health Division, Department of Health
6. Chuck Hennessee, Environmentalist, Las Cruces Field Office, Field Operations Division, Department of Environment
7. Food Service Sanitation Act – Section 25-1 NMSA 1978
8. "State Food Safety Resource Survey", Association of Food and Drug Officials, http://www.afdo.org/pdf/srsurvey/table2.pdf, November 14, 2003

Chapter VI:

Making the Workforce Development System Work

Summary

Public Works LLC was jointly commissioned to study the state's workforce development and education efforts and to develop recommendations for producing a competitive and highly skilled workforce in New Mexico, by:

- The State of New Mexico, as part of the New Mexico Performance Review ordered by Governor Bill Richardson, and
- The Bridges to Opportunity for New Mexico Initiative, a coalition of public and private stakeholders that has been studying the workforce education system in New Mexico and reported its findings to the Governor in the May 2003 *Report to the Governor from the Stakeholders Coalition*.[1]

Public Works reviewed recent reports and analysis of New Mexico's workforce needs and workforce education system; researched high quality workforce education systems and best practices in New Mexico and other states; and interviewed workforce education experts from New Mexico and elsewhere, representatives of New Mexico's state agencies and legislature, its community colleges, other education and training providers, and the business community.

This report:

- Reviews the status and effectiveness of New Mexico's efforts to develop, educate, and train its workforce.
- Identifies some of the elements of a successful workforce development system.
- Proposes reforms to improve the delivery of workforce development and education in New Mexico, including a governance structure to integrate education, workforce development, and economic development policies and programs in New Mexico.

Specifically, **Public Works** proposes the following specific action steps to make New Mexico's workforce development system *work*:

Integrate State Government's Workforce Development Leadership

Create a *Governor's Office of Workforce Training and Development* responsible for strategic planning, oversight, and monitoring for the state's entire workforce education system, with following responsibilities:

1. Oversee an inclusive process for assessing future workforce needs and crafting a vision and strategic plan for the state's workforce over the next decade, initiated with a statewide *21st Century Workforce and Economic Development Summit.*
2. Staff and work with the State Workforce Development Board to help it carry out its responsibilities.
3. Draft a unified plan for workforce education programming and funding to include recommendations to the Governor and the legislature for the most efficient method of streamlining and consolidating the administration of state workforce development programs. To the extent feasible, consolidate the administration of state workforce development programs (including WIA and employment security programs, TANF and Food Stamps employment and training, career, technical and adult education, and vocational rehabilitation) into a single agency.
4. Exercise final approval authority over state workforce development funding decisions, including relevant funding levels for each program.
5. Develop and monitor a performance-based system of accountability for state workforce education programs, the State and local WIBs, One-Stop Centers, and workforce training providers.
   - Establish system-wide benchmarks to evaluate effectiveness of the entire workforce system.
   - Create benchmarks by region and by program to evaluate effectiveness of local

WIBs, One Stops, and individual providers, taking into account variations in economic conditions throughout the state. All areas, programs, and providers should be held to high standards, and performance should be continuously evaluated so that the standards can be upgraded on an ongoing basis. Consideration could be given to establishing a sustainable funding factor for rural and economically distressed areas.

- Develop and issue a Skilled Workforce Report Card that tracks performance to the Governor, the legislature, and the public.

- Explore performance-based funding incentives for the most successful WIBs and local providers, and as a factor in determining future discretionary funding.

6. Direct, with the state's Chief Information Officer, the development of a Workforce Development Technology Plan for creation of a comprehensive and fully integrated workforce education information system.

- Creating a comprehensive global data-warehousing network to integrate existing data systems now scattered across multiple State agencies to collect, analyze and share information for setting policies, identifying needs, coordinating strategies, and monitoring progress.

- Developing a performance standards data tracking system.

- Overhauling of the New Mexico Virtual One Stop System (VOSS) to improve its accessibility and its utility to workers, businesses, and training providers.

- Upgrading and increasing the accessibility of economic and labor market data.

Make the Workforce System Economic Development-Focused and Customer-Driven

▪ Create an integrated state-level vision for Economic and Workforce Development, starting with a statewide 21st Century Workforce and Economic Development Summit to bring together education, workforce development and economic development leaders to frame a vision and set priority goals for building a skilled, competitive New Mexico workforce that can be a catalyst for economic growth.

▪ Align state economic development and workforce priorities by:

1. Expanding the state Economic Development Department (EDD) role in guiding workforce priorities, including a larger role in assessing overall state workforce trends and recommending how the state's job-specific training dollars can best be invested to maximize employment, wage levels and economic growth.

2. Improving One-Stops' responsiveness to the business community through improved performance standards for serving employers and use of training and assessment tools to ensure a common language between the business community, workers, and providers.

3. Pursuing a federal waiver request to expand the state workforce development regions from four to seven and align them with the state's economic development regions.

4. Align other workforce agencies' service regions with the state's economic development regions.

5. Creating a network of regional community college workforce development alliances connecting Economic Development Department, employers, the community colleges, the local WIBs, One Stops, and other economic and workforce development partners (see below) that designates community college "areas of service responsibility" linked to state's 18 Small Business Development Center service areas, and in which community colleges are given priority in delivering services within their areas of responsibility, unless prohibited by WIA or other relevant statutory funding proscriptions.

- Pursue expansion of customized training opportunities by:

  1. Expanding funding for the state's Job Training Incentive Program (also known as the In-Plant Training Program) and for other customized training programs for business offered in the community colleges to as much as $20 million, as the state's budget situation permits.

  2. Developing alternative methods of funding customized job training programs, such as bonds funded by diversion of state withholding taxes generated by wages earned by new employees trained through the program or use of WIA statewide funds, if available.

- Transform New Mexico's One-Stops into truly comprehensive life-long learning and service centers, based on community college campuses or hosted in conjunction with community colleges where possible, in which customers (both workers and employers) can connect with all workforce education programs and services:

  1. Enacting legislation to mandate requiring partnerships and co-location (either physical or electronic) of federally mandated One-Stop partners (such as federal Wagner-Peyser Act Adult Education and Literacy) and additional partners that are recommended under WIA and that should be mandated under state law (such as TANF and Food Stamp employment and training services) and the development of a common intake system.

  2. Convening a task force headed by the new Governor's workforce office to develop a transition plan for transforming the One-Stop system into a network of truly comprehensive and responsive service centers based at community colleges where possible.

  3. Crafting new guidelines to certify One-Stops and performance standards to monitor One-Stops performance.

  4. Pursuing opportunities for cross training of staff from various One-Stop partner agencies to ensure that all clients receive complete and appropriate support.

- Oversee creation of a system of skill training and assessment linked to portable career readiness credentials, using common standards of skill achievement that are credible with employers, workers, students, and educators (such as the WorkKeys program used in states like Louisiana and Michigan).

Coordinate the Workforce Development and Higher Education Systems

- Pursue a K-20 approach to education by including higher education within the new state Public Education Department's priorities, perhaps through creation of a Division of Higher Education.

- Craft integrated policies requiring that community colleges work with four-year institutions, technical schools, the State and local WIBs, and employers, to promote Career Pathways for students and workers at all stages of their careers.

- Assign New Mexico's underutilized community colleges responsibility as the state's primary vehicles for the delivery of workforce and basic skills education, training, and development.

- Create a high-level Office of Community Colleges, providing statewide planning, coordination, and support to maximize the role of the state's community colleges.

- Use a portion of State WIA grant Leadership Funds to develop and staff a network of community college workforce development alliances to prepare potential workers for the workplace, customized training to help businesses prepare workers for specific jobs, and incumbent worker training to help existing workers upgrade their skills.

- As a first step toward building a network of community college workforce development alliances, create a demonstration project funding an alliance or collaborative in each economic development region within the state.

Findings

The Importance of a Skilled Workforce

New Mexico's future competitiveness and economic growth are largely dependent on the skill-level of its workers. Globalization of markets and rapid advancements in technology are increasing international competition, raising productivity, and transforming the workplace.

To keep pace – let alone move ahead – in this competitive global environment, New Mexico must create a more highly skilled workforce. A recent report of the National Association of State Workforce Board Chairs well expresses the gravity of the challenge:

> The globalization of trade puts the United States in direct competition with nations producing higher-quality goods with lower labor costs. To remain competitive, businesses are reorganizing work processes, moving labor-intensive production to nations with cheaper labor, automating low-skill jobs, and relying on workers to use their skills to problem solve, troubleshoot, and improve productivity. As a result, jobs are being shed at record rates, while companies across all industry sectors are clamoring over an inadequate supply of skilled workers. As companies increasingly employ a global workforce, the United States can no longer afford the luxury of leaving any citizen behind with inadequate knowledge and skills to compete. The personal prosperity of our citizens and the economic security of our nation will require uniting our education, economic development, and workforce development strategies in a common effort to equip citizens with higher skills and supply our businesses with qualified workers.[2]

A state's system of training and retraining its workers is an increasingly important factor in its economic competitiveness. In this knowledge-based global economy, a strong workforce is an economic development necessity. In fact, "workforce development" is "economic development." Businesses seek states and communities that can provide a workforce with higher levels of skills, training, and education. Those that cannot produce workers with the requisite skills will be left behind. Without a highly skilled workforce that is continually upgrading skills to meet changing market needs, New Mexico will hardly achieve the strong and competitive economy to which it aspires.

States with effective workforce development systems focus on educating and training workers today for the jobs of tomorrow. The economy of the 21st Century demands workers with skills, knowledge, and abilities far different from those of generations past. Tomorrow's workers must master multiple skills, be agile thinkers, and become life-long learners.

The key question facing New Mexico, then, is to what extent is New Mexico's workforce development and education system producing a workforce with the skills and abilities necessary for the state, its businesses, and its workers to compete.

New Mexico's Workforce

Unfortunately, there is a mismatch between the knowledge-based jobs most in demand – and that provide higher incomes – and the skill and education levels of many New Mexico workers. A recent study concluded that the state "faces a real and potentially devastating future shortfall in skilled, experienced workers."[3]

Thanks largely to the Los Alamos and Sandia National Laboratories, New Mexico is home to one of the most highly educated workforces in the country. It ranks first among the 50 states in PhD scientists and engineers as a percentage of the civilian work force.[4] It has a strong foundation in high-tech and research & development, ranking 15th in percentage of high-tech jobs and 5th in industry investment in research & development (as a share of state Gross State Product).[5] Yet the state ranks 46th in education level of its overall workforce: Less than 43% of New Mexico's workers have received at least some college course work.[6]

Many of those entering the workplace will not have the skills necessary to succeed in the modern workplace:[7] About seven of every ten jobs created by 2006 will require at least some training or education beyond high school, and only one in ten will be amenable to the skills of someone without a high school diploma[8] – yet *one-third* of people ages 16 to 24 now entering the workforce in New Mexico do not have a high school degree.[9] New Mexico's high school graduation rate (59.4% in 1999) lags substantially behind the national average (67.2%).[10] According to Census Bureau data, there are an estimated 200,000 illiterate adults in New Mexico – nearly one of every six adults in the state.[11]

Even our high school graduates often lack the skills needed in today's workplace. About two-thirds of recent high school graduates entering postsecondary education in New Mexico require remediation.[12] Interviews conducted for this report underscore the mismatch: Both business and government officials repeatedly remarked that major employers seek workers and graduates from outside New Mexico when filling high-wage jobs.

The New Mexico population's education and skill deficits contribute to the state's economic difficulties. New Mexico had the highest poverty rate among all states in 2000, with nearly one of every five people living in poverty.[13] It ranks 46th among the 50 states in household income.[14] This is a vicious cycle that New Mexico must break.

New Mexico's Workforce Development System Today

A skilled workforce is vital to New Mexico's economic future. Yet the State faces considerable challenges because of the low education and skill levels of many of its residents. It is not surprising, then, that the state's workforce development and education systems have been the subject of considerable scrutiny in recent years. Unfortunately, numerous studies have identified significant areas in need of dramatic improvement.[15]

To produce a highly skilled workforce, the state must create an agile workforce training and education *system* that meets the demands of the 21st century economy:

- The state's workforce development system's planning, oversight, and administration are fragmented and lack coordination across agencies.
- Economic development and workforce development planning and policies are disconnected; planning is not driven by economic development or employer needs, as is the best practice in other states.
- The state has not created a true *one-stop* delivery system for workers and employers as envisioned by the federal Workforce Investment Act (WIA).
- The state has not provided adequate oversight of WIA programs.
- The state's community colleges have been underutilized as a workforce education provider.
- The workforce development system lacks accountability for performance, from top to bottom.
- Most crucially, New Mexico, unlike some states, has not adequately linked economic development, higher education, and workforce training in an integrated strategic plan to improve outcomes for its businesses and workers. The 1998 enactment of the federal Workforce Investment Act created an obligation – and an opportunity – for the state to craft a more integrated, accountable and

responsive workforce development and education system. But that opportunity was not realized.

In short, upon taking office early this year, the Richardson Administration inherited a workforce development system that does not serve the needs of its workers or its employers.

A New Vision for New Mexico's Workforce

Governor Richardson has consistently highlighted the importance of preparing New Mexico's future workforce and upgrading the skills of its existing workforce to make it more competitive. Campaigning for office, he proposed a "New Mexico Partnership for Jobs" to bring together business, education, labor and government to build a more competitive workforce.[16] His vision encompassed an innovative workforce education system to complement these reforms, including an independent office to coordinate the spending of workforce training funds and the use of community colleges "as the engine for locally-based, industry-supported training programs."[17] He identified workforce training as a key element of his economic development plan for New Mexico.[18]

Since coming into office, Governor Richardson has begun developing a highly skilled and flexible workforce in New Mexico to meet the demands of a diverse, high-wage global economy. He has:

- Moved aggressively to reform the K-12 educational system, successfully pushing for voter approval of a Secretary of Education position to establish true accountability in public education and commitment of resources from the Permanent Fund to give students the tools they need to succeed.
- Appointed a former teacher and administrator, Veronica Garcia, to serve in the Governor's Cabinet as the state's first Secretary of Education.
- Formed a Progress Agenda Education Task Force to develop a state education reform plan to guide the new education department.
- Capitalized a Faculty Endowment Fund to leverage private and university dollars to create endowed economic development faculty chairs, professorships, and faculty development programs at the University of New Mexico, New Mexico State University, New Mexico Tech and the state's regional universities.
- Worked with the legislature to create the Work Force Skills Development Fund, to provide matching funds to state community colleges (individually or as consortia) for the development, expansion, and support of broad-based entry-level high-skills training programs. This legislation encourages a greater role for community colleges in development and delivery of workforce training.
- Worked with the legislature to establish the Workforce Training Act, which for the first time, funds non-credit customized training in the community colleges.
- Worked with the legislature to increase funding from $9 million to $15 million for the Economic Development Department's customized in-plant training program (now called JTIP—Job Training Incentives Program) for new and expanding businesses to train new workers. An additional $2 million in Temporary Assistance to Needy Families (TANF) funds was supplied by the Human Services Department to augment this effort.
- Commissioned this report to assess the state's workforce development and education efforts and develop recommendations for producing a more competitive and highly skilled workforce in New Mexico. 19

These actions have set the stage for the more comprehensive and far-reaching reforms to New Mexico's workforce development system that Governor Richardson has maintained are essential to the state's future economic strength and growth – and which this report recommends.

Recommendations

Studies of the states that have been most successful in developing effective workforce development systems have identified several common steps undertaken by these leading states.[20] Leading states have:

- Created more unified systems by coordinating, consolidating and/or aligning multiple workforce development programs and funding streams.
- Designed "customer-driven service delivery systems."
- Reframed "workforce development" as "economic development."
- Linked welfare and workforce services.
- Made investments in technology to manage service delivery and make services more accessible.
- Emphasized accountability, performance management, and positive outcomes.
- Strengthened governance of statewide workforce development efforts.

In pursuing unified, customer-driven, and economic development-focused systems, states have attempted to more effectively and comprehensively deliver education, training, and support for their workforces' full range of needs:

- Preparing young people to enter the workforce work-ready.
- Serving adults who are inadequately educated and who need skills to get them onto the first rung on the career ladder.
- Delivering relevant skills training for adult workers looking to change jobs or careers (either voluntarily or involuntarily) or who desire to upgrade skills in their existing profession.
- Providing employers with customized services to train workers for specific jobs that are in demand.

Based on our review of the existing New Mexico workforce development system, interviews with leaders in the state's government, business, workforce, and education communities, and our analysis of and experience with best practices in workforce development systems throughout the country, **Public Works** has developed a series of recommendations in the following areas of focus:

1. Integrating State Government's Workforce Development Leadership
2. Making the Workforce System Economic Development-Focused and Customer-Driven
3. Coordinating the Workforce Development and Higher Education Systems

FOCUS ONE: Integrating State Government's Workforce Development Leadership

Recent studies of workforce development and education in New Mexico conclude that the system is not sufficiently integrated to effectively serve its customers: workers *and* businesses. Virtually every New Mexico study has recommended creating some type of central office or entity with authority and responsibility for aligning and coordinating workforce development and education:[21]

- The New Mexico Community College Bridges to Opportunities Project found "considerable administrative fragmentation, duplication and competition among the numerous state agencies that have responsibility for segments of the welfare, workforce, education, and economic development network," a situation that "wastes valuable financial and intellectual resources."[22]

▪ The New Mexico State Workforce Board's Special Task Force concluded that the state lacked "strategic alignment of the workforce system with public education, higher education, and economic development initiatives."[23]

▪ The recent report to the Legislative Finance Committee (LFC) on New Mexico's Implementation of the Federal Workforce Investment Act of 1998 concluded that "[m]inimal coordination exists among state agencies," impeding the state's implementation of WIA.[24]

The Need for a Fully Integrated Workforce Development System

New Mexico's workforce development system has been criticized for fragmentation and lack of integration on at least two primary levels.

▪ ***Statewide Fragmentation***. First, at the state level, major workforce development, training and education programs are administered by at least ten different state agencies:[25]

1. Aging and Long-Term Care Department provides training and part-time employment for low-income older workers.
2. Public Education Department – Career, Technical and Adult Education Services provides high school, post-secondary and adult education and training opportunities.
3. Public Education Department – Vocational Rehabilitation provides services to help people with disabilities to enter suitable employment.
4. Commission on Higher Education provides adult basic education.
5. Commission for the Blind provides vocational rehabilitation and employment support for the blind.
6. Department of Labor provides training, education, and employment services, including the Workforce Investment Act services.
7. Human Services Department provides TANF training and support, including childcare and Food Stamps employment and training.
8. Corrections Department provides adult basic education, vocational education, and other services for those in correctional system.
9. Economic Development Department provides customized job training through the in-plant job-training program.
10. NM Highway and Transportation Department provides transportation to work and support services for people who are moving from welfare to work and other low-income working people.

The largest programs are divided among four different state agencies:

▪ The Department of Labor administers more than $20 million in WIA funds and an additional $32 million in other employment services.

▪ The Human Services Department administers more than $49 million in TANF and Food Stamp employment, training, and support services (not including about $90 million in monthly cash assistance).

▪ The Economic Development Department provides $15 million for the customized Job Training Incentive Program (also known as the In-Plant Training Program).

▪ The Public Education Department administers about $40 million in career and technical education, vocational rehabilitation and related services.

These state agencies administer dozens of federal and state funding streams and contract with numerous local agencies and organizations to deliver services. One recent study identified 270 different state and local programs involved in New Mexico's workforce development system.[26]

Despite the proliferation of programs and funding streams, driven to a great extent by federal mandates and proscriptions, interagency coordination of these at the state level has been limited, particularly as compared to other states.

- ***Local Fragmentation***. Second, the workforce development system is equally fragmented at the local delivery level. For example, WIA requires that New Mexico deliver a broad array of workforce development services (including 19 federal programs such as adult education and literacy programs under the Wagner-Peyser Act, Trade Adjustment Assistance services, and postsecondary vocational education programs under the Carl D. Perkins Act) through One-Stop Centers. WIA recommends that additional programs (including Temporary Assistance for Needy Families programs and employment and training programs under the Food Stamp Act) be delivered through One-Stop Centers as well. But most of these mandated or recommended program partners are not fully participating in the One-Stops on a local level.27 Currently, there is not a true One-Stop system in which both customers – employers and workers – can access the services they need at one location.28

It is clear that the state must streamline and integrate the workforce development system at both the statewide and the local delivery levels.

The experience of other states can guide New Mexico in crafting a more effective governance structure. Effective workforce education systems have a governance and accountability structure that "combines resources of many programs, engages the private sector, and focuses on meaningful outcomes."[29] States identified as leaders in developing coherent workforce development and education systems have taken varied approaches based on the unique needs and institutional histories within their own states.[30] But these leading states have generally taken one of two approaches to workforce education governance and service delivery:

- Integrate all or most workforce education programs into a single agency (e.g., Utah, which combined five state agencies into one Department of Workforce Services, or Michigan, which recently consolidated both workforce development and economic development programs into a single agency, the Michigan Department of Labor and Economic Growth), or

- Create a central office or authority to oversee strategic planning, coordination, and collaboration of workforce-related programs that remain in one or more state agencies (e.g., Pennsylvania or Texas).

We recommend that New Mexico implement a staged approach, first centralizing strategic planning, oversight, and monitoring of the state's entire workforce education system within a new office under the Governor. This office would lay the groundwork for the subsequent consolidation of the administration and delivery of all workforce development programs in a single unified agency.

A Governor's Office of Workforce Training and Development

New Mexico needs to begin changing its workforce development system immediately – and it needs to make that change *lasting*. The only effective way to make fundamental and lasting change is through strong leadership – and a single point of accountability. The Governor must lead the way in coordinating education, workforce investment, and economic development, creating a New Mexico ready to meet the challenges and opportunities of the 21st Century workplace.

The creation of a centralized office within the Governor's Office should be the first step in reforming the state's workforce development system. This *Governor's Office of Workforce Training and Development* would be responsible for strategic planning, oversight, and monitoring of the state's entire workforce education system, with administrative components of the workforce delivery system remaining, for the time being, in the state agencies that administer them now. One of the new office's first priorities, to be undertaken in its first year, would be to oversee the integration of all workforce activities into a single agency.

The *Governor's Office of Workforce Training and Development* would be the nucleus for coordinating policy and programs spanning several departments. An executive director and small staff would direct its work. The Office would also work with and staff the New Mexico State Workforce Development Board. The federal Workforce Investment Act (WIA) requires states to create state and local workforce investment boards (WIBs) to oversee workforce development planning and monitoring. As a result, New Mexico created the State Workforce Development Board to serve this statewide role. The Board would continue to set policy for and oversee implementation of WIA Programs and One-Stops, as required by federal law, but by being closely aligned with and staffed by the Governor's Office of Workforce Development, the Board's activities would be more closely linked to non-WIA workforce development, education and training programs and policies.

To succeed, this Office must have considerable planning, monitoring, and funding authority, and should concentrate on:

- ***Framing a vision for New Mexico's workforce.*** The Office should oversee an inclusive process for crafting the vision and strategic plan for the state's workforce over the next decade, assessing future workforce needs and recommending what steps will be necessary to meet those needs through a demand-driven system. This could be initiated with a statewide 21st Century Workforce and Economic Development Summit to bring together education, workforce development, and economic development leaders to frame a vision and set priority goals for building a skilled, competitive New Mexico workforce.

- ***A unified plan.*** The Office should draft a unified and comprehensive plan for meeting the state's vision through the state's workforce education programming and funding, to be implemented within one year after creation of the office. This plan should include recommendations to the Governor and the legislature on the most efficient method of streamlining and consolidating state workforce development programs – including the direct administration of the One-Stops, WIA programs, TANF employment and training, Adult Basic Education, career and technical education, and other workforce programs – into a single workforce development agency, and the mechanism for strong coordination among state economic development, education and workforce development agencies.

- ***Controlling funds.*** The Office should retain final approval authority over state workforce development funding decisions, including relevant funding levels for each program.

- ***Performance-based accountability.*** The Office should develop and monitor a performance-based system of accountability for state workforce education programs, the State and local WIBs, One-Stop Centers, and workforce training providers.

- ***Creation of an integrated information network.*** The Office should direct, with the state's Chief Information Officer, the development of a Workforce Education Technology Plan for creation of a comprehensive and fully integrated workforce education information system.

The remainder of this report constitutes **Public Work**'s recommendations in each of these areas.

A State-Level Vision for Economic and Workforce Development

It is a widely held view, expressed in interviews and meetings with business leaders, higher education officials and others, that New Mexico lacks a coherent vision for developing the workforce to be a key driver of the state's economic growth. There has been no inclusive and in-depth attempt to assess what it will take for the state to be economically competitive in the 21st Century.

New Mexico should follow the approach of Florida, Kentucky, Louisiana, and others that have created a vision for their states' future economic vitality, and for the skilled workforce that would drive it. These states formed their visions by gathering representatives from state and local government, the business community, higher education, the workforce development system, and other interested individuals and groups.

As part of its comprehensive planning efforts, the *Governor's Office of Workforce Training and Development* should work with the Economic Development Department and other state agencies to hold a statewide 21st Century Workforce and Economic Development Summit to bring together education, workforce development and economic development leaders to frame a vision and set priority goals for building a skilled, competitive New Mexico workforce that can be a catalyst for economic growth. The Summit would be a forum to address key questions for New Mexico's economic future, such as:

- What industries are natural for New Mexico to pursue, and what industries does the state need to build a strong and diverse economy?
- What worker training and skills are required by these priority industries?
- Is the workforce development system training for the fields and occupations most in demand or in the priority industries?
- What will it take to ensure that the state's workforce development, education and training system can produce workers skilled in those fields and occupations?
- What must be done to ensure that the workforce development, education, and training system is nimble and responsive enough to meet the constantly changing demands of the business community and marketplace?
- How will New Mexico attract and expand businesses that match the demands of the 21st Century economy?
- How should the state engage the business community in an ongoing process to codify the "knowledge, skills and abilities" (KSAs) needed to support priority sectors and occupations and to ensure that those KSAs are incorporated into secondary and postsecondary curricula?

The Summit should be a joint effort with the Bridges to Opportunity Initiative, and should be chaired by a committee made up of members appointed by the Governor as well as the members of the Strategic Advisory Board of the Bridges to Opportunity Initiative. [31]

Integration Through Development of a Comprehensive Unified Plan

The *Governor's Office of Workforce Training and Development* should be given a mandate to coordinate state agencies, offices and boards to establish a comprehensive, unified plan for state workforce development, education and training programs within one year of the Office's creation, and in time for the Governor and the legislature to take any legislative action to implement the plan during the 2005 session.

Title V, Section 501 of the federal Workforce Investment Act of 1998 provided an optional model for States to submit a single unified plan for administration of up to 16 federal education and training programs. While not required, following the model outlined in federal guidance documents would reduce the burden on the State and ensure that the State has met the individual program planning requirements.

Utah and Louisiana are among several states that have adopted Unified State Plans. In Louisiana, the Governor's Workforce Commission is the arbiter of funding and performance decisions under that state's Plan. Similarly, the *Governor's Office of Workforce Training and Development* would be charged with overseeing development of a comprehensive unified plan. It would make final recommendations to the Governor on programs and funding streams to be incorporated into the plan, on what programs and funding streams would be consolidated, and on how funding would be divided among state agencies.

Consolidation of Funding Control

The *Governor's Office of Workforce Training and Development* must have sufficient leverage to direct the decisions, behavior, and performance of the various agencies, offices, and programs in the statewide workforce education system pursuant to the comprehensive unified plan. Otherwise, the best it could do would be to merely encourage collaboration and coax funding and policy decisions. Therefore, the Office's authority to develop the comprehensive, unified plan should include the ability to direct workforce development, education and training funding administered by state government until a single workforce development agency is designated.

This can be accomplished in either of two ways:

- ***One: Workforce Education Funding Streams Consolidated Through the Governor's Office.*** Under this scenario, designated funding streams in the Unified Plan (such as WIA Title I, Wagner-Peyser Employment Service, Adult Education and Literacy, Trade Adjustment Assistance, Vocational Rehabilitation, TANF employment and training, Job Training Incentive Program) could be appropriated each year to the Governor's Office of Workforce Development, then distributed to the various state agencies through memoranda of understandings or other interagency agreements.

- ***Two: Workforce Education Funding Streams Directed Through State Agencies Pursuant to an Annual Comprehensive State Plan.*** A second, alternative scenario would have funding streams continue through the various agencies administering the funding stream, but funding would be directed through the comprehensive unified plan's budget, which would be approved by the Governor's Office of Workforce Development and the Department of Finance and Administration. This plan and budget would guide the Governor's annual budget proposal related to workforce education. Under this approach, the Governor's Office would have authority to transfer or consolidate funding of the various state agencies, which could be administered through memoranda of understanding or similar interagency agreements.

In either case, the Office would have final authority over workforce development spending, giving it the necessary leverage to direct improvements and reforms to the system.

Long-Term Consolidation of Administration and Service Delivery

To the extent feasible, the state's workforce development programs should be consolidated into a single agency, including but not limited to:

- WIA and employment security programs
- TANF employment and training
- Food Stamps employment and training
- Career, Technical and Adult Education (including adult basic education)
- Vocational rehabilitation programs

- Labor market information (LMI) services

According to the National Governor's Association, the clear trend is toward consolidation of workforce programs:[32]

- 33 states combine a majority of the employment and training programs funded by the US Department of Labor (DOL). For example, in 1996 Iowa consolidated employment services (ES), unemployment insurance (UI), labor market information (LMI), Job Training Partnership Act programs (JTPA – later supplanted by the Workforce Investment Act (WIA)), and other state programs into a new Iowa Workforce Investment agency.

- 10 states combine DOL-funded employment and training programs with vocational rehabilitation. In 1993, Nevada combined ES, UI, trade act, LMI, JTPA, and vocational rehabilitation (VR) services into a single Department of Employment, Training, and Rehabilitation.

- At least seven states combine most DOL-funded employment and training programs with public assistance programs (TANF, Food Stamps Employment and Training). In Connecticut, Florida, Michigan, and Texas, administrative responsibility for TANF is shared among several agencies. For example, in Florida, all WIA and TANF employment functions have been merged under one agency, while separate TANF benefits have remained with a TANF agency. Ohio, Wisconsin, and Utah have merged all welfare and workforce functions into a unified agency. For example, in 1996, Utah combined Employment Security, Unemployment Insurance, veterans' services, and JTPA with TANF (then AFDC), the Food Stamp Program, and childcare programs.

- Three states combine DOL-funded employment and training programs with education programs. Alaska combines adult education with major employment and training programs. Indiana put vocational education, school-to-work, and workforce literacy programs into the same agency with employment and training programs. Michigan combines career technical education, adult education, and career preparation — including community colleges — with vocational rehabilitation and employment training programs.

- A small but increasing number of states, starting with Utah and most recently Minnesota and Michigan, have combined workforce development and economic development programs into a single agency.

New Mexico essentially has four options in consolidating its workforce programs:

- The creation of a new Workforce Development Department could be easily accomplished by elevating the interim Governor's Office of Workforce Training and Development to departmental status if it is successful at its work over the next 12 months. On the other hand, this could produce additional bureaucracy; while efficient consolidation might best occur in an existing state agency that already has some responsibility for workforce development, education, or training.

- The wholesale consolidation of economic development and workforce development programs into a single agency – e.g., the Economic Development Department (EDD) – is likely to face significant organizational, cultural, and other obstacles. Even the states that have most recently moved to merge economic development and workforce development responsibilities into a single agency – Minnesota and Michigan – took initial interim steps years prior to consolidation. Moving New Mexico from minimal coordination to consolidating all economic and workforce development programs into a single agency appears to be too great of a leap to be made at one time, even if that were to be the State's ultimate long-term goal. This is particularly true in light of the current size and responsibilities of EDD, which would have a significant transition taking on a wide array of workforce development programs and funding streams.

- The New Mexico Department of Labor (NMDOL) would face unique challenges in taking on this larger administrative role. In the past several months, NMDOL, under Secretary Conroy Chino, has undertaken efforts to address the many concerns raised by the U.S. Department of Labor, and more recently by the state Legislative Finance Committee, regarding NMDOL's implementation of WIA since its inception in 1998. The Department has made progress in these efforts. However, Secretary Chino and the Richardson Administration inherited longstanding issues that have undercut the credibility of the Department. Consequently, NMDOL may face stiff resistance to placing the administration of all workforce development programs under the department.

- The new Public Education Department's close links to higher education, including the state's network of community colleges, and its oversight of about $40 million in workforce-related funding make it a strong candidate to be lead agency. The agenda, responsibilities and structure of this new department are just now being formulated, however; greater workforce development responsibilities could be transitioned into the department over the next twelve to eighteen months.

Over the next year, the *Governor's Office of Workforce Training and Development* can determine which alternatives is ultimately the best home for these consolidated functions.

Merging of TANF and WIA

Regardless of the identity of the eventual single workforce entity, an important component of consolidation should be the merging of TANF and WIA program administration and service delivery. A recent national study[33] surveyed the level of integration, coordination, and collaboration between TANF and WIA programs in New Mexico at the state level. The survey concluded that New Mexico had "minimal or low level coordination" between the two systems.

Integration of TANF and WIA programming oversight and funding must be an important element of reform in New Mexico. This should be accomplished at two levels.

- ***Program Administration.*** First, TANF and Food Stamps employment and training programs, now administered by the Human Services Department (HSD), should be among the first programs consolidated into a single agency in the comprehensive plan developed by the Governor's Office of Workforce Development.

Besides the greater good achieved by coordination of multiple departments, policies, and programs, one very practical consideration is pushing states toward unified delivery networks: TANF resources available for worker training and collateral support services (income support, child care, transportation, and so on) are generally larger than funds under WIA.

Under current law, TANF funds are an exceedingly important resource for worker education and training. It is no longer necessary for a worker to be on welfare or a former welfare recipient to qualify for education and training under TANF. It is only necessary that the individual be working and meet state eligibility requirements. This emphasizes "post-placement" retention and upgrade services. Changes like this focus TANF on working poor families and allow its resources to be applied to a broad array of education, training, and support services.

One approach to address the current disconnect between WIA and TANF programs is to have local WIBs, economic development authorities, and community colleges in a region work with businesses that employ large numbers of low-wage workers to develop retention and upgrade strategies for their entire workforce, without the strictures of limited eligibility requirements. This opportunity underscores the importance of tightly linking WIA, TANF, and similar programs, focusing on labor market outcomes rather than funding sources. For example, if a small percentage of the workforce exceeds the state's income guidelines for TANF-funded education services, then WIA funds could be used to fill that gap in worker training.

Pennsylvania and the City of Philadelphia have taken this approach by pooling TANF and WIA dollars for certain youth development programs. The two funding streams have been consolidated, and a local database has been established to determine the draw down funds for each individual client, based on income and eligibility for TANF or WIA. The Governor's Office of Workforce Development should examine similar approaches to consolidating TANF and WIA funding streams. Some other best practice examples of how TANF funds have been effectively used as part of state workforce education systems include:

- Florida created Retention Incentive Training Accounts (RITAs) using TANF funds. The cap on each RITA is $5,000 per eligible participant per year, and they are used in a fashion similar to Individual Training Accounts (ITAs) under WIA. Florida coordinates use of RITAs with ITAs, providing a continuum of service options for workers from entry level through those seeking skill upgrades to reemployment support for dislocated workers.

- Washington uses TANF funds to pay for tuition assistance to community and technical colleges with eligibility running up to 175% of poverty. With surplus TANF funds, Washington created a pre-employment training program for welfare recipients linked to entry level employment based on a career pathway model that emphasizes advancement, further learning opportunities, and collateral support services (e.g. child care for adult learners).

- Louisiana uses its human services department as a pass-through for the state TANF funds that go to the state's Community and Technical Colleges. In the last fiscal year, Louisiana transferred approximately $300 million in TANF funds to its Community and Technical Colleges to educate and train TANF eligible workers.

- Iowa consolidated TANF funding with job service programs in the Department of Workforce Services (DWS) in 1996 (JTPA at the time and WIA after 1998). WIA has specific performance criteria, while TANF does not. This created a problem with Iowa's Eligibility Counselors assessing customers to TANF funds because it was easier to obtain than WIA funds for training purposes. To eliminate the problem, DWS has TANF follow WIA training policy requirements.

▪ ***One-Stop Participation.*** Second, TANF and Foods Stamps employment and training programs should be mandated by state law to be partners in revamped One-Stops.

Integrating TANF with WIA and other workforce programs delivered through One-Stops has the potential to "improve the types and quality of services available to all individuals seeking jobs and supportive services."[34] Integration can improve clients' access to employment and training services and work supports like Medicaid and child care, increase the flexibility of funding and services for both TANF and WIA clients, reduce the TANF "stigma," and provide a closer link between TANF clients and employers. In addition, it is anticipated that federal reauthorization of WIA will require TANF services be a mandatory One-Stop service; New Mexico should move forward with better integration of TANF and WIA even without waiting on federal action.

Florida is among the states that have integrated WIA and TANF services through the One-Stop system. In addition to WIA, Florida's One-Stop Employment Centers handle TANF funds for employment and training services. Programs supported by TANF funds at Employment Centers include:

- Job Readiness
- Vocational Education or Job Training

- Employment Activities – work experience programs and job creation through public or private sector employment wage subsidies
- Job Placement
- Post-Employment Services – basic educational skills training, occupational skills training, English as a second language training and mentoring
- Individual Development Accounts – post-secondary educational expenses, first home purchase and business capitalization
- Job Retention and Support Services – transportation assistance, substance abuse treatment, child care assistance and short term housing assistance

Improving Workforce Development System Accountability

Accountability is an essential element of a workforce development system that is effective in building a skilled workforce.[35] The National Governors Association's *Governor's Guide to Creating a 21St Century Workforce* asserted that a robust state workforce enterprise requires improved accountability based on meaningful outcome standards that not only measure performance of discrete programs and providers, but also track how the workforce development system as a whole is contributing to the state's economic prosperity.[36]

New Mexico's workforce education system has been widely criticized for lacking accountability.[37] There are no uniform definitions or standards for workforce training programs. Performance benchmarks for the state workforce education system overall, for local WIBs, and for training providers are inadequate.

The *Governor's Office of Workforce Training and Development* comprehensive, unified plan must address this shortcoming by developing a process for creation and tracking of performance against::

- System-wide benchmarks to evaluate the effectiveness of the entire workforce system.
- Regional and programmatic benchmarks to evaluate the effectiveness of specific programs, local WIBs, One Stops, and individual providers.

To be effective, New Mexico's accountability system must focus on meaningful outcomes. Poor quality workforce programs are dominated by a culture of "checking the box," meaning that service providers and public overseers focus too much on completing a laundry list of program requirements, rather than achieving key outcomes or making an important impact. Improved accountability comes from focusing instead on measuring improvement in labor force outcomes – such as income, skill level, and advancement. Performance benchmarks should be established, accordingly, to emphasize results.

Performance benchmarks can be a valuable tool for workforce system improvement, as long as it is recognized that measuring outcomes and meeting benchmarks is not a static exercise. Failure to meet a benchmark is a failure only if nothing is learned from the outcome. Thus, benchmarking measurable outcomes serves a diagnostic function in a dynamic system. No system is going to be perfect, but by focusing on system outcomes, New Mexico will be able to continually improve its system.

A reformed New Mexico workforce education system will develop, monitor, and enforce system-wide, program-specific, and provider-specific measures:

- ***Skilled Workforce Report Card***. The *Governor's Office of Workforce Training and Development* would issue a Skilled Workforce Report Card to the Governor and the legislature that tracks performance. The Report Card on system-wide outcomes and State WIB, local WIBs, One-Stops, and provider performance would be issued to show workers, businesses, and taxpayers to what extent performance benchmarks are being met. Report Cards would be made widely available to employers, workers and the general public through the state One-Stop network and other methods.

- ***Performance Funding Incentives***. Performance results should be considered in New Mexico to determine performance bonuses for the most successful WIBs and local providers, and as a factor in determining future discretionary funding. For example, Kentucky holds back a portion of the funding distributed through its normal formula funding to individual community and technical colleges. These funds are used for a performance incentive pool to be distributed based on performance, as measured against the key indicators. Another approach is to:

Utilize block grants that are incentive-based to promote coordination of multiple agencies and programs while emphasizing outcomes. Without emphasis on incentive based performance and accountability, training providers (including community colleges, One-Stops, etc.) will continue to be driven by market forces to provide the cheapest programs they can (e.g. cosmetology) instead of training for skills needed most by area businesses (e.g. IT training). Arkansas, California, Hawaii, Louisiana, and Virginia are among other states that implement measures to link funding with institutional performance.

The *Governor's Office of Workforce Training and Development* should work with the relevant state agencies, the State Workforce Development Board, community colleges and other providers, and other key stakeholders to (1) identify the priority indicators or benchmarks for system-wide, program-specific and provider-specific performance; (2) develop a reporting system for tracking performance against those benchmarks; and (3) create an incentive bonus fund to reward high-level performance.

Best Practice Examples

Other states have already moved forward to instill greater accountability into their workforce development systems through performance indicators.

Maryland

Maryland has defined 10 measures to track progress toward four system-wide goals:

Goal 1: *A workforce development system that produces the best-educated and most highly skilled workforce in the world.*

Indicators: Credential Rate (Percentage of state residents 18 or older who have a high school diploma or better.)

High School Drop Out Rate

College Readiness (Percent of high school graduates requiring remedial instruction upon post-secondary institution.)

Goal 2: *A labor market system that provides students, job seekers, incumbent workers, students, out-of-school youth, and employers the labor market and training information and assistance they need.*

Indicators: Self-Sufficiency Rate – Percentage of workforce development system participants served and placed by the workforce development system into jobs that attain earnings above 150% of the poverty level.

One Stop Usage Rate – Percentage of employers in a region who list a job order with the One-Stop System during the year.

Customer Satisfaction – Ratings based on surveys of workforce system participants and employers.

Goals 3 and 4:

A governance system that focuses on unified planning, continuous improvement, and accountability for results.

Universal recognition of Maryland's success in developing a world-class workforce development system.

Indicators: Job Openings in a Region – Job openings by occupation and industry.

Cost per Participant

Workforce Board Effectiveness – based on achievement of a Board's quantifiable objectives in its Action Plan.

Washington

Similarly, Washington's Workforce Training and Education Coordinating Board evaluates the state's system against seven basic workforce outcomes: (1) workers achieving workforce competencies; (2) workers finding employment opportunities; (3) workers' earning levels; (4) workforce productivity; (5) workers above the poverty level; (6) customer satisfaction with workforce development system; and (7) return on investment as measured by returns over workforce development program costs.

Michigan & Oregon

Michigan has established four indicators of Customer Satisfaction and seven indicators of Career Development System Success. Oregon has created 14 outcome measures to measure outputs of the workforce development system as a whole.

Pennsylvania

Pennsylvania has imposed performance measures for the workforce development system based on:

- The number of businesses and workers using local workforce investment services.
- The number of workers receiving intensive services and training.
- The number of workers using services who are placed in jobs.
- The time required to place a worker in a job.
- The training cost per placement.
- The retention level of workers in jobs six months or a year after placement.
- The quality of the jobs obtained by those using the system, measured by wages and health and retirement benefits.

Investing In and Using Technology and Data Effectively

The collection, warehousing and sharing of data and information are essential elements of a high-quality workforce education system. In New Mexico, there is insufficient collection, analysis, and sharing of labor market data, case management information, performance measures, or other important information that should be driving decision-making.

The *Governor's Office of Workforce Training and Development* should be authorized to work with the state's workforce education agencies, the State Workforce Development Board, and the state's Chief Information Officer (CIO) to develop a long-range Workforce Development Technology Plan for creation of a comprehensive and fully integrated workforce education information system. The plan would include action steps for creating a unified global data-warehousing network housed in the designated unified workforce agency or office, to integrate existing data systems now scattered across multiple state agencies to collect, analyze and share information for setting policies, identifying needs, coordinating strategies, and monitoring progress. Through the development of this system, New Mexico can:

- Upgrade and increase the accessibility of the state data system for labor market and other economic information (such as labor market conditions, employment trends, and earnings by occupation, skill requirements, and education and training resources).
- Developing an integrated performance standards data system.
- Overhauling the New Mexico Virtual One-Stop System (VOSS) to improve its accessibility and its utility to workers and businesses.

This system would consolidate analysis of education and labor market data to ensure all agencies have access to and utilize the same information in coordinating education, workforce preparation, and economic development policies and programs. It should provide access to uniform data, measured against benchmarks, on the performance of local WIB regions, One-Stops, participating workforce development programs, and individual workforce development service providers. It should also include an integrated data information system to allow clients and case managers to track information on the clients' training and support services, skill levels, credentials, and other information (when participants consent).

The Department of Labor's "VOSS" is an online workforce services system, accessed as a web site on the Internet or an Intranet at a One Stop Center. It is intended to provide a single online source for job seekers, students, case managers, employers, training providers, workforce professionals, and others seeking workforce benefits and services. Through VOSS, it is intended that workers and students can search for jobs, create and revise resumes, perform online skill assessments, and access labor market and other information. Businesses should be able to conduct employee searches and review economic and labor market information. There is considerable concern from the business community and others that the Connection, as it is currently devised, is not meeting its potential to meet the needs of workers and businesses.

The Workforce Development Technology Plan should incorporate a plan for overhauling VOSS to improve its accessibility and its utility to workers and businesses. Once the necessary upgrading of the site is achieved, the Technology Plan should also provide for continuous quality review of the Connection, including an ongoing assessment of how the site matches up against other states' sites, so that the Connection can be continuously upgrading its capacity to assist both workers and businesses, as other states have done.

FOCUS TWO: Making the Workforce System Economic Development-Focused and Customer-Driven

One of the greatest shortcomings of WIA generally – and New Mexico's workforce programs in particular – has been historically that services have focused more on getting workers into entry-level jobs than on preparing them for long term career advancement. This is changing, however. As decision makers discovered the necessity of coordinating workforce development with economic development, the trend is toward treating businesses as equal customers along with job seekers, which is what WIA originally intended.

As one recent study noted: "a common refrain heard from [business and government] leaders is that economic development *is* workforce development: the quality of the local workforce is often the single most important determinant in a business decision to relocate to or from a city [or region]."[38]

It is universally agreed that workforce development in New Mexico must be a fundamental component of the state's economic development agenda. The integration of New Mexico's economic development, workforce development, and education goals is essential to the state's future economic growth. In implementing workforce reforms, leading states have "reframed workforce development as a core economic development strategy," and increased coordination of policymaking between workforce and economic development.[39]

Currently, New Mexico's workforce system does not benefit from an economic development focus. The State Workforce Development Board's Special Task Force found that "the business needs for a skilled workforce are not driving the system" and that "workforce, education and training programs are not funded or developed, necessarily, with the express needs of business and targeted economic development in mind."[40]

Recent studies have urged that New Mexico's workforce system be guided by economic development goals and business needs. The Employment and Training Coordination Plan issued by New Mexico's former Governor's Office of Workforce Programs identified "a common policy that supports economic development and the business needs of New Mexico" as a primary goal of workforce system coordination.[41] The State Workforce Development Board Special Task Force's number one goal was development of a workforce system that is "Business-Driven to Support Economic Development."[42] Governor Richardson has announced his intention to ensure that the system has an economic development focus.

Workforce and economic development could be more integrated through the following steps:

- Crafting a vision for New Mexico's economic development and workforce development future, to guide the overall direction of workforce development system based on the economic needs of the state.
- Aligning economic development and workforce priorities on the state and local levels, with the Economic Development Department playing a major role in ensuring that alignment occurs.
- Expanding customized training opportunities through continued expansion of the Economic Development Department's successful Job Training Incentive Program, and pursuing additional funding mechanisms for customized job-training programs.
- Creating a true one-stop system as envisioned under WIA.
- Building a system of skill training and assessment linked to portable career readiness credentials.

Crafting a Vision for the State's Economic & Workforce Future

In the discussion of Focus One above, this report highlights the importance of establishing a vision for building a skilled, competitive New Mexico workforce that can be a catalyst for economic growth (see page 23).

Aligning Economic Development and Workforce Priorities

This vision must be based on the principle that workforce development is a core economic development strategy for the state, and must be guided by economic development goals and business needs. For this vision to be fulfilled, steps must be taken to create the environment and mechanisms for aligning economic development and workforce priorities on the state and local levels, and for ensuring that EDD plays a major role in ensuring that that alignment occurs. This can be accomplished through the following action steps:

▪ ***Ensure a Major Role for EDD in Guiding Workforce Priorities.*** The Economic Development Department should take the lead on working with the *Governor's Office of Workforce Training and Development* to monitor and assess the state's future workforce needs, to help guide the overall direction of the workforce education system. This would include playing a leading role in development of the statewide *21st Century Workforce and Economic Development Summit* to frame a vision and set priority goals for building a skilled, competitive New Mexico workforce, and in ongoing monitoring and assessment of workforce trends and needs.

▪ ***Better Utilize Workforce Trends and Needs in Decision-making.*** The state Economic Development Department (EDD) must be given a larger role in assessing overall state workforce trends, including the employer-specific training needs of the state, and recommending how the state's job-specific training dollars can best be invested to maximize employment, wage levels and economic growth.

One approach would be to require statewide and local workforce development investments, from services delivered through the One-Stops to customized job training programs, to be consistent with priorities set forth by State and Regional Skills Councils made up of employers, EDD staff and local community colleges. This approach is similar to actions taken by both Florida and Indiana to ensure that regional workforce programs are geared to local economic development needs:

- Florida created High Skills/High Wages Councils and Better Jobs/Better Wages Councils. The High Skills/High Wages Councils are named by local economic development councils, and are charged with guiding education and training programs to be more closely aligned with high-paying, high-demand occupations. This approach is aimed at improving Florida's efforts to attract and expand businesses that create high-wage, high-skill jobs. The Better Jobs/Better Wages Councils focus more on ensuring that workers with little or no skills get training to enhance their skill level and move from unemployment or underemployment to self-sufficiency.

- Indiana has created incumbent worker councils, separate from but closely linked to the state local workforce boards, to produce strategic plans for upgrading skills of workers in their regions. The councils are made up of representatives of state and local workforce and economic development organizations.

The EDD should chair statewide and regional skills councils, which would represent the businesses, economic development organizations, and community colleges to collect and analyze data on needed skills by industry, occupation, and job categories. The councils should be linked to, or subcommittees of, the state and local Workforce Development Boards to ensure continuity with the rest of the workforce system.

▪ ***Better Integrate Labor Market Information and Other Economic Data.*** Economic development professionals' use of market data is a commonly assumed fundamental element of effective planning and recruitment. In a similar vein, workforce development decision-making will be improved by using labor market information (LMI) and related economic data in developing and updating education curricula (K-20). LMI includes labor market conditions, employment trends, and earnings by occupation, skill requirements, and education and training resources. In the past, the collection of this data in New Mexico has been limited to major metropolitan areas; in the new workforce system this information would be available for rural communities as well. Program planners in education can use LMI to ensure that they accomplish the following:

- Develop occupational standards that reflect changing socio-economic demands.
- Ensure that career and technical programs are kept current with relevant workplace information.
- Facilitate individual career decision making for both the supply side (workers) as well as the demand side (employers) within state and regional labor markets.

To effectively use LMI in education policy and planning, New Mexico's decision makers should:

- Link academic and occupational skills standards to career development.
- Use multiple sources of labor market information.
- Refer students to high-quality information resources on job-skill requirements, e.g. the Occupational Information Network (O*NET).
- Link career information with skills assessment tools (which are discussed more fully on page 55, below).

▪ ***Align State Economic Development Regions with State Workforce Development Regions.*** Another symptom of the disconnect between economic development and workforce development in New Mexico is the overlap of jurisdictional regions in the two systems. Currently, the state has four workforce development regions, but seven economic development regions. Leading states have aligned workforce development and economic development regions to reflect labor market and economic realities. For example, Pennsylvania organized workforce investment into 10 regions matching the state's economic development regions.[43] Indiana and Louisiana have also organized their workforce investment regions to be consistent with economic development needs and bureaucratic structures. New Mexico should take a similar approach. The *Governor's Office of Workforce Training and Development*, as part of its unified comprehensive plan, should work with the State Workforce Development Board and the local WIBs to expand the regions from four to seven in order to align them with the economic development districts and better reflect the state's economic markets. This would likely require a waiver under federal law, since the population of some of the seven regions would fall below the population threshold under WIA. If no waiver is granted, then the state should examine and modify the existing WIB boundaries to coordinate with the economic development regions as closely as possible, using unofficial "sub-regions" where necessary to replicate the economic development system.

▪ ***Instilling Economic Development Goals in One-Stop Planning and Implementation***. Improvements in the state's One-Stop implementation must ensure that the One-Stops are responsive to the business community. For example, One-Stop performance standards must include benchmarks for serving businesses. In addition, training and assessment tools must be implemented through the One-Stops to ensure a common language between the business community, workers, and providers. (Improvement of training and assessment tools is discussed more fully on page 55, below.)

▪ ***Create Regional Workforce Development Alliances***. The *Governor's Office of Workforce Training and Development* should work with the designated lead workforce agency (and in the interim all agencies administering workforce and education programs), the Economic Development Department, the community colleges, the local WIBs, One Stops, and other economic and workforce development partners to create a network of community college workforce development alliances. Through this network, the community colleges would become the primary vehicle for delivery of workforce and basic skills training to prepare potential workers for the workplace, customized training to help businesses prepare workers for specific jobs, and incumbent worker training to help existing workers upgrade their skills. By linking EDD, employers and economic development organizations with community colleges and other key workforce stakeholders, the alliances can assure that workforce development resources are being guided on the local levels by economic development needs. (Regional Workforce Development Alliances are discussed more fully on page 70, below.)

Best Practice Examples

A survey[44] of best practices in municipalities focused on coordinating economic and workforce development programs provides useful insights for New Mexico. Researchers identified four common characteristics where municipalities have been successful in creating a coordinated framework:

- There is a high degree of coordination among agencies and organizations responsible for economic and workforce development.
- The business community endorses and participates in coordination of economic and workforce development activities.
- The political will to make hard decisions is evident.
- Coordination activities involve a broad range of industries.

Memphis, Tennessee

The City of Memphis asked the metro Chamber of Commerce to take the lead in coordinating economic and workforce development efforts. The chamber and the city convened a meeting of leaders from over 100 businesses to discuss ways to connect business interests with workforce development. The result was "Memphis 2005," a $15 million project funded by businesses with matching funds contributed by the city and county. The project is tightly organized around nine goals:

- Balanced industry mix.
- Improved job growth.
- Increase in personal per capita income.
- Improved minority business development.
- Increased capital investment.
- Improved ranking of city and county schools.
- Increased international trade and investment.
- Improved urban revitalization.
- Increased public safety.

Economic development decisions drive workforce development activities and progress is assessed against these nine benchmarks annually.

"Memphis 2005" represents a good example of local government and businesses coming together to forge a coalition strengthening the region's economic and workforce development. The project aims to create and sustain an educated and skilled workforce, strengthening the competitiveness of area business and industry while providing family sustaining employment.

The Memphis Chamber of Commerce is the principal sponsoring organization for Memphis

2005, creating The Partnership – Preparing a Regional Workforce. Through this partnership, the Chamber has recruited approximately 380, mostly small and medium-sized employers to participate in discussions on workforce development. The partnership is strategically organized to target seven industries in the region. It offers industry-specific elective courses within career clusters at local high schools and community colleges.45

Hartford, Connecticut

The Connecticut Business and Industry Association (CBIA) is an affiliate of the National Association of Manufacturers and is that states' largest busines2s association with over 8,500 member companies employing over 700,000 – half of the state workforce. CBIA has been involved in several areas of education and training over the years. In 1994, the state Department of Education asked CBIA to help in identifying the skill sets needed by employers in the state in eight broad fields:

- Arts and media.
- Business and finance.
- Construction technologies and design.
- The environment, natural resources, and agriculture.
- Government, education, and human services.
- Health and bioscience.
- Retail, tourism, recreation, and entrepreneurial fields.
- Manufacturing, communications, and repair technologies.

CBIA greatly influenced statewide education by identifying and forecasting the academic, employability, and technical skill standards employers needed in each field. CBIA also developed materials for students, parents, and educators that highlighted areas of expected job growth and the corresponding expected skill standards required for entry-level workers between 1995 and 2000. CBIA subsequently updated its industry skill standards for 2000 through 2005.46

San Francisco, California

San Francisco Works (SF Works) was created in 1997 as a collaborative between the area chamber of commerce, the United Way, and the Committee on Jobs, a coalition of the city's 35 largest businesses. Its mission is to coordinate involvement of the business community in welfare-to-work efforts.

SF Works has two primary goals: to create job-training programs tied to real workforce needs, with participation by employers, and to provide low-income recipients with access to jobs with self-sustaining wages. Emphasizing intensive, employer-based training in specific job-related skills, SF Works has developed training programs in health care, legal services, financials services, insurance services, and automotive repair. The project has become so successful as an incubator for job training initiatives that the Department of Human Services now provides it with direct funding for a number of its programs.47

Expand Customized Training Opportunities

The state's economic development and workforce development system must have a substantial and effective customized training component, which delivers money to support employer-based, job-specific job training, particularly for companies moving into or expanding in New Mexico but also for training and retraining of incumbent workers in existing and homegrown businesses. This has been a priority for the state, and should remain so. In fact, the funding available for such efforts should be expanded, and the Economic Development secretary given explicit authority to husband and "budget" these expenditures for their most effective strategic use, consistent with the statewide workforce development vision discussed earlier:

- ***Expand the Job Training Incentive Program.*** The state's Job Training Incentive Program (also known as the In-Plant Training Program), administered by EDD, is widely viewed as a success, providing job-specific training for companies moving into or expanding in New Mexico. The program trains workers for specific job opportunities with participating employers. It is an essential economic development tool for the Economic Development Department to recruit new businesses into the state and promote expansion of existing in-state businesses. It helps employers train specifically for the new jobs they are creating, ensures that the participating workers are prepared for their new position, and increases company productivity because workers are equipped with the skills to perform their jobs. In addition, companies using the program must provide a match to state funding to cover a portion of the new workers' wages (the state funds 50% of trainees' wages in urban areas and 60-65% in rural or economically distressed areas), so public workforce training dollars leverage private investment.

Greater support for this demand-driven approach would ensure that the training workers receive would lead to a job, and guarantee that employers who are moving into or expanding within the state will have a ready, qualified workforce. Greater investment in the Job Training Incentive Program is essential to building a more customer-driven and effective workforce development system.

Governor Richardson and the legislature have already expanded state funding for the program from $9 million to $15 million per year (supplemented with additional TANF funding targeted for eligible workers). The state would do well to expand funding still further to as much as $20 million for this effective customized approach, as the state's budget situation permits. It should also continually assess the program's requirements to ensure that they remain responsive to economic development needs. For example, the program currently requires that workers be New Mexico residents for one year before participating in the program. The business community has proposed that eligibility be expanded to include workers from outside the state who are New Mexico natives or educated in New Mexico, but interested in returning to the state to take a job. This eligibility expansion would send a strong message to many former New Mexicans who had left the state previously to pursue employment.

- ***Pursue Additional Funding Mechanisms for Customized Job Training.*** The state should also pursue alternative funding mechanisms to generate additional funds for customized training programming. For example, Iowa administers a program that funds customized training for new jobs provided by community colleges. Funds to cover the training are initially raised through the sale of bonds by the community college. The bonds are funded through the diversion of state withholding taxes to the community college generated by the wages earned by the new employees or through incremental property taxes on the business property where the new jobs are created. In this way, the payment comes out of the increased revenues generated by the new jobs.

New Mexico should develop a similar bond approach to fund customized training for specific employers or clusters of employers. The bond mechanism could be undertaken when the state's fiscal climate permits (this funding approach would reduce potential state tax revenue increases over time because of the diversion of the payroll tax relating to the additional jobs being created). In addition, controls on the bonding authority would be required, including:

- State (i.e., EDD) approval of bond funded programs to ensure that the training and new jobs are consistent with the state Economic Development Department's economic agenda and with the state's overall workforce training and education priorities as set forth by the Governor's Office.
- A cap placed on the total amount of tax revenues that could be diverted, so the levels of diverted taxes are predictable and affordable for the state.
- A local match requirement from the participating employers and community colleges to ensure a level of local commitment to the bond-funded project.

To the extent that WIA funds are available, the state should also tap into WIA "statewide" funds to support customized training for incumbent workers. WIA permits 15% of WIA adult, youth and dislocated worker funding to be used for so-called "statewide" spending, including state administrative costs, demonstration projects, innovative incumbent worker training, incentive grants, and other activities. The Economic Development Department should be given the responsibility to identify opportunities for support of customized training through WIA statewide funds. Unfortunately, federal WIA funding to New Mexico has been cut significantly (from approximately $33 million in federal FY 2001-02 to about $20 million in federal FY 2002-03), and WIA places significant restrictions on how the statewide funding is spent, therefore the opportunities for additional resources for this purpose may be limited pending federal reauthorization of WIA. Nevertheless, this is a funding option that should be pursued.

Create Comprehensive, Customer-Driven One-Stops

WIA envisions a customer-driven approach, founded on a One-Stop concept of coordinating all workforce related services through a single location. Recent reports emphasize that New Mexico does not yet have a true One-Stop system. As the Report to the Legislative Finance Committee on New Mexico's Implementation of the Federal Workforce Investment Act of 1998 noted:

> New Mexico's self-identified one-stop centers do not comprise a comprehensive one-stop system. The creation of truly comprehensive one-stop centers should be a state priority. In a comprehensive one-stop center, services from all 19 federally mandated partners are available on-site by either physical presence or an electronic link. *No workforce development office or self-identified one-stop center in New Mexico has access to all federally mandated partners.*[48]

Similarly, the New Mexico State Workforce Development Board Special Task Force Report concluded, "Customers, both businesses and job seekers, go to multiple agencies to obtain needed services. There is no true 'One Stop' system for either of these customers."49

Changing this will require changing the prevailing culture of New Mexico's One-Stops. The best way to accomplish this is through creation of true partnerships between community colleges (as education/training providers and potential hosts for local, accessible One-Stops), local businesses (as primary "consumers"), and other One-Stop partners (such as TANF employment training programs or postsecondary vocational education programs). Engaging and serving businesses as equal customers will obviously provide a better-trained workforce through better alignment of training with skill needs. This will also necessitate better identification of the skill sets needed for employment or advancement for job seekers.

The Governor's Office of Workforce Training and Development should be required, in crafting its comprehensive unified plan, to develop reforms to transform New Mexico's One-Stops into genuine comprehensive life-long learning and service centers – based on community college campuses or hosted in conjunction with community colleges where possible – in which customers (both workers and employers) can connect with all workforce education programs and services. This should include mandates that all major workforce development programs become active One-Stop partners, and that services funded by WIA, TANF training funds, adult basic education and literacy funding, and other workforce education, training and development funding streams be consolidated through One-Stops.

Movement toward a customer-driven (workers and businesses) is an important step. The U.S. Chamber of Commerce's Center for Workforce Preparation (CWP) outlines how to improve operation of One-Stops with a focus on better serving its business customers (though many recommendations would improve service to workers as well): 50

- ***Become More Market-Driven.*** One-Stops, training providers, and their partners must begin with looking at labor needs of local business and industry – or of those being recruited through economic development efforts. To be valued and used by business community, one-stops must perform or be provided with continual assessment of business needs and align programs and services with those needs.
    - Effective workforce boards use a variety of strategies to identify current and projected workplace needs – e.g. subcommittees and advisory groups that meet regularly; focus groups to identify "hot button" issues in the community; and employer surveys.
    - Boards must go beyond individual businesses represented on boards and tap into community organizations (chambers of commerce, etc) formed by business groups to work on issues affecting the business community.
    - Getting employers to look for and rely on job-skill credentials can be a powerful way to connect the business community with workforce preparation. Kentucky and Louisiana are making concerted efforts to show employers the benefits of using such assessments.
- ***Stay Customer Focused.*** Accessibility must include employers as well as job-seekers. Quality, relevance and responsiveness in programs and services provided at One-Stops important to the business community.
    - Business outreach strategies include assigning One-Stop account representatives to serve employers, set up employer "hot line" or dedicated phone number, and organizing a single-point-of-contact delivery system, "*often coordinated with economic development*."
- ***Develop Skill-Based Education & Training.*** One-Stops and partner providers must educate and train workers based on industry recognized standards and offer certifications based on demonstrated competencies. Skill standards encompass the work to be performed, how well the work must be performed, and the level of knowledge and skill required to perform the work. One-Stops, businesses, Community Colleges, & other providers should:
    - Use workforce development alliances (see below) to identify industry trends & skill requirements.
    - Ensure that only providers meeting high standards are certified by One-Stops.
    - Rely on pre-existing industry standards established by national organizations (adapted or modified as appropriate to meet local needs), rather than begin from scratch.

- Use employer-based certifications (reportedly of high value to business sectors in IT, health care, and financial services).

▪ ***Results Matter – Ensure That One-Stops Are Outcome-Oriented.*** Reporting performance results and customer satisfaction measures informs employers and workers which programs and providers are effective and which are not. This information is also a useful diagnostic tool for making continuous improvements of the delivery system.

- Besides collecting employer satisfaction surveys, One-Stops must use that information to make continuous improvements.
- Use report cards on services providers to ensure that only those meeting performance measures continue to be certified.
- Use measured outcomes to evaluate effectiveness of the system and apply sanctions based on under performing One-Stops, partners, and so forth.

Important elements of One-Stop reform should also include:

▪ ***Mandated One-Stop Partnerships.*** Legislative mandates should be enacted requiring partnerships and co-location (either physical or electronic) of federally mandated One-Stop partners (such as federal Wagner-Peyser Act Adult Education and Literacy) and additional partners that are recommended under WIA and that should be mandated under state law (such as TANF and Food Stamp employment and training services).

▪ ***One-Stop Transition Plan***. The Governor's Office of Workforce Training and Development should convene a task force that would include representatives of all mandated One-Stop partners, the General Services Department (relating to physical co-location) and the state's Chief Information Officer (relating to electronic co-location) to develop a transition plan for transforming the One-Stop system into a network of truly comprehensive and responsive service centers.

▪ ***One-Stop Certification Guidelines and Performance Standards.*** The Governor's Office of Workforce Training and Development, with input from the State Workforce Development Board, should be required to craft guidelines to certify One-Stops and performance standards to monitor One-Stops performance. The outcomes should include:

- Active participation and service delivery of all One-Stop partners mandated under state or federal law.
- Cross training of key personnel and common intake system to ensure single point of service for all customers.
- Rapid servicing to ensure that eligible customers progress to higher-end support as soon as possible after first visit for "core services."
- Customer satisfaction (both job seekers and businesses).
- Performance measures, such as the number of businesses and workers served, the placement of workers in training or jobs, or some valid measurement of "self-sufficiency." (Note: Performance standards and benchmarks are discussed in greater detail on pages 33 – 37.)

▪ ***Self-Sufficiency Goal.*** One-Stops should offer services until someone is truly "self-sufficient." Governor's Office of Workforce Training and Development should specify a methodology by which a standard of self-sufficiency is the long-term goal for all WIA clients. That standard should be used to determine eligibility for training for employed individuals and more broadly to assess progress toward helping low-income adults move up in the labor market. The Governor's Office of Workforce Development should reward localities that demonstrate success in this regard.

▪ ***Cross-Training***. A best practice example of true One-Stop implementation is New York's "No Wrong Door Program." New York has recognized that co-location alone is not enough. It also emphasizes cross-training of staff among agencies. Cross training is significant in ensuring that *all* clients receive complete and appropriate support services, regardless of their individual needs and how they access the system.

Skills Training and Assessment Linked with Career Readiness Credentials

New Mexico's workforce education and training programs must be more responsive to "business needs for skilled workers"[51] by helping students and workers develop the skills that are currently in demand in the workplace. For this to occur, there must first be a "language of communication" between the business community and the workforce system on what workforce skills are needed. In other words, the business and workforce communities must come together and agree on common standards of skill achievement for the workplace as a whole, and for specific occupations and jobs. To be effective, these common standards must be "credible with employers, workers, students, and educators."[52]

It is important, therefore, that New Mexico's workforce development reforms include development of a skills assessment and training system that (1) helps employers identify the skills they need in their workers, (2) helps employees and students determine whether they have the skills necessary for existing jobs, and (3) helps education and training providers tailor programs to fill the skill gaps of their clients.

Many states are making significant commitments to building skills assessment systems to ensure common understanding among business, workers, and educators. For example, Michigan, Kentucky, Louisiana, Illinois, and other states have designated the national workplace skills assessment system, *WorkKeys,* as their skills assessment standard for students and workers. *WorkKeys*, which was developed by ACT (formerly American College Testing, which is best known for creating the ACT college entrance exam), is being used to:

- Create occupational profiles and job profiles to help businesses identify and document the skills required to work in particular industries, occupations, or job categories. Occupational profiling identifies skill levels required by occupational category across jobs, companies, or industries. Job profiling is used to develop an accurate profile of the workplace skills and skill levels needed to perform a particular job.
- Measure the skill levels of students and workers against the skills required for particular occupations or jobs. This is a benefit to employers, who can use skill assessments to cut costs and improve the hiring practices by pre-selecting the most qualified applicants for interviews, and for workers, who can identify what skills they must attain in order to compete for particular jobs and make decisions about which education and training programs will provide them with the most marketable skills.
- Guide workforce educators on the development of training and instructional programs to help students and workers acquire those documented skills required for specific occupations or jobs. Working with the business community, community colleges and other workforce educators can align their curricula with the skills that are identified for high-demand jobs in their labor market.

There are several best practice examples of states using *WorkKeys* or other tools to develop skills training and assessment systems.

- Louisiana adapted *WorkKeys* in developing its *Work Ready Certificate*, a portable credential that signifies to employers that a worker has certain fundamental skills necessary for success in the workplace. The *Work Ready* system is the product of a statewide partnership that includes representatives from the Governor's Office, the State Board of Regents, the State Community and Technical College System, and Louisiana's departments of Economic Development, Education, Labor, Public Safety, and Corrections. *Work Ready* certifies that employees, students, and job applicants have the skills required by more than 9,000 Louisiana jobs that were profiled using the *WorkKeys* job profiling system.[53]

- Michigan's Department of Career Development has used *WorkKeys* to create the foundation for its portable skills credentialing system. The Michigan Career Readiness Certificate (MCRC) was developed to document for employers that workers have foundational skills needed for success in most jobs. Combining *WorkKeys* with technical skills and higher academic skill standards, Michigan is developing a system for "competency analysis profiling" that will serve as the basis for developing and improving occupational training curricula. The MCRC is the first step on the ladder to further credentialing based on state plans to build a skill-based credentialing system. Already, community colleges and other providers are developing specialized curricula based on the job profiles for higher skill positions in industries like chemical processing technology and IT software applications.[54]

- Kentucky uses *WorkKeys* for its Kentucky Employability Certificate (KEC), which confirms to employers that a worker possesses basic skills in reading, math, and finding information that are essential skills that all jobs require. Kentucky uses federal Carl D. Perkins Vocational and Technical Education Act funding to pay for profiling of jobs and skill needs of business throughout the state.

- North Carolina uses *WorkKeys* to boost remediation efforts and strengthen the continuum of skill development in getting workers onto a career pathway and lifelong learning.

- Virginia is one of the latest states to move toward a portable career readiness credential.

The *Governor's Office of Workforce Training and Development* should oversee the creation of a common job skills teaching, assessment and credentialing system for New Mexico, working with the business community, community colleges, the State Workforce Development Board and the Public Education Department. Using *WorkKeys* or another established skill profiling and assessment tool, the state should work with the business and workforce development communities to establish career ready skills credentials. At its core, such a system should include a portable Career Readiness Credential that verifies to employers that a worker possesses basic workplace literacy and skills, including reading, math, writing, and practical workplace skills.

But New Mexico should also set a goal for a system that goes beyond basic or entry-level job readiness skills. States like Louisiana and Michigan have created such systems that go beyond profiling and assessing for basic skills to profile higher-level occupations and jobs.

Under this skills and assessment system:

- New Mexico's employers could profile their jobs and assess workers against the skills needed for those jobs, and customize training for a wide range of skilled jobs;

- New Mexico's students and workers could assess themselves against the required skill levels for particular occupations and jobs, and seek the necessary training or education, if necessary; and

- New Mexico's educators and workforce training providers can align their programs with business needs to help fill the skills gaps of students and workers.

FOCUS THREE: Coordinating the Workforce Development and Higher Education Systems

Aligning and coordinating higher education with workforce and economic development is essential to developing a highly skilled workforce. Our interviews for this report and best practice research around the country point to the importance of New Mexico's community colleges becoming the centerpiece of workforce development and education. The research and four-year institutions, meanwhile, are – or should become – the final gateway in a true career pathway system. For these reasons, the organization and governance of higher education will have an impact on the effectiveness of the state's efforts to transform workforce development.

The recently enacted constitutional amendment creating a cabinet office for education is an important step towards more accountable and efficient administration of education policy and programs in New Mexico. The structure as well as the agenda of the new Public Education Department are now being crafted at the same time that Governor Richardson has committed to undertake fundamental reforms of the New Mexico's workforce development system. This presents an opportunity to improve the organization and governance structure of higher education in general and community colleges in particular.

Coordination of K-12 with Higher Education

The Secretary of Public Education and the Progress Agenda Education Task Force should consider a K-20 approach to education by including higher education within the new department's authority and priorities, creating a Division of Higher Education within the Department to oversee the state's higher education institutions and administer higher education funding and programs. The Commission on Higher Education could serve the Department, and specifically the Division of Higher Education, in an advisory role to help address issues effecting higher education.

This approach has been followed in other states, such as Pennsylvania. This allows for maximum coordination of programs, planning and funding among all levels of education by incorporating higher education governance into the state's education department. At the same time, preserving the Commission on Higher Education allows for independent input from the private sector.

Regardless of the ultimate approach taken, however, we recommend that the organization and governance structure of higher education be addressed as part of the deliberations over the structure, authority, and agenda of the Public Education Department.

Integrated Policies to Promote Career Pathways

New Mexico must recast its workforce education system to embrace the concept of a workforce pipeline, focusing on what some experts call "career pathways" or "*career ladders*."[55] Career ladders are lifelong career pathways that help workers advance to higher-wage, higher-growth career opportunities in areas like manufacturing and information technology. These pathways "begin with basic skills, integrate education with work, and propel individuals toward successively higher levels of skills, responsibility and wages."[56]

New Mexico's workforce pipeline or pathway must encompass:

- ***Career preparedness*** programs, like vocational education and WIA youth programs for young people before they start their careers.
- ***Worker training*** programs like WIA and TANF job programs, to help disadvantaged and unemployed workers gain necessary job skills and connect to job opportunities.
- ***Career advancement*** programs that help existing workers upgrade their skills and advance to higher-level jobs.

But the system must integrate these three components so that a worker is adequately and timely prepared to continually move along this career path (or move up the ladder).

This is being accomplished in other states. For example, Louisiana and Kentucky are implementing career pathways that require credentials, certifications, and degrees to be transferable and portable. In Louisiana, a worker can take a non-credit course to attain a specific technical competency. Completion of a series of related technical competency courses leads to a certificate of technical studies in a particular profession or industry.

A certificate of technical studies, combined with otherwise non-transferable, applied general education courses, would lead to a diploma. A diploma combined with transferable general education courses leads to an associate's degree. The associate's degree builds to a baccalaureate degree and on to a master's degree, and so on, as in other states.

Currently, this does not occur in New Mexico. There are few, if any, incentives for community colleges or other providers to deliver training and education in this way. For the most part, community college funding is retroactive (i.e., based primarily on the actual enrollment from the previous year). Making matters worse, the funding formula has not supported non-credit, customized job training efforts for local businesses or industry clusters. This year, Governor Richardson signed legislation authorizing funding for non-credit workforce training at community colleges and program development and performance incentive grants for community colleges, but this is only in the early implementation stage and no appropriation was tied to that initiative.

The statewide comprehensive plan developed by the *Governor's Office of Workforce Training and Development* should require that the community colleges, working with four year colleges and universities, technical schools, the State WIB, local WIBs, and employers, develop a system that would create a career pathway for students at all stages of their careers. This would include:

- Determination of the skills necessary to achieve certificate or degree level.
- Developing and agreeing on skill certification and degrees in various professions and industries.
- Recommending funding formulas and incentives for implementing the career pathway approach.

One important aspect in the coordination of workforce preparation *within* higher education is how well New Mexico designs a system that allows *and encourages* students to enroll at community colleges and credit that work toward a four-year degree. Commonly called "articulation," many states are successfully experimenting with ways of applying "two plus two"[57] and "multi-institutional consortia[58]" models as they strive to create a more seamless transition between student's first two years of a community college and a four-year campus or degree. Likewise, New Mexico should include articulation policies and programs in strategic planning for higher education.

If New Mexico's workforce development system is to create a high-skilled workforce instead of serving only the lowest skilled workers, then articulation should be the capstone of a K-20 public education system that creates communities of life-long learners. Traditional articulation agreements between community and four-year colleges provide four-year degree training at community college but under the academic, administrative, and legal control of the four-year institutions that actually grant the degree. Cutting edge programs go beyond this limited approach and make community colleges and four-year schools full and equal partners with remarkable success.

The Public Education Department and the *Governor's Office of Workforce Training and Development* should also include articulation experiments in their strategic planning to find the most effective ways to engage all higher education institutions in creating a high skills workforce. Two models worth examining are in Arizona and Florida, where community colleges partner with four-year universities at local university centers to offer baccalaureate degrees on community college campuses.[59]

Best Practice Examples

Arizona: Multi-institutional consortium and "two plus two" approach combined.

In 1989, the state legislature mandated that Northern Arizona University (NAU) provide southern Arizona residents with access to baccalaureate degree courses. As a result, Arizona Western College (AWC) in Yuma began a partnership with NAU combining a multi-institutional consortium approach with a "two plus two" program. The community college shares office and classroom space with NAU. Faculty and division chairs are integrated, and the strategic plan is based on a lifelong learning model.

This configuration allows both colleges to create courses that will seamlessly transfer while accomplishing the missions and goals of each institution. There is a day care center, an elementary school, a middle school, a high school, a community college, and a university all within the campus. So, a resident of the AWC's two county district can start in daycare at the age of two and earn a doctorate without leaving the campus.

Arizona Western has a preplanning program for students that will let them know all the courses they need to enter NAU as a junior. The faculty and staff of the colleges plan the degrees together.

Cost savings is the primary advantage to maintaining the community college as a separate entity. According to the President of Arizona Western, the first two years of college cost significantly less, even when a four-year institution shares the campus. Further, the institutions retain the individuality that allows them to perform some functions better than others.

Florida: Mandatory course numbering and transfer of core requirements.

In the early 1970s, the Florida legislature required a common course numbering system for all public institutions of higher education. "All college level courses offered by a public university or public community college are included," according to Patricia Windham, director of student success and accountability at the Florida Community College System.

For example, any student who takes an "English 101" class at any state college can transfer that class to any other state college. This means that all of Florida's public colleges are involved in two plus two partnerships. The state has built incentives into the system to encourage transfer to universities. For example, when community college students complete the general education core of 36 hours, the state considers them to have met their general education requirement.60

All college juniors must pass the College Level Academic Skills Test (CLAST) to ensure that students are on even ground. If a student transfers to a four-year college with an associate degree, universities must accept not only the general education core but also that the student has met the CLAST and admit them to the appropriate academic division for the degree sought.

The state also offers university centers on community college campuses that allow students to complete a four-year degree on the two-year college campus. The centers offer a limited number of degrees and serve a segment of the population that cannot or will not travel to a four-year campus. These university centers have served "precisely who they were intended to serve: Older women who otherwise would have been place bound because of family and job obligations."61 Additionally, Florida also has a common prerequisite system and concurrent use agreements through which universities use one or two buildings on community college campuses to conduct classes.

According to Windham, all the efforts appear to pay off. "We have found that during the first year following graduation (from a community college), about 62-64 percent of students go onto a four-year college," and the percentage increases to the low 70s when the state tracks community colleges for four or more years.62

Expanded, Central Role of Community Colleges in Workforce Education

New Mexico's underutilized Community Colleges should be given a core role in workforce education, training, and development. Governor Richardson has declared that the state's community colleges "need to be on the front line of economic development in New Mexico," and has praised states like North Carolina for making "community colleges the cornerstone of their economic growth."[63]

Across the country, in fact, states have found that effective community college workforce development programs can be an economic development force in their communities by furthering workers' career goals and employers' business goals.[64]

Community colleges are prominent players in the workforce development system in most states:

- At least 19 states, including leading state like North Carolina and Kentucky, have designated community colleges as the lead agencies to provide workforce training.
- Twenty-one states fund community colleges to train workers for high demand occupations through grants, incentive funding, scholarships, or other mechanisms.
- Thirty-two states, including New Mexico, provide state funding for customized job training for employers.
- Twenty states provide state funding for noncredit occupational training at community colleges. New Mexico was added to this list in 2003. This funding is generally provided through grants, however a few states fund noncredit occupational training through formula funding for community colleges.

North Carolina's community college system exemplifies a comprehensive approach to workforce training. Community colleges are identified by state law as the lead agency for delivering job training, literacy, and adult education in North Carolina. The system links adult education and job preparedness with more advanced skills training. The state's Pathways program is broken into sectors reflecting the state's economic needs. Each program combines basic skills remediation with job-readiness and occupational skills training. This is a short-term, integrated approach supported by state funding on a per-student basis for adult literacy, human resource development, and noncredit or occupational training.

The Kentucky WINS (Workforce Investment Network System) program is another example of how community colleges form the focal point of workforce education and training. Through KY WINS, colleges in the Kentucky Community and Technical College System provide training for employees of new and expanding businesses, and assist communities in coordinating the delivery of economic development services.

New Mexico should follow a similar approach, designating the state's community colleges as the centerpiece of the workforce education and training delivery system.

As New Mexico moves toward a career pathways system built from separate and often fragmented programs, community colleges form the natural cornerstone of career pathways. As institutions at the center of many communities, they are the one place where employers, current workers, and those entirely outside the system can all come together. As the state's leading training provider to business and leading education provider to adults, community colleges are the nexus of the workforce system and the institutions best positioned to connect the training needs of employers with the workforce preparation and continuing education needs of workers.

New Mexico's 17 comprehensive community colleges and related institutions are well positioned to be the foundation of workforce development education and training delivery in the state. New Mexico's community colleges have many attributes[65] that make them appropriate to fill this role:

- ***`Scale***. There are 17 community colleges and still more related institutions and branch campuses, serving more than 55,000 students statewide. More than one-half of all New Mexico's credit students in higher education attend community colleges.

- ***Comprehensiveness***. The state's community colleges fill many roles, providing two-year associate's degrees that serve as gateways to four-year colleges, delivering basic adult education, and providing customized and other workforce education and training for new and existing jobs.

- ***Accessibility***. With a presence in every region of the state, community colleges have a broad geographic base. Despite the large size and rural nature of New Mexico, 90% of the state's population lives within 50 miles of a community college.

- ***Capacity***. The community colleges have the facilities and the capability to bring together the necessary technology and staffing to deliver training services.

- ***Continuity***. With longstanding links to other higher educational institutions and K-12 school systems, community colleges bridge the transition from secondary to further education and provide the platform for skill enhancement and life-long learning.

- ***Links to the Community***. Community colleges tend to have strong links to the local community.

- ***Resources***. Community colleges have access to a wider range of funding than most, if not all, other workforce training providers.

- ***Impact***. The state's community colleges have demonstrated that their services can increase earnings for their students: A recent survey found that the average earnings of community college students increased 58.3% after completion of a course of study, such as a degree program.[66] Average earnings for lower-income students (defined as those who qualified for federal Pell/SSIG grants) completing a community college course of study increased by 170%.

However, serious new demands must be placed upon New Mexico's community colleges if they are to serve to their fullest potential as the foundation for workforce investment:

- ***More coherent structure and responsibilities***. As the New Mexico Association of Community Colleges (NMACC) *Bridges to Opportunity* report noted: "As currently structured, responsibility for remedial, academic and workforce education in the community college is dispersed across divisions and even through separate lines of reporting. At present, community colleges have a limited responsibility for meeting the needs of potential workers for assessment, training, education, counseling and placement."[67]

- ***Better regional connections***. Many community colleges are now isolated from the resources and programs of the larger employment and training system, including Workforce Investment Boards, and welfare and economic development agencies. Colleges need to work with these entities to develop career pathway programs linked to high wage, high demand employment sectors, and to explore opportunities to link welfare, workforce, and economic development and community college resources in the creation of new regional training opportunities.

- ***Better employer connections***. Many community colleges have developed effective and robust relations with regional employers. Other colleges, however, lack the employer connections needed to foster career pathways. Creation of regional career pathways requires these relationships, as well as an understanding of the regional labor market, an increased focus on employer needs and standards, and increased opportunities for employer involvement in program development and design.

- ***Update and provide consistent service delivery***. If community colleges are to assume the leading role in providing workforce training and education, then they must update and expand the types of services, certificates, and training offered to students, workers, and businesses. Otherwise, employers and job-seekers will look elsewhere for the support and training they require.[68] The larger task at hand requires the balancing of community colleges' traditional mission of academic preparation for higher education alongside their vocational and economic functions, especially as the state moves towards coordinating education and economic development policies. This challenge is of primary concern today as, more than ever, access to postsecondary education is the threshold requirement for economic opportunity. Adding to the urgency of this situation is the fact that professional, industry and trade vendors "bypass the traditional education and training infrastructure completely as they develop their own curriculum and credentialing system."[69]

These challenges can be addressed through:

- Greater state-level coordination with the state's community colleges.
- Formation of regional workforce development networks linking community colleges with the business community on the "demand side," and with One Stops and workforce development programs on the "supply side."

State-Level Coordination with New Mexico's Community Colleges

In order for community colleges to become full partners in workforce and economic development, they must have greater leadership from state government. This report has called for strengthening the state's higher education governance through a new Division of Higher Education in the Public Education Department. A high-level Office of Community Colleges should be created as part of this Division to provide statewide planning, coordination, and support to maximize the benefit of the state's community colleges. The Office of Community Colleges would work with the *Governor's Office of Workforce Training and Development* and the NMACC to:

- Serve as the state-level link between the community college network and the state workforce and economic development agencies.
- Help build support for regional networks of community colleges, businesses, and economic development organizations to devise innovative approaches to local economic and workforce development needs.
- Facilitate statewide community college involvement in the development of industry-based credentials and certifications.
- Coordinate efforts among the community colleges and the rest of the higher education community develop to develop a system of articulation for students at all stages of their education and careers.
- Explore community college funding mechanisms that ensure that resources are maximized, encourage design of courses based on the best education and training models and on local workforce needs, and reward community colleges that are successful in having students complete their necessary coursework (whether it be for a credential, certification or associate degree). Several states, including Florida, Illinois, North Carolina, and Louisiana, link community college funding to performance on indicators such as job placement, completion and retention rates, or licensure pass rates.[70] The Kentucky Community and Technical College System has also instituted a new funding mechanism, setting aside a portion of its funding for performance-based incentive payments.

The Office of Community Colleges could also work with the NMACC to explore options for a more effective governance and organizational structure for the community colleges. The trend nationwide has been toward increased statewide oversight, or at least coordination. The operation of community colleges in New Mexico could benefit from a more structured framework. Better-organized community colleges would, in turn, lead to better coordination of economic and workforce development efforts.

Specific recommendations concerning community college governance are beyond the scope of this report. The complex dynamics of that analysis – the balancing of political, budgetary and programmatic priorities – would require a separate undertaking on par with this study of workforce development. With that caveat in mind, any effort to improve community college governance, which could be undertaken with the support of a new statewide Office of Community Colleges, should include several essential features:[71]

- ***Clarify Responsibility.*** Lines of accountability must be clarified so that everyone knows who is responsible for what within the system.
- ***Encourage Partnerships.*** Governing boards should be encouraged to take on partners in their task.
- ***Require Orientation for Trustees.*** Nothing will compensate for lack of management and oversight capacity. New Mexico should require trustees of all public colleges to undergo initial orientation to their responsibilities and regular training.
- ***Consult with Other Officials.*** The governance system should require that boards consult regularly with other educational boards and officials who serve the same citizenry.
- ***Establish a Method of Recall.*** Provision for recall of irresponsible trustees should be a prominent feature. A method for the recall of irresponsible trustees would put all on notice that board members will be held to a high standard, as are the community colleges they represent. To work, however, the method of recall must also protect good trustees from capricious attacks by those who are angered by reasonable board decisions. This is of great importance if a changed community college culture and role in workforce development are to gain credibility with key partners.
- ***Report on Performance.*** Boards should be required to report regularly to the public and to the legislature on their own performance and the performance of their colleges.

There is a wide range of governance options available for community college organization and governance. The Secretary of Public Education, the community colleges, and other interested parties in government and private organizations should take this opportunity to examine alternatives to the status quo.

Regional Workforce Development Alliances

This Report echoes the findings of other recent studies in its conclusion that the state's business community and workforce development system are disconnected. The workforce development system is not structured or coordinated in a way to permit businesses, especially small businesses, easy access.[72] The system is also not responsive enough to keep up with the needs of a constantly changing marketplace. As a result, businesses lack confidence that their needs for a skilled workforce are being met. With the exception of the Economic Development Department's Job Training Incentive Program (or "In-Plant Training Program"), the economic development and workforce development systems in the state appear to be on separate tracks.

Similarly, this Report mirrors those other studies finding that many community colleges in New Mexico are not connected to the resources and programs of the workforce development system, including Workforce Investment Boards, One-Stops, and TANF training programs, nor are they closely-aligned with local business goals and priorities.

Given the limited collaboration among economic development, education, social service and workforce education agencies already discussed, the State needs a network to serve as the center, or focal point, of a regional workforce investment system. As discussed earlier in this report, New Mexico's community colleges, though currently underutilized as strategic partners in workforce and economic development, are the institutions best suited to help form the bridge that is needed from the business and economic development community to the workforce development and education systems. On the regional and local levels, New Mexico community colleges should convene – or seek partners who will take the lead in convening – businesses, education, economic development and other partners to devise innovative approaches to local economic and workforce development needs.

To make this possible, the *Governor's Office of Workforce Training and Development* should support development of a network of Regional Workforce Development Alliances. While these alliances will involve all agencies administering workforce and education programs – the Economic Development Department, the local WIBs, One-Stops, and other economic and workforce development partners – the community colleges would become the primary vehicle for delivery of workforce and basic skills training to prepare potential workers for the workplace, customized training to help businesses prepare workers for specific jobs, and incumbent worker training to help existing workers upgrade their skills. Within the alliance there would be dedicated community college "areas of service responsibility," linked to the state's 18 Small Business Development Center service areas.

These alliances would:

- Collaborate on creating and sustaining career ladders or pathways in high-growth industries and professions in their regions.
- Conduct and analyze labor market studies and surveys to determine high-growth industries, professions, occupations, or skill areas for each region.
- Produce a system of skills benchmarks and portable credentials that would be recognized by employers throughout the state or across an industry cluster as part of the Career Pathways approach discussed above, based on the skills, knowledge and abilities that are necessary to succeed in specific occupations or industries.
- Align and direct local workforce training and education resources to meet the identified local business needs.

Put simply, the alliances would be the bridge that connects the local business community with the workforce development delivery system to meet specialized local workforce needs. Key partners in the alliances would be:

- Businesses, working with the Economic Development Department and local chambers of commerce or other groups, would identify workforce needs and develop accepted standards and competencies.
- One-Stop staff, working with the local WIBs, would recruit and refer workers to community colleges for the appropriate training or education.
- Community colleges would develop and deliver employment and training services through curricula tied to the needs and opportunities expressed by the business and economic development community.

The transformation of the workforce development delivery system at the local level from the current fragmented multiple systems to an integrated alliance is a major step, and may take time. To begin facilitating this transformation, New Mexico should create a workforce demonstration project funding an alliance or collaborative in each economic development region within the state.

This recommendation for a "demonstration" project is drawn from the experience of the U.S. Department of Education's popular "Career Cluster" program.[73] Initially, that program funded demonstration projects in which each of 16 career clusters were to be developed by demonstration grants awarded competitively. The purpose of each project was the development of knowledge and skill standards, curricula, and assessments that could then form the basis for national models in each career cluster.

From the outset, rather than compete against each other, the various State Directors of Career Technical Education agreed to form consortia, each applying for one of the cluster grants. The state directors saw such great value in the clusters project that when federal funding was discontinued, they committed to finding the necessary resources to maintain the state consortia on their own. The result is continuation of each cluster as a demonstration project from which all educators can study and learn.

Likewise, New Mexico cannot fund as many regional alliance projects as it might ideally like to. It can, however, fund "demonstration" projects in each economic development region. By emphasizing sustainability and directing which industry sectors are to be developed, all parts of the state can learn and benefit as each region experiments with collaborative ways of creating successful alliances.

The purpose of such a series of demonstration grants is threefold:

- "Jump-start" workforce development alliances, demonstrating a variety of ways in which government, business, and community partners can effectively work together to promote economic and workforce objectives;
- Support innovative experiments in coordinating economic and workforce development at the local level; and
- Better utilize available funding as seed money to leverage local resources and ensure sustainability beyond the period of the grant.

The outcomes (and benefits) of each demonstration project, if they are conducted effectively, will extend beyond individual grant regions as those in other areas of the State study and learn what worked.

Though the number and composition may vary by region, required applicants must include, at a minimum:

- A community college
- A secondary school or school district partner
- A business partner (or cluster of business partners)
- A One-Stop partner and representation from the local WIB

A local chamber of commerce or community development corporation might also be included.

Any entity or partner could pull a team together, initiate an application, and serve as the "lead" for the group. Since these projects involve a commitment of substantial public funds, however, it is strongly recommended that the community college partner be the required fiscal agent for the project. All of New Mexico's community colleges have the capacity to manage such a grant. And as public institutions, existing controls guarantee that the State has the appropriate leverage should punitive measures be called upon beyond routine grant monitoring and compliance.

As an example of how the demonstration program might operate, assume the amount of a multi-year demonstration grant is $100,000 annually. A community college might approach the local chamber of commerce and/or a cluster of local businesses to form a team and begin preparing a grant proposal. After enlisting other required team members, the team would begin by performing a "gap analysis" to identify relevant needs in the community. Because a demonstration grant will be awarded in each economic development region, the state (through the *Governor's Office of Workforce Training and Development* and the Economic Development Department) could work with applicants to predetermine the focus in each region, such as aerospace engineering and design or information technology.

The next – and crucial – step would be to develop a plan for meeting these needs using the demonstration grant and accompanying match. Lastly, the proposal would detail anticipated outcomes and how they would be measured for performance assessment.

As is discussed more fully below, performance-based accountability will be a hallmark of New Mexico's overall restructuring and coordination of education, economic, and workforce development. Applications for these demonstration projects should be awarded partly on the basis of the measured outcomes they propose.

WIA statewide funds (sometimes known as "leadership funds") are a resource that could be dedicated to this project. The grants should be structured to fund demonstration projects in three-year blocks. The program's overall impact would be greatly enhanced by requiring applicants to match the grants dollar-for-dollar. A review of various models indicates this matching requirement is essential to attracting the most capable applicants and ensuring a greater likelihood of sustainability after the grant period ends. See, for example, the U.S. Department of Education's GEAR UP program (www.ed.gov/gearup), which targets low-performing, high poverty students and requires a dollar-for-dollar matching contribution. Since 1999, New Mexico has participated in a half dozen GEAR UP programs – five partnership and one state grant – totaling just shy of $2.5 million in federal funds[7475] and matched by almost $2.5 cash or in-kind resources contributed by state and local GEAR UP partners.

Based on evidence of New Mexico's participation in GEAR UP and on comments from stakeholders about available resources generally, it is recommended that applicants be required to contribute a minimum of 20% of their match in cash so that no more than 80% be permitted in-kind. The net result is a modest 10% cash contribution for each project – not too much to ask from serious workforce alliances.

This matching feature will cement a sense of "ownership" in and commitment to success by each partner in the project. Experience has shown that some applicants might complain initially but find they are able to meet the matching requirement once they pursue partnerships in earnest. Other applicants will welcome from the outset the opportunity to demonstrate their commitment and ability to successfully team up for economic and workforce development.

Selection, award, and administration of the grants should be handled initially by the *Governor's Office of Workforce Training and Development*, then shift to the designated workforce development lead agency. Monitoring would fall to the *Governor's Office of Workforce Training and Development* and the State Workforce Investment Board.

Conclusion

New Mexico's future competitiveness and economic growth rest on higher skill-levels for its workers. Yet recent reports on New Mexico's workforce development system paint a picture of a fragmented system with limited accountability that remains largely disconnected from employers' needs. The system inherited by the Richardson Administration a year ago has failed to approach its potential.

This report presents a roadmap for a more integrated, accountable, responsive, and customer-driven workforce development system, beginning with the creation of a central *Governor's Office of Workforce Training and Development*. The establishment of this Office, with the full faith and support of the Governor, is an essential first step toward system-wide reform.

This new Governor's Office offers a means for providing strong executive leadership, coordination, oversight, and monitoring of the state's workforce system. Further, the Office will be well positioned to convene the key partners in the state's workforce and economic development communities to create a vision for a New Mexico with a competitive and highly skilled workforce that will be a catalyst for the state's future economic growth. The Office can lead the state in the formulation of a strategic plan for achieving that vision of New Mexico's future workforce. It will also be able to see that the vision and plan are implemented in the most effective and efficient manner possible.

The strategic plan would be founded on a fully integrated state economic and workforce development system that is responsive to the needs of both business and workers, effectively utilizes the state's workforce development, education and training resources, and becomes fully accountable for its performance in preparing students and workers to succeed in the workforce.

Governor Richardson has wisely committed to stake New Mexico's future on an investment in its most valuable asset – its people. This begins with the K-12 public education reforms already being put in place, but if the goal of a world-class New Mexico workforce is to be met, it should not end there. Those reforms must be tied to equally dramatic improvements in the state's workforce development system such as those suggested in this report.

FOOTNOTES

[1] The Bridges to Opportunity Initiative is a five-year program of the Ford Foundation in New York, supported nationally in six states, to develop policy solutions that will improve learning opportunities for disadvantaged students and workers. The New Mexico project is directed by the New Mexico Association of Community Colleges.

[2] *The Competitive Challenge: Building a World-Class Workforce*, National Association of State Workforce Board Chairs (2002).

[3] *Report to the Governor from the Stakeholders Coalition, Community College Learning Networks: Building the Future for New Mexico*, p. 7, New Mexico Association of Community Colleges, Community Colleges Bridges to Opportunity Project (May 2003).

[4] Robert D. Atkinson, *The 2002 State New Economy Index: Benchmarking Economic Transformation in the States*, Progressive Policy Institute (2002).

[5] Ibid.

[6] Ibid.

[7] New Mexico Association of Community Colleges, *Community Colleges Bridges to Opportunity Project* (May 2003).

[8] E. Ganzglass, M. Jensen, N. Ridley, M. Simon, C. Thompson, *Transforming State Workforce Development Systems: Case Studies of Five Leading States*, National Governors' Association (2001).

[9] Jack Jekowski, *Preparing the Intellectual Capital Needed for New Mexico in the 21st Century*, Bridges to Opportunity Project, September 4, 2003 (citing Census 2000 data contained in *The Demographics of New Mexico, New Mexico Economic Development Department*, www.edd.state.nm.us/FACTBOOK/index.html).

[10] New Mexico Association of Community Colleges (May 2003) (citing Thomas G. Mortenson, *Revisiting the Paradox of Higher Education Opportunity in New Mexico*, Legislative Finance Committee, September 25, 2001).

[11] Ibid (citing Projections of the Population of Voting Age, for States, By Race, Hispanic Origin, Sex, and Selected Ages, U.S. Census Bureau (2000)).

[12] Ibid.

[13] *Poverty in the United States: 2000*, U.S. Census Bureau (2001).

[14] *Median Money Income of Households by State: 1998-2002 Three-Year Averages*, U.S. Census Bureau (2003).

[15] *Report to the Governor from the Stakeholders Coalition, Community College Learning Networks: Building the Future for New Mexico*, New Mexico Association of Community Colleges, Community Colleges Bridges to Opportunity Project (May 2003); *New Mexico State Workforce Development Board Special Task Force* (2002); *Employment and Training Coordination Plan*, Governor's Office of Workforce Programs (June 2002); and *Report to the Legislative Finance Committee* (2003).

[16] Bill Richardson, *Speech to the Job Service Employer Connection* (April 20, 2002).

[17] Ibid.

[18] Bill Richardson's *"New Jobs, New Mexico": An Economic Development Plan for New Mexico* (2002).

[19] The report was commissioned jointly with the *Bridges to Opportunity for New Mexico* Initiative.

[20] *Transforming State Workforce Development Systems: Case Studies of Five Leading States*, National Governors Association Center for Best Practices (2001); *A Governor's Guide to Creating a 21st Century Workforce*, National Governor's Association Center for Best Practices (2002).

[21] *Review, Evaluation and Recommendations of State Agency Workforce and Training Programs*, New Mexico State Workforce Development Board Special Task Force (2002); *Review of the Implementation of the Federal Workforce Investment Act of 1998*, Report to the Legislative Finance Committee (November 13, 2003); New Mexico Association of Community Colleges (May 2003).

[22] New Mexico Association of Community Colleges (May 2003).

[23] New Mexico State Workforce Development Board Special Task Force (2002).

[24] Report to the Legislative Finance Committee (2003).

[25] Still more state-level agencies, such as the New Mexico Border Authority and the Veterans Service Commission, administer smaller amounts of workforce program dollars (i.e., less than $1 million annually) or administer specialized programs for a discrete population (e.g., the Children, Youth and Families Department, which administers education programs for incarcerated youth). These agencies were not included in the table for simplicity of presentation.

[26] *Employment and Training Coordination Plan*, Governor's Office of Workforce Programs (June 2002).

[27] Report to the Legislative Finance Committee (2003).

[28] New Mexico State Workforce Development Board Special Task Force (2002).

[29] *A Governor's Guide to Creating a 21st Century Workforce*, National Governor's Association Center for Best Practices, 2002.

[30] *Transforming State Workforce Development Systems: Case Studies of Five Leading States*, National Governors Association Center for Best Practices (2001).

[31] The Bridges to Opportunity Strategic Advisory Board includes: Senator Sue Wilson Beffort, Dr. Breda M. Bova of the UNM College of Education, Mr. John A. Carey, President of ACI, Mr. Mike DeWitte of Sandia National Laboratory, Mr. Michael Glennon, President of Albuquerque TVI Community College, Mr. Jack Jekowski, head of Innovative Technology Partnerships, Mr. Mark Lautman, President of Santa Teresa Real Estate Development Corporation, Dr. Daniel Lopez, President of New Mexico Tech, Dr. Sigfredo Maestas, President of Northern New Mexico Community College, Dr. Steve McCleery, President of New Mexico Junior College, Dr. Beverlee McClure, President of Clovis Community College, Representative James Roger Madalena, Mr. Sherman McCorkle, President of Technology Ventures Corporation, Representative Rick Miera, Senator Cynthia Nava ,Mr. Chuck Pacheco of the University of California, Ms. Lillian Montoya-Rael, head of the Regional Development Corporation, Mr. James Reed of Intel Corporation, Dr. Carol Spencer, President of San Juan College, Wendy B. Stagg, former member of the New Mexico Commission on Higher Education Mr. Daniel Tso of the Navaho Agricultural Products Industry, and Mr. Rick Ulibarri of Los Alamos National Laboratory.

[32] See *A Governor's Guide to Creating a 21st Century Workforce*, NGA (2002), at 31.

[33] *State WIA-TANF Relationships Survey Results Summary,* Dept. of Labor, Employment and Training Administration, Office of Policy and Research and Office of Field Operations, April 2002. http://www.doleta.gov/usworkforce/reauthorization/survey-text.htm

[34] Nisha Patel, Lisa Ranghelli, Mark Greenberg, *A Means to an End: Integration of Welfare and Workforce Development Systems*, Center for Law and Social Policy (October 2003).

[35] E. Ganzglass, et al, National Governors' Association (2001).

[36] National Governor's Association Center for Best Practices (2002).

[37] New Mexico State Workforce Development Board Special Task Force (2002). *Report to the Legislative Finance Committee* (2003).

[38] *Aligning Economic and Workforce Development Activities in Baltimore – Research Findings*. Lisa Hicks, Alexandra Olins, and Heath Prince. Jobs for the Future (Nov 2000) at page 2.

[39] E. Ganzglass, M. Jensen, N. Ridley, M. Simon, C. Thompson, *Transforming State Workforce Development Systems: Case Studies of Five Leading States*, National Governors' Association (2001).

[40] New Mexico State Workforce Development Board Special Task Force (2002).

[41] *Employment and Training Coordination Plan*, New Mexico Governor's Office of Workforce Programs (2002).

[42] New Mexico State Workforce Development Board Special Task Force (2002).

[43] E. Ganzglass, et al, National Governors' Association (2001).

[44] *Aligning Economic and Workforce Development Activities in Baltimore – Research Findings*. Lisa Hicks, Alexandra Olins, and Heath Prince. Jobs for the Future (Nov 2000), (available at http://www.jff.org/jff/PDFDocuments/BaltEDWFDalign.pdf). The municipalities surveyed for this analysis were: Austin, Texas; Berkley, California; Boston, Massachusetts; Cleveland, Ohio; Memphis, Tennessee; Portland, Oregon; and Seattle Washington.

[45] See *Everybody WINs: Effectively Involving Business in Workforce Development*, at 10.

[46] See *Everybody WINs: Effectively Involving Business in Workforce Development*, at 12.

[47] See *Everybody WINs: Effectively Involving Business in Workforce Development*, at 15.

[48] *Report to the Legislative Finance Committee* (2003), at p. 12 (emphasis added).

[49] New Mexico State Workforce Development Board Special Task Force (2002).

[50] *New Roles for One-stop Centers: Serving the Business Customer*. Business Coalition for Workforce Development (U.S. Chamber of Commerce) (no date is given on the document or website but it is obviously post enactment of the Workforce Investment Act and is available at: http://www.uschamber.com/NR/rdonlyres/e64hr7yitxevkq34ojfzmrs5k5tdj7s5rwmpf7evfcxy44qrlmljokudploqlvrz44c4wojio4nkwrku2jysmitbajh/onestop00.pdf)

[51] *New Mexico State Workforce Development Board Special Task Force Report* (2002).

[52] *WorkKeys: The Language for Building a Career Development System*, Michigan Department of Career Development, September 2002.

[53] ACTIVITY, Autumn 2003, Vol. 41, No.3 (ACT).

[54] *WorkKeys: The Language for Building a Career Development System*, Michigan Department of Career Development (2002).

[55] *Workforce Education: Issues and Opportunities*, Workforce Strategy Center, July 2001.

[56] *Ibid.*

[57] The "two plus two" model strives to create a more seamless transition between the student's first two years of a community college and a four-year campus.

[58] Multi-institutional consortia are created when two- and four-year systems locate on the same campus. Though each has a separate curriculum, faculty and administrations work together to serve students and use facilities in more efficient ways.

[59] See *Programs To Promote Articulation*, Evelyn L. Kent, *Community College Times* (July 9, 2002).

[60] Those classes transfer as a block to any state college, no matter what the receiving college counts as a general education course. However, if students transfer to another college before completing the general education block, receiving colleges have the option to require students to take additional classes. See *Programs To Promote Articulation*, ibid.

[61] See *Programs To Promote Articulation*, ibid.

[62] See *Programs To Promote Articulation*, ibid.

[63] "New Mexico Partnership for Jobs" speech, Bill Richardson (April 20, 2002).

[64] Davis Jenkins, Katherine Boswell, *State Policies on Community College Workforce Development: Findings from a National Survey*, Center for Community College Policy, Education Commission of the States (2001).

[65] The key attributes of community colleges in delivering workforce development services were identified in *Workforce Development: Issues and Opportunities*, Workforce Strategy Center (2001).

[66] *An Economic and Social Impact Study of New Mexico's Community Colleges*, New Mexico Association of Community Colleges (July 2003).

[67] New Mexico Association of Community Colleges (May 2003).

[68] *Help Wanted…Credentials Required: Community Colleges in the Knowledge Economy*, Anthony P Carnevale and Donna M. Desrochers (2001), excerpted in *Community College Journal*, in an article entitled "The Credentialing Crunch" (April/May 200).

[69] *Help Wanted* (2001).

[70] *State Funding for Community Colleges: A 50-State Survey*, Community College Policy Center, Education Commission of the States (2000).

[71] Davis, G. (2000). *Issues in community college governance. New expeditions: Charting the second century of community colleges. Issues paper no. 7.* Washington, DC: Community College Press, at 11-13.

1.

[72] State Workforce Development Board Special Task Force (2001).

[73] The purpose of each program was, and is, to develop knowledge, skills, and curricula to introduce students to and prepare them for career pathways from entry through professional level in each career cluster. Career Clusters provide a way for schools to organize instruction and student experiences around sixteen broad categories that encompass virtually all occupations from entry through professional levels. Further, Career Clusters identify pathways from secondary school to two- and four-year colleges, graduate school, and the workplace, so students can learn in school and what they can do in the future. Resources such as KNOWLEDGE AND SKILLS STRUCTURES and BROCHURES are available for each of the sixteen clusters. For more information, see the National Association of State Directors of Career Technical Education Consortium website: http://www.careerclusters.org.

[74]

[75] The five-year New Mexico State GEAR UP grant is for $1,031,000. The five GEAR UP five-year partnership grants in New Mexico total $1,439,882. The exact total of federal funds New Mexico receives in GEAR UP grants is $2,470,882. Source: www.ed.gov/gearup.

Acknowledgements

The *New Mexico Performance Review* appreciates the contributions of the following people and organizations to the successful completion of this project:

Adams, Angela, Chief Children's Court Attorney, Children, Youth, and Families Department

Beardsley, Bob, Chief, Client Services Bureau, Medical Assistance Division, Human Services Department

Becker, Ross, Deputy Secretary, Aging and Long Term Care Department

Bokum, Consuelo, Water Projects Director, 1000 Friends of New Mexico

Bolson, Mary-Dale, Secretary, Children, Youth, and Families Department

Bonal, Art, , State Agency for Surplus Property, Transportation Division, General Services Department

Bradley, Elizabeth, Program Integrity, Quality Assurance Bureau, Medical Assistance Division, Human Services Department

Bronson, Regina, , Division of Health and Human Services, U.S. Department of Occupational Health

Building, Bataan, Custodial Services, Building Services Division, General Services Department

Cavanaugh, Henry, Maintenance Worker, Building Services Division, General Services Department

Collis, Gary, Employee Ombudsman, South Australia Government

Curry, Ron, Secretary, Department of Environment

D'Antonio, John, State Engineer, Office of the State Engineer

Eckhart, Curtis, Assistant Division Director, State Budget Division, Department of Finance and Administration

Estes, Melissa, Director, Zuni Environmental Proection Program

Fava, Tracy, Manager, Children, Youth, and Families Department

Ferreira, Erin, Director, Children's Cabinet, Office of the Lt. Governor

Gonzales, Bernice, Bureau Chief, Contract Review Bureau, Administrative Services Division, Department of Finance and Administration

Griego, Debra, Director, Administrative Services Division, Department of Finance and Administration

Haggard, Dan, Staff Manager, OCD, Children, Youth, and Families Department

Helwig, Sherry, Dir. Comm. Corr., Corrections Department

Herrera, Peter, Network Specialist, Information Services Division, General Services Department

Hill, Marilyn, Deputy Superintendent, Regulation and Licensing Department

Hunt, Leo, Manager, Information Management Bureau, Financial Control Division, Department of Finance and Administration

Hyde, Pam, Secretary, Human Services Dept

Ingram, Carolyn, Director, Medical Assistance Division, Human Services Department

Jaramillo, Arturo, Superintendent, Regulation and Licensing Department

Jauregui, Patricia, Personnel Operations Section Head, Human Services Bureau, Administrative Services Division, Department of Transportation

Knouse, Nancy, Bureau Chief, Information Systems Bureau, Office of the State Engineer

Latsch, Patti, Deputy Director, Health Professions Quality Assurance, Washington State Department of Health

Leach, Frances, Federal Aviation Administration

Lewis, Amy, Private Consultant

Leyba, Rebecca, Computer Support Specialist, Information Management Bureau, Financial Control Division, Department of Finance and Administration

Linden, Jon, Mediator/Trainer/Book Reviewer, Proactive Intervention, L.L.C.

Malcom, Richard, Social Work Consultant, Licensing and Certification Unit, Community Services Bureau, Children, Youth, and Families Department

Malmo, Lee, Information Systems Manager, Administrative Services Division, Department of Finance and Administration

Martinez, Adrian, ITO Technician, Corrections Department

Martinez, Ken, Behavioral Health Manager, Children, Youth, and Families Department

Martinez, Maria, Director, Motor Vehicle Division, Taxation and Revenue Department

Mata, Crystal, Personal Care Option Program Manager, Planning and Program Bureau, Medical Assistance Division, Human Services Department

McBride, Myrrl, Administrative Dep. Director, Children, Youth, and Families Department

McNall, Linda, Placement Administrator, Protective Services Division, Children, Youth, and Families Department

Monarch, Rachael, Budget Analyst, Corrections Department

Montoya, Jeff, Network Specialist, Information Services Division, General Services Department

Montoya, Patricia, Secretary, Department of Health

Lee Onstott, Bureau Chief, Construction Bureau, Department of Transportation

Page, Francis, Budget Analyst, Corrections Department

Pino, Mike, Physical Plant Manager, Building Services Division, General Services Department

Reeves, Alana, Chief, Contract Administration Bureau, Medical Assistance Division, Human Services Department

Renaldi, John, Director, Protective Services Division, Children, Youth, and Families Department.

Rivera, Sharon, Business Operations Specialist, Office of the Secretary, Department of Finance and Administration

Rodrigez, Gerald, Loss Control Supervisor, Risk Management Division, General Services Department

Roe, Barbara, Deputy, Children, Youth, and Families Department

Romero, Tom, Deputy Director for Finance, Human Services Department

Rosenblatt, Martin, Chief, Quality Assurance Bureau, Medical Assistance Division, Human Services Department

Sanders, D.L., General Counsel, Office of the State Engineer

Sandoval, Danny, Director, Administrative Services Division, Children, Youth, and Families Department

Scheller, Lynn, Information Systems Manager, General Services Department and Office of the Chief Information Officer

Schwarz, Becky, Eligibility Manager, Client Services Bureau, Medical Assistance Division, Human Services Department

Sedillo, Erma, Deputy Secretary, Corrections Department

Smith, Donna K., Director, Risk Management Division, General Services Department

Spanier, Michael, Deputy Director, State Budget Division, Department of Finance and Administration

Stantistevan, Ivan, Camp Supervisor, Energy, Minerals, and Natural Resources Department

Sutt, Tarmo, Manager, Information Systems Bureau, Office of the State Engineer

Sutton, Jessica, Health Policy Adviso, Office of the Governor

Trujillo, Doris, Contracts Specialist, Contract Review Bureau, Administrative Services Division, Department of Finance and Administration

Trujillo, Lawrence, Deputy Secretary, Corrections Department

Vigil, Angela, Systems Administrator, Information Management Bureau, Financial Control Division, Department of Finance and Administration

Vigil, Trish, Administrator 3, Medical Assistance Division, Human Services Department

Weber, Jim, Administrator, Income Support Division, Human Services Department

Wicklund, Charles, Camp Supervisor, Energy, Mineral, and Natural Resources Department

Issue Index by Team

Alphas

Criminal Justice

Health and Human Services

Human Resources

Information Technology

Reorganization

Transportation