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## FISCAL IMPACT REPORT

<b>SPONSOR</b> <u>Gonzales</u>	<b>LAST UPDATED</b> _____
	<b>ORIGINAL DATE</b> <u>2/2/2024</u>
<b>SHORT TITLE</b> <u>Gov't Total Quality Management Training</u>	<b>BILL NUMBER</b> <u>Senate Bill 244</u>
	<b>ANALYST</b> <u>Simon</u>

### APPROPRIATION\* (dollars in thousands)

FY24	FY25	Recurring or Nonrecurring	Fund Affected
	\$750	Recurring	General Fund

Parentheses ( ) indicate expenditure decreases.  
 \*Amounts reflect most recent analysis of this legislation.

### Sources of Information

LFC Files

Agency Analysis Received From  
 General Services Department (GSD)  
 New Mexico Attorney General (NMAG)

## SUMMARY

### Synopsis of Senate Bill 244

Senate Bill 244 appropriates \$750 thousand to the General Services Department to provide “total quality management training” to governmental entities and businesses.

## FISCAL IMPLICATIONS

The appropriation of \$750 thousand contained in this bill is a recurring expense to the general fund. Any unexpended or unencumbered balance remaining at the end of FY25 would not revert.

GSD reports the agency does not currently have staff to implement or oversee training programs and does not currently offer employee development courses. It is unclear how the agency would provide this service, but the agency estimated an annual operating budget impact of \$75 thousand without detail. It is unclear if the department would choose to provide training by hiring additional FTE or by contracting with a provider to fund offer the training courses.

## SIGNIFICANT ISSUES

In response to increased foreign competition in the late 1980s and early 1990s, many American businesses reoriented their businesses with an eye toward quality. In 1991, Congress request the

federal General Accounting Office (GAO) conduct an analysis of this trend, dubbed the “total quality management” model. While the GAO report noted the implementation to total quality management was unique to the different entities evaluated, the report found several practices in common. These include:

- A focus on customer satisfaction,
- Strong leadership focused on quality improvement,
- Continuous improvement to improve process efficiency,
- Analysis of data to make fact-based decisions to improve quality, and
- Providing employees with the tools and training to improve quality, while holding employees accountable for maintaining quality goals.

Following the analysis, GAO adapted its mission to place quality management at the center of its work. This movement was part of a series of reforms that focused on performance-based management and led to reforms at the state level, including New Mexico’s Accountability in Government Act, enacted in 1999. That law reoriented the state budget process around agency performance, trading budget flexibility for information about how state agencies economically, efficiently, and effectively carry out their responsibilities. Over time, LFC has evolved its work into a comprehensive evidence-based budget and policy framework known as Legislating for Results. The Legislating for Results Framework includes five key areas where performance reporting plays a critical role:

- Identifying priority areas and performance;
- Review of program inventory and effectiveness;
- Budget development;
- Implementation oversight; and
- Outcome monitoring.

As part of this process, LFC staff have periodically provided training to state agencies on performance management and the Legislating for Results framework. Additionally, the committee’s LegiStat process, a method to focus agency budget hearings on data-driven discussions of agency’s performance challenges, emphasizes the need for effective and efficient programs at state agencies.

Better training for state employees on the use of performance management to improve outcomes for New Mexicans and benefit many public entities. However, GSD reports no particular expertise in providing human resources training and does not generally have oversight over the state’s performance management system.

Additionally, SB244 anticipates GSD would provide training for both “governmental entities” and “businesses.” It’s unclear how often state agencies manage training programs for private businesses. The Economic Development Department (EDD) noted SB244 would not have an impact on that agency. In response to further inquiry, the department stated some businesses are eligible for employee training funds through the Job Training Incentive Program, but even in those EDD is not directly responsible for the training. It may be possible for GSD to contract with similar providers to offer training.