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FISCAL IMPACT REPORT

ORIGINAL DATE 3/10/09

SPONSOR HBIC LAST UPDATED _____ HB 705/HBIC

SHORT TITLE Procurement Value Action Threshold SB _____

ANALYST Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Unknown	Unknown	Unknown		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)

No Responses Received From

Administrative Office of the Courts (AOC)

Corrections Department (CD)

Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Business and Industry Committee Substitute for House Bill 705, increases the threshold for the dollar value of state procurements that require procurement through the director of the State Purchasing Division (SPD) of the General Services Department. The threshold for small purchases would be increased from \$1,500 to \$20,000. The bill also increases the threshold of the value of a construction project that would require bidders to provide bid security equal to five percent of the amount of a bid from projects with an estimated value of \$25,000 to an estimated value of \$60,000.

The bill also increases the threshold for procurement of used supplies, equipment and other materials without bids from \$5,000 to \$20,000. The bill would also increase the value threshold for exchanging used supplies, equipment and other materials without an independent appraisal or two written quotes from an estimated value of \$5,000 to an estimated value of \$20,000. The bill also increases the threshold value of projects for which contractors must be registered with the Labor Relations Division of the Workforce Solutions Department from \$50,000 to \$60,000.

Lastly, the bill redefines heavy road equipment to include motor-driven vehicles or apparatus capable of use for earth moving or mixing components that have an aggregate value or price of over \$50,000 instead of \$1,000 under current statute.

The bill establishes the authority for the disposition of obsolete, worn-out or unusable tangible personal property, as well as the sale of property by state agencies or local public bodies allowing for the disposal of property by the appropriate approval authority. The effective date of this legislation is July 1, 2009.

FISCAL IMPLICATIONS

According to analysis of HB705 originally submitted by the AOC, there will be a minimal administrative cost for statewide update, distribution and documentation of statutory changes. Any additional fiscal impact on the judiciary would be proportional to the enforcement of this law and commenced prosecutions. New laws, amendments to existing laws and new hearings have the potential to increase caseloads in the courts, thus requiring additional resources to handle the increase.

SIGNIFICANT ISSUES

The HBIC Substitute for House Bill 705 is intended to update dollar values of procurements that require oversight by the SPD. As the cost of goods and services increases, state and local government procurements are required to be performed through centralized procurement offices with more rigid procurement procedures. This has the effect of increasing the workload of central purchasing offices and slowing procurement of routine goods and services. The bill will raise the thresholds for the values of procurements that require active intervention from SPD and reduce the workload placed on the department.

PERFORMANCE IMPLICATIONS

By raising thresholds for various procurement actions, the bill will reduce the time state agencies and vendors will need to spend on smaller purchases.

ADMINISTRATIVE IMPLICATIONS

GSD suggests this bill will greatly increase the efficiency of state purchasing by creating consistency among procurement requirements. As is currently stands, the Code is contradictory to recent legislative changes, inconsistent with requirements employed by other state agencies, and forces vendors to remember multiple threshold values for related items.

TECHNICAL ISSUES

Sections 13-6-1 and 13-6-2 NMSA 1978 both need to be changed to reflect \$20,000 instead of \$5,000 to be consistent with the changes indicated above.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

This bill will greatly increase efficiency in state purchasing by creating consistency among procurement requirements. As is currently stands, government and vendor personnel are forced to remember multiple threshold values for related items.

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This bill ensures consistency within the Procurement Code and GSD fully supports this legislation.

DA/mt