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FISCAL IMPACT REPORT

ORIGINAL DATE 02/06/18

SPONSOR Tallman **LAST UPDATED** _____ **HB** _____

SHORT TITLE Transfer and Change Procurement **SB** 45

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY18	FY19	FY20	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		(\$200.0)	(\$200.0)	(\$400.0)	Recurring	GF- DFA
		\$200.0	\$200.0	\$400.0	Recurring	GF-GSD

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From
Office of the State Auditor (OSA)

No Responses Received From
General Services Department (GSD)
Department of Finance and Administration (DFA)

SUMMARY

Synopsis of Bill

Senate Bill 45 (SB 45) amends Section 6-5-2.1 NMSA 1978 to require DFA to collect and maintain information on state agency contracts awarded to in-state and out-of-state contractors; amends Section 123-1-118 NMSA 1978 to transfer DFA’s review of professional services contracts as to form, legal sufficiency and budget requirements to GSD; amends Section 13-1-125 NMSA 1978 to transfer DFA’s responsibility to promulgate rules associated with small purchases of \$60,000 or less for professional services to GSD; and amends Section 13-1-116.1 to require a notice of intent to award any sole source contract to be posted on the SPD website.

SB 45 also repeals and replaces Section 13-1-127 NMSA 1978 with new language to provide that emergency procurements: 1) may only be made to control or plan or prepare for the response to an immediate, serious threat to public health, welfare, safety or property and that cannot be acquired through normal procurement methods, 2) employ a competitive process to the extent practical and use due diligence in selecting a contractor, 3) post on the SPD website, and 4) must be reported at fiscal-year-end to LFC and DFA in terms of money spent and purpose .

Finally, the bill includes a temporary provision transferring FTE, money, property and obligations of the DFA's Contract Review Bureau (CRB) to GSD's State Purchasing Division (SPD).

FISCAL IMPLICATIONS

The table above estimates the impact of moving 3 FTE, furniture, equipment and other property from the CRB to SPD. GSD will have to provide office space for the transferred FTE. Since a large portion of SPD oversight functions are covered from other state funds from vendor and other fees as opposed to general fund, the transfer of these functions has the potential to reduce the general fund appropriation related to these functions since they will no longer reside at DFA.

SIGNIFICANT ISSUES

The bill transfers DFA's responsibility to review professional services contracts to GSD. Since GSD already reviews contracts for property, construction services and non-professional services, the transition should not be too burdensome. In prior reports, both OSA and LFC recommended consolidation of DFA's CRB and GSD's SPD into one centralized oversight procurement office.

PERFORMANCE IMPLICATIONS

The bill transfers DFA's review of professional services contracts as to budget sufficiency to GSD which may still require GSD to work with DFA who oversees how agencies spend funds.

ADMINISTRATIVE IMPLICATIONS

OSA notes the requirement to collect and maintain information on in-state and out-of-state contracts and one location for the posting of sole source notifications will increase transparency.

SUBSTANTIVE ISSUES

SPD is responsible for ensuring compliance with the State Procurement Code for purchases by executive agencies, as well as establishing state-wide pricing agreements for use by other governmental entities. The State purchases over \$5 billion dollars of goods and services each year and must ensure that each dollar spent is spent in accordance with the Procurement Code.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

The duties and staff of the CRB at DFA and SPD at GSD will remain unchanged.

AHO/al