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FISCAL IMPACT REPORT

ORIGINAL DATE 2/2/22

SPONSOR Serrato/Maestas LAST UPDATED 2/10/22 HB 160/aHAFC

SHORT TITLE Historically Underutilized Businesses SB _____

ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		\$145.2	\$145.2	\$290.4	Recurring	TRD Operating
		\$120.0	\$120.0	\$240.0	Recurring	GSD Operating
Total		\$265.2	\$265.2	\$530.4		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)

Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Original Bill

The House Appropriations and Finance Committee amendment to House Bill 160 removes the appropriation of \$120 thousand each to the Taxation and Revenue Department and the General Services Department.

Synopsis of Original Bill

House Bill 160 (HB160) creates the Historically Underutilized Businesses Opportunity Act. The bill defines a historically underutilized business (HUB) as a for-profit business that has average gross revenue for the preceding three years of less than \$5 million or which has 50 or fewer employees, is a resident business, and more than 50 percent of the business is owned by women or persons who are members of one or more of the following communities of color: African American, Latino or Hispanic, Asian, Pacific Islander, Native American or Alaska Native.

Under the provisions of the bill, the Taxation and Revenue Department (TRD) would be required to certify a business as a HUB. The bill allows TRD to rely on federal or state certification and information that relates to the ownership of applicants for HUB status.

The General Services Department (GSD) would be required to develop a database of HUBs and establish procedures to qualify nonprofits as “qualified facilitating nonprofit entities” which are formed to assist in the identification and certification of businesses meeting the requirements of a HUB. Additionally, GSD would be required to create and maintain a database of HUBs and provide training for HUBs on opportunities and procedures for doing business with the state.

HB160 requires all state entities to develop plans and goals around the use of HUBs and to track certain data on contracting processes as it relates to HUBs. State agencies would be required to report the data tracked to GSD on an annual basis. GSD would be required to produce a report summarizing the data reported by state agencies.

HB160 appropriates \$120 thousand each from the the general fund to TRD and GSD for the purpose of hiring one employee at each agency to facilitate implementation of HB160.

There is no effective date of this bill. It is assumed that the effective date is 90 days following adjournment of the Legislature.

FISCAL IMPLICATIONS

TRD anticipates the need to hire two additional staff at an annual cost of \$145.2 thousand to implement the provisions of HB160. GSD anticipates need for one additional employee at a cost of \$120 thousand. These costs are shown in the estimated additional operating budget impact table.

HB160 requires state agencies to track data related to contracts awarded to HUBs. It is unknown what, if any, impact this may have on agency budgets.

SIGNIFICANT ISSUES

TRD noted the following:

As a matter of policy, TRD requests only as much information as is necessary from the public to ensure compliance with tax and motor vehicle laws. This bill would require TRD to certify “historically underutilized businesses,” which would require TRD to begin collecting data to include gross revenue, average number of employees, and gender, race and ethnic identity relating to business ownership. TRD does not currently collect racial or ethnic data.

In analysis of similar provisions introduced in a prior year, GSD reported:

This legislation does not define contract nor subcontract. For example, is unclear whether “contract” includes statewide price agreements procured by State Purchasing when no goods or services are purchased until such time an agency need exists. [...] Similarly, it is unclear whether the term “contract” includes the thousands of weekly purchase orders generated by state agencies under these statewide price agreements. It may help to have a dollar threshold limit for the minimum amount to trigger reporting in order to reduce the data gathering and reporting work at each agency.

TECHNICAL ISSUES

TRD notes the following technical issues:

TRD suggests that “gross revenue” be defined in the bill. It is unclear if “gross revenue” is a number that should be taken from taxes reported for income taxes or gross receipts tax for the business. There are certain types of income that would not be included with either number. Tax & Rev would prefer that “gross revenue” is defined to ensure that TRD is using the correct number. The process may be streamlined if eligibility is determined by a field on a tax return.

CJ/al/acv