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FISCAL IMPACT REPORT

SPONSOR <u>Ingle/Munoz</u>	LAST UPDATED <u>2/8/2023</u>
SHORT TITLE <u>Regional Water Project Procurement</u>	ORIGINAL DATE <u>2/1/2023</u>
	BILL NUMBER <u>Senate Bill 200/aSJC</u>
	ANALYST <u>Simon</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		No fiscal impact	No fiscal impact			
Total						

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

Relates to Senate Bill 76

Sources of Information

LFC Files

Responses Received From
 General Services Department (GSD)
 Office of the State Engineer (OSE)
 Environment Department (NMED)

SUMMARY

Synopsis of SJC Amendment

The Senate Judiciary Committee Amendment to Senate Bill 200 (SB200/aSJC) makes a technical amendment, removing the new exemption for regional water projects from paragraph 6 of the Subsection and creating a new paragraph 7 of the Subsection. The amendment makes clear the \$500 million project cap does not apply to state public works projects.

Synopsis of Original Senate Bill 200

Senate Bill 200 (SB200) changes the period for which a regional water project costing more than \$500 million would be allowed to enter into a multi-term contract for design and engineering services under the Procurement Code. The bill aligns the multi-term contract period for these projects with state public works projects and requires these contracts to be approved by the secretary of finance and administration.

This bill does not contain an effective date and, as a result, would go into effect June 16, 2023, (90 days after the Legislature adjourns) if signed into law.

FISCAL IMPLICATIONS

The bill has no fiscal impact.

SIGNIFICANT ISSUES

Generally, the Procurement Code limits multi-term contracts to four years to prevent public entities from entering into a long-term contract that is not in the best interests of taxpayers. However, some large projects may take longer terms to complete. For example, the Eastern New Mexico Rural Water System reports examples of water projects for engineering services ranging from 56 months (4.6 years) to 69 months (5.7 years).

The Environment Department (NMED) notes SB200 could make it less time-consuming for regional water projects and the department to complete procurement activity. NMED is responsible for overseeing and reviewing requests for proposals and contracts for these projects. NMED further suggests the threshold included in SB200 could be reduced to \$25 million to make the exemption available to smaller projects.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 76 (SB76), LFC-endorsed legislation, would amend the Procurement Code to tighten or remove several existing exemptions from the Procurement Code and amend Section 13-1-150 to limit cost increases for multi-term contracts to no more than inflation. The legislation was the result of two evaluations of the state's purchasing practices, which recommended removing widely used exemptions that circumvent competitive bidding practices and placing guardrails around the use of sole source contracts and statewide price agreements. While SB76 does not directly conflict with SB200, SB76 does attempt to limit the use of exemptions to the procurement code that allow public entities to avoid going through a formal procurement process.

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