

NOTE: As provided in LFC policy, this report is intended for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used in any other situation.

Only the most recent FIR version, excluding attachments, is available on the Intranet. Previously issued FIRs and attachments may be obtained from the LFC office in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR:	Altamirano	DATE TYPED:	1/26/00	HB
SHORT TITLE:	State Highway and Transportation Department Contract Review and Elimination of Exemption From Central Procurement			SB 80
				ANALYST: Valdes

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY00	FY01	FY00	FY01		
			\$ 200.0	Recurring	General Fund

(Parenthesis () Indicate Expenditure Decreases)

Duplicates/Conflicts with/Companion to/Relates to

SOURCES OF INFORMATION

GSD and DFA have not provided the analysis for this bill.

State Highway and Transportation Department (SHTD)

LFC files

SUMMARY

Synopsis of Bill

This bill would require SHTD to procure all goods and services through the State Purchasing Agent of the General Services Department (GSD). It would also require all SHTD contracts to be reviewed by the Department of Finance and Administration (DFA).

Significant Issues

The additional scrutiny on SHTD contracts and purchasing required by this bill would ensure the department is operating under the same standards as other state agencies. All "innovative" or procurement or contracts initiated by the department would be subject to further review and approval by outside agencies. The bill would eliminate a portion of the independent operating status the department currently has and would require additional scrutiny and accountability for contracts and purchasing.

The high volume of goods and services procured by the department would place a large, additional burden on the existing GSD staff. Processing all procurement and bid documents through the State Purchasing Agent could cause additional delays for the department in procuring goods and services and awarding construction contracts.

Presently the department is exempt from contract review by DFA. Additionally the department processes its own vouchers, issues its own warrants and generally operates independent of DFA. All contracts are prepared and reviewed internally by SHTD staff unless they exceed \$200.0, which requires review and approval by the Attorney General. Requiring DFA to review the high volume of department contracts would

create a large, additional burden on existing DFA contract review staff and would slow contract processing time.

FISCAL IMPLICATIONS

The additional oversight cost is estimated to be approximately \$200.0 in recurring cost to the General Fund for additional staff and overhead cost at the DFA and GSD.

ADMINISTRATIVE IMPLICATIONS

The additional layer of review and processing would impact SHTD operations by increasing processing time for contract and procurement activities. The physical transportation of documents between agencies would also create additional processing backlogs.

The technical nature of highway specifications, bid documents and contracts would require DFA and GSD procurement and contract review staff to develop expertise in highway engineering and construction.

Undue delays in the processing of SHTD procurement and contracts could jeopardize federal funds, project schedules, critical time frames in construction projects and efficient operation of the SHTD.

MFV/njw