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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/03/11

SPONSOR Miera LAST UPDATED \_\_\_\_\_ HB 96

SHORT TITLE Educational Test Service Multi-Year Contracts SB \_\_\_\_\_

ANALYST Hanika-Ortiz

### APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY11	FY12		
	NFI		

(Parenthesis ( ) Indicate Expenditure Decreases)

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY11	FY12	FY13	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
<b>Total</b>		\$0.0	\$0.0	\$0.0	n/a	None

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

Responses Received From  
Public Education Department (PED)

### SUMMARY

#### Synopsis of Bill

House Bill 96 proposes to add another exception to the State Procurement Code that allows the four-year term of professional services contracts to extend to 12 years for standardized education tests for K-12 students and for teacher professional licensure tests.

### FISCAL IMPLICATIONS

House Bill 96 makes no appropriation.

The PED has a procurement section which the state is already funding to provide services to the department, so no impact is shown for an increase in operating budget.

It is difficult to predict whether a twelve year contract would save money. Over time, costs can go up or down, as observed with the slow movement of prices since 2008.

PED asserts that extending the term of a contract for educational assessment services and teacher licensure testing beyond four years could protect against cost increases under new contracts. PED further asserts that on average, costs under these new contracts can increase by 120 percent.

### **SIGNIFICANT ISSUES**

Section 13-1-150 NMSA 1978 “The Procurement Code” limits the term of professional services contracts to four years. Exceptions to that limit are permitted for the following services:

- for support or operation of Medicaid, financial assistance and child support information or payment systems;
- to design, develop or implement taxation and revenue information systems;
- for credit enhancement services;
- to implement, operate and administer the Education Trust Act; and
- to measure and verify conservation-related and utility cost savings.

The limitation on the term of contracts is intended to prevent the state from making long-term financial commitments to services where competition, technology, obsolescence, statutory changes or other factors might provide more economical solutions.

A twelve year contract might discourage the PED from seeking more competitive or favorable solutions, and might discourage entrepreneurs from developing them.

PED maintains that improvements in educational assessment design typically requested in the second year of a contract require two or more years to implement. This improvement cycle leaves a year or less before a contract expires.

PED further maintains that established assessments are affected by changes under new contractors. Scores must be adjusted to maintain consistency when tests are transferred from one contractor to another. Assessment changes can impact data accuracy that is necessary for longitudinal student growth models.

AHO/svb