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FISCAL IMPACT REPORT

SPONSOR	House Government, Elections and Indian Affairs Committee	LAST UPDATED	
		ORIGINAL DATE	3/14/2025
		BILL	CS/House Bill
SHORT TITLE	Clarify DoIT Role on Agency Projects	NUMBER	618/HGEICS
		ANALYST	Hilla

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
GSD	No fiscal impact	Up to \$120.0	Up to \$120.0	Up to \$240.0	Recurring	Other state funds
Total	No fiscal impact	Up to \$120.0	Up to \$120.0	Up to \$240.0	Recurring	Other state funds

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

Duplicates Senate Bill 217, conflicts with Senate Bill 206

Sources of Information

LFC Files

Agency Analysis Received From

Department of Information Technology (DoIT)
 Office of Broadband Access and Expansion (OBAE)
 General Services Department (GSD)
 State Ethics Commission (SEC)
 New Mexico Attorney General (NMAG)
 Department of Health (DOH)
 Children, Youth and Families Department (CYFD)

Agency Analysis was Solicited but Not Received From

Department of Finance and Administration (DFA)

SUMMARY

Synopsis of HGEIC Substitute of House Bill 618

The House Government, Elections and Indian Affairs Committee substitute for House Bill 618 (HB618) amends Section 9-27-6 NMSA 1978 to remove oversight of IT purchases and contracts from the duties of the secretary of the Department of Information Technology (DoIT). The amendments allow the DoIT secretary to remain involved in reviewing agency IT projects prior to procurement but consolidates the procurement process under the General Services Department (GSD) in accordance with the Procurement Code.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns if enacted, or June 20, 2025.

FISCAL IMPLICATIONS

GSD states HB618 would require an additional full-time employee (FTE) at a cost of up to \$120 thousand. This would affect the department's Purchasing Division fees fund, which receives revenue from actual, direct costs of furnishing copies of a public notice or invitation for bids to the prospective bidders. The addition allows for support of duties previously performed by DoIT. While GSD does not have this funding built into its operating budget, the department could use general budget adjustment authority to bring in additional revenue from its Purchasing Division fees fund for any operational costs should the bill pass.

SIGNIFICANT ISSUES

DoIT states HB618 would create efficiency, more specifically for DoIT, GSD, and the Department of Finance and Administration (DFA), by reducing redundancy. GSD and DFA currently have oversight authority for executive branch procurements, with an additional layer of DoIT oversight for IT procurement, which previously had delayed some IT project procurement due to the back-and-forth among the three agencies.

DoIT states that it approved 248 procurements in FY24, totaling \$352.9 million, which includes 211 contracts, 27 contract amendments, and 10 requests for proposals. DoIT currently oversees 53 open agency IT projects that total over \$1 billion across all streams of funding. However, the additional layer of IT procurement oversight at the agency has distracted from project management. This change would allow DoIT to stay involved in IT project procurement but to focus on the project itself before procurement occurs.

Enactment of HB618 risks removing important elements from the IT procurement oversight. The current IT procurement contract is unique and captures information not available in GSD's contract templates. Collaboration on the contract template is imperative to ensure procurement for IT projects captures necessary information, such as independent verification and validation (IV&V), a third party that monitors an IT project's status, and performance bonds, in which payment is withheld until deliverables are completed by the vendor to ensure project timeliness and quality. Without both DoIT and GSD working on contract templates, key elements such as IV&V and performance bonds have the potential to be omitted, which could significantly impact the status of an IT project and accountability from vendors, potentially allowing low-quality IT projects to proceed unchecked, which could result in misuse of taxpayer dollars and failed implementations with no accountability. Given the number of open projects, rising IT costs, and project delays, it is critical for DoIT to still provide an oversight role in contract templates should HB618 be enacted. According to DoIT's project portfolio, the agency oversaw 68 IT projects at a total cost of over \$1 billion in FY24. In the House version of the General Appropriation Act (GAA), DoIT is to oversee \$104.4 million of new state and federal funds for projects outlined in Section 7 of the GAA.

The Department of Health (DOH) suggests HB618 does not clearly define which projects fall under the purview of DoIT and suggests including the language "certified project" or projects with IT expenditures exceeding a certain threshold. DOH states that there are numerous "IT projects" like license updates or enhancements, which may or may not fall under DoIT's purview. The Children, Youth and Families Department (CYFD) adds similar points, noting that all projects, regardless of size or funding source, would be subject to DoIT review under HB618

given the bill's language.

PERFORMANCE IMPLICATIONS

HB618 will streamline efficiency at both DoIT and GSD. DoIT can focus on managing projects, eliminate redundancies, and allow all procurement to be housed at GSD. DoIT states this transition would allow for better planning and involvement in IT projects to help address project issues in a more thorough and timely manner. There could be potential cost savings to the state if DoIT can fully transition to a project management role so agencies do not have to outsource project managers at high costs for IT projects.

ADMINISTRATIVE IMPLICATIONS

DoIT would engage with agencies during development of the contract's statement of work (SOW) in advance of submitting the contract to GSD. Once the SOW is approved, the contract can be released for final review and processing by GSD.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

The bill duplicates Senate Bill 217.

The New Mexico Attorney General (N MAG) points that the bill conflicts with Senate Bill 206 (SB206), which amends the Procurement Code. SB206 amends procurement exceptions for purchases under \$100 thousand but does not include software licenses or maintenance agreements where prepayments are required.

EH/hj/hg/sgs