

REQUEST FOR PROPOSALS

FOR

**ANALYSIS OF THE NEW MEXICO GROSS RECEIPTS
TAX BASE AND OTHER TAX BASES**

ISSUE DATE: JUNE 12, 2017

LEGISLATIVE COUNCIL SERVICE
411 STATE CAPITOL
SANTA FE, NEW MEXICO 87501
(505) 986-4600

NOTICE

The Procurement Code imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities and kickbacks.

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1. INTRODUCTION

A. Purpose. The Legislative Council Service (LCS) has been requested to contract with an economic researcher or economic research group to analyze and estimate the gross receipts tax (GRT) base and other tax bases in the state that will allow policymakers to consider various reforms to New Mexico's tax structure.

B. Background. Legislation has been introduced in recent legislative sessions to significantly reform the GRT. The LCS is seeking services available to analyze and provide a model and data on taxes in the state that will allow policymakers to consider various reforms to New Mexico's tax structure.

The LCS requires that the analysis, model and data be verified by a process that is separate from the process by which it was gathered and analyzed. The selected Offeror shall be knowledgeable about New Mexico tax policy and structure and demonstrate an ability to ensure that the data collection and analysis are separate from the verification process. The LCS further requires that the detailed methodology used to estimate and analyze the tax bases be provided to the LCS, including any underlying assumptions.

2. SEQUENCE OF EVENTS

<u>Event</u>	<u>Date</u>
A. Release of Request for Proposals (RFP)	June 12, 2017
B. Submission of Proposals Deadline	July 10, 2017
C. Evaluation of Proposals and Selection	Week of July 10, 2017

The selection date is subject to extension at the discretion of the LCS. The effective date of the Contract is tentative; it is dependent on the selection date, the length of time required for Contract negotiation and the length of time for processing the Contract.

The events identified in the schedule above are briefly described below.

A. Release of RFP

This RFP will be advertised in two (2) newspapers of general circulation pursuant to Section 13-1-104 NMSA 1978, and prospective Offerors may direct questions about the RFP to Raúl E. Burciaga, Room 411, State Capitol, Santa Fe, New Mexico 87501; telephone: (505) 986-4600.

B. Submission of Proposals

Five (5) copies of the proposal and supporting documentation shall be submitted to the LCS. Proposals must be in the format specified in Item 5 below and must be signed by the Offeror. The deadline for receipt of proposals by the LCS is 2:00 p.m. MDT, July 10, 2017. Proposals will be time-stamped upon receipt. All proposals shall be submitted in sealed envelopes marked "Proposal for Analysis of New Mexico Tax Bases".

All proposals must be addressed to:

Raúl E. Burciaga, Director
Legislative Council Service
411 State Capitol
Santa Fe, NM 87501

A proposal may be modified by an Offeror prior to the deadline for submission of proposals by delivery of a written modification to the above address. The sealed envelope shall be marked "Modification to "Proposal for Analysis of New Mexico Tax Bases"".

A proposal may be withdrawn prior to the deadline for submission of proposals by delivering written or telephone notice to the person listed above.

Any proposal or modification received after the deadline for submission of proposals will be considered late. Unless a late proposal is the only one received, no late proposal or late modification will be considered unless it would have been timely but for the action or inaction of the LCS. Time limits will not otherwise be waived.

Proposals will not be opened publicly but will be opened in the presence of witnesses. Neither the register of proposals nor the proposals themselves will be open to public inspection until after award of the Contract. Offerors may request in writing nondisclosure of specific confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal in order to facilitate eventual public inspection of all proposals.

C. Evaluation of Proposals

Proposals will be evaluated by the LCS using the criteria listed in Item 7 below. During the evaluation process, the LCS may seek clarification from Offerors but SHALL NOT negotiate with Offerors.

D. Selection of Offeror

The individual selected to perform the work and those individuals not selected will be notified by the LCS. Selection DOES NOT constitute an obligation to contract with the successful Offeror. The successful Offeror shall meet with the LCS to coordinate with agency

staff and clarify any outstanding issues concerning the Scope of Work, scheduling issues or other issues before starting work.

3. AMENDMENTS TO RFP

If there are any amendments to this RFP, they shall be in writing and shall be emailed to all individuals who have notified the LCS that they are responding to the RFP. Notification should be sent to raul.burciaga@nmlegis.gov. Amendments shall be distributed with sufficient time to allow Offerors to consider the amendments in preparing their proposals. If necessary, the deadline for submission of proposals shall be extended by the amendment.

The written acknowledgment form mailed with the amendment shall be completed by the Offeror and submitted with the proposal as evidence of receipt of the amendment.

4. CANCELLATION OF RFP; REJECTION OF PROPOSALS

The LCS reserves the right to cancel this RFP at any time and for any reason.

Any and all proposals may be rejected in whole or in part when it is in the interest of the LCS to do so. The LCS shall not be responsible for the payment of any costs incurred by the Offeror in the preparation or submission of a proposal.

The issuance of this RFP, the receipt of proposals or the selection of an individual in no manner obligates the LCS to the eventual purchase of services. This process is solely at the discretion of the LCS and may be terminated without penalty or obligation at any time prior to the signing of a written contract.

5. PROPOSAL FORMAT

Offerors shall include the following information in their proposals:

A. Letter of Transmittal

Include at least the following information:

- (1) the name, address and telephone number of the Offeror;
- (2) the name and telephone number of the primary contact for the Offeror;
- (3) the signature of the Offeror;
- (4) the date of the proposal;
- (5) a statement that the Offeror, if awarded the Contract, will comply with the

Contract terms and conditions set forth in this RFP; and

(6) a statement that the Offeror's proposal is valid for thirty (30) days after the deadline for submission of proposals.

B. Description of Services

Describe how the services will be provided or what tasks will be performed in response to the Scope of Work contained in Item 6 below. (The Scope of Work indicates "what" the Offeror is supposed to do; the description of services should show "how" the Offeror intends to perform the services.)

C. Remuneration

The Offeror shall state either an hourly rate or lump-sum fee for services. The rate will be that agreed upon by the LCS and the Offeror but not in excess of prevailing rates in the state for comparable services. The Offeror shall be reimbursed for incurred and separately stated applicable GRTs.

D. Related Experience and Qualifications

The Offeror shall discuss educational degrees, prior experience and qualifications related to accomplishing the Scope of Work contained in Item 6 below. This portion of the proposal should demonstrate the extent to which the Offeror is qualified to perform both the Scope of Work outlined in this RFP and the specific services contained in the description-of-services portion of the Offeror's proposal. The Offeror should also list any subcontractors performing work in this portion of the proposal.

The Offeror's ability to meet the evaluation factors contained in Item 7 of this RFP shall be stated in this section of the proposal.

6. SCOPE OF WORK

A. Required Output and Services

The selected Offeror shall:

(1) develop and deliver to the LCS a model, and the model's underlying data, to replicate baseline tax revenues for the GRT, income tax (PIT) and corporate income tax (CIT) in a format compatible with existing staff resources and that can be used by staff members to model various reforms proposed by New Mexico policymakers;

(2) provide an analysis of the strengths and weaknesses of New Mexico's tax structure, in particular the GRT, PIT and CIT;

(3) coordinate with agency staff, including legislative economists, and provide at least monthly progress reports to the LCS;

(4) estimate the revenue impacts of certain reform scenarios that the Offeror views as significant and that may provide a change in rates or modifications to a tax base. A scenario may include:

(a) the change in revenue due to the repeal of current exemptions, deductions or other deviations determined to be tax expenditures by the selected Offeror or as identified in the most recent Tax Expenditure Report published by the Taxation and Revenue Department;

(b) the change in revenue due to the expansion of the GRT on wages or nonprofit organizations;

(c) the revenue impact of modifying current PIT and CIT structures; and

(d) the revenue impact of significant interactions, specifically the interaction between the imposition of the GRT on the health care industry and the health insurance premium tax;

(5) estimate the impact of the pyramiding effects of the GRT using methods based on the GRT, gross state product and employment data. The estimate should include the impact of eliminating all pyramiding, business-to-business pyramiding and pyramiding affecting professional services;

(6) include in the model the distributional effects by household income level of potential reform of the GRT, PIT or CIT;

(7) conduct a presentation for the LCS and invited attendees, to be determined by the LCS, to familiarize staff on the model's methodology, strengths and weaknesses;

(8) conduct a presentation for the LCS and invited attendees, to be determined by the LCS, that shall be a collaborative discussion, the purpose of which will be to gain consensus agreement of model inputs and assumptions that will be used in the model and identify areas of particular uncertainty or concern; and

(9) provide a final report to the Revenue Stabilization and Tax Policy Committee no later than December 2017.

B. Optional Services

The selected Offeror may:

(1) include the impact of certain reforms or changes to certain taxes on local

governments;

(2) include an analysis of the impact on revenues of potential changes to federal laws, specifically the Patient Protection and Affordable Care Act; and

(3) after completion of the project, provide up to one (1) year of support to staff regarding the use of the model and any follow-up support regarding questions on methodology and data.

7. EVALUATION

A. Evaluation Point Table Summary of Factors

The following is a summary of evaluation factors and the point value assigned to each. These weighted factors will be used in the evaluation of the individual offer or proposals.

<u>Factor</u>	<u>Points</u>
(1) Proposed Methodology	200
(2) Knowledge of New Mexico Tax Structure and Policies	200
(3) Project Staff/Subcontractor Expertise	200
(4) Relevant Firm Experience	100
(5) Description of Services	100
(6) Understanding of Scope of Work	100
(7) Quality of Proposed Time Line	50
(8) Cost	50
Total	1,000

B. Evaluation Factors

Points will be awarded on the basis of the following evaluation factors.

(1) Proposed methodology. The soundness of approach to accomplish the goals of the project and to successfully accomplish all tasks described in the Scope of Work. This includes evaluation of the Offeror's approach to estimating changes in a tax base, tax expenditures and tax pyramiding, as well as the Offeror's approach to gathering data relevant to

the project.

(2) Knowledge of New Mexico tax structure and policies. The Offeror's demonstrated understanding of the GRT and income tax structures in New Mexico, including familiarity with relevant state tax policies.

(3) Project staff and subcontractor expertise. The relevant experience of proposed project staff members and subcontractors on tasks similar to those described in the Scope of Work. This includes the capacity and capability of the Offeror and any subcontractors to perform the work, as well as demonstrated proficiency in economic impact analysis and professional econometrics.

(4) Relevant firm experience. The Offeror's relevant experience and demonstrated skill in evaluating state tax policy, particularly sales taxes and tax expenditures, and experience with tasks similar to those described in the Scope of Work.

(5) Description of services. The completeness of the description of services to be performed, including the assignment of project staff or subcontractors responsible for various components of the work plan, the level of detail provided for the approach and methodology, including the identification of potential data sources, the provision of software and any other analytical tools underlying the model, the provision of any follow-up support after the completion of the project and overall feasibility of the proposal.

(6) Understanding of Scope of Work. The degree to which the Offeror's proposal indicates an understanding of the overall project requirements and covers areas for each task listed in the Scope of Work.

(7) Quality of proposed time line. The completeness of the project time line and the degree to which the time line reflects reasonable expectations for completion of project tasks.

(8) Cost.
$$\frac{\text{Lowest Responsive Offeror's Total Cost} \times 50}{\text{Offeror's Total Cost}} = \text{Award Points}$$

8. CONTRACT TERMS AND CONDITIONS

The Contract between the LCS and the successful Offeror shall contain substantially the following terms and conditions. In the letter of transmittal, the Offeror shall include a statement agreeing to these terms and conditions and explaining any terms and conditions with which the Offeror does not agree.

A. Scope of Work. This portion of the Contract will be drafted following selection of an individual to perform the services. It will incorporate the Scope of Work in Item 6 above and the description of services from the Offeror's proposal.

B. Compensation. The total compensation will not exceed the limit specified in the

Contract. The LCS shall pay the Contractor the New Mexico GRT for which the Contractor is liable on the amount of compensation payable under this Agreement.

C. Term. The Contract shall be effective from the date it is signed by the last of the parties, and its terms shall extend until the Contractor has delivered all work required under the Contract.

D. Termination. The Contract may be terminated by either of the parties thereto upon written notice delivered to the other party at least thirty (30) days prior to the intended date of termination. By such termination, neither party may nullify obligations or liabilities already incurred for performance or for failure to perform prior to the date of termination.

E. Status of Contractor. The Contractor and the Contractor's agents and employees are independent contractors performing professional services for the LCS and are not employees of the State of New Mexico. The Contractor and the Contractor's agents and employees shall not accrue leave, retirement, insurance, bonding, use of state vehicles or any other benefits afforded to employees of the State of New Mexico by virtue of the Contract.

F. Assignment. The Contractor shall not assign or transfer any interest in the Contract or assign any claims for money due or to become due under the Contract without the prior written approval of the LCS.

G. Subcontracting. The Contractor shall not subcontract any portion of the services to be performed under the Contract without the prior written approval of the LCS.

H. Records and Audit. The Contractor shall maintain detailed time records that indicate the date, time and nature of services rendered. These records shall be subject to inspection by the LCS and the State Auditor. The LCS shall have the right to audit billings both before and after payment. Payment under the Contract shall not foreclose the right of the LCS to recover excessive or illegal payments.

I. Release. The Contractor shall, upon final payment of the amount due under the Contract, release the LCS, its officers and employees and the State of New Mexico from all liabilities, claims and obligations whatsoever arising from or under the Contract. The Contractor agrees not to purport to bind the State of New Mexico to any obligation not assumed in the Contract by the State of New Mexico, unless the Contractor has express written authority from the LCS to do so, and then only within the strict limits of that authority.

J. Confidentiality. Any information provided to or developed by the Contractor in the performance of the Contract shall be kept confidential and shall not be made available to any individual or organization without the prior written approval of the LCS.

K. Product of Service; Copyright. All work and rights to work produced, developed or acquired by the Contractor under the Contract, including ownership of any copyrights to work produced under the Contract, shall be transferred to and become the exclusive property of the

State of New Mexico, and all materials developed or acquired under the Contract shall be delivered to the LCS not later than the termination date of the Contract. The Contractor and the LCS acknowledge that the compensation paid to the Contractor is due consideration for transfer of ownership of any copyrights for work produced under the Contract.

L. Conflict of Interest. The Contractor shall warrant that the Contractor has no interest and shall not acquire any interest, direct or indirect, that would conflict in any manner or degree with the performance of services required under the Contract.

M. Amendment. The Contract shall not be altered, changed or amended except by an instrument in writing executed by the parties.

N. Merger. The Contract shall incorporate all of the agreements, covenants and understandings between the parties thereto concerning the subject matter thereof. No prior agreement or understanding, verbal or otherwise, of the parties or their agents shall be valid or enforceable unless embodied in the Contract.

O. Applicable Law. The Contract shall be governed by the laws of the State of New Mexico.

P. Waiver. The Contract shall contain a provision that states that no waiver of any breach of the Contract or any of the terms or conditions thereof shall be held to be a waiver of any other or subsequent breach; nor shall any waiver be valid, alleged or binding unless the same shall be in writing and signed by the party alleged to have granted the waiver.

Q. Appropriation. The terms of the Contract are contingent upon sufficient appropriations and authorization being made by the New Mexico Legislature or other funding agency. If sufficient appropriations and authorizations are not made by the New Mexico Legislature or other funding agency, the Contract shall, notwithstanding the provisions of any other section of the Contract, terminate immediately upon the Contractor's receipt of written notice of termination from the LCS. The LCS's decision as to whether sufficient appropriations are available shall be accepted by the Contractor and shall be final.

R. Notice. The Procurement Code imposes civil and criminal penalties for its violation. In addition, the New Mexico criminal statutes impose felony penalties for illegal bribes, gratuities and kickbacks.

S. Equal Opportunity Compliance. The Contractor shall agree to abide by all federal and state laws pertaining to equal employment opportunity. In accordance with all such laws, the Contractor shall agree to assure that no person in the United States shall, on the grounds of race, color, national origin, sex, sexual preference, age or handicap, be excluded from employment with or participation in, be denied the benefits of or be otherwise subjected to discrimination under any program or activity performed under the Contract. If the Contractor is found to be not in compliance with these requirements during the life of the Contract, the Contractor shall agree to take appropriate steps to correct these deficiencies.