

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current and previously issued FIRs are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)) and may also be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

**SPONSOR** Crowder/Wooley/ Dodge      **ORIGINAL DATE** 02/02/17  
**LAST UPDATED** 02/13/17      **HB** 217  
**SHORT TITLE** Increase Cap for Veteran Contractor Bidding      **SB** \_\_\_\_\_  
**ANALYST** Sánchez

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

	FY17	FY18	FY19	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		Minimal	Minimal	Minimal	Recurring	General Fund/Other State Funds

(Parenthesis ( ) Indicate Expenditure Decreases)

Relates to HB198, HB25 and SB18

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Department of Military Affairs (DMA)  
 Veterans' Service Department (VSD)  
 Taxation and Revenue Department (TRD)  
 General Services Department (GSD)

### SUMMARY

#### Synopsis of Bill

House Bill 217 proposes to increase the gross annual revenues cap from \$3 million to \$10 million for veteran's bidding on public works contracts.

### FISCAL IMPLICATIONS

Agencies responding reported no fiscal impact.

### SIGNIFICANT ISSUES

The General Services Department (GSD) states it is impossible to measure the bill's impact on limiting competition and its potential resultant effect of increased expenses on bill paying agencies. It is unknown what will be the extra cost incurred by the state and local public bodies

## **House Bill 217 – Page 2**

in the purchase of items under this preference because the purchase price of items procured are higher than the otherwise low price when the bid price for the purpose of award is reduced by the preference amount and then compared to the low price. In procurements that involve a limited number of suppliers, such as architects, engineers and other professional services, which are selected on a qualifications basis, the increased points allowed in calculating technical merit as a result of being a veteran business could have a dramatic impact on order of ranking. For entities that use the RFP process to make procurements and cost is a factor, the 10 percent preference would have a strong impact on selection against an otherwise lower offer.

The Veterans' Service Department (VSD) reports that historically most veteran-owned businesses employ other veterans providing a mechanism to reduce the unemployment rate for New Mexico veterans. According to figures provided by the Workforce Solutions Department, the unemployment rate for New Mexico Veterans in 2015 was 5.5 percent.

### **CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Relates to HB25 and SB18 Resident Business Set-Aside Act and HB198 Historically Underutilized Businesses

### **TECHNICAL ISSUES**

The definition of "small business" on page 2, lines 19-22 is different than the definition in the current Procurement Code. If the intent of this bill is to support emerging resident veteran contractor business then a solution is to change the definition to "small business" in the Procurement Code by increasing the annual gross revenue to \$10 million.

### **OTHER SUBSTANTIVE ISSUES**

According to GSD, many other states do not limit competition by having resident veteran contractor preferences. Such states have reciprocity statutes that apply as a penalty in that state in the same amount as the benefit received in the particular vendor's own state. Such reciprocity laws could result in New Mexico vendors enjoying a resident veteran contractor preference in New Mexico state contracting, but being penalized in procurements in other states.

The Taxation and Revenue Department (TRD) reports 294 residential veteran businesses have been approved and issued since January 1, 2012.

### **ALTERNATIVES**

GSD suggests using an impact study to ascertain the fiscal impact of such a change.

ABS/jle