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## FISCAL IMPACT REPORT

ORIGINAL DATE 1/31/19

SPONSOR Campos LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE State Payment Of Dept. Of Info Tech Fees SB 272

ANALYST Fresquez

### REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY19	FY20	FY21		
	(\$1,225.0)	(\$150.0)	Recurring	Enterprise Services (20310) and SHARE Operating (20360)

(Parenthesis ( ) Indicate Revenue Decreases)

### SOURCES OF INFORMATION

LFC Files

Department of Information Technology Policy 361-111-A – *Allowance for Uncollectible Receivables and Collection*

#### Responses Received From

Department of Information Technology (DoIT)

#### Responses Not Received From

Department of Finance and Administration (DFA)

Office of the State Auditor (OSA)

### SUMMARY

#### Synopsis of Bill

Senate Bill 272 amends Section 9-27-16 NMSA 1978, of the Department of Information Technology (DoIT) Act to limit state agencies obligation to pay for services after five years from the time fees are incurred. The bill states the obligation to pay is discharged and the department shall not attempt to collect it.

### FISCAL IMPLICATIONS

Section 9-27-16 NMSA 1978 authorizes DoIT to charge fees to state agencies as an enterprise agency for information technology (IT) and telecommunication services, and use of SHARE to generate revenue for the cost of operations, and to fund replacements of IT assets. Depending on the delinquent amount agencies owe, it impacts DoIT's operating budget and DoIT implies it will decrease its investment in the State General Fund Investment Pool. DoIT estimated loss of revenue in table above is associated with decrease in the State General Fund Investment Pool.

On an annual basis, the Department of Finance and Administration (DFA) publishes estimates based on DoIT service rates approved by the IT rate committee. The committee reviews and approves the rate and fee schedule proposed by DoIT of each year for the following fiscal year budget cycle. Although not specifically stated in the law, the general consensus is that this information is to be used by agencies in preparing their budget requests for the next fiscal year.

While DoIT's accounts receivables have improved since FY13, DoIT's recent aging report for greater than 60 days shows \$11 million in uncollected revenue.

### **SIGNIFICANT ISSUES**

DoIT is primarily funded through enterprise revenues it receives from state agencies that use its services. DoIT relies on its revenue to operate and continue to provide and improve its services. Section 9-27-6 (E) NMSA 1978, states if an agency has not paid the department or notified the department of a dispute within thirty days of receipt of the invoice, the department shall notify DFA and request DFA to transfer funds from the agency to DoIT to satisfy the agency's obligation.

### **PERFORMANCE IMPLICATIONS**

DoIT asserts the amended language creates an incentive for agencies not to pay their bills, and if passed it will require additional administrative labor to perform additional duties, creating a strain on resources.

### **ADMINISTRATIVE IMPLICATIONS**

DoIT policy establishes the requirement for proper accounting for uncollectible receivables, including the identification, tracking, reporting, and collection while complying with the New Mexico Constitution provision that prohibits forgiveness of debt.

### **TECHNICAL ISSUES**

The amended language appears to conflict with Article IV Section 32 of the New Mexico Constitution which states –

“No obligation or liability of any person, association or corporation held or owned by or owing to the state, or any municipal corporation therein, shall ever be exchanged, transferred, remitted, released, postponed or in any way diminished by the legislature, nor shall any such obligation or liability be extinguished except by the payment thereof into the proper treasury, or by proper proceeding in court.”

**OTHER SUBSTANTIVE ISSUES**

A 2016 LFC program evaluation report stated DoIT's accounts receivable collections have increased, minimizing the impact to the department's cash flow. The department has three authorized FTE assigned to accounts receivable, but currently only has one position filled. With two vacancies, the accounts receivable staffing levels may be impacting DoIT's ability to work on collection of agency's outstanding balances and delinquent accounts.

**ALTERNATIVES**

The agency should focus on filling the two vacant positions, that will provide the additional resources needed to track and attempt to collect uncollectable receivables, including sending customers a Statement of Account and dunning letters on a quarterly basis.

BF/al