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## FISCAL IMPACT REPORT

SPONSOR Altamirano DATE TYPED 3/15/05 HB \_\_\_\_\_

SHORT TITLE Raise Procurement Code Small Purchase Limits SB 350/aSPAC/aHAFC

ANALYST Wilson

### APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY05	FY06	FY05	FY06		
			See Narrative		

Duplicates HB 368

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

General Services Department (GSD)  
 Administrative Office of the Courts (AOC)  
 Department of Transportation (DOT)  
 Corrections Department (CD)  
 Energy, Minerals & Natural Resources Department (EMNRD)  
 Department of Finance & Administration (DFA)  
 Public Education Department (PED)

### SUMMARY

#### Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment to Senate Bill 350 removes the SPAC committee amendment #1.

The amendment allows a central purchasing office to

- procure services, construction or items of tangible personal property having a value not exceeding \$20 thousand instead of the \$10 thousand in current law in accordance with the applicable small purchase regulations adopted by the GSD secretary, a local public body or a central purchasing office that has the authority to issue regulations.

- procure professional services having a value not exceeding \$30 thousand instead of the \$20 thousand in current law, excluding applicable state and local gross receipts taxes, except for the services of architects, landscape architects, engineers or surveyors for state public works projects or local public works projects, in accordance with professional services

A state agency or a local public body may procure services, construction or items of tangible personal property having a value not exceeding \$5 thousand instead of the current \$15 hundred by issuing a direct purchase order to a contractor based upon the best obtainable price.

The amendment also sets out the requirements for publication and procedures to be followed by the state purchasing agent and other central purchasing agents when issuing an invitation for bids (ITB).

The amendment also defines “prospective bidder” and states that central purchasing offices shall send copies of the notice or ITBs involving the expenditure of \$20 thousand or more to those businesses that have signified an interest in submitting bids in the category of the ITB.

The amendment also allows a purchasing office to set different registration fees for different categories of services, but states the fees shall be used exclusively for the purpose of furnishing copies of the notices or ITBs for proposed procurements to prospective bidders.

In addition, the amendment sets out rules for deposits for prospective bidders and a central purchasing agent’s duplication responsibilities.

The bill’s effective date is July 1, 2005.

#### Synopsis of SPAC Amendment

The Senate Public Affairs Committee amendment to Senate Bill 350 changes existing law by requiring that a central purchasing office shall send copies of the notice or invitation for bids involving the expenditure of more than \$25 thousand to the appropriate businesses. This raises the current requirement from \$10 thousand.

The balance of the amendment is clean up. The amendment also has an effective date of July 1, 2005.

#### Synopsis of Original Bill

Senate Bill 350 raises thresholds for small purchases in the Procurement Code, as follows:

- small purchase limit or direct purchase order for products and non-professional services from \$15 hundred to \$10 thousand;
- formal sealed-bid competition for services, construction or items of tangible property from \$10 thousand to \$25 thousand; and
- small purchase limit for professional services from \$20 thousand to \$50 thousand.

Significant Issues

This bill will raise the small purchases limits to levels comparable to many surrounding states. It will improve efficiency of procuring products and services for all government agencies subject to the Procurement Code.

Under current rules, three-quote competition would be required for services, construction or items of tangible property between the current limit of \$10 thousand and the proposed limit of \$25 thousand.

GSD states that raising the limits will allow a larger number of the low value procurements which represent the bulk of procurement activity, to be processed by the requesting agency without having to process paper through GSD. This will allow enhanced accountability and control at the purchasing agency level, and expedite the procurement process for these smaller value items.

**FISCAL IMPLICATIONS**

Expediting the procurement of small purchases will result in administrative savings.

**ADMINISTRATIVE IMPLICATIONS**

GSD will be able to focus more attention on higher value and more strategic procurements as well as training outreach.

CD supports the bill as the provisions will decrease the time required to process the documents by weeks on most purchases under \$10 thousand, but CD notes it may increase the administrative burden on CD's Administrative Services Division

**DUPLICATION**

Senate Bill 350 duplicates House Bill 368.

**OTHER SUBSTANTIVE ISSUES**

All responding agencies agree that raising the small purchases limits will result in more efficient procurement.

DW/yr:rs:njw