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FISCAL IMPACT REPORT

ORIGINAL DATE 1/29/07
 LAST UPDATED 2/26/07 HB _____

SPONSOR Griego

SHORT TITLE Procurement Code Requirements SB 555/aSFC

ANALYST Propst

APPROPRIATION (dollars in thousands)

Appropriation		Recurring or Non-Rec	Fund Affected
FY07	FY08		
	NFI		

(Parenthesis () Indicate Expenditure Decreases)

Relates to SB 264 and HB 277

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)
 Energy, Minerals and Natural Resources Department (EMNRD)
 Public Education Department (PED)
 Corrections Department (CD)

SUMMARY

Synopsis of SFC Amendment

The Senate Finance Committee amendment clarifies its application to state agencies, and not local public bodies by striking “central purchasing office” and replacing it with “state agency.”

The amendment also adds a new section to the Procurement Code that reads:

“Prior to submitting a bid or proposal for a state public works project, if the state purchasing agent or a responsible bidder or a responsible offer or determines that there is only one source for a specific service, construction or item of tangible personal property the is required in the specifications, the state purchasing agent, responsible bidder or responsible offeror may require any bid or offer submitted by a subcontractor or supplier to price separately the specific service, construction or item of tangible personal property.

This section that allows the state purchasing agent, or responsible offerors to determine that bid specifications contain requirements that can only be met by a single source supplier, and to require that bids from suppliers or subcontractors contain separate prices for those items. The effect of this provision is to allow disclosure of sole source requirements and their cost to offerors.

Synopsis of Original Bill

Senate Bill 555 adds a new section to the Procurement Code to allow multiple design service contracts for multiple projects using a single qualifications-based request for proposals (RFP) and multiple indefinite quantity construction contracts under a single request for proposals. Dollar thresholds are a maximum of \$50.0 per contract with architects and engineers with a \$200.0 cap over four years, and a maximum of \$500.0 per contract for construction with a \$2,000.0 cap over four years. The Procurement Code section limiting use of multiple source awards is amended to conform to this new authorization. Procurements under this new section must:

- State that multiple contracts may or will be awarded in the advertisement and the RFP, as well as describe the services or construction to be performed.
- Be a single selection process, except that each individual contract there is a separate final list, and separate contract negotiation.
- Result in contracts that do not exceed four years, including extensions and renewals.
- Prohibit a contract award to a firm currently performing under a contract procured under this section if the total amount of all contracts with the firm exceeds \$200.0 over four years for architect/engineer services; or \$2,000.0 for construction services.

The Property Control Act is amended to require prior State Board of Finance (SBOF) approval only for construction contracts over \$500.0. The public works project definition is raised from \$25.0 to \$50.0.

FISCAL IMPLICATIONS

According to GSD, multiple source awards for design services contracts and indefinite quantity construction contracts may streamline project administration for the Property Control Division, and thereby save time and administrative costs for capital projects. Currently, PCD requires contractors to hold their price for 60 to 150 days in order to complete administrative tasks associated with SBOF approval and contract execution. It is uncertain how much this time requirement increases bid prices, but PCD anticipates savings as small construction contracts are executed within 30 days of bidding.

SIGNIFICANT ISSUES

SB 555 streamlines the PCD capital project administration process:

- It allows the competitive process required by the Procurement Code to be conducted and a contract signed to retain design firms and set price agreements for construction contractors for lower dollar projects. As specific projects are ready to begin, the design or construction companies can be tasked to start work as soon as the scope of work for a project is identified.
- It allows for informal selection of architect and engineering companies for contracts between \$25.0 and \$50.0 thus reducing the amount of time it takes to engage a design firm at project inception.

- It allows smaller construction contracts to be initiated as soon as the low bidder is determined rather than postponing contract execution for at least a month until the next SBOF meeting.

PERFORMANCE IMPLICATIONS

SB 555 will expedite PCD project administration and allow earlier project completion.

ADMINISTRATIVE IMPLICATIONS

GSD reports that approximately 78% of PCD construction contracts are less than \$500.0 and most of the work is simple deferred maintenance or life-cycle replacements. SB 555 will allow expeditious processing for small project contracts.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Relates to SB 264 and HB 277 that establish a \$5,000.0 threshold for prior SBOF approval of projects for the 10 constitutional education institutions after review by the Higher Education Department.

WEP/mt