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FISCAL IMPACT REPORT

ORIGINAL DATE 02/20/09

SPONSOR Stapleton LAST UPDATED _____ HB 787

SHORT TITLE State Agency Indefinite Quantity Contracts SB _____

ANALYST Archuleta

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY08	FY09	FY10	3 Year Total Cost	Recurring or Non-Rec	Fund Affected
Total		Unknown	Unknown	Unknown		

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)
 Correction Department (CD)
 Department of Health (DOH)
 Higher Education Department (HED)

SUMMARY

Synopsis of Bill

House Bill 787 amends the Procurement Code to allow the use of indefinite quantity contracts by state agencies and increase the dollar limitations on use. The bill modifies the language for multiple source contracts; architectural and design service contracts and indefinite quality construction contracts. Lastly, the bill would increase the limit on those contracts per state agency from \$2 million over four years to \$8 million over four years.

FISCAL IMPLICATIONS

All responding agencies indicate that the bill does not have a fiscal implication; however, HED suggests that it could have construction cost impacts to public postsecondary institutions.

SIGNIFICANT ISSUES

According to CD, this bill would benefit the Corrections Department by allowing the agency to contract for several capital projects up to \$500,000 per project without having to go through the competitive bid process. Projects that could be included would be roof replacements, HVAC system upgrades, modular building purchases/installation, etc. CD would be able to complete these smaller projects more efficiently and in a more timely fashion, which could result in lower

administrative and construction costs. The competitive bid process currently consumes much of the time allotted during the appropriation period, thus shortening the actual time allowed for construction. Project costs are significantly impacted by time delays due to the inflationary impact of price increases for materials.

PERFORMANCE IMPLICATIONS

HED notes this bill could increase the cost of projects and impact the timelines of construction at public postsecondary institutions if there are ceilings put in place for purchase agreements on multiple indefinite quantity construction contracts.

CD indicates this bill could improve the timeliness and efficiency of NMCD completing capital outlay projects since much of the time lost in these projects is a result of the competitive bid process.

ADMINISTRATIVE IMPLICATIONS

CD suggests this bill could improve the administrative process and lower administrative costs by eliminating the work associated with the competitive bid process.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

According to GSD, the use of Job Order Contracting will continue to be subject to the existing statutory limitations.

The existing processes at public postsecondary institutions would not change for bids and price agreements on multiple source projects.

DA/mc