F I S C A L   I M P A C T   R E P O R T

SPONSOR Sandoval **ORIGINAL DATE** 02/15/13 **LAST UPDATED** **HJM** 35

SHORT TITLE Purchase New Mexican & American Goods **SB**

ANALYST Wojahn

REVENUE (dollars in thousands)

Estimated Revenue			Recurring or Nonrecurring	Fund Affected
FY13	FY14	FY15		
Unknown	Unknown	Unknown		

(Parenthesis ( ) Indicate Revenue Decreases)

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total	*See Fiscal Implications					

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Municipal League (NMML)
General Services Department (GSD)
Economic Development Department (EDD)

SUMMARY

Synopsis of Bill

House Joint Memorial 35 (HJM 35) urges entities throughout New Mexico to buy materials, goods and services from corporations that produce, manufacture and supply those products and services within the state. Governmental entities are further urged to evaluate state and local procurement procedures to identify barriers to purchasing goods and services that have been produced and manufactured in New Mexico and the United States by American workers.

FISCAL IMPLICATIONS

The GSD would have additional operating and administrative costs should the procurement code require revamping due to a mandate; however; HJM 35 merely “urges” governmental agencies to buy locally.

SIGNIFICANT ISSUES

The State Purchasing Division (SPD) of the GSD indicates changing the law to confine government entities to use American or New Mexican corporations is a significant issue. The procurement code only allows for New Mexico businesses and contractors to receive a 5 percent, 7 percent, 8 percent or 10 percent preference over vendors without such preferences. The SPD, the NMML, and the EDD are supportive of the intent of this memorial; however, with the exception of the above noted statutory preferences, the procurement code was made to provide for fair and equitable treatment of all persons involved in public procurement, to maximize the purchasing value of public funds and to provide safeguards for maintain a procurement system of quality and integrity. Should the procurement code be changed by legislative action, the SPD is capable of implementing a change that would allow purchases from American and New Mexican corporations for goods and services. In addition, if such a change to the procurement code is made, the SPD would urge limits be placed on procurements so awards would not be made to vendors who cannot fulfill the request or the cost of the good or service is too high.

PERFORMANCE IMPLICATIONS

According to the EDD, notwithstanding the good intentions of HJM 35, it is difficult in today’s manufacturing environment to be certain where a product, good, or service is created. In many instances, components are sourced outside the country even while the end product may be assembled in the United States. The reverse is also the case with some American corporations dependent upon international suppliers to produce some or all of what they sell to American consumers. Those companies have plant and payroll in this country and pay taxes to their local and federal taxing authorities.

OTHER SUBSTANTIVE ISSUES

The EDD adds: the tide has begun to turn on the flow of manufacturing jobs from the U.S. to China and other low-cost countries, according to a new study from The Hackett Group, Inc. (NASDAQ: HCKT).

The Hackett Group's study offered significant hope for the U.S. jobs market. The study found that companies are exploring reshoring as an option for nearly 20 percent of their offshore manufacturing capacity between 2012 and 2014. This repatriated capacity could roughly offset the jobs that will otherwise move offshore, indicating that the great migration of manufacturing offshore over the past several decades is stabilizing.

Reshoring is expected to become more viable with each passing year, as the total landed cost gap of manufacturing offshore shrinks. The Hackett Group's research found that the cost gap between the U.S. and China has shrunk by nearly 50 percent over the past eight years, and is expected to stand at just 16 percent by 2013. This trend is largely driven by rising labor costs in China, as well as rising fuel prices globally, which affects shipping costs.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

Status quo. New Mexico's procurement code allows for local and national commerce preferences.

MEW/svb