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FISCAL IMPACT REPORT

ORIGINAL DATE 02/25/15

SPONSOR Rue LAST UPDATED _____ HB _____

SHORT TITLE Capital Improvement Contract Time Period SB 469

ANALYST Hanika-Ortiz

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		see fiscal impact				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)
 Energy, Minerals and Natural Resources Department (EMNRD)
 Office of the State Engineer (OSE)
 Public School Facilities Authority (PSFA)

SUMMARY

Synopsis of Bill

Senate Bill 469 amends Section 13-1-150, NMSA 1978 (within the Procurement Code) to allow professional services contracts to exceed four years for services relating to the design and engineering of a capital improvement project. The contract may exceed four years for a reasonable period, not to exceed the requisite time for project completion and a subsequent warranty period, upon approval from the Secretary of Finance and Administration (DFA).

FISCAL IMPLICATIONS

As of December, \$720.6 million from all funding sources for 2,020 projects was outstanding.

The bill would allow certain contracts for capital outlay projects to extend beyond four years.

LFC's FY16 Volume 1 report to the Legislature on public infrastructure (page 54) highlighted the obstacles hindering the capital outlay process, "...infrastructure projects have been historically funded without complete programming, plans and designs, complete cost estimates, phasing when possible, adequate funding levels, timelines, tracking, and accountability."

SIGNIFICANT ISSUES

The Procurement Code limits the length of a contract for professional services to four years.

DFA would be required to process all approvals to exceed the four year period for design and engineering services for capital improvement projects statewide.

Local public bodies, including municipalities, counties, and schools, have capital projects which are not required to purchase through the state purchasing agent, and are not funded through DFA.

PERFORMANCE IMPLICATIONS

The PSFA notes that the bill does not contain any exclusions or exceptions, therefore all central purchasing office will be required to go through DFA for approval.

ADMINISTRATIVE IMPLICATIONS

DFA would be required to process all approvals statewide which could impact its workload.

EMNRD notes it does not envision the need for design and engineering contract extensions.

The PSFA reported that particularly for phased construction, design and engineering services under projects for capital improvement can exceed four years.

OTHER SUBSTANTIVE ISSUES

Laws 2014, Chapter 64 reauthorized 59 projects funded in previous years. The reauthorization ranged from changing the administering agency or the original purpose of the project, extending the reversion date, or expanding the purpose of the original project.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL

GSD notes failure to allow this flexibility might have a negative fiscal impact on construction costs via delays and waiting to re-award certain agreements which could otherwise be extended.

Professional services contracts for services relating to the design and engineering of a capital improvement project will continue to be limited to four years.

AHO/je