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## FISCAL IMPACT REPORT

ORIGINAL DATE 02/26/15  
 SPONSOR Rue LAST UPDATED 03/18/15 HB \_\_\_\_\_  
 SHORT TITLE State Purchasing Expenditure Codes SB 480/aSFI#1  
 ANALYST Hanika-Ortiz

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY15	FY16	FY17	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		See fiscal impact			Recurring	Various

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files  
Responses Received From  
 General Services Department (GSD)  
 New Mexico Municipal League (NMML)  
 Energy, Minerals and Natural Resources Department  
 Office of the State Engineer  
 Public School Facilities Authority

### SUMMARY

#### Synopsis of SFI amendment #1

The Senate Floor amendment #1 enacts a new section of the Procurement Code that reads each state agency and local public body shall use the standardized classification codes developed by the state purchasing agent. The amendment includes a compliance date of July 1, 2016.

### SIGNIFICANT ISSUES

It is not clear whether a lower-cost established standard may be adopted as an alternative to the state purchasing agent developing a new system which could require more staff and resources.

#### Synopsis of Bill

Senate Bill 480 amends Section 13-1-95 NMSA 1978 and Section 13-1-98 NMSA 1978 to require the State Purchasing Agent to develop standardized classification codes for expenditures by state and local public bodies that are subject to the Procurement Code.

## **FISCAL IMPLICATIONS**

If a commercial standard classification code is selected, there could be recurring costs for utilizing the codes likely paid from the State Purchasing Division's (SPD) enterprise fees fund.

Local public bodies may incur costs to incorporate the classification codes into their systems.

## **SIGNIFICANT ISSUES**

SB 480 attempts to make public procurement in New Mexico more effective and transparent by creating a common standard for expenditures across state agencies and local public bodies.

The State spends over \$5 billion per year on products and services across numerous public entities from thousands of vendors. Without a common standard, spend management is difficult.

Local public bodies do not use the SHARE system used by state agencies.

## **PERFORMANCE IMPLICATIONS**

GSD's comments included the following:

Vendors would be able to identify procurements they are interested in on a public entity's web site. The same commodity classification code would also be utilized at another public entity's website. If the web sites are linked, then procurement opportunities of those linked web sites will provide the vendor with greater information by doing one-stop to shop. Further, should public bodies wish to advertise their procurements on SPD's web site, there would be additional access provided by using the same classification codes by each governmental entity. This will enhance vendor capability to access procurement opportunities statewide and increase competition.

NMML's comments included the following:

All local public bodies currently have accounting systems that classify expenditures in a manner that fits the needs of the entity. Among the problems with a one size fits all approach is that the accounting systems used by local public bodies do not support the standardized classification codes that have been developed. There are significant differences between the SHARE system used by the state and the various accounting systems used by local public bodies.

## **ADMINISTRATIVE IMPLICATIONS**

SPD could consider phasing in the standardized classification codes over a period of time.

## **TECHNICAL ISSUES**

Page 3(8) may not support an established standard being adopted rather than developing new.

## **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

Current practices with regard to classifying expenditures across state government will remain.