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## FISCAL IMPACT REPORT

ORIGINAL DATE 2/8/16

SPONSOR James LAST UPDATED \_\_\_\_\_ HB 38

SHORT TITLE Criteria for Disposition of Public Property SB \_\_\_\_\_

ANALYST Sánchez

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

	FY16	FY17	FY18	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>	NFI	NFI	NFI			

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

General Services Department (GSD)  
 Administrative Office of the Courts (AOC)  
 Human Services Department (HSD)  
 Department of Public Safety (DPS)  
 Public Education Department (PED)  
 Office of the State Auditor (OSA)

### SUMMARY

#### Synopsis of Bill

House Bill 38 proposes to amend the Procurement Code to clarify the criteria for the disposition of obsolete, worn-out or unusable tangible personal property with a net book value of between \$100 and \$5,000. Net book value is the cost of an asset less accumulated depreciation.

### FISCAL IMPLICATIONS

All of the responding agencies report minimal to no fiscal impact.

The AOC reports that it, local public body, school district or state educational institution will reap a fiscal and administrative benefit from not having to designate a committee and prepare and provide a finding before disposing of obsolete, worn-out or unusable tangible property with a net book value of less than \$100.

**SIGNIFICANT ISSUES**

GSD expressed concern that HB 38 would require a skill set not typically associated with Chief Procurement Officers (CPO) in New Mexico state government since asset valuation is more closely associated with the function of a Chief Financial Officer.

AOC states that it is unclear whether the Section 13-6-1 amendments require that the CPO's determination of value of less than \$100 be in writing. If the intent of HB38 is to do away with the requirement of a written determination for items valued at less than \$100, then Section 13-6-2 NMSA 1978 could be amended to reflect that change.

**ADMINISTRATIVE IMPLICATIONS**

GSD states that HB 38 would require the governing authority's CPO to review every item of tangible personal property that has reached the end of its useful life and determine if the item has a net book value of less than one hundred dollars. It also expresses concern that the time spent in review of small dollar valuations may detract from much larger dollar decisions where analytics are necessary.

OSA expresses concern that Section 13-6-1(B) in the proposed legislation would change the dollar amounts for items required to be reported to the OSA and eliminate the requirement for any item worth over \$5,000 to be reported. This provision would exclude items valued over \$5,000 such as county-owned road equipment or other high dollar items. It also states that the bill would expand the work load for approving governing authority agencies by requiring them to approve disposal of tangible property less than \$5,000.

According to HSD, the bill should create administrative efficiencies for agencies when there is a need to remove tangible personal property from their inventory with a value of less than \$100.

PED reports that school districts will still not have to seek its approval for disposing of personal property with a net book value of \$5,000 or less; however, they will have to change how they determine the value from "current resale value" to "net book value".

Enactment of HB 38 may require an update to 2.20.1.18 NMAC.

**CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP**

Duplicates Section 33-2-5 NMSA 1978 (Disposition of Unneeded Property New Mexico Corrections Department)

**TECHNICAL ISSUES**

AOC point out that HB38 refers to an item valued "between one hundred dollars (\$100) and five thousand dollars (\$5,000)", literally describing an item with a value of \$100.01 to \$4,999.99. The bill also describes an item with a value "of less than one hundred dollars (\$100)", describing an item with a value of \$99.99 or less. The combination of descriptions leaves out those items with an exact value of \$100 and an item valued at \$5,000.

**ALTERNATIVES**

OSA suggests on page 2, line 8, strike “of between” and insert “equal to or greater than” and strike “and five thousand dollars (\$5,000)”.

AOC suggests using one of the following options if an item valued at \$100 and an item valued at \$5,000 are to be included.

- an item with a value of \$100 or less; and
- an item with a value greater than \$100 up to and including an item with a value of \$5,000

OR

- an item with a value of less than \$100; and
- an item with a value of \$100 up to and including an item with a value of \$5,000.

ABS/jle