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FISCAL IMPACT REPORT

ORIGINAL DATE 2/10/22

SPONSOR SFI LAST UPDATED _____ HB _____

SHORT TITLE Procurement Preference Changes SB 39/SFIS

ANALYST Jorgensen

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY22	FY23	FY24	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total		Minimal				

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

LFC Files

Responses Received From

General Services Department (GSD)

SUMMARY

Synopsis of Bill

The Senate Floor Substitute for Senate Bill 39 (SB39) adds definitions for Native American resident business, Native American resident veteran business, Native American resident contractor, and Native American resident veteran contractor, respectively, to those sections dealing with resident business, resident veteran business, and contractors. The bill also makes permanent preferences for resident businesses which would otherwise end on July 1, 2022.

To qualify for a veteran-owned business preference under current law, a business must have annual gross revenue of \$3 million or less. SB39 increases the maximum allowable gross revenue to \$6 million. Additionally, the legislation removes language that would have prohibited a business from claiming the preference for more than 10 years. Finally, SB39 increases the preference for resident business from 5 percent to 8 percent and maintains the current preference of 10 percent for veteran-owned resident businesses.

The effective date of this bill is July 1, 2022.

FISCAL IMPLICATIONS

SB39 increases the preference for resident businesses from 5 percent to 8 percent. This increase

may increase contracting costs to the state, but the amount of the increase is unknown. GSD does not currently track the number or dollar amount for contracts awarded to resident businesses making it impossible to determine what proportion of contract spending is directed to resident business. Additionally, many New Mexico businesses are not certified as resident businesses and it is not clear that increasing the preference amount will induce these businesses to certify as resident businesses.

The Taxation and Revenue Department would be responsible for developing a new certification for Native American resident and Native American resident veteran businesses and contractors. Updating the preference amounts will require additional programming of IT systems, however, TRD did not report any additional cost of implementation.

ADMINISTRATIVE IMPLICATIONS

TRD would need to create additional forms and a certification process for Native American resident businesses and Native American resident veteran businesses. TRD notes:

For the four new preferences created, Native American resident business preference, Native American resident veteran business preference, Native American resident contractor preference, and Native American resident veteran contractor preference, there is no bill language defining the verification process or defining sources to confirm that an applicant is a member of an Indian nation, tribe or pueblo located in whole or in part on land within New Mexico. To clearly define this verification would aid in applicants' submission process and the Tax & Rev's certification process for these new certificate preferences.

CONFLICT, DUPLICATION, COMPANIONSHIP, RELATIONSHIP

Senate Bill 45 repeals Section 13-1-22 NMSA 1978 which would eliminate the veteran's procurement preference beginning July 1, 2022. SB39 amends this statute to make the preference permanent.

CJ/al/rl/acv