

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the Legislature. LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

FISCAL IMPACT REPORT

SPONSOR	<u>SHPAC</u>	LAST UPDATED	<u>3/13/2023</u>
SHORT TITLE	<u>Procurement for Certain Services & Contracts</u>	ORIGINAL DATE	<u>3/13/2023</u>
		BILL NUMBER	<u>Senate Bill 497/SHPACS</u>
		ANALYST	<u>Simon</u>

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

	FY23	FY24	FY25	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
		Indeterminate but possibly substantial	Indeterminate but possibly substantial			Agency operating budgets

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Conflicts with Senate Bill 76

Sources of Information

LFC Files

Responses Received From

Office of the Attorney General (NMAG)
General Services Department (GSD)
Department of Transportation (NMDOT)
Tourism Department (NMTD)
Ethics Commission (NMEC)
Office of the State Auditor (OSA)

SUMMARY

Synopsis of SHPAC Substitute for Senate Bill 497

Senate Bill 497 amends the Procurement Code to increase the limit for the use of statewide price agreements for architectural or engineering services contracts with a single contractor from \$7.5 million to \$10 million and the limit for a single contract from \$650 thousand to \$1.3 million. For construction contracts the bill increases the limit from \$12.5 million to \$20 million for a single contractor and from \$4 million to \$5 million for a single contract.

The effective date of this bill is July 1, 2023.

FISCAL IMPLICATIONS

SB497 would allow public entities to forgo individual procurements for large projects, which could lead to the state paying higher prices. A 2019 LFC program evaluation noted extensive use of statewide price agreements reduces savings on contracts because they do not require public entities to shop around for better prices. That program evaluation noted utilization of these price lists allowed agencies to enter into high-dollar consultancy contracts without putting that opportunity out to bid, that contractors under these price agreements were sometimes paid excessive hourly rates, and that some agencies contract with former employees, paying significantly higher rates than when the person was a state employee performing similar work. While it is impossible to estimate how many agencies might pay more for procurements from price lists, the potential impact could be substantially more spending across state and local government.

SIGNIFICANT ISSUES

Currently, public entities can purchase some products and services through agreements negotiated by the State Purchasing Division of the General Services Department. In some cases, these agreements may be tied to prices set by agreements with the federal General Services Administration or the National Association of State Procurement Officials. In recent years, the amount state agencies have purchased through these agreements has increased significantly.

Purchasing from price lists can be convenient for state agencies, allowing the agency to avoid a potentially time consuming request for proposals process. Additionally, the Department of Transportation notes these agreements can help agencies address increases in the cost of construction services over time. However, as the size of the procurement increases, allowing agencies to contract without going through a project-based procurement cycle has the potential to increase costs.

JWS/rl/ne