

**EXECUTIVE AGENCY
FISCAL NOTE**

AGENCY'S ESTIMATES

Date Prepared: March 29, 2015

Agency Submitting: Department of Administration

Items of Revenue or Expense, or Both	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17	Effect on Future Biennia
Appraisal contracts (Expense)		\$50,000	\$50,000	\$100,000
Consulting (Expense)		\$25,000	\$25,000	\$50,000
Legal (Expense)		\$100,000	\$100,000	\$200,000
Capital Improvement Program consulting (Expense)			\$1,600,000	
Total	0	\$175,000	\$1,775,000	\$350,000

Explanation

(Use Additional Sheets of Attachments, if required)

Review of AB 345 has identified a fiscal impact on the Purchasing Division. Section 11 of the bill places a responsibility on the Administrator to value items offered as security. To value these items, such as mortgaged real estate, would require enormous expense, hiring outside consultants and appraisers, environmental guarantees, drafting of agreements, and considerable amounts of time. Even if the Administrator were satisfied of the value, there is a problem in realizing the said value on the assets. The assets would have to be sold, and this could involve lengthy time periods, the uncertainty of markets and probably litigation. Real estate might have to be foreclosed.

The most common use of security for the Purchasing Division is for the protest process. Adequate security has to be in place within ten days. NAC 333.190 allows the Purchasing Division to accept cashiers or certified checks in addition to a regular bond from a good and solvent surety authorized to do business in this state. Anything requiring a valuation, rating or assessment would not work within that time frame; potentially, contracts could be delayed for weeks or months in order for the Administrator to hire the necessary appraisers and experts for performing due diligence.

The Public Works Division (SPWD) Capital Improvement Program (CIP) will also be impacted. Depending on the type of collateral being presented in lieu of the traditional bond, SPWD would have to retain the services of an expert Surety Co. to assist in determining the value. This cost would be approximately 1% of the construction base bid (The 1% may vary depending on the type individual surety offered after bid opening). This is not included in the current cost of the 2015 CIP projects. A rough approximation of the total cost that would be added to the 2015 CIP would be around \$1,600,000.00

Name Evan Dale

Title Administrator

DEPARTMENT OF ADMINISTRATION'S COMMENTS

Date Tuesday, March 24, 2015

The agency's response appears reasonable.

Name James R. Wells

Title Director