

Fiscal Estimate Narratives

DPI 12/16/2011

LRB Number	11-2930/1	Introduction Number	AB-0374	Estimate Type	Original
Description Creating a preference in state procurement for Wisconsin-based businesses					

Assumptions Used in Arriving at Fiscal Estimate

Current law generally requires that state agencies award orders and contracts for materials, supplies, equipment, and contractual services to the entity that provides the lowest responsible bid or most advantageous competitive proposal. Current law contains several exceptions to this requirement. One exception is a preference for Wisconsin producers, distributors, suppliers, and retailers over any out-of-state vendor that is domiciled in a jurisdiction that grants a preference to vendors domiciled in that jurisdiction.

This bill deletes this exception and, instead, requires state agencies to maximize the awards given to businesses that have at least 50 percent of their operations in Wisconsin or that plan to have at least 50 percent of their operations in Wisconsin in the next year. To accomplish this goal, the state agency may purchase materials, supplies, equipment, and contractual services from any such business that submits a bid or proposal that is no more than 5 percent higher than the apparent low bid or most advantageous proposal.

State Fiscal Effect: The Department of Public Instruction (DPI) follows all Department of Administration procurement guidelines. Therefore, if AB 374 becomes law, DPI will need to modify the process for which it selects vendors and providers of services to comply with the new policies, procedures, guidelines and rules that DOA puts in place.

As DOA notes in their fiscal estimate, it is possible that this bill could result in the procurement process taking longer and potentially resulting in a greater number of disputes regarding which vendor(s) is chosen and which is not. Because DPI (and the state as a whole) does not have information about how much of a vendor's operation is located in Wisconsin, it is possible the agency would have to implement an enterprise resource planning (ERP) system that tracks vendor operation location. The increased administrative costs of the longer process and potential disputes as well as a new ERP system are indeterminate. Further, in general, AB 374 assumes that WI based companies will always provide the same or better products or services. It is unclear how AB 374 will address related but not specifically comparable products or services.

It is also indeterminate whether or not there will be a fiscal effect for DPI as it will depend on each contract that is awarded. It could be possible that a WI based company would provide the best proposal which would keep the services in WI and also be the lowest cost. However, it is also possible that the WI based company could be up to 5.0% higher in cost than the other proposals and DPI would be required to award its contract to the WI based company. This would result in increased costs to the agency.

Long-Range Fiscal Implications