

### Fiscal Estimate - 2013 Session

Original       Updated       Corrected       Supplemental

<b>LRB Number</b> 13-1189/1		<b>Introduction Number</b> SB-042	
<b>Description</b> Creating a preference in state procurement for Wisconsin-based businesses			
<b>Fiscal Effect</b>			
<b>State:</b>			
<input type="checkbox"/> No State Fiscal Effect			
<input checked="" type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget	
		<input type="checkbox"/> Yes <input type="checkbox"/> No	
		<input type="checkbox"/> Decrease Costs	
<b>Local:</b>			
<input type="checkbox"/> No Local Government Costs			
<input type="checkbox"/> Indeterminate			
1. <input type="checkbox"/> Increase Costs		3. <input type="checkbox"/> Increase Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
2. <input type="checkbox"/> Decrease Costs		4. <input type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village <input type="checkbox"/> Cities	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<b>Fund Sources Affected</b>		<b>Affected Ch. 20 Appropriations</b>	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS			
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	
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		<b>Date</b>	
		3/12/2013	

## Fiscal Estimate Narratives

DOA 3/12/2013

LRB Number	13-1189/1	Introduction Number	SB-042	Estimate Type	Original
<b>Description</b> Creating a preference in state procurement for Wisconsin-based businesses					

### Assumptions Used in Arriving at Fiscal Estimate

Senate Bill (SB) 42 would repeal the current provision that allows the state of Wisconsin to grant a preference to any Wisconsin producer, distributor, supplier or retailer over any out-of-state vendor who is based in a state that grants a preference to vendors based in that jurisdiction. The bill creates a new standard that would require state agencies to maximize the awards given to businesses that have at least fifty percent of their operations in Wisconsin or that plan to have at least fifty percent of their operations in Wisconsin in the next year. To achieve the goal, state agencies could buy services from a Wisconsin business that submits a bid or proposal that is no more than 5% higher than the apparent low bid or most advantageous proposal.

If enacted, this bill would lengthen the time and cost of administering the procurement process. The Department of Administration does not own or manage a procurement system which tracks businesses that have at least 50% of their operations in Wisconsin or that plan to have at least 50% of their operations in Wisconsin in the next year. In order to track this information with Wisconsin firms, agencies will be required to implement new procedures or technologies, such as manual review, or implement an enterprise resource planning (ERP) system that includes a procurement module that tracks vendor operation location. Clarification would also need to be provided regarding what measure is used to determine whether a business has 50% of their operations in Wisconsin; is it based on payroll, the number of employees, real estate and equipment, total sales. Whatever standard is selected it carries the possibility of disputes and protests from vendors who are not chosen, increasing the administrative costs of the procurement process. Currently the type of measure available to state procurement operations include VendorNet which indicates that 58% of the vendors registered in the system have a Wisconsin address; and Purchase Plus which indicates that 90% of the payments made on contracts indicate a Wisconsin remit-to address.

The Department does not currently have a measurement or process for determining whether a business plans to have 50% of its operations in Wisconsin within one year. However, if the Department was able to create a measurement this change could impact the initial start of the contract and multiple year terms which in turn would increase contract administration costs.

The increased cost to purchase goods and services under the proposed bill is difficult to project. In 2011 approximately \$1 billion in goods and services was purchased under s. 16.75 Wis. Stats. Data is not available that would show whether enacting the provisions of the bill would increase or decrease the cost of goods and services to state agencies. Therefore, the actual cost to state agencies as a result of this proposed preference is indeterminate.

If Wisconsin enacts an "in state" preference, those vendors who may benefit from that preference will be harmed if/when they bid for work with other states since the majority of states have a reciprocity law. All of our neighboring Midwestern states where Wisconsin businesses are most likely to bid for work have reciprocity laws. Those states include: Illinois, Iowa, Minnesota, Michigan, Indiana, and Ohio.

### Long-Range Fiscal Implications

Indeterminate.