

Fiscal Estimate - 2007 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 07-3378/2	Introduction Number AB-0811
Description Awarding procurements to woman-owned businesses, veteran-owned businesses, minority businesses, and small businesses	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <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
Local:	
<input checked="" type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <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	
Fund Sources Affected	
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
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Date	
2/19/2008	

Fiscal Estimate Narratives

DOA 2/19/2008

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Assumptions Used in Arriving at Fiscal Estimate

Under current law, state agencies must attempt to ensure that 5% of the total amount expended for state procurements is paid to minority-owned businesses. This bill would create similar procurement goals for small businesses (25%), woman-owned businesses (5%), and veteran-owned businesses (5%). Further, the definition of "minority-owned business" would be expanded to include a business that is owned by a person with a disability.

Under current law, state agencies may accept a bid or proposal from a minority-owned business that is no more than 5% higher than the apparent low bid or most advantageous proposal. This bill would create identical price preferences for small businesses, woman-owned businesses and veteran-owned businesses. While the bill is silent on the application of these permissive price preferences, it is presumed that state agencies would apply the preference equally to all small, minority-, women- and veteran-owned businesses that compete for a state contract.

This bill would require the Department of Commerce to maintain a Web site listing small, minority-, women- and veteran-owned businesses, the locations of each business, and the products and services offered by each business.

Analysis

State agencies and University of Wisconsin System campuses in FY07 purchased \$1.0 billion of goods and services under §16.75, Wis. Stats. Applying the expanded purchasing goals of this bill to the FY07 spend results in the following contracting goals: Small businesses (25%) - \$250,000,000, Minority-owned businesses (5%) - \$50,000,000, Woman-owned businesses (5%) - \$50,000,000, Veteran-owned businesses (5%) - \$50,000,000, for a total of \$400 million.

The Department of Commerce website reports that 1,256 businesses are certified as minority-owned and 229 businesses are certified as woman-owned. The Department of Veteran Affairs reports that 404 businesses are certified as veteran-owned. There exists no list of companies certified as small businesses. Based on \$150 million for minority-owned, woman-owned and veteran-owned businesses, the average spend would have been approximately \$79,000 per business. However, it is highly unlikely that every certified business would win or even seek State contracts. Therefore, average spend with only those certified companies that actually supply goods or services to the State is likely to be substantially higher than shown above. No study has been undertaken to determine the extent to which minority-, woman-, veteran-owned or small businesses (either individually or collectively) have sufficient product offerings, distribution chains or services to meet the specific goods and services requirements of State agencies and campuses. Consequently, it is not possible to estimate the extent to which state agencies will be able to meet the spending goals of this bill.

AB 811 would extend the 5% price preference to women-, veteran-owned and small businesses. If the preferences were never used, the State would incur no additional cost in its purchase of goods and services. However, using FY07 data, the maximum added cost if the full 5% preference were used in all awards to minority-, woman-, veteran-owned and small businesses would be \$20 million. Given that it is impossible to foresee the applicability of the preference on future purchases, the actual cost of expanding the preference is indeterminate.

Long-Range Fiscal Implications

Unknown.