

Fiscal Estimate Narratives

DOA 4/2/2010

LRB Number	09-4080/2	Introduction Number	AB-0816	Estimate Type	Original
Description State contracts with financial institutions with foreclosures in the state					

Assumptions Used in Arriving at Fiscal Estimate

If enacted, this bill creates an exception to s. 16.75(1)(a)1. by prohibiting state agencies from contracting with any financial institution unless the financial institution certifies that it does not own 100 or more properties in Wisconsin resulting from foreclosures of residential mortgages.

According to the State Controller's Office, state agencies currently process over 14 million incoming payments and 12 million outgoing payments annually. There are only a few large cash management banks in Wisconsin that are capable of processing this volume of receipts and disbursements. Under AB-816, if one or more of these banks were prohibited from bidding on the State's banking business, the State's banking fees and the personnel costs related to the processing of receipts and disbursements would likely increase significantly.

Wisconsin s. 34.05(1) requires that the banking services provided to state agencies be performed by public depositories. Public depositories are defined as banks doing business in the State of Wisconsin [s. 34.01 (5)]. Both the Enterprise Banking Services contract and the Unemployment Insurance Banking Services contract are competitively bid by the State Bureau of Procurement in the Department of Administration. Both are currently held by U.S. Bank. In addition, Chase Bank provides debit card services for the State Child Support program. The State also has local deposit and/or small payment checking accounts with other banks where there is not a nearby enterprise bank branch location.

If the competition for those contracts were reduced as a result of this bill, costs could potentially increase. Furthermore, reducing the number of banks that are certified to bid on the contract may limit the State's bargaining position in regard to service quality and fees.

Currently, the Enterprise Banking Services contract requires in-state processing of checks, deposits and lockbox services. If none of the large cash management banks in Wisconsin were able to meet the requirements under this bill, the State could take steps to modify the terms of the Request for Proposal (RFP) to allow for out-of-state check processing. However, this could result in a loss of investment earnings because checks would be delayed in being credited to the State's account.

At this time, it is not possible to define these costs because the Department does not know which financial institutions would be affected by the provisions of AB-816.

Long-Range Fiscal Implications

Unknown.