

Fiscal Estimate Narratives

UWS 11/23/2011

LRB Number	11-3323/1	Introduction Number	SB-303	Estimate Type	Original
Description Creating a preference in state procurement for Wisconsin-based businesses					

Assumptions Used in Arriving at Fiscal Estimate

SB303 proposes that when awarding contracts the State of Wisconsin, including the UW System institutions, would award up to 5% in preference points to any firm that has 50% of their operations based in the State of Wisconsin. The bill also proposes to grant the preference to any firm that intends to have 50% of its operations in the state in the future year.

Issues

- It would be difficult to assess whether a bidder has 50% of their operations in the State of Wisconsin. Most likely this would occur by having a firm certify they are located in the state.
- The term "operations" needs to be defined – for example would it require 50% of their employees, or 50% of their revenues generated in state to qualify for having "operations" in state?
- It would be very difficult to assess whether a firm intends to move 50% of their operations in the next year to the state. A firm could certify they are moving to Wisconsin and then due to circumstances not move, but they would have already been awarded a contract. We would recommend dropping this aspect of the bill.
- As an unintended consequence, this new in-state preference could potentially be used against Wisconsin based businesses competing for contracts in other states. For example, if SC Johnson was competing for a state contract in Illinois, the new Wisconsin state preference of 5% would be applied to a competing Illinois vendor in that bid process. Thus giving the Wisconsin 5% preference to the Illinois vendor, or a negative 5% to SC Johnson's bid. It is common practice for states to apply in-state preferences against firms from those states with in-state preferences. Under current Wisconsin law that is statute. So if an Alaskan firm was competing in a State of Wisconsin Bid against a Wisconsin firm and was low bid, we would apply Alaskan preferences to the Wisconsin businesses.

Cost impact

This new language could result in Wisconsin based businesses losing contract awards in other states. So this could cost Wisconsin firms thousands if not millions of dollars. As noted above it is common practice for states to apply an in-state preference against firms from that state. So the 5% preference in this bill could be applied against Wisconsin based businesses competing for business in other states with this law.

The UW already conducts business with many Wisconsin firms, so the cost impact would be incremental. Potentially the cost for some goods and services could increase up to 5% under this statute. It is difficult to assess the dollar value since we do not track this information.

There will be an administrative cost for staff validating that a firm has 50% of their operations in the state. This administrative cost would likely increase in those cases involving firms intending to relocate to the state in the next year.

Long-Range Fiscal Implications