Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2015 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number **15-1566/1**	Introduction Number **AB-0087**

Description
State procurement of products and services from businesses located in this state and setting a goal for local government to purchase a certain percentage of products and services from businesses located in this state

Fiscal Effect

State:

☐ No State Fiscal Effect
☒ Indeterminate
- ☐ Increase Existing Appropriations
- ☐ Decrease Existing Appropriations
- ☐ Create New Appropriations
- ☐ Increase Existing Revenues
- ☐ Decrease Existing Revenues
- ☒ Increase Costs - May be possible to absorb within agency's budget ☐ Yes ☒ No
- ☐ Decrease Costs

Local:

☐ No Local Government Costs
☒ Indeterminate
1. ☒ Increase Costs ☒ Permissive ☐ Mandatory
2. ☐ Decrease Costs ☐ Permissive ☐ Mandatory
3. ☐ Increase Revenue ☐ Permissive ☐ Mandatory
4. ☐ Decrease Revenue ☐ Permissive ☐ Mandatory
5. Types of Local Government Units Affected
   - ☐ Towns ☐ Village ☐ Cities
   - ☐ Counties ☐ Others
   - ☒ School Districts ☐ WTCS Districts

Fund Sources Affected **Affected Ch. 20 Appropriations**

☒ GPR ☒ FED ☒ PRO ☒ PRS ☐ SEG ☐ SEGS multiple by fund source

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DPI 3/20/2015

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Description State procurement of products and services from businesses located in this state and setting a goal for local government to purchase a certain percentage of products and services from businesses located in this state		

Assumptions Used in Arriving at Fiscal Estimate

If enacted, this bill would require state and local governments to attempt to ensure that at least 20 percent of the total amount expended for products and services is from Wisconsin businesses and that, in any fiscal year, the percentage of the total amount expended from Wisconsin based businesses will not be lower than it was in the previous fiscal year. To measure compliance, the bill requires the Department of Public Instruction (DPI) to collect data from a person who bids for a contract regarding the person's principal place of business and make the information publicly available on its Internet site.

Local:
If enacted, this bill could increase costs for local school districts that implement a process to achieve the goal of buying at least 20 percent of their products and services from Wisconsin businesses. The increased costs are indeterminate.

The costs for local school districts will vary depending on their current pricing for products and services. Local school districts will incur increased administrative costs for setting up and monitoring the procurement preference program. Additionally, local school districts where the school board does not vote to opt out of the annual evaluation and public reporting process will incur increased administrative costs evaluating their performance and making the evaluation available to the public.

State:
If enacted, this bill could increase state government cost. The increased costs are indeterminate.

The DPI follows all Department of Administration procurement (DOA) guidelines. Therefore, if Assembly Bill 87 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 into place.

As DOA noted in their Fiscal Estimate for 2013 Assembly Bill 48, which is the same bill as 2015 Assembly Bill 87, data is not available to know if applying a 20% purchasing goal for state agencies would either increase or decrease the cost of goods and services provided to state agencies. It is indeterminate whether or not there will be a fiscal effect for DPI for ongoing procurement as it will depend on each contract that is awarded. It could be possible that a Wisconsin based company would provide the best proposal which would keep the services in Wisconsin and also be the lowest cost. However, it is also possible that the Wisconsin based company could be higher in cost than the other proposals and DPI would be required to award its contract to the Wisconsin based company. Further, in general, this bill assumes that Wisconsin based companies will always provide the same or better products or services. It is unclear how the bill will address related but not specifically comparable products or services. This bill may result in a longer process for the procurement specialist and may result in an increase in the amount of disputes regarding purchases. These considerations (cost of goods/services, quality of goods/services, longer process, increased disputes) would result in increased costs to the agency. The increased costs are indeterminate.

It is unknown to DPI at this time if the state's new enterprise resource planning (ERP) system will have the ability to track purchasing transactions by the state domicile of its vendors. In order to track spending with Wisconsin businesses, agencies will be required to implement new procedures or technologies, such as manual review or implementation of a new or customized ERP procurement module, to track vendor state domicile. The cost of customizing or purchasing a new procurement system and/or staff expense for manual review is indeterminate; however, it is likely such costs would be substantial and could not be absorbed by DPI. The increased costs are indeterminate.

Long-Range Fiscal Implications