



## Fiscal Estimate Narratives

DOA 12/7/2015

LRB Number	15-3708/1	Introduction Number	AB-0493	Estimate Type	Original
<b>Description</b> Preferences in state and local construction project contracts					

### Assumptions Used in Arriving at Fiscal Estimate

Current Wisconsin law (section 16.855(1r), Wis. Stats.) grants a general preference (known as “reciprocal preference”) to Wisconsin firms when bidders from another state, foreign nation or subdivision are granted a preference to bidders domiciled in the state, nation or subdivision in making governmental purchases. Most state laws contain a similar, general reciprocal preference provision.

Under this legislation the Department of Administration (DOA) and local units of government are required to give a preference over a bidder from a neighboring state when the bidder can ensure that the project will employ a certain percentage Wisconsin residents. This preference would be effective only when a neighboring state requires that a certain percentage of a contractor’s employees be residents of that state. In this instance, the Wisconsin preference would be tied to the percentage used in the neighboring state. A neighboring state is defined as Illinois, Indiana, Iowa, Minnesota and Michigan.

Iowa law (Iowa code 73A.21) currently includes a similar reciprocal provision. At this time, Illinois law (30 ILCS 570/0.01 et seq.) requires that, when unemployment reaches 5 percent for two months in a row, contractors use a work force of at least 90 percent Illinois residents on all public works projects that receive State funds or funds administered by the State. For example, during instances when the Employment of Illinois Workers on Public Works Act is in effect, this legislation would require the DOA and political subdivisions in Wisconsin to grant a preference to a bidder that could ensure that at least 90 percent of the employees on a Wisconsin project are Wisconsin residents. In addition, Michigan law (section 18.1241a, Michigan Compiled Laws) requires that contracts for construction or similar repair work of a state building or other state property require that not less than 50% of the persons working on a project and employed by the contractor or subcontractor have been Michigan residents for not less than one year before beginning work. Under this legislation, 50% of the persons working on a project for a bidder from Michigan would be required to have been Wisconsin residents for at least one year.

As drafted, this specific preference would only be granted in instances when a neighboring state grants such as preference and, as noted for the Illinois law, this application of the law may only occur during certain time periods. This legislation would require the DOA to maintain a list of any laws that would require implementation of this provision. Given the construction of the Illinois law, DOA would also be required to monitor when these laws are in effect, and this section would therefore become effective.

Therefore, this legislation would impose some direct cost on DOA for monitoring laws in the designated neighboring states. The time periods when this law would be in effect, the number of projects subject to bidding, and the specific instances when a bidder from an affected neighboring state would submit the lowest qualifying bid and could not ensure that the designated number of employees would be Wisconsin residents, however, cannot be projected. Therefore, the fiscal impact of this legislation cannot be estimated.

### Long-Range Fiscal Implications