

Fiscal Estimate - 2017 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 17-1097/1	Introduction Number AB-0297
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Description
 preference in state and local government contracts and procurement for materials manufactured in the United States

Fiscal Effect

State:

No State Fiscal Effect
 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
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Local:

No Local Government Costs
 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
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

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Fiscal Estimate Narratives

UWS 6/2/2017

LRB Number	17-1097/1	Introduction Number	AB-0297	Estimate Type	Original
Description preference in state and local government contracts and procurement for materials manufactured in the United States					

Assumptions Used in Arriving at Fiscal Estimate

AB297 as written would require State of Wisconsin agencies, including the University System, to award contracts using American made goods as a determining factor in awarding a contract.

The State would no longer award contracts based solely on low bid, but instead would award based on the manufacturing origin of the product being bought and then low bid. For example, if the State were buying 10 copiers the proposed statute would require the following method for awarding the contract:

The example assumes both Bidder A and Bidder B meet the specifications and the terms and conditions set out in the bid.

Bidder A – 10 foreign made copiers at \$1,000 per copier = \$10,000

Bidder B – 10 American made copiers at \$2,000 per copier = \$20,000

The statute as written would appear to require awarding the contract to Bidder B at \$20,000. The statute does not include a cap on price difference so the price for the US based product could be 10% higher or 100% and the State would be required to award to the Bidder based on the manufacturing of the product in the US.

What makes this more complex is the State would need bidders to reveal the percentage of the product that was manufactured in the U.S. in order to determine awards. Then the award would go to the vendor whose product has the most US based parts/labor in it. So another example of this with copiers would be:

Bidder A – 10 copiers 50% made in the U.S. at \$1,000 per copier = \$10,000

Bidder B - 10 copiers 60% made in the U.S. at \$2,000 per copier = \$20,000

As written the statute would require the state to award to Bidder B since the highest percentage of the product is U.S. based.

Please note there are foreign based manufacturers who produce products in the U.S. Therefore, if the State were to bid vehicles, some Fords and some Toyotas are manufactured in the U.S. Under this statute, the State would need to evaluate the origin of the manufacturing as part of the bidding process, not just the origin of the supplier. In this example, both a Ford or a Toyota vehicle could be a U.S. manufactured product and be awarded a vehicle bid based on having the lower price for an American made product. The University of Wisconsin issues more than 30,000 purchase orders a year across the system. While information about the origin of goods is not currently tracked, it can be assumed that it would impact a large proportion of this total amount of purchase orders.

Public Works Contracts

This bill would require that contractors who are building or repairing State buildings use materials that are manufactured in the United States. This means Architects & Engineers would need to design and specify US based products in their designs to ensure those are specified in construction projects.

There does not appear to be any waiver provisions in the statute that would allow the State to take into consideration the impact of delivery time lines or award to a foreign based manufacturer if the product is not produced in the U.S.

We do not have knowledge of how much construction materials used in university projects are produced in the US versus other countries. Therefore, an exact estimate of the impact cannot be calculated. However, to analyze vendor's bids for where products are manufactured will take additional time. If it took an average of an extra 30 minutes on 50% of those orders that would equate to about 3 FTE in time across the system. An average System salary is \$60,057. With a fringe rate of 38.69%, the total estimated cost of one FTE would be \$83,293.05. Thus, the total cost for three FTE using these estimates would be \$249,879.15.

Long-Range Fiscal Implications