

Fiscal Estimate Narratives

DOA 2/20/2017

LRB Number	17-1099/1	Introduction Number	AB-0045	Estimate Type	Original
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

2017 AB 45 would require state and local governments to attempt to ensure that at least 20 percent of the total amount expended for products and services procured is from Wisconsin-based 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 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.

According to recent procurement spend data, State agencies and the University of Wisconsin campuses annually purchase approximately \$1.44 billion of goods and services under s. 16.71 and 16.75, Wis. Stats. Applying the purchasing goal of this bill to the annual procurement spend amount would result in a goal of \$288,973,500 of expenditures to Wisconsin-based businesses from state agencies.

Data is not available that would show whether enacting this 20 percent goal would either increase or decrease the cost of goods and services provided to state agencies. Therefore, the actual cost of procuring from Wisconsin-based businesses to achieve the goal is indeterminate.

This bill provides that state agencies shall attempt to ensure that at least 20 percent of state purchasing is with companies whose principal place of business is in Wisconsin and that in future years, the percentage will not be lower than the preceding year. The State's procurement systems do not track purchasing transactions by the principal place of business of its suppliers. In order to track spending with Wisconsin-based businesses, the Department and agencies would be required to implement new procedures or technologies to track supplier principal place of business. The cost of implementing these provisions would involve upgrades/additions to the state's procurement systems and/or staff expense for manual review and is indeterminate; however, it is likely such costs would be substantial and could not be absorbed by agencies.

Further, there is no existing list of Wisconsin-based businesses. As such, it would be extremely difficult for agencies to ensure this goal is met.

In addition, 2017 AB 45 requires the Department to collect and compile data on the principal place of business of those persons responding to bids or proposals and post this data on its internet site, along with an annual evaluation of how well the Department, its designated purchasing agents and each agency making purchases under s. 16.74, Wis. Stats., are meeting the goal of procuring from businesses located in Wisconsin. This would require additional staff and resources to implement and administer, and could not be absorbed by the Department. The cost of this additional workload is indeterminate at this time.

Finally, the State is not aware of any data on the total amount of purchases made by local units of government. Therefore, it is not possible to determine what the 20 percent goal would be, based on cumulative spend by local governments or spend on an individual jurisdictional basis. The Department estimates that local units of government would also incur costs to implement the provisions of 2017 AB 45 (e.g., upgrades to procurement systems), but the amount of these costs is indeterminate.

If Wisconsin enacts an "in state" preference, vendors who may benefit from that preference may be harmed if/when they bid for work with other states since the majority of states have a reciprocity law that provides penalties to suppliers from states with "in state" preference laws. Neighboring Midwestern states where Wisconsin-based businesses are most likely to bid for work, including Illinois, Iowa, Minnesota, Michigan, Indiana, and Ohio, have reciprocity laws.

Long-Range Fiscal Implications

Unknown.