



## Fiscal Estimate Narratives

DPI 2/10/2015

LRB Number	15-1056/1	Introduction Number	AB-0020	Estimate Type	Original
<b>Description</b> Preference in state and local government contracts and procurement for materials manufactured in the United States					

### Assumptions Used in Arriving at Fiscal Estimate

Local:

If enacted, Assembly bill 20 would require local school districts to include a provision as a bidding requirement for a public contract, involving the construction or repair of any public work or building or the furnishing of supplies or materials, that the contractor will use materials that are manufactured in the United States in the performance of the contract without exception regardless of quality or price.

State:

If enacted, Assembly Bill 20 would require the state to purchase materials that are manufactured to the greatest extent in the United States, regardless of whether all other factors are substantially equal. This bill also requires, with limited exceptions, that a contract for a public works or public improvement project must contain a provision that the contractor will use materials that are manufactured in the United States.

### Long-Range Fiscal Implications

Local: Indeterminate

This bill could affect costs for local school districts. The difference, if any, in ongoing costs for public contracts, involving the construction or repair of any public work or building or the furnishing of supplies or materials, for local school districts is indeterminate. The increased administrative cost based on the requirements in this bill to local school districts is also indeterminate. This bill could help businesses located throughout the state which could be a boost for the state economy.

It is indeterminate whether or not there will be a fiscal effect for local school districts as it will depend on each contract that is awarded. It could be possible that a company using materials manufactured in the United States would be the lowest cost. However, it is also possible that the cost could be higher. This would result in increased costs to local school districts.

It is also unknown if the United States manufactured materials will provide the same or better quality potentially resulting in higher ongoing or future costs due to lower quality materials being used.

The increased administrative cost to local school districts is also indeterminate. School districts would most likely incur additional costs for their procurement process with this additional requirement. The number of local school districts and contracts affected is unknown.

State: Indeterminate

The difference, if any, in ongoing materials cost, public works or public improvement project costs for the Department of Public Instruction (DPI) and the state is indeterminate. The increased administrative cost based on the requirements in this bill to the state and DPI is also indeterminate. This bill could help businesses located throughout the state which could be a boost for the state economy.

DPI follows all Department of Administration (DOA) procurement guidelines. Therefore, if Assembly Bill 20 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.

DOA noted in their fiscal estimate for 2013 Senate Bill 88 (similar bill) the information below which also pertains to DPI:

-At this time, the cost of adding these requirements is indeterminate as there is no easily available source to determine what components of any product are produced in the United States.

-DOA does not have data on any increased cost of materials if the lowest bidder was not chosen due to materials not be manufactured in the United States.

-The additional time required to verify that the bidder is providing only goods manufactured in the United States and to investigate challenges cannot be estimated at this time.

-It is not known if the additional requirements would generate a need for additional staff or budget authority to administer these procurements.

It is possible that this bill could result in the procurement process taking longer and potentially resulting in a greater number of disputes regarding which vendor is chosen and which is not chosen. Because DPI (and the state as a whole) does not have the information about how much of a vendors materials are manufactured in the United States, it is possible the agency would have to implement changes to the new enterprise resource planning (ERP) system to track this information. The increased administrative costs of the longer process and potential disputes as well as a possible ERP system changes are indeterminate. Further, in general, Assembly Bill 20 assumes that United States based companies will always provide the same or better materials.

It is also indeterminate whether or not there will be a fiscal effect for DPI as it will depend on each contract that is awarded. It could be possible that a company using materials manufactured in the United would be the lowest cost. However, it is also possible that the cost could be higher. This would result in increased costs to the agency.