

1/12/05

HB 559-FN - FISCAL NOTE

AN ACT establishing a preference for New Hampshire vendors in state procurement contracts.

FISCAL IMPACT:

The Department of Administrative Services states this bill will increase state expenditures by \$3,912,500 in FY 2006 and each year thereafter. There will be no fiscal impact on state, county, and local revenue or county and local expenditures.

METHODOLOGY:

services in FY 2004 through the Division of Plant and Property Management. \$203 million of that total was for purchases over \$10,000, of which \$110 million (or 54%) was expended to out-of-state companies, and \$93 million (or 46%) was expended to vendors that are listed as NH companies. The Department assumes that the out-of-state purchases over \$10,000 (\$110M) would be assessed a five percent preference, causing the cost of those goods to increase by approximately 2.5% (median increase), or \$2,750,000 annually. The Department is unable to determine the amount of purchases over \$35,000 in FY 2004 that were assembled, produced, grown, or manufactured in NH. The Department assumes that 25% of the in-state transactions, or \$23.25M (\$93M x 25%) will be subject to a ten percent preference, and estimates an increase of approximately 5% (median increase), or \$1,162,500. The Department states no assumptions were taken regarding the reciprocal preference policy due to the inability to compare this on a per time basis for each state that may have some sort of preference, and also made no assumption regarding the potential loss of business that NH companies may sustain if other neighboring states institute reciprocal preference as a result of this bill. The Department states that although many cities and towns currently take advantage of state procurement contracts, it is assumed they would seek alternative purchasing agreements rather than pay any extra costs.