

**LEGISLATIVE SERVICES AGENCY  
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**FISCAL IMPACT STATEMENT**

**LS 7454**

**BILL NUMBER: SB 584**

**NOTE PREPARED: Feb 16, 2011**

**BILL AMENDED: Feb 15, 2011**

**SUBJECT:** Local Indiana Business Preference.

**FIRST AUTHOR:** Sen. Paul

**FIRST SPONSOR:**

**BILL STATUS:** CR Adopted - 1<sup>st</sup> House

**FUNDS AFFECTED:**     **GENERAL**  
                              **DEDICATED**  
                              **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** The bill provides a price preference to local Indiana businesses bidding on purchasing and public works contracts awarded by political subdivisions.

**Effective Date:** July 1, 2011.

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** The bill will have indeterminate impact on a public works project or purchasing contract of a local unit of government, potentially increasing costs. The purchasing preferences are awarded during the evaluation of bids and are a factor in determining who will be awarded contracts. The actual bid price does not change. As a result, a bidder with a bid higher than the lowest price may be accepted.

**Background:** The program is similar to a purchasing preference allowed for state government. A local Indiana business can be determined by any one of several factors related to the county awarding a purchasing or public works contract: the business location, where the majority of its payroll tax is paid, the residence of the majority of its employees, or whether the business is making significant capital investments or having substantial positive economic impact. A local unit may award a contract to the lowest and responsive offeror, regardless of the allowed preference, if the business is a local Indiana business. The following preferences are included in the bill.

- (1) 5% for purchases less than \$50,000;
- (2) 3% for purchases at least \$50,000 but less than \$100,000; and
- (3) 1% for purchases expected to be at least \$100,000.

**Explanation of Local Revenues:**

**State Agencies Affected:**

**Local Agencies Affected:** Local units.

**Information Sources:**

**Fiscal Analyst:** Karen Firestone, 317-234-2106.