



Ohio Legislative Service Commission

Nick Thomas

Fiscal Note & Local Impact Statement

Bill: [S.B. 131 of the 128th G.A.](#)

Date: June 24, 2009

Status: As Introduced

Sponsor: Sen. Gillmor

Local Impact Statement Procedure Required: No — No local cost

Contents: Requires the Department of Administrative Services to establish a biobased product preference program

State Fiscal Highlights

- The bill would establish a biobased product preference program, requiring state agencies, including institutions of higher education, to purchase biobased products rather than products made from standard materials, exempting fuel. It is uncertain to what extent this preference would add to state procurement costs.

Local Fiscal Highlights

- No direct fiscal effect on political subdivisions.

Detailed Fiscal Analysis

Overview

The bill would require the Department of Administrative Services (DAS) to establish a biobased product preference procurement program that is to apply to all purchases made by state agencies. A biobased product is defined by the United States Department of Agriculture (USDA) as any commercial or industrial product (other than food or feed) that is composed, in whole or in significant part, of biological products or renewable domestic agricultural materials (including plant, animal, and marine materials) or forestry materials. Biobased products can include:

- building materials;
- construction and road maintenance materials;
- furniture and furnishings;
- housewares and cleaning supplies;
- industrial supplies;
- landscaping agricultural materials;
- office supplies;
- personal care and toiletries; and
- clothing.

Under the bill, DAS would be required to adopt a policy that either requires contracts to be awarded to the vendor that offers the product with the highest percent of biobased materials, or sets minimum biobased content specifications for awarding contracts in a manner that satisfies the policies and guidelines issued by the USDA's Biopreferred Program. The bill would exempt fuel purchases from the preference program.

Procurement costs for state agencies

Procurement preference would be given to biobased products under the bill unless it was established that the biobased product would not be available within a reasonable period of time, if the product fails to meet the performance standards set forth in the applicable specifications for the product, or if the price is unreasonable. Although this may increase state procurement costs, the amount of increase is unclear for two reasons. First, it is unknown exactly what percentage of the state's purchases would be affected under the bill. Secondly, there is no standard indicator of how much more expensive biobased products are than nonbiobased products. LSC staff contacted the USDA to see what fiscal impact its Biopreferred Program has had on federal procurement costs, but was informed that the federal government does not record this information, as many purchases are exempted due to price, availability, and performance. The bill's similar exemptions for products that are unreasonable in price

or not readily available would limit the increase in procurement costs. The bill does not define "unreasonable price," but for other procurement preference programs, such as BuyOhio, a 5% threshold applies.

Procurement administration costs

While any potential new procurement administrative costs are unclear, the biobased product preference program required by the bill could increase administrative costs for the Department of Administrative Services, as well as other state agencies. For those purchases that fall under its jurisdiction, DAS's Office of Procurement Services would likely be responsible for reviewing contracts to confirm that biobased products are purchased as required and for identifying biobased product alternatives. DAS may be able to offset a portion of any new costs if the agency is able to adapt resources (catalogs of biobased products and procurement training materials) provided by the USDA for federal procurement officers. With regard to state agencies, all purchases under \$25,000 can be made by in-house procurement officers. It is uncertain whether or not the biobased product preference would add to agency procurement costs, including administration.