



# Ohio Legislative Service Commission

Nick Thomas

---

## Fiscal Note & Local Impact Statement

---

**Bill:** Sub. S.B. 131 of the 128th G.A.      **Date:** September 28, 2009  
**Status:** As Reported by Senate Agriculture      **Sponsor:** Sens. Gillmor and Cafaro

**Local Impact Statement Procedure Required:** No — No local cost

**Contents:** Establishes a state biobased product preference program

### State Fiscal Highlights

- **State procurement costs.** The bill would require the Department of Administrative Services to establish a biobased product preference program requiring state agencies, including institutions of higher education, to purchase biobased products where possible. The overall impact on procurement costs for state agencies and institutions of higher education would depend largely on the price and availability of biobased products.
- **Department of Administrative Services – Implementation.** Statewide procurement policy is overseen by the Department of Administrative Service's General Services Division. The Division is funded by charges assessed to state agencies that use DAS's centralized purchasing services. These amounts are deposited into the General Services Division Fund (Fund 1170). Overall, the Division could incur some new costs for developing and implementing program guidelines.

### 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 and state institutions of higher education. Purchases of motor fuel, heating oil, and electricity would, however, be exempted from the requirement. The requirement would also not apply in cases where the (1) cost of the biobased product exceeds 5% of the cost of a similar nonbiobased product, (2) availability of the biobased item is limited, and (3) performance of the biobased product does not meet required standards.

A biobased product is defined by the United States Department of Agriculture (USDA) as any commercial or industrial product that is composed in whole or large part of biological products or renewable domestic agricultural or forestry materials. Examples include construction materials, industrial goods, furniture, office supplies, housewares, cleansers, toiletries, and clothing. Approximately 3,700 items are listed under the Biopreferred Program as outlined by Federal Acquisitions Regulations (FAR).

### Procurement costs

#### DAS

It is possible that the bill could lead to some new administrative costs for developing guidelines and implementing the biobased product preference program. Developing guidelines and overseeing the program would likely be the responsibility of the Office of Procurement Services, housed within DAS's General Services Division. This office assists state agencies with the procurement of supplies and services through competitive selection and negotiated contracts. Implementation of a biobased product preference would entail (1) reviewing contracts to confirm that biobased products are purchased as required and (2) identifying biobased product alternatives. However, DAS may be able to offset a portion of any new costs by adapting catalogs of biobased products and procurement training materials provided by the USDA for federal procurement officers. DAS's Office of Procurement Services is supported by charges assessed to user agency for centralized purchasing services and deposited into the General Services Fund (Fund 1170). According to DAS's annual report for FY 2008, state agencies spend about \$3.5 billion annually on supplies and services, including those overseen by DAS and those purchased by agencies under their own authority.

#### State agencies and institutions of higher education

Overall, estimating how a bioproduct procurement preference would affect procurement costs for the state and institutions of higher education would depend on the types of goods that state agencies and institutions of higher education intend to buy and whether comparable biobased equivalents are readily available at competitive

prices. A USDA official informed LSC that despite the number of products in the program, many purchases are still exempted due to price, availability, and performance. However, as they become more widely available and more competitive in price, biobased products could make up a larger share of purchases than they do now, both on the federal and state level.

The requirements of the bill would also affect institutions of higher education. Much of their purchasing is done on a decentralized basis. Some campuses may already have instituted bioproduct purchasing preferences, in which case the bill would have little effect. The Inter-University Council of Ohio is in the process of assessing how widespread these policies are and, if implemented across all campuses, what the effects of these requirements might be. However, in the long term, it would be reasonable to assume that the effects of a biobased product purchasing preference would be the same for institutions of higher education as it would be for the state. That is, any effect in procurement costs would hinge on availability and cost competitiveness compared to standard products.

### **Pilot program**

The bill authorizes DAS to enter into a pilot contract with a vendor that is the sole source provider of a biobased product, subject to Controlling Board approval. This would allow DAS to determine the feasibility of using this product. The contract would have a term of up to one year and could be renewed for another one year term, again subject to Controlling Board approval. If DAS determines that the product is feasible for use by the state, any subsequent contract for the biobased product would be required to be made through competitive selection.

### **Report on biobased product procurement**

The bill also requires DAS and the Board of Regents to provide a report on the amount spent on biobased products, as well as the amount and type of biobased purchases made, by September 30, 2010 and yearly thereafter to the Governor, the President of the Senate, and the Speaker of the House of Representatives. There may be some additional administrative costs for both DAS and the Board of Regents to prepare this report.