



SF 420 – Buy American Act (LSB 1041SV)

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Fiscal Note Version – New

Description

Senate File 420 requires each contract for a State or local government public improvement to contain a provision requiring that the iron, steel, and manufactured goods used in the project be manufactured in the United States. The requirement can be waived if implementation will be contrary to public interest, if necessary products are not available in sufficient quantity or quality, or if it will increase the cost by more than 5.0%. Provisions are included for publication of and public comment on the waiver and, for not applying the exclusion to certain foreign countries. The penalty for intentionally misrepresenting products as “Made in America” is exclusion from bidding on future contracts by that person.

Background

The Department of Transportation (DOT) had \$579.0 million in primary road and interstate lettings in FY 2012. This represents an annual cost. Of that total, DOT estimates materials cost \$352.4 million, and 20.0% of the materials were manufactured materials costing \$70.5 million. The Department had a \$10.3 million budget and approximately 120 staff responsible for materials testing, certification, and administration.

The Department of Administrative Services (DAS) identified the cost of recent public improvement projects at \$444.3 million, including construction for two prisons. Materials costs are approximately \$200.0 million. These projects will be completed over several years and cannot be stated in terms of annual costs.

The Regents universities’ experience with the federal buy-American legislation indicates the requirements add approximately 1.0% to the cost of projects. The more restrictive approach in this Bill is estimated to add another 1.0%, for a total increase of 2.0% in project costs.

Assumptions

- The use of American-made products will be included in the design and request for proposal stages and will be handled in the same manner as other requirements relative to the quality of materials. This may somewhat increase the complexity and design costs.
- The federal “Buy America” requirements apply to steel, so it is assumed that governmental entities receiving federal aid are already partially adhering to the requirements in this Bill.
- The requirements for American-made “goods used in the performance of the contract” do not apply to equipment owned and used by contractors and subcontractors, but only to the materials used to build the public improvement.
- State agencies have staff or contract managers that sample and test materials as part of the process of overseeing construction projects. This Bill will add another element of verifying the source in the materials inspection process and will require more staff. The Board of Regents estimates a need for 2.5 additional staff positions. The DAS will likely have increases similar to the Regents universities. The DOT will add an additional 10 positions

for horizontal infrastructure and one staff for vertical infrastructure at a cost of \$79,874 per position.

- Horizontal infrastructure projects will experience a 1.0% increase in materials costs.
- This Bill will increase vertical infrastructure public improvement project costs by 2.0%, unless projects are scaled back because of limited resources.
- Purchasing American-made products will have a positive economic impact that is not limited to Iowa.

Fiscal Impact

Highway and interstate horizontal infrastructure projects managed by the DOT are projected to have an annual cost increase of \$705,000 for manufactured materials and \$799,000 for 10 additional staff for materials certification and related responsibilities, bringing the total increase for these types of projects to \$1.5 million annually.

The Regents universities and DAS will incur increased personnel costs of approximately \$205,000 each. The cost for DOT staff for vertical infrastructure projects is approximately \$80,000.

Vertical infrastructure public improvements can be expected to increase by 2.0%. While it is not possible to provide a specific annual value for public improvement projects, it is expected that for each \$100.0 million of vertical public improvement projects, the costs would increase by \$2.0 million.

The positive economic impact of buying American-made products cannot be estimated.

Infrastructure projects are seldom funded from the General Fund, so the increase in costs would come from other funding sources.

Sources

Department of Administrative Services
Iowa State Association of Counties
Department of Transportation
Board of Regents

/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
