
Coates' Canons Blog: Local Preferences in Public Contracting, Part 6

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This is the final post in a series on local preference policies. (Earlier posts can be found [here](#), [here](#), [here](#), [here](#), and [here](#).) Once again, we find ourselves listening in on the Emerald City Council meeting where the Council is discussing local preference policies. The Council has **just heard** from Mr. Green Apple, a representative from the Lollipop Guild, about why he dislikes local preferences. The Council had already asked Purchasing Officer Scarecrow to report back to them about whether the preference policies they've discussed will achieve the goals they hope to accomplish through those policies, and now they've also asked Scarecrow to respond to Green Apple's comments. Let's listen in....

"I'll start by reminding you of the four goals of the proposed policy: reducing local unemployment, supporting local businesses, increasing the tax base, and reducing the city's carbon footprint," begins Scarecrow.

"As I said **earlier**, to reduce local unemployment, our policy would have to have the effect of creating more jobs for local workers in addition to retaining current jobs held by local workers. Similarly, to support local businesses financially, our policy would have to have the effect of directing more money to local businesses." The Council members nod in agreement.

"But," says Scarecrow, "as we've just heard from Mr. Apple, a local preference policy won't necessarily achieve this goal because we don't generate enough projects or purchases to keep our local workers employed. They have to be able to work with other towns and counties as well, and if other towns and counties follow our lead, this could result in a disadvantage to our local workers and businesses."

"But establishing a local preference policy *will* show our local businesses that we support them!" protests Cowardly Lion.

"I agree completely," replies Scarecrow. "However, there are other ways that we can show our support for local businesses without risking the disadvantages that may come with a local preference policy. And I'll get to those in just a minute. I first want to address the last two goals the Council raised: increasing the tax base and reducing the City's carbon footprint. As I mentioned earlier, to increase the tax base, our policy would have to encourage people to spend money with local businesses in the City. Again, while we may be able to encourage spending of our dollars and our contractor's dollars with local businesses through a local preference policy, that probably won't be enough to sustain many of these businesses, and it may end up hurting them if they're disadvantaged when selling their products and services elsewhere. There are other ways to encourage people to spend money with our local businesses.

"To reduce the City's carbon footprint," continues Scarecrow, "our policy would have to help cut down on transportation costs for the goods and services that the City purchases. If we have a preference for products that are manufactured here in Emerald City, we will reduce transportation costs when we purchase those locally manufactured goods. But we'll need to consider how many goods are manufactured here. We know lollipops are made here, but what about the other goods that we purchase regularly? No one in Emerald City makes computers, for example. We could buy computers from Flying Monkeys, the Emerald City computer store, but Flying Monkeys will have to buy those computers from somewhere outside of Emerald City. That won't reduce our carbon footprint. Contracting with local companies for services or construction contracts could reduce our carbon footprint if we assume that nonlocal workers would commute back and forth. But again we have to consider whether there are enough qualified and available local workers and companies for us to do business with."

Chairwoman Glinda interrupts, "Scarecrow, it sounds like you don't think a local preference policy will do much to achieve our goals. But we care deeply about our local businesses and our local workers, and we know they're suffering right now. Are you saying we can't do anything to help them?"

“Not at all, Chairwoman,” replies Scarecrow. “There are several things we can do through the Purchasing Department to support local businesses and local workers:

1. Offer regular training to local businesses and local workers about how to do business with Emerald City, including information on how bidding works and where to find contracting opportunities with the City. Or the training could be a general introduction to doing business with governments, to give our local businesses and local workers a leg up when trying to get work with neighboring cities and counties as well.
2. Partner with other public entities or non-profits to provide other assistance to local businesses and local workers, such as mentoring programs that match small businesses with larger, more established businesses.
3. Ease bonding requirements when possible—in other words, we shouldn’t require performance or payment bonds when those bonds aren’t required by statute or when there isn’t a real need for them. It can be difficult for newer or smaller businesses to get bonds.
4. When possible, we should make smaller projects available to local businesses so they can build experience and a good track record.
5. Encourage local businesses to register with the State’s **Interactive Purchasing System**. This will help connect them to public contracting opportunities throughout the State of North Carolina, not just here in Emerald City.
6. Reorganize our website to make bidding opportunities easier to find, and to provide links to the resources I’ve just mentioned such as opportunities for training and the Interactive Purchasing System.
7. Work with our Economic Development department to encourage Emerald City citizens to support local businesses.

“I’m sure there are other ways to support local workers and businesses, as well,” concludes Scarecrow, “we just need to think creatively, and make sure that we remember that we don’t lose sight of our primary procurement goals: promoting fairness and transparency, encouraging healthy competition, procuring quality goods and services, and being good stewards of the taxes we use to pay for those goods and services.”

“Thank you, Scarecrow,” says Chairwoman Glinda. “It’s good to know that there are other ways we can help our local businesses. I move that we ask you, TinMan, and our Economic Development Department to develop a plan for supporting our local businesses and local workers based on these suggestions you’ve made today.” The motion passes, and the Chairwoman brings the meeting to a close with a firm tap of her wand.

If you’re interested in an Economic Development perspective on supporting local businesses and local workers, take a look at the School of Government’s **Community and Economic Development blog**. For example, my colleague **Jonathan Morgan** has written a great **post** on how local governments can help local businesses to develop and find new markets (domestic and foreign) for their goods and services.

Meanwhile, I hope that you’ll consider commenting on this post (or other posts in the series) with your thoughts, questions, and suggestions about ways local governments support local businesses. I look forward to hearing what you have to say.

Links

- www.ips.state.nc.us/IPS/Default.aspx
- ced.sog.unc.edu/
- www.sog.unc.edu/about/directory/morgan.html
- ced.sog.unc.edu/?p=1906