



**Senate Fiscal Agency**  
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BILL ANALYSIS



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Senate Bill 363 (as reported without amendment)  
Sponsor: Senator Rick Jones  
Committee: Commerce

**CONTENT**

The bill would amend the Management and Budget Act to require the Department of Technology, Management, and Budget (DTMB), if consistent with Federal law, to give a preference of 8% of the amount of a contract to Michigan-based firms for products mined in the State against a bidder that was not a Michigan-based firm and was located outside of the United States.

MCL 18.1261

Legislative Analyst: Jeff Mann

**FISCAL IMPACT**

The bill could create a cost to the State depending on the contract involved. According to the DTMB, the bill would impose a floor on bids by adding 8% to the bid of a non-Michigan-based firm that would then be used to evaluate the bids of Michigan- and non-Michigan-based firms. According to the DTMB, there is currently only one Michigan-based firm producing mined products (road salt) that would be affected by the bill. Thus, any non-Michigan-based firms submitting bids for a contract to provide road salt would have to have 8% added to their bid to compare against the Michigan based firm's bid. Following is an example:

Michigan-Based firm bid:	\$10.5 million
Non-Michigan firm #1 bid:	\$10.0 million + 8% (\$800,000) = \$10.8 million
Non-Michigan firm #2 bid:	\$11.0 million + 8% (\$880,000) = \$11.88 million

In the above scenario, the bid from non-Michigan firm #2 would automatically be rejected as it would be the highest bid regardless of the addition of 8%. The Michigan-based firm would be awarded the contract as the bid from non-Michigan firm #1 would be higher than the Michigan-based firm's bid after the addition of the 8% as required by the bill. However, the cost of the contract would be \$500,000 more than it otherwise would have been. Without the proposed language, the State would award the contract to non-Michigan-based firm #1 as its original bid before the addition of the 8% would be the lowest at \$10.0 million.

The total potential cost to the State is indeterminate and dependent on the value of the bids submitted as opposed to the Michigan-based firm's bid. Without actual bid amounts, it is impossible to estimate whether the bill would have a negative impact on State costs.

The bill would have no fiscal impact on local government.

Date Completed: 5-17-17

Fiscal Analyst: Joe Carrasco

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Bill Analysis @ [www.senate.michigan.gov/sfa](http://www.senate.michigan.gov/sfa)

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