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BILL ANALYSIS

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Senate Bill 363 (as introduced 5-4-17)
Sponsor: Senator Rick Jones
Committee: Commerce

Date Completed: 5-16-17

CONTENT

The bill would amend the Management and Budget Act to require the Department of Technology, Management, and Budget to give a preference of 8% of the amount of a contract to Michigan-based firms for products mined in the State.

Currently, if consistent with Federal law, in all purchases made by the Department, all other things being equal, preference must be given to products manufactured or services offered by Michigan-based firms or by facilities whose operator is designated as a clean corporate citizen, or to biobased products whose content is sourced in Michigan. Under the bill, if consistent with Federal law, a preference of 8% of the amount of the contract would have to be granted 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 Department of Technology, Management, and Budget (DTMB), the proposed language 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%. In this example based on the proposed language, 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, under the bill and in this scenario, 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 changes in the proposed bill will have a negative impact on State costs.

The bill would have no fiscal impact on local government.

Fiscal Analyst: Joe Carrasco