



**House  
Legislative  
Analysis  
Section**

Manufacturer's Bank Building, 12th Floor  
Lansing, Michigan 48909  
Phone: 517/373-6466

**DMB TO DO STATE TRAVEL ARRANGEMENTS**

**House Bill 5080 with committee amendment**  
**First Analysis (1-10-90)**

**RECEIVED**

**Sponsor: Rep. Richard A. Young**  
**Committee: State Affairs**

**MAR 21 1990**

**Mich. State Law Library**

***THE APPARENT PROBLEM:***

Michigan, unlike most other states, permits each state agency to select its own travel agency to make travel arrangements for employees traveling on state business. Some feel that greater economy could be achieved if the travel arrangements of all state agencies were the responsibility of the Department of Management and Budget (DMB). DMB provides for the purchasing of and contracting for other services used by state agencies, and attempted to award a contract for state travel in 1985, after receiving bids from agencies across the state. The plan was dropped, however, when the attorney general advised that DMB did not have the statutory authority to implement the plan. Critics of the current practice point out the substantial savings that have been obtained through the bidding process in other areas. They also point out that if the state, and not its individual employees, got the "frequent flyer" points, taxpayers would benefit from the discount.

***THE CONTENT OF THE BILL:***

The bill would amend the Management and Budget Act to include travel arrangement services among the list of things for which the Department of Management and Budget is responsible. As with obtaining supplies and other services, preference would be given to Michigan based firms and competitive bids would be solicited wherever practicable. Under the bill, each state agency would be required to make its travel arrangements through the department; elected officials could, but would not be required to do so.

MCL 18.1261

***FISCAL IMPLICATIONS:***

According to the House Fiscal Agency, the fiscal implications of the bill are unknown at present. However, figures obtained by the Department of Management and Budget from a survey conducted in 1984 showed that state departments' travel costs average \$2 million per year. According to the survey, approximately 25 percent of this expense could have been saved had the travel arrangements been handled by one travel agency, under a contract by which the state would have received a discount. (12-13-89)

***ARGUMENTS:***

***For:***

The bill would allow the state to reduce the funds currently spent on travel arrangements for state employees by authorizing DMB to accept bids and enter into a contract with the travel agency that quoted the lowest "transaction fee" for its services and met certain other requirements (for example, conformity to civil service hiring practices). The state saves money on services supplied to state agencies through the bidding process (chairs purchased for House committee rooms during the Capitol's restoration, for

example, were purchased at one fourth of the price paid on the open market); through this one agency, the state would save on airline fares, on hotel accommodations, and on car rentals. Under the terms of the contract, the commission normally paid to the travel agency by airlines, hotels, and car rental services would be turned over to the state. In addition, DMB would negotiate with certain airlines for volume discounts. In return for its services, the agency awarded the contract would be given office space in DMB's Office of Purchasing for its computer terminals. This centralization of travel arrangements would bring Michigan into line with other states, with the federal government, and with large corporations who use this procedure.

***Against:***

The bill is just one more instance of the state competing against private enterprise. In this instance, the state would virtually set up its own travel agency. Small and medium-sized travel agencies probably would not be able to compete with larger agencies when bidding on the contract for state employees' travel. Currently, each state agency encourages its employees to deal with one particular travel firm; those firms, who have relied on the state for business, would be deprived of much of their income. The state professes to support small businesses, but bills such as this serve only to drive businesses out of the state. Instead of granting one firm a monopoly on state travel, each state agency should be required to negotiate with travel agencies to obtain the lowest travel prices.

***Response:*** The state's responsibility is to provide services to the public in the most cost-efficient manner. The state's responsibility is not that of subsidizing travel agencies. Further, contracts that the state enters into offer benefits that are also available to municipalities, saving the taxpayers more money.

***POSITIONS:***

The Department of Management and Budget supports the bill. (12-13-89)

The Michigan Merchants Council and Associates has no position on the bill. (12-13-89)

The Small Business Association has no position on the bill. (12-15-89)

The Michigan State Chamber of Commerce has no position on the bill. (12-19-89)

The American Society of Travel Agents (ASTA), Michigan Chapter, opposes the bill. (12-18-89)

The Lansing Area Travel Agents Association opposes the bill. (12-13-89)

Businesses and Associations for a Strong Economy (B.A.S.E.) opposes the bill. (12-15-89)

H.B. 5080 (1-10-90)