

**SFA**

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

(517) 373-5383

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Senate Bill 545 (Substitute S-4 as reported)

Sponsor: Senator Nick Smith

Committee: Natural Resources and Environmental Affairs

Date Completed: 2-22-90

**RATIONALE**

Although there has been wide reporting of the problems associated with the rapid depletion of available landfill space and with the adverse effects on the environment that result from landfill disposal and incineration of solid waste, environmentally conscious approaches to product uses and solid waste disposal have been slow to develop. Indeed, an article in the January 1990 edition of State Government New, contends that a "gap exists between society's acceptance of an environmental ethic and society's application of that ethic to everyday activities". Many feel that it is incumbent upon the public sector to promote positive examples of the use of reusable, recyclable, and environmentally safe products; as the article concludes, local and state "governments must develop and enforce an environmental ethic that will halt the world's progressive contamination". To this end some believe that, in its purchasing responsibilities, the Department of Management and Budget (DMB) should be required to evaluate products that are recyclable, are reusable, and/or would have a minimal negative impact on the environment if disposed of in traditional manners, and be encouraged to consider the purchase of such items.

**CONTENT**

The bill would amend the Management and Budget Act to require that, in all purchases, the DMB evaluate the feasibility of purchasing "environmentally preferable" products, provided that the

cost of a product was no greater than 110% of the cost of a product that was not environmentally preferable. In addition, in formulating standard specifications and standards of performance applicable to purchases as required under the Act, the DMB would have to assure that the standards did not discourage or preclude the use of environmentally preferable components or products. The DMB would have to consult with the Department of Natural Resources (DNR) in determining environmentally preferable products or priorities.

An "environmentally preferable" product would be one to which one or more of the following applied, as determined by the DMB after consultation with the DNR:

- It was capable of being reused, after having served its intended purpose.
- It was capable of being recycled and reformed into a different usable product, after having served its intended use.
- In relation to other available products and product components, it would have a minimal adverse impact on the environment after disposal.

MCL 18.1261

**FISCAL IMPACT**

The bill would have an indeterminate fiscal impact on the State. While it is possible that the State could purchase certain products

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identified in the bill as being "environmentally preferable" that would result in higher costs over current bidding practices, it cannot be determined at this time the degree to which this would occur, if ever.

## **ARGUMENTS**

### **Supporting Argument**

The State should play an active role in encouraging environmental consciousness in everyday activities. Requiring State purchasers to consider products that could be reused or recycled, or would have little adverse impact on the environment, would set a good example for private sector operations and individual citizens. Encouraging such activities as recycling, reusing, and purchasing recycled products would contribute to a societal application of an environmental ethic.

### **Opposing Argument**

By requiring the consideration of products that were "environmentally preferable" even if the products would cost up to 10% more than other comparable products, the bill could provide a motivation for State suppliers to charge excessive rates. The bill should specify that consideration of such products would be required only if they were priced competitively.

**Response:** The bill would not require the purchase of environmentally preferable products at up to 110% of the going rate, but only the evaluation of those products' feasibility. In addition, the extra 10% leeway is needed because recycled products often cost more than other products since the market for recycled products is in an earlier stage of development. If State purchases of environmentally preferable items led to increased demand for them, the market would adjust and prices eventually would become competitive. Further, if the products cost no more than 10% above the price of other products, but could be reused or recycled, they actually could save the taxpayers money in the long run.

Legislative Analyst: P. Affholter  
Fiscal Analyst: B. Baker

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