



**House
Legislative
Analysis
Section**

Washington Square Building, Suite 1025
Lansing, Michigan 48909
Phone: 517/373-6466

DOC CONTRACTS; PREFERENCE TO MICH. FIRMS

RECEIVED

House Bill 4313 (Substitute H-1)
First Analysis (2-4-88)

FEB 25 1988

Sponsor: Rep. Donald Van Singel
Committee: Appropriations

Mich. State Law Library

THE APPARENT PROBLEM:

Present law requires the Department of Management and Budget — in contracting for supplies, materials, services, equipment and printing for state agencies — to "encourage and promote the competitive viability of the private sector," and, "all other things being equal," authorizes the department to give preference to Michigan-based firms. Many Michigan firms, however, lose out on state contracts when under-bid by out-of-state businesses. Many feel that the law should be changed to give preference to Michigan firms in certain cases.

THE CONTENT OF THE BILL:

The bill would amend the Management and Budget Act to require the department, in the case of contracts involving the Department of Corrections, to give preference to products manufactured or services offered by a Michigan-based business if the bid of that firm were not more than one percent higher than the lowest responsible bid of an out-of-state business and otherwise met the specifications established by the department for the particular contract or purchase.

MCL 18.1261

FISCAL IMPLICATIONS:

No fiscal information is available at this time. (2-3-88)

ARGUMENTS:

For:

It makes sense to use Michigan companies for state contracts. In this way, new jobs are often created in the construction and manufacturing industries, and tax dollars invested in such projects are returned to the state in the form of income taxes withheld. These Michigan firms, in turn, normally use Michigan products and suppliers.

Against:

The bill, as written, is too vague. What is a "Michigan-based business?" It could be an out-of-state or international company with a Michigan-based branch office.

POSITIONS:

The Department of Management and Budget does not support the bill. (2-3-88)

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