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DOC CONTRACTS; PREFERENCE TO MICH. FIRMS

House Bill 4313 as enrolled
Second Analysis (2-22-88)

Sponsor: Rep. Donald Van Singel
Committee: Appropriations

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. These provisions would apply until October 31, 1988.

The bill would require the Department of Management and Budget to undertake a study of the bidding process employed in awarding state contracts, to assist the legislature in determining whether legislative changes are necessary to this process. The study would investigate the manner in which bid specifications are established, the considerations used in the bidding process, and the manner in which the preference for Michigan-based firms is implemented. The department would have until September 1, 1988, to complete the study.

MCL 18.1261

FISCAL IMPLICATIONS:

No fiscal information is available at this time. (2-22-88)

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 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.