

Legislative Analysis



MICHIGAN-BASED BUSINESS PREFERENCE IN SCHOOL CONTRACTING

Mitchell Bean, Director
Phone: (517) 373-8080
<http://www.house.mi.gov/hfa>

House Bill 5639

Sponsor: Rep. Dudley Spade

Committee: Education

Complete to 5-5-08

A SUMMARY OF HOUSE BILL 5639 AS INTRODUCED 1-7-08

House Bill 5639 would amend the Revised School Code (MCL 380.623a et al.) to allow the boards of intermediate districts, school districts, and public school academies (or charter schools) to give a preference of up to 10 percent of the amount of a contract to Michigan-based businesses when they are responding to competitive bids for school supplies, materials, and equipment.

"Michigan-based firm" is defined to mean a firm that would qualify for a preference in a procurement contract with the State of Michigan under Section 261(1) of the Management and Budget Act, as determined by the Department of Management and Budget.

[Section 261(1) of that act states: "The department shall provide for the purchase of, the contracting for, and the providing of supplies, materials, services, insurance, utilities, third party financing, equipment, printing, and all other items as needed by state agencies for which the legislature has not otherwise expressly provided. In all purchases made by the department, all other things being equal, preference shall be given to products manufactured or services offered by Michigan-based firms, if consistent with federal statutes. The department shall solicit competitive bids from the private sector whenever practicable to efficiently and effectively meet the state's needs. The department shall first determine that competitive solicitation of bids in the private sector is not appropriate before it shall use any other procurement methods for an acquisition."]

Under House Bill 5639, if the Michigan-based firm otherwise met the requirements of the contract solicitation, and with these preferences was the lowest responsible bidder, the school boards could award the contract to the Michigan-based firm, rather than to the lowest bidder. If two or more Michigan-based firms were the lowest responsible bidders on a contract with these preferences, all other things being equal, the school board could award the contract to the Michigan-based firm with the lowest responsible bid.

In addition, currently under the Revised School Code, the board of a school district or a charter school cannot purchase an item or a group of items in a single transaction costing \$17,932 or more, unless competitive bids are obtained, and the purchase is approved by the board. The bill would increase the competitive bid threshold for a single transaction

from \$17,932 to \$19,211 (in line with the current competitive bid threshold for intermediate school districts).

FISCAL IMPACT:

The bill would have no direct fiscal impact on local school districts or the state. However, in allowing districts to give preference to Michigan-based firms, it could increase contract costs by up to 10 percent for school districts, but also could increase state revenue to the extent that it generated additional business for Michigan firms.

Legislative Analyst: J. Hunault
Fiscal Analyst: Mary Ann Cleary
Bethany Wicksall

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.