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BILL ANALYSIS

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Senate Bill 502 (as introduced 4-30-09)  
Sponsor: Senator Jason E. Allen  
Committee: Commerce and Tourism

Date Completed: 5-5-09

### **CONTENT**

**The bill would amend the Management and Budget Act to require that, in all purchases made by the Department of Management and Budget (DMB), a preference of 10% of the amount of the contract be granted to a Michigan business certified under Section 268 of the Act or to any business if the products identified in the bid were made, manufactured, or grown in Michigan.**

Currently, in all purchases made by DMB, all other things being equal, preference must be given to products manufactured or services offered by Michigan-based firms, if consistent with Federal law. The proposed requirement described above would replace that provision.

The bill would define "made" as assembled, fabricated, or processed component parts into a finished end-product, the value of which assembly, fabrication, or processing is a significant portion of the value of the finished end-product. "Manufactured" would mean made or processed raw materials into a finished end-product. "Grown" would mean produced, cultivated, raised, or harvested timber, agricultural produce, or livestock on the land or cultivated, raised, caught, or harvested products or food from the water resulting in an end-product that is locally derived from the product cultivated, raised, caught, or harvested. "End-product" would mean the item sought by a governmental body of this State and described in the solicitation, including all component parts, and in final form ready for the use intended by the governmental body.

(Under Section 268, a bidder for a State contract is a Michigan business if it certifies that it has done any of the following during the 12 months immediately preceding the bid deadline or for the period the business has been in existence, if it is newly established within those 12 months:

- Filed a Michigan Single Business Tax return or Michigan Business Tax return showing a portion or all of the income tax base allocated or apportioned to the State of Michigan.
- Filed a Michigan income tax return showing income generated in or attributed to the State of Michigan.
- Withheld Michigan income tax from compensation paid to the bidder's owners and remitted the tax to the Department of Treasury.)

MCL 18.1261

Legislative Analyst: Patrick Affholter

## **FISCAL IMPACT**

Currently, 90% of contracts awarded by the DMB are awarded to Michigan-based firms. The provisions proposed in the bill would have no impact or a relatively small impact on State resources as the remaining 10% of contracts are not awarded to Michigan firms because they did not bid on the contracts, they are unable to perform the duties specified in the contracts, or their bids were excessively high.

Fiscal Analyst: Joe Carrasco

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.