Legislative Analysis

Mary Ann Cleary, Director
Phone: (517) 373-8080
http://www.house.mi.gov/hfa

IRAN ECONOMIC SANCTIONS ACT

House Bills 5479 and 5480
Sponsor: Rep. Marty Knollenberg

House Bill 5481
Sponsor: Rep. Mike Callton, D. C.

House Bill 5482
Sponsor: Rep. David Agema

House Bill 5483
Sponsor: Rep. Chuck Moss

House Bill 5484
Sponsor: Rep. Gail Haines

Committee: Banking and Financial Services
Complete to 3-20-12

A SUMMARY OF HOUSE BILLS 5479-5484 AS INTRODUCED 3-15-12

House Bill 5479 would create the Iran Economic Sanctions Act. The other bills would amend various acts to refer to that new act. Under the Iran Economic Sanctions Act, an Iran-linked business would not be eligible to be awarded a contract with a public entity in excess of $2,500. Further, such a business could not submit a bid or proposal for such a contract. Penalties would be imposed for false certifications. The act would take effect January 1, 2013.

House Bill 5480 would amend the Management and Budget Act to require the Department of Technology, Management, and Budget's solicitation procedures and awards comply with the Iran Economic Sanctions Act. The bill would also specify that the department could withdraw delegated procurement authority upon a finding that a state agency to which procurement authority had been delegated did not comply with the Iran Economic Sanctions Act.

House Bill 5481 would amend the Management and Budget Act to require the DTMB's procedures on contracts for the construction, repair, remodeling, or demolition of facilities to comply with the Iran Economic Sanctions Act.

House Bill 5482 would amend the Michigan Strategic Fund Act to require that the Fund establish requirements to ensure that any recipient of funds, including a loan, a grant, or funding or other assistance for a project is not an Iran-linked business as described in the Iran Economic Sanctions Act.

House Bill 5483 would amend the Glenn Steil State Revenue Sharing Act to specify that a county, city, village or township that receives payment under the act would be required to comply with the requirements of the Iran Economic Sanctions Act.

House Bill 5484 would amend Public Act 51 of 1951 (which deals with transportation funding) by adding Section 1j to specify that the Department of Transportation, or a county, city, or village receiving money under the act, would be required to comply with the requirements of the Iran Economic Sanctions Act.

House Bills 5480-5484 are all tied barred to House Bill 5479, meaning they could not take effect unless House Bill 5479 is enacted.

A more detailed explanation of House Bill 5479 follows.

House Bill 5479 would create the new Iran Economic Sanctions Act. As noted earlier, it specifies an Iran-linked business would not be eligible to be awarded a contract with a public entity in where the contract is for more than $2,500. Further, such a business could not submit a bid or proposal for such a contract.

Definitions

The term "Iran-linked business" means a person that has investments in Iran or holds a contract with the government of Iran or a political subdivision of Iran. The term "person" as used here refers to an individual, various business entities, and other nongovernmental entities and groups; government entities, including a multilateral development institution under federal law; and any successor, subunit, parent company, or subsidiary of, or company under common ownership or control with any previously described entity.

The term "public entity" would refer to the State of Michigan or an agency, school district, community college district, intermediate school district, city, village, township, or county.

Certification Required

Under the new act, a public entity must require a person that submits a bid or proposal to enter into a contract with the public entity to certify that it is not an Iran-linked business.

False Certification

If a public entity determines that a person has submitted a false certification, the person would be subject to the following:

- Termination of any existing contract with the public entity, at the option of the public entity.
- Ineligibility to bid on, or to be awarded, a contract for three years from the date the public entity determines that the person submitted the false certification.
- Referral for civil prosecution for collection of a fine of not more than $250,000 or two times the amount of the contract or proposed contract for which the false certification was made, whichever is greater.

If the public entity determines that a person has submitted a false certification, it would have to report the name of the person to the Attorney General together with information supporting the determination. The Attorney General could bring a civil action against the person to collect fines proposed in the bill. If a civil action results in a finding that the person submitted a false certification, the person would be responsible for the cost of the public entity's investigation and reasonable attorney fees, in addition to the fine.

Notification to Bidder or Contract Holder

If a public entity determines, based on credible evidence, that a person that has submitted a bid or contract proposal, or that is a party to an existing contract, is an Iran-linked business, the public entity would be required to notify the person of the determination and of the intent not to enter into or renew a contract with the person. The notice would need to include information on how to contest the determination. Such notice would specify that the person could become eligible for a future contract with the public entity if the person ceases the activities that cause it to be an Iran-linked business.

Appeal

Upon the request of the person notified, the public entity would be required to provide the person it determined to be an Iran-linked business with an opportunity to demonstrate to the public entity that it is not an Iran-linked business. If the public entity then determines that the person is not an Iran-linked business, the person must be notified that it is eligible under the act to enter into or renew a contract with the public entity.

FISCAL IMPACT:

The bills would not appear to have a significant fiscal impact on state and local government. To the extent that there are complaints filed, it may increase some administrative costs, but those will likely be borne in the normal course of business. Any civil fine revenue awarded to the attorney general would be credited to the state General Fund.

Legislative Analyst: E. Best
Fiscal Analyst: Ben Gielczyk
Erik Jonasson