Senate Fiscal Agency
P. O. Box 30036
Lansing, Michigan 48909-7536

BILL ANALYSIS

Telephone: (517) 373-5383
Fax: (517) 373-1986

House Bill 5480 (Substitute H-1 as passed by the House)
House Bill 5481 (Substitute H-1 as passed by the House)
House Bill 5483 (Substitute H-1 as passed by the House)
House Bill 5484 (Substitute H-1 as passed by the House)
Sponsor: Representative Marty Knollenberg (H.B. 5480)
Representative Mike Calton (H.B. 5481)
Representative Chuck Moss (H.B. 5483)
Representative Gail Haines (H.B. 5484)
House Committee: Banking and Financial Services
Senate Committee: Banking and Financial Institutions

Date Completed: 5-9-12

CONTENT

The bills would amend various statutes to require compliance with the "Iran and Other State Sponsors of Terror Act" (proposed by House Bill 5479) with respect to State purchasing and construction contracts, the receipt of revenue sharing payments, and the receipt of transportation funding.

Each of the bills is tie-barred to House Bill 5479. (As passed by the House, House Bill 5479 (H-2) would create the Iran and Other State Sponsors of Terror Act to do the following:

-- Provide that a "state sponsor of terror linked business" would be ineligible to submit a bid on a request for proposal (RFP) with a public entity.
-- Require a public entity to require a person submitting a bid on an RFP to certify that it was not a state sponsor of terror linked business.
-- Exclude from these provisions a state sponsor of terror linked business if the associated state sponsor of terror were no longer sanctioned by the U.S. government.
-- Prescribe consequences for a person who submitted a false certification.

"State sponsor of terror" would mean that term as defined in the Divestment from Terror Act (i.e., a country determined by the U.S. Secretary of State to have repeatedly provided support for acts of international terrorism). "State sponsor of terror linked business" would mean a person that has direct investments in a state sponsor of terror or holds a contract with a state sponsor of terror or political subdivision of a state sponsor of terror; the term would not include a social development company as defined in the Divestment from Terror Act.)

House Bill 5480 (H-1)

The Management and Budget Act contains requirements for the Department of Technology, Management, and Budget (DTMB) to procure supplies, materials, services, equipment, and all other items needed by State agencies. Whenever practical, the DTMB must solicit competitive bids from the private sector.

The Act also allows the Department to delegate its procurement authority to other State agencies within dollar limits and for designated types of procurements. The DTMB may withdraw delegated authority upon finding that a State agency did not comply with departmental procurement directives.

The bill would require the DTMB's solicitation procedures and awards to comply with the proposed Iran and Other State Sponsors of Terror Economic Sanctions Act. The bill also would allow the Department to withdraw delegated procurement authority if it found that a State agency did not comply with that Act.

House Bill 5481 (H-1)

The Management and Budget Act provides that a contract may not be awarded for the construction, repair, remodeling, or demolition of a facility unless the contract is let pursuant to a bidding procedure approved by the State Administrative Board. The DTMB must issue directives prescribing procedures to implement the requirements for awarding a construction contract, and the procedures must require a competitive solicitation in the award of any such contract.

Under the bill, the procedures also would have to require compliance with the Iran and Other State Sponsors of Terror Economic Sanctions Act.

House Bill 5483 (H-1)

The bill would amend the State Revenue Sharing Act to require a county, city, village, or township receiving payment under the Act to comply with the Iran and Other State Sponsors of Terror Economic Sanctions Act.

House Bill 5484 (H-1)

The bill would amend the Michigan Transportation Fund law, Public Act 51 of 1951, to require the Michigan Department of Transportation or a county, city, or village receiving money under the Act, to comply with the Iran and Other State Sponsors of Terror Economic Sanctions Act.

MCL 18.1261 (H.B. 5480)
MCL 18.1241 (H.B. 5481)
Proposed MCL 141.917b (H.B. 5483)
Proposed MCL 247.651j

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

House Bills 5480 (H-1) & 5481 (H-1)

The bills would have no fiscal impact on State or local government.

House Bill 5483 (H-1)

State revenue sharing for local units of government consists of constitutional revenue sharing, county statutory revenue sharing, the Competitive Grant Assistance Program (consolidation grants), and the Economic Vitality Incentive Program (EVIP). Constitutional revenue sharing payments to cities, villages, and townships cannot be reduced without a constitutional amendment; therefore, these payments, which are estimated at $697.5 million in FY 2011-12, would not be affected by the bill. The Economic Vitality Incentive Program for eligible cities, villages, and townships and the Competitive Grant Assistance Program for selected cities, villages, townships, and counties are created in budget bill boilerplate. Although these are referred to as revenue sharing programs, the payments are made according to Public Act 107 of 2012, which revised the annual budget bill; the proposed requirement in the Glenn Steil State Revenue Sharing Act would not apply to qualification for EVIP and Competitive Grant Assistance payments. In FY 2011-12, the Department of Treasury has reported that 486 cities, villages, and townships are eligible for payments under EVIP. The remaining 1,315 local units (excluding counties) are not eligible for the EVIP program. The Competitive Grant Assistance Program was funded at $5.0 million in FY 2011-12.

Counties that receive statutory revenue sharing payments under the Revenue Sharing Act in FY 2011-12 would be required to comply with the proposed Iran and Other State Sponsors of Terror Economic Sanctions Act in order to qualify for those payments. If a county forfeited a statutory revenue sharing payment pursuant to the bill, those funds would be available for distribution to other counties under the revenue sharing formula. Based on the FY 2011-12 appropriated amount, the formula is prorated; thus, the State would not receive any savings from noncompliance by a county. In FY 2011-12, $115.0 million is appropriated for county revenue sharing. There are 50 counties that are projected to receive revenue sharing payments in FY 2011-12. In FY 2012-13, 61 counties are expected to receive county revenue sharing. Remaining counties are still making withdrawals from their revenue sharing reserve funds, which were created in FY 2004-05. Those withdrawals are determined under the General Property Tax Act and would not be affected by the bill.

The Department of Treasury would incur unknown additional costs to verify county compliance with the requirements of the bill. Local governments determined to be subject to this proposed revenue sharing requirement would have to revise their procurement procedures to comply with the bill at an unknown cost.

House Bill 5484 (H-1)

The bill would have no fiscal impact on State of local government.

Fiscal Analyst: Joe Carrasco
Elizabeth Pratt

S1112\s5480sa.