



**House
Legislative
Analysis
Section**

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DMB PURCHASING AGREEMENTS

House Bill 4321 as introduced
First Analysis (4-1-93)

Sponsor: Rep. Bill Bobier
Committee: Conservation, Environment
and Great Lakes Affairs

THE APPARENT PROBLEM:

Currently, under the Management and Budget Act (Public Act 431 of 1984), the Department of Management and Budget (DMB) is responsible for contracting for supplies, materials, services, insurance, utilities, third-party financing, printing, and other items needed by state agencies. (The one exception to this requirement is that the department may delegate purchasing authority to other state agencies within certain dollar limits and for specific types of purchases.) The department can act as lead agent in cooperative purchases involving other units of government, but it does not have the authority to participate with other public entities (such as other states) in cooperative purchasing otherwise.

This inability to participate in cooperative purchasing agreements unless it acts as the lead agent has cost the state money and caused the state to lose out on the savings that can be had through such agreements. Thus, for example, the state of Wisconsin was negotiating a cooperative purchase of recycled paper for nine states (Wisconsin, Illinois, Indiana, Michigan, Minnesota, Ohio, Pennsylvania, and South Dakota). But when the time came to sign the contract, Michigan had to sign a separate contract, at a cost above what it would have incurred had it been able to allow Wisconsin to sign for it. At the request of the department, legislation has been introduced that would allow the DMB to participate in cooperative purchasing agreements without having to be the lead agent.

THE CONTENT OF THE BILL:

The bill would amend the Management and Budget Act (Public Act 431 of 1984) to allow the Department of Management and Budget to enter into cooperative purchasing agreements with one or more other states or local units of government.

The purchase of goods could include, but would not be limited to, services necessary for state programs and recycled goods.

MCL 18.1261

FISCAL IMPLICATIONS:

The Department of Management and Budget says that the bill would result in no costs to the state, and has the potential to save the state money through the cooperative purchases that would be made possible. (3-30-93)

ARGUMENTS:

For:

Because current law requires the Department of Management and Budget to be the lead agent in contracting for state supplies and services, the state has been unable to participate in cooperative purchasing agreements that would have benefitted the state because other states were negotiating the proposed purchases. The National Association of State Purchasing Officials (an organization consisting of all fifty states plus Puerto Rico and the Virgin Islands) has passed a resolution supporting cooperative purchasing, and is divided into four regional cooperative purchasing groups, most of whose members can both negotiate purchases for other states as well as allow other states to negotiate purchases for them. In the twelve-member Midwestern Regional Group of this association, only Michigan, Kansas, Nebraska, and North Dakota cannot let others negotiate cooperative purchases on their behalf (and reportedly, Ohio just enacted legislation allowing it to do so).

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The bill would help the state save money, as well as time, in its purchases for state agencies, allowing Michigan to benefit fully from cooperative purchasing agreements.

POSITIONS:

The Department of Management and Budget supports the bill. (3-30-93)