



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

BILL ANALYSIS



Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 751 (Substitute S-1 as reported)  
Sponsor: Senator John Pappageorge  
Committee: Senior Citizens and Veterans Affairs

Date Completed: 10-26-07

## **RATIONALE**

Public Act 91 of 2005 amended the Management and Budget Act to make it a goal of the Department of Management and Budget (DMB) to award to qualified disabled veterans each year at least 3% of total expenditures for construction, goods, and services. This goal is consistent with a similar Federal program. The DMB, working with the Department of Labor and Economic Growth (DLEG), reportedly has been doing outreach work to engage disabled veterans who are business owners, and encouraging them to register as State vendors and bid on State contracts. In order to broaden these efforts and assist more disabled veterans, some people believe that the minimum percentage goal should be increased.

In another matter, the Act generally requires the DMB to use competitive solicitation for purchases authorized under the Act. It also requires the Department to purchase goods and/or services manufactured or provided by sheltered workshops and work activity centers, which provide rehabilitation programs and therapeutic activities for disabled workers. Since the DMB is required to make purchases from those facilities, it has been suggested that the purchases should be excluded from the Act's competitive bidding requirement.

## **CONTENT**

**The bill would amend the Management and Budget Act to do both of the following:**

**-- Increase the minimum goal of the Department of Management and Budget for awarding a portion of**

**total expenditures for certain purposes to qualified disabled veterans.**

**-- Exclude goods and services set aside for exclusive provision by sheltered workshops or work activity centers from the Act's requirement that the DMB use competitive solicitation for purchases.**

### Goal for Disabled Veterans' Contracts

Under the Act, it is the goal of the DMB to award each year at least 3% of its total expenditures for construction, goods, and services to qualified disabled veterans. The DMB may count toward that goal the portion of all procurement contracts in which the business entity that received a procurement contract subcontracts with a qualified disabled veteran. Each year, the DMB must review the progress of all State agencies in meeting the goal, with input from statewide veterans service organizations and from the business community, including businesses owned by qualified disabled veterans, and make recommendations to the Senate and the House of Representatives regarding continuation, increases, or decreases in the percentage goal.

The bill would increase the minimum goal from 3% to 5% of total expenditures for construction, goods, and services.

Under the Act, "qualified disabled veteran" means a business entity that is 51% or more owned by one or more veterans with a service-connected disability. "Service-connected disability" means a disability incurred or aggravated in the line of duty in

the active military, naval, or air service as described in Federal law (38 USC 101(16)).

"Veteran" currently is defined as a person who served in the active military, naval, or air service and who was discharged or released from his or her service under conditions other than dishonorable. Under the bill, "veteran" would mean a person who served in the Army, Air Force, Navy, Marine Corps, or Coast Guard and who was discharged or released from his or her service with an honorable or general discharge.

#### Sheltered Workshops/Work Activity Centers

The Act requires the DMB to use competitive solicitation for all purchases authorized under the Act except under certain circumstances. Under the bill, competitive solicitation would not be required for procurement of goods or services that were set aside for the exclusive provision by sheltered workshops or work activity centers.

(As provided in the Act, the DMB must purchase goods and/or services manufactured or provided by sheltered workshops and work activity centers. The Act establishes within the DMB a committee on the purchase of goods and services from sheltered workshops and work activity centers. Among other responsibilities, the committee must aid in the identification of goods and services to be purchased by the DMB from sheltered workshops and work activity centers; establish eligibility criteria for participating sheltered workshops and work activity centers; establish and review fair market prices for goods and services purchased from sheltered workshops and work activity centers; and prepare an annual report regarding the purchase of goods and services from sheltered workshops and work activity centers.

The Act defines "sheltered workshop" as a charitable organization or institution conducted not for profit, but for the purpose of carrying out a recognized program of rehabilitation for handicapped workers, which provides those individuals with remunerative employment or other occupational rehabilitating activity of an educational or therapeutic nature.

"Work activities center" means a workshop, or a physically separated department of a workshop having an identifiable program and separate supervision and records, planned and designed exclusively to provide therapeutic activities for handicapped workers whose physical or mental impairment is so severe as to make their productive capacity inconsequential. Therapeutic activities include custodial activities, such as activities where the focus is on teaching the basic skills of living, and any purposeful activity so long as work or production is not the main purpose.)

MCL 18.1261

#### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Due to advances in medical technology and field response time, it is said that the death rate in the current wars in Iraq and Afghanistan is lower than in previous U.S. military campaigns but that a higher rate of soldiers are returning home with severe and disabling injuries. Newly discharged veterans, including returning National Guard members or reservists, who were disabled in the line of duty, deserve the State's assistance in meeting the challenges they face re-establishing themselves in civilian life. By awarding government contracts to businesses owned by disabled veterans, the State can help the veterans succeed financially and contribute to the economic welfare of their communities. Although matching a Federal program by awarding a minimum of 3% of State contracts to qualified disabled veterans is laudable, the State could serve disabled veterans better by exceeding that goal.

According to testimony before the Senate Committee on Senior Citizens and Veterans Affairs by a DMB official, the State is reaching out to disabled veteran-owned businesses. She stated that there are 7,500 to 8,000 such businesses in Michigan, yet only about 1,000 have registered with the Federal program and only about 200 are registered as vendors with the State of Michigan. By increasing the statutory goal of awarding at least 3% of all State contracts to awarding at least 5%, the bill

would provide an incentive for the DMB to recruit more service-disabled veterans to register as vendors and bid on contracts with the State. It also could entice more disabled veteran-owned businesses to pursue State contracts and encourage more disabled veterans to start their own businesses. That, in turn, would help disabled veterans to contribute to Michigan's economy and aid their own transition back to civilian life.

### **Supporting Argument**

The Management and Budget Act includes an apparent inconsistency in that it requires the DMB to use competitive bidding for purchases authorized under the Act, but it also mandates that the Department buy goods and/or services from sheltered workshops and work activity centers. By making an exception to the competitive solicitation requirement for the procurement of goods or services set aside for exclusive provision by those facilities, the bill would enable the DMB to comply with both of those mandates.

Legislative Analyst: Patrick Affholter

### **FISCAL IMPACT**

In FY 2005-06, of the 32 contracts put out for bids, 11 were bid on by qualified disabled veterans. Of the contracts awarded, one was awarded to a qualified disabled veteran, thereby meeting the current 3% goal. Based on FY 2005-06 data, the proposed change in statute would make it a goal that at least two contracts be awarded to qualified disabled veterans. The value of the one contract awarded in FY 2005-06 was \$192,000. There would be no fiscal impact on local government.

Fiscal Analyst: Joe Carrasco

A0708\751a

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.