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House Bill 5053 (Substitute H-1 as passed by the House)

Sponsor: Representative Mark Huizenga

House Committee: Appropriations

Senate Committee: Appropriations

Date Completed: 9-1-20

CONTENT

The bill would amend the Management and Budget Act to add a requirement that the DTMB develop policies and procedures to require all procurement contracts to include performance-related liquidated damages or performance targets with incentives in all contracts.

Currently, the DTMB delegates its procurement authority to other State agencies within dollar limitations and for designated types of procurement. The Department may withdraw that authority if it finds that a State agency did not comply with departmental procurement directives. The bill would amend the Act to require the Department, by October 1, 2020, to develop policies and procedures that require all procurement contracts entered into by the DTMB or a State agency, including departments that have delegated procurement authority under the Act, to include performance-related liquidated damages or performance targets with incentives in all procurement contracts.

Further, the Department also would have to develop policies and procedures that required the Department or State agency to enforce these provisions. Departments or State agencies acting under delegated authority would have to inform the DTMB of relevant performance issues. Exceptions to the inclusion or enforcement of performance-related contract provisions could be granted only by the DTMB as provided in a written or electronic record by the Department.

MCL 18.1261

FISCAL IMPACT

The proposed requirement for all procurement contracts to include performance-related liquidated damages or performance targets with incentives would not create any additional costs for the DTMB as most contracts already contain these provisions.

The bill could create costs for State departments and agencies to monitor and enforce the performance-related provisions that would be required for all procurement contracts under the bill. Depending on a department's or agency's administrative resource capabilities and the volume of contracts it administers, additional FTEs could be required. The average total cost for salary, benefits, and retirement for a State civil servant is an estimated \$119,200 Gross, \$61,500 General Fund/General Purpose.

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