Senate Fiscal Agency
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BILL ANALYSIS

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Senate Bill 1024 (Substitute S-3 as reported)
Senate Bill 1027 (Substitute S-2 as reported)
House Bill 5480 (Substitute S-1 as reported)
House Bill 5481 (Substitute S-1 as reported)
House Bill 5483 (Substitute S-2 as reported)
House Bill 5484 (Substitute S-2 as reported)
Sponsor: Senator Roger Kahn, M.D. (S.B. 1024)
Senator Darwin L. Booher (S.B. 1027)
Representative Marty Knollenberg (H.B. 5480)
Representative Mike Calton (H.B. 5481)
Representative Chuck Moss (H.B. 5483)
Representative Gail Haines (H.B. 5484)
Senate Committee: Banking and Financial Institutions
House Committee: Banking and Financial Services (H.B. 5480, 5481, 5483 & 5484)

CONTENT

Senate Bill 1024 (S-3) would create the "Iran Economic Sanctions Act" to do the following:

-- Make an Iran linked business ineligible to submit a bid on a request for proposal (RFP) with a public entity, beginning January 1, 2013.
-- Provide that a public entity would have to require a person submitting a bid on an RFP to certify that the person was not an Iran linked business.
-- Prescribe penalties for a person who submitted a false certification.
-- Require a public entity to notify a person of its determination that the person was an Iran linked business, and of the intent not to enter into or renew a contract with the person.

The term "Iran linked business" would mean a person that has direct investments in Iran or holds a contract with Iran or a political subdivision of Iran. The term would not include a social development company as defined in the Divestment from Terror Act, or an air carrier or foreign air carrier holding a certificate or permit under 49 USC 40101-50101.

"Public entity" would mean this State or an agency or authority of the State, school district, community college district, intermediate school district, city, village, township, county, public authority, or public airport authority.

"Person" would mean any of the following:

-- An individual, corporation, company, limited liability company, business association, partnership, society, trust, or any other nongovernmental entity, organization, or group.
-- Any governmental entity or instrumentality of a government, including a multilateral development institution, as defined in the International Financial Institutions Act.
-- Any successor, subunit, parent company, or subsidiary of, or company under common ownership or control with, any entity described above.

The penalties for a person who submitted a false certification that the person was not an Iran linked business would include the following:

-- Termination of any existing contract with the public entity, at its option.
-- Ineligibility to bid on an RFP for three years from the date of the determination.
-- Referral for civil prosecution for collection of a fine of up to $250,000 or twice the amount of the contract or proposed contract for which the false certification was made, whichever was greater.

Senate Bill 1027 (S-20) would amend the Michigan Strategic Fund (MSF) Act to require the MSF to establish requirements to ensure that any recipient of funds, including a loan, a grant, or funding or other assistance for a project, was not an Iran linked business.

House Bill 5480 (S-1) would amend the Management and Budget Act to require the Department of Technology, Management, and Budget's (DTMB's) solicitation procedures and awards to comply with the proposed Iran 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 (S-1) would amend the Management and Budget Act to require the DTMB's procedures for awarding a construction contract to require compliance with the Iran Economic Sanctions Act.

House Bill 5483 (S-2) 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 Economic Sanctions Act.

House Bill 5484 (S-2) 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 Economic Sanctions Act.

Senate Bill 1024 (S-3) would take effect on January 1, 2013. The other bills are tie-barred to Senate Bill 1024.

Proposed MCL 125.2015 (S.B. 1027)
MCL 18.1261 (H.B. 5480)
MCL 18.1241 (H.B. 5481)
Proposed MCL 141.917b (H.B. 5483)
Proposed MCL 247.651j (H.B. 5484)

Legislative Analyst: Suzanne Lowe

FISCAL IMPACT

Senate Bill 1024 (S-3): The Attorney General would have additional costs to pursue civil prosecution for false certifications. Any civil fine revenue recovered by the Attorney General would be deposited in the General Fund. The amount of costs and civil fine revenue would depend on the number and type of cases.

Senate Bill 1027 (S-2): The bill would require the Michigan Strategic Fund to expand its existing due diligence process. Any costs would be absorbed within its available resources.

House Bills 5480 (S-1), 5481 (S-1), & 5484 (S-2): The bills would have no fiscal impact on State or local government.

House Bill 5483 (S-2): 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 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 63 of 2011 (the FY 2011-12 State government appropriation) and it would be a matter of interpretation as to whether the proposed requirement in the State Revenue Sharing Act would apply to qualification for EVIP and Competitive Grant Assistance payments.

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 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. 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; those withdrawals 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.

Date Completed: 5-14-12

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