

REFERENCE TITLE: state contracting; businesses

State of Arizona  
House of Representatives  
Fifty-seventh Legislature  
Second Regular Session  
2026

# HB 2858

Introduced by  
Representative Blackman

AN ACT

AMENDING TITLE 41, CHAPTER 23, ARTICLE 1, ARIZONA REVISED STATUTES, BY  
ADDING SECTION 41-2505; RELATING TO PROCUREMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 41, chapter 23, article 1, Arizona Revised  
3 Statutes, is amended by adding section 41-2505, to read:

4 41-2505. Contracts; in-state; purchasing agency; definitions

5 A. NOTWITHSTANDING ANY OTHER LAW, FOR CONTRACTS ISSUED PURSUANT TO  
6 SECTION 41-2533, AN ARIZONA BIDDER SHALL BE GIVEN A ONE PERCENT INCREASE  
7 OVER AN OUT-OF-STATE BIDDER IF THERE ARE TWO OR MORE LOW RESPONSIBLE AND  
8 RESPONSIVE BIDS FROM QUALIFIED BIDDERS THAT ARE IDENTICAL IN ALL MATERIAL  
9 RESPECTS, INCLUDING PRICE, QUALITY, DELIVERY TERMS, WARRANTIES, PAST  
10 PERFORMANCE AND COMPLIANCE WITH SPECIFICATIONS.

11 B. A PURCHASING AGENCY SHALL ADD A PERCENTAGE INCREASE TO THE BID  
12 OF AN OUT-OF-STATE BIDDER EQUAL TO THE PERCENTAGE, IF ANY, OF THE  
13 PREFERENCE GIVEN TO THE BIDDER IN THE STATE IN WHICH THE BIDDER RESIDES.  
14 ON OR BEFORE JANUARY 1 OF EACH YEAR, THE DEPARTMENT SHALL PUBLISH A LIST  
15 OF STATES THAT GIVE PREFERENCE TO IN-STATE BIDDERS WITH THE PERCENTAGE  
16 INCREASE APPLIED IN EACH STATE. A PURCHASING AGENCY MAY RELY ON THE NAMES  
17 OF STATES AND PERCENTAGES PUBLISHED IN DETERMINING THE LOWEST RESPONSIBLE  
18 BIDDER WITHOUT INCURRING ANY LIABILITY TO ANY BIDDER.

19 C. THE PERCENTAGE INCREASE AUTHORIZED BY THIS SECTION APPLIES  
20 SOLELY FOR PURPOSES OF BID EVALUATION AND DOES NOT REQUIRE THE AWARD OF A  
21 PURCHASE ORDER TO ANY BIDDER.

22 D. THE PERCENTAGE INCREASE AUTHORIZED BY THIS SECTION MAY NOT BE  
23 APPLIED IF IT WOULD RESULT IN A HIGHER ACTUAL PRICE WHEN DETERMINING THE  
24 TRUE VALUE PAID BY THIS STATE FOR A CONTRACT.

25 E. THIS SECTION DOES NOT APPLY TO PURCHASE ORDERS ISSUED BY A  
26 PURCHASING AGENCY THAT, IN THE AGGREGATE, EXCEED \$1,500,000 IN A FISCAL  
27 YEAR.

28 F. FOR THE PURPOSES OF THIS SECTION:

29 1. "ARIZONA BIDDER" MEANS A BIDDER WHO MEETS ALL OF THE FOLLOWING:

30 (a) IS AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE.

31 (b) HAS PAID ALL ASSESSED TAXES IN THIS STATE.

32 (c) MAINTAINS ITS HEADQUARTERS IN THIS STATE FOR AT LEAST TWELVE  
33 CONSECUTIVE MONTHS BEFORE SUBMITTING A BID. THE REQUIREMENT OF THIS  
34 SUBDIVISION DOES NOT APPLY IF THE BIDDER EMPLOYS FIVE HUNDRED OR MORE  
35 FULL-TIME RESIDENTS OF THIS STATE WHO ARE PROVIDED HEALTH CARE BENEFITS  
36 THROUGH THE EMPLOYER.

37 2. "HEADQUARTERS" MEANS A PRINCIPAL CENTRAL ADMINISTRATIVE OFFICE  
38 WHERE PRIMARY HEADQUARTERS-RELATED FUNCTIONS AND SERVICES ARE PERFORMED,  
39 INCLUDING FINANCIAL, PERSONNEL, ADMINISTRATIVE, LEGAL, PLANNING AND  
40 SIMILAR BUSINESS FUNCTIONS.

41 3. "PURCHASE ORDER" MEANS A WRITTEN OR ELECTRONIC AUTHORIZATION  
42 ISSUED BY A PURCHASING AGENCY TO A VENDOR THAT OBLIGATES STATE MONIES FOR  
43 ACQUIRING GOODS OR SERVICES, WHETHER ISSUED UNDER A STATEWIDE, AGENCY, OR  
44 COOPERATIVE CONTRACT OR AS A STAND-ALONE PROCUREMENT.

1           Sec. 2. Legislative findings

2           The legislature finds:

3           1. Arizona small and locally based businesses are a foundational  
4 component of this state's economy, employing a substantial portion of  
5 Arizona's private sector workforce and contributing to job creation and  
6 long-term economic stability in this state.

7           2. In Arizona, small businesses account for approximately  
8 ninety-nine percent of all businesses in this state and employ  
9 approximately one million one hundred thousand Arizonans, representing  
10 about forty-two percent of the state's workforce.

11           3. These businesses contribute substantially to job creation,  
12 especially in rural Arizona, with small enterprises generating tens of  
13 thousands of new jobs and serving as a critical engine of employment  
14 growth, innovation and economic resilience.

15           4. The economic impact of Arizona-based small businesses extends  
16 beyond employment, supporting state and local tax revenues, consumer  
17 spending and community stability throughout this state.

18           5. Ensuring that state procurement dollars circulate within  
19 Arizona's economy enhances long-term economic stability and opportunity  
20 for Arizona business owners and workers statewide.

21           6. Ensuring meaningful participation by Arizona-based businesses in  
22 state procurement strengthens the state's supplier base, enhances  
23 accountability and supports employers that pay state and local taxes and  
24 that employ Arizona residents.

25           7. This state has a legitimate interest in encouraging qualified  
26 Arizona businesses to compete for state procurement opportunities, without  
27 restricting competition or excluding qualified bidders from other  
28 jurisdictions.

29           8. Reciprocal preference provisions are designed to neutralize  
30 interstate procurement advantages, preventing Arizona taxpayers from being  
31 disadvantaged by procurement preferences adopted in other states while  
32 maintaining an open and competitive bidding process consistent with the  
33 United State Constitution's commerce clause and Arizona Constitution.

34           9. These findings and policies are consistent with the state's  
35 authority to structure procurement in a manner that protects taxpayers,  
36 promotes fiscal responsibility and ensures equitable treatment of in-state  
37 businesses, while respecting constitutional limits and the principles of  
38 interstate commerce.