



**House
Legislative
Analysis
Section**

Manufacturer's Bank Building, 12th Floor
Lansing, Michigan 48909
Phone: 517/373-6466

COUNTY NON-BID ROAD EXPENDITURES

RECEIVED

House Bill 4113 as enrolled
Second Analysis (12-14-89)

DEC 05 1990

Sponsor: Rep. Michael J. Griffin Mich. State Law Library
House Committee: Towns and Counties
Senate Committee: Local Government and Veterans

THE APPARENT PROBLEM:

Chapter IV of the county road law requires county road commissions to advertise for sealed bids whenever a commission plans on spending more than \$5,000 for tools or materials (except in emergencies, when the limit is \$10,000) or more than \$10,000 for road work. Reportedly, county road commission purchases under the \$5,000 limit are mainly for engine replacements for equipment, while roadwork contracts under the \$10,000 limit usually are for culvert installations or for blacktop placement in conjunction with a larger, already existing roadwork project.

The Department of Treasury oversees county road commission purchases through annual audits, either those conducted by the department itself or through copies of private audits submitted to the department by counties deciding to hire private auditors. When the Jackson County road commission bought \$7,500 worth of engines (some for snow removal equipment), the regional auditor for the Department of Treasury held that the purchase did not fall under the routine, non-bid expenditure limits and that bids should have been taken on the purchase.

In light of rising costs, county road commissioners believe that these non-bid limits for tools and materials are too low and should be raised.

THE CONTENT OF THE BILL:

The bill would amend Public Act 283 of 1909 (Chapter IV of the county road law) to increase the amount of money that counties could spend on roadwork and on machines and materials without having to advertise for sealed bids. The bill would raise the non-bid limit for tools or materials from the present \$5,000 to \$10,000 (and the emergency limit from the present \$10,000 to \$20,000) and would raise the non-bid road work limit from the present \$10,000 to \$20,000. All non-bid purchases would have to be compiled separately for approval by the county board of commissioners.

MCL 224.10 and 224.19

FISCAL IMPLICATIONS:

The Senate Fiscal Agency reports that the bill would result in a small, indeterminate cost savings to county road commissions because fewer competitive bids would have to be solicited and advertised. (12-5-89)

ARGUMENTS:

For:

County road commissions believe that bids should be required for large purchases by road commissions in order to hold costs to a minimum, and want to maintain restrictions on the amount of money that road commissions may spend on minor or routine purchases without requiring bids. But they also want these restrictions to be practical limitations. The limits on direct expenditures by county road commissions have been in effect since 1980, which was the last time these non-bid limits were raised, and inflation and rising costs have rendered these limits virtually obsolete. In fact, the existing limits may actually result in higher costs by preventing road commissions from taking advantage of bargains or by forcing costly delays.

In addition to raising the non-bid limit for tools and materials, it would be helpful to raise the limits for non-bid contracts as well. It now costs about \$45,000 to lay down a mile of two-inch blacktop. Often, when a large roadwork job is being done, a township can get a half mile of resurfacing done adjacent to the main job for around \$20,000. Raising the non-bid contract limit would allow the county road commission to take advantage of the cost savings of "piggy backing" on an already existing road surfacing job.

H.B. 4113 (12-14-89)