

This revised analysis replaces the analysis dated 2-15-90.

## SCHOOL CONSTRUCTION: COMPETITIVE BIDS



House  
Legislative  
Analysis  
Section

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House Bill 5451 with committee amendments  
Revised First Analysis (2-28-90) RECEIVED

Sponsor: Rep. Gary L. Randall MAR 21 1990  
Committee: Education

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### **THE APPARENT PROBLEM:**

Public Act 431 of 1982 amended the School Code to require school districts to obtain competitive bids on supplies, materials, and equipment, and, in second, third and fourth class districts, labor, for new construction or additions to or repairs or renovations of existing school buildings. The act, however, limits this provision to projects costing \$10,000 or more. Before the 1982 legislation, the threshold limit was \$2,000 — a limit established in 1955 — which some felt was too restrictive after accounting for inflation. Eight years later, some feel the \$10,000 threshold, again, after figuring in the effect of inflation, is too low and suggest raising it to an amount in keeping with today's cost-of-living index. Also, it has been suggested that the annual threshold at which bids must be taken be adjusted yearly based on changes in the consumer price index.

### **THE CONTENT OF THE BILL:**

The bill would amend the School Code to raise the threshold for requiring competitive bids for school construction, renovation and purchasing from \$10,000 to \$12,500, and further specifies that this amount would be adjusted each year according to changes in the consumer price index.

The act also specifies that third and fourth class school district boards must open and examine bids at a board meeting, whereas a second class district must do this at a special "public bid meeting." (A first class school district — only the Detroit School District — is subject to a different bid process.) The bill would require all districts (except first class) to open and read aloud all bids required under the act at a public bid meeting.

MCL 380.623a, 380.1267 and 380.1274

### **FISCAL IMPLICATIONS:**

According to the House Fiscal Agency, the bill would not affect state expenditures but could provide minimal cost savings to local school districts. (2-13-90)

### **ARGUMENTS:**

#### **For:**

Obtaining competitive bids for the expenditure of public funds is sound public policy which should continue to be applied whenever practicable. The bill would simply raise the threshold at which bids must be taken from \$10,000 to \$12,500 to adjust for the effects of inflation. This amount was last raised in 1982, also to account for inflation, in order that the competitive bid requirement would not be too restrictive when only smaller expenditures were to be made. Also, to ensure that the legislature need not have to adjust this amount again, the bill would provide for an automatic adjustment based on any changes in the consumer price index from one year to the next. The \$12,500 threshold would apply to all districts relative to the

purchase of supplies, materials, and equipment, whereas a first class district (i.e. the Detroit School District) would be exempt from this provision as it applies to school-related construction projects. (The competitive bidding process for Detroit is tailored to fit its own special needs.)

#### **For:**

Currently, third and fourth class school districts that are required to have an open bid process on a project are required to examine bids simply at a public board meeting, as opposed to a "public bid meeting" (required for second class districts) — essentially, a trade name for a special meeting advertised in advance. While there may only be a nominal difference between the two types of meetings, requiring the bid meeting essentially opens the bidding process up to more bidders and provides for more thorough scrutiny of bids before a board makes its final decision.

**Response:** Requiring this procedure for smaller districts may not accomplish the bill's intended purpose, as the process is time-consuming and could even result in higher costs in some cases.

### **POSITIONS:**

The Michigan Association of School Boards supports the bill. (2-13-90)

The Michigan Association of School Administrators supports the bill. (2-13-90)

The State Board of Education has not yet taken a position on the bill. (2-14-90)

H.B. 5451 (2-28-90)