

SFA

BILL ANALYSIS

Senate Fiscal Agency

Lansing, Michigan 48909

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House Bill 4113 (as reported with amendments)
Sponsor: Representative Michael J. Griffin
House Committee: Towns and Counties
Senate Committee: Local Government and Veterans

Date Completed: 12-5-89

RATIONALE

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. The law was last amended in 1980 when a replacement for a truck engine cost approximately \$3,500. Today, such replacements reportedly cost between \$7,500 and \$8,000. Some people believe that these limits should reflect inflationary increases in the cost of such equipment, tools, materials.

CONTENT

The bill would amend the county road law to increase the amount of expenditures for county road work and for the purchase of machines and material that a county may make without advertising for sealed bids. The bill would raise the nonbid limit for road work from \$10,000 to \$20,000. The bill also would raise the amount for nonbid purchases of machines, tools, appliances, and materials from \$5,000 to \$10,000, and the emergency limit from \$10,000 to \$20,000. In addition, the bill specifies that all purchases would have to be compiled separately for purposes of approval by a board of county road commissioners.

MCL 224.10 and 224.19

SENATE COMMITTEE ACTION

The Senate Committee on Local Government and Veterans adopted an amendment to require that all purchases be compiled separately for

"approval" by the county road commissioners. The House-passed version of the bill required separate compilation for "review" by the road commission.

FISCAL IMPACT

The passage of House Bill 4113 would result in a small indeterminate cost savings to county road commissions. The savings would result from the fact that fewer competitive bids would have to be solicited and advertised.

ARGUMENTS**Supporting Argument**

While bids should be required for large purchases and work contracted by road commissions in order to hold costs to a minimum, and restrictions should be maintained on the amount of money that road commissions may spend on minor or routine purchases without requiring bids, these restrictions should represent practical limitations. The limits on direct expenditures by county road commissions have been in effect since 1980, which was the last time these nonbid limits were raised. 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.

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.

H.B. 4113 (12-5-89)