

SENATE BILL REPORT

ESHB 1847

As Reported by Senate Committee On:
Government Operations & Elections, March 24, 2009

Title: An act relating to bid limits.

Brief Description: Regarding bid limits.

Sponsors: House Committee on State Government & Tribal Affairs (originally sponsored by Representative Haigh).

Brief History: Passed House: 3/04/09, 89-6.

Committee Activity: Government Operations & Elections: 3/23/09, 3/24/09 [DP].

SENATE COMMITTEE ON GOVERNMENT OPERATIONS & ELECTIONS

Majority Report: Do pass.

Signed by Senators Fairley, Chair; Oemig, Vice Chair; McDermott, Pridemore and Swecker.

Staff: Sharon Swanson (786-7447)

Background: Most public entities are required to use a competitive bid process for public works projects and purchases estimated to cost above a certain dollar figure. Public works projects estimated to cost below an established dollar limit may be performed by in-house staff or contracted without a competitive bid. An alternative process for competitive bidding for public works is provided through the small works roster process. Under that process, a public entity may secure bids from five or more contractors that are on the roster without advertising.

As with public works, purchases estimated to cost below an established dollar limit may be purchased without a competitive bid. Municipalities are offered an alternative process for competitive bidding of purchases through a vendor list process. The process may be used only by those municipalities that have statutory authorization. Statutes governing which municipalities may use the process must include the maximum dollar thresholds for contracts awarded under the process. Contracts awarded using this process do not need to be advertised.

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

Different public entities have different dollar limits triggering a competitive bid. The basic proposition of competitive bidding procedures is that the contract is awarded to the lowest responsible bidder.

Summary of Bill: Bid limits for public works and purchases of materials, supplies, or equipment are increased.

Public works bid limits for higher education, first class cities, and counties with a population over 400,000 are raised to \$45,000 if only one trade or craft is involved, and \$90,000 if two or more trades are involved.

For second class cities and towns and code cities, the limits are raised to \$40,000 for one trade, and \$65,000 for two or more trades.

Bid limits for counties with a population of 400,000 or less are raised from \$10,000 to \$40,000 regardless of the number of trades involved.

Bid limits for hospital districts are raised from \$50,000 to \$75,000.

For metropolitan park districts (MPDs), fire protection districts, and water sewer districts bid limits are raised, regardless of the number of trades involved, to \$20,000.

Requirements are added to allow MPDs to purchase materials, supplies, or equipment estimated to cost less than \$40,000 without competitive bidding. Purchases estimated in excess of \$40,000 must be made by competitive bid, and purchases less than \$50,000 must be made using the vendor list process. Authority is given to MPDs to let contracts for purchases of materials, supplies, or equipment with suppliers designated on current state agency, county, city, or town purchasing rosters when the roster has been established in accordance with the competitive bidding law for that state agency, county, city, or town. The price and terms for purchases must be as prescribed on the applicable roster.

The dollar amount for purchases that must be made by competitive contract is increased from \$10,000 to \$40,000 for water and sewer districts.

Appropriation: None.

Fiscal Note: Not requested.

Committee/Commission/Task Force Created: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony: PRO: There were several bid limit bills in the House and the decision was made to combine all versions into one. The omnibus version was necessary because not every entity is represented on the Capital Projects Advisory Review Board Committee so some entities were left out. The thought was to combine efforts. For example, fire protection districts have tried for years to get their bid limits increased. Currently, the limit is \$2,500. That amount has not changed since 1984. It is important to

remember that this bill contains options, not mandates. A public entity is not required to bid out at these levels, it is simply an option.

CON: Public owners do not need this bill to have their salaried employees perform all ordinary maintenance. This bill takes construction jobs out of the economy at a time when many are struggling to find work. Increases in the bill are substantial, not just inflation based. How can anyone seriously believe that it is cheaper to do construction work without a competitive bid? Officials can claim that it saves money but overhead costs may not be reflected accurately, such as dispatch, ordering, supervision, insurance, risk, and other general conditions. It is not cost effective to purchase and maintain tools and equipment that are used infrequently, nor to pay for training construction workers. This bill will cause a loss of transparency and accountability in projects as high as \$90,000. There was no hearing on this version of the bill in the house.

Persons Testifying: PRO: Ryan Spiller, Washington Fire Commissioners; Ashley Probart, Association of Washington Cities; Joe Daniels, Washington Association of Water/Sewer Districts; J. Pat Thompson, County & City Employees.

CON: Larry Stevens, Mechanical Contractors Association/National Electrical Contractors Association; Van Collins, Associated General Contractors; David Johnson, Washington State Building Trades.