

HOUSE BILL REPORT

HB 2957

As Reported by House Committee On:
Local Government

Title: An act relating to allowing preferences for local businesses in purchases by local governments.

Brief Description: Authorizing local preferences in purchases by local governments.

Sponsors: Representatives Linville, Grant and Conway.

Brief History:

Committee Activity:

Local Government: 2/4/04 [DP].

Brief Summary of Bill

- Allows a local government to give preferential treatment to local suppliers by implementing a "local supplier purchase credit" when considering bids solicited for the purchase of goods or materials.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 10 members: Representatives Romero, Chair; Simpson, D., Vice Chair; Schindler, Ranking Minority Member; Jarrett, Assistant Ranking Minority Member; Ahern, Clibborn, Edwards, Mielke, Moeller and Upthegrove.

Minority Report: Without recommendation. Signed by 1 member: Representative Ericksen.

Staff: Thamas Osborn (786-7129).

Background:

State law provides a variety of regulations governing the means by which a county, city, town, or other local governmental entity can contract with suppliers in order to procure goods and materials. The applicable regulations vary, depending on the value of the contract and the type of local governmental entity involved. In many cases, procurement contracts can be awarded only through a formal process of competitive, sealed bidding that must be conducted in accordance with specified procedural requirements.

Uniform procurement process without sealed bids. State law includes a uniform process for awarding procurement contracts in those instances where formal, sealed bidding is not

required. Under this process, a county or municipality must publish a notice in a local newspaper informing the public of the existence of a vendor list and must solicit the names of vendors to be added to the list. Before awarding a contract, a local governmental entity must obtain price quotations from at least three of the vendors and then award the contract to the vendor offering the lowest price. Counties may use this process for purchases of \$25,000 or less.

Preferential treatment of local suppliers via tax revenue credit. Local governmental entities are also provided with a means by which they may give preferential treatment to local suppliers when comparing bids or prices. When considering a bid or price offered by a supplier located within its jurisdictional boundaries, a local government may take into consideration the tax revenue it would receive as the result of purchasing the goods or materials from such supplier. By factoring in this tax revenue, a local government can provide local suppliers with a competitive advantage over non-local suppliers.

Summary of Bill:

A local government may, at its option, give preferential treatment to local suppliers by implementing a "local supplier purchase credit" of up to 5 percent of the bid amount or price, when considering bids or prices solicited for the purchase of goods or materials. The application of this local supplier purchase credit allows a local government to consider the bids or prices supplied by local suppliers as being up to 5 percent less than the face amount of the bid or price. A local government must choose whether to apply either this local supplier purchase credit or the tax revenue credit when considering bids or prices provided by suppliers located within its jurisdictional boundaries.

"Local supplier purchase credit" is defined as a credit applied for the benefit of a supplier located within the boundaries of a local unit of government and which allows such government, for purposes of comparison to other bids or sale prices received from non-local suppliers, to treat a bid or sale price as being of a lesser amount than the actual dollar amount of the bid or sale price.

Appropriation: None.

Fiscal Note: Available.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The purpose of the bill is to provide local governments with an additional means of encouraging the growth of local businesses. The local supplier purchase credit allowed under the bill is simply a tool for achieving this goal. Furthermore, the use of this tool is optional and a local government need not engage in preferential treatment of local suppliers if it does not choose to do so. Accordingly, this bill would be beneficial to local

governments, notwithstanding the possibility that some local governments might implement retaliatory purchasing policies in response to the use of the preference by a neighboring jurisdiction. This bill was requested by Whatcom County officials.

Testimony Against: None.

Persons Testifying: Representative K. Linville, Prime Sponsor.

Persons Signed In To Testify But Not Testifying: (Opposed) Rick Slunaker, Association General Contractors