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SMART BIDS: RAISE THRESHOLD

House Bill 4884 as introduced
First Analysis (9-28-93)

Sponsor: Rep. Vincent J. Porreca
Committee: Transportation

THE APPARENT PROBLEM:

The Metropolitan Transportation Authorities Act provides for the establishment of regional transportation authorities in major metropolitan areas of the state for purposes of building and maintaining public transportation facilities, and specifies a competitive bidding process for purchases made by the authority known as Southeast Michigan Area Regional Transportation (or SMART, formerly the Southeastern Michigan Transportation Authority, or SEMTA, before it was reorganized in 1988). The act currently requires the board to advertise in a general circulation newspaper for bids on contracts that will exceed \$5,000, and requires board approval of purchases or sales of more than \$5,000 involving certain "unique" items (those that, for various reasons, must be obtained from a specific source). For sales or purchases of less than \$5,000 but more than \$1,000, price quotations must be obtained by the board from at least three qualified and responsible vendors before a contract may be approved, while contracts involving less than \$1,000 may be negotiated with or without competitive bids. SMART officials say these thresholds, established in the act over 25 years ago, do not reflect today's cost of transacting business; moreover, low thresholds require the board to advertise for bids on even minor projects, which is both time-consuming and costly. It has been suggested that the thresholds established in the act for SMART projects be raised to reflect today's cost-of-living index.

THE CONTENT OF THE BILL:

The bill would amend the Metropolitan Transportation Authorities Act to raise the following thresholds that would apply to any contracts issued by Southeast Michigan Area Regional Transportation (SMART):

* The bill would raise from \$5,000 to \$25,000 the threshold at which the SMART board would have to advertise in a general circulation newspaper for

competitive bids on a contract that would involve more than this amount; also, in instances where an item must be purchased from a specific source (for instance, when a specific brand of paper should be used in a certain type of copier), the bill would raise the threshold over which such contracts would have to be approved by the board from \$5,000 to \$25,000.

* Price quotations from at least three qualified and responsible vendors would have to be obtained by the board for sales or purchases of less than \$25,000 but more than \$5,000 (currently these thresholds are less than \$5,000 but more than \$1,000); and

* Contracts could be negotiated by SMART with or without competitive bids for transactions/projects that would involve less than \$5,000 (rather than less than \$1,000).

FISCAL IMPLICATIONS:

The Department of Transportation says the bill would not affect state budget expenditures. According to a spokesman for Southeast Michigan Area Regional Transportation, based on figures for the last fiscal year the bill would save SMART approximately \$145,000 annually as it would not have to formally advertise in a newspaper for competitive bids on as many of its projects as it is currently required to do. (9-24-93)

ARGUMENTS:

For:

The bill simply would raise the threshold levels at which contracts made by the Southeast Michigan Area Regional Transportation (SMART) board would have to be subjected to some type of competitive bidding process. Currently, the Metropolitan Transportation Authorities Act provides that for contracts involving more than \$5,000 the board must advertise in a general circulation newspaper for the lowest bidder.

Unfortunately, this figure was set in 1967 when costs were much lower; keeping this threshold forces the board to spend excessive time and money formally advertising for competitive bids for even minor projects. Raising the threshold for this amount to \$25,000 (and raising other thresholds that apply to SMART projects) would save the board a significant amount of money that could be better spent on public transportation projects themselves.

POSITIONS:

The Department of Transportation supports the bill.
(9-24-93)

Southeast Michigan Area Regional Transportation
(SMART) supports the bill. (9-24-93)