

Legislative Analysis



ROAD COMMISSIONS: BORROWING & BIDDING

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Senate Bill 1383 (Substitute H-1)
Sponsor: Sen. Jud Gilbert II
Senate Committee: Transportation
House Committee: Transportation

First Analysis (11-22-04)

BRIEF SUMMARY: Senate Bill 1383 would amend the County Road Law 1) to delete the limit on the outstanding balance of purchases by a county road commission; and 2) to increase the amount of money a county road commission may spend in an emergency without advertising for sealed proposals.

FISCAL IMPACT: Current law limits the outstanding balance of all purchases authorized under the act to 1 1/4% of the value of the road commission's capital assets and infrastructure as determined by a capitalized asset inventory. In striking this language, the bill could permit county road commissions to incur additional installment purchase debt. The bill would have no fiscal impact on state government.

THE APPARENT PROBLEM:

Public Act 137 of 2003 amended the County Road Law to allow a county road commission to enter into an installment contract for the purchase of real or personal property, payable over a maximum period of 15 years or the useful life of the property, whichever is less. The 2003 act also said that the outstanding balance of all purchases authorized under the County Road Law could not exceed 1.25 percent of the value of the road commission's capital assets and infrastructure. However, Act 51, which governs Michigan Transportation Fund (MTF) distributions, specifies that a county road commission may borrow up to 50 percent of the previous year's MTF allocation (See MCL 247.668c). Some people believe that the two statutes are in conflict and are causing confusion, and they recommend that the new 1.25 percent limit be eliminated.

Also, the law currently requires a board of county road commissioners to advertise for sealed bids for necessary purchases of machines, tools, appliances, and materials costing more than \$10,000 or, under emergency conditions, more than \$20,000. Some people believe that these limitations are problematic for road commissions trying to provide services during unforeseen events, such as the electrical blackout of August 2003. It has been suggested that the emergency limit be increased.

THE CONTENT OF THE BILL:

Senate Bill 1383 would amend the County Road Law (MCL 224.10) in the following ways.

1) Currently, the outstanding balance of all purchases under the county road law may not exceed 1.25 percent of the value of the road commission's capital assets and infrastructure as determined by a capitalized asset inventory. The bill would delete that limit.

2) The bill retains the \$10,000 amount at which a board of county road commissioners must advertise for sealed proposals, but would increase the limit under emergency conditions from \$20,000 to \$50,000.

HOUSE COMMITTEE ACTION:

The House Committee on Transportation adopted one amendment to the Senate-passed version. The Senate version increased the sealed bid limit from \$10,000 to \$20,000 for ordinary purchases. The amendment restores the limit to \$10,000, meaning the house-passed version raises only the emergency bidding limit.

ARGUMENTS:

For:

The bidding requirements for county road commissions have reportedly not been adjusted in more than 20 years. The bill would provide a more realistic limit in emergency situations so that road commissions could replace needed equipment expeditiously. Supporters point to a recent garage fire that destroyed numerous pieces of heavy equipment belonging to the Oakland County Road Commission. The low bidding requirement unnecessarily lengthened the replacement process.

For:

Proponents believe new language from Public Act 137 of 2003 limiting the outstanding balance of all purchases authorized under the county road law to 1.25 percent of a commission's capital assets and infrastructure conflicts with provisions in Public Act 51, the transportation fund act. Removing the 1.25 percent limit would avoid confusion. That limit is too restrictive in any case, particularly for rural road commissions.

Response:

Removing this language from the act could result in county road commissions taking on additional installment purchase debt.

POSITIONS:

County Road Association of Michigan supports the bill. (11-10-04)

Department of Transportation is neutral on the bill. (11-10-04)

Legislative Analyst: E. Best
Fiscal Analyst: William Hamilton

■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.