



Telephone 373-8080
Fax 373-5874

HOUSE FISCAL AGENCY

124 N. Capitol Avenue
4 – North, HOB Lansing, MI

SB813 AS ENROLLED

Sponsor: Sen. Jr., Bill Bullard

Committee: TRANSPORTATION

Analyst(s): Hamilton, William

Completed: 12/14/01

State Fiscal Impact

Cost: None
Revenues: None

Local Fiscal Impact

Cost: None
Revenues: None

PA 17 of 1925, (MCL 250.62) authorizes the Michigan Department of Transportation to contract with public and private entities for the "construction, improvement, and maintenance" of state trunkline highways. The act also requires State Administrative Board approval of department contracts and/or contract extras which exceed certain dollar amounts. Senate Bill 813 would amend PA 17 to increase those dollar limits. Under the bill the department could contract for higher dollar amounts of extra or increased work without State Administrative Board approval than it is authorized to under current law.

The bill would have no material impact on state or local costs or revenues.

A more detailed analysis of the bill, including a comparison of the provisions of current law and SB 813, is found in the memo and table attached (or linked) to this analysis.

Analysis of Enrolled Senate Bill 813

Statutes which govern MDOT contracts

Public Act 2 of 1921 (MCL 17.1 et seq.) established the state administrative board comprised of the governor, the lieutenant-governor, the secretary of state, the state treasurer, the auditor general, the attorney general, the director of the Michigan department of transportation and the superintendent of public instruction. The act grants the board the authority to "exercise general supervisory control over the functions and activities of all administrative departments, boards, commissioners and officers of the state, and of all state institutions." State administrative board resolution dated February 15, 1983 (as last amended on May 1, 1995) requires that all state contracts of \$250,000 or more be approved by the board prior to execution.

A separate act, PA 17 of 1925 (MCL 250.62), authorizes the Michigan Department of Transportation to contract with public and private entities for the "construction, improvement, and maintenance" of state trunkline highways. The act also requires state administrative board approval of department contract extras and/or changes which exceed certain dollar amounts. Senate Bill 813 would amend PA 17 to increase those dollar limits. Under the bill, the department could contract for higher dollar amounts of extra or increased work without state administrative board approval than it is authorized to under current law.

How MDOT contracts work

The total dollar value of a state highway construction contract is based estimated quantities of various work elements (pay items) extended by the contractor's bid prices for those pay items. The actual payment to the contractor is based on actual quantities of pay items completed. In many cases the quantities of various work elements - such as volume of excavation removed or embankment placed - can not be precisely estimated in advance. The actual quantities may be greater than the estimates. In addition, unforeseen circumstances may require the addition of pay items not part of the original contract. These contract extras and changes may result in an increase to the total dollar value of the contract.

Fiscal Impact

As noted above, Senate Bill 813 would amend PA 17 to increase the dollar limits of extras and changes which would require state administrative board approval. Under the bill, the department could contract for higher dollar amounts of extra or increased work without state administrative board approval than it is authorized to under current law.

The bill would have no material impact on state or local costs or revenues.

A more detailed comparison of the provisions of current law and SB 813 is found in the table below.

Analysis of Senate Bill 813		
This table compares provisions of current law (MCL 250.62) with SB 813 (as passed the Senate) regarding State Transportation Department contracts which do not require approval of the State Administrative Board *		
Contracts	Current Law	SB 813
Extra work or labor, or both - For contracts with private agencies having a value less than or equal to \$800,000	Extra not to exceed \$48,000	Extra not to exceed \$80,000
Extra work or labor, or both - For contracts with private agencies having a value greater than \$800,000	Extra not to exceed 6% of contract	Extra not to exceed 10% of contract
Contracts with road commissions, township boards, and municipalities	Not to exceed \$800,000	Not to exceed \$800,000 (no change)
Maximum "extra or additional work or labor or both" not requiring State Administrative Board approval - all contracts	Not to exceed \$100,000	Not to exceed \$250,000
The State Transportation Department may contract for certain highway operational activities without State Administrative Board approval	Lists: toilet vault cleaning, use of licensed sanitary landfills, pickup and disposal of refuse, pavement surfacing and patching, rental of equipment for emergency repairs and maintenance operations, curb replacement, maintenance of office equipment, installation of utility services, and installation of traffic control devices Not to exceed \$20,000	Adds: roadside mowing, roadside park and rest area maintenance, highway drainage, and other highway operational activities Not to exceed \$100,000 including cost overruns and extras Provides for annual adjustment to the dollar limit based on Detroit CPI index
The State Transportation Department may authorize county road commissions, township boards, or municipalities, under contracts for maintenance of state trunkline highways, to subcontract	Not to exceed \$20,000	Not to exceed \$100,000 Provides for annual adjustment to the dollar limit based on Detroit CPI index

* Note that pursuant to State Administrative Board resolution dated February 15, 1983 (as amended, all state contracts of \$250,000 or more must be approved by the State Administrative Board prior to execution

MEMO

William E. Hamilton
12/17/2001