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BILL ANALYSIS

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House Bill 5376 (Substitute H-3 as passed by the House)
Sponsor: Representative Bruce Caswell
House Committee: Education
Senate Committee: Education

Date Completed: 6-10-04

CONTENT

The bill would amend the Revised School Code to do the following:

- Require an intermediate school district (ISD) board to obtain competitive bids before beginning construction on a new or existing school building.**
- Extend to an ISD construction bid the requirements that presently govern bids sought by a school board or a public school academy (PSA).**
- Require an ISD board, a school board, and a PSA board of directors to post an advertisement for a bid on either the Department of Management and Budget (DMB) website or a website maintained by a school organization, in addition to posting an advertisement in a newspaper.**
- Increase the cost of a construction project that triggers the competitive bid requirements.**

Competitive Bid Requirement

Under the Code, before beginning construction of a new school building, or addition to or repair or renovation of an existing school building, a school board or PSA board of directors must obtain competitive bids on all the material and labor required for the complete new construction, or addition, repair, or renovation. Repairs for emergency situations are exempt from this requirement. Under the bill, these provisions also would apply to an ISD board.

Advertisement for Bids

Newspaper, Website. Currently, a school board or PSA board of directors must advertise for construction bids once a week for two successive weeks in a newspaper of general circulation in the area where the building or addition is to be constructed, or where the repair or renovation of an existing building is to take place. Instead, the bill would require a school board, PSA board, or ISD board to post an advertisement for bids at least once in a newspaper of general circulation in the area where the building, addition, or renovation is to take place. Also, the board would have to post the advertisement for bids for at least two weeks on the DMB website on a page maintained for this purpose, or on a website maintained by a school organization and designated by the Department for this purpose. If the DMB designated a school organization website for this purpose, the Department would have to indicate this on its website and include a link to the school organization website.

Content. An advertisement for bids placed by a school board or PSA board of directors must do all of the following:

- Specify the date and time by which all bids must be received by the board.
- State that the board will not consider or accept a bid that it received after the date and time specified for bid submission.
- Identify the time, date, and place of a public meeting at which the board or its designee will open and read aloud each bid received, by the deadline for the board to receive bids.

The bill would require the same when an ISD board advertised for bids.

Security

A school board or PSA board must require each bidder for a construction contract to file with the board security in an amount that is at least 5% of the bid, in order to secure the school district from loss or damage in case the bidder withdraws the bid or fails to enter into the contract once the bid is accepted by the board. The bill would require the same for ISD boards.

Public Meeting

At a public meeting identified in the advertisement for bids, a school board or PSA board (or its designee) must open and read aloud each bid that the board received at or before the time and date for bid submission specified in the advertisement for bids. The board may reject any or all bids. If all bids are rejected, the board must readvertise in the same manner as required for original bids. Under the bill, these provisions also would apply to ISD boards.

Exception

The Code's competitive bidding requirements do not apply to buildings, renovations, or repairs costing less than \$12,500, or to repair work normally performed by school district employees. (This amount must be adjusted each year according to the average consumer price index.) Under the bill, the amount would be increased to \$17,932. The exception also would apply to repair work normally performed by employees of PSAs and ISDs. The maximum amount would continue to be adjusted each year according to the average consumer price index.

MCL 380.1267

Legislative Analyst: Claire Layman

FISCAL IMPACT

The bill could result in a minimal cost to the State if the Department of Management and Budget had to hire additional staff (at least part-time) to set up and maintain the school construction website. The bill would have no fiscal impact on local government.

Fiscal Analyst: Joe Carrasco

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.