

**SENATE BILL REPORT**

**SB 6328**

**AS REPORTED BY COMMITTEE ON HIGHER EDUCATION, FEBRUARY 6, 1992**

**Brief Description:** Changing bid procedures for public institutions of higher education.

**SPONSORS:** Senators Rinehart and Saling

**SENATE COMMITTEE ON HIGHER EDUCATION**

**Majority Report:** That Substitute Senate Bill No. 6328 be substituted therefor, and the substitute bill do pass.

Signed by Senators Saling, Chairman; Bauer, Bluechel, Cantu, Jesernig, Skratek, Stratton, and von Reichbauer.

**Staff:** Scott Huntley (786-7421)

**Hearing Dates:** February 4, 1992; February 6, 1992

**BACKGROUND:**

Insofar as practicable, the purchase of goods and services by the state must be based on competitive bids in a formal sealed bid procedure. The exceptions to this requirement include purchases not exceeding \$5,000. Purchases over \$400 and under \$5,001 may be made without utilizing the sealed bid process, but the buyer must obtain quotations by telephone or in writing to assure a competitive price. Purchases up to \$400 may be made directly without any competitive bids. To adjust for inflation, the \$400 limit may be raised, in increments, up to a maximum of \$800 on approval of ten of the 12 members of the State Supply Management Advisory Board.

The \$5,000 limit may be adjusted by the Office of Financial Management, and must be adjusted for inflation on July 1 of each odd-numbered year. The last mandatory adjustment was July 1, 1991 and this adjustment effectively raised the actual bid limit for the sealed bid process to \$6,000.

The sealed bid process requires giving notice to an approved list of suppliers with appropriate response time. It is believed that this process is not cost effective for some purchasers who make frequent buys in the \$6,000 to \$15,000 range, especially at institutions of higher education which make a significant amount of such purchases using grant and contract funds.

It is believed that it would also be more cost effective to increase the \$800 limit on direct buys without any competitive solicitations to \$2,500 for institutions of higher education using nonstate funds for the purchases.

**SUMMARY:**

Formal sealed bidding is not necessary for purchases not exceeding \$15,000 by state institutions of higher education in which the funding for the purchases is from grants, contracts, gifts or continuing education. The state director of General Administration is directed to establish procedures to assure that purchases made by or on behalf of the state institutions of higher education shall not be made to avoid the bid limitation.

Competitive bids need not be obtained for purchases up to \$2,500 by state institutions of higher education in which the funding for the purchases is from grants, contracts, gifts or continuing education.

A record of competition for all such purchases made between the amounts of \$2,500 and \$15,000 are to be documented for audit purposes on a standard state form approved by the forms management center.

**EFFECT OF PROPOSED SUBSTITUTE:**

Technical language is clarified. The provision requiring General Administration to establish special procedures to prevent abuse of bid limits by institutions of higher education is eliminated.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

**TESTIMONY FOR:**

Purchases of equipment in research grant or contract situations can be slowed down by the formal bid process to the point that much of the time allotted by the grant or contract can expire prior to purchasing the necessary equipment. Increasing the bid limits will allow faculty to use their grant and contract funds more effectively by being able to use less time-consuming methods for acquiring the equipment necessary, such as computers, to complete their work

**TESTIMONY AGAINST:** None

**TESTIFIED:** PRO: Senator Rinehart, prime sponsor; Sue Durrant, WSU faculty; Mike Pilat, UW faculty; Janice Miller, WSU faculty; John Petit, Asst. UP Business and Personal Services UW