

HOUSE BILL REPORT

ESSB 5110

As Reported by House Committee On:
Local Government

Title: An act relating to local government purchasing of supplies, materials, or equipment.

Brief Description: Concerning local government purchasing of supplies, materials, or equipment.

Sponsors: Senate Committee on Governmental Operations (originally sponsored by Senators Tom, Murray, Hill and McAuliffe).

Brief History:

Committee Activity:

Local Government: 3/14/13, 3/19/13 [DP].

Brief Summary of Engrossed Substitute Bill

- Authorizes local governments to award contracts to the lowest bidder before taxes are applied provided that it gives notice of its intent to do so prior to submission of bids.

HOUSE COMMITTEE ON LOCAL GOVERNMENT

Majority Report: Do pass. Signed by 6 members: Representatives Takko, Chair; Fitzgibbon, Vice Chair; Kochmar, Assistant Ranking Minority Member; Liias, Springer and Upthegrove.

Minority Report: Do not pass. Signed by 2 members: Representatives Taylor, Ranking Minority Member; Buys.

Staff: Michaela Murdock (786-7289).

Background:

Generally, purchases of or contracts for goods and services must be based on a competitive solicitation process, unless a specific exemption applies. Bids submitted in a competitive solicitation process are reviewed by the requesting agency, and the agency may either: (1)

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reject all bids and rebid, or cancel the competitive solicitation; (2) request best and final offers from responsive and responsible bidders; or (3) award the purchase or contract to the lowest responsive and responsible bidder.

Consideration of Tax Revenue from Local Suppliers.

When local governments are required to make purchases from the lowest bidder or from the supplier offering the lowest price, they may take into consideration tax revenue they would receive from purchasing supplies, materials, or equipment from a supplier located within their jurisdiction. The term "local governments" refers to any county, city, town, metropolitan municipal corporation, public transit benefit area, county transportation authority, or other municipal or quasi-municipal corporation authorized to impose sales and use taxes or business and occupation taxes.

The tax revenue that local government may consider in awarding purchase contracts is revenue from sales taxes and business and occupation taxes imposed upon suppliers by the local government. If a local government considers tax revenue from local suppliers, it must also consider any tax revenue it would receive from taxes imposed upon a supplier outside of its jurisdiction.

After considering tax revenue, local governments must award the purchase contract to the lowest bidder.

Summary of Bill:

In addition to being authorized to consider tax revenue, local governments are authorized to award contracts to bidders submitting the lowest bid before taxes are applied. Consideration of bids before taxes are applied is permitted only with regard to any sales taxes and business and occupation taxes imposed upon suppliers by units of local government.

Notice of a local government's intent to award contracts based on the lowest bid before taxes are applied must be given prior to submission of bids.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.

Staff Summary of Public Testimony:

(In support) This bill will allow cities to award contracts based on the lowest bid before taxes are applied. The bill addresses a problem faced by local businesses and government in

Kirkland. Local businesses are passed over by local government for purchases due to Kirkland's higher taxes. It does not make sense that local businesses lose out because residents have opted to pay higher taxes to fund their community. This is about local control and about allowing local businesses to compete.

A companion bill was already passed by the House of Representatives, and the Senate unanimously passed this version. Minor technical changes were made to the Senate version of the bill; however, the bills are still substantially the same.

(Opposed) None.

Persons Testifying: Senator Tom, prime sponsor; and Jim Richards, City of Kirkland.

Persons Signed In To Testify But Not Testifying: None.