

TO: Lester K. Fryer, Chairman, Local Government Committee

FROM: John H. Broujos, Counsel

SUBJECT: House Bill 516, Printer's No. 566 - Increasing Minimum Amount of Contract Requiring Advertising

REF: 53 PS 56802

MUNICIPALITY AND LAW AFFECTED: Act of June 24, 1931, Section 1802 ff; First Class Township Code.

BACKGROUND: The minimum requirements for contracts and purchases by townships to be advertised for competitive bids and to have bonds executed therefore, has been changed periodically by the legislature from \$500 to \$750 to \$1500. A consideration in raising the amount for which a township can contract without advertising and without certain bonding has been that the time involved has prohibited prompt action; competitive bidding may not necessarily bring in the lowest bid; some contractors who would submit a low bid would be discouraged because of the problems and costs of obtaining a bond; and the increasing number of contracts required to be entered into for municipal functions.

ANALAGOUS LAWS: Each municipality has similar requirements for advertising and bonding.

PROVISIONS:

Purpose: To increase the amount by which municipalities may contract and purchase without advertising and without requiring certain bonds.

Section 1 (Section 1802): Requires all contracts or purchases made by a first class township involving the expenditure of over \$2500 to be entered into only after meeting advertising requirements. In addition it amends the evasion of advertising requirements provision. This increases the amount from \$1500 to \$2500.

Section 3 (Section 1804): This section requires a bond to be entered into by the successful bidder, in addition to any other bonds required, in a sum not less than 50% or more than 100%, for payment of material men and labor men. Here the amount is raised again from \$1500 to \$2500.

Section 4 (Section 1805): This section also is amended to provide for \$2500 minimum for contracts for erection or alteration of a public building, requiring separate bids and specifications for each type of subcontracting work. This permits each specialty contractor--plumbing, heating, ventilating, and electrical work--to bid separately, rather than to have the entire contract awarded to one person.