University of Tennessee, Knoxville
Trace: Tennessee Research and Creative Exchange

MTAS Publications: Hot Topics | Municipal Technical Advisory Service (MTAS)

6-30-2006

Changes To the 1983 Purchasing Law

Rick Whitehead
Municipal Technical Advisory Service, Richard.Whitehead@tennessee.edu

Follow this and additional works at: http://trace.tennessee.edu/utk_mtastop

Part of the Public Administration Commons

The MTAS publications provided on this website are archival documents intended for informational purposes only and should not be considered as authoritative. The content contained in these publications may be outdated, and the laws referenced therein may have changed or may not be applicable to your city or circumstances.
For current information, please visit the MTAS website at: mtas.tennessee.edu.

Recommended Citation
Whitehead, Rick, "Changes To the 1983 Purchasing Law" (2006). *MTAS Publications: Hot Topics.*
http://trace.tennessee.edu/utk_mtastop/118

This Bulletin is brought to you for free and open access by the Municipal Technical Advisory Service (MTAS) at Trace: Tennessee Research and Creative Exchange. It has been accepted for inclusion in MTAS Publications: Hot Topics by an authorized administrator of Trace: Tennessee Research and Creative Exchange. For more information, please contact trace@utk.edu.

MTAS
Municipal Technical Advisory Service
In cooperation with the Tennessee Municipal League

#128
HOT topic

June 30, 2006

CHANGES TO THE 1983 PURCHASING LAW

Rick Whitehead, Municipal Management Consultant

The Municipal Purchasing Law of 1983, codified in T.C.A. § 6-56-301 and the following sections, provides the process by which a municipality makes purchases, leases, and lease-purchase agreements of like items when using or encumbering municipal funds. During the 2006 legislative session, the General Assembly amended this law to broaden its coverage and to authorize cities to increase the dollar amount for which advertising and competitive bidding is required.

Public Chapter No. 814, which amends T.C.A § 6-56-302 (1), effectively expands the applicability of the 1983 Purchasing Law. Section 6-56-302 (1) as amended in June 2006 reads:

> (1) This part shall not apply to purchases by authorized officials in municipalities having charter provisions or private act requirements governing competitive bidding and purchasing, provided that the charter provision or private act at minimum establishes within the provisions of the charter or act itself dollar limits for which competitive bidding would be required, any exemptions from the competitive bidding process, and general bid process procedures which would include, but not be limited to procedures regarding public advertising, securing and opening of bids.

Before the adoption of this act the 1983 Purchasing Law did not apply to municipalities that had general charter provisions or private act requirements that governed competitive bidding and purchasing. However, beginning July 1, 2006, cities must have *within their charters or applicable private acts* specific provisions and requirements to be exempt from the 1983 Purchasing Law's requirements.

According to the act, to be excluded from the provisions of the 1983 Purchasing Law a municipality must have charter provisions or private act requirements that:

- Establish dollar limits for which competitive bidding would be required;
- List exemptions (if any) from the competitive bidding process; and
- Identify general bid process procedures that would include, among other things, procedures regarding public advertising and the securing and opening of bids.

If a city's enabling laws do not include these provisions, then it must comply with the Municipal Purchasing Law of 1983 as set out in chapter 56 of Title 6 of the *Tennessee Code Annotated*. Towns and cities that have not been operating under the 1983 Purchasing Law should contact either their city attorney or an MTAS legal consultant to determine whether it is applicable to their municipality.

June 30, 2006

CHANGES TO THE 1983 PURCHASING LAW

Rick Whitehead, Municipal Management Consultant

An additional change was made by the General Assembly to the 1983 Purchasing Law during the 2006 legislative session. With an effective date of May 4, 2006, Public Chapter No. 610, which amends T.C.A. § 6-56-305, allows municipalities, *by ordinance*, the flexibility to adjust the limits for purchases between $1,000 and the local public advertising limit.

T.C.A. § 6-56-304, entitled "Advertising and Bidding—Exceptions," requires municipalities, unless noted otherwise, to observe bidding thresholds in order to acquire like items and services over the course of the fiscal year. Acquisition of like items, the cost of which equals or exceeds $2,500 in a fiscal year, requires the municipality to publicly advertise and competitively bid the item(s) prior to purchasing.

However Public Chapter No. 610, the amendment to T.C.A. § 6-56-305, permits open market purchases of like items up to a dollar value of 40 percent of the local competitive bid and public advertising limit. Items purchased at or below this limit are unrestrained by law and require no bidding or advertisement at all. Items with a dollar value of more than 40 percent of the local competitive bid and public advertising limit should, whenever possible, be based upon at least three competitive bids.

LAW BEFORE ADOPTION OF CHAPTER NO. 610, PUBLIC ACTS, 2006

PURCHASE PRICE	REQUIREMENTS
$0 to $1,000	Does not require public advertisement. Does not require competitive bidding.
$1,001 to $2,500	Does not require public advertisement. Does require, whenever possible, at least three competitive bids.
More than $2,500*	Requires public advertisement. Requires, whenever possible, at least three competitive bids.

*Governing bodies may by ordinance increase the dollar amount required for public advertisement and competitive bidding from $2,500 to a maximum of $10,000 (T.C.A. § 6-56-306).

MTAS

June 30, 2006

CHANGES TO THE 1983 PURCHASING LAW

Rick Whitehead, Municipal Management Consultant

LAW AFTER ADOPTION OF CHAPTER NO. 610, PUBLIC ACTS, 2006

PURCHASE PRICE	REQUIREMENTS
Up to 40 percent of the local competitive bid and public advertising limit. (Requires action [adoption of ordinance] by governing body.)	Does not require public advertisement. Does not require competitive bidding.
More than 40 percent of the local competitive bid and public advertising limit to $10,000.	Does not require public advertisement. Requires, whenever possible, at least three competitive bids.
More than $10,000	Requires public advertisement. Requires, whenever possible, at least three competitive bids.

MTAS OFFICES

Knoxville (Headquarters) . . . (865) 974-0411
Johnson City . . . . . (423) 854-9882
(423) 282-0416
Jackson . . . . . (731) 423-3710
Nashville . . . . . (615) 532-6827
Martin. . . . . (731) 881-7057

The Municipal Technical Advisory Service (MTAS) is a statewide agency of The University of Tennessee Institute for Public Service. MTAS operates in cooperation with the Tennessee Municipal League to provide technical assistance services to officials of Tennessee's incorporated municipalities. Assistance is offered in areas such as accounting, administration, finance, public works, ordinance codification, and water and wastewater management.

MTAS Hot Topics are information briefs that provide a timely review of current issues of interest to Tennessee municipal officials. Hot Topics are free to Tennessee local, state, and federal government officials and are available to others for $2 each. Photocopying of this publication in small quantities for educational purposes is encouraged. For permission to copy and distribute large quantities, please contact the MTAS Knoxville office at (865) 974-0411.

www.mtas.tennessee.edu

The University of Tennessee is an EEO/AA/Title VI/Title IX/Section 504/ADA/ADEA institution.

MTAS0917 • E14-1050-000-226-06