



# Alabama Department of Examiners of Public Accounts

## **Alabama Competitive Bid and Public Works Law Manual for Counties and Local Governmental Entities**

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February 2025

ALABAMA STATE HOUSE

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## **PREFACE**

This handbook is written to assist those county and local governmental entities who must consult the Competitive Bid and Public Works Laws of Alabama. The current revision was overseen by Jason Paulk, Chief Legal Counsel, Examiners of Public Accounts, and Laura Mest, Assistant Legal Counsel, Examiners of Public Accounts.

This handbook is organized in three parts: Part I—Contracts, Part II—Public Works, and Part III—Appendices. Parts I and II are organized with (1) a chapter of general introduction to the subject; (2) a chapter summarizing the cases that have interpreted the statutes; and (3) a chapter containing brief summaries of the opinions issued by the Attorney General. Part I also contains additional chapters concerning the competitive bid laws governing boards of education. Part III contains the applicable statutes for the Competitive Bid Laws and Public Works Laws referenced throughout Parts I and II.

Because the Competitive Bid Law has been the subject of many interpretations, the opinions in Part I are divided into topics, such as exemptions from the Competitive Bid Law and procedures under the Competitive Bid Law, in order to make research easier. Some opinions may appear in more than one of these chapters if the opinion is relevant to more than one topic. It is always important in reading the opinions to consider the possibility that some parts of the underlying statutes (e.g., the threshold amount at which the Competitive Bid Law applies) may have changed since the opinion was issued.

It would be emphasized that this publication is not an authoritative statement of the law, nor is it a substitute for the Code or other legal materials explanatory thereof. This publication seeks only to serve as a guide to the specific mandates of Alabama law, regarding the Competitive Bid and Public Works Laws as applied to county and local governmental entities. Users of this publication who have a need for authoritative legal statements should seek the assistance of the appropriate legal sources.

This does not serve as legal advice to the reader but only to alert the reader as to matters that come within the Competitive Bid and Public Works Laws. No conclusions concerning the policies of the State of Alabama are drawn from this publication.

The Department wishes to recognize Othni J. Lathram, the Director of the Legislative Services Agency, for his work on the first three editions of this handbook. In 2007, the Department of Examiners of Public Accounts requested the Alabama Law Institute to compile the Competitive Bid and Public Works Laws for Alabama. In recent years, this handbook has been revised on multiple occasions to reflect changes to the law. The Institute retained the services of Professor Jim Bryce from the University of Alabama School of Law to draft the 2007 and 2008 revisions. The 2014 revision was overseen by Michael Hill of the Law Institute with help from Daniel Harris who served as a research assistant.

In 2021, the Legislature made significant changes to the Competitive Bid Law as applied to state agencies, specifically repealing Articles 2 and 3A of the Competitive Bid Law. (Act 2021-

296). However, Act 2021-296 did not make significant changes to the Competitive Bid Law as applied to county and local governmental entities. As such, the Department has separated this handbook into two versions, one of which is intended to assist state agencies and this version, which is intended to assist county and local governmental entities. Changes and updates to this handbook resulting from the 2023 and 2024 regular sessions of the Alabama Legislature as well as newly issued Attorney General Opinions are noted in red.

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## INTRODUCTION TO THE HANDBOOK

The Department of Examiners of Public Accounts is created and governed by the Code of Alabama (1975) Title 41, Chapter 5A (§§ 41-5A-1 through 41-5A-23). The cited statutes grant power to an appointed Chief Examiner of Public Accounts (“Chief Examiner”), who is allowed to delegate his or her powers to his or her appointed assistants, staff, deputies, and employees. The Chief Examiner shall be selected and appointed by the Legislative Committee on Public Accounts to serve for a term of five years and until a qualified successor is appointed. Ala. Code § 41-5A-2.

The Chief Examiner has the following authority and duties:

(a) The chief examiner shall be the executive and administrative head of the department and shall have the power and duty to do all of the following subject to review and oversight by the Legislative Committee on Public Accounts:

(1) Exercise general supervision of and make regulations for the governance of the department.

(2) Prescribe uniform rules pertaining to investigations, examinations, audits, and departmental hearings.

(3) Supervise the fiscal affairs and responsibilities of the department.

(4) Appoint and remove the staff, officers, and employees of the department, subject to the Merit System Act and the rules issued pursuant thereto.

(5) Keep an accurate and complete record of all proceedings of the department; record and file all bonds, reports, and other documents; and assume responsibility for the custody and preservation of all papers and documents of the department.

(6) Make recommendations and an annual report to the Governor and to the Legislative Committee on Public Accounts concerning the condition, operation, functioning, and findings of the department.

(7) Invoke any legal, equitable, or special remedy for the enforcement of orders or this chapter.

(8) Notwithstanding any other law to the contrary, exercise any other power necessary to expedite the making of thorough and accurate audits of the accounts of all individuals or entities receiving or disbursing public funds.

(9) *Examine and audit the books, accounts, and records of all state and county offices, officers, bureaus, authorities, boards, commissions, corporations, departments, and agencies.*

(10) a. Prepare, in consultation with the Association of County Commissions of Alabama, except with respect to county boards of education, such bookkeeping, accounting, and reporting systems, procedures, records, and forms as may be necessary to install a uniform system of accounting and reporting in the various county offices. This paragraph does not authorize the Department of Examiners of Public Accounts to prescribe specific accounting software to be utilized in various county offices.

b. Prepare such bookkeeping, accounting, and reporting systems, procedures, records, and forms as may be necessary to install a uniform system of accounting and reporting in the various state offices.

(11) *Report to the Legislative Committee on Public Accounts, the Governor, and the Contract Review Permanent Legislative Oversight Committee every expenditure or contract found to have been made in violation of law.*

(12) Prepare, for use by the county boards of education, bookkeeping, accounting, and reporting systems, procedures, records, and forms necessary for the installation of a uniform system of accounting and reporting by the several county boards of education; install the bookkeeping, accounting, and reporting systems for the county boards of education; and exercise and maintain continuing supervision thereof.

(13) Prepare and furnish to the chairs of the county commissions of the several counties of the state a fiscal statement of each county, as of the end of each fiscal year, the statement showing receipts, disbursements, outstanding indebtedness, and securities owned of and by each of the several counties.

(b) All powers and duties vested in the chief examiner may be delegated to his or her appointed assistants, staff, deputies, and employees, but the chief examiner shall be responsible for their actions.

§ 41-5A-5 (emphasis added).

The two subdivisions italicized above are most relevant to the tasks of assuring that the Competitive Bid Law and the Public Works Law have been followed.

Purchases of goods and services are governed by two sets of laws: the Competitive Bid Law and the Public Works Law. Although these laws have the same general purpose of assuring that the State's and local government's purchases of goods, services, and construction services are conducted for the benefit of the governments and not for selfish purposes of office holders, they should be viewed as being mutually exclusive in operation.

Many of the conflicts between the Competitive Bid Law and the Public Works Law were clarified in 1997 legislation, Act 97-225. The statute, provided in relevant part, explains the purpose behind the act as follows:

To incorporate and make uniform all of the competitive bid laws for public works contracts

for the state and its political subdivisions; to exempt public works contracts from certain competitive bid provisions that govern all other public contracts for the state and its political subdivisions; to provide standards for awarding authorities to prequalify contractors; to provide for enforcement of the competitive bid laws for public works contracts; to provide for definitions; to increase the criminal fines; to exempt from certain competitive bid provisions lease-leaseback transactions entered into by institutions and systems of higher education with separately constituted boards of trustees provided that any such institution or system of higher education shall at all times remain the owner of any real property the subject of any such lease- leaseback transaction;

Among other things, this Act played a primary role in clarifying each respective set of laws, and it also helped draw the line between transactions governed by Public Works Laws and those governed by Competitive Bid Laws, while allowing for certain “gray areas” to be covered by both. Id.

The Public Works Law defines Public Works as being, “[t]he construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs, gutters, sidewalls, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise.” § 39-2-1(6). If a contract is deemed to fall into one of these categories, then it falls under the provisions of the Public Works Law. The Public Works Law begins with a requirement that bonds be submitted by winning bidders to secure contracts that are \$100,000.00 or more in value. The purpose of the Public Works bond requirement is to ensure that materialmen receive full payment for labor or materials that they supply to a public works project. See SGB Const. Services, Inc. v. Ray Sumlin Const. Co., Inc., 644 So. 2d 892, 895 (Ala. 1994).

Chapter 2 of the Public Works Law, (§ 39-2-1 to 14), requires that public works contracts, much like competitive bid contracts, must be let by advertisement and competitive bid. The purpose of these statutes requiring contracts to be let by public bids were designed to protect the public from collusion and prevent contracts awarded solely on the basis of favoritism. See Glencoe Paving Co. v. Graves, 94 So. 2d 872 (Ala. 1957). § 39-5-1 provides that contracts that are made in violation of the Public Works Laws are unenforceable. The remainder of Article 5 of the Public Works Laws provides specific remedies and penalties for non-compliance.

If a transaction involving a government agency is not exclusively governed by the Public Works Law, then it may very likely fall under the Competitive Bid Law (§§ 41-4-110 to 41-4-178, 41-16-1 to 41-16-5, 41-16-50 to 41-16-63, 41-16-80 to 41-16-144, and 16-13B-1, et. seq.). Most services and commodities needed by government-funded agencies must be obtained through the competitive bid process. The purpose of and responsibilities under the bid law was explained in the well-known case, White v. McDonald Ford Tractor Co., Inc., 248 So. 2d 121 (Ala. 1971). In this case, the Alabama Supreme Court explained, “It is fair to say that the legislative intent in passing the Competitive Bid Law was to get the best quality equipment at the lowest possible price, and the executive authorities should carry out this intent of the legislature. These officials must have discretion, not an unbridled discretion, but one exercised within the bounds we have tried to

delineate in this opinion. The single most important requirement of the Competitive Bid Law is the good faith of the officials charged in executing the requirements of the law.” Id. at 129. Although the statutes governing bid laws have been amended from time to time, the main purpose of the laws is, and always has been, to ensure the quality and price for goods purchased by government agencies.

This handbook will detail both the Public Works Law and the Competitive Bid Law of the State of Alabama. The information was first compiled and written in 2007, with updates in 2008, 2014, 2020, 2022, and 2024. The amendments and interpretations contained herein are complete and accurate through December 2024. These laws are subject to amendment or repeal any time the Legislature is in session. These laws are also subject to interpretation by the courts and the Attorney General at any time. For the most current information regarding these statutes, please visit the Alabama Legislative Information System Online at <https://alison.legislature.state.al.us/>.

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## CHAPTER 1

### INTRODUCTION TO THE COMPETITIVE BID LAW

*See Appendices A and B for the Code of Alabama (1975) statutes referenced throughout this Chapter.*

Section 41-16-50(a) provides the general rule that purchases by local governments and their agencies are subject to the Competitive Bid Law, in part: “With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all expenditure of funds for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving **thirty thousand dollars (\$30,000)** or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of **thirty thousand dollars (\$30,000)** or more, made by or on behalf of the Alabama Fire College, the district boards of education of independent school districts, the county commissions, the governing bodies of the municipalities of the state, and the governing boards of instrumentalities of counties and municipalities, including waterworks boards, sewer boards, gas boards, and other like utility boards and commissions, except as otherwise provided in this article, shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible and responsive bidder.”

Section 16-13B-1(a) provides the general rule that purchases by city and county boards of education are subject to the Competitive Bid Law: “This chapter shall apply to county boards of education and city boards of education, or any combination of city and county boards of education as herein provided for the competitive bidding of certain contracts. With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving **forty thousand dollars (\$40,000)** or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of **forty thousand dollars (\$40,000)** or more, made by or on behalf of any city or county board of education, except as hereinafter provided, shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder.”

While some of the provisions of Title 41 still apply to boards of education, the Legislature enacted Alabama Act 2009-760 in order “...to remove the city and county boards of education from the competitive bid laws in Title 41 and provide substantially the same provisions in Title 16...” See Chapters 8 and 9 of this handbook for a full discussion of Title 16’s provisions.

The general effect of these sections is that most goods and services needed by a government-funded agency must be obtained through the competitive bid process. There are, of course, important exceptions to this general rule, which are detailed in the Exemptions section of this handbook.

One of the most basic requirements for the application of the Competitive Bid Law is that the entire value of the transaction must equal or exceed statutorily established monetary thresholds. For those local governmental entities subject to Section 41-16-50, *et seq.*, that threshold has been set at \$30,000, per Act 2023-135. For city and county boards of education subject to Section 16-13B-1, *et seq.*, that threshold has been set at \$40,000 per Act 2023-203. Pursuant to Acts 2023-135 and 2023-203, increases to the Competitive Bid Law threshold will now be made via recommendation by the Chief Examiner of the Department of Examiners of Public Accounts based on a percentage increase in the Consumer Price Index as provided in the Acts. Up-to-date information on this and other legislative changes can be found at <https://alison.legislature.state.al.us/>.

If a transaction falls under the Competitive Bid Law, each party must strictly comply with the relevant provisions. The defense of non-compliance with the Competitive Bid Law can possibly bar a claim for relief. In Ex Parte Seth Ballew, 771 So. 2d 1040 (Ala. 2000), the plaintiff filed an action to recover damages for breach of contract. The plaintiff owned a sanitation company that serviced the town of Priceville. In 1987, the plaintiff and the defendant town entered into a contract for the plaintiff to provide the town exclusive garbage collection services for a period of three years. The contract contained no renewal terms. When the original term of the contract expired in 1990, the parties did not renew the terms of the contract. Instead, they continued to abide by the terms of the original contract. The plaintiff continued to provide exclusive garbage collection to the town, and the town continued to pay the plaintiff for his services, with an incremental increase in compensation. A conflict arose in 1998 between the plaintiff and the defendant, and the defendant decided that it would no longer use plaintiff's exclusive services. When the plaintiff sued, the defendant moved for and was granted summary judgment, on the grounds that the contract was not enforceable because it was not in compliance with the Competitive Bid Laws. The plaintiff moved to have the defendant barred from using the defense of non-compliance due to the doctrine of equitable estoppel. The Alabama Supreme Court, however, affirmed the decisions of the lower courts that the doctrine of estoppel could not preclude town's defense of noncompliance with the Competitive Bid Law.

The Ballew case is significant, mainly because it overruled the once widely-cited case, Layman's Sec. Co. v. Water Works and Sewer Bd. of City of Prichard, 547 So. 2d 533 (Ala. 1989). In Layman's, the court noted that the doctrine of equitable estoppel could preclude the defense of non-compliance if the plaintiff could prove that it detrimentally relied on the terms of the contract. The court in Ballew, however, virtually abolished the relevance of detrimental reliance, holding that a showing of noncompliance would prohibit any claims of relief under the doctrine of estoppel. Moreover, because the competitive bid laws are considered to be public policy, the doctrine of estoppel cannot be used to validate a transaction that is illegal or in violation of public policy. See Maintenance, Inc. v. Houston County, Alabama, 438 So. 2d 741 (Ala. 1983).

Similarly, the Court has declared contracts null and void when it determines that they do not comply with the Competitive Bid Law. In Brown's Ferry Waste Disposal v. Trent, 611 So. 2d 226 (Ala. 1992), the court determined that a landfill contract between the Limestone County Commission and landfill operator was subject to the Competitive Bid Law. The court determined that the contract to develop and operate the landfill did not fall within any of the special categories such as renewal of the existing contract, contract for professional services, or contract that by its

nature is impossible of competitive bidding. Because the contract was not competitively bid due to the Commission's failure to comply with the notice and hearing requirements, the court declared that it was null and void, and that the parties were not bound by its terms.

It is important to note that the authority of the courts is limited to declaring contracts invalid if they were not awarded in compliance with the Competitive Bid Law. The courts cannot order the awarding authority to award the contract to some other bidder. Vinson Guard Service, Inc. v. Retirement Systems of Alabama, 836 So. 2d 807, 810 (Ala. 2002).

In 2008, several noteworthy changes were made to the Competitive Bid Law as it applies to local governments and their agencies. In addition to raising the threshold for the applicability of the Competitive Bid Law from \$7,500 to \$15,000, the 2008 legislation changed the parameters for establishing a local preference zone. Two of the options for the local preference zone remain the same: the boundaries of the awarding authority and the boundaries of the county in which the awarding authority is located. The third option was changed from the Standard Metropolitan Statistical Area (SMSA) to the Core Based Statistical Area (CBSA) in which the awarding authority is located. The term "Core Based Statistical Area" (CBSA) is a collective term for both metro and micro areas. A metro area contains a core urban area of 50,000 or more population, and a micro area contains an urban core of at least 10,000 (but less than 50,000) population. Each metro or micro area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core. US Census Bureau Office of Management and Budget (OMB), <http://www.census.gov/>.

The second change in the Competitive Bid Law as applied to local governments and their agencies was authorization for awarding authorities to utilize a reverse auction process for contracts over \$15,000 dollars to acquire items that are not available under the state purchasing program or to acquire items that are available under the state purchasing program at a lower price. In a reverse auction, anonymous sellers utilize the internet to offer to sell the specified items; the lowest offeror will be awarded the contract. The Department of Examiners of Public Accounts provides procedures for the implementation of reverse auctions. §§ 41-16-54(d), 16-13B-4(c). These procedures may be found on the Department's website. **Note: Pursuant to Act 2023-135, the reverse auction threshold dollar amount has been increased to \$30,000.**

The third change in the Competitive Bid Law as applied to local governments and their agencies was authorization, beginning January 1, 2009, for awarding authorities to take into account life cycle costs of purchased items. Life cycle cost includes not just purchase price but also sustaining costs such as maintenance and repairs. Life cycle costs can be used only if: (1) life cycle costs can be ascertained from industry recognized and accepted sources, and (2) the awarding authority includes notice in the invitation to bid that life cycle costs will be used in determining the contract award and specifies the industry recognized and accepted standards that will be used in making the determination of contract award. The Department of Examiners of Public Accounts will provide procedures for the implementation of life cycle purchasing. §§ 41-16-57(c), 16-13B-7(c). These procedures may be found on the Department's website.

The fourth change in the Competitive Bid Law as applied to local governments and their

agencies was elimination of the requirement that municipal awarding authorities and school board awarding authorities be located in the same county as a condition to entering into joint purchasing agreements. §§ 41-16-50(c), § 16-13B-1(c). The joint purchasing rules were further amended by providing that the awarding authorities that enter joint purchasing agreements can appoint joint bidding agents as well as joint purchasing agents.

The fifth change in the Competitive Bid Law as applied to local governments and their agencies is the authority to award to the second lowest bidder without a rebid in cases where the lowest bidder defaults and the terms and conditions applicable to the second lowest bidder are the same and the price is not higher than the second lowest bidder's original bid price. § 41-16-57(a).

Most recently, in 2023, several revisions were made to the Competitive Bid Law as applied to local governments and their agencies. As previously stated, the bid threshold amounts were increased to \$30,000 for local governments subject to Section 41-16-50, *et seq.* and to \$40,000 for city and county boards of education subject to Section 16-13B-1, *et seq.* Additionally, 2023 revisions to the Competitive Bid Law include the following: (1) revisions to address when no bids or only one bid is received and when all bids received exceed the anticipated budget (*See Act 2023-135*), (2) additional exceptions to those products and services required to be bid (*See Act 2023-135 and Act 2023-544*), (3) requiring economic boycott language to be included in certain contracts (*See Act 2023-409*), and (4) clarification that the procurement of any supplies, services, or professional services by a district attorney or sheriff shall be solely governed by Article 3, commencing with Section 41-16-50 (*See Act 2023-542*).

## CHAPTER 2

### CASES INTERPRETING COMPETITIVE BID LAW

*See Appendices A and B for the Code of Alabama (1975) statutes referenced throughout this Chapter.*

#### ARTICLE I: Introduction

Although numerous cases involving the Competitive Bid Law have been decided in Alabama, two main cases frame the general ideas of the competitive bidding process.

In White v. McDonald Ford Tractor Co., Inc., 248 So. 2d 121 (1971), the Alabama Supreme Court stated that the legislative intent in passing the competitive bid laws was to allow the government to obtain the best quality equipment at the lowest possible price. In its original request for bids, the State had written the specifications around a particular Massey-Ferguson turf tractor after it had been professionally determined that this particular type of tractor would be the best-suited for the type of work needing to be performed. The bid invitation was careful to note that the brand name and model information were included merely to indicate a desired standard of quality, and it encouraged those who believed a different brand of tractor would be better suited for the job to write an explanation of their reasoning. In response to the request for bids, McDonald Ford Tractor Company submitted the lowest bid. The awarding authority did not deem it the “lowest responsible bidder.” McDonald Ford Tractor Company challenged the use of a specific brand and model of tractors as part of the specifications. The main problem addressed was whether, under Alabama’s Competitive Bid Law, specifications could be drawn to fit a particular article or piece of equipment that had been determined to be suitable for the purposes required. The Alabama Supreme Court held that the State should have sole discretion in determining who will be considered the “lowest responsible bidder.” The Court also warned, “This discretion should not be interfered with by any court unless it is exercised arbitrarily or capriciously, or unless it is based on a misconception of the law or upon ignorance through lack of inquiry or in violation of law or is the result of improper influence . . . The single most important requirement of the Competitive Bid Law is the good faith of the officials charged in executing the requirements of the law. A bad motive, fraud, or a gross abuse of discretion will vitiate an award whether made with specifications which are quite general or very precise.” Id. at 129.

The Supreme Court’s decision in the McDonald Tractor case led to what is probably the most well-known case involving the competitive bidding process, Mobile Dodge, Inc. v. Mobile County, 442 So. 2d 56 (1983). In this case, the Mobile County Commission gave notice that it would receive bids for vehicles for the Mobile County Sheriff’s Department. The invitation-to-bid contained specifications calling for, among other things, heavy-duty full-length frames and front and rear coil-spring suspension systems. Both Mobile Dodge and Treadwell Ford submitted bids. Mobile Dodge submitted a bid of \$289,199.89, and Treadwell Ford submitted a bid of \$340,989.63. Although Mobile Dodge submitted the lowest bid of those responding, the contract was not awarded to the company because it had submitted its bid on police units having frames with unibody construction and torsion bar suspension systems, and those units were determined

by county officials not to be suitable for the needs and purposes for which the units were required. The contract was ultimately awarded to Treadwell Ford.

Mobile Dodge sought to enjoin Mobile County from purchasing the cars from Treadwell. Mobile Dodge alleged that it was the lowest bidder, and the only reason that it was not awarded the contract is that the bid specifications were drawn to deliberately exclude Mobile Dodge as a competitor. Moreover, Mobile Dodge also alleged that Mobile County acted arbitrarily, capriciously, and in bad faith in awarding the contract to Treadwell Ford.

At trial, Mobile County put on sufficient evidence to establish that the requirements specified in the bid invitations were necessary, especially since the Sheriff's department would be driving on dangerous unpaved roads in Mobile County. The Alabama Supreme Court held that awards should be made to the lowest responsible bidder after the qualities of the commodities proposed to be supplied, their conformity with specifications, their purpose, their delivery terms and transportation charges have been taken into consideration. The Supreme Court also explained that state authorities have sole discretion in determining who qualifies as the lowest responsible bidder, and that no court should interfere with the determination unless it was based on a misconception or ignorance of relevant information or is the result of improper influence or motive. If a court finds that the specifications were improperly drawn, the award of the contract cannot be allowed to proceed. Id.

Ultimately, the court in Mobile Dodge concluded that although the bid specifications might have precluded Mobile Dodge from successfully bidding on the project, it could not be said that the bid invitations were written in such a way to intentionally make Ford the preferred automobile. The court said that although the specifications may have unfortunately excluded certain types of vehicles, this fact does not make the process illegal.

Although McDonald Tractor and Mobile Dodge are probably the most recognizable cases involving the competitive bid laws, there has been extensive litigation concerning the interpretation of the competitive laws, as in effect from time to time. The following list of cases, arranged in reverse-chronological order, reflects the current precedents in competitive bid matters.

## **ARTICLE II: Case Summaries**

In reading the following opinions, it is important to note that the statutory threshold for compliance has changed over the years. Once again, the threshold amounts are: **\$30,000 for local government entities subject to Ala. Code § 41-16-50, et seq.**, **\$40,000 for city and county boards of education subject to Ala. Code § 16-13B-1, et seq.** Previously, threshold amounts were 2012-2022: \$15,000; 1994-2008: \$7,500; 1989-1994: \$5000; 1977-1989: \$2,000, and pre-1977: \$500.

### **1. Newman's Medical Services, Inc. v. Mobile County, -- So. 3d -- (Ala. 2022)**

Company that provided medical and ambulance-transport services brought action against Mobile County for injunctive and declaratory relief, claiming that the county violated the Competitive Bid Law by awarding a contract to a competitor without putting the services out for bid even though the contract for the services routinely exceeded \$15,000.00. The Supreme Court held the provision of medical and ambulance-transport services concerned services and purchases

of products having an impact upon the safety of persons (Ala. Code § 41-16-51(a)(15)), and thus, the contracts were not subject to the Competitive Bid Law.

2. Ex parte Carter, 275 So. 3d 115 (Ala. 2018), reh'g denied (Oct. 19, 2018)

State Auditor brought action in his individual capacity as a taxpayer, seeking declaratory judgment that amendments to a contract between a software company and the State were void on the basis that the amendments violated the Competitive Bid Law. The Alabama Supreme Court held the issue was moot because injunctive relief was no longer available where performance pursuant to the amendments was complete. Any declaration that the contract violated the Competitive Bid Law served no purpose.

3. Consolidated Pipe & Supply Co. v. City of Bessemer, 69 So. 3d 182 (Ala. Civ. App. 2010).

A supply company brought suit against the City, the contractor and the subcontractor for payment of supplies associated with a construction project. The appellate court assumed that a contract existed between the supply company and the City by which the supply company was to provide piping components for the construction project. The court determined those items would amount to “materials” and “supplies” within the scope of § 41-16-50, and involved moneys greater than \$15,000 but was not competitively bid so as to render it legally valid under § 41-16-50 and 41-16-51. The court dismissed the City as a defendant because the alleged contract was void. The court permitted the supply company to pursue its suit against the contractor and the subcontractor.

4. Alabama Mun. & Envtl. Engineers, Inc. v. Slaughter Const. Co., 961 So. 2d 889 (Ala. Civ. App. 2007).

Contractor that lost manhole rehabilitation bid brought fraudulent-misrepresentation action against bid administrator. The appellate court held that the contractor’s sole remedy under the Competitive Bid Law was an action to enjoin the letting or execution of the contract. The court determined that in keeping with the Competitive Bid Law’s purpose, “the remedy available to disappointed bidders is one that vindicates the public interest in protecting the public coffers, not one that is focused on the vindication of private interests and the interests of disappointed bidders.”

5. RaCON, Inc. v. Tuscaloosa County, 953 So. 2d 321 (Ala. 2006)

A road contractor brought suit seeking to be compensated for extra work performed that was required by the bid, but which the contractor thought was unnecessary for completion of the road project. The Department of Transportation required the work, without payment. The Supreme Court held that the county did not owe the contractor for the work and did not consider oral discussions that allegedly changed the scope of the contract. The Court also held that the contractor was not entitled to damages for idle-equipment costs incurred when project was delayed as a result of delay in relocating gas pipeline.

6. Board of School Commissioners of Mobile County v. Coastal Builders, Inc., 945 So.2d 1059 (Ala Ct. App. 2005)



Winning bidder on school construction contract brought action against county board of school commissioners to recover cost of equipment that bidder had failed to include in its bid. The court held that competitive bid law precluded commissioners from being ordered to pay for cost of equipment not included in an original bid.

7. Vinson Guard Service, Inc. v. Retirement Systems of Alabama, 836 So. 2d 807 (Ala. 2002)

Unsuccessful bidder asked the court to declare it the winner of the contract. The Supreme Court held that the trial court has no power to compel an agency to award a contract to an unsuccessful bidder.

8. Ex Parte Seth Ballew (In re Seth Ballew v. Town of Priceville), 771 So. 2d 1040 (Ala. 2000)

Seth Ballew filed an action on behalf of his sanitation company in order to recover damages against the town of Priceville for a breach of contract. In 1987 Ballew and Priceville entered into a contract (with no renewal terms) for Ballew to provide garbage collection services for the residents of Priceville over a three-year period. When the three-year period expired, the parties continued to comply with the terms of the contract, with a steady increase in compensation for Ballew. At no point after the expiration of the original contract was the contract rebid.

Summary judgment was granted to Priceville, since the courts found that the contract violated Alabama's competitive bid law and was void. The Supreme Court affirmed this decision, holding that the doctrine of estoppel could not preclude town's defense of noncompliance with the Competitive Bid Law.

This case overruled the once widely-cited Layman's Sec. Co. v. Water Works and Sewer Bd. of City of Prichard, 547 So. 2d 533 (Ala. 1989). In Layman's, a security company sued a city waterworks and sewer board for breach of contract. The Supreme Court held, among other things that city was not estopped from terminating contract where security company presented no proof that it materially and detrimentally changed its position in reliance on contract.

Ex Parte Ballew's holding that the doctrine of estoppel could not preclude the town's defense of noncompliance with the Competitive Bid Law directly contradicted with Layman's because the Court essentially stated that the defense of non-compliance would effectively trump any arguments of estoppel, regardless of whether one party detrimentally changed its position or not. An estoppel argument may be made only against city officials who merely failed to follow the formalities of contract execution.

9. Anderson v. Fayette County Board of Education, 738 So. 2d 854 (Ala. 1999)

In 1996 the Fayette County Board of Education agreed to pay Trane for an "energy audit," and they entered into an agreement. Later, the board entered into a larger agreement known as a "performance agreement for comfort from Trane" (PACT). In accordance with the PACT, the board also entered into a maintenance agreement with Trane. The contracts were not competitively

bid. Anderson alleged that the contracts between Trane and the board violated the bid law. The Alabama Supreme Court held that the board purchased more than just equipment; rather, the board purchased a “comprehensive energy savings plan” under which they relied on Trane’s expertise and turned over to Trane the job of making and keeping the board’s facility’s heating and air conditioning systems efficient. The Alabama Supreme Court held that the contract between the board and Trane was exempt from the Competitive Bid Law due to the exception for engineering services. It concluded that Trane’s “personality” was a major part of the contract, stating: “the language of the PACT, as quoted above, details not just physical labor but also various activities designed to achieve one particular goal that would require a high degree” of professional skill where the personality of [Trane] would play a decisive part. Ala. Code § 41-16-51(a)(3)”. The court, after listing the activities Trane would undertake through its professional staff, concluded that the board purchased more than just equipment.

10. Alabama-Tennessee Natural Gas Co. v. Southern Natural Gas Co., 694 So. 2d 1344 (Ala. 1997)

The issue in this case was whether the City of Huntsville’s twenty-year contract with the Southern Natural Gas Company (SNGC) violates Ala. Code § 41-16-57(e) (1975), which provides “contracts for the purchase of personal property or contractual services shall be let for periods not greater than three years.” The Alabama Supreme Court held that the SNGC-Huntsville contract did not violate § 41-16-57(e) because the three-year limit applies only to contracts that are competitively bid. The court noted that the Attorney General had issued an opinion stating that this contract for natural gas transportation services is exempt from the Competitive Bid Law due to the exemption for public contracts with regulated utilities.

Note: Since this decision was rendered, changes were made to the controlling statute, § 41-16-57. The amended language is found in § 41-16-57(f).

11. Ericsson GE Mobile Communications, Inc. v. Motorola Communications & Electronics, et al., 657 So. 2d 857 (Ala. 1995)

The practice of requesting alternative bids is consistent with the Alabama Competitive Bid Law. The City of Birmingham sought to purchase a new public safety radio system. The request for bids included four alternatives that were formulated around competing technologies. The court upheld the use of alternate bids as within the discretion of the awarding authority. The awarding authority is not required under the Competitive Bid Law to award the contract to the overall low bidder but must award the bid to the lowest responsible bidder after weighing the relative merits of the competing technologies.

12. Play Fair Racing, Inc. v. Birmingham Racing Commission, 672 So. 2d 8 (Ala. 1995)

The Birmingham Racing Commission is a public corporation and not a governmental entity. Section 22 of the Alabama Constitution (governing bid processes) does not apply to the conduct of the Commission. The selection process for the award of a license by the Commission established by Ala. Code § 11-65-14(f) (1975) does not violate Section 22 of the 1901 Constitution.

13. Spring Hill Lighting & Supply Co. v. Square D. Co., 662 So. 2d 1141 (Ala. 1995)

A tort action alleging intentional wrongful conduct by persons involved in the bidding process is not necessarily barred by the potential availability of injunctive relief pursuant to Ala. Code §§ 41-16-31 and 41-16-61 (1975).

The remedy of injunctive relief provides no sanctions against intentional wrongful conduct by individuals involved and the court held that there was no reason why such individuals should be shielded from a responsibility for such intentional wrongful conduct.

Cases which have held that injunctive remedy is the only remedy for violation of the Competitive Bid Law were not intended to create a license for persons to permit fraud and other intentional torts.

14. Beavers v. County of Walker, 645 So. 2d 1365 (Ala.1994)

This case involves a county commission's approval of a site for the development of a landfill. The Alabama Supreme Court held that the award of an exclusive franchise must be made in compliance with the Alabama Competitive Bid Law and held the contract void.

15. Ward International Trucks, Inc. v. Baldwin County Board of Education, 628 So. 2d 572 (Ala. 1993)

Defendant BOE ignored advice of attorney and various staff members in accepting bid of Moyer Ford. International met all specifications and was lowest bidder for 20 school buses. Therefore, these facts precluded summary judgment.

16. Masonry Arts, Inc. v. Mobile County Commission, 628 So. 2d 334 (Ala. 1993)

Appeal by unsuccessful bidder for public contract, from trial court's denial of injunction to prevent award of contract to another, was rendered moot by award and execution of contract pending appeal. Bidder's failure to request stay of execution of trial court's order pending appeal necessitated dismissal of appeal because trial court was no longer capable of granting injunction requested by bidder.

17. Crest Construction Corp. v. Shelby County Board of Education, 612 So. 2d 425 (Ala. 1992)

Decision of County BOE to award contract for construction of new school building to bidder that was not lowest bidder was not arbitrary or capricious in that Board properly determined that lowest bidder was not lowest responsible bidder. Before awarding the contract, Board questioned president and sole employee of lowest bidder, and Board awarded contract to another bidder based on legitimate concerns about lowest bidder's size, experience, and lack of equipment and other resources. Disappointed bidder could not recover bid preparation expenses. Bid law creates no enforceable rights in bidders.

18. Brown's Ferry Waste Disposal v. Trent, 611 So. 2d 226 (Ala. 1992)

Landfill contract between Limestone County Commission and landfill operator was subject to Competitive Bid Law. Failure to comply with the notice and hearing requirements rendered the contract null and void. Contract to develop and operate landfill did not fall within contract for professional services, renewal of existing contract, or contract that was by its very nature impossible of award by competitive bidding.

19. General Electric Co. v. City of Mobile, 585 So. 2d 1311 (Ala. 1991)

Contractor's broadcast tower, which would allow it to broadcast radio communications and fire-alerting system, did not render contractor "sole source" for system, so as to except contract from competitive bidding. To qualify as a "sole source," three requirements must be met:

- (1) Goods or service offered must be unique;
- (2) Uniqueness must be substantially related to intended purpose, use, and performance of goods or service sought; and
- (3) Entity seeking to be declared "sole source" must show that other similar goods or services cannot perform desired objectives of entities seeking goods or services.

Public contracts entered into in violation of competitive bidding requirements would not be upheld on ground that they were made in good faith.

20. Steeley v. Nolen, 578 So. 2d 1278 (Ala. 1991)

A debtor in bankruptcy does not lose his rights as a taxpayer, so he has standing to bring action under the Competitive Bid Law. If the bond is submitted in the name of a third party instead of in the name of the bidder, then the bond is not sufficient to meet the requirements of the Competitive Bid Law.

21. Advance Tank and Construction Co. v. Arab Water Works, 910 F.2d 761 (11th Cir. 1990)

In trying to determine if a bidder is the "lowest responsible bidder" two distinct inquiries need to be made. It should be determined whether the decision to reject the apparent low bidder resulted from:

- (1) a decision process tainted by improper influence or fraud, or
- (2) gross negligence.

In the absence of improper influence, only bona fide, rational and articulable reasons for decisions are needed; not an assessment of a bidder's responsibility.

22. Horne Wrecker Service, Inc. v. City of Florence, 567 So. 2d 1285 (Ala. 1990)

Where neither bidder met the specifications when the bids were opened and the city council gave both parties extended time to meet the specifications, the extension was not in violation of the Competitive Bid Law.

23. Jenkins, Weber & Associates v. Hewitt, 565 So. 2d 616 (Ala. 1990)

Ala. Code § 41-16-31 (1975) does not allow monetary damages for an unsuccessful bidder.

Note: While this case cites to Article 2 of the Competitive Bid Law, applicable to state entities, Article 3, which applies to counties and municipalities, contains the same provision as cited above in Ala. Code § 41-16-61 (1975). Additionally, Article 2 was repealed by Act 2021-296 which made substantial revisions to the Competitive Bid Law as applied to state entities. Similar language providing a taxpayer or unsuccessful bidder's right to sue is now found at Ala. Code § 41-4-168.

24. Hospital System, Inc. v. Hill Rom. Inc., 545 So. 2d 1324 (Ala. 1989)

The hospital is a health care authority incorporated pursuant to the provisions of Ala. Code § 22-21-310 (1975). It is a separate entity from the state and from any local political subdivision so it is exempted from the Competitive Bid Law.

25. Water Works Board of the City of Fort Payne v. Jones Environmental Construction, Inc., 533 So. 2d 225 (Ala. 1988)

A bidder that withdraws its bid (due to a mistake) after it has been submitted but before the contract has been awarded by the Water Works Board does not forfeit its bid bond.

26. J.F. Pate Contractors v. Mobile Airport Authority, 484 So. 2d 418 (Ala. 1986)

Competitive Bid Law does not apply to contract to construct new airport terminal building, as Airport Authority which awarded the contract came within statutory exemption of Ala. Code § 4-3-60 (1975). This was a Department of Transportation assisted contract and there were certain Minority Business Enterprise (MBE) obligations. The court was satisfied that the court-determined lowest responsible bidder had made a "good faith effort" to meet the MBE participation and upheld the awarding authority and trial court.

27. Tin Man Roofing Co., Inc. v. Birmingham Bd. of Educ., 536 So. 2d 1383 (Ala. 1988)

A re-roofing contract does not come under Ala. Code § 41-16-50(a) (1975), which states "that in the event a bid is received for an item of personal property to be purchased or contracted for from a person, firm or corporation deemed to be a responsible bidder, having a place of business within the municipality, where the awarding authority is the municipality or instrumentality thereof... which such bid is no more than three percent greater than the bid of the lowest

responsible bidder, the awarding authority may award the contract to such resident responsible bidder.”

Tin Man was a non-resident of Birmingham. The court defined personal property within the proviso of § 41-15-50(a) as “a single specified article of movable, animate or inanimate, property, merchandise, supplies, raw materials, finished goods, or wares, or a group of such articles specified separately.”

Since a re-roofing contract would not fall under the three-percent proviso of § 41-16-50(a), the court ruled that Tin Man was the lowest responsible bidder.

Note: The statute cited in this case, Ala. Code § 41-16-50(a), has been amended to increase the applicable percentage difference for a bidder within a local preference zone from three percent to five percent.

28. Urban Sanitation Corporation v. City of Pell City, Alabama, 662 F. Supp. 1041 (N.D. Ala. 1986)

The purpose of the competitive bid statute is to protect the public rather than to provide an action for damages to unsuccessful bidders. Ala. Code § 41-16-31 (1975) extends standing for unsuccessful bidders to bring actions seeking injunctions against violations of Competitive Bid Law but not any right or expectancy to insist upon the award of a contract.

Note: While this case cites to Article 2 of the Competitive Bid Law, applicable to state entities, Article 3, which applies to counties and municipalities, contains the same provision as cited above in Ala. Code § 41-16-61 (1975). Additionally, Article 2 was repealed by Act 2021-296 which made substantial revisions to the Competitive Bid Law as applied to state entities. Similar language providing a taxpayer or unsuccessful bidder’s right to sue is now found at Ala. Code § 41-4-168.

29. Mobile Wrecker Owners Association, Inc. v. City of Mobile, 461 So. 2d 1303 (Ala. 1984)

Alleging failure or insufficiency of consideration in a contract between a city and a towing company does not raise the issue of whether the statutory bid laws compelling public advertising for bids were violated. A later suit brought by the same plaintiff, West v. City of Mobile, 689 So. 2d 14 (Ala. 1997), was barred by the doctrine of *res judicata*.

30. Maintenance, Inc. v. Houston County, Alabama, 438 So. 2d 741 (Ala. 1983)

A contract between the county and a solid waste corporation was void because of a failure to comply with the Competitive Bid Law. The doctrine of equitable estoppel cannot be used to validate a transaction which is illegal and against public policy.

31. Arrington v. Associated General Contractors of America, 403 So. 2d 893 (Ala. 1981)

If a city council adopts an ordinance that deters participation in the bidding process because the ordinance requirements are time consuming, costly to contractors, and requires certain procedures before the lowest bid is considered, then the ordinance is held to frustrate the open competitive bid requirement of Ala. Code § 41-16-50 (1975). The intent in passing the Competitive Bid Law is to get the best quality equipment (or public construction) at the lowest possible price.

32. International Telecommunications Systems v. State, 359 So. 2d 364 (Ala. 1978)

Competitive Bid Law does not require that the lowest bid be accepted. State did not act arbitrarily or capriciously in rejecting radio crystals for trooper's cars and in finding bid for supply of radio crystals unacceptable.

33. Franklin Solid Waste v. Jones, 354 So. 2d 4 (Ala. 1978)

Where contract for solid waste collection was awarded on low bid by county for a definite term of five years, extended for an additional five years upon contract holder's fulfilling his obligation under the terms of the contract, the contract was not an exclusive or special privilege banned by Section 22, Constitution of Alabama 1901.

34. City of Montgomery v. Brendle Fire Equipment, Inc., 279 So. 2d 480 (Ala. 1973)

Title 55, Section 508 [now codified as Ala. Code § 41-16-60 (1975)] was not intended to prohibit the City of Montgomery from receiving bids from any member of the Board of Commissioners of the Housing Authority of the City of Montgomery or from any entity in which a member would have an interest or an ownership. It was intended to prohibit bidding by a member that has an interest and will be involved in making the decision as to who will be awarded the contract.

35. White v. McDonald Ford Tractor Co., 248 So. 2d 121 (Ala. 1971)

Absent finding of bad faith, improper motive, fraud or a gross abuse of discretion, court was without authority to interfere with judgment and discretion of state officials in awarding contract for purchase of tractors to bidder, who submitted lowest bid of five qualifying and conforming bids, rather than to the lowest overall bidder, even though specifications were drawn to fit particular tractor, where invitation to bids specified that brand names and catalog numbers were used only to indicate level of quality and that bidder who wanted to offer compatible or better equipment could send his manufacturer's specifications to allow for comparison.

36. Wallace v. Board of Education of Montgomery County, 197 So. 2d 428 (Ala. 1967)

Proposed high school construction contract provision requiring contractors to pay predetermined minimum wage violated the competitive bid law, which provides that contract must be let to the lowest responsible bidder.

37. Glencoe Paving Co. v. Graves, 94 So. 2d 872 (Ala. 1957)

A contract to resurface an existing highway is a "repair" and not a public improvement. Therefore, contracts for repairs or maintenance on highways are not required to be let on competitive bids.

Note: After this case was decided by the Alabama Supreme Court, the Alabama Legislature amended the applicable statute to provide that the definition of a public improvement "shall include but shall not be limited to the construction, repair, renovation or maintenance of public buildings, structures, sewers, waterworks, roads, bridges . . ." Act 1961-715.

38. Townsend v. McCall, 80 So. 2d 262 (Ala. 1955)

The city commission rejected all bids except one which was allegedly made by a mistake and that bidder declined to accept a contract. The commission had the power to re-advertise for bids and award the contract to the same bidder as the lowest responsible bidder among those answering the second advertisement, even though the bid was submitted 20 minutes after the specified hour but before any bids were opened.

39. Huddleston v. Humble Oil & Refining Co., 71 So. 2d 39 (Ala. 1954)

Where the director of conservation fixed a Sunday to be the last day to receive the bids, the court held, pursuant to Section 12, Title 1, [now codified as Ala. Code § 1-1-4 (1975)] that Sunday must be excluded and the following Monday shall be counted as the last day for submitting bids.

40. Mitchell v. Walden Motor Co., 177 So. 151 (Ala. 1937)

Where statute was amended "so as to read as follows" and the provision as to "lowest responsible bidder" was omitted, the amendatory act becomes a substitute for the original. In determining who is the lowest responsible bidder, the proper authority may take into consideration the quality of the materials as well as their adaptability to the particular use required.

41. Poyner v. Whiddon, 174 So. 507 (Ala. 1937)

When a county submits in its published bids the specifications for the article it wants to purchase, it must not modify the specifications to suit one of the bidders.

42. Carson Cadillac Corp. v. City of Birmingham, 167 So. 794 (Ala. 1936)

"The purpose of statutory or chapter provisions requiring municipal corporations to let contracts on competitive bidding after notice is 'to secure economy and protect the citizens and taxpayers of the municipality from fraudulent favoritism in letting such contract.'"

43. Van Antwerp v. Board of Commissioners, 115 So. 239 (Ala. 1928)

Where there is no mandatory statute requiring contracts to be awarded on competitive bids,



it is within the power of the city authorities to invite bids on such basis as it may deem best, reserving the power to reject all bids, or let the contract to the bidder submitting the most desirable proposal as long as they allow bidders to bid on the same thing.

44.     Inge v. Board of Public Works, 33 So. 678 (Ala. 1902)

The contract entered into with the “lowest responsible bidder” contained conditions which were not in the publication notice for bidding. Any material departure in the contract awarded from the terms and conditions on which the bidding is had renders the contract invalid.

## **CHAPTER 3**

### **TRANSACTIONS THAT MUST COMPLY WITH THE COMPETITIVE BID LAW**

*See Appendices A and B for the Code of Alabama (1975) statutes referenced throughout this Chapter*

## **ARTICLE I**

### **Attorney General Opinions: Governmental Agencies**

#### **A. County Agencies**

1. The Cleburne County Commission may conduct business with an auto parts store even though the new owners of the store are related to a sitting Commissioner and the sitting Commissioner facilitated the purchase of the store by financing a loan extended to the new owners so long as the contract is competitively bid and the Commissioner abstains from the competitive bidding process. Hon. Jason C. Odom, County Attorney, Cleburne County Commission, 5-19-21, AG 2021-036.
2. Inmate telephone systems are not eligible for the exception in § 41-16-51(a) for utility services, and instead must be bid. Act 2007-341 is a local act applicable to Marshall County authorizing the sheriff to operate an inmate telephone system for prisoners in the county jail. 2007 Ala. Acts No. 2007-341, 609. The statutory language “may” means the sheriff does not have a duty to provide a telephone system or the implied authority to enter into a contract for such a system. A county commission does not have the authority to enter into an agreement that directly involves and dictates a function to be performed by the sheriff. The sheriff and the county commission should cooperate on the bidding process and when entering into a contract with a vendor. Hon. Phil Sims, Marshall County Sheriff, 1-30-20, AG 2020-012.
3. Existing competitively bid contracts for solid waste removal may lawfully be renewed without rebidding, provided that the terms are not materially changed and the original contract provided for renewal. Any modification of a renewable contract for residential solid waste collection, transfer, and disposal that includes an increase in the amount charged for services, beyond that contemplated by the original contract, requires competitive bidding. Hon. Thomas M. Sowa, Attorney, Calhoun County Commission, 2-19-15, AG 2015-032.
4. Purchases by emergency 911 boards are required to be competitively bid, and collaborative or joint purchasing or bidding arrangements are authorized if in compliance with § 41-16-50(b). The Crenshaw County E-911 Board is authorized to receive and evaluate requests for proposals relating to a customized hosted software system that would be compliant with the specifications for the Alabama Next Generation Emergency Network specifications, if the Board determines that the purchase of a system of this nature, pursuant to § 41-16-

51(a), involves a high degree of professional skill; custom software; or contractual services of personal property that is impossible to award by competitive bidding; or contractual services having an impact on the security or safety of persons, structures, facilities, or infrastructures. Hon. Mark D. Ryan, Attorney, Crenshaw County E-911 Board of Directors, 4-10-14, AG 2014-053.

5. In seeking a vendor to provide an inmate telephone system for the county jail, the contract must be competitively bid. Publishing a request for proposal reciting the various minimum requirements is insufficient to satisfy the Competitive Bid Law. While a request for proposal could function similarly to a competitive bid, using it to negotiate with responding vendors is not permitted. Hon. William E. Shinn, Jr., County Attorney, 12-06-12, AG 2013-012.
6. A volunteer fire department is subject to the Competitive Bid and Public Works Laws because it is an instrumentality of the state. A volunteer fire association, however, is not subject to the Competitive Bid and Public Works Laws because the statutory language does not include instrumentalities of instrumentalities. Hon. Ryan Robertson, Cleburne County Judge of Probate, 12-12-11, AG 2012-016.
7. A coroner may take bids from funeral homes and contract to transport and store bodies until they can be transported to the state forensics laboratory. Hon. Prince Darius Chestnut, Greene County Attorney, 7-23-09, AG 2009-093.
8. There is no statutory authority for a county commission to sell fuel. Hon. Jay M. Ross, Attorney, Mobile County Commission, 01-28-09, AG 2009-034.
9. The Morgan County Commission, and its division known as the Morgan County Environmental Services (“MCES”), has the authority to enter into a contract with Seth Ballew for the purchase of the assets and service contracts owned by Seth Ballew’s waste collection business. This purchase, however, is subject to the requirements of the Competitive Bid Law. The MCES must submit its proposed purchase of 160 used dumpsters and waste collection service contracts to the competitive bidding process. Hon. William E. Shinn, Jr., County Attorney, 12-27-07, AG 2008-027.
10. The Huntsville-Madison County Marina and Port Authority is a public corporation subject to the Competitive Bid Law. If the Port authority engages in a public works project, and the project is paid either in whole or in part, with public funds, then that transaction is subject to the Public Works Law. Hon. Jada R. Leo, Secretary Treasurer, Huntsville-Madison County Marina and Port Authority, 1-19-05, AG 2005-045.
11. A payment by the Cherokee County Commission to a nonprofit ambulance service for emergency services must be bid if the payment is more than \$7500 annually. Hon. Phillip W. Jordan, Probate Judge, Cherokee County Probate Judge’s Office, 12-10-01, AG 2002-086. However, this opinion was overruled by the opinion issued to Hon. Joe Rex Sport, Mayor, City of Luverne, 2-29-12, AG 2012-040. That opinion concluded that a contract between the City of Luverne and a nonprofit rescue squad is not subject to the Competitive

Bid Law because a nonprofit rescue squad is a public entity, and the Competitive Bid Law does not apply to contracts between public entities. **Note: Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**

12. If the proposed contract between the county commission and the computer services company is an exclusive franchise, it must be competitively bid. Hon. Adrian T. Johns, Judge of Probate, Baldwin County Probate Judge's Office, 3-29-01, AG 2001-135.
13. A contract for the installation, service, and operation of pay telephones in a county jail must be competitively bid. Signing bonuses are legal but must be paid to the county and not to an individual person. Hon. William E. Shinn, Jr., Morgan County Attorney, 8-23-00, AG 2000-219.
14. The purchase by the Morgan County Commission of a new imaging system for the probate office must be competitively bid if the cost of the system exceeds \$7500. The request for proposals must include any hardware that is being purchased and may also have to include the accompanying software if it is not custom software. Custom software need not be competitively bid. Hon. William E. Shinn, Jr., Morgan County Attorney, 7-12-99, AG 99-00245. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
15. If engineering services are incidental to the purchase of equipment, the purchase of the equipment is subject to the Competitive Bid Law. Hon. E. Allen Doss, Jr., Attorney at Law, 8-29-95, AG 95-00303.
16. The purchase or lease of voting machines is not exempt from the Competitive Bid Law. The purchase of ballots and supplies for elections are exempt from the Competitive Bid Law. The management of county employees and county equipment is within the discretion of the county commission in the absence of constitutional or statutory prohibitions. Hon. Hobson Manasco, Jr., Winston County Commission, 5-6-94, AG 94-00187. This opinion, to the extent it conflicts, has been modified by the opinion issued to Hon. Thomas T. Gallion, III, Attorney, Montgomery County Commission, 9-23-05, AG 2005-197. That opinion concluded that the purchase of a voting system and related professional services does not have to be competitively bid if the professional services provided by the vendor are inextricably intertwined with that particular voting system.
17. Question of mandatory participation in county solid waste service may be on the ballot in a primary election. Municipalities may provide services outside corporate limits with consent of county, with different rates. Agreement between county and municipalities is not subject to competitive bidding. Contracts are subject to competitive bidding unless price is unaffected, terms not substantially changed, and existing contract contains renewal clause. Hon. Robert Wilson, Attorney, DeKalb County Commission, 8-20-93, AG 93-00310.

18. Whether testing services contract falls under Competitive Bid Law depends upon nature of services. If bid, testing service contract specifications may include requirement that testing services be located close enough to city in which testing will occur to make testing results valid and meaningful. Hon. Sidney Fomby, Jr., Mayor, City of Lincoln, 10-28-91, AG 92-00044.
19. Purchase of compatible system hardware equipment is not subject to the bid law. Purchase of identical software for programs already in place is not subject to the bid law unless there is more than one vendor for that identical program. Purchase of new software that costs more than \$5000 is subject to the bid law. Hon. Thad Morgan, Superintendent, Enterprise City Schools, 5-30-91, AG 91-00282. *Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.*
20. Water authority created pursuant to § 11-88-1, et seq., is subject to bid law for all purchases except the purchase of equipment, supplies or materials needed, used, and consumed in normal and routine operation. Hon. D. B. Dawson, Sand Mountain Water Authority, 2-1-91, AG 91-00159.
21. Gas district is subject to Competitive Bid Law. Hon. Thurman E. Murphree, Chairman, Cullman-Jefferson Counties Gas District, 9-5-90, AG 90-00372.
22. Mobile County Law Enforcement and Firefighters Pension Fund is an instrumentality of the county and is subject to the provisions of the Competitive Bid Law. Hon. Beth Marietta, Member, House of Representatives, 5-5-89, AG 89-00276.
23. County may not renew a waste disposal contract which increases price without competitive bidding. Hon. Hardy McCollum, Judge of Probate and Chairman, Tuscaloosa County Commission, 5-23-86, AG 86-00252.
24. Communications district boards established pursuant to § 11-98-1, et seq., must comply with the Competitive Bid Law. Hon. Arnold Teks, Attorney, Lauderdale County Emergency Management Communications District, 10-25-85, AG 86-00028.
25. Limestone County Water Authority must comply with the competitive bid provisions in seeking a contract for construction work for over \$3000. Hon. Jerry Batts, Attorney, Limestone County Water Authority, 10-7-85, AG 86-00003. *Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.*
26. Water, Sewer and Fire Protection Authority organized pursuant to § 11-88-1 is, in general, subject to the provisions of the Competitive Bid Law in awarding construction contracts. Hon. W. Henry Allen, Judge of Probate, Lamar County, 7-1-85, AG 85-00415.
27. Whether materials testing services fall under the Competitive Bid Law depends on whether those services include consultation, planning or other subjective determinations. Hon. Bob McKee, Member, House of Representatives, 2-7-85, AG 85-00193.

28. If city enters into a contract for wrecker service, and it is anticipated that the contract will involve more than \$2000, the Competitive Bid Laws should be followed. Hon. Mac Parsons, State Senator, 17th District, 8-28-84, AG 84-00427. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
29. County commission must comply with Alabama Competitive Bid Law in awarding contract for solid waste and garbage collection and disposal if amount of contract exceeds \$2000. Hon. W. B. Cooper, Chairman, Baldwin County Commission, 5-30-83, AG 83-00345. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
30. County owned waterworks board must comply with the Competitive Bid Law in awarding contract for management and maintenance if amount of contract exceeds \$2000. Hon. Charles Thompson, Chairman, Colbert County Commission, 3-7-83, AG 83-00216. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**

**B. Municipal Agencies**

1. Expenditures made from discretionary funds solely within the discretion of public officials not listed in the bid law are not subject to competitive bidding. Because municipalities are included in the bid law, however, their employees such as the police chief are covered by its requirements. Accordingly, expenditures made from both state and federal forfeiture proceeds are required to be bid. Hon. Corey D. Bowie, President, Selma City Council, 4-2-19, AG 2019-029.
2. A backhoe is not a piece of equipment that is needed, used, and consumed in the normal and routine operation of a utility as set forth in § 41-16-51(b)(7). Therefore, the Cumberland Mountain Water Authority's purchase of a backhoe, even a used one, is subject to the Competitive Bid Law. Hon. Justin A. Lackey, Attorney, Cumberland Mountain Water Authority, 11-5-15, AG 2016-009.
3. The Colbert County E-911 Board should honor a request made by resolution from the City of Muscle Shoals to dispatch, within the corporate limits of Muscle Shoals, the ambulance service provider that the municipality requests to be dispatched. Any private ambulance service provider that is selected by the municipality as the exclusive provider within the municipality must be selected in compliance with the Competitive Bid Law. Hon. David H. Bradford, Mayor, City of Muscle Shoals, 08-14-12, AG 2012-077.
4. An E-911 Board expending a federal grant for improvements to a fire department's emergency communications system is subject to the competitive bid law, as the contract relates to the expenditure of funds for labor and purchases of materials under § 41-16-50. Although the E-911 Board will provide matching funds for a federal grant to a volunteer fire department, compliance with the Competitive Bid Law in the purchase of equipment

using grant funds remains the responsibility of the fire department. Hon. Broox G. Garrett, Jr., Attorney, Brewton/Escambia County Emergency Communications District, 06-25-12, AG 2012-066.

5. City may contract with a community center to renovate the center in exchange for the center making cultural facilities available to the public; however, if the project exceeds \$50,000, it is subject to the Public Works Law. City may contract with a third party to dispose of solid waste from and provide maintenance for the Turkey Creek Nature Preserve. If the contract involves \$15,000 or more, it is subject to the Competitive Bid law. If the maintenance contract exceeds \$50,000, or otherwise qualifies as a public works, it must be bid under the Public Works Law. Hon. E. Shane Black, Attorney, City of Pinson, 01-22-09, AG 2009-033. **Since entry of this Opinion, the threshold amounts for application of the Competitive Bid and Public Works Laws have both been increased, to \$30,000 and \$100,000 respectively.**
6. The transfer of land by a commercial development authority to a private person, firm, or corporation, originally acquired from the state and transferred to the authority through one or more transactions between governmental entities, is subject to the competitive bid requirements of the Land Sales Act, except if transferred for the purpose of promoting the economic and industrial development of the county or municipality or for the purpose of constructing, developing, equipping, and operating industrial, commercial, research, or service facilities. Hon. Lowell Barron, Member, Alabama State Senate, 10-22-08, AG 2009-009.
7. The Huntsville-Madison County Marina and Port Authority is a public corporation subject to the Competitive Bid Law. If the Port authority engages in a public works project, and the project is paid either in whole or in part, with public funds, then that transaction is subject to the Public Works Law. Hon. Jada R. Leo, Secretary Treasurer, Huntsville-Madison County Port Authority, 1-19-05, AG 2005-045.
8. Competitive bidding is required for substitutable similar items when the aggregate amount of said purchases exceeds \$7,500.00, even automotive parts. No purchase or contract involving an amount in excess of \$7,500 shall be divided into parts to avoid the Competitive Bid Law. When a purchasing municipality determines that the purchase will exceed \$7,500.00, procurement of the items must be made through the competitive bid process. Hon. Iva Nelson, City Clerk/Treasurer City of Gadsden, 3-11-03, AG 2003-098. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
9. The West Alabama Mental Health Board is a public corporation subject to the Competitive Bid Law and Public Works Law. Hon. H. A. Lloyd, Attorney, West Alabama Mental Health Board, 10-30-02. AG 2003-017.
10. The Warrior River Water Authority, created pursuant to § 11-88-1, et seq., is generally subject to the Competitive Bid Law. The requirements of the Competitive Bid Law do not apply to purchases of equipment, supplies, or materials needed, used, and consumed in the

normal and routine operation of the Warrior River Water Authority. Hon. V. Edward Freeman, II, Attorney, Warrior River Water Authority, 12-19-01, AG 2002-97.

11. Because a mini-excavator trac hoe is not a “purchase of equipment, supplies, or materials needed, used, and consumed in the normal and routine operation of any [utilities] . . . system . . . owned by municipalities,” this purchase must be competitively bid. Hon. Tom Wolfe, Manager, The Utilities Board of the City of Atmore, 12-6-01, AG 2002-082.
12. The purchase of lights by a municipality for a ballpark is a purchase of equipment and subject to the Competitive Bid Law if the cost is \$7,500 or more. If the purchase of lights is included in a contract for the construction or renovation of the ballpark, it is subject to the Public Works Law. Hon. Phil Crigler, Member, House of Representatives, 2-28-00, AG 2000-099. **Note: Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
13. All purchases of water works authority must be made in accordance with bid law except those purchases exempted from the bid law by § 41-16-51(b)(7), such as equipment, supplies, or materials needed, used, and consumed in normal and routine operations. Hon. Robert T. McWhorter, Jr., Morgan County, 8-28-92, AG 92-00387.
14. The printing of municipal code and supplements are subject to Competitive Bid Law. If total costs of supplements exceed \$5,000 in fiscal year, competitive bid process must be utilized. The Code of Alabama (1975) is subject to its own statutory scheme for recodification and printing. Hon. Martha A. Elrod, City Clerk, City of Gadsden, 5-8-90, AG 90-00272. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
15. The preparation of the recodification of a municipal code is not subject to the Competitive Bid Law. The printing of such recodification is subject to the Competitive Bid Law. The choosing of an update service for the municipal code of Jacksonville is subject to the Competitive Bid Law. Hon. John B. Nisbet, Jr., City Clerk, City of Gadsden, 8-28-89, AG 89-00411.
16. The Water Works Board of the City of Attalla cannot enter into a new agreement with a drilling company whereby the drilling company will continue to drill for water without letting the contract under the competitive bid process. Hon. Clarence F. Rhea, Attorney at Law, 6-8-89, AG 89-00293.
17. Purchase of used police cars by Town of Hackleburg must be made by competitive bid if cost involves \$3000 or more. Hon. Waymon Cochran, Mayor, Town of Hackleburg, 2-17-89, AG 89-00185. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
18. Purchase of new or used automobiles by City of Leeds must be made by competitive bid if cost involves \$3,000 or more. Hon. Jack K. Courson, Mayor, City of Leeds, 6-10-88, AG 88-00314. **Since entry of this Opinion, the language of the controlling statute, § 41-16-**



50(a), has been amended to cover funds of \$30,000 or more.

19. The purchase of a component building by the Town of Goldville for use as a City Hall is subject to the Competitive Bid Law. Hon. Mack Clayton, Mayor, Town of Goldville, 12-24-86, AG 87-00079.
20. The City of Mobile must comply with the Competitive Bid Law in awarding a contract for the maintenance and care of Magnolia Cemetery if the amount exceeds \$3000. Hon. Richard L. Smith, City Clerk, City of Mobile, 8-18-86, AG 1986-00325. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
21. Municipalities must advertise for bids and make purchases only when amount involved is \$3,000 or more. Hon. H. E. Swearingen, Mayor, Town of Pine Hill, 8-6-85, AG 85-00461. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
22. Water, Sewer and Fire Protection Authority organized pursuant to § 11-88-1 is, in general, subject to the provisions of the Competitive Bid Law in awarding construction contracts. Hon. W. Henry Allen, Judge of Probate, Lamar County, 7-1-85, AG 85-00415.
23. Public Park and Recreation Board of the City of Mobile is subject to the Competitive Bid Law. Hon. Norman J. Gale, Jr., Attorney, Mobile Park and Recreation Board, 4-17-84, AG 84-00247. However, this opinion was modified by an opinion issued to Hon. Norman J. Gale, Jr., Attorney, Mobile Park and Recreation Board, 11-1-1984, AG 85-00054, which found that corporations organized pursuant to § 11-60-1, et seq., (as is the Mobile Park and Recreation Board) are exempt from competitive bid law.

#### **C. K-12 Education**

1. The purchase of a multifunctional device is subject to a purchase by competitive bid by educational institutions if the device is going to actually be used for printing, scanning, emailing, faxing, etc. in addition to copying. Hon. Stephanie Walker, President, Brewton City Board of Education, 4-14-05, AG 2005-107.
2. The contract providing a scoreboard to the Talladega County Board of Education by private corporations in return for the granting of an exclusive concessions contract must be competitively bid. Hon. Thomas M. Little, Attorney, Talladega County Board of Education, 4-1-99, AG 99-00158.
3. Contracts awarded by an educational building authority or its agent, organized under § 16-17-1, et seq., are not exempt from the requirements of the Competitive Bid Law. Hon. Ward McFarland, Chairman, Educational Building Authority of Tuscaloosa, 5-10-95, AG 95-00213.

4. Expenditures by individual schools of moneys raised at athletic events, snack bars, and other non-tax sources need not comply with the Competitive Bid Law. Expenditures of federal funds in the school lunchroom program must comply with the Competitive Bid Law. Hon. J. Murray King, Superintendent, Covington County Schools, 9-16-81 AG 81-00584.

## CHAPTER 4

### EXEMPTIONS FROM THE COMPETITIVE BID LAW

*See Appendices A and B for the Code of Alabama (1975) statutes referenced throughout this Chapter.*

#### ARTICLE I: Introduction

Although most transactions involving goods or services for \$30,000 or greater made by county and local government agencies are subject to the Competitive Bid Law, a few statutory exemptions exist. The Legislature recognized that there would be certain situations in which the competitive bidding process would not be the most feasible, for whatever reasons, and therefore established exemptions for certain transactions.

Exemptions for counties and municipal agencies can be found in Ala. Code § 41-16-51. Specifically, § 41-16-51(a) provides that “[c]ompetitive bidding for entities subject to this article shall not be required for utility services, the rates for which are fixed by law, regulation, or ordinance, and the competitive bidding requirements of this article shall not apply to any of the following:

- (1) The purchase of insurance.
- (2) The purchase of ballots and supplies for conducting any primary, general, special, or municipal election.
- (3) Contracts for securing services of attorneys, physicians, architects, teachers, superintendents of construction, artists, appraisers, engineers, consultants, certified public accountants, public accountants, or other individuals possessing a high degree of professional skill where the personality of the individual plays a decisive part.
- (4) Contracts of employment in the regular civil service.
- (5) Contracts for fiscal or financial advice or services.
- (6) Purchases of products made or manufactured by the blind or visually handicapped under the direction or supervision of the Alabama Institute for Deaf and Blind in accordance with ~~Sections 21-2-1 to 21-2-4, inclusive~~ Chapter 2 of Title 21.
- (7) Purchases of maps or photographs from any federal agency.
- (8) Purchases of ~~computer programs, software applications~~, manuscripts, books, maps, pamphlets, periodicals, and library or research electronic data bases of manuscripts, books, maps, pamphlets, or periodicals.
- (9) The selection of paying agents and trustees for any security issued by a public body.

- (10) Existing contracts up for renewal for sanitation or solid waste collection, recycling, and disposal between municipalities or counties, or both, and those providing the service.
- (11) Purchases of computer and word processing hardware when the hardware is the only type that is compatible with hardware already owned by the entity taking bids and custom software.
- (12) Professional services contracts for codification and publication of the laws and ordinances of municipalities and counties.
- (13) Contractual services and purchases of commodities for which there is only one vendor or supplier and contractual services and purchases of personal property which by their very nature are impossible to award by competitive bidding.
- (14) Purchases of dirt, sand, or gravel by a county governing body from in-county property owners in order to supply a county ~~road or bridge~~ project in which the materials will be used. The material shall be delivered to the project site by county employees and equipment used only on project ~~components~~ conducted exclusively by county employees.
- (15) Contractual services and purchases of products related to, or having an impact upon, security plans, procedures, assessments, measures, or systems, or the security or safety of individuals, structures, facilities, or infrastructures.
- (16) Subject to the limitations in this subdivision, purchases, leases, or lease/purchases of goods or services, other than voice or data wireless communication services, made as a part of the purchasing cooperative sponsored by the National Association of Counties, its successor organization, or any other national or regional governmental cooperative purchasing program. Such purchases, leases, or lease/purchases may only be made if all of the following occur:
  - a. The goods or services being purchased, including those purchased through a lease/purchase agreement, or leased are available as a result of a competitive bid process conducted by a governmental entity and approved by the Department of Examiners of Public Accounts for each bid.
  - b. The goods or services are either not at the time available to counties on the state purchasing program or are available at a price equal to or less than that on the state purchasing program.
  - c. The purchase, lease, or lease/purchase is made through a participating Alabama vendor holding an Alabama business license if such a vendor exists.
  - d. The entity purchasing, leasing, or lease/purchasing goods or services under this

subdivision has been notified by the Department of Examiners of Public Accounts that the competitive bid process utilized by the cooperative program offering the goods complies with this subdivision. In addition, upon request, a vendor shall provide the entity purchasing, leasing, or lease/purchasing ~~items which exceed fifteen thousand dollars (\$15,000)~~ goods or services equaling thirty thousand dollars (\$30,000) or more which are made under this ~~exception subdivision~~ during the previous 12 months a report of the sales, leases, and lease/purchases. The report shall include a general description of the goods or services; the number of units sold, leased, and leased/purchased per entity; and the price of units purchased, leased, or leased/purchased.

- (17) The purchase of goods or services, other than wireless communication services, whether voice or data, from vendors that have been awarded a current and valid Government Services Administration contract. Any purchase made pursuant to this subdivision shall be under the same terms and conditions as provided in the Government Services Administration contract. Prices paid for such goods and services, other than wireless communication services, whether voice or data, may not exceed the amount provided in the Government Services Administration contract.
- (18) Purchases of goods or services from vendors that have been awarded a current and valid statewide contract listed on the Alabama Buys e-procurement system. Any purchase made pursuant to this subdivision shall be under the same terms and conditions as provided in the statewide contract. Prices paid for such goods and services may not exceed the amount provided in the statewide contract.
- (19) Purchases of goods or services between governmental entities of the state, as authorized by Section 11-1-10.
- (20) Purchases of goods or services between a municipality and a governmental entity, as defined in Section 8-38-2.

Section 41-16-51(b) goes on to provide that this article shall not apply to the following:

- (1) Any purchases of products where the price of the products is already regulated and established by state law.
- (2) Purchases made by individual schools of the county or municipal public school systems from moneys other than those raised by taxation or received through appropriations from state or county sources.
- (3) The purchase, lease, sale, construction, installation, acquisition, improvement, enlargement, or expansion of any building or structure or other facility designed or intended for lease or sale by a medical clinic board organized under ~~Sections 11-58-1 to 11-58-14, inclusive~~ Chapter 58 of Title 11.

- (4) The purchase, lease, or other acquisition of machinery, equipment, supplies, and other personal property or services by a medical clinic board organized under ~~Sections 11-58-1 to 11-58-14, inclusive~~ Chapter 58 of Title 11.
- (5) Purchases for public hospitals and nursing homes operated by the governing boards of instrumentalities of the state, counties, and municipalities.
- (6) Contracts for the purchase, lease, sale, construction, installation, acquisition, improvement, enlargement, or extension of any plant, building, structure, or other facility or any machinery, equipment, furniture, or furnishings therefor designed or intended for lease or sale for industrial development, other than public utilities, under ~~Sections 11-54-80 to 11-54-99, inclusive~~ Division 1 of Article 4 of Chapter 54 of Title 11, or ~~Sections 11-54-20 to 11-54-28, inclusive~~ Article 2 of Chapter 54 of Title 11, or any other statute or amendment to the Constitution of Alabama of 2022 authorizing the construction of plants or other facilities for industrial development or for the construction and equipment of buildings for public building authorities under ~~Sections 11-56-1 to 11-56-22, inclusive~~ Chapter 15 of Title 11 or Chapter 56 of Title 11.
- (7) The purchase of equipment, supplies, or materials needed, used, and consumed in the normal and routine operation of any waterworks system, sanitary sewer system, gas system, or electric system, or any two or more thereof, that are owned by municipalities, counties, or public corporations, boards, or authorities that are agencies, departments, or instrumentalities of municipalities or counties and no part of the operating expenses of which system or systems have, during the then current fiscal year, been paid from revenues derived from taxes or from appropriations of the state, a county, or a municipality.
- (8) Purchases made by local housing authorities, organized and existing under Chapter 1 of Title 24, from moneys other than those raised by state, county, or city taxation or received through appropriations from state, county, or city sources.
- (9) The purchase of services to aid in the prevention and detection of criminal activity by law enforcement agencies and community-oriented policing programs.

In addition, Section 41-16-51.1 allows counties and municipalities are allowed to rely on state bids in certain conditions: “Notwithstanding any other laws to the contrary, when it is necessary for a county or an incorporated municipality to enter into a public contract for the provision of services or for the provision of primarily services even though the contract may include the furnishing of ancillary products or ancillary goods which would otherwise be required to be let by competitive bid, the county or municipality may, without soliciting and obtaining competitive bids, contract with a vendor or provider for the services at a price which does not exceed the price which the state has established through the competitive bid process for the same services under the same terms and conditions and provided it pertains to a current and active bid on a non-statewide agency contract. The mere delivery of products or goods, or the performance of a common, non-specialized service with relation to goods or products shall not make a purchase

or contract qualify for the bid exemption hereunder. If a county or incorporated municipality desires to purchase under this bid exception procedure, the purchase must be approved by a majority vote of its governing body at a public meeting thereof.”

Section 41-16-52(a) provides a very narrow exemption for expenditures for repair of certain heavy duty off-highway construction equipment: “All expenditures of funds for repair parts and repair of heavy duty off-highway construction equipment and of all vehicles with a gross vehicle weight rating of 25,000 pounds or greater, including machinery used for grading, drainage, road construction and compaction for the exclusive use of county and municipal, highway, street and sanitation departments, involving not more than ~~\$22,500~~ \$40,000 made by or on behalf of any county commissions and the governing bodies of the municipalities of the state, and the governing bodies of instrumentalities, including waterworks boards, sewer boards, gas boards, and other like utility boards and commissions, shall be made, at the option of said governing boards, bodies, instrumentalities and commissions, without regard to the provisions of this article. The foregoing exemption from the provisions of this article shall apply to each incident of repair as to any such repair parts, equipment, vehicles or machinery. The amount of such exempted expenditure shall not be construed to be an aggregate of all such expenditures per fiscal year as to any individual vehicle or piece of equipment or machinery.”

Finally, in 2022, the Legislature carved out an exemption for expenditures related to Child Nutrition Programs. This exemption allows public educational entities, city boards of education, and county boards of education that provide meals under the Child Nutrition Program of the State Department of Education to purchase goods or services related to the programs without advertising or bidding during an emergency or unanticipated event affecting public health or safety or causing supply chain disruptions. This exemption along with the requirements associated with the use of the exemption can be found at Ala. Code §§ 41-16-51.2 and 16-13B-2.1.

The Legislature was very specific in detailing the exemptions from the competitive bid process. There are, however, Alabama cases illustrating that the line between transactions that are exempt from the Competitive Bid Law and those that are subject to the Competitive Bid Law can be very fine. This is often the case when the transaction includes both property and services.

An example of an exemption arising from a governmental entity’s goal in acquiring property and services is Anderson v. Fayette County Board of Education, 738 So. 2d 854 (Ala. 1999). The Fayette County Board of Education (“Board”) agreed to pay Trane for an “energy audit,” and they entered into an agreement. Later, the Board entered into a larger agreement known as a “Performance Agreement for Comfort from Trane” (“PACT”). In accordance with the PACT, the Board also entered into a maintenance agreement with Trane. The contracts were not competitively bid. Anderson alleged that the contracts between Trane and the Board violated the bid law. The Alabama Supreme Court held that the Board purchased more than just equipment; rather, the Board purchased a “comprehensive energy savings plan” under which they relied on Trane’s expertise. The Alabama Supreme Court held that the contract between the Board and Trane was exempt from the Competitive Bid Law, primarily because Trane’s “personality” was a major part of the contract. Specifically, the Court cited Ala. Code § 41-16-51(a)(3) and stated: “the language of the PACT...details not just physical labor but also various activities designed to achieve one particular goal that would require a ‘high degree of professional skill where the

personality of [Trane] would play a decisive part’.” Id. at 858. The Court, after listing the activities Trane would undertake through its professional staff, concluded that the Board purchased more than just equipment. Thus, the transaction should be exempt from the competitive bidding process. Id. at 859.

Exemption on the basis of the entity undertaking the transaction can be illustrated by Hospital Systems, Inc. v. Hill Rom, Inc., 545 So. 2d 1324 (Ala. 1989). In that case, the Athens and Limestone Health Care Authority submitted an invitation for bids for a construction project. Both Hospital System, Inc. (“HSI”) and Hill Rom, Inc. bid on the project. Although HSI was the lowest bidder, the hospital authority awarded the contract to Hill Rom. HSI sued, alleging that the Health Care Authority was in direct violation of Alabama’s Competitive Bid Law. The Alabama Supreme Court held that the hospital for which the bids were invited is, in fact, a health care authority incorporated pursuant to the provisions of Ala. Code § 22-21-310. Because of this, the hospital is considered a separate entity from the state and from any local political subdivision, and therefore is exempted from the Competitive Bid Law. See also J.F. Pate Contractors v. Mobile Airport Authority, 484 So. 2d 418 (Ala. 1986) (Competitive Bid Law does not apply to contract to construct new airport terminal building).

Chapters 8 and 9 herein address competitive bidding for certain contracts of county and city boards of education, §§ 16-13B-1, et. seq. Section 16-13B-2 identifies additional exceptions to the competitive bidding requirements applicable to county and city boards of education. Specifically, “competitive bids shall not be required for utility services for county or city boards of education, the rates for which are fixed by law, regulation, or ordinance,” as well as the following:

- (1) The purchase of insurance.
- (2) Contracts for securing services of attorneys, physicians, architects, teachers, superintendents of construction, artists, appraisers, engineers, consultants, certified public accountants, public accountants, or other individuals possessing a high degree of professional skill where the personality of the individual plays a decisive part.
- (3) Contracts of employment in the regular civil service.
- (4) Contracts for fiscal or financial advice or services.
- (5) Purchases of products made or manufactured by the blind or visually handicapped under the direction or supervision of the Alabama Institute for Deaf and Blind in accordance with Sections 21-2-1 to 21-2-4, inclusive.
- (6) Purchases of maps or photographs from any federal agency.
- (7) Purchases of manuscripts, books, instructional materials, maps, pamphlets, or periodicals, or the electronic version thereof. The exemption for the purchase of instructional materials shall only include those purchases from a current vetted and



approved list published by the State Department of Education.

- (8) The selection of paying agents and trustees for any security issued by a public body.
- (9) Existing contracts up for renewal for sanitation or solid waste collection, recycling, or disposal and those providing the service.
- (10) Purchases of computer and word processing hardware when the hardware is the only type that is compatible with hardware already owned by the entity taking bids and custom software.
- (11) Contractual services and purchases of commodities for which there is only one vendor or supplier and contractual services and purchases of personal property which by their very nature are impossible to award by competitive bidding.
- (12) Contractual services and purchases of products related to, or having an impact upon, security plans, procedures, assessments, measures, or systems, or the security or safety of persons, structures, facilities, or infrastructures.
- (13) Purchases, leases, or lease/purchase of goods or services, other than voice or data wireless communication services, made as a part of any purchasing cooperative sponsored by the National Association of Counties, its successor organization, or any other national or regional governmental cooperative purchasing program. Such purchases, leases, or lease/purchases may only be made if all of the following occur:
  - a. The goods or services being purchased, including those purchased through a lease/purchase agreement, or leased are available as a result of a competitive bid process approved by the Department of Examiners of Public Accounts for each bid.
  - b. The goods or services are either not at the time available to local boards of education on the state purchasing program or are available at a price equal to or less than that on the state purchasing program.
  - c. The purchase, lease, or lease/purchase is made through a participating Alabama vendor holding an Alabama business license if such a vendor exists.
- (14) Purchases of unprocessed agricultural products as defined in subsection (b) of Section 16-1-46 and the cost of the food purchased is equal to or less than the federal simplified acquisition threshold set in 2 C.F.R. § 200.88.
- (15) Purchase of goods or services, other than voice or data wireless communication services, from vendors that have been awarded a current and valid general services administration contract. Prices paid for the goods or services may not exceed the lowest competitively bid price for these goods or services, other than voice or data wireless communication services, and may not exceed the price on an existing state purchasing program.

Further, Section 16-13B-2(b) provides that the chapter shall not apply to the following:

- (1) Any purchases of products where the price of the products is already regulated and established by state law.
- (2) Purchases made by individual schools of the county or municipal public school systems from monies other than those raised by taxation or received through appropriations from state or county sources.

When determining whether a transaction is exempt from the bid laws, statutory exemptions and case law must be examined. Questions frequently arise and numerous opinions have been issued by the Attorney General addressing various issues about the applicability of the bid laws. As the opinions reflect, the question of whether a transaction is exempt from the Competitive Bid Law is fact specific. Because of this, it is important to look at each aspect of a transaction to determine whether the property or services are subject to the Competitive Bid Law, whether the entity undertaking the transaction is subject to the Competitive Bid Law, and whether there is some other fact that might affect the applicability of the Competitive Bid Law. The following opinions of the Attorney General should be helpful determining whether a transaction is exempt from the bid laws.

## **ARTICLE II**

### **Attorney General Opinions: Governmental Entities**

#### **A. County Agencies**

1. The Houston County Healthcare Authority (and other healthcare authorities incorporated under the 1982 Healthcare Authorities Act) are expressly exempt from the Open Meetings Act and competitive bid laws. Hon. Chester Sowell, 9-12-24, AG 2024-049.
2. A solid waste disposal authority with a county and a municipality as “determining subdivisions” is exempt from the laws of Alabama requiring competitive bids under Section 11-89A-18 of the Code of Alabama. Hon. J. Bradford Boyd Hicks, Baldwin County Commission, 8-4-23, AG 2023-040.
3. Language contained within a renewal clause of a contract for solid waste collection which includes an upward adjustment to the monthly collection fee does not constitute a material change to the contract in violation of the competitive bid law so long as the formula used for calculating an adjustment to the monthly collection fee upon renewal was contemplated under the original contract. The renewal of a solid waste collection contract is generally exempted from competitive bid requirements. Ala. Code § 41-16-51(a)(10) provides that “the competitive bidding requirements of this article shall not apply to . . . [e]xisting contracts up for renewal for sanitation or solid waste collection, recycling, and disposal between municipalities or counties, or both, and those providing the service.” Ala. Code § 41-16-51 (a)(10). Hon. Ashley N. Smith, County Attorney, Lowndes County Commission, 11-1-21, AG 2022-006.
4. The Department of Examiners of Public Accounts may approve any competitive bid

process, related to goods and services, that is utilized by a cooperative of the National Association of Counties, its successor organization, or any other national or regional governmental cooperative, as long as the process complies with the bid law requirements applicable to the governmental entity conducting the process. Examiners may only approve a cooperative's bid process, related to heating and air conditioning units or systems, if the process complies with the provisions of Alabama's bid law. Hon. Rachel L. Riddle, Chief Examiner, Department of Examiners of Public Accounts, 08-15-19, AG 2019-038.

5. The purchase of electronic poll books is exempt from the requirements of the Competitive Bid law pursuant to § 41-16-51(a)(3) because certified electronic vendors will have a specialized knowledge specific to electronic poll books. Additionally, the purchase may be exempt pursuant to § 41-16-51(a)(13) in instances where there is only one vendor in existence that provides the particular service – raising a question of fact. Hon. John E. Enslin, Probate Judge of Elmore County, 8-29-17, AG 2017-044.
6. The 911 Board of Commissioners for Cullman County may enter a contract for software, hardware, and training to enhance its existing mapping system without competitive bidding if the Board determines that the purchase is for custom software; hardware that is the only type compatible with the existing system; contractual services that are impossible to award by competitive bidding; or contractual services having an impact on the security or safety of persons, structures, facilities, or infrastructures; § 41-16-51(a). Hon. Roy W. Williams, Jr., Attorney, E-911 Board of Commissioners for Cullman County, 5-12-15, AG 2015-044.
7. If the Limestone County Communications District 911 determines that the purchase of a computer-aided dispatch system with a mapping component would impact the safety or security of persons and structures within the E-911 system, then that such a purchase would be exempt from the Competitive Bid Law pursuant to § 41-16-51(a)(15). Although the routine purchase of office supplies by a public safety entity would not be related to or have an impact upon the safety of persons, the purchase of software that locates emergency callers with pinpoint accuracy may have an impact upon public safety. The purchase of the software may also be exempt if such software is considered custom, pursuant to § 41-16-51(a)(11). Hon. E. Shane Black, Attorney, Board of Commissioners, Limestone County Communications District 911, 3-10-14, AG 2014-047.
8. A publicly incorporated utility company is not a governmental unit under the definition of § 41-16-141(2), since it is not a political subdivision, but a rather a public corporation. Because of this, guaranteed energy costs savings contracts entered into are outside the scope of the Guaranteed Energy Cost Savings Act, §§ 41-16-140 to 41-16-144. Hon. James W. Johnson, Chairman, Board of Directors West Escambia Utilities, Inc., 5-14-13, AG 2013-047.
9. The Tennessee Valley Youth Services Board II does not have to bid contractual services related to security plans and procedures because they are exempt under § 41-16-51(a)(15). Contracts for purchases of other services inextricably intertwined with security services are also exempt. If the services are not inextricably intertwined, then they are subject to bid. Hon. Howard Keeton, Chairman, Tennessee Valley Youth Services Board II, 6-15-09, AG

2009-081.

10. Pursuant to § 11-14-2, a county does not have to use the bid process when selling real estate that is owned by the county that may be lawfully disposed. Hon. D'Wayne May, Probate Judge and Chairman, Choctaw County Commission, 01-15-09, AG 2009-031.
11. The Sheriff is not required to obtain the approval of the county before making expenditures from the Sheriff's Fund. Purchases from the fund are not required to be made by competitive bidding. Hon. D.T. Marshall, Montgomery County Sheriff, 10-07-08, AG 2009-003.
12. Morgan County Solid waste disposal contracts between Morgan County and municipalities are not required to be let by competitive bidding, since contracts between public entities are not required to be competitively bid. Hon. William E. Shinn, Jr., County Attorney, 06-11-08, AG 2008-093.
13. A solid waste disposal authority can amend its incorporation agreement to become a "municipal solid waste disposal authority" in order to qualify for the exemption to the Competitive Bid Law found in § 11-89A-5. Hon. Michael L. Jackson, Attorney, Solid Waste Disposal Authority of Chilton County, AG 2007-059.
14. If the Mobile County Racing Commission finds that drug-testing lab services are professional services that require a high degree of skill where the personality of the individual plays a decisive part in a decision, these services would be exempt from the Competitive Bid Law. The Commission may, however, solicit bids for these services, even if not required by the Competitive Bid Law. Hon. Michael E. Box, Attorney, Mobile County Racing Commission, 7-29-02, AG 2002-297.
15. The Greater Mobile-Washington County Mental Health-Mental Retardation Board, Inc., may transfer property to the Mobile Mental Health Center with the requirement that it be sold and the proceeds used to pay down the debt on its acquisition of Bay Pointe Hospital, as long as the property is transferred for fair and adequate consideration. The Board may also sell the property by private negotiated sale without becoming subject to the Competitive Bid Laws. Hon. David V. deGruy, President, Greater Mobile-Washington County Mental Health-Mental Retardation Board, Inc., 1-9-02, AG 2002-117.
16. Purchases made by the probate judge from discretionary funds controlled solely by the probate judge are not required to be made by competitive bid. Hon. Bobby M. Junkins, Etowah County Probate Judge, 11-13-01, AG 2002-058.
17. If the Baldwin County Board of Education contracts for a "comprehensive energy-saving plan" under which they rely on the contractor's expertise, and turns over to the contractor the job of making and keeping the Board's facilities heating and air-conditioning efficient, and if the purchases are part of a comprehensive energy cost savings proposal and the amount spent on the energy cost savings measures recommended in the proposal do not exceed the amount of energy or operational cost savings, or both, within a ten-year period

from the date installation is complete, these purchases may be made without competitive bidding. Hon. Fred K. Granade, Attorney, Baldwin County Board of Education, 11-5-01, AG 2002-053.

18. The costs expended by the county in acquiring easements from private landowners for a water pipeline to deliver water to plant sites are not subject to either the Competitive Bid Law or the Public Works Law. The intake facility improvements or the construction of water transportation facilities to be used for purposes of furnishing raw untreated water to customers are not subject to the State Competitive Bid Law or the Public Works Law. Hon. Barry D. Vaughn, Talladega County Attorney, 11-2-01, AG 2002-052.
19. The requirements of the Competitive Bid Law do not apply to purchases of equipment, supplies, or materials needed, used, and consumed in the normal and routine operation of the Limestone County Water and Sewer Authority. Hon. Winston V. Legge, Jr., Attorney, Limestone County Water and Sewer Authority, 3-30-01, AG 2001-139.
20. "Custom software" may be exempt from the requirements of the Competitive Bid Law. Hardware that is available from multiple sources should be purchased by competitive bid. Hon. Gary C. Sherrer, Attorney for the Houston County Commission, 3-16-99, AG 99-00139.
21. The Competitive Bid Law does not apply to contracts for goods or services between two governmental entities of the State of Alabama, including municipalities and counties. Hon. Joe S. Hopper, Commissioner, Department of Corrections, 7-26-96, AG 96-00271.
22. Natural Gas Transportation Services, regulated by the Natural Gas Act, 15 U.S.C.A. Section 717, et seq., are exempt from competitive bid pursuant to §§ 41-16-21(a) and 41-16-51(a)(13) (1975). A contract for Natural Gas Transportation Services does not contravene Section 22 of the Alabama Constitution of 1901. Hon. Robert J. Miller, Esq., 12-13-95, AG 96-00066.
23. The Mobile County Commission may appropriate funds to the Explore Center, Inc., as long as the funds are used for a public purpose. Private, nonprofit corporations are not generally subject to the Competitive Bid Law. Hon. Freeman E. Jockisch, President, Mobile County Commission, 2-7-95, AG 95-00112.
24. The purchase or lease of voting machines is not exempt from the Competitive Bid Law. The purchase of ballots and supplies for elections are exempt from the Competitive Bid Law. The management of county employees and county equipment is within the discretion of the county commission in the absence of constitutional or statutory prohibitions. Hon. Hobson Manasco, Jr., Winston County Commission, 5-6-94, AG 94-00187. This opinion, to the extent it conflicts, has been modified by the opinion issued to Hon. Thomas T. Gallion, III, Attorney, Montgomery County Commission, 9-23-05, AG 2005-197. That opinion concluded that the purchase of a voting system and related professional services does not have to be competitively bid if the professional services provided by the vendor are inextricably intertwined with that particular voting system.

25. Contract for fiscal advice including advice and assistance in the collection of local taxes exempt from the Competitive Bid Law per § 41-16-51(a)(5) (1975). Hon. Jerry Darnell, Mayor, Town of Crossville, 12-9-93, AG 94-00076.
26. Software classified as “custom software” not subject to the Competitive Bid Law. Hon. Robert W. Ennis, IV, Tuscaloosa City Attorney, 10-21-93, AG 94-00023.
27. Renewal of Winston County Solid Waste Landfill contract is not subject to Competitive Bid Laws, provided the price remains the same and there is no substantial change in the terms of the contract. Hon. Hobson Manasco, Attorney for Winston County Commission, 7-30-93, AG 93-00287.
28. Competitive Bid Law does not apply to the sale or lease of instructional television fix service frequencies. Public entities are required to receive fair market value for items sold. Hon. Larry Beaty, President, George C. Wallace State Community College, 12-13-91, AG 92-00080. (See Also: Hon. Doyle Bond, Superintendent, Houston County Board of Education, 12-13-91, AG 92-00081.)
29. Contracts for superintendents of construction, engineers, and consultants do not require competitive bid per § 41-16-51(a)(3). Hon. Allen C. Jones, Attorney, Edge Regional Medical Center, 10-10-91, AG 92-00018.
30. Purchase of compatible system hardware equipment is not subject to the bid law. Purchase of identical software for programs already in place is not subject to the bid law unless there is more than one vendor for that identical program. Purchase of new software that costs more than \$5000 is subject to the Competitive Bid Law. Hon. Thad Morgan, Superintendent, Enterprise City Schools, 5-30-91, AG 91-00282. *Since entry of this Opinion, the language of the controlling statute has been amended to cover funds of \$30,000 or more for local government entities subject to Ala. Code § 41-16-50, et seq. and \$40,000 for city and county boards of education subject to Ala. Code § 16-13B-1, et seq.*
31. The Competitive Bid Law governing purchases by state or local agencies is not operative whenever the contract in question is between two governmental entities. Hon. Tandy D. Little, Administrator, ABC Board, 1-4-91, AG 91-00131.
32. Competitive bids not required for the purchase of compatible telephone system equipment for which there is only one vendor. Hon. Karl M. Hoven, Chairman, South Alabama Utilities, 4-7-88, AG 88-00250.
33. Purchase of used equipment by the Fort Payne Improvement Authority is exempted from competitive bidding only if conditions of § 41-16-51(b)(7) are met. If competitive bidding is used for purchase of such equipment, bid specifications may use brand names and equipment types if bidder may submit bid on a product equal to the brand name or equipment type specified. Hon. W.D. Scruggs, Jr., Attorney for Fort Payne Improvement Authority, 5-13-18, AG 86-00251.

34. St. Elmo-Irvington Water Authority as presently established is exempt from competitive bid requirements in those operations set out in § 41-16-51(b)(7). Hon. Daniel A. Pike, Attorney for St. Elmo-Irvington Water Authority, 3-4-86, AG 86-00177.
35. The acquisition of utility (telephone) services, the rates of which are fixed under tariff by the Alabama Public Service Commission, is exempt from the requirements of the Competitive Bid Law. Hon. James E. Pruitt, Representative, District 55, 10-29-85, AG 86-00034.
36. Utility Services Corporation is exempt from Competitive Bid Laws when acting within the scope of § 11-97-20. Hon. James L. Birchall, Attorney for City of Gulf Shores and Governmental Utility Services Corporation, 6-27-85, AG 85-00411.
37. Preliminary site work and grading is within the purview of § 41-16-51(b)(6), and not subject to the Competitive Bid Law under § 41-16-50. Hon. Jerry Batts, Limestone County, 6-10-85, AG 85-00380.
38. Mobile County Racing Commission is not subject to the Competitive Bid Law if it wishes to contract with the University of South Alabama for laboratory testing of racetrack canines. Hon. Esau G. Smith, Secretary, Mobile County Racing Commission, 2-7-85, AG 85-00198.
39. Competitive Bid Law does not apply where county expends less than the statutory minimum. Discussion of solid waste disposal. Hon. Thomas A. Snowden, Jr., Probate Judge, Shelby County Commission, 10-2-84, AG 85-00002.
40. Purchases which are made from discretionary funds controlled solely by the sheriff are not required by § 41-16-50 to be let for bids. Hon. Mike Blakely, Sheriff, Limestone County, 3-5-84, AG 84-00191.
41. Competitive Bid Law does not apply where county expends less than statutory minimum. Section 41-16-57(e) does not apply to franchises. Hon. Edwin A. Strickland, Jefferson County, 2-27-84, AG 84-00184.
42. Purchase of equipment by volunteer fire department with funds from private sources is not subject to the Competitive Bid Law. Hon. Miles Prater, Mayor, Town of Millport, 2-17-84, AG 84-00168. However, this opinion has been subsequently modified by two subsequent opinions. The opinion issued to Hon. Thomas M. Little, Attorney, Talladega County Board of Education, 4-1-99, AG 99-00158, found that the contract providing a scoreboard to the Talladega County Board of Education by private corporations in return for the granting of an exclusive concessions contract must be competitively bid. The opinion issued to Hon. Ryan Robertson, Cleburne County Judge of Probate, 12-12-11, AG 2012-016, found that a volunteer fire department is subject to the Competitive Bid and Public Works Laws, but a volunteer fire association is not subject to the Competitive Bid, Public Works, or Open Records Laws.

43. Project built entirely with private funds or industrial development board bond proceeds is not governed by provisions of Competitive Bid Law. Hon. Dennis A. Moore, Chairman, Board of Water and Sewer Commissioners of City of Mobile, 11-7-83, AG 84-00050. However, this opinion is subject to subsequently issued opinion to Hon. Thomas M. Little, Attorney, Talladega County Board of Education, 4-1-99, AG 99-00158, which found that the contract providing a scoreboard to the Talladega County Board of Education by private corporations in return for the granting of an exclusive concessions contract must be competitively bid.

**B. Municipal Agencies**

1. The Electric Utility Board of Huntsville's purchase of power from a public utility with a market-based rate regulated under the Federal Power Act is exempt from the competitive bid law pursuant to Ala. Code § 41-16-51(a). Hon. Warne Heath, General Counsel, Huntsville Utilities, 2-22-22, AG 2022-021.
2. A contract to overhaul a city's computer system may be exempt from the competitive bid law if it requires a computer engineer to perform a complex computer service or if the maintenance to be performed is inextricably intertwined with the systems purchased. Hon. Jeffery D. Hatcher, City Attorney, City of Hartford, 11-1-21, AG 2022-004.
3. The Bessemer City Council may issue a request for proposals seeking qualified insurance agents to serve as an agent of record between the city and the Alabama Municipal Insurance Corporation. In addition, the City Council may appoint a qualifying entity from the respondents to serve as the agent of record. The competitive bid law does not apply to the purchase of insurance. Ala. Code § 41-16-51. This exemption to the competitive bid law extends to a self-insured municipality contracting with an intermediary-administrator to provide the services incident to normal claims administration. Hon. Gregory L. Harris, Bessemer City Council, 9-23-21, AG 2021-055.
4. Changing the consumer price index ("CPI") for a renewal term of a waste disposal contract constitutes a material change rendering the exemption in the Public Works Law, § 41-16-51(a)(10), inapplicable. By mutually agreeing to change the CPI, the parties could surreptitiously bypass the bid law requirements and prevent other vendors from having an opportunity to compete for this business; therefore changing the CPI in a contract is a material change requiring that contract to be bid. Hon. Thomas E. Henderson, Mayor, City of Cedar Point, 9-27-18, AG 2018-54.
5. A contract between a city and a non-profit ambulance service does not have to be competitively bid. Organized rescue squads are public in nature because of their function in protecting the health, safety, and welfare of the public, so they will be deemed public entities for purposes of the Competitive Bid Law. The Competitive Bid Law does not require contracts between public entities to be competitively bid, so this contract is exempt. Hon. Joe Rex Sport, Mayor, City of Luverne, 02-29-12, AG 2012-040.



6. The sale of certain electrical distribution facilities of a public utility by the Montgomery Public Educational Building Authority (“Authority”) is not subject to the Competitive Bid Law or the Land Sales Act. Hon. John F. Knight, Jr., Member, House of Representatives, 05-03-11, AG 2011-056.
7. An agreement between the Birmingham-Jefferson Civic Center Authority (“Authority”) and a company for the naming rights of the facilities of the Authority is not subject to the Competitive Bid Law. Hon. Thomas L. Stewart, Attorney, Birmingham-Jefferson Civic Center Authority, 04-02-10, AG 2010-054.
8. If public funds are transferred to a private entity, such funds are not subject to Alabama laws regarding competitive bidding or public works. Hon. J. Bradford Boyd Hicks, Attorney, Town of Magnolia Springs, 06-29-09, AG 2009-086.
9. If the City of Geneva determines that a public purpose will be served, the City may join with nonprofit organizations to finance a community center. The competitive bid laws are not applicable to private funds. Once public funds are given to a private entity, those funds cease being public in nature. Hon. Wynnton Melton, Mayor, City of Geneva, 04-16-09, AG 2009-061.
10. The transfer of funds from the city general fund to the city municipal court fund for the purchase of an automobile does not require competitive bidding. Hon. Emmett O. Griswold, Jr., Attorney, City of Sampson, 8-1-06, AG 2006-123.
11. A contract for engineering and professional management services is exempt from the Competitive Bid Law if the non-professional services are incidental to and integrated with the professional services. Hon. Guy F. Gunter, Attorney, City of Opelika, 9-9-05, AG 2005-192.
12. The City of Mountain Brook is not prohibited by the Competitive Bid Laws from entering into an agreement with a development company. The agreement involves re-annexed property which has recently been given “village” district classification, which imposes strict use and development restrictions designed to achieve specific aesthetic and functional objectives within the classified property. Because the expenditures for improvements will be made by an individual owner and the city will only receive certain benefits as part of a “package deal,” and because the development company is the only supplier of the property and the project, this transaction is exempt from the competitive bidding process. Hon. Lawrence T. Oden, Mayor, City of Mountain Brook, 8-12-03, AG 2003-213.
13. A general service contract entered into between the Chattahoochee Valley Water Supply District and a professional services company is excluded from competitive bidding under the provisions of § 41-16-51(a)(3). Each factual situation must be individually examined by the awarding authority and if, upon the consideration of the totality of the circumstances, the professional services are incidental to the purchase of equipment, the purchase of the equipment is subject to the Competitive Bid Law. A contract that falls within an exception to the Competitive Bid Law requirement is not subject to the three-year limitation on public

contracts for purchase of personal property or contractual services. Hon. William L. Nix, Attorney, Chattahoochee Valley Water Supply District, 5-19-00, AG 2000-152.

14. A municipal public building authority is not required to take competitive bids for the construction of a building to house the county jail and administrative offices of the Sheriff of Coosa County when such building is to be built and the building, furnishings, equipment, and fixtures are to be owned by the municipal public building authority, and leased to the county. Hon. Jasper Fielding, Chairman, Coosa County Commission, 6-10-99, AG 99-00224.
15. The Competitive Bid Law does not apply to contracts for goods or services between two governmental entities of the State of Alabama, including municipalities and counties. Hon. Joe S. Hopper, Commissioner, Department of Corrections, 7-26-96, AG 96-00271.
16. Contracts between the East Central Alabama Solid Waste Disposal Authority and municipal and county governments are not subject to the Competitive Bid Law. Contracts entered into by the East Central Alabama Solid Waste Disposal Authority with respective county and municipal governments may be valid for a term of five years or longer. However, an abundance of caution should be exercised upon entering such long-term contracts. Hon. Bill Curtis, Executive Director, East Central Alabama Solid Waste Disposal Authority, 5-6-94, AG 94-00183.
17. The agreement between the Birmingham-Jefferson Civic Center Authority and Fastix is not subject to the provisions of the Competitive Bid Law as no public funds are expended by the authority under the agreement. Hon. Thomas Stewart, Attorney, Birmingham-Jefferson Civic Center Authority, 11-9-92, AG 93-00038.
18. The Historical Preservation Authority of the City of Birmingham is exempt from the Competitive Bid Law regardless of whether the City of Birmingham donates money to the Authority. Hon. Earl P. Hilliard, State Senator, 2-21-91, AG 91-00178.
19. The Competitive Bid Law governing purchases by state or local agencies is not operative whenever the contract in question is between two governmental entities. Hon. Tandy D. Little, ABC Board, 1-4-91, AG 91-00131.
20. The preparation of the recodification of a municipal code is not subject to the Competitive Bid Law. The printing of such recodification is subject to the Competitive Bid Law. The choosing of an update service for the municipal code of Jacksonville is subject to the Competitive Bid Law. Hon. John B. Nisbet, Mayor, City of Jacksonville, 8-28-89, AG 89-00411.
21. City Board of Education may employ services of Superintendent of Construction without competitive bidding. City Board of Education is an instrumentality of municipality which may award a contract to resident bidder under § 41-16-50. That portion of § 41-16-50, regarding awarding of bid to resident bidder, applies only to purchase of personal property. Hon. J. Russell Gibson, III, Tuscaloosa County, 11-10-88, AG 89-00036.

22. Mobile Airport Authority not covered by Act 84-830 which requires all leases for official business purposes to be competitively bid since City of Mobile is not political subdivision of Mobile County. Hon. Ian F. Gaston, Attorney, Mobile Airport Authority, 8-13-84, AG 84-00391.
23. Escambia Industrial Development Authority is not required to use competitive bidding if it constructs a building to lease for purposes of industrial development. However, requirements of the Competitive Bid Law must be met if the Authority renovates a building to use as its office. Hon. David W. Hutchinson, Executive Director, Escambia County Industrial Development Authority, Inc., 4-17-84, AG 84-00246.

**C. K-12 Education**

1. The Department of Examiners of Public Accounts may approve any competitive bid process, related to goods and services, that is utilized by a cooperative of the National Association of Counties, its successor organization, or any other national or regional governmental cooperative, as long as the process complies with the bid law requirements applicable to the governmental entity conducting the process. Examiners may only approve a cooperative's bid process, related to heating and air conditioning units or systems, if the process complies with the provisions of Alabama's bid law. Hon. Rachel L. Riddle, Chief Examiner, Department of Examiners of Public Accounts, 08-15-19, AG 2019-038.
2. A sale or lease of real property by the Escambia County Board of Education is not subject to the requirements of § 9-15-70, et seq. Any such transfer must be for adequate consideration, even if the consideration is non-monetary, and the Board must use the consideration for school purposes. Hon. Broox G. Garrett, Jr., Attorney, Escambia County Board of Education, 9-6-00, AG 2000-228.
3. The State Competitive Bid Law and the Public Works Law are not applicable where an educational building authority, organized under § 16-17-1, et seq., issues revenue bonds to finance facilities for a private school when the authority is not a party to the contracts, the school is not an agent of the authority, and there are no public funds obligated or used to pay for such bonds or facilities. Hon. Heyward C. Hosch, III, Attorney, Educational Building Authority of the City of Tuscaloosa, 1-25-99, AG 99-00095.
4. City Board of Education may employ services of Superintendent of Construction without competitive bidding. City Board of Education is an instrumentality of municipality which may award a contract to resident bidder under § 41-16-50. That portion of § 41-16-50, regarding awarding of bid to resident bidder, applies only to purchase of personal property. Hon. J. Russell Gibson, III, Tuscaloosa County, 11-10-88, AG 89-00036.

## **CHAPTER 5**

### **PROCEDURE UNDER COMPETITIVE BID LAW**

*See Appendix A and B for the Code of Alabama (1975) statutes referenced throughout this Chapter*

#### **ARTICLE I: Introduction**

The Competitive Bid Law contains many detailed procedural requirements. Some procedural issues can be quite complex, and because of this, the Attorney General has written numerous opinions regarding procedural issues related to the Competitive Bid Law.

Ala. Code § 41-16-54(a)(1) provides the procedure for advertising bids and states that all proposed purchases in excess of \$30,000 shall be advertised by posting notice thereof on a bulletin board maintained outside the purchasing office and in any other manner and for any length of time as may be determined. Sealed bids shall also be solicited by sending notice by mail or other electronic means to all persons, firms, or corporations who have filed a request in writing that they be listed for solicitation on bid lists for the particular items that are set forth in the request. If a person, firm, or corporation whose name is listed fails to respond to any solicitation after the receipt of three, they may be removed from the bid listing.

Although not required, a local preference zone may be established in accordance with Ala. Code § 41-16-50(b). If used, the local preference zone must be established prior to advertising for bids. The local preference zone consists of either the legal boundaries or jurisdiction of the awarding authority, or the boundaries of the county in which the awarding authority is located, or the boundaries of the core based statistical area in which the awarding authority is located. If the awarding authority is silent on the local preference zone, it is deemed to be the legal boundaries or jurisdiction of the awarding authority. In the event a bid is received from a person, firm, or corporation deemed to be a responsible bidder having a place of business within the local preference zone, and the bid is no more than 5% greater than the bid of the lowest responsible bidder, the awarding authority may award the contract to the resident responsible bidder.

Ala. Code § 41-16-54(b) provides that all bids shall be sealed when received and shall be opened in public at the hour stated in the notice unless the purchase is being made through a reverse auction procedure.

Pursuant to Act 2023-135, once bids are received, if no bids or only one bid is received, the awarding authority may either (1) advertise for and seek other competitive bids, or (2) negotiate through the receipt of informal bids not subject to the requirements of Article 3. Where only one responsible and responsive bid is received, any negotiation for the work shall be for a price lower than that bid. Ala. Code § 41-16-50(b)(4). In the event both or all bids exceed the awarding authority's anticipated budget, the awarding authority may negotiate with the lowest responsible and responsive bidder, provided the negotiated price is lower than the bid price. Ala. Code § 41-16-50(b)(5). If the awarding authority deems the price of any bid to be excessive or if the quality of the product is inferior, the awarding authority may reject the bid. Ala. Code § 41-

16-57(d).

As to records retention, the Competitive Bid Law requires all original bids and documents pertaining to the award of the contract shall be retained for a period of seven years from the date the bids are opened and shall be open to public inspection. Ala. Code § 41-16-54(e). Further, Ala. Code § 41-16-57(e) requires that each record, with the successful bid indicated, and the reasons for the award if not awarded to the lowest bidder, shall be open for public inspection.

Alabama courts have weighed in on several issues governing the procedural aspects of the Competitive Bid Law. For example, the Alabama Supreme Court has held that where a Sunday is fixed to be the last day to receive bids, Sunday must be excluded and the following Monday shall be counted as the last day for submitting bids. Huddleston v. Humble Oil & Refining Co., 71 So. 2d 39 (Ala. 1954). The Supreme Court has also stated that while brand names or specific product information can be included in bid specifications, these specifications may not be intentionally drawn to exclude a particular bidder and should only be included in order to ensure quality. See Mobile Dodge v. Mobile County, 442 So. 2d 56 (Ala. 1983). In Townsend v. McCall, the Alabama Supreme Court addressed the power of awarding authorities where the city commission rejected all bids except one which was allegedly made by mistake. The bidder who had made the mistake declined to accept a contract. The Court held that the commission had the power to readvertise for bids and award the contract to the same bidder as the lowest responsible bidder among those answering the second advertisement, even though the bid was submitted 20 minutes after the specified hour but before any bids were opened. Townsend v. McCall, 80 So. 2d 262 (Ala. 1955).

Lastly, in 2023, the Alabama Legislature passed Act 2023-409 which prohibits governmental entities from entering into contracts for goods and services unless the contract contains a written verification from the company that the company does not and will not, during the term of the contract, engage in economic boycotts as defined in the Act. This Act only applies to contracts that (1) are between a governmental entity and a company with 10 or more employees, and (2) involve at least \$15,000 to be paid over the term of the contract, paid wholly or partly from public funds of the governmental entity.

## **ARTICLE II: Attorney General Opinions**

### **A. County Agencies**

1. Under § 41-16-82, all persons who are awarded a contract over \$5,000 in a competitive bid process must submit a disclosure statement within 10 days of the award. Even if the parties regularly contract with each other, this disclosure statement must be prepared for every contract award, and not merely once a year. Hon. Bernard H. Eichold II, Health Officer, Mobile County Health Department, 1-10-2014, AG 2014-037.
2. The Water Works and Sewer Board of the City of Gadsden may purchase equipment through the National Joint Powers Alliance without violating the competitive bidding requirement of § 41-16-50, provided the Board complies with all of the requirements of §

41-16-51(a)(16). Hon. F. Michael Haney, Attorney, Water Works and Sewer Board of the City of Gadsden, 3-28-14, AG 2014-050.

3. Section 41-16-50(c) permits, but does not require, awarding authorities to require bidders to furnish a bid bond. If the lowest bidder's bond suffers from some technical deficiency, the authority may allow the bid to be corrected after it has been unsealed, particularly if the notice to bidders includes a clause retaining the right to waive any formality in any bid. Hon. Jim Byard, Jr., Director, Alabama Department of Economic and Community Affairs, 10-22-2013, AG 2014-011.

**Note: Since this opinion was published, the statute cited has been amended and is now found at Ala. Code § 41-16-50(d).**

4. A county commission may sell material if there is a need to dispose of it as surplus property. A county commission may sell material to a federal agency, a state agency, or another county commission under § 11-1-10. The governing bodies of two or more local agencies subject to § 41-16-50 of the Competitive Bid Law may enter into a joint purchasing agreement for materials, equipment and supplies under § 41-16-50(b). The agreement may provide that one of the agencies will serve as a joint purchasing or bidding agent to physically purchase and obtain items from the vendor for all of the agencies and that the remaining agencies will obtain their share from and reimburse the purchasing agency. Hon. K. Doyle Allen, Chairman, Randolph County Commission, 11-02-2010, AG 2011-007.

**Note: Since this opinion was published, the statute cited has been amended and is now found at Ala. Code § 41-16-50(c).**

5. Under the Competitive Bid Law, state agencies, local jurisdictions, and municipalities may not purchase items directly under a contract issued by the Defense Logistics Agency without engaging in a new bid process. Hon. James M. Walker, Jr., Director, Department of Homeland Security, 4-5-2004, AG 2004-111.
6. The three-year limit found in § 41-16-57(e) (1975) on public contracts for contractual services applies only to contracts that are competitively bid. The chairman of the county commission must sign a contract approved by the commission. Hon. Don Strength, Director, Randolph Co. Emergency Management Agency, 12-11-00, AG 2001-049. Since entry of this Opinion, changes were made to the controlling statute, § 41-16-57. The correct citation that "[c]ontracts for the purchase of personal property or contractual services shall be let for periods not greater than three years" is § 41-16-57(f). Note: Act 2021-378 resulted in additional changes being made to § 41-16-57(f) to specify that contracts for the purchase of personal property or contractual services shall be let for periods not greater than three years, except for contracts for the collection and disposal of residential solid waste, other than those contracts in Class 1 municipalities, shall be let for periods not greater than five years.
7. Where only one bid is submitted in response to an invitation to bid, the awarding authority may accept the bid, rebid the project, or reject the bid and negotiate the purchase or

contract, provided the negotiated price is lower than the bid price. Hon. Steven R. Ballard, Administrator, DeKalb County Commission, 5-8-98, AG 98-00140.

8. Bidders must honor their bids upon award of the contract. A bid must be evaluated for conformity with specifications. Hon. George W. Grayson, Member, House of Representatives, 4-28-92, AG 92-00262.
9. An irrevocable letter of credit may be accepted as the bid bond required under the Competitive Bid Law. Hon. Yvonne Kennedy, President, Bishop State Community College, 11-15-91, AG 92-00053.
10. A bid submitted pursuant to § 41-16-54 must be sealed when received; submission by facsimile machine does not meet the requirements of the statute. Hon. Constance S. Aune, In-House Counsel, Board of School Commissioners of Mobile County, 10-9-90, AG 91-00016.
11. Section 41-16-50(c) requires that a bidder must furnish a bid bond for his bid to be considered. Contract must be awarded to lowest responsible bidder in conformity with specifications. Hon. Randy Beard, Marshall County Attorney, 2-13-90, AG 90-00140.
12. The Mobile County Commission should not waive as a technicality a mistake in the unit price of a bid on a bridge repair project. Section 39-2-7 is applicable only to state agencies and does not in and of itself preclude a county from waiving or correcting a technical error contained in a unit price of a bid. Hon. Lawrence M. Wettermark, Attorney at Law, 10-24-89, AG 90-00015.
13. Invitation to bid may use brand name in specifications when followed by words “or equal” so that a bid for equipment of better or equal quality may be submitted. Cannot mail invitations to bid on a crawler dozer only to Caterpillar dealers. Hon. F. R. Albritton, Jr., Probate Judge, Wilcox County, 9-15-86, AG 86-00359.
14. A county commission may amend their minutes to correct an error. A county commission may not accept a bid on an item which was not advertised for bids. A company which contracts to merely haul crushed stone is not a general contractor as defined in § 34-8-1. Hon. W. C. Buttram, President, DeKalb County Commission, 5-3-83, AG 83-00300.
15. Competitive bids may be requested by telephone as long as the other methods required by § 41-16-54 are used. Bids cannot be received or accepted by telephone. Hon. F. R. Albritton, Jr., Chairman, Wilcox County Commission, 2-22-83, AG 83-00199.

## **B. Municipal Agencies**

1. Incorporated municipalities within Morgan County may, by ordinance, elect to enter a joint agreement with the Morgan County Emergency Management Communications District to competitively bid a contract for exclusive ambulance service within their respective

jurisdictions. Hon. Julian D. Butler, Attorney, Morgan County Emergency Management Communications District, 11-6-14, AG 2015-014.

2. Although a municipality is not required to sell its real property by competitive bid, it is the best public policy to do so. Hon. Martin R. Pearson, Attorney, Town of Millry, 7-17-14, AG 2014-076.
3. The Birmingham Water Works Board may make purchases from the state bid list without further bidding if the purchase is made from the vendor to whom the state awarded the contract and the state bid included political subdivisions and instrumentalities of political subdivisions on the state bid. Hon. A. Jackie Robinson, III, Chairman/President, The Birmingham Water Works Board, 11-15-2010, AG 2011-011.
4. A written proposal on the outside of a sealed bid made prior to the bid opening can be considered part of the proposal. Hon. William L. Nix, Attorney, Hughley Water, Sewer, and Fire Protection Authority, 7-25-2005, AG 2005-160.
5. Under the Competitive Bid Law, state agencies, local jurisdictions, and municipalities may not purchase items directly under a contract issued by the Defense Logistics Agency without engaging in a new bid process. Hon. James M. Walker, Jr., Director, Department of Homeland Security, 4-5-2004, AG 2004-111.
6. There is no specific state law that prohibits advertising on a city's law enforcement vehicles. Exclusive grants of franchises on contracts must be competitively bid. Hon. Sammie E. Maze, Mayor, Town of Kimberly, 11-13-02, AG 2003-031.
7. A bidder, who previously withdrew his bid, may rebid on the same contract if all bids on the original contract are subsequently rejected and the contract is rebid, provided there is no fraud or collusion presented. Hon. Jay M. Ross, Attorney, City of Daphne, 6-5-02, AG 2002-246.
8. Contract for operating and managing a utility board must be bid at the end of the term of the contract. Hon. Oliver Kitchens, Attorney, Utilities Board of the City of Roanoke, 10-28-96, AG 97-00025.
9. Once a bid or offer is rejected, it ceases to exist. Pursuant to the Competitive Bid Law, the awarding authority cannot accept the rejected bid and award a contract for services. Hon. James E. Atchison, Attorney, Mobile Board of Water and Sewer Commissioners, 9-17-96, AG 96-00317.
10. Municipalities may renew existing contracts without taking competitive bids provided the terms are not changed and the original contract provides for renewal. If the terms are materially changed, then the contract must be rebid in accordance with § 41-16-50(a). Hon. Jonathan A. Brown, Attorney, City of Vernon, 2-23-96, AG 96-00142.



11. Contractual service contracts of local governing bodies are limited to three years pursuant to § 41-16-57(e). Hon. Ellie B. Glasscox, Superintendent, Shelby County Board of Education, 2-17-89, AG 89-00173. Since entry of this Opinion, changes were made to the controlling statute, § 41-16-57. The correct citation that “[c]ontracts for the purchase of personal property or contractual services shall be let for periods not greater than three years” is § 41-16-57(f). Note: Act 2021-378 resulted in additional changes being made to § 41-16-57(f) to specify that contracts for the purchase of personal property or contractual services shall be let for periods not greater than three years, except for contracts for the collection and disposal of residential solid waste, other than those contracts in Class 1 municipalities, shall be let for periods not greater than five years.
12. Under the particular facts presented, where bids are six months old, city council should begin a new bid process for the purchase of a fire truck. Hon. Frances L. Allsup, City Clerk, City of Hokes Bluff, 9-13-88, AG 88-00446.
13. The City Council of Vestavia Hills may write the invitation to bid specifications to include real estate, as well as the plans and specifications for the construction of the fire station building. Hon. Patrick H. Boone, City Attorney, City of Vestavia Hills, 6-23-87, AG 87-00220.
14. Brand name may be used in bid specifications to indicate a level of quality. Hon. Nelson R. Starkey, Jr., Member, Alabama House of Representatives, 12-6-85, AG 86-00070.
15. In a public contract, all original bids together with all documents pertaining to the award of the contract are open to public inspection. Commissioner Faye S. Baggiano, Alabama Medicaid Agency, 8-19-85, AG 85-00473.
16. Alabama municipality may not contract to provide services to a Georgia municipality. Hon. Mac H. Langley, Mayor, City of Lanett, 5-8-84, AG 84-00268.
17. There is no specific time frame in which to apply the statutory amount limitation. If any single purchase exceeds the statutory amount or if the cumulative cost of a series of purchases of like items exceeds the statutory amount, the purchase must be made by competitive bidding. Hon. G. R. Craft, Chairman, Utilities Board, Town of Citronelle, 8-30-82 AG 82-00526.

**C. K-12 Education**

1. When a School Board gives specific instructions for submitting a bid and a bidder fails to follow those instructions, the error is not a minor informality and cannot be waived. Hon. Barry Sadler, Superintendent, Eufaula City Schools, 7-22-03, AG 2003-196.
2. If requirements of Act No. 84-228 are not met, Washington County Board of Education may reject bids and readvertise for bids. The Board in its discretion may not waive a defect in a bid under Act 84-228 where nonresident contractor failed to submit required letter with his bid. The Board is not required to give preference to resident Alabama contractors over

Mississippi contractors. Dr. Fred M. Scoggins, Superintendent, Washington County Board of Education, 5-15-85, AG 85-00354.

3. Boards of Education may not require a certified check in lieu of a bond but may accept certified checks if they choose to do so. Hon. James C. Bailey, President, Wallace State Community College, 10-18-84, AG 85-00032.
4. A county board of education may specify a brand name in soliciting bids for radios which would be compatible with the board's present power unit and radio system. Dr. Charles Sprayberry, Superintendent of Education, Tuscaloosa County Board of Education, 10-14-83, AG 84-00006.
5. Boards of education may not elect to receive certified check rather than bid bond from bidders on public works. Hon. Edward Jackson, Attorney for Houston County Board of Education, 1-31-83, AG 83-00154.
6. No purchase or contract involving an amount in excess of the statutory amount shall be divided into parts involving statutory amounts or less for the purpose of avoiding the requirements of the Competitive Bid Law. If an agency knows that it will purchase like items in excess of the statutory amount during the fiscal year, then purchase must be bid. Hon. Charles Sprayberry, Ed. D., Superintendent of Education, Tuscaloosa County Board of Education, 5-18-82, AG 82-00343.

## CHAPTER 6

### CONFLICTS OF INTEREST

*See Appendices A and B for the Code of Alabama (1975) statutes referenced throughout this Chapter.*

#### ARTICLE I: Introduction

To prevent conflicts of interest and to ensure that members of governing boards do not give preferential treatment in order to further their personal interests, the Legislature has enacted statutory rules regarding conflicts of interest in the competitive bidding process. These rules are codified in a few different places and deal with different levels of government and separate groups of public officials.

First, Ala. Code § 11-3-5(a) addresses conflicts of interests for members of county commissions and provides that no member of any county commission and no business with which any county commissioner is associated shall be a party to any contract with the county commission on which he or she serves, except where that contract for goods or services is competitively bid.

Next, Ala. Code § 41-16-60 addresses conflicts of interest of members and officers of boards of education. This statute provides that members and officers of boards of education for cities, counties, and independent school districts “may be financially interested in or have any personal beneficial interest, either directly or indirectly, in the purchase of or contract for any personal property or contractual service under either of the following conditions:

- (1) The contract or agreement under which the financial interest arises was created prior to the election or appointment of the individual to the position he or she holds;
- (2) The individual holding the position does not participate in, by discussion or by vote, the decision-making process which creates the financial or personal beneficial interest.”

This statute, which was amended in 2011, stands in stark contrast to the previous version of the statute, which categorically prohibited acquisition of interests and prescribed criminal penalties for violation of the statute. It should be noted that Ala. Code § 16-13B-10 still contains language identical to the previous version of Section 41-16-60. However, it is the opinion of the Attorney General’s office that Section 41-16-60 should be considered controlling, not Section 16-13B-10—the Legislature intended to repeal Section 16-13B-10 because of the irreconcilable conflict with the enacted amendments to Section 41-16-60. *See* Hon. Patrick C. Davidson, Attorney, Auburn City Board of Education, 12/14/11, AG 2012-017. But in any action taken, the board member should be mindful of potential violations of the Ethics Law. *Id.*

Lastly, Ala. Code §§ 41-16-80 to 88 requires all persons who submit a proposal, bid, contract, or grant proposal to the State of Alabama to disclose their family relationship(s) with public officials and public employees and their family members. Section 41-16-83 gives a list of

the information required (name and address of the related parties, description of any benefit that may be gained through a contractual relationship, and names and addresses of any paid consultants or lobbyists for the project). Section 41-16-84 mandates that governments furnish disclosure statement forms to bidders. Section 41-16-85 provides that the relationship disclosure forms are public records to be filed with the awarding entity, the Department of Examiners of Public Accounts, and the Contract Review Permanent Legislative Oversight Committee. Section 41-16-86 provides civil penalties for violations of the act, which include voiding of the contract and payment of the lesser of \$10,000 or 10% of the contract terms to the State General Fund. Section 41-16-87 provides that this disclosure form requirement does not apply to entities that do not receive state funds. Also, no relationship disclosure form is required to be completed or filed for contracts between state agencies or departments.

The Alabama Supreme Court has decided one case involving conflicts of interest under the Competitive Bid Law. In City of Montgomery v. Brendle Fire Equipment, Inc., 279 So. 2d 480 (Ala. 1973), an unsuccessful bidder attempted to, among other things, enjoin the city from accepting bids from a particular individual because of an alleged conflict of interest. Although the Circuit Court originally granted the injunction, the city appealed. The Alabama Supreme Court ultimately held that although a member of the city housing authority board of commissioners had an interest in a firefighting equipment company, there was no conflict of interest because the city housing authority was not involved in a city contract for firefighting equipment and because the member did not have any part in the decision-making process. The court concluded that Section 41-16-60 was only intended to prohibit bidding by a member who has an interest in the bidder and who will be involved in the decision-making procedure. The Court remanded to the lower court the issue of whether another unsuccessful bidder could enjoin a city from accepting bids.

## **ARTICLE II: Attorney General Opinions**

### **A. County Agencies**

1. The Cleburne County Commission has a lengthy and stable history with an auto parts store within Cleburne County, and the owner of the business was later elected to a seat on the Commission. The fact that the business is an approved vendor with the Alabama Department of Finance, Division of Purchasing, does not alter the fact that the commissioner would receive a direct financial benefit from any purchases made by the Commission from the business owned by the commissioner. While not statutorily prohibited, pursuant to common law, a member of the Cleburne County Commission should not financially benefit from the business of the county commission. Hon. Steve Swafford, County Administrator, Cleburne County Commission, 3-6-15, AG 2015-035.

Note: In 2021, the Cleburne County Commission requested an Attorney General's Opinion resulting from a continuation of the facts at issue in AG 2015-035. Specifically, the Commissioner that owned the auto parts store within Cleburne County sold the store to his daughter and son-in-law, facilitating the sale by extending a loan secured by the store's inventory. The question presented was whether the Commission may now conduct business with the auto parts store when the new owners are related to a sitting Commissioner within

the first degree of consanguinity and the Commissioner facilitated the purchase of the store by financing a loan. The Opinion states that the Commission may conduct business with the auto parts store even though the new owners of the store are related to a sitting Commissioner within the first degree of consanguinity and when the Commissioner facilitated the purchase of the store by financing a loan so long as the contract is competitively bid and the Commissioner abstains from the competitive bidding process. Hon. Jason C. Odom, County Attorney, Cleburne County Commission, 5-19-21, AG 2021-036.

2. An individual who is employed by a healthcare provider that transacts business with or offers similar services as the Montgomery Area Mental Health Authority, Inc. is not prohibited from serving as a member of the board of the Authority. Hon. Donna Leslie, Executive Director, Montgomery Area Mental Health Authority, Inc., 10-30-19, AG 2020-004.
3. There is no longer a statutory prohibition against a county contracting with a company owned by a county commissioner so long as the commissioner does not vote on, or in any manner participate in, the transaction. But a county commissioner should not financially benefit from the business of the county commission, so the contracting may be improper. Hon. Ricky McElwain, Chairman, Crenshaw County Commission, 02-07-2013, AG 2013-032.
4. Act 2010-760 does not prohibit a legislator from being employed as the executive director of the Elmore County Economic Development Authority (“ECEDA”), a private, nonprofit corporation. Even if the ECEDA receives a funding grant from a state agency, a legislator is not prohibited from being employed as the executive director of the ECEDA. Hon. Barry Mask, Member, House of Representatives, 05-26-2011, AG 2011-066.
5. The Jefferson County Board of Health is a state agency receiving state funds that is subject to the Relationship Disclosure Law. Honorable David S. Maxey, Attorney, Jefferson County Board of Health, 5-1-07, AG 2007-087.
6. The Tuscaloosa County Park and Recreation Authority is not prohibited from accepting a gift of construction services from a board member. The donation of construction services to the Park and Recreation Authority is not subject to the Competitive Bid Law or the Public Works Law. Hon. Don Kelly, Executive Director, Tuscaloosa County Park and Recreation Authority, 10-7-99, AG 2000-003.
7. No statute prohibits county officials and employees from bidding upon sales of surplus county property where the sale is open to the public. Hon. Steven R. Ballard, Administrator, DeKalb County Commission, 4-30-98, AG 98-00135.
8. Transaction between county and company in which a county commissioner is stockholder may violate § 41-16-60, even if the transaction is carried out in accordance with the competitive bid process. Ethics question should be submitted to Ethics Commission. Hon. William J. Benton, Jr., Attorney, Russell County Commission, 3-24-95, AG 95-00164.

9. Without considering the State Ethics Law, there is no State law that would prohibit the Choctaw County Commission from purchasing a refrigerator truck from a company owned by the county tax collector, provided there has been compliance with the applicable Competitive Bid Law. The State Ethics Commission should be contacted for possible violations of the State Ethics Law. Hon. Charles V. Ford, Chairman, Choctaw County Commission, 8-29-91, AG 91-00378.
10. Without considering the State Ethics Law, there appears to be no conflict of interest if Russell County Commission contracts with an ambulance service that is owned by the relative of a county commissioner, who is not his spouse, and where the related commissioner does not participate or vote in the award. Hon. Nathaniel Gosha, III, Russell County Commissioner, 1-22-90, AG 90-00109.
11. The Macon County Commission may purchase real property from a private nonprofit corporation whose president is also a county commissioner provided that the commissioner receives no profit from the sale. The commissioner may not participate in the decision to purchase the real property. Hon. Edwin L. Davis, Macon County Attorney, 8-8-89, AG 89-00394.
12. The Lauderdale County Commission may purchase automobiles and parts from a dealership where a commissioner is employed provided the commissioner receives no benefit from the contract. The commissioner should not participate in the decision to award the contract to the automobile dealership. Hon. William B. Duncan, Chairman, Lauderdale County Commission, 2-18-83, AG 83-00197.

**B. Municipal Agencies**

1. The Town of Pinckard is permitted to do business with a shop owned by a municipal officer when that shop or vendor is the only domiciled vendor within the municipality and the cost of the personal property or service offered by the vendor does not exceed \$3000 yearly. If the vendor is not the only one of its kind domiciled within the Town limits, or the service will exceed \$3,000 yearly, the elected official or municipal employee may bid on providing service to the Town in accordance with § 41-16-50. Hon. Fred McNab, Mayor, Town of Pinckard, 7-13-15, AG 2015-051.
2. A water works board, being a public corporation separate from its town, may lease equipment from an employee of the board, so long as the employee is not involved in the decision on behalf of the board. Hon. William D. Latham, Attorney, Water Works and Gas Board of the Town of Maplesville, 02-06-2013, AG 2013-031.
3. Class 7 and 8 municipalities may legally purchase personal property or personal services from elected officials, employees, or board members under the Competitive Bid Law provided the official does not participate in the decision-making process and is the lowest responsible bidder. Hon. John Ben Jones, Attorney, City of Valley, 01-31-2013, AG 2013-

028.

4. Section 11-43-12 does not prohibit a city employee from holding the position of president of the humane society that provides contractual services to the City of Lanett, so long as the employee receives no compensation from the humane society. Hon. Oscar Crawley, Mayor, City of Lanett, 10-02-2012, AG 2013-002.
5. The City of Prattville may not surplus city property and exchange said property with a sitting council member's property. Hon. David A. McDowell, Attorney, City of Prattville, 06-25-2012, AG 2012-065.
6. Directors of the Public Park Authority of the Cities of Lincoln and Talladega are eligible to submit bids or contract for their services. Whether such action may be prohibited pursuant to the State Ethics Law is a matter that should be submitted to the Ethics Commission. Hon. Charles P. Gaines, Attorney, The Public Park Authority of the Cities of Lincoln and Talladega, 07-25-2011, AG 2011-081. However, a subsequent opinion issued to Hon. Ricky McElwain, Chairman, Crenshaw County Commission, 2-7-2013, AG 2013-032, is relevant to this opinion. It found that there is no statutory prohibition against the Crenshaw County Commission accepting bids and contracting with a company owned by a county commissioner, as long as the county commissioner owning the company does not vote on, or in any manner participate in, the transaction. Although not statutorily prohibited, under common law a county commissioner should not financially benefit from the business of the county commission.
7. A Class 7 or 8 municipality may enter into a contract with a business owned by a municipal officer or employee if the officer or employee is the only domiciled vendor of the personal property or service within the municipality, the officer or employee does not participate in the decision-making process, and the cost does not exceed \$3,000. Hon. C. Daniel White, Attorney, Town of Flomaton, 06-20-06, AG 2006-109. *Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.*
8. If the cost exceeds \$3,000, the municipality may contract with the municipal officer or employee under the Competitive Bid Law, provided the official or employee does not participate in the decision-making process, is the lowest responsible bidder, and makes a full disclosure of the extent of his or her ownership in the business. The municipal officer or employee may act as a subcontractor on city work exceeding \$3,000 if the official or employee does not participate in the decision-making process and makes a full disclosure of the extent of his or her ownership in the business. Hon. John D. Whetstone, Attorney, City of Gulf Shores, 06-11-08, AG 2008-092. *Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.*
9. A Class 7 or 8 municipality may not enter into a non-bid contract with a non-domiciled business owned by the mayor. A Class 7 or 8 municipality may enter into a contract with a business owned by the mayor pursuant to the Competitive Bid Law, if he is domiciled in the municipality. Hon. C. Daniel White, Attorney, Town of Flomaton, 6-20-06, AG 2006-

109.

10. Section 11-43-12.1 allows the City of Guntersville, a Class 7 municipality, to do business with a company owned by the mayor when that company is the only vendor of that personal property or service within the municipality and the cost of the purchase does not exceed the sum of \$3000. If the cost of the purchase of personal property or service exceeds the sum of \$3000, then the company owned by the mayor may bid on providing the personal property or service to the city. Hon. Dan Warnes, Attorney, City of Guntersville, 5-23-06, AG 2006-099. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
11. A member of the Civil Service Board of the City of Gadsden is not prohibited by the Constitution of Alabama or § 11-43-12 from serving as a consultant on a fee-for-service basis for the city's public works department. Such consultant services may be subject to the Competitive Bid Law. Hon. William R. Willard, Attorney for Civil Service Board for the City of Gadsden, 4-12-02, AG 2002-209.
12. Because the Town of Odenville is a Class 8 municipality, § 11-43-12.1 permits the town to do business with a company that is owned by a municipal officer when that company is the only vendor of that personal property or service within the municipality and the cost of the personal property or service does not exceed \$3,000 yearly. If the property or service will exceed \$3,000 yearly, then the council member may bid on providing service or property to the town pursuant to § 11-43-12.1(b) and in accordance with §§ 41-16-50 and 41-16-51. Hon. Rodney Christian, Mayor, Town of Odenville, 4-21-05, AG 2005-118. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**
13. The Mayor of the Town of Cedar Bluff, who is also a member of the Cedar Bluff Utilities Board and Solid Waste Authority, may sell real property to the Cedar Bluff Utilities Board and Solid Waste Authority if the Board determines that the property is necessary for the utility system. The Utilities Board may not purchase property from the mayor for the purpose of directly selling that property to the Town of Cedar Bluff. The State Ethics Commission should be contacted to determine whether this sale would violate the State Ethics Law. Hon. H. Dean Buttram, Jr., Attorney for the Town of Cedar Bluff and the Cedar Bluff Utilities Board and Solid Waste Authority, 3-10-03, AG 2003-095.
14. A city council member may not successfully bid, under the Competitive Bid Law, for any contract or service with the City of Prattville if he has a direct financial interest in the company bidding. Hon. David A. McDowell, City Attorney, City of Prattville, 11-19-01, AG 2002-065.
15. Council member may sell gasoline to an incorporated municipal board. Council member may sell gasoline to the municipality only in compliance with § 11-43-12.1. Hon. K. Mark Parnell, Attorney, Town of Brookside, 10-22-96, AG 97-00015.



16. A council member is not prohibited from participating in the award of a contract where a bid was submitted by a car dealership whose general manager is his brother if the council member has no financial interest in the dealership. Hon. Bruce Sanford, Mayor, City of Boaz, 8-23-93, AG 93-00319.
17. Water Works and Sewer Board of City of Oxford may contract for maintenance services on its vehicles and other miscellaneous services not covered by the bid law with suppliers, owned wholly or in part by a city councilman. State Ethics Commission should be contacted as to whether there would be a violation of ethics law under the proposed contractual arrangement. Hon. Bruce Rice, Attorney for the Water Works and Sewer Board of the City of Oxford, 6-18-93, AG 93-00264.
18. The City of Trussville may contract with the Chamber of Commerce to provide a feasibility study for the city or the city can contract directly with the agency making the study. Hon. Charles I. Grover, Mayor, City of Trussville, 11-26-91, AG 92-00060.
19. Where spouse of municipal employee owns less than majority of stock of corporation, § 11-43-12 does not prohibit municipality from doing business with that corporation. Hon. Bill Dukes, Mayor, City of Decatur, 4-27-90, AG 90-00245. However, this opinion was modified by an opinion issued to Valerie Bullard, Internal Auditor, City of Dothan, 12-4-2000, AG 2001-042, which found that under § 11-43-12, a city may not contract with a close corporation in which a city employee or the employee's spouse owns stock.
20. Where police chief owns service station, municipality may not purchase gasoline from him unless he is the sole vendor (Class 7 and 8 municipalities) or he bids under §§ 41-16-50, et seq., and § 11-43-12.1. Hon. Wilburn Gower, Mayor, Town of Town Creek, 2-20-90, AG 90-00162.
21. Under § 11-43-12, City of Cullman is prohibited from doing business with city employee's family-held corporation. Questions concerning State Ethics Law should be referred to State Ethics Commission. Hon. Don Hale, Member, State Senate, 2-8-90, AG 90-00127.
23. Under conditions stated in the opinion, Water Works and Sewer Board of Clanton may contract with a company owned by an uncle of a board member, and which employs the board member's brother. The board member should not participate in discussions or voting on contracts by the board with his uncle's business. Hon. John H. Jackson, Attorney at Law, 5-3-90, AG 90-00261.
24. The fact that Pell City Council appoints members to Pell City Board of Education, Pell City Industrial Development Board, Pell City Public Building Authority and Pell City Medical Clinic Board does not in and of itself create conflict of interest that would prohibit member of Pell City Council from transacting business with such entities. Hon. Lawrence Fields, Mayor, City of Pell City, 8-28-89, AG 89-00409.
25. Individual serving on Board of Directors of Cullman Utilities Board, which is public corporation, may bid on and, if low bidder, accept construction contract to be awarded by

City of Cullman. Hon. James F. Berry, Cullman County, 6-22-89, AG 89-00329.

26. Mayor or other member of municipal governing body prohibited by § 11-43-54, § 41-16-60 or both, from voting, by virtue of special financial interest, on question of placing funds of municipality in bank in which he or she owns less than a majority interest of stock, or for which he or she serves as officer or director. Mayor or other member of municipal governing body not prohibited from serving as officer or director of bank. Hon. John D. Harrison, Crenshaw County, 2-17-89, AG 89-00174. However, it is important to note that § 41-16-60, relating to conflicts of interest of members or officers of certain public offices or positions, upon which this opinion relies, was amended, effective 6-9-2011.
27. If a city council member does not own a controlling interest in the stock of a corporation, § 11-43-12 does not prohibit the city from doing business with that corporation. Hon. J. David Stout, Mayor, City of Fort Payne, 8-2-88, AG 88-00400.
28. Under provisions of § 11-43-12, municipality is prohibited from doing business with corporation whose owner and sole stockholder is spouse of municipal employee. Hon. Bill Dukes, Mayor, City of Decatur, 4-26-88, AG 88-0275.
29. If council member owns less than a majority of the stock of a corporation, municipality is not, under the provisions of § 11-43-12, prohibited from doing business with that corporation. Hon. William C. Brewer, III, Attorney and Counselor at Law, 3-9-88, AG 1988-203. However, this opinion was modified by an opinion issued to Valerie Bullard, Internal Auditor, City of Dothan, 12-4-2000, AG 2001-042, which concluded that under § 11-43-12, a city may not contract with a close corporation in which a city employee's spouse owns stock.
30. City of Gadsden may not enter into a contract for architectural services with the architectural firm of the husband of a council member. Hon. Holley Arbery, President, City Council, City of Gadsden, 8-10-87, AG 87-00287.
31. The company of which a Sylacauga Utilities Board member is president and part owner can contract with or perform services for the Utilities Board if he is not a majority stockholder in the company. Hon. C. W. McKay, Jr., Attorney Utilities Board of Sylacauga, 12-3-86, AG 87-00063.
32. City of Phenix City cannot purchase goods from business of which a council member is general manager and vice president. Hon. Sam E. Loftin, Attorney for the City of Phenix, 8-20-85, AG 1985-481.
33. The spouse of a Utility Board Member should not bid on a construction contract with that Board. Hon. James E. Turnbach, Attorney, Utility Board of Rainbow City, 4-26-85, AG 85-00327.
34. A municipality may accept a bid on an automobile from a dealership in which the mayor is a minority stockholder and his brother owns the majority of the stock. Hon. James H.

Massey, Mayor, City of Citronelle, 8-14-81, AG 81-00514.

35. Member of Hospital Board may not be financially interested in or benefited by a contract entered into by the public body with which he is associated. Hon. Homer Cornett, Attorney, Phenix City, 9-10-79, AG 79-00281.

**C. K-12 Education**

1. Pursuant to § 41-16-60, members and officers of the city and county boards of education may be financially interested in or have any personal beneficial interest, either directly or indirectly, in a contract with the board of education for personal property or personal services if the contemplated contract was in existence before a person was elected or appointed to the board or the individual did not participate in the deliberation or vote on the proposed contract. The superintendent of a county board of education is an “officer” of the board as the term is used in § 41-16-60. Hon. Taylor P. Brooks, Attorney for Morgan County Board of Education, 5-11-23, AG 2023-028.
2. Pursuant to § 41-16-60, a member of a city or county board of education may contract with the board of education for property or personal services if (1) the contemplated contract was in existence before a person was elected or appointed to the board, or (2) the individual does not participate in the deliberation or vote on the proposed contract. This is true notwithstanding the language of § 16-13B-10 prohibiting such contracting—because the two statutes are in direct conflict, it is the opinion of the Attorney General’s office that the legislature intended to repeal § 16-13B-10 by the later amendment of § 41-16-60. Hon. Patrick C. Davidson, Attorney, Auburn City Board of Education, 12-14-2011, AG 2012-017; Hon. James E. Turnback, Attorney, Etowah County Board of Education, 12-14-2011, AG 2012-018.
3. Under § 41-16-60, a member of Chilton County Board of Education may not sell supplies to Chilton County schools, teachers, or school clubs and organizations if office supply company in question is owned solely by Board member or spouse or both of them. If Board member and spouse own less than a majority of stock and business is not family-held corporation, Board member may sell supplies to aforementioned entities and persons. Hon. John Hollis Jackson, Jr., Chilton County, 6-16-89, AG 89-0324. However, this opinion does not take into account subsequent amendments to § 41-16-60 (effective 6/9/2011) and § 16-13B-10 (effective 8/1/2009).
4. Chilton County Board of Education may not do business with company owned solely by a board member but may do business with corporation where board member owns less than majority of stock and it is not a family-held corporation. Hon. John Hollis Jackson, Jr., Chilton County, 3-30-89, AG 89-00227.
5. Board of education may not do business with a company owned solely by a board member but may do business with a corporation where board member owns less than a majority of the stock and it is not a family-held corporation. Hon. Frank Daniel, Superintendent of Education, 2-23-89, AG 89-00195.

6. Member of County Board of Education cannot transact business with that Board even if there is compliance with the Competitive Bid Laws. A member of County Board of Education cannot do business with that Board even if the transaction is for an amount that is excepted from the Competitive Bid Laws. Hon. Lewis S. Hamilton, Attorney for Butler County Board of Education, 4-7-88, AG 88-00245. Note: This opinion does not take into account subsequent amendments to § 41-16-60 (effective 6/9/2011) and § 16-13B-10 (effective 8/1/2009).
7. Absent a determination that a corporation is “family-held”, that corporation, for which a board member serves as vice president, may submit bids to board of education. Hon. Clifford S. Smith, Superintendent, Phenix City Public Schools, 12-17-85, AG 86-00093.

## CHAPTER 7

### LEASE AGREEMENTS

*See Appendix A for the Code of Alabama (1975) statutes referenced throughout this Chapter.*

#### ARTICLE I: Introduction

Although many people incorrectly assume that the Competitive Bid Law governs only purchases made by governmental entities, Ala. Code § 41-16-50 provides that certain leases are also subject to the Competitive Bid Law.

The relevant portion of Section 41-16-50 reads: “[A]ll expenditure of funds for...the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of thirty thousand dollars (\$30,000) or more, made by or on behalf of any [agency receiving State funds]..., except as otherwise provided in this article, shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible and responsive bidder...”

Leases and lease-purchase agreements are treated very similarly to purchases under the Competitive Bid Law. For example, if a public agency is required to follow a specific procedure in opening bids for purchases, then it will also be required to follow the same procedure for leases. If a conflict of interest exists in a particular purchase, then a conflict of interest will exist in a lease transaction involving the same surrounding circumstances.

However, much like purchases, circumstances do exist in which the competitive bid laws will not apply for leases and lease-purchase agreements made by public agencies. For example, a statutory exemption can be found in Section 41-16-52(c):

“All expenditures of funds for the leasing of heavy duty off-highway construction equipment and all vehicles with a gross vehicle weight rating of 25,000 pounds or greater, including machinery for grading, drainage, road construction and compaction for exclusive use of county and municipal highway, street and sanitation departments, involving a monthly rental of not more than ~~\$5,000.00~~ \$10,000.00 per month per vehicle or piece of equipment or machinery but not to exceed ~~\$15,000.00~~ \$30,000.00 per month for all such vehicles and pieces of equipment made by or on behalf of any county commissions and the governing boards of municipalities of the state and the governing bodies of instrumentalities, including waterworks boards, sewer boards, gas boards and other like utility boards and commissions shall be made, at the option of the said governing boards, bodies, instrumentalities and commissions, without regard to this article.”

Generally, a lease or a lease purchase agreement must comply with the bid law if it meets the \$30,000 limit, does not involve a piece of equipment excluded under Section 41-16-52(c), and does not involve real property. Where real property is concerned, the Alabama Land Sales Act may become applicable. However, county and municipal governments and their respective boards, agencies, departments, corporations, and instrumentalities are included in an exemption from

competitively bidding leases for real property provided by Ala. Code § 9-15-82(b).

## **ARTICLE II: Attorney General Opinions**

The Attorney General has answered numerous questions regarding leases and lease purchase agreements under the Competitive Bid Laws. These opinions are topically outlined below.

### **A. County Agencies**

1. The Decatur-Morgan County Port Authority may lease real estate it owns to a private entity without competitively bidding the lease. Hon. Barney Lovelace, Decatur-Morgan County Port Authority, 09-15-2022, AG 2022-050.
2. This Office is unaware of any statutory provisions that would preclude the Mobile Commission from leasing a roof attached to the Mobile County Government Plaza Atrium from a private entity pursuant to a lease-purchase arrangement. This Office is unaware of any statutory or other legal impediment that would preclude the inclusion of a provision in the contemplated agreement mandating that, in the event of a default by the Commission and upon the provision of appropriate notice and failure to cure, the Commission would be obligated to purchase the roof within a reasonable time after said default. This Office is unaware of any statutory or other legal impediment that would preclude the Commission from soliciting competitive bids that include each bidder's determination of an appropriate roof system sufficient to meet the Commission's performance criteria and specifications. Hon. Jay M. Ross, Attorney, Mobile County Commission, 09-28-2011, AG 2011-106.
3. Lease tax is levied upon the lessor and measured by the gross proceeds received by the lessor. If the parties have previously agreed to do so, then the tax burden may be shifted to the lessee unless the lessee is a state, municipality, or a county. The only way that such a tax can be passed on to one of these governmental entities is if the flat amount collected by the lessor includes both the tax and the leasing fee. Hon. Jay M. Ross, Mobile County Attorney, 1-18-07, AG 2007-038.
4. Public lands may be leased to private entities for hunting purposes. It is suggested that such leasing be done by the competitive bidding process. Hon. Johnny Cagle, Member, House of Representatives, 4-24-92, AG 92-00250.
5. Act No. 84-830 is applicable to Mobile County Personnel Board. Thus, the Personnel Board must execute lease for office space by competitive bidding. Hon. Mylan R. Engel, Attorney, Mobile County Personnel Board, 9-5-84, AG 84-00440.
6. Counties cannot lease construction equipment for \$2,000 per month without soliciting competitive bids. Hon. T. O. Owens, 12-19-75.
7. The transfer of one lease agreement from one institution to another constitutes a new and different lease agreement. Thus, the contract for lease must be re-let in full compliance

with the State Bid Law. Hon. Phillip J. Hamm, 11-12-70.

8. A lease-purchase agreement whose continuation is made subject to available budgetary appropriation does not encumber funds beyond the current year's appropriation as prohibited by the Constitution of Alabama 1901. Gen. W. M. Fondren, 8-24-70.
9. A county may execute a lease agreement for twenty years provided the county either pays the entire amount of such lease in advance or retains in the lease agreement the option to discontinue at the end of the fiscal term. Opinion of Attorney General to Hon. James C. Wood, 4-22-69.

## **B. Municipal Agencies**

1. A water works board, being a public corporation separate from its town, may lease equipment from an employee of the board, so long as the employee is not involved in the decision on behalf of the board. Hon. William D. Latham, Attorney, Water Works and Gas Board of the Town of Maplesville, 02-06-2013, AG 2013-031.
2. Town of West Jefferson may declare space at top of a water tower to be surplus real property and may lease the space to a commercial interest for fair market value. If the Town determines that the property is not real property and the lease would be a grant of an exclusive franchise, the town may lease the space by taking competitive bids. Hon. Troy Ford, Mayor, Town of West Jefferson, 1-5-2009, AG 2009-028. However, this opinion was overruled to the extent that it conflicts with the opinion issued to Hon. Timothy Prevatt, Mayor, Town of Avon, 9-9-2013, AG 2013-067, which found that the leasing of municipal property need not be for fair market value, but rather for an amount determined by the council to be adequate consideration.
3. A town may lease surplus real property to a non-employee, or to an employee who does not participate in the discussion of the consideration of the lease by the town council, for rent in an amount determined by the council to be adequate consideration. Hon. Timothy Prevatt, Mayor, Town of Avon, 9-9-2013, AG 2013-067.
4. The Jefferson County Board of Education ("Board") may enter into the contemplated contractual arrangement with the City of Clay ("City") as long as the school board receives fair and adequate consideration for these transactions and the Board determines that its actions serve a public purpose. The City may enter into the contractual arrangement with the Board as long as any funds expended by the City serve a public purpose and the arrangement does not bind future councils. Hon. Phillip B. Hammonds, Superintendent Board of Education of Jefferson County, 06-25-08, AG 2008-101.
5. The city council must approve the lease-purchase of an automobile, even if it is to be used exclusively by the mayor, and the purchase must be made by competitive bid if the cost involves \$7,500 or more. Hon. Milton C. Davis, Attorney, City of Tuskegee, 5-2-01, AG 2001-171. **Since entry of this Opinion, the language of the controlling statute, § 41-16-50(a), has been amended to cover funds of \$30,000 or more.**

6. A lease between a park and recreation board and a private operator-lessee which sets compensation as money, plus the making of permanent improvements, does not violate the Competitive Bid Law. Hon. Demetrius C. Newton, Member, House of Representatives, 10-8-91, AG 92-00001.
7. Section 41-16-52(c) provides that municipality may lease heavy-duty off-highway construction equipment and vehicles without submitting contract for open competitive bidding where monthly rental does not exceed \$3,000 per vehicle or piece of equipment or \$8,000 total. Town of Wilsonville may purchase liability insurance on the leased equipment subject to limitations of § 11-93-2. Hon. Frances L. Phelps, Mayor, Town of Wilsonville, 11-20-87, AG 88-00058. **Since entry of this Opinion, the language of the controlling statute, § 41-16-52(c), has been amended to cover a monthly rental of not more than \$10,000 per month or piece of equipment or machinery not to exceed \$30,000 per month.**
8. City of Mobile not covered by provisions of Act No. 84-830, relating to competitive bidding of leases. Hon. William R. Lauten, Assistant City Attorney. Mobile, 4-19-85, AG 85-00317.
9. The purchase by a municipality of used equipment is subject to the Competitive Bid Law. Equipment is treated as “used” if originally owned via a rental contract and subsequently an offer is made by the renter to allow purchase (where there was no lease-purchase agreement in the original contract). Formal Opinion of Attorney General, Volume 171, page 31, 6-16-78.

### **C. K-12 Education**

1. The Jefferson County Board of Education (“Board”) may enter into the contemplated contractual arrangement with the City of Clay (“City”) as long as the school board receives fair and adequate consideration for these transactions and the Board determines that its actions serve a public purpose. The City may enter into the contractual arrangement with the Board as long as any funds expended by the City serve a public purpose and the arrangement does not bind future councils. Hon. Phillip B. Hammonds, Superintendent Board of Education of Jefferson County, 06-25-08, AG 2008-101.
2. If a board of education leases its FCC granted rights to unused frequencies to a commercial wireless provider, this transaction is subject to the Competitive Bid Laws. However, the exemption stated in § 41-16-51(a)(13) will not be satisfied simply because there has only been one potential bidder. Hon. Joseph C. Mitchell, Alabama House of Representatives, 7-8-05, AG 2005-158.
3. City and county boards of education may enter into lease-purchase agreements under the Competitive Bid Law. Hon. Wayne Teague, Superintendent of Education, 3-10-93, AG 93-00169.



4. Huntsville City Schools may lease realty that it owns. There is no requirement that it be advertised for bids. Constitution of Alabama 1901, Amendment 26, is not applicable if no funds are being expended. Dr. Mary Jane Caylor, Huntsville City Schools, 2-27-85, AG 85-00229.
5. The provisions of Act No. 84-830 are applicable to the Mobile County Board of School Commissioners to solicit competitive bids on leases. Hon. Abe L. Hammons, Superintendent, Board of School Commissioners of Mobile County, 10-10-84, AG 85-00007.

## CHAPTER 8

### INTRODUCTION TO COMPETITIVE BID LAWS GOVERNING BOARDS OF EDUCATION

*See Appendix B for the Code of Alabama (1975) statutes referenced throughout this Chapter*

In 2009, the Legislature passed Alabama Act 2009-760, in order “to remove the city and county boards of education from the competitive bid laws in Title 41 and provide substantially the same provisions in Title 16 . . . .” The provisions governing competitive bidding procedures of boards of education now appear in Ala. Code §§ 16-13B-1 through 16-13B-11.

While Act 2009-760 did amend some provisions of the competitive bidding law, it did not remove all references to city or county boards of education from Title 41—this creates a potential for conflict. This conflict is particularly prominent when comparing § 16-13B-10 with § 41-16-60. These two provisions govern potential conflicts of interest in the dealings of city and county boards of education. The two statutes were previously identical—they each prohibited any board member from having a financial or personal beneficial interest in the purchase of or contract for personal property or contractual service by the board of education, and they each specified a criminal penalty for violation of the statutes. In 2011, however, the Legislature amended § 41-16-60 to allow board members to have a financial interest in a contract so long as the contract was agreed to prior to the board member’s election or appointment, or the board member did not participate in the board’s decision-making process. The language of § 16-13B-10 has not been amended, creating a direct conflict between the statutes. Because of this, the Attorney General’s office has concluded that Section § 41-16-60, not Section § 16-13B-10, should be treated as the controlling authority—because the two statutes are in irreconcilable conflict and Section § 41-16-60 is the later pronouncement, the Legislature intended to repeal Section § 16-13B-10 by its adoption of Section § 41-16-60. *See* Hon. James E. Turnbach, Attorney, Etowah County Board of Education, 12-14-2011, AG 2012-018; Hon. Patrick C. Davidson, Attorney, Auburn City Board of Education, 12-14-2011, AG 2012-017.

Section 16-13B-1(a) states the general rule that all contracts entered into by boards of education involving \$40,000 or more, apart from public works contracts, shall be entered into “by free and open competitive bidding, on sealed bids, to the lowest responsible bidder.” Section 16-13B-4(e) further states that contracts may not be divided into parts less than \$40,000 in order to avoid the competitive bidding requirements; instead, such contracts are void.

To determine the lowest responsible bidder, the board of education should take into account the qualities of the commodities proposed to be supplied, their conformity with specifications, the purposes for which required, the terms of delivery, transportation charges, and the dates of delivery. § 16-13B-7(a). A board of education may also examine the total cost of ownership of personal property to be purchased, including the life cycle costs, if the total cost of ownership can be reasonably ascertained from “industry recognized and accepted sources.” The board of education must include the possibility of examination of life cycle costs in the invitation to bid. § 16-13B-7(c).

A board of education may establish a local preference zone. If a responsible bidder from the local preference zone submits a bid that is not the lowest bid, the board of education may still award the contract to that bidder if the bid is no more than three percent greater than the bid of the lowest responsible bidder. The local preference zone may consist of either (1) the legal boundaries of the jurisdiction of the board of education, (2) the boundaries of the county in which the board of education is located, or (3) the boundaries of the core based statistical area (created by the federal Office of Management and Budget to include a city center and the surrounding commuting area) in which the board of education is located. § 16-13B-1(b).

A board of education may also give preference to commodities produced in Alabama or sold by Alabama persons or businesses, provided there is no sacrifice in loss or quality. However, the board of education, in awarding a contract based on purchase of materials for construction or repair of a publicly owned facility, may not specify the use of materials or systems by a sole source, unless (1) that product is indispensable and the only sufficient product; (2) no other vendor offers substantially equivalent goods or services that can accomplish the purpose for which the goods or services are required; and (3) all information substantiating the use of a sole source specification is documented in writing and filed into the project file. § 16-13B-7(b).

The board of education may reject any bid if the price is deemed to be excessive or the product is of an inferior quality. § 16-13B-7(d). If only one bid is received, the board of education may reject the bid and negotiate a lower price for which to award the contract, provided the negotiated price is lower than the bid price. § 16-13B-1(b).

If the lowest responsible bidder defaults on its obligations, the board of education may terminate the award of the contract and award it to the second-lowest responsible bidder without rebidding, so long as the terms, conditions, and price of the award are the same or better than the original bid submitted by the second-lowest responsible bidder. § 16-13B-7(a).

Generally, all bids must remain sealed until they are opened publicly at the time stated in the notice—advance disclosure of the terms of a bid shall render the proceedings void and require new advertisement and award of the contract. §§ 16-13B-4(b), 16-13B-6. However, the board of education may open the bids earlier when utilizing a reverse auction procedure. A reverse auction either consists of real-time, online anonymous bidding (usually lasting less than 1 hour), or an extended bidding process (usually lasting less than 2 weeks) in which bids are submitted online. A reverse auction is only allowed when the item to be purchased is not available on the state purchasing program or if a reverse auction will yield price and terms equal to or better than available under the state purchasing program. § 16-13B-4(c).

All proposed purchases in excess of \$40,000 must be advertised by posting a notice on a bulletin board outside the purchasing office of the board of education and “in any other manner and for any length of time as may be determined.” Bids are also required to be submitted by sending notice by mail or electronically to all persons or businesses who have requested such notice for the particular items or services solicited; this listing may be canceled if the person or business does not respond to a solicitation after receipt of three solicitations. § 16-13B-4(a). However, a board of education may award contracts without public advertisement in the case of

an “emergency affecting public health, safety, or convenience.” Such a finding must be in writing, and the board of education must immediately make the action and reasoning public. § 16-13B-3.

Boards of education may require bidders to furnish a bid bond, so long as the requirement applies to all bidders, is included in the written bid specifications, and bid bonding is available. Ala. Code §§ 16-13B-1(d), 16-13B-8.

Collusion among prospective bidders in restraint of freedom of competition, either by agreement to bid at a fixed price, to refrain from bidding, or otherwise, is prohibited. Such bids shall be void, and the bidders shall be disqualified from submitting future bids to the board of education. The participants in the collusion are also subject to criminal penalties, varying based on the amount of the bid. § 16-13B-5.

The following limits are placed on the length of time that contracts may be let: Contracts for the purchase of personal property or contractual services – not greater than *five years*. Lease-purchase contracts for capital improvements and repairs to real property – not greater than *10 years*. All other lease-purchase contracts – not greater than *10 years*. § 16-13B-7(f).

The successful bidder may not assign the contract to another entity without written consent of the board of education; but regardless of written consent, a contract may not be assigned to an unsuccessful bidder “whose bid was rejected because he or she was not a responsible bidder.” § 16-13B-9.

All documents pertaining to the award of a contract, including all original bids, must be retained for at least *seven years*. § 16-13B-4(d). A record of the bidding, including notation of the successful bid and any reasons for not awarding a bid to the lowest bidder, must be made open to public inspection. § 16-13B-7(e). Boards of education must maintain the necessary purchasing facilities and procedures to carry out the competitive bidding requirements. § 16-13B-2(c).

Multiple boards of education may enter into an agreement for joint purchases. The agreement must set forth the categories of items or services to be purchased, the allocation of expenses and manner of payment, and “other matters deemed necessary to carry out the purposes of the agreement.” § 16-13B-1(c).

All contracts entered into in violation of the chapter are void, and violations are punishable as a Class C felony. § 16-13B-2(d). Any taxpayer within the jurisdiction of a board of education and any bona fide unsuccessful bidder may sue to enjoin execution of a contract entered into in violation of the chapter. § 16-13B-11.

Section 16-13B-2(a) sets out that competitive bids shall not be required for utility services for county or city boards of education and lists 15 specific types of purchases to which the competitive bidding requirements do not apply. In 2022, the Legislature passed Act 2022-264, now codified at Ala. Code § 16-13B-2.1 which allows city and county boards of education that provide meals under the Child Nutrition Program of the State Department of Education to purchase goods or services related to the programs without advertising or bidding during an emergency or unanticipated event affecting public health or safety or causing supply chain disruptions.

## CHAPTER 9

### AUTHORITY INTERPRETING COMPETITIVE BID LAWS GOVERNING BOARDS OF EDUCATION

*See Appendix B for the Code of Alabama (1975) statutes referenced throughout this Chapter*

#### ARTICLE I: Case Summaries

1. Anderson v. Fayette County Board of Education, 738 So. 2d 854 (Ala. 1999).

In 1996 the Fayette County Board of Education agreed to pay Trane for an “energy audit,” and they entered into an agreement. Later, the board entered into a larger agreement known as a “performance agreement for comfort from Trane” (PACT). In accordance with the PACT the board also entered into a maintenance agreement with Trane. The contracts were not competitively bid. Anderson, a Fayette County taxpayer alleged that the contracts between Trane and the board violated the bid law. The Alabama Supreme Court held that the board purchased more than just equipment; rather, the board purchased a “comprehensive energy savings plan” under which they relied on Trane’s expertise and turned over to Trane the job of making and keeping the board’s facility’s heating and air conditioning systems efficient. The Alabama Supreme Court held that the contract between the board and Trane was exempt from the Competitive Bid Law. It concluded that Trane’s “personality” was a major part of the contract, stating: “the language of the PACT, as quoted above, details not just physical labor but also various activities designed to achieve one particular goal that would require a ‘high degree of professional skill where the personality of [Trane] would play[] a decisive part.’ (Ala. Code § 41-16-51(a)(3)).” The court, after listing the activities Trane would undertake through its professional staff, concluded that the board purchased more than just equipment.

2. Ward International Trucks, Inc. v. Baldwin County Board of Education, 628 So. 2d 572 (Ala. 1993).

Defendant BOE ignored advice of its attorney and various staff members in accepting the bid of Moyer Ford when Ward International Trucks met all specifications and was the lowest bidder for 20 school buses. The trial court entered summary judgment in favor of the BOE and successful bidder. The Alabama Supreme Court held that the Plaintiff had stated a claim upon which relief could be granted and reversed and remanded the case for a determination to be made as to whether the competitive bid law was violated.

3. Crest Construction Corp. v. Shelby County Board of Education, 612 So. 2d 425 (Ala. 1992).

Decision of County BOE to award a contract for construction of a new school building to a bidder that was not the lowest bidder was not arbitrary or capricious in that Board properly determined that the lowest bidder was not lowest responsible bidder. Before awarding the contract, the Board questioned the president and sole employee of lowest bidder, and the Board awarded the contract to another bidder based on legitimate concerns about the lowest bidder's size,

experience, and lack of equipment and other resources. The disappointed bidder could not recover bid preparation expenses. The bid law creates no enforceable rights in bidders.

4. Wallace v. Board of Education of Montgomery Co., 197 So. 2d 428 (Ala. 1967).

A contract must be awarded to lowest responsible bidder and in compliance with the conditions of bid invitations. Requirements by the contractor that the successful bidder pay a particular wage to the laborers violates the competitive bid and public works contracts, which require that the contract be awarded to the lowest bidder.

## **ARTICLE II: Attorney General's Opinions**

1. Real property sold by the Board of Education does not have to be competitively bid or awarded to the highest bidder. The Board would be required to receive fair and adequate consideration for the property and the proceeds of the transaction must be used for school purposes. Hon. Alicia F. Bennett, General Counsel, Macon County Board of Education, 3-16-20, AG 2020-018.
2. The Alabama Community College System ("the System") sought to convert records from the Banner/Oracle database to the Alliant Microsoft/SQL platform database. That purchase of services would be exempt from the Competitive Bid Law requirements, pursuant to § 41-16-51(a), if the services involve a high degree of professional skill, custom software, or there is only one vendor for the software. Hon. Jimmy Baker, Acting Chancellor, Alabama Community College System, 9-7-16, AG 2016-052.
3. The Board of School Commissioners of Mobile County may contract with a vendor outside of the requirements of the Competitive Bid Law for the stated services outlined therein – that will provide software development, installation, project management, equipment, information security, testing support, resources, supplies, and delivery and maintenance service to comprehensively manage/operate the Board – if the Board determines that the services offered by the vendor properly fit within one or more of the exemptions offered by § 16-13B-2. Hon. Christopher A. Arledge, Attorney, Board of School Commissioners of Mobile County, 12-8-15, AG 2016-015.
4. Pursuant to §41-16-60, a member of a city or county board of education may contract with the board of education for property or personal services if (1) the contemplated contract was in existence before a person was elected or appointed to the board, or (2) the individual does not participate in the deliberation or vote on the proposed contract. This is true notwithstanding the language of § 16-13B-10 prohibiting such contracting—because the two statutes are in direct conflict, it is the opinion of the Attorney General's Office that the legislature intended to repeal § 16-13B-10 by the later amendment of § 41-16-60. Hon. James E. Turnbach, Attorney, Etowah County Board of Education, 12-14-2011, AG 2012-018; See also Hon. Patrick C. Davidson, Attorney, Auburn City Board of Education, 12-14-2011, AG 2012-017.

5. A contract that exceeds \$50,000 for the construction of a water line to a public school is subject to the bidding requirements of the Public Works Law. Hon. R. Champ Crocker, Attorney, Cullman County Board of Education, 12-16-08, AG 2009-022. **Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**
6. The Jefferson County Board of Education (“Board”) may enter into the contemplated contractual arrangement with the City of Clay (“City”) as long as the school board receives fair and adequate consideration for these transactions and the Board determines that its actions serve a public purpose. The City may enter into the contractual arrangement with the Board as long as any funds expended by the City serve a public purpose and the arrangement does not bind future councils. Hon. Phillip B. Hammonds, Superintendent Board of Education of Jefferson County, 06-25-08, AG 2008-101.
7. If a board of education leases its FCC granted rights to unused frequencies to a commercial wireless provider, this transaction is subject to the Competitive Bid Laws. However, the exemption stated in § 41-16-51(a)(13) will not be satisfied simply because there has only been one potential bidder. Hon. Joseph C. Mitchell, Alabama House of Representatives, 7-8-05, AG 2005-158.
8. The purchase of a multifunctional device is subject to a purchase by competitive bid by educational institutions if the device is going to actually be used for printing, scanning, emailing, faxing, etc. in addition to copying. Hon. Stephanie Walker, Brewton City Board of Education, 4-14-05, AG 2005-107.
9. If the Baldwin County Board of Education contracts for a “comprehensive energy-saving plan” under which they rely on the contractor’s expertise, and turns over to the contractor the job of making and keeping the Board’s facilities heating and air-conditioning efficient, and if the purchases are part of a comprehensive energy cost savings proposal and the amount spent on the energy cost savings measures energy or operational cost savings, or both, within a ten-year period from the date installation is complete, these purchases may be made without competitive bidding. Hon. Fred K. Granade, Attorney, Baldwin County Board of Education, 11-5-01, AG 2002-053.
10. A sale or lease of real property by the Escambia County Board of Education is not subject to the requirements of §§ 9-15-70, et seq. Any such transfer must be for adequate consideration, even if the consideration is non-monetary, and the Board must use the consideration for school purposes. Hon. Broox G. Garrett, Jr., Attorney, Escambia County Board of Education, 9-6-00, AG 2000-228.
11. The contract providing a scoreboard to the Talladega County Board of Education by private corporations in return for the granting of an exclusive concessions contract must be competitively bid. Hon. Thomas M. Little, Attorney, Talladega County Board of Education, 4-1-99, AG 1999-158.
12. City and county boards of education may enter into lease-purchase agreements under

Competitive Bid Law. Hon. Wayne Teague, State Superintendent of Education, 3-10-93, AG 93-00169.

13. The fact that Pell City Council appoints members to Pell City Board of Education, Pell City Industrial Development Board, Pell City Public Building Authority and Pell City Medical Clinic Board does not in and of itself create a conflict of interest that would prohibit a member of Pell City Council from transacting business with such entities. Hon. Lawrence Fields, Mayor, City of Pell City, 8-28-89, AG 89-00409.
14. Under § 41-16-60, a member of Chilton County Board of Education may not sell supplies to Chilton County schools, teachers, or school clubs and organizations if the office supply company in question is owned solely by the board member and/or his spouse. If the board member and/or his spouse own less than a majority of the stock and the business is not a family-held corporation, the board member may sell supplies to the aforementioned entities and persons. However, this opinion does not take into account subsequent amendments to § 41-16-60 (effective 6/9/2011) and § 16-13B-10 (effective 8/1/2009). Hon. John H. Jackson, Jr., Attorney at Law Chilton County, 6-16-89, AG 89-00324.
15. Chilton County Board of Education may not do business with a company owned solely by a board member but may do business with a corporation where board member owns less than a majority of the stock and it is not a family-held corporation. Hon. John Hollis Jackson, Jr., Attorney at Law, Chilton County, 3-30-89, AG 89-00227.
16. Board of education may not do business with a company owned solely by a board member but may do business with a corporation where a board member owns less than a majority of the stock and it is not a family-held corporation. Hon. Frank Daniel, Superintendent of Education, Chilton County, 2-23-89, AG 89-00195.
17. City Board of Education may employ services of a Superintendent of Construction without competitive bidding. City Board of Education is an instrumentality of the municipality which may award a contract to a resident bidder under § 41-16-50. That portion of § 41-16-50, regarding awarding of bid to resident responsible bidder, applies only to purchases of personal property. Hon. J. Russell Gibson, III, Phelps, Owens, Jenkins, Gibson & Fowler, Attorneys of Law, Tuscaloosa, 11-10-88, AG 89-00036.
18. Member of County Board of Education cannot transact business with that Board even if there is compliance with the Competitive Bid Laws. A member of County Board of Education cannot do business with that Board even if the transaction is for an amount that is excepted from the Competitive Bid Laws. Hon. Lewis S. Hamilton, Attorney, Butler County Board of Education, 4-7-88, AG 88-00245.
19. Absent a determination that a corporation is “family-held,” that corporation, for which a board of education member is vice president, may submit bids to the board of education. Hon. Clifford S. Smith, Superintendent, Phenix City Public Schools, 12-17-85, AG 86-00093.
20. If the requirements of Act No. 84-228 are not met, Washington County Board of Education



may reject bids and readvertise for bids. The Board in its discretion may not waive a defect in a bid under Act 84-228 where nonresident contractor failed to submit required letter with his bid. The Board is not required to give preference to resident Alabama contractors over Mississippi contractors. Dr. Fred M. Scoggins, Superintendent, Washington County Board of Education, 5-15-85, AG 85-00354.

21. Contract which the Auburn City Board of Education wishes to award may be exempt from the Bid Law only if such contract involves in a major part the services of a professional engineer. Hon. Edward R. Richardson, Superintendent, Auburn City Schools, 4-8-85, AG 85-00291.
22. Boards of Education may not require a certified check in lieu of a bond but may accept certified checks if they choose to do so. Hon. James C. Bailey, President, Wallace State Community College, 10-18-84, AG 85-00032.
23. A county board of education may specify a brand name in soliciting bids for radios which would be compatible with the board's present power unit and radio system. Dr. Charles Sprayberry, Superintendent of Education, Tuscaloosa County Board of Education, 10-14-83, AG 84-00006.
24. Boards of education may not elect to receive a certified check rather than a bid bond from bidders on public works. Hon. Edward Jackson, Attorney, Houston County Board of Education, 1-31-83, AG 83-00154.
25. No purchase or contract involving an amount in excess of the statutory amount shall be divided into parts involving statutory amounts or less for the purpose of avoiding the requirements of the Competitive Bid Law. If an agency knows that it will purchase like items in excess of the statutory amount during the fiscal year, then purchase must be bid. Hon. Charles Sprayberry, Superintendent of Education, Tuscaloosa County Board of Education, 5-18-82, AG 82-00343.

**PART II**  
**PUBLIC WORKS**

**CHAPTER 10**

**INTRODUCTION TO PUBLIC WORKS**

*See Appendix C for the Code of Alabama (1975) statutes referenced throughout this Chapter*

The Public Works Law is codified in Ala. Code (1975) §§ 39-1-1, et. seq. Section 39-2-1(6) defines Public Works as “[t]he construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs gutters, side walls, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise.” If a contract is deemed to fall into one of these categories, then it falls under the provisions of the Public Works Law.

The Public Works Law begins in Chapter 1 with a bond requirement statute, requiring that performance bonds be submitted by winning bidders to secure contracts that are equal to or exceed ~~\$50,000~~ \$100,000 in value. Specifically, among other requirements, Section 39-1-1 (1975) states:

(a) Any person entering into a contract with an awarding authority in this state for the prosecution of any public works , before commencing the work, shall execute a performance bond, with penalty equal to 100 percent of the amount of the contract price. In addition, another bond, payable to the awarding authority letting the contract, shall be executed in an amount not less than 50 percent of the contract price, with the obligation that the contractor or contractors shall promptly make payments to all persons supplying labor, materials, or supplies for or in the prosecution of the work provided in the contract and for the payment of reasonable attorney fees incurred by successful claimants or plaintiffs in civil actions on the bond.

(b) Any person that has furnished labor, materials, or supplies for or in the prosecution of a public work and payment has not been made may institute a civil action upon the payment bond and have their rights and claims adjudicated in a civil action...

The purpose of the Public Works bond statute is to ensure that a materialman receives full payment for labor or materials that he supplies to a public works project. See SGB Const. Services, Inc. v. Ray Sumlin Const. Co., Inc., 644 So.2d 892 (Ala. 1994).

In Section 39-1-4, the Alabama Legislature sought to prevent favoritism and corruption in the purchase of insurance and bonds, stating:

(a) No officer or employee of an awarding authority and no person acting or purporting to act on behalf of such officer or employee of an awarding authority, except a public agency or authority created pursuant to agreement or compact with another state, shall, with respect to any public works contract, require the bidder to obtain or procure any surety bond or contract of insurance specified in connection with such contract or specified by any law, ordinance, or regulation from a particular surety company, insurance company, bonding company, agent, or broker...

(b) The provisions of subsection (a) shall not prevent an officer or employee on behalf of an awarding authority from exercising the right to approve the form, sufficiency, or manner of execution of the surety bonds or contracts of insurance furnished by the surety company, insurance company, or bonding company selected by the bidder to underwrite surety bonds or contracts of insurance...

The remaining portions of § 39-1-1 discuss other aspects of the bid bond requirements.

In 2023, the Legislature modified the notice requirements of the Public Works Law. Specifically, Act 2023-497 states that immediately upon completion of the contract, the contractor shall give notice of the completion by publishing notice, “for a minimum of three weeks using one or more of the following methods:

- a. In a newspaper of general circulation in the county or counties in which the work, or some portion thereof, has been done.
- b. On a website that is maintained by a newspaper of general circulation in the county or counties in which the work, or some portion thereof, has been done.
- c. On a website utilized by the awarding authority for publishing notices.

Act 2023-497 further provides that if no newspaper is published in the county in which the work was done, and if the awarding authority does not utilize a website for posting notices, the notice may be given by posting at the courthouse for 30 days, and proof of the posting of the notice shall be given by the awarding authority and the contractor.

Chapter 2, § 39-2-1, et. seq., requires that public works contracts involving an amount in excess of ~~fifty thousand dollars (\$50,000)~~ one hundred thousand dollars (\$100,000), much like competitive bid contracts, must be let by advertisement and competitive bid. The purpose of these statutes requiring contracts to be let by public bids is to protect the public from collusion and prevent contracts awarded solely on the basis of favoritism. See Glencoe Paving Co. v. Graves, 94 So. 2d 872 (Ala. 1957).

Section 39-2-2(d) specifies certain contracts that are excluded from the bidding requirements, including (1) contracts with persons who shall perform only architectural, engineering, construction management, program management, or project management services in support of the public works and who shall not engage in actual construction, repair, renovation, or maintenance of the public works with their own forces, by contract, subcontract, purchase order, lease, or otherwise, and (2) contracts for the purchase of any heating or air conditioning units or

systems by any awarding authority subject to the Competitive Bid Law, provided certain provisions set forth in the statute are met. Additionally, pursuant to Act 2023-497, Section 39-2-2(l)(1) now allows for the purchase of materials or equipment pursuant to subdivisions (14), (16), (17), (18), or (19) of Section 41-16-51(a), even when those materials or equipment are otherwise part of a public works project.

Section 39-2-11 highlights the procedure(s) to be followed in the event the successful bidder fails to comply with the bid bond and potential securities requirements; specifically:

(a) Should the successful bidder or bidders to whom a contract is awarded fail to execute a contract and furnish acceptable contract securities and evidence of insurance as required by law within the period as set forth in Section 39-2-8, the awarding authority shall retain from the proposal guaranty, if it is a cashier's check, or recover from the principal or the sureties, if the guaranty is a bid bond, the difference between the amount of the contract as awarded and the amount of the proposal of the next lowest bidder. If no other bids are received, the full amount of the proposal guaranty shall be so retained or recovered as liquidated damages for such default. Any sums so retained or recovered shall be the property of the awarding authority.

(b) In the event of the death of a low bidder between the date of the opening of bids and the 15 days following the date of award of contract as allowed in Section 39-2-8 for furnishing of contract securities and evidence of insurance, the awarding authority shall return the proposal guaranty intact to the estate of the deceased low bidder.

Section 39-3-5(a) notes that when awarding contracts, the awarding authority should give preference to resident contractors (contractors that are domiciled to the state of Alabama); specifically:

(a) In the letting of public contracts in which any state, county, or municipal funds are utilized, except those contracts funded in whole or in part with funds received from a federal agency, preference shall be given to resident contractors, and a nonresident bidder domiciled in a state having laws granting preference to local contractors shall be awarded Alabama public contracts only on the same basis as the nonresident bidder's state awards contracts to Alabama contractors bidding under similar circumstances; and resident contractors in Alabama, as defined in Section 39-2-12, be they corporate, individuals, or partnerships, are to be granted preference over nonresidents in awarding of contracts in the same manner and to the same extent as provided by the laws of the state of domicile of the nonresident.

Chapter 5 provides that contracts made in violation of the Public Works Laws are unenforceable. § 39-5-1. The remaining portions of Chapter 5 discuss ramifications of contracts that are false, fraudulent, made in bad faith, or noncompliant, and provides that contractors are presumed to have notice of the Public Works Law.

Generally, the Public Works laws are more straightforward and easily understandable than the Competitive Bid Laws. Because of this, substantially fewer Attorney General Opinions exist regarding Public Works issues. Nonetheless, the Attorney General does and has answered substantive questions on issues regarding Public Works Laws, and these opinions are topically outlined below for your convenience.

## CHAPTER 11

### CASES INTERPRETING PUBLIC WORKS LAWS

*See Appendix C for the Code of Alabama (1975) statutes referenced throughout this Chapter*

1. Lake Cyrus Dev. Co. v. Attorney Gen. of Ala. ex rel. Bessemer Water Serv., 143 So. 3d 771 (Ala. 2014).

After a public works contract entered into by Bessemer's water utility was held to be void under Ala. Code § 39-2-2 because it was not advertised for sealed bids, the Attorney General intervened pursuant to Ala. Code § 39-5-3, seeking to recover the payments made by the water utility. The Supreme Court of Alabama held that the Attorney General was not entitled to recover because Ala. Code § 39-5-3 requires by a showing of clear and convincing evidence that the contractor knew the contract was in violation of the law, and there was no evidence to support the contractor's knowledge.

2. Bessemer Water Serv. v. Lake Cyrus Dev. Co. Inc., 959 So. 2d 643 (Ala. 2006).

A ratepayer brought an action against Bessemer's water utility, alleging that the water authority had misused public funds when it transferred substantial funds to the City of Bessemer without any legal or industry standard used to determine whether the rates were reasonable. The ratepayer then sought to enjoin the development company who held a contract with the utility board to increase the size of a main water line, alleging that the contract was invalid because it had not been competitively bid. The Court held that the contract between developer and water utility was a public works project, and, thus, the contract violated the statutory provision requiring water utility to advertise and take bids on the project. The Court further held that the developer was not entitled to any payment from water utility for work performed under the contract because the contract had been entered into in direct violation of the Public Works laws. The contract between the developer and the water system was declared void in its entirety.

3. SGB Constr. Servs., Inc. v. Ray Sumlin Constr. Company, 644 So. 2d 892 (Ala. 1994).

The purpose of a public works bond statute is to ensure that the materialman receives full payment for the labor or materials that he supplies to the contract. The public works bond statute does not, however, require privity of contract among primary contracting parties in order to receive full payment for labor or materials that he supplies to the project.

4. Bunn Constr. Co. v. Cataphote, Inc., 621 So. 2d 1325 (Ala. Civ. App. 1993).

The bond requirement of the public works statute should be liberally construed in such a manner that those providing labor and/or materials will be secured.

5. Water Works, Gas & Sewer Bd. of the City of Oneonta, Inc. v. Buchanan Contracting Co., 318 So. 2d 267 (Ala. 1975).

If the issued bond is a common performance bond, as required by statute, the surety cannot be held liable for any injuries that may occur to third parties due to the alleged negligence of the principal.

6. Clark Constr. Co., Inc. v. State of Ala. Highway Dept., 451 So. 2d 298 (Ala. Civ. App. 1984).

Suit was instituted by contractor to have its bid on a public works contract rescinded and its bid bond returned. The Circuit Court, Montgomery County, H. Randall Thomas, J., declined to rescind and ordered bid bond forfeited, and contractor appealed. The Court of Civil Appeals held that where contractor listed in figures under "Amount Bid" on highway construction contract the sum of \$368,000 and, under "Item With Unit Price Written In Words," inserted the words "Three hundred sixty eight" immediately before "Dollars," mistakenly deleting the word "Thousand," the Highway Department was required by statute to refer to the written words "Three Hundred Sixty Eight" rather than the figure "\$368,000" in computing the bid, so that when the contractor refused to accept the job after it was denied permission to withdraw its bid on the basis of a mistake, contractor was required by that same statute to forfeit its \$10,000 bid bond, and was not entitled to an equitable rescission under the rule in *Perusini* on basis of a unilateral mistake.

7. Montgomery Bridge and Eng'g, Inc. v. State of Ala. Highway Dept., 440 So. 2d 1114 (Ala. Civ. App. 1984).

In bids for public contracts, if a discrepancy exists between the amount expressed in words and the amount expressed in figures, the statute providing that the amount expressed in words will govern will be strictly construed.

8. Wallace v. Board of Education of Montgomery Co., 197 So. 2d 428 (Ala. 1967).

A contract must be awarded to lowest responsible bidder and in compliance with the conditions of bid invitations. Requirements by the contractor that the successful bidder pay a particular wage to the laborers violates the competitive bid and public works contracts, which require that the contract be awarded to the lowest bidder.

9. Universal Electric Const. Co. v. Robbins, 194 So. 194 (Ala. 1940).

The construction of an electric distribution system is subject to the Public Works Law, so the statute requiring bid bonds must be complied with. The purpose of the bid bond statute was to protect laborers and materialmen, and a public contractor is responsible for knowing the requirements of the bond statute.

## CHAPTER 12

### ATTORNEY GENERAL OPINIONS INTERPRETING PUBLIC WORKS LAW

*See Appendix C for the Code of Alabama (1975) statutes referenced throughout this Chapter*

#### **A. County Agencies**

1. The Autauga County Board of Education may enter into an agreement with the Autauga County Commission to assist the Board with paving school parking lots without bidding the work pursuant to Ala. Code § 39-1-1, et seq. when the Commission will provide materials, labor, and equipment at cost for all work to be performed. Hon. Timothy E. Tidmore, Superintendent of Autauga County Schools, 08-9-2022, AG 2022-043.
2. The City of Guntersville may proceed with a public works contract wherein newspaper advertising of the project occurred as required by statute, but the date for opening of the bids was extended one week and written notice was given to the eight (8) potential bidders who requested and received plans for the project. Four of those potential bidders submitted bids and were present at the bid opening on the extended date. The City complied with the requirements of Section 39-2-2 of the Public Works Law. Hon. Dan Warnes, Guntersville City Attorney, 12-8-2021, AG 2022-011.
3. The University of West Alabama did not substantially comply with the requirements of the Public Works Law because no advertisements were published in any newspaper for at least two weeks as required by Section 39-2-2(b)(2). Accordingly, the University may not proceed with the contract. Hon. Ken Tucker, President, University of West Alabama, 05-20-2021, AG 2021-037.
4. After soliciting bids for a courthouse renovation project and receiving multiple bids, all of which exceed the funds available, the Butler County Commission may rebid the project with new specifications or have the work performed by force account. Pursuant to § 39-2-6(b), an awarding authority is permitted to negotiate outside the typical Public Works Law requirements. However, such authorization is expressly limited to situations where the awarding authority receives only one bid or no bids. In other words, an awarding authority may only negotiate with companies vying for a public works project if it has solicited bids and received either one or zero responsible and responsive bids. Hon. Calvin Poole, III, County Attorney, Butler County Commission, 5-4-21, AG 2021-033.

**Note:** Pursuant to Act 2023-497, with the exception of the Department of Transportation, when two or more bids are received and all bids exceed available funding for the contract, awarding authorities may negotiate for the work with the lowest responsible and responsive bidder, provided that the awarding authority can document the shortage of funding, that time is of the essence, and that the negotiated changes are in the public interest and do not materially alter the scope of the project. Updated statutory language can be found in Appendix C.

5. A contract entered into by the Jefferson County E-911 Board (“the Board”) to allow a private company to erect a cell tower on a fire station for dispatch services must be competitively bid under the Public Works Law. Pursuant to § 39-2-2(g), if ALEA makes a determination that confidentiality would be required to protect the safety of persons or facilities, then the contract may be let without public advertisement. Hon. Jay Murrill, Attorney, Jefferson County 9-1-1 Emergency Communications District, 3-13-20, AG 2020-015.
6. The purchase, installation, or upgrading of school security systems is subject to the Public Works Law. If the Alabama State Law Enforcement Agency makes a finding that the project would impact the security or safety of persons or facilities and requires confidentiality, a contract may be let without public advertising, pursuant to Section 39-2-2(g). Hon. Michael Douglas, Superintendent, Decatur City Board of Education, 08-28-2019, AG 2019-048.
7. So long as each phase of a project is bid per Title 39, the Birmingham-Jefferson Civic Center Authority may divide a stadium construction project into phases and award a contract for each phase to a different low bidder in order to meet construction deadlines. Hon. Tad Snider, Executive Director, Birmingham-Jefferson Civic Center Authority, 04-1-2019, AG 2019-028.
8. The purchase of radio equipment – which includes transmitters, receivers, antennas and related items that are to be installed on completed radio towers – as well as the construction of radio towers and small buildings to complete the infrastructure for the dispatch system, are subject to the Public Works Law. Pursuant to § 41-16-51(a)(15), if ALEA makes a finding that the project would impact the security or safety of persons or facilities and require confidentiality, a contract may be let without public advertising. Hon. Mark S. Culver, Chairman, Houston County Commission, 10-27-17, AG 2018-004.
9. A project for maintenance of multiple water tanks that exceeds \$50,000 is subject to the Public Works Law. Where the Colbert County Commission was well aware of the ongoing annual maintenance needs of the county’s water tanks, and where the county engineer stated there is no reason why the maintenance of the various tanks cannot be combined into a single contract, the project may not be divided into parts. The contract cannot be renewed without competitive bidding. Hon. James A. Patton, Attorney, Colbert County Commission, 11-3-14, AG 2015-008.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

10. Pursuant to § 39-2-1, the purchase and installation of a security system in a county courthouse is considered to be a public work, but if the project involves a total cost of less than \$50,000, it is not subject to competitive bidding requirements. If personal mobile panic alarm devices are purchased for judges’ use outside of public property, this purchase would not be considered a public work, so it is governed by the competitive bidding requirements of § 41-16-50, et. seq. Section 41-16-51(a)(15), however, exempts products relating to the safety or security of persons, so the purchase would not be subject to competitive bidding requirements. Hon. J. Kevin Moulton, Circuit Judge, Place 2, 20th Judicial Circuit, 12-20-13, AG 2014-031.



Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.

11. This Office is unaware of any statutory provisions that would preclude the Mobile Commission from leasing a roof attached to the Mobile County Government Plaza Atrium from a private entity pursuant to a lease-purchase arrangement. This Office is unaware of any statutory or other legal impediment that would preclude the inclusion of a provision in the contemplated agreement mandating that, in the event of a default by the Commission and upon the provision of appropriate notice and failure to cure, the Commission would be obligated to purchase the roof within a reasonable time after said default. This Office is unaware of any statutory or other legal impediment that would preclude the Commission from soliciting competitive bids that include each bidder's determination of an appropriate roof system sufficient to meet the Commission's performance criteria and specifications. Hon. Jay M. Ross, Attorney, Mobile County Commission, 09-28-11, AG 2011-106.
12. If the county commission determines that the facts are as outlined and that the changes are necessary for the proper completion of the project, it can find that the circumstances are extraordinary and justify a change order in excess of 30 percent. Hon. Joey Hargrove, Chairman, Lawrence County Commission, 07-20-11, AG 2011-078.
13. Under the facts outlined, the Coosa County Commission substantially complied with the Public Works Law, and the county may enter into the proposed contract. Hon. Todd J. Adams, Chairman, Coosa County Commission, 05-06-11, AG 2011-058. Specifically, the county made a good faith effort by placing ads in two of the requisite three newspapers of general circulation in the state, the ads stated the bid opening date, and the bids were opened publicly. Although the opening date was moved, it was a minor delay of less than one week, and it was merely delayed, not moved forward, which would not have prevented potential bidders responding to the ads from submitting a timely bid. Moreover, the county directly contacted the seven companies that requested plans and specifications, and, similar to Owens, the county notified them of the new date.
14. The preference to resident contractors over out-of-state contractors, found in § 39-3-5(a) applies if the contract is under the Public Works Law; if the contract utilizes any state, county, or municipal funds, except if funded in whole or in part with federal funds; and if the law of the state of the out-of-state contractor gives preference to its resident contractors. The Jefferson County Commission may not give preference to Alabama contractors over Florida contractors because Florida law does not provide a preference to resident contractors in public works contracts. Hon. Jeffrey M. Sewell County, Attorney, Jefferson County Commission, 01-26-10, AG 2010-040.
15. Under the Competitive Bid and Public Works Laws, a conviction and debarment by a federal agency are factors that a county commission may use to determine if a bidder is responsible, including in the prequalification procedure. Hon. Jay M. Ross, Attorney, Mobile County Commission, 3-28-07, AG 2007-063.
16. The use of asphalt obtained through the award of a public works contract is restricted for use

on public works projects as they are defined by the statute. Any additional outsourced work on individual public works projects that would push the total cost of an individual public works project over the \$50,000.00 threshold must be competitively bid. Hon. Gregory B. White, Chairman, Covington County Commission, 3-1-04. AG 2004-083.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

17. Because a project was divided and bids were not solicited for additional work, the Bibb County Commission is prohibited by the Public Works Law from paying an invoice in the amount of \$22,844.75 for unapproved work performed on a building by a contractor, which is in addition to the original project price of \$42,313.60. The Public Works Law prohibits applying the principle of quantum meruit for the recovery of work and labor done or materials furnished under any contract let in violation of the competitive bidding requirements as prescribed by the laws. Hon. George E. Jones III, Bibb County Attorney, 01-24-02, AG 2002-126.

18. A contract that exceeds \$50,000 for the repair, improvement, and maintenance of a water storage tank is subject to the competitive bidding requirements of the Public Works Law. Hon. Craig L. Williams, Attorney, Water and Sewer Board, 11-19-2001, AG 02-072. This opinion was subsequently modified to the extent that it is in conflict with the opinion issued to Hon. Craig L. Williams, Attorney, Parrish Water and Sewer Board, 2-12-02, AG 2002-137. The latter opinion did not address issues related to competitive bidding but rather procedures the Board should follow with respect to repaying and retaining deposits held by the Board.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

19. The costs expended by the county in acquiring easements from private landowners for a water pipeline to deliver water to plant sites is not subject to the Public Works Law. The intake facility improvements or the construction of water transportation facilities to be used for purposes of furnishing raw untreated water to consumers are not subject to the state Public Works Laws. Hon. Barry D. Vaughn, Talladega County Attorney, 11-02-01, AG 2002-052.

20. County commission must solicit bids under the Public Works Law in awarding a contract for the construction of a new county jail and juvenile facility. Hon. Lena M. Powell, Chairman, Wilcox County Commission, 10-2-01, AG 2002-006.

21. County commission has the authority to enter contracts for the construction of a training facility to be used by the sheriff's office. If the cost of the project exceeds \$50,000, the contract must be awarded pursuant to the Public Works Law unless the force account method is used. Hon. Robert W. Koncar, Baldwin County Administrator, 06-13-01, AG 2001-202.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

22. The requirements of the Competitive Bid Law do not apply to purchases of equipment,

supplies, or materials needed, used, and consumed in the normal and routine operation of the County Water and Sewer Authority. If the Authority's purchase of equipment, supplies, or materials exceeds \$50,000 and is included in a contract for the construction, renovation repair, or maintenance of the sewer and water works, it is subject to the Provisions of the Public Works Law. Hon. Winston V. Legge, Jr, Attorney, Limestone County Water and Sewer Authority, 03-30-01, AG 2001-139.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

23. The Tuscaloosa County Commission may set the priorities for projects to be handled by its department of Public Works and its county engineer, which operate under a unit system of county road maintenance. Hon. Barry L. Mullins, Attorney, Tuscaloosa County Commission, 03-28-01, AG 2001-134.
24. The bid specifications for public contracts let by governmental agencies must be in writing. Hon. Neal Morrison, Member, House of Representatives, 09-20-00, AG 2000-239.
25. Absent statutory authority, construction contract renewals must comply with the competitive bid law or, where applicable, the public works law. Hon. V. Edward Freeman, II, Attorney, Warrior River Water Authority, 02-08-00, AG 2000-078.
26. The Tuscaloosa County Park and Recreation Authority is not prohibited from accepting a gift of construction services from a board member. This gift will not be subject to the Competitive Bid Law or public works bidding requirements of § 39-2-1, et seq. Hon. Don Kelly, Tuscaloosa County Park and Recreation Authority, 10-07-99, AG 2000-003.
27. Act No. 97-225 does not require advertisement of sealed bids for a project to be done by force account. Hon. Hobson Manasco, Jr., Winston County, 11-19-97, AG 98-00039.
28. A Public Works contract between county and Alabama Correctional Industries does not violate §§ 39-1-1, et seq., and § 41-16-20 and §§ 41-16-50, et seq. Hon. Julie S. Moody, Covington County Commission, 06-05-97, AG 97-00202.

## **B. Municipal Agencies**

1. **The Town of Cherokee Ridge may enter into a mutual agreement with the Cherokee Ridge Property Owners Association in which the town would use public funds for payment to the POA for street repair and fire hydrant maintenance in exchange for the dedication of those streets and sidewalks as being "public" for reasonable compensation so long as the terms of the contract comply with all laws of Alabama, including the Public Works Law. Hon. Rodney Edmondson, Town Attorney, Town of Cherokee Ridge, 4-17-24, AG 2024-029.**
2. **Construction of waterworks paid for by public funds and on public property (or on private property with easements to gain necessary access) is subject to the Public Works Law and, unless an exception applies, the project must be competitively bid under its terms. The**

Loachapoka Water Authority may pay for extra pipe mistakenly delivered and installed as a change order if the amount of the invoice for the pipe is less than 10% of the total contract. Hon. Joel Taylor, Chairman, Loachapoka Water Authority, 5-18-23, AG 2023-031.

3. The City of Guntersville complied with the advertising requirements of the Public Works Law in Ala. Code § 39-2-2 where newspaper advertising occurred as required by law, but the opening date of the bids was extended, and written notice was given to the eight potential bidders who requested and received plans for the project. Four of the potential bidders submitted bids and were present at the bid opening on the extended date. The City may proceed with the contract. Hon. Dan Warnes, Guntersville City Attorney, 12-8-2021, AG 2022-011.
4. The renovation of the municipal court's administrative offices falls within the definition of public works, and therefore if the cost of the project exceeds \$50,000, the project is subject to the competitive bidding requirements of the Public Works Law. Hon. Carl E. Chamblee, Jr., Municipal Judge, Trussville, 8-20-19, AG 2019-042.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

5. The Birmingham-Jefferson Civic Center Authority ("the Authority") may divide a stadium construction project into phases and award a contract for each to a different low bidder in order to meet construction deadlines. The purpose of the Public Works Law requiring contracts to be let by public authorities to the lowest responsible bidder is designed to protect the public against collusive contracts and to prevent favoritism toward contractors by public officials; here, the Authority seeks to divide the instant project merely to meet construction deadlines, not to evade bidding. Hon. Tad Snider, Executive Director/Chief Executive Officer, Birmingham-Jefferson Civic Center Authority, 4-1-19, AG 2019-028.
6. A contract for a Supervisory Control and Data Acquisition System ("SCADA") is a public work under the Public Works Law, § 39-2-1(6). Hon. Patrick Bryant, City Manager, City of Talladega, 3-29-17, AG 2017-026.
7. The Water Works Board of the City of Vincent wished to upgrade its water system by replacing meters that must be read manually with meters read by radios., but the County did not possess the funds to purchase all of the meters needed to replace the entire system at a cost exceeding \$50,000 in one year. There is an important difference between a public entity with the means to pay \$50,000 or more that evades the Public Works Law and a public entity lacking the means to pay \$50,000 or more that is financially incapable of completing, within a year, a public works project that costs more than \$50,000. Compliance with the Public Works Law is a factual determination involving the following factors, which are not exhaustive: (1) time period between purchases, (2) knowledge of the total cost of the project and ability to pay that total cost, and (3) the interchangeability or likeness of the purchased items or units. If the City can demonstrate, using those factors, that it is not evading the Public Works Law by spreading out its meter purchases over several years as funds become available, then the County will not violate the Public Works Law, § 39-2-2(a). Hon. William R. Justice, Attorney, Water Works Board of the City of Vincent, 12-7-16, AG 2017-010.

Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.

8. A newspaper meeting the requirements of § 6-8-60 is a newspaper of general circulation in the county for purposes of the Public Works Law. Section 6-8-60 requires that the newspaper must: (1) be printed in English, (2) be of general circulation in the county, (3) have its principal editorial office in the county, and (4) hold a second class mailing permit for a minimum of 51 weeks a year. Hon. Teddy Pouncey, Chairman, South Dallas Water Authority, 5-12-15, AG 2015-046.
9. A private entity approached the City of Saraland and expressed its desire to construct a City Hall Complex (“Complex”) on the privately owned portion of the Plaza North Shopping Center (“Plaza”), of which the City owns 25% and utilizes said property for City offices. Because the total cost of the project exceeds \$50,000 and the City will possess a contractual right to purchase the property upon which the Complex will be built, the construction thereof is a public works project subject to bidding in compliance with the Public Works Law. Hon. Andrew J. Rutens, Attorney, City of Saraland, 12-15-14, AG 2015-019.

Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.

10. The McAdory Area Fire District (“District”) may contract with the Warrior River Water Authority (“Authority”) for the use, installation, and maintenance of fire hydrants. The Authority and District should cooperate to enable the District to provide the most effective fire protection for a reasonable cost for its residents. If the District enters into a contract that requires the District to install and maintain the hydrants, the District is subject to the Public Works Law. The contract between the District and the Authority is not required to be competitively bid. Hon. Jeff Wyatt, Fire Chief, McAdory Area Fire District, 09-27-12, AG 2012-092.
11. A contract for project management and planning of a housing development, not including construction services between a municipal housing authority and a developer, is exempt from the Public Works Law under § 39-2-2(d). A private entity is not subject to the Public Works Law. Hon. Ralph D. Ruggs, Executive Director, Tuscaloosa Housing Authority, 09-27-12, AG 2012-089. Since entry of this Opinion, the language of the controlling statute, § 39-2-2(d), has been amended and the cited authority is found in § 39-2-2(d)(1).
12. Based upon the facts presented, the Town of Fyffe may enter into a change order that allows the town to use the remaining surplus funds from a grant/local match to purchase additional grinder pumps to be installed by employees of the sewer department. Hon. L. Jayson Carroll, Attorney, Town of Fyffe, 01-18-12, AG 2012-025.
13. A court may find that the City of Pelham substantially complied with the advertisement of bids for its backup water supply based upon the substantial number of bids received and the number of states involved in the bidding process. Hon. Frank C. Ellis, Jr., Attorney for Shelby County,

09-20-11, AG 2011-100.

14. The purchase and placement of sod by a contractor for the construction of a softball complex is a public works project. Hon. Barry Mask, Member, House of Representatives, 03-04-10, AG 2010-048.
15. A tank maintenance contract that is in excess of \$50,000 is subject to the Public Works Law. Hon. Fred O. Ferguson, Chairman, Stewartville Water Authority, 08-25-09, AG 2009-100.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

16. If public funds are transferred to a private entity, such funds are not subject to Alabama laws regarding competitive bidding or public works. Hon. J. Bradford Boyd Hicks, Attorney, Town of Magnolia Springs, 06-29-09, AG 2009-086.
17. If the City of Geneva determines that a public purpose will be served, the City may join with nonprofit organizations to finance a community center. The competitive bid laws are not applicable to private funds. Once public funds are given to a private entity, those funds cease being public in nature. Hon. Wynnton Melton, Mayor, City of Geneva, 04-16-09, AG 2009-061.
18. City may contract with a community center to renovate the center in exchange for the center making cultural facilities available to the public; however, if the project exceeds \$50,000, it is subject to the Public Works Law. City may contract with a third party to dispose of solid waste from and provide maintenance for the Turkey Creek Nature Preserve. If the contract involves \$15,000 or more, it is subject to the Competitive Bid Law. If the maintenance contract exceeds \$50,000, or otherwise qualifies as a public works, it must be bid under the Public Works Law. Hon. E. Shane Black, Attorney, City of Pinson, 01-22-09, AG 2009-033. **Note: Since entry of this Opinion, the language of the controlling statute (with respect to the Competitive Bid Law), § 41-16-50(a), has been amended to cover funds of \$30,000 or more. Additionally, the threshold for application of the Public Works Law has been increased to \$100,000.**
19. If an agency or municipality makes a “good faith” estimate that a project is less than \$500,000, then it does not have to advertise in three newspapers of general circulation throughout the state. See AG 2008-106, the Town of Argo “substantially complied” with the requirement by advertising in one newspaper of general circulation that resulted in internet publication statewide. Hon. Hugh E. Holladay Attorney, Town of Argo, 07-10-08, AG 2008-106.
20. Based on the facts presented, the contracts for cutting grass in public cemeteries in the city should be bid pursuant to the Competitive Bid Law if the costs exceed \$7500. Contracts for the construction, repair, and maintenance of markers, headstones and walls in a municipally owned cemetery are considered “public works,” subject to bid under the Public Works Law if the costs are in excess of \$50,000.00. Hon. William L. Nix, Attorney, City of Lanett, 1-9-07, AG 2007-030. **Since entry of this Opinion, the language of the controlling statute (with respect to the Competitive Bid Law), § 41-16-50(a), has been amended to cover funds of \$30,000 or**



more. Additionally, the threshold for application of the Public Works Law has been increased to \$100,000.

21. A contract by the Smiths Water and Sewer Authority to install a main sewer outfall line must be bid under § 39-2-2. Hon. Kenneth Vann, Smiths Water and Sewer Authority, 10-24-06. AG 2007-007.
22. The Huntsville-Madison County Marina and Port Authority is a public corporation subject to the Competitive Bid Law. A public works project paid, in whole or in part, with public funds is subject to the Public Works Law. The Authority may borrow money from standard commercial entities, such as a bank or credit union for any corporate purpose. Hon. Jada R. Leo, Secretary Treasurer, Huntsville-Madison County Marina and Port Authority, 01-19-05, AG 2005-045.
23. The Boaz City Council may appropriate funds to a nonprofit organization for the renovation of a building for a community center if the council determines that a public purpose is served. If the project will be paid for entirely with private funds, the project is not subject to the competitive bidding requirements of the Public Works Law. Hon. Barbara Walden, City Clerk/Treasurer for the City of Boaz, 09-27-04, AG 2004-223.
24. In a public works project funded, in part, by federal transportation monies received by the state through the Alabama Department of Transportation, federal laws and regulations prohibit the Town of Collinsville from requiring a general contractor, submitting a bid for work to be performed on a project, to provide the contractor's license number on the bid documents before the submission of a bid or before the bid may be considered for award of a contract. The Town of Collinsville may, however, require proof of a license upon or subsequent to the award of the contract. Hon. Ernest Willingham, Mayor of Collinsville, 03-19-04, AG 2004-099.
25. Works to be performed on public property, or property that will become public property, that are paid for entirely with private funds are not public works, and contracts to perform such works are not subject to the competitive bidding requirements of the Public Works Law. Hon. Bobby Hayes, Mayor, City of Pelham, 11-18-03, AG 2004-026.
26. By advertising a contract in a local newspaper that would not be considered to be substantially circulated within the state and awarding the contract to the lowest bidder, the Town of South Vinemont has substantially complied with the Public Works Law under the doctrine of substantial compliance articulated by Alabama's appellate courts, and the Town may proceed with the executed contract. Hon. Melba Patton, Mayor, Town of South Vinemont, 10-31-2003, AG 2004-018.
27. The Town of Crossville may contract with a developer to pave an unpaved city street within the town, provided all the applicable laws, rules, and regulations regarding paving public roads are followed, including the Public Works Law. Hon. Ronald West, Mayor, Town of Crossville, 05-08-02, AG 2002-228.
28. The construction and lease of a fire station should be considered a public work and thus must

be competitively bid pursuant to the Public Works Law. Hon. James M. Tingle, Attorney, City of Gardendale, 05-02-02, AG 2002-223.

29. A member of the Civil Service Board of the City of Gadsden is not prohibited by the Constitution of Alabama or § 11-43-12 from serving as a consultant on a fee-for- service basis for the City's public works department. Such consultant services may be subject to the Competitive Bid Law. Hon. William R. Willard, Attorney for Civil Service Board for the City of Gadsden, 04-12-02, AG 2002-209.
30. Pursuant to § 39-2-1, waterworks boards are subject to the Public Works Law when building construction costs exceed \$50,000. Hon. William R. Justice, Attorney for Water Works Board of the Town of Columbiana, 02-27-02, AG 2002-152.

**Note: Since the publishing of this opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

31. The purchase of lights by a municipality for a ballpark is a purchase of equipment and subject to the competitive bid requirements if the costs meet or exceed the criteria. If the purchase of lights is included in the construction costs of the renovation project, then this purchase is subject to the requirements of the Public Works Law. Hon. Phil Crigler, Member, House of Representatives, 02-28-00, AG 2000-099.
32. The Competitive Bid Law and the Public Works Law are not applicable where an educational building authority issues revenue bonds to finance facilities for a private school when the authority is not a party to the contract, the school is not an agent of the authority, and there are no public funds obligated or used to pay for such bonds or facilities. Hon. Heyward C. Hosch III, Educational Building Authority of the City of Tuscaloosa, 01-25-99, AG 99-00095.
33. When work is done by force account there is no contract to be signed; therefore, the bid requirement found in § 39-2-2 has no effect. When a city is undertaking a public works construction project under the "force account" method, the city is required to obtain engineering drawings, plans, specifications, and estimates prepared by a professional engineer, and the construction must be executed under the direct supervision of a professional engineer. Hon. O. Stanley Thornton, Attorney, City of Talladega, 12-18-98, AG 99-00065.
34. Construction of a municipal golf course by the Town of Courtland is subject to the Public Works Law but not the Competitive Bid Law. Bids are not required for architectural design services, engineering services, or project management services needed for the construction of a golf course. If the Park and Recreation Board of the Town of Courtland develops the golf course, neither the Competitive Bid Law nor the Public Works Law are applicable. Hon. Timothy D. Littrell, Attorney, Town of Courtland, 12-08-98, AG 99-00056.
35. Incorporated industrial boards are exempt from Public Works Law but grant funds may require projects using such funds to be competitively bid. Hon. J. Mack Edwards, Chairman, Industrial Development Board of the Town of Collinsville, 12-11-97, AG 98-00051.



36. The Public Works Law is applicable to a renovation project of the Housing Authority of the City of Fort Payne. Hon. Sarah L. Tate, Housing Authority of the City of Fort Payne, 11-13-97, AG 98-00031.
37. If the Town of Double Springs determines that the omission of the category and license expiration date from the outside of the bid envelope is a minor irregularity so as not to defeat the responsiveness of the lowest bidder, it may award the contract for construction of a water line to that bidder, if it deems such bidder to be “responsible.” Hon. B. C. Seymour, Mayor, Town of Double Springs, 09-17-97, AG 97-00281.
38. Municipalities cannot, in bid specifications, provide for withholding more than five percent (5%) of a public works project or provide that retainages shall continue to be withheld after the project is fifty percent (50%) complete. Hon. Frank C. Ellis, Jr., City Attorney, City of Pelham, 08-11-97, AG 97-00256.
39. A newspaper, publishing items of interest to the general public, having more than a de minimis number of subscribers, whose readers are not confined to an isolated community or geographic section, available to any member of the public within the state should be considered a newspaper of general circulation. Advertisements for bids for public works costing more than \$500,000 must be made in three such papers, in addition to the local paper, and published a reasonable time before bids are to be opened. Performance bond should be based on the contract price. Hon. C. Wade Johnson, Attorney, Utilities Board of the City of Bridgeport, 08-01-97, AG 97-00247.

### **C. K-12 Education**

1. The Autauga County Board of Education may enter into an agreement with the Autauga County Commission to assist the Board with paving school parking lots without bidding the work pursuant to Ala. Code § 39-1-1, et seq. when the Commission will provide materials, labor, and equipment at cost for all work to be performed. Hon. Timothy E. Tidmore, Superintendent of Autauga County Schools, 08-9-2022, AG 2022-043.
2. Local boards of education are required, pursuant to § 16-1-44, to adopt a comprehensive school safety plan for each school under authority of the board. The purchase, installation, or upgrading of school security systems is subject to the Public Works Law. Pursuant to § 39-2-2(g), if ALEA makes a finding that the project would impact the security or safety of persons or facilities and requires confidentiality, a contract may be let without public advertising. Hon. Michael Douglas, Superintendent, Decatur City Board of Education, 8-28-19, AG 2019-048.
3. The Houston County Board of Education (“the Board”) determined that, to meet the needs of its students, it must construct a new Career & Technical Center that is centrally located between five public schools. The Board may purchase real property upon which the successful bidder will construct or remodel a building by bidding in compliance with the Public Works Law. Upon completion of the transaction, the Board should comply with the disclosure requirements of § 9-15-100. Hon. Kevin Walding, Attorney, Houston County Board of Education, 9-14-15, AG 2015-064.

4. A contract that exceeds \$50,000 for the construction of a water line to a public school is subject to the bidding requirements of the Public Works Law. Hon. R. Champ Crocker, Attorney for Cullman County Board of Education, 12-16-08, AG 2009-022.

**Note: Since the publishing of this Opinion, the threshold for application of the Public Works Law has been increased to \$100,000.**

5. A bid accepted by an awarding authority under the Public Works Law is null and void where it was not the lowest responsible bid and was accepted by error. Hon. W. David Ryan, Tuscaloosa City Board of Education, Tuscaloosa County, 11-28-01, AG 2002-071.
6. The State Competitive Bid Law and the Public Works Law are not applicable where an educational building authority issues revenue bonds to finance facilities for a private school when the authority is not a party to the contract, the school is not an agent of the authority, and there are no public funds obligated or used to pay for such bonds or facilities. Hon. Heyward C. Hosch III, Attorney, Educational Building Authority of Tuscaloosa, 01-25-99, AG 99-00095.

**PART III**  
**APPENDICES**

**APPENDIX A**  
**COMPETITIVE BID LAW**

**Code of Alabama (1975), Title 41, Chapter 16**

**ARTICLE 1.**  
**GENERAL PROVISIONS.**

**41-16-1.** Repealed.

**41-16-2.** Limitation on prosecutions for violations of competitive bid laws.

**41-16-3.** Timely execution of state contracts required.

**41-16-4.** Limitation on use of reverse auction process.

**41-16-5.** Public contracts with entities engaging in certain boycotting activities.

**Section 41-16-1. Withdrawal by contractor of amounts retained from payments under contract.**

Repealed by Acts 1997, No. 97-225, p. 348, § 4, effective April 22, 1997.

**Section 41-16-2. Limitation on prosecutions for violations of competitive bid laws.**

A prosecution for any offense in violation of the competitive bid laws of Articles 2 and 3 of this chapter must be commenced within six years after the commission of the offense.

**Section 41-16-3. Timely execution of state contracts required.**

(a) Whenever the State of Alabama is a party to any contract, the contract shall be executed by all parties in a timely fashion. When a party to a contract, other than the state, has fully executed the responsibility under the contract and there remains only the payment of funds by the state, payment shall be made in a timely manner. If the amount due by the state is not in dispute, payment shall be made within 30 days after the other party has completed his or her portion of the contract and presented a proper invoice. If the amount payable is not paid within 30 days, interest on the amount shall be charged. A party who receives a payment from the state in connection with a contract shall pay each of its subcontractors or sub-subcontractors the portion of the state's payment to the extent of that subcontractor's

or sub-subcontractor's interest in the state's payment in accordance with the payment terms agreed to by the contractor and the subcontractor, but if payment terms are not agreed to, then within seven days after receipt of payment from the state. The payment shall include interest, if any, that is attributable to work performed by the subcontractor or sub-subcontractor. The interest rate shall be the legal amount currently charged by the state. Interest shall be paid from the same fund or source from which the contract principal is paid. Nothing in this subsection shall prevent the state, contractor, or subcontractor from withholding payments if there is a bona fide dispute over one or more of the following:

- (1) Unsatisfactory job progress.
  - (2) Defective construction not remedied.
  - (3) Disputed work.
  - (4) Third party claims filed or reasonable evidence that a claim will be filed.
  - (5) Failure of the contractor, subcontractor, or sub-subcontractor to make timely payments for labor, equipment and materials.
  - (6) Property damage to owner, contractor, or subcontractor.
  - (7) Reasonable evidence that the contract, subcontract, or sub-subcontract cannot be completed for the unpaid balance of the contract or contract sum.
- (b) In the event that there is a bona fide dispute over all or any portion of the amount due on a progress payment from the owner, contractor, or subcontractor then the owner, contractor, or subcontractor may withhold payment in an amount not to exceed two times the disputed amount.
- (c) An owner is required to notify a contractor in writing within 15 days of receipt of any disputed request for payment. A contractor, subcontractor, and sub-subcontractor is required to provide written notification within five days of disputed request for payment or notice of disputed request for payment.
- (d) The amount of retainage withheld by the contractor to the subcontractor or the subcontractor to the sub-subcontractor shall not exceed the retainage withheld by the state unless interest is applied to the withheld amount.

#### **41-16-4. Limitation on use of reverse auction process.**

The reverse auction process shall not be used to procure professional services of architects, landscape architects, engineers, land surveyors, geoscience and other professions, as described in Section 41-16-51(a)(3), or contracts for construction, repairs, renovation, or maintenance of public works.

#### **41-16-5. Public contracts with entities engaging in certain boycotting activities.**

(a) For the purposes of this section, the following terms shall have the following meanings:

- (1) **BOYCOTT.** To blacklist, divest from, or otherwise refuse to deal with a person or business entity when the action is based on race, color, religion, gender, or national

origin of the targeted person or entity or is based on the fact that the boycotted person or entity is doing business in a jurisdiction with which this state can enjoy open trade and with which the targeted person or entity is doing business.

(2) BUSINESS ENTITY. A corporation, partnership, limited liability company, organization, or other legal entity conducting or operating any trade or business in Alabama or a corporation, organization, or other legal entity operating in Alabama that is exempt from taxation under Section 501(c)(3) or (4) of the Internal Revenue Code.

(3) GOVERNMENTAL ENTITY. The state or any political subdivision thereof, or any department, agency, board, commission, or authority of the state, or any political subdivision, or any public corporation, authority, agency, board, commission, state college, or university, municipality, or other governmental entity controlled by the state or any political subdivision.

(4) JURISDICTION WITH WHICH THIS STATE CAN ENJOY OPEN TRADE. Includes World Trade Organization members and those with which the United States has free trade or other agreements aimed at ensuring open and nondiscriminatory trade relations.

(b) Subject to subsection (c), a governmental entity may not enter into a contract governed by Title 39 or Chapter 16, Title 41, with a business entity unless the contract includes a representation that the business entity is not currently engaged in, and an agreement that the business entity will not engage in, the boycott of a person or an entity based in or doing business with a jurisdiction with which this state can enjoy open trade.

(c)(1) This section does not apply if a business fails to meet the requirements of subsection (b) but offers to provide the goods or services for at least 20 percent less than the lowest certifying business entity.

(2) This section does not apply to contracts with a total potential value of less than fifteen thousand dollars (\$15,000).

(d) Nothing in this section requires a business entity or individual to do business with any other particular business entity or individual in order to enter into a contract with a governmental entity.

## **ARTICLE 2. COMPETITIVE BIDDING ON PUBLIC CONTRACTS GENERALLY.**

Act 2021-296 repealed Article 2 in its entirety. The statutes replacing Article 2 are now found at Ala. Code § 41-4-110, et seq. Those statutes are not included in this manual or appendix as they do not apply to county or local entities.

**ARTICLE 3.**  
**COMPETITIVE BIDDING ON CONTRACTS OF CERTAIN STATE AND LOCAL**  
**AGENCIES, ETC.**

**41-16-50.** Contracts for Which Competitive Bidding Required.

**41-16-51.** Contracts for Which Competitive Bidding Not Required.

**41-16-51.1.** Municipal or County Contracts for Certain Services Exempt from Competitive Bid Requirements.

**41-16-52.** Expenditures for Repair or Lease of Heavy Duty off-Highway Construction Equipment May be Made Without Regard to Provisions of Article.

**41-16-53.** Letting of Contracts Without Public Advertisement Authorized in Case of Emergencies Affecting Public Health, Safety, Etc.

**41-16-54.** Advertisement for and Solicitation of Bids; Opening of Bids; Reverse Auction Procedures; Public Inspection; Certain Partial Contracts Void.

**41-16-55.** Effect of Agreements or Collusion Among Bidders in Restraint of Competition; Knowing Participation in Collusive Agreement.

**41-16-56.** Effect of Advance Disclosure of Terms of Bid.

**41-16-57.** Municipal or County Contracts for Certain Services Exempt from Competitive Bid Requirements.

**41-16-58.** Bond for Faithful Performance of Contract May be Required.

**41-16-59.** Assignment of Contracts.

**41-16-60.** Conflicts of Interest of Members or Officers of Certain Public Offices or Positions.

**41-16-61.** Institution of Actions to Enjoin Execution of Contracts Entered into in Violation of Article.

**41-16-62.** Provisions of Article Not Applicable to Certain Municipal Contracts.

**41-16-63.** Provisions of Article Cumulative.

**Section 41-16-50. Contracts for which competitive bidding required.**

(a) With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all expenditure of funds for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving thirty thousand dollars (\$30,000) or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of thirty thousand dollars (\$30,000) or more, made by or on behalf of the Alabama Fire College, the district boards of education of independent school districts, the county commissions, the governing bodies of the municipalities of the state, and the governing boards of instrumentalities of counties and municipalities, including waterworks boards, sewer boards, gas boards, and other like utility boards and commissions, except as otherwise provided in this article, shall

be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible and responsive bidder.

(b)(1) Prior to advertising for bids for an item of personal property or services, where a county, a municipality, or an instrumentality thereof is the awarding authority, the awarding authority may establish a local preference zone consisting of **any of the following:**

- a. The legal boundaries or jurisdiction of the awarding authority.
- b. The boundaries of the county in which the awarding authority is located.
- c. the boundaries of the Core Based Statistical Area in which the awarding authority is located.

(2) If no such action is taken by the awarding authority **under subdivision (1)**, the boundaries of the local preference zone shall be deemed to be the same as the legal boundaries or jurisdiction of the awarding authority.

(3) In the event a bid is received for an item of personal property or services to be purchased or contracted for from a person, firm, or corporation deemed to be a responsible bidder, having a place of business within the local preference zone where the county, a municipality, or an instrumentality thereof is the awarding authority, and the bid is no more than five percent greater than the bid of the lowest responsible bidder, the awarding authority may award the contract to the resident responsible bidder. ~~In the event only one bidder responds to the invitation to bid, the awarding authority may reject the bid and negotiate the purchase or contract, providing the negotiated price is lower than the bid price.~~

(4) ~~If no bids or only one bid is received at the time stated in the advertisement for bids, the awarding authority may advertise for and seek other competitive bids, or the awarding authority may negotiate through the receipt of informal bids not subject to the requirements of this article. Where only one responsible and responsive bid has been received, any negotiation for the work shall be for a price lower than that bid.~~

(5) ~~In the event both or all bids exceed the awarding authority's anticipated budget, the awarding authority may negotiate with the lowest responsible and responsive bidder, provided the negotiated price is lower than the bid price.~~

(c) The governing bodies of two or more contracting agencies, as enumerated in subsection (a), or the governing bodies of two or more counties, or the governing bodies of two or more city or county boards of education, may provide, by joint agreement, for the purchase of labor, services, or work, or for the purchase or lease of materials, equipment, supplies, or other personal property for use by their respective agencies. The agreement shall be entered into by similar ordinances, in the case of municipalities, or resolutions, in the case of other contracting agencies, adopted by each of the participating governing bodies, which shall set forth the categories of labor, services, or work, or for the purchase or lease of materials, equipment, supplies, or other personal property to be purchased, the manner of

advertising for bids and the awarding of contracts, the method of payment by each participating contracting agency, and other matters deemed necessary to carry out the purposes of the agreement. Each contracting agency's share of expenditures for purchases under any agreement shall be appropriated and paid in the manner set forth in the agreement and in the same manner as for other expenses of the contracting agency. The contracting agencies entering into a joint agreement, as permitted by this section, may designate a joint purchasing or bidding agent, and the agent shall comply with this article. Purchases, contracts, or agreements made pursuant to a joint purchasing or bidding agreement shall be subject to all terms and conditions of this article.

In the event that utility services are no longer exempt from competitive bidding under this article, non-adjointing counties may not purchase utility services by joint agreement under authority granted by this subsection.

(d) The awarding authority may require bidders to furnish a bid bond for a particular bid solicitation if the bonding requirement applies to all bidders, is included in the written bid specifications, and if bonding is available for the services, equipment, or materials.

(e) Notwithstanding subsection (a), in the event the lowest bid for an item of personal property or services to be purchased or contracted for is received from a foreign entity, where the county, a municipality, or an instrumentality thereof is the awarding authority, the awarding authority may award the contract to a responsible bidder whose bid is no more than 10 percent greater than the foreign entity if the bidder has a place of business within the local preference zone or is a responsible bidder from a business within the state that is a woman-owned enterprise, an enterprise of small business, as defined in Section 25-10-3, a minority-owned business enterprise, a veteran-owned business enterprise, or a disadvantaged-owned business enterprise. For the purposes of this subsection, foreign entity means a business entity that does not have a place of business within the state.

(f)(1) No expenditure involving thirty thousand dollars (\$30,000) or more may be split into parts involving sums of less than thirty thousand dollars (\$30,000) for the purpose of evading the requirements of this article.

(2) If an awarding authority documents its reasonable belief, based on expenditures in previous years, that an expenditure will not meet the dollar threshold and, based upon that reasonable belief, makes the expenditure without bidding, but then circumstances arise that necessitate making a subsequent expenditure of like items or services that would increase the total to or above the dollar threshold, then the subsequent expenditure shall be bid pursuant to this article. The awarding authority shall not be deemed to have violated this article or the prior expenditure that was not bid, provided that the awarding authority documented its reasonable belief, based on expenditures in previous years, that the total amount would be below the dollar threshold and that the subsequent expenditure was bid.

(g) Beginning October 1, 2027, and every three years thereafter, all dollar amounts used in this article shall be subject to a cost adjustment based on the following procedure: The Chief Examiner of the Department of Examiners of Public Accounts may submit to the



Chair of the Legislative Council a recommendation that the amount be increased based on the percentage increase in the Consumer Price Index for the immediately preceding three-year period, rounded to the nearest thousand dollars. The recommendation shall be subject to the approval of the Legislative Council. In the event the recommendation is not disapproved by the Legislative Council by the end of April following the submission of the recommendation, the recommendation shall be deemed to be approved. Upon approval, the Department of Examiners of Public Accounts shall notify the public of the adjusted dollar amounts by July 1 before the fiscal year in which the changes will take effect.

**Section 41-16-51. Contracts for which competitive bidding not required.**

(a) Competitive bids for entities subject to this article shall not be required for utility services, the rates for which are fixed by law, regulation, or ordinance, and the competitive bidding requirements of this article shall not apply to **any of the following**:

(1) The purchase of insurance.

(2) The purchase of ballots and supplies for conducting any primary, general, special, or municipal election.

(3) Contracts for securing services of attorneys, physicians, architects, teachers, superintendents of construction, artists, appraisers, engineers, consultants, certified public accountants, public accountants, or other individuals possessing a high degree of professional skill where the personality of the individual plays a decisive part.

(4) Contracts of employment in the regular civil service.

(5) Contracts for fiscal or financial advice or services.

(6) Purchases of products made or manufactured by the blind or visually handicapped under the direction or supervision of the Alabama Institute for Deaf and Blind in accordance with ~~Sections 21-2-1 to 21-2-4, inclusive~~ Chapter 2 of Title 21.

(7) Purchases of maps or photographs from any federal agency.

(8) Purchases of **computer programs, software applications**, manuscripts, books, maps, pamphlets, periodicals, and library or research electronic databases of manuscripts, books, maps, pamphlets, or periodicals.

(9) The selection of paying agents and trustees for any security issued by a public body.

(10) Existing contracts up for renewal for sanitation or solid waste collection, recycling, and disposal between municipalities or counties, or both, and those providing the service.

(11) Purchases of computer and word processing hardware when the hardware is the only type that is compatible with hardware already owned by the entity taking bids and custom software.

(12) Professional services contracts for codification and publication of the laws and ordinances of municipalities and counties.

(13) Contractual services and purchases of commodities for which there is only one vendor or supplier and contractual services and purchases of personal property which by their very nature are impossible to award by competitive bidding.

(14) Purchases of dirt, sand, or gravel by a county governing body from in-county property owners in order to supply a county ~~road or bridge~~ project in which the materials will be used. The material shall be delivered to the project site by county employees and equipment used only on project ~~components~~ conducted exclusively by county employees.

(15) Contractual services and purchases of products related to, or having an impact upon, security plans, procedures, assessments, measures, or systems, or the security or safety of individuals, structures, facilities, or infrastructures.

(16) Subject to the limitations in this subdivision, purchases, leases, or lease/purchases of goods or services, other than voice or data wireless communication services, made as a part of the purchasing cooperative sponsored by the National Association of Counties, its successor organization, or any other national or regional governmental cooperative purchasing program. The purchases, leases, or lease/purchases may only be made if all of the following occur:

a. The goods or services being purchased, including those purchased through a lease/purchase agreement, or leased are available as a result of a competitive bid process conducted by a governmental entity and approved by the Department of Examiners of Public Accounts for each bid.

b. The goods or services are either not at the time available to counties on the state purchasing program or are available at a price equal to or less than that on the state purchasing program.

c. The purchase, lease, or lease/purchase is made through a participating Alabama vendor holding an Alabama business license if such a vendor exists.

d. The entity purchasing, leasing, or lease/purchasing goods or services under this subdivision has been notified by the Department of Examiners of Public Accounts that the competitive bid process utilized by the cooperative program offering the goods complies with this subdivision. In addition, upon request, a vendor shall provide the entity purchasing, leasing, or lease/purchasing ~~items which exceed~~ goods or services equaling ~~thirty thousand dollars (\$30,000) or more which are~~ made under this subdivision during the previous 12 months a report of the sales, leases, and lease/purchases. ~~The report shall~~

include a general description of the goods or services; the number of units sold, leased, or leased/purchased per entity; and the price of units purchased, leased, or leased/purchased.

(17) The purchase of goods or services, other than wireless communication services, whether voice or data, from vendors that have been awarded a current and valid Government Services Administration contract. Any purchase made pursuant to this subdivision shall be under the same terms and conditions as provided in the Government Services Administration contract. Prices paid for such goods and services, other than wireless communication services, whether voice or data, may not exceed the amount provided in the Government Services Administration contract.

(18) Purchases of goods or services from vendors that have been awarded a current and valid statewide contract listed on the Alabama Buys e-procurement system. Any purchase made pursuant to this subdivision shall be under the same terms and conditions as provided in the statewide contract.

(19) Purchases of goods or services between governmental entities of the state, as authorized by Section 11-1-10.

(20) Purchases of goods or services between a municipality and a governmental entity, as defined in Section 8-38-2.

(b) This article shall not apply to:

(1) Any purchases of products where the price of the products is already regulated and established by state law.

(2) Purchases made by individual schools of the county or municipal public school systems from moneys other than those raised by taxation or received through appropriations from state or county sources.

(3) The purchase, lease, sale, construction, installation, acquisition, improvement, enlargement, or expansion of any building or structure or other facility designed or intended for lease or sale by a medical clinic board organized under ~~Sections 11-58-1 to 11-58-14, inclusive~~ Chapter 58 of Title 11.

(4) The purchase, lease, or other acquisition of machinery, equipment, supplies, and other personal property or services by a medical clinic board organized under ~~Sections 11-58-1 to 11-58-14, inclusive~~ Chapter 58 of Title 11.

(5) Purchases for public hospitals and nursing homes operated by the governing boards of instrumentalities of the state, counties, and municipalities.

(6) Contracts for the purchase, lease, sale, construction, installation, acquisition, improvement, enlargement, or extension of any plant, building, structure, or other facility or any machinery, equipment, furniture, or furnishings therefor designed or intended for

lease or sale for industrial development, other than public utilities, under ~~Sections 11-54-80 to 11-54-99, inclusive~~ Division 1 of Article 4 of Chapter 54 of Title 11, or ~~Sections 11-54-20 to 11-54-28, inclusive~~ Article 2 of Chapter 54 of Title 11, or any other statute or amendment to the Constitution of Alabama of 2022 authorizing the construction of plants or other facilities for industrial development or for the construction and equipment of buildings for public building authorities under ~~Sections 11-56-1 to 11-56-22, inclusive~~ Chapter 15 of Title 11 or ~~Chapter 56 of Title 11.~~

(7) The purchase of equipment, supplies, or materials needed, used, and consumed in the normal and routine operation of any waterworks system, sanitary sewer system, gas system, or electric system, or any two or more thereof, that are owned by municipalities, counties, or public corporations, boards, or authorities that are agencies, departments, or instrumentalities of municipalities or counties and no part of the operating expenses of which system or systems have, during the then current fiscal year, been paid from revenues derived from taxes or from appropriations of the state, a county, or a municipality.

(8) Purchases made by local housing authorities, organized and existing under Chapter 1 of Title 24, from moneys other than those raised by state, county, or city taxation or received through appropriations from state, county, or city sources.

(9) The purchase of services to aid in the prevention and detection of criminal activity by law enforcement agencies and community-oriented policing programs.

(c) The state trade schools, state junior colleges, state colleges, and universities under the supervision and control of the State Board of Education, the district boards of education of independent school districts, the county commissions, and the governing bodies of the municipalities of the state shall establish and maintain purchasing facilities and procedures as may be necessary to carry out the intent and purpose of this article by complying with the requirements for competitive bidding in the operation and management of each state trade school, state junior college, state college, or university under the supervision and control of the State Board of Education, the district boards of education of independent school districts, the county commissions, and the governing bodies of the municipalities of the state and the governing boards of instrumentalities of counties and municipalities, including waterworks boards, sewer boards, gas boards, and other like utility boards and commissions.

(d) Contracts entered into in violation of this article shall be void and any individual who violates this article shall be guilty of a Class C felony.

#### **Section 41-16-51.1. Municipal or county contracts for certain services exempt from competitive bid requirements.**

Notwithstanding any other laws to the contrary, when it is necessary for a county or an incorporated municipality to enter into a public contract for the provision of services or for the provision of primarily services even though the contract may include the furnishing of ancillary products or ancillary goods which would otherwise be required to

be let by competitive bid, the county or municipality may, without soliciting and obtaining competitive bids, contract with a vendor or provider for the services at a price which does not exceed the price which the state has established through the competitive bid process for the same services under the same terms and conditions and provided it pertains to a current and active bid on a non-statewide agency contract. The mere delivery of products or goods, or the performance of a common, nonspecialized service with relation to goods or products shall not make a purchase or contract qualify for the bid exemption hereunder. If a county or incorporated municipality desires to purchase under this bid exception procedure, the purchase must be approved by a majority vote of its governing body at a public meeting thereof.

**Section 41-16-51.2. Purchase of goods or services related to the Child Nutrition Program during certain emergencies or unanticipated events.**

(a)(1) During an emergency or unanticipated event affecting public health or safety or causing supply chain disruptions, and upon the recommendation of the State Superintendent of Education and the approval of the Department of Examiners of Public Accounts, any public educational entity that provides meals under the Child Nutrition Program of the Alabama State Department of Education and subject to this article may purchase goods or services related to the programs without advertising or bidding. To the extent possible, purchases made under this section shall be executed to include representation of minority-owned business enterprises.

(2) The recommendation submitted for consideration by the State Superintendent of Education under subdivision (1) shall contain a statement setting forth the specific facts regarding the basis and nature of the emergency or unanticipated event affecting public health or safety or causing supply chain disruptions necessitating the action and the geographical region or area to which the emergency or unanticipated event should be limited. Any approval to purchase goods or services under this section shall be limited to 60 days, during which time a contractual agreement for such purchases shall be entered into in compliance with the competitive bid law in this article.

(b) Notwithstanding subsection (a), a public educational entity described in subsection (a), when practicable and to the extent possible, should comply with the advertising and bidding requirements provided in this article.

(c) A public educational entity shall maintain accurate and fully itemized records of all expenditures made pursuant to this section.

**Section 41-16-52. Expenditures for repair or lease of heavy-duty off-highway construction equipment may be made without regard to provisions of article.**

(a) All expenditures of funds for repair parts and the repair of heavy duty off-highway construction equipment or of any vehicles with a gross vehicle weight rating of 25,000 pounds or greater, including machinery used for grading, drainage, road construction, and compaction for the exclusive use of county and municipal highway, street, and sanitation

departments, involving not more than forty thousand dollars (\$40,000) made by or on behalf of any county commissions and the governing bodies of the municipalities of the state, and the governing bodies of instrumentalities, including waterworks boards, sewer boards, gas boards, and other like utility boards and commissions, shall be made, at the option of the governing boards, bodies, instrumentalities, and commissions, without regard to this article. The foregoing exemption from this article shall apply to each incident of repair as to any repair parts, equipment, vehicles, or machinery. The amount of the exempted expenditure shall not be construed to be an aggregate of all the expenditures per fiscal year as to any individual vehicle or piece of equipment or machinery.

(b) The option provided by subsection (a) may be exercised by the governing boards, bodies, instrumentalities, and commissions by specific reference to this section on any and all purchase orders and purchase commitments executed by the governing boards, bodies, instrumentalities, and commissions. However, the option shall not be exercised by any employee, agent, or servant unless done so after having received official prior approval of the respective governing board, body, instrumentality, or commission or unless exercised pursuant to a formal policy adopted by the governing board, body, instrumentality, or commission setting out conditions and restrictions under which the option shall be exercised.

(c) All expenditures of funds for the leasing of heavy duty off-highway construction equipment and all vehicles with a gross vehicle weight rating of 25,000 pounds or greater, including machinery for grading, drainage, road construction, and compaction for exclusive use of county and municipal highway, street, and sanitation departments, involving a monthly rental of not more than ten thousand dollars (\$10,000) per month per vehicle or piece of equipment or machinery but not to exceed thirty thousand dollars (\$30,000) per month for all such vehicles and pieces of equipment made by or on behalf of any county commissions and the governing boards of municipalities of the state and the governing bodies of instrumentalities, including waterworks boards, sewer boards, gas boards, and other like utility boards and commissions shall be made, at the option of the governing boards, bodies, instrumentalities, and commissions, without regard to this article.

**Section 41-16-53. Letting of contracts without public advertisement authorized in case of emergencies affecting public health, safety, etc.**

~~In case of emergency affecting public health, safety or convenience, so declared in writing by the awarding authority, setting forth the nature of the danger to public health, safety or convenience involved in delay, contracts may be let to the extent necessary to meet the emergency without public advertisement. Such action and the reasons therefor shall immediately be made public by the awarding authority. Notwithstanding any law to the contrary, in the event circumstances arise for which a delay in remedying or otherwise addressing would likely cause harm to an individual or public property, a contract may be let to the extent necessary to mitigate harm without regard to the requirements of this article, provided the awarding authority does both of the following:~~

- (1) Documents two or more price quotations or price estimates before letting the contract.
- (2) Adopts a resolution declaring the nature of the circumstances, the action to be taken, and the reasons for taking the action.

**Section 41-16-54. Advertisement for and solicitation of bids; opening of bids; reverse auction procedures; public inspection; certain partial contracts void.**

(a)(1) All proposed purchases in excess of **thirty thousand dollars (\$30,000)** shall be advertised by posting notice thereof on a bulletin board maintained outside the purchasing office and in any other manner and for any length of time as may be determined. Sealed bids or bids to be submitted by a reverse auction procedure shall also be solicited by sending notice by mail or other electronic means to all persons, firms, or corporations who have filed a request in writing that they be listed for solicitation on bids for the particular items that are set forth in the request. If any person, firm, or corporation whose name is listed fails to respond to any solicitation for bids after the receipt of three solicitations, the listing may be cancelled.

(2) If a governing body mandates that advertisement for bids shall be published in a newspaper, the contract for purchase shall be awarded if the newspaper to which the advertisement was submitted did not publish the advertisement if the governing body can provide proof that it in good faith submitted the advertisement to the newspaper with instructions to publish the notice in accordance with this section.

(b) Except as provided in subsection (d), all bids shall be sealed when received and shall be opened in public at the hour stated in the notice.

(c) If the purchase or contract will involve an amount **less than thirty thousand dollars (\$30,000)**, the purchases or contracts may be made upon the basis of sealed bids, a joint purchasing agreement, a reverse auction procedure, or in the open market.

(d) Beginning January 1, 2009, the awarding authority may make purchases or contracts involving an amount of **thirty thousand dollars (\$30,000)** or more through a reverse auction procedure. However, that a reverse auction shall only be allowed where the item to be purchased at a reverse auction is either not at the time available on the state purchasing program under the same terms and conditions or, if available, the lowest price offered in the reverse auction is equal to or less than the price for which the item is available on the state purchasing program under the same terms and conditions. All of the purchases shall be subject to audit by the Examiners of Public Accounts. For purposes of this article, a reverse auction procedure includes either of the following:

(1) A real-time bidding process usually lasting less than one hour and taking place at a previously scheduled time and Internet location, in which multiple anonymous suppliers submit bids to provide the designated goods or services.



(2)a. A bidding process usually lasting less than two weeks and taking place during a previously scheduled period and at a previously scheduled Internet location, in which multiple anonymous suppliers submit bids to provide the designated goods or services.

b. No later than November 30, 2008, the Department of Examiners of Public Accounts shall establish procedures for the use of reverse auction, which shall be distributed to all contracting agencies and shall be used in conducting any audits of the purchasing agency.

(e) All original bids together with all documents pertaining to the award of the contract shall be retained in accordance with a retention period of at least seven years established by the Local Government Records Commission and shall be open to public inspection.

(f) No purchase or contract involving professional services shall be subject to the requirements of this article. ~~and no purchase or contract involving an amount in excess of fifteen thousand dollars (\$15,000) shall be divided into parts involving amounts of fifteen thousand dollars (\$15,000) or less for the purpose of avoiding the requirements of this article. All such partial contracts involving fifteen thousand dollars (\$15,000) or less shall be void.~~

(g) This section shall be applicable to education purchases made pursuant to Chapter 13B of Title 16.

**Section 41-16-55. Effect of agreements or collusion among bidders in restraint of competition; knowing participation in collusive agreement.**

(a) Any agreement or collusion among bidders or prospective bidders in restraint of freedom of competition, by agreement, to bid at a fixed price or to refrain from bidding or otherwise shall render the bids of the bidders void and shall cause the bidders to be disqualified from submitting further bids to the awarding authority on future purchases.

(b) Whoever knowingly participates in a collusive agreement in violation of this section involving a bid or bids of ~~fifteen thousand dollars (\$15,000) and under~~ less than thirty thousand dollars (\$30,000) shall be guilty of a Class A misdemeanor and, upon conviction, shall be punished as prescribed by law.

(c) Whoever knowingly and intentionally participates in a collusive agreement in violation of this section involving a bid or bids of ~~over fifteen thousand dollars (\$15,000)~~ thirty thousand dollars or more (\$30,000) shall be guilty of a Class C felony, and upon conviction shall be punished as prescribed by law.

**Section 41-16-56. Effect of advance disclosure of terms of bid.**

Any disclosure in advance of the terms of a bid submitted in response to an advertisement for bids shall render the proceedings void and require advertisement and award anew.



**Section 41-16-57. Municipal or county contracts for certain services exempt from competitive bid requirements.**

(a) When purchases are required to be made through competitive bidding, awards shall be made to the lowest responsible bidder taking into consideration the qualities of the commodities proposed to be supplied, their conformity with specifications, the purposes for which required, the terms of delivery, transportation charges, and the dates of delivery. If at any time after the award has been made the lowest responsible bidder notifies the awarding authority in writing that the bidder will no longer comply with the terms of the award to provide the goods or services to the awarding authority under the terms and conditions of the original award, or the awarding authority documents that the lowest responsible bidder defaults under the terms of the original award, the awarding authority may terminate the award to the defaulting bidder and make an award to the second lowest responsible bidder for the remainder of the award period without rebidding, provided the award to the second lowest responsible bidder is in all respects made under the terms and conditions contained in the original bid specifications and is for the same or a lower price than the bid originally submitted to the awarding authority by the second lowest responsible bidder.

(b) The awarding authority in the purchase of or contract for goods or services shall give preference, provided there is no sacrifice or loss in price or quality, to commodities produced in Alabama or sold by Alabama persons, firms, or corporations. Notwithstanding the foregoing, no county official, county commission, city council or city councilmen, or other public official charged with the letting of contracts or purchase of goods or services may specify the use of materials or systems by a sole source, unless:

(1) The governmental body can document that the sole source goods or services are of an indispensable nature, all other viable alternatives have been explored, and it has been determined that only these goods or services will fulfill the function for which the product is needed. Frivolous features will not be considered.

(2) No other vendor offers substantially equivalent goods or services that can accomplish the purpose for which the goods or services are required.

(3) All information substantiating the use of a sole source specification is documented in writing and is filed into the project file.

(c)(1) Beginning January 1, 2009, for purchases of personal property, including on or after June 9, 2011, goods which are, or are to become, fixtures, in instances where the awarding authority determines that the total cost of ownership over the expected life of the item or items, including acquisition costs plus sustaining costs or life cycle costs, can be reasonably ascertained from industry recognized and accepted sources, the lowest responsible bid may be determined to be the bid offering the lowest life cycle costs and otherwise meeting all of the conditions and specifications contained in the invitation to bid. To utilize this subdivision to determine the lowest responsible bidder, the awarding authority shall include a notice in the invitation to bid that the lowest responsible bid may be determined

by using life cycle costs and identify the industry recognized and accepted sources that will be applicable to such an evaluation.

(2) No later than November 30, 2008, the Department of Examiners of Public Accounts shall establish procedures for the use of life cycle costs, which shall be distributed to all contracting agencies and shall be used in conducting any audits of the purchasing agency.

(d) The awarding authority or requisitioning agency may reject any bid if the price is deemed excessive or quality of product inferior.

(e) Each record, with the successful bid indicated thereon, and with the reasons for the award if not awarded to the lowest bidder, after award of the order or contract, shall be open to public inspection.

(f) Contracts for the purchase of personal property or contractual services shall be let for periods not greater than three years, except contracts for the collection and disposal of residential solid waste, other than those contracts in Class 1 municipalities, shall be let for periods not greater than five years. Contracts for the leasing of motor vehicles by local governing bodies shall be let for periods not greater than five years. Lease-purchase contracts for capital improvements and repairs to real property shall be let for periods not greater than 10 years and all other lease-purchase contracts shall be let for periods not greater than 10 years.

**Section 41-16-58. Bond for faithful performance of contract may be required.**

Bond in a responsible sum for faithful performance of the contract, with adequate surety, may be required in an amount specified in the advertisement for bids.

**Section 41-16-59. Assignment of contracts.**

No contract awarded to the lowest responsible bidder shall be assignable by the successful bidder without written consent of the awarding authority, and in no event shall a contract be assigned to an unsuccessful bidder whose bid was rejected because he was not a responsible bidder.

**Section 41-16-60. Conflicts of interest of members or officers of certain public offices or positions.**

Members and officers of the city and county boards of education and the district boards of education of independent school districts may be financially interested in or have any personal beneficial interest, either directly or indirectly, in the purchase of or contract for any personal property or contractual service under either of the following conditions:

(1) The contract or agreement under which the financial interest arises was created prior to the election or appointment of the individual to the position he or she holds.

(2) The individual holding the position does not participate in, by discussion or by vote, the decision-making process which creates the financial or personal beneficial interest.

**Section 41-16-61. Institution of actions to enjoin execution of contracts entered into in violation of article.**

Any taxpayer of the area within the jurisdiction of the awarding authority and any bona fide unsuccessful bidder on a particular contract shall be empowered to bring a civil action in the appropriate court to enjoin execution of any contract entered into in violation of the provisions of this article.

**Section 41-16-62. Provisions of article not applicable to certain municipal contracts.**

The provisions of this article shall not be applicable to any contracts made by a municipality pursuant to the provisions of Act No. 4 adopted at the 1956 Second Special Session of the Legislature of Alabama, as amended, which relates to the promotion of trade by inducing commercial enterprises to locate in the state and which confers on municipalities having a population not exceeding 100,000 inhabitants, according to the last or any subsequent federal census, powers with respect to the acquisition, leasing and financing of projects suitable for use by certain commercial enterprises.

**Section 41-16-63. Provisions of article cumulative.**

This article shall be cumulative in its nature.

**ARTICLE 3A.  
COMPETITIVE BIDDING ON CONTRACTS FOR GOODS AND SERVICES.**

Act 2021-296 repealed Article 3A in its entirety. The statutes replacing Article 3A are now found at Ala. Code § 41-4-110, et seq. Those statutes are not included in this manual or appendix as they do not apply to county or local entities.

**ARTICLE 3B.  
SUBMISSIONS FOR PUBLIC CONTRACTS  
AND GRANTS, DISCLOSURE REQUIREMENTS.**

**41-16-80.** Legislative findings.

**41-16-81.** Definitions.

**41-16-82.** Disclosure statement required.

**41-16-83.** Required information.

**41-16-84.** Furnishing of disclosure statement; affirmative defense.

**41-16-85.** Filing of disclosure statement; public records.

**41-16-86.** Violations.

**41-16-87.** Applicability.

**41-16-88.** Relation to ethics law.

**Section 41-16-80. Legislative findings.**

The Legislature of Alabama finds and declares that information currently available to the public does not include the disclosure of all persons who for the purpose of financial gain submit a proposal, bid, contract, or grant proposal to the State of Alabama.

**Section 41-16-81. Definitions.**

For purposes of this article, the following terms shall have the following meanings:

(1) FAMILY MEMBER OF A PUBLIC EMPLOYEE. The spouse or a dependent of the public employee.

(2) FAMILY MEMBER OF A PUBLIC OFFICIAL. The spouse, a dependent, an adult child and his or her spouse, a parent, a spouse's parents, or a sibling and his or her spouse, of the public official.

(3) FAMILY RELATIONSHIP. A person has a family relationship with a public official or public employee if the person is a family member of the public official or public employee.

(4) PERSON. An individual, firm, partnership, association, joint venture, cooperative, or corporation, or any other group or combination acting in concert.

(5) PUBLIC OFFICIAL and PUBLIC EMPLOYEE. These terms shall have the same meanings ascribed to them in Sections 36-25-1(25) and 36-25-1(26), except for purposes of the disclosure requirements of this article, the terms shall only include persons in a position to influence the awarding of a grant or contract who are affiliated with the awarding entity. Notwithstanding the foregoing, these terms shall also include the Governor, Lieutenant Governor, members of the cabinet of the Governor, and members of the Legislature.

**Section 41-16-82. Disclosure statement required.**

(a) This article shall only apply in cases where the proposed grant or proposed contract at issue exceeds five thousand dollars (\$5,000).

(b) All persons who, for the purpose of direct financial gain, submit a proposal, bid, contract, or grant proposal to the State of Alabama, shall include a disclosure statement developed by the Attorney General and approved by the Legislative Council. The disclosure statement shall not be required for contracts for gas, water, and electric services where no competition exists, or where rates are fixed by law or ordinance. In circumstances where a contract is awarded by competitive bid, the disclosure statement shall be required

only from the person receiving the contract and shall be submitted within 10 days of the award.

**Section 41-16-83. Required information.**

(a) The information required on the disclosure statement shall be made under oath and penalty as prescribed herein and shall include, but not be limited to, the following:

(1) A list of the names and addresses of any public official and public employee, and family members of the public official and public employee, who have a family relationship with the person or his or her immediate family members, or his or her employees, who may directly personally benefit financially from the contract, proposal, request for proposal, invitation to bid, or grant proposal.

(2) A description of any financial benefit that may be knowingly gained by any public official, public employee, and family members of the public official and public employee that may result either directly or indirectly from the person or his or her immediate family members, or his or her employees.

(3) The names and addresses of any paid consultant or lobbyist for the contract, proposal, request for proposal, invitation to bid, or grant proposal.

(b) The State of Alabama shall not enter into any contract or appropriate any public funds with any person who refuses to provide information required by this section.

**Section 41-16-84. Furnishing of disclosure statement; affirmative defense.**

Each state agency, department, or division receiving a proposal, bid, contract, or grant proposal from all persons shall inform each person of this article and shall give each person a disclosure statement to complete. It shall be an affirmative defense under this article if any awarding agency fails to furnish and require the return of the disclosure statement.

**Section 41-16-85. Filing of disclosure statement; public records.**

A copy of the disclosure statement shall be filed with the awarding entity and the Department of Examiners of Public Accounts and if it pertains to a state contract, a copy shall be submitted to the Contract Review Permanent Legislative Oversight Committee. Any disclosure statement filed pursuant to this article shall be a public record.

**Section 41-16-86. Violations.**

(a) A person who knowingly violates this article shall be subject to civil penalty in an amount of ten thousand dollars (\$10,000), or 10 percent of the amount of the contract, whichever is less, to be deposited in the State General Fund. The statute of limitations for the acts covered in this article shall be one year. Any action brought to enforce the

provisions of this article shall be initiated by the Attorney General in the circuit or district court in the county in which the awarding entity is located.

(b) If there is a finding of a knowing violation of this article, the contract or grant shall be voidable by the awarding entity.

**Section 41-16-87. Applicability.**

This article shall not apply to any entity which does not receive state funds.

**Section 41-16-88. Relation to ethics law.**

Nothing in this article shall be construed to alter, amend, or repeal any disclosure required under the ethics law.

**ARTICLE 4  
SURETY BONDS OR INSURANCE UNDER PUBLIC  
BUILDING OR CONSTRUCTION CONTRACTS.**

*Editor's Note: Former Sections 41-16-80 through 82 were repealed by Acts 1997, No. 97-225, p. 348, § 4, effective April 22, 1997. The provisions of Article 3b, effective December 1, 2001, were assigned some of the same section numbers in the Code of Alabama (1975).*

**ARTICLE 5  
CONTRACTS FOR SALE OF CERTAIN  
STATE PROPERTY.**

**Sections 41-16-100 through 41-16-109.** Repealed by Acts 1984, No. 84-249, p.392, § 9, effective October 1, 1984.

**ARTICLE 6.  
DISPOSITION OF SURPLUS PERSONAL PROPERTY  
OWNED BY STATE.**

**Article 6 is not included in this manual or appendix as it only applies to state agencies,  
not county or local entities.**

**ARTICLE 7.**

## **GUARANTEED ENERGY COST SAVINGS CONTRACTS.**

**41-16-140.** Short title.

**41-16-141.** Definitions.

**41-16-142.** Energy cost savings measures authorized.

**41-16-143.** Request for proposals; meeting; public notice; guarantee required; bond; type, duration, funding, etc., of contract.

**41-16-144.** Construction of article.

### **Section 41-16-140. Short title.**

This article shall be known as the “Guaranteed Energy Cost Savings Act.”

### **Section 41-16-141. Definitions.**

For purposes of this article, the following terms shall have the following meanings:

(1) **ENERGY COST SAVINGS MEASURE.** A training program or new facility or existing facility alteration designed to reduce energy consumption or operating costs, or water and other natural resources consumption, and may include one or more of the following:

- a. Insulation and reduced air infiltration of the building structure including walls, ceilings, and roofs or systems within the building.
- b. Storm windows or doors, caulking or weather-stripping, multiglazed windows or doors, heat absorbing or heat reflective glazed and coated window or door systems, additional glazing, reductions in glass area, or other window and door system modifications that reduce energy consumption.
- c. Automated or computerized energy control systems, including computer software and technical data licenses.
- d. Heating, ventilating, or air conditioning system modifications or replacements.
- e. Replacement or modification of lighting fixtures to increase the energy efficiency of the lighting system without increasing the overall illumination of a facility, unless an increase in illumination is necessary to conform to the applicable state or local building code for the lighting system after the proposed modifications are made.
- f. Indoor air quality improvements.
- g. Energy recovery systems.
- h. Electric systems improvements.
- i. Life safety measures that provide long-term operating cost reductions.
- j. Building operation programs that reduce operating costs.
- k. Other energy-conservation-related improvements or equipment, including improvements or equipment related to renewable energy.
- l. Water and other natural resources conservation.

(2) **GOVERNMENTAL UNIT.** A state government agency, department, institution, college, university, technical school, legislative body, or other establishment or official of the Executive, Judicial, or Legislative Branches of the state authorized by law to enter into

contracts, including all local political subdivisions such as counties, municipalities, or public school districts.

(3) **GUARANTEED ENERGY COST SAVINGS CONTRACT.** A contract for the implementation of one or more energy cost savings measures.

(4) **OPERATIONAL COST SAVINGS.** Expenses eliminated and future replacement expenditures avoided as a result of new equipment installed or services performed.

(5) **QUALIFIED PROVIDER.** A person or business experienced in the design, implementation, and installation of energy cost savings measures.

(6) **REQUEST FOR PROPOSALS.** A negotiated procurement that is announced through a public notice from a governmental unit which will administer the guaranteed energy cost savings contract requesting innovative solutions and proposals for energy conservation measures. The request for proposal shall include the following:

- a. The name and address of the governmental unit.
- b. The name, address, title, and phone number of a contact person.
- c. The date, time, and place where proposals must be received.
- d. The evaluation criteria for assessing the proposals.
- e. Any other stipulations and clarifications the governmental unit may require.

#### **Section 41-16-142. Energy cost savings measures authorized.**

(a) A governmental unit may enter into a guaranteed energy cost savings contract in order to reduce energy consumption or operating costs of government facilities in accordance with this article.

(b) All energy cost savings measures shall comply with current local, state, and federal construction and environmental codes and regulations. Notwithstanding anything to the contrary, a guaranteed energy cost savings contract does not include improvements or equipment that allow or cause water from any condensing, cooling, or industrial process or any system of nonpotable usage over which public water supply system officials do not have sanitary control, to be returned to the potable water supply.

#### **Section 41-16-143. Request for proposals; meeting; public notice; guarantee required; bond; type, duration, funding, etc., of contract.**

(a) Before entering into a guaranteed energy cost savings contract, a governmental unit shall submit a request for proposals. The governmental unit shall evaluate any proposal from a qualified provider and shall select the qualified provider that best meets the needs



of the unit. After reviewing the proposals, the governmental unit may enter into a guaranteed energy cost savings contract with a qualified provider if it finds that the amount it would spend on the energy cost savings measures recommended in the proposal would not exceed the amount of energy or operational cost savings, or both, within the lesser of a 20-year period or the average useful life of the energy cost savings measures from the date installation is complete and has been accepted by the governmental unit, if the recommendations in the proposal are followed. The governmental unit shall analyze the following:

(1) The estimates of all costs of installation, modifications, or remodeling, including, without limitation, costs of a pre-installation energy audit or analysis, design, engineering, installation, maintenance, repairs, debt service, and post-installation project monitoring, data collection, and reporting, as well as whether energy consumed or the operating costs, or both, will be reduced.

(2) The qualifications of the provider.

(b) The governmental unit shall provide public notice of the meeting at which it proposes to award a guaranteed energy cost savings contract, of the names of the parties to the proposed contract, and of the purpose of the contract. The public notice shall be made at least 10 days prior to the meeting.

(c) The guaranteed energy cost savings contract shall include a written guarantee of the qualified provider that either the energy or operational cost savings, or both, will meet or exceed the costs of the energy cost savings measures within the lesser of 20 years or the average useful life of the energy cost savings measures. The qualified provider shall reimburse the governmental unit for any shortfall of guaranteed energy cost savings on an annual basis. The guaranteed energy cost savings contract may provide for payments over a period of time, not to exceed the lesser of 20 years or the average useful life of the energy cost savings measures.

(d) Notwithstanding any law to the contrary, before entering into a guaranteed energy cost savings contract, the governmental unit may require the qualified provider to file with the governmental unit a payment and performance bond relating to the installation of energy cost savings measures that is in an amount the governmental unit finds reasonable and necessary to protect its interests and that may also cover the value of the guaranteed savings on the contract and is conditioned on the faithful execution of the terms of the contract.

(e) A governmental unit, or several governmental units together, may enter into an installment payment contract or lease purchase agreement with a qualified provider or a third party financing company designated by the qualified provider, or both, for the purchase and installation of energy cost savings measures with a term not to exceed the lesser of 20 years or the average useful life of the energy cost savings measures from the date the energy cost savings measures have been completed and accepted by the governmental unit.

(f) Guaranteed energy cost savings contracts, including installment payment contracts and lease purchase agreements financing the contracts, may extend beyond the fiscal year in which they become effective. The governmental unit may include in its annual budget and appropriations measures for each subsequent fiscal year any amounts payable under guaranteed energy savings contracts, including installment payment contracts and lease purchase agreements financing the contracts, during that fiscal year.

(g) A governmental unit may use a combination of funds designated for operating, capital expenditures, or other specially designated funds for any guaranteed energy cost savings contract including purchases using installment payment contracts or lease purchase agreements.

(h) State aid and other amounts appropriated for distribution to, or reimbursement to, a governmental unit may not be reduced as a result of energy cost savings realized from a guaranteed energy cost savings contract or a lease purchase agreement for the purchase and installation of energy cost savings measures.

#### **Section 41-16-144. Construction of article.**

The provisions of this article shall not be construed to alter or circumvent present law which requires education support personnel to work under the direct supervision, employment, and/or control of local boards of education.

## **APPENDIX B**

### **COMPETITIVE BIDDING FOR CERTAIN CONTRACTS OF COUNTY AND CITY BOARDS OF EDUCATION**

#### **Code of Alabama (1975), Title 16, Chapter 13B**

**16-13B-1.** Applicability; local preference zone; joint agreement; bid bond.

**16-13B-2.** Exceptions to competitive bidding requirements.

**16-13B-3.** Emergency action.

**16-13B-4.** Notice of proposed purchase; reverse auction procedures.

**16-13B-5.** Collusive agreements.

**16-13B-6.** Advance disclosure of bid terms.

**16-13B-7.** Defaulting bidder; award to second lowest responsible bidder; preferences; sole source specification; life cycle costs; rejection of bids; lease-purchase contracts.

**16-13B-8.** Bond requirement.

**16-13B-9.** Assignment of contract.

**16-13B-10.** Conflict of interests; violations.

**16-13B-11.** Action to enjoin execution of contract.

**Section 16-13B-1. Applicability; local preference zone; joint agreement; bid bond.**

(a)(1) This chapter shall apply to county boards of education and city boards of education, or any combination of city and county boards of education as herein provided for the competitive bidding of certain contracts. With the exception of contracts for public works whose competitive bidding requirements are governed exclusively by Title 39, all expenditure of funds of whatever nature for labor, services, work, or for the purchase of materials, equipment, supplies, or other personal property involving ~~fifteen~~ **forty** thousand dollars (~~\$40,000~~) or more, and the lease of materials, equipment, supplies, or other personal property where the lessee is, or becomes legally and contractually, bound under the terms of the lease, to pay a total amount of ~~fifteen~~ **forty** thousand dollars (~~\$40,000~~) or more, made by or on behalf of any city or county board of education, except as hereinafter provided, shall be made under contractual agreement entered into by free and open competitive bidding, on sealed bids, to the lowest responsible bidder.

(2) Beginning October 1, 2027, and every three years thereafter, all minimum dollar amounts used in this chapter shall be subject to a cost adjustment based on the following procedure: The Chief Examiner of the Department of Examiners of Public Accounts may submit to the Chair of the Legislative Council a recommendation that the amount be increased based on the percentage increase in the Consumer Price Index for the immediately preceding three-year period, rounded down to the nearest thousand dollars. The recommendation shall be subject to the approval of the Legislative Council. In the event the recommendation is not disapproved by the Legislative Council by the end of April following the submission of the recommendation, the recommendation shall be deemed to be approved. Upon approval, the Chief Examiner shall notify the public of the adjusted dollar amounts by July 1 before the fiscal year in which the changes are to take effect. The increase may not exceed three percent.

(b) Prior to advertising for bids for an item of personal property, where a city or county board of education, thereof is the awarding authority, the awarding authority may establish a local preference zone consisting of either the legal boundaries or jurisdiction of the awarding authority, or the boundaries of the county in which the awarding authority is located, or the boundaries of the core based statistical area (CBSA) in which the awarding authority is located. If no such action is taken by the awarding authority, the boundaries of the local preference zone shall be deemed to be the same as the legal boundaries or jurisdiction of the awarding authority. In the event a bid is received for an item of personal property to be purchased or contracted for from a person, firm, or corporation deemed to be a responsible bidder, having a place of business within the local preference zone where a city or county board of education, thereof is the awarding authority, and the bid is no more than three percent greater than the bid of the lowest responsible bidder, the awarding authority may award the contract to the resident responsible bidder. In the event only one bidder responds to the invitation to bid, the awarding authority may reject the bid and negotiate the purchase or contract, providing the negotiated price is lower than the bid price.

(c) The governing bodies of two or more city or county boards of education, or any combination of two or more city or county boards of education, counties, municipalities, or instrumentalities thereof, may provide, by joint agreement, for the purchase of labor, services, or work, or for the purchase or lease of materials, equipment, supplies, or other personal property for use by their respective agencies. The agreement shall be entered into by official actions of the contracting agencies adopted by each of the participating governing bodies which shall set forth the categories of labor, services, or work, or for the purchase or lease of materials, equipment, supplies, or other personal property to be purchased, the manner of advertising for bids and the awarding of contracts, the method of payment by each participating contracting agency, and other matters deemed necessary to carry out the purposes of the agreement. Each contracting agency's share of expenditures for purchases under any agreement shall be appropriated and paid in the manner set forth in the agreement and in the same manner as for other expenses of the contracting agency. The contracting agencies entering into a joint agreement, as herein permitted, may designate a joint purchasing or bidding agent, and the agent shall comply with this chapter. Purchases, contracts, or agreements made pursuant to a joint purchasing or bidding agreement shall be subject to all terms and conditions of this chapter. Any participation by counties and municipalities authorized in this section shall be subject to the provisions of subsection (b) of Section 41-16-50. In the event that utility services are no longer exempt from competitive bidding under this chapter, non-adjoining boards of education may not purchase utility services by joint agreement under authority granted by this subsection.

(d) The awarding authority may require bidders to furnish a bid bond for a particular bid solicitation if the bonding requirement applies to all bidders, is included in the written bid specifications, and if bonding is available for the services, equipment, or materials.

#### **Section 16-13B-2. Exceptions to competitive bidding requirements.**

(a) Competitive bids shall not be required for utility services for county or city boards of education, the rates for which are fixed by law, regulation, or ordinance, and the competitive bidding requirements of this chapter shall not apply to:

(1) The purchase of insurance.

(2) Contracts for securing services of attorneys, physicians, architects, teachers, superintendents of construction, artists, appraisers, engineers, consultants, certified public accountants, public accountants, or other individuals possessing a high degree of professional skill where the personality of the individual plays a decisive part.

(3) Contracts of employment in the regular civil service.

(4) Contracts for fiscal or financial advice or services.

(5) Purchases of products made or manufactured by the blind or visually handicapped under the direction or supervision of the Alabama Institute for Deaf and Blind in accordance with Sections 21-2-1 to 21-2-4, inclusive.

(6) Purchases of maps or photographs from any federal agency.

(7) Purchases of manuscripts, books, instructional materials, maps, pamphlets, or periodicals, or the electronic version thereof. The exemption for the purchase of instructional materials shall only include those purchases from a current vetted and approved list published by the State Department of Education.

(8) The selection of paying agents and trustees for any security issued by a public body.

(9) Existing contracts up for renewal for sanitation or solid waste collection, recycling, or disposal and those providing the service.

(10) Purchases of computer and word processing hardware when the hardware is the only type that is compatible with hardware already owned by the entity taking bids and custom software.

(11) Contractual services and purchases of commodities for which there is only one vendor or supplier and contractual services and purchases of personal property which by their very nature are impossible to award by competitive bidding.

(12) Contractual services and purchases of products related to, or having an impact upon, security plans, procedures, assessments, measures, or systems, or the security or safety of persons, structures, facilities, or infrastructures.

(13) Purchases, leases, or lease/purchase of goods or services, other than voice or data wireless communication services, made as a part of any purchasing cooperative sponsored by the National Association of Counties, its successor organization, or any other national or regional governmental cooperative purchasing program. The purchases, leases, or lease/purchase may only be made if all of the following occur:

a. The goods or services being purchased, including those purchased through a lease or lease/purchase agreement, or leased are available as a result of a competitive bid process approved by the Department of Examiners of Public Accounts for each bid.

b. The goods or services are either not at the time available to local boards of education on the state purchasing program or are available at a price equal to or less than that on the state purchasing program.

c. The purchase, lease, or lease/purchase is made through a participating Alabama vendor holding an Alabama business license if such a vendor exists.

(14) Purchases of unprocessed agricultural products as defined in subsection (b) of Section 16-1-46 and the cost of the food purchased is equal to or less than the federal simplified acquisition threshold set in 2 C.F.R. § 200.88.

(15) Purchase of goods or services, other than voice or data wireless communication services, from vendors that have been awarded a current and valid general services administration contract. Prices paid for the goods or services may not exceed the lowest competitively bid price for these goods or services, other than voice or data wireless communication services, and may not exceed the price on an existing state purchasing program.

(b) This chapter shall not apply to:

(1) Any purchases of products where the price of the products is already regulated and established by state law.

(2) Purchases made by individual schools of the county or municipal public school systems from moneys other than those raised by taxation or received through appropriations from state or county sources.

(c) The city and county boards of education shall establish and maintain such purchasing facilities and procedures as may be necessary to carry out the intent and purpose of this chapter by complying with the requirements for competitive bidding in the operation and management of each city and county board of education.

(d) Contracts entered into in violation of this chapter shall be void, and anyone who violates this chapter shall be guilty of a Class C felony.

**Section 16-13B-2.1 Purchase of goods or services related to the Child Nutrition Program during certain emergencies or unanticipated events.**

(a)(1) During an emergency or unanticipated event affecting public health or safety or causing supply chain disruptions, and upon the recommendation of the State Superintendent of Education and the approval of the Department of Examiners of Public Accounts, any city or county board of education that provides meals under the Child Nutrition Program of the Alabama State Department of Education may purchase goods or services related to the program without advertising or bidding as set forth in this chapter. To the extent possible, purchases made under this section shall be executed to include representation of minority-owned business enterprises.

(2) The recommendation by the State Superintendent of Education submitted for consideration under subdivision (1) shall contain a statement setting forth the specific facts regarding the basis and nature of the emergency or unanticipated event affecting public health or safety or causing supply chain disruptions necessitating the action and the geographical region or area to which the emergency or unanticipated event should be limited. Any approval to purchase goods or services under this section shall be limited to 60 days, during which time a contractual agreement for such purchases shall be entered into in compliance with the competitive bid law in this chapter.

(b) Notwithstanding subsection (a), a city or county board of education described in subsection (a), when practicable and to the extent possible, should comply with the advertising and bidding requirements provided in this chapter.

(c) A city or county board of education shall maintain accurate and fully itemized records of all expenditures made pursuant to this section.

### **Section 16-13B-3. Emergency action.**

In case of emergency affecting public health, safety, or convenience, so declared in writing by the awarding authority, setting forth the nature of the danger to public health, safety, or convenience involved in delay, contracts may be let to the extent necessary to meet the emergency without public advertisement. Such action and the reasons therefor shall immediately be made public by the awarding authority.

### **Section 16-13B-4. Notice of proposed purchase; bids; reverse auction procedures.**

(a) All proposed purchases in excess of ~~fifteen~~ **forty** thousand dollars (**\$40,000**) shall be advertised by posting notice thereof on a bulletin board maintained outside the purchasing office and in any other manner and for any length of time as may be determined. Sealed bids or bids to be submitted by a reverse auction procedure shall also be solicited by sending notice by mail or other electronic means to all persons, firms, or corporations who have filed a request in writing that they be listed for solicitation on bids for the particular items that are set forth in the request. If any person, firm, or corporation whose name is listed fails to respond to any solicitation for bids after the receipt of three solicitations, the listing may be cancelled.

(b) Except as provided in subsection (c), all bids shall be sealed when received and shall be opened in public at the hour stated in the notice.

(c) The awarding authority may make purchases or contracts through a reverse auction procedure; provided, however, that a reverse auction shall only be allowed where the item to be purchased at a reverse auction is either not at the time available on the state purchasing program under the same terms and conditions or, if available, the lowest price offered in the reverse auction is equal to or less than the price for which the item is available on the state purchasing program under the same terms and conditions. All of the purchases shall be subject to audit by the Department of Examiners of Public Accounts. For purposes of this chapter, a reverse auction procedure includes either of the following:

(1) A real-time bidding process usually lasting less than one hour and taking place at a previously scheduled time and Internet location, in which multiple anonymous suppliers submit bids to provide the designated goods or services.

(2) a. A bidding process usually lasting less than two weeks and taking place during a previously scheduled period and at a previously scheduled Internet location, in

which multiple anonymous suppliers submit bids to provide the designated goods or services.

b. The Department of Examiners of Public Accounts shall establish procedures for the use of reverse auction, which shall be distributed to all contracting agencies and shall be used in conducting any audits of the purchasing agency.

(d) All original bids together with all documents pertaining to the award of the contract shall be retained in accordance with a retention period of at least seven years established by the Local Government Records Commission and shall be open to public inspection.

(e) No purchase or contract involving professional services shall be subject to the requirements of this chapter and no purchase or contract involving an amount in excess of ~~fifteen~~ forty thousand dollars (\$40,000) shall be divided into parts involving amounts of ~~fifteen~~ forty thousand dollars (\$40,000) or less for the purpose of avoiding the requirements of this chapter. All partial contracts involving ~~fifteen~~ forty thousand dollars (\$40,000) or less shall be void.

#### **Section 16-13B-5. Collusive agreements.**

(a) Any agreement or collusion among bidders or prospective bidders in restraint of freedom of competition, by agreement, to bid at a fixed price or to refrain from bidding or otherwise shall render the bids of such bidders void and shall cause such bidders to be disqualified from submitting further bids to the awarding authority on future purchases.

(b) Whoever knowingly participates in a collusive agreement in violation of this section involving a bid or bids of ~~fifteen~~ forty thousand dollars (\$40,000) and under shall be guilty of a Class A misdemeanor and, upon conviction, shall be punished as prescribed by law.

(c) Whoever knowingly and intentionally participates in a collusive agreement in violation of this section involving a bid or bids of over ~~fifteen~~ forty thousand dollars (\$40,000) shall be guilty of a Class C felony, and upon conviction shall be punished as prescribed by law.

#### **Section 16-13B-6. Advance disclosure of bid terms.**

Any disclosure in advance of the terms of a bid submitted in response to an advertisement for bids shall render the proceedings void and require advertisement and award anew.

#### **Section 16-13B-7. Defaulting bidder; award to second lowest responsible bidder; preferences; sole source specification; life cycle costs; rejection of bids; lease-purchase contracts.**

(a) When purchases are required to be made through competitive bidding, awards shall be made to the lowest responsible bidder taking into consideration the qualities of the commodities proposed to be supplied, their conformity with specifications, the purposes for which required, the terms of delivery, transportation charges, and the dates of delivery. If at any time after the award has been made the lowest responsible bidder notifies the



awarding authority in writing that the bidder will no longer comply with the terms of the award to provide the goods or services to the awarding authority under the terms and conditions of the original award, or the awarding authority documents that the lowest responsible bidder defaults under the terms of the original award, the awarding authority may terminate the award to the defaulting bidder and make an award to the second lowest responsible bidder for the remainder of the award period without rebidding, provided the award to the second lowest responsible bidder is in all respects made under the terms and conditions contained in the original bid specifications and is for the same or a lower price than the bid originally submitted to the awarding authority by the second lowest responsible bidder.

(b) The awarding authority in the purchase of or contract for personal property or contractual services shall give preference, provided there is no sacrifice or loss in price or quality, to commodities produced in Alabama or sold by Alabama persons, firms, or corporations. Notwithstanding the foregoing, no county or city board of education may specify the purchase of goods or services from a sole source, unless:

(1) The board of education can document that the sole source product or service is of an indispensable nature, no other product or service can meet its needs, all other viable alternatives have been explored, and it has been determined that only this product or service will fulfill the function for which the product is needed. Frivolous features will not be considered.

(2) No other vendor offers substantially equivalent goods or services that can accomplish the purpose for which the goods or services are required.

(3) All information substantiating the use of a sole source specification is documented in writing and is filed into the project file.

(c)(1) For purchases of personal property in instances where the awarding authority determines that the total cost of ownership over the expected life of the item or items, including acquisition costs plus sustaining costs or life cycle costs, can be reasonably ascertained from industry recognized and accepted sources, the lowest responsible bid may be determined to be the bid offering the lowest life cycle costs and otherwise meeting all of the conditions and specifications contained in the invitation to bid. To utilize this subdivision to determine the lowest responsible bidder, the awarding authority shall include a notice in the invitation to bid that the lowest responsible bid may be determined by using life cycle costs and identify the industry recognized and accepted sources that will be applicable to such an evaluation.

(2) The Department of Examiners of Public Accounts shall establish procedures for the use of life cycle costs, which shall be distributed to all contracting agencies and shall be used in conducting any audits of the purchasing agency.

(d) The awarding authority or requisitioning agency may reject any bid if the price is deemed excessive or quality of product inferior.

(e) Each record, with the successful bid indicated thereon, and with the reasons for the award if not awarded to the lowest bidder, shall, after award of the order or contract, be open to public inspection.

(f) Contracts for the purchase of personal property or contractual services shall be let for periods not greater than five years. Lease-purchase contracts for capital improvements and repairs to real property shall be let for periods not greater than 10 years and all other lease-purchase contracts shall be let for periods not greater than 10 years.

**Section 16-13B-8. Bond requirement.**

Bond in a responsible sum for faithful performance of the contract, with adequate surety, may be required in an amount specified in the advertisement for bids.

**Section 16-13B-9. Assignment of contract.**

No contract awarded to the lowest responsible bidder shall be assignable by the successful bidder without written consent of the awarding authority, and in no event shall a contract be assigned to an unsuccessful bidder whose bid was rejected because he or she was not a responsible bidder.

**Section 16-13B-10. Conflict of interests; violations.**

(a) No member or officer of the city and county boards of education shall be financially interested or have any personal beneficial interest, either directly or indirectly, in the purchase of or contract for any personal property or contractual service, nor shall any person willfully make any purchase or award any contract in violation of this chapter.

(b) Any violation of this section shall be deemed a misdemeanor, and any person who violates this section, upon conviction, shall be imprisoned for not more than 12 months or fined not more than five hundred dollars (\$500), or both. Upon conviction thereof, any person who willfully makes any purchase or awards any contract in violation of this chapter shall be removed from office.

**Section 16-13B-11. Action to enjoin execution of contract.**

Any taxpayer of the area within the jurisdiction of the awarding authority and any bona fide unsuccessful bidder on a particular contract shall be empowered to bring a civil action in the appropriate court to enjoin execution of any contract entered into in violation of this chapter.

## APPENDIX C

### PUBLIC WORKS LAW

#### Code of Alabama (1975), Title 39, Chapters 1 – 8

#### CHAPTER 1. GENERAL PROVISIONS

**39-1-1.** Bonds required of persons contracting for public works; commencement, etc., of actions upon bond by persons supplying labor, etc., to contractor; offer to accept judgment; notice of completion of project by contractor and final settlement; applicability.

**39-1-2.** Inspection of asphalt plant prerequisite to eligibility to bid on asphalt plant mix to be sold to state.

**39-1-3.** Reimbursement allowed for additional taxes incurred due to increase in tax rate during performance of contract.

**39-1-4.** Selection of surety company, etc.; approval of bonds, etc.

**39-1-5.** Applicability.

**Section 39-1-1. Bonds required of persons contracting for public works; commencement, etc., of actions upon bond by persons supplying labor, etc., to contractor; offer to accept judgment; notice of completion of project by contractor and final settlement; applicability.**

(a) Any person entering into a contract with an awarding authority in this state for the prosecution of any public works, before commencing the work, shall execute a performance bond, with penalty equal to 100 percent of the amount of the contract price. In addition, another bond, payable to the awarding authority letting the contract, shall be executed in an amount not less than 50 percent of the contract price, with the obligation that the contractor or contractors shall promptly make payments to all persons supplying labor, materials, or supplies for or in the prosecution of the work provided in the contract and for the payment of reasonable attorney fees incurred by successful claimants or plaintiffs in civil actions on the bond.

(b) Any person that has furnished labor, materials, or supplies for or in the prosecution of a public work and payment has not been made may institute a civil action upon the payment bond and have their rights and claims adjudicated in a civil action and judgment entered thereon. Notwithstanding the foregoing, a civil action shall not be instituted on the bond until 45 days after written notice to the surety of the amount claimed to be due and the nature of the claim. The civil action shall be commenced not later than one year from the date of final settlement of the contract. The giving of notice by registered or certified mail,

postage prepaid, addressed to the surety at any of its places of business or offices shall be deemed sufficient under this section. In the event the surety or contractor fails to pay the claim in full within 45 days from the mailing of the notice, then the person or persons may recover from the contractor and surety, in addition to the amount of the claim, a reasonable attorney fee based on the result, together with interest on the claim from the date of the notice.

(c) Every person having a right of action on the last described bond as provided in this section, upon written application to the authority under the direction of whom the work has been prosecuted, indicating that labor, material, foodstuffs, or supplies for the work have been supplied and that payment has not been made, shall be promptly furnished a certified copy of the additional bond and contract. The claimant may bring a civil action in the claimant's name on the bond against the contractor and the surety, or either of them, in the county in which the work is to be or has been performed or in any other county where venue is otherwise allowed by law.

(d) In the event a civil action is instituted on the payment bond, at any time more than 15 days before the trial begins, any party may serve upon the adverse party an offer to accept judgment in favor of the offeror or to allow judgment to be entered in favor of the offeree for the money or as otherwise specified in the offer. If within 10 days after the service of the offer, the adverse party serves written notice that the offer is accepted, either party may then file the offer and notice of acceptance together with proof of service and the clerk of the court shall enter judgment. An offer not accepted shall be deemed withdrawn and evidence of the offer shall not be admissible. If the judgment finally obtained by the offeree is less favorable than the offer, the offeree shall pay the reasonable attorney fees and costs incurred by the offeror after the making of the offer. An offer that is made but not accepted does not preclude a subsequent offer. When the liability of one party to another party has been determined by verdict, order, or judgment, but the amount or extent of the liability remains to be determined by further proceedings, any party may make an offer of judgment, which shall have the same effect as an offer made before trial if the offer is made no less than 10 days prior to the commencement of hearings to determine the amount or extent of liability.

(e) This section shall not require the taking of a bond to secure contracts in an amount less than ~~fifty thousand dollars (\$50,000)~~ one hundred thousand dollars (\$100,000).

(f)(1) The contractor, immediately after the completion of the contract, shall give notice of the completion by ~~an advertisement in a newspaper of general circulation published within the city or county in which the work has been done, for a period of four successive weeks.~~ publishing the notice for a minimum of three weeks using one or more of the following methods:

- a. In a newspaper of general circulation in the county or counties in which the work, or some portion thereof, has been done.
- b. On a website that is maintained by a newspaper of general circulation in the county or counties in which the work, or some portion thereof, has been done.

c. On a website utilized by the awarding authority for publishing notices.

(2) If no newspaper is published in the county in which the work was done, and if the awarding authority does not utilize a website for the purpose of publishing notices, the notice may be given by posting at the courthouse for 30 days, and proof of the posting of the notice shall be given by the awarding authority and the contractor.

(3) A final settlement shall not be made upon the contract until the expiration of 30 days after the completion of the notice. Proof of publication of the notice shall be made by the contractor to the authority by whom the contract was made by affidavit of the publisher or website owner and a printed copy of the notice published. ~~If no newspaper is published in the county in which the work is done, the notice may be given by posting at the courthouse for 30 days, and proof of same shall be made by the judge of probate, sheriff, and the contractor.~~

(4) For contracts for road resurfacing materials that are awarded on an annual basis, where the bid specifications include options such as a unit price for materials, a unit price for the delivery of materials, or a unit price for the materials to be laid in place by the bidder, notice of completion pursuant to this subsection may be given on an annual basis on completion of the project as a whole, rather than at the completion of each proceed order.

(g) Subsection (f) shall not apply to contractors performing contracts of less than ~~fifty thousand dollars (\$50,000)~~ one hundred thousand dollars (\$100,000) in amount. ~~In such cases, the governing body of the contracting agency, to expedite final payment, shall cause notice of final completion of the contract to be published one time in a newspaper of general circulation, published in the county of the contracting agency and shall post notice of final completion on the agency's bulletin board for one week, and shall require the contractor to certify under oath that all bills have been paid in full. Final settlement with the contractor may be made at any time after the notice has been posted for one entire week.~~

### **Section 39-1-2. Inspection of asphalt plant prerequisite to eligibility to bid on asphalt plant mix to be sold to state.**

All persons, to be eligible to bid on asphalt plant mix to be sold to the State of Alabama, shall have the asphalt plants inspected and certified by the Department of Transportation. The certification shall be made by the Bureau of Materials and Tests and shall include a statement that the plant meets the requirements set forth in the current edition of the State of Alabama Department of Transportation standard specifications for highways and bridges.

### **Section 39-1-3. Reimbursement allowed for additional taxes incurred due to increase in tax rate during performance of contract.**

Any contractor performing a public works contract in which any state, county, or municipal funds are utilized shall be allowed reimbursement for any additional severance, sales, or use taxes incurred by the contractor as a result of an increase in the rate of severance, sales,

or use taxes imposed during the time of performance of the contract. Time of performance shall be the time the contractor submits the bid until completion of the contract.

**Section 39-1-4. Selection of surety company, etc.; approval of bonds, etc.**

(a) No officer or employee of an awarding authority and no person acting or purporting to act on behalf of such officer or employee of an awarding authority, except a public agency or authority created pursuant to agreement or compact with another state, shall, with respect to any public works contract, require the bidder to obtain or procure any surety bond or contract of insurance specified in connection with such contract or specified by any law, ordinance, or regulation from a particular surety company, insurance company, bonding company, agent, or broker. No officer, employee, person, firm, or corporation acting or purporting to act on behalf of any officer or employee of an awarding authority shall negotiate, make application, obtain, or procure any surety bond or contract of insurance, except contracts of insurance for builder's risk or owner's protective liability, which shall be obtained or procured by the bidder, contractor, or subcontractor, with the following exceptions:

(1) Contracts of insurance for builder's risk, all risk, or owner's protective liability;

(2) Contracts of insurance of any kind for any public works project involving an amount in excess of forty million dollars (\$40,000,000);

(3) Contracts of insurance of any kind obtained or procured by a single awarding authority for a group of public works projects involving an aggregate amount in excess of ninety million dollars (\$90,000,000) which are financed substantially by bond issues by the awarding authority or part of a programmatically related group of public works projects, and meeting all of the following criteria:

- a. All projects are located within the same county;
- b. All projects are located within 10 miles of each other;

c. All projects are part of the same duly authorized annual capital development plan of the authority.

(b) The provisions of subsection (a) shall not prevent an officer or employee on behalf of an awarding authority from exercising the right to approve the form, sufficiency, or manner of execution of the surety bonds or contracts of insurance furnished by the surety company, insurance company, or bonding company selected by the bidder to underwrite surety bonds or contracts of insurance. The insurance company, bonding company, or surety company shall meet all requirements for such companies otherwise provided for by law.

(c) All provisions in any invitation for bids or in any of the contract documents in conflict with this section are declared to be void and unenforceable as contrary to the public policy of this state.

### **Section 39-1-5. Applicability.**

Notwithstanding any other laws to the contrary, this title shall control all public works contracts on the state, county, and municipal levels of government in the State of Alabama.

## **CHAPTER 2. LETTING, EXECUTION, AND ADMINISTRATION OF PUBLIC IMPROVEMENTS CONTRACTS BY STATE AGENCIES GENERALLY**

### **39-2-1. Definitions.**

**39-2-2.** Advertisement for and Opening of Sealed Bids for Public Works Contracts; Violations; Exclusions; Emergency Actions; Sole Source Specification.

**39-2-3.** Fees to be Paid Department of Transportation for Proposals, Plans, and Specifications; Deposit for Bid Documents; Furnishing of Plans and Specifications to Building Exchanges, Etc.

**39-2-4.** Filing of Guaranties by Bidders; Prequalification Procedures and Criteria; Responsibility of Prequalified Bidders; Revocation of Prequalification; Rejection of Bidder.

**39-2-5.** Return of Proposal Guaranties to Bidders Generally; Disposition of Proposal Guaranty when Award Not Made Within 30 Days of Opening of Proposals.

**39-2-6.** Award of Contract; Additional Competitive Bids; Work Done by Force Account; Availability of Plans, Etc.; Use of Convict Labor; Assignment of Contract; Agreements, Etc., Among Bidders; Advance Disclosure; Life Cycle Costs.

**39-2-7.** Effect of Errors and Discrepancies of Prices in Bids.

**39-2-8.** Execution of Contracts and Furnishing of Performance Bonds, Etc., Generally by Bidders Awarded Contracts.

**39-2-9.** Approval of Bonds, Etc., and Completion of Execution of Contracts by Awarding Authorities.

**39-2-10.** Issuance of Proceed Orders by Awarding Authorities, Etc.

**39-2-11.** Proceedings upon Failure of Successful Bidders to Execute Contracts and Furnish Bonds, Etc.; Death of a Low Bidder; Effect of Failure of Awarding Authorities to Complete Execution of Contracts and Issue Proceed Orders; Withdrawal of Low Bid upon Discovery of Mistake.

**39-2-12.** Partial and Final Payments of Contractors by Awarding Authorities.

**39-2-13.** Promulgation of Rules and Regulations by Awarding Authorities.

**39-2-14.** Registration of Out-of-State Contractors Required; Deposit; Surety Bond.

### **Section 39-2-1. Definitions.**

As used in this title, the following words shall have the meanings ascribed to them as follows:

(1) **AWARDING AUTHORITY.** Any governmental board, commission, agency, body, authority, instrumentality, department, or subdivision of the state, its counties and municipalities. This term includes, but shall not be limited to, the Department of

Transportation, ~~the State Building Commission~~ the Division of Real Property Management of the Department of Finance, the State Board of Education, and any other entity contracting for public works. This term shall exclude the State Docks Department and any entity exempted from the competitive bid laws of the state by statute.

(2) FORCE ACCOUNT WORK. Work paid for by reimbursing for the actual costs for labor, materials, and equipment usage incurred in the performance of the work, as directed, including a percentage for overhead and profit, where appropriate.

(3) LIFE CYCLE COSTS. The total cost of ownership over the extended life of a public works project, taking into consideration the costs of construction, operation, and maintenance, less any value obtained from salvage and quantifiable environmental benefits, or the sum of all recurring and one-time (non-recurring) costs over the full life span or a specified period of a good, service, structure, or system, including purchase price, installation costs, operating costs, maintenance and upgrade costs, and remaining (residual or salvage) value at the end of ownership or its useful life.

(4) PERSON. Natural persons, partnerships, limited liability companies, corporations, and other legal entities.

(5) PUBLIC PROPERTY. Real property which the state, county, municipality, or awarding authority thereof owns or has a contractual right to own or purchase, including easements, rights-of-way, or otherwise.

(6) PUBLIC WORKS. The construction, installation, repair, renovation, or maintenance of public buildings, structures, sewers, waterworks, roads, curbs, gutters, side walls, bridges, docks, underpasses, and viaducts as well as any other improvement to be constructed, installed, repaired, renovated, or maintained on public property and to be paid, in whole or in part, with public funds or with financing to be retired with public funds in the form of lease payments or otherwise.

**Section 39-2-2. Advertisement for and opening of sealed bids for public works contracts; violations; exclusions; emergency actions; sole source specification.**

(a)(1) Before entering into any contract for a public works involving an amount in excess of ~~fifty thousand dollars (\$50,000)~~ one hundred thousand dollars (\$100,000), the awarding authority shall advertise for sealed bids, except as provided in subsection (j).

(2)a. If the awarding authority is the state or a county, or an instrumentality thereof, it shall advertise for sealed bids at least once each week for three consecutive weeks in a newspaper of general circulation in the county or counties in which the improvement, or some part thereof, is to be made.

b. If the awarding authority is a municipality, or an instrumentality thereof, it shall advertise for sealed bids at least once in a newspaper of general circulation published in the municipality where the awarding authority is located. If no newspaper is



published in the municipality, the awarding authority shall advertise by posting notice thereof on a bulletin board maintained outside the purchasing office and in any other manner and for the length of time as may be determined. In addition to bulletin board notice, sealed bids shall also be solicited by sending notice by mail to all persons who have filed a request in writing with the official designated by the awarding authority that they be listed for solicitation on bids for the public works contracts indicated in the request. If any person whose name is listed fails to respond to any solicitation for bids after the receipt of three such solicitations, the listing may be cancelled.

~~(3) With the exception of the Department of Transportation, for all public works contracts involving an estimated amount in excess of five hundred thousand dollars (\$500,000), awarding authorities shall also advertise for sealed bids at least once in three newspapers of general circulation throughout the state.~~

~~(4)~~(3) The advertisements shall briefly describe the improvement, state that plans and specifications for the improvement are on file for examination in a designated office of the awarding authority, state the procedure for obtaining plans and specifications, state the time and place in which bids shall be received and opened, and identify whether prequalification is required and where and when prequalification information is available for review.

~~(5)~~(4) All bids shall be opened publicly at the advertised time and place.

~~(6)~~(5) No public work, as defined in this chapter, involving a sum in excess of ~~fifty thousand dollars (\$50,000)~~ one hundred thousand dollars (\$100,000) shall be split into parts involving sums of ~~fifty thousand dollars (\$50,000)~~ one hundred thousand dollars (\$100,000) or less for the purpose of evading the requirements of this section.

(b)(1) An awarding authority may let contracts for public works involving ~~fifty thousand dollars (\$50,000)~~ one hundred thousand dollars (\$100,000) or less with or without advertising or sealed bids.

(2) An awarding authority may enter into a contract for public works if an advertisement for sealed bids for the contract was submitted by the awarding authority to a newspaper and the newspaper only published the advertisement for two weeks if the authority can provide proof that it, in good faith, submitted the advertisement to the newspaper with instructions to publish the notice in accordance with the provisions of this section.

(c) All contracts for public works entered into in violation of this title shall be void and violative of public policy. Anyone who willfully violates this article concerning public works shall be guilty of a Class C felony.

(d)(1) Excluded from the operation of this title shall be contracts with persons who shall perform only architectural, engineering, construction management, program management, or project management services in support of the public works and who shall not engage

in actual construction, repair, renovation, or maintenance of the public works with their own forces, by contract, subcontract, purchase order, lease, or otherwise.

(2) Excluded from operation of the bidding requirements in this title are contracts for the purchase of any heating or air conditioning units or systems by any awarding authority subject to Chapter 13B of Title 16, or Article 3, commencing with Section 41-16-50, of Chapter 16 of Title 41, ~~or Article 5, commencing with Section 41-4-110, of Chapter 4 of Title 41,~~ provided the contract is entered into with an Alabama vendor who has been granted approved vendor status for the sale of heating or air conditioning units or systems as a part of a purchasing cooperative, and each of the following occur:

a. The heating or air conditioning unit or system being purchased is available as a result of a competitive bid process conducted by a governmental entity which has been approved by the Department of Examiners of Public Accounts.

b. The purchase of the heating or air conditioning unit or system is not available on the state purchasing program at the time or the purchase under the purchasing cooperative is available at a price that is equal to or less than that available through the state purchasing program.

c. The entity entering into the contract for the purchase of the heating or air conditioning unit or system has been notified by the Department of Examiners of Public Accounts that the competitive bid process utilized by the cooperative program offering the goods complies with this subdivision.

d. Upon request, the vendor has provided the purchasing entity with a report of sales made under this subdivision during the previous 12-month period, to include a general description of the heating or air conditioning units and systems sold, the number of units sold per entity, and the purchase price of the units.

e. The exemption from the requirement to utilize sealed bids for the purchase of heating or air conditioning units or systems authorized by this section shall not serve to exempt any public works project from the remaining provisions of this article, including, but not limited to, design, installation, and review requirements, compliance with all applicable codes, laws, specifications, and standards, and the compensation of engineers, architects, or others as mandated by state law or rule.

~~(e)(1) In case of an emergency affecting public health, safety, or convenience, as declared in writing by the awarding authority, setting forth the nature of the danger to the public health, safety, or convenience which would result from delay, contracts may be let to the extent necessary to meet the emergency without public advertisement. The action and the reasons for the action taken shall immediately be made public by the awarding authority upon request. In case of an emergency for which a delay in remedying would cause immediate harm to a person or public property, contracts may be let to the extent necessary to meet the emergency without public advertisement or bidding.~~

(2) In case of an emergency affecting public health, safety, or convenience, as declared in writing by the awarding authority, setting forth the nature of the danger to the public health, safety, or convenience which would result from delay, contracts may be let to the extent necessary to meet the emergency without public advertisement.

(3) Any action taken under subdivision (1) or (2), and the reasons for the action taken, shall immediately be made public by the awarding authority and published in writing.

(f) No awarding authority may specify in the plans and specifications for the improvement the use of materials, products, systems, or services by a sole source unless all of the following requirements are met:

(1) Except for contracts involving the construction, reconstruction, renovation, or replacement of public roads, bridges, and water and sewer facilities, the awarding authority can document to the satisfaction of the ~~Division of Construction Management~~ Division of Real Property Management of the Department of Finance, or in the case of an educational institution or state educational institution as provided pursuant to Sections 41-4-353 and 41-4-400, to the satisfaction of its governing board, that the sole source product, material, system, or service is of an indispensable nature for the improvement, that there are no other viable alternatives, and that only this particular product, material, system, or service fulfills the function for which it is needed.

(2) The sole source specification has been recommended by the architect or engineer of record as an indispensable item for which there is no other viable alternative.

(3) All information substantiating the use of a sole source specification, including the recommendation of the architect or engineer of record, shall be documented and made available for examination in the office of the awarding authority at the time of advertisement for sealed bids.

(g) In the event of a proposed public works project, acknowledged in writing by the Alabama Homeland Security Department as (1) having a direct impact on the security or safety of persons or facilities and (2) requiring confidential handling for the protection of such persons or facilities, contracts may be let without public advertisement but with the taking of informal bids otherwise consistent with the requirements of this title and the requirements of maintaining confidentiality. Records of bidding and award shall not be disclosed to the public, and shall remain confidential.

(h) If a pre-bid meeting is held, the pre-bid meeting shall be held at least seven days prior to the bid opening except when the project has been declared an emergency in accordance with subsection (e).

(i) The awarding authority may not offer a contract for bidding unless confirmation of any applicable grant has been received and any required matching funds have been secured by or are available to the awarding authority.

(j) Notwithstanding subsection (a), the Department of Transportation may enter into contracts for road construction or road maintenance projects that do not involve more than two hundred fifty thousand dollars (\$250,000) without advertising for sealed bids, provided the project is listed on the department website for at least seven calendar days before entering into the contract. The total cost of all projects not subject to advertising and sealed bids pursuant to this subsection may not exceed one million dollars (\$1,000,000) in the aggregate per year.

(k) For the purposes of this chapter, sealed bids may also be solicited and submitted through electronic means including, but not limited to, electrical, digital, magnetic, optical, electromagnetic, or any other similar technology, provided that the awarding authority adopts rules and policies to ensure that all electronic submissions are transmitted securely and bids remained sealed until bid opening.

(l)(1) Notwithstanding any other provision of law, any entity subject to this chapter that is an awarding authority of a contract for public works, by resolution or board action, may purchase materials or equipment pursuant to subdivisions (14), (16), (17), (18), or (19) of Section 41-16-51(a), even when those materials or equipment are otherwise part of the contract for public works subject to the requirements of this title.

(2) Except for those materials or equipment described in subdivision (1), the remaining portion of the public works project shall be subject to the requirements of this title, even if the remaining portion would involve an amount less than one hundred thousand dollars (\$100,000) as a result of the exclusion of the purchase of the materials or equipment as described in subdivision (1).

**Section 39-2-3. Fees to be paid Department of Transportation for proposals, plans and specifications; deposit for bid documents; furnishing of plans and specifications to building exchanges, etc.**

(a) For contracts let by the Department of Transportation, proposals may be obtained only upon payment of a fee, to be determined by the Department of Transportation, not in excess of five dollars (\$5). Plans and specifications may be obtained only upon payment of a fee, to be determined by the Department of Transportation, not to exceed the actual cost of printing such plans and specifications.

(b) For all other awarding authorities, an adequate number of sets of bid documents, as determined by the awarding authority, may be obtained by prime contractor bidders upon payment of a deposit for each set, which deposit shall not exceed twice the cost of printing, reproduction, handling, and distribution of each set. The deposit shall be refunded in full to each prime contractor bidder upon return of the documents in reusable condition within 10 days after bid opening. Additional sets for prime contractor bidders, subcontractors, vendors, or dealers may be obtained upon payment of the same deposit. The deposit shall be refunded less the cost of printing, reproduction, handling, and distribution, upon return of the documents in reusable condition within 10 days after bid opening. All refunds are due from the awarding authority within 20 days after bid opening.

(c) Building exchanges and similar agencies may be furnished plans and specifications without charge.

**Section 39-2-4. Filing of guaranties by bidders; prequalification procedures and criteria; responsibility of prequalified bidders; revocation of prequalification; rejection of bidder.**

(a) The bidder shall be required to file with his or her bid either a cashier's check drawn on an Alabama bank or a bid bond executed by a surety company duly authorized and qualified to make such bonds in the State of Alabama, payable to the awarding authority for an amount not less than five percent of the awarding authority's estimated cost or of the contractor's bid, but in no event more than ten thousand dollars (\$10,000), except if the awarding authority is the Department of Transportation, then the bid guarantee shall not be more than fifty thousand dollars (\$50,000). The bid guaranties as provided in this section shall constitute all of the qualifications or guaranty to be required of contractors as prerequisites to bidding for public works, except as required by the State Licensing Board for General Contractors and the prequalification as required by the Department of Transportation, the Building Commission, or any other awarding authority.

(b) With the exception of the Department of Transportation which has prequalification procedures and criteria set forth by statute, any awarding authority that proposes to prequalify bidders shall establish written prequalification procedures and criteria that: (1) are published sufficiently in advance of any affected contract so that a bona fide bidder may seek and obtain prequalification prior to preparing a bid for that contract, such publication to be accomplished by the methods specified in subsection (a) of Section 39-2-2; (2) are related to the purpose of the contract or contracts affected; (3) are related to contract requirements or the quality of the product or service in question; (4) are related to the responsibility, including the competency, experience, and financial ability, of a bidder; and (5) will permit reasonable competition at a level that serves the public interest. The prequalification publication may run concurrently with the publication required under subsection (a) of Section 39-2-2, provided it produces the above required advance notice.

(c) Within the bounds of good faith, the awarding authority retains the right to determine whether a contractor has met prequalification procedures and criteria.

(d) Any bidder who has prequalified pursuant to the requirements in subsection (b) shall be deemed responsible for purposes of award unless the prequalification is revoked by the awarding authority under the following procedures: (1) No later than five working days or the next regular meeting after the opening of bids, the awarding authority issues written notice to the bidder of its intent to revoke prequalification and the grounds therefor; (2) the bidder is then provided an opportunity to be heard before the awarding authority on the intended revocation; (3) the awarding authority makes a good faith showing of a material inaccuracy in the prequalification application of a bidder or of a material change in the responsibility of the bidder since submitting its prequalification application; and (4) the revocation of prequalification is determined no later than 10 days after written notice of

intent to revoke, unless the bidder whose qualification is in question agrees in writing to an extension in time.

(e) Nothing in this section shall preclude the rejection of a bidder determined not responsible nor the inclusion of criteria in the bid documents which would limit contract awards to responsible bidders where no prequalification procedure is employed by the awarding authority.

**Section 39-2-5. Return of proposal guaranties to bidders generally; disposition of proposal guaranty when award not made within 30 days of opening of proposals.**

All bid guaranties, except those of the three lowest bona fide bidders, shall be returned immediately after bids have been checked, tabulated, and the relation of the bids established. The bid guaranties of the three lowest bidders shall be returned as soon as the contract bonds and the contract of the successful bidder have been properly executed and approved. When the award is deferred for a period of time longer than 15 days after the opening of the bids, all bid guaranties, except those of the potentially successful bidders, shall be returned. If no award is made within 30 days after the opening of the bids, or such other time as specified in the bid documents, all bids shall be rejected and all guaranties returned, except for any potentially successful bidder that agrees in writing to a stipulated extension in time for consideration of its bid, in which case the awarding authority may permit the potentially successful bidder to substitute a satisfactory bidder's bond for the cashier's check submitted with its bid as a bid guaranty.

**Section 39-2-6. Award of contract; additional competitive bids; work done by force account; availability of plans, etc.; use of convict labor; assignment of contract; agreements, etc., among bidders; advance disclosure; life cycle costs.**

(a) The contract shall be awarded to the lowest responsible and responsive bidder, unless the awarding authority finds that all the bids are unreasonable or that it is not in the interest of the awarding authority to accept any of the bids. A responsible bidder is one who, among other qualities determined necessary for performance, is competent, experienced, and financially able to perform the contract. A responsive bidder is one who submits a bid that complies with the terms and conditions of the invitation for bids. Minor irregularities in the bid shall not defeat responsiveness. The bidder to whom the award is made shall be notified by ~~telegram~~, confirmed facsimile, **electronic mail**, or letter at the earliest possible date. If the successful bidder fails or refuses to sign the contract, to make bond as provided in this chapter or to provide evidence of insurance as required by the bid documents, the awarding authority may award the contract to the second lowest responsible and responsive bidder. If the second lowest bidder fails or refuses to sign the contract, make bond as provided in this chapter or to provide evidence of insurance as required by the bid documents, the awarding authority may award the contract to the third lowest responsible and responsive bidder.

(b) If no bids or only one bid is received at the time stated in the advertisement for bids, the awarding authority may advertise for and seek other competitive bids, or the awarding

authority may direct that the work shall be done by force account under its direction and control or, with the exception of the Department of Transportation, the awarding authority may negotiate for the work through the receipt of informal bids not subject to the requirements of this section. Where only one responsible and responsive bid has been received, any negotiation for the work shall be for a price lower than that bid.

(c) ~~With the exception of the Department of Transportation, when two or more bids are received, and all bids exceed available funding for the contract, a local board of education or a public two-year or four-year institution of higher education~~ the awarding authority may negotiate for the work with the lowest responsible bidder, provided that the ~~local board of education or public two-year or four-year institution of higher education~~ awarding authority can document the shortage of funding, that time is of the essence, and that the negotiated changes are in the public interest and do not materially alter the scope and nature of the project.

(d) If the awarding authority finds that all bids received are unreasonable or that it is not to the interest of the awarding authority to accept any of the bids, the awarding authority may direct that the work shall be done by force account under its direction and control.

(e) On any construction project on which the awarding authority has prepared plans and specifications, received bids, and has determined to do by force account or by negotiation, the awarding authority shall make available the plans and specifications, an itemized estimate of cost and any informal bids for review by the Department of Examiners of Public Accounts and, upon completion of the project by an awarding authority, the final total costs together with an itemized list of cost of any and all changes made in the original plans and specifications shall also be made available for review by the Department of Examiners of Public Accounts. Furthermore, the above described information shall be made public by the awarding authority upon request. Upon the approval of the awarding authority, its duly authorized officer or officers may, when proceeding upon the basis of force account, let any subdivision or unit of work by contract on informal bids.

(f) No provision of this section shall be interpreted as precluding the use of convict labor by the awarding authority. This section shall not apply to routine maintenance and repair jobs done by maintenance personnel who are regular employees of the awarding authority, nor shall it apply to road or bridge construction work performed by an awarding authority's regular employees and own equipment.

(g) No contract awarded to the lowest responsible and responsive bidder shall be assignable by the successful bidder without written consent of the awarding authority, and in no event shall a contract be assigned to an unsuccessful bidder whose bid was rejected because he or she was not a responsible or responsive bidder.

(h) Any agreement or collusion among bidders or prospective bidders in restraint of freedom of competition to bid at a fixed price or to refrain from bidding or otherwise shall render the bids void and shall cause the bidders or prospective bidders to be disqualified from submitting further bids to the awarding authority on future lettings. Any bidder or



prospective bidder who willfully participates in any agreement or collusion in restraint of freedom of competition shall be guilty of a felony and, on conviction thereof, shall be fined not less than five thousand dollars (\$5,000) nor more than fifty thousand dollars (\$50,000) or, at the discretion of the jury, shall be imprisoned in the penitentiary for not less than one nor more than three years.

(i) Any disclosure in advance of the terms of a bid submitted in response to an advertisement for bids shall render the proceedings void and require advertisement and award anew.

(j) The lowest responsible and responsive bidder on a public works project may be determined to be the bidder offering the lowest life cycle costs. The lowest responsible and responsive bidder shall otherwise meet all of the conditions and specifications contained in the invitation to bid, except that a bidder may still be considered responsive if he or she responds with a bid using different construction materials than those specified in the invitation to bid if the materials' use would result in lower life cycle costs for the public works project. To utilize this provision to determine the lowest responsible and responsive bidder, the awarding authority must include a notice in the invitation to bid that the lowest responsible and responsive bidder may be determined by using life cycle costs, and must also include in the invitation to bid the criteria under which it shall evaluate the life cycle costs.

#### **Section 39-2-7. Effect of errors and discrepancies of prices in bids.**

In case of error in the extension of prices in bids, the unit price will govern. In case of discrepancy between the prices shown in the figures and in words, the words will govern.

#### **Section 39-2-8. Execution of contracts and furnishing of performance bonds, etc., generally by bidders awarded contracts.**

The bidder to whom the award is made shall, when required, enter into a written contract on the form included in the proposal, plans, and specifications, furnish a performance bond and payment bond executed by a surety company duly authorized and qualified to make such bonds in the State of Alabama in the amount required by subsection (a) of Section 39-1-1 and provide evidence of insurance as required by the bid documents within the period specified or, if no period is specified, within 15 days after the prescribed forms have been presented to him or her for signature. If extenuating circumstances prevail, the awarding authority may grant an extension in time not exceeding five days for the return of the contract, required bonds and required evidence of insurance.

#### **Section 39-2-9. Approval of bonds, etc., and completion of execution of contracts by awarding authorities.**

The awarding authority shall approve the contractor's bonds meeting the requirements of Section 39-2-8 and the contractor's evidence of insurance meeting the requirements of the bid documents, as well as complete the execution of the contract, within 20 days after their



presentation by the contractor unless the successful contractor agrees in writing to a longer period.

**Section 39-2-10. Issuance of proceed orders by awarding authorities, etc.**

A proceed order shall be issued by the awarding authority within 15 days after final execution of the contract by the awarding authority, and execution by the Governor if his or her signature on the contract is required by law, unless both parties agree in writing to a stipulated extension in time for the issuance of a proceed order.

**Section 39-2-11. Proceedings upon failure of successful bidders to execute contracts and furnish bonds, etc.; death of a low bidder; effect of failure of awarding authorities to complete execution of contracts and issue proceed orders; withdrawal of low bid upon discovery of mistake.**

(a) Should the successful bidder or bidders to whom a contract is awarded fail to execute a contract and furnish acceptable contract securities and evidence of insurance as required by law within the period as set forth in Section 39-2-8, the awarding authority shall retain from the proposal guaranty, if it is a cashier's check, or recover from the principal or the sureties, if the guaranty is a bid bond, the difference between the amount of the contract as awarded and the amount of the proposal of the next lowest bidder. If no other bids are received, the full amount of the proposal guaranty shall be so retained or recovered as liquidated damages for such default. Any sums so retained or recovered shall be the property of the awarding authority.

(b) In the event of the death of a low bidder between the date of the opening of bids and the 15 days following the date of award of contract as allowed in Section 39-2-8 for furnishing of contract securities and evidence of insurance, the awarding authority shall return the proposal guaranty intact to the estate of the deceased low bidder.

(c) Failure by the awarding authority to complete the execution of a contract and to issue a proceed order as required in Sections 39-2-9 and 39-2-10 shall be just cause, unless both parties agree in writing to a stipulated extension in time for issuance of a proceed order, for the withdrawal of the contractor's bid and contract without forfeiture of the certified check or bond.

(d) Except for contracts let by the Department of Transportation, if the low bidder discovers a mistake in its bid rendering a price substantially out of proportion to that of other bidders, the low bidder may seek withdrawal of its bid without forfeiture upon written notice to the awarding authority within three working days after the opening of bids whether or not award has been made. If the low bidder offers clear and convincing documentary evidence as soon as possible, but no later than three working days after the opening of bids, that it made such a mistake due to calculation or clerical error, an inadvertent omission, or a typographical error, the awarding authority shall permit withdrawal without forfeiture. The decision of the awarding authority shall be made within 10 days after receipt of the low bidder's evidence or by the next regular meeting of the awarding authority. In no event

shall a mistake of law, judgment, or opinion constitute a valid ground for the withdrawal of a bid without forfeiture. Upon withdrawal of bid without forfeiture, the low bidder shall be prohibited from (1) doing any work on the contract, either as a subcontractor or in any other capacity, and (2) bidding on the same project if it is readvertised for letting.

**Section 39-2-12. Partial and final payments of contractors by awarding authorities.**

(a) As used in this section the following words shall have the meanings ascribed to them as follows:

(1) CONTRACTOR. Any natural person, partnership, company, firm, corporation, association, limited liability company, cooperative, or other legal entity licensed by the Alabama State Licensing Board for General Contractors.

(2) NONRESIDENT CONTRACTOR. A contractor which is neither a. organized and existing under the laws of the State of Alabama, nor b. maintains its principal place of business in the State of Alabama. A nonresident contractor which has maintained a permanent branch office within the State of Alabama for at least five continuous years shall not thereafter be deemed to be a nonresident contractor so long as the contractor continues to maintain a branch office within Alabama.

(3) RETAINAGE. That money belonging to the contractor which has been retained by the awarding authority conditioned on final completion and acceptance of all work in connection with a project or projects by the contractor.

(b) (1) Unless otherwise provided in the specifications, partial payments shall be made as the work progresses at the end of each calendar month, but in no case later than 35 days after the acceptance by the awarding authority that the estimate and terms of the contract providing for partial payments have been fulfilled. The contract between the contractor and the awarding authority shall designate a person to review the progress of completed work and to review documents submitted by the contractor as provided in this section. Except as otherwise provided for the Department of Transportation, the designated person, within 10 days, shall review the submission and respond in writing to accept or forward, as provided in this subsection, a request for payment. For contracts involving the Department of Transportation, the time frame for review and response shall be 20 days. In the event of an error in the submission or a dispute regarding compliance with the provisions of the contract, the error or dispute shall be disclosed in writing to the contractor within 10 days and, after corrective actions are taken, the invoice may be resubmitted and shall be addressed as provided in this section; provided that for contracts involving the Department of Transportation, the time frame for review and response shall be 20 days. In the absence of error or dispute, the awarding authority shall proceed within 10 days as follows for payment of the invoice:

a. For contracts subject to subsection (1), the awarding authority shall forward the request for payment to the entity or agency that is the source of funding to be used by the contractor.

b. For contracts not subject to subsection (l), the payment shall be made by the contracting agency in accordance with the payment requirements and deadlines established in this section.

(2) In preparing estimates, the material delivered on the site, materials suitably stored and insured off-site, and preparatory work done may be taken into consideration. If the amount due by the awarding authority is not in dispute and the amount payable is not paid within the above 35-day period, the contractor to whom payment is due shall also be entitled to interest from the awarding authority at the rate assessed for underpayment of taxes under Section 40-1-44(a), on the unpaid balance due. Any agreement to increase the 35-day period for payment after the execution of the contract is not enforceable. Interest payments shall not be due on payments made after the 35-day period because of administrative or processing delays at the close of the fiscal year or delays resulting from official and announced closures by the awarding authority. The provisions in this subsection shall not apply to contracts administered by the Alabama Building Commission, regardless of the source of the funds to be utilized to fulfill the awarding authority's obligation under the contract.

(c) In making the partial payments, there shall be retained not more than five percent of the estimated amount of work done and the value of materials stored on the site or suitably stored and insured off-site, and after 50 percent completion has been accomplished, no further retainage shall be withheld. The retainage as set out above shall be held until final completion and acceptance of all work covered by the contract unless the escrow or deposit arrangement described in subsections (f) and (g) is utilized. Provided, however, no retainage shall be withheld on contracts entered into by the Alabama Department of Transportation for the construction or maintenance of public highways, bridges, or roads.

(d) In addition to other requirements, a nonresident contractor shall satisfy the awarding authority that he or she has paid all taxes due and payable to the State of Alabama or any political subdivision thereof prior to receiving final payment for contract work. When maintenance periods are included in the contract covering highways and bridges or similar structures, the periods shall be considered a component part of the contract. On completion and acceptance of each separate building, public work, or other division of the contract on which a price is stated separately in the contract or can be separately ascertained, payment may be made in full, including the retained percentage thereof, less authorized deductions. Nothing in this section shall be interpreted to require the awarding authority to make full payment on an item of work when the item of work is an integral part of a complete improvement.

(e) In lieu of the retained amounts provided for in subsection (c) of this section, the awarding authority may provide in the specifications or contracts an alternate procedure for the maintenance of an escrow account as provided in subsection (f) or the depositing of security as provided in subsection (g).

(f) An escrow account, established pursuant to an escrow agreement, shall be entered into only on the following conditions:

(1) If the contractor shall have entered into more than one construction contract allowing for the maintenance of escrow accounts, the contractor may elect to combine the amounts held in lieu of retainage under each contract into one or more escrow accounts or may elect to establish a separate escrow account for each contract.

(2) Only state or national banks chartered within the State of Alabama or savings and loan associations domiciled in the State of Alabama may serve as an escrow agent.

(3) The escrow agent must limit the investment of funds held in escrow in lieu of retained amounts provided for in subsection (c) of this section to savings accounts, certificates of deposit or similar time deposit investments (which may, at the election of the contractor, be in an amount in excess of the maximum dollar amount of coverage by the Federal Deposit Insurance Corporation, the Federal Savings & Loan Insurance Corporation, or other similar agency), U.S. Treasury Bonds, U.S. Treasury Notes, U.S. Treasury Certificates of Indebtedness, U.S. Treasury Bills, bonds or notes of the State of Alabama or bonds of any political subdivision of the State of Alabama.

(4) As interest on all investments held in escrow becomes due, it shall be collected by the escrow agent and paid to the contractor.

(5) The escrow agent shall periodically acknowledge to the awarding authority and contractor the amount and value of the escrow account held by the escrow agent, and any additions to the escrow account by the awarding authority shall be reported immediately to the contractor. Withdrawals from the escrow account shall only be made subject to the written approval of the awarding authority.

(6) Upon default or overpayment, as determined by the awarding authority, of any contract or contracts subject to this procedure, and upon the written demand of the awarding authority, the escrow agent shall within 10 days deliver a cashier's check to the awarding authority in the amount of the escrow account balance (subject to the redemption value of such investments at the time of disbursement) relating to the contract or contracts in default.

(7) The escrow account may be terminated upon completion and acceptance of the contract or contracts as provided in subsections (c) and (i) of this section.

(8) All fees and expenses of the escrow agent shall be paid by the contractor to the escrow agent and if not paid shall constitute a lien on the interest accruing to the escrow account and shall be paid therefrom.

(9) The escrow account shall constitute a specific pledge to the awarding authority, and the contractor shall not, except to his or her surety, otherwise assign, pledge, discount,

sell, or transfer his or her interest in the escrow account, the funds in which shall not be subject to levy, garnishment, attachment, or any other process whatsoever.

(10) The form of the escrow agreement and provisions thereof in compliance herewith, as well as such other provisions as the awarding authority shall from time to time prescribe, shall be subject to written approval of the awarding authority. The approval of the escrow agreement by the awarding authority shall authorize the escrow agent to accept appointment in such capacity.

(11) The awarding authority shall not be liable to the contractor or his or her surety for the failure of the escrow agent to perform under the escrow agreement, or for the failure of any financial institution to honor investments issued by it which are held in the escrow account.

(g) The contractor may withdraw the whole or any part of the retainage upon deposit of securities only in accordance with the following procedures:

(1) The contractor shall deposit with the State Treasurer or the municipal or county official holding funds belonging to the contractor, the following readily negotiable security or any combination thereof in an amount at least equal to the amount withdrawn, the security shall be accepted at the time of deposit at market value but not in excess of par value:

a. U.S. Treasury Bonds, U.S. Treasury Notes, U.S. Treasury Certificates of Indebtedness, or U.S. Treasury Bills.

b. Bonds or notes of the State of Alabama.

c. Bonds of any political subdivision of the State of Alabama.

d. Certificates of deposit issued by the Federal Deposit Insurance Corporation insured banks located in the State of Alabama. The certificates shall be negotiable and only in an amount not in excess of the maximum dollar amount of coverage by the Federal Deposit Insurance Corporation.

e. Certificates of deposit issued by savings and loan associations located in the State of Alabama, the accounts of which are insured by the Federal Deposit Insurance Corporation or the accounts of which are insured by a company approved by the state Savings and Loan Board and the certificates shall be made payable with accrued interest on demand. Any certificate from any of the savings and loan associations referred to in this paragraph shall not be for an amount in excess of the maximum dollar amount of coverage of the Federal Deposit Insurance Corporation.

(2) The agency or department of the state having jurisdiction over any public works contract shall notify the State Treasurer of the amount of the deposit required and shall also notify the State Treasurer when to release the deposit.

(3) The architect or engineer representing any municipality or county or the chair of any board, commission, or agency of any municipality or county shall notify the municipal or county official of the amount of deposit required and shall also notify the municipal or county official when to release the deposit.

(4) At the time of deposit of any security, the security may be endorsed and shall be accompanied by a conditional assignment to the public body designated as owner in the contract document, which assignment shall empower the State Treasurer, or the municipal or county official to negotiate the security at any time to the extent necessary to cause the fulfilling of the contract.

(5) Any interest or income due on any security deposited shall be paid to the contractor. If the deposit is in the form of coupon bonds, the coupons, as they respectively become due, shall be delivered to the contractor.

(6) In the event the contractor defaults in the performance of the contract or any portion of the contract, the securities deposited by the contractor in lieu of retainage and all interest, income, and coupons accruing on the securities, after default, may be sold by the state or any agency or department of the state, any municipality or county, or any board, commission, or agency of the municipality or county and the proceeds of the sale shall be used as if the proceeds represented the retainage provided for under the contract.

(h) All material and work covered by partial payments made shall become the sole property of the awarding authority, but the contractor shall not be relieved from the sole responsibility for the care and protection of materials and work upon which payments have been made, and for the restoration of any damaged work.

(i)(1) Upon the contractor's completion and the awarding authority's acceptance of all work required, the awarding authority shall pay the amount due the contractor upon the contractor's presentation of the following items:

a. A properly executed and duly certified voucher for payment.

b. A release, if required, of all claims and claims of lien against the awarding authority arising under and by virtue of the contract, other than such claims of the contractor, if any, as may be specifically excepted by the contractor from the operation of the release in stated amounts to be set forth therein.

c. Proof of advertisement as provided by law. Upon proof of advertisement, the prescribed terms of payment shall not be amended after the terms and specifications have been published.

(2) Such payment shall become due and owing 35 days after all the requirements of subdivision (1) are fulfilled, and any agreement to increase the 35-day period for payment after the execution of the contract is not enforceable. If the amount payable is not

paid as required, interest on the amount shall be due and owing to the contractor. Interest shall accrue on the day following the later date described above and shall be paid from the same fund or source from which the contract principal is paid. The interest rate for payments shall be the legal amount currently assessed for under payment of taxes under Section 40-1-44 (a).

(3) Except as may be prohibited by Article I, Section 14 of the Constitution of Alabama of 1901, a contractor or awarding authority may file a civil action against the party contractually obligated for the payment or repayment claimed to recover the amount due plus the interest accrued in accordance with this chapter. In addition to the payment of any amounts due plus interest, if applicable, the court shall award the prevailing party reasonable attorneys' fees, court costs, and reasonable expenses. This provision shall not apply to contracts administered by the Alabama Building Commission, regardless of the source of the funds to be utilized to fulfill the awarding authority's obligation under the contract.

(j) If the Department of Transportation or a county awarding authority shall determine that there has been overpayment to a contractor on a contract award pursuant to this chapter, the Department of Transportation or the county awarding authority shall provide written notice of the overpayment to the contractor and the contractor shall remit the overpayment to the Department of Transportation or the county awarding authority within 60 days of receipt of the demand. If the contractor fails to remit payment in full of the overpayment within 60 days of receipt of demand, the contractor shall be disqualified from bidding as a prime contractor or from performing work as a subcontractor on any future Department of Transportation contract or county contract for the construction or maintenance of public highways, bridges, or roads until the overpayment is made. The Department of Transportation or county awarding authority shall also be entitled to interest from the contractor at the rate assessed for under payment of taxes under Section 40-1-44 (a) beginning on the 61st day after the contractor's receipt of demand.

(k) The contract between the awarding authority and contractor shall contain provisions outlining the source of sufficient funds to be utilized to fulfill the awarding authority's obligations under the contract, including whether the funds are held by the awarding authority at the time of the execution of the contract or whether the funds will become available at a date following the execution of the contract.

(l) Should the source of funds for the payment be a grant, award, or direct reimbursement from the state, federal government, or other source which will not become available until after the execution of the contract, this shall be disclosed in the bid document and contract and the provisions of this chapter regarding prompt payment shall not apply until the awarding authority is in receipt of the funds as provided in the contract. Upon such receipt, the contracting agency shall process payment within 10 days and the requirement shall be enforceable as provided herein.

(m) In the event of a conflict between the provisions of this section and the provisions of any other section of the Code of Alabama 1975, or any agency's or department's rules, regulations, or manuals, this section shall govern.

(n) The provisions of this section shall not apply to any state agency established pursuant to Chapter 1 of Title 33.

(o) The payment provisions of this section shall not apply to contracts entered into by governmental entities as a result of response and recovery to any of the conditions described in Section 31-9-2(a) or as a result of any other disaster event.

(p) The provisions set forth in this section shall apply to all payments, partial or otherwise.

### **Section 39-2-13. Promulgation of rules and regulations by awarding authorities.**

For the purpose of carrying into effect the terms of this chapter and insuring to the state and its political subdivisions the award of all contracts to responsible and responsive bidders, the awarding authority may prepare and promulgate rules and regulations it deems proper, but not inconsistent with the terms of this chapter.

### **Section 39-2-14. Registration of out-of-state contractors required; deposit; surety bond.**

(a) Every nonresident contractor, as defined in Section 39-2-12 shall register with the Department of Revenue prior to engaging in the performance of a contract in this state. At the time of registration the contractor shall deposit with the Department of Revenue five per centum of the amount such contractor is to receive for the performance of the contract which shall be held within a "contractors use tax fund" pending the completion of the contract, the determination of the taxes due this state and other governmental bodies, and the payment of same. In lieu of such deposit the contractor may provide a corporate surety bond to be approved by the Commissioner of Revenue as to form, sufficiency, value, amount, stability, and other features necessary to provide a guarantee of payment of the taxes due this state and other governmental bodies.

(b) In addition, within 30 days after registration, the contractor shall file a statement with the Department of Revenue itemizing the machinery, materials, supplies, and equipment that he has or will have on hand at the time he begins the fulfillment of the contract where such tangible personal property has been brought, shipped, or transported from outside the State of Alabama upon which neither the use taxes or ad valorem taxes have been paid and shall pay the tax due thereon at the time of filing and thereafter shall report and pay the tax as required by the Commissioner of Revenue.

(c) Upon payment of the said taxes due, as required hereby, the deposit or the surety bond required herein shall be returned forthwith to the out-of-state contractor posting same.



(d) The Commissioner of Revenue shall have authority to promulgate rules and regulations to carry out the provisions of this section.

**CHAPTER 3.**  
**USE OF DOMESTIC PRODUCTS AND RESIDENT**  
**WORKMEN FOR PUBLIC WORKS, IMPROVEMENTS,**  
**ETC.**

**39-3-1.** Contracts for Public Works Project Financed Entirely by State or Subdivisions Thereof to Provide for Use of Domestic Products if Available, Etc.; Penalty.

**39-3-2.** Contractors, Etc., Engaged in Construction of Public Building, Improvements or Works for State or Political Subdivisions Thereof to Employ Only Workmen and Laborers Actually Residing Within State for Two Years Preceding Employment; Procedure when Said Workmen or Laborers Not Available; Applicability of Provisions of Section. Repealed by Acts 1997, NO. 97-225, P. 348, § 4, Effective April 22, 1997.

**39-3-3.** Penalties for Violation of Section 39-3-2; Reliance by Employers upon Certificates of Sheriffs, Etc., as to Residence of Workmen or Laborers. Repealed by Acts 1997, NO. 97-225, P. 348, § 4, Effective April 22, 1997.

**39-3-4.** Contractors for Public Works Project Financed Entirely by State or Subdivisions Thereof to Use Steel Produced in United States; Penalty.

**39-3-5.** Preference to Resident Contractors in Letting of Certain Public Contracts.

**Section 39-3-1. Contracts for public works project financed entirely by state or subdivisions thereof to provide for use of domestic products if available, etc.; penalty.**

(a) The awarding authority contracting for a public works project to be financed entirely by the State of Alabama or any political subdivision of the state, shall stipulate or cause to be stipulated in the contract a provision whereby the person, firm, or corporation undertaking the project agrees to use in the execution of the contract materials, supplies, and products manufactured, mined, processed, or otherwise produced in the United States or its territories, if the same are available at reasonable and competitive prices and are not contrary to any sole source specification implemented under subsection (f) of Section 39-2-2.

(b) In the event the contractor breaches the agreement to use domestic products, and domestic products are not used, there shall be a downward adjustment in the contract price equal to any realized savings or benefits to the contractor.

**Sections 39-3-2 and 39-3-3.**

Repealed by Acts 1997, No. 97-225, p. 348, § 4, effective April 22, 1997.

**Section 39-3-4. Contractors for public works project financed entirely by state or subdivisions thereof to use steel produced in United States; penalty.**

(a) Any contractor for a public works project, financed entirely by the State of Alabama or any political subdivision thereof, within this state shall use steel produced within the United States when specifications in the construction contract require the use of steel and do not limit its supply to a sole source under subsection (f) of Section 39-2-2. If the awarding authority decides that the procurement of the above-mentioned domestic steel products becomes impractical as a result of a national emergency, national strike, or other cause, the awarding authority shall waive the above restriction.

(b) In the event the contractor violates the domestic steel requirements of subsection (a), and domestic steel is not used, there shall be a downward adjustment in the contract price equal to any realized savings or benefits to the contractor.

**Section 39-3-5. Preference to resident contractors in letting of certain public contracts.**

(a) In the letting of public contracts in which any state, county, or municipal funds are utilized, except those contracts funded in whole or in part with funds received from a federal agency, preference shall be given to resident contractors, and a nonresident bidder domiciled in a state having laws granting preference to local contractors shall be awarded Alabama public contracts only on the same basis as the nonresident bidder's state awards contracts to Alabama contractors bidding under similar circumstances; and resident contractors in Alabama, as defined in Section 39-2-12, be they corporate, individuals, or partnerships, are to be granted preference over nonresidents in awarding of contracts in the same manner and to the same extent as provided by the laws of the state of domicile of the nonresident.

(b) A summary of this law shall be made a part of the advertised specifications of all projects affected by this law.

**CHAPTER 4.  
MINIMUM WAGES UNDER PUBLIC WORKS  
CONTRACTS**

**39-4-1.** Repealed by Acts 1979, NO. 79-122, P. 154, Effective May 19, 1980.

**39-4-18.** Repealed by Acts 1979, NO. 79-122, P. 154, Effective May 19, 1980. § 39-4-18.

**CHAPTER 5.  
ACTIONS OR PROCEEDINGS UPON PUBLIC WORKS  
OR IMPROVEMENTS CONTRACTS IMPROPERLY LET  
OR EXECUTED**

**39-5-1.** Contracts let in violation of law unenforceable; certificate of compliance; rebuttable presumption of compliance.

**39-5-2.** Issuance of false or fraudulent certificate of compliance.

**39-5-3.** Actions to recover funds received under such contracts.

**39-5-4.** Actions to enjoin letting or execution of such contracts or payment of public funds thereunder.

**39-5-5.** Persons entering into contracts for public works presumed to have notice of title.

**39-5-6.** Provisions of title mandatory; construction and application of title.

**Section 39-5-1. Contracts let in violation of law unenforceable; certificate of compliance; rebuttable presumption of compliance.**

(a) No civil action shall be brought or maintained by a contractor in any court in this state to require any awarding authority to pay out public funds for work and labor done, for materials supplied, or on any account connected with performance of a contract for public works, if the contract was let or executed in violation of or contrary to this title or any other provision of law.

(b) The awarding authority shall, prior to the execution of final contracts and bonds, certify that the contract to be awarded is let in compliance with this title and all other applicable provisions of law; and, only for purposes of a civil action as referenced in subsection (a), the issuance of the certificate by the awarding authority shall constitute a presumption that the contract was let in accordance with the laws. The presumption may be rebutted only by a showing with clear and convincing evidence that the certification is false or fraudulent and that the contractor knew that the certification was false or fraudulent before execution of the contract.

**Section 39-5-2. Issuance of false or fraudulent certificate of compliance.**

Any awarding authority or its agents issuing a willfully false or fraudulent certificate as required by Section 39-5-1 shall be guilty of a felony and, on conviction thereof, shall be fined not less than five thousand dollars (\$5,000) nor more than fifty thousand dollars (\$50,000) or, at the discretion of the jury, shall be imprisoned in the penitentiary for not less than one nor more than three years.

**Section 39-5-3. Actions to recover funds received under such contracts.**

An action shall be brought by the Attorney General or may be brought by any interested citizen, in the name and for the benefit of the awarding authority, to recover paid public funds from the contractor, its surety, or any person receiving funds under any public works contract let in violation of or contrary to this title or any other provision of law, if there is clear and convincing evidence that the contractor, its surety, or such person knew of the violation before execution of the contract. The action shall be commenced within three years of final settlement of the contract.

**Section 39-5-4. Actions to enjoin letting or execution of such contracts or payment of public funds there-under.**

The Attorney General, a bona fide unsuccessful or disqualified bidder, or any interested citizen may maintain an action to enjoin the letting or execution of any public works

contract in violation of or contrary to the provisions of this title or any other statute and may enjoin payment of any public funds under any such contract. In the case of a successful action brought by a bidder, reasonable bid preparation costs shall be recoverable by that bidder. The action shall be commenced within 45 days of the contract award.

**Section 39-5-5. Persons entering into contracts for public works presumed to have notice of title.**

All persons or parties entering into contracts or agreements with an awarding authority for the construction of a public work shall be conclusively presumed to have notice of the provisions of this title.

**Section 39-5-6. Provisions of title mandatory; construction and application of title.**

The provisions of this title are mandatory, and shall be construed to require strict competitive bidding on contracts for public works. The courts shall not invoke or apply any principle of quantum meruit, estoppel, or any other legal or equitable principle which would allow recovery for work and labor done or materials furnished under any contract let in violation of competitive bidding requirements as prescribed by law.

**CHAPTER 6.**  
**CONSTRUCTION OF PUBLIC BUILDINGS WITH**  
**RADIOACTIVE FALLOUT PROTECTION.**

**39-6-1.** Radioactive fallout protection to be incorporated in planning and construction of certain state funded public buildings or structures; powers and duties of State Building Commission as to certification of planning or construction of same and granting of exemptions from provisions of section.

**39-6-2.** Requirement of radioactive fallout protection in new public buildings or structures and additions by municipal governing bodies and county commissions; provisions of section cumulative.

**Section 39-6-1. Radioactive fallout protection to be incorporated in planning and construction of certain state funded public buildings or structures; powers and duties of State Building Commission as to certification of planning or construction of same and granting of exemptions from provisions of section.**

(a) Wherever used in this section, unless a different meaning clearly appears in the context, the following terms shall be given the following respective interpretations:

(1) **PUBLIC BUILDING or STRUCTURE.** All buildings constructed for any department, agency, board, commission, council or authority of the State of Alabama, including public school buildings or structures and public buildings or structures of universities and colleges, including any additions to existing buildings or structures.

(2) STATE BUILDING COMMISSION. The building commission of 1945.

(3) RADIOACTIVE FALLOUT PROTECTION. The minimum space and fallout protection criteria recommended by the Office of Civil Defense, United States Department of Defense or its successor organization.

(b) No person, officer, official, board, commission, agency, council or authority shall cause to be planned or constructed any publicly owned building or structure in the State of Alabama costing more than \$50,000.00, wherein the use of state funds are involved, including public school buildings and structures and including public buildings and structures of colleges and universities, without incorporating or causing to be incorporated in such building or structure protection from radioactive fallout for at least its normal anticipated occupancy. Such protection shall meet or exceed the minimum space and fallout protection criteria recommended by the Office of Civil Defense, United States Department of Defense, at the time of the beginning of planning of said building.

(c) It shall be the duty of the State Building Commission to certify that all public buildings or structures have been planned or are being constructed with radioactive fallout protection sufficient to comply with the provisions of this section. All public buildings and structures shall have incorporated in the architectural plans provisions for radioactive fallout protection and shall be so constructed, unless such requirement would create an additional net cost in the construction of such building or structure so as to make the provision of radioactive fallout protection economically impracticable or other factors make unnecessary or impracticable the incorporation of such radioactive fallout protection.

Any person, official, board, commission, council, agency or authority desiring an exemption from the requirements of this section with regard to any public building or structure may apply to the State Building Commission for an exemption from the requirements of the provisions of this section and the State Building Commission may grant such exemption if concurred in by the Alabama Director of Emergency Management and the Governor. In making a determination on the question of whether the requirement of radioactive fallout protection is economically impracticable, the State Building Commission shall grant an exemption in any case where application is made therefor if the cost of inclusion of radioactive fallout protection would create an additional net cost in the cost of such public building or structure in excess of the percentages of the estimated costs of such public building or structure as follows:

- (1) Four percent for costs of \$50,000.00 to \$500,000.00.
- (2) Three percent for costs of \$500,001.00 to \$1,500,000.00.
- (3) Two percent for costs exceeding \$1,500,001.00.

**Section 39-6-2. Requirement of radioactive fallout protection in new public buildings or structures and additions by municipal governing bodies and county commissions; provisions of section cumulative.**

(a) Each municipal governing body and county commission in this state, may, by ordinance or resolution, require that all new public buildings or structures hereafter planned or constructed and any additions to existing buildings or structures hereafter planned or constructed be so planned and constructed that fallout protection from radioactivity for at least the normal anticipated occupancy will be provided. Said municipal governing body or county commission may require that such radioactive fallout protection meet the minimum space and fallout protection criteria recommended by the Office of Civil Defense, United States Department of Defense, at the time of the beginning of the planning of such building or structure. In no case, however, shall a requirement be made if the cost of inclusion of radioactive fallout protection in such building or structure would create an additional net cost in the cost of any such building or structure in excess of the percentages of the estimated costs of such building or structure as follows:

- (1) Four percent for costs of \$50,000.00 to \$500,000.00.
- (2) Three percent for costs of \$500,001.00 to \$1,500,000.00.
- (3) Two percent for costs exceeding \$1,500,001.00.

(b) The provisions of this section are in addition to any other powers and authorities heretofore conferred upon municipal and county governing bodies relating to regulations to buildings and structures and the provisions of this section are cumulative thereto.

## **CHAPTER 7. IMPROVEMENT AUTHORITIES.**

**39-7-1.** Definitions.

**39-7-2.** Authorization for Incorporation Generally.

**39-7-3.** Filing of Petition for Election as to Incorporation.

**39-7-4.** Form and Verification of Petition.

**39-7-5.** Summary Proceedings for Review, Etc., of Sufficiency of Petition.

**39-7-6.** Publication of Notice of Filing of Petition and of Question to be Submitted to Voters at Election.

**39-7-7.** Submission of Question Proposed by Petition to Voters at General Election.

**39-7-8.** Holding of Special Election for Submission of Question to Voters; Provisions of Law Governing Conduct of Such Elections; Payment of Expenses of Elections.

**39-7-9.** Contents and Form of Election Ballot.

**39-7-10.** Adoption of Resolution Setting Forth Question Submitted and Votes Cast; Declaration of Incorporation of Improvement Authority.

**39-7-11.** When Authority Deemed Incorporated; Transmission of Certified Copy of Resolution, Etc., to Secretary of State; Secretary of State to Furnish Statement of Names, Etc., of Authorities Incorporated to Department of Finance; Publication of Statement and Effect Thereof.

**39-7-12.** Authority to be Public Corporation; Exercise of Powers of Authority.

**39-7-13.** Purpose and Powers of Authority Generally; Sale, Transfer and Conveyance of Entire Water System to Public Corporation Authorized to Conduct Business of Water Distribution System.

- 39-7-14.** Board of Trustees of Authority — Composition; Appointment, Removal and Terms of Office of Members; Vacancies.
- 39-7-15.** Board of Trustees of Authority — Members Not to Hold Public Office Under Municipality.
- 39-7-16.** Board of Trustees of Authority — Organization Meeting; Selection of Officers.
- 39-7-17.** Board of Trustees of Authority — Compensation; Delegation of Powers and Duties to Employees, Etc.
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- 39-7-27.** Disposition of Moneys of Authority.
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- 39-7-32.** Furnishing of Services Outside Boundaries of Municipality by Authority.
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- 39-7-34.** Provisions of Chapter Exclusive as to Matters Covered by Chapter.

#### **Section 39-7-1. Definitions.**

When used in this chapter, the following terms shall have the following meanings, respectively, unless the context clearly indicates otherwise:

- (1) **AUTHORITY.** A corporation created pursuant to this chapter.

(2) MUNICIPALITY. Any city or town incorporated under the laws of the State of Alabama and the inhabitants of an area containing not less than 250 qualified electors outside of an unincorporated city or town who shall become incorporated pursuant to the provisions of this chapter.

(3) TERRITORY. The geographical area coterminous with the boundaries of a municipality.

(4) GOVERNING BODY. The body or board, by whatsoever name it may be known, having charge of the finances of a municipality.

(5) SERVICES. Any one or more or all of the following: water, sewerage, telephone, gas or electric heat, light, or power services, commodities or facilities.

(6) ENTERPRISE. The business, undertaking or enterprise of furnishing services.

**Section 39-7-2. Authorization for incorporation generally.**

The citizens of any city or town in the State of Alabama or the citizens of any area in the State of Alabama containing as many as 250 qualified electors may be incorporated as an authority under this chapter.

**Section 39-7-3. Filing of petition for election as to incorporation.**

A petition, in the form and executed as provided in Sections 39-7-4 and 39-7-5 may be presented by filing the same with the clerk of the city or town, and when the petition is signed by inhabitants of an area with 250 qualified electors it may be presented to the probate judge of the county in which the electors reside. It shall be signed by qualified electors in the territory by a number of at least equal to five percent of the total number of qualified electors in said territory.

**Section 39-7-4. Form and verification of petition.**

(a) The petition shall be in substantially the following form: "To the (herein insert the name of governing body) of the City (or Town) or to the Probate Judge of ..... County. We, the undersigned, qualified electors of the area embraced within the city or town or of the following described area ..... respectfully petition that there be submitted to a vote of the qualified electors in said area the following question: 'Shall the citizens of said city or town or the citizens of said described area (describing it) be incorporated by the name of the Improvement Authority of (here insert name of city or town, or area) for the purpose of engaging in the enterprise of furnishing to such city, town or area and its inhabitants or to the inhabitants of such area described for public and private uses the following services:

.....  
.....  
.....

(Signatures of electors)



.....  
.....  
.....  
(Residences by street and number)  
.....  
.....  
.....  
.”  
.

(b) One of the persons who presents and files the petition shall make an affidavit that the signatures on the petition are genuine signatures and that the persons who signed their names thereto are qualified electors according to the published poll list.

**Section 39-7-6. Publication of notice of filing of petition and of question to be submitted to voters at election.**

The clerk or probate judge shall give notice of the submission of the question by causing notice of the filing of the petition and the question to be submitted to be published at least once on the same day of each week for three consecutive weeks in a newspaper of general circulation in the territory.

**Section 39-7-7. Submission of question proposed by petition to voters at general election.**

If the petition shall have been filed with the clerk or probate judge or, in case a summary proceeding has been instituted, a final order thereon has been made in favor of the sufficiency of the petition not more than 60 days and not less than 30 days prior to a general city or town or county election, the body of the city or town to which such petition is directed or the probate judge of the county in which the unincorporated area is located shall cause the question proposed by the petition to be duly submitted to a vote of the electors of the territory at such general election.

**Section 39-7-8. Holding of special election for submission of question to voters; provisions of law governing conduct of such elections; payment of expenses of elections.**

If a petition shall not have been filed or, in case a summary proceeding has been instituted, a final order thereon has not been made in favor of the sufficiency of the petition so as to permit the question to be submitted at a general election within the provisions of Section 39-7-7, the body to which such petition is directed shall at its next regular meeting succeeding the presentation of the petition or, in case a summary proceeding has been instituted, succeeding the date of a final order thereon in favor of the sufficiency of the petition or the probate judge of the county in which the unincorporated area is located shall designate a day for the holding of a special election to ascertain the will of the electors regarding the question, which day shall not be less than 30 days nor more than 40 days from the date of such regular meeting.

The provisions of the election laws covering the registration of voters, equipment of polling places, furnishing of supplies, appointment of election officers, voting and canvassing of returns, at a general election shall apply to such election.

The governing body of such city or town or the governing body of the county in which the unincorporated area is located is hereby authorized to appropriate and expend from moneys raised by taxation for the necessary expense of such special election.

**Section 39-7-9. Contents and form of election ballot.**

The question set forth in the petition shall be printed on the ballot. At the left of the question there shall be printed two voting squares, with the word "Yes" for voting for the question at the right of one square and the word "No" for voting against the question at the right of the other square.

**Section 39-7-10. Adoption of resolution setting forth question submitted and votes cast; declaration of incorporation of improvement authority.**

At the regular meeting of the governing body of the municipality next succeeding the completion of the canvass and the statement and proclamation of result, such governing body shall adopt a resolution setting forth the question submitted at the election, the number of votes cast for the question and the number of votes cast against the question. If the number of votes cast for the question exceeds the number of votes cast against the question at such election, such resolution shall further declare that the citizens of the State of Alabama who are inhabitants of the territory, the boundaries of which are coterminous with the boundaries of such municipality, are incorporated as the "Improvement Authority of ....."

**Section 39-7-11. When authority deemed incorporated; transmission of certified copy of resolution, etc., to Secretary of State; Secretary of State to furnish statement of names, etc., of authorities incorporated to Department of Finance; publication of statement and effect thereof.**

The citizens of the State of Alabama who are inhabitants of such territory shall become and be an incorporated authority under this chapter from and after the date of adoption of the resolution of the governing body of such municipality declaring that such citizens are incorporated as the "Improvement Authority of ....."

Within five days after the adoption of such resolution by the governing body, the clerk or probate judge shall transmit a certified copy thereof together with a complete record of all proceedings had in regard to the incorporation of such authority, to the Office of the Secretary of State of the State of Alabama where it shall be filed as a public record. It shall be the duty of the Secretary of State to furnish to the Department of Finance on October 1 of each year the names of the authorities which have been incorporated pursuant to this chapter with a statement of the date of the resolution declaring the incorporation of such

authority. Such statement shall be published by the Department of Finance in its annual report under a separate and appropriate heading and such statement, so published, shall be conclusive evidence of such incorporation.

**Section 39-7-12. Authority to be public corporation; exercise of powers of authority.**

(a) Each authority incorporated under this chapter shall be a public corporation in perpetuity under its corporate name and the same shall in that name be a body politic and corporate, with power of perpetual succession.

(b) The power of each authority shall be vested in and exercised by a majority of the members of the board of trustees of the improvement authority in office.

**Section 39-7-13. Purpose and powers of authority generally; sale, transfer and conveyance of entire water system to public corporation authorized to conduct business of water distribution system.**

(a) An authority shall be incorporated for the purpose of conducting and developing the enterprise in which it may engage in such manner that the services afforded by such enterprise shall be available for public uses and to all inhabitants of the municipality and the surrounding area for domestic and industrial uses at the lowest cost consistent with sound economy and prudent management. Every authority incorporated under this chapter is hereby vested with all powers necessary and requisite for the accomplishment of such purpose for which such authority is incorporated capable of being delegated by the Legislature of the State of Alabama. The authority shall have the power to acquire, construct, reconstruct, extend, improve and maintain and operate any plant, works, system, facilities or properties together with all parts thereof and appurtenances thereto used or useful for the generation, production, transmission and distribution of electric energy, natural or artificial gas or mixtures thereof, for obtaining a water supply and the storage and distribution of water, for the collection, disposal and treatment of sewage, telephone system and service and generally for the conduct and development of the enterprise. No enumeration of particular powers granted by this section shall be construed to impair any general grant of power contained in this section or to limit any such grant to a power or powers of the same class or classes as those so enumerated. The authority is empowered to do all acts necessary, proper or convenient in the exercise of the powers granted under this chapter.

(b) In addition to all other powers, the authority shall have and may exercise the power to sell, transfer and convey to any public corporation having authority to carry on the business of a water distribution system, including those organized under Division 1, Article 6, Chapter 50, Subtitle 2 of Title 11, its entire water system, including all of its property and assets, real, personal and mixed, for such consideration and upon such terms and conditions as may be agreed upon by and between the authority and such purchaser; provided, that the consideration therefor shall include and require, among others, the assumption by such purchaser of the outstanding and unpaid bonded indebtedness, if any, of the authority and shall include an agreement by such purchaser to supply water to the authority's then

existing water customers under the purchaser's rules and regulations applicable and which may thereafter be or become applicable to the purchaser's system as a whole.

**Section 39-7-14. Board of trustees of authority -- Composition; appointment, removal and terms of office of members; vacancies.**

(a) Each improvement authority shall have a board of trustees consisting of not more than five members that are qualified electors residing in the area serviced by the authority.

(b) When the authority is composed of an incorporated city or town, the trustees shall be appointed by the governing body of the city or town. When the authority is composed in whole or in part of the inhabitants of an unincorporated area, the governing body of the county in which the area is composed appoints the trustees. In the event the unincorporated area is composed of parts of different counties, the Governor of the state shall appoint the board. All vacancies on the board shall be filled by the proper authority designated in this section. The first appointment of the members of the board shall be made not later than 30 days after the improvement authority becomes an incorporation as provided for in this chapter.

(c) The term of the office of the members of the board shall be one, two, and three years respectively dating from January 1 of the year in which the appointments are made. Thereafter the terms of office of the members are for three years. Members shall hold office until their successors are appointed and qualify. An appointment to fill a vacancy shall be for the unexpired term.

(d) The appointing authority may remove any member within the term for which he or she shall have been appointed, after giving a copy of the charges against the member and an opportunity to be heard in his or her defense. The action of the appointing authority shall be final and nonreviewable.

**Section 39-7-15. Board of trustees of authority -- Members not to hold public office under municipality.**

The members of the board shall not hold any public office under the municipality.

**Section 39-7-16. Board of trustees of authority -- Organization meeting; selection of officers.**

Promptly after their appointment the members of the board shall meet to organize. At such meeting and at the first meeting in each year thereafter, the members of the board shall choose from their number a president and a secretary.

**Section 39-7-17. Board of trustees of authority -- Compensation; delegation of powers and duties to employees, etc.**

Each member of the board shall receive for his or her services compensation in an amount to be fixed by the board. The compensation to the members of the board shall be paid monthly from money received by the authority from its operations. The members of the board shall be entitled to reimbursement for all expenses incurred in connection with performance of their duties. The board may delegate to one or more of its members or to its agents and employees such powers and duties as it may deem proper.

**Section 39-7-18. Board of trustees of authority -- Powers generally.**

The board of trustees shall have power to do all things necessary or convenient in conducting and developing the enterprise, including but not limited to the following powers:

- (1) To adopt and amend bylaws for the management and regulation of its affairs and the enterprise in which it is engaged;
- (2) To use, with the consent of the municipality, the agents, employees or facilities of such municipality and to provide for payment of the agreed proportion of the cost therefor;
- (3) To appoint officers, agents and employees and to fix their compensation;
- (4) To inquire into any matter relating to the affairs of the authority, to compel by subpoena the attendance of witnesses and the production of books and papers material to any such inquiry, to administer oaths to witnesses and to examine witnesses and such books and papers;
- (5) To appoint an advisory board to assist in the formation of proper policies in respect of the enterprise; and,
- (6) To execute instruments.

**Section 39-7-19. Transfer of supervision, possession, control, etc., of property, rights, books, papers, etc., of plant or system owned by municipality to authority generally; continuation in effect of provisions of law as to powers and duties of municipal officers and employees.**

Jurisdiction, supervision, possession and control of all property, real and personal, tangible and intangible, together with all easements, water rights and other rights therein and all other adjuncts, including books, papers and records, pertaining to any plant or system owned, managed, supervised, possessed and controlled by a municipality for the purpose of furnishing any services named in the petition pursuant to which an authority is incorporated shall devolve and are hereby conferred and imposed upon such authority.

The provisions of any laws regulating the exercise of the powers and the performance of the duties of officers and employees of such municipality shall continue in full force and effect until the board of trustees of such authority by its bylaws confers such powers upon

its officers, agents or employees or imposes such duties upon its officers, agents or employees.

**Section 39-7-20. Transfer of municipal officers and employees to authority.**

Officers and employees of any board, commission or department in or of the municipality may be transferred to the authority and shall be eligible for such transfer and appointment without examination to offices and positions under such authority. The transfer and appointment of such officers and employees shall be made in accordance with the provisions of any agreement which may be entered into between the governing body of such municipality and the board of trustees of such authority.

**Section 39-7-21. Obligations of contracts of municipality not to be impaired; payment of notes, bonds or other obligations issued by municipality; assumption of municipal contracts as to plant or system by authority.**

The obligations of contracts of the municipality shall not be impaired by this chapter.

Moneys to provide for the payment of notes, bonds or other obligations issued by the municipality in relation to any plant or system, the management, supervision, possession and control of which shall devolve upon such authority, shall be raised, collected and paid for by such municipality as though this chapter had not been enacted; except, that in the event such notes, bonds or other obligations constitute a charge, lien or other encumbrance upon the revenue of such plant or system, the duty to raise, collect and apply such revenues to the payment of such notes, bonds or other obligations shall rest upon such authority rather than upon the municipality and such notes, bonds or other obligations shall remain a charge, lien or other encumbrance upon such revenues.

All contracts of such municipality in relation to any such plant or system shall be assumed by such authority and the terms and conditions to be performed on the part of such municipality shall be complied with and performed by the board of trustees of such authority and the benefits of such contracts shall inure to the benefit of such authority.

**Section 39-7-22. Powers generally; consent of Department of Finance required for issuance or sale of bonds or other evidence of indebtedness by authority.**

(a) Subject only to the Constitution of the State of Alabama, each authority incorporated under this chapter shall have power:

(1) To sue and be sued;

(2) To have a seal and alter the same at pleasure;

(3) To acquire, by purchase, gift, devise, lease or exercise of the power of eminent domain or other mode of acquisition, hold and dispose of property real and personal, tangible and intangible, and interests therein in its own name, subject to mortgages or other

liens or otherwise, and to pay therefor in cash or on credit and to secure and procure payment of all or any part of the purchase price thereof on such terms and conditions as it shall determine;

(4) To make and enter into contracts, indentures of trust, leases and bonds;

(5) To borrow money and to issue negotiable bonds and provide for the rights of the holders thereof;

(6) To refund any bonds theretofore issued by it by the issuance of refunding bonds to a principal amount not in excess of the principal amount of bonds to be refunded, any premium required in order to redeem or retire the bonds to be refunded and any interest accrued or to accrue on such bonds to the date of their redemption or retirement;

(7) To issue bonds for the combined purpose of so refunding any bonds theretofore issued by it and paying all or any part of the costs of constructing and acquiring any one or more enterprises or any improvements, extensions or enlargements thereto;

(8) To fix, maintain and collect rates and charges for any services;

(9) To pledge all or any part of its revenues;

(10) To make such covenants, in connection with the issuance of bonds or in order to secure the payment of bonds, that a private business corporation can make under the general laws of the state, notwithstanding that such covenants may operate as limitations on the exercise of any of the powers granted by this chapter;

(11) To enter on any lands, waters and premises for the purpose of making surveys, soundings and examinations;

(12) To pay to the municipality the whole or any part of the amount necessary to be raised by taxation by such municipality in order to pay, when due, notes, bonds or other obligations issued by such municipality in relation to any plant or system, the management, supervision, control and possession of which is transferred pursuant to this chapter from such municipality to such authority;

(13) To perform any and all acts and do any and all things by contract or contracts or under, through or by means of its own officers, agents and employees;

(14) To purchase, produce or otherwise secure water, gas and electric energy; and

(15) To exercise all powers of eminent domain now or hereafter conferred on municipalities in this state.

(b) No bonds or other evidence of indebtedness of an authority incorporated under this chapter shall be issued or sold until consent to the issuance and sale thereof shall have been

given by the Department of Finance of Alabama, to be evidenced by resolution or order under seal of such body granting such consent. Such consent shall be granted only after a public hearing and after a petition requesting such consent has been duly filed by such authority with the Department of Finance more than five days before such public hearing. Such petition shall specify the plan or program of the authority and the uses to which it is proposed to put the proceeds of such issue and such other matters as are necessary fully to advise such Department of Finance of the nature of the enterprise and said petition shall include such other information as may be required by the rules of the Department of Finance. The Department of Finance shall grant such consent only after it finds that such issue or sale serves some public need and is in the public interest. It shall be unlawful for the authority to use the proceeds of any such issue or sale contrary to the plan and purposes presented to the Department of Finance in obtaining its consent thereto.

**Section 39-7-23. Authorization for issuance of bonds by authority; terms, denominations, sale, redemption, etc., of bonds; issuance of interim receipts, certificates, etc.**

Bonds of an authority shall be authorized by resolution of the board of trustees of such authority and may be issued in one or more series, may bear such date or dates, mature at such time or times not exceeding 40 years from their respective dates, bear interest at such rate or rates, payable semiannually, be in such denominations, be in such form, either coupon or registered, be executed in such manner, be payable in such medium of payment, at such place or places, be subject to such terms of redemption, with or without premium, and be subject to being declared or becoming due before the maturity date thereof as such resolution or resolutions may provide. Said bonds may be issued for money or property, either at public or private sale, and for such price or prices as such authority shall determine. Pending the preparation or execution of definitive bonds, interim receipts or certificates or temporary bonds may be delivered to the purchaser or purchasers of said bonds. Said bonds may, with the consent of the holder thereof, be purchased by such authority out of any funds available for such purpose, and all bonds so purchased shall be cancelled. Said bonds shall be construed to constitute negotiable instruments even though payable from a specified source.

**Section 39-7-24. Liability on bonds and other obligations of authority.**

The bonds and other obligations of an authority incorporated under this chapter shall not be a debt of the State of Alabama nor a debt of the municipality and neither the state nor the municipality shall be liable in any way whatsoever thereon nor may the holder of any such bonds or obligations compel the levy of any taxes for its payment. Said bonds shall not be payable out of any funds other than those of the authority issuing the same and each bond shall contain a recital to that effect. Neither the members of the board of trustees nor any person executing said bonds shall be liable personally on said bonds by reason of the issuance thereof.

**Section 39-7-25. Rights and remedies of bondholders.**



In addition to all other rights and all other remedies any holder or holders of any bond or bonds of any authority incorporated under this chapter, including a trustee for bondholders, shall have, subject to any contractual limitations binding upon such bondholder or holders or trustee, and subject to the prior or superior rights of others the following rights:

- (1) To institute a civil action on the bonds;
- (2) To enforce his rights by mandamus or other civil action or proceeding against such authority and the board of trustees of such authority, including the right to require such authority and such board of trustees to fix and collect rates and charges adequate to carry out any agreement as to or pledge of the revenues produced by such rates or charges and to require such authority and such board to carry out any other covenants and agreements with such bondholder and to perform its and their duties under this chapter;
- (3) To require such authority by civil action to account as if it were the trustee of an express trust for such bondholder;
- (4) To enjoin by civil action any acts or things which may be unlawful or a violation of the rights of such bondholder; and
- (5) To obtain by civil action or proceeding in any court of competent jurisdiction in the event of a default by the authority in the payment when due of his or their bond or bonds or interest thereon, which default shall have continued for a period in excess of 120 days, the appointment of a receiver of the enterprise in which the authority is engaged or any part or parts thereof, who may enter and take possession of such enterprise or any part or parts thereof, including all lands, property rights, easements and other adjuncts of the enterprise in which the authority shall have been engaged. Such receiver may engage in such enterprise, furnish the service or services thereof, operate and maintain the system and fix and collect and receive all revenues thereafter arising therefrom in the same manner as such authority itself might do and shall deposit all such moneys in a separate account or accounts and apply the same in accordance with the obligations of such authority as the court shall direct.

**Section 39-7-26. Pledge as to alteration, impairment, etc., of certain rights and powers of authorities and rights and remedies of bondholders by state.**

The State of Alabama does hereby pledge to and agree with the holders of bonds issued by an authority pursuant to this chapter that the state will not limit or alter the rights and powers hereby vested in an authority incorporated under this chapter to fix and collect such rates and charges as may be necessary or advisable in order to produce sufficient revenue to meet all the expenses of maintenance and operation and to fulfill the terms of any agreements made with the holders of such bonds or in any way impair the rights and remedies of the holders of such bonds, until such bonds together with interest thereon and interest on any unpaid installments of interest, and all costs and expenses in connection with any civil actions or proceedings by or on behalf of such bondholders are fully paid and discharged.

**Section 39-7-27. Disposition of moneys of authority.**

All moneys of an authority incorporated under this chapter from whatever source derived shall be paid to the treasurer of such authority and deposited by said treasurer in a depository designated by the board of trustees of such authority. The treasurer shall not commingle said moneys with any other moneys. Said moneys shall be deposited in a separate bank account or accounts. The moneys in said accounts shall be paid out on check or warrant of the treasurer of said authority on requisition of the board of trustees or of such other person or persons as the authority may authorize to make such requisitions. All deposits of such money shall, if required by such treasurer or by the board of trustees of the authority, be secured by obligations of the United States or of the State of Alabama of a market value equal at all times to the amount of the deposit and all banks and trust companies are authorized to give such security for such deposits. The treasurer of such authority shall be liable for a proper accounting of the moneys of the authority. This section shall not be construed as limiting the power of the authority to agree as to the custody and disposition of moneys or revenues for the security of its bonds; provided, that the moneys of the authority shall not be entrusted to any person, firm or corporation unless adequate security for its protection shall be given.

**Section 39-7-28. Examinations of accounts and books of authority; copy of examination to be furnished to board of trustees; publication of statement and analysis of financial standing of authority; special audit and examination of books and accounts of authority.**

The municipality or, in case of an unincorporated area in one county, the county governing body or, in an unincorporated area in two or more counties, the Governor of Alabama, are hereby authorized and empowered from time to time to examine the accounts and books of such authority, including its receipts, disbursements, contracts, leases, sinking funds, investments and any other matters relating to its financial standing. Such examination shall be made at least once in every year and a copy of such examination shall be furnished the board of trustees of such authority, together with a copy of any recommendations made that the examiner may deem advisable.

A condensed statement and analysis of the financial standing and condition of the said authority shall be published in a newspaper circulating in the territory of the authority.

Upon request of a trustee or trustees of any bondholders, the Governor of Alabama shall have a special audit and examination of the accounts and the books of such authority made at the expense of the authority.

**Section 39-7-29. Authorization and procedure for enlarging of services furnished by authority.**

The authority shall not include in an enterprise in which it is engaged the furnishing of any services not named in the petition provided for by this chapter unless the furnishing of such

additional services shall be submitted to and approved by the electors of the territory of such authority. If the board of trustees of such authority shall by resolution determine to submit the question of furnishing such additional services or if a petition requesting the submission of such a question in the general form and executed as provided for petitions for the submission to vote on the question of incorporating an authority under this chapter shall be filed with the secretary of the board of trustees of the authority, such question shall be submitted for the approval of such electors at a special election in the territory to be held not less than 60 days after the adoption of such resolution or the filing of such petition or at the next general election in the municipality if the same is held not less than 60 days after such adoption or filing.

The mode or method of procedure for the submission of such question, the publication of notice therefor, the conduct thereof, the canvassing of votes thereat and the proclamation of result shall conform as nearly as may be reasonable with the mode or method of procedure for the submission of the question of the incorporation of such authority at an election as provided in this chapter, except that the board of trustees of each authority shall act in the place and stead of the governing body and the secretary of the board of trustees shall act in the place and stead of the clerk of the municipality. If the number of votes cast in favor of the furnishing of such additional services exceeds the number of votes cast against the furnishing of such additional services at such election, the authority shall within a reasonable time furnish such additional services.

The provisions of this chapter relative to the jurisdiction of the authority and the transfer of property, powers and duties to the authority after the incorporation thereof shall apply to the enlargement of the services thereof in like manner and to the same extent as such provisions apply to the services furnished by the authority by virtue of the petition for incorporation.

**Section 39-7-30. Authorization and procedure for diminishing of services furnished by authority.**

The services of the authority shall not be diminished so as to exclude from an enterprise in which the authority is engaged the furnishing of any services unless and until all bonds of the authority and interest thereon issued by the authority pursuant to this chapter shall have been finally paid and discharged, except with the consent of the holders of 75 percent in amount of such bonds then outstanding secured in whole or in part by a pledge of revenues derived from the furnishing of the services to be excluded. Thereafter, such services may be diminished and the mode or method of procedure for the diminishing of such services shall conform as nearly as may be reasonable to the provisions of this chapter relative to the manner of enlarging the services of such authority.

**Section 39-7-31. Limitation as to number of special elections for incorporating authority or enlarging or diminishing services furnished by authority.**

Not more than one special election shall be held in any territory upon the question of enlarging or diminishing services and not more than two special elections upon the question of incorporating an authority in any calendar year.

**Section 39-7-32. Furnishing of services outside boundaries of municipality by authority.**

No improvement authority incorporated under this chapter shall furnish any service to the inhabitants of a city or town other than the municipality, except with the consent of the governing body of such city or town. Except as provided in this section, the authority may furnish services for public and private uses in the area within 25 miles from the boundaries of its territory.

**Section 39-7-33. Purpose of chapter; chapter exclusive as to franchises, licenses, permits, etc., for authorities.**

(a) This chapter is intended to aid the state in the execution of its duties by providing appropriate and independent instrumentalities of the state with full and adequate power to fulfill their functions.

(b) Except as otherwise expressly provided in this chapter, it shall not be necessary for any improvement authority incorporated under this chapter to obtain, prior to engaging in an enterprise of furnishing a service or acquiring, constructing, reconstructing, improving or extending a plant system, any certificate of convenience or necessity, franchise, license, permit or any other authorization from any board, bureau, commission, department or other like agency of the state or any county, city or town of the state.

**Section 39-7-34. Provisions of chapter exclusive as to matters covered by chapter.**

Any authority incorporated under this chapter insofar as the subject matter of this chapter is concerned shall be governed exclusively by the provisions of this chapter.

**CHAPTER 8.**

**FAIR AND OPEN COMPETITION IN GOVERNMENTAL CONSTRUCTION ACT.**

**39-8-1.** Short Title.

**39-8-2.** Legislative Findings.

**39-8-3.** Definitions.

**39-8-4.** Certain Contract Terms Prohibited.

**39-8-5.** Certain Awards Prohibited.

**39-8-6.** Use of Certain Terms in Documents.

**39-8-7.** Exemptions.

**39-8-8.** Applicability of Chapter.

**Section 39-8-1. Short title.**

This chapter shall be known and may be cited as the Fair and Open Competition in Governmental Construction Act.

### **Section 39-8-2. Legislative findings.**

The Legislature finds and declares that this chapter shall do all of the following:

- (1) Provide for the efficient procurement of goods and services by governmental units.
- (2) Promote the economical, nondiscriminatory, and efficient administration and completion of state and state-funded or state-assisted construction projects.
- (3) Provide for fair and open competition for construction contracts, grants, tax abatements, and tax credits awarded by governmental units.
- (4) Prohibit requirements for certain terms in construction contracts awarded by governmental units or supported through grants and tax subsidies and abatements by governmental units.
- (5) Prohibit expenditure of public funds under certain conditions.
- (6) Prohibit certain terms in procurement documents for certain expenditures by governmental units involving public facilities.
- (7) Provide powers and duties for certain public officers, employees, and contractors.

### **Section 39-8-3. Definitions.**

As used in this chapter, the following words shall have the following meanings:

- (1) PUBLIC AGENCY. The State of Alabama, and any county, city, town, school district, or other political subdivision of the state, any public trust, any public entity specifically created by the statutes of the State of Alabama or as a result of statutory authorization therefor, and any department, agency, board, bureau, commission, committee, or authority of any of the foregoing public entities.
- (2) PUBLIC IMPROVEMENT. Any beneficial or valuable change or addition, betterment, enhancement, or amelioration of or upon any real property, or interest therein, belonging to a public agency intended to enhance its value, beauty, or utility or to adapt it to new or further purposes. The term does not include the direct purchase of materials, equipment, or supplies by a public agency, or any personal property.

### **Section 39-8-4. Certain contract terms prohibited.**

A public agency awarding any contract for the construction, repair, remodeling, or demolition of a public improvement, or obligating funds pursuant to such a contract, shall ensure that neither the awarding public agency nor any construction manager acting on behalf of the public agency, in its bid specifications, project agreements, or other controlling documents shall include any of the following:

(1) A term that requires, prohibits, encourages, or discourages bidders, contractors, or subcontractors from entering into or adhering to agreements with a collective bargaining organization relating to the construction project or other related construction projects.

(2) A term that discriminates against bidders, contractors, or subcontractors based on the status as a party or nonparty to, or the willingness or refusal to enter into, an agreement with a collective bargaining organization relating to the construction project or other related construction projects.

#### **Section 39-8-5. Certain awards prohibited.**

A public agency shall not award a grant, tax abatement, or tax credit that is conditioned upon a requirement that the awardee include a term described in Section 39-8-4 in a contract document for any construction, improvement, maintenance, or renovation to real property or fixtures that are the subject of the grant, tax abatement, or tax credit.

#### **Section 39-8-6. Use of certain terms in documents.**

A public agency or a construction manager or other contracting entity acting on behalf of a public agency shall not place any of the terms described in Section 39-8-4 in bid specifications, project agreements, or other controlling documents relating to the construction, repair, remodeling, or demolition of a public improvement. Any such included term shall be void and of no effect.

#### **Section 39-8-7. Exemptions.**

The head of a public agency may exempt a particular project, contract, subcontract, grant, tax abatement, or tax credit from the requirements of Section 39-8-4 if the public agency finds, after public notice and hearing, that special circumstances require an exemption to avert an imminent threat to public health or safety. A finding of special circumstances under this section shall not be based on the possibility or presence of a labor dispute concerning the use of contractors or subcontractors who are nonsignatories to, or otherwise do not adhere to, agreements with one or more collective bargaining organizations, or concerning employees on the project who are not members of or affiliated with a collective bargaining organization.

#### **Section 39-8-8. Applicability of chapter.**

(a) The requirements of this chapter shall not apply to public construction contracts executed before June 1, 2014.

(b) This chapter does not do any of the following:

(1) Prohibit employers or other parties from entering into agreements or engaging in any other activity protected by the National Labor Relations Act, 29 U.S.C. Sections 151 to 169.

(2) Interfere with labor relations of parties that are left unregulated under the National Labor Relations Act, 29 U.S.C. Sections 151 to 169.

(3) Prohibit a public agency from awarding a public contract, grant, tax abatement, or tax credit to a private owner, bidder, contractor, or subcontractor who enters into or who is a party to an agreement with a collective bargaining organization, if being or becoming a party or adhering to an agreement with a collective bargaining organization is not a condition for award of the public contract, grant, tax abatement, or tax credit, and if the public agency does not discriminate against a private owner, bidder, contractor, or subcontractor in the awarding of that grant, tax abatement, or tax credit based upon the status as being or becoming, or the willingness or refusal to become, a party to an agreement with a collective bargaining organization.