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Comptroller's report examines county asphalt procurement

NASHVILLE, Tenn.— Should state law prohibit counties from making asphalt if it saves the taxpayers money? Such a law has been in effect in Tennessee since 1976, but some county highway officials would like to change it.

According to a report released today, the General Assembly should consider giving local governments that choice, although entering the asphalt business would probably not be cost-effective for most.

The report, by the Comptroller's Office of Research, "Hot Mix Asphalt for County Roads: Private Providers of Public Plants?" concludes that competition for county hot mix asphalt business appears to be dwindling. The authors analyzed bid records from a sample of fifty counties for the period from 1999 until 2003.

In 1999, 22 percent of the counties in the sample received only one bid for hot mix asphalt purchases. In 2003, 35 percent received only one bid.

Several factors may contribute to the increase in single-bid counties, including:

- Recent volatility in oil prices has made it difficult for potential bidders to project production, transportation, and raw materials costs for a full year.
- Some companies may be reluctant to spend time developing bids for buyers at the edges of their market areas, or in instances where another company has the advantage of a centrally located plant.
- Some companies have expanded their reach by acquiring smaller companies, reducing the number of potential bidders in some areas.

The report also notes that companies that own a plant within a county won hot mix contracts much more often than companies without a plant inside that county. In addition, rural areas typically do not need the volume of hot mix necessary to support a large number of private providers.

The report recommends that the General Assembly consider amending the 1976 law to allow local governments to choose whether they buy hot mix from the private sector or make it themselves. However, before investing public funds on such efforts, counties should conduct detailed need and cost-benefit analyses and seek approval from their legislative bodies. The report notes that asphalt production may be an area where regional cooperation among counties may be appropriate.

It also recommends that counties examine the way they solicit bids for hot mix. Some providers might be more competitive if counties solicited bids more frequently or by bidding projects separately, rather than a year at a time.

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The report is available on the Comptroller's Web site at [www.comptroller.state.tn.us](http://www.comptroller.state.tn.us).

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