

## Department of Planning and Budget 2004 Fiscal Impact Statement

**1. Bill Number** SB106

**House of Origin**    ☒ Introduced    ☐ Substitute    ☐ Engrossed

**Second House**    ☐ In Committee    ☐ Substitute    ☐ Enrolled

**2. Patron**            Williams

**3. Committee**        Senate Transportation

**4. Title**              VDOT engineering functions.

**5. Summary/Purpose:**

Prohibits, with a few exceptions, performance of engineering functions by employees of the Virginia Department of Transportation (VDOT) in connection with the planning, designing, construction, reconstruction, or maintenance of highways in the interstate, primary, or national highway system. Instead, engineering functions shall be performed by engineers or engineering businesses that are insured and licensed to do business in the Commonwealth, pursuant to written contracts wherein VDOT is the general contractor and the engineers or engineering businesses are subcontractors.

**6. Fiscal Impact Estimates are:** preliminary, see item 8.

**7. Budget amendment necessary:** To be determined.

**8. Fiscal implications:**

The fiscal impact of SB 106 cannot be determined at this time. However, there could be a significant increase in the cost of preliminary engineering to develop primary, interstate, and NHS roadways through outsourcing of work to engineering businesses. When similar "downsizing" took place during the 1990s in the Department of Transportation, many former employees from the department (VDOT) found employment in the private sector working on VDOT projects.

A Joint Legislative Audit and Review Commission (JLARC) report, "Review of the Use of Consultants by the Department of Transportation" (1998), noted that "[a]lthough consultants generally provide a valuable service to VDOT, concerns have been raised that VDOT's level of consultant use may not be optimal in some areas. VDOT management ... voiced concerns that the current overall level of consultant use has not enabled the department to maintain adequate in-house expertise because more complex projects are routinely outsourced. VDOT management stated that it is important for some of these more complex projects to be completed in-house, so that staff have opportunities to hone their skills and maintain their ability to properly oversee consultants." In addition, questions were also raised about the level of consultant use related to two specific activities -- bridge safety inspections and design work for secondary roads -- because of concerns related to their cost-effectiveness. VDOT staff, in the report, estimate that the use of consultant bridge safety inspectors resulted in additional costs of about \$4.7 million. In addition, VDOT engineers believed that secondary road design projects could be completed more cost-effectively in-house.

According to VDOT, and based on preliminary estimates, VDOT could lose approximately 1,200 positions involved in engineering on interstate, primary and NHS projects under this proposal. This cost reduction may be offset, though, by the need to increase the number of staff that currently administers contracts in order to handle the additional work that could be outsourced. However, the need for engineering services will not decrease. Without a detailed analysis of the projects currently in the program and the staff employed to do that work, it is not possible to estimate the total potential cost of this proposal.

VDOT could also incur additional internal costs to reconfigure its organizational structure to handle the new job requirements.

**9. Specific agency or political subdivisions affected:** VDOT

**10. Technical amendment necessary:** No.

**11. Other comments:** None.

**Date:** 02/06/04 / jlm

**Document:** (DPB G\ Leg 04\SB106.DOC)

cc: Secretary of Transportation