

Department of Planning and Budget

2016 Fiscal Impact Statement

1. Bill Number: HB888

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron: Albo

3. Committee: General Laws

4. Title: Public procurement; requirements for certain construction projects; use of construction management

5. Summary: Restricts the use of construction management procurements by public bodies to contracts of \$50 million or more, provided that such contracts involve projects that, among other requirements, are (i) of substantial historical value or interest or (ii) significantly unique or extremely complex in nature. State public bodies may request a waiver from the restriction on a project-by-project basis from the Director of the Department of General Services. In the case of procurement by localities, a waiver may be granted by the local governing body. The bill defines "public body" for the purposes of the use of construction management for construction to include public institutions of higher education under the Restructured Higher Education Financial and Administrative Operations Act of 2005 (§ 23-38.88 et seq.) and any public body that has implemented the provisions of the Virginia Public Procurement Act pursuant to § 2.2-4302.

6. Budget Amendment Necessary: No.

7. Fiscal Impact Estimates: Preliminary; fiscal impact is indeterminate. See Item 8, below.

8. Fiscal Implications: The fiscal impact of this bill is indeterminate. The bill provides certain criteria for construction management procurements and restricts its use to projects expected to exceed \$50 million and are either (i) of substantial historical value or interest, or (ii) significantly unique or extremely complex in nature. A waiver may be granted by the Department of General Services (DGS) or the local governing body for projects not expected to exceed \$50 million that otherwise meet the requirements. It is indeterminate how this may affect construction project costs or the administrative workloads of public bodies with construction projects, DGS, and local governing bodies.

Some additional administrative workload may be expected to be placed on personnel resources at institutions of higher education required to request a waiver from DGS to utilize the construction management process for projects not expected to exceed \$50 million. Additional workload is also expected to be placed on personnel resources at DGS to review such requests. The cost of any additional workload is indeterminate.

Construction management procurements will be required to have price constitute at least 50 percent of the criteria for award, have proposers include a plan for small, women-owned, and minority-owned business participation in the project, and consider the contractor's experience and quality of comparable work, but cannot require specific construction management experience in the selection of a contractor. Additionally, a point value cannot be assessed based on the location of the proposer's major business operations when evaluating a proposal and contracts cannot exceed 15 percent of the total schematic design for the project. The impact of these requirements is indeterminate.

DGS began collecting and reporting information on the construction procurement methods of all public bodies on July 1, 2015, as part of a two-year reporting period required by Chapter 776, 2015 Acts of Assembly. The data is intended to be used to make recommendations for improvements in the selection of appropriate construction procurement methods. However, sufficient data and analysis is not yet available to draw conclusions on the expected impact of this bill.

- 9. Specific Agency or Political Subdivisions Affected:** All public institutions of higher education that have executed a valid management agreement under the Restructured Higher Education Financial and Administrative Operations Act of 2005; and, any public bodies required to comply with the amended section of the Virginia Public Procurement Act.

- 10. Technical Amendment Necessary:** No.

- 11. Other Comments:** This bill is similar, but not identical to, HB887 and SB586.

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