

Department of Planning and Budget 2008 Fiscal Impact Statement

1. Bill Number: HB900

House of Origin	<u>X</u>	Introduced	___	Substitute	___	Engrossed
Second House	___	In Committee	___	Substitute	___	Enrolled

2. Patron: Scott, J.M.

3. Committee: General Laws

4. Title: **Department of General Services; Division of Engineering and Buildings;
use of value engineering**

5. Summary: This bill requires the submission of a value engineering report to the Department of General Services' (DGS) Division of Engineering and Buildings. Under the bill each item included in the value engineering report must be designated as accepted, declined, or accepted as modified. The report must be approved by the division before the project may move to the next phase of design.

6. Fiscal Impact Estimates: Indeterminate. See Item 8.

7. Budget Amendment Necessary: No

8. Fiscal Implications: DGS's Division of Engineering and Buildings and agencies managing capital projects will be required to expend additional staff time to analyze and resolve comments from value engineering (VE) studies to determine appropriate VE construction design solutions. In addition, architectural and engineering consultants hired by agencies to design projects will be required to spend additional resource time designing, reviewing, and resolving VE opportunities. Additional analysis and review time increases overall project costs.

However, the requirements of this bill should result in an increase and acceptance of VE design solutions resulting in more cost effective construction. An estimated \$300 million to \$400 million worth of construction projects go through the value engineering process each year. Thorough VE design review, cost effective solutions may be determined, resulting in construction cost efficiencies. It is expected that construction cost efficiencies achieved from cost effective VE solutions should at least offset the costs associated with increased VE analysis and review by agencies and consultants.

9. Specific Agency or Political Subdivisions Affected: Department of General Services and all state agencies that have capital outlay.

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/17/2008 dpb

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