

## Department of Planning and Budget 2013 Fiscal Impact Statement

**1. Bill Number:** HB2078

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

**2. Patron:** Peace

**3. Committee:** General Laws

**4. Title:** Public procurement; design-build; construction management; protest; private investment.

**5. Summary:** Increases public notice of requests for proposals from 10 to 30 days. The bill also (i) limits the use of competitive negotiation for construction projects, including certain public institutions of higher education, for which the aggregate or sum of all phases is not expected to exceed \$10 million, the nature of the project is such that it is unusually complex or extraordinary conditions exist, and the Director of the Department of General Services and the Secretary of Administration certify such conditions exist; (ii) requires posting on eVa and other appropriate websites for state and local public bodies using certain methods of procurement; (iii) changes the process for procurement of design-build or construction management projects; and (iv) allows a bidder or offeror to protest a public body's use of competitive negotiation. The bill contains technical amendments.

**6. Budget Amendment Necessary:** No.

**7. Fiscal Impact Estimates:** Indeterminate. See item 8.

**8. Fiscal Implications:** The bill is expected to increase the administrative workload for all public bodies that contract for construction services. For example, the estimated fiscal impact to the Department of General Services to comply with the requirements of this bill is estimated at \$240,000 annually for two (2) FTE at \$120,000 including benefits and all administrative overhead costs.

There are ten to fifteen, maybe more, other state agencies or institutions of higher education that will require additional staffing to comply with the administrative requirements in the bill. If only one FTE is required at each of those public entities, the estimated cost approaches \$1.5 million or more. There are likely similar costs that local governments will incur to meet the requirements of the bill.

State and local construction budgets could also be impacted by requiring the use of low bid verses best value based contracting, where best value contracting is considered to be the best approach. Such cost drivers that could be impacted include delays in construction and degradation in facility construction quality, resulting in considerable but indeterminate overall impact.

**9. Specific Agency or Political Subdivisions Affected:** All state and local entities/agencies subject to the Virginia Public Procurement Act.

**10. Technical Amendment Necessary:** No.

**11. Other Comments:** None.

**Date:** 1/24/2013