

Department of Planning and Budget

2015 Fiscal Impact Statement

1. Bill Number: HB1874

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: James

3. Committee: General Laws

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

5. Summary: Eliminates the need for a separate value engineering study and report for projects that (i) are designed utilizing either the design-build or construction manager at risk construction delivery method and (ii) have the value engineering process as an integral component of those delivery methods. The bill also eliminates the requirement that a designee of the Department of General Services participate in all cost savings decisions for such projects having a waiver granted by the Director. As a result, only a summary of the cost savings that have been incorporated into the design must be provided to the Division prior to the award of the construction contract.

6. Budget Amendment Necessary: No

7. Fiscal Impact Estimates: No fiscal impact. See Item 8.

8. Fiscal Implications: The bill eliminates the requirement for a separate value engineering (VE) study and report for capital projects using either the design-build or construction manager at risk construction delivery method when the value engineering process is integrated within the delivery process. Such projects are required to provide a summary of the cost savings incorporated in project designs to the Department of General Services' (DGS) Division of Engineering and Buildings.

Currently, projects meeting these criteria must either conduct a separate VE study or receive a waiver from the Director of the Department of General Services. The bill eliminates the need for projects meeting the criteria to conduct a separate VE study or request a waiver.

A DGS representative currently must participate in all cost savings decisions during a project's design phase for projects that are granted waivers. Instead, the bill requires affected projects to provide DGS with a summary of the cost savings incorporated into the project design before a construction contract is awarded.

DGS anticipates the bill will result in operational efficiencies for both project owner agencies as well as DGS project review staff. DGS and project owner agencies will no longer need to request and approve waivers, and DGS staff will no longer be required to participate in all cost savings decisions during project design. The elements of the value engineering process are expected to occur within the design process itself as opposed to a separate VE study process and report and DGS staff may review a summary of cost savings incorporated into project design.

According to DGS, the cost of value engineering studies range from \$5,000 to \$60,000 depending on the project scope and average approximately \$20,000 to \$30,000; however overall project costs are projected to remain the same because similar expenses will likely be incurred for elements of the value engineering process during the project design.

- 9. Specific Agency or Political Subdivisions Affected:** Department of General Services, state agencies subject to DGS Capital Outlay review process

- 10. Technical Amendment Necessary:** No

- 11. Other Comments:** This bill is similar, but not identical to HB2293.

Date: 1/23/2015

Document: H:\General Government\GENERAL ASSEMBLY\2015 Session\DGS\HB1874 \ HB1874.doc