DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 27, 2011
POSITION: Neutral
SPONSOR: Professional Engineers in California Government

BILL NUMBER: AB 294
AUTHOR: A. Portantino

BILL SUMMARY: Design-Sequencing Contracts

This bill would authorize the Department of Transportation (Caltrans) to continue to let design-sequencing contracts for the design and construction of up to five projects through January 1, 2015. Caltrans' existing authority to conduct a design-sequencing pilot program for up to 12 projects expired January 1, 2010. This bill would require Caltrans to report annually to the Legislature on any design-sequencing contracts awarded prior to January 1, 2011.

FISCAL SUMMARY

This bill could result in a savings of state and federal transportation funds on certain projects because the efficiencies realized by awarding the contract early and overlapping design and construction could not only accelerate project delivery but also reduce project costs by capitalizing on the lower bid amounts Caltrans is currently receiving.

Any costs associated with the continued use of design-sequencing would be minor and absorbable.

COMMENTS

The Department of Finance has identified no fiscal or policy concerns with this bill, which would allow Caltrans to let design-sequencing projects for up to five projects while it completes its pilot program final report.

Analyst/Principal (0751) M. Tollefson	Date	Program Budget Manager Mark Hill	Date
Department Deputy Director			Date
Governor's Office:	By:	Date:	Position Approved_____ Position Disapproved_____

ANALYSIS

A. Programmatic Analysis

Under current law most contracting for transportation projects is completed on a design-bid-build basis where the construction of any portion of the project cannot begin until the Department of Transportation (Caltrans) has developed complete plans and specifications for the entire project, placed the contract out for bid, and awarded the contract.

Design-sequencing is a method of construction contracting that enables each project construction phase to commence when design for that phase is complete, rather than requiring design for the entire project to be completed before commencing construction. The contract for the entire project can be awarded to one contractor with as little as 30 percent of the design completed.

Chapter 378, Statutes of 1999 (AB 405), authorized Caltrans to conduct a five-year demonstration program to complete up to six transportation projects utilizing the design-sequencing alternate method of project delivery. Chapter 340, Statutes of 2000 (AB 2607), increased the maximum number of design-sequencing projects Caltrans could award under the pilot program to 12. While Chapter 795, Statutes of 2004 (SB 1210), created a second phase of the design-sequencing pilot program to allow completion of an additional 12 projects, this authority expired January 1, 2010.

This bill would authorize Caltrans to continue to let design-sequencing contracts for the design and construction of up to five projects through January 1, 2015, and would require Caltrans to report annually to the Legislature on any design-sequencing contracts awarded prior to January 1, 2011. This bill would also require Caltrans to use Caltrans employees or consultants under contract with the department to perform the design services related to contracts using design-sequencing.

Discussion: The purpose of using design-sequencing contracts is to accelerate project delivery and reduce costs associated with inflation. Since its inception in 1999, the goal of the design-sequencing pilot program has been to determine if the design-sequencing method of contracting is beneficial to the state in its administration of the highway improvement program.

Ten projects were included in Phase I of the pilot program. While a final report on the Phase I projects will not be available until later in the year, a preliminary analysis has shown minimal time savings and no significant increase or decrease in support costs. However, lessons learned from the completion of Phase I projects have assisted Caltrans in improving selection criteria for the projects nominated for design-sequencing, and eight additional projects were selected for Phase II of the pilot program. It is anticipated that greater time savings will be realized on the Phase II projects. While only one project has been completed, Caltrans projects an average time savings of 9 months per project.

Since all but one of the Phase II projects are still under construction, a final report on the Phase II projects will likely be unavailable until 2014. This bill would provide Caltrans with the flexibility to use design-sequencing on a limited number of projects while it completes its Phase II pilot program report.

B. Fiscal Analysis

This bill could result in a savings of state and federal transportation funds on certain projects because the efficiencies realized by awarding the contract early and overlapping design and construction could not only accelerate project delivery but also reduce project costs by capitalizing on the lower bid amounts Caltrans is currently receiving.

Any costs associated with the continued use of design-sequencing would be minor and absorbable.

Code/Department Agency or Revenue Type	SO LA CO RV	PROP 98	FC	(Fiscal Impact by Fiscal Year) (Dollars in Thousands) 2011-2012	FC	2012-2013	FC	2013-2014	Fund Code
2660/Caltrans	CO	No		---------- See Fiscal Summary ----------					0042
2660/Caltrans	SO	No		---------- See Fiscal Summary ----------					0042

Fund Code	Title
0042	Highway Account, State, STF