

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: 07/05/2012
POSITION: Neutral

BILL NUMBER: SB 1509
AUTHOR: Simitian, Joseph

BILL SUMMARY: School facilities: design-build contracts.

This bill would repeal the current sunset date of January 1, 2014, for school districts and community colleges participating in the School Facilities Program (SFP) to enter into design-build contracts for projects over \$2.5 million.

FISCAL SUMMARY

This bill would not result in additional costs to the state. Entering into a design-build contract is voluntary and therefore any related local administrative costs would not be reimbursable. Presumably, K-12 and community college districts utilize design-build projects when it is cost-beneficial. The Department of General Services advises that authorizing the use of design-build contracts may result in cost avoidance for administering local projects. The amount of cost avoidance is unknown and depends on the particular projects authorized.

COMMENTS

Finance is neutral on this bill and notes the following:

- The design-build method provides an additional contracting option and streamlines project administration and the project approval process by combining the design and construction processes, which can result in cost savings for administering local projects. A 2005 report from the Legislative Analyst Office (LAO), "Design-Build: An Alternative Construction System," found that design-build is a useful and financially beneficial alternative delivery method, thus, there should be no cost threshold imposed on the authority to use it.
The 2005 LAO report indicated that cities and counties utilizing design-build contracts have reported that it takes less staff time to construct a project and results in fewer claims, less litigation, and more price certainty. In addition, according to the Los Angeles Unified School District, many of the inherent flaws of the design-bid-build method, such as contract disputes and exposure to unnecessary liability and litigation, are addressed with having the design-build method as an option. This statement is consistent with previous LAO findings.

Current law authorizes school districts that participate in the SFP to use a process known as "design-bid-build," which is comprised of three distinct project steps wherein design and construction are contracted separately. Conversely, "design-build" utilizes a construction method in which both the design and construction functions are provided by a single entity. A design-build entity usually is comprised of a construction contractor with an architectural engineering firm as a subcontractor or a partner. Design-bid-build contracts are awarded by districts using competitive bidding whereas design-build contracts are awarded taking into consideration other factors beyond bids, such as qualification, experience, proposed design approach, life cycle costs, and project features and functions. The design-build process provides an additional contracting option and can streamline the administration and project approval process by eliminating the separate design and construction processes as utilized in the design-bid-build method.

Table with 4 columns: Analyst/Principal (0341) C.Ferguson, Date, Program Budget Manager (Nicolas Schweizer), Date. Includes rows for Department Deputy Director, Governor's Office (By, Date, Position Approved/Disapproved), and BILL ANALYSIS (Form DF-43 (Rev 03/95 Buff)).

BILL ANALYSIS--(CONTINUED)

Form DF-43

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COMMENTS (continued)

Current law allows school districts and specified community college districts to use the design-build process on school facility projects that exceed \$2.5 million until January 1, 2014. This bill would repeal the sunset date, allowing the design-build process to continue indefinitely.

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)					Fund Code	
	LA	(Dollars in Thousands)						
	CO	PROP						
	RV	98	FC	2012-2013	FC	2013-2014	FC	2014-2015
6870/Comm College	LA	No		-----	See Fiscal Summary	-----		6049
6350/Facil Aid	LA	No		-----	See Fiscal Summary	-----		6044
6350/Facil Aid	LA	No		-----	See Fiscal Summary	-----		6057
<u>Fund Code</u>	<u>Title</u>							
6044	School Facilities Fund, 2004 State							
6049	Community College Cap Otly Bd Fd,2006 CA							
6057	School Facilities Fund, 2006 State							