

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: March 23, 2011
POSITION: Neutral
SPONSOR: University of California

BILL NUMBER: SB 835
AUTHOR: L. Wolk

BILL SUMMARY: Public Contracts: University of California

Currently, the University of California (UC) has been conducting a 5-year pilot program on the UC San Francisco campus (expires on January 1, 2012) that allows for construction contracts to be awarded on a "best value" basis, rather than just the lowest bid. Best value means a procurement process where the lowest bidder may be selected on the basis of objective criteria with the resulting selection representing the best combination of price and qualifications.

This proposal would extend the sunset date by three additional years (from January 1, 2012 to January 1, 2015) and requires UC to submit a specified assessment report to the Legislature by January 1, 2012.

FISCAL SUMMARY

- According to UC, the pilot project at UCSF for the construction contracts bid in 2009 and 2010 resulted in an estimated \$30 million in annual savings. Finance has not validated the estimate.
• While we have not been able to verify the cost, we assume the one-time GF cost for preparing a final report to the Legislature by January 1, 2012 would be minor and absorbable.
• Section 3 of the bill contains an appropriate "crimes and infractions" mandated-cost disclaimer, recognizing that failure for bidders to verify specified information under oath would be an infraction.

COMMENTS

The Department of Finance is neutral on this bill because it would appear to provide a cost efficient mechanism to deliver capital outlay construction projects.

Use of the best value method of evaluation to select a contractor would allow the university to evaluate both the proposed price and other defined criteria such as financial condition, relevant experience and demonstrated management competency. UC indicates that these factors are critical, especially in cases where contractors are already familiar with the intricacies of a campus from prior campus construction work. Further, UC's interim report on the pilot program reflected a decrease in bid protests and re-work, and possibly an increased likelihood of contractors staffing a project with their best workers and subcontractors who are most appropriate for the work (instead of low bid), leading to a more timely and cost efficient project.

Analyst/Principal (0683) T. Gunn Date Program Budget Manager Karen Finn Date

Department Deputy Director Date

Governor's Office: By: Date: Position Approved Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

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Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	
6440/UC	SO	No		-----	No/Minor	Fiscal Impact	-----		0001