

STREAMLINE CAPITAL BUDGET PROCESS

What is the issue?

Most statutes and administrative rules governing the State's building process were created in the 1970s, with minimal changes occurring over the past 30 years. Today, some of these processes are overly burdensome and time consuming for all state agencies.

Major capital building projects are enumerated by the Legislature every two years – a process that does not accommodate the real-world demands of major construction projects, building schedules, and costs. Budget estimates are made long before the building is designed, and agencies have little incentive to minimize costs.

Because the minimum thresholds for legislative enumeration have not kept up with inflation, current law requires that relatively small renovation and maintenance projects must be individually approved, resulting in delays and cost increases.

Once projects are approved and funded, the delivery methods currently required by Wisconsin law fail to take advantage of best practices employed in the private sector as well as in other public projects funded by local governments, school districts, and technical colleges. While preserving an open competitive bidding process, the State can greatly improve efficiency by providing the option to employ contemporary building delivery methods.

Action requested

Specific statutory recommendations:

1. **Increase the statutory thresholds** that trigger various levels of Legislative approval. This would allow smaller projects to move into construction more quickly, saving time and money, with continued oversight by the Wisconsin State Building Commission, the Division of State Facilities, and the UW System Board of Regents. For example the threshold defining Small Projects would increase from \$150,000 to \$250,000.
2. Encourage agencies to control project costs by **managing the total amount of capital funds expended**, rather than adhering to rough budget estimates for each project. This provides an incentive to contain costs on every project in order to complete more overall projects, and ensures that final project budgets are based on specific design requirements. This process is similar to the current All Agency program – which provides repair and maintenance funding to all state agencies.
3. **Modernize project delivery methods**, allowing agencies to choose the appropriate delivery method for each project. This would allow State construction projects to conform to current business models and best practices, saving time and money. Based on the unique requirements of each project, agencies would work with the Division of State Facilities to choose from these methods: multiple-prime bids, single prime bids, construction manager at risk, and design-build.

Examples of possible savings

1. Two comparable residence halls were built; one at UW-La Crosse and one at UW-Platteville. Both halls accommodate the same number of students and provide similar amenities for an equivalent living and learning environment. The UW-La Crosse project was enumerated and constructed with the traditional design-bid-build, multiple-prime bidding process. The UW-Platteville project was built using a Building Commission-approved, RFP process and design-build competitive contract. The UW-Platteville project cost **\$3.6 million less** and was accomplished almost two years faster.

Project	Request Submitted	Legislative Approval	Bid Opening	Completion	Time
UW-La Crosse	Sept. 2002	August 2003	November 2004	July 2006	46 months
UW-Platteville	May 2004	June 2004	November 2004	July 2006	26 months

Construction inflation between September 2002 and November 2004 was 13%.

Neither project used taxpayer funding. The lower construction cost savings of the UW-Platteville project resulted in a direct savings for those students who live in and pay for the residence hall. Although this model would not fit all situations, it is representative of the efficiencies that can be gained by using the modern project delivery processes.

2. Currently, projects that construct new space and exceed \$500,000 must be enumerated in legislation by the full Legislature. This results in relatively small projects spending more time in process than in design and construction.

Efficiency with accountability

- Every construction project will go through a competitive process. The vast majority of projects will be awarded to the lowest qualified bid.
- By state statute prevailing wage provisions will continue to apply to all capital projects.
- The Legislature and State Building Commission maintain complete oversight over all projects. For UW projects, the Board of Regents provides an additional measure of public oversight and accountability.
- By Administrative Rule, safeguards could be provided to subcontractors to ensure prompt payment and protect against unfair business practices.
- A modified construction-manager-at-risk process could be adopted that requires competitive bidding of major subcontract work.
- A modified single-prime process could be adopted to require prime contractors to identify major subcontractors in their bid proposals.