

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **SB 162** SLS 15RS 516
 Bill Text Version: **ENGROSSED**
 Opp. Chamb. Action:
 Proposed Amd.:
 Sub. Bill For.:

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Dept./Agy.: Department of Transportation and Development	Analyst: Alan M. Boxberger
Subject: Authorizes construction management at risk pilot program	

PUBLIC CONTRACTS EG SEE FISC NOTE SD EX See Note Page 1 of 1
 Authorizes construction management at risk pilot program. (8/1/15)

Present law authorizes an owner who is a public entity to use the construction management at risk (CMAR) project delivery method and use of CMAR is limited to projects estimated to cost \$25M or more. Proposed law establishes a CMAR pilot program that is limited to ten projects, each estimated to cost \$3M or more; provides for submission requirements; and limits the number of CMAR projects to one per public entity. Present law requires the owner to select the CMAR contractor at a certain point during the design process. Proposed law declares that the benefits using the CMAR method reduce as project design progresses and provides that determination of the design completion percentage is based on the professional opinion of the owner's design professional. Present law provides that if relevant parties are able to establish and agree upon a guaranteed maximum project price, the owner may authorize the CMAR contractor to undertake construction services and provides that the owner may authorize the undertaking of specific items of construction services prior to agreement upon a General Maximum Price (GMP). Proposed law changes presentlaw to allow the owner to contract with the CMAR before establishing the GMP. Proposed law is effective August 1, 2015.

EXPENDITURES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total						

REVENUES	2015-16	2016-17	2017-18	2018-19	2019-20	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	\$0	\$0	\$0	\$0	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	\$0
Annual Total	\$0	\$0	\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

There is no anticipated direct material effect on governmental expenditures as a result of this measure.

The use of construction management at risk (CMAR) project delivery is currently allowed by statute for projects greater than \$25M. Proposed bill allows a pilot program limited to no more than ten projects on a first-come, first-serve basis with a construction cost greater than \$3M.

NOTE: Construction management at-risk is a process that allows the client of a project to choose the construction manager (CM) before the design stage is complete. The CM is chosen based on qualifications, not low-bid, and then the entire operation can be centralized under a single contract. The CM operates as a consultant to the owner, interacting with the architect/engineer in order to cultivate and assay the design before serving as the general contractor during construction. The CM gives the client a guaranteed maximum price, and coordinates all subcontract work.

Some potential advantages to construction management at-risk over traditional procurement methods are:

- Expedited project completion, construction may start before design completion
- Qualifications based hiring
- Enhanced transparency with regard to costs and fees, as construction costs are fixed during design
- By involving the CM in the design and cost estimating process, a maximum project cost is developed and risk is transferred from the owner

Some potential considerations for construction management at-risk:

- Can reduce owner control of construction
- Design changes after construction begins can be costly

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

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|---|----------------------------|--|---|
| <u>Senate</u> | <u>Dual Referral Rules</u> | <u>House</u> | <input type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S} |
| <input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S&H} | | <input type="checkbox"/> 6.8(F)(2) >= \$500,000 Rev. Red. to State {H & S} | |
| <input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S&H} | | <input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S} | |

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