

Fiscal impact reports (FIRs) are prepared by the Legislative Finance Committee (LFC) for standing finance committees of the NM Legislature. The LFC does not assume responsibility for the accuracy of these reports if they are used for other purposes.

Current FIRs (in HTML & Adobe PDF formats) are available on the NM Legislative Website ([www.nmlegis.gov](http://www.nmlegis.gov)). Adobe PDF versions include all attachments, whereas HTML versions may not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

## FISCAL IMPACT REPORT

ORIGINAL DATE 02/14/13

SPONSOR Ingle LAST UPDATED \_\_\_\_\_ HB \_\_\_\_\_

SHORT TITLE \$10 Million Minimum Design & Build Projects SB 340

ANALYST Hanika-Ortiz

### ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
<b>Total</b>		NFI				

(Parenthesis ( ) Indicate Expenditure Decreases)

### SOURCES OF INFORMATION

LFC Files

#### Responses Received From

Public School Facilities Authority (PSFA)

General Services Department (GSD)

New Mexico Corrections Department (NMCD)

### SUMMARY

#### Synopsis of Bill

Senate Bill 340 (SB 340) eliminates the maximum allowable construction cost of \$10 million threshold for design-build construction projects.

### FISCAL IMPLICATIONS

Eliminating the \$10 Million minimum will allow central purchasing offices to utilize the design/build procurement process for projects between \$400,000 and \$10 Million.

The bill will allow smaller and less complex projects with less risk to the owner to use a design-build procurement method.

### SIGNIFICANT ISSUES

The General Services Department (GSD) reports that design/build procurement requires two steps. The first step is the issuance of a request-for-proposal (RFP) for architectural or engineering services to prepare design parameters for the RFP for design/build teams. Initial qualification proposals are then received from potential teams. A maximum of five firms is

short-listed using qualifications-based criteria. The short-listed firms then provide specific solutions along with costs and scheduling. A selection is then made of the highest ranked firm.

A synopsis of challenges with design/build:

The design/build team assumes all of the risk for project completion within the contract schedule. The owner's role is limited to the procurement request.

The design/build process requires that the owner define in the procurement documents the scope of their project or they may not get what they expect.

The motivation to meet owner's specifications with the least cost can result in lower product quality and higher long-term maintenance costs relative to traditional design-bid-build process.

The owner cannot rely upon the architect to oversee the contractor's work because the architect is the contractor's partner and not the owner's agent.

### **PERFORMANCE IMPLICATIONS**

Except for road projects, the determination to use the design/build procurement process is made only after certain criteria in statute have been met.

### **ADMINISTRATIVE IMPLICATIONS**

The GSD notes the bill will permit more projects to utilize the design/build procurement process resulting in shorter project delivery schedule, staying within budget and a higher quality project.

### **OTHER SUBSTANTIVE ISSUES**

The GSD also notes that small business owners involved in architectural, engineering and construction related activities will benefit from the bill.

### **WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL**

The maximum allowable construction cost that may be allowed for a design-build type public works construction project will remain at \$10 million or over and for pre-engineered building projects costing \$400,000 or less.

AHO/svb