

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6752
BILL NUMBER: SB 441

NOTE PREPARED: Feb 18, 2011
BILL AMENDED: Feb 17, 2011

SUBJECT: Public Works Projects Cost Thresholds.

FIRST AUTHOR: Sen. Hershman
FIRST SPONSOR:

BILL STATUS: 2nd Reading - 1st House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Cost of Projects - DNR; DOA:* This bill increases the cost of projects that the Department of Natural Resources (DNR) and the Department of Administration (DOA) may perform without awarding a public works contract from \$75,000 to \$150,000.

Cost of Projects - Political Subdivisions: The bill increases the cost of projects that some political subdivisions may perform without awarding a public works contract from \$100,000 to \$150,000.

Retention of Payments: The bill requires that the public works division include as part of a public works contract provisions for retaining parts of certain payments if the estimated cost of the public works project is more than \$1,000,000. (Current law requires the provisions to be included if the estimated cost of the public works project is more than \$150,000.)

Notification: The bill specifies notice and public meeting requirements that must be satisfied before a public work project with an estimated cost of more than \$100,000 may be performed by the workforce of a municipality, county, state agency, or state educational institution.

Examination Reports: The bill adds requirements for examination reports prepared by the state board of accounts concerning public work projects performed by the workforce of a municipality, county, state agency, or state educational institution.

State Higher Educational Institution: The bill provides that a state higher educational institution can maintain or repair a building without awarding a contract if the estimated cost of the project is less than \$200,000.

Purdue University: The bill allows Purdue University, on agricultural or forestry land used by it for educational or research purposes, award contracts without advertising for bids if the cost of work is estimated to be less than \$200,000 (instead of \$50,000).

Board of Aviation Commissioners: The bill allows a board of aviation commissioners or an airport authority board to perform public work using their own workforce if the project is estimated to cost less than \$150,000 (instead of less than \$50,000).

Effective Date: July 1, 2011.

Explanation of State Expenditures: (Revised) *Cost of Projects - DNR, DOA:* Raising the limit from \$75,000 to \$150,000 could increase the number and types of projects that these agencies could complete using their own workforce. This could reduce their expenditures to the extent that they would not need to contract for additional outside services. For example, DNR's seasonal work cycle would allow staff to complete construction projects during winter months when public visitation to its properties is minimal.

The proposal would not require the agencies to complete all projects under \$150,000, but would provide them with the option to do so. The State Board of Accounts would have to verify that using their own workforce is cost effective.

In 2010, DNR bid 8 projects totaling \$822,618 that were in the cost range of greater than \$75,000 but less than \$150,000. In 2009 DNR bid 6 projects totaling \$648,776 in the same cost range. In 2008 DNR bid 7 projects totaling \$803,675 that were in the cost range.

Retention of Payments: This may increase the number of bids for projects whose estimated cost is between \$150,000 and \$1 M.

(Revised) *Examination Reports:* The State Board of Accounts has to verify that it is cost effective for a state agency, state educational institution or political subdivision to use its own workforce to complete a project. The agency should be able to complete this task within its existing level of resources assuming near customary agency staffing and resource levels.

(Revised) *State Higher Educational Institution:* Under current law, if a public works project is estimated to cost more than \$25,000, the sponsoring state agency has to adopt plans and specifications and award a contract to perform the work under a sealed bid process after advertising for bids. A state institution of higher learning can, however, either use its own workforce to complete the project, or invite bids from contractors if the estimated cost of the project is less than \$50,000.

This bill raises the threshold for a state institution either using its own workforce or inviting bids from \$50,000 to \$200,000.

If the institution chooses to use its own workforce, this would increase the number and types of projects that could be completed. This could reduce expenditures because the institution would not have to contract for additional outside services. The State Board of Accounts would have to verify that using its own workforce is cost effective.

On the other hand, if the institution decides to contract out the work, this would reduce the administrative expenses for those projects between \$50,000 and \$200,000.

(Revised) *Purdue University*: Current law permits Purdue University to invite bids from three or more contractors instead of using the more extensive sealed bid process if the project is on agricultural or forestry land owned or occupied by the university, and is estimated to cost less than \$50,000. This bill would raise the limit to \$200,000. This would reduce the administrative expenses for those projects between \$50,000 and \$200,000.

(Revised) *Notification - DOA, State Higher Educational Institution*: If the project is estimated to cost more than \$100,000 and DOA or the state institution of higher learning plans on using its own workforce, it would incur the costs of publishing the notices and administering the public meetings. This would be offset by the potential savings in having projects completed by its own workforce

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Cost of Projects - Political Subdivisions, Board of Aviation Commissioners*: Raising the limit to \$150,000 (from \$100,000 in the case of political subdivisions; from \$50,000 in the case of an aviation board) could increase the number and types of projects that some local units could complete using its own workforce. This could reduce local expenditures to the extent that the local unit would not need to contract for additional outside services. The specific impact is unknown and will vary from unit to unit.

(Revised) *Notification - Local Units*: If the project is estimated to cost more than \$100,000 and the county or municipality plans on using its own workforce, it would have to publish a notice and hold a public hearing to discuss the project. It would incur the costs of publishing the notices and administering the public meetings. This would be offset by the potential savings in having projects completed by its own workforce.

Explanation of Local Revenues:

State Agencies Affected: DNR; DOA; State Institutions of Higher Learning; State Board of Accounts.

Local Agencies Affected: Local Taxing Units; Counties; Municipalities; Boards of Aviation Commissioners

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