

HOUSE BILL REPORT

HB 1891

As Reported by House Committee On:
State Government

Title: An act relating to school district capital demonstration projects.

Brief Description: Modifying contracting provisions for school district capital demonstration projects.

Sponsors: Representatives Miloscia and Armstrong.

Brief History:

Committee Activity:

State Government: 2/25/03, 3/4/03 [DPS].

Brief Summary of Substitute Bill

- Increases the number of capital projects the School District Project Review Board may approve from 10 projects to 20 projects.

HOUSE COMMITTEE ON STATE GOVERNMENT

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives Haigh, Chair; Miloscia, Vice Chair; Armstrong, Ranking Minority Member; Shabro, Assistant Ranking Minority Member; Hunt, McDermott, Nixon, Tom and Wallace.

Staff: Katie Blinn (786-7114).

Background:

Contracts for public works projects are usually awarded based on the traditional bid-build process. The government body retains an architectural firm to design the facility, puts the construction phase of the project out for competitive bid, and awards the contract to the lowest responsible bidder.

However, specific state and local government entities are authorized to use alternative public works contracting procedures for projects valued over \$10 million. One alternative procedure is the "design-build" procedure and the other is the "general

contractor/construction manager" (GC/CM) procedure. When using either the design-build or GC/CM procedure, the government entity must include a number of details in the request for proposals, such as a detailed description of the project, the reasons for using an alternative procedure, the qualifications required of all firms bidding on the project, the process the government entity will use to evaluate the proposals, and the form of the contract.

Under the GC/CM procedure, a contract is awarded to a single firm for a guaranteed construction cost. Under the contract, the firm provides services during the design phase, and acts as both construction manager and general contractor during the construction phase. Use of the GC/CM procedure requires that the project meet specified criteria, such as the success of the project necessitates involvement of the general contractor during the design stage. Following an extensive evaluation process, the government entity must award the contract to the firm that submits the final proposal that receives the highest score based on outlined evaluation factors. The maximum construction cost guaranteed by the GC/CM is negotiated between the parties after the scope of the project is adequately determined.

School districts may use the GC/CM procedure for the construction of school capital projects valued over \$5 million if the project is approved by the School District Project Review Board (Review Board). The Review Board may authorize up to 10 projects, of which at least two must be valued between \$5 million and \$10 million.

The design-build and GC/CM procedures were authorized by the Legislature in 1994, and will expire in 2007.

Summary of Substitute Bill:

The number of projects the Review Board may approve is increased from 10 projects to 20 projects. No more than two projects, instead of at least two projects, may be valued between \$5 million and \$10 million.

Substitute Bill Compared to Original Bill:

Clarifies that no more than two projects approved by the Review Board may be valued between \$5 million and \$10 million. Amends the expiration statute to include this bill in the list of laws to be expired in 2007.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: The King County School District Coalition supports the bill. The GC/CM procedure has been successfully used in the Northshore School District. The process is beneficial when a jurisdiction's building needs are unique, or when the location or other circumstances present special consideration. Under these circumstances, jurisdictions must be able to find and qualify contractors who can participate in the design phase. Schools have special needs in the context of construction because children are often present at the work site, and because the school calendar imposes tight time constraints. Use of the GC/CM process helps expedite the permit process. Relationships between general contractors and sub-contractors are usually good and parties usually work well together. The Department of General Administration has been using the GC/CM process for 10 years and has found it to be very successful. The quality of the projects built by the school districts under the GC/CM process has been very high. Fifteen million dollars is probably a good threshold for the appropriate minimum value of GC/CM projects.

All 10 projects authorized by the Legislature in 2000 have been approved by the Review Board. More projects are ready to request approval if the legislature passes this bill. The Review Board was established to help guide school districts through the GC/CM process. Members of the Review Board take their responsibilities very seriously and cover a broad range of expertise in the construction and public body arenas. The Review Board is putting together a questionnaire and report to summarize the success of the 10 projects already approved.

Testimony Against: Mechanical and electrical sub-contractors are opposed to the bill because there are already too many problems with current GC/CM practices. Sub-contractors have many concerns about how general contractors are implementing the GC/CM process. Five million dollars is too low a threshold for the GC/CM process because the economies of scale don't warrant it. The ferry projects are in the range of \$50 million to many hundred million dollars. The threshold for using the GC/CM process should be higher.

Testified: (In support) Ed Lee and Charlie Brown, King County School Coalition; and John Lynch, General Administration.

(Opposed) Larry Stevens, Mechanical Contractors Association and Electrical Contractors Association.