



MARK BORN

STATE REPRESENTATIVE • 39TH ASSEMBLY DISTRICT

Testimony on Assembly Bill 675 *Assembly Committee on State Affairs – December 20th, 2017*

Chairman Swearingen and committee members,

Thank you for providing me with the opportunity to testify in favor of Assembly Bill 675 (AB 675), which relates to increasing State Building Commission thresholds and creating a limited exemption from the single prime bidding/contracting process.

The primary focus of AB 675 is increasing Building Commission thresholds, some of which are several biennia old and simply too low. In today's construction market, these low thresholds have resulted in some of the most basic and routine projects having to go through the Building Commission process. This adds unnecessary delays and costs that are ultimately passed along to taxpayers. Additionally, the Building Commission process is lengthy and can be difficult to navigate. This makes bidding less attractive and ultimately leads to fewer competitive bids. The changes in this bill should bring more bidders into the fold, and help projects be delivered on time and at a less inflated price.

Under current law, state building projects costing \$760,000 or more must be enumerated in the biennial building program. Under this bill, this threshold is increased to \$1 million. Additionally, the project cost threshold at which the State Building Commission may authorize building trust funds be made available for any project will be increased from \$760,000 to \$1 million.

Current law also says the state may not enter into construction contracts for building projects costing more than \$185,000 without approval of the State Building Commission. This bill increases this Building Commission approval threshold to \$300,000.

Next, this bill increases from \$60,000 to \$300,000 the contract and change order threshold for architectural, engineering, or limited trades work at which the Governor's signature is required for approval.

This legislation would also require the DOA secretary to establish a committee to select architects and engineers using the request-for-proposal process for projects over \$7.4 million. This committee already exists in Administrative Code for projects \$5 million and up.

Lastly, this proposal creates a limited exemption from the single prime bidding process for state building projects in which at least 85% of the construction (based on cost) could be completed by a single trade mechanical, electrical, fire protection, or electrical contractor.

The language in this bill may look familiar to some of you. The increases in thresholds were originally included by Governor Walker in his Executive Budget proposal before being removed

as non-fiscal policy at the beginning of the Joint Finance process. These increases are based on inflationary adjustments using rates in the Engineering News Record from the respective year each threshold was last increased to the end of the current biennium.

Thank you again for the opportunity to testify in support of AB 675 and your consideration.

Threshold Increases Summary

Item	Previous Threshold Amount	Last Year Threshold Increased	Current Threshold	Proposed Threshold
State Building Commission Approval	\$150,000	2011	\$185,000	\$300,000
Enumeration / Building Trust Funds	\$500,000	2011	\$760,000	\$1M
Governor Contract/Change Order Approval	\$60,000	2005	\$150,000	\$300,000
Architect/Engineer RFP Selection	\$2.5M	2006 (ADM)	\$5M	\$7.4M
Single Prime	\$185,000	Est. 2014	\$185,000	\$300,000
Single Trade		New		New provision for 85% construction is Mechanical, Electrical, Fire Protection, Plumbing (MEP) single trade



TERRY MOULTON



WISCONSIN STATE SENATOR

23RD SENATE DISTRICT

From: Senator Terry Moulton

To: Assembly Committee on State Affairs

Re: **Testimony on Assembly Bill 675**
Relating to: projects included in the Authorized State Building Program, project approvals by the Building Commission, and selection of project architects and engineers.

Date: December 20, 2017

Mr. Chairman and committee members, thank you for allowing me to submit testimony today for Assembly Bill 675, which modernizes the procedures the Building Commission and the Department of Facilities Development and Management use to maintain state properties.

As a member of the Building Commission since 2013, I have had a chance to observe first-hand the work that the employees of the Department of Facilities Development and Management do to develop and maintain our state facilities. Our work on the Building Commission is made a lot easier due to the hard work that the Department of Administration does to ensure that projects are ready before bringing them to us. Assembly Bill 675 will help streamline the process of developing and maintaining our facilities by modernizing the financial thresholds involved in the steps that the employees of the Department of Facilities Development and Management are required to take when preparing a project for approval.

Currently, routine maintenance projects under \$185,000 do not require specific approval by the Building Commission. Funding for those projects is approved as a block grant to be managed by the employees of the Department of Administration as they arise. The reality is that in 2017, relatively minor construction projects can cost well over \$185,000. Assembly Bill 675 would increase the threshold to \$300,000 for these small projects. The Building Commission would still maintain approval authority over the release of the money, but the Department would manage the specific small projects.

Assembly Bill 675 would also raise the threshold for single prime contracting from \$185,000 to \$300,000, saving taxpayers money on relatively small projects that do not require general project management. It would also exempt single trade projects that are over \$300,000 from the single prime contracting requirements. Projects that involve only one trade do not require general project management and eliminating a requirement that provides very little value will save taxpayers in the long run.

Other changes, like adjusting the threshold for Building Commission approval for projects that were not enumerated in the state buildings program from \$760,000 to \$1,000,000, take into account the reality that these days, a million dollar building is a relatively small project and should be treated as such. Requiring the Department of Administration to form a committee to oversee the selection of architects and engineers for projects ensures that the selection process is fair and impartial with an eye on quality construction and responsible management of taxpayer dollars.

These thresholds have not been changed since the 2011-13 budget but the realities of construction finance certainly have. Please recommend passage of Assembly Bill 675 and allow the State Building Program to continue to effectively and efficiently manage state properties for the people of Wisconsin.

Serving the 23rd Senate District

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STATE OF WISCONSIN

DEPARTMENT OF ADMINISTRATION

Scott Walker, Governor
Scott A. Neitzel, Secretary

Department of Administration Testimony on Assembly Bill 675

Assembly Committee on State Affairs

December 20, 2017

Chairman Swearingen and committee members – thank you for the opportunity to testify today in favor of AB 675. My name is John Klenke and I serve as the Division Administrator for the Department of Administration's Division of Facilities Development and Management. The Division oversees the State Building Program and most construction projects for the state. In addition, I serve as Secretary for the State Building Commission which provides oversight for the building program.

AB 675 makes a number of increases to thresholds related to the State Building Program. These changes were included in the Department of Administration's Agency Budget Request, but were later removed from the budget as nonfiscal policy. The Department, which oversees the State Building Program, supports these changes as they will ease administrative burdens on the agency and help make construction projects be completed more quickly.

The current thresholds have not been updated in years, creating a system where routine and (relatively) low cost repair and maintenance projects are delayed in order to obtain these approvals. Due to the increased material costs in the industry and code requirements, even the simplest repairs to existing facilities often exceed the current outdated thresholds. The methodology used to increase the thresholds in this proposal was based on inflation rates in the Engineering News Record, which is the industry standard. Increasing the thresholds to the amounts included in the bill will allow these projects or changes to move forward more quickly, while still maintaining all the necessary competitive bidding requirements.

The specific thresholds that will be updated under this bill include:

- Alignment of Building Commission simplified bidding procedures and single prime bidding and contracting
- Governor's signature approval for contract and change orders for architectural, engineering or construction work
- State Building Commission authorization, building trust fund use, and enumeration of construction projects in the biennial building program
- The request-for-proposal and interview process used by the selection committee for architects and engineers

The bill makes one additional change to the single prime bidding process for state building projects. Under this proposal, if 85% or more of the construction, based on cost, of a single project could be completed by a single trade (mechanical, electrical, plumbing, or fire protection) contractor, the Department may let that construction project to a single trade contractor. The single prime bidding process of selecting subcontractors is waived while still maintaining all the necessary open and transparent bidding requirements for the prime contractor.

The changes included in this legislation will make the state building process more efficient and effective. The changes are largely supported by the industries DOA works with in the program.

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Assembly Committee on State Affairs

Testimony from University of Wisconsin System President Ray Cross on AB 675/SB 554

Good afternoon, Chairman Swearingen, and Members of the Assembly State Affairs Committee. Thank you for giving me the opportunity to testify in favor of AB 675. Joining me today are Alex Roe UW System Associate Vice President of Capital Planning and Budget, Margaret Tennesen, UW-Madison Deputy Associate Vice Chancellor of Facilities Planning & Management, and Gary Brown, UW-Madison Director of Campus Planning and Landscape Architecture.

I would also like to thank the legislators responsible for bringing this forward, a group led by Representative Mark Born and Senator Terry Moulton. It should be pointed out that all of the primary co-authors of the bill are all either previous or current members of the State Building Commission. Their experience and expertise on this issue is greatly appreciated - and I thank them not only for advancing this bill forward, but also for their many years of leadership on the Building Commission.

AB 675 takes some important steps forward in reforming how the state building program operates. By updating these thresholds, the legislature can help streamline the state building process, making it more efficient for both our institutions and the Department of Administration. As many of you all know, college affordability is an extremely important issue, and any efforts that make building projects more efficient -- and therefore less expensive -- will help reduce costs for both students and taxpayers.

The provisions included in AB 675 reflect language supported by the UW System Board of Regents that was originally included in the 2017-19 budget proposal by Governor Walker.

We are very happy to see the Department of Administration as well as our construction and building industry partners here today supporting this bill.

Thank you again for this opportunity and for your consideration of this legislation. We appreciate this critical first step in reducing regulatory burdens for the University of Wisconsin, and we hope this bill will help bring forward more efforts on this front. We are happy to answer any questions you might have.

Now, Margaret would like to add some thoughts from UW-Madison's perspective as well.

Assembly Bill 675
 Wednesday, December 20, 2017
 1:00 P.M., Room 225 NW, State Capitol

Good Afternoon, My name is Paul Martzke, Director of Business Development for Immel Construction located in Green Bay. Thank you for allowing me to testify on Assembly Bill 675.

As I understand, this Bill makes six statutory changes:

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Single Prime	\$185,000	Est. 2014	\$185,000	\$300,000
Single Trade		New		New provision for 85% construction is Mechanical, Electrical, Fire Protection, Plumbing (MEP) single trade

The proposed changes:

- Reflect modest increases to the current thresholds tied to the Construction Cost Index produced by Engineering News & Record.
- Will increase the efficiency of the State Building Commission; and State Change Order Process.
- Will help DFD better manage the construction process by eliminating burdensome paperwork and processes on small projects.
- Will increase the speed of project design and construction by increasing the Architect/Engineer RFP Selection threshold.
- Save the taxpayers money by creating a more efficient design and construction process.

Immel Construction and our trade association, the Associated General Contractors of Wisconsin appreciate the work of the Committee and will support additional threshold increases in the future. We are prepared to discuss those at any time.

Thank you for allowing me to testify.



Public Hearing – 2017 Assembly Bill 675

Assembly Committee on State Affairs

Committee Chair & Members:

Thank you for the opportunity to comment on proposed legislation that would adjust dollar thresholds for the state building program and establish statutory provisions for the selection of architects and engineers for state building projects.

I am Eric Lawson, AIA, an architect and the President and CEO of Potter Lawson, Inc., an architectural, planning and interior design firm in Madison. I am testifying today on behalf of AIA Wisconsin, the state society of the American Institute of Architects, in support of 2017 Assembly Bill 675.

The proposed legislation would update various dollar thresholds to reflect modern construction costs for state buildings. This would help streamline the review and approval process. The positive outcome would be the potential to shorten the timeline for state building projects.

**The American
Institute of Architects**

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AIA Wisconsin

AIA Wisconsin supports the proposal to establish in statute the process for selecting architects and engineers for state building projects. The legislation contains provisions for a selection committee and use of a request-for-proposal process when the estimated cost of a construction project is \$7.4 million or more.

The increase proposed is from the current \$5 million threshold. This increase makes sense and updates the threshold for inflation. Because of the increase in costs of construction, a \$7.4 million building project today is comparable in scope and complexity to a \$5 million project in 2006.

The majority of projects below the proposed threshold are remodeling projects and not new building construction. It is important to protect our investment in state facilities located in communities and on campuses across Wisconsin. While designed and constructed to withstand hard use and the test of time, many state facilities are showing their age and require significant repairs and renovation to function and operate efficiently. The proposed legislation would reduce the time required for architectural and engineering selection and help the state address a growing backlog of maintenance and repair projects.

The current competitive process for selecting architects and engineers is outlined in ADM 20 of the Wisconsin Administrative Code. Architects and engineers invest a significant amount of time and resources in responding to a request for proposal and preparing for an interview for a state building project. A project needs to be of sufficient size to justify such an investment.

A higher threshold would provide a number of potential benefits, including: a simpler selection process for the state as well as for architects and engineers; greater interest from architects and engineers due to reduced complexity and cost in pursuing these projects; and time savings in the procurement and selection of architectural and engineering services, helping to expedite the design and construction of state facilities.

Founded in 1911, AIA Wisconsin represents over 1,400 individual members, including architects in private practice, business, industry, government and education. AIA Wisconsin supports a selection process for architects based on qualifications.

Thank you for your consideration of our support for Assembly 675. I would be pleased to respond to any questions you may have.