Fiscal Estimate - 2007 Session

Original Updated	Corrected Supplemental					
LRB Number 07-1281/1	Introduction Number AB-0134					
Description Relating to: engineering work for certain Department of Transportation highway projects						
Fiscal Effect						
Appropriations Rev Decrease Existing Dec Appropriations Rev Create New Appropriations	ease Existing enues rease Existing enues to absorb within agency's budget enues Yes Decrease Costs					
Permissive Mandatory Perr	5.Types of Local Government Units Affected Towns Village Cities Counties Others School WTCS Districts Districts					
Fund Sources Affected Affected Ch. 20 Appropriations ☐ GPR ☑ FED ☐ PRO ☐ PRS ☑ SEG ☑ SEGS						
Agency/Prepared By	Authorized Signature Date					
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Fiscal Estimate Narratives DOT 4/13/2007

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Assumptions Used in Arriving at Fiscal Estimate

Value engineering is an FHWA requirement for all highway projects of \$25 million or more and structures (bridges) of \$20 million or more.

Cost savings data relating to performing value engineering on projects is calculated annually on all projects over \$25 mill(highway) and over \$20 mill(bridges). In FY 2006 approx. 7 % on average per project was saved from performing value engineering on these types of very large complex contracts.

This bill requires Value Engineering Studies on all projects over \$5 million. This would increase the cost of the program approximately \$1.5 million per year (i.e. it would require extra work on about 30 additional projects at an approx. cost of \$50,000 per value engineering study).

Cost savings relating to performing these additional studies on less complex projects cannot be accurately estimated due to not having past data to draw from. In general as the cost of a project decreases, the complexity decreases, and value engineering becomes less beneficial because there are fewer opportunities to offer recommendations that produce substantial cost savings.

Long-Range Fiscal Implications