



## Fiscal Estimate Narratives

DOT 4/13/2007

LRB Number <b>07-1281/1</b>	Introduction Number <b>AB-0134</b>	Estimate Type <b>Original</b>
<b>Description</b> Relating to: engineering work for certain Department of Transportation highway projects		

### 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