

## LEGISLATIVE AUDIT COMMISSION

### STUDY

### STATE'S CONSTRUCTION CONTRACTING METHODS

#### Agency Officials and Others Expected to Attend:

##### Capital Development Board

Kim Robinson, Executive Director, Capital Development Board

Steve Kirk, Internal Auditor

Dan Egler and Jeff Oxencis, Deputy Directors

Gus Behnke, Fiscal Officer

##### University of Illinois

Bob Todd, Associate Vice President for Administration and Human Resources, University of Illinois

Al Edmonson, Assistant Vice President for Capital Programs

##### Others

Louis Giordano, Executive Vice President of Illinois Mechanical and Specialty Contractor's Association

Senate Resolution 147 (Rauschenberger) directed the Auditor General to study the effects of eliminating the five separate specifications for bidding on State construction contracts. The Procurement Code requires CDB to use the "multiple prime" construction contracting method for projects costing at least \$250,000.

- *Multiple prime* means the State contracts with more than one of the five trades named in the Procurement Code—general, electric, heating/cooling, plumbing, ventilation.
- *Single prime* means the State contracts with only one contractor for the entire project, typically a general contractor.

The genesis for the resolution was a fiscal note prepared by CDB that estimated adding a sixth prime would cost the State \$45 million per year. The Senator wondered since adding a sixth prime would cost an estimated \$45 million per year, if deleting each multiple prime would save the State \$45 million per prime.

Regarding single prime versus multiple prime:

- In 1997, A CDB internal evaluation report said multiple prime costs 5% less than single prime.
- In March 2001, CDB's fiscal note for Senate Bill 735 said making masonry a separate (sixth) prime would cost an additional \$45 million per year. CDB officials later stated the fiscal note was calculated in a matter of hours and was incorrectly based on 10% of all construction projects, not just masonry projects.
- In 2001, CDB stated that multiple prime costs 10% more and switching to single prime would save the State \$98.9 million over a three-year project cycle. The

auditors could not corroborate this estimate due to a lack of supporting documentation for the memo.

- In October 2001, CDB provided a revised cost estimate of \$14.4 million over a three-year project cycle.
- In February 2002, CDB provided another revised cost estimate of \$8.9 million over a three-year project cycle.

During the Study, the auditors obtained information from federal, State, and local organizations; surveyed other states, construction contractors, and architects and engineers; and met with representatives of professional trade associations for contractors and architects/engineers on CDB's Industry Advisory Committee.

The entities had differing perspectives regarding the various construction contracting methods. Even when the overall percentage for a group favored a certain method, the responses were not homogeneous and there was variance in the group. In order to provide an overall perspective, they may be broadly summarized as follows:

- The federal government generally uses single prime, along with some design/build.
- 26 of 32 states responding to a survey primarily used single prime.
- CDB and the University of Illinois said single prime would be less expensive than multiple prime and want the option to use various methods. The U of I also noted that single prime would take less time to administer.
- Department of Corrections favored single prime except for very large projects.
- Large general contractors said they would benefit from single prime.
- Medium and small contractors said they generally benefit from multiple prime.
- General contractors often said single prime would be less expensive for the State.
- Specialty contractors said single prime would be more expensive for the State.
- Architect and engineer associations said there would be little change in the cost to the State under either single or multiple prime.
- A/Es responding to the survey said project design would cost less.

### **Matter for Consideration by the General Assembly**

Since the fiscal impact on the State, contractors, and subcontractors under the single prime construction contracting method is not conclusive due to widely differing information, the General Assembly may wish to consider establishing a pilot program to evaluate the effectiveness of various construction contracting methods that:

- Authorizes CDB to use on a limited basis various construction contracting methods that may include: single prime, single prime with protected subcontractors, construction manager at risk, multiple prime, and design/build;
- Requires CDB to keep complete and accurate records for the pilot program; and
- Requires CDB to submit regular reports on the results of the pilot program to the General Assembly.