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AMERICAN COUNCIL OF ENGINEERING COMPANIES
of Pennsylvania

THE REST OF THE STORY

Bidding School Projects Both Ways: It may sound good, but there's more to the story

Pennsylvania is plagued by many obstacles when it comes to building public structures. One of the worst culprits is the Separations Act of 1913.

This archaic act requires separate bids to be awarded for a minimum of four (4) prime contract packages; general trades, electrical, plumbing, and HVAC. Under the Mandate Waiver Program, established by Act 16 of 2000 and administered by the Department of Education, a school entity may apply for a waiver from these provisions to utilize single prime contracting. Doing so allows them to enjoy the same efficiency as a developer building a neighborhood of homes or a local business erecting their new office complex.

Unfortunately, the legislation that created the mandate waiver program is set to expire in June 2010, and school districts, legislators and state policymakers are being told by an ad hoc collection of “concerned” contractors and trades groups that the multiple prime delivery system is the *only* way to build schools safely, on time and on budget. Of course, this isn't the case. Countless schools and other buildings we enter every day were built efficiently and safely under a single prime contract by general contractors of all sizes, and *they continue to be safe*. More importantly, there is no school board director or school business officer, administrator or superintendent who would place a method of contracting over the health and wellbeing of the children they serve.

Ordinarily, such rhetoric wouldn't merit a response. However, a group calling themselves Concerned Contractors is entrenched in a campaign to cloud reality, and we can't allow them to say whatever they want and to put it forth as fact.

So, in the coming weeks, our coalition of education and construction professionals will focus on debunking the campaign of mistruths put forth by the Concerned Contractors and use these pages to tell you the rest of the story – the real story. *We will also be asking you to support legislation to extend the mandate waiver program, without imposing any new mandates on schools with regard to how they bid construction projects.*

At the heart of what the Concerned Contractors group professes is a faulty premise that a school district need only to bid a project both ways – single prime and multi-prime – to determine what will be cheaper on bid day. They would have you believe it's like choosing between the same model washer and dryer at Lowes or Sears – shop wherever it's cheaper. Easy, right?

But that is only part of the story. Such a requirement would be grossly unfair because comparing the two bidding systems in this context is completely disingenuous.

A great example of this involves what happened at the A. W. Beattie Technical School in suburban Pittsburgh. The winning bid to do additions and renovations there was \$13.6 million – almost \$5 million *below* the budget for the job. Only two of the six contractors who submitted bids regularly engage in school construction so that led to some unusual dynamics on bid day.

At the eleventh hour, one of the bidders found a significant hole in the scope of a heating subcontractor's bid, resulting in an error of over \$500,000. The HVAC contractor was not one of the bidder's usual subs and was a company that would have bid as a prime contractor on a multiple prime project. Because full service general contractors know they have to live within their proposals, they routinely do detailed subcontractor scope evaluations before bids are submitted. In the case of Beattie, the HVAC sub with the mistake had the chance to pull his bid. In a separate prime circumstance, however, the error would not have been discovered until after the bids were opened. Similar scope problems were discovered on an electrical bid on the Beattie job.

Without the scope reviews by general contractors, multiple prime contractors can submit bids that are hundreds of thousands of dollars less than a single prime bidder's low bid. But, when these artificially low bids don't pan out, the additional costs that result quickly wipe out any "Bid Day" savings.

Fortunately for Beattie, they sought and received a mandate waiver to award a single contract to a small family-owned contractor located just over three miles from the job site. Several months into the project the job is on time and on budget. This is just one example of how single prime construction is nearly always a better predictor of project costs – from start to finish.

The bottom line is that general contractors who are capable of doing single prime construction understand that they cannot compete with artificially low multi-bids. Therefore, such a requirement will not only give the false impression that single bids are more expensive, but it will distort the playing field so drastically that it will result in no single prime bids on any projects. In other words, mandating that a district bid a project both ways is tantamount to eliminating single prime contracting as an option at all.

And that is the rest of the story.

Please contact your state representative and state senator and tell them to vote YES on legislation to extend the School Mandate Waivers Program WITHOUT any requirements to bid a project both ways.