

CHAIR
STEVE PEACE

VICE CHAIR
DENISE MORENO DUCHENY

SENATE

MAURICE K. JOHANNESSEN
PATRICK JOHNSTON
TIM LESLIE
JACK O'CONNELL
RICHARD G. POLANCO
JOHN VASCONCELLOS
CATHIE WRIGHT

ASSEMBLY

ROY ASHBURN
TONY CARDENAS
JIM CUNNEEN
FRED KEELEY
CAROLE MIGDEN
GEORGE RUNNER
RODERICK WRIGHT

March 11, 1999

**Hon. Bill Lockyer
Attorney General
1300 I Street, 17th Floor
Sacramento, California 95814**

**Attention: Ms. Connie Lemus
Initiative Coordinator**

Dear Attorney General Lockyer:

Pursuant to Election Code Section 9005, we have reviewed the proposed initiative measure entitled "Fair Competition and Taxpayer Savings Initiative" (File No. SA 1999 RF 0002). The measure amends the State Constitution and state statutes to permit the state and local governmental entities to contract with private entities for architectural and engineering services.

BACKGROUND

Existing constitutional provisions, state law, and judicial decisions generally require that work done for the state be performed by state civil service employees. The state can contract out, however, under certain conditions— such as to fulfill a temporary need or obtain specialized services. Currently, the state does obtain some architectural and engineering services by contracting with private firms. Local governments generally are not restricted in their ability to contract out these services.

DESCRIPTION OF MAJOR PROVISIONS

The measure authorizes the state and other governmental entities to contract with qualified private entities for architectural and engineering services for all public works

of improvement. That is, public entities would always have the option of contracting out these services, even if they did not meet the special conditions noted above.

The measure also enacts statutory provisions which (1) define the term “architectural and engineering services” and (2) provide that all projects in the State Transportation Improvement Program are covered under the initiative.

FISCAL EFFECT

Impacts on State Costs

By eliminating the conditions placed on contracting out for these architectural and engineering services, the measure would make it easier for the state to contract out. Presumably, the state would choose to contract out only in those instances where it was in its interest to do so— for example, to save money on a project or to get a project done sooner (even if it cost as much— or more— to contract out). The fiscal impact on the state is unknown and would depend on future state decisions regarding the amount of work to be performed under contracts with private firms and their costs relative to civil service costs.

Fiscal Impact on Local Governments

There would be little fiscal impact on local governments because they generally can now contract for architectural and engineering services.

SUMMARY OF FISCAL EFFECTS

The measure would result in an unknown impact on state contracting costs for architectural and engineering services.

Sincerely,

Elizabeth G. Hill
Legislative Analyst

B. Timothy Gage
Director of Finance