



April 5, 2023

The Hon. Karla Eslinger, Chair
The Hon. Ben Brown, Vice-Chair
Committee on Governmental Accountability
State Capitol Building
201 West Capitol Avenue,
Jefferson City, MO 65101

Re: Oppose Missouri Senate Bill 544, that would expand cooperative procurement to include construction services.

Dear Chair Eslinger, Vice-Chair Brown, and members of the committee:

On behalf of the over 3,500 members of the **International Institute of Building Enclosure Consultants (IIBEC)**, and especially our nearly two dozen members in Missouri, IIBEC respectfully requests that you reject efforts to expand cooperative procurement to include construction services.

IIBEC members come from a diverse group of design and construction industry companies, including hundreds of engineering firms, architecture companies, consultants, contractors, and product manufacturers. Our members specialize in design, investigation, repair, and management of roofing, exterior wall, and waterproofing systems.

From IIBEC's perspective, Senate Bill 544 is problematic because in the cooperative procurement process, independent design professionals are often excluded. Not engaging a qualified and independent design professional can result in a more costly and questionable quality of work, to the detriment of the taxpayers.

We've Been Down This Road Before

First, IIBEC understands the financial constraints faced by public institutions and appreciates efforts to find cost-saving options. Numerous state and local governments have enacted provisions allowing for cooperative purchasing and reaped the benefits of significantly shortened purchasing timelines and achieved cost savings. We believe the cost-savings have come from the purchase of commodity-type products, which allow the purchasing department to easily perform adequate due diligence and ensure best value to the taxpayers.

Experience has shown, however, that the use of cooperative purchasing for construction has, in many cases, resulted in increased costs to the taxpayers instead of savings. The promise of efficiencies of scale simply do not materialize when it comes to construction services, which includes architectural and engineering (A&E) design services.

Other states that have allowed cooperative purchasing for construction contracts have reversed course once the excessive costs were discovered. For example, the Virginia General Assembly, in a bipartisan capacity, recognized problems associated with procuring construction and services via cooperatives and corrected it.

When a proposal was made to expand cooperative purchasing again, the legislators rejected it¹. Minnesota's St. Cloud School District discovered in 2015 they were overpaying by an estimate of \$4 million for construction between 2012 – 2015². North Carolina routinely rejects bills alternative contracting measures³, while California⁴ and other states are also rolling back measures allowing for construction contracts to be included in cooperative purchasing programs. More recently, on February 16, 2023, North Dakota State Senators specifically amended a cooperative purchasing bill to exclude construction services.⁵

Design and Construction Services are Not Commodities

Cooperative procurement of construction services falters on these points:

- **Reduced costs rarely materialize.** The promise of reduced costs has been proven untrue from coast to coast. In Pennsylvania, for example, 73 cooperative procured contracts reviewed revealed significant increase in cost over competitively bid reroofing projects. The study found that the average cost for competitively bid projects varied from \$9.44 to \$11.25 per square foot, depending on the roof system, while the average cost for cooperative procured projects was \$21.74 per square foot. Regrettably, there are numerous cases where cooperative pricing failed to deliver its promised savings in the construction sector⁶.
- **Competition and price.** Cooperatives touting national service require their service providers to be large and able to subcontract nationally on their terms, which are usually opaque and do not accommodate state hiring priorities. Cooperatives that pre-bid (pre-select) for service providers on a statewide or regional basis did so at some point in the past and there is no way to know whether current market conditions might yield a lower price, especially for larger projects and work authorizations.
- **Public safety.** The cooperative system creates incentives for companies to avoid architectural and engineering design considerations, which, importantly, protect public safety and usually lower costs by ensuring reduced operating expense and increasing the feasibility and functionality of the improvement.

Finally, a recent study by the ACEC Foundation revealed that the independent design professional hired via the current qualifications-based selection (QBS) process saves money, time, and produces higher level of client satisfaction than other procurement methods.⁷ Put another way, procuring construction projects through cooperative programs results in less competition and increased costs for the public.

The siren song of faster-better-cheaper will continue to be sung, however, in the case of cooperative procurement for construction services it should be ignored. For this reason and those outlined above, we respectfully request you vote “do not pass” on S.B. 544.

Sincerely,



Brian Pallasch, CAE
CEO/EVP

¹ [Votes: VA HB467 | 2020 | Regular Session | LegiScan](#)

² [State auditor finds holes in St. Cloud school roof bids \(sctimes.com\)](#)

³ [Senate Bill 607 \(2017-2018 Session\) - North Carolina General Assembly \(ncleg.gov\)](#)

⁴ [Bill Text - AB-635 Public contracts: roof projects. \(ca.gov\)](#)

⁵ <https://www.ndlegis.gov/assembly/68-2023/regular/documents/23-0564-02004a.pdf>

⁶ <http://procurement-reform.org/home-box/solutions-to/audits-and-studies/>

⁷ <https://program.acec.org/qbs-resources-portal>