

TITLE 3
DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

CHAPTER 56

PUBLIC WORKS CONSTRUCTION

Subchapter 1 Rules Providing Value Engineering
Incentives in Public Works
Contracts

- §3-56-1 Definitions
- §3-56-2 Value engineering incentive clause
- §3-56-3 Preparation, evaluation and acceptance of
VECP
- §3-56-4 VE sharing method
- §3-56-5 General provisions

Historical Note: Subchapter 1 of Chapter 56, Title 3,
Rules Providing Value Engineering Incentives in Public
Works Contracts is based substantially upon the
Department of Accounting and General Services Rules
and Regulations Providing Value Engineering Incentives
in Public Works Contracts. [Eff. 3/15/68;
R MAR 30 1981]

SUBCHAPTER 1

RULES PROVIDING VALUE ENGINEERING INCENTIVES
IN PUBLIC WORKS CONTRACTS

§3-56-1 Definitions. As used in this subchapter,
unless the context clearly indicates otherwise:

"Contracting Officer" means the officer who, on
behalf of the State, awarded the instant contract and
the officer's duly authorized successor.

"Government" means U.S. government or State of
Hawaii.

"Instant contract" means the single public works
contract on which the cost savings is based.

"State" means State of Hawaii.

"Value engineering" means an organized effort
directed at analyzing the function of construction,
systems, equipment, and supplies for the purpose of
achieving the required function at the lowest overall
cost consistent with the requirements for performance,
reliability, maintainability, and desired appearance.

"Value Engineering Change Proposal (VECP)" means

a cost reduction proposal based on value engineering submitted by the contractor pursuant to a value engineering incentive clause and particularly identified as such.

"Value Engineering Incentive Clause (VEIC)" means a provision in a public works contract that allows the contractor to share in cost savings that ensue from cost reduction proposals submitted by the contractor.
[Eff. MAR 30 1981] (Auth: HRS §103-49)
(Imp: HRS §103-49)

§3-56-2 Value engineering incentive clause. The following language relating to the value engineering incentive clause shall be inserted in all State Public Works contracts for amounts in excess of \$100,000:

"Value Engineering Incentive Clause

- (a) This clause applies to all VECP initiated and developed by the contractor for changing the drawings, designs, specifications, or other requirements of this contract. This clause does not, however, apply to any VECP unless it is identified as such by the contractor at the time of its submission to the contracting officer.
- (b) All VECP shall:
1. Result in a savings to the State by providing less costly items than those specified herein without impairing any of their essential functions and characteristics such as service life, reliability, economy of operation, ease of maintenance, and desired appearance; and
 2. Require, in order to be applied to this contract, a change order to this contract.
- (c) The VECP shall be processed expeditiously and in the same manner as prescribed for any other proposal which would likewise necessitate issuance of a contract change order. As a minimum, the following information shall be submitted by the contractor with each proposal:
1. A description of the difference between the existing contract requirement and the VECP, and the comparative advantages and disadvantages of each;
 2. An itemization of the requirements of the contract which must be changed if the VECP is adopted and a recommendation as to how to make each change;

3. An estimate of the reduction in performance costs that shall result from adoption of the VECP taking into account the costs of implementation by the contractor, including any amounts attributable to subcontracts, and the basis for the estimate;
 4. A prediction of any effects the VECP would have on other costs to the State, such as state-furnished property costs, costs of related items, and costs of maintenance and operation;
 5. A statement of the time by which a change order adopting the VECP shall be issued so as to obtain the maximum cost reduction during the remainder of this contract, noting any effect on the contract time; and
 6. The dates of any previous submissions of the VECP, the numbers of any government contracts under which submitted and the previous actions by the government, if known.
- (d) The State shall not be liable for any delays in acting upon, or for any failure to act upon any proposal submitted pursuant to this clause. The decisions of the contracting officer as to the acceptance of any VECP under this contract shall be final. Unless and until a change order applies a VECP to this contract, the contractor shall remain obligated to perform in accordance with the terms of the existing contract. The contracting officer may accept in whole or in part any VECP submitted pursuant to this clause by issuing a change order which will identify the VECP on which it is based.
- (e) If a VECP submitted pursuant to this clause is accepted under this contract, an equitable adjustment in the contract price and in any other affected provisions of this contract shall be made in accordance with this clause and the "changes" clause of this contract. The equitable adjustment shall first be established by determining the effect on the contractor's cost of performance, taking into account the contractor's cost of implementing the change (including any amount attributable to subcontracts). The contract price shall then be reduced by the total estimated decrease in the cost of performance minus fifty per cent of the difference between the amount of such total

estimated decrease and any ascertainable costs to the State which must be incurred to apply the VECP to this contract.

- (f) Cost reduction proposals submitted under the provisions of any other contract also may be submitted under this contract for consideration pursuant to the terms of this clause.
- (g) The contractor may restrict the government's right to use any sheet of a VECP or of the supporting data, submitted pursuant to this clause, in accordance with the terms of the following legend if it is marked on such sheet. "This data furnished pursuant to a value engineering incentive clause shall not be disclosed outside the government, or be duplicated, used, or disclosed, in whole or in part, for any purpose other than to evaluate a value engineering change proposal submitted under said clause. This restriction does not limit the government's right to use information contained in this data if it is or has been obtained from another source, or is otherwise available, without limitations. If such a proposal is accepted by the State by issuance of a change order under the "changes" clause of said contract after the use of this data in such an evaluation, the government shall have the right to duplicate, use and disclose any data pertinent to the proposal as accepted, in any manner and for any purpose whatsoever, and have others so do". If the value engineering proposal is accepted, the contractor hereby grants to the government all rights to use, duplicate or disclose in whole or part, in any manner and for any purpose, and to have or permit others to do so, any data reasonably necessary to fully utilize such proposal. Contract modifications made as a result of this clause will state that they are made pursuant to it."

[Eff. MAR 30 1981] (Auth: HRS §103-49)
(Imp: HRS §103-49)

§3-56-3 Preparation, evaluation and acceptance of VECP. (a) The contractor shall submit with each VECP the information as listed in the VEIC and provide all additional information as may be required by the contracting officer to evaluate and implement the VECP. This cost for preparing the VECP shall be part of the contractor's cost for implementing the change, and

compensation will be made only when the proposal is accepted by the State and the adjustment in contract price is made as provided for in the VEIC and §3-56-4.

(b) If the services of the State's architect, engineer, or consultant is necessary to implement the proposal, the cost therefor shall be considered in the adjustment of contract price as provided in the incentive clause and §3-56-4.

(c) The evaluation and acceptance of all VECP shall be in accordance with the requirements as listed in the value engineering incentive clause.

(d) Each VECP shall be evaluated as applicable to the particular project, and past acceptance (on another state project) for a similar item shall not be automatic grounds for approval. [Eff. MAR 30 1981]
(Auth: HRS §103-49) (Imp: HRS §103-49)

§3-56-4 VE sharing method. The method by which the contractor will share a portion of the cost savings from an accepted VECP shall be in accordance with the VEIC (§3-56-2) and the following requirements:

- (1) Contractor's share in cost savings shall be for the instant contract only, and no consideration shall be made for future acquisition, royalty type payment, or collateral savings;
- (2) The "total estimated decrease" as used in the VEIC (§3-56-2) shall be determined by deducting the contractor's implementation cost from the gross savings resulting from the change of contract requirements;
- (3) The State's cost for implementing the VECP shall be the cost incurred by the State to transform the VECP into a contract change order. Included will be additional design charges of the State's staff and consultant as may be required.

[Eff. MAR 30 1981] (Auth: HRS §103-49)
(Imp: HRS §103-49)

§3-56-5 General Provisions. (a) The processing of a VECP shall be similar to that for any proposed contract change order and shall be regarded only after the public works contract is awarded. The inclusion of the VEIC in the bidding documents shall not be construed to have an effect on the bids or the selection of a contractor.

(b) Nothing herein shall be construed to mean that the State must accept or approve any or all VECP submitted under the terms of the VEIC. The contracting officer's interpretation and findings relative to the

impairment of the functions or characteristics of the item or items covered by the VECP shall be final.

(c) Adjustment in contract prices and allowances for implementation costs under the VEIC and these rules shall only be considered if and when the VECP is approved by the contracting officer. The receipt of the VECP by the State or a verbal acceptance of a VECP by any employee of the State shall not obligate the State to accept the VECP.

(d) The contracting officer may impose, as a condition of acceptance of any VECP, a requirement that the contractor warrant the statements, claims and other information contained in the VECP regarding essential functions and characteristics such as service life, reliability, economy of operation, ease of maintenance, and desired appearance, such warranty to be for an appropriate period to be determined by the contracting officer. The contractor's responsibility under any such warranty shall be in addition to the liability imposed by the "guarantee of work" requirement as included in the contract.

(e) The exhibit entitled "Examples of Documents that may be used to Implement a VECP," dated Nov. 1980, at the end of this section is made a part of this section for purposes of information and clarification only. (Eff. MAR 30 1981 1)
(Auth: HRS §103-49) (Imp: HRS §103-49)


The Rules Providing Value Engineering Incentives in Public Works Contracts on the Summary Page dated were adopted on ^{MAR 19 1981} following a public hearing held on February 13, 1981 after public notice was given in the Honolulu Star-Bulletin and Honolulu Advertiser on January 22, 1981.

3. These rules shall take effect ten days after filing with the Office of the Lieutenant Governor.

APPROVED:


HIDEO MURAKAMI
COMPTROLLER

APPROVED:


GEORGE R. ARIYOSHI
GOVERNOR
STATE OF HAWAII

Dated: *March 19, 1981*

APPROVED TO AS FORM:


Deputy Attorney General

REC'D. BY

1981 MAR 19 PM 4 25

LI. GOVERNOR'S OFFICE

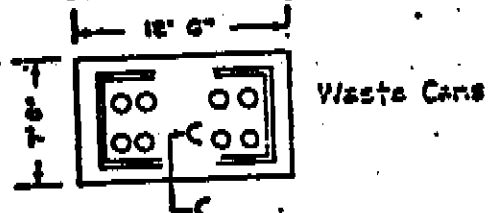
Filed

VALUE ENGINEERING CHANGE PROPOSAL
(Contractor Summary Submittal)

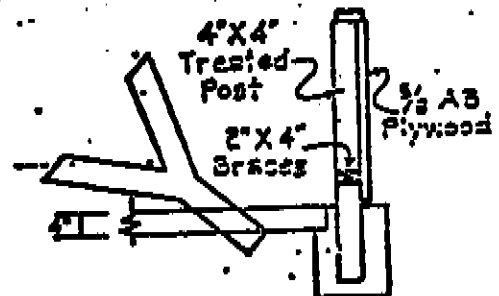
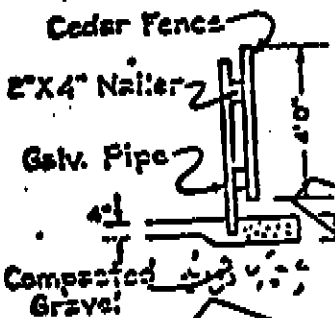
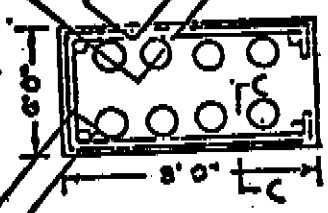
From: Gregg & Co. Date: Sept. 18, 1967
 To: Public Works Engineer VECP No. 1
 Project: Albans Housing 02-20-0273 Contract No. 2256
 Location: Albans

SUMMARY OF CHANGE (Description - Compare advantages and disadvantages)

Before: (sketch, when applicable)



After:



Original design called for a 92 s.f. 4" concrete slab over 9" of base enclosed by a 6' cedar fence. Proposed design eliminates base, reduces overall area, and changes footing material to exterior grade painted plywood.

ESTIMATED COST SUMMARY (Costs shall be estimated in accordance with the change provisions contained in the General Clauses of the contract. Attach Cost Estimating Form, for detailed estimate whenever applicable.)

| | Unit Pr. | Quan. | Total |
|--|----------|----------|-----------|
| A. Original | 297.00 | 50 | 14,850.00 |
| B. Proposed | 173.00 | 50 | 8,650.00 |
| C. Gross Savings (A-B) | | | 6,200.00 |
| D. Contractor's Implementing Cost | | | 700.00 |
| E. Total Estimated Decrease (C-D) | | | 5,000.00 |
| F. State's Implementing Cost | | 100.00 | |
| G. Difference (E-F) | | 4,900.00 | |
| H. 1/2 Difference $(\frac{E-F}{2})$ | | | 2,450.00 |
| I. Reduction in Contract Price (E-H) | | | 2,450.00 |

DATE BY WHICH A CHANGE ORDER MUST BE ISSUED SO AS TO OBTAIN MAXIMUM COST REDUCTION Sept. 26, 1967

Rec'd by State: 9/19/67 State Representative: (s) Contractor's Representative: (s)
 Sheet 2 of 2

**VALUE ENGINEERING CHANGE PROPOSAL
(Contractor Required Information)**

From: Gregg & Co. Date: Sept. 12, 1967
 To: Public Works Engineer VECF No. 1
 Project: Balance Housing 02-29-0923 Contract No. 2256
 Location: Haines

INFORMATION REQUIRED OF THE CONTRACTOR (If answer to any of the following questions is "Yes", explain in Remarks below.)

| | YES | NO |
|---|-----|----|
| 1. Does this proposed change affect the time of completion of the contract as stated in the General Clauses? | | X |
| 2. Has the Contractor submitted this proposed change previously to this office or any other Government agency? | X | |
| 3. Does this change affect other costs to the Government, such as Government-furnished property or costs of contract-related items? | | X |
| 4. Does this proposed change increase the maintenance or operation costs of original or proposed items? | | X |
| 5. Is a subcontractor involved in this proposed change to the original contract? | | X |
| 6. Does the Contractor intend to restrict the Government's right to use any data described in this proposed change? | | X |
| 7. Does this proposed change involve use of proprietary materials? | | X |

CHANGES AND/OR REVISIONS TO DRAWINGS AND SPECIFICATIONS (Attach applicable contract drawings and specifications, including Contractor's or shop drawings or literature with all changes marked on the drawings and specifications.)

REMARKS:

By: To Federal Government - Such as Project 18

EXHIBIT

| | | |
|----------------------------|------------------------------|-------------------------------------|
| Rec'd by Gov't. 9/12/67 | Gov't Representative: (S) | Contractor's Representative: (S) |
|----------------------------|------------------------------|-------------------------------------|

Sheet 1 of 2

| | | |
|--|---------------------------|----------------------|
| STATE OF HAWAII DEPARTMENT OF ACCOUNTING & GENERAL SERVICES DIVISION OF PUBLIC WORKS CHANGE ORDER | ORDER NO. 11 | DATE 9/22/67 |
| | PROJECT NO. 02-20-2233 | CONTRACT NO. 2256 |
| PROJECT TITLE Valence Housing | CONTRACTOR Grace & Co. | |

A. CHANGES
The following changes are to be performed in accordance with all contract stipulations and covenants (Specifications, drawings, special provisions, etc.):

Change covered by YICF #1 attached

Time extension, if any, will be granted the Contractor in accordance with Section 8.8(b) of the General Requirements and Covenants. Please fill in Part B below and return all copies of this pending change order.

DPA CONSTRUCTION ENGINEER

B. CONTRACTOR'S QUOTATION
The changes included under Part A above will be performed at a contract price (increase) (decrease) of \$2,533.00 in accordance with all terms of the contract documents. Six copies of our cost breakdown are attached herewith. We are aware that this change order, in order to be valid, must be approved by the State P.W.E. in the designated space below and that no work is to be performed until an approved change order has been given us. In case of rejection of this change order by the State P.W.E., we will continue all work in accordance with the existing contract terms.

NAME: _____ TITLE: _____ DATE: 9/21/67

C. STATEMENT OF FUNDS
New Contract Price \$170,500.00 New Balance of extras remaining 18,533.00

D. JUSTIFICATION
The changes included under Part A above will be incorporated into the contract for the following reason:
 For compliance with the local building code
 To accommodate the using agency
 To correct design and/or construction deficiencies
 Other: YICF #1
 Remarks: _____

E. TIME EXTENSION

F. VALIDATION OF CHANGE ORDER
Recommended for approval
 _____ (s)
 DPA CONSTRUCTION ENGINEER
 Approved
 _____ (s)
 STATE PUBLIC WORKS ENGINEER
 DISTRIBUTION:
 9/22/67
 DATE

G. REJECTION OF CHANGE ORDER
Disapproval because of:

 DPA CONSTRUCTION ENGINEER
 Disapproved

 STATE PUBLIC WORKS ENGINEER

 DATE

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES

TABLE OF DISPOSITION

DAGS Rules and Regulations
Providing Value Engineering Incentives
in Public Works Contracts

Administrative Rule
Format Number

§1
§2
§3
§4
§5

§3-56-1
§3-56-2
§3-56-3
§3-56-4
§3-56-5

Rules Repealing Rules Providing Value Engineering Incentives in Public Works Contracts and Adopting Subchapter 1, Chapter 56 of Title 3, Administrative Rules

SUMMARY

1. Rules of the Department of Accounting and General Services entitled "Rules and Regulations Providing Value Engineering Incentives in Public Works Contracts", is repealed.
2. Chapter 56, Subchapter 1, entitled "Rules Providing Value Engineering Incentives in Public Works Contracts" of Title 3, Administrative Rules, is adopted.

Rules of the Department of Accounting and General
Services entitled "Rules and Regulations Providing
Value Engineering Incentives in Public Works Contracts",

REPEALED

✓ MAR 30 1981 ✓

The Rules Providing Value Engineering Incentives in Public Works Contracts on the Summary Page dated were adopted on **MAR 19 1981** following a public hearing held on February 13, 1981 after public notice was given in the Honolulu Star-Bulletin and Honolulu Advertiser on January 22, 1981.

3. These rules shall take effect ten days after filing with the Office of the Lieutenant Governor.

APPROVED:



**HIDEO MURAKAMI
COMPTROLLER**

APPROVED:



**GEORGE R. ARIYOSHI
GOVERNOR
STATE OF HAWAII**

Dated: *March 19, 1981*

APPROVED TO AS FORM:



Deputy Attorney General

1981 MAR 19 PM 4 25
REC'D. BY
LI. GOVERNOR'S OFFICE

Filed