HB 1431
Senate Finance and Tax
March 17, 2021

Chair Bell and Members of the Committee,

My name is Art Thompson. I am here today representing the North Dakota Concrete Council. Our association represents ready-mixed concrete and concrete product manufacturing and distribution companies along with their raw material suppliers. In addition, we also represent the ND Chapter of the American Concrete Pavement Association, which includes concrete contractors. On average, the production and placement of concrete in North Dakota provides over $500 million in annual economic impact. Unlike more specialized industries, our members are in every corner of the state and range from those with multi-state operations to family-owned local businesses.

On behalf of our members, I am here today to encourage you to support HB 1431.

We believe capitalizing on today's low-interest rates for bonds is a sound choice to finance much needed infrastructure expansion and improvement across the state.

However, in conversations I've had with some legislators, I became concerned about feedback from those who aren't sold on bonding for infrastructure because "the roads will be worn out before they are paid for." That can be viewed as valid concern based on initial performance design and material selection.

The other concerning issue is that future maintenance and repair costs for bonded projects will come from the NDDOT's annual budget, which means less money for other needed repairs or expansions.

I understand these concerns and believe we can alleviate them by requiring a science-based approach to determining the total cost of ownership and maintenance of an asset over its design life.

We believe HB 1431 can be strengthen by including language that requires any projects paid for by bond method to have a minimum performance life expectation of 35 years, or more, preferably, and life cycle cost analysis utilized to evaluate the total economic cost of construction and maintenance of the asset over its lifetime.

Draft language of our proposed amendment is included in today's testimony and has been distributed to each committee member:

Amendment Language

> (1) For all projects financed by bond method, life-cycle cost analysis (LCCA) shall be used to evaluate the total economic cost of a transportation project over its expected (35 year minimum) performance lifetime, and
>
> (2) data indicating that future repair costs associated with a transportation project frequently total more than half of the initial cost of the project, and that conducting life-cycle cost analysis prior to construction will help North Dakota identify the most cost-effective option, improve the economic performance, and lower the total cost of building and maintaining the project over its service life.

I would like to take a few minutes to describe why life-cycle cost analysis is an important component to this legislation.

First, when performed thoroughly and correctly, LCCA will identify a best value solution with the desired performance at the lowest cost over an economic analysis period. It is based on proven and well-founded economic principles that evaluate the long-term economic efficiency between competing alternate options, each providing equivalent or near-equivalent engineering designs.

In the highway context, LCCA is typically a means to evaluate and then compare the cost to an owner/agency of any number of alternates, including options for pavements, bridges, or other major infrastructure investments.

Second, LCCA is not a new concept. AASHTO recognized in 1960 that LCCA helps to enhance decision making to realize savings. The Federal Highway Administration affirmed the importance of LCCA in a 1981 policy statement. To date, 38 states utilize LCCA in some form to make public project decisions – North Dakota is not one of the 38 states.

Third, LCCA is not a means to favor one industry over another. The most important component to LCCA is ensuring equivalent or near-equivalent designs and taking into consideration things like traffic counts, traffic weights, traffic growth projections, etc. Using LCCA does not mean that concrete will win every project; nor does it mean asphalt will. What it does do is require thorough research into several factors to ensure taxpayers get the long-lasting, best value to their investment. In other words, sometimes the lowest bid is not always the best option or the least expensive option.

Fourth, LCCA is not overly cumbersome and will not result in the need to hire additional FTEs. In most cases, once all information has been gathered, performing an LCCA can be done with formulas in a simple spreadsheet and be completed in a matter of a couple of hours.

The next area I would like to address is the importance of the minimum design life criteria, which we propose to be 35 years.

If you look at most industry recommendations, we should be asking for this figure to be 50 years. Designing and building 50-year pavements is quite attainable. Because we are introducing this concept for the first time here, we have used the minimum requirement of 35 years. For LCCA to be effective, all future repair and maintenance costs must be included for each paving material. For concrete, that generally comes between 25 and 30 years.

Another question I've been asked is why introduce this into a bonding bill.

First, the legislation states that bonding debt will be serviced by earnings from the Legacy Fund. The Legacy Fund is a one-time resource that is intended to benefit future generations. Perhaps the question should be, why would we not want to evaluate and choose an alternative that may not be the lowest first cost but will provide the most long-term economic value for North Dakota taxpayers.

Second, the infrastructure projects built with bonded funds are heavily traveled routes. These major corridors are where we should be focusing our efforts to improve public safety, increase service life and reduce frequent maintenance.

Third, we believe including this concept in bonding legislation will allow policymakers and the public to see the value of utilizing design life expectations and LCCA - a walk, don't run approach to implementation.

Mr. Chairman and members of the committee, I could continue with my testimony by talking about other state's successes with LCCA, long-term concrete pavements in use today in North Dakota and more. However, in the interest of time, I am willing to come back to a working session of your committee, conclude my testimony by stating this: we have an opportunity to work together right now, incorporating two paragraphs of text into HB 1431, that will improve our state's network of roads and bridges today for the benefit of future generations.

Thank you for your time. I will stand for any questions you may have.