

HB 1431
Senate Appropriations
March 31, 2021

Good afternoon Senator Holmberg and Members of the Committee.

For the record, I am Art Thompson, executive director of the North Dakota Concrete Council. Our association represents ready mixed concrete producers and concrete paving contractors across the state.

On behalf of our members, I am here today to support HB 1431. Our association believes in the value of capitalizing on today's low interest rates on bonds to pay for needed infrastructure improvements across the state.

As you know, by previously distributed information, we believe HB 1431 can be strengthened by adding language that requires bonded projects with an engineer's estimate of a certain dollar amount, be subject to undergo a Life Cycle Cost Assessment prior to construction. Our association has been promoting this concept from the minute this bonding bill was introduced. We have had several meetings with legislative leadership in both chambers, the Governor's office and the DOT – we have been trying to be as transparent as possible.

I am fully aware this committee does not routinely inject policy into appropriations bills, but if you would afford me a few minutes, I'll try to provide you with the reasons why you should consider it in this case.

First and foremost, the legislation states that bonding debt will be serviced by earnings from the Legacy Fund. The Legacy Fund is a one-time resource intended to benefit future generations. 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.

A 2018 study from the Massachusetts Institute of Technology shows that "Future costs of a paving project can comprise more than 50 percent of its total cost." This means that the lowest first-cost option for a project is not always the most economical long-term investment. LCCA is a proven tool to help make solid, long-term economic decisions for infrastructure investment.

If HB 1431 does not require LCCA and minimum design life expectations, it is possible that projects constructed and paid for by bond method will require repairs and maintenance prior to the 20-year bond payoff. Future maintenance costs will then come out of future DOT budgets, meaning less available dollars down the road for other needs.

The recently released 10-Year Infrastructure Plan from the ND Governor's Office and the ND DOT, shows a need of \$2.3 billion just to maintain the current transportation network we have in place. We can do better. We need to evaluate and construct more long-term solutions.

Second, it is true that federal-aid projects are required to undergo a Cost/Benefit Analysis to determine whether the project is necessary or not. Cost/Benefit Analysis and LCCA are not one-in-the-same. The Cost/Benefit Analysis proves the need for a project; LCCA takes place after the project has been approved. LCCA is a tool for evaluating the long-term economic efficiency between competing alternate options, each providing equivalent or near-equivalent engineering designs. In the highway context, LCCA is typically used 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.

LCCA is not a new concept. Currently 38 states utilize it in some form to make investment decisions. North Dakota is one of only 12 states that does not require it.

Third, while some may criticize our language as self-serving for the concrete industry, I'd counter by saying it is self-serving to your constituents – the taxpayers of North Dakota.

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.

The fourth and final point is this, 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.

In 2020, the NDDOT spent just over \$445 million on 199 projects in North Dakota – an average of just over \$2.2 million spent on each project.

If you were to make the trigger threshold as projects valued at \$5 million or higher – 21 LCCA's would have been required. If the threshold is \$10 million, 10 LCCA's would have been required. This is for the entire DOT budget.

Keep in mind, our suggested amendment, only applies to projects financed by bonding - \$70M in authorized spending and \$50 million for a revolving loan fund. This means the burden of conducting an LCCAs will be significantly less. Our association strategically targeted the bonding legislation to allow policymakers and the public to see the value of utilizing design life expectations and LCCA - a walk, don't run approach to implementation.

Most infrastructure projects built with bonded funds will be on 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. These are goals that we all can stand behind.

I will again hand out our suggested amendment to HB 1431 which would require LCCA for bonded projects. I encourage you to break from your traditional norms of not including policy in with an appropriations approval. This makes fiscal sense.

If you choose not to adopt this language, I would highly encourage you to adopt a second proposed amendment, which would require an interim study of this issue.

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

Amendment Option 1

(1) For projects financed by bond method and with an engineer's estimate of \$5 million or more, life-cycle cost analysis 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 the North Dakota Department of Transportation identify and select the most cost-effective option, improving the economic performance and lowering the total cost of building and maintaining the project over its service life.

Amendment Option 2

LEGISLATIVE MANAGEMENT STUDY – LIFE CYCLE COST ANALYSIS - NDDOT

During the 2021-22 interim, the legislative management shall study Life Cycle Cost Analysis on selected infrastructure projects with costs of \$5 million or higher and constructed by the North Dakota Department of Transportation to determine if the most cost-effective option was selected. Life Cycle Cost Analysis, based on well-founded economic principles, is a tool for evaluating the long-term economic efficiency between competing alternative options, each providing equivalent or near-equivalent engineering designs. Currently, 38 states utilize LCCA as a tool to help make public project decisions. North Dakota does not require it. The study will utilize life-cycle cost analysis to evaluate the total economic cost of a transportation project over its expected (35 year minimum) performance lifetime. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-eighth legislative assembly.