

2009 SENATE EDUCATION

SB 2076

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2076

Senate Education Committee

☐ Check here for Conference Committee

Hearing Date: January 7, 2009

Recorder Job Number: 6636

Committee Clerk Signature

Minutes:

Chairman Freborg opened the hearing on SB 2076. Senator Taylor was absent and all other members were present.

Laura Glatt, North Dakota University System Vice Chancellor for Administrative Affairs, testified in favor of the bill. See written testimony.

Senator Bakke said she thought this was important with the increased cost of construction. It doesn't make sense to put up roadblocks and we need to keep our facilities at a quality level. Senator Bakke moved a Do Pass on SB 2076. The motion was seconded by Senator Lee. The motion failed on a 2 – 2 vote.

Senator Freborg said the committee will address the bill again when Senator Taylor returns.

Senator Freborg moved on to other business of the Senate Education Committee.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2076

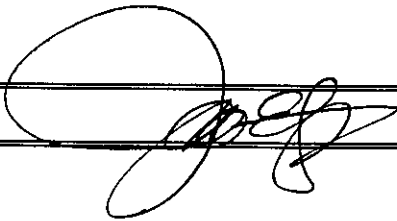
Senate Education Committee

☐ Check here for Conference Committee

Hearing Date: January 21, 2009

Recorder Job Number: 7410

Committee Clerk Signature



Minutes:

Chairman Freborg opened the discussion on SB 2076. All members were present except Senator Taylor.

Senator Freborg asked if anyone had considered amendments to the bill. They now have authority for \$385,000, the bill would increase it to \$750,000.00.

Senator Flakoll said \$500,000 would be as far as he was willing to go without the change from 3 to 6 months. He worries if it passed the Senate, they could try to change it to \$1 million. If so, he would be inclined to bring it back and kill it.

Senator Bakke asked if Senator Flakoll wants to amend it to \$500,000.00

Senator Flakoll said that is his threshold. It could be a 30 X 100 foot building.

Senator Freborg moved an amendment to change to \$500,000 and to keep line 16 at 6 months, seconded by Senator Lee. The motion passed 5 – 0.

Senator Lee moved a Do Pass As Amended, seconded by Senator Lee. The motion passed 5 – 0. Senator Flakoll will carry the bill.

Date: 1/7/09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2076

Senate	Education	Committee
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☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Do Pass

Motion Made By Sen. Bakke Seconded By Sen. Lee

[illegible]

Total (Yes) 2 No 2

Absent /

Floor Assignment

If the vote is on an amendment, briefly indicate intent:

Motion failed

Date: 1/21/09
Roll Call Vote #: _____

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2076

Senate Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amendment

Motion Made By Sen Flakoll Seconded By Sen Lee

Senators	Yes	No	Senators	Yes	No
Senator Freborg	✓		Senator Taylor <u>Caull</u>	✓	
Senator Gary Lee	✓		Senator Bakke	✓	
Senator Flakoll	✓				

Total (Yes) 5 No 0

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

pg. 1 lines 11, 15, 22 : change to
\$500,000

line 16 , remain @ 6 months .

Date: 1/21/09
Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 3076

Senate Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken No Pass As Amended

Motion Made By Sen. Flakoll Seconded By Sen. Lee

Senators	Yes	No	Senators	Yes	No
Senator Freborg	✓		Senator Taylor		
Senator Gary Lee	✓		Senator Bakke	✓	
Senator Flakoll	✓		<u>Sen OConnell</u>	✓	

Total (Yes) 5 No 0

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2076: Education Committee (Sen. Freborg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2076 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "seven" with "five"

Page 1, line 15, replace "seven" with "five"

Page 1, line 16, remove the overstrike over "~~six~~" and remove "three"

Page 1, line 22, replace "seven" with "five"

Renumber accordingly

2009 HOUSE EDUCATION

SB 2076

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2076

House Education Committee

☐ Check here for Conference Committee

Hearing Date: March 2, 2009

Recorder Job Number: 9902

Committee Clerk Signature

Carmen Hart

Minutes:

Pat Seaworth, North Dakota University System, appeared for Laura Glatt in support of SB 2076. (See Attachment 1.)

Rep. David Rust: On the second page of the testimony, is that an error?

Pat Seaworth: Yes, it is. It is suppose to be \$750,000.

Rep. David Rust: Under current law looking at the bill, if it is under \$550,000 it is the cost to improve and building maintenance. If it is over, it talks about construction. Right?

Pat Seaworth: Under current law the amount is \$385,000. Yes, there is a distinction drawn between new construction, new building, and recommendations. No, there is not. For example, if there is some facility on the research center, the estimated cost is \$300,000 for a new building. The board has the authority now to authorize any NDSU research center to proceed with that facility or that new building if the cost is less than \$385,000.

Rep. Lyle Hanson: How many requests do you generally have in a year? Is it a serious problem? Do you get a lot of requests?

Pat Seaworth: No, I can't say that there are a lot of requests. I don't have any information on how often this happened. Maybe two or three times a year. It could be a very important project such as a lab renovation during the summer months.

Rep. Phillip Mueller: We had 1079 the first half which I think attempted to do some of what we are talking about in this bill. It dealt with percentages versus dollar amounts. Could you talk about how this bill and 1079 are different or the same?

Pat Seaworth: I believe that bill would have given the board authority to approve major construction projects where the legislature had authorization affecting the costs and through these increased costs or other things beyond the control of this board, the cost increase between the time the legislature had approval and when bids were being let, the board would have had authority to authorize a change to increase the overall cost of the project up to 20% on the increase in cost which was funded entirely through gifts or donations and grants, and the scope of the project was not changed. HB 1079 did not pass.

Rep. Corey Mock: Does raising this amount from \$385,000 to \$550,000 tie any money regarding student fees or matching? Does it affect that of any regard?

Pat Seaworth: This statute deals only with projects that are funded entirely through grants or gifts or donations. The only way that it could have an impact on student fees for example would be because of the renovation or because there is an addition that costs \$550,000 to complete where there might be increased maintenance costs that are ongoing. A parking lot is a small project. A \$500,000 lab addition is not a very big addition. The increased maintenance costs if there are any would be minimal. I can't say there would not be any or indirect impact on ongoing expenses, but I think it would be minimal.

Rep. Jerry Kelsh: If there are additional fees required, then in your next budget do you generally try to include those in the budget or do you just continue to go with user or student fees?

Pat Seaworth: There is a line item on each institution's appropriation for operations expenses. As you know, those expenses are funded partly by state appropriations, general

fund dollars, and federal dollars, student tuition and fees. There may be times when the renovation actually might save operational expenses. We might have increased efficiency on saved utilities or replace an old outdated facility where there were liability concerns. If there are increased costs, they would be built into the ongoing operations line item of that institution and funds to cover those costs would come from a combination of state money, general funds, students' fees and tuition, or other revenues that the institutions generate from a variety of sources.

There was no opposition.

The hearing was closed.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2076

House Education Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 11053

Committee Clerk Signature

Carmen Hart

Minutes:

Chairman Kelsch: This deals with \$85,000 to \$550,000 for capital project improvement without legislative approval if the project was financed by donations, gifts, grants, and bequests. Higher ed. came in and asked us to put it back up to what they came in and asked for in the first place with \$750,000. The senate had amended it to \$550,000. This bill is so much of a bill that we had to continue the discussion where they could leave up to 20% overages, some of the slippery slopes that they are attempting to slide on.

Vice Chair Lisa Meier moved a **Do Not Pass**. **Rep. Karen Karls** seconded the motion.

DO NOT PASS. 8 YEAS, 6 NAYS. **Rep. Karen Karls** is the carrier of this bill.

Date: 3-16-09
Roll Call Vote #: _____

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2076

House Education Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Rep. Meier Seconded By Rep. Karls

Representatives	Yes	No	Representatives	Yes	No
Chairman RaeAnn Kelsch	✓		Rep. Lyle Hanson		✓
Vice Chairman Lisa Meier	✓		Rep. Bob Hunsakor		✓
Rep. Brenda Heller	✓		Rep. Jerry Kelsh		✓
Rep. Dennis Johnson	✓		Rep. Corey Mock	✓	
Rep. Karen Karls	✓		Rep. Phillip Mueller		✓
Rep. Mike Schatz	✓		Rep. Lee Myxter		✓
Rep. John D. Wall		✓			
Rep. David Rust	✓				

Total (Yes) 8 No 6

Absent 0

Floor Assignment Rep Karls

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

SB 2076, as engrossed: Education Committee (Rep. R. Kelsch, Chairman) recommends DO NOT PASS (8 YEAS, 6 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2076 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2076

Testimony on SB2076 - Senate Education on January 7, 2009
Laura Glatt, North Dakota University System

SB2076 would increase from \$385,000 to \$750,000 the capital project amount the State Board of Higher Education (SBHE) could authorize, without legislative approval, if the project is financed by donations, gifts, grants and bequests. It would also change from six months to three months the time during which legislative approval would be required, preceding a legislative session. For example, if a project is finalized in October immediately prior to the start of the legislative session, the project would need to be delayed pending authorization during the upcoming legislative session. If however, an opportunity arises in March, preceding the start of the legislative session, the SBHE could authorize the project if it costs \$750,000 or less.

In 2001, the interim higher education committee introduced SB2039 which would have permitted the SBHE to authorize capital projects costing \$500,000 or less if financed from donations, gifts, grants and bequests. That bill was amended to include the \$385,000 limitation currently in place. Over the past eight years, construction prices have increased considerably, necessitating the increase in the dollar limitation. The last sentence of the attached article states: "Beginning in 2004, however, many construction materials had years with double-digit increases, whereas the CPI has continued to rise at a 2.5-5.6% annual rate." When one looks at the average change since 2001, construction prices in general have increased in excess of 35%, some types even more. I have attached more detailed information produced by the Bureau of Labor Statistics on cost changes since 2001.

One of the most notable increases in construction costs are in lab construction. Much of the cost increase is due to the nature of laboratory construction which relies on imported components, many made with high-tech resins and plastics, which are produced using petrochemicals. In addition, the shipping charges (although they may be coming down for a short period of time) have added a significant amount of overhead to any lab purchase. One striking example of this cost increase was obtaining shielding components for a specialized lab hood at UND that was made only in Italy. Being made of lead, the pallet weight was over five tons, and it cost approximately \$15,000 to have it shipped to Grand Forks. Many research lab projects are paid from grant funds. A typical lab renovation of 1,200 to 1,500 square feet (30 ft. x 40 ft. room) costs about \$480,000 to \$600,000. There are also many smaller projects at the NDSU Agricultural Research Centers that fall under the \$750,000 limitation that are increasingly being funded with grant and donated funds. This change would allow the NDUS to proceed with these projects during the interim between legislative sessions if funded from donation or grant funds.

It is difficult to anticipate upcoming projects and their related costs, two, three or, in some cases, four years in advance of the actual construction. The following table outlines the most recent process and timeline for legislative consideration:

Campuses develop campus master plans and project proposals	April 2007-April 2008
Submitted for SBHE evaluation and approval for legislative approval	May 2008
Final budget request submitted to OMB	July 2008
Legislature considers projects as part of the appropriation bill	January 2009-April 2009
Construction period (with emergency clause)	May 2009-June 2011

Further delaying construction due to approval requirements can increase the overall cost of the project as prices continue to rapidly increase.

Although projects costing less than \$750,000 would generally not require legislative approval, under the proposed amendment, many would still require SBHE scrutiny and approval. Under SBHE policy, all projects costing in excess of \$250,000 require SBHE review and approval, before proceeding with the project. I have attached an example of the information the SBHE receives when evaluating these projects.

I would appreciate your support of the proposed amendment and would be happy to answer any questions you might have. Thank you.

University of North Dakota

April 3, 2008

900: FACILITIES

REQUESTED ACTION:

902.3 Request authorization to proceed with leak repairs to Odegard Hall.

Background Information:

Odegard Hall was constructed in 1983, and serves as the primary location for the John D. Odegard School of Aerospace Sciences. Built to be the most modern of facilities, the building was erected using state-of-the-art technologies for both engineering and architecture. Although over thirty years old, it remains a symbol of the advanced learning methods employed at the JDOSAS.

Due to its advanced design, a number of minor leaks and other maintenance problems have been managed over the years that may not have been noticed in buildings with a more traditional design. To that end, the problems were not severe enough to warrant significant work, and the overall problem of building envelope leaks has been managed as deferred maintenance.

With additional deferred maintenance funding being made available by the 2007 legislature, the University has undertaken a thorough investigation of the various leaks within the structure in order to determine the best course of action. The results of the study indicate that a significant part of the building exterior and roof must be removed and replaced in order to facilitate a long-lasting repair. Although complex in nature, the basis of the repairs can be described as the replacement of building components underlying the masonry and roofing surfaces. Because the masonry and roofing components cannot be salvaged after removal, it necessitates replacement of exterior components which are not damaged.

Project Description:

Scope of work includes the removal and replacement of the exterior masonry surface and roofing system. Current estimates for repair are \$1,400,000 although actual costs may vary. Because the scope of work can be limited to a fixed budget (the work may stop at specific point based on cost), uncompleted repairs will be once again deferred until funding becomes available, at which time the University will seek additional authorization.

Source of Funds:

Estimated cost of the project is \$1,400,000 using Facility Department plant improvement funds from 2007-09 state appropriation for deferred maintenance of \$2,060,282.

Changes in Construction Materials Prices, 2001-2008 (August 25, 2008 revisions are in italics)

Since early 2004, the construction industry has been jolted by a succession of steep price increases affecting a variety of materials. The attached tables document these increases, using producer price indexes (PPIs) from the Bureau of Labor Statistics (BLS) for specific construction segments, inputs and building types. The increases are compared to changes in the consumer price index for all urban consumers (CPI-U) and the PPI for finished goods.

Background on PPIs

Each row shows the BLS series identifier and name for a PPI (or CPI), and two groups of percentage changes. The first group shows the 12-month percentage change for the years ending December 2001-07. The second group shows preliminary price changes in the latest month from 1, 3 and 12 months before, and from December 2003, when construction costs first spiked. Percentages are downloaded for PPIs from BLS' PPI website, www.bls.gov/ppi, at the page for "PPI Databases--One-Screen Data Search." Most of the PPIs are commodity indexes. There are also two types of industry PPIs. One type measures the finished cost of new buildings or subcontractors' work, including labor, overhead and profit, as well as materials. The other measures the cost of inputs for six construction segments.

To provide consistency, "not seasonally adjusted" indexes have been selected for all items. For many items, BLS does not post a seasonally adjusted index, either because the price does not vary consistently by season or there is not enough data available to calculate a seasonal adjustment. However, prices of items such as natural gas do show wide seasonal swings; for these PPIs, a large one- or three-month change may not be unusual. The PPIs shown are available only at a national level.

As the name implies, the PPI for a commodity measures the price charged by a producer of that item or category. The index excludes any costs the buyer incurs beyond the producer's loading dock or other point of sale, such as insurance, freight, storage, fabrication, or installation. Such costs are considerable for many construction inputs and may change at rates different from the PPI, but these rates cannot be estimated from PPI data. There is no PPI for construction labor, and the PPIs for trucking and insurance are not specific enough to indicate the specialized services and products used in construction.

The PPIs chosen for these tables are believed to be the closest approximation to items actually used or bought for construction. Some PPIs cover a wider range of materials than items used specifically in construction. For instance, steel mill products include steel used in motor vehicles, appliances, equipment, etc., as well as construction. Other PPIs, like those for concrete products, reflect materials used solely in construction. An industry PPI measures the costs of all items used by an industry, including items like diesel fuel that are consumed during construction. Readers are encouraged to scroll through the indexes on the PPI website. BLS has invited users to submit ideas for additional PPIs; send them to simonsonk@agc.org.

Organization of PPI Tables

Table 1 compares the CPI-U with PPIs for finished goods and for construction inputs (materials that go into every type of residential and nonresidential project, plus items such as diesel fuel that are used up by contractors). The construction input PPIs are separately weighted for inputs used in highway and street, other heavy, nonresidential building, multi- and single-unit new residential construction. Weights are available on request; they differ markedly for different types of construction.

Table 2 shows PPIs for completed new buildings (industrial, warehouse, school and office) and for the prices charged by concrete, roofing, electrical and plumbing contractors for work on new nonresidential buildings. Unlike other PPIs, these indexes include changes in general or specialty contractors' overhead, profit and labor costs as well as material inputs.

Table 3 shows changes in PPIs for specific construction inputs. Items are grouped into petroleum-based products; concrete and brick products; miscellaneous materials; and metal products. Indented index names show that the item is a subset of the last unindented item above it; this relationship is also shown in BLS's numbering system, which assigns one or more extra digits to subcategories. For instance, "WPU1331, concrete block and brick," is indented to show it is included in the index for "WPU133 Concrete products."

Table 4 has indexes covering changes in PPIs for basic inputs—items used to produce construction inputs—divided into nonmetals, and metal ores and scrap. Recent changes in these indexes can show up later in price changes for materials made from these items.

Changes in Construction Costs

In general, through 2003 most construction materials show very modest increases and many decreases in price, similar to the CPI, which rose 1.6% in 2001, 2.4% in 2002, and 1.9% in 2003. Beginning in 2004, however, many construction materials had years with double-digit increases, whereas the CPI has continued to rise at a 2.5-5.6% annual rate.

In July, there were extreme increases in asphalt prices and continuing rises in PPIs for steel mill products, diesel fuel and plastics. Gypsum and copper products rose sharply after recent declines. Concrete products rose only 0.1% and lumber and plywood prices reversed earlier gains.

Percentage Changes in Producer Price Indexes (PPIs) for Construction Materials and Components, 2001-2008

BLS Series ID

12 months through December--

to July 2008 since--

Table 1: Changes in Consumer, Producer & Construction Prices

	2001	2002	2003	2004	2005	2006	2007	6/08	4/08	7/07	12/03
CUUR0000SA0 Consumer price index (CPI-U)	1.6	2.4	1.9	3.3	3.4	2.5	4.1	0.5	2.4	5.6	19.4
WPUSOP3000 Producer price index (PPI) for finished goods	-1.6	1.2	4.0	4.2	5.4	1.1	6.3	1.4	4.7	9.8	28.0
PCUBCON PPI for inputs to construction industries	-0.9	0.7	3.0	9.1	8.2	4.6	4.5	2.0	6.6	11.9	44.1
CUBHWY PPI for inputs to highway and street construction	-3.6	1.0	2.6	10.8	14.1	6.2	9.6	3.8	11.2	21.4	77.0
CUBHVV PPI for inputs to other heavy construction	-2.6	1.0	2.6	13.4	8.8	5.5	6.4	2.1	8.4	17.0	61.4
PCUBBLD PPI for inputs to nonresidential buildings	-0.5	0.7	2.4	9.3	7.4	4.0	4.6	1.9	6.3	11.8	42.4
PCUBRSM PPI for inputs to multi-unit residential	-0.1	0.4	2.7	8.9	7.8	4.9	3.7	1.3	4.7	8.5	38.4
PCUBRSI PPI for inputs to single-unit residential	-0.4	0.6	3.5	7.0	6.9	4.2	2.4	1.4	4.4	7.1	30.9

Table 2: Changes in PPIs for New Buildings and Components

PCU236211 New industrial building construction	not available before 2008; series began 6/07							1.8	1.7	4.3	n.a.
PCU236221 New warehouse construction	not available before 2005							1.9	2.0	4.4	n.a.
PCU236222 New school construction	not available; series began 12/05							-0.2	1.4	3.2	n.a.
PCU236223 New office construction	not available; series began 6/06							1.1	1.0	3.7	n.a.
PCU23811X Concrete contractors, nonresidential building work	not available; series began 12/07							1.6	1.3	n.a.	n.a.
PCU23816X Roofing contractors, nonresidential building work	not available; series began 12/07							1.3	3.5	n.a.	n.a.
PCU23821X Electrical contractors, nonresidential building work	not available; series began 12/07							0.6	1.2	n.a.	n.a.
PCU23822X Plumbing contractors, nonresidential building work	not available; series began 12/07							1.2	2.5	n.a.	n.a.

Table 3: Changes in PPIs for Specific Construction Inputs

WPU057303 #2 diesel fuel	-44.7	54.4	13.0	37.9	46.7	2.3	33.9	2.7	18.5	77.6	333.2
WPU05810112 Asphalt (at refinery)	not available							21.3	58.0	78.1	290.9
WPU139401 Asphalt paving mixtures and blocks	0.9	2.0	3.7	4.3	14.3	27.6	1.3	14.4	28.4	34.2	108.0
WPU136 Asphalt felts and coatings	4.6	-0.6	6.3	4.1	15.3	5.0	-2.5	12.0	22.7	27.9	59.7
WPU1361 Prepared asphalt & tar roofing & siding products	5.0	-1.7	5.3	4.6	16.2	5.2	-2.4	11.3	22.4	27.4	60.9
WPU133 Concrete products	2.5	-0.3	1.5	7.6	10.1	8.1	3.3	0.1	0.7	3.8	36.6
WPU1331 Concrete block and brick	2.3	1.6	3.2	4.7	8.1	6.8	3.2	0.4	1.5	2.8	28.3
WPU1332 Concrete pipe	4.4	1.7	1.4	5.5	7.5	2.5	1.1	0.6	3.8	13.2	34.0
WPU1333 Ready-mixed concrete	2.5	-1.1	1.1	8.7	11.3	10.1	3.3	0.0	0.9	2.6	40.1
WPU1334 Precast concrete products	0.7	0.3	2.5	6.0	6.0	4.7	4.8	0.0	-2.0	4.7	28.9
WPU1335 Prestressed concrete products	5.3	1.8	-0.2	8.2	14.3	4.9	1.2	1.7	3.3	4.7	37.4
WPU1342 Brick and structural clay tile	5.3	1.9	0.7	3.0	9.4	6.0	-0.2	0.2	-0.2	-0.7	18.9
WPU072106 Plastic construction products	-2.7	3.1	3.2	7.2	21.6	-0.7	0.3	1.8	4.0	4.5	35.4
WPU137 Gypsum products	0.4	3.4	2.8	20.0	18.8	5.5	-22.2	1.3	-0.4	-6.1	18.7
WPU1392 Insulation materials	0.4	-1.5	2.0	8.6	2.6	2.1	-3.3	-0.3	-0.9	-3.6	7.6
US1004011 Lumber and plywood	-2.9	1.4	13.1	5.0	-1.1	-10.8	-1.3	-2.2	2.2	-5.9	-7.7
WPU062101 Architectural coatings	2.9	0.6	3.9	5.3	9.2	6.3	4.1	0.2	0.3	4.1	32.5
WPU1017 Steel mill products	-6.1	11.1	1.7	48.8	-3.8	11.6	1.0	1.7	21.8	33.4	125.6
WPU101704 Hot-rolled bars, plates, & structural shapes	-4.3	2.1	11.3	53.8	-1.0	7.5	8.1	4.3	20.6	33.2	144.8
WPU101706 Steel pipe and tube	-3.7	9.1	3.3	66.0	1.2	5.5	-1.9	2.9	18.3	34.7	137.5
WPU102502 Copper and brass mill shapes	-9.5	-1.6	11.6	29.6	31.0	44.4	-3.8	2.8	-0.3	-0.5	172.3
WPU102501 Aluminum mill shapes	-2.9	-0.9	-0.5	9.9	5.0	12.7	-1.7	0.5	0.4	3.9	37.2
WPU1073 Sheet metal products	-0.8	2.0	0.6	15.2	0.4	6.5	0.4	1.2	5.0	8.8	196.9
WPU107405 Fabricated structural metal	-1.3	-2.4	0.1	24.7	2.8	3.6	5.3	1.5	5.3	16.2	60.4
WPU10740501 Fabricated structural metal for buildings	-1.5	-3.3	-0.1	20.0	3.1	3.3	4.7	0.7	3.9	13.0	49.8
WPU107408 Architectural and ornamental metalwork	-0.1	3.7	0.7	23.5	3.1	4.9	2.8	2.6	9.1	13.8	54.8
WPU107409 Fabricated iron & steel pipe, tube, & fittings	0.6	0.1	1.2	32.6	5.5	-2.8	-1.6	0.6	5.9	8.9	44.3
WPU1076 Fabricated steel plate	0.6	-1.0	0.6	7.6	0.6	8.6	9.9	-0.7	4.9	21.6	45.2
WPU1079 Prefabricated metal buildings	0.0	4.0	-0.7	35.5	2.0	5.5	1.8	1.5	13.0	25.6	88.0
WPU112 Construction machinery and equipment	-0.1	1.9	1.3	6.0	4.9	3.6	2.2	0.4	1.1	2.9	20.6

Table 4: Changes in PPIs for Basic Inputs Important to Construction

WPU056 Crude petroleum (domestic production)	-42.4	60.6	14.3	30.5	49.6	0.1	52.4	6.7	23.8	94.3	367.3
WPU0553 Industrial natural gas	-36.7	12.2	20.3	20.1	31.5	-13.2	-4.6	7.8	21.7	37.5	82.5
WPU066 Plastic resins and materials	-9.8	9.2	6.4	28.6	10.8	-7.8	10.0	7.6	11.2	19.2	64.4
WPU1321 Construction sand/gravel/crushed stone	3.3	2.5	2.4	4.3	7.7	9.3	8.6	0.3	0.7	7.0	39.2
WPU1322 Cement	1.0	1.3	-1.1	7.9	12.2	10.5	3.5	-0.8	-0.3	0.0	39.5
WPU1011 Iron ore	1.5	-1.3	1.6	6.7	15.5	7.5	1.3	0.0	0.0	12.0	50.5
WPU1012 Iron and steel scrap	-5.6	27.8	64.9	50.8	-10.8	2.9	30.4	5.2	15.0	110.5	247.3
WPU101212 Stainless and alloy steel scrap	no data from 1996 until September 2006							4.6	-18.8	-10.7	n.a.
WPU102102 Copper ores	-19.6	3.6	37.4	65.1	39.3	53.1	-0.9	2.5	4.6	0.9	327.4
WPU102301 Copper base scrap	-17.4	11.2	30.7	34.5	51.9	50.0	1.2	1.8	-2.3	14.1	280.8

Updated 8/25/08 Source: Bureau of Labor Statistics (BLS): www.bls.gov/cpi for CPI, www.bls.gov/ppi for PPIs

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Testimony on First Engrossment SB2076 - House Education on March 2, 2009
Laura Glatt, North Dakota University System

Engrossed SB2076 would increase from \$385,000 to \$550,000 the capital project amount the State Board of Higher Education (SBHE) could authorize, without legislative approval, if the project is financed by donations, gifts, grants and bequests. The original bill, as proposed by the SBHE, would have increased the amount from \$385,000 to \$750,000 and also changed from six months to three months the time during which legislative approval would be required, preceding a legislative session. For example, if a project is finalized in October immediately prior to the start of the legislative session, the project would need to be delayed pending authorization during the upcoming legislative session. If however, an opportunity arises in March, preceding the start of the legislative session, the SBHE could authorize the project if it costs \$750,000 or less.

In 2001, the interim higher education committee introduced SB2039 which would have permitted the SBHE to authorize capital projects costing \$500,000 or less if financed from donations, gifts, grants and bequests. That bill was amended to include the \$385,000 limitation currently in place. Over the past eight years, construction prices have increased considerably, necessitating the increase in the dollar limitation. The last sentence of the attached article states: "Beginning in 2004, however, many construction materials had years with double-digit increases, whereas the CPI has continued to rise at a 2.5-5.6% annual rate." When one looks at the average change since 2001, construction prices in general have increased in excess of 35%, some types even more. I have attached more detailed information produced by the Bureau of Labor Statistics on cost changes since 2001.

One of the most notable increases in construction costs are in lab construction. Much of the cost increase is due to the nature of laboratory construction which relies on imported components, many made with high-tech resins and plastics, which are produced using petrochemicals. In addition, the shipping charges (although they may be coming down for a short period of time) have added a significant amount of overhead to any lab purchase. One striking example of this cost increase was obtaining shielding components for a specialized lab hood at UND that was made only in Italy. Being made of lead, the pallet weight was over five tons, and it cost approximately \$15,000 to have it shipped to Grand Forks. Many research lab projects are paid from grant funds. A typical lab renovation of 1,200 to 1,500 square feet (30 ft. x 40 ft. room) costs about \$480,000 to \$600,000. There are also many smaller projects at the NDSU Agricultural Research Centers that fall under the \$750,000 limitation that are increasingly being funded with grant and donated funds. This change would allow the NDUS to proceed

with these projects during the interim between legislative sessions if funded from donation or grant funds.

It is difficult to anticipate upcoming projects and their related costs, two, three or, in some cases, four years in advance of the actual construction. The following table outlines the most recent process and timeline for legislative consideration:

Campuses develop campus master plans and project proposals	April 2007-April 2008
Submitted for SBHE evaluation and approval for legislative approval	May 2008
Final budget request submitted to OMB	July 2008
Legislature considers projects as part of the appropriation bill	January 2009-April 2009
Construction period (with emergency clause)	May 2009-June 2011

Further delaying construction due to approval requirements can increase the overall cost of the project as prices continue to rapidly increase.

Under SBHE policy, all projects costing in excess of \$250,000 require SBHE review and approval, before proceeding with the project. I have attached an example of the information the SBHE receives when evaluating these projects.

Although we appreciate the increase to \$550,000 adopted by the Senate, I respectfully request that you amend the bill to increase the amount to \$75,000 and change six months to three months on page 1, line 16. Thank you and I would be happy to answer any questions you might have.

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