2009 SENATE APPROPRIATIONS

SB 2025

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2025

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 01-08-2009

Recorder Job Number: 6713

Committee Clerk Signature

Minutes:

Chairman Holmberg called committee members back to order. All committee members were present. The bill is on the Veteran's Home relating to the construction project.

Rudy Jenson, Chairman of the Administrative Committee on Veterans' Affairs: Presented Testimony # 1 which is attached. SB 2025 is essentially the funding required to complete the construction of a new North Dakota Veterans' Home in Lisbon. By March 1, 2009 we need to certify to the Veterans Administration that we have state matching funds in place. Therefore I respectfully request action on this bill very quickly.

Mark Johnson, Administrator of North Dakota Veterans' Home : presented power point presentation. Testimony #2attached. He also submitted a written explanation Testimony # 3 which gives detail information concerning each slide on the power point presentation. (See testimony #3 for explanations.) He stated the original building was erected and commissioned into service in 1893. Additions were made in 1948, 1980 and 1990. On September 12, 2006, the ND Veterans Home received a life safety deficiency from the State Fire Marshal for the 1948 addition and again on November 22, 2006 the State Health Department's Fire Marshall came in and cited our basic care facility for that same deficiency. That triggered a thorough review on February 9, 2007, from the Department of Veterans Affairs and on February 9, 2007 they also cited us with the same deficiency. That triggered us to begin to get funding through

the VA and what they are willing to do and still willing to do they are going to fund our building for 65% for either replacement costs of 121 beds, which is a whole another issue (06.14) Further information was given regarding the number of beds in the facility and the condition assessment of the building. The VA wants a household /neighborhood model.

V. Chair Grindberg: began chairing the meeting for a short time.

V. Chair Bowman when you came in and asked for money 1st time, who changed your mind to change to this new concept. Someone had to make the decision. So we know who started the

Mark Johnson: It was the VA. They looked at our project and asked why go to an old model. We want you to look at what you are doing with our guys. There is federal dollars for funding and they want the very best for our vets. They gave us different models. They have built different types of campuses.

V. Chair Bowman my point is we went through this process. Would the va denied after the fact. This is a whole new concept, more expensive. Is that why you came in?

Mark Johnson: They directed us to go this way. I don't know if they would have funded the old plan. This is what they are funding right now. They are denying other projects. Our project was # 1 but now we are #2.

V. Chair Bowman What is going to be the next surprise?

Mark Johnson: This has gone through all the VA people now. They will have the state come out and survey us and they will look at that. There is a whole new VA system to survey. To my knowledge there isn't any more surprises at this time. Through the process we were lucky to have the National Guard during the front end of the project, they removed all the trees. They did an amazing job basically preparing the pad. We now have an additional 4 to 5 feet to fill. To date expenses we have paid are professional fees, diesel fuel for the National Guard, fill material, surcharge work, land improvements, bid advertising. (19.23)

When we did the bid opening, the balloon hadn't dropped. Everything was at the peak, the balloon busted 4 days after we did the bid. The board has chosen to rebid the project on January 27th, 2009, we will basically make some shifts as to what the cost will be. (20.45). They left out some of the areas in the hallway; we underestimated. The first concept you saw was150,000 sq feet, the new one is at 159,000 sq feet.

V. Chair Grindberg who gave you the estimate?

Mark Johnson: It is the number that Human Resources had. They knew it was underfunded. We keep coming back for more dollars the VA has specific requirements. We've been able to stay on this because of the diligent work they have done. The match from the VA (23.62)

Chairman Holmberg: That money did not come from the emergency committee.

Mark Johnson: We needed to come to whole committee for authorizing more money. Cost allocation for Senate bill 2025 was presented in the power point presentation. See testimony #2.

Senator Robinson stated the hope is that come Jan 27 the bids come in at a much lower level. We have no way of knowing but we can expect some good news in January.

Mark Johnson: All our numbers will be readjusted. Are the numbers down? They have been doing some other bidding.

Chairman Holmberg stated there is really nothing the subcommittee can do until the different bid is done and hopefully it will be smaller numbers.

V. Chair Grindberg stated if we will make that speculation that prices will not have dropped. Open bids will be offered, what we pledge to date, the VA . would you agree national news hit vets were not being treated right out east. I suspect that fast tracked this, would you agree, had that not happened, without the urgency on the federal sight, we might have had a more complete budget.

Mark Johnson: I don't know if we could have changed, because it was a life safety issue, we had to fix the building. When the feds came we were totally under the arm of the feds we had to get a new building. We have 20 or 30 guys using communal bathrooms. That is not good living conditions. We don't have a women's bathroom in the 1940 building. Everything was elevated, we had to get it fixed, the feds came in we are in the process now of closing that facility, we will not get funding if we don't' get the right answers. We were under that. Everything was escalated as high as it could be. My hat goes off to the board and staff because the feds look at us really hard. I have great staff. Our vet home has a 5 star rating and I am proud of that.(32.50)

Senator Seymour had questions regarding final costs.

Mark Johnson: There might be an additional money

Senator Krauter I have a question for OMB. I am trying to reconcile the numbers the federal dollars as a match. We have an urgency of March 1st, 2009, and the money isn't adding up.

Lori Laschkewitsch OMB Analyst: I think the easiest way is to put together a spread sheet for you..

Senator Christmann I can't see the end to the increases. I think we can build a more economical facility rather than depending on the feds. I look at the neighborhood design and do you really think that will be enough to operate this facility?

Mark Johnson gave a dollar amount for the new building This facility is another 70 beds than the facility that Randy and I had a part of building. We do have requirements from the VA, square footage is a requirement, they have requirements above and beyond the state requirements. That makes a difference. When you look at the man power we will have more FTE's but we also will be able to monitor the situation better. (38.16) In regards to nursing staff, we probably won't see an increase in nursing because of the way everything is going to

be divided. One of the things we are implementing in the new building is a system which allows our nurses to get out there to do better assessments of the residents and so in the long run, we are looking at making some shifts and making some changes and ultimately we can sit down and look at the cost. I do think it will average out. We will start generating more dollars in revenue when you start looking at the price per day times 30 and we will be adding more beds, we're going to need more FTE's on the skilled side. We won't need a whole bunch but you have to understand is that we are a 24/7 operation.

Senator Christmann I am having a hard time trying to differentiate whether we are meeting the requirements of the VA or the desires of the VA, but whichever the case may be, are we confident that if we were to provide this money that they aren't just going to raise it again?

Mark Johnson: I am very confident. We talked with the VA. They already approved the structure, looking at the FTE requirements (the FTE piece may change a bit it all depends on what's happening. Going back to the cliental that we serve our guys deserve the best. They have been through hell, many of them and I am very appreciative to the service they have given to us. I am going to be very honest with you, we see the worst of the worst. We see what's happened to many of our guys. We see the guys that are the bridge people. When the other nursing homes are getting rid of their veterans because of the issues they are causing in their buildings those are the guys that we are seeing. We are their last defense from the public sector for them to go into the State Hospital.

Senator Robinson had questions regarding SB 2007 there is a time limit. The staff down there are doing a great job. The moral and the feeling you get in the community is really positive and upbeat. I just wanted to say that publically. And they are taking on this construction project that is truly time consuming. Your staff and the board deserve a big thank-you in my opinion. (43.24)

Senator Fischer had questions regarding following the VA on their instructions and if we don't follow their recommendations can that have an effect on future funding and also had questions regarding the site and the100 year base flood elevations.

Mark Johnson stated if we don't make the changes the VA want us to do only the VA can make the decision to fund or not. We are trying to create an environment that they want us to do go down. Also, we are out of the 100 year flood elevation with the new building. I am thankful I have him and DuWayne Ternes here, DuWayne has been outstanding to have on the board. He formerly owned Capitol City Construction and he has devoted a great deal of time and he has done an outstanding job. And Rick has helped us with a number of other issues. I am thankful for the assistance of OMB as well.

Rick Hoganson, Foss Architecture gave information orally stating the new building will be located 3 feet above the 100 year flood elevation and it has been determined it is a safe distance and that also minimized the amount of fill that had to be brought in this summer. He explained where this project has come since 2007. What was in the budget at that time was a building about 30,000 sq. feet. In addition to that the project was proposed to be a wood frame construction. The Board discussed the lack of desire to create a facility that was wood frame construction so we knew at that time that may have an impact on the cost. It was right up front then that there would be shortfall in the budget recommendation. He discussed the geothermal project, which should have been presented in the 2007 budget and was also explained the concept of the Greenhouse environment. He stated the goal is to create a Hybred Plan. He stated that the project will be rebid and that 50 contractors have been contacted to rebid.

DuWayne Ternes, Retired Contractor and Member of the NDVH Governing Board testified in favor of SB 2007 and provided written testimony # 3. The highlights of his testimony were as follows:

1. Construction Costs changed considerably with the greenhouse design. The cost of the project has always been our first concern.
2. FF & E. stating this number was cut by moving some items in to construction costs so they could be bid avoiding change orders.
3. Contingency Fund stating one item we can't control and still don't know for sure it's the compaction of the soils to know if the footing will bear the weight of the building. The surcharge project is a surprise to me.
4. Patient Lifts which will provide the patient lifts built into the ceiling in several of the rooms in the skilled nursing section.
5. Spent to Date stating 80% of architectural fees are paid before the project construction even starts. We used the help of the National Guard, saving us equipment and labor costs, but the fuel and material costs are to be paid by us.
6. Remaining Architectural Fees stating we will be seeing an increase in these fees.
7. Nurse Call System was pulled from construction bids in order to allow the staff to choose the systems that work best for them.

He commended Mark Johnson for taking steps to try to figure out ways to make things better for the residents and the staff at the Veterans' Home. (62.22) We want something that will be there for many years to come and something we can be proud of. He also encouraged the committee to look at the Terrace, (a Greenhouse type of building as an assisted living establishment in Bismarck) (Burleigh County) which is on a much smaller scale but is working

very well for their residents. I questioned the raising the site 3 feet why are we going 3 feet. But that way we were able to eliminate the lift stations with the new concept.

Senator Mathern asked if we are in danger of contract bids going up because of our failure to move faster.

DuWayne Ternes I don't think there is. I think the bids will come down in January.

Chairman Holmberg announced that the same subcommittee will be on this bill. They are **Senator Kilzer as chair, Senator Bowman and Senator Mathern.**(68.31)

Senator Mathern had suggestions about combining both bills to avoid further delays.

Senator Krauter had a question for Allen Knudson regarding the salaries, equity increase, and health insurance included in the bills that this committee hears. He asked if the 5% is included in all the bills.

Allen Knudson, Legislative Council Advisor stated they are all in the bills.

Senator Christmann asked when the bidding date was.

Chairman Holmberg stated it is January 27, 2009, which gives us time before cross-over.

Mark Johnson We will be hindered by what the VA requirements are. Everything has to be done by March 1, 2009. The last date that we can file is March 16th, 2009 to get the federal funds. We'll have those 16 days to get all the certifications done on all the contractors and subcontractors.

V. Chair Grindberg asked in the bid documents how many days do we have toward contracts, 30 or 60. He was told 60 days.

Chairman Holmberg The request as far as us looking at moving the bill out before we have that final information is a decision that will be made by someone else. Chairman Holmberg closed the hearing on SB 2025. (72.48)

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. Subcommittee on Vet's Home SB 2025

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 01-29-09

Recorder Job Number: 8176

Committee Clerk Signature Rose Laning

Minutes:

Senator Kilzer called the subcommittee hearing to order at 3:45 pm on the Veteran's home. Subcommittee members **Senator Kilzer, V. Chair Bowman** and **Senator Mathern** were present. Also in attendance **were Mark Johnson**, Administrator of the Veteran's Home in Lisbon; **Kristin Lunneborg**, Account Manager; **Rudy Jenson,** Chairman, Administrative Committee on Veteran's Affairs; **DuWayne Ternes**, **Sheila Sandness**, Legislative Council; **Lori Laschkewitsch**, Office of Management and Budget.

The committee discussed geo-thermal heating for the vet's home which is a separate bill and has a price tag of about $3.2 M. The bids this past week showed about $3 Million. The Geo –thermal system is renewable and has a payback in 20 years. Ottertail Power has a renewable grant going into effect in 2010 and they will be paying back part of system.

The well system had to be expanded because of building regulations.

Senator Mathern asked if the electrical costs are based on the prices for electricity with Ottertail at this time.

V. Chair Bowman asked if another heating system was included in the bid because geo-thermal was in a bill by itself. If the geo-thermal bill fails, you'll still have to turn on the heat in the winter.

He was informed that SB 2025 funds the conventional heating system. The bill for the geo-thermal would meet the additional cost to convert the conventional system to geo-thermal.

V. Chair Bowman asked what type of heat was in the original bid and it was electric.

There will be 142 private rooms and 4 double rooms along with all the offices and PT area, and pharmacy. They discussed the regulations of the Pharmacy Board about the size of the pharmacy. The home will be 159,000 square feet.

Senator Mathern requested and discussion followed on the bids for the building as well as landscaping and geo-thermal bids. That information was provided and with all bills combined, the total bill would be $14,746,443.

They discussed the confusion of maneuvering the three bills through committees and floor sessions and maybe there would be a possibility of moving all three bills together.

Senator Mathern asked the Legislative Council to draft an amendment to the building bill that includes the geo-thermal and landscaping costs so that everything would be in SB 2025.

V. Chair Bowman was concerned that the House might not fund it. Then this committee would have amended a bill that hasn't been passed by them that they have already heard.

More discussion followed that included the bids on the building and landscaping as well as the deadlines that need to be met.

Senator Mathern moved to integrate three bills, SB 2025, HB 1267, and SB2075 using the revised figures provided by the Office of Management and Budget on 01-29-09 based upon the bid letting of 01-27-09. **Senator Bowman** seconded the motion.

Roll call vote was taken.

Senator Kilzer, Senator Mathern, and **Senator Bowman** voted in favor of the bill. Motion carried.

Senator Kilzer closed the hearing.

Veteran's Home Sub Committee meeting - 01-29-09

Senator Mathern moved to integrate three bills, SB 2025, HB 1267, and SB2075 using the revised figures provided by the Office of Management and Budget on 01-29-09 based upon the bid letting of 01-27-09.

Senator Bowman seconded the motion.

Roll call vote was taken.

Senator Kilzer, Senator Mathern , and Senator Bowman voted in favor of the bill. Motion carried.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2025

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: January 30, 2009

Recorder Job Number: 8239

Committee Clerk Signature Rose Laning - minutes taken by Jan Efferts

Minutes:

Senator Kilzer called the subcommittee meeting to order. Senator Kilzer, Senator Bowman and Senator Mathern were present. Also present were Sheila Sandness, legislative council, Lori Laschkewitsch, OMB, Mark Johnson, Veteran's Home and Kristin Lunneborg, Veteran's Home.

Senator Kilzer said the purpose of the meeting is to conclude work on 2025 and to spend time on the operational budget, 2007.

Senator Mathern reviewed amendment 98044.0101 . The three bills have been combined. He confirmed with Mark Johnson that the numbers are correct. He asked Sheila Sandness if we should refer to the bill numbers in the amendment to make it clear we are combining the bills.

Sheila Sandness said she can add it, she will check on it.

Senator Kilzer asked if the additional funds for geothermal would result in some savings by removing the originally proposed system. (HB1267)

Senator Mathern said it is an add on, it is the additional money needed if we go to geothermal.

Senator Kilzer referred to the three bullet points in the amendment. Are we assuming HB 1267 will be passed in the House?

Senator Mathern said we are not assuming that. The House bill could be defeated. With this wording, we are putting in geothermal, the House can take another look at it when the bills gets over there. They can amend it out or keep it in.

Senator Bowman asked about a reduction in cost through the elimination of the original heating system.

Mark Johnson said the geothermal price in the amendment is the cost on top of the cost of the original system.

Senator Kilzer confirmed the geothermal system has a 20 year payback.

Lori Laschkewitsch said if the House amends the bill, they can take out the approximately $3 million for geothermal and the Veteran's Home would still have a heating system.

Mark Johnson said the numbers have been crunched by Kristin Lunneborg and Lori Laschkewitsch and the figures in the amendment are all inclusive of what is needed for a new building and exterior.

Senator Kilzer asked if sprinkler systems, carpets are all there.

Mark Johnson said it is all there, they had bids on Tuesday.

Senator Kilzer said the reason for the increase are the three bullet points in the amendment. The first reduction of about $4 million is because bids came in lower than expected.

Mark Johnson added that it also corrects an error in the bill.

Lori Laschkewitsch said some numbers were counted twice in 2025 as introduced.

Senator Kilzer asked if there was an increase in federal funds.

Lori Laschkewitsch said they need reauthorization June 30, 2009, this is from a March 14 Emergency Commission meeting.

Lori Laschkewitsch said it will run out the end of the biennium and they need to reauthorize the appropriation.

The subcommittee reviewed the numbers in the amendment to be sure they are correct and exact.

Lori Laschkewitsch said they are.

Senator Mathern asked if the amendment assures all items are included in the emergency clause.

Sheila Sandness said yes, the bill has an emergency clause and the amendment changes an effective date. It will be effective immediately.

Senator Kilzer confirmed we will not need 2075 and the house bill with this amendment.

Sheila Sandness said that is correct. She will check on adding bill numbers.

Senator Mathern said it is technically not necessary but may help clarify.

Senator Mathern asked if the subcommittee should hold on to this or move it to the whole committee.

Senator Kilzer said Senator Holmberg said the leadership in the House and Senate are discussing it.

Senator Mathern moved amendment 98044.0101, seconded by Senator Bowman. Motion passed 3-0.

Mark Johnson asked if there will be a hearing next week. He is concerned about the timing. It needs to be done by March 1. They have $14.6 million riding on this. How can we keep it moving?

Senator Kilzer said he will talk to leadership.

Senator Mathern said there will not be another hearing. There will be committee action after the subcommittee reports.

Senator Kilzer said that will happen early next week. He reviewed a possible schedule for the bill coming out of committee and to the floor of the Senate.

Mark Johnson asked if they need any more information.

Senator Kilzer said he doesn't know of any.

Senator Mathern said some Senate members will have questions. He asked Lori Laschkewitsch if she could add another column to the spread sheet for 2075.

Lori Laschkewitsch said she had already done so and gave a copy to Senator Mathern.

Senator Mathern said it will be very useful to have the spreadsheet. It clarifies what we did with the three bills.

Senator Kilzer said Senator Mathern can explain this to the full committee.

The subcommittee moved on to discussion of the operational budget, Senator Bowman 2007.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2025

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 02-02-09

Recorder Job Number: 8363

Committee Clerk Signature Alice Delzer

Minutes:

Chairman Holmberg called the committee hearing to order in reference to SB 2025 in regards to the Veteran's Home. (19.35) We have to have a discussion on this bill. You may have some questions from Mark Johnson. He asked Senator Kilzer if he wanted Council to walk through the memo.

Sheila Sandness, Legislative Council :Everyone should have a copy of the veteran's home memo 99680. This is a background to the project. We began with original request. There were legislative changes to that bill and also added revenue bond. In March of 2008 the vet home came to the emergency and budget section with additional funding request. The emergency commission gave their approval. I included it there to identify the whole project. That had not been approved by the 2007 legislature. (23.22) The executive recommendation is to allow emergency commission funding to expire so that is why that is all taken out of that line. That bill was prepared prior to the bid letting project.

Chairman Holmberg had questions regarding general fund and federal funds, and the revenue bonds.

Sheila Sandness stated there are some additional bills introduced HB 1267 to fund geothermal heat and 2075 regarding the landscaping the request was to roll those bills into

2025. The 2007 -09 Senate action. The other line would be in the funding necessary because it was less than anticipated at the time so there is a reduction in the general funding for the bids and increasing the federal funding. She shared the amount of funding from the general fund and federal funding. (26.38)

Chairman Holmberg we started with the cost to build it and right now we are at a different amount plus the other two bills combined to get us up to that dollar amount (27.14)

V. Chair Grindberg had questions regarding the bids and the amount of the federal funds and **Lori Laschkewitsch OMB** stated the increase in federal funds has to do with that they were allowed a 10% overage so there was an additional federal match but we didn't have appropriated to them in the past, and then the federal fund authority that would have been a match that went along with the emergency commission action.

V. Chair Grindberg asked how do you subtract one from the other if we could start all over with the grant process. It was explained by Lori. The second thing, going through Mark's testimony quick did we talk at all about geothermal in these other bills when we had the hearing? How did it get to be we got bills coming in around the process here that wasn't disclosed during the hearing so we really haven't saved any money. We are adding more money to the budget. Why wasn't this all packaged in to the bill?

Chairman Holmberg commented we did hear 2075 in committee.

Senator Kilzer stated the geothermal is in house bill 1267. That amount was over and above electric, propane or fuel oil that might be used. In the bidding it turns out more to add geothermal than it is to have electricity.

V. Chair Grindberg asked why are we dealing with separate bills when this project should all be in SB 2025.

Senator Kilzer stated the subcommittee did put 1267 into 2025.

Chairman Holmberg stated there are two issues. Number 1 the subcommittee looked at 2075 which we had heard and determined they were going to roll that into this bill. It probably should have been in there from the beginning. Then they looked at the other bill and you got some information that you got on the geothermal. Can you tell us more about the geothermal?

Senator Kilzer said the geothermal was part of the bids that were let this last Tuesday. If we take geothermal out and just stay with electricity, fuel or gas the amount would be less.

V. Chair Grindberg asked is HB 1267 at the request of the veterans' home as well. OK. So help me understand why we have these two bills coming in on top of this bill. Is it something because of the governor's budget deadlines?

Lori stated the reason that we only had that piece in the governor's budget that had to do with the amount that was needed to get the federal grant requirement. We did not include the additional things like geothermal and the exterior finishing, irrigation and landscaping was not included in the governor's budget.

V. Chair Grindberg asked if it was just icing on the cake. Did someone say let's do this because it makes it better.

Senator Mathern I can address that. I would like to also pass out a spread sheet prepared by Council. Let me get to V. Chair Grindberg question. The veterans' home has to operate on two different budgets part on the old building and the new building. This project moved from design? This project has changed from this job has an electronic system, the sq feet have increased, increased 14 more skilled beds, as they were preparing their request to the gov, the letting approval must be done by March 1st, the only way to get all the work done was by introducing all these bills. And then these different bills were introduced to accommodate all these. In the chart before you, you will see the reason our subcommittee would suggest that the thermal heating be added into this bill. If we brought it all together the legislature would

have it all in one bill so that the house would see the full package. That is the general rational why it has come this way. The House can in fact defeat the geothermal and the bill is designed such, if they pass it it moves ahead, if they defeat it there is still enough money to complete the energy system. That is the reason it is coming to you this way.

Chairman Holmberg said I am struggling here, the numbers on the memo, when I get into central portion the numbers are different, but are we adding different things together. There is a difference in the costs with the two memos.

Senator Mathern said this one was prepared by OMB and they have been in the subcommittee meetings with Legislative Council and it is helpful.

Lori stated the numbers that are not included in the memo that I did is all the emergency commission action. All authority will expire at the end of this biennium so when we did SB 2025 basically the sheets that I gave you there tells what the appropriation authority was that the Legislature gave them for 07-09 and then it moves forward into the building costs were, and since there was interest in those other two bills I just added those to the spread sheet. That is the main difference you are not seeing all the ins and outs of the emergency commission authority. That's the piece that serves to add a lot of numbers to that sheet when they are going to expire then we need to reauthorize that authority.

Senator Mathern the final cost is the same.

Sheila Sandness made comments regarding the funding. (40.31)

Lori stated there was an initial bid that came in for that amount. They came to the emergency commission with hopes that the architect thought that they would be able to draw plans for that amount and that was the reason for the request from the emergency commission to get the funding to handle that. The unfortunate part the bid didn't come in at that amount so that piece of it is irrelevant at this point.

Senator Christmann I am looking at the Legislative Council sheet, right in the middle of the page, the governor's executive budget, show a certain dollar amount, and below that I would like an explanation of that dollar amount, it looks to me like a lessoning of federal funds coming and why? (42.06)

Sheila Sandness stated that is actually an increase in federal funds. She continued to explain the amount of federal funding. (43.21)

Chairman Holmberg had further questions regarding the federal funding and the general fund. (44.50) After going through the dollar amounts and where the dollars come from he commented that he understands it a little bit better.

V. Chair Bowman said the total cost of project includes the landscaping and the geothermal and all the federal money and Permanent Oil Trust and the general fund money from this year total a certain amount (45.16) If we don't do the geothermal, the landscaping, there is different amounts for all the projects that were funded. Senator Grindberg, I asked the exact same question why wasn't that all inclusive in the original bill.

V. Chair Grindberg stated it is confusing. The story came out we are saving, but there is no saving if you look at the big picture because of the other bills being added.I would say the bid opening was favorable but not factoring all the other elements in this.

Chairman Holmberg stated he has a governor's meeting in four minutes but you can continue the discussion.

Senator Kilzer said the bid letting a few days ago was slightly less than it was last October for construction. So that's what that amount is (47.10) you see under the general fund where it says reduction in bids There is a difference in bids between last October and a few days ago.

Chairman Holmberg asked if the committee had any questions of Mark Johnson.

Senator Christmann asked what is the square footage of the rooms.

Mark Johnson, Administrator Veterans' Home stated our rooms are around 200 sq feet and we have some a little bit bigger because of the size of our residents. We have a guy that is just about 400 pounds. We have another guy who is right behind him and we have made a bigger room for those guys who are bigger guys. We have about 4 rooms in our building and we are trying to meet their needs as they progress. The other piece that we are looking at is those rooms will be used to deal with the amputees.

Senator Christmann asked more about the geothermal and if there was a recommendation on what should be done concerning that.

V. Chair Grindberg chaired the rest of the meeting.

Senator Kilzer stated that is a House bill.

Lori stated that bill was heard on Friday in the House Human Resources subcommittee, the House of Appropriations.

V. Chair Bowman there is another issue or two that Senator Mathern brought up at last meeting, and I am not sure where those two ideas ended up at. Are they in amendments, or in the operations bill? By then I was totally confused because I thought we had everything.

Senator Kilzer stated we are trying to keep the operations bill separate from the new veterans' home, That has not been completed yet, we have not finished the operations yet. They are still in subcommittee.

Senator Christmann I am assuming as far as the geothermal, but if we didn't do that the base price has a heating system, regarding the ground work and lawn and stuff, the governor is usually meticulous in planning these things. I presume that he didn't bring the executive bill without any kind of landscaping or ground work. So is this additional or did he forget about landscaping all together? (52.28)

Mark Johnson stated the governor's budget funded the area around the building. On the existing plant, they hauled in dirt, they have demolished some of our roads, and part of this bill is to seal and redo some of these roads in these areas, and we are looking at replacing the sprinkling system that we have. We have a lot of issues with our system. Right now we sprinkle 10 or 12 acres now; with the new facility it will probably be twice that amount. We have a 20 acre field, there is no irrigation that comes there, so we pump out of the river now. We also need to move the 3 car garage and gazebo.

V. Chair Grindberg asked why are we sprinkling 30 acres of land.

Mark Johnson I shouldn't have said 30 acres but it goes back to where this is, when you drive on the campus,that whole front entrance is all sprinkled and we are looking to continue that that back piece is where they will be drilling the wells we won't be sprinkling that area.

Senator Christmann said for discussion, that is a wetter area than we have out west for what lawns can do without sprinkling. I could be wrong, but just from my memory here I believe from my time on the capitol grounds planning commission the capitol grounds all the sprinkled areas, we sprinkled about 23 acres. This is probably going pretty big.

Senator Fischer asked if they have figured the cost in selling the sprinkler system, the labor, the fuel, we are on record of saying 35 acres do you have the manpower to do that.

Mark Johnson stated we looked at all of that in our budget. We have 3 guys do the grounds, we actually have some veterans that help out.

Senator Fischer stated when you plant grass it is very fertile soil and you get more rain, do you need sprinklers in all the corners of the grounds.

Mark Johnson stated I threw that number out and I need to talk to maintenance. We have our main road and the site, and we are looking at sprinkling part of that area.

V. Chair Grindberg asked for an itemized list for that.

Senator Warner asked do you have repayment costs for geothermal Do you have that number.

Mark Johnson. We do. Right now we are at 20 years for payback. It is a savings, part of the issues we run in to with payback, we don't qualify for energy improvement grant. We have received a grant from the commerce department. One of the things that occurred in the last two weeks, I just met with Ottertail, they have a new renewable energy grant that they are working with that starts off in 2010. He didn't have any details for the numbers but it would be an annual payback on the renewable grant and our site will qualify for that. He is going to be putting us in the budget for that. I don't know how much they pay back. But we will be qualifying for a grant as well.

Senator Mathern stated all of these questions were answered in subcommittee but we can get more information to the full committee.

V. Chair Grindberg closed the meeting.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 2025

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 02-04-09

Recorder Job Number: 8653

Committee Clerk Signature

Minutes:

Chairman Holmberg called the committee hearing to order at 2:15 pm in reference to SB 2025 in regards to Veteran's Home. One of the items that I was asked to get a hold of was the documentation regarding the necessity for the time line that we have heard about and talked about and I have a copy of a letter from the Secretary of Veterans' Affairs (VA) in Washington and I gave a copy to Senator Kilzer; it talks about the dollar amount, failure to meet the remaining federal qualifying amount of days and If we don't meet the deadline it will result in loss of federal funds but they need time to process the papers and the deadline is March 1st. we have two bills and various concepts. The bill that is required to meet the standard of the Secretary of VA is the bill we are going to take up now and that is the construction of the home which is 2025 and I know we won't have enough time as we would like but there is a subcommittee has a meeting off campus at 3:00 and Senator Robinson is gone tomorrow and would like to be here for this discussion and this vote. Senator Kilzer, give us an update to where we all are on 2025 and this is the only bill we will take up this afternoon.

Senator Kilzer the first thing is a small correction from testimony you heard a couple days ago and we discussed and at you desks you received a map that shows some yellow and blue a location map, the yellow is the present location of vet home with irrigation, which is patch work; the green is the proposed new sprinkler system around the home, the home is a collection of

159,000 square feet compared to old one is 100,000 square feet. . The total of that green is a little over 60 acres rather than 30 acres as was estimated previously. On the other page is the breakdown for the landscaping bill. The bill 2025, you have the copy as introduced, I have some amendments they are 0.103 they reflect the increase in the funding the bid letting came in at and I'd like to pass those around.

Senator Mathern I also have a set of amendments regarding this project you folks have seen already but I would like to pass them out 0.101 (7.52) there were a couple of minutes distributing the amendments)

Chairman Holmberg What we will do is take a look at 0.103 and that doesn't mean that even if you vote for or against 103 you can't also vote for or against 101. 103 has, as Senator Kilzer explained it has in the general fund has the reduction in bids, the Permanent oil tax trust fund, the revenue bonds and federal funds. There has been a lot of discussion as to whether there should be one bill, one package, some think it should be separate. Let's focus on 103 amendment and open it for discussion. Could we have a motion?

Senator Kilzer moved amendment 0.103. Bowman seconded that motion.

Senator Robinson had questions regarding the bidding process, the geothermal, and getting the heating system situation completed by March 1st.

Chairman Holmberg one of the questions that is difficult to answer, is why would the Senate pass a dollar project change without a hearing.(12.66) That is a lot of money to spend. The House had a hearing. We had no hearing. It is not your fault. The geothermal bill a separate bill put in the house, we are moving 2025 forward rapidly because passage of that is what is important to secure the federal money. The other issues will be resolved before the end of session.

Senator Mathern I would submit that the problem that Senator Robinson raised is even more serious because the passage of 2025 has a traditional heating/ air conditioning system in it, then if that bill passed, I think your subcommittee was very responsible looking at 2025 and coming to the conclusion as our state progresses we are moving more and more towards geothermal. We also learned that the long term costs favor the state, I do not believe our debate was about a house bill. Our debate is on 2025 and what is contained in that. We came to the conclusion that thermal system is the right thing to do. It may move us into a situation we don't want to be in.(15.40)2025 with the addition of geothermal, with landscaping does not increase the cost of 2025 except for he gave $ amount (16.01) We could literally pass 2025 at the same amount, and in the same process, by telling the vet home to raise money to move the gazebo. I believe mistakes were made in bringing all the bills in that it confused people, however those things happened outside of our control and vet home control. We have found problematic. As a body now, add two more features that should have been in the bill and not spend a cent more.

V. Chair Bowman concern I had when we put these together, if the House decides they don't pass the geothermal we don't know what the House will do. The important part of passing this bill the way it is that if the House passes it they can apply for their federal monies. If the geothermal is rejected and then it comes back here and then we go into conference, you tell me how many days will it take to change their mind. That's why I suggested in the first place to get this done and back to them before the deadline. There is no question that this is going to be passed and they can do that. We can argue with the House on the other two things and if it passes I am sure there is a way you can include the geothermal very easily. When we built our Courthouse, you can do changes, they do it all the time in construction but this is what they need to get to Washington. I don't want a delay sitting here.

Senator Mathern I believe you are correct in terms of timing. But I reiterate if we pass this bill without any changes, we are telling folks to go and start building something the Legislature doesn't want. If the geothermal system continues with some difficulty, these folks can't wait, this is helpful to get it on the fast track, if the House doesn't want geothermal system, they have that opportunity to take that out of the bill then we would have your situation. I am afraid of this 100 year mistake.

Chairman Holmberg we are arguing over something that we really, it's important, it is something the Legislature and the full Senate, I can't speak for the Legislature will resolve but keep in mind the timelines. It makes no difference. We pass 2025 and it won't go into effect until March 1st which is well after the Senate has had it's opportunity to vote on these other issues. So as far as digging in the ground, it is not going to happen they aren't going to run out and start plans this bill in the next few days. They have to wait until it goes to the House and before the House even gets it the Senate will have to make a decision on the other bills. We can discuss it and it is an important issue but the bottom line is 2025 will go to the House we would have had to pass these other bills because of cross over.

b As I understand this the geothermal bill is in the House if we pass this bill without geothermal, they'll kill the bill.

Chairman Holmberg you think they will kill the geothermal.

Senator Robinson When they look at the watering, the landscaping, they'll say let's kill geothermal.

Senator Mathern in terms of hearing aspect, we looked at all the possibles, had there been walls missing, other features, we would address those in this bill, I pursued the heating system and the geothermal (23.14) get it to the house I believe they will support it, governor's office in support of it, this will pass.

comes over here, as soon as the bill passes it is going thermal. To bring it up now, was never discussed with us. Correct me if I am wrong.

V. Chair Grindberg Just ask Lori the bids opened the 27th of Jan , 60 days that contracts could be awarded bid we push this bill out and it is acted on to reach theMarch 1st deadline the group still has 60 days to award contracts. My point being regarding the geothermal was an alternate bid tab, there is still ample time to have a hearing. If there is still time to accept that alternate bid offer that is typically how it is held.

Senator Robinson I am confused on an alternate bid. I didn't think it was an alternate bid.Let's listen to someone who knows construction.

DuWayne Ternes, retired Contractor and member of the Board; the base bid is the geothermal system, it is an alternate to take it out but the number we gave you we took it out to lower the number (26.07) we have 14 to 16 alternates, sorry we didn't share that number with you; we brought you the number that was best to bring to you to build a complete home that they could move into. You got a system there but 10 years when electrical prices go sky high will we say we had the opportunity to put in that system. Yes it is in the base bid, it's not quite that clean,Senator Grindberg, when you said we can award these we can't do so this would make a difference for the mechanical contract now if we can't pick the electrical, the mechanical, we can't write the contract according to the rules for the federal funds the contracts need to be written by March 1st and submitted so if we don't write contracts we can't write contracts if we don't know we won't know, we can't write it, we will be in trouble.

V. Chair Bowman Why in the world that was not discussed about the original bid until you spoke just now? We've worked hard to get the bill passed out, you are the ones that put the other bill because that was done we have to honor the system we work with , if it passes, it comes over here, as soon as the bill passes it is going thermal. To bring it up now, was never discussed with us. Correct me if I am wrong.

DuWayne Ternes You are right. If it goes through we can do that. I am saying the right thing to do go with geothermal. We did it because it is the right thing to do.

Chairman Holmberg I am assuming the House got that information. the weakness of not having the bill before us.

V. Chair Grindberg If we don't do geothermal do you have a mechanical system?

DuWayne Ternes Yes, we do. The old conventional system is in the bid that was presented. We took the liberty to take geothermal out, the building will function, but it may not be the right way. The they have never compared it on a vet/nursing home, so much air in this building, it is unfair, we have an alternate, we are switching part of these two wings, it will be a 100 year building.

Chairman Holmberg we will have another vote. **A roll call vote was taken on amendment .0103 Senator Kilzer made the motion, seconded by V. Chair Bowman 13 yeas, 1 nays, 0 absent.** The amendment passed

.Senator Mathern moved to pass .101 amendment, seconded by Jon warner. Senator Mathern Gave testimony towards that amendment. I believe this amendment says to everyone else when this bill came to the Senate the Senate acted in such a way as to bring honor for our work in this area, bring in fed dollars. (35.17.) I hope everyone supports this amendment.

Senator Christmann asked Senator Mathern to give us a brief explanation of this amendment.

Senator Mathern in the process of putting all things together, projects were also bid, it was a responsible way to look at the whole project so these costs that are being added are in so the cost of the facility came out less than the original bill. We added in these things for a more eff Senator Kilzer as far as more federal funds, it doesn't amount to very much because the match can only be 10% there isn't much difference over original bid.

Senator Robinson I echo we have a number of building projects before cross over, if we don't support with this unless the House kills the bill I recommend we support the amendment.

Senator Krauter had followup comments concerning the amendment. .

Senator Mathern I think it is important to point out that we are not done when we pass this bill. We have an issue of telephones, landscaping, heating, we have many bills before us that go up or down, I don't want us to build a vet home where either is no grass, where there is a heating system, not modern, where we haven't done the proper thing in communications. This brings together most of those items in one package. If we pass the amendments, we are not eliminating the other ask for support in supporting these amendments. (40.33)

Chairman Holmberg asked for the roll to be called on Amendment .0101. **A roll call vote was taken with 6 yeas, 8 nays, 0 absent. The amendment .0101 failed.**

Senator Wardner moved a DO PASS AS AMENDED (.0103) Seconded by V. Chair Bowman . A ROLL CALL VOTE WAS TAKEN WITH 14 YEAS, 0 NAYS, 0 ABSENT.

Senator Kilzer will carry the bill.

Chairman Holmberg closed the hearing on SB 2025.

Date: January 29, 2009
Roll Call Vote #: 1

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

Senate Appropriations Sub Committee on the Veteran's Home Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Motion to combine SB 2025, HB 1267, and SB 2075

Motion Made By Senator Mathern Seconded By Senator Bowman

Representatives	Yes	No	Representatives	Yes	No
Senator Kilzer	X		Senator Mathern	X	
Senator Bowman	X				

Total Yes 3 No 0

Absent

Floor Assignment

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

98044.0101
Title.

Prepared by the Legislative Council staff for
Senate Appropriations
January 30, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2025

Page 1, line 7, replace "$12,036,404" with "$12,102,539"

Page 1, line 9, replace "$1,291,582" with "$2,643,904"

Page 1, line 10, replace "January 1, 2009," with "with the effective date of this Act"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Veterans' Home - Senate Action - This amendment increases the supplemental funding provided for the Veterans' Home construction project by $1,418,457, of which $66,135 is from the general fund and $1,352,322 is from federal funds. Funding changes consist of:

- Reducing the supplemental funding provided for the construction of the new Veterans' Home by a net amount of $2,739,091, a reduction of $4,091,413 from the general fund and an increase of $1,352,322 of federal funds due to bids being less than anticipated.
- Adding $3,039,414 from the general fund for a geothermal heating system.
- Adding $1,118,134 from the general fund for exterior work, including an irrigation system; landscaping; moving a three-stall garage; moving and adding a bathroom to the gazebo; and construction of a maintenance building, mill, overlay, curb and gutter work, and street lighting.

After these adjustments and including the 2007-09 legislative appropriation for the project, funding authorized for the project totals:

General fund	$12,102,539
Permanent oil tax trust fund	6,483,226
Revenue bond proceeds - [redacted]	2,575,152
Federal funds	14,684,182
Total	$35,845,099

Date: January 30, 2009
Roll Call Vote #: 2

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

Senate Senate Appropriations Sub Committee on the Veteran's Home Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 98044.0101

Action Taken Approve Amendment

Motion Made By Senator Mathern Seconded By Senator Bowman

Representatives	Yes	No	Representatives	Yes	No
Senator Kilzer	X		Senator Mathern	X	
Senator Bowman	X				

Total Yes 3 No 0

Absent

Floor Assignment

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

98044.0103
Title. 0300

Prepared by the Legislative Council staff for
Senate Appropriations
February 3, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2025

Page 1, line 7, replace "$12,036,404" with "$7,944,991"

Page 1, line 9, replace "$1,291,582" with "$2,643,904"

Page 1, line 10, replace "January 1, 2009," with "with the effective date of this Act"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Veterans' Home - Senate Action - This amendment provides a net decrease in supplemental funding for the Veterans' Home construction project of $2,739,091, of which $4,091,413 is a general fund reduction and a $1,352,322 increase in federal funds.

After these adjustments and including the 2007-09 legislative appropriation for the project, funding authorized for the project totals:

General fund	$7,944,991
Permanent oil tax trust fund	6,483,226
Revenue bond proceeds	2,575,152
Federal funds	14,684,182
Total	$31,687,551

Date: 2/4/08

Roll Call Vote # 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025.

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 0103

Action Taken ☑ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Kilzer Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Ch	✓		Sen. Tim Mathern	✓	
Sen. Tony S. Grindberg, VCh	✓		Sen. Aaron Krauter	✓	
Sen. Bill Bowman, VCh	✓		Sen. Larry J. Robinson	✓	
Sen. Randel Christmann	✓		Sen. John Warner	✓	
Sen. Rich Wardner	✓		Sen. Elroy N. Lindaas	✓	
Sen. Ralph L. Kilzer	✓		Sen. Tom Seymour	✓	
Sen. Tom Fischer	✓				
Sen. Karen K. Krebsbach	✓				

Total Yes 13 No 1

Absent 0

Floor Assignment

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

Prepared by the Legislative Council staff for
Senate Appropriations
February 2, 2009

PROPOSED AMENDMENTS TO SENATE BILL NO. 2025

Page 1, line 7, replace "$12,036,404" with "$12,102,539"

Page 1, line 9, replace "$1,291,582" with "$2,643,904"

Page 1, line 10, replace "January 1, 2009," with "with the effective date of this Act"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Veterans' Home - Senate Action - This amendment increases the supplemental funding provided for the Veterans' Home construction project by $1,418,457, of which $66,135 is from the general fund and $1,352,322 is from federal funds. Funding changes consist of:

- Reducing the supplemental funding provided for the construction of the new Veterans' Home by a net amount of $2,739,091, a reduction of $4,091,413 from the general fund and an increase of $1,352,322 of federal funds due to bids being less than anticipated.
- Adding $3,039,414 from the general fund for a geothermal heating system. This funding is also included in House Bill No. 1267.
- Adding $1,118,134 from the general fund for exterior work, including an irrigation system; landscaping; moving a three-stall garage; moving and adding a bathroom to the gazebo; and construction of a maintenance building, mill, overlay, curb and gutter work, and street lighting. This funding is also included in Senate Bill No. 2075.

After these adjustments and including the 2007-09 legislative appropriation for the project, funding authorized for the project totals:

General fund	$12,102,539
Permanent oil tax trust fund	6,483,226
Revenue bond proceeds	2,575,152
Federal funds	14,684,182
Total	$35,845,099

Date: 2/4/08

Roll Call Vote # 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 0101

Action Taken ☐ Do Pass ☑ Do Not Pass ☐ Amended

Motion Made By Mathern Seconded By Warner

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Ch		✓	Sen. Tim Mathern	✓	
Sen. Tony S. Grindberg, VCh		✓	Sen. Aaron Krauter	✓	
Sen. Bill Bowman, VCh		✓	Sen. Larry J. Robinson	✓	
Sen. Randel Christmann		✓	Sen. John Warner	✓	
Sen. Rich Wardner		✓	Sen. Elroy N. Lindaas	✓	
Sen. Ralph L. Kilzer		✓	Sen. Tom Seymour	✓	
Sen. Tom Fischer		✓			
Sen. Karen K. Krebsbach		✓			

Total Yes 6 No 8 it failed

Absent

Floor Assignment

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

Date: 2/4/09

Roll Call Vote # 3

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number with .0103

Action Taken ☑ Do Pass ☐ Do Not Pass ☑ Amended

Motion Made By Wardner Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Sen. Ray Holmberg, Ch	✓		Sen. Tim Mathern	✓	
Sen. Tony S. Grindberg, VCh	✓		Sen. Aaron Krauter	✓	
Sen. Bill Bowman, VCh	✓		Sen. Larry J. Robinson	✓	
Sen. Randel Christmann	✓		Sen. John Warner	✓	
Sen. Rich Wardner	✓		Sen. Elroy N. Lindaas	✓	
Sen. Ralph L. Kilzer	✓		Sen. Tom Seymour	✓	
Sen. Tom Fischer	✓				
Sen. Karen K. Krebsbach	✓				

Total Yes 14 No 0

Absent

Floor Assignment Kilzer

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

Do pass as amended.

REPORT OF STANDING COMMITTEE

SB 2025: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2025 was placed on the Sixth order on the calendar.

Page 1, line 7, replace "$12,036,404" with "$7,944,991"

Page 1, line 9, replace "$1,291,582" with "$2,643,904"

Page 1, line 10, replace "January 1, 2009," with "with the effective date of this Act"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Veterans' Home - Senate Action - This amendment provides a net decrease in supplemental funding for the Veterans' Home construction project of $2,739,091, of which $4,091,413 is a general fund reduction and a $1,352,322 increase in federal funds.

After these adjustments and including the 2007-09 legislative appropriation for the project, funding authorized for the project totals:

General fund	$7,944,991
Permanent oil tax trust fund	6,483,226
Revenue bond proceeds	2,575,152
Federal funds	14,684,182
Total	$31,687,551

2009 HOUSE APPROPRIATIONS

SB 2025

2009 HOUSE STANDING COMMITTEE MINUTES

SB 2025

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 16, 2009

Recorder Job Number: 9569

Committee Clerk Signature Holly N. Sand

Minutes:

Chm. Svedjan called the meeting of the House Appropriations Committee to order. The clerk, Holly Sand, called the roll and a quorum was declared.

Chm. Svedjan discussed the schedule. I'll just take budgets as we can. We have SB 2025 up this morning. I hope we can expedite this. We'll come in tomorrow at 7 am and work as late as we have to tomorrow night.

Chm. Svedjan opened the hearing on SB 2025.

Mark Johnson, Administrator, North Dakota Veterans' Home approached the podium and testified in support of SB 2025. He distributed written testimony (Attachment A) and referred to copies of the PowerPoint presentation (Attachment B) as he reviewed his testimony. Testimony was also distributed testimony from Foss Architecture and Interiors (Attachment C).

Rep. Klein: On Slide 22, fill us in on surcharge work for $336,259. What is that amount from? (12:14)

Mr. Johnson: What we have done for the surcharge work at this time, initially we had to put a base in and that had to be compacted down to a 95 percent compaction. Once that fill was all put in place there's an additional amount of fill that's put on top of that. That dirt was contracted and brought in as well and that raised the site up another 3 to 5 feet. That helped us with decreasing the time for settling. Our goal from our engineers was to look at a 3 to 6 inch

settlement because of our grounds. What has happened is we have seen a 2.5 inch to a 5.5 inch drop already and so we should be ready to start building in the spring. The other pieces to the surcharge work are we had the National Guard do a lot of the prepping which saved us a lot of money. They removed a lot of the trees. They helped with getting the pad all done. There's a building that was removed and that's primarily a lot of the surcharge work. They also dug in a ditch and put in a culvert.

Rep. Kreidt: I notice you're holding a $750,000 contingency back on the building project. Do you anticipate this construction to go right ahead? You don't foresee a lot of change orders or anything like that? There is a possibility we might not have to use any of that. There might be a savings yet of that amount on the project? (14:54)

Mr. Johnson: That is certainly our goal but when you get into a building and building as much as we are we know we need to have some type of a contingency fee. It's built for those unexpected pieces. I'm hoping we are going to be as close as we can. That's working with our architect firm and I know Rick is going to have some testimony here today as well. One of the things that has been very good about our project is that when we did our bids the first time, back in October, and we just got done doing our bids in January, what we saw was that the bids came in so close and that's one of the things, we talked to some of the contractors and they said it was because your documents were so complete. We're hoping that it's going to be good.

Rep. Ekstrom: Will Foss also be doing construction supervision on this project? (16:21)

Mr. Johnson: Foss is hired to be doing that last 20 percent. That's part of their fees. They'll be on site on a weekly basis. We'd still like to have a construction engineer that's going to be out there as well.

Rep. Klein: On slide 22 you paid about $500,000 for fill material? What did you do? Haul that 500 miles away? (16:51)

Mr. Johnson: The amount of fill that we used to build that site up, we probably have somewhere in the neighborhood of 270,000 yd^3 of fill. I can't really give you the total estimate. Rick might be able to answer that question.

Rep. Martinson: It's my understanding that you didn't award this contract, or you're not going to award it to the lowest bidder, is that right? And that's because they didn't fill in the completion date? (17:34)

Mr. Johnson: I do have Mike Mullen with me who is our attorney and I have a statement I can read in regards to that piece, so I can't go into it too much. Mr. Johnson read the statement as follows: Member of the Governing Board of the Veterans Home attended an opening of bids which is conducted by Foss Architecture and Interiors. At that time it was noticed that one of the bids was incomplete. It failed to contain an estimated completion date. In light of the fairly real possibility of litigation concerns concerning the awarding of the contract, it would be inappropriate for me to comment any further on that. And I apologize.

Rep. Kempenich: What are the total funds that the state's paying? Federal Funds? What are your Revenue Funds? We have appropriated funds three different times for this. Plus we've got an amendment too. (18:46)

Chm. Svedjan: In summary, we approved this project at $21.1 million. Then you came back to the Budget Section and got approval to go to $25.6 million. Then the original bids came in at $27.7 and you decided to rebid it and they came in at $25.8 million. And now you're seeing that the total cost of the project including everything is $31.7 million which leads us to the numbers you have up on the screen (final slide on p. 13 of Attachment B) – an additional $7.9

million from the state which will be matched $2.6 by the fed. Am I correct in that review? (19:15)

Mr. Johnson: Yes.

Rep. Kempenich: But it still doesn't answer what the state's kicking into this. How much is the state kicking in total? I know what the total cost is. (20:14)

Mr. Johnson: It's right on the bill. I don't have the bill in front of me at this time.

Rep. Berg: What the state's kicking in of course is we put the $6.5 million in last session. And then I think it's another $8 million that the state has put in. (20:37)

Rep. Wald: On slide 24 (p.13, Attachment B), you show "remaining architect fees" of $570,000. There obviously then was architect fees before that number? (20:55)

Mr. Johnson: Where we're at at this time is that in order to get all the contracts done, and for the drawings, and to get all the bidding, the architect has been paid 80 percent of his fees. There are still 20 percent of his fees still remaining that need to be paid throughout the building of the project. That reflects the 20 percent that's out there.

Rep. Wald: Are you saying $570,923 is 20 percent of the architectural fees?

Mr. Johnson: No.

Rep. Wald: What are the total architectural fees?

Chm. Svedjan: Slide 24 (p. 12, Attachment B) shows "Professional Fees Paid," I don't know if that's all architectural, but it shows $1.5 million.

Mr. Johnson: The total cost of the building, 8 percent is the fees for the building costs. So that's what remains.

Rep. Wald: Is there a construction manager on this project?

Mr. Johnson: Not at this . . . well we have hired one and he has worked with us. At this time the person we are working with had some medical problems and he's not with us at this time so we'll be looking at trying to get one as we get through the project.

Rep. Wald: And their fees will be in the $31 million?

Mr. Johnson: No.

Rep. Wald: So we've got more in addition to the $31 million?

Mr. Johnson: We have that built into our temporary salaries coming across with our budget, yes.

Rep. Wald: Temporary salaries for a construction manager?

Mr. Johnson: This is all part of the process that we're looking at. We did not hire that person as an FTE. It was a recommendation of how we should handle that. We've worked with OMB and this is one of the recommendations that we received with that because we didn't want put that person as an FTE.

Rep. Wald: So this is an employee not an independent contractor?

Mr. Johnson: That is what we have utilized at this time. The individual that we had working for us at this time he has probably averaged from 20 hours per week to 10 hours per week.

Rep. Wald: This kind of intrigues me because usually construction managers are independent contractors and if he's an employee isn't there kind of a built-in conflict of interest? Can he really be objective as an employee supervising this kind of construction project?

Chm. Svedjan: I'm going to go to Lori to help answer this. (24:29)

Lori Laschkewitsch, OMB: We have included $110,000 in temporary salary money in their operating budget in SB 2007 so that money is not included in SB 2025. They had someone hired as a temporary salary, was the way that they paid them to come in and be the Project Manager. They'll need to find somebody different at this time.

Chm. Svedjan: That still may be a bit of a departure for a construction manager, whether it's a full-time FTE or a temporary FTE is a departure from what a construction manager usually is. And I think that's the point you're trying to get at Rep. Wald.

Rep. Martinson: I'd still like to go back to this $600,000 and see if we couldn't save that somehow. If he can't answer questions, maybe someone from the Attorney General's office could. I see Mike is here.

Chm. Svedjan: Just for my edification, the $600,000 you're talking about is?

Rep. Martinson: They didn't accept a low bid because they didn't put a completion date in there. They didn't fill in one blank. It's my understanding they didn't fill it in because the contract said that it had to be completed by a certain date and the contractor said "yeah" in their mind "we can make that date" so they didn't put in a date earlier than that, so my question is, is there any way that you can accept that low bid? Or because of that one blank it's going to cost us $600,000? (25:33)

Mike Mullen, Assistant Attorney General: I provide legal advice to the Veterans' Home. As Mr. Johnsons stated, when the bids were opened, one of the bids from one of the contractors was incomplete. It did not have the completion date, but there were also some other issues. As a result of that, the governing body of the Veterans' Home held a meeting on January 29th and the governing body went into executive session for attorney consultation. The attorney consultation as defined is exempt from the open meetings law under Section 44-04-19.1 Subsection 2. An attorney consultation means discussion between the governing body and its attorney in instances in which the governing body seeks or receives the attorney's advice regarding an anticipation of reasonably predictable civil litigation. An accordingly that was a closed session of the governing body of the Veterans' Home. The advice that I provided to the

governing body in that session is privileged under the attorney client privilege so I'm not at liberty to discuss what that advice was.

Rep. Martinson: Can we require you to accept that lower bid? (28:03)

Mr. Mullen: The statutes regarding bids for public projects, specifically define the term "lowest responsible bidder." There are specific statutory criteria involved in that. The North Dakota Supreme Court has decided cases on that definition. I would like to state that for the record.

Rep. Nelson: This looks like a pretty straightforward bill. I know the time deadlines that exist. In the event that we wouldn't pass this bill and you lose the federal funding, what would be your fallback position? Would you redesign the Veterans' Home? In addition to the building costs under this new concept, there will be another 25 FTEs that will be required for staffing. I know there are extra beds but because of this greenhouse concept it's going to require more CNA or nursing staff. What would you do if this bill didn't pass? (28:56)

Mr. Johnson: I don't know what the feds would do. Right now they kind of have us on hold because we have a life safety issue that we had to have corrected. We've done as much corrections as we can. The VA is working for us. We would lose all VA funding which would be $14.4 million. We would go back into the hopper with all the other states vying for positions with the VA. We are at number two for funding right now. A year ago we were at number ten. It's because of the life safety issue. If you were to look at losing VA funding, we would lose approximately one third of our revenue. When you start looking at between $4 million to $5 million in revenue because the VA could pull that from us, they wouldn't license us as a Veterans' Home.

Rep. Nelson: What I mean is if the state would provide 100 percent of the funding for a new Veterans' Home, would you go back to a different concept of building design so the staffing requirements wouldn't be as great? Was that a possibility?

Mr. Johnson: If the state was to look at funding the entire project, it's not that you can make this so much of a smaller building. The issues we run into are the VA requirements. The VA requirements are such that you have to have larger turning around requirements. A typical nursing home is a female, 82 years old, maybe 110 pounds. Our average resident is probably 72 years old, 210 pounds and has anywhere from two to seven mental health diagnoses. It's not a typical building. Those are the issues we run into. When you start looking at the staffing ratios we are picking up 34 residents, 14 residents on the skilled side, 20 residents on the basic care side. The monies that we're generating with picking them up is actually all Special Funds and we're paying our staff. When you start looking at staffing, we're staffing 24 hours. That's where you start seeing the FTEs climb fairly quickly. We are changing some of the duties. We are going into a universal worker concept. We're getting away from some of the nurses. We're training staff right now to be Net Techs. We're looking at trying to save dollars as we go through this piece.

Rep. Nelson: But that's not reflected in your budget though.

Mr. Johnson: When SB 2007 comes over, you'll see that we're generating more dollars.

Rep. Pollert: The $31.6 million, you've got $14.4 million from General Funds. You've got $14.684 from the VA. You've got revenue bonding of the $2.575 million for the $31.687551. That's what it adds up to me. Then my question would be, how does the Emergency Commission request of March 19, 2008 correlate into the $31.687? On slide 16 (p. 8, Attachment B) the Emergency Commission and the Budget Section approved the $2.128 million. Is that anywhere in here?

Mr. Johnson deferred Lori.

Rep. Pollert: Is the $2.128 Emergency Commission Budget Section in here anywhere?

Lori Laschkewitsch, OMB: That money is included in SB 2025 because there wouldn't be carryover. That money would have expired for that appropriation at the end of 2009. All of the money is included in SB 2025 now.

Chm. Svedjan: So the breakdown that Rep. Pollert just gave us is accurate?

Ms. Laschkewitsch: It is accurate.

Rep. Wald: I don't want to belabor the point with the construction manager, but there's an issue here I think you are overlooking. An employee would not have any liability insurance where an independent construction manager would and I think you're missing a gap in here. I'm not going to offer an amendment to the bill but I would highly recommend that you have an independent contractor rather than an employee. I've written performance bonds for contractor for well over 30 years and I have a pretty good idea of how the process works. You need that arms-length transaction between your construction manager and the owner of the project which is you. (35:52)

Mr. Johnson: This is just something that has been worked on. We have worked with the Governor's office and this is the direction OMB and the Governor's office took us. If there are other things we need to tweak we certainly can do that.

Rep. Wald: I would highly recommend that you get an independent resident employee to oversee this project. I don't know how an employee could come to you and complain when you're signing his paycheck.

Rep. Hawken: Are you paying your staff the same rate we pay the other CNAs in that kind of staff level? Do you have people to take up those extra beds already on the list so you know they are going to be there? If you are hiring the construction firm that wasn't low bid, they should have a construction manager. So there shouldn't need to be anybody else. (37:02)

Mr. Johnson: Currently we are state employees, so we go with the regular state wage. What we are going through is the 5 and 5. They are looking at doing the equity raise so we should be very similar to what's out there right now. I know they've talked about a 6 and 6. As far as the beds, we have 14 residents on the waiting list for the skilled side. We have residents on the basic care side that have signed up already. We don't have 20 residents, but we probably have a handful of residents that do not want to move in until the new building is built. I think we are going to go down a similar road as what happened in Fergus Falls. Fergus Falls about ten years ago opened an 80-bed nursing home. They have 85 residents on their waiting list. I really feel when we start getting into the new building we will see a waiting list such as that develop. When you go into our current facility, and it's kind of unfair to truly, . . ., On our basic care side, the guys have two big bathrooms on the 1948 addition. They are gang bathrooms. They are gang showers. There are some in some single rooms as well, but primarily the guys use gang bathrooms and it's very a deterrent for anybody. They walk in, look at it and they go downstairs and there's anywhere from 80 to 100 people eating and they just walk away. It's a nice place. It's clean. Our staff does a tremendous job, but it's not a real marketable piece.

Rep. Berg: I'm very concerned. Last session there was a big rush because we had this 2:1, 3:1 match from the feds. We scrambled around to find $6 million that turned into $6.5 million. And everyone kind of patted themselves on the back and said we really came together for our veterans. And it's the right thing, we should do. A year later we had a $2 million bump which I don't think is necessarily appropriate through the Budget Section but I think everyone said, "Well, it's for the veterans. We understand these costs go up." Here we are two years later with a bill that's rushing through this chamber that needs another $10 million. When I look at the match, $8 million is coming from the state and $2 million is coming from the VA. So I'm a little frustrate, offended and disappointed that again our understanding going into this thing was that

we'd have a match that would be primarily from the federal government. And here we are looking at this exactly opposite a year later and I'm concerned about that. And I'm concerned about taking this bill and trying to rush it through right now when it's really backwards to how we approved the main funding. (39:55)

Mr. Johnson: To give you a history, where everything fell apart, back in September, we were cited and they were looking at closing us. That was a threat by the VA. During that time we contracted with a company called YHR to do a condition assessment of our building. In that assessment there is square footage that was left out and we didn't have the authority to hire an architect to do the drawings of the building. After we received the authority from the legislature last session, we hired the architect to come in. Then it was just a building process. From there we had to meet the submittal of the VA. So the VA was also looking at the requirements that needed to be done. They did match the additional 10 percent. During this process we had to do a 424 form which was submitted to the VA. That's where the additional fundings come from that we get from the VA for the additional amount. Once we were locking in with the 424, these are all forms that had a particular deadline date, we also saw escalation in costs. We were submitting the best guess estimated price would be. We submitted all those numbers to the VA. From there, they lock in on that 424, the last submittal. We worked with the firm and came up with the best estimate as to where we were at and we got the additional monies from the VA. But now, as we bid it, the costs are a little higher.

Rep. Berg: I'm very familiar with construction projects and I'm very familiar with how government works. If an architect was hired, looked at the project, looked at the requirements and said "There's no way we can do this for $21 million" maybe we should have stopped and figured it out. I'm familiar with the condition of the VA and air quality problems and some of the options that were presented just to remodel the existing VA. I'm just sitting here, and the big

picture thinking we got into this thing and the feds wanted more and more and everyone said "yes" and "yes" because the legislature will approve anything. I'm very frustrated that we are where we are right now because it's a lot different than the way I perceived it two years ago. (43:52)

Rep. Skarphol: Who authorized you to move from 120 beds to 150? If we let the federal funding go away and fund it with state funds and meet the requirement of space for 120 beds, what would a net result be in the federal operating dollars that we receive? (44:44)

Mr. Johnson: We've always been at 150 beds. We are licensed from the VA for 150 beds. With the state we are licensed for 149 beds and that was because we had a treatment bed that they took from us. Part of the legislation coming on SB 2007 was basically to clarify that we get our bed back. We've always been 150 beds. Where the 120 beds come in and where the feds look at funding this, this is a formula that was done in 1968. They looked at all the veterans in the entire country and how it's populated. We have 121 beds. That is the magic number that their formula calculates out for the state of North Dakota. As far as federal funding goes, we would have to go back through an entire process. The VA can come in and close us because they want safety for these residents. The VA is very specific about that. They are working with our timelines and they know we are going to be in the building project. They have been willing to work with us. I couldn't tell you what they would do. If we did not receive VA funds we would probably, . . . , the General Fund would have to probably have to increase for the allocation for the Veterans' Home between $4 to $5 million every session because that is the amount of money we receive from the VA. There are other things too. We get pharmacy and various other things from them. There are other costs they assist us with as well.

Chm. Svedjan: How many people in the audience are going to testify? No one else. (47:43)

Rep. Kreidt: I remember last session when we heard the bill we were kicking around a federal figure match of 65 percent, is that correct? The state would put in 35 percent. The feds would put in 65 percent. Was that locked into that dollar that we appropriated or why isn't the fed following along with the 65 percentile as we go up with these costs? If they really truly are interested in the vets, why aren't they coming up with their share of the money then? (47:53)

Mr. Johnson: It goes back to that formula. The state of North Dakota qualifies for 121 beds. With the 121 beds they won't pay for any more than that on the 29 beds. So what happens is, they will pay 65 percent of the construction on the 121 beds. The state's going to have to pick up all the costs on the 29 beds along with the additional costs that are moving up. The state's going to have to pick up 35 percent of the costs on the 121 beds. As you calculate everything out, that 424 goes back to the date that we had to submit that and I think the final date we had to submit the 424 was back in March of 2008. That's the window that we had to put a number on this project. At that time, $25.6 million was used to do the 424. They will give us an additional 10 percent above the $25.6 million. Because the costs have come in higher then the state's having to pick up the additional amount.

Rep. Wald: Are you open for a motion? (50:00)

Chm. Svedjan: I am.

Rep. Wald: I know we're in a box. And it's already passed the Senate. And I don't think we have any choice than to move forward.

Rep. Wald moved a Do Pass. Rep. Kreidt seconded the motion.

Chm. Svedjan: Committee members, you did have an amendment laying in front of you, but I talked to Rep. Metcalf about that and he has agreed to submit that amendment when we get

that budget. It has to do with the geothermal heating unit. By doing that, and if this bill passes with a Do Pass, it will be the same bill that was sent over by the Senate which will negate the need for a Conference Committee. It's for that reason that Rep. Metcalf is planning to hold that amendment until we get the budget. (50:25)

Rep. Skarphol: In the event Rep. Metcalf's amendment is not approved in the Senate on the budget, . . . , in the event there was a request and a mandate that they build the building so that it could accommodate geothermal needs even though they aren't authorized in this session, would that need to be done on this bill or could it be done on the budget? In other words, build it so that it has that alternative, so the connections are there so you don't need to redo a bunch of things, is that something that could be done on the budget?

Rep. Metcalf: I'm not sure I can answer your question totally, but I have checked that out and they say that this geothermal stands alone. I know where you're coming from. I've been told there is a heating backup system for the home that will adequately take care of it, so I believe it probably will not cost much more if any more to put this in at a later date. (51:52)

Rep. Skarphol: My concern is that if there's something that needs to get put in the concrete at the time of construction. If we're going to do this in the future that the accommodations be made during the construction if they're needed.

Rep. Hawken: If we're going to do geothermal, we need to do it when we build the building.

Rep. Klein: If you're going to do geothermal, the best thing is to do it during the construction because it ties in. If you're going to go back in, you have to change some things out and it will cost you more to do it.

Chm. Svedjan: That doesn't necessarily mean that you couldn't handle it through an amendment to their budget.

Rep. Berg: The difference is if this is going through the emergency measure and their budget does not, it could have a delayed effect.

Chm. Svedjan: We'd have to appropriately handle it in the budget.

Rep. Berg: All I'm saying is that I'm very concerned about this whole process. Very concerned. I think it would make sense to attach it to this. If we've looked at the cost/benefit of geothermal and we've decided that's the right thing to do and it's worth $2 million more, then it probably ought to be attached here.

Rep. Glassheim: If Emergency carries and you sign contracts March 1, when would construction be likely to begin? (54:26)

Mr. Johnson: We're looking at spring construction. Rick could probably answer the questions about geothermal.

Rick Hoganson, Foss Architecture and Interiors approached the podium.

Rep. Glassheim: When would construction begin? What is the latest point one could add geothermal and still get it done as part of the construction?

Mr. Hoganson: The timing of geothermal is not immediate but it would be more costly, significant, to add it back to the project later. There are differences of equipment that are going in there. The project has been bid with geothermal as a deduct alternate to assist in identifying cost savings on the project. Geothermal is approximately has about a $3 million price tag to it. The other issue is if geothermal does not move through with the rest of the project it becomes a change order to the project. I have contacted all the contractors that have been identified as the desired contract to be entered into with and they will hold their pricing on the geothermal alternate for an additional 30 days beyond the 60 days that was requested in the specifications without additional costs to the state. In other words, we bid this on the 27th of January. They

will hold their pricing on geothermal if the decision is not made for it to go along with SB 2025 until approximately the 23rd of April.

Rep. Glassheim: When would you be likely to start construction? March? April? May? (56:59)

Mr. Hoganson: The construction will start as soon as possible in the spring. We have the issues of the surcharge out there right now and we need a certain amount of weather to cooperate to begin to remove the surcharge material from the top of the building pad on to the adjacent areas of the site. We'll also be dealing with road restrictions.

Rep. Klein: Contractor like change orders, right? (57:36)

Mr. Hoganson: There is no question, especially if they are trying to make up ground.

Rep. Klein moved amendment .0202. Rep. Kreidt seconded the motion. (This would be a substitute motion).

Rep. Skarphol: My intention was not to suggest that we move the amendment but rather we consider what the costs would be associated with ensuring that we had adequate abilities to add geothermal. I would submit to you that most of the cost of geothermal is the wells and the outlying portion of it. Most of the $3 million I would submit is there as opposed to being inside the building. Is that not correct? (58:07)

Mr. Hoganson: No. The systems are actually two different systems that are going into the building.

Rep. Skarphol: Are you going to replace it, the inside equipment entirely, with the geothermal setup?

Mr. Hoganson: That is correct. That is identified in the deduct alternate of geothermal under the project. It's a tradeoff of the right equipment for geothermal versus the base bid.

Rep. Pollert: I know why we are trying to do SB 2025 without the amendments, because it helps guarantee for the VA match. The geothermal unit, I was told there is a timeline on the geothermal around the end of March and there's no way that the Veterans' Home bill is going to be settled by March. I need to know if there is not a timeline on the geothermal, then we don't need to pass the amendment. That will just muddy the waters with the Senate side. Do we have a timeline for any matches on geothermal? (59:17)

Mr. Hoganson: I can't speak to any matches.

Rep. Pollert: I think we need to have that. Why do we want to muddy this water if we don't need to?

Mr. Hoganson: If you want me to speak to the timeline, I believe the end of March date that is out there is a 60-day window for acceptance of the bids from the contractors at this point. That is what we requested. Action has to be taken within that 60-day window on the bids that were received on the 27th of January. From there we again requested the 30-day extension on the alternates to the project that the contractors would hold their pricing without increased costs. Ninety days from the 27th of January. If we go beyond that 90-day window, then we're looking at change orders to the contracts and those would have escalated costs to the state.

Rep. Pollert: Then you don't need to have the decision on geothermal until about April 27th?

Mr. Hoganson: That is correct. We have to have the change order process within that 90-day window.

Rep. Pollert: I want to let the Committee also know. This isn't going to be the end of this because there's also a separate Senate bill coming over for exterior work for about $1 million so not only will we have the geothermal issue you've got exterior. I'm just letting you know.

Rep. Hawken: If we go with the geothermal, have they looked at the generator backup and has that been considered as far as maybe finding a used one? Is that in the bid or is that going to be another add-on? (62:28)

Mr. Hoganson: The generator is included in the project at this time.

Rep. Wald: Is there a completion clause penalty in the new contract? (63:03)

Mr. Hoganson: There are no liquidated damages in the contract. The dates included are the desired occupancy date of an owner. We request a number of days, or a date for completion on a project because we have to understand sometimes in the bid process, as far as the capability of the contractor. Right now there would be no guarantees that if there is no date completed on the bid form that it could not be 365 days beyond the date . . .

Rep. Wald: What is your estimated completion date?

Mr. Hoganson: October 1, 2010. We estimate under normal construction, without a huge amount of delays, how long we think it would take and we work with the owner as far as occupancy.

Rep. Wald: Isn't there usually a penalty clause in a contract of that size?

Mr. Hoganson: Typically on building projects there is not. There is a cost associated with liquidated damages usually. Contractors want to make sure they are covered because the flexibility in liquidated damages, if it's weather related or something, it can hold them up for 30 days. In order to include liquidated damages, you need to understand whether or not there is revenue lost because a building wouldn't open. In this case, there would probably not be a lot of revenue lost. It would just be a detriment not to have it completed in a timely fashion.

Chm. Svedjan: I'm understanding that it is not essential that this amendment be attached to this bill. We have two other options. One is the Veterans' Home budget. The other is the other bill. My hope is that we can keep this bill clean for purposes of expedition. If there's validity that

we would have enough time if this amendment were considered as part of the budget or that other bill, that would be my preference. (65:01)

Rep. Kreidt: We wouldn't be in a change order effect until the latter part of April if we withheld this amendment? (65:40)

Mr. Hoganson: That's correct. There would be a change order written for the work, but the dollar amount for that change order is identified in the bid form, so there would be no escalated cost associated with that.

Chm. Svedjan: Do you want to proceed with your motion to amend?

Rep. Klein withdrew his motion to amend. Rep. Kreidt removed his second.

Chm. Svedjan: We're back to the Do Pass motion.

Rep. Berg: I'm going to make a motion just to lay this on the table. I'm not doing that for any reason other than I think there are too many unanswered questions. When I look at the process that we'd have with Higher Ed, with Corrections, with the Heritage Center, this is not the process we'd follow in any other of those if we were building. I'd like to know what the analysis is on the $3 million for geothermal. What's the payback? If there is other exterior for $1 million, quite frankly I'd like to know what that whole package is. Also, I'd like to know the federal commitment to participating in this package. I'd like to make a motion to table this. (66:41)

Chm. Svedjan: Until tomorrow?

Rep. Berg: It can come off any time. It could come off later today, but this is not the way to solve this issue.

Chm. Svedjan: The motion is to delay consideration, not to table it.

Rep. Berg moved to table the motion for a Do Pass. Rep. Hawken seconded the motion.

Rep. Wald: When you table something, doesn't it take a 2/3 vote to resurrect it? (68:05)

Rep. Berg: It would take a 2/3 vote and I would support bringing it back on the table whenever anyone makes that motion. It's not my intention to play any games here but get this thing understood.

The motion to table motion for a Do Pass to SB 2025 failed by a roll call vote of 8 yeas, 16 nays and 1 absent and not voting.

Chm. Svedjan: We have a Do Pass motion on the floor.

The motion for a Do Pass to SB 2025 passed by a roll call vote of 16 yeas, 8 nays and 1 absent and not voting. Rep. Kreidt will carry the bill.

Day 30

Date: 2/16/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number —

Passed Action Taken Do Pass

Motion Made By Wald Seconded By Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich		✓			
Rep. Skarphol		✓	Rep. Kroeber	✓	
Rep. Wald	✓		Rep. Onstad	✓	
Rep. Hawken		✓	Rep. Williams	✓	
Rep. Klein		✓			
Rep. Martinson	✓				
Rep. Delzer		✓	Rep. Glassheim	✓	
Rep. Thoreson		✓	Rep. Kaldor	✓	
Rep. Berg		✓	Rep. Meyer	✓	
Rep. Dosch		✓			
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 16 No 8

Absent 1

Floor Assignment Kreidt

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

Attachment D
2/16/09

98044.0202
Title.

Prepared by the Legislative Council staff for
Representative Metcalf
February 14, 2009

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2025

Page 1, line 7, replace "$7,944,991" with "$10,984,405"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Veterans' Home - Senate Action - This amendment increases the supplemental funding for the Veterans' Home construction project by $3,039,414 from the general fund for a geothermal heating system.

Substitute Motion

Date: 2/16/09
Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

Full House Appropriations Committee

☐ Check here for Conference Committee withdrawn

Legislative Council Amendment Number 98044.0202

Action Taken Amend .0202

Motion Made By Klein Seconded By Kreidt

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Date: 2/16/09
Roll Call Vote #: 3

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 2025

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Failed Action Taken motion to table motion for Do Pass

Motion Made By Berg Seconded By Hawken

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald		✓	Rep. Onstad		✓
Rep. Hawken	✓		Rep. Williams		✓
Rep. Klein	✓				
Rep. Martinson		✓			
Rep. Delzer	✓		Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer		✓
Rep. Dosch	✓				
Rep. Pollert		✓	Rep. Ekstrom		✓
Rep. Bellew		✓	Rep. Kerzman		—
Rep. Kreidt		✓	Rep. Metcalf		✓
Rep. Nelson		✓			
Rep. Wieland		✓			

Total (Yes) 8 No 14

Absent 1

Floor Assignment

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

Analysis on $3m for gasification.
Fed. commitment to participate.

REPORT OF STANDING COMMITTEE

SB 2025, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **DO PASS** (16 YEAS, 8 NAYS, 1 ABSENT AND NOT VOTING). Engrossed SB 2025 was placed on the Fourteenth order on the calendar.

2009 TESTIMONY

SB 2025

SENATE APPROPRIATIONS COMMITTEE HEARING
THURSDAY, JANUARY 08, 2009

Chairman Holmberg and members of the Senate Appropriations committee, my name is Mark Johnson, Administrator of the North Dakota Veterans Home.

At the end of the first Legislative Assembly, Governor Andrew J. Burke signed into law and appropriated money for the erection of a Soldier's Home in Lisbon, ND.

The original building was erected and commissioned into service in 1893. Since then many changes have occurred at the Veterans Home. Due to a high demand for services from WWI & WWII Veterans Governor Fred G. Aandahl dedicated a new 150 bed barracks to be built in 1948. Since then, an addition was added in 1980 and in 1990 a skilled nursing home was added.

Before the last legislative session, on September 12, 2006, the ND Veterans Home received a life safety deficiency from the State Fire Marshal for the 1948 addition.

Again on November 22, 2006, the State Health Department's Fire Marshal cited the Veterans Home for the same life safety issue, which triggered a thorough review on February 09, 2007, from the Department of Veterans Affairs.

Upon receiving the life safety deficiency from the Health Department on November 22, 2006, the Veterans Home engaged YHR to complete a condition assessment of the building. Their findings were the basis of Senate Bill 2418, which is found on Slide 8.

Foss Architecture and Interiors of Fargo was hired to design the new veterans home. On slide 9 you will see the original design that was submitted to the Department of Veterans Affairs in Washington, DC.

In February 2008, the Department of Veterans Affairs requested the Veterans Home to seek a new direction for the design of the building, one that would incorporate their VA initiative of using a household/neighborhood concept.

Once we received their direction, another model was created to replace resident wings with the household/neighborhood design. This design, which is shown on Slide 12, was submitted to the Department of Veterans Affairs and received their approval.

The change is design is what prompted us to make the Emergency Commission request on March 19, 2008.

Slide 13 shows how the home is positioned on the current grounds.

Slide 14 is a detailed illustration of each neighborhood.

Slide 15 shows the detail of each individual household. As you can tell, an emphasis has been made to make our building primarily all private rooms. In the new design we have 142 single rooms and 4 double rooms. The main reason

for the private rooms has to do with the type of clients that we serve and the difficulty in placing two residents together in the same room.

Slide 16 shows the main core of our building which includes physical and occupational therapy, the pharmacy, a barber/beauty shop, a library, a Chapel, multi-purpose room, resident storage, dietary services, laundry, maintenance and administration.

Slide 17 & 18 illustrate the work that the National Guard did on the site.

Slide 19 shows the expenses paid to date for the new Veterans Home, which include professional fees of $1,557,223, diesel fuel for guard $101,696, fill material for building site $497,310, surcharge work $336,259, land improvements $20,838 and bid advertising $473 for a total of $2,513,800.

Slide 20 shows the breakdown of construction bids from the bid opening on October 02, 2008. The lowest bid for general construction was $17,762,650, mechanical $7,350,405 and electrical $2,561,855, for a total cost of construction of $27,674,910.

Slide 21lists the increases to the building cost. These include increased costs for site work, square footage left out of original estimate, cost per square foot underestimated, change in design added square footage, project bid at worst possible time as the market was seeing prices at an all time high.

Slide 22 explains the funding needed from the State to complete the building and the matching dollars from the Department of Veterans Affairs. This bill has an emergency clause attached to it as it needs to be passed by March 1, 2009, in order to enable us to certify the matching funds and complete all the paperwork that needs to be in to the Department of Veterans Affairs before the grant deadline.

Slide 23 breaks down the costs for the construction of the new home.

- Construction Costs $27,674,910
- FF&E $1,842,920
- Contingency Fund $750,000
- Patient Lifts $200,340
- Spent to Date $2,513,800
- Remaining Architect Fees $967,650
- Nurse Call System $180,000
- Budget Committee – 29 beds $2,377,344

Thank you for allowing me to speak and I will now take questions.

Respectfully submitted

Mark B. Johnson, Administrator
North Dakota Veterans Home

4.

SENATE APPROPRIATION COMMITTEE HEARING
THURSDAY, JANUARY 8, 2009

Chairman Holmberg and members of the Senate Appropriations committee, my name is DuWayne Ternes, retired contractor and member of the North Dakota Veterans Home Governing Board.

1. Construction Costs

I feel this would complete the project and give the veterans a better home. We wouldn't have to hang our heads when we mention our veteran's home to anyone in state or out of state. I see nothing extravagant in the construction but good wearable products. I feel we had this project in our $21,200,000 budget, but when they asked us to change to a Green House design things changed. We saw plans from over 200,000 sq. ft. at $40,000,000 to a knocked down version of what you see now. Cost of the project has always been our first concern.

2. FF&E

The FF & E has been very thought out by the staff, administration, and the governing board. We did cut this number by moving some items into construction costs so they could be bid avoiding change orders.

3. Contingency Fund

Seems like a lot, but it's about one half of an average job like this and I feel very confident we will hold the project as bid. One item we can't control and still don't know for sure is the compaction of the soils to know if the footings will bear the weight of the building. Only spring will tell.

4. Patient Lifts

This funding will provide patient lifts built into the ceiling in several of the resident rooms in the skilled nursing home. Patient lifts will pay for themselves over time as they will decrease staff injuries, and they will allow staff to provide better care to our residents.

5. Spent to Date

A large part of the money spent to date is that 80% of architectural fees are paid before the project construction even starts. Based on recommendations from our architect and engineers, the building site was surcharged. This work was completed this summer so we could utilize the help of the National Guard, saving us equipment and labor costs. This was a great savings, but the fuel and material costs still needed to be paid for by us.

6. Remaining Architectural Fees

We have paid 80% of the architectural fees under the contract using a construction cost of $22.2 million. We will see an increase in fees as the architectural fees will be 8% of the actual cost of construction.

7. Nurse Call System

The nurse call system was pulled from the construction bids in order to allow the Veterans Home staff to choose the systems that works best for them, not one selected by the electrical engineers. This should also save us money.

Thank you for allowing me to speak to you today and I will take any questions you may have at this time.

2

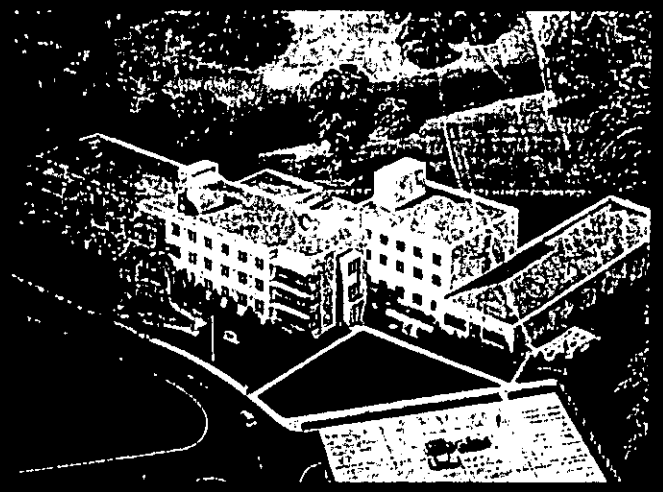
NORTH DAKOTA VETERANS HOME

Lisbon, North Dakota

1

North Dakota Veterans Home

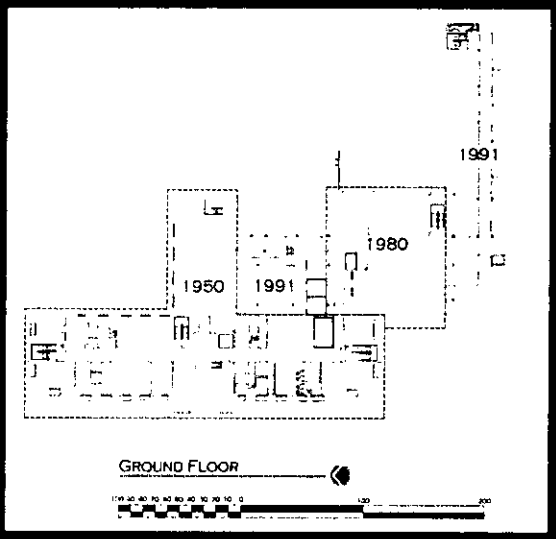
Lisbon, North Dakota



Aerial View of Current Facility

2

North Dakota Veterans Home
Lisbon, North Dakota



Existing Plan

3

STATE OF NORTH DAKOTA
OFFICE OF ATTORNEY GENERAL

Wayne Stenehjem
ATTORNEY GENERAL

STATE FIRE MARSHAL

October 26, 2006

RECEIVED
OCT 30 2006
NDVH

Bob Nelson
North Dakota Veterans Home
1400 Rose St
Lisbon ND 58054-4566

Dear Mr. Nelson:

This letter is in response to your recent plan of correction that addresses the findings of the September 12, 2006 fire inspection at the ND Veterans Home. The plan of correction is approved in its entirety as it satisfactorily addresses each of the fire safety concerns observed during the inspection.

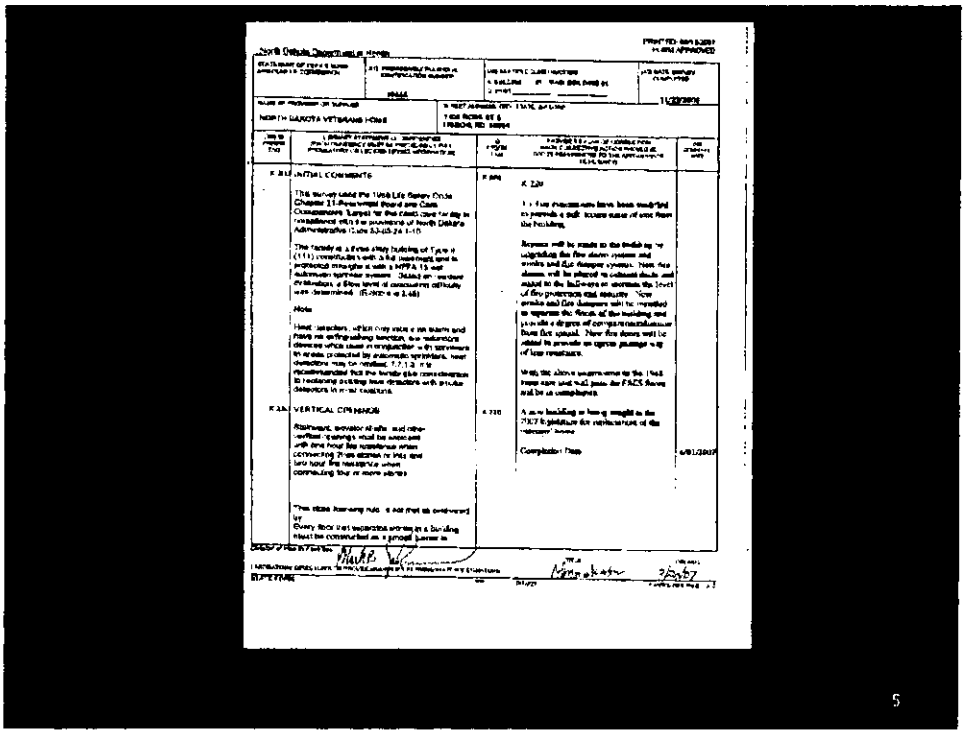
Thank you for the response and assistance. If our office can be of any help in the future, please feel free to contact us.

Sincerely

Jerry Spitz
Deputy State Fire Marshal

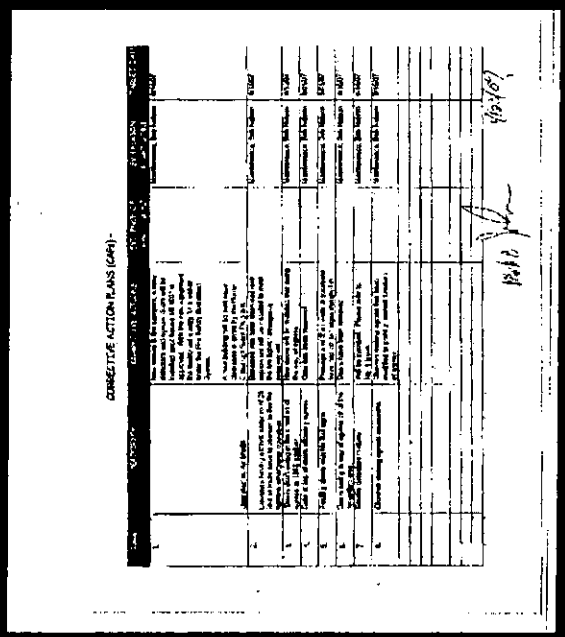
jp
cc Jeff Bair, Insurance Department Fire and Tornado Fund, 1701 S 12th St, Bismarck, ND 58504-6644

4



5

V A Survey on 2/09/07



6

North Dakota Veterans Home
Lisbon, North Dakota

Condition Assessment

7

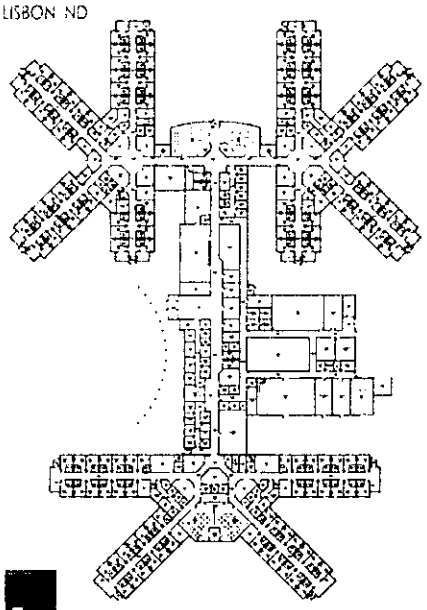
Senate Bill 2418

- VA Match $12,040,278
- State Match $6,483,226
- Revenue Bonding $2,575,152
  - **Total Appropriated for new building $21,098,656**

8

NORTH DAKOTA VETERANS HOME

LISBON, ND



Foss

9

DEPARTMENT OF VETERANS AFFAIRS
Office of Construction & Facilities Management
Washington DC 20420

December 30, 2008

Mr. Mark Johnson
Administrator
North Dakota Veterans Home
1400 Horse Drive
Lisbon, ND 58054

Dear Mr. Johnson:

This Department of Veterans Affairs Advisor you back on February of 2008 to oversee Design direction on your Lisbon Project from a traditional double loaded corridor scheme to the new "Greenhouse concept" as defined by our new space criteria. The space criteria can be found at http://www.va.gov/facmgt/standards/space/SPchapter10.doc.

This change proved to be more expensive but offers our Veterans better care. Thank you for supporting this direction. Please feel free to contact me at 202 461-6063 if you have any questions.

Sincerely,

Dennis Hutchins
Architect

10

Emergency Commission Request 3/19/08

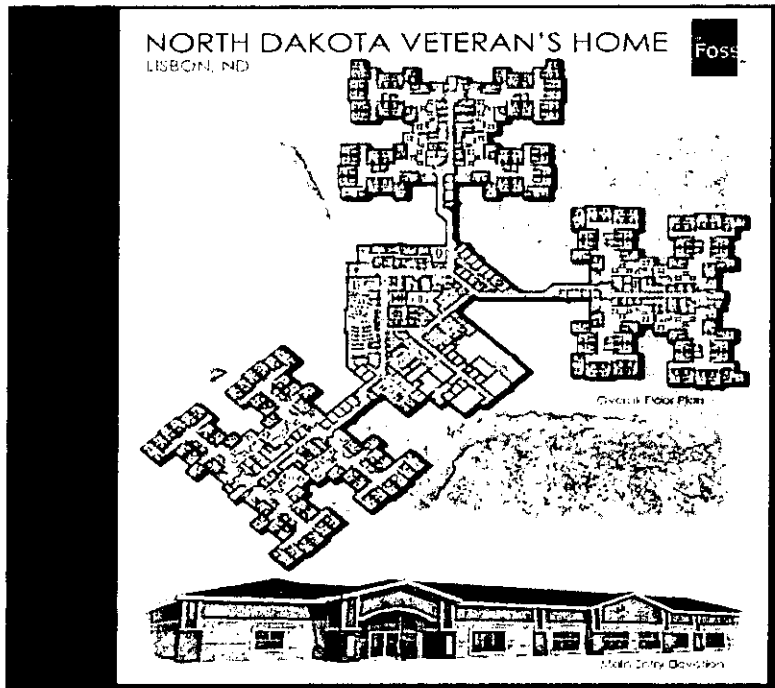
- VA Match $1,400,000
- Special Fund Revenue $619,000
- Contingency Funds from Emergency Com. $109,000

  - **Total Funds Appropriated** **$2,128,000**

•Additional Funding needed for 29 Beds $2,377,344

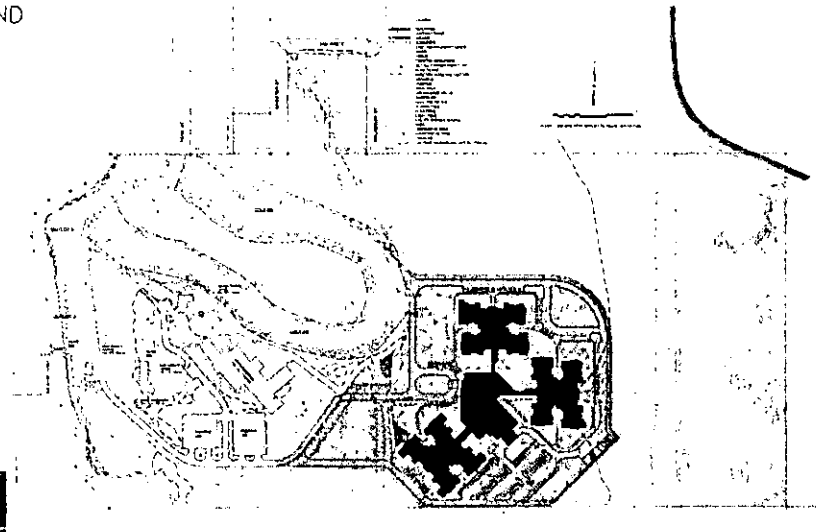
•On March 19,2008, the Budget Section approved the Veterans Home request to increase the project authorization to the Veterans home project from $21.1 million to $25.6 million. The Budget Section did not have the authority to appropriate the $2.4 million for the additional 29 beds.

11



12

NORTH DAKOTA VETERANS HOME
LISBON, ND

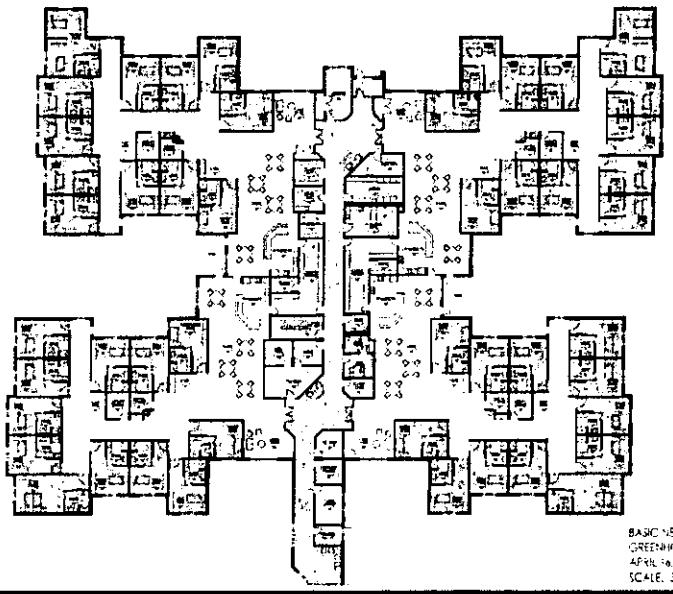


Foss

SITE PLAN
APRIL 16, 2009

13

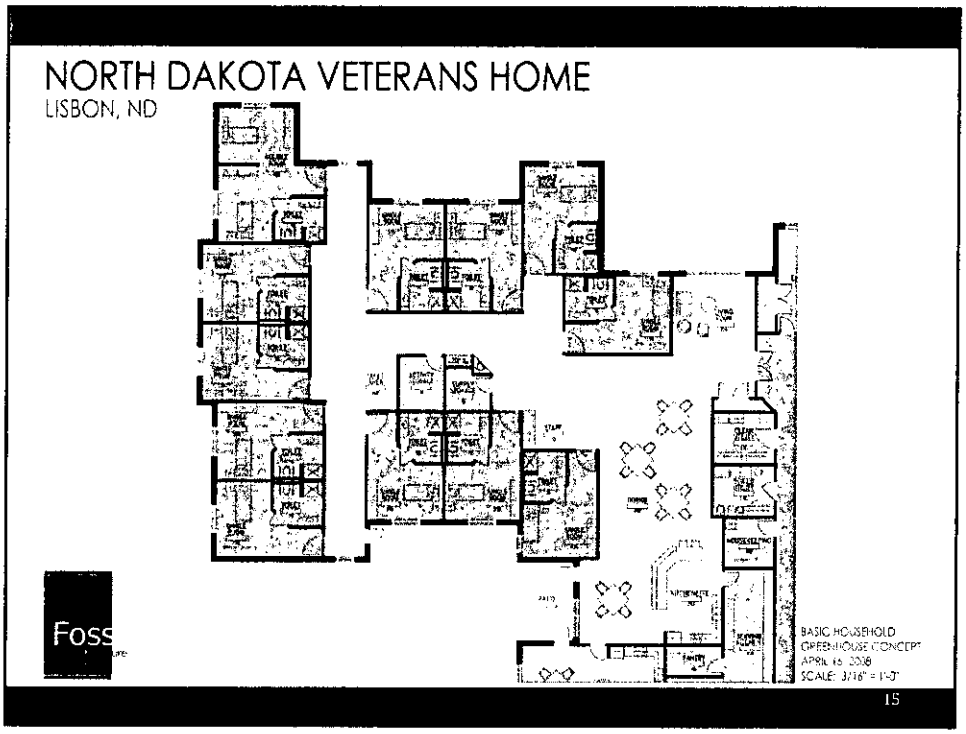
NORTH DAKOTA VETERANS HOME
LISBON, ND

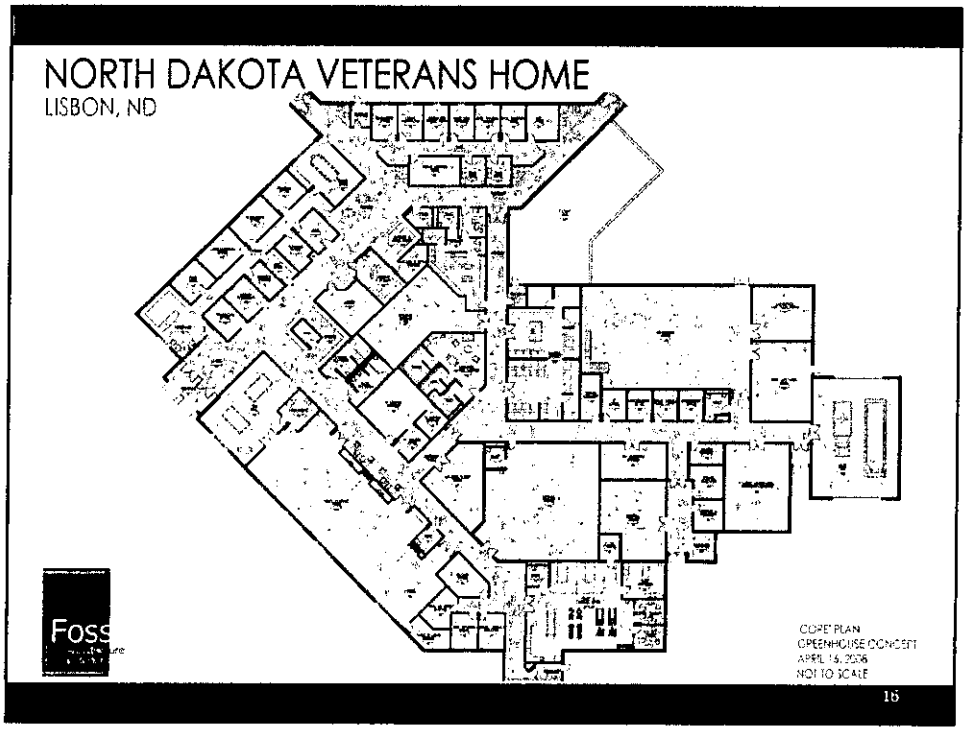


Foss

BASIC NEIGHBORHOOD
GREENHOUSE CONCEPT
APRIL 16, 2008
SCALE: 1/32" = 1'-0"

14


NORTH DAKOTA VETERANS HOME
LISBON, ND
Foss
BASIC HOUSEHOLD
GREENHOUSE CONCEPT
APRIL 16, 2006
SCALE: 3/16" = 1'-0"
15


NORTH DAKOTA VETERANS HOME
LISBON, ND
Foss
COPE PLAN
GREENHOUSE CONCEPT
APRIL 16, 2006
NOT TO SCALE
16

Expenses Paid for New Building

Professional Fees Paid	$1,557,223
Total Diesel Fuel for Guard	$101,696
Total Fill Material Purchased	$497,310
Surcharge Work	$336,259
Land Improvements	$20,838
Bid Advertising	$473
Total Expenses paid to date	**$2,513,800**

19

Bid Opening on October 2, 2008

General Construction	$17,762,650
Mechanical Construction	$7,350,405
Electrical Construction	$2,561,855
Total Cost for Construction	**$27,674,910**

20

Increases to Costs of Building

- Cost of Site Work Needed
  - National Guard
  - Jensen Construction
- Cost of Square footage Underestimated
  - $130/SQ Foot vs $190/ SQ Feet
- Square footage was left out of original estimate
  - Mechanical and electrical rooms and facility passageways left out
- Change in the design added SQ Footage
  - Project bids done on October 2nd
    - Fuel costs at the highest
    - Copper prices at the highest
    - Steel prices at the highest

21

Senate Bill 2025

▪ Funds Needed to Complete Building	$9,659,060
▪ VA Match	$1,291,000
▪ Funding needed from Emergency Com.	$2,377,344
Total Funding Needed	**$13,327,986**

22

Cost allocation for Senate Bill 2025

Construction Costs	$27,674,910
FF&E	$1,842,920
Contingency Fund	$750,000
Patient Lifts	$200,340
Spent to Date	$2,513,800
Remaining Architect Fees	$967,650
Nurse Call System	$180,000
Budget Committee approval for 29 Beds	$2,377,344

23

New Veterans Home
SB 2025
1/29/2009

New Veterans Home Building	Original SB 2025	Revised Costs w/o geothermal	Changes to SB2025	Original HB 1267	Revised Geothermal	All bills combined
Construction Cost		25,809,568		3,261,915	2,814,272	
Add'l costs:						
Spent to date on surcharge and architect		2,425,429				
Approximate architectural fees remaining		659,294			225,142	
Construction Contingency		750,000				
Furniture Fixtures and Equipment		1,842,920				
Patient lifts		200,340				
Total Costs		31,687,551		3,261,915	3,039,414	
2007-09 Legislative Appropriation						
Total Appropriated 2007-2009 Biennium		(21,098,656)				
Revised Total Needed Funding	13,327,986	10,588,895	(2,739,091)	3,261,915	3,039,414	
General Fund	12,036,404	7,944,991	(4,091,413)	3,261,915	3,039,414	12,102,539
Federal Fund (VA Grant)	1,291,582	2,643,904	1,352,322			2,643,904
						14,746,443

Total Funding Breakdown - New Building:

	General		Federal	Bonding
Legislative Appropriation	6,483,226	*	12,040,278	2,575,152
SB 2025	7,944,991		2,643,904	
	14,428,217		14,684,182	2,575,152

* Funded from Permanent Oil Tax Trust Fund

Testimony on SB 2025
Senate Appropriations Committee
Rudy Jenson, Chairman
ND Administrative Committee on Veterans' Affairs
January 8, 2009

Good morning Chairman Holmberg and members of the Senate Appropriations Committee. I am Rudy Jenson, Chairman of the Administrative Committee on Veterans' Affairs.

On behalf of the Administrative Committee, residents and staff of the Veterans' Home, and veterans throughout North Dakota, I respectfully ask for your support of SB 2025.

SB 2025 is essentially the funding required to complete the construction of a new North Dakota Veterans' Home in Lisbon. This project was envisioned and supported by the 2007 Legislature. Unfortunately, due to timing, we did not have complete drawings or accurate cost estimates when we appeared before you two years ago. SB 2025 will carry forward funding approved two years ago and add the necessary amounts to complete the project. These funds will provide a Veterans' Home that we can all be proud of.

By March 1, 2009, we need to certify to the Veterans Administration that we have these state matching funds in place; otherwise, we risk losing the federal funds or going back in the queue for the federal dollars. Therefore, I am requesting you take action on this bill very quickly.

Mark Johnson, Veterans' Home Administrator, and the Home's accounting manager, Kristin Lunneborg, will provide the details on the cost of the new veterans home.

Attachment A
2/16/09
SB 2025

TESTIMONY ON SB2025
HOUSE APPROPRIATIONS COMMITTEE HEARING
MONDAY, FEBRUARY 16, 2009

Chairman Svedjan and members of the House Appropriations committee, my name is Mark Johnson, Administrator of the North Dakota Veterans Home. I am here today to testify in favor of SB2025.

At the end of the first Legislative Assembly in 1891, Governor Andrew J. Burke signed into law and appropriated money for the erection of a Soldier's Home in Lisbon, ND. The Soldiers Home is listed as the first public institution created by the North Dakota Constitution.

The original building was erected and commissioned into service in 1893. Since then, many changes have occurred at the Veterans Home. Due to a high demand for services from WWI & WWII Veterans Governor Fred G. Aandahl dedicated a new 150 bed barracks to be built in 1948. An addition was added in 1980 and a skilled nursing home was added in 1990.

Before the last legislative session, on September 12, 2006, the ND Veterans Home received a life safety deficiency from the State Fire Marshal for the 1948 addition.

On November 22, 2006, the State Health Department's Fire Marshal cited the Veterans Home for the same life safety issue, which triggered a thorough review on February 9, 2007, from the Department of Veterans Affairs.

Upon receiving the life safety deficiency from the Health Department, the Veterans Home engaged YHR to complete a condition assessment of the building. Their findings were the basis of Senate Bill 2418, which is found on Slide 8.

A Request for Proposal was issued to find an architect firm for our project. Foss Architecture and Interiors of Fargo was hired as the architect to design the new veterans home. On slide 9 you will see the original design that was submitted to the Department of Veterans Affairs in Washington, DC.

In February 2008, the Department of Veterans Affairs requested the Veterans Home to seek a new direction for the design of the building, one that would incorporate their VA initiative of using a "greenhouse concept".

Upon receiving their direction, another model was designed that replaced the resident wings with the household/neighborhood design. This design, which is shown on Slide 11, was submitted to the Department of Veterans Affairs and received their approval.

Slide 12 shows how the home is positioned on the current grounds.

Slide 13 is a detailed illustration of a basic care neighborhood.

Slide 14 shows the detail of a basic care household. As you can tell, an emphasis has been made to make our building primarily all private rooms. In

the new design we have 142 single rooms and 4 double rooms. The main reason for the private rooms has to do with the type of clients that we serve and the difficulty in placing two residents together in the same room.

Slide 15 shows the main core of our building which includes physical and occupational therapy, a pharmacy, a barber/beauty shop, a library, a Chapel, multi-purpose room, resident storage, dietary services, laundry, maintenance and administration.

The change in design is what prompted us to make a request to the Emergency Commission in March 2008 to increase the project scope from $21.1 million to $25.6 million. On March 19, 2008, the Budget Section approved the Veterans Home request.

Due to our inability to meet the VA's grant deadline of September 15, 2008, we filed a letter requesting conditional approval for a 180 day extension. If the veterans home fails to submit all paperwork by the end of the 180 day extension we will lose the federal funding for this project.

Slide 18 & 19 illustrate the National Guard hard at work on our building site.

Slide 20 is a picture of the building site with the three stall garage in the foreground. This garage will need to be relocated as it is located at the front entrance of the new building.

The project was initially bid on October 2, 2008, which was when the prices for supplies and fuel were at an all time high. Shortly after the bid opening, the economy was starting to turn and we decided it was in our best interests to rebid the project. We looked at numerous alternatives to bring the project down but none of them would have produced a veterans home that we or the State could be proud of.

Slide 22 shows the breakdown of construction bids from the January 27, 2009 bid opening. General construction came in at $16,820,500, mechanical construction at $6,432,953 and electrical construction at $2,556,115, for a total construction cost of $25,809,568.

Slide 23 explains some of the reasons for the increases to the cost of this project. These include increased costs for site work, square footage left out of original estimate, cost per square foot underestimated, change in design added square footage, project bid at worst possible time as the market was seeing prices at an all time high.

Slide 24 details the expenses paid to date for the new Veterans Home, which include professional fees of $1,557,223, diesel fuel for guard $101,696, fill material for building site $497,310, surcharge work $336,259, land improvements $20,838 and bid advertising $473 for a total of $2,513,800.

Slide 22 explains the funding needed from the State to complete the building and the matching dollars from the Department of Veterans Affairs. This bill has an emergency clause attached to it as it needs to be passed by March 1, 2009, in order to enable us to certify the matching funds and complete all the paperwork that needs to be in to the Department of Veterans Affairs before the grant deadline.

Slide 23 breaks down the costs for the construction of the new home.

- Construction Costs $25,809,568
- FF&E $1,842,920
- Contingency Fund $750,000
- Patient Lifts $200,340
- Spent to Date $2,513,800
- Remaining Architect Fees $570,923

Thank you for allowing me to speak and I will now take questions.

Respectfully submitted

Mark B. Johnson, Administrator
North Dakota Veterans Home

Attachment C
2-16-09
SB 2025

Foss
Architecture
&Interiors

January 20, 2009

Mr. Mark B. Johnson
North Dakota Veterans Home
P.O. Box 673
Lisbon, North Dakota 58054-0673

Re: #0724

Dear Mr. Johnson:

In response to your request for a summary regarding the recent testimony in Bismarck for the North Dakota Veteran's Home in Lisbon, I provide the following.

In 2007, when the idea of a replacement North Dakota Veteran's Home was presented to the state for funding consideration there appears to have been oversight by the firm hired to assist you with the project's pre-design. The Veteran's Home Board and Administration was informed in the Pre-design Report that the project's program requirements could be satisfied with approximately 131,000 gross square feet of space, constructed of wood frame materials at a cost of $128.00 per square foot, and that an additional 29 beds funded by the state could be constructed for less than $2.6 million more dollars. There also was only $600,000 dollars identified for site improvements such as utilities and grading, parking lots and driveways which was also grossly underestimated. All this information had been clearly identified during the initial design efforts in the fall of 2007 and documented in a letter issued in December of 2007 confirming our discoveries with the assistance of the Veteran's Home Administration and Board and the budget was a concern.

As the project currently stands, the design square footage has a gross square foot footprint of 159,376 square feet with an additional 12,795 square feet of mechanical platforms. The increase in square footage from the 2007 pre-design is in response to missed programmed space that was required by the VA Design Guidelines, was necessary as discovered when interviewing administration and staff. But most importantly the additional space was a result of the pre-design missing sufficient circulation, mechanical and electrical space as required to connect and operate the building. We were clearly directed up front that the new Veteran's Home was to be constructed of materials that would be of lasting quality, maintenance friendly and when possible, and as the project budget could absorb we were to create an environmentally friendly building by implementing "green design" features. But it was conveyed up front that wood frame construction should not be a first consideration for the structural system for the Veteran's Home. Code requires that the implementation of any wood into the structure requires additional building separations be incorporated into the design and therefore more barriers which then increase costs and further hinder movement of residents and staff. So the $128/sf was therefore an unrealistic number to be used for the estimated cost of constructing the building.

VA guidelines for this region and similar already constructed projects that would meet the expectations for the North Dakota Veteran's Home would cost a minimum of $150-165/sf. Regarding the additional 29 state funded beds, there are many ways to determine the cost but at the early stage of the 2007 pre-design submittal a per bed basis would have been more responsible if the actual design square footage had not been determined. This calculation would have put the cost of the additional 29 beds at $4.4 million not $2.6 million. The VA in February requested that consideration be given to the "Green House" plan concept. This required some additional square footage but a large identifiable additional expense to the project was the added food service equipment at the "neighborhoods and households".

In summary:

1. If the pre-design square footage was based upon $148.00 a square foot that reflects the current design costs and falls close to the VA Guidelines, this would have increased the 2007 pre-design budget request by $2.2 million dollars.
2. If the pre-design program would have met the VA requirements, responded to the actual facility needs and included the necessary circulation, mechanical and electrical space this would have increased the 2007 pre-design budget request by $6.1 million for the additional space.
3. If the proposed pre-design budget would have properly reflected the cost of the additional 29 beds, this would have increased the pre-design budget request by $1.8 million.
4. If the pre-design document would have included a sufficient request for the development of the 100 acre site, the 2007 pre-design budget request would have increased by $900,000.
5. The additional food service equipment to implement the Green House concept is approximately $700,000.
6. Unforeseen sub-soil conditions 12 to 20 feet below the surface have required an additional $1.2 million to the 2007 budget request.

Together these items alone add up to a $12,900,000 project short fall.

If you have any other questions please let me know and I will try and further assist in clarification of the items that may be responsible for the increased project costs.

Sincerely

Foss Architecture & Interiors

Rick Hoganson, AIA
Principal

99680

Prepared by the North Dakota Legislative Council staff for Senator Holmberg
January 2009

VETERANS' HOME BUILDING PROJECT - 2007-09 AND 2009-11 BIENNIUMS

	Bed Capacity	General Fund	Permanent Oil Tax Trust Fund	Federal Funds	Revenue Bond Proceeds	State Contingency Fund	Other Funds/Grants	Total
2007 legislative action								
Original request - SB 2418	121	$6,483,226		$12,040,278				$18,523,504
Legislative changes - SB 2418	29	(6,483,226)	$6,483,226		$2,575,152			2,575,152
2007-09 legislative appropriation	150		$6,483,226	$12,040,278	$2,575,152			$21,098,656
2007-08 Emergency Commission and Budget Section action (March 2008)[1]				1,400,000	2,373,344 [1]	$109,000	$619,000	4,501,344
Interim cost approved by the Emergency Commission and Budget Section	150		$6,483,226	$13,440,278	$4,948,496	$109,000	$619,000	$25,600,000
2009-11 executive recommendation								
Allows Emergency Commisison and Budget Section action to expire[1]				($1,400,000)	($2,373,344) [1]	($109,000)	($619,000)	($4,501,344)
SB 2025		$12,036,404		1,291,582				13,327,986
2009-11 executive recommendation/ Total project funding	150	$12,036,404	$6,483,226	$13,331,860	$2,575,152			$34,426,642
2009-11 senate action								
Amend SB 2025 to provide for:								
Reduction in bids		($4,091,413)		$1,352,322				($2,739,091)
Geothermal heat (also included in HB 1267)		3,039,414						3,039,414
Exterior work (also included in SB 2075)		1,118,134						1,118,134
Subtotal - SB 2025		$12,102,539		$2,643,904				$14,746,443
2009-11 SB 2025/Total project funding	150	$12,102,539	$6,483,226	$14,684,182	$2,575,152			$35,845,099

[1] The increase in revenue bonds identified as part of the interim changes to the cost of the Veterans' Home facility was not part of Emergency Commission and Budget Section action, but rather it was anticipated the Veterans' Home would seek approval from the 2009 Legislative Assembly to issue the additional bonds which would be required to provide the additional funds for the 29-bed expansion included in the 2007 legislative appropriation. The amount is shown to identify the total project cost estimate at the time additional interim funding was requested. The executive recommendation anticipates providing the additional funding from the general fund and federal funds for the project and allows the interim funding approved by the Emergency Commission and the Budget Section to expire.

New Veterans Home

SB 2025, SB 2075, HB 1267

(Includes Building, Exterior Finishes and Geothermal Heating)

February 2, 2009

New Veterans Home Building	Veterans Home Building			Geothermal Heating		Exterior	Total
	Original SB 2025	Revised Costs	Changes to SB2025	Original HB 1267	Revised Geothermal	Original SB 2075	All Bills combined
Construction Cost		25,809,568		3,261,915	2,814,272	1,118,134	
Add'l costs:							
Spent to date on surcharge and architect		2,425,429					
Approximate architectural fees remaining		659,294			225,142		
Construction Contingency		750,000					
Furniture Fixtures and Equipment		1,842,920					
Patient lifts		200,340					
Total Costs		31,687,551		3,261,915	3,039,414	1,118,134	
2007-09 Legislative Appropriation							
Total Appropriated 2007-2009 Biennium		(21,098,656)					
Revised Total Needed Funding	13,327,986	10,588,895	(2,739,091)	3,261,915	3,039,414	1,118,134	14,746,443
General Fund	12,036,404	7,944,991	(4,091,413)	3,261,915	3,039,414	1,118,134	12,102,539
Federal Fund (VA Grant)	1,291,582	2,643,904	1,352,322				2,643,904

Total Funding Breakdown - New Building:

	General	Federal	Bonding	Total
Legislative Appropriation	6,483,226 *	12,040,278	2,575,152	21,098,656
SB 2025	7,944,991	2,643,904		10,588,895
SB 2075	1,118,134			1,118,134
HB 1267	3,039,414			3,039,414
	18,585,765	14,684,182	2,575,152	35,845,099

* Funded from Permanent Oil Tax Trust Fund

THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

September 17, 2008

Mr. Mark Johnson
Administrator
North Dakota Veterans' Home
P.O. Box 673
Lisbon, ND 58054

Dear Mr. Johnson:

The Department of Veterans Affairs (VA) has conditionally approved your application for Federal assistance in the cost of a Life Safety 121-Bed Nursing Home Care Domiciliary project at the State Veterans Home in Lisbon, North Dakota (FAI 38-007).

VA participation in the project is contingent upon the State of North Dakota's compliance with the remaining Federal requirements within 180 calendar days from the date of this letter. Based upon our review of the application documents, the amount of $13,392,600 has been set aside for the Lisbon grant application.

I have enclosed a copy of the Checklist of Major Requirements for State Home Construction/Acquisition Grants that indicates the remaining requirements that need to be met prior to approving the grant award for this project. Failure to meet the remaining Federal qualifying factors for this grant application within the 180 calendar days will result in the loss of Federal funds for this project during Fiscal Year 2009.

We look forward to receipt of the above information so that we may proceed with the final grant award.

Sincerely yours,

James B. Peake, M.D.

Enclosure

Ulteig

3350 38th Ave. S.
Fargo, ND 58104
Tel 701-280-8500
Fax 701-237-3191

www.ulteig.com

August 11, 2008

Mr. Mark Johnson
North Dakota Veterans Home
1400 Rose Street
Lisbon, ND 58054

Subject: **Pavement & Irrigation Assessment**
Summary of Estimated Cost
UEI Project No. 108.0521

Ulteig Engineers was hired to perform a pavement assessment based on visual inspections and an on-site meeting with officials on August 1, 2008. From this, pricing for the mill & overlay for the existing asphalt was identified along with four alternative pricing items. See attached Exhibits for further explanation of areas and alternatives.

Included with this summary is an irrigations assessment provided by Northern Waterworks. Based on the coverage area set forth by the North Dakota Veterans Home at the on-site meeting on August 1, 2008, which was 100% remodel on the existing irrigation and 100% coverage of all newly constructed areas. This price includes a new pump station, mainline/lateral pipe, sprinklers, valves and wiring system. The design was based on 600gpm at 100psi which will result in a run time of approximately 12 hours. All irrigation components are typical of commercial applications and include warranties of up to three years.

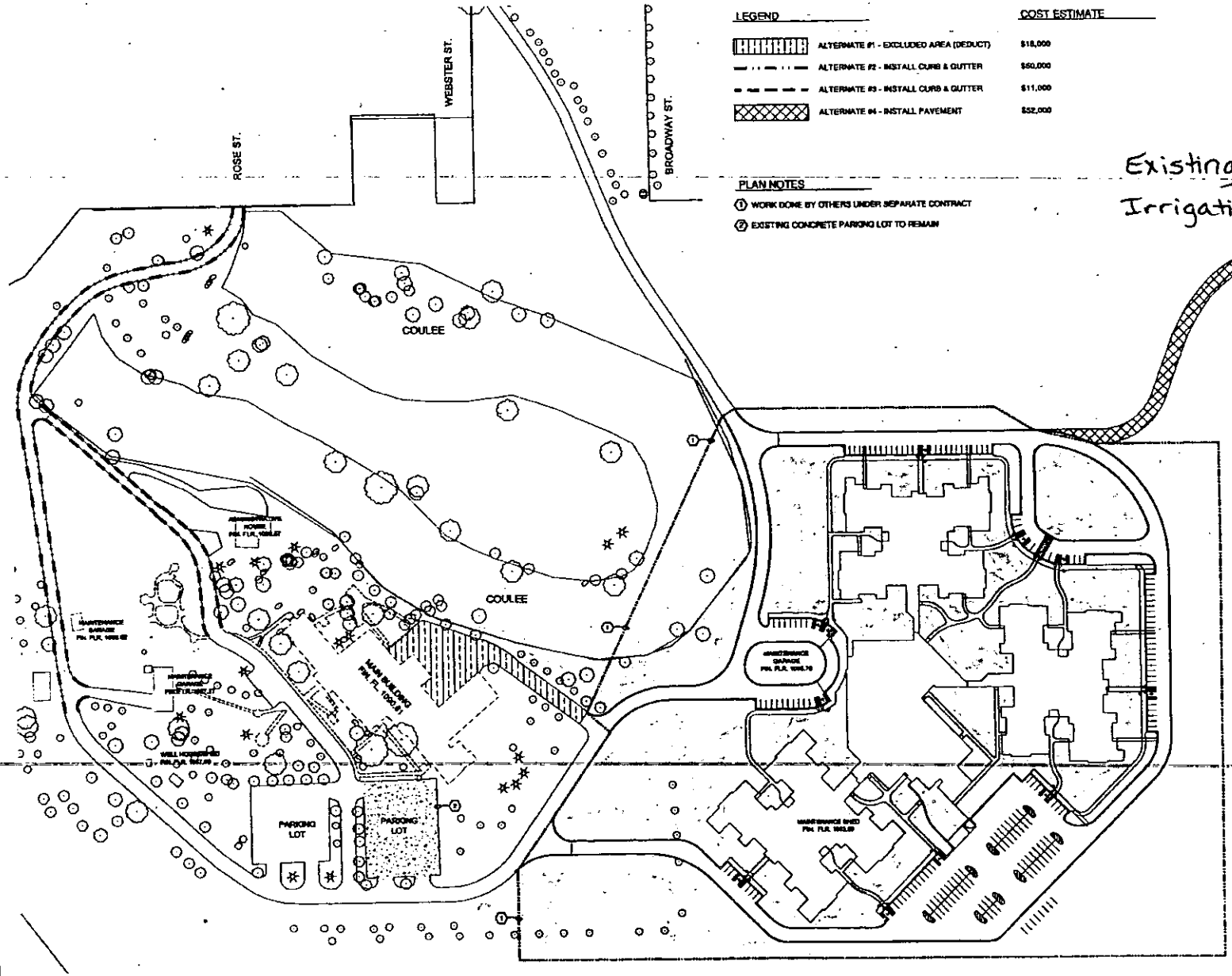
Below is a brief description and engineer's estimated costs assuming a 5% inflation per year until 2011.

Work Performed	Projected Cost
Mill & Overlay for all existing asphalt on site	*$126,000*
Alt. #1 – Excluded Area (Deduct)	*$18,000*
Alt. #2 – Install Curb & Gutter (Rose Street to existing curb)	*$50,000*
Alt. #3 – Install Curb & Gutter (Admin. Drive to park entrance)	*$11,000*
Alt. #4 – Install new pavement on current haul road	*$52,000*
Alt. #5 – Irrigation new site installation and upgrade existing site	*$515,000*

Sincerely,

Kevin Knott, PE
Building Services - Site Development

KJK/ldb - Enclosure



NORTH DAKOTA VETERANS HOME

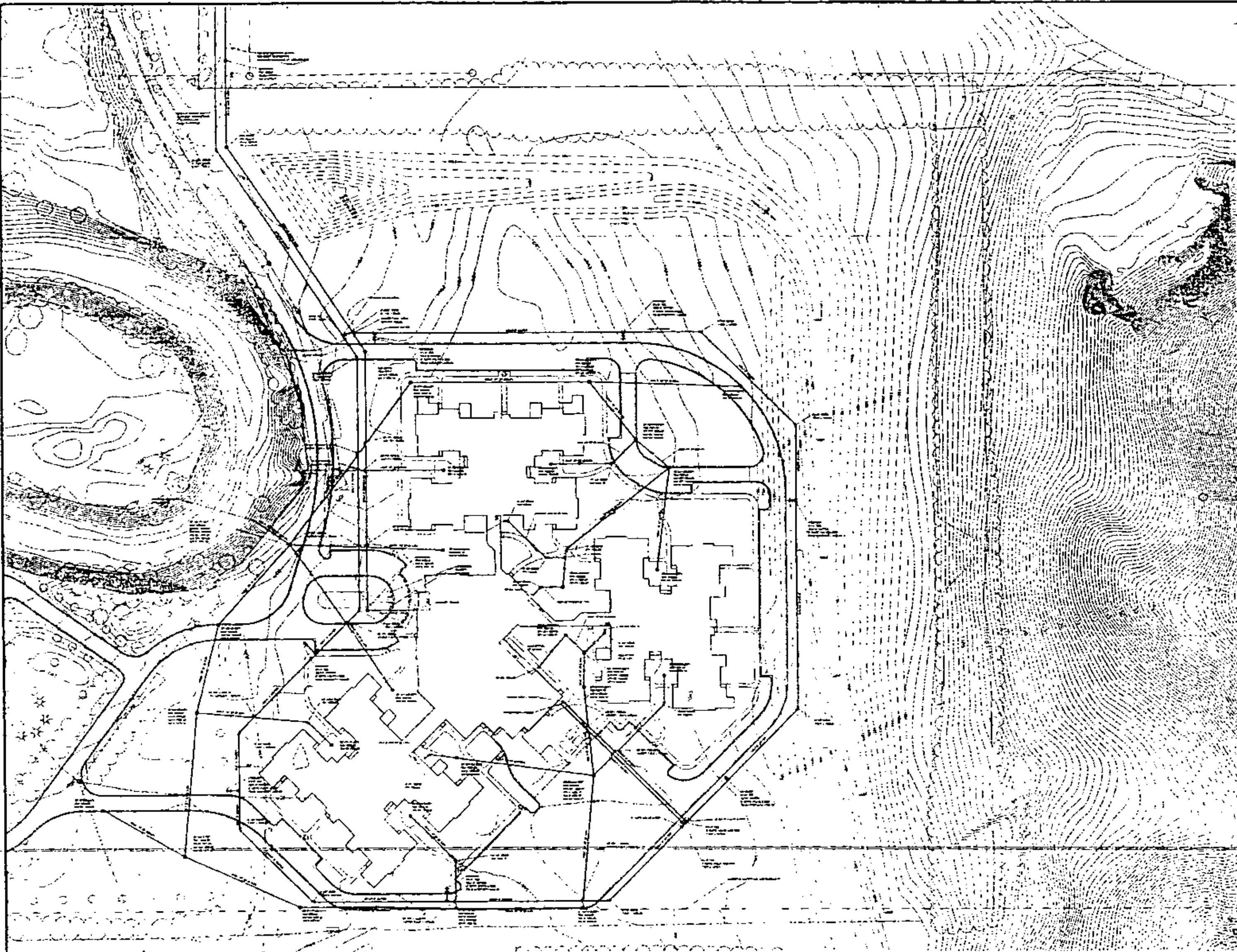
Lisbon, North Dakota

Existing irrigation system
Irrigation for new home

Ulteig

PAVEMENT ASSESSMENT

EX2



LEGEND

- NEW MANHOLE WITH SOLID COVER
- NEW STORM MANHOLE WITH GRATE INLET
- NEW HYDRANT
- NEW GATE VALVE
- NEW FITTING
- NEW SANITARY SEWER
- NEW STORM SEWER
- NEW WATER LINE
- EXISTING CONTOUR
- FINISHED CONTOUR

GENERAL NOTES

1. THE TOPOGRAPHIC SURVEY SHOWN ON THESE PLANS WAS PROVIDED BY OTHERS. ULTEIG ENGINEERS, INC. DOES NOT CERTIFY TO THE COMPLETENESS AND/OR ACCURACY OF THE TOPOGRAPHIC SURVEY.
2. CONTRACTOR SHALL NOTIFY UTILITY COMPANIES FOR UNDERGROUND LOCATIONS 48 HOURS PRIOR TO BEGINNING CONSTRUCTION. NORTH DAKOTA ONE CALL PHONE NUMBER: [illegible]
3. CONTRACTOR SHALL PROTECT ALL PROPERTY PINS. PROPERTY PINS DESTROYED OR DISTURBED SHALL BE REPLACED AT CONTRACTOR'S EXPENSE.

DRAWING NOTES

1. CONTRACTOR TO COORDINATE WITH OTTER TAIL POWER COMPANY FOR THE RELOCATION OF THE EXISTING LIGHT POLES ADJACENT TO THE EXISTING PERIMETER ROAD NECESSARY FOR THE PAVING AND GRADING IMPROVEMENTS (3 TOTAL)

CONSULTANTS

STRUCTURAL
HEYER ENGINEERING, PC
[illegible]

MECHANICAL
OBERMILLER NELSON ENGINEERING
P.O. BOX 2725, FARGO ND [illegible]

ELECTRICAL
ULTEIG ENGINEERS, INC.
[illegible] FARGO ND [illegible]

CIVIL
ULTEIG ENGINEERS, INC.
[illegible] FARGO ND [illegible]

FIRE PROTECTION
OBERMILLER NELSON ENGINEERING
P.O. BOX 2725, FARGO ND [illegible]

ARCHITECT/ENGINEERS

Foss
810 First Avenue North
Fargo, North Dakota 58102
Phone 701-282-5505
Fax 701-232-5338
info@fossarch.com

Drawing Title: SITE UTILITY PLAN

Approved: Project Director

Project Title: NORTH DAKOTA VETERAN'S HOME

REVISED

Location: LISBON, NORTH DAKOTA

Date: DECEMBER, [illegible]

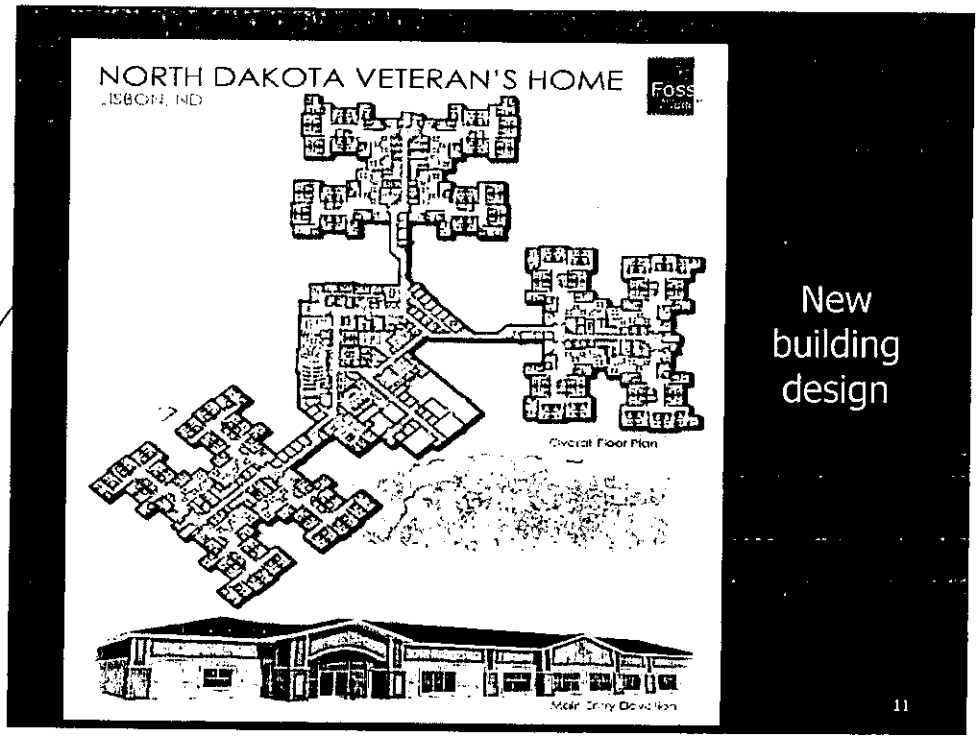
Drawing Number: C4

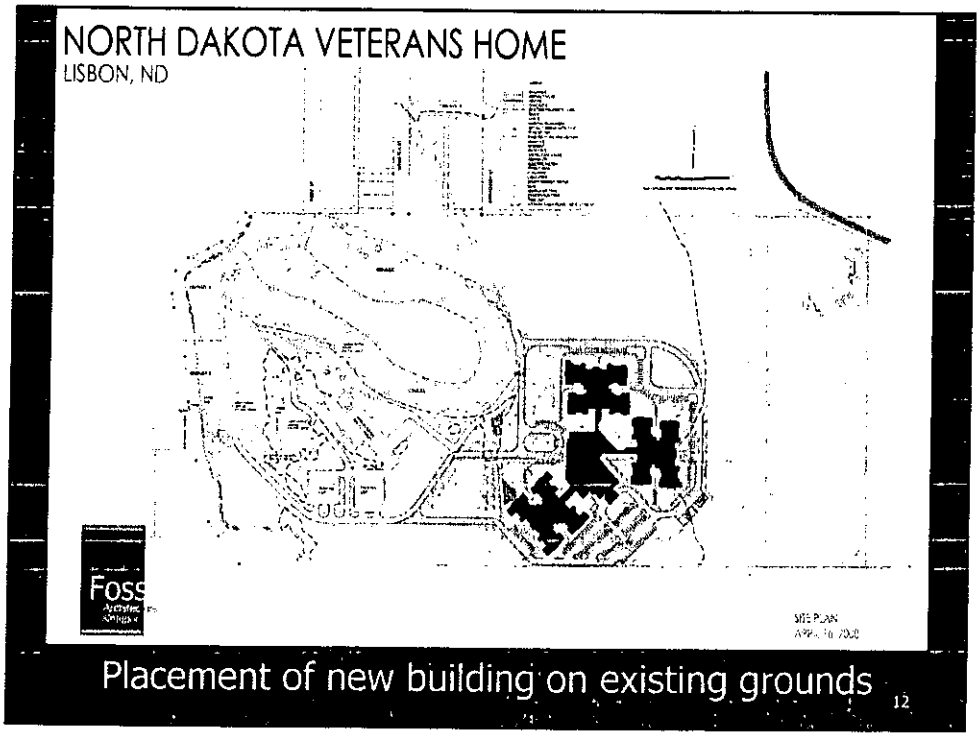
Office of Facilities Management

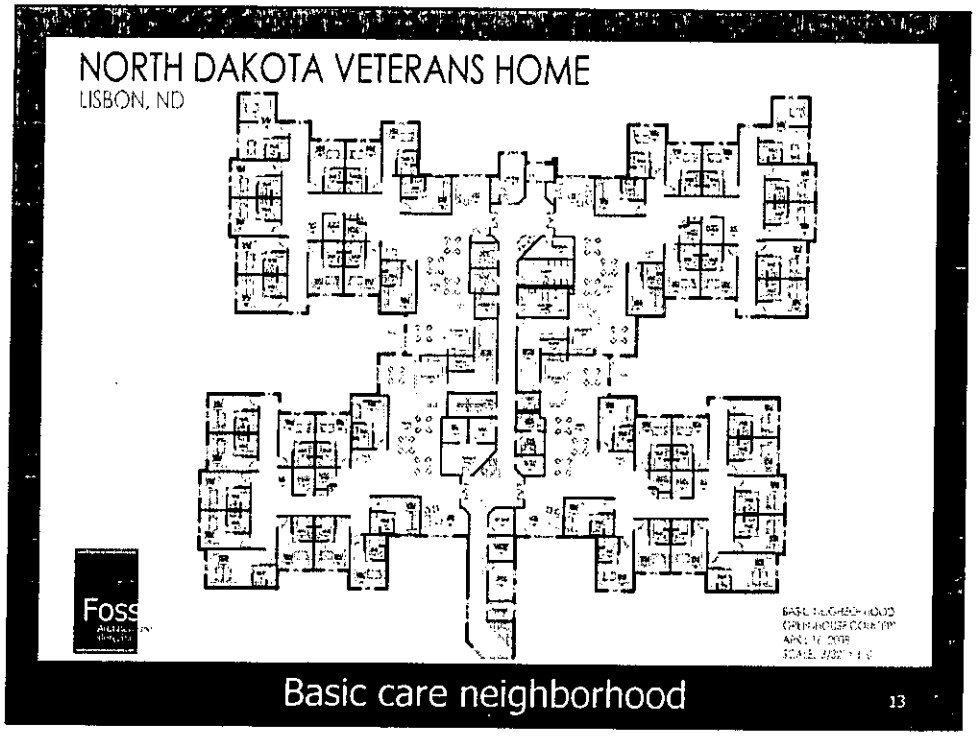
Department of Veterans Affairs

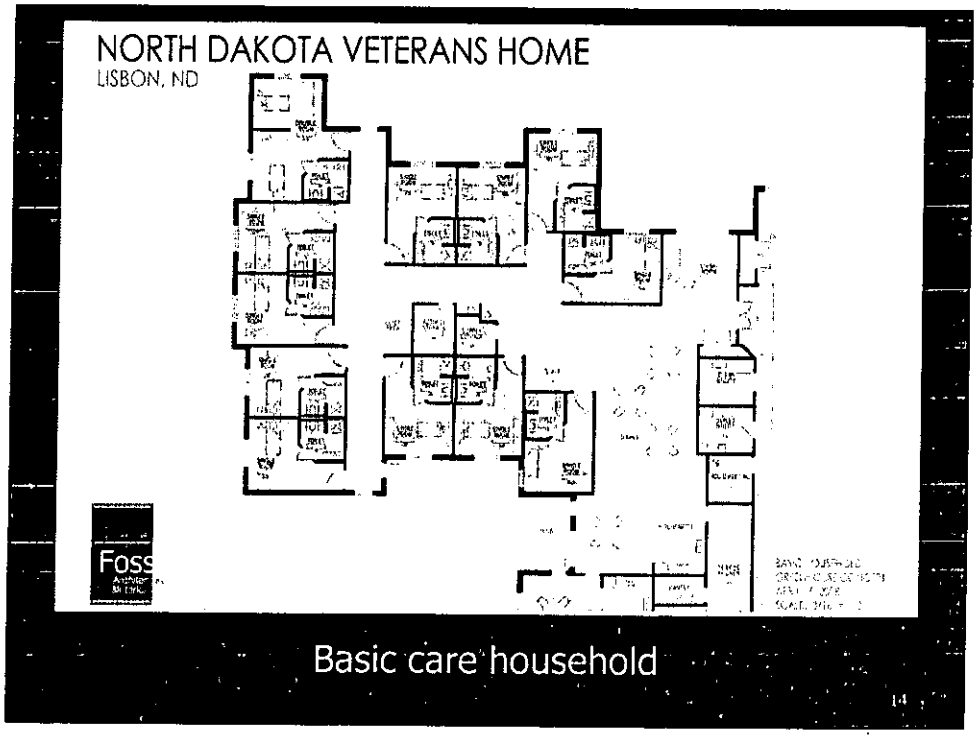
2-16-09
To House

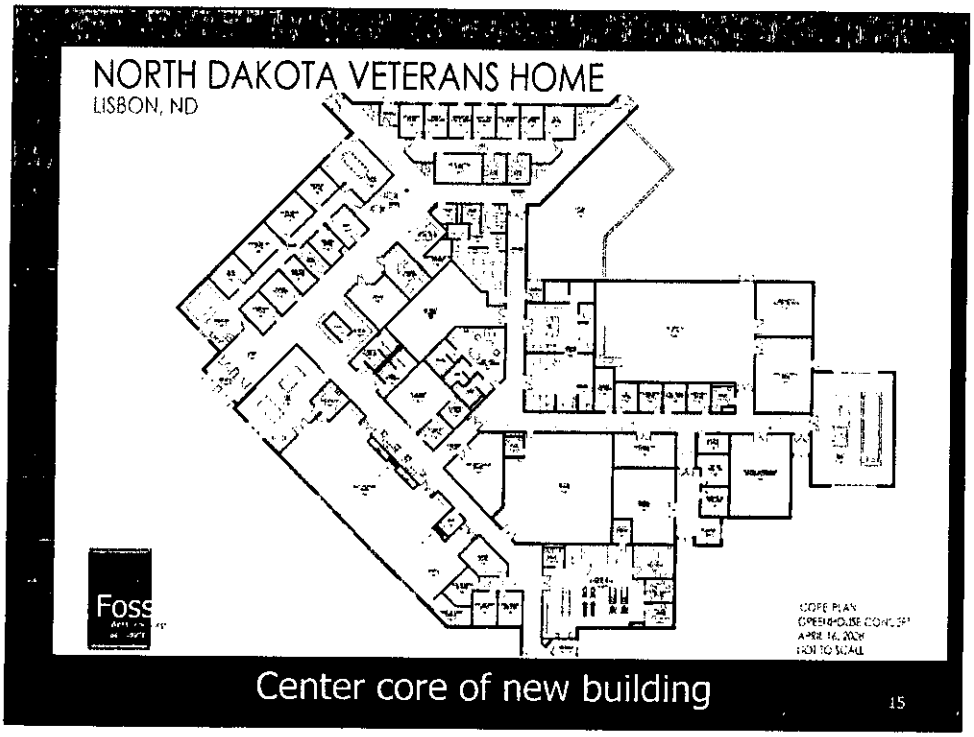
up to these same pages to House and Senate






NORTH DAKOTA VETERANS HOME
LISBON, ND
Foss
Basic care neighborhood
13


NORTH DAKOTA VETERANS HOME
LISBON, ND
Foss
Basic care household
14

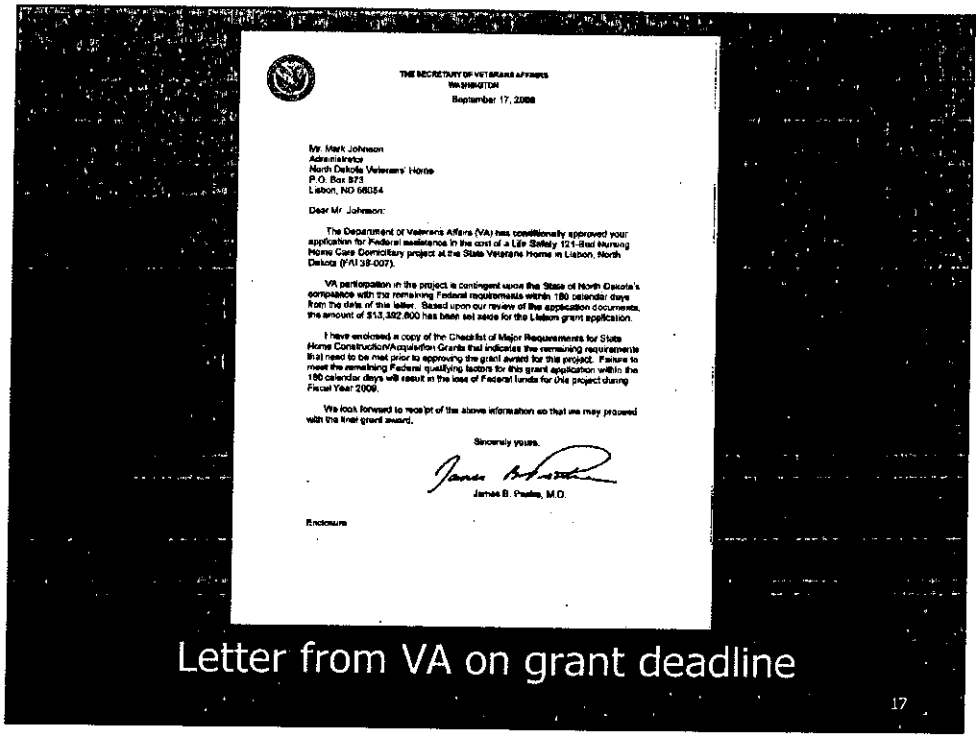


Emergency Commission Request 3/19/08

▪ VA Match	$1,400,000
▪ Special Fund Revenue	$619,000
▪ Contingency Funds from Emergency Com.	$109,000
– ***Total Funds Appropriated***	***$2,128,000***
•Additional Funding needed for 29 Beds	$2,377,344

•On March 19, 2008, the Budget Section approved the Veterans Home request to increase the project authorization for the Veterans home project from $21.1 million to $25.6 million. The Budget Section did not have the authority to appropriate the $2.4 million for the additional 29 beds.

16



THE SECRETARY OF VETERANS AFFAIRS
WASHINGTON

September 17, 2008

Mr. Mark Johnson
Administrator
North Dakota Veterans' Home
P.O. Box 873
Lisbon, ND 58054

Dear Mr. Johnson:

The Department of Veterans Affairs (VA) has conditionally approved your application for Federal assistance in the cost of a Life Safety 121-Bed Nursing Home Care Domiciliary project at the State Veterans Home in Lisbon, North Dakota (FAI 38-007).

VA participation in the project is contingent upon the State of North Dakota's compliance with the remaining Federal requirements within 180 calendar days from the date of this letter. Based upon our review of the application documents, the amount of $13,392,800 has been set aside for the Lisbon grant application.

I have enclosed a copy of the Checklist of Major Requirements for State Home Construction/Acquisition Grants that indicates the remaining requirements that need to be met prior to approving the grant award for this project. Failure to meet the remaining Federal qualifying factors for this grant application within the 180 calendar days will result in the loss of Federal funds for this project during Fiscal Year 2008.

We look forward to receipt of the above information so that we may proceed with the final grant award.

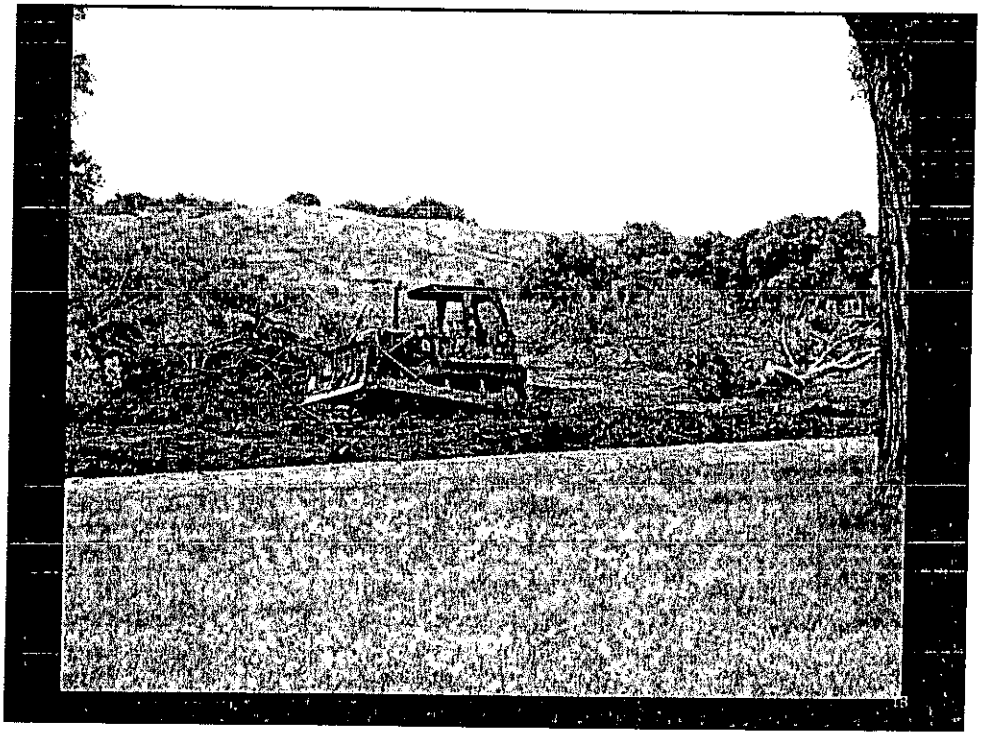
Sincerely yours,

James B. Peake, M.D.

Enclosure

Letter from VA on grant deadline

17



Bid Opening on October 2, 2008

General Construction	$17,762,650
Mechanical Construction	$7,350,405
Electrical Construction	$2,561,855
Total Cost for Construction	***$27,674,910***

21

Bid Opening on January 27, 2009

General Construction	$16,820,500
Mechanical Construction	$6,432,953
Electrical Construction	$2,556,115
Total Cost for Construction	***$25,809,568***

22

Increases to Cost of Building

- Cost of Site Work Needed
  - National Guard
  - Jensen Construction
- Cost of Square footage Underestimated
  - $130/SQ Foot vs. $190/ SQ Foot
- Square footage was left out of original estimate
  - Mechanical and electrical rooms and facility passageways left out
- Change in the design added SQ Footage
- Davis Bacon requirements due to Federal funds
- Construction costs have increased substantially
  - Fuel costs
  - Copper prices
  - Steel prices

23

Expenses Paid for New Building

Professional Fees Paid	$1,557,223
Total Diesel Fuel for Guard	$101,696
Total Fill Material Purchased	$497,310
Surcharge Work	$336,259
Land Improvements	$20,838
Bid Advertising	$473
Total Expenses paid to date	***$2,513,800***

24

Cost allocation for Senate Bill 2025

■ Construction Costs	$25,809,568
■ FF&E	$1,842,920
■ Contingency Fund	$750,000
■ Patient Lifts	$200,340
■ Spent to Date	$2,513,800
■ Remaining Architect Fees	$570,923
- Total building cost	***$31,687,551***

21

Senate Bill 2025

■ Funds Needed to Complete Building	$7,944,991
■ VA Match	$2,643,904
Total Funding Needed	***$10,588,895***

26