

FLORIDA BOARD OF GOVERNORS

February 23, 2006

SUBJECT: Amended Legislative Budget Request (LBR) Issue on Construction Cost Escalation

PROPOSED BOARD ACTION

Approve an amended 2006-2007 LBR issue on Construction Cost Escalation and authorize the Chancellor to make technical corrections as necessary.

AUTHORITY FOR BOARD OF GOVERNORS ACTION

Subsection (d) of Section 7 of Article IX, Education, of the Constitution of Florida as amended.

BACKGROUND INFORMATION

The Legislature has historically funded the universities' request for construction of facilities at levels requested by the universities. The estimated project cost is based in part on current construction cost data adjusted for anticipated cost escalation. Increases in construction cost during the period of construction are calculated into the project.

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From 2000 to 2003 construction costs on the national level increased 2.3 percent. From 2003 to 2005 construction costs on the national level increased 13.8 percent, an increase 6 times the historical average. During the same 2003 to 2005 time frame, Florida experienced a number of major hurricanes. The impact of the hurricane recovery effort on the construction industry has yet to be quantified, but it is significant. University projects currently under construction are not sufficiently funded at a level capable of absorbing this unanticipated increase in cost.

Since funding of Construction Cost Escalation for projects currently under construction has not been requested in prior LBRs, universities have had to absorb the increases. Due to the magnitude of the cost increases, reductions in project scope or quality of construction are expected.

Based upon information provided by university staff construction cost escalation for projects are projected to total an additional \$57,842,246. The criteria established to select projects for inclusion was as follows:

1. Construction projects must be greater than \$1,000,000 and specifically appropriated by the Legislature (no requests for utility infrastructure projects, land purchases or maintenance were accepted).

2. Projects must be currently under a construction contract (no projects in the construction document phase were included).
3. No future request for funding (including the 2006-07 session) is anticipated to complete the project.

Attached is a spreadsheet showing the calculation and proposed distribution by university.

Supporting Documentation Included: Survey Questionnaire on Cost Escalation of Current PECO Projects Due to Market Conditions

Facilitators/Presenters: Dr. Nancy McKee,
Vice Chancellor for Education Policy and Research