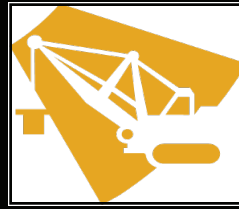


WHEN UTRUST MEMBERS USE CONSTRUCTION MANAGEMENT



Occasionally, boards consider using construction management to build a new school. They do this to save money and give the board more control throughout the project. Sometimes, the board hires only one employee—a construction manager. Sometimes, the board hires 50 or more employees. There are advantages and disadvantages to each approach.

Factor in Unemployment Cost

One issue the board should consider in weighing the cost is the impact that such a decision will have on unemployment compensation costs. For example, if a board hires 60 temporary employees and all earn at least \$540 per week, the system could incur up to \$429,000 in unemployment compensation costs if all become unemployed at the conclusion of the project.

Extended Benefits Increase Costs to Local Boards

However, the State has temporarily extended unemployment benefits for an additional 13 weeks. This means that the school board in the example above could expect maximum unemployment costs to increase from \$429,000 up to a total of \$643,500.

Costs Not Covered by Utrust

The use of construction management adds direct cost over and above usual unemployment costs since it adds significant temporary employees who become eligible for unemployment. Since the use of construction management is a choice that the school board makes and not a usual cost of unemployment, it would pose an unfair burden on the remaining school districts which do not hire multiple employees for construction management. Unemployment costs related to construction management are a clear exception to normal unemployment practices within the Utrust.

As a result, the trustees have determined that Utrust will not be liable for unemployment benefits that result from construction management. Therefore, member boards will not be charged for the taxable wages for these temporary employees but will be responsible for paying 100% of the cost of the claims that result from their use. The board will be billed for such claims when charged by the Department of Labor and Workforce Development. Utrust does not discourage the use of construction management; it merely advises boards to consider unemployment benefits as a cost of construction management—as they weigh the benefits and costs of such an approach.