

HF204 - 1E - "Highway Construction Costs Study "

Chief Author: **Linda Runbeck**  
 Committee: **Transportation Finance**  
 Date Completed: **03/14/2017**  
 Agency: **Transportation Dept**

State Fiscal Impact	Yes	No
Expenditures	X	
Fee/Departmental Earnings		X
Tax Revenue		X
Information Technology		X
Local Fiscal Impact		X

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions shown in the parentheses.

State Cost (Savings)	Biennium			Biennium		
	Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	160	-	-	-	-
<b>Total</b>	-	<b>160</b>	-	-	-	-
<b>Biennial Total</b>			<b>160</b>			-

Full Time Equivalent Positions (FTE)	Biennium			Biennium	
	FY2017	FY2018	FY2019	FY2020	FY2021
General Fund	-	-	-	-	-
<b>Total</b>	-	-	-	-	-

**Executive Budget Officer's Comment**

I have reviewed this fiscal note for reasonableness of content and consistency with MMB's Fiscal Note policies.

EBO Signature: Stewart McMullan      Date: 3/14/2017 8:24:43 AM  
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**State Cost (Savings) Calculation Details**

This table shows direct impact to state government only. Local government impact, if any, is discussed in the narrative. Reductions are shown in parentheses.

\*Transfers In/Out and Absorbed Costs are only displayed when reported.

<b>State Cost (Savings) = 1-2</b>		Biennium			Biennium	
Dollars in Thousands	FY2017	FY2018	FY2019	FY2020	FY2021	
General Fund	-	160	-	-	-	-
<b>Total</b>	-	<b>160</b>	-	-	-	-
<b>Biennial Total</b>			<b>160</b>			-
<b>1 - Expenditures, Absorbed Costs*, Transfers Out*</b>						
General Fund	-	160	-	-	-	-
<b>Total</b>	-	<b>160</b>	-	-	-	-
<b>Biennial Total</b>			<b>160</b>			-
<b>2 - Revenues, Transfers In*</b>						
General Fund	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-
<b>Biennial Total</b>			-			-

**Bill Description**

This bill would require MnDOT to contract with an external consultant to study highway construction costs. An unspecified amount is appropriated from the general fund in fiscal year 2018 for this study, which must include, at a minimum:

1. An overview of highway construction costs issues
2. Comparison of costs in Minnesota relative to other states and regions
3. Identification of factors specific to Minnesota, if any, that contribute to costs differences
4. Evaluation of the methodology used for highway construction cost calculation and indexing in Minnesota, including review of associated best practices, a comparison to the federal construction costs index methodologies, and identification of the reasons for past discrepancies between Minnesota and federal highway construction cost indexing
5. Specific recommendations for road authorities and legislative changes to reduce highway construction costs.

MnDOT must submit a report on the study to the legislature by February 15, 2018.

**Assumptions**

Based on previous studies with similar levels of effort, the highway construction cost study required in this bill is estimated to cost approximately \$150,000. The work would be performed by an external consultant, and would also require MnDOT staff time. We assume this would require approximately 160 hours for MnDOT staff, primarily subject matter experts, to gather information, manage and oversee the consultant contract, review the study and prepare the required legislative report. This work would be performed by senior level staff, so we will assume an average hourly wage rate of \$40, plus an additional 50% to account for overhead costs including fringe benefits.

**Expenditure and/or Revenue Formula**

Consultant costs for highway construction costs study = \$150,000

MnDOT staff time for oversight and contributions from subject matter experts = \$40/hour + 50% overhead rate = \$60/hour x 160 hours = \$9,600

Total costs = \$150,000 + \$9,600 = \$159,600 in FY2018 General Fund

**Long-Term Fiscal Considerations**

None

**Local Fiscal Impact**

None

**References/Sources**

Office of Transportation System Management (OTSM)  
Office of Project Management and Technical Support

**Agency Contact:**

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