

February 15, 2018

The Honorable Paul Torkelson, Chair  
House Transportation Finance Committee  
381 State Office Building  
Saint Paul, MN 55155

The Honorable Scott Newman, Chair  
Senate Transportation Finance & Policy Committee  
3105 Minnesota Senate Building  
Saint Paul, MN 55155

The Honorable Linda Runbeck, Chair  
House Transportation & Regional Governance Policy  
Committee  
417 State Office Building  
Saint Paul, MN 55155

The Honorable Scott Dibble  
Ranking Minority Member  
Senate Transportation Finance & Policy Committee  
2213 Minnesota Senate Building  
Saint Paul, MN 55155

The Honorable Frank Hornstein, DFL Lead  
House Transportation Policy & Finance Committee  
243 State Office Building  
Saint Paul, MN 55155

The Honorable Connie Bernardy, DFL Lead  
House Transportation & Regional Governance Policy  
Committee  
253 State Office Building  
Saint Paul, MN 55155

RE: 2018 Study on Highway Construction Costs and Cost Inflation

Dear Legislators:

In accordance with [Laws of Minnesota 2017, 1<sup>st</sup> Spec. Sess., Chapter 3, Section 133, Subdivision 1](#), the Minnesota Department of Transportation is submitting the study on Highway Construction Costs and Cost Inflation.

This report identifies and analyzes the nature of discrepancies in highway construction costs and cost inflation estimates between Minnesota and other federal and national measures. This report shows that MnDOT's cost estimating practices and cost indexing when compared to peer states and Federal Highway Administration are sound.

This analysis also evaluates the performance of the Minnesota Department of Transportation's highway construction cost index in relation to the performance of the FHWA's National Highway Construction Cost Index 2.0, and to the performance of five peer states. MnDOT's Highway Construction Cost Index is a strong measure of the rate of construction cost inflation. Its trends over time are reflective of trends observed from the peer states and the NHCCI 2.0.

Please contact me with any questions you may have, or you may contact Mark Gieseke, Office of Transportation System Management Director, at [mark.gieseke@state.mn.us](mailto:mark.gieseke@state.mn.us) or (651) 366-3770.

Sincerely,



Charles A. Zelle  
Commissioner