



Minnesota Department of Transportation  
 Office of Capital Programs and Performance Measures  
 395 John Ireland Boulevard, MS 440  
 Saint Paul, MN 55155

Office Tel: 651-366-3798  
 Fax: 651-366-3790

# Memo

**TO:** Transportation District Engineers

**FROM:** Mark Gieseke, Director  
 Office of Capital Programs & Performance Measures

**DATE:** September 1, 2016

**SUBJECT:** STIP Funding Guidance – Inflation Adjustment

**Inflation Adjustment.** The Districts will need to adjust construction estimates to nominal values (inflated values). The inflation rates shown in Table 1 were approved by **TPIC on October 23, 2015**.

Table 1 – Recommended Inflation Adjustments				
SFY	2017	2018	2019	2020
<b>Inflation Rate</b>	6%	4%	4%	4%
<b>Multiplier</b>	1.06	1.10	1.15	1.20

Conversion of construction cost estimates to year of construction dollars can be done by following the procedure below. Please use your discretion when determining inflation on projects with known let dates early in SFY 2017 including SFY 2016 ELLA's, as inflation will most likely be lower than the 6% recommended.

1. Estimate construction costs for all projects, in all years of the 2017- 2020 STIP, in current (2016) dollars. That is, as if all of the projects were to be programmed in the first year of the STIP.
2. Many of the projects in SFY 2017 will be let in calendar year 2017. Therefore we are recommending an inflation factor be applied to the first year of the STIP (FY 2017). Multiply current estimate by 1.06 for FY 2017 projects.
3. To adjust the cost estimates for a project in FY 2018, multiply the cost estimates derived in Step 1 by 1.10. Use the result as the cost estimate adjusted for expected inflation for FY 2018.
4. To adjust cost estimates for the projects programmed for FY 2019, multiply the cost estimates derived in Step 1 by 1.15. Use the result as the inflation adjusted cost estimate in FY 2019.
5. To adjust the cost estimates for a project programmed in FY 2020, multiply the cost estimates derived in Step 1 by 1.20. Use the result as the inflation adjusted cost estimate in FY 2020.

Any questions can be directed to Brian Gage at 651-366-3748.

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