



Wisconsin State Legislature

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Audit Looks at State Highway Program

Imagine you sign a contract to buy a \$30,000 car in ten years. Over those ten years, you diligently put money aside so you can pay for the \$30,000 car. Ten years pass and you have saved enough money to buy the car, but when you go to the dealership, you are told the car now costs \$60,000. You have agreed to buy the car, but now you have to figure out how to pay the higher price. I bet you would be frustrated. I know I would be. Late last month, the Legislative Audit Bureau (LAB) released their audit of the state highway program, showing that the Department of Transportation (DOT) did not accurately estimate costs for construction projects that take many years to complete. The audit report also raised concerns regarding the use of performance measures and the condition of the state's highways.

There are 11,758 miles of state highways in Wisconsin. The DOT is responsible for designing, constructing and maintaining these highways. Spending on state highways increased 190.2 percent between fiscal years 1996-97 and 2015-16, going from \$737.7 million to \$2.1 billion. The state highway program includes the Southeastern Wisconsin megaprojects, like the Zoo Interchange, repairing and replacing existing highways and maintaining existing highways through snow removal and filling potholes.

The audit revealed that the state's highways are deteriorating. According to the DOT's pavement condition index, only 41 percent of highways are considered in good condition, down from 53.5 percent in 2010. The proportion of state highways in good condition is lower than in six other Midwestern states. Safe and useable highways are critical to the economic well-being of Wisconsin and the quality of life of people who live here or visit.

Major state highway projects must be approved by the Transportation Projects Commission and enumerated, or included in statute, by the Legislature and the Governor. The audit discovered that the cost estimates used to decide whether or not to enumerate a project were incomplete. The DOT did not fully account for the effect of inflation on project costs over time. There were 19 major state highway projects completed between January 2006 and December 2015 with a total cost of \$1.5 billion. When these projects were enumerated, the DOT estimated the cost to be \$727.5 million, meaning that these major highway projects cost more than twice the amount DOT estimated. The audit also looked at 16 major highway projects that are currently ongoing and found that the cost estimates as of August 2016 were \$3.1 billion higher than the estimates the DOT provided when the projects were approved. Due to this error, available funding will not cover the costs of these projects. In addition, the DOT was not prepared for unexpected cost increases during projects which delayed their completion.

The DOT has developed performance measures to manage and improve its operations. The audit found that the department is not consistently using their own performance measures. One example the auditors cited was a program effectiveness measure. This measurement requires the DOT to annually assess the extent to which highway rehabilitation projects selected by regional offices align with a model developed by the DOT to measure results in order to improve the project selection decision process. Four out of five regions reported that they do not use these results to improve how projects are selected. Performance measures can be an excellent way to do business, but only if they are actually used.

The LAB made a number of recommendations on how DOT can improve its management of the State Highway Program and asked the department to report back to the Joint Legislative Audit Committee by June 30, 2017 on their progress. The LAB also suggested changes in state law that the legislature could consider to improve the information they receive from DOT on potential and ongoing highway projects. As we begin the state budget process and discuss how much money to spend on roads and highways, I look forward to working with the DOT to figure out how to align project costs with available resources.

If you have any questions about any of the information I have included or if you have suggestions on other topics or issues you would like learn more about, you may call my office toll-free at (800) 991-5541; write me at P.O. Box 7882, Madison, WI 53707; or e-mail me at: Sen.Olsen@legis.state.wi.us. You can also sign up for our newsletter at our website: <http://www.legis.state.wi.us/senate/sen14/news/index.htm>.

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