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**OFFICE OF GOVERNOR RONNIE MUSGROVE**  
**INTEROFFICE MEMORANDUM**

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**TO:** GOVERNOR  
**FROM:** RILEY  
**SUBJECT:** MDOT CONSTRUCTION COSTS: BACKGROUND INFO  
**DATE:** 7/12/2000  
**CC:** BOYD  
FILE

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In December 1997, twenty-six other state departments of transportation had governing boards or commissions. Of these twenty-six states, only Georgia and South Carolina had elected commissioners, with the remaining twenty-four boards or commissions having members appointed by the Governor. The remaining twenty-three state departments of transportation were under the exclusive supervision of an agency administrator with no board or commission. According to Georgia and South Carolina's web pages, these two states continue to have elected board/commission members.

PEER's November 1993 performance audit of MDOT's administration of the 1987 Four-Lane Program identified cost overruns and lack of monitoring:

- Program costs on open segments exceeded projections by \$249,000/mile and MDOT estimated the total 1987 Four-Lane Program costs would exceed original projections by \$613 million. The variance between original Program cost estimates and actual costs occurred because MDOT: 1) did not incorporate cost factors for bridges, interchanges and urban areas; 2) did not consider inflation in its cost estimate; and, 3) failed to recognize the potential for estimation bias resulting from its lack of objectivity regarding the potential program.
- MDOT officials failed to monitor revenues and expenditures of the 1987 Four-Lane Program sufficiently to recognize potential funding problems in a timely manner. MDOT had no mechanism in place for tracking Program revenues and expenditures for comparison with original Program projections established in 1987. Agency officials placed a significant amount of emphasis on planning and letting contracts for construction; however, they placed little or no emphasis on comparing original planning data with actual results to determine whether objectives were being met.
- MDOT's annual reporting of the status and activities of the Program had been incomplete and had not been in compliance with the requirements of MISS. CODE ANN. Section 65-3-97 (9) (1972).

- MDOT had not complied with MISS. CODE ANN. Section 65-3-97 (1972) which required that the department let all contracts necessary for completion of Phase I of the Program by June 1993.
- MDOT officials had diverted \$24.2 million in interest earnings on Program funds into the agency's regular construction fund. PEER recommended that MDOT transfer these funds from its regular operating funds to the Program fund as repayment for interest earned by Program moneys retained in the agency's regular operating funds.

The Transportation Commission voted on October 27, 1993, to revise its total 1987 Four-Lane Program cost estimate from \$1.6 billion to \$2.21 billion, a \$613 million increase.

In 76 construction and reconstruction contracts entered into by MDOT during FYs 1989 through 1993 and in which the contractor had been relieved from maintenance as of January 1994, as an average MDOT construction projects took longer to complete than specified in MDOT contracts. The difference between the average time specified in contracts and the average time for actual completion varied between the types of work. Contracts for paving two-lanes with a length greater than five miles had the greatest difference (18 months) between estimated completion and actual completion time. Contracts for grading, draining and paving two-lanes with a length less than one mile had the least difference (1 month) between estimated completion and actual completion time. In its handout to this office, MDOT lists contractors completing projects ahead of schedule as one of its concerns. Are there factors other than weather that have lead to this completion of projects ahead of schedule as opposed to behind schedule six years ago?