



# MnDOT Highway Project Selection

**MnDOT's process for selecting trunk highway projects lacks transparency, and some decisions have been subjective.**

## Key Facts and Findings:

- The Minnesota Department of Transportation (MnDOT) expects to spend approximately \$18 billion over the next 20 years building projects on the state's trunk highway system.
- MnDOT plans to increasingly focus its spending on preserving existing trunk highways. Its current long-range plan allocates no funding after 2023 for new infrastructure, such as additional lanes or new freeway interchanges.
- New federal legislation in 2012 required that MnDOT concentrate on the National Highway System, a network of major routes that makes up about 44 percent of the state's total trunk highway system.
- In the process MnDOT uses to select most highway projects, staff in MnDOT's eight regional district offices define and select projects using their professional judgment within guidelines set by the central office.
- MnDOT's standard selection process is not transparent to stakeholders or the public; MnDOT does not provide enough information about what it decides not to do.
- Besides the standard project-selection process, MnDOT also selects some projects through various alternative processes, most of which are tied to specific funding sources.
- Projects selected through the standard process are consistent with agency priorities, but those selected through alternative processes often are not.

- In particular, MnDOT has selected projects for the Corridors of Commerce program in an inconsistent and subjective manner.
- Alternative selection processes frequently prioritize projects that can start construction quickly. These tight timelines have caused difficulties for MnDOT staff and local jurisdictions, and affected MnDOT's project choices.

## Key Recommendations:

- MnDOT should increase the transparency of its decision-making process, particularly by providing information to enable comparisons between projects that are selected and those that are not.
- MnDOT should modify its Corridors of Commerce project-selection process to create greater objectivity and transparency.
- The Legislature should require MnDOT to report detailed information about the Corridors of Commerce selection process.
- The Legislature and MnDOT should limit the use of alternative project-selection methods that require projects to start construction less than three years into the future.
- Because the Legislature has frequently directed funding toward projects that create new infrastructure, MnDOT should develop a planning process that enables it to prepare for such projects.
- MnDOT should track spending by local governments on trunk highway improvements.

## Report Summary

Each year, the Minnesota Department of Transportation (MnDOT) spends hundreds of millions of dollars on construction projects on state highways. If current spending patterns continue, MnDOT expects to spend \$18 billion constructing and reconstructing state highways over the next 20 years.

MnDOT has great discretion in deciding which projects to pursue. Legislators have long avoided directing MnDOT to build specific road construction projects, though the Legislature occasionally creates special funding programs for particular purposes.

Federal legislation passed in 2012 created new requirements for state transportation departments. The Federal Highway Administration will require states to meet performance standards for roads that are part of the National Highway System (about 44 percent of MnDOT's trunk highways). However, many of the standards have not yet been published.

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### **MnDOT's new project-selection process increases the authority of MnDOT's central office over the regional district offices.**

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In 2013, MnDOT reformed its standard project selection process; the new process was used to select projects that will start construction in 2017 and later.

Under the old process, MnDOT's eight district offices controlled project-selection decisions. The districts were allocated money based on a simple formula and could use that money as they wanted, though they had to meet centrally set performance targets.

Due to the new federal law, MnDOT introduced a new process that made three important changes: (1) MnDOT began allocating money to the districts based on estimates of need, (2) MnDOT required districts to conform to statewide spending targets, and (3) MnDOT required districts to show that their chosen projects would be

at least as effective in meeting performance targets as centrally generated project lists.

These changes have reduced the autonomy of MnDOT district offices. Districts still choose projects, but must fit those choices within narrower guidelines.

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### **MnDOT focuses its highway construction efforts on preserving existing infrastructure.**

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As outlined in its *20-Year Minnesota State Highway Investment Plan*, MnDOT plans to allocate most of its state road construction funds to repairing or replacing existing infrastructure. MnDOT's plan allocates 67 percent of these funds to preservation in the first ten years (2014-2023) and 89 percent in the second ten years (2024-2033). MnDOT has designated little money for building new highway infrastructure—such as adding lanes or constructing interchanges—and none outside the metropolitan area.

MnDOT's emphasis on infrastructure preservation drives many other programming decisions. MnDOT districts choose pavement and bridge preservation projects before they consider other types of expenditures.

Districts usually do not schedule stand-alone projects to make improvements to roadside infrastructure, bicycling amenities, or pedestrian accessibility. Instead, district staff add such components to the already-selected pavement and bridge preservation projects. It is cost-efficient to do related construction work at the same time.

As a result, MnDOT prioritizes peripheral infrastructure improvements not by the greatest needs in these infrastructure categories, but by where pavement and bridge work is already planned.

Even major expansion projects may be programmed based on preservation needs. In 2015, MnDOT constructed MnPASS lanes on Interstate 35E—and not in another location—because it could do so at the same time as a major bridge replacement project.

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**MnDOT does not provide sufficient information about its project-selection decisions to the public or interested stakeholders.**

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In selecting projects, MnDOT district staff interact almost entirely with other MnDOT staff. Local stakeholders do not directly participate in project decisions regarding trunk highways, except for the Metropolitan Council in the Twin Cities metropolitan area.

MnDOT publishes lists of the projects it plans to construct, but it does not publish information about how these decisions were reached or what alternatives were considered. Without that basis for comparison, it is difficult for those outside of MnDOT to understand or assess its decisions.

MnDOT district staff do present information about the project-selection process to local stakeholders, but these efforts have had mixed results. We recommend that MnDOT take steps to improve the transparency of its project-selection process.

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**In addition to its standard process, MnDOT chooses other highway construction projects using several alternative processes.**

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MnDOT develops and schedules some projects outside the standard district-based process through such programs as Corridors of Commerce, the Transportation Economic Development program (TED), the Corridor Investment Management Strategy program (CIMS), and the Safety and Mobility Interchange program (SaM). These programs make up a small fraction of MnDOT's overall trunk highway spending.

In most instances, these alternative processes are tied to specific funding sources. Several of these alternative processes are programs in which MnDOT staff select from among competing applicants using certain criteria. Depending on the program, MnDOT districts or local governments may be eligible to apply for funding.

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**One alternative program, the Corridors of Commerce program, has been characterized by inconsistent and subjective MnDOT decisions.**

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The Legislature created the Corridors of Commerce program to fund new trunk highway infrastructure in locations meeting certain requirements. Funding has fluctuated dramatically: the Legislature appropriated \$300 million in 2013, \$6.5 million in 2014, and \$25 million in 2015.

The Corridors of Commerce law listed seven selection criteria that MnDOT must use for choosing projects. The law also required MnDOT to solicit and evaluate project suggestions from the public and local stakeholders.

Instead, MnDOT chose projects based on its own preferences. MnDOT did not use all of the criteria listed in the law and added some of its own. Projects nominated by the public were discarded if they did not overlap with internal MnDOT suggestions. MnDOT leadership chose some projects for construction even though MnDOT staff had not evaluated them.

MnDOT should make changes to the Corridors of Commerce program to make project selection more transparent and more closely aligned with the law. Further, the Legislature should require MnDOT to report detailed rankings of candidate projects.

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**Short timelines for alternative project selection processes have created difficulties and influenced which projects MnDOT selects.**

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For several of the alternative processes we describe, MnDOT has required that projects be ready to start construction within a short period of time.

Compressing the project development process into short timelines has led to difficulties for both MnDOT districts and local partners. MnDOT district administrators told us they often had to hire consultants to manage such projects because district staff were already occupied with projects selected through

the standard process. Districts also reported condensing or eliminating public outreach activities because of lack of time.

Further, shorter timelines have affected which projects are selected for alternative programs. Projects needing more preparation time due to technical complexity or other factors are less likely to be chosen—even if they otherwise might be better projects.

MnDOT should not choose projects that would otherwise be lower priorities simply because it can construct them more quickly. Both the Legislature and MnDOT should avoid creating requirements that projects be delivered in less than three years unless there is a programmatic reason to do so.

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#### **Alternative project-selection processes circumvent MnDOT's statewide priorities.**

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MnDOT's standard selection process was designed to deliver projects that fit MnDOT's planning priorities. Using alternative selection processes to advance other projects can lead MnDOT to build projects that would otherwise be deemed lower priorities. In fact, programs such as Corridors of Commerce and TED exist to enable the construction of projects that MnDOT would not otherwise build.

MnDOT does not have a consistent process for planning and programming such projects because it has not identified long-term funding for them. As a result, MnDOT continually reinvents selection processes for expansion projects using the criteria of various special programs.

MnDOT would be better able to implement such programs if it did more planning and prioritizing of potential expansion work, even though funding is not identified.

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#### **Local jurisdictions also develop and construct projects on state trunk highways, but the extent to which they do so is unclear.**

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Local governments sometimes build improvements to or expansions of existing trunk highway infrastructure, such as adding turn lanes or replacing a signaled intersection with an overpass. Local governments have led these projects because the improvement is a much higher priority for the local jurisdiction than it is for MnDOT. MnDOT sometimes contributes funding to such projects.

MnDOT does not currently track how much money local jurisdictions spend every year on state highways. We think that it should start doing so.

## **Summary of Agency Response**

*In a letter dated March 4, 2016, Minnesota Department of Transportation Commissioner Charles A. Zelle generally agreed with the report's findings. He said that "MnDOT will implement best practices to improve transparency." Despite MnDOT's focus on preservation over expansion projects, the commissioner said that "it would be prudent and proactive for MnDOT to develop a modest plan for identifying the most important expansion projects." The commissioner agreed with OLA's recommendation to limit the use of project readiness as a criterion for project selection and said that MnDOT would begin tracking the spending of local dollars on the trunk highway system. When selecting projects for the Corridors of Commerce program, the commissioner said MnDOT will "adopt more objective criteria," "evaluate all of the nominated projects," and make more detailed reports to the Legislature.*

The full evaluation report, *MnDOT Highway Project Selection*, is available at 651-296-4708 or: [www.auditor.leg.state.mn.us/ped/2016/mndotprojects.htm](http://www.auditor.leg.state.mn.us/ped/2016/mndotprojects.htm)