



# MnDOT Measures of Financial Effectiveness

Update to 2019 Evaluation Report

February 2020

## Problems Identified

- **Inconsistent Assessments of Cost-Effectiveness.** Across many different decision processes, MnDOT varied in how it assessed the state costs and public impacts of its decisions. Decisions sometimes focused on short-term costs and benefits without considering long-term outcomes, or vice versa.
- **Ineffective Statutes.** A law requiring MnDOT to report on “financial efficiencies” is poorly constructed for assessing the department’s performance because it requires MnDOT to report only on decisions that saved money and not on decisions that increased costs. A different law requiring MnDOT to evaluate the “equal design lives” of different materials for highway repaving projects causes the department to do extra analyses that are not useful.
- **Lack of Documentation.** MnDOT did not record why it made key decisions in the project scoping process, making it difficult to determine to what extent cost-effectiveness considerations affected final decisions. When MnDOT did record decision-making criteria, as part of the environmental review process, the importance of cost-effectiveness varied.
- **Incomplete Data.** MnDOT could not assess the cost-effectiveness of its maintenance operations because it did not record sufficient data on its existing infrastructure, maintenance expenditures, or performance outcomes.

## Changes Implemented

- **Administrative Reviews Underway.** Several of our recommendations encouraged MnDOT to study its processes and develop procedural changes. MnDOT has distributed responsibility for these evaluations to various administrators, and small groups are assessing how to adjust processes in line with our recommendations. MnDOT has already implemented some simple changes we suggested.

## Action Needed

- **Change Statutory Language.** The Legislature should rewrite the “financial efficiencies” reporting requirement in *Minnesota Statutes* 2019, 174.53, so that MnDOT provides more useful information about the cost-effectiveness of its decisions. The Legislature should also remove the “equal design lives” language from *Minnesota Statutes* 2019, 174.185.
- **Monitor Implementation of New Data System.** We limited our recommendations regarding maintenance operations because MnDOT was in the process of rolling out a new database system, the Transportation Asset Management System. If successful, the new database should enable MnDOT to track maintenance costs and measure outcomes in ways it could not previously. The Legislature should seek updates from MnDOT on whether the new system has lived up to its promise.