



WISCONSIN STATE LEGISLATURE

Joint Audit Committee

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Auditors Identify Potential Savings in the State Highway Program

MADISON – Today, the nonpartisan Legislative Audit Bureau (LAB) released its audit of the state highway program (report 17-2), which is administered by the Department of Transportation (DOT). DOT's expenditures for state highways increased from \$739.7 million in fiscal year (FY) 1996-97 to \$2.1 billion in FY 2015-16. The audit also reports that the proportion of the 11,758 miles of Wisconsin's state highways rated in good condition decreased steadily from 53.5 percent in 2010 to 41.0 percent in 2015.

Although DOT provides a cost estimate for a major highway project to the Governor and Legislature when the project is considered for enumeration, LAB found these estimates were incomplete, in part, because they did not take into account that inflation would increase project expenditures over time.

“In this audit, LAB reviewed 35 ongoing and completed major highway projects. In the 19 completed projects reviewed, expenditures exceeded original estimates by nearly 111% or \$772.5m. Amongst the 16 ongoing projects reviewed, estimated costs exceeded original estimates by \$3.1 billion. In both circumstances, this is more than double original estimates. Unacceptable. Wisconsin taxpayers deserve accurate and complete estimates for their transportation projects. This audit should serve as a resource to tighten up DOT practices so that future cost estimates correctly reflect true costs,” said Senator Robert Cowles (R-Green Bay).

LAB also found that DOT budgeted to complete more major highway project work than could be completed with its available funding because it did not sufficiently take into account the extent to which project expenditures increased over time as a result of inflation and unexpected cost increases.

Although DOT has established performance measure goals to improve its management of the state highway program, it is not consistently using them to manage and improve its operations. LAB notes that doing so would help DOT use its funds more effectively. For example, by meeting its performance measures and other goals, DOT potentially could have saved:

- \$6.6 million over ten years if each DOT region had kept engineering costs at no more than two thresholds indicated by a DOT performance measure.
- \$53.1 million over nine years if it had met its quarterly goals for soliciting bids on construction contracts.
- \$44.7 million over ten years if it had received two bids on 363 construction contracts that received only one bid.
- \$191.9 million over six years if it had met its annual “on-budget” performance measure goals for state highway projects.

“These findings are a roadmap for improvement,” said Representative Samantha Kerkman (R-Salem). “The potential savings were significant and a missed opportunity. Going forward, the DOT must prioritize giving taxpayers the biggest bang for our transportation buck.”

LAB makes 24 recommendations that will help DOT use its funds more effectively and improve how DOT manages the planning, engineering, and construction phases of state highway projects, as well as its maintenance of state highways. LAB also identified 5 modifications the Legislature could consider making to statutes.

Copies of report 17-2 may be obtained from LAB's website at www.legis.wisconsin.gov/lab or by calling (608) 266-2818. Report concerns related to state government activities to LAB by calling the toll-free hotline at 1-877-FRAUD-17.