

Additional Information from SPOT Office: Prioritization 6.0/STIP

- NCDOT established an internal workgroup to look at issues related to rising cost estimates.
 - o Necessary because in the last few years, many projects were coming in much more expensive than initial estimates.
 - o These increases impact the STIP.
- Cost increases are caused by a variety of things such as:
 - o Estimates were done before projects were fully defined.
 - o Automated Cost Estimation Tool didn't have the capability to include all specific impacts that can increase cost.
 - o Estimates were done many years before construction – and costs increased over that time.
 - o Recent increases in costs of property, supplies and contractor/consultant rates.
- NCDOT identified the issue, and implemented a review of over 450 projects in the STIP.
 - o Updated over 1,000 individual estimates (construction, utility relocation, property acquisition)
 - o Process nearing completion.
 - o Results indicate many projects will be more expensive than initial estimates.
- Cost increases will force NCDOT to adjust the future STIP (2024-2033).
 - o Law requires the STIP to be an accurate reflection of what will be built.
 - o STIP must be limited by what revenue NCDOT realistically anticipates.
 - o As the cost of projects increases, it decreases the number of projects that can be built or moves projects to a later date when funds will be available.
 - Example – if you budget \$10 to buy 10 cans of soup, and soup prices increase to \$2 per can, you cannot buy the 10 cans you budgeted for – can only buy 5.
 - o NCDOT estimated funding levels have not changed, but the price of delivering projects has increased.
 - Estimates are updated regularly to account for inflation.
 - Costs have been rapidly increasing due to our growing economy.
 - Example – Associated General Contractors of America are reporting the cost of basic materials has increased by more than 10% so far this year.
- The STIP is a planning document and not a fiscal document and this does not jeopardize NCDOT's financial standing. There are processes in place with many checks and balances that ensure we do not overspend.
- This, also, highlights the ongoing issues with transportation needs outpacing revenue.
- NCDOT is working with MPO/RPOs as the STIP adjustment takes place.
- Because of the cost increases in the updated estimates, the Prioritization Workgroup decided on July 19th to recommend to the Board of Transportation that the next project prioritization cycle (P6.0) be halted during this time.
 - o Next draft STIP does not have to be prepared and presented until December 2022.
 - o Allows NCDOT time to complete project estimate updates.
 - o Allows MPOs/RPOs time to work on this at the local level.
 - o Allows workgroup/NCDOT opportunity to continue to evaluate various options for creating the next draft STIP.