



# FY 2023 Price Escalation, Inflation and Potential Future Funding Liability

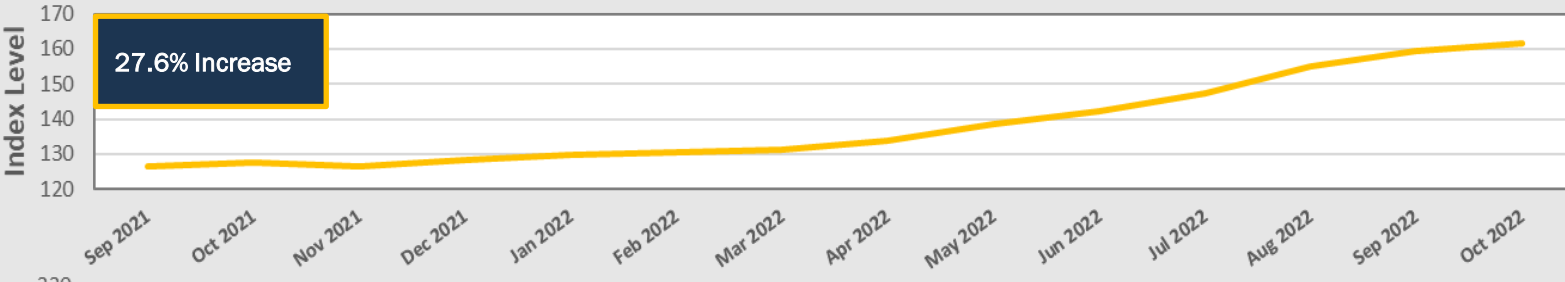
Impacts to the Statewide Portfolio

Brian Barth, Deputy Executive Director,  
Program Delivery

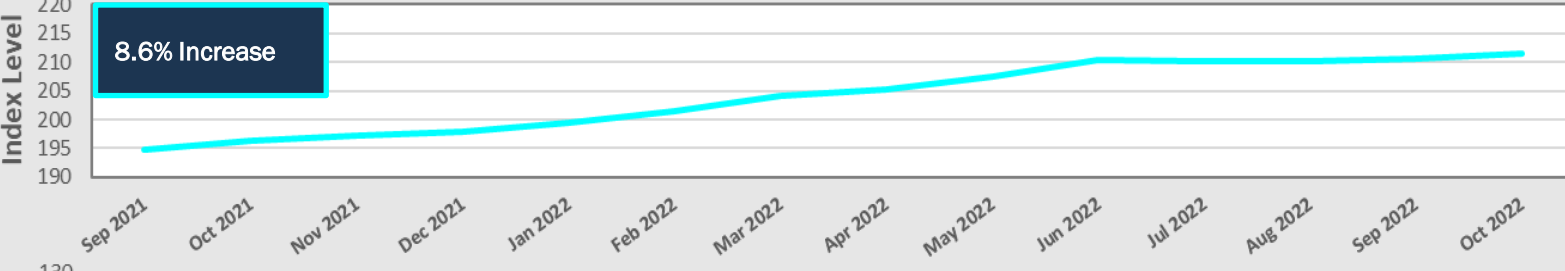


- Impact of cost escalation and inflation on the delivery of projects from September 2021 (beginning of FY 2022) to the current month
- Cost estimating as part of the 2023 UTP development process
- Anticipated effects of cost escalation for projects letting through the remainder of FY 2023 (August 2022)
- Impacts of cost escalation on the use of Category 1 funds
- Mitigation strategies for delivering projects in the current environment and lessons learned
- Recommended updates to the 2024 UTP development process

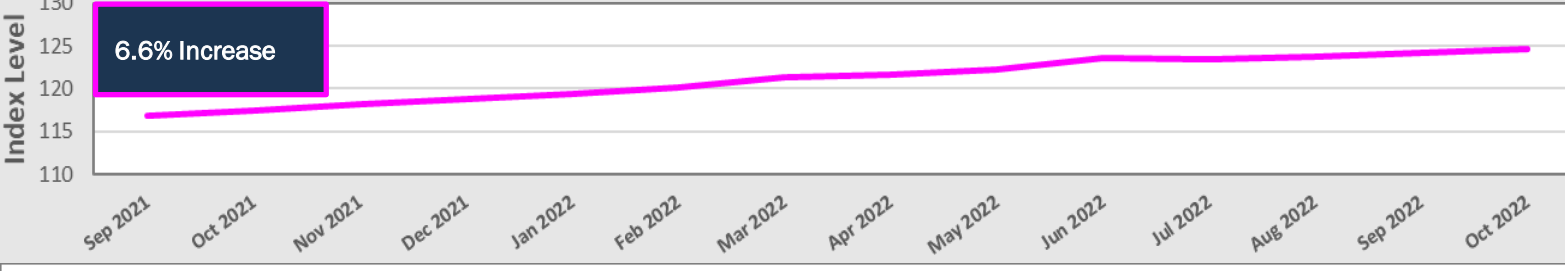
# Market Indices



The Highway Cost Index (HCI) measures the change in cost over time of main highway construction bid. Items or groups of items to include earthwork, base course, surfacing, and structures.



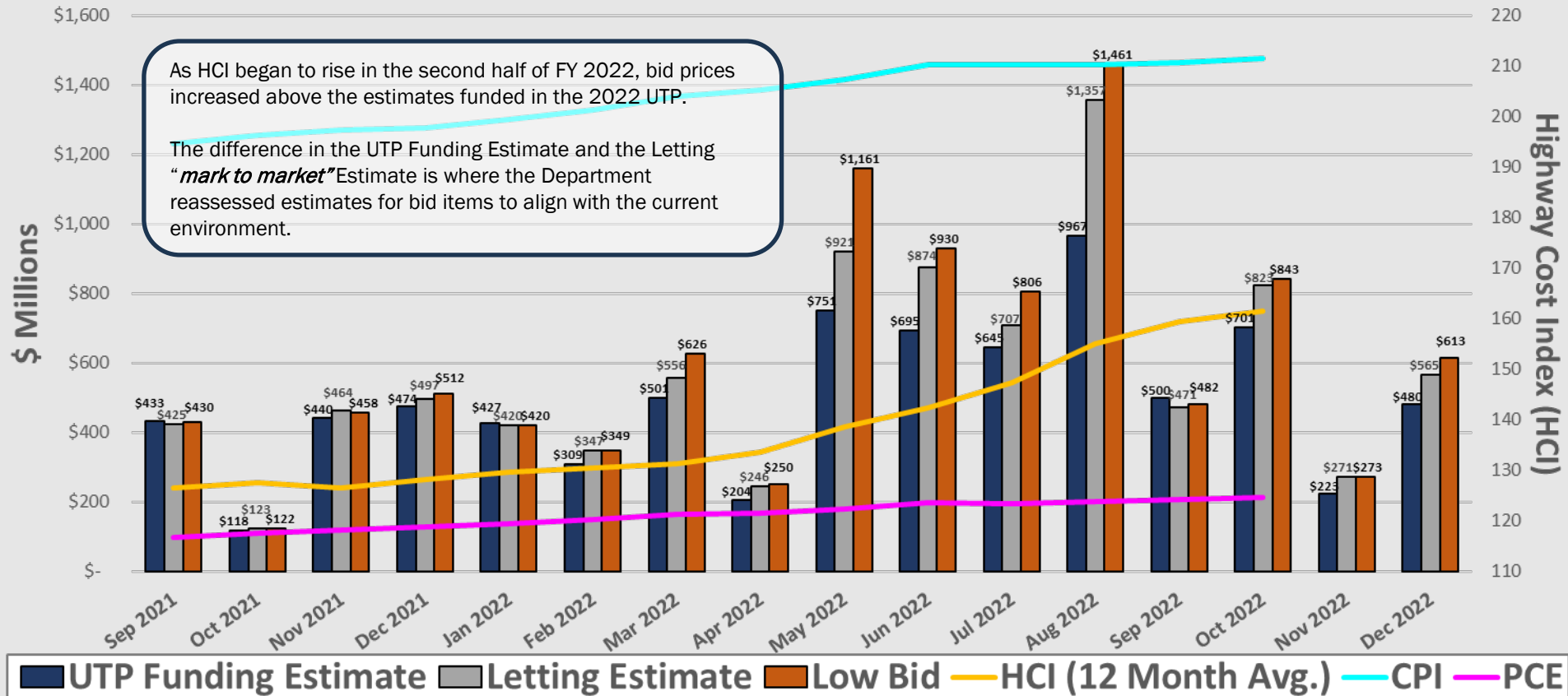
The Consumer Price Index (CPI) measures the average change over time in the prices paid by urban consumers for a market basket of consumer goods and services. CPI is sourced from consumer data.



The Personal Consumption Expenditures Price Index (PCE) measures the prices that people living in the United States, or those buying on their behalf, pay for goods and services. PCE is sourced from business data.

— Highway Cost Index (12 Month Avg.)      — Consumer Price Index (CPI)      — Personal Consumption Expenditures Price Index (PCE)

# Price Escalation since FY 2022 – All Statewide Let Projects

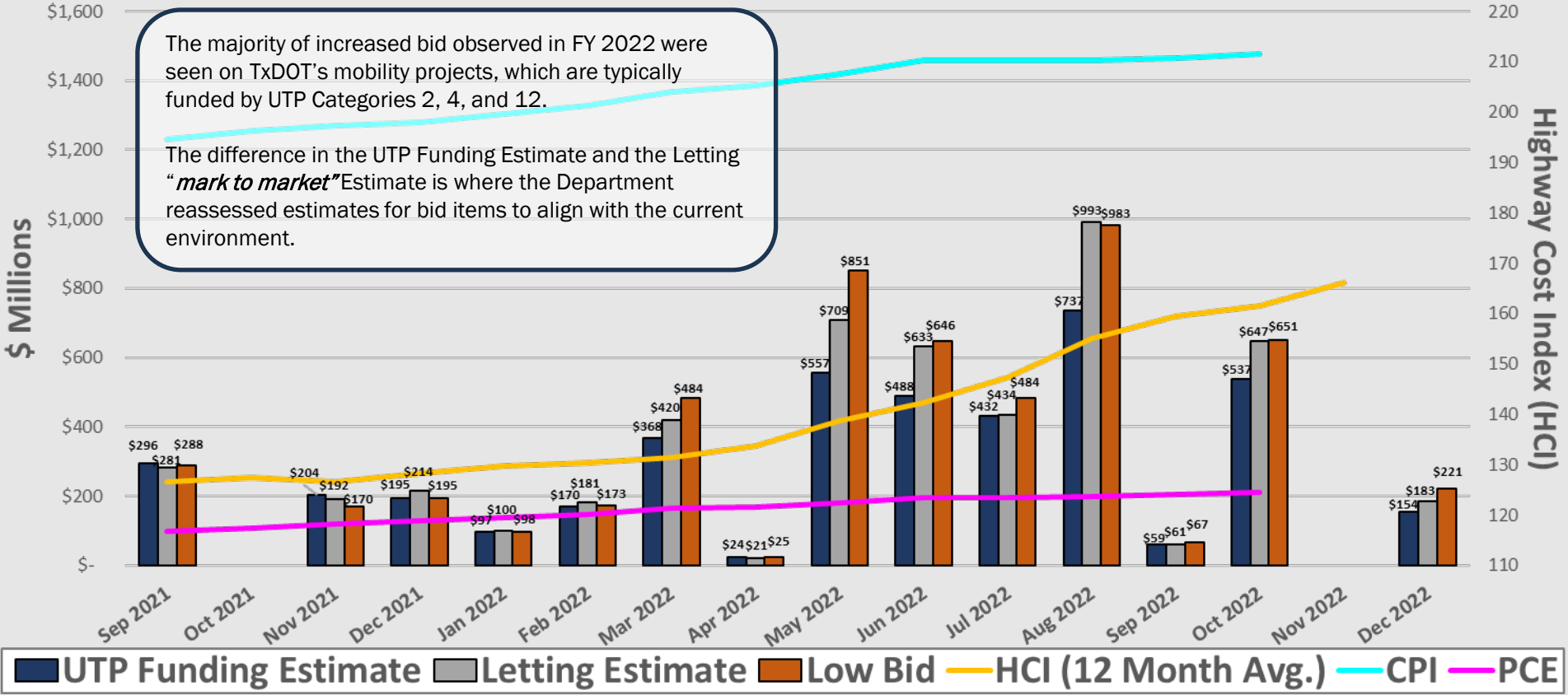


# Price Escalation since FY 2022 – Statewide Let Mobility Projects



The majority of increased bid observed in FY 2022 were seen on TxDOT's mobility projects, which are typically funded by UTP Categories 2, 4, and 12.

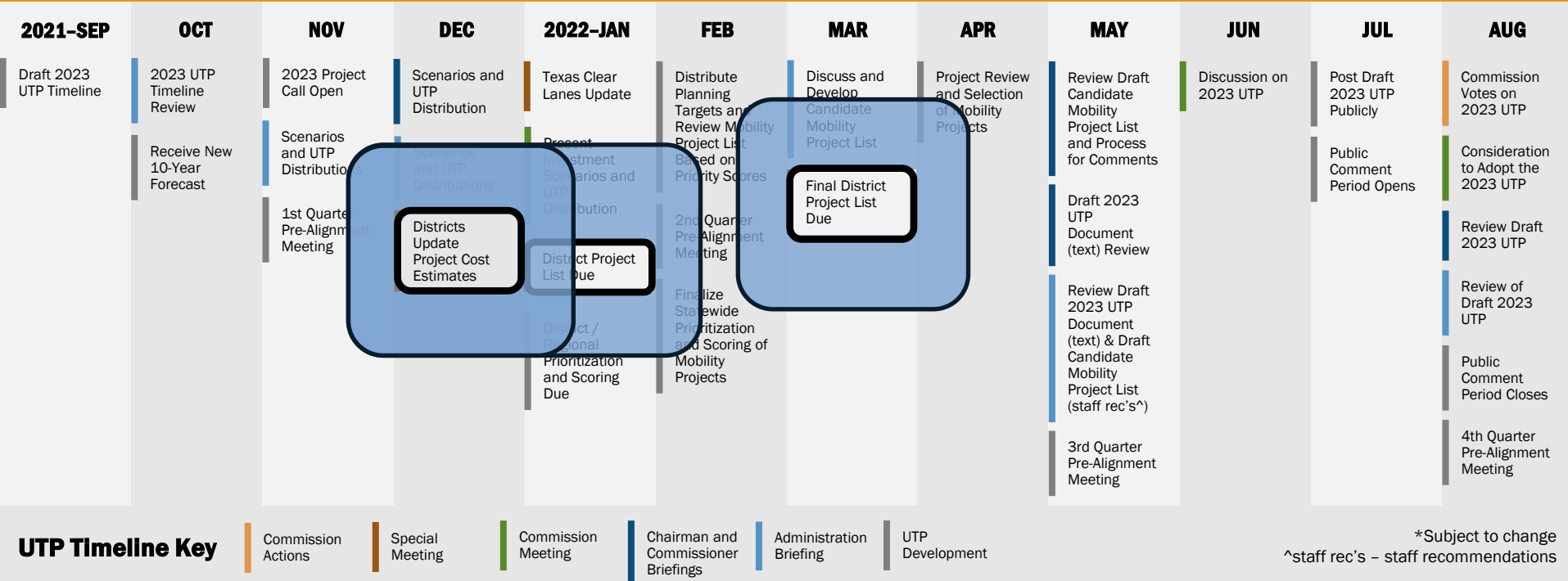
The difference in the UTP Funding Estimate and the Letting "mark to market" Estimate is where the Department reassessed estimates for bid items to align with the current environment.



# Looking Back: 2023 UTP Development Schedule and Cost Estimates



Annual process involves many stakeholders and steps that include the forecast, funding distribution, scoring and selection of projects and public outreach.

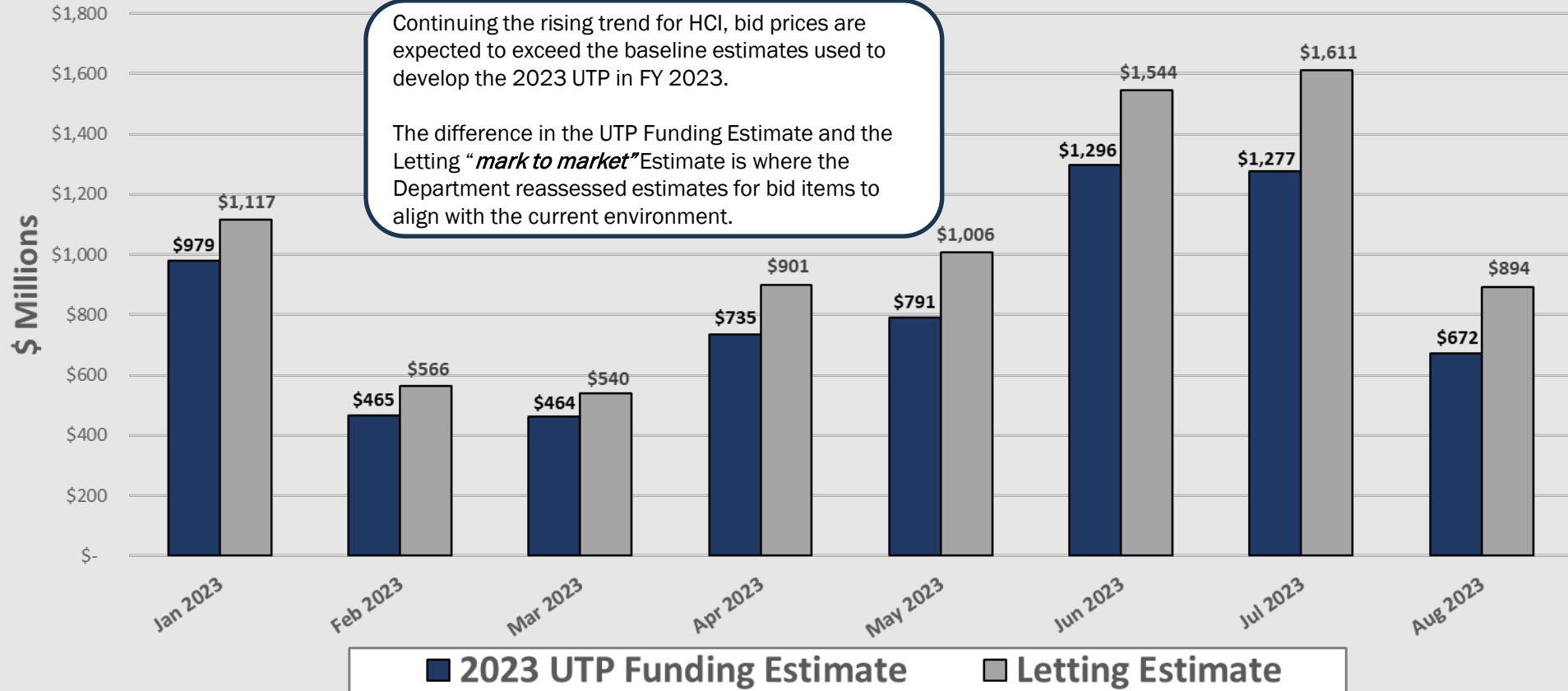


# Road Ahead: FY 2023 Baseline Estimates vs. Letting Estimates (All)



Continuing the rising trend for HCl, bid prices are expected to exceed the baseline estimates used to develop the 2023 UTP in FY 2023.

The difference in the UTP Funding Estimate and the Letting “*mark to market*” Estimate is where the Department reassessed estimates for bid items to align with the current environment.

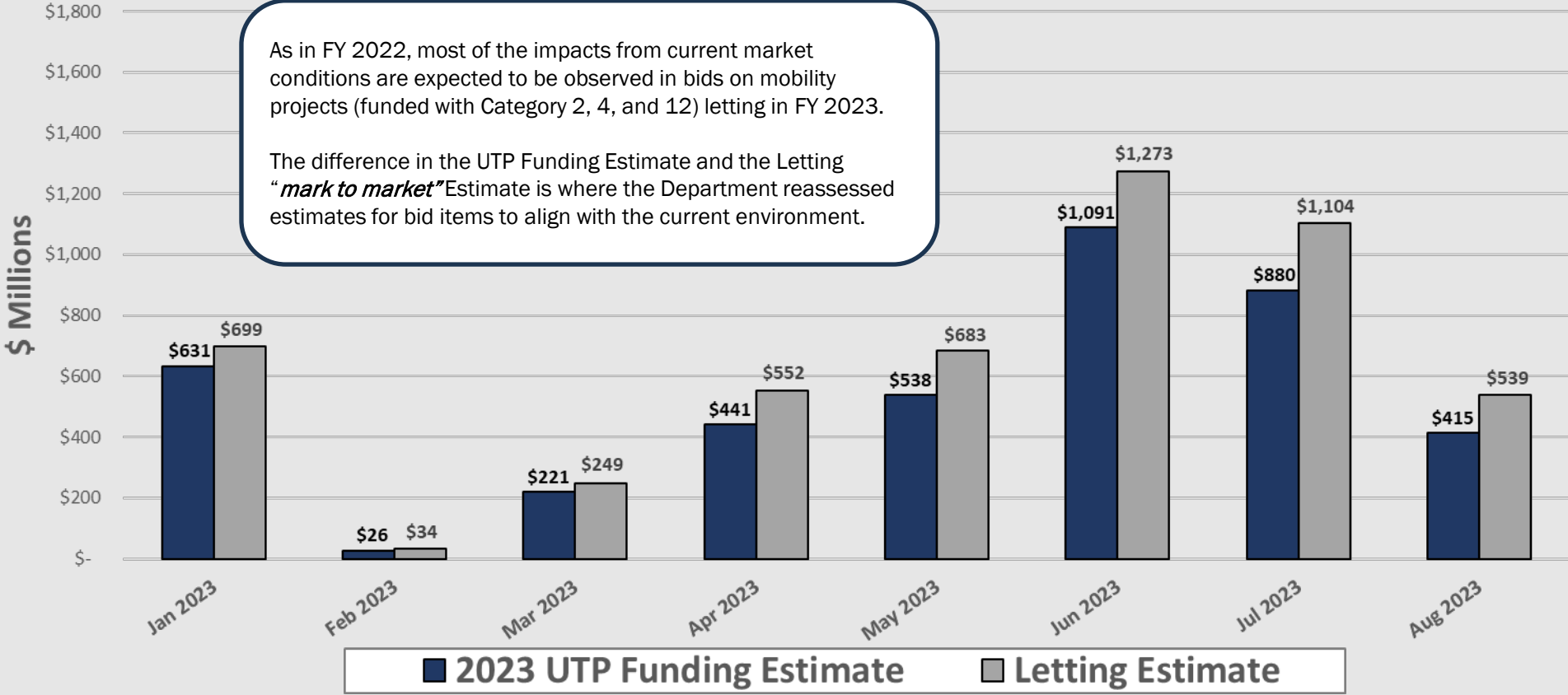


# Road Ahead: FY 2023 Baseline Estimates vs. Current Estimates (Mobility)



As in FY 2022, most of the impacts from current market conditions are expected to be observed in bids on mobility projects (funded with Category 2, 4, and 12) letting in FY 2023.

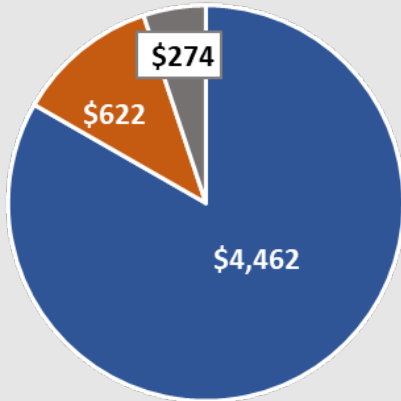
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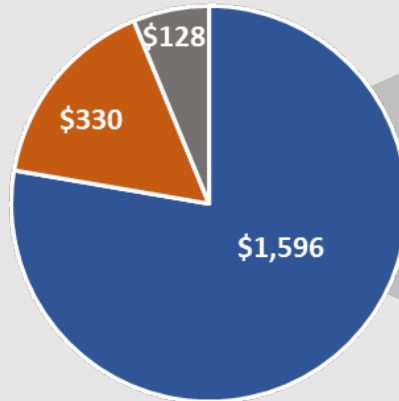
# Category 1 Use of Funds (\$ Millions)



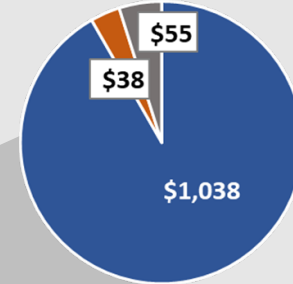
FY 2019 - FY 2021



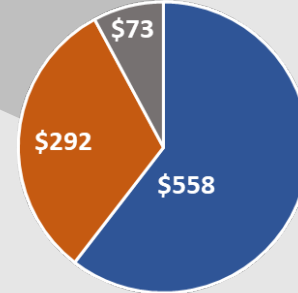
FY 2022



Sep 2021 - Feb 2022



Mar 2022 - Aug 2022



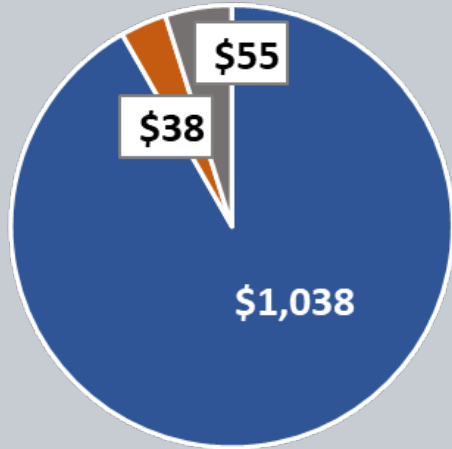
Category 1 Use of Funds			
Fiscal Year	FY 2019 - FY 2021	FY 2022	
		Sep 2021 - Feb 2022	Mar 2022 - Aug 2022
PM & Rehab	83.3%	91.7%	60.5%
Non-PM & Rehab Lettings	11.6%	3.4%	31.6%
Non-PM & Rehab COs	5.1%	4.9%	7.9%
Total	100%	100%	100%

# Category 1 Use of Funds (\$ Millions)

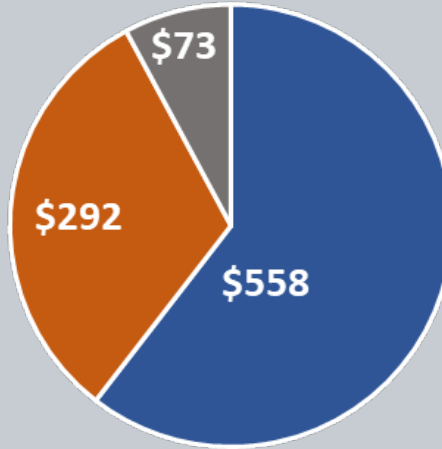


## FY 2022

Sep 2021 - Feb 2022

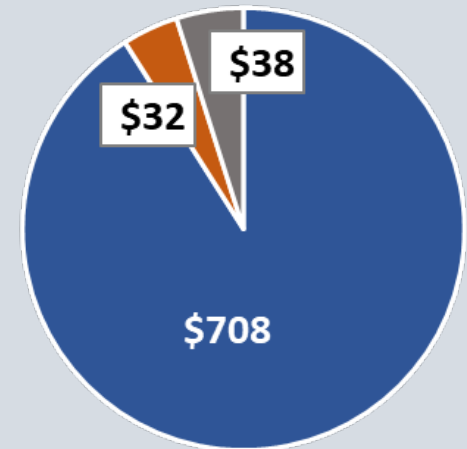


Mar 2022 - Aug 2022



## FY 2023

Sep 2022 - Nov 2022\*



\*Change order data only includes Sep 2022 - Oct 2022

### Category 1 Use of Funds

Fiscal Year	FY 2022		FY 2023
	Sep 2021 - Feb 2022	Mar 2022 - Aug 2022	Sep 2022 - Nov 2022
PM & Rehab	91.7%	60.5%	91.0%
Non-PM & Rehab Lettings	3.4%	31.6%	4.1%
Non-PM & Rehab COs	4.9%	7.9%	4.9%
Total	100%	100%	100%



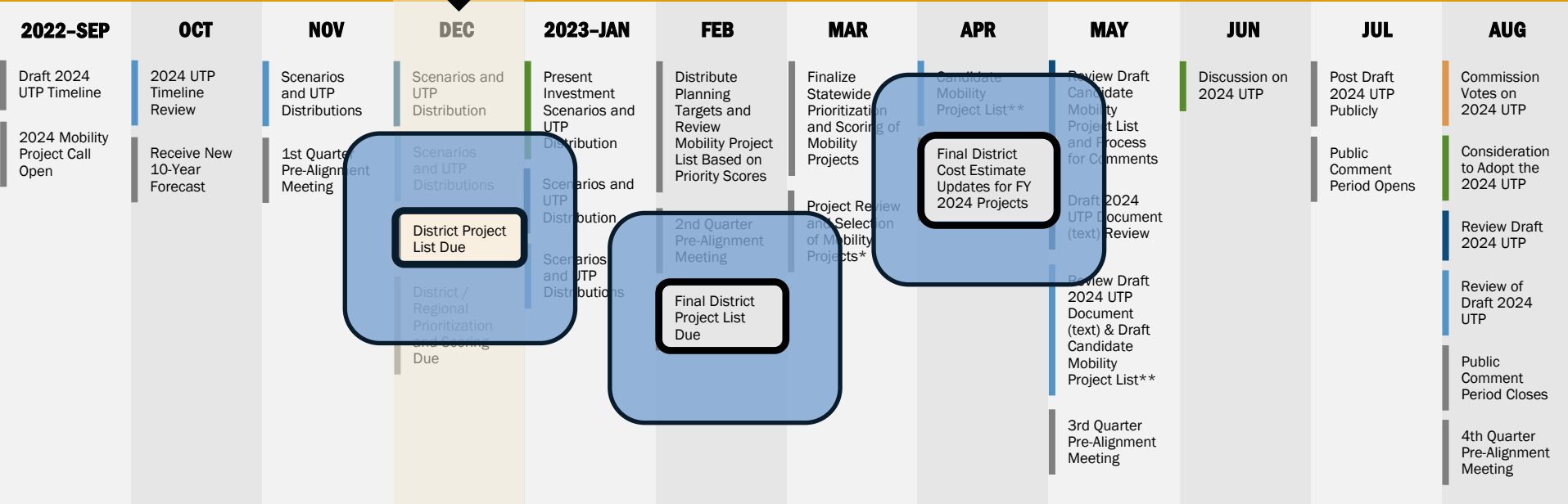
- **TxDOT attempts to mitigate market and inflationary impacts to enable project letting**
  - Districts review of project scope and limits
  - Material alternatives
  - Available project funding; covering the funding gap does not come from project development resources
  
- **TxDOT is recommending a change in the 2024 UTP development process to allow TxDOT Districts the ability to update the project cost estimates in late April**
  - Only applies to projects anticipated to let in FY 2024
  - Minimize the need to adjust project funding following the adoption of the 2024 UTP
  - To keep Cat 1 pure, recommend to the Commission a sub-account in Cat 11 to fund eligible overruns and change orders and develop governance to utilize this sub-account
  
- **TxDOT mitigates inflationary impacts to current projects**
  - Flexibility with project time using delayed starts or granting additional time
  - Increases for additional quantities or delay costs that are TxDOT's responsibility
  - Substituting affected materials or deleting portions of the work
  - Payment for material on hand

# Road Ahead: 2024 UTP Development Schedule and Project Cost Estimates



We are here

Annual process involves many stakeholders and steps that include the forecast, funding distribution, scoring and selection of projects and public outreach.



## UTP Timeline Key

- Commission Actions
- Special Meeting
- Commission Meeting
- Chairman & Commissioner Briefings
- Administration Briefing
- UTP Development

\* Subject to change  
\*\* Staff recommendations



# HELP #EndTheStreakTX

End the streak of daily deaths on Texas roadways.

[TxDOT.gov](https://www.txdot.gov) (Keyword: #EndTheStreakTX)



#EndTheStreakTX Toolkit

