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Construction prices that have 'blown past estimates' force state to ditch road projects

With bids coming in much higher than anticipated, the [Department of Transportation will cut tens of millions of dollars in planned improvements.](#)



BY [PETER MCGUIRE](#) STAFF WRITER | APRIL 30, 2019

Critical highway work will be canceled this year as Maine's transportation agency is priced out of a superheated construction market.

The Department of Transportation will cut tens of millions of dollars in projects from its 2019 plan for roadway and bridge work as it struggles with bids from private contractors that are coming in far higher than expected. This week the agency rejected three bids it cannot afford.

One of the rejected bids, \$1.1 million for new signals and sidewalks at five Congress Street intersections in Portland, was double the state estimate.

Nationwide, construction costs have reached a 10-year high, driven up by expensive materials and a shortage of skilled labor.

To compensate for what it expected to be a pricey year, Maine added 10 percent to its construction estimates before advertising 2019 projects.

It turns out that wasn't enough.

"The prices we have received to date this year and especially this last month have just blown past those estimates," Transportation Commissioner Bruce Van Note said in an interview Tuesday. Overall, bids for construction have come in 30 percent higher than last year and in some cases 60 percent higher or more.

"We need to make a midcourse correction," Van Note said.

To start with, the state is rejecting bids for three projects, an extraordinary step for an agency that prides itself on consistency and clear communication with its vendors.

"When we reject a bid, it is a big deal for us," Van Note said.

Canceled bids are a \$2.1 million paving project in Brewer, Old Town and Orrington that came in 60 percent over estimates; a \$4 million paving and culvert project on Route 1 in Rockland that came in 90 percent over estimates; and the Congress Street project.

The department was set to advertise 120 more bids this year, about half the total projects included in the \$393 million 2019 work plan. It will keep opening bids as scheduled through May 8 and evaluate awards on a case-by-case basis.

The department intends to meet with members of the construction industry Friday. By next week, it hopes to have a list of specific projects that are going to be eliminated. High-ticket items like new roads and bridges will be likely targets. Van Note estimates that 40 percent of the road construction work and 20 percent of the bridge work could be cut.

“We may only be deferring only 10 (projects), but they will be big ones worth millions of dollars,” Van Note said.

It is also likely that cheaper work such as light paving will substitute for expensive jobs like full-on road reconstruction as the department reviews projects.

Decisions on which projects will be cut will be based on safety, highway priorities, the condition of the road or bridge under review, how much the bids came in over estimates and other considerations.

“We hate it, by the way,” Van Note said. “This is not who we are and what we do. We like to put out plans and do them and prove we did them.”

Other state and transportation agencies are beginning to feel the pinch of high-priced construction, partially the result of Trump administration tariffs on steel and aluminum, and a skilled worker shortage that is driving up wages. Two weeks ago, bids to renovate and expand the Lyseth Elementary School in Portland [came in](#) nearly \$3 million over the \$11.7 million estimates.

“Unfortunately, this is something we’ve been warning about,” said Ken Simonson, chief economist for the Associated General Contractors of America, a national trade group representing the construction industry.

“It is really coming home to roost in terms of both labor and materials costs that the construction firms feel they have no choice but to pass on,” he added. “Public agencies generally have budgets set well in advance of when they go out to bid. If the budgets don’t reflect current conditions, they are going to get squeezed.”

According to the Federal Highway Administration, prices for American road work rose almost 13 percent in 2018, the biggest annual increase since 2008. Prices are expected to

go up again this year, at least 4 percent for materials and 3 percent for labor, Simonson said.

Proposal to increase Maine gas tax in summer going nowhere fast

According to the Maine Department of Labor, the median wage for a construction occupations in Maine last year was \$19.81 an hour.

In Maine, high prices are tied directly to labor scarcity, said Tom Sturgeon, president and CEO of Crooker Construction in Topsham. His company performs heavy construction work like moving earth, installing underground utilities and paving roadways. Sturgeon said Crooker has increased wages by at least 30 percent in the last few years, to find and keep employees and still doesn't have the workforce it needs.

"These last couple years are the worst I've seen it without question," he said. "It's extreme for Maine DOT to do something like this, but I can't blame them."

Crooker bid on four state projects so far this year. Sturgeon might have bid on more, but without enough workers, the company can't be positive it will meet deadlines.

Plus, state contracts require companies to work at night or take other measures so the public is not inconvenienced. That's good for traffic management, but makes everything more expensive, Sturgeon said.

"You have to relax some of these schedules," he said. "The only way you can do this is if you don't restrict our work hours."

It is unclear how Maine will budget road and bridge work if construction prices stay as high as they are. The state already [underfunds highway maintenance](#) by at least \$108 million a year. Now, the market is forcing the state to do even less with what it has, said Rep. Andrew McLean, D-Gorham, the House chairman of the Legislature's Transportation Committee.

"This is not about government doing things inefficiently, these are companies that are submitting competitive bids and they are still driving up the cost," he said.

"We need more money to fix our roads and bridges, that is the answer to this problem," he added. "I hope the commissioner doesn't have to make more cuts and reject more bids, but if he does, it is going to get very real, very quickly."