States’ Adjustments to Asphalt Binder Supply Issues

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NJDOT’s Asphalt Index for the Month of August 1998 to 2008
NJDOT’s Asphalt Index for January to October 2008
New Jersey

- Asphalt Price Adjustment since 1970’s.
- First ever mid-month price adjustment in July ’08.
- Shuffling of $ for FY09 (started July ’08) to pay the asphalt price adjustment – full ramifications not yet calculated. May impact award of projects later this fiscal year.
New Jersey

- No shortage (although rumors at times) of PG 64-22 this past summer.
- Major concerns regarding the supply of PG 76-22 which NJ requires to SB/SBS modified.
- NJDOT uses a lot of PG 76-22. In 2007, 2.5 M tons of HMA were contracted out. 75% of that was required to use PG 76-22.
- NJDOT instituted a formal policy to address the issue of PMA shortage.
New Jersey

- Use PG 76-22 for the following:
  - Surface & Intermediate if > 30 M ESALs
  - Surface if > 10 M ESALs
- Evaluate pavement if existing shows > 1” rutting.
- If requested by Contractor to waive PG 76-22 on existing contract because of shortage, use the above criteria to make determination.
  - If waive PG 76-22, use PG 64-22 and require credit of $5 - $6 per ton.
  - If not waived, consider a non-compensable delay.
District of Columbia

- Have specification for Price Adjustment of Asphalt Binder.
- Making adjustments in their program in order to pay for the price adjustment in contracts.
- Did not have problems with shortages.
Maryland

- First ever mid-month price adjustment in July.
- Re-evaluating the selection of asphalt binders on resurfacing projects and making adjustments if appropriate in light of shortages including moving away from polymer modified binders on some projects so there will be availability for projects where they are absolutely necessary.
- Entertaining proposals from Contractors for changes to HMA mixes coupled with financial credit.
Delaware

- Started a mid-month price adjustment in July.
- Have heard about issues with polymer modified binder supply but have not had to stop or delay projects.
Pennsylvania

- Looked at the potential cost of the asphalt price adjustment provision based on current asphalt price and work remaining to be completed.
- On August 1, 2008, PennDOT’s liability was estimated to be $111 Million.
- Contracts were cancelled in various stages: awarded, let, advertised, and planned to be advertised.
- Other projects were cut back in scope/quantity.
- One major project was converted from asphalt to concrete based on the asphalt potential cost.
New York

- Asphalt price adjustment process went unchanged – once per month posting.
- For 2008, had switched the standard grade for Upstate New York from PG 64-28 to PG 64-22 which probably helped to avoid any supply issues.
- Aware of only limited shortages impacting selected projects.
Connecticut

- Reduced their state vendor asphalt paving program because of the price escalation of asphalt binder.
- The program was reduced from 335 to 272 miles statewide.
Rhode Island

- Have had a price escalation clause in contracts since the 1970’s. The State assumes 100% of the risk.
- As a result of the meteoric rise of asphalt prices this year, RIDOT is considering a different business model so that the Contractor assumes some of the risk for rising prices.
Massachusetts

- Went from a bi-monthly to a monthly posting of asphalt price for their price adjustments.
New Hampshire

- Reduced the length of resurfacing projects due to rising prices.
- For construction projects, received permission from Governor and Council to allocate additional money to projects to cover the inflated asphalt adjustments.
- This may impact budget and funding for projects due to go out next construction season.
Vermont

- Changed payment practices in regards to the asphalt price adjustment which was paid within 90 days of placement based on a bi-monthly index. Now pay and interim price adjustment after placement of HMA to decrease the financial impacts of the rapidly rising prices.
- Have instituted a policy for small paving projects to allow a series of prescribed substitutions that allow alternates with differing binder, mix type, and thickness. Allows Contractor flexibility so reduces cost while improving quality.
Maine

- Primarily use PG 64-28. No shortage although Contractors may have had to change suppliers to stay fully supplied.
- Sometimes allow PG 58-28. There were some issues with Contractors getting this material in the timeframe that they wanted it.
- One large project using PG 70-28 originally was being supplied from Canada but then switched to modifying binder at his facility instead.
Maine

- Suspended awarding and advertising projects during the first week of August due to the high asphalt prices.
- Continued to finish up projects that were awarded prior to August 6.
- No change to escalation clause but had instituted a weekly HMA payment last year to capture the latest asphalt price.
- Reduced the miles of “maintenance” paving this year to pay for the increased cost due to escalation.
Summary

- 5 States made changes to pay adjustment or payment
- 4 States reduced length or scope of projects
- 4 States re-evaluated or changed binder grade requirements
- 2 States cancelled projects
- 1 State switched from HMA to concrete
12 States had to drop back 5 and punt!
Questions?

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