

MINUTES
SENATE TRANSPORTATION COMMITTEE

DATE: Tuesday, January 26, 2016

TIME: 1:30 P.M.

PLACE: Room WW53

MEMBERS PRESENT: Chairman Brackett, Vice Chairman Hagedorn, Senators Keough, Nonini, Vick, Den Hartog, Buckner-Webb and Lacey

ABSENT/ EXCUSED: Senator Winder

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Brackett** convened the meeting of the Senate Transportation Committee (Committee) at 1:35 p.m.

PRESENTATION: **Chairman Brackett** welcomed Jerry Whitehead, Chairman of the Idaho Transportation Board (ITB), to the Committee and asked him to introduce Brian Ness, Director of the Idaho Transportation Department (ITD), who would be presenting ITD's annual report to the Committee.

Mr. Whitehead thanked the Committee and said that the ITB and ITD work well together thanks to the leadership of Mr. Ness. With the revenue enhancement provided by the passage of 2015 H 312aaS,aaS, ITD has been very productive in addressing highway maintenance concerns. **Mr. Whitehead** said the ITB appreciated the work the Committee undertook to make transportation financing a priority in 2015. **Mr. Whitehead** indicated he would stand for any questions once Mr. Ness completed his report.

Chairman Brackett thanked Mr. Whitehead and welcomed Mr. Ness to take the podium.

Mr. Ness thanked the Committee and the ITB for challenging ITD to become the best transportation department in the country.

Mr. Ness said this was the beginning of his seventh Legislative Session. When he arrived at ITD in 2010, he implemented a plan that reflected his philosophy about government becoming more efficient by serving the citizens of Idaho and not the employees of ITD. That plan is now completed. Significant improvements at ITD have created tens of millions of dollars in savings and has improved their ability to invest in road and bridge projects.

Those improvements will be included in his review of the Governor's fiscal year (FY) 2017 budget and the FY 2016 supplemental appropriation recommendations. His presentation would also address ITD's major 2015 highlights and their five-year strategic plan along with investments being made with the new revenue from 2015 H 312aaS,aaS, which is already being put to work. The FY 2017 budget recommendation includes an adjustment for new revenue and federal reauthorization. The base amount is \$576.4 million, with just under 1,700 full-time positions.

The Fixing America's Surface Transportation Act (FAST) is a new five-year federal law that expires in 2020. With its passage, **Mr. Ness** said ITD can engage in long-term planning and no longer have to plan based on short-term extensions of the previous bill. FAST provides an initial 5 percent bump. After the first year, FAST has an increase for inflation of about 2 percent for most of Idaho's highway, transit and safety funding. It also increases flexibility in how the funds can be used. FAST streamlines the environmental review and permitting processes. It increases public transportation funding; expands public-private investment and partnerships; and allows more state control in safety programs. FAST provides fiscal stability for Idaho's federal funding and improves our ability to plan for the future.

Mr. Ness identified five items in ITD's supplemental funding recommendation for FY 2016. First is the ongoing spending authority for \$15.8 million from FAST. The next two items are related to the 2015 revenue increases. One is an ongoing adjustment that totals \$50 million, and the other is a one-time spending adjustment of \$54.7 million for the Strategic Initiatives Program Fund. Both are awaiting legislative approval. The fourth item is a request for \$40 million in ongoing spending authority for federal construction payouts. The final item is a request for one-time authorization to make accounting adjustments that will allow ITD to transfer costs as the federal Grant Anticipation Revenue Vehicle (GARVEE) program is closed out. Total FY 2016 supplemental appropriation recommendation is \$160.5 million.

ITD is requesting a reduction of 20 positions in FY 2017. ITD has proven they can provide improved services with fewer employees. Employee performance levels have increased because the focus has been on results and outcomes rather than on process.

Mr. Ness explained that in 2015 ITD received the first revenue increase in nearly 20 years. The new legislation provided ITD and local jurisdictions with an ongoing \$96.7 million from increases in fuel taxes and vehicle registration fees. ITD had 27 projects ready to bid shortly after the Governor signed the bill into law. Many of those projects have broken ground and will be completed in 2016; the rest are already completed.

The Legislature also provided ITD with half of the General Fund surplus at the end of FY 2015 and FY 2016. The General Fund surplus will be placed in the new Strategic Initiative Program Fund. It can only be used for maintenance projects, which must compete for funding based on their return on investment. In December 2015, the ITB selected 17 projects to be funded with the \$54 million in the fund. That makes a total of 44 projects funded in the first year of the revenue increase.

ITD completed several other projects in 2015, including the new bridge on the north side of Cascade on Highway 55. They also replaced the Enterprise bridge on U.S. 26, near Ririe. Construction on Idaho's largest interchange at Meridian on I-84 is now complete. It was the state's final GARVEE project.

The GARVEE transportation program was the largest infrastructure program of any kind in Idaho history. It allowed ITD to build large, vitally needed projects now, rather than wait 20 to 30 years for adequate funding. ITD delivered those projects safely, on time and under budget. The GARVEE program transformed some of Idaho's most important transportation corridors, improved safety and reduced congestion. It allowed the regular construction program to continue unaffected across the state, and it won national awards for excellence. **Mr. Ness** discussed some of the award-winning projects, as well as ITD operations, engineering and employee awards. ITD is leading the way in excellence and outstanding project design. Many of their innovations are being used as models for other states and countries.

Mr. Ness explained that ITD's goal is to establish a 2020 vision and a strong succession plan. Half of ITD's current workforce will reach retirement age within five years. They are in the process of determining how best to fill, or not fill, the impending vacancies. They are developing a staffing plan for the next quarter century because transportation departments have operated the same way since the interstate highway system was built under President Eisenhower in the 1950s. A new generation took over in the 1980s, but the ways of operating and staffing transportation departments remained the same.

Technology is constantly improving, and ITD must stay up-to-date if they are to be successful and effective. **Mr. Ness** mentioned snowplows as an example of how ITD employees used technology to improve the percent of time highways are clear of snow and ice during storms. Prior to implementation of this new program, the highways were clear 28 percent of the time during storms; now they are clear 77 percent of the time during storms.

Mr. Ness said that an example of how ITD attracts and retains great employees was their Horizontal Career Paths pilot program. It ties maintenance worker pay rates directly to employee job performance. Employee performance is based on skills and abilities in four categories: (1) time demonstrating proficiency; (2) training; (3) testing; and (4) team performance. The teams are measured on the results the public actually sees and benefits from. If the team does not meet its performance goal, no member of the team can advance to the next pay level. In the program's first year, 70 percent of the staff met the requirements to move up to the next step. Next year they plan to add one or two additional job classifications to the pilot program.

The final two goals of ITD's new strategic direction are both tied to funding. First, ITD will invest its state money wisely for maximum return on investment by selecting and prioritizing projects based on three measures: (1) safety; (2) mobility; and (3) economic growth and opportunity. Passage of the FAST Act has stabilized ITD's federal funding for the next five years. The last goal was tied to federal funding and involved partnerships with (1) western states to provide seamless transportation systems, and (2) with national organizations to ensure Idaho maintains a share of federal revenue. **Mr. Ness** thanked the Committee and stood for questions.

Senator Lacey asked what Idaho could expect in funds through the FAST Act. **Mr. Ness** suggested a combined federal funding total of \$44 million.

Vice Chairman Hagedorn asked for clarification on the one-time legislative authorization request for \$1.5 million. **Mr. Ness** said the funds are needed to make adjustments from one account to another. **Vice Chairman Hagedorn** asked if ITD was going to take advantage of low oil prices by locking in futures prices for asphalt. **Mr. Ness** said ITD works through contractors and he was not aware of any futures buying. **Vice Chairman Hagedorn** wanted an update on Real ID. **Mr. Ness** replied ITD's Department of Motor Vehicles (DMV) cost changes are moving forward and will require legislative approval. **Vice Chairman Hagedorn** asked if ITD was bringing a proposal or if they were waiting for the Legislature to act. **Mr. Ness** said ITD was waiting for the Legislature. **Chairman Brackett** offered that the House Transportation and Defense Committee was looking at bringing forward a bill for consideration.

Senator Nonini commented that the Senate Finance Committee and Co-Chair of the Joint Finance and Appropriations Committee (JFAC) is from North Idaho, and she is also a member of this Committee. Real ID is an important issue in North Idaho. He continued, saying that they were proud to be members of this Committee because of all the changes since Mr. Ness has taken the helm of ITD. He then asked if there was a list of the road and bridge projects being funded through 2015 H 312aaS,aaS. **Mr. Ness** said that they have pulled projects forward that have fallen behind so there was no formal list of projects.

Senator Vick inquired about the spending authority for the Horizontal Career Paths pilot program Mr. Ness discussed in his presentation. **Mr. Ness** said that JFAC keeps funding in the budget for innovations like this pilot program. Employees can only move up to the top if the entire team is successful. The pay level remains below the market value of the employees. **Senator Vick** applauded the innovation and inquired about how it was working and if there were bonuses for success. He asked whether the program retains the spending authority at the current level or does it increase each year. **Mr. Ness** said the two-thirds of the savings goes to the employees and one-third goes into roads. JFAC's 3 percent seed funds go into the project. If there is any money left over at the end of the year, it goes into the roads.

Senator Keough said she saw a photo on Facebook showing elk licking salt off of roads on Highway 57 in Priest Lake; traffic was backed up behind the elk. At least two logging trucks have had accidents and their loads released because of these types of incidents. She said there were studies of the risks of salt mixes on highways during winter and wanted the status of ITD's salt use. **Mr. Ness** said that ITD is still in the process of studying the issue. In North Idaho, ITD is testing the amount of salt used on the roads and has temporarily removed it from the inclement-weather road mix. In keeping with the way ITD conducts business, instead of measuring the process they are measuring the results. It is likely there will be a reduction in salt, but salt will probably always be part of the formula. More thorough findings for North Idaho will be available at the end of the winter. **Senator Keough** said she looked forward to hearing some of those results. She said near Riggins they were using less salt and were substituting sand and gravel instead. **Mr. Ness** said ITD was in the third year for measuring salt and they should have some statewide answers by the end of the year.

Vice Chairman Hagedorn commented that he echoed Senator Nonini's remarks about being a member of the Committee. Before Mr. Ness became ITD's director, it was difficult to be a member of this Committee; there was mistrust between the Committee and ITD. Mr. Ness has made an incredible change. He also applauded the great drone video of all the bridges in the presentation, and asked if ITD was pre-inspecting bridges with drones before spending money. **Mr. Ness** said there was a committee led by district engineers to perform bridge inspections. He added that a lot more information from drones and technology is working to ITD's benefit.

Chairman Brackett thanked **Mr. Ness** for an excellent presentation. He added that the response at JFAC was equally productive and complimentary to the work he has done at ITD. It was very well received. **Mr. Ness** thanked the Chairman.

ADJOURNED: With no further business before the Committee, **Chairman Brackett** adjourned the Committee meeting at 2:34 p.m.

Senator Brackett
Chair

Gaye Bennett
Secretary