

MINUTES
JOINT MEETING
SENATE TRANSPORTATION COMMITTEE
HOUSE TRANSPORTATION & DEFENSE COMMITTEE

DATE: Thursday, January 24, 2013

TIME: 1:30 P.M.

PLACE: WW02 (Auditorium)

MEMBERS PRESENT: Chairman Brackett, Vice Chairman Johnson, Senators Keough, Winder, Rice, Nonini, Hagedorn, Bock and Buckner-Webb

Chairman Palmer, Vice Chairman Shepherd, Representatives Wood, Wills, Bateman, Henderson, Denney, Gestrin, Gibbs, Hixon, Kauffman, Packer, Patterson, Youngblood, Ringo, King and Gannon

ABSENT/ EXCUSED: Representative(s) Wills and Henderson

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the Senate Transportation 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** called the joint meeting of the Senate and House transportation committees to order at 1:35 p.m. He asked the secretaries to take silent roles. There was a quorum present. **Chairman Brackett** welcomed committee members and those in attendance to the meeting. He introduced Chairman Palmer of the House Transportation and Defense Committee.

Chairman Brackett said he was looking forward to the presentation by Brian Ness, Director of the Idaho Transportation Department (ITD). The **Chairman** made a brief announcement that there were committee photos scheduled for Senate members throughout the day and apologized in advance that Senate committee members may be coming and going to accommodate the schedule. Before asking Director Ness to begin his presentation, **Chairman Brackett** welcomed Idaho Transportation Board member, Julie DeLorenzo, to the hearing and asked if she would like to make a statement.

Ms. DeLorenzo thanked the committees for arranging today's joint session. She said that Idaho Transportation Board Chairman Jerry Whitehead sends his apologies for not being able to attend today's hearing. She was very pleased with the work ITD has accomplished under the leadership of ITD Director Brian Ness.

Ms. DeLorenzo was pleased to be in attendance; and with that, she turned the meeting over to Director Ness.

PRESENTATION: **Director Ness** thanked Ms. DeLorenzo and Chairman Whitehead for their service to Idaho and ITD. He added that the Idaho Transportation Board members work very well together to make the best decisions for the state of Idaho; and to make ITD the best transportation department in the country. The **Director** also thanked the Governor's office and the two committee chairmen for their direction and service. He mentioned that the chairmen meet with him every over week. The **Director** then gave an overview of the topics he would cover in today's presentation.

Director Ness began with reviewing ITD's Fiscal Year 2014 budget request. ITD receives no money from the state's general fund. Their total budget request is just over \$550 million. Through the new federal transportation bill Idaho received \$25.5 million less in federal funds for highway uses. Even with that reduction, 86 percent of our budget is dedicated to the road for operations, maintenance and contract construction. They have kept administrative and overhead costs to a minimum. The Office of Performance Evaluations (OPE) audit was closed in November and accepted by the Joint Legislative Oversight Committee. The report commended ITD for acting swiftly and aggressively to address the audit recommendations. There were no legislative audit findings for ITD for the second year in a row.

The primary reason the budget is reduced from last year is MAP-21, the new federal transportation bill passed last fall. This two-year bill expires in September 2014. On October 1, 2014 either it will be extended or a new federal bill will be passed. There is a \$12 billion annual shortfall nationwide to the Highway Trust Fund. It is currently being supplemented from the federal general fund. Either Congress will need to raise additional transportation revenue or reduce funds going to the states. If additional revenue is not raised, Idaho could see its share of federal revenue cut by as much as \$100 million.

Director Ness discussed ITD's strategic plan and how it is being used to target transportation funding. To invest funding efficiently and effectively while delivering the best customer service possible, ITD developed a new mission and strategic plan in November 2011. Each of the plan's three goals has measurable performance indicators that were developed to support ITD's mission. The plan affects the entire organization, even into division and district business plans and individual employee performance plans. ITD changed from a "staggered" employee performance review system in which employees were evaluated on their anniversary date, to employees being reviewed on a common date. Employee performance reviews now support the goals of the strategic plan. The plan also aligns with the beginning of each fiscal year.

The **Director** discussed the strategic plan's goals and accomplishments. First goal is to have the safest transportation system possible. He cited many achievements in this area. The second goal is to provide a mobility-focused transportation system that drives economic opportunity. This goal moves ITD in a new direction by focusing on Governor Otter's "Project 60" goals first, and then making transportation system investment decisions to drive those goals. It is a major cultural shift for ITD that distinguishes them from the rest of the transportation departments in the country. ITD is working closely with the departments of Commerce, Labor, and Agriculture to develop tools to measure and maximize the impacts of their investments. The **Director** discussed the many milestone projects and accomplishments throughout the state that ITD completed in 2012.

The third goal is to become the best organization by continually developing employees and implementing innovative business practices. ITD changed its organizational culture to accomplish this goal. Following nontraditional employee surveying, ITD held a Leadership Summit. Approximately 200 employees attended that first summit in August 2012. It emphasized how employees at all levels must assume leadership roles to deliver the best customer service. The **Director** realigned the organization last year by: (1) reducing nine layers of management and supervision to five; (2) eliminating 62 positions that only supervised one employee; (3) eleven administrative positions were eliminated or redefined; (4) forty-seven duplicate positions were eliminated; and (5) the average span of control for each supervisor was increased from an average of three employees to between eight and ten. The realignment generated \$5.7 million in savings the first year and another \$7 million in the second year. He explained how the savings were used.

Director Ness then moved on to the Idaho Freight Study finalized in December 2012. ITD and its partners in agriculture, natural resources and the shipping industries, as well as state, local and federal agencies. They all worked together over 12 months to identify how to improve the movement of freight in Idaho. The final report lists six recommendations that ITD is committed to implement.

By implementing the strategic plan, ITD is being recognized as national leader in innovative practices. The **Director** listed the many national recognitions ITD has received. He presented a video and offered further examples of savings, revenue enhancements, bridge needs, and pavement needs that ITD is addressing.

For this year, ITD will continue to focus on implementing their strategic plan and measuring the results. They will review current and future performance measures for the opportunity to transform them from "lag to lead" measures. **Director Ness** concluded by stating he is confident that through the vision and direction of the governor, legislature, transportation board and the hard work of their employees, ITD will reach its goal of being the best transportation department in the country. The **Director** stood for questions.

Representative Ringo asked about ITD's 2014 budget request and why it focuses on the federal debt service on federal funds received. She asked how would reductions play-out in the future. **Director Ness** said that the \$80 million in Grant Anticipation Revenue Vehicle (GARVEE) funds was part of last year's legislative appropriation, which was generated by savings. There is no addition to the debt, but if federal funding increases, then the debt would be lower. ITD needs to plan for that possibility and watch what is being used towards bridges. **Representative Ringo** changed topics and asked what the legislature could expect in the future from ITD with regard to a revenue plan. **Director Ness** said ITD was focused on educating the legislature on how transportation is funded, but a discussion on revenue does have to occur in the future – i.e., what are the funding priorities; as time passes there are fewer areas where savings can be realized; and where should the limited resources be used to produce the best possible result.

Vice Chairman Johnson asked approximately how many passenger miles are driven annually in Idaho; and how might limiting weight load enhance Idaho's economy. **Director Ness** offered to get back to the committees with the number of passenger miles driven per year. He said there are many factors that go into weight and height restrictions. Given transportation is a key factor in Idaho's economy, ITD looks at what might be impeding productivity. He used forest products as an example of weight restrictions that could reduce the number of trucks, but have the same weight load on bridges. Another example was at the Port of Lewiston where ITD is improving conditions in order to get trucks to and from the port. ITD has shifted to thinking externally in order to focus on Idaho's economy.

Representative Wood commented how pleased she is with the improvements at ITD under Director Ness; she appreciates the thorough presentation. The Director has proved that he meant what he said he would do when he became ITD's director.

Senator Rice asked how ITD collaborates with the Department of Commerce when looking at economic impact. **Director Ness** said ITD and Commerce meet quarterly to keep abreast of economic activities, like when a new business is contemplating moving to Idaho (examples: Chobani Yogurt and the overpass near the hospital in Pocatello). ITD is getting better at shifting and reacting to opportunities in advance, which will make Idaho more attractive to businesses who are considering relocating.

Representative King asked if ITD could provide a pie-chart showing spending on maintenance, bridges, administration, and the amount actually going into roadways. **Director Ness** didn't have that chart with him, but he stated that administrative overhead is under five percent. Ninety-five percent of the budget goes into road projects or maintenance on the road. ITD takes care of the current system in place before new projects can be done (examples: bridges and economic opportunities). With the number of height and width restrictions, it will take seven years to achieve roadway standards.

Senator Nonini asked what the State Tax Anticipated Revenue (STAR) balance is with the State Tax Commission. **Director Ness** said he would follow-up with that information.

Senator Hagedorn concurred with Representative Wood; he added that the difference before Director Ness came to ITD and now is a 180 degree change for the better. The Senator stated that funds currently come from "donee" states taxes, and he wanted to know how changes to this funding format would impact ITD. **Director Ness** agreed that Idaho is a "donee" state. Transportation is not just important within Idaho but also with neighboring states and the entire system. He said he was concerned that the federal plan is only a two-year plan. The **Director** had recently been to Washington, DC meeting with the Idaho Congressional Delegation expressing his concern. **Senator Hagedorn** asked what the implications would be if we lost \$100 million in federal funding. **Director Ness** said it would totally change ITD's strategy from big construction jobs to a "what do we do with what we have" scenario. Everything would be accelerated and they would hold projects together as best they could. Possible changes included restricting GARVEE projects and shifting highway funds into bridges.

Senator Keough asked if the Director could update the committees on the Idaho bridges affected. **Director Ness** said any effect would be minimal and offered that ITD would provide an updated list to committee members following the meeting.

Representative Wood asked if the members of the transportation committees could help ITD in any way, perhaps with local jurisdictions. **Director Ness** suggested they could keep the local jurisdictions updated on the impact projects would have. He said communication is key and ITD is working hard to ensure that local jurisdictions have the information they need.

With no further questions, **Director Ness** concluded his remarks by thanking the committee chairmen and members.

ADJOURNED:

Chairman Brackett thanked Director Ness for his overview of ITD. He asked the audience if there were any questions for the committees; there were none. **Director Ness**, in response to an earlier question from Vice Chairman Johnson, stated he had just learned there were 15 billion vehicle miles traveled on Idaho's highways last year. **Chairman Brackett** thanked the Director, both committees, and Chairman Palmer. He adjourned the meeting at 2:35 p.m.

Senator Brackett
Chairman

Gaye Bennett
Secretary