

MINUTES
JOINT MEETING
SENATE TRANSPORTATION COMMITTEE
HOUSE TRANSPORTATION & DEFENSE COMMITTEE

DATE: Thursday, January 22, 2015

TIME: 1:30 P.M.

PLACE: Auditorium (WW02)

MEMBERS PRESENT: Chairman Brackett, Vice Chairman Nonini, Senators Keough, Vick, Den Hartog and Lacey

Chairman Palmer, Vice Chairman Shepherd, Representative(s) Wills, Bateman, Gestrin, Hixon, Kauffman, Packer, Youngblood, McDonald, Dixon, Harris, Holtzclaw, Monks, King, Rudolph and Wintrow

ABSENT/ EXCUSED: Senators Winder, Hagedorn, Buckner-Webb and Representative Wills

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** welcomed Chairman Palmer, members of the Senate Transportation Committee and House Transportation and Defense Committee (Committees), and the audience to the first joint meeting of the two Committees. He thanked the Idaho Transportation Board (ITB) for making themselves available as well as leaders of the Idaho Transportation Department (ITD). **Chairman Brackett** said the Committees would be hearing presentations from ITD's Director, Brian Ness and from ITB's Chairman, Jerry Whitehead. He asked Director Ness to take the podium for his presentation.

PRESENTATION: **Director Ness** thanked the Committees for this opportunity, the ITB members for their leadership, and the Governor and his staff. **Director Ness** outlined his four-part presentation as: (1) an overview of the Governor's budget recommendations; (2) how ITD has improved; (3) results of those improvements; and (4) ITD's focus in 2015.

The Governor's fiscal year (FY) 2016 budget base amount for ITD was \$464 million, with 1,724 full-time positions (FTP). Including adjustments, 6 line items, and debt service, the total was \$555.5 million. Eighty-eight percent of ITD's funding goes to the highway system, paying for highway operations, contract construction, and debt service for critical projects that ITD works to accelerate.

ITD requested reducing FTPs by 28 in order to use those funds for a pilot program for transportation technicians. They make up one-third of ITD's workforce. Transportation technicians plow ice and snow on highways in the winter and inspect construction projects in the summer. They make 16 percent less than what surrounding states pay, and 21 percent below what Idaho's counties pay. Being able to pay employees based on their skill levels will keep ITD from losing them to higher-paying agencies. It will also encourage them to continue improving their job skills. The funds from reducing FTPs will also allow ITD to refill positions when necessary.

When adjusting staffing levels, ITD first cuts staff by more than what is necessary. ITD then uses performance measures to gauge what the optimum staffing level should be. **Director Ness** said ITD will slowly bring FTPs back in and improve processes until they reach the right balance. Staffing adjustments have been made throughout ITD. They found that the most efficient staffing level almost always results in fewer employees. Employee-driven innovations have produced better service to the taxpayers and helped ITD reduce their FTP count. Most state transportation departments are focused on retaining positions more than on making the most effective use of their resources. They fill positions as soon as they become vacant. ITD thrives on innovation. Removing 28 positions and retaining the funds does two things: (1) it allows ITD to increase the training and skills of their employees; and (2) as employees improve their skills and abilities, it allows ITD to pay them accordingly.

The Moving Ahead for Progress in the 21st Century Act (MAP-21) was a two-year federal bill that expired last September but was extended. The Federal Highway Trust Fund can no longer operate after May 31 unless Congress acts to provide sufficient funding. MAP-21 has an average annual shortfall of \$15 billion. Money has been taken from the federal general fund to make up the difference. To resolve the shortfall, Congress will either have to raise revenue, reduce funding to the states, or develop a combination of the two. MAP-21 has reduced Idaho's federal funding by \$20 million per year. If Congress does not increase revenue, Idaho's federal funding could be cut by as much as an additional \$100 million annually, or nearly one-third of ITD's federal funding.

Idaho last increased the user fee on fuel in 1996. At that time, State funds made up 54 percent of ITD's total revenue; today that is reversed, 54 percent of ITD's funding comes from the federal government. The national average for federal transportation funding is 24 percent. Idaho is growing more reliant on federal money for roads and bridges, but federal funds come with many strings. A 2014 Pew report ranks Idaho as one of the states most heavily reliant on federal transportation revenue. Federal transportation dollars are a political football with large urbanized states pushing to get a larger portion of the Federal Highway Trust Fund. These are primarily "donor" states. The result will be fewer dollars for rural "donee" states, like Idaho. That is not a good scenario for the State's economy.

Since Director Ness arrived at ITD in 2010, he has focused on changing the culture and structure of the agency. First ITD was realigned from top to bottom, including: (1) reducing the layers of supervision from 9 layers to 5; (2) eliminating 62 positions that only supervised one employee; (3) improving customer service; and (4) clearly defining the role of each layer of the organization. Supervisory control increased from an average of 3 employees to between 8 and 10. Accountability and communications were improved. Even with fewer people, ITD's employees have increased their performance and the service they provide taxpayers. Realignment made ITD more efficient, and it was so innovative and successful that it won the President's Award for Administration from the American Association of State Highway and Transportation Officials (AASHTO).

The next step was to work on ITD's passive work culture. A survey was conducted to measure ITD's work culture in order to improve it. The goal was to become more innovative and constructive while incorporating more teamwork. Every employee's performance is measured against the strategic plan. Employee-driven innovation is actively encouraged.

Restructuring placed more people on the front lines and put decision making closer to where the work is being done. These two actions created a wave of employee-driven innovations in equipment and processes. Many of the innovations have won State and national awards for excellence. Measuring performance makes ITD more efficient and accountable.

ITD improves safety when it straightens out a road curve, adds a passing lane, or designs a new bridge. In 2013, Idaho had 20 percent fewer highway fatalities than in 2006, despite a 4 percent increase in miles traveled annually. Idaho's fatality reduction is the third best in the nation. Grant Anticipated Revenue Vehicle (GARVEE) projects show much higher reductions in crashes and fatalities than the statewide average. Investments made modernizing highway design possible. ITD has developed a program to analyze and prioritize Idaho's transportation corridors. The program was so innovative that it won the National Roadway Safety Award in 2013. Transportation investments also improve mobility, which is tied to predictability. Idaho-based companies rely on ITD to provide a predictable highway system to keep Idaho's economy moving.

Innovation has improved ITD's budget management by saving \$40 million through restructuring payments on bonds. In the last five years, ITD created \$39.5 million in salary savings through its award-winning realignment. Because of those innovations, an additional \$180 million worth of projects have been added to the five-year plan. ITD selects projects based on the impact they will have on system condition, safety, and the State's economy. ITD's unique project-selection process helped achieve Governor Otter's Project 60 goals and will play a big role in achieving the goals of his Accelerate Idaho program. ITD works closely with the departments of Commerce, Labor, Agriculture, and the Idaho State Police to develop tools to measure and maximize the impact of its investments.

ITD measures performance to make sure those innovations work. For example, in 2010, ITD delivered 60 percent of project designs on time. In 2014, ITD delivered 92 percent on time by measuring performance and making improvements where needed. In 2015, all designs will be delivered in April. By turning in an additional year's worth of projects, ITD will accelerate project due-dates by one full year. If additional revenue becomes available, ITD will have projects ready to go. In 2014, ITD provided excellent and ever-improving services to taxpayers and to the businesses that drive Idaho's economy.

In addition to the successful initiatives already underway and going strong, ITD has three focus areas in 2015: (1) continuous improvement; (2) employee development; and (3) infrastructure needs.

ITD will focus on making continuous improvements, including: (1) using innovative business practices; (2) putting even more decisions closer to where the work is being done; and (3) moving the needle forward on all ITD performance measures.

Employee development is important because ITD is in the midst of losing 50 percent of its employees in a five-year period, as is every transportation department in the country. It is a result of the interstate construction era of the 1950s and 1960s where transportation departments across the country hired people to design, build, and maintain the new interstate system. The first wave began to retire in the late 1970s and early 1980s. The second wave has already begun as those hired to replace retirees of the 1970s and 1980s are now beginning to retire. Before replacing them, ITD needs to know what job skills are required to meet Idaho's future transportation needs. Pay will be an important factor in attracting and retaining highly qualified employees. ITD's future workforce will not look the same way it has for the past 60 years. It will be smaller, more highly skilled, and motivated.

ITD's third and perhaps most important focus area is addressing Idaho's infrastructure needs. Idaho does not have enough funding to support the needs of an aging system. Idaho's transportation system is vital to the State's economy and future, and will help determine the pace and extent of Idaho's economic growth. The Governor's Task Force on Modernizing Transportation Investments found that Idaho has a \$543 million annual shortfall in transportation funding. Of that, \$262 million is needed annually just to preserve the system in the condition it is in today. Funding is a challenge. In 1996, Idaho's gas tax was set at 25 cents per gallon. Today, nearly two decades later, it is still 25 cents. It has not kept pace with the economy and adjusted for inflation; it only has the buying power today of 17 cents.

Director Ness continued that Idaho's infrastructure has many needs. Idaho's bridges are well designed and have stood the test of time, but they were designed to last 40 to 60 years. At the rate Idaho currently funds its bridges, they must last 120 years. The older a bridge gets, the more expensive it is to maintain it in good condition. Idaho has hundreds of old bridges. Each is an impediment to the State's economy. ITD is working hard to replace as many bridges as they can with current funding. Between 2014 and 2019, ITD will replace 87 bridges with another 147 bridges reaching the 50 year mark. In 2019, 908 (nearly half the bridges in the state highway system) will be more than 50 years old.

Idaho's pavements are also aging. Depending on traffic loads and weather, a new highway will last approximately 20 years, but only if it is well maintained. ITD develops a maintenance program for each highway in order to extend pavement life as long as possible. But all roads must eventually be rebuilt from the ground up. The federal stimulus program temporarily increased the condition rating of Idaho's highways. That program has ended and pavement condition is once again deteriorating. AASHTO found that for every \$1 invested when the system is in good condition, spending \$6 to \$14 to repair or replace infrastructure in poor condition is avoided. If no action is taken, at a \$14 cost in the future ITD's annual \$262 million shortfall increases to \$3.6 billion per year. By deferring maintenance at today's lower costs the rapidly growing debt is being passed on to Idaho's children and grandchildren.

As stewards of Idaho's roads and bridges, ITD has to balance revenue with the daily cost of doing business. State revenue is being outpaced by inflation. ITD's buying power has decreased 26 percent since 1996. Vehicles are much more fuel efficient allowing drivers to travel many more miles on one gallon of gas than they could in the past. The more miles driven, the more wear and tear on the roads, but drivers still pay only 25 cents per gallon. ITD's cost trends show employee recruitment and retention costs are soaring, diesel has tripled in price, and the cost of snow plows has more than doubled since 1996. ITD is being squeezed between a revenue shortage and ever-increasing costs.

Idaho's economy is turning around. To sustain this improvement Idaho must begin reinvesting in transportation. Stable infrastructure will grow the economy as well as reducing crashes and fatalities. Eliminating the \$262 million annual shortfall will remove all restricted bridges within 10 years. This is important because restricted bridges impede commerce.

ITD had many great accomplishments in 2014 that are just the beginning of greater things to come. **Director Ness** said he was confident that through the vision of the Governor, the Legislature, the ITB, and the hard work of its employees, ITD will better serve the transportation system users and become the best transportation department in the country. **Director Ness** thanked the Committee and stood for questions. The complete presentation will be on file in the Legislative Services Office library following Sine Die.

Representatives Holtzclaw, King, Hixon and McDonald and **Chairman Brackett** and **Senator Nonini** directed questions and comments about the presentation directly to **Director Ness** who responded to each satisfactorily. When there were no more questions for Director Ness, **Chairman Brackett** thanked him and welcomed ITB Chairman Jerry Whitehead to the podium to begin his presentation.

PRESENTATION: **ITB Chairman Whitehead** thanked the Committees and explained ITB's role overseeing ITD. Among the handouts is a memorandum from ITB to the Legislature outlining the challenge ahead on Idaho's surface transportation system with emphasis on the impact of inflation and reduced Federal Highway Trust Fund revenues. To present the data of his presentation, "ITD Infrastructure and Revenue Trends with Buying Power", **ITB Chairman Whitehead** introduced two experts from ITD, Blake Rindlisbacher, Engineering Division Administrator and Dave Tolman, Controller. ITB Chairman Whitehead turned the podium over to them.

The two presenters reviewed each slide discussing the history of investment in ITD's infrastructure system. In particular they addressed the system's condition, ITD trends, and the Federal Highway Trust Fund status. The components of State funding trends were explained. They consisted of a brief history of Idaho's fuel tax and the difference between the State Highway Account and the Highway Distribution Account. ITD's buying power is driven by changes in State funds, federal funds and the impact of specific items (e.g., fuel tax rate, consumer price index, construction cost index, asphalt pavement cost, concrete cost, steel rebar cost, bridge costs, and ITD vehicle costs). The complete presentation and memorandum will be on file in the Legislative Services Office library following sine die.

ITB Chairman Whitehead returned to the podium to thank the Committees and he stood for questions. With no questions from the Committees, **Chairman Brackett** invited ITB Chairman Whitehead to deliver his closing remarks. **ITB Chairman Whitehead** reiterated that \$543 million is the annual shortfall and what ITD needs; \$262 million is needed just to preserve the existing system. He emphasized that for safety, ITD's infrastructure shortfall needs to be addressed. He again stood for questions.

Representatives McDonald and King and **Senator Nonini** directed questions and comments about the presentation to **Mr. Tollman** and **Director Ness** who responded to each.

Chairman Palmer asked what percentage of savings would Idaho get if there were no federal regulations. **Director Ness** said it was difficult to determine, but he guessed it would be somewhere around 62 cents on the dollar.

ITB Chairman Whitehead thanked the Committees for the opportunity to present these reports. **Chairman Brackett** responded that their presentation was one the Committees look forward to each year.

ADJOURNED: With no further business before the Committees, **Chairman Brackett** adjourned the meeting at 2:45 p.m.

Senator Brackett
Chair

Gaye Bennett
Secretary