



TESTIMONY

Quarterly Update

Testimony before the
Senate Transportation and Homeland Security Committee

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TxDOT Quarterly Update

I. INTRODUCTION

The Senate Transportation and Homeland Security Committee requested that the Texas Department of Transportation (TxDOT) provide the Committee with a quarterly report on matters of significance to the Department. This presentation includes the following updates concerning the agency: Sunset, TIGER II, Proposition 12, State Rail Plan, and the Legislative Appropriations Request.

II. SUNSET

When the Sunset Commission's recommendations were released in 2008, the Department began working to implement the recommendations that did not require changes in statute; we are now over 92 percent complete on the implementation of this effort. The following information provides an update on recent activities, but a full report on Sunset implementation is available through our website at www.txdot.gov

Issue two of the Sunset Commission's June 2008 report concerns the transportation planning and development process. Specifically, they recommended several things: that TxDOT redevelop and regularly update a long-range Statewide Transportation Plan; that TxDOT develop a system to measure and report transportation goals and milestones; and, that the Department establish a well-defined system of project programming.

In implementing these recommendations, the Department has several plans and programs that are linked and working together in order to reach our goals. The Statewide Long Range Transportation Plan, the Strategic Plan and the Unified Transportation Program (UTP), are all instrumental in achieving the recommendations in Issue two. The Department held a series of public forums to receive comments on the Statewide Long Range Transportation Plan before compiling a draft plan to present to the Texas Transportation Commission (Commission) later this year.

The 2011-2015 Strategic Plan is important in working toward this recommendation because the strategic plan guides TxDOT policies and processes by setting forth specific goals, as well as action steps and performance measures for the Department to achieve. Public comment was taken on the draft strategic plan; final adoption of the plan by the Commission occurred at the June 24, 2010 meeting which allowed for the plan to be officially submitted to the Legislative Budget Board and the Governor's office by its July 2, 2010 deadline.

In July of 2009, the Commission passed a minute order that created the Transportation Planning and Project Development Rulemaking Advisory Committee. The committee was charged with

recommending changes to the Department's transportation planning and project development programming rules. The 11-member committee included representatives from MPOs, counties, transit organizations, tolling authorities, small cities, councils of government and the Federal Highway Administration. The programming and planning draft rules were proposed to the Commission in June, 2010; they were made available for public comment through July 12, 2010. On August 26, 2010, the Commission voted to adopt the rules written by the Transportation Planning and Project Development Rulemaking Advisory Committee.

Issue three centered on the Department's public involvement efforts, customer relationships and information sharing. The Sunset Commission recommended that TxDOT develop standards for public involvement efforts, complaint tracking, and sharing best practices. They also recommended centralized marketing campaigns and making TxDOT.gov more user friendly.

An internal work group established best practices being used in other states for public involvement. The work group also recommended an evaluation of the Department's current public involvement strategies. Currently, Texas Southern University is studying these efforts and activities and will provide the Commission with a draft public involvement policy and recommendations based on their findings this fall. Once those findings are studied, staff will develop and draft additional procedures to carry out the policy as approved by the Commission.

TxDOT is currently testing a dynamic complaint data tracking system based on conversations with Sunset staff. This system, called Customer Relationship and Feedback Training, or CRAFT, incorporates existing programs utilized at the Department to more efficiently track communications with the public.

More formal, efficient processes for sharing best practices have been created within the Department. The Online Learning Center, commonly referred to as the i-Way can be accessed internally through Crossroads and now contains "Team Rooms." Team Rooms are online centers that allow users to post best practices and other relevant documents, create calendars and have threaded discussions. Also available on Crossroads is Sharepoint. This program offers another opportunity for staff to upload best practices documents on various subjects which can then be accessed by employees around the State.

An internal workgroup, chaired by Deputy Executive Director Steve Simmons, worked to develop a plan on centralizing the Department's marketing campaigns. The workgroup recommended establishing an internal Ad Council which meets quarterly and is responsible for activities that include developing an agency-wide plan to coordinating marketing events and establishing standards for campaigns and media events. The Ad Council is in the process of developing strategies and plans to establish a pool of vendors for campaigns. TxDOT is also involved in discussions with the University of Texas, Communication College to develop processes to gauge the recommended media programs as well as their effectiveness after they have been implemented.

A more streamlined TxDOT.gov internet site was launched in December 2008. Since then, interactive databases such as Project Tracker and TxDOT Tracker have been added. These tools provide a way for Texans to find information about the Department's projects, goals and milestones. A website usability study has been conducted to identify opportunities for improvement in content delivery. Any additional improvements to the website resulting from the study are anticipated to be incorporated by February 2011.

Issue four's recommendations focused on improvements to professional services contracts such as the communication policies for soliciting contracts, setting timeframes and providing information on overhead rates to the districts for contracts.

To address the communication policy issue, the Department's Contract Management Manual was revised so now every contract must include a Communications Management Plan before execution. This communication plan establishes stakeholders in the projects such as project and contract managers and team members and it outlines roles and responsibilities in the communication process throughout the contract. This plan creates defined roles for TxDOT staff that communicates with external contractors and eliminates any confusion or inconsistencies that may occur when communicating with too many parties.

A new Contract Management Administration training course that covers contract negotiation and establishing overhead rates is now required for staff involved with contract negotiation. The process of providing overhead rate data to district negotiators in pre-negotiation reports has been revised and improved.

TxDOT staff is also receiving training in contract administration. Professional services contract administrators now receive a two-part mandatory training. They receive a one-day initial training over video conference or through the TxDOT intranet system, Crossroads. A more comprehensive four-day training taught by attorneys and engineers familiar with the Department's contracting policies and needs constitutes the second half of training.

The timeframes of professional service contracts have also seen revisions. In September 2008, specific timeframes for the contracting process were established and incorporated into TxDOT policy. More recently, regional staff has developed standard operating procedures to reach contract execution within 100 days of receiving Letters of Interest.

To ensure oversight and accountability of contracts in district offices, regional directors and project development staff have developed detailed business plans that provide guidance and quality in the professional contract services program. To ensure consistency, regional staff monitors district project managers in certain tasks. Professional contract managers at the regional level also lead contract negotiations and maintain contract oversight throughout the project.

This update serves to provide you with a good understanding of where the Department is in implementing the Sunset Commission's recommendations. TxDOT continues to work to establish a long range transportation plan and a public involvement policy for the Commission's review. The Department's complaint data system continues to be improved. Our professional services contract area has undergone many improvements and updates to ensure our employees are more adequately able to communicate, negotiate and manage such contracts.

The Department will have its public hearing for our Sunset review in December, with our decision hearing in January which will lead to their recommendations to the 2011 Legislature. We look forward to receiving the Sunset Commission's comments and recommendations as we continue towards efforts to improve the agency.

III. TIGER II

On April 26, 2010, the United States Department of Transportation (USDOT) published a notice to announce the available funding and request for proposals for the Department of Transportation's National Infrastructure Investments. The following is an update on the Tiger II program.

The USDOT is authorized to award \$600 million in discretionary grants pursuant to the federal FY 2010 Appropriations Act. If the projects selected by the USDOT are costly, it is possible that only a handful of states will receive funds. Funds will be awarded on a competitive basis for projects that will have a significant impact on the nation, a metropolitan area or a region. No more than \$150 million can be awarded to any single state (or \$200 million with multi-state involvement).

TxDOT staff contacted its ports and rail partners to determine interest in this discretionary program. Ten projects were received from the ports and rail companies and presented to a project selection task force made up of Metropolitan Planning Organizations, and representatives of both ports and transit entities.

The task force convened on June 3, 2010 to discuss and prioritize projects. The USDOT is using the following criteria in the selection of projects, so the task force adopted the same approach in their evaluation:

- State of Good Repair,
- Economic competitiveness,
- Livability,
- Sustainability,
- Safety,
- Job Creation and Economic Stimulus,
- Innovation; and
- Partnership

The Commission was presented with the list of ten projects for pre-application consideration totaling approximately \$205 million in grant requests and ranked in order of their prioritization at its June 8, 2010 commission meeting. The Tower 55 Rail project was ranked as number one for submission. All ten projects were approved by the Commission for pre-application submission for Tiger II funding. Local entities were also eligible to apply for Tiger II funds.

In the weeks leading up to the August 23, 2010 deadline for final applications, TxDOT worked with local sponsoring entities to ensure they would meet the program criteria, including local match requirements and environmental process deadlines. On August 23, 2010, TxDOT submitted six applications for Tiger II funds that met the program criteria. Attachment A reflects the list of projects which were submitted by TxDOT.

IV. PROPOSITION 12 GENERAL OBLIGATION BONDS

TxDOT is authorized by the Texas Constitution to issue \$5 billion in general obligation bonds for highway improvement projects. In July 2009, the Texas Legislature appropriated \$1 billion for the 2010-2011 biennium to begin making payments on \$2 billion worth of projects. In addition, \$1 billion was appropriated to the State Infrastructure Bank to make loans to local entities for highway projects in 2011. These bonds are payable from the state's general revenues; not by fuel tax revenues.

In November 2009, the Commission selected the projects to make use of these funds. Included in the approved list are six new construction projects, valued at an estimated \$1 billion, to expand Interstate 35 from a four- to a six-lane highway in much of Central Texas. Nearly 39 percent of the state's population lives along the I-35 corridor, and this action brings the Commission closer to fulfilling its promise to "finish" I-35 by expanding it to six lanes between San Antonio and Hillsboro.

Other significant projects approved by commission include:

- \$178 million to reconstruct Houston's Interstate 610/U.S. 290 Interchange, which ranks 13th on the list of the 100 Most Congested Roadway Segments in Texas;
- \$100 million to expand Interstate 45 in Houston, which ranks as the 25th most congested roadway segment in the state;
- A four-mile, \$80 million expansion of Loop 375 in El Paso, doubling capacity of a route which serves as an alternative to Interstate 10 and supplementing access to the U.S. Army's Fort Bliss; and,
- San Antonio's Wurzbach Parkway, which will receive \$130 million to complete the 4.8 mile reconstruction and expand the facility from a four-to a six-lane divided roadway. Improving Wurzbach will improve traffic flow on some of the most congested roadways in San Antonio including I-35, Loop 1604, I-410 and U.S. 281.

More information on Proposition 12 can be found at the following link: http://www.txdot.gov/project_information/prop12.htm

The Department issued the first \$1 billion of Prop 12 bonds in September 2010. Pursuant to TxDOT's Rider 60 of the 2010-2011 General Appropriations Act, the Department will have obligated \$2 billion of Prop 12 bond proceeds to active projects with another \$1 billion obligated for deposit to the State Infrastructure Bank.

Due to the timing difference between letting and project payments (appropriation), not all of the \$2 billion will be expended by the end of 2011. If TxDOT does not receive an appropriation of additional Prop 12 bond proceeds, to continue to make payments on these active projects and the general revenue needed for debt service, the forecast of traditionally-funded lettings will have to be drastically reduced in 2012 in order to free up \$1 billion in funds to continue making payments on projects started with Prop 12 funding.

V. STATE RAIL PLAN

The Department executed a contract with the Center for Transportation Research (CTR) at the University of Texas and Cambridge Systematics to develop a rail plan to address future and existing passenger rail and freight rail lines in Texas. An essential portion of the Texas Rail System Plan contract executed earlier this year required TxDOT to hold numerous visioning workshops around the State. An essential part of the visioning workshop process included stakeholder and public meetings to solicit comments and ascertain what impact(s) the expansion of rail (both passenger and freight) will have on affected communities. Throughout August of this year, TxDOT held public meetings across the State to present its draft rail plan to the public in order to gather input from the citizens of Texas. As a result of the collaborative visioning workshops, TxDOT will be armed with studies that determine a statewide ridership analysis, corridor analysis, and service development plans. Once these studies are rolled out and the results are tabulated, TxDOT will recommend corridors, passenger train velocities, and frequencies of service. This process will allow and enable TxDOT to draw preliminary lines on the map for further analysis and will include preliminary estimates of construction costs, preliminary estimates of ongoing operations and maintenance costs, and preliminary estimates of revenue streams.

It is important to the Federal Railroad Administration (FRA) that TxDOT submit a collaborative and unified plan. This could potentially put Texas in line for additional federal funding for the necessary future studies, as well as the critical next steps that include preliminary engineering and environmental studies. TxDOT has initiated an aggressive time line. A draft rail plan has been submitted to the FRA with the understanding that there may be updates to follow based on the October public hearing process. In November 2010, the draft rail plan will go before Commission for approval. If approved by Commission, the final rail plan will be formally submitted to the FRA.

VI. LEGISLATIVE APPROPRIATION REQUEST

The Department's Legislative Appropriation Request (LAR) was submitted to the Legislative Budget Board and the Governor's Office of Budget, Planning and Policy on August 30, 2010

Our baseline request for 2012 is \$8.2 billion. In 2013 we are requesting \$7.2 billion. For the biennium we are requesting \$15.4 billion, which is about \$1.4 billion less than the current biennium. The drop in funds is mostly attributed to diminishing bond proceeds, lower federal stimulus expenditures, and lower federal reimbursements.

It is widely acknowledged that the unfunded transportation needs of the State are measured in the tens of billions of dollars over the next 25 years. However, it is not reasonable to conclude that such revenue will be available in its entirety in the next biennium. Therefore, the Department's LAR examines the industry capacity, and the number of projects that can be ready to go considering completion of the necessary developmental and environmental work over the next four years to establish more acceptable letting totals for 2012 and 2013 and the necessary appropriations.

In order to provide legislators with a clearer picture of how we may be able to increase the number of new projects that can begin in 2012 and 2013, TxDOT has requested exceptional items for general revenue, diversions, and additional proceeds from Prop 12 General Obligation Bonds.

Because most of the money that is appropriated to TxDOT is dedicated by the constitution to public roads, the department included exceptional items requests for general revenue to support rail-related activities. We requested \$100 million per year for the Rail Relocation and Improvement Fund and approximately \$215 million for specific rail projects. This funding would be used to possibly draw down federal dollars; complete preliminary engineering for a commuter rail project in the Austin-San Antonio region, development of Houston region freight rail improvements, upgrade the South Orient Rail line in West Texas, enhance service for the Heartland Flyer in Fort Worth, develop improvements to the Neches River rail bridge at Beaumont, study passenger rail service in East Texas, support projects in the Gulf Coast Freight Rail District, and construct improvements to Tower 105 in San Antonio.

VII. CONCLUSION

Thank you for the opportunity to provide written testimony to the Senate Transportation and Homeland Security Committee. TxDOT appreciates the opportunity to update the House Transportation Committee on the Department's recent activities; additionally, the agency looks forward to working with the committee in the future.