Follow-up Questions from JBC Hearing

Department of Transportation

11/16/09

1. Please provide additional detail on the process for ensuring accountability for the ARRA funds, including the quality of the data feeding ARRA reports.

   The Department is confident in the accuracy of its ARRA reporting. Most of the data sought are already collected by either CDOT or Federal Highway Administration (FHWA) data systems, and the requested items are inherently clear in their definitions (i.e. date awarded, date advertised, total ARRA budget, vendor name, etc.). The Department's existing databases hold most of the information as part of a business process where the data entry is part of the processes of creating, budgeting, authorizing, obligating, advertising, awarding, and executing a project. In the ARRA reporting processes several parties are given an opportunity to review and correct the data in the source database prior to reporting on a monthly basis. Federal agencies verify and ensure accuracy of the data and audit the Department on various aspects of the ARRA program. Furthermore, the Department's SAP enterprise data system was built with internal controls to ensure the accountability of the funds from start to finish.

   CDOT has the advantage of having an enterprise data system that captures and relates nearly all the data needed for reporting in one software system. This system ensures accuracy in reporting for several reasons:

   - *One database eliminates the need to gather information and spreadsheets from other individual databases; therefore, the risk of inadvertent data errors resulting from compiling data from several sources is eliminated.*
   - *Data updates are nearly instantaneous; therefore changes in project status are accessible in the database as soon as they are entered.*
   - *One database allows those with access and responsibility for the data element to enter the information so that everyone in the Department views the same data at the same time; therefore the risk or errors resulting from multiple draft reporting documents is eliminated.*

   Ultimately, to report to FHWA, the federal Office of Management & Budget, the U.S. House of Representatives' Transportation & Infrastructure Committee, auditors, media, and internal uses, the Department simply runs a report in SAP.

   In addition to the integrated reporting, extensive auditing of the Department by the following oversight bodies has occurred:

- *The federal Government Accountability Office has conducted five rounds of bi-monthly reviews of various aspects of Recovery Act projects.*
- *CDOT and FHWA jointly assessed the risks associated the requirements of the Recovery Act. FHWA also conducted a national risk assessment. As a result, CDOT and FHWA amended our Stewardship Agreement to include the identified risks and mitigation actions for those risks as well as a plan of increased oversight on tiers of ARRA projects.*
- *The State Auditor has audited one project specifically on jobs reporting.*
- *The US Department of Transportation's Office of the Inspector General has notified the Department that auditing in the areas of local agency project administration and procurement may occur.*

2. What percentage of the Department's projects are multi-year projects that would be particularly susceptible to fluctuations in federal funding (or state funding)?

   24.9 percent of the Department's projects are multi-year projects. Although many of the Department's projects span multiple fiscal years, they are not susceptible to revenue fluctuations at the state or federal level. This is because the Department will not commence a project until it has obligated funding for the project in its entirety.

3. Please provide an estimate of the cost savings generated by the Commission's decision to stop plowing certain rural highways at night (those with less than 1,000 ADT). In addition, please explain the source of those savings (vehicle expenses, reduced overtime, etc.).

   The Department adopted the policy of plowing roads having less than 1000 annual average daily traffic only between 5:00 AM and 7:00 PM in the 1980s and reaffirmed its application in 2008.

   Maintenance is among the Transportation Commission's highest priorities as evidenced by the Department's proposed FY 2010-11 budget. The Commission chose to increase the allocation to Maintenance Levels of Service to an all time high of $241 million in order to achieve a target Level of Service B for snow and ice removal, while maintaining a target Level of Service C in all other maintenance activities. This is the only resource allocation that was increased for the 2011 budget.

   As the Department's budget becomes more constrained, absent additional resources, at some point in the future the Department will be compelled to limit the services it provides. This as a growing national trend for all DOTs, some closing large numbers of rest areas, some limiting animal and debris removal, others taking a tiered approached to the maintenance of their highways (with interstates taking a higher priority than secondary roads). CDOT is *not yet in the position of limiting the services it has historically provided to the citizens of Colorado. However, it is incumbent upon each Division within the Department to evaluate its practices and ensure that long standing policies are followed, and the cost efficiencies are realized in every aspect of our work.*

In doing so, it became evident that not all of our snow plowing activities were being performed uniformly and in accordance with the long standing adopted policy to provide less than 24-hour snow plowing services on roads carrying less than 1000 cars per day. In some areas of our state this activity was performed in accordance with the policy and in other areas it was not. At the request of the Maintenance Superintendents and the Chief Engineer, the Transportation Commission examined its current policy and again affirmed its use, but with some additional provisions. These provisions allow for a waiver from the policy for roads that lead to emergency service providers, such as hospitals; allow for a waiver if the route is to be used on any particular evening for extracurricular school activities; and allow for a waiver if weather conditions are so severe that the road would be closed if not for continued snow plowing operations. Additionally, the Transportation Commission felt that transparency was of particular importance and requested that the Department provide signing on these types of routes so that motorists can plan their travels accordingly.

It is difficult to quantify avoided costs precisely, as these costs are so dependent on the severity of the weather from year to year. However, if this policy were not in place, the cost of providing snow and ice removal would increase somewhat due to increased fuel use, increased overtime, increased material (de-icing chemicals and traction materials), and increased wear and tear on equipment, i.e. plow blades, sanders, sprayers, and plow trucks themselves. Increased equipment wear and tear would also increase shop and mechanic time needed for repairs.

4. What would be the impact of reinstating the Department's FTE cap?

   The impacts of reinstituting a statutory cap on the Department's hiring authority would depend on what the level at which the cap is set, and if other restrictions are placed on the Department in the enabling legislation. Absent a specific proposal or bill draft, the Department cannot speculate on the impacts to the Department from an FTE cap.

5. Related to question 19 from the Hearing Agenda, please provide more detail on how the Department determines the appropriate balance between in-house FTE and private contracts as it relates to the FTE cap question above.

   The size of the Department's construction program varies directly with how much funding is made available by the General Assembly and Congress. The Department uses consultants to *perform road and bridge engineering work rather than maintain a larger full-time staff as a conscious effort to address fluctuations in transportation funding. The Department uses private sector contractors for overflow work during years of relatively high funding so that when funding drops the Department is not in the position of laying off full-time employees.*

To determine how many consultant contracts to let, the Department annually conducts a financial and labor-hour workload analysis of its engineering sections. In years when the Department can fund more projects than it can design in-house, the Department relies on private consultants.

The Department continues to let consultant contracts, but fewer than in years when the Department received large General Fund transfers. It should be noted that the Governor's Efficiency and Management Study suggested that the Department save money by letting fewer consultant contracts and performing more work in-house.

6. Channel 7 News reported that in 2008, Colorado Department of Transportation Executive Director Russ George gave bonuses of about $2,500 each to more than a dozen managers who are under senior executive service contracts. Those contracts prohibit payments above the compensation stated in the contract. In August, George informed the SES staffers that they would have to return the bonus money paid last year. Have those bonuses been recouped to the state?

   Yes.

7. Many state rest stops are currently not open due to funding considerations. Many rest stops and maintenance facilities (like I-25 and Wolfensberger) seem to have limited use despite being on high value freeway access areas. How much money could the state gain if those facilities were sold or transferred to for-profit franchisees that could both run the rest stops and provide better food service?

   The Department has no basis for projecting the potential sale or lease value of rest stops or maintenance facilities. In order to make informed projections, the Department would need to perform a potentially costly Request for Interest process.

   The Department has begun a process to inquire into privatizing and/or closing rest areas. Disposition of rest stops on interstate highways will require the approval of the Federal Highway Administration.

   At the November 2009 Transportation Commission meeting, a no longer used rest stop in Region 4 was declared excess and will be placed for sale. The expected proceeds are $19,000.

8. One suggestion during the Fiscal Stability Commission was to ask for a waiver from federal gasoline tax. If we agree to give 2 of the 18 cents directly to the feds, can we keep the rest (16 cents) and use at the state's discretion. It's a couple hundred million dollars that would be free of federal government regulations/mandates. Has any state ever done this?

   There is no provision in federal law to grant waivers or exemptions to states or other political subdivisions from participating in the federal surface transportation program.

   Federal motor fuels taxes are paid at the time that motor fuels are removed from a bulk terminal. Distribution companies remit their tax payments directly to the federal Internal Revenue Service; states do not collect fuel taxes on the federal government's behalf. Therefore, if a state did not participate in the federal surface transportation program, there would be no incremental revenue to "keep" or spend free from federal regulations or mandates.

9. Highly reflective signs have been mandated by the federal government. I have heard that they are being acquired under an expensive out-of-state contract. Why can't the production of highly reflective signs be done by Colorado Correctional Industries at a lower cost? I also understand that contracts for blue "attractions" signs have been highly renegotiated over the last couple of years. Can CDOT provide the details of those contract changes to the JBC for review?

   When signs are installed as part of a construction project, the contractor is free to use any source of its choosing to supply the signs. In fact, Federal Highway Administration rules prohibit state forces from producing any signs paid for with federal funds. CDOT's Sign Shop produces the vast majority of the signs installed on projects funded with state dollars. For highly reflective signs, the Department procures aluminum sign blanks and applies reflective film, which is procured from outside Colorado because (to the Department's knowledge) there are no in-state producers.

   The contract for Tourist Oriented Directional Signs (TODS) and LOGO advertising was not a renegotiation of an existing contract. CDOT went through a competitive Request for Proposal process and a committee selected the best proposal and negotiated a new contract earlier this year.

   All fees for LOGO signs (Interstate Highways) are based on Annual Average Daily Traffic (AADT); these fees are commensurate with neighboring states and had not been adjusted for more than ten years. For LOGO signs the annual fees changed as follows:

   - *Less than 10,000 AADT: unchanged at $ 750 per direction of travel*
   - *10,000 to 29,999 AADT: changed from $ 750 to $ 900 per direction of travel*

- *30,000 to 59,999 AADT: changed from $ 750 to $ 1200 per direction of travel*
- *60,000 and greater AADT: changed from $ 750 to $ 1500 per direction of travel*

Tourist-Oriented Directional Signs (non- Interstate) annual fees remain unchanged are $250 per directional of travel.

Similar LOGO and TODS fees were proposed by all respondents to the RFP. To avoid direct competition with outdoor advertising (billboards), CDOT opted to adopt a pricing scheme based on AADT as is the standard in the industry.

LOGO and TODS sign structures including the blue reflective sheeting are provided to the vendor by local companies.