

The Quorum Report

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SENATORS TRY TO UNRAVEL WHAT WENT WRONG AT TEXDOT

Voters approve bonds agency does not want to use

Is the *Texas Department of Transportation* in a budget hole?

The *Senate Finance Committee* and *Senate Transportation and Homeland Security Committee* met jointly to consider the question this morning. Close to three hours of discussion – sometimes heated – could lead you to a variety of conclusions. The bottom line, though, appears to be that TxDOT's short-term financial prognosis is fine, but long-term forecasting indicates the agency is sinking into a deepening budget pit, causing some rather startling cuts that have alarmed lawmakers.

Sen. Kip Averitt (R-Waco) is a good example. Unable to get information out of TxDOT Headquarters, Averitt turned to his own District Engineer, who provided him with information that almost \$250 million in projects were being cut in his District. Given that the total amount of this year's cuts is \$1.1 billion, Averitt wondered aloud, quite understandably, whether Waco was about to take a hit for the rest of the state.

TxDOT already has put a number of points on the table to explain such cuts, points that Executive Director **Amadeo Saenz** and Chief Financial Officer **James Bass** reiterated during discussion: Rescissions, diversions and inflation are a problem. Federal funding cuts could add up to almost \$1 billion by 2009. Road projects are multi-year projects with multi-year payments, which means that TxDOT likely won't start a project in the next two or three years that it doesn't anticipate ultimately funding fully.

But the one aspect that was outlined in TxDOT's talking points – but not widely disseminated in the state's media – is the blame that TxDOT is willing to accept for the problem. After some rather heated exchanges, Saenz admitted that TxDOT had failed to properly coordinate its planning and forecasting efforts. Saenz, elevated to executive director last October, admitted that the proper coordination between departments at the agency began to unravel when much of the decision-making on road projects was decentralized to the regional level metropolitan planning organizations (MPO) back in 2004. At the time, it was touted as TxDOT's way of putting local regions in charge of their own destinies, including the choice to use tolling.

"When the agency began to push projects out to the MPOs, that's when the disconnect between accounting and commitments began to happen," Saenz admitted.

It was only when the authorization went out to local districts this year -- \$4.2 billion in projects when it should have been \$3.1 billion -- the truth emerged. Yes, all the other cuts and circumstances were true, but it was that failure of the agency's own internal controls that led to improper information being sent out to local TxDOT districts and a domino of events that eventually reached local TxDOT districts.

The agency planned for too much with too little funding, a problem that would have been minimized if, as expected, tolling had been approved. The agency typically does over-program for the coming year, Saenz said. It makes sure that there are projects "in the hopper" in case additional funding is available. To not do so would mean being unprepared if extra federal funding -- which has been non-existent in recent years -- actually materialized.

Sen. **Judith Zaffirini (D-Laredo)** was clearly miffed, however, at how the situation was presented to the media. The Legislature had given TxDOT more money than last year and yet it was portrayed in her local newspaper as if lawmakers were the ones to blame.

"Many, many people, including myself, thought this was intended to apply pressure for us to turn to toll roads, in contrast to what the agenda of many of the members is," Zaffirini said, quoting from an early set of talking points out of TxDOT.

After two hours of back-and-forth on the topic of why and how the shortfall had happened, the best spin on the situation appears to be that TxDOT should have run the numbers sooner, should have been more forthcoming to lawmakers and, most of all, the left hand at the agency needed to know what the right hand was doing. To that end, Saenz said he has consolidated planning and forecasting divisions under Bass.

"We were made aware of what we were facing, and we tried to prevent what could happen," interim chair **Hope Andrade** told the committees. "I know that everyone has been affected, but it would have been worse to mislead the public, letting those contracts and then not being able to pay for them."

What Senators want TxDOT to do -- and this came late in the discussion -- is two specific things. On the finance side, Chair **Sen. Steve Ogden (R-Bryan)** urged the agency to temporarily forego shifting funds to maintenance in favor of construction projects that can be completed. And **Sen. John Carona (R-Dallas)** strongly spoke in favor of TxDOT drawing down some of the bonding authority that voters recently authorized for TxDOT.

Andrade said commissioners were wont to do that, knowing that debt service on the bonds may or may not be there in coming years. **Commissioner Ted Houghton**, one of the biggest proponents of private-public partnerships on the board, pointed out that while **Proposition 14** bonds had no cap, the agency was limited to spending no more than 10 percent of Fund 6 revenue on repaying that debt. Houghton said it would be far more useful if the Legislature lifted the cap on **Texas Mobility Fund**.

Carona said it was no secret **Gov. Rick Perry** was not supportive of using bonds to pay for mobility projects but said issuing low-interest debt was probably more fiscally prudent than the more costly option of tolling with a private partner. Carona said that voters approved additional road bond capacity in order for it to be used.

"We expect to see that debt issued," Carona said. "It's no secret the Governor's not supportive of that, but the fact of the matter is that this Transportation Commission has to work with us and not against us. The tool of un-issued debt is enormous, and we expect you to issue that debt."