

## HOUSE COMMITTEE ON TRANSPORTATION

January 20, 1999 Hearing Room D

8:30 a.m. Tapes 5 - 6

**MEMBERS PRESENT:** Rep. Bob Montgomery, Chair

Rep. Mike Lehman, Vice-Chair

Rep. Jim Hill

Rep. Jeff Kropf

Rep. Jerry Krummel

Rep. Jane Lokan

Rep. Jackie Taylor

Rep. Vicki Walker

Rep. Larry Wells

**MEMBER EXCUSED:** Rep. Richard Devlin

**STAFF PRESENT:** Janet Adkins, Administrator

Brad Daniels, Administrative Support

**MEASURE/ISSUES HEARD:** Overview of the Oregon Department of Transportation budget

HB 2358 Public Hearing and Work Session

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 5, A		

012	Chair Montgomery	Opens meeting at 8:35 a.m.
019	Grace Crunican	Director, Oregon Department of Transportation (ODOT). Mentions a recent newspaper article about ODOT accountability. Distributes written testimony addressing accountability concerns ( <b>EXHIBIT A</b> ). Cites concerns about accountability during the last legislative session.
045	Mike Marsh	Deputy Director of ODOT. Refers to 1997 Legislative Budget Note on accountability. Discusses the prior ODOT budget structure and current efforts to be more detailed on a program-by-program basis. Indicates that the prior budget system was divided into three large, cumbersome areas (maintenance, reimbursables and construction). Explains the new, more detailed budget structure that will address legislative concerns ( <b>EXHIBIT B</b> ).
091	Chair Montgomery	Asks if access to budget statistics has improved.
096	Marsh	Notes that, for the state as a whole, it is possible to access budget statistics immediately, but this level of access is not yet possible at the regional level.
108	Rep. Lokan	Asks Marsh to expand on the term "cost accounting."
114	Marsh	Divides budget process into three concepts: budgeting for the future, accounting for what was spent, and cost accounting. Defines cost accounting as the cost of a delivered product, from a DMV license to an hour of maintenance. Describes ODOT's effort to discover the "true product cost," an all-encompassing estimate of the total cost of a project including overhead and administrative costs.
159	Rep. Hill	Asks if computer systems are now in place to meet the program budget requirements and, if not, what amount of time are they spending to try to implement the program structure without the appropriate systems.
171	Marsh	Acknowledges that ODOT chose a less-expensive system rather than an \$8 million option. Notes that current systems are being used, but ODOT expects to make an additional \$1 million purchase. Reports that the current system is not totally integrated, but there are plans for increased flexibility and more efficient program budgeting.
217	Rep. Hill	Asks, given Y2K and other issues, when the new system will be operational.
222	Marsh	Answers in two parts. First, regarding the program budget structure, can not give a definite time-frame for system integration, but expects that ODOT will be part of the DAS integration by December 1, 2000. Second, notes that the true product cost part is being implemented in phases and will hopefully be completed by mid-next session.
253	Rep. Wells	Asks what the term "under budget" means and how a budget is determined, specifically in relation to Highway 22.

263	Marsh	Responds that ODOT has come in 1% under budget on their projects overall. Reviews chronology of budget estimates.
283	Rep. Wells	Asks what exactly is included in a budget.
288	Marsh	Replies that the budget determination includes every aspect of the project. Stresses that the term "under budget" refers to the project as a whole.
308	Rep. Wells	Asks what percentage goes to contractors and what percentage is for planning or administrative cost.
320	Marsh	Answers that administrative and indirect costs represent approximately 11% overall.
326	Crunican	Emphasizes that the percentage of money going to preliminary design increases as the size of the job decreases.
341	Rep. Lehman	Asks what is included in indirect and administrative costs.
346	Marsh	Defines administrative and indirect costs. Underscores the importance of these definitions in receiving federal reimbursements.
369	Crunican	Explains that the specific allocation of indirect costs does not occur immediately.
380	Rep. Lehman	Asks how ODOT's administrative or indirect costs compare with other states.
389	Marsh	Replies that the Secretary of State's audits could not make many comparisons, but ODOT received favorable ratings on a few issues.
403	Rep. Lehman	Asks if the project budgets in the Statewide Transportation Improvement Program (STIP) are the same as the project budgets that Marsh referred to previously.
426	Marsh	Indicates that the estimates in the STIP are one-time contractor payments.
425	Rep. Lehman	Asks if the estimates that are reported in the STIP include the total cost of a particular project.
431	Crunican	Responds no. Explains that the STIP represents contractor payments, and preliminary costs are separate. Explains that individual costs will be detailed in the new budget structure.

450	Chair Montgomery	Outlines the origin of budget estimates as well as the role of DAS and the legislature in the budget process.
<b>TAPE 6, A</b>		
033	Chair Montgomery	Asks how many of ODOT's divisions have separate budgets.
040	Marsh	Recounts the nine separate divisions. Notes that they each appear separately in front of the Ways and Means committee.
053	Rep. Lokan	Asks if surface transportation is part of the Transportation Operations Division.
061	Marsh	Replies yes; anything pertaining to highways is part of this division.
064	Chair Montgomery	Asks about federal revenue distribution among divisions.
069	Crunican	Explains how divisions are reimbursed.
075	Chair Montgomery	Asks how much money is taken by ODOT for administrative costs before the funds are distributed to separate divisions.
077	Crunican	Emphasizes the differences in the reimbursement structures for different divisions.
090	Rep. Kropf	Reviews the history of a project involving Highway 34 and the wide variation in reported cost estimates for this project. Asks why such disparities exist.
111	Crunican	Explains that an initial estimate is placed in the STIP four years in advance, and this estimate may be revised as engineering costs, county contributions and other factors become relevant.
141	Marsh	Repeats that ODOT is going to deliver a higher level of detail in its new budget structure.
151	Rep. Lehman	Asks about accusations of a missing or hidden \$180 million.
155	Crunican	Stresses that all money is accounted for in the Secretary of State audits. Denies that there is any missing money.
168	Marsh	Indicates that comparing the total limitation, the whole, and the division of separate elements, the parts, can create an illusion of missing money.

187	Chair Montgomery	Asks what ODOT's budget will be for next session.
191	Marsh	Answers \$1.95 billion.
195	Chair Montgomery	Asks how much of this figure will be allocated for the Highway Division only.
199	Marsh	Replies \$1.4 billion.
201	Chair Montgomery	Asks how much of the remaining \$700 million will go to cities and counties.
202	Marsh	Answers approximately \$191 million for cities and \$326 million for counties.
205	Crunican	Notes that the \$1.9 billion stated previously did not include money that already went to cities and counties.
208	Chair Montgomery	Asks how much total money ODOT has to spend on transportation for Oregon.
210	Marsh	Answers \$2.58 billion.
215	Chair Montgomery	Asks how much of the highway budget goes to private contractors.
219	Marsh	Answers \$543 million went to contractors for the biennium.
225	Rep. Kropf	Asks if the \$2.58 billion includes all federal monies.
229	Marsh	Replies yes, that it includes all sources of revenue (DMV, federal and other sources).
240	Chair Montgomery	Asks how much of this money is available to spend on roads.
248	Marsh	Answers that \$1.9 billion is available for state, county and city roads.
255	Chair Montgomery	Reports that some sources have suggested \$500 million as an adequate amount to pave the entire state. Asks if this is possible.
263	Marsh	Responds that \$1.9 billion is the full continuum of costs, including preliminary engineering. Stresses that the \$538 million referred to by Chair Montgomery includes asphalt costs alone, and does not include shoulder work, drainage or other factors.
284	Chair Montgomery	Asks about construction standards for bike paths.

291	Crunican	Returns to Chair Montgomery's earlier question. Explains that it is impossible to adequately pave the state for \$500 million.
325	Adkins	Describes plans for Friday's field trip.
351	Chair Montgomery	Mentions the possibility of going to a weigh station next Friday.
373	Adkins	Introduces an Executive Summary of ODOT by Dye Management Group ( <b>EXHIBIT C</b> ).
385	Chair Montgomery	Opens public hearing on HB 2358 at 9:30 a.m.
<b>HB 2358 PUBLIC HEARING</b>		
395	Rep. Carl Wilson	House District 49. Explains why he proposed HB 2358: to increase the accessibility of his and other airports to the aviation community. Stresses the economical importance of airports to his and other districts. Explains that the intention of HB 2358 is not to harm any current business.
470	Frank Iverson	Josephine County Commissioner. Expresses reservation about the lack of input from pilots and other sources, but supports HB 2358 on behalf of the Josephine County Board of Commissioners.
<b>TAPE 5, B</b>		
034	Ann Crook	Interim Manager of the ODOT Aeronautics Division. Explains the current restrictions on the issuance of conditional use permits for card-lock facilities and how HB 2358 would eliminate most of these restrictions, effectively increasing fuel availability for private pilots. Notes the probable positive economic effect of HB 2358 on communities and the eagerness of local communities to install these systems. Discusses the minimal impact on ODOT. Supports HB 2358 ( <b>EXHIBIT D</b> ).
086	Rep. Krummel	Asks about business use requirements.
095	Crook	Explains that these requirements are part of the current law and HB 2358 would eliminate these requirements.
101	Rep. Kropf	Asks Crooks to explain the reasons behind the current gallon requirement limiting card-lock facilities.
107	Crooks	Concedes that she is unable to answer Kropf's question.
119	Rep. Lehman	Asks if HB 2358 effectively allows anyone to get self-service gas at an airport

		provided that he/she has the required training.
121	Crook	Replies yes.
127	Rep. Hill	Asks what kind of additional training would be needed.
132	Rep. Kropf	Reports that additional safety training addresses the possibility for increased static electricity to ignite exposed fuel.
155	Carol Washburn	Compliance Service Manager, State Fire Marshal. Reviews the current conditional use license requirements and how HB 2358 would include approximately 400 eligible airports in these requirements. Explains the compliance process, the revenue and the costs involved. Recommends that up to three additional employees be added to deal with the increased work load ( <b>EXHIBIT E</b> ).
205	Rep. Wells	Asks if licensing fees would cover the cost of additional employees.
211	Washburn	Notes that if all airports participated, the employee costs would be covered; however, if less airports participate, the employee costs may not be covered.
223	Rep. Wells	Asks about the increase in airport fees.
233	Crook	Defines airport or fuel flowage fees.
249	Rep. Wells	Questions why airports pay these fees and not the consumers.
255	Crook	Explains that these fees are basically a user fee or tax collected by the business operator who sells the fuel.
266	Rep. Wells	Asks if consumer is actually paying any increase in the tax.
272	Adkins	Clarifies that the increase is in addition to the state tax on the fuel.
275	Chair Montgomery	Refers to the fiscal impact statement, which states that only 15 airports would apply for the license. Asks how many of the 440 eligible airports would apply for the card-lock facilities.
291	Crook	Replies that 15-20 airports would be immediately interested.
298	Rep. Walker	Asks if the current gas attendants would be placed out of work as a result of HB 2358.

302	Washburn	Agrees that card lock facilities would be non-attended.
312	Crook	Opposes Walker's characterization HB 2358 as reducing the airport work force. Cites the possibility of other supplemental employment at airports.
343	Rep. Krummel	Asks about the cost of additional government staff.
357	Washburn	Notes that the \$250,000 estimate is correct for a two-year period.
364	Pam Barlow	Director, Josephine County Department of Airports. Supports HB 2358. Notes the benefit for small airports: an increased ability to provide additional services. Discusses the specific benefits for the Grants Pass airport.
430	Barlow	Explains that small, mom-and-pop operations would especially benefit from an independent fueling facility. Cites the support of various aviation organizations for HB 2358 and the 11 amendments (EXHIBIT F).
<b>TAPE 6, B</b>		
044	Rep. Lehman	Asks what additional work needs to be done on HB 2358.
048	Barlow	Explains that providing flexible safety training is essential. Notes that the legislature's role will be minimal.
054	Rep. Taylor	Asks if Fixed Based Operators will be the applicants for the card-lock facilities.
059	Barlow	Replies that the owners would be licensed and would set the standards for the facilities
061	Rep. Wells	Asks how transient planes would purchase fuel without an issued card.
072	Barlow	Describes the possibilities for servicing non-regular customers and giving cards to regular customers.
082	Chair Montgomery	Asks if there are any objections to the bill.
092	Iverson	Repeats his desire for flexibility and openness to further recommendations.
096	Rep. Hill	Suggests that HB 2358 move forward.



101	Chair Montgomery	Excuses self and asks Rep. Lehman to act as Chair for the remainder of the meeting.
104	Rep. Lehman	Closes the Public Hearing and opens a Work Session on HB 2358
<b>HB 2358 WORK SESSION</b>		
<b>106</b>	<b>Rep. Hill</b>	<b>MOTION: Moves to ADOPT HB 2358-1 amendments (EXHIBIT G) dated 01/19/99.</b>
		<b>VOTE: 8-0</b>  <b>EXCUSED: 2 - Rep. Montgomery, Rep. Devlin</b>
<b>110</b>	<b>Rep. Lehman</b>	<b>Hearing no objection, declares the motion CARRIED.</b>
<b>118</b>	<b>Rep. Hill</b>	<b>MOTION: Moves HB 2358 to the floor with a DO PASS AS AMENDED recommendation.</b>
121	Rep. Wells	Opposes moving HB 2358 to the floor without more discussion.
123	Rep. Kropf	Relates personal story in support of HB 2358. Underscores the importance of having fuel available after hours.
156	Adkins	Introduces a letter of testimony from the City of Albany in favor of HB 2358 ( <b>EXHIBIT H</b> ).
166	Rep. Lehman	Explains that there are two possibilities: act on Rep. Hill's motion or keep HB 2358 in committee.
<b>183</b>		<b>VOTE: 7-1</b>  <b>AYE: 7 - Hill, Kropf, Krummel, Lehman, Lokan, Taylor, Walker</b>  <b>NAY: 1 - Wells</b>  <b>EXCUSED: 2 - Devlin, Montgomery</b>

190	Rep. Lehman	<p>The motion CARRIES.</p> <p>REP. KROPF will lead discussion on the floor.</p>
210 Erin Burns and John Hsu, HB Aviation Services, submit a letter in support of HB 2358 (EXHIBIT I).		
210	Rep. Lehman	Adjourns meeting at 10:25 a.m.

Submitted By, Reviewed By,

Brad Daniels, Janet Adkins,

Administrative Support Administrator

#### **EXHIBIT SUMMARY**

**A** ñWritten testimony, Grace Crunican, 2 pp.

**B** ñODOT Program Budget Structure, Mike Marsh, 10 pp.

**C** ñExecutive Summary, Staff, 9 pp.

**D** ñHB 2358, written testimony, Ann Crook, 2 pp.

**E** ñHB 2358, written testimony, Carol Washburn, 2 pp.

**F** ñHB 2358, letter, Oregon Pilots Association, 1 pp.

**G** ñHB 2358, proposed ñ1 amendments, Staff, 1 p.

**H** ñHB 2358, letter, Floyd Collins for the City of Albany, 1 p.

**I** ñHB 2358, letter submitted after the meeting, Erin Burns and John Hsu, 1 pp.