

SENATE COMMITTEE ON TRANSPORTATION

January 27, 1999 Hearing Room C

3:05 p.m. Tapes 9 - 11

MEMBERS PRESENT: Sen. Marylin Shannon, Chair

Sen. Mae Yih, Vice-Chair

Sen. Susan Castillo

Sen. Joan Dukes

Sen. Gary George

MEMBERS EXCUSED: Sen. Ted Ferrioli

Sen. Lenn Hannon

STAFF PRESENT: Don Scott, Administrator

Valerie Luhr, Administrative Support

MEASURE/ISSUES HEARD: Audits of the Oregon Department of Transportation Informational Meeting

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 9, A		
004	Chair Shannon	Calls the meeting to order at 3:13 p.m. Explains absence of Sen. Hannon and Sen. Dukes.
011	Sen. Castillo	Explains the Washington State transportation legislators are interested in meeting with Oregon's Senate and House transportation committees and other interested legislators to discuss passenger rail and the Cascadia Corridor on Friday, February 5. Committee members discuss the trip.
040	Chair Shannon	Announces she will not cancel the February 5 committee meeting.

046	Don Scott	Committee Administrator. Announces the committee has been requested to cancel its February 12 meeting or change to a different time.
049	Chair Shannon	Announces the committee schedule for January 29 and February 5. Opens an informational meeting.
<u>AUDIT REPORTS OF THE OREGON DEPARTMENT OF TRANSPORTATION</u>		
058	Grace Crunican	Director, ODOT, presents introductory remarks.
062	Mike Marsh	Submits testimony [EXHIBIT A] and reviews the budget definitions.
110	Marsh	Continues review of budget definitions with an explanation of cost accounting.
123	Chair Shannon	Asks if knowing the bottom line at all times is part of a cost accounting system.
126	Marsh	States cost accounting provides the ability to determine the cost to develop and provide a product. States there are complete accounting systems in the state that show line items, but it is difficult to track the actual provided service.
149	Sen. George	States the committee's goal is to determine what something produced, not what it cost.
153	Marsh	Explains the two elements involved: cost and performance.
168	Vice Chair Yih	States the auditor recommended a better classification of expenditures and responsible unit codes. Asks why ODOT did not accept the recommendation.
175	Marsh	States that is addressed in his next handout.
181	Chair Shannon	Requests Marsh to continue his review of the definitions.
184	Marsh	Reviews the definition of program budget.
209	Chair Shannon	Asks if ODOT's program budget is in line with Rep. Lokanis bill, HB 2478-A.
212	Marsh	States that seven of the nine categories in Rep. Lokanis bill are similar to ODOT's program budget categories.
217	Chair Shannon	States the committee also has a bill dealing with ODOT's cost accounting system and hopes the two bills will not conflict.
221	Marsh	States he does not believe there will be a conflict.
225	Chair Shannon	States her understanding that ODOT is working towards a cost accounting system.
228	Marsh	Agrees and comments on the complexity of different definitions of cost accounting. Hopes there will be discussion of definitions and expectations for timelines because he has not seen Rep. Lokanis bill.
233	Chair Shannon	States she has not seen the bill and that someone suggested using definitions from

		an Accounting 101 text.
235	Marsh	States ODOT worked with the Secretary of State to make the definition as simple as possible.
239	Sen. George	References the total revenue available for expenditures for the 1995-97 biennium. Believes ODOT should go to a full disclosure budget. States ODOT should clearly state what payments are when dealing with the construction account, such as to contractors and what is road related.
280	Marsh	Explains the details are there in terms of the program budget. The program budget will show how much is spent on a mode-related activity.
293	Sen. George	Asks if the \$1.398 billion includes right-of-way, planning and research, and preliminary engineering design.
299	Marsh	States those highway-related costs are in the highway transportation operations program.
302	Sen. George	Asks if they should be put into another category, such as preliminary engineering.
306	Marsh	Explains ODOT does not want to separate costs so far that it becomes difficult to see the whole cost of delivering a product.
323	Crunican	States the Statewide Transportation Improvement Program (STIP) currently identifies preliminary engineering separate from right-of-way and separate from construction. Regarding the Transportation Accountability Act, discussions underway whether to show the data on a project-by-project level. "By project" and "by activity" will be separated.
341	Sen. George	States the Transportation Efficiency Committee suggested ODOT should accrue all the costs. Asks if ODOT knows the final cost of a project.
350	Crunican	States the planning costs are under discussion. Discusses how projects and costs are carried forward in the STIP.
383	Sen. George	Comments on the need for project details. States he will have pictures of a project for which there was no net gain in lane width, but which had an enormous cost. Comments on the cost of a bicycle path in Newberg.
400	Chair Shannon	Asks if the cost accounting system will account for the Highway Trust Fund money that went toward buying the right-of-way to build the light rail from the airport to Gateway. Asks if ODOT is being compensated for that money.
Tape 10, A		
006	Crunican	Explains, on the issue of right-of-way related to the airport, if state gas tax dollars purchase right-of-way, the state must be reimbursed. Explains there is flexibility to use federal dollars for transit or highways. States she does not know the circumstances of the project and would be glad to get right-of-way information for the project. Discusses easements on right-of-way.
026	Chair Shannon	States she has not seen the contract, because it was a private agreement not put out to bid. The breakdown indicated Portland would put in 22 percent of what is

		necessary and the ports would also contribute. States it is not ODOT's primary responsibility to provide land for light rail.
034	Marsh	Reviews the questions and responses about the ODOT audits. States the cost accounting information relates to Vice Chair Yih's questions.
048	Vice Chair Yih	Asks if ODOT could achieve the same purpose as the auditor's recommendation if they used a cost accounting system.
053	Marsh	States they can and reviews the third bulleted item. Explains ODOT is on track for a cost accounting system, on the basis of the department's program structure.
068	Vice Chair Yih	Asks if the \$5.8 million is in the department's budget.
073	Marsh	Explains it is not in their budget and the department used a least-cost approach for employees.
082	Vice Chair Yih	Asks what ODOT has put into this biennium's budget to implement cost accounting.
084	Marsh	Explains ODOT has three employees who are working to ensure the tracking is done, eight employees who work on fiscal coordination, and \$800 thousand for hardware/software acquisition.
090	Chair Shannon	Referencing the statement that ODOT is "not using the exact method suggested by the audit . . .," asks Pitts if the next time ODOT goes through an audit, their system will be at a standard the legislature wants.
098	Jim Pitts	Audits Division, Secretary of State's Office, states the consultant's recommendations were to encourage ODOT to develop a methodology, to reproduce the audit, and to measure ODOT's performance.
111	Chair Shannon	Repeats the statement from the questions about the ODOT audits.
113	Pitts	Concurs the method suggested by the audit may be cost prohibitive. States it would be easier for ODOT to automate its process to track expenditures.
123	Chair Shannon	Asks if the next time ODOT is audited could the agency say they succeeded even though they did not follow the recommended method.
126	Pitts	States he believes ODOT can get the results.
128	Vice Chair Yih	Asks if ODOT would know the cost of a lane mile and the cost to fix a pothole. States the committee wants to know the detailed figures.
134	Pitts	Explains ODOT can currently provide the information on a case-by-case basis.
143	Vice Chair Yih	Asks if ODOT will transition into what the consultants recommended.
149	Marsh	States the consultants laid out options, one of which was the \$5.8 million approach. States the department chose the \$800 thousand option plus current employee time, and comments on how they will complete the work.

166	Sen. Castillo	Comments that Pitts appears to be puzzled.
169	Marsh	Explains the question and response about the audits to Pitts.
173	Pitts	States he does not have a comment.
176	Vice Chair Yih	States the committee wants ODOT to be accurate and accountable for their actions. Asks if the way to achieve that is to slowly transition into a real cost accounting system.
186	Marsh	States a cost accounting system will answer the legislature's questions. A cost accounting system will not provide the cost of a particular project or the cost to fix a pothole on a particular stretch of road. Comments on the information a program budget will provide.
210	Pitts	States his understanding of the question and it is difficult for him to respond. States he would let ODOT continue and complete their task.
218	Vice Chair Yih	Clarifies that ODOT will be able to provide the figures the legislature wants and be accurate and accountable. Asks if ODOT's cost accounting system is integrated with the statewide accounting system instituted by the State Controller.
233	Marsh	States ODOT has attached to the State Financial Management System (SFMS) on a summary level because of its connection with the federal government and the flow of federal funds. ODOT runs federal fund details through the Transportation Environment Accounting Management System (TEAMS). ODOT is looking at systems in Michigan and Maryland.
260	Vice Chair Yih	Asks if the State Controller has approved ODOT's new system.
262	Marsh	States Radford has not put any pressure on ODOT to fully integrate with the state cost accounting system and ODOT is working with the Department of Administrative Services on options.
276	Vice Chair Yih	Further comments on ODOT having a connection with the statewide accounting system. Asks ODOT to work with the controller to ensure its new accounting system is integrated. Requests a report from Radford on the two agencies' progress.
293	Marsh	Reiterates they are talking about a cost accounting system, not an accounting system. ODOT is integrated with the state for its check writing, and there is no statewide cost accounting system with which ODOT can integrate. States ODOT would be willing to have Radford report to the committee.
309	Vice Chair Yih	Believes the report would be helpful.
316	Marsh	States ODOT will make the arrangements with committee staff. Reviews the information about whether ODOT had incurred costs that could have been avoided.
360	Sen. Castillo	Clarifies "under run" means a bid came in under what was estimated.
365	Marsh	States that is correct. Reviews the information regarding the commingling of highway funds with other funds at ODOT. States ODOT has a firewall between the

		State Highway Fund and other expenditures.
395	Chair Shannon	Asks why the auditors asked the Attorney General if it is right to use highway funds for inter-modal planning. Believes the question inferred transportation road funds were being used for other modes.
425	Pitts	States it is difficult to answer and he does not have the letter of advice to review.
432	Chair Shannon	Asks why the question was asked if the Audits Division did not see that going on.
434	Pitts	States the division received questions about the use of funds from other people.
TAPE 9, B		
005	Chair Shannon	Asks if the Audits Division found funds going to intermodal planning.
006	Pitts	States he would need to look at the data. Reminds the committee that highway federal funds are flexible and about one percent of those funds were used for transit projects during the study period. The Audits Division did not find a crossover of state funds.
012	Sen. George	Comments on the vista point project at a sewer in Lake Oswego and a pavement project at the light rail station in Beaverton. Questions how to justify these projects on the basis of constitutional requirements.
030	Pitts	States he will report back to the committee.
032	Sen. George	Questions how much of the \$479 million paid to contractors in the 1995-97 biennium actually went to roadbeds.
041	Pitts	States he cannot answer the question.
046	Marsh	Clarifies Sen. George's question.
048	Sen. George	Reiterates he wants to know how much of the \$479 million went to the roadbed. Comments on what percentage \$479 million is of gross revenues. Expresses concern that items have been included in road-related expenditures that represent other costs.
059	Chair Shannon	Shares Sen. George's concerns.
060	Sen. George	Further comments on amounts going to roads and being paid to contractors.
064	Marsh	States ODOT is attempting to answer the question about the flow of funds from last week. States a computer report of the payments and different elements that are actually road-related will be done by Friday.
071	Chair Shannon	States the \$550 million is a new figure.
076	Marsh	States they have provided a figure based on the number of contracts let.
082	Chair Shannon	States the committee wants a breakdown of the payments to contractors (page vii

		of the "Highway Construction" audit).
098	Marsh	States ODOT submitted a letter to Sen. George listing the contractors. The other piece about the roadbed is another element. Asks if there is a piece the agency is missing.
102	Sen. George	States there is a piece missing. States he sent letters to ODOT in which he asked exactly how much was spent on the roadbed. Expresses his concerns about the disparity in the amounts of money going to road crews, how much actually goes to a road project, and the gross revenues. Questions the need for ODOT's staffing if Oregon is not going to build any new roads.
123	Marsh	Clarifies the computer report he previously mentioned will answer Sen. George's question.
126	Sen. Castillo	Asks for the witness to address Sen. George's comments. States she is having difficulty understanding if the questions have been answered. Believes Sen. George raised a question about ODOT's need to maintain a large staff if new roads will not be built.
140	Marsh	States he would be happy to review the costs but did not want pull away from the audit discussion. States ODOT is using a lower-than-average ratio of contractors to employees compared to other states. Submits and reviews the "Sources and Uses of Funds" pie chart for the 1999-2001 biennium [EXHIBIT B] . Explains the \$1,959 million ODOT budget comes out of the total revenue of \$2,582 million.
166	Sen. George	Asks if there are dollars that go directly to the Transportation Equity Act for the 21 st Century (TEA 21).
167	Marsh	States the chart includes the TEA 21 dollars ODOT receives, but does not show funds that go directly from the federal government to a local government.
170	Sen. George	Comments the state requests those amounts.
171	Marsh	States ODOT has made efforts to communicate what is happening within the state, but the money does not go through ODOT's budget. The \$2,582 million is everything that goes through ODOT.
175	Sen. George	States if a payment is made directly to a county from the federal treasury, it is not part of the \$326 million.
176	Marsh	States that is correct.
180	Sen. George	Reviews a comparison he completed of revenue increases from the 1995-97 biennium to the 1999-2001 biennium. Cities and counties received \$58 million of the \$738 million increase. Clarifies the \$58 million does not represent the total funds the cities and counties receive.
189	Marsh	States that is correct. Comments on other sources of funds for cities and counties.
192	Sen. George	Refers to provisions in the constitution about dedicated revenues. States the 25.5 cents diesel tax and the 18.4 cents gas tax going to the federal government should come back to the state for roads, unless the people vote to change it. Believes the money should come back to ODOT's budget to enable the legislature to understand

		the state's total transportation picture.
208	Marsh	States it is a policy decision to be negotiated by Congress and the legislature.
220	Sen. George	References funds from the construction budget to cities and counties. States the problem is the cities and counties now have money they do not want. Asks if it would be better for the funds to come into the state budget and then flow out on the basis of need.
228	Marsh	Comments on cities' and counties' use of a fund exchange program.
233	Sen. George	States if funds came into the state's budget, the funds could be distributed based on needs.
235	Marsh	States funds can be tracked through the fund exchange. States it is a policy question of how Congress determines to distribute moneys.
239	Sen. George	Asks if the state knows for sure where the money goes in the fund exchange program.
242	Marsh	Explains funds never actually change hands. The federal government imposes limitations relating to the spending of federal funds. Comments on ODOT's use of funds in the fund exchange program. The legislature sets expenditure limitations.
258	Sen. George	Further comments on the legislature's approval of ODOT spending. Relating to actual highway expenditures, comments on funds available for spending and his not knowing how the funds were spent.
282	Marsh	States he needs to walk the committee through each stage of the money flow. The moneys are spent within the limitations.
293	Sen. George	States his understanding of the dollar amounts.
295	Marsh	States Sen. George is correct.
297	Sen. George	References charts he has. Explains the comparisons he has made indicate the last three bienniums have each been \$100 million short for total revenues. Asks why ODOT does not spend a full limitation amount.
322	Marsh	States ODOT does not spend to the limit because they want to have a leeway and there are other issues, such as lawsuits, that may come forward.
332	Sen. George	Asks if more money came in than was estimated and the limitation was not spent where would the excess go.
336	Marsh	States ODOT does not get an absolute amount of money. The department does a forecast. Comments on economic reasons why ODOT may have received more revenues in the General Fund.
366	Sen. George	States the 1999-2001 biennium has a \$93 million beginning balance. Reiterates his concerns about ODOT's accountability of funds.
378	Marsh	States any part of the state's budget will have a beginning balance that becomes

		another revenue source. The legislature has the authority to limit the spending of that balance. Explains why ODOT does not want the legislature to give the agency full limitation for the entire beginning balance.
TAPE 10, B		
006	Sen. George	States he needs to leave. States in the 1999-2001 preliminary budget, there was an estimated \$185 million in revenue bonds, which have been reduced to \$58 million. Asks if it would be smart for the state to put out those revenue bonds because asphalt is cheap and the money could go to roads.
013	Marsh	States that was ODOT's point for looking at the issue in the first place. The challenge has been that as they looked at it in more detail, they realized there is a premium point ODOT must pay, by going beyond what the contractor community has been used to handling within the state and other states. ODOT has paid an additional premium of several percentage points by putting that much out at once. The second point is ODOT was hoping to identify they save by working on roads before the roads move from fair to poor condition. In the long run the return on the investment would more than offset the debt service. States ODOT has not been able to determine they would make the savings.
022	Chair Shannon	States that is the answer the committee has wanted. References the 6.2 percent cost under run in Marsh's testimony and the 14 percent and 165 percent mentioned in the Dye report Executive Summary.
029	Marsh	States the 6.2 percent is a result of the Secretary of State audit. Explains the percentages in the Dye report pertain to preliminary engineering budgets that were underestimated.
044	Sen. Dukes	Requests an explanation of "amount paid to contractors" and "actual payments to contractors."
050	Pitts	Explains the smaller number is the amount paid to the principal contractors who did the work. The difference is the federal funds buy-back program.
056	Sen. Dukes	Asks if there could be a differentiation between the kind of contractors who have big, heavy equipment and the kind who sit behind desks.
059	Marsh	Explains \$543 million is what went towards contractors and \$479 million was paid directly by ODOT to contractors. Explains the fund exchange.
067	Sen. Dukes	Asks if the money is going to highways.
069	Marsh	States money goes to the local fund exchange program for local governments to use on local roads.
071	Sen. Dukes	Comments that Marsh's testimony indicates \$826 million were actual highway expenditures. States there is a big difference between city roads and state highways.
075	Marsh	Comments on the need to review the fund exchange program. States the program results in the cities having the capability to spend state dollars at the city level and ODOT gets back dollars to spend on contractor work.

081	Sen. Dukes	Expresses it was difficult to follow the exchange between Sen. George and Marsh.
085	Marsh	States ODOT received more than they paid out because of the administrative component.
089	Sen. Dukes	Clarifies ODOT paid \$479 million to people who own companies that operate heavy equipment and lay asphalt.
090	Marsh	States that is correct.
091	Chair Shannon	States a member of the ODOT Efficiency Committee believed there was a way the state could waive the federal requirements of the fund exchange program to enable a city to keep the whole dollar. Asks Marsh if he has the same understanding.
109	Marsh	Explains a city, by using ODOT dollars in the fund exchange, uses ODOT's requirements, not federal requirements. Does not know if the state can waive the federal component, but will get the information for the committee.
115	Chair Shannon	States the Efficiency Committee member understood there would be more money for cities if they had leniency.
117	Marsh	States his understanding there have been unsuccessful efforts made by different organizations to waive requirements on union-paid or prevailing wages.
124	Chair Shannon	Asks Marsh if he knows about the legislation passed last session that states the Little Davis-Bacon Act does not apply out of the Metropolitan area.
125	Marsh	States he is not aware of the legislation.
130	Sen. Dukes	Pertaining to firewalls asks if ODOT tracks assessments from aeronautics, transportation safety, and rail.
134	Marsh	States they do. Asks if Sen. Dukes means the fees the modes impart to their customers.
136	Sen. Dukes	States she does not. ODOT charges an assessment to each one of the modes and that, then, is federal money for the modes.
141	Marsh	States ODOT knows the amounts. The challenge is the federal government restricts on what it will spend money. In some areas ODOT cannot receive money from a fund source that is federal funds for internal costs.
148	Sen. Dukes	Asks again if ODOT tracks the assessments. States the legislature has tried to get the information from aeronautics about assessments, but the modes do not know what they are paying for.
158	Marsh	States ODOT tracks the amount of money spent by any mode for central services. It is based on equivalent full-time positions (FTE). Discusses true product cost.
170	Sen. Dukes	States the modes do not know exactly what they are getting, but conversely, when the rail assessment goes back to ODOT, it goes into the General Fund.
173	Marsh	Explains when an assessment is made, on the basis of FTE the funds go into a

		Central Services account.
179	Sen. Dukes	Asks if assessments were high, could those federal fund earmarked for any of the modes be put toward laying asphalt or paying for some other cost.
184	Marsh	States the funds could not pay for laying asphalt, but could pay for human resource services or accounting work not relating to a particular division.
192	Sen. Dukes	States ODOT will be able to track those dollars as well as road fund dollars.
193	Marsh	States ODOT's goal is to be able to track services to better determine the amount of time spent supporting customers.
196	Sen. Dukes	States she is surprised the federal agencies have not asked for the information, and that reiterates the notion that ODOT is a highway agency if what we track is highway funds and not other funds. States she is surprised the question has not come up before about road funds supporting the modes. Comments on road fund money paying for management of the Transportation Development Branch (TDB). States for the last two years she has been asking how that can be done.
218	Chair Shannon	Asks if Sen. Dukes is referring to the \$18 million budget.
219	Sen. Dukes	States she does not know the budget amount. Comments on TDB staff size. States she does not understand where growth management has gone. Refers to Chair Shannon's comments about transportation growth management being involved in road planning. States other agencies are using ODOT money to do other things peripherally related to transportation. Asks if ODOT had any say in community solutions money.
233	Marsh	States he is unable to comment on discussions with ODOT's director.
237	Sen. Dukes	Asks if, as ODOT's fiscal person, Marsh has been involved.
237	Marsh	States he has been a little involved in the discussions.
238	Sen. Dukes	Asks if Marsh's office has been involved in the application for TEA 21 grants.
240	Marsh	States his office has been involved.
241	Sen. Dukes	Asks his office has applied for grants specifically for land use planning or housing coordination.
243	Marsh	States they have not but it does not mean initial planning could not have been done by one of the customer agencies in the process. States he can find out if such planning is happening.
246	Sen. Dukes	Asks customer agency means another state agency may have applied for a grant.
247	Marsh	Responds it means another state agency but it could not have applied for a grant because it would have required a federal funds expenditure limitation increase before application. Will get information for the committee.
252	Sen. Dukes	Asks for what else the federal money could be used. States her belief it could be

		used for development of roads.
257	Marsh	In response to Sen. Dukesí comment about tracking highway funds and their assessment but not others, makes it clear on highway it is also done by assessment for the central services charge.
263	Sen. Dukes	Comments on recirculating money with different strings attached.
266	Marsh	States his agreement with Sen. Dukesí comments.
269	Sen. Castillo	Asks what TDB is.
273	Sen. Dukes	Explains it is the Transportation Development Branch and comments on what the branch used to do. Explains she has been asking how the road fund can manage other modes.
284	Chair Shannon	States part of the question is because the Constitution and ORS say roads, bridges, roadside rest areas, and 10 percent for administrative costs.
290	Sen. Dukes	States she believes 10 percent would have meant highway transportation management/administration.
296	Marsh	States the audit shows ODOT administration is less than six percent.
302	Chair Shannon	States the audit she has indicates administration costs were 20 percent.
305	Marsh	Explains the audit went through the definition of administration and there is another component dealing with direct costs. Asks if Chair Shannon wants him to discuss direct and indirect costs.
309	Chair Shannon	States she wants Marsh to discuss direct and indirect costs. Comments that someone said ODOT was so efficient with their administrative costs that the agency could pave the highway from Salem to Portland with the savings. Asks Marsh if he can respond to the statement.
319	Sen. Dukes	States that pavement was not in the STIP.
322	Chair Shannon	Asks if the project was a preplanned expenditure.
324	Marsh	Explains how the dollars under discussion were acquired by savings within components of ODOT. Discusses the pavement project.
350	Chair Shannon	Asks if blacktop was applied to the road edge.
354	Marsh	States blacktop was applied to the edge.
358	Chair Shannon	References the chart on page 16 in the "Sources and Uses of Highway Funds" report. Questions the percentage changes in construction and administrative funds from the 1991-93 to the 1995-97 biennium.
372	Pitts	Explains the amounts were the proportion of total funds available for distribution.

387	Marsh	Introduces a letter addressed to Sen. Shannon at the request of the ODOT director [EXHIBIT C]. States that Chair Shannon's previous question is addressed in his testimony. Explains the effect of Driver and Motor Vehicle Services (DMV) costs and allocations on ODOT's construction budget.
418	Chair Shannon	Comments on the percentage increase in construction and in overhead.
424	Marsh	Explains the period in question was the biggest period of Y2K costs and the costs will stabilize.
TAPE 11, A		
005	Vice Chair Yih	Asks about DMV administrative costs.
006	Marsh	References the Highway Fund flowchart [EXHIBIT A]. Comments that DMV's administrative expenses are the entire operating cost of DMV.
026	Vice Chair Yih	Asks if the \$122.3 million can be broken down into administrative and operating costs.
029	Marsh	States the audit did the breakdown and the challenge was the disagreement with the contract auditors about defining certain functions. States he can discuss the numbers with either Vice Chair Yih or the entire committee.
032	Vice Chair Yih	Wants the discussion with the whole committee. States she specifically asked Pitts what are DMV's administrative costs are and he said 38.2 percent.
035	Pitts	States he was reading out of the audit report.
036	Vice Chair Yih	States 38.2 percent seems high.
039	Marsh	States DMV is a revenue-receiving function, not an operating function; and a higher percentage of what DMV does will be considered administrative. Discusses ODOT's disagreement with the contract auditor's perspective. Reiterates DMV will have a higher administrative percentage than an operating entity. Reiterates ODOT's concerns with the contract auditor's definition of "administrative."
056	Vice Chair Yih	Repeats her request for the breakdown of the \$122.3 million and wants a reconciliation of the Audits Division's figure of 38.2 percent.
059	Pitts	States the Audits Division worked with the private auditor and DMV, and the division believes the number in the report is reasonable. References the sources and uses report. States the funds available for distribution from driver license and vehicle registration fees have been declining. States the division has been concerned and they do not know whether the decline is due to a high Central Services assessment.
072	Marsh	States DMV has not had a fee increase since 1991 or a major fee increase since 1987.
076	Vice Chair Yih	Asks about the effect of the computer failure debacle on administrative costs.
079	Marsh	States it had an impact at the time. The 1995-97 biennium was the hardest hit.

083	Sen. Dukes	States the amount of money being transferred to the road fund was declining before the computer glitch.
084	Marsh	States he is indicating that without a fee increase there will be a marginal reduction.
086	Sen. Dukes	States more people are buying licenses.
087	Marsh	States that is true but costs also increase at the same time. States the actual costs and the amount being transferred out are now going the other direction. The 1997-99 biennium looks better than the 1995-97 biennium. States he can provide numbers to update the audit.
093	Vice Chair Yih	States ODOT hired many employees after DMV's computer failure.
094	Marsh	States ODOT hired people to reduce the wait times.
096	Chair Shannon	States the situation was over by 1996.
097	Marsh	States the addition of employees was done over this last biennium.
100	Sen. Dukes	Referencing comments about road funds going other places, states she does not understand how ODOT can pay for COMET (Corridor Management Teams) and not pay for State Police. Believes COMET is a good program.
113	Marsh	States it is an issue for Attorney General guidance. Comments the vote specifically stated "the State Police."
116	Sen. Dukes	States there has been an Attorney General's opinion since then.
122	Marsh	States he understands the wording in the referral was "for enforcement" and COMET does not relate to enforcement.
125	Sen. Dukes	States the money is out of the road fund because COMET is safety-related. States ODOT never checked with the Attorney General.
129	Chair Shannon	Shares Sen. Dukes's concerns.
131	Marsh	Believes the wording that cut out the State Police was "enforcement," not "public safety." Asks if Chair Shannon wants him to continue his prepared testimony.
137	Chair Shannon	Requests Marsh to come back because the committee still has more questions.
145	Marsh	Expresses his appreciation to the committee.
146	Vice Chair Yih	Asks if John Radford will appear before the committee.
147	Chair Shannon	States she will ask him to appear before the committee.
148	Vice Chair Yih	Reiterates her concern about ODOT's accounting system's integration with the statewide accounting system.

157	Sen. Castillo	Clarifies the February 12 committee meeting is canceled.
160	Chair Shannon	Comments on the circumstance under which the committee would meet on February 12. Adjourns the meeting at 5:15 p.m.

Submitted By, Reviewed By,

Valerie Luhr, Don Scott,

Administrative Support Administrator

EXHIBIT SUMMARY

A ñ Informational meeting, written information, Mike Marsh, 6 pp.

B ñ Informational meeting, written information, Mike Marsh, 1 p.

C ñ Informational meeting, written information, Mike Marsh, 3 pp.