

**DATE:** May 28, 2003

**TO:** House Transportation Committee  
House Revenue Committee

**FROM:** Bruce A. Warner, Director  
Oregon Department of Transportation

**SUBJECT:** Transportation Funding Proposal  
House Bill 2041, House Bill 2367, House Bill 2388

### **Introduction**

Mr. Chairman, Members of the Committee, thank you for the opportunity to testify today. As Commissioner Foster stated, the Oregon Department of Transportation (ODOT) strongly supports the transportation and jobs package. If the Legislature passes the transportation package, we will face a significant but doable challenge to move quickly, use the private sector to the maximum extent possible, minimize any staff increases, and ensure that Oregon firms receive substantial work. It's how we go about accomplishing those goals that I would like to discuss today, and I would like to begin by walking you through the process.

### **The New Approach**

We cannot deliver the projects envisioned by this bill in an expedited, effective and efficient way under our current project development and delivery model. Because jobs and economic recovery are so vital, we decided we needed to take a fresh approach. Building upon the partnerships, outsourcing and innovative contracting success of Oregon Transportation Investment Act (OTIA), we can and will minimize the number of staff and maximize the involvement of the private sector.

In the past, the department's traditional approach to a two-billion dollar program and doubling of our contract volume would have been to hire 600 new state employees to design, coordinate, and inspect the work and use the private sector to a limited level. We decided against that approach for a number of reasons, including the time it would take to get ramped up and cost. We examined the option of breaking up the transportation package into twenty or so equal-sized contracts. That would have required 48 additional staff, but we still felt we should be able to find a delivery model that would take even fewer staff. We also examined a third combination of larger and smaller contracts. Under this model, we needed 33 additional people.

Instead of moving toward any of those three delivery models, we want to pursue a single program management contractor to direct and manage the logistics of delivering the almost \$2 billion transportation program. Under our direction and with the counsel of the Oregon construction community, we have charted a new course to deliver these critical projects, and ensure that Oregon firms receive extensive work.

The program management approach has several significant advantages. The major one is that ODOT would only need 18 additional staff, and five of them would be limited-duration positions.

The delivery of a program of this magnitude does require some additional staff, even at this bare-bones level. Our current staffing level allows us to deliver an existing annual construction program of about \$350 million and the \$100 to \$150 million of OTIA projects. Please remember that we added no additional positions to the agency to deliver the OTIA program on top of the normal Statewide Transportation Improvement Program (STIP) contract volumes. The agency's construction volumes have never been higher. This construction season will be a record level for its construction payout. Recognizing this fact, we have explored the staffing issue extensively and have had many discussions with legislators about this need and our plans.

Even with a single project management contract, the department will still have ongoing responsibilities to manage the work and oversee the results. In developing the project management contract, we plan to backfill existing resources that would perform the contract preparation work and increase the use of flexible service consultant resources.

### **Work for Oregon Companies**

As Commissioner Foster pointed out, we have to go through the competitive process and cannot prejudge the outcome of the Request for Proposal (RFP) for the overall project management contract. In other words, we can't promise that an Oregon-based firm will receive it. In fact, the Oregon contracting community tells us that it would not be advisable to establish a percentage preference because other Western states would likely retaliate and prevent them from potentially winning other contracts in neighboring states. They have done this in other public procurement areas. We can, however, work with the program management firm to encourage and assure that Oregon firms and workers are used. This will be accomplished by packaging the projects in a manner that allows Oregon firms to compete and allows us to look at the use of Oregon firms and Oregon workers in their proposals. It will be a factor that we will strongly consider in our review and contract processes.

Oregon firms will receive substantial work under this package. We have built in several checks to ensure this outcome. I have committed to the establishment of an oversight group to help us select the firm and to guide us on how to best deliver the projects in a manner that encourages successful participation by Oregon firms.

One example would be the bridge program on the interstate highways—is a single package, several separate packages or a combination of large and small contracts the best way to deliver this program? As we continue to clarify and design the packaging, scope, and schedule of the projects, we will make sure every step of the way that Oregon companies receive work.

Another check, as Commissioner Foster mentioned, is that the program management firm will work for the department and the department will supervise that firm's activities. We will make

sure, as part of our management responsibility, that Oregon firms will get the level of work that we expect them to get.

### **Quick Start on Bridges**

We have had to address the statewide cracked bridge crisis separate from the funding package. Consequently, we have already begun the environmental assessment effort for the bridges that have to be replaced or repaired. In order for the bridge package to meet the anticipated timelines, this work had to begin immediately to obtain the required environmental permits and do the preliminary engineering. We are working closely with the natural resource agencies to fast-track the permitting as quickly as possible. This work will bundle permit applications and will help fast track the delivery of projects in the package. This assessment effort also includes:

- Collecting environmental and engineering data
- Reviewing and confirming which bridges need to be repaired versus those to be replaced
- Developing permitting strategies
- Refining scope of work and cost estimates for repairing and replacing bridges including identification of engineering, construction and right-of-way costs for each project
- National Environmental Policy Act (NEPA) compliance work
- Endangered Species Act compliance work
- Clean Water Act compliance planning
- And more

This effort has placed special emphasis on the initial stage of bridge work identified by the Economic and Bridge Options Report presented to you at an earlier meeting. Stage One secures an East/West and North/South heavy-haul freight corridor allowing commerce to flow throughout the state. Our work, however, includes bridges in all five stages.

Our fast-track approach will pay off—by the end of 2004, with this additional funding, we will have 42 bridges under construction totaling \$205.2 million. In addition, we will have also begun construction on 11 other bridges that are part of our annual bridge rehabilitation and replacement program. To state the obvious—the infusion of the dollars into the Oregon economy and the employment of Oregon workers could not come at a better time. This opportunity demonstrates that the link between transportation infrastructure investment and the state's economic well-being is undeniable.

Even with ODOT's efforts to date, the package is not without some risks because of what it does not address. In order to repair or replace all the failing bridges on the critical freight routes, the \$1.3 billion bonding will require the use of \$31 million of existing bridge revenues annually. Bonding of these existing bridge resources will not leave enough money to be able to react to all the project bridge load postings on routes not identified as critical freight routes without affecting other areas of transportation infrastructure. If bridges on other highways encounter more rapid deterioration, other projects will be delayed or canceled to repair those bridges.

At this study level, every route outside of the five stages identified in the Economic and Bridge Options report could be weight-limited to heavy trucks by 2010 unless there is additional funding for those routes. As of last week, we have 88 weight-limited bridges, and we predict there will be a total of 140 by January 1, 2004. Only 27 of those 88 are on routes included in the five stages.

### **Modernization**

The package also includes \$500 million for modernization projects to be selected by the Oregon Transportation Commission. Some of the funds will be spent on freight projects and projects relating to industrial lands. \$300 million comes from bonding existing modernization funds. These funds are committed through 2007 to fulfill our current commitments. This bill also allows ODOT to use \$200 million that becomes available through an innovative federal financing mechanism called “advanced construction.” Instead of receiving federal funds on a reimbursement basis, we are using new funding tools to get the money up front. The projects selected may not be funded with those exact dollars—we may find it more efficient to use state money—but the dollars are available because we would be using the advanced construction technique and the \$200 million is a conservative estimate.

### **Summary**

Mr. Chairman, Members of the Committee, the Oregon Department of Transportation stands ready to deliver the projects in the transportation package—and create and sustain the nearly 5,000 Oregon jobs that will accompany it. With this package, we will address the cracked bridge crisis, hire only a minimum number of additional staff, ensure work for Oregon firms, and move as quickly as possible to get the dollars on the road and people to work.

Thank you again for the opportunity to testify. Commissioner Foster and I would be happy to answer any questions you might have.

**DATE:** May 28, 2003

**TO:** House Transportation Committee  
House Revenue Committee

**FROM:** Stuart Foster, Commissioner  
Oregon Transportation Commission

**SUBJECT:** Transportation Funding Proposal  
House Bill 2041, House Bill 2367, House Bill 2388

### **Introduction**

Thank you very much for the opportunity to testify before you today. The Governor's office has expressed its strong support for this transportation and jobs package. The transportation leaders have explained the two bills in considerable detail. Now, the Oregon Department of Transportation's (ODOT) Director Bruce Warner and I will discuss the actual implementation of the package—how we will translate the revenue flow into a comprehensive project delivery strategy that puts the dollars onto the road, creates and sustains jobs, and helps reinvigorate the economy.

### **Major Elements**

- As with the Oregon Transportation Investment Act (OTIA), ODOT is doing business differently than before. With the addition of only a few positions, ODOT can undertake what we call program management, which will leave all the construction work to the private sector. The work under OTIA was roughly one-third consultant, one-third ODOT, and one-third local. Under this package, the funds that flow to ODOT will be used primarily to fund work by the private sector.
- We are committed to making sure that Oregon firms receive substantial work under the package. The law requires us to follow a competitive process, so I cannot promise you that an Oregon firm will become the overall program construction management company. It's also becoming more difficult to tell who's an Oregon company these days. For example, one of Oregon's leading engineering consulting firms, CH2MHill, is now headquartered out of Denver, and long-time Oregon company Morse Brothers is now owned by a North Dakota utility.
- But the important factor is the management firm's project delivery decisions will have had the benefit of counsel from Oregon - the Associated General Contractors, organized labor, engineering consultants, local government, and more. Furthermore, the construction management firm will be working for ODOT, and as the chair of the body that supervises the department, I can guarantee you that ODOT will take steps to ensure that Oregon firms have

the opportunity to get work out of this package and be instrumental in delivering these critical transportation projects.

- Because we know that we'll have to deal with the cracked bridge problem at some point, we're getting a running start on the preliminary work. We've already begun the environmental and engineering assessment for the bridges using existing funds because of Oregon's cracked bridge crisis. Nine engineering firms have been hired to begin the assessment of the over 400 bridges that need replacement or repair.
- We have positioned the agency to move quickly once the package is approved. By the end of 2004, ODOT estimates that we will have started construction on bridge projects totaling \$205.2 million.

### **Summary**

Mr. Chairman, Members of the Committee, the Oregon Transportation Commission is committed to the goals at the heart of this package—fix the cracked bridge crisis, create and sustain Oregon jobs, ensure work for Oregon firms, hire the absolute minimum number of additional staff necessary for program/construction management, and moving as quickly as possible to get the dollars on the road and into the Oregon economy.

At this point, I'd like to have ODOT Director Bruce Warner discuss in detail how ODOT will implement these goals, and then we would be ready to answer your questions.