



David Dewhurst
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President of the Senate

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January 31, 2008

The Honorable Hope Andrade
Chairwoman
Texas Department of Transportation
125 East 11th Street
Austin, Texas 78701

Dear Chairwoman Andrade:

I'm writing to you to state my concern over what the Texas Department of Transportation (TxDOT) is portraying as a serious and immediate shortfall in funding for transportation projects. I've asked Chairman Steve Ogden and Chairman John Carona to hold a hearing on February 5 to discuss why your planning process through 2015 does not appear to factor in at least the following items: \$3 billion in Fund 6 bonds passed last Session, \$5 billion in voter-approved General Obligation bonds, and possibly \$1.3 billion in Mobility Fund bonds. That list in itself totals more than \$9 billion. It has been brought to my attention by members of the Senate that TxDOT should have informed the Legislature during the 80th Session of the causes of the projected shortfall.

During the November 2007 Transportation Commission meeting, Deputy Director Steve Simmons projected a \$3.6 billion shortfall by the year 2015, and said TxDOT felt the shortfall and increased maintenance needs would require cuts in new construction letting for the foreseeable future. I am concerned the forecasting sheet used to produce that number does not show the complete financial picture. It includes neither Proposition 14 bond proceeds, nor all of the Mobility Fund bond proceeds. The sheet does assume an inflation factor of 5% compounded annually, which partly represents an assumption that the Legislature will use Fund 6 revenues for additional non-transportation purposes in the future. I do not think it is productive for TxDOT to make these assumptions before meeting with Legislative leadership.

Additionally, I'm concerned about TxDOT's purported long-term funding gap of \$86 billion. The Governor's Business Council report states a total need of \$78 billion, only \$56 billion of which would be funded by the state. Furthermore, the State Auditor released a report in April 2007 identifying \$8.6 billion of the \$86 billion as an error, and

an additional \$36.9 billion which does not have proper documentation. I'm very concerned that TxDOT has yet to address the Auditor's report, and I plan to ask for another hearing in the near future to discuss this issue.

At the committee hearing on February 5, I hope to see that TxDOT has provided a cash forecast sheet that includes all the financial tools, and explanations of the sudden maintenance need, recent cost increases due to inflation, and any newer information on the federal funds situation.

Just recently, I have become concerned about the volume of TxDOT's future commitments to your districts and local jurisdictions, fearing that not all are reflected in your operating budget. Also, I am concerned about your practice of assigning funds pursuant to a TxDOT formula to a district, then moving some or all of those funds to another district if a project is ahead of schedule, creating an imbalance and a potential future funding obligation of which the Legislature is not aware. I would greatly appreciate having this clarified.

I have always thought highly of TxDOT and the good men and women who work in your agency. I am committed to work with you, TxDOT and the Legislature in an open and constructive manner to build more highways. I look forward to working with you during the Interim to determine why the financial tools we've provided, totaling more than \$9 billion, will not sufficiently cover the projected \$3.6 billion shortfall by 2015.

Sincerely,

A handwritten signature in black ink that reads "David Dewhurst". The signature is written in a cursive style with a horizontal line extending from the end of the name.

David Dewhurst
Lieutenant Governor

cc: Texas Senate Members