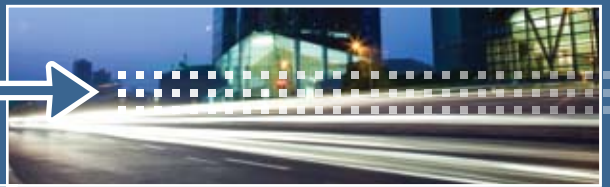


SURFACE



road & bridge progress from the ground up

TWO THOUSAND NINE

RESTORING OKLAHOMA ROADS WITH TRUST

Surface is a publication of TRUST dedicated to bringing news about the financing of Oklahoma's transportation infrastructure to community, business and policy leaders around the state. This biannual publication has a central focus of:

- Federal and state funding
- Significant projects such as I-40 Crosstown and the I-44 rebuild in Tulsa
- Regulatory news from State Capitol and Congress
- TRUST events and news
- Innovative topics on transportation funding

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The 52nd Oklahoma Legislature How Transportation Fared

For the first time in Oklahoma's 102-year history, this year's legislative session began on the heels of an historic election in which Republicans gained a majority in the House and in the Senate.

With 23 first-term lawmakers, the momentum toward new opportunities to mold policy was met with enthusiasm from both sides of the aisle.

Just prior to the legislative session, TRUST hosted first-term legislators at the newly completed Crosstown bridge on Penn Avenue in Oklahoma City. Legislators spent a half-day with media, transportation industry experts and state officials.

During the course of the afternoon they learned first hand from engineering firms and highway and bridge contractors how those industries interact with state agencies.

Secretary of Transportation, Gary Ridley, gave an overview of the state of Oklahoma's infrastructure and how state, county and local transportation systems differ and are funded.

Shortly thereafter, session then began with a flurry of activity with more than 2,400 measures introduced in the House and the Senate.

In January, the nation's economic downturn began to overshadow any positive momentum at the State Capitol when it became apparent the state would face an almost \$900 million revenue shortfall.

The question for state road and bridge funding became whether this revenue slide would diminish the FY 2010 planned increases of \$30 million or the \$150 million first phase of a \$300 million bond package, as provided by the 2008 Legislature.

County systems seemed to still be on track to receive their third and final increase of \$28 million that totals a permanent increase of \$85 million annually which is funded from motor vehicle fees.

Rumblings and questions over whether the state should tap the Rainy Day Fund, plush with \$600 million in reserves, began to grow. But the Governor and legislative leaders remained firm in their desire to not tap the Fund, due to concerns the 2011 fiscal picture might be even grimmer.

In February, with the passage of the American Reinvestment & Recovery Act, the national economic stimulus plan, Oklahoma's budget picture found relief in the \$2.6 billion allotted to the state.

Transportation's portion of this was \$464 million, with approximately \$344 million going to state roads and bridges, and \$26 million pledged to counties.

This controversial Act was met with caution by state lawmakers as they grappled with how best navigate the complicated formula for apportionment.

TRUST advocates began to grow concerned the stimulus package would fuel a mindset that cuts in state road and bridge funding could now be afforded.

As such, the coalition began educating lawmakers on the broader financial realities of the state's infrastructure system, and the relationship of stimulus dollars to declining federal funds.

Even with the \$464 million stimulus, due to a dramatic decline in federal fuel taxes, the stimulus package has only acted as a "stop-gap" measure that has kept federal funding for the state's current 8-year construction work plan at approximately the same levels as the previous 8-year construction plan.

Ultimately, lawmakers drafted a budget for the 2010 fiscal year comprised of nearly \$630 million in federal stimulus dollars that resulted in a \$7.2 billion budget, leaving the state's Rainy Day Fund untouched and transportation budgets in tact. However, most other state

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agencies saw their budgets cut between four and seven-percent.

The budget agreement was touted as protecting the four core functions of government: education, health care, public safety and transportation. Overall authorized state spending totaled \$6.56 billion for FY 2010 as compared to \$7.06 billion in FY 2009.

The remarkable accomplishment of having transportation protected as one of the "four core" should not go unnoticed. This represents a shift in priorities for the executive and legislative branches of state government that has been occurring over the last four years. One only has to recall the flat-line funding for the 30 years prior to put in perspective this level of support for infrastructure budgets.

If you have not yet thanked your local state representative and senator, please do so. It is rare they receive gratitude from constituents and advocate groups when they champion good causes. You can do this by visiting the "Take Action" page of RestoreTRUST.org and it will help you locate your elected officials in a few simple clicks.

The only policy concern from the session was the precedent set with Senate Bill 658 that provided \$14.4 million to the Rural Economic

Action Plan known as REAP by increasing the fee for delinquent motor vehicle tag renewals. TRUST views all motor vehicle fees as transportation revenues and as such believes they should only be spent on transportation needs.

However, the monies in SB 658 are new revenues and were neither anticipated by ODOT nor budgeted. Legislative leaders have assured TRUST this is a one-year fix for REAP, and those dollars will be directed to ODOT next year in FY 2011.

Despite all the great work of the legislature to hold transportation harmless, declining revenues will result in ODOT receiving a 1.4% constitutionally mandated cut along with every other state agency.

The most recent revenue picture provided by the State Treasury was released in early June. The reports showed collections failed to meet estimates for a fifth consecutive month in May, forcing state officials to declare a revenue shortfall as annual collections fell below the amount needed to meet appropriated funding levels.

By law, when collections do not match the amount of money allocated to agencies, all allocations are reduced across-the-board.

Because revenue collections fell below 95-percent of the estimate by \$6.8 million, or 1.4 percent of what is expected to be spent by agencies in June, all agency budgets were reduced by 1.4 percent.

While revenue declines were dramatic, the Treasurer was also quoted in late May as slightly more optimistic about the 2011 fiscal year as the national economy was showing signs of strengthening and energy prices were rebounding.

This session had pockets of partisans scuttles and minor set backs, but as a whole legislators on both sides met difficult budget times head on and tackled an aggressive policy agenda on a broad range of issues.

TRUST wishes to express gratitude for the many hours of service, effort and financial support of our coalition partners and members who worked with us to help ensure a successful session for roads and bridges.

Most importantly we thank our state lawmakers and the Governor for their continued commitment to stay the course in making transportation a priority of state government.

2009 Transportation Legislation of Interest

Bill Number	Authors	Bill Summary	Fiscal Impact Analysis
<i>County Govt. Cost Estimate Threshold: House Bill 1759</i>	Rep. John Enns & Sen. Ron Justice	Includes language that raises the cost estimate amount that triggers the requirement that engineering plans and specifications be prepared on culvert or bridge construction projects from \$75,000 to \$150,000 and the cost estimate amount that triggers the requirement that engineering plans and specifications be prepared on grade-and-drainage projects from \$150,000 to \$300,000. Finally, the measure increases the amount counties can be reimbursed for force account road and bridge projects from \$200,000 to \$400,000.	This analysis was prepared by State Senate Staff and does not necessarily reflect the opinion of TRUST. Force account road and bridge construction means the direct performance of highway construction work done by a county, employing the labor, equipment, materials and supplies of the county and used under its direct control. Increasing the force account limits would allow a county to employ its own resources for more road and bridge projects and thus potentially realize the savings in costs and time that are often associated with the force account method.
<i>Annual Vehicle Permit for Oversized and Overweight Loads: House Bill 2054</i>	Rep. Mike Thompson & Sen. Bryce Marlatt	Authorizes the Department of Public Safety to issue an annual vehicle permit for the movement of oversize or overweight loads that cannot reasonably be dismantled. Also authorizes the Department of Public Safety to issue an annual vehicle permit to a specific motor carrier for the movement of oversize or overweight loads that cannot reasonably be dismantled. The annual permit may be transferred between vehicles in the fleet of the permittee, provided that only one vehicle is operating at a time and the original permit is carried in the vehicle that is being operated.	HB 2054 provides for a \$4,000 fee for an annual vehicle permit. According to the Department of Public Safety, it would be difficult to determine the fiscal impact of HB 2054. Operators with vehicles that qualify may opt to not purchase an annual permit based upon the number of trips they make. Operators who do opt for the annual permit will be removed from the per-trip-permit requirement, but it would be impossible to determine how many trips they would make on the permit. Most likely HB 2054 will be revenue neutral because of the significant cost of the permit and the limitations on its use. Fees from the permit would be designated to the Weigh Station Revolving Fund.

<p><i>Rural Economic Action Plan Funding with MV Fees: Senate Bill 658</i></p>	<p>Sen. Cliff Adridge & Rep. Jason Nelson</p>	<p>Includes language that raises the late fee on vehicle license plate renewals as a way to fund rural infrastructure projects and other programs under the Rural Economic Action Plan, known as REAP. Funding for REAP goes through the state Commerce Department and goes for such things as local water projects, senior nutrition programs and rural fire assistance.</p>	<p>Under the plan, the late fee for delinquent tag renewals will rise from 25 cents a day to \$1 a day. Funding for REAP from the late fees is set at \$14.4 million. The monies in SB 658 from tag fees are new revenues and were never anticipated by ODOT nor budgeted. Legislative leaders have assured TRUST this is a one-year fix for REAP and those dollars will be directed to ODOT next year in FY 2011.</p>
<p><i>County Bridge Replacement Revolving Fund: Senate Bill 832</i></p>	<p>Sen. Brian Binaman & Rep. TW Shannon</p>	<p>A TRUST 2009 Legislative agenda item, the measure allows partnerships between the Oklahoma Turnpike Authority (OTA) and County Governments to repair functionally obsolete county bridges that go over turnpike systems. Under this bill, the OTA could pledge turnpike revenues toward bridge repair and replacement to financially partner with counties to replace these bridges. All projects must be initiated by the counties and approved by the county circuit engineering districts based on criteria such as traffic volume and bridge safety assessments.</p>	<p>There is no fiscal impact to this bill.</p>
<p><i>House Joint Resolution 1042</i></p>	<p>Rep. Leslie Osborn & Sen. Todd Lamb</p>	<p>Sends to a vote of the people a resolution that would protect the Legislature from being forced to make expenditures for any function of government using a predetermined formula, or based on expenditure levels of any other state government or entity. The resolution would allow voters to amend Oklahoma's constitution to prevent unfunded mandates that may force cuts in government. This bill will be voted on as a state question in the 2010 General Election.</p>	<p>There is no fiscal impact to this bill. However, one timely example of the potential effects on the state budget that could result from "predetermined, unfunded formulas" that HJR 1041 seeks to prevent, is State Question 744. SQ 744 will also be voted on in the 2010 General Election and seeks to constitutionally mandate a shift of \$850 million to common education from the state's existing \$7 billion budget without an identified source of funding to pay for it. Without a substantial tax increase levied on Oklahomans, SQ 744 would result in catastrophic budget cuts to transportation, corrections, healthcare, social services, higher education and many other essential state government services.</p>

Questions and Answers with Transportation Legislative Leaders

1. What would you characterize as the most important policy accomplishments of this session for transportation?

2. Given your role and position at the State Capitol, what would you like to see TRUST and its membership concentrate on during the coming interim and in preparation for next session?



Senator Cliff Branan
Oklahoma City, District 40, Chair
Senate Transportation Committee

1. "I think the best policy for transportation this year was the commitment to continue increasing road funding in a difficult budget year. When you look at the fact that counties received another \$28 million increase, and ODOT received another \$30 million in state appropriations, that's a remarkable commitment to roads. Especially amid budget cuts for most other state agencies."

2. "I am concerned about the need to keep increasing transportation budgets with transportation revenues, namely MV fees. This is an issue I have run several bills on in the past. I believe it's an important cause we must continue to educate my colleagues about. TRUST must continue to play a role in educating the public and the media on this issue as well.

I think the presence of TRUST has helped fill a void of a needed statewide group that educates on a broad range of transportation interests. It has certainly helped to elevate the issue of road funding. The relationship building efforts with lawmakers through events and functions are an important one for TRUST to continue."

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Representative T.W. Shannon
Lawton, District 62, Chair,
House Transportation Committee

1. "We worked hard to keep the planned increases to transportation in place. The \$30 million in new money for ODOT and the \$150 million in new bonding capacity for the department will go a long way to repairing and building much needed roads and bridges in Oklahoma. As far as bad policy, there were a few voices at the capitol that were pushing for the increases to be delayed given the budget picture, but we were committed to not letting that happen."

2. "I think there are some dangerous ballot initiatives, such as State Question 744, coming up in 2010 that if passed would be very destructive to road funding and many other government services. We need TRUST members to continue to educate the Legislature and the public on why this is bad public policy."

Rep. Shannon, Sen. Bingman and I all worked to secure a task force to study how we might be able to index the state transportation fund to the cost of construction inflation. This idea has a great deal of merit, and something that will ensure we don't start losing ground again. Take last year with the volatility we saw in petroleum and steel markets, we've got to have a buffer against that. Indexing the ROADS fund to keep funding inline with the cost of building roads is a great option we need to look at. I planned to introduce legislation that would seek to do this."

1. "Definitely that transportation budgets were held harmless when most agencies experienced cuts. I am proud of the work we did on Senate Bill 832 with TRUST to try and find innovative funding solutions to replacing our state's bad bridges that go over turnpike systems. But that is just the tip of the iceberg, the counties have thousands of bridges that we need to continue to find funding solutions for."

2. "I am solidly committed to advancing transportation as a priority. I think with the federal funding picture being so grim, it elevates the importance of what we are doing to increase transportation's profile in state government. Next year, it will be critical for us to focus on holding the line on planned increases in the face of what may be another tough budget year in 2011."

I think the education and relationship-building efforts of TRUST, when it comes to interacting with lawmakers, has been extremely helpful especially to our freshmen members. I enjoyed the Roads Scholar events, and getting an opportunity to interact with industry leaders."



Representative Guy Liebmann
Oklahoma City, District 82, Chair,
Appropriations Subcommittee
on General Government
& Transportation



Senator Randy Brogdon
Owasso, District 34, Chair,
Appropriations Subcommittee on General Government & Transportation

1. "The transportation department has been better funded in the last three sessions than in the previous three decades. As chairman of the transportation appropriations subcommittee I am please that again this year ODOT's budget was mostly protected in this tough economy. I authored SB 890, which dedicated 10% more revenue collected from license fees to be used for county road improvements rather than being deposited in the general revenue fund."

2. "I would like to see TRUST promote public policy that is more consistent with a conservative fiscal agenda. i.e. Promote using revenue collected in road use, gasoline tax, license fees etc. to be used in transportation related spending rather than going to general revenue fund. I do not want TRUST to promote tax or fee increases."

TRUST Advocacy Points for 2009

Keeping the Commitments Made to Roads and Bridges Are Critical To Oklahoma

Essential to promoting good public policy, are clear and concise messages communicated to legislators on a continuous basis. These four key points represent the coalition's theme all throughout the 2009 session.

1. Oklahoma's current 8-year Construction Work Plan is \$480 million smaller than the previous plan because of declining federal revenues (ODOT). The recent stimulus is truly only a stopgap measure that will almost keep Federal revenues level.
2. Anticipated rescissions of federal funding will further decrease available money for roads and bridges.
3. The cost of highway construction has increased 75% in the past five years, forcing delays of road and bridge improvements and replacements. (Producer Price Index for Streets and Highways)

4. The planned investments by the Legislature in 2008 of \$30 M a year are critical to chipping away at an \$11 billion backlog in deferred repairs and maintenance. Any delay in a \$30 M increment has a compounding effect over the life of the state's 8-year Construction Work Plan. (ODOT)

5. Any delay of the planned \$150 M bond issues in FY 2010 and FY 2011 for state roads and bridges will delay critically needed projects statewide. It will also increase the state's costs to complete planned investments as construction costs continue to increase and infrastructure continues to deteriorate. (ODOT)

State & Local Federal Stimulus Funding

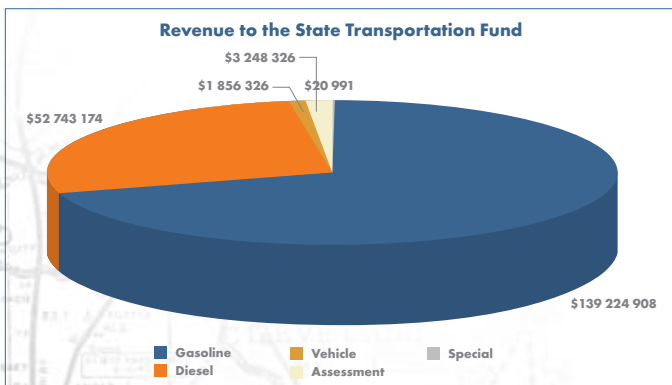
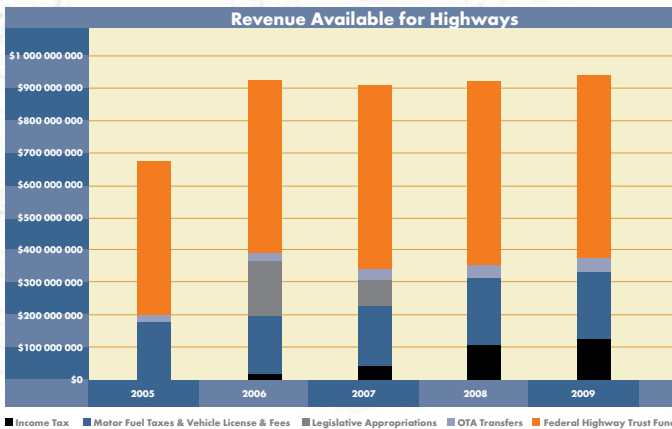
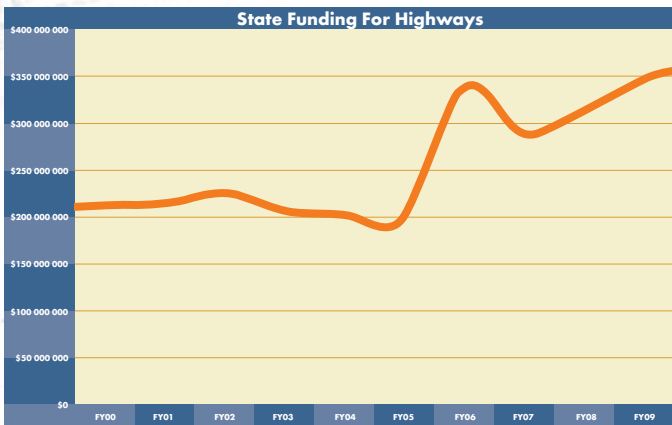
Oklahoma State Highways & Bridges Stimulus at a Glance*

- \$503 M total investment in state, local and transit transportation programs
- \$344 M total investment for state highways and bridges
- \$328 M of this was bid for construction in March 2009
- All projects using stimulus funds were previously scheduled in Oklahoma's existing 8-year Construction Work Plan or the pavement preservation program through ODOT

Local Transportation Investments at a Glance*

- \$26 M has been pledged to County roads and bridges as a commitment from ODOT
- \$22 M for Tulsa-area Governments
- \$33 M for Central Oklahoma Governments
- \$39 M for urban and rural transit programs

* Stimulus apportionments listed are approximations based on the most accurate estimates available as of May 28, 2009. All are subject to change.



Historic Funding Agreements

Historic funding agreements for roads and bridges have been championed by the Oklahoma Legislature from 2005-2009

- State and County transportation funding levels remained stagnate for 30 years
- In 2005, HB 1078 provided \$170 M increase for roads and bridges
- In 2006, HB 1176 increased this amount to \$270 M and
 - Provided an increase to Counties over 3 years to yield \$85 M annually
 - Redirected \$7.5 M annually for state bridges most critically deficient
 - Authorized investment income from County funds to accrue to the funds instead of to the General Revenue Fund
- In 2008, HB 2272 provided bonds in two phases of \$150 M each beginning in FY 2010
 - Net proceeds of the financing will be used for the construction, improvement and maintenance of state highway and state bridge assets
 - Removed 3% trigger that governed increases to the ROADS Fund
 - Allocates \$30 M annually to the Fund until a new cap of \$370 M is reached in FY-17
 - Portions of the allocation are to be used to make lease payments to the Authority for subsequent deposit into the debt service sinking fund
- TOTAL NEW INVESTMENTS, When the above legislation is fully implemented, state roads and bridges will receive an annual allocation of approximately \$575 M, or \$375 M above the 2004 level.

2009 Events: Making an Impact & Developing Relationships



During session, TRUST membership hosted five forums statewide involving education and advocacy for the benefit of state legislators.

Three of these included our new Roads Scholar program, where more than 75 legislators attended dinners and special events to learn more about the value of investing in transportation. They also developed relationships with transportation industry leaders.



At our 2009 Transportation Day at the Capitol, we had more than 70 advocates, nine industry and sponsor booths, and we hosted 50 lawmakers for lunch.

During the day, one-on-one legislative visits were orchestrated where advocates expressed appreciation for recent years' funding increases, the need to stay the course in 2009 and advocates explained the stimulus package, while very needed, was not a "windfall" for Oklahoma roads and bridges.

TRUST members also heard first-hand from the Speaker of the House, President Pro-Tempore of the State Senate and the State Treasurer (representing the Governor) about their commitment to stay the course on roads.

Our relationship building efforts and proactive legislative agenda is making a difference in how transportation is viewed at the State Capitol.

This session TRUST was frequently consulted by legislators on transportation-related bills when they had a question as to the effects or merits of a piece of legislation.

Equally promising is the fact our new website is receiving more than 2,000 hits a week as a resource for news and information.

TRUST also worked with key legislators to secure a legislative task force for the 2010 Legislature to study the concept of indexing the state's main transportation fund, the ROADS Fund, to the cost of construction inflation to help keep state funding on par with the cost to build and repair roads.

Last, TRUST worked diligently this session with key lawmakers to pass Senate Bill 832, which allows county governments to financially partner with the Oklahoma Turnpike Authority to repair the 178 functionally obsolete county bridges in 20 different counties that go over turnpike systems.





Save the Date!

Two Remaining Congressional Forums on Federal Highway Funding

In partnership with the Oklahoma State Chamber, TRUST has already hosted three panels statewide with our congressional delegation to discuss the challenges and opportunities of the next federal highway reauthorization.

These question and answer forums are designed to educate community leaders on the importance of the reauthorization, the perilous state of the Trust Fund and the impact it will have to Oklahoma road and bridge funding.

Events in Oklahoma City, Tulsa and Lawton were well attended, and included multiple congressional members, Secretary Ridley and hundreds of business and community leaders. Participants get an opportunity to hear directly from congresspersons the options being considered for funding the federal program and political challenges surrounding the reauthorization.

We have two remaining events left, so mark your calendar! More details to come.

McAlester, August 26, 2009 at 10 a.m. (location to be announced)



McAlester Guest Panelists:

From left to right:

Congressman Dan Boren

Congresswoman Mary Fallin,
Member of Transportation &
Infrastructure Committee

Secretary Gary Ridley

McAlester Congressional Panel Sponsorship - \$500

Corporate logo on all promotional materials, mailings and company listing on all handouts. Logo placement at event. Admission for two (2). For TRUST members who join at the TRUSTee (\$5,000) or Road

Advocate (\$3,500) levels, sponsorship and admittance to all panels is included. Individual admission is \$35 (meal included). Contact Crystal Drwenski, 405.410.7668

Woodward, September 1, 2009 at 3 p.m. (location to be announced)



The Woodward Industrial Foundation is hosting this event in a town hall format. Guests are welcome to attend and participate at no cost. TRUST members who are sponsors at the TRUSTee (\$5,000) or Road Advocate (\$3,500) levels, will still be showcased and listed as a sponsor to the Woodward event.

Transportation Innovation Banquet – Date Announced Soon for Early October

This evening will include a seated dinner with a private pre-reception and dinner presentation with a national figure (soon to be announced) who has led a significant, innovative effort to advance funding for America's transportation infrastructure. The awards ceremony will also include recognition of 2009 Oklahoma transportation legislative champion of the year.

Woodward Guest Panelists:

Congresswoman Mary Fallin

Secretary Gary Ridley

Congressman Frank Lucas
(invited)

Transportation Innovation Event Sponsorship - \$2,500

Includes premium seating and dinner for eight (8). Corporate logo on all promotional and mailing materials. Logo placement at event. Admission to private pre-reception with national speaker and Oklahoma transportation champion of the year. For TRUST members who join at the TRUSTee (\$5,000) level, sponsorship and admittance to this event is included. Individual tickets are \$175. Tables \$1,250.

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