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ROLL NUMBER

DESCRIPTION

1012

2007 HOUSE APPROPRIATIONS

HB 1012

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1012 Budget Overview

House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 5, 2007

Recorder Job Number: 675

Committee Clerk Signature



Minutes:

Chairman Svedjan opened the hearing on the Budget Overview of HB 1012.

Francis Ziegler, Director, North Dakota Department of Transportation pointed out the items distributed to the Committee including: "Testimony Before the House Appropriations Committee 2007-2009 Biennium Budget" (Attachment A), "North Dakota Transportation Handbook (Attachment B), "Strategic Plan 2005-2011" (Attachment C), and "Performance measures Report Card" (Attachment D).

Mr. Ziegler reviewed the DOT's employees, strategic plan and Performance Measures and accomplishments and challenges (Attachment A). Mr. Ziegler discussed the REAL ID Act. States are given until May 2008 to accomplish this and failure to comply will result in a state's driver's license and ID cards not being able to be used for "any federal purpose," including getting on an airplane. There is no federal funding for this measure.

Rep. Wald: Are we saying that if we don't have this driver's license it would trump a passport?

Mr. Ziegler: A passport would supersede this in terms of getting on an airplane.

Rep. Skarphol: Has the federal government defined what it is they actually expect yet?

Mr. Ziegler: They don't have any program or process for us to follow yet.

Chm. Svedjan: This is a real quagmire. In terms of the law and the release of the regulation and timing, the difficulty of ascertaining who a person is to even be photographed for this card. It's a huge unfunded mandate to the states.

Mr. Ziegler explained that the DOT believes the best approach to the REAL ID issue is to work with the national organizations and Congress and focus on the rewrite of DL3. The update to DL3 will be written to integrate with the national ID system.

Rep. Skarphol: How can you do that when you don't know what it is?

Mr. Ziegler: That's why we're working with the national organizations that can help us identify what is intended by the congressional legislation.

Mr. Ziegler detailed the one-time adjustments to the DOT budget that will use general fund money (Ref. 20:54).

Rep. Skarphol: Don't you have the authority to borrow from the Bank of North Dakota in the event there's a real need?

Mr. Ziegler: Yes.

Rep. Skarphol: My point is, with regard to the \$5 million rewrite of driver's license system, I have some hesitancy with regard to that. I think we're probably prematurely jumping into this. I'm wondering if you could satisfy this by borrowing from the BND until the next biennium in the event it was decided to move forward?

Mr. Ziegler: It's something we could live with.

Rep. Wald: Did you put together a cash flow projection for federal money coming to North Dakota for the next two bienniums? Rather than the \$20 million as an outright appropriation, maybe we could loan the DOT general fund monies at a non-interest bearing basis so when you start receiving federal money you could repay the general fund?

Mr. Ziegler: The federal program is a 6-year program. We don't know what we'll get for the 07-09 biennium. We're reasonably sure it will be around \$481 million. As we work toward our programs, we use all that federal aid that we project to be getting for our projects. We do have a spending plan for all our projects.

Rep. Wald: I think we're setting a precedent we don't want to. I would like to work out another arrangement.

Mr. Ziegler brings the charts included in Attachment A to the attention of the Committee.

Chm. Svedjan: Re: Salary equity pool – You indicate that the \$1.1 million would be sufficient to handle the equity situation within DOT. Is this \$1.1 million over and above the \$10 million the Governor has in for the equity pool?

Mr. Ziegler: No. The \$10 million the Governor has includes the DOT (Ref. 33:15). We've been informed by OMB that we will have to provide this out of our own funding. While it's in there, we won't get any additional funding. We'll simply get spending authority.

Chm. Svedjan: Then doesn't that have the effect of increasing the equity pool to \$11.1 million?

Mr. Ziegler: The \$1.1 million gives us the spending authority to be able to use the equity fund.

Chm. Svedjan: This is not duplicated elsewhere in the budget?

Joe Morrissette, OMB: \$1.1 million is part of the \$10 million. There is no duplication.

Mr. Ziegler concluded his remarks.

Chm. Svedjan adjourned the meeting.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1012

House Appropriations Committee
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/11/07

Recorder Job Number: 938

Committee Clerk Signature

Kanya Voegele

Minutes:

Chairman Carlson opened the hearing on House Bill 1012. A bill for an act to provide an appropriation for defraying the expenses of the Department of Transportation.

The committee held a joint meeting in the Fort Totten Room with the House Transportation Committee.

Francis Ziegler, the Director of the Department of Transportation, spoke in support of the bill.

He gave the detailed elements of the DOT budget. See attached testimony 1012.1.11.07A

Representative Delmore: Will the new computer system be compatible with the new driver's license system?

Francis Ziegler: Yes

Representative Kempenich: Have you checked in to the dead spots around the state that you will have with the new radios?

Francis Ziegler: The digital radios should be better than the analog radios as far as dead spots.

Representative Weisz: Does the DOT amount of money from the bioterrorism money available?

Francis Ziegler: We are not sure we will get back to you on that.

Chairman Carlson: Are you receiving any Homeland Security money?

Francis Ziegler: No, we haven't but we can look at applying for some.

Representative Ruby: Was the previous upgrade for computers just for the registration card?

Francis Ziegler: That is correct. That was for motor vehicle licenses this is for the driver's licenses.

Representative Skarphol: Are all of your FTE positions currently filled?

Francis Ziegler: Yes.

Representative Weisz: What can the Safe Routes to Schools funding be used for?

Francis Ziegler: It can be used for sidewalk repair, traffic signals and signage. We get \$1million in Federal Aid to fund this program.

Chairman Carlson: Let's talk about the \$20million from the General Fund. This is a real break from traditional funding of the DOT. I look at the title of One Time Funding and I struggle with the fact that a lot of those projects will have on going expenses. Is that your original request or does it come from the Governor?

Francis Ziegler: In working with OMB and with the Governor's Office we looked at our needs and we looked at the funding structure that was in place. What we are looking to do is some of these one time investments that we had a significant need for. I know there is concern about the \$11million to be used for roads. Is that one time? We are looking at it as a one time project from the perspective that we had to delay \$30million in construction in 2006 and \$100million in 2007 because of construction inflation.

Chairman Carlson: What are we leveraging with this money? Do any of these have a match?

Francis Ziegler: No they are not match. They are preventative maintenance projects.

Representative Delmore: Have you figured bids on these projects?

Francis Ziegler: We constantly work with the AGC to see what the current prices are.

Representative Skarphol: You stated that 27% of federal funds passed through the DOT budget. What was that figure in the past?

Francis Ziegler: About the same.

Shannon Sauer testified in support of the bill. See page 4 of 1012.1.11.07A.

Chairman Carlson: Could you explain about special fuels, gasoline and gasohol for those who are new?

Shannon Sauer: The special fuels tax is essentially diesel tax. It is different in that the special fuels tax is a 2% excise tax. The diesel tax and the special fuels 2% excise tax are up. The diesel tax reflects that the amount of truck traffic is up. The 2% tax reflects that the price of gas is up.

Representative Weisz: : Your projecting roughly about \$11 to \$12 million decrease in overall gas tax revenue and about a \$3million increase in the diesel tax so then we're looking at a drop of \$8 or \$9 million in general gas tax revenue is that a fair assumption?

Shannon Sauer: We are looking at roughly about \$5 million decrease in the total fuel tax

Representative Weisz: I'm not talking about the special fuels excise tax. I'm talking about our road tax, our vehicle, alcohol and gas tax. It's going to have roughly a \$10 million drop via projection.

Shannon Sauer: As we've already discussed, people are using less with fuel so costly. There was a \$1.1 million decrease flowing into the fund.

Representative Kempenich: Why is there only \$2.5million this coming biennium when there was \$44million last biennium coming from the emergency relief fund?

Shannon Sauer: The change is due to the completion of two major projects that were funded with the emergency relief fund. The grade raise on US Highway 281 and the Grahams Island project.

Chairman Carlson: Are you paying the bonds off with future highway dollars?

Shannon Sauer: The bonds are paid off with a combination of federal dollars and state dollars.

Chairman Carlson: So we are leveraging future dollars with the bonding.

Shannon Sauer: That is correct.

Representative Skarphol: The truck regulatory category (table 4 page 7 of testimony), does that just include the overweight and over width permits?

Shannon Sauer: That is correct.

Representative Skarphol: Are you saying that the State Fleet is a profit center?

Shannon Sauer: No it is a cost recovery agency.

Representative Skarphol: Is this a federal requirement?

Shannon Sauer: Yes.

Chairman Carlson: Can you touch on the Asbestos Abatement? I thought that was long gone.

Shannon Sauer: Several bienniums ago, we entered into a settlement of a lawsuit. We received somewhere in the neighborhood of \$2.5million because of asbestos in the central office building. We have not done any specific work on the asbestos abatement at this point. We continue to budget it and we have the cash. The cash is sitting in the highway fund. The intent is to do the asbestos abatement in several offices. The problem is that the whole abatement project is going to cost significantly more than the \$2.5million. That will probably do about a floor and a half.

Chairman Carlson: Do you show the same number every budget?

Shannon Sauer: Pretty much.

Chairman Carlson: When are you going to come and ask for the \$5million to clean it up?

Francis Ziegler: We have looked at the levels a couple of weeks ago. We continue to monitor the air in our building. We are going to continue going the way we are.

Chairman Carlson: If we knew it was going to cost \$7.4million why did we settle for \$2.5million?

Francis Ziegler: It was a court decision.

Chairman Carlson: Is the building safe for the employees?

Francis Ziegler: Yes.

Representative Skarphol: Hasn't it been somewhat proven that encapsulation is a better solution than removal?

Chairman Carlson: It depends on where it is at.

Chairman Carlson: Your total expected revenue is going to be \$908.4million. How much is that decreased from the last biennium?

Shannon Sauer: About \$44.1million.

Chairman Carlson: That has not happened in recent years where that number is less. It appears to me that we have always had trouble matching that money instead of having a number that was less.

Francis Ziegler: The Four Bears Bridge brought in \$40million of non-matched money. The Memorial Bridge did have some ear marked projects.

Representative Weisz: I am not sure that quite adds up because in the 05-07 bienniums you showed \$479million federal administration funds that are not emergency relief and you are looking at a drop to \$453million. That is a \$26million drop.

Shannon Sauer: We will get into that in further testimony.

Representative Skarphol: How can we use the \$2.5million from Asbestos Abatement as a revenue source every year?

Shannon Sauer: We have been including it as a revenue source and expenditure. It is reflected in the capital assets line of the budget.

Vice Chairman Carlisle: On the million dollars or roughly 10% of the equity pool for DOT, is OMB going to have strings or are they going to give you the million dollars and you figure out how you are going to disperse it?

Shannon Sauer: That has not been determined yet.

Chairman Carlson: For the Transportation Committee's information, every budget that we hear includes the 4 & 4 salary package. That is 4 & 4 fully funded health and then some of the agencies have the opportunity to access a \$10million equity pool to adjust inequities in the salaries of the employees. DOT has historically had a problem dealing with how to keep and retain engineers and various people within the department. They have had equity pools before. Now you are saying they access to that pool, is it designated to a million dollars or not?

Joe Morrissette: That is just an estimate at this time.

Chairman Carlson: So you have not pre-committed any of the money to any agencies so they are on a first come, first serve basis.

Representative Skarphol: Because of the fact that you have not increased the budget in the past several biennium, has the fleet aged?

Shannon Sauer: No.

Representative Kroeber: The federal funding for the Safer Schools Routes, did I hear you say there is a million dollars there that the schools can access if they, assumingly this person that coordinates this identifies problems then the schools can try to access this million dollar fund, is that correct?

Francis Ziegler: Yes. Stop at our office and we can give you more information.

Representative Kroeber: How much money is in this? I know you said there is a million dollars that you get but how often do you get the million?

Tim Horner: It is one million dollars per federal fiscal year.

Shannon Sauer: To answer Representative Williams' question earlier regarding revenue enhancements that the legislature enacted last session provided for the DOT.

Representative Williams: I understand legislation plays a part in this, my concern is that we had 17 conference committees last time over the revenue projection from fuel tax and license changes, how much new money was that supposed to generate from that bill.

Shannon Sauer: The portion of the pickup motor vehicle fee increase that went into effect last biennium was to generate about \$5.2million. The \$10 additional motor vehicle registration fee that goes directly to the DOT was designed to provide about \$14million.

Chairman Carlson: Did you meet the projections that you set?

Shannon Sauer: I was just told that \$5.2million is where we are right now. It was projected to be about \$3million so we are up right now.

Vice Chairman Carlisle: With the Safe Routes to Schools, how many schools have accessed it so far?

Francis Ziegler: None yet. We just got the person in place to supervise the project.

The DOT will make sure to get brochures to the House Education, Appropriations and the Transportation Committees.

Representative Weisz: I have a couple of questions, first one is concerning the additional \$3.5 million for Federal Transit Fund, I assume that is new money and what is that being earmarked for? The other question has to do with the \$4million new money for the Federal Rail Fund. I am curious where that is going.

Tim Horner: The growth in transit dollars came from an overall policy change with SAFETEA-LU. Rural states, as far as the rural component of transit, there is an urban component and a rural component. The rural component doubled for North Dakota as far as how much was allocated to the state each year. This provision increase provides for that increase in rural transit dollars. We basically reimburse when the costs are incurred by the transit provider. The Federal Rail Fund is basically delayed money that we had projects proposed last time and again those are pass through dollars.

Chairman Carlson: Would you please submit the breakdown between states, counties, and cities and show us how you broke it down for funding in roads?

Representative Weisz: Could you have a sample sheet so everyone see where the money goes and how the money is broken down?

Francis Ziegler: I want to thank you for the opportunity for meeting with both committees and I will let you know today that we make ourselves available if anybody has any questions about our testimony that we will be available to walk you through it again.

Chairman Carlson: Rep. Weisz and I have just a few things that we'd like to have you submit so that we have the information for the committee so that we don't have to go over it at this time. I think it's important that everyone understand the breakdown of the money between the state, the county and the cities. Where this money goes, this large pool of money, Many times we don't realize how much of this money goes back to the cities of the sharing that we do with the revenue. And then I think it's important to understand how that money is leveraged. Is it 90-10, is it 80-20, just some general information I think is very valuable to look at because as you take this home to your constituents, if they understand that the money doesn't all stay here the money goes and is distributed in many ways.

Representative Welsz: I would like to agree with this because my committee deals a lot with funding for roads in cities counties. It is important to see where the federal state and city money goes. If we could have a simple sheet so that everyone could see where the money goes and how it's broken down.

The committee went back to the Great Plains Room to continue the meeting with the House Appropriations-Government Operations Subcommittee.

Chairman Carlson: About that \$20million, are we 100% matched on available federal funds with our existing revenues?

Francis Ziegler: We are 100% matched.

Chairman Carlson: So this is in addition to the 100% match

Francis Ziegler: That is correct.

Chairman Carlson: If we were to take your program for the pavement preservation, is that legitimate now to use federal dollars on highways for that? Are you able to secure a match to do that work if you had more federal money?

Francis Ziegler: Yes we can use federal money for thin lift overlays. What we cannot use that money for is crack sealing, seal coats and those types of things that would extend the life of the road. Those are preventative maintenance projects where typically don't get federal aid.

Chairman Carlson: Can we do the chip seal projects under the federal match?

Francis Ziegler: Only the first time after a federal abate project is completed but after that it is considered maintenance and the state has to take care of that.

Chairman Carlson: How about state highways and county highways, can they secure a match with their money for that?

Francis Ziegler: Yes they can but for the first time only.

Chairman Carlson: So you are saying that this \$11million could be used only on state highways.

Francis Ziegler: Only on state and federal highways. Not on county highways.

Chairman Carlson: I struggle with the precedent we are starting with General Fund dollars, especially when we take our excised dollars tax off of the new car and used car sales and put in the General Fund which are user dollars actually because of the vehicles. I don't have any trouble with the project I have the trouble with how we are funding the project.

Representative Kroeber: If we came up with a different funding source you could care less right?

Chairman Carlson: How would you have funded this? Was this the Governor's proposal or yours?

Francis Ziegler: First of all, our job at the DOT is to make sure that system is constructed and maintained. We need to make sure that we have the tools to do that. The funding mechanism comes from the Executive Budget. We worked with OMB to make it happen.

Chairman Carlson: It was not your proposal though this \$11million?

Francis Ziegler: We showed the need for the \$20million and then we worked together.

Chairman Carlson: How were you going to fund it? In your original proposals when you start discussions how would have you funded it?

Francis Ziegler: Tough question. We went to the Governor's office and said that we were going to have an unbalanced budget because of certain needs.

Chairman Carlson: Do you feel confident with the number the federal government has given that will be available for highway funds in the next biennium?

Francis Ziegler: We have \$481.6million. There are times when you are able to project the federal aid and have a great degree of certainty. They are currently on a continuing resolution.

Chairman Carlson: So there is a possibility that it could go up.

Francis Ziegler: There is a possibility that it would go down not up.

Representative Skarphol: The optional requests package summary appears to me like everything that is on there was included in their budget. Is that correct? If that is the case are they listed in order of priority to the department?

Joe Morrissette: They are listed in priority order.

Representative Skarphol: Regardless, Mr. Ziegler, your lowest priority on this list is the driver's license re-write program for \$5million. My question is if we were to not fund that, would that reduce the \$20million General Fund request?

Francis Ziegler: Yes by \$5million.

Chairman Carlson: Is that program required by federal with the real id thing going on?

Francis Ziegler: Our current driver's license system is twenty years old, if it breaks down could take 2-3 days to repair because of the difficulty of finding people that can repair the mainframe system.

Chairman Carlson reviewed the green sheet with the committee.

Chairman Carlson closed the hearing.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. Joint Hearing on NDDOT Budget-HB 1012

House Transportation Committee

Check here for Conference Committee

Hearing Date: January 11, 2007

Recorder Job Number: 940

Committee Clerk Signature

Laurel A. Baranko

Minutes:

Chairman Weisz: We're having a joint hearing with the Appropriations ,Government Ops Section and for the purpose of hearing the DOT budget. At this time I'm gonna turn the meeting over to Rep. Carlson and he'll take care of the proceedings.

Chairman Carlson: Thank you. We discussed when we realized we had the budget that because this takes to being a combined conference committee when we get to the end of the session that it would be best if everybody heard the funding mechanism for the DOT so we asked the department if they would be so kind as to give their presentation to both of us and that's why they're here today and Mr. Ziegler will open the hearing on House Bill 1012.

Francis Ziegler : Thank you I'm the Director if the Department of Transportation, it is a privilege for me to be here today to tell you what we're looking for on HB 1012.

Last week in our testimony before the House Appropriations Committee we talked about DOT employees and the challenge of making an over-view of the budget.

Chairman Carlson: There are some people here who are new members here and new to the legislature and new to the funding formula and the distribution. So hopefully you'll highlight that for us. It's also a good refresher for those of us who have had it before.

Rep. Weisz: He recognized all of the hard work put into making the budget and added that they were going to go into it in detail, especially the one-time \$20 million general fund request staffing, revenue and expenditures. The revenue and expenditures is where we get into that formula.

Chairman Carlson : Will you be open to questions as we go along if the committee so chooses?

Mr. Zeigler: Certainly, Mr. Chairman. Before we get into the details of the funding apparatus of the DOT, we'd like to present additional budget details on the \$20 million dollar general fund request. We believe it's appropriate to explain the on-time request again. The \$ 20 million dollars that would be funded as a one-time appropriation to the DOT budget is essential to the state funding needs to the transportation system. The majority of the general funds \$11.2 million will be used to protect the state's infrastructure and its road-way system.

See Printed Testimony.

Rep Delmore: With the new federal regulations, would we make sure that we're compatible with it if we're spending that type of money? Will we have the capability to fit in with what ever they do with the new driver's license?

Mr. Ziegler: Yes, we will. There's enough in the national legislation so that we know what they're looking for and there are companies out there that are starting to realize they know how to innovate too. Our game plan is to make sure that our system compliments theirs.

Printed testimony cont:

Chairman Carlson: Do we have any dead spots in the state? With the digital?

Mr. Zeigler: Yes we did. We checked with our IT supervisor and we do have some dead spots in our towers and so what we found out was that new digital equipment will not make those any worse. In fact we're looking at making them better.

Rep Weisz: Does DOT get any money from bioterrorism?

Mr. Zeigler: We don't know.

Chairman Carlson: Any Homeland Security money?

Rep. Ruby: This will upgrade computers only for driver's licenses?

Mr. Zeigler: Only Motor Vehicle.

Printed Testimony Cont:

Rep. Skarphol: Do we have money for the safe schools project?

Rep. Weisz: Do you want to expand a little bit on the safe routes for schools and how that's funded? I know there's concern about adding more for that position but how the funding arrives and what it can and can't be used for.

Mr. Zeigler: The Safe Routes for Schools has had an interesting beginning. It started out with obesity. They wanted safe routes so kids could walk home and get some exercise. This includes sidewalks, signal signs, whatever it takes to make sure we have safe routes to school. But there was also a requirement that each state hire one person to work just on this issue. There is one mill levy in federal aid to take care of this program and work on grants. We got \$1 million dollars to hire a person and fund this program. She goes out to the communities and provides the information on it to see if there is any interest or any applicants for the grants that are available for this project.

Chairman Carlson: I look at the one-time funding and I struggle a little bit looking at the fact that a lot of those are gonna have on-going expenses. Was that your original request or did it come from the Governor's office? Give me some more rationale behind "We didn't want to raise any fees, so we'll take it out of the general fund."

Mr. Zeigler: We're working with OMB and the Governor's office. We looked at our needs and we looked at the funding structure that is in place. Some of these one-time investments that

were where we had a significant need and since there is \$540 million or thereabouts balance in the budget that could take some of that and put it into a one-time needs group to get those out of the way. There's the issue of the \$11 million that's going to be used for roads. We had to delay \$30 million and \$100 million worth of projects in past years. We need to look for help to finish. Inflation is hurting us. We need to do something to the system to maintain it..

Chairman Carlson: What are we leveraging?

Mr. Zeigler: Nothing. We are doing preventative maintenance projects.

Chairman Carlson: Nothing is getting leveraged at all.

Mr. Zeigler: In my testimony, I'll answer this.

Chairman Carlson: But \$11 million doesn't go very far at how much a mile, \$ 80,000 you said?

Mr. Zeigler: \$80,000 to \$100,000.

Chairman Carlson: I thought some of that would be leveraged That's why I said those that.

Rep. Delmore: Have you figured out the bids on this, Have you talked any of the people that traditionally do the work for you, to know what the bids would be in order to determine how much you can do?

Mr. Zeigler: We constantly work with the AGC but at the same time for every bid opened we're constantly analyzing where are costs are, to see what the prices will be. At \$100,000 a mile, we're constantly working on improvements.

Printed Testimony Cont:

Rep. Williams: During the last session of the legislature, with licensing and fuel taxes, how much money did you raise last session?

Rep Skarphol: So what changed in the federal and state fund?

Mr. Zeigler: What happened with that is as the operations costs go up wheat profits go up as our snow plow operations, the state funding part of it gets used up faster. The federal aid has been relatively consistent We've had some growth in federal aid over the past biennium but today that on February 15 we have a continued resolution which is at the 2006 levels. Why we put \$481 million in here for federal aid we're hoping, we're working with our Congressional delegation to make sure that during this biennium maybe we'll get some federal aid. But given the situation in Washington which isn't ideal but in here we do have the \$481 million.

Shannon Sauer: This morning I'm going to give you an overview of our revenue structure and I'll also discuss some of these significant changes that have occurred in our revenue. Then after that I'll give you a brief overview of our budget requests.

Printed Testimony Cont:

Chairman Carlson: Could you explain about special fuels, gasoline and gasohol for those who are new?

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