

## **Remarks to: Senate Transportation Committee – September 8, 2011**

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I would like to thank the members of the committee, and especially it's Chairman Larry Grooms, for their time and efforts in this important matter, as well as for the opportunity to speak with you today.

I would also like to thank the hard working, and industrious staff of the Department of Transportation. Their leadership has failed them and I would be remiss if I did not thank them for the roads and bridges on which I drive every day.

There are over 5000 DOT employees and they should not be tarnished by these leadership problems, but instead they should be celebrated for their efforts.

As State Treasurer and a member of the Budget and Control Board it is my responsibility to ensure that public resources are being properly utilized.

Firstly, taxpayers send their money to Columbia in good faith. They deserve to know how their money is spent, even if it is misspent. Taxpayers understand that from time to time there will be problems. But what they don't understand is why their government does not tell them the truth.

The DOT leadership has failed virtually every test of accountability and transparency. At every opportunity the department has failed to give me accurate and timely information, and instead has been silent, or tardy with its information, and even then the information has been presented in a manner inconsistent with standard business practices.

To this day I still do not have the answer to a simple question: What were your past due payables, on August 15<sup>th</sup>, 2011, in a 30, 60, 90 day format. What I have been given is unsigned, unclear, and frankly, unreliable.

We wrote:

“I, along with the public, was told by you and your staff that SCDOT was approximately \$1.2 million behind in payments over 30 days. The information your staff provided paints a much darker picture of the overdue payments and fiscal mismanagement by SCDOT. In fact, the information shows that as of August 15<sup>th</sup>, SCDOT was \$33.3 million behind in payments over 30 days. This is unacceptable, particularly given the fact that SCDOT determines when a bill begins the 30-day process. “

Additionally, on August 24<sup>th</sup> we asked the SCDOT AND the Florida DOT for information on its system of cash flow analysis, methodologies, systems and tools. From Florida we received the

requested information, plus a slide presentation, plus statutory information...and even had an extensive phone exchange with them, all within 4 hours of our request.

Over two weeks have passed and we have received nothing from SCDOT. Again, this is clearly unacceptable.

Transparency is the honest man's friend. That the Department refuses to be transparent can only lead me to believe that it is not being honest.

Without transparency, there can be no accountability. Without accountability there can be no reliable repair of the Departments problems, and in fact this controversy may be used to accomplish "reforms" that may or may not be needed.

By spinning the failure of these common business functions into a larger problem, some would use this as a means to accomplish another end. I do not have an opinion on the restructuring debate as it should rightly be settled by the General Assembly...but I will state strongly that restructuring is not what is needed for the problems at hand.

What is needed to solve them is old fashion honesty, hard work, transparency and accountability. Those things can be ordered TODAY by the Governor or the Secretary and the reforms will begin tomorrow. No restructuring needed.

Secondly, the business functions that failed here have been widely discussed in two legislative audits. What we have is truly the failure of common business practices that are routinely used in the industry.

The DOT has been building roads and bridges, and executing business functions to ensure that bills are paid and records are kept for 94 years. 94 years...is that not long enough to get this right? If not, how long do you need?

So, where are we now? What can be done to ease the public's mind and to allow them to trust this agency? I would suggest the following:

1. The Department should implement reforms related to cash management and cash flow projections concerning building and maintenance projects and make that information readily available to the public.
2. Audit the Department and allow an outside entity to follow up and implement the needed changes.
3. Develop a progressive written policy concerning transparency and accountability through proper public disclosure regarding all financial information.

These 3 steps are all simple and rather easy to accomplish. But they do take executive will power and that can only come from the top of the agency and of state government.

Lastly, I would like to address the broader issue of road selection and funding, which is directly impacted by the public's trust of their Department of Transportation.

The Department is clearly at the upper limits of its financial abilities. For the expected bond deal to "work", DOT has expanded its normal ratio of revenue to debt from 75%, to 85%. This leaves precious little cushion for economic insecurity and exploits the gas tax to a point that highlights its lack of diversity and its uncertainty.

The projects covered by the expected bond bill may or may not be an appropriate use of the taxpayer's money. But the taxpayers need to know what that debt really means in terms of continuing road and bridge maintenance, and additional new road construction.

They deserve to know that choices about their state are being made now that affects their future. They deserve to know what this debt means to them, as they are the ones that will pay the bills.

We have a DOT that dissembles information without regard to their place in the public's trust. We have contractors, despite DOT's hollow claims to the contrary, that are hurting and they are afraid to complain to the "largest vendor" in the state. We have an opportunity to work together to fix these problems...and that work begins today! Thank you again for the opportunity to speak to you all.