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DOT fears \$1 billion shortfall**

With earmarked projects threatened, governor authorizes an outside audit of the department's finances.

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The state Department of Transportation may be in a \$1 billion hole to pay for projects it has promised in the near future, DOT officials said Wednesday, just after Gov. Sonny Perdue said he has authorized calling in an outside company for an audit of DOT finances.

The implications of the shortfall are bad enough for projects already earmarked for funding, which could be cut or postponed. But the picture is even grimmer for the thousands of projects on department books for future funding.

DOT Commissioner Gena Abraham stressed that the findings are from a preliminary audit. She said auditors do not yet have a solid handle on the spending.

Perdue announced the audit, to begin in May, in a news conference with Lt. Gov. Casey Cagle and Speaker Glenn Richardson marking the end of the legislative session.

The governor called it a forensic audit. A spokesman, Marshall Guest, said that only meant it would be "thorough and in-depth."

Perdue used the announcement to defend his opposition to a transportation funding bill that failed by three votes.

"The more information that I frankly hear from Commissioner Abraham, the more convinced I am right now that money may have exacerbated the problem right now," Perdue said. "I think frankly we've saved ourselves."

The DOT's budget is about \$2 billion a year. The department has had long-term funding problems. In 2006, DOT board Chairman Mike Evans and DOT leaders said the department had postponed 510 projects because it faced a \$7.7 billion shortfall over six years.

Abraham, DOT's new commissioner whom Perdue recommended for the position, held a news conference with Evans shortly after Perdue's announcement.

The two officials said the department committed \$4.2 billion in recent years to projects using a federal funding mechanism that the board had no idea had been used so extensively.

Evans said he knew and approved that the DOT was using the mechanism, which allows projects that need federal funding to begin with state funds; the federal funding is applied later when it becomes available. The mechanism allows agencies to get ahead of inflation by starting projects without waiting for the federal funds to arrive. But Evans said he didn't know it had been used so much, nor could he say how much it should have been used.

The board's previous chairman, David Doss, who also presided over the board while it used the mechanism, said the \$4.2 billion was probably "a little more aggressive than we should have been," but he didn't believe the figure should be a shock to the board.

"We had numerous meetings where we talked about advance construction, inflation was going out the roof, asphalt, concrete and metal prices were going out the roof," and the board had made its first priority to push projects out the door faster.

"It's going to take some time to catch back up," Doss said.

But considering the DOT's long-term shortages, he added, "I don't think [the new information is] nearly the financial crisis they've made it out to be."

The DOT has greatly increased its project spending under Perdue, aided partly by federal borrowing, but its efforts to do more projects faster to address Atlanta's congestion have been undermined by skyrocketing construction costs.

Abraham has spent her first four months in office cleaning up the DOT's books. In bringing smaller funding pots into line, she has already confronted unhappy local officials and legislators who see their projects put on hold.

That effort is peanuts compared with the larger program, which could well present Abraham with a project massacre.

The issues stem from the DOT's history of budgeting projects like an airline overbooks plane seats. The DOT overbooked its project budgets, assuming delays by local jurisdictions would give it time to catch up.