



Secretary of Transportation
South Carolina Department of Transportation

September 30, 2010

Dear Friends in the SC General Assembly:

As you know, in April of this year I provided you with "The State of SCDOT," an annual report intended to inform you about the operational and financial status of the South Carolina Department of Transportation. My purpose in writing today is to provide you with a condensed update on the state of our operations and to make you aware of some changes that have occurred since that report was issued.

SCDOT continues to maintain the fourth largest highway system in the nation, comprised of 41,460 center line miles and 8,357 bridges. Although SCDOT's primary statutory responsibility is the maintenance and operation of the state highway system and the coordination of intermodal and freight services, our key strategic goals continue to focus on increased safety, improved mobility, system preservation, economic development, conservation of natural resources and a quality, albeit reduced, workforce.

SCDOT's mission is accomplished through funding on both the federal and state level. The agency's primary funding source is the 16 cents per gallon motor fuel user fee, which has not been adjusted since 1987 and is the fourth lowest in the nation. In addition, although we have fought for and received a fairer share of the motor fuel user fees that South Carolina residents pay to the federal government, we continue to be a donor state year after year. Therefore, funding continues to be the department's biggest challenge. Based on present funding levels, the annualized shortfall for the next 20 years is \$2.4 billion in 2007 dollars and is being further complicated by increased construction and fuel costs. The SCDOT construction cost index rose by more than 60% in the last ten years.

Although the decline in our state revenues has flat-lined, SCDOT receives minimal General Fund revenues (approximately \$57,000) and the agency has had to absorb reductions in some of our key service areas. Those reductions include the closing of several rest areas and reduced maintenance of truck parking areas; significant reduction in equipment purchases; and delayed maintenance improvements, including sidewalk, catch basin, and guardrail repairs. Additionally, a hiring freeze was implemented in May that has produced 133 additional vacancies. While we have achieved cost savings to our bottom line, our work crews are working harder to stretch more out of less and our ability to meet work orders is challenging.

In spite of the tough economic times and scaled-back budgets, I would be remiss if I didn't balance this report to you by sharing some of the good things the agency has achieved during the past six months:

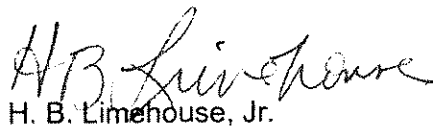
- Established the Division of Intermodal and Freight Programs, created by Act 206 of 2010. This division replaces the Division of Mass Transit and is comprised of the Office of Public Transit and Office of Railroads. This important legislation passed by the General Assembly more clearly defines the role of rail planning functions in the state,

thereby opening multiple opportunities for SCDOT to be eligible for federal rail planning funds.

- Appointment of three new deputy secretaries - John Walsh, Deputy Secretary for Engineering; Angela Feaster, Deputy Secretary for Finance and Administration; and Hart Baker, Deputy Secretary for Intermodal and Freight Programs
- Reorganized the core administrative functions of the agency, ensuring a more direct line of communication with the Secretary (Offices of Legal, Communications, Human Resources and State Governmental Affairs now report to the Secretary of Transportation)
- Ranked 6th in the Nation and 1st in the Southeast in state highway performance and cost-effectiveness by Dr. Hartgen in his 19th *Annual Highway Report* released by The Reason Foundation
- Completed the I-385 rehabilitation project ahead of schedule and under budget and with an estimated savings of \$34M to the taxpayers of South Carolina
- Completed the Palmetto Parkway ahead of schedule and under budget
- Awarded approximately \$522M in American Recovery and Reinvestment Act (ARRA) projects
- Completed the emergency bridge replacement on two bridges on mainline I-77 in 24 days
- Developed new inmate labor signs to designate work zones where non-violent offenders are performing maintenance
- Replaced 78 vehicles with hybrid vehicles through the use of federal CMAQ funds
- Instituted a roadside memorial program to honor loved ones who died in traffic crashes on the state highway system, while improving safety for the motoring public
- Partnered with DPS to reduce the number of highway fatalities on the state's roads, including the "Sober and Slammer" DUI Crackdown Campaign
- Assisted Lowcountry COG in securing a \$3.1M grant to make bus service available to connect northern Beaufort County residents with major employers, shopping centers and other services
- Received the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States for the fifth year in a row
- Represented the transportation community in economic development efforts through the Secretary's appointment as a member of the State Ports Authority Board and the Coordinating Council on Economic Development

In closing, I'd like to emphasize that our leadership and employees remain committed to carrying out the mission of SCDOT to maintain the best state highway system in the nation. I personally appreciate the partnering and support we have received from members of the General Assembly and I thank you for your service to the State of South Carolina. Please do not hesitate to contact me or my office should you have any questions or need assistance with anything.

Sincerely,



H. B. Limehouse, Jr.
Secretary of Transportation

HBL/wbn

cc: The Honorable Mark Sanford, Governor
The Honorable Members of the SCDOT Commission
SCDOT Deputy Secretaries