

OVERSIGHT HEARING AGENDA

ASSEMBLY BUDGET SUBCOMMITTEE NO. 6 ON BUDGET OVERSIGHT AND PERFORMANCE EVALUATION

Assemblymember Bob Blumenfield, Chair

THURSDAY, FEBRUARY 2, 2012

**STATE CAPITOL, ROOM 437
UPON ADJOURNMENT OF SESSION**

PERFORMANCE BASE BUDGETING: CALTRANS

1. OVERVIEW OF GOVERNOR'S EXECUTIVE ORDER
 - ❖ DEPARTMENT OF FINANCE
 - MICHAEL COHEN, CHIEF DEPUTY DIRECTOR BUDGET

2. DISCUSSION REGARDING PERFORMANCE BASED BUDGETING
 - ❖ CALTRANS
 - MARTIN TUTTLE, DEPUTY FOR PLANNING AND MODAL PROGRAMS
 - COCO BRIENO, DIVISION CHIEF, STRATEGIC PLANNING & PERFORMANCE MEASURES

 - ❖ LEGISLATIVE ANALYST'S OFFICE
 - JESSICA PETERS, FISCAL & POLICY ANALYST

3. CLOSING DISCUSSION

4. PUBLIC COMMENT

BACKGROUND

The California Department of Transportation (Caltrans) is responsible for maintaining more than 50,000 lane miles of roadway, 12,995 bridges, 713 changeable message signs and 2,208 ramp meters, maintains 26 tunnels and tubes, provides rail passenger services, provides technical assistance and loans to more than 100 general aviation airports and administers funds for local transportation projects. Caltrans has more than 20,000 employees and its proposed 2012-13 budget is \$11.2 billion, including:

- \$4.3 billion for transportation capital outlay;
- \$1.9 billion for local assistance;
- \$1.9 billion for capital outlay support, such as engineering and administrative services;
- \$1.7 billion for highway maintenance and operations; and,
- \$1.1 billion for mass transportation and rail programs.

Less than 1 percent of Caltrans' budget comes from the General Fund.

Caltrans' Use of Performance Measurement

Performance measurement appears to be deeply ingrained in Caltrans' culture. The Department has a five-person Office of Strategic Planning and Performance Measurement that is housed within the Director's Office, and has developed 55 performance measurements that it routinely tracks. Of those, 17 are described as the "vital few," or the most important measurements of how well Caltrans is performing its main objectives. Caltrans publishes a Quarterly Performance Report that details these performance measurements and recent trends. The most recent report is available on the Department's web site, with a link from the home page.

Examples of Caltrans' Performance Measurements

Caltrans' performance measurements all fit within one of the Department's five strategic goals: Safety, Mobility, Delivery, Stewardship, and Service. Among the performance measurements are:

- **Road Conditions.** The Department measures how many miles of roadway are considered "distressed," with a goal of less than 30 percent. Current data indicates 26 percent of Caltrans' road miles are distressed. (See page 24 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").
- **Congestion.** The Department measures "daily vehicle hours of delay," with a goal of reducing daily vehicle hours of delay by 30,000 hours by 2012. The most recent data – from 2009 – showed 219 daily vehicle hours of delay, well

below 582 hours in 2007. The Department acknowledges that the economic downturn and the price of gasoline are likely reducing delays. (See page 15 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").

- **Project Costs.** The Department measures total construction costs versus original allotments, with the goal of total costs not exceeding 100 percent of their allotment. (See page 22 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").
- **Speed of Decision-Making.** The Department measures how quickly Caltrans headquarters reviews and processes requests for projects and forwards them on to the Federal Highway Administration (FHWA), with a goal of all projects ready for submittal to FHWA within 30 days of request. Data shows that in the most recent quarter, 100 percent of projects met that goal. (See page 31 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").
- **Administrative Costs.** The Department measures the ratio between support costs, such as engineering and administrative costs, and the cost of the construction of a project, with a goal of support costs being less than 32 percent of construction costs. Data shows the Department's support costs were 31.7 percent in 2011, although this measurement is being reviewed. (See page 19 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").
- **Traveler Safety.** The Department measures driver fatalities per 100 million vehicle miles traveled, with a goal of 1. The Department's June report indicated there were .74 fatalities per 100 million vehicle miles traveled. (See page 13 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").
- **Response to Incidents.** The Department measures how quickly roadways are cleared after major traffic accidents/incidents, with a goal of clearing more than 60 percent of major incidents in less than 90 minutes. The latest report indicates only 27 percent of major incidents were cleared in less than 90 minutes. (See page 16 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").
- **Solo Commuters.** The Department measures the number of single occupancy vehicles as a percentage of total commute trips, with a goal of reducing solo commutes by 5 percent by 2012. Data indicates 76.1 percent of commute trips in the state in 2009 were solo, with a target of 70.3 percent in 2012. (See page 18 of "Caltrans Performance Measures for the Quarter Ending June 30, 2011").

Problems with and Limitations of Caltrans' Performance Measurements

While Caltrans clearly has a robust performance measurement program that informs Department decision-making, it is unclear whether the measurements give a full, accurate depiction of the Department's strengths and weaknesses and therefore should serve as the key tool for legislative budget and policy oversight.

In response to a question from the Committee, the Department described its weaknesses, in addition to limited and uncertain funding, as "an overly complex organization, ineffective internal and external communications, and resistance to change." It is unclear whether performance measurements are in place that can track those weaknesses and help the department address them.

In several indicators that measure the Department's ability to develop, review and complete transportation projects in an efficient and timely matter, Caltrans scores quite well. On four measurements that show how many milestones are met as a project works its way through the department, Caltrans reports that 87 percent or more of projects are meeting almost all milestones. Another measurement indicates that almost all of Caltrans' projects' total construction costs are within their original contract allotment, or cost. These indicators suggest that almost all Caltrans projects are handled within expected timeframes and budgets. Is that accurate, or has the Department's use of performance measurements steered the Department to scoring well on certain, specific measurements?

Additionally, in an April, 2011 report by the Bureau of State Audits, the auditor found that 62 percent of constructions projects during 2007-08 through 2009-10 had cost overruns in support costs, or costs associated with planning, engineering and other administrative functions. (This is referred to as capital outlay support). The auditor found several problems with the Department's tracking and reporting of administrative costs, including a lack of strong controls on personnel costs related to specific projects, that impact its performance metrics on this important issue. Caltrans is currently working to revise this process.